

INTERIM REPORT 2014/15

1 October 2014 – 30 June 2015



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9-MONTH RESULTS TO 30 JUNE 2015

- This quarter was marked by the tragic events in Tunisia at the end of June. Supporting our customers, their families and our staff through this sad time remains our highest priority.
- We are very proud of the commitment and dedication our colleagues have shown throughout this unprecedented situation.
- Strong growth in underlying EBITA which reflects the continued delivery of our strategy and resilience of our business model.
- Robust current trading overall for Summer 2015.
- Based on current trading we are confident of delivering underlying EBITA growth of 12.5 % to 15 % in the current financial year and at least 10 % underlying EBITA CAGR over the next three years¹.

Key financials

THIRD QUARTER ENDED 30 JUNE 2015

€ million	THIRD QUARTER ENDED 30 JUNE 2015		Underlying	THIRD QUARTER ENDED 30 JUNE 2015	
	Q3 2014 / 15	Q3 2013 / 14 restated ³	Change %	Q3 2014 / 15	Q3 2013 / 14 restated ³
Revenue	5,081	4,777	+6	5,081	4,777
EBITA	194	164	+18	130	92
EBITA – excluding Easter and FX ²	185	164	+13	n/a	n/a

9-MONTH PERIOD ENDED 30 JUNE 2015

€ million	9-MONTH PERIOD ENDED 30 JUNE 2015		Underlying	9-MONTH PERIOD ENDED 30 JUNE 2015	
	9M 2014 / 15	9M 2013 / 14 restated ³	Change %	9M 2014 / 15	9M 2013 / 14 restated ³
Revenue	12,021	11,247	+7	12,021	11,247
EBITA	-78	-178	+56	-239	-242
EBITA – excluding FX ²	-96	-178	+46	n/a	n/a

Note: EBITA is defined as earnings from continuing operations before income taxes, net interest expense, net expense from the measurement of interest hedges and impairment of goodwill.

¹ Assuming constant foreign exchange rates are applied to the underlying EBITA result in the current and prior year.

² Excludes the impact of foreign exchange translation and timing impact of later Easter in the prior year quarter (Q3 only).

³ Please refer to the notes to the 9-month financial statements for further explanation of prior year restatement.

Chief Executives of TUI Group, Friedrich Joussem and Peter Long, commented:

»This quarter was marked by the tragic events in Tunisia at the end of June. Supporting our customers, their families and our colleagues through this sad time remains our highest priority. We are very proud of the commitment and dedication our colleagues have shown throughout this unprecedented situation. Recent weeks have also seen continued economic uncertainty in Greece. Within our business model there is an inherent assumption that we will face a level of disruption as a result of external events.

We are continuing to deliver our growth strategy as the world's leading tourism business. In spite of the events in Tunisia and Greece, we have continued to deliver strong growth in underlying EBITA. This demonstrates the resilience of our integrated business model. Tourism earnings growth was driven by Cruise, Hotels & Resorts and a strong performance by the UK. Hotelbeds Group has also delivered growth in earnings. Based on current trading we are confident of delivering underlying EBITA growth of 12.5 % to 15 % in the current financial year and at least 10 % underlying EBITA CAGR over the next three years¹.«

UNDERLYING EBITA BRIDGE

€ million	Q3	9M
Underlying EBITA 2013 / 14	163	-182
Prior year adjustments ²	+1	+4
Underlying EBITA restated 2013 / 14	164	-178
Underlying trading	+23	+60
Tunisia	-10	-10
Profit on sale of hotel (Riu Waikiki)	-	+16
New financing Europa 2	+4	+9
Year-on-year impact of finance leases	+4	+7
Underlying EBITA 2014 / 15 excluding Easter and FX	185	-96
Easter impact	-11	-
Foreign exchange translation	+20	+18
Underlying EBITA 2014 / 15	194	-78

¹ Assuming constant foreign exchange rates are applied to the underlying EBITA result in the current and prior year.

² Please refer to the notes to the 9-month financial statements for further explanation of prior year restatement.

GROWTH IN Q3 UNDERLYING EBITA

- **Group underlying EBITA** for the quarter increased to €194 m (Q3 2013 / 14: €164 m), or to €185 m excluding the earlier timing of Easter and the positive impact of foreign exchange translation.
- Within the **Source Markets**, Northern Region delivered a strong performance in the quarter. This was offset by the impact of the events in Tunisia as well as lower profits in Central and Western Region, resulting in a €40 m lower underlying EBITA result in the quarter (excluding the impact of Easter and foreign exchange translation).
 - In **Northern Region** the UK delivered a strong trading performance despite the events in Tunisia, with higher load factors and margins.
 - In **Central Region**, the lower Q3 result arose primarily in Germany, due to a number of factors, including additional investment in distribution and continued margin pressure in what remains a competitive market.
 - In **Western Region**, the result was impacted by the events in Tunisia and higher costs in Belgium associated with the delayed entry into service of an aircraft.
- Further growth in direct distribution to **70%** (Q3 2013 / 14: 67%) of our tour operator holidays in the year to date, with online bookings accounting for **41%** (Q3 2013 / 14: 38%).
- In **Hotels & Resorts**, Riu delivered a strong performance with a significant improvement in yield, partly offset by €1 m impact from the events in Tunisia. In addition, the result includes the profit on disposal from the sale of our shareholding in Grecootel, which has crystallised primarily due to the timing of the transaction at the end of the loss-making Winter period. Overall, Hotels & Resorts underlying EBITA increased by €22 m in the quarter, excluding the impact of foreign exchange translation.
- In **Cruises**, TUI Cruises underlying EBITA grew by €11 m in the quarter, reflecting the full year benefit of Mein Schiff 3 (launched June 2014) and the launch of Mein Schiff 4 (launched June 2015). In addition, the continued turnaround of Hapag-Lloyd Kreuzfahrten and €4 m benefit from the refinancing of Europa 2 meant that Cruises delivered a €21 m increase in underlying EBITA.
- **Hotelbeds Group** increased by €6 m (excluding the impact of foreign exchange translation), driven by a 20% increase in room nights.

ROBUST CURRENT TRADING OVERALL

- 86% sold to date for Summer 2015, in line with prior year, with bookings and average selling prices up 2%.
- Capacity remixed from Tunisia to alternative destinations for Summer 2015.
- Economic uncertainty in Greece adversely impacted trading to that destination at the end of June and in the first half of July; however, we have seen an improvement in bookings in more recent weeks and cumulative bookings remain ahead of prior year.
- The situation in Greece has had a greater impact on late trading from Germany than from other source markets, and we are expecting higher pension costs in Q4 in relation to the TUIfly pension scheme. We therefore expect Germany to deliver a lower full year underlying EBITA result than prior year.
- Continued strong growth for our accommodation wholesaler bedbank, with TTV up 26% on prior year.
- Winter 2015 / 16 trading in line with expectations, good start to early trading for the UK for Summer 2016.

CONFIDENT OF DELIVERING 12.5% TO 15% GROWTH IN FULL YEAR UNDERLYING EBITA

- Based on current trading we are confident of delivering underlying EBITA growth of 12.5% to 15% in the current financial year and at least 10% underlying EBITA CAGR over the next three years¹.

¹ Assuming constant foreign exchange rates are applied to the underlying EBITA result in the current and prior year.

Delivering against our growth levers

1. DELIVER TOURISM GROWTH

MARKETING & SALES

Our goal is to achieve profitable top-line growth ahead of the market. We are capitalising on the strength of the TUI brand on a global scale. A global brand experience and a global brand identity offer many advantages for our customers, suppliers and for our employees. We are taking a phased approach to brand migration in order to mitigate risk and preserve local brand equity. Starting this Autumn, Netherlands will be the first source market to migrate, followed by France and Belgium.

Control over distribution continues to be central to our marketing and sales strategy. All source markets are focused on delivering more direct and more online sales. In the 9-month period controlled distribution grew by three percentage points to 70%. Online distribution grew by three percentage points to 41%. Good progress was made across all source markets.

In order to grow ahead of the market, we are also broadening our offering in existing source markets. This includes long-haul expansion and offering more choice of flight times and durations for our unique holidays. For example, in the UK, long-haul volumes increased by over 20% in the 9-month period, and we have introduced booking optionality for customers to choose different flight times and durations for their holiday by utilising third party flying capacity.

In addition, new source markets will deliver additional growth and increased occupancy for our hotels. These markets will be accessed by our scalable technology platform, which has already been launched in Spain.

FLIGHT

We are building a common aviation platform for our five tour operator airlines. We will act "as one" wherever it makes sense to do so, maintaining local differences where the benefit of that differentiation is greater than that of harmonisation. We expect to benefit in the areas of aircraft purchasing and financing, engineering and maintenance, one IT and joint long-haul planning and procurement. We are targeting €50m operational efficiency improvement by 2018/19, which we expect to start being delivered in the next financial year. During the 9-month period we took delivery of five B787-8s. We are currently serving our long-haul customers with a fleet of thirteen B787-8s and are expecting delivery of up to four further B787-9s by Summer 2019.

INBOUND SERVICES

Our inbound service business, which is becoming an integral part of our tour operator businesses, means that we have direct contact with the customer throughout their holiday. The importance of this role was most evident following the recent tragic events in Tunisia. We are on-track to commence the legal and IT separation of Inbound Services from Hotelbeds Group in 2015/16.

GROWTH IN ACCOMMODATION – HOTELS AND INTERNATIONAL CONCEPTS

We have identified further growth potential through the expansion of TUI's owned and controlled hotel and club brands and exclusive hotel concepts. The core hotel and club brands will be Riu, Robinson, Magic Life and the new hotel brand TUI Blue. We are targeting around 60 new hotels by 2018/19. The offering will be rounded off by the internationalisation of three core hotel concepts – Sensatori, Sensimar and Family Life.

In the 9-month period we opened two new Riu hotels in Aruba and Bulgaria, one new Riu resort in Mauritius, a new Robinson club in Tunisia and a new Magic Life club in Ibiza. We are focussed on establishing our new TUI Blue hotel brand, with an operational trial underway at a former Iberotel in Sarigerme. As part of our strategy to focus on growing our core hotel and club brands, we have sold our stake in Grecotel to our former joint venture partner.

We have also made progress on the internationalisation of our three core hotel concepts (Sensatori, Sensimar and Family Life), with the Summer 2016 launch having commenced in the UK, Germany, Nordics and Netherlands. Belgium is expected to launch in the final calendar quarter of 2015.

GROWTH IN ACCOMMODATION – CRUISES

TUI Cruises operates in the high growth, underpenetrated premium German market. We have a strong competitive advantage, having secured additional capacity. In June 2015, TUI Cruises launched Mein Schiff 4 and announced that it will add two further ships (Mein Schiff 7 & Mein Schiff 8) in 2018 and 2019, with Mein Schiff 1 and Mein Schiff 2 to be redeployed to Thomson Cruises as it modernises its fleet. With Hapag-Lloyd Kreuzfahrten, we continue to focus on luxury and expedition cruises. The successful repositioning of the brand has been completed and the turnaround is on-track for this year.

INTEGRATED PLATFORMS, INTEGRATED MANAGEMENT

Our platform development is focussed on customer experience, which in turn will drive profitable top-line growth. Our central mobility and online platforms continued to evolve. Our digital assistant app has received 1.8 million downloads to date and will be a key driver of customer engagement at every stage of the journey. Our online platform, implemented now in the UK and Nordics, continues to enhance the online customer experience and drive higher conversion rates. In addition, we are implementing a SAP-based central customer platform which will collate all information on our customers across their journey, providing a single view of the customer; and we are also implementing our eCRM platform which will support strategic marketing.

We have a strong management team with experienced commercial leaders. By integrating our management team, we are making joined-up decisions across the business, ensuring that we deliver our common goal of achieving profitable top-line growth. The flatter organisation structure announced in May is now firmly in place and working well.

2. MAXIMISE GROWTH AND VALUE OF OTHER BUSINESSES

MAXIMISING THE GROWTH AND VALUE OF HOTELBEDS GROUP AND SPECIALIST GROUP

Due to their different business models and strategies, Hotelbeds Group and Specialist Group are operated independently from the Tourism Business. Managing them separately enables us to focus more effectively on maximising their growth and value.

Hotelbeds Group is the global number one in the B2B accommodation wholesale space. This market position has been achieved predominantly by growing the business organically and we continue to outperform the market, with the bedbank delivering 27 % TTV growth in the 9-month period. The separation of Inbound Services has commenced and following its integration into the Tourism Business, Hotelbeds Group will be run as an independent business. This provides us with full flexibility and we are evaluating all options how to best proceed with the growth strategy of Hotelbeds Group. In the meantime, we continue to target 15 % – 20 % CAGR in underlying EBITA over the next three years for the accommodation wholesaler business.

The Specialist Group is run to maximise value, focussing on opportunities to improve the performance of their portfolio of businesses. In July 2015 we announced with the founders of Intrepid Travel that we would end the PEAK strategic venture, enabling us to focus on our adventure travel offering more effectively. We target underlying EBITA CAGR for the Specialist Group in line with the Tourism Business over the next three years.

HAPAG-LLOYD AG AND LATEROOMS GROUP ARE HELD FOR SALE

We continue to account for Hapag-Lloyd AG as a business held for sale. With the IPO of the "new" Hapag-Lloyd AG, agreed in the framework of their merger with CSAV, and our right to sell our remaining stake via a trade sale, we have kept all our options to completely exit container shipping open.

We announced in May 2015 that we intend to exit the LateRooms Group. The LateRooms Group provides accommodation services to final customers via the online hotel portals LateRooms, AsiaRooms and MalaPronta. LateRooms primarily operates in the UK, AsiaRooms operates in Asia and MalaPronta in Brazil. Exit will be effected by selling LateRooms and closing down AsiaRooms. The LateRooms Group available for sale as a result is therefore accounted for as discontinued operations.

3. DELIVER MERGER SYNERGIES

We are on track to deliver the merger synergies outlined at our Capital Markets Update in May 2015:

- Corporate streamlining is expected to deliver cost savings of €50 m per annum from 2016/17, mainly from the consolidation of overlapping functions. Estimated one-off integration costs of €35 m are expected in order to achieve these savings, €25 m of which have been incurred in the 9-month period.
- Our unified ownership structure enables a more efficient tax grouping and use of carried forward tax losses. A profit & loss transfer agreement between TUI AG and Leibniz-Service GmbH was approved by our shareholders in February 2015. This enabled immediate corporate restructuring for tax purposes. As a consequence, the Group's underlying effective tax rate is expected to reduce by around 7% points compared with the rate pre-merger.
- We also expect to deliver further synergies due to joint management of occupancy by source markets and group hotels. Occupancy is expected to improve by 5% points by 2016/17 as a result of integration, starting from the current financial year.
- Additional (net) cost savings of at least €20 m per annum are expected from the integration of Inbound Services into the Tourism Businesses. Estimated one-off cash costs of approximately €69 m are expected in order to achieve these savings (including P&L, capex and tax costs), €10 m of which have been incurred during the 9-month period. The separation of legal entities and IT functions from Hotelbeds will commence in 2015/16.

4. BALANCE SHEET STRENGTH, FLEXIBILITY AND STRONG CASH FLOW GENERATION

Long-term growth is supported through the operation of a flexible, asset-right business model. In order to operate more efficiently and maximise the value of our assets, we will continue to optimise the ownership structure of existing and new hotels and cruise ships. We are convinced that our asset-right strategy gives a balance of risk and returns. Capex will reflect our growth plans.

Thanks to the sustained reduction in group debt, we have further strengthened our financial stability and flexibility. We are also committed to a strict focus on SDI management and expect these to reduce significantly following delivery of merger synergies.

We are committed to improving our credit metrics following the delivery of merger synergies and the execution of our growth roadmap. We will set financial targets in the region of an Intermediate Financial Risk Profile. Our focus on rating will allow us to obtain optimal financing conditions.

With the increase in our operating profitability, the clearly noticeable decline in interest payments due to the reduction in Group debt and the more efficient tax grouping, we are committed to a progressive dividend policy. Dividends are expected to grow in line with the growth in underlying EBITA at constant currency, with an additional 10% in 2014/15 and 2015/16 as outlined at the time of the merger.

Robust current trading

SUMMER 2015

In spite of the events in Tunisia and Greece, trading is robust, with 86% of the programme sold to date, in line with last year. Bookings and average selling prices have continued to develop strongly, up 2% on prior year. We continue to increase the number of customers booked through our controlled channels, at 69% of Summer bookings to date, up two percentage points on prior year. The online channel accounts for 39% of bookings, up three percentage points. We have also continued to expand our unique concept offering and we continue to expand the level of cross-sell across our markets.

Historically, Tunisia has accounted for approximately 3% of our annual tour operator programme, and our Hotels & Resorts business manages and leases 24 properties there. The foreign offices of the UK, Belgium and Netherlands are currently advising against unnecessary travel to Tunisia. Our policy is to follow foreign office advice therefore we have cancelled flights from these source markets. To date, most customers who had booked holidays to Tunisia this Summer have rebooked with us for alternative destinations.

Bookings to Greece were impacted in late June and the first half of July by the economic uncertainty in the region, particularly from source markets Germany and Belgium. We have seen a recovery in booking volumes to Greece in recent weeks and cumulative bookings are up year-on-year. This destination accounts for approximately 10% of our annual tour operator programme, and our Hotels & Resorts business has 27 properties there, the majority of which are managed.

CURRENT TRADING¹

YoY variation %	Summer 2015			
	Total ASP ²	Total Sales ²	Total Customers ²	Programme sold (%)
Northern Region	+2	+5	+3	89
UK	+1	+6	+5	91
Nordics	+6	+2	-4	83
Central Region	+2	+4	+1	85
Germany	+4	+6	+2	85
Western Region	Flat	+1	Flat	85
Benelux	Flat	+3	+3	85
Total Source Markets	+2	+4	+2	86
Accommodation Wholesaler³	+8	+26	+17	n/a

¹ These statistics are up to 2 August 2015 and are shown on a constant currency basis.

² These statistics relate to all customers whether risk or non-risk.

³ Sales refer to total transaction value (TTV) and customers refers to roomnights.

In the UK, 91% of programme has been sold, ahead of last year, with bookings up 5%. Average selling prices are up 1% year on year reflecting the development of input costs. We have expanded our unique concepts this Summer, including the three new Sensatori resorts in Ibiza, Cyprus and Turkey, nine new Couples resorts including Split, Crete and the Algarve, and six new Splashworld resorts including Crete and Menorca. Volumes to long-haul destinations are up 16% to date, with improved margins. Trading to Jamaica and Mexico has been particularly strong. 53% of UK customers have booked online for Summer 2015, an increase of two percentage points on prior year, with direct distribution remaining at 93%.

In the Nordics, 83% of the programme has been sold, in line with last year. Booking performance reflects planned capacity reductions. The competitive market conditions experienced in 2013/14 have continued through Winter 2014/15 and the early Summer months, however late trading has been strong. The 6% increase in average selling prices reflects the reduction in capacity to focus on higher yielding product. We have opened a new Blue Village in Sardinia and have expanded our Blue Couples offering with two new Sensimar openings (see below).

In Germany, 85% of the programme has been sold, two percentage points lower than prior year. Bookings are up 2% with average selling prices up 4%, the latter reflecting higher input costs (such as accommodation) and changes in mix including an increase in long-haul bookings. The market remains competitive, putting more pressure on margins than previously anticipated. In addition, trading at the end of June and first half of July was impacted by economic uncertainty in Greece, although this has recovered in the last few weeks. These factors, coupled with anticipated additional costs in Q4 in relation to the TUfly pension scheme, mean that we expect full year underlying EBITA for Germany to be lower than prior year. We have continued to expand our unique concept offering, with two new Sensimar resorts in Croatia and Portugal. In addition bookings to Robinson clubs are up as we continue to drive sales through the tour operator. We also continue to increase the proportion of bookings made directly with us, up two percentage points to 42%. This is driven by online, with bookings through our websites up 28% on prior year.

In the Benelux countries, 85 % of programme has been sold, broadly in line with last year, with bookings up 3 %. Trading at the end of June and first half of July was impacted by economic uncertainty in Greece, particularly from Belgium, although this has recovered in the last few weeks. Trading in France continues to be challenging, especially given the recent events in Tunisia, and we have continued to reduce our capacity from this source market.

Trading in our Hotels & Resorts businesses largely reflects bookings made through our source markets. In line with our strategy to deliver synergies through joint management of occupancy by our source markets and hotels, bookings from our source markets to our target group hotels are up significantly on prior year.

Bookings and yields for TUI Cruises and Hapag-Lloyd Kreuzfahrten continue to outperform prior year, with a significant increase in capacity for the former as a result of the launches of Mein Schiff 3 last year, and Mein Schiff 4 in June 2015.

Our accommodation wholesaler continues to deliver strong TTV and roomnight growth, driven by a good performance in all regions.

WINTER 2015 / 16 AND SUMMER 2016

We are continuing to shape our programme for Winter to reflect demand in our various source markets to different destinations. At this early stage of the booking cycle, Source Market trading is in line with our expectations, with overall bookings up 1 % and average selling prices up 4 %. In the UK, which is 21 % booked (in line with prior year), customer volumes are up 4 % with strong growth in long-haul. We are also encouraged by a good start to UK bookings for Summer 2016 and we are pleased with trading for TUI Cruises' fifth ship, Mein Schiff 5, which launches next year.

Net debt and liquidity

The net debt position (cash and cash equivalents less capital market financing, loans, overdrafts and finance leases) at 30 June 2015 was €307 m (30 September 2014: net cash €293 m). The increase since year-end was driven by the typical seasonal cash outflows within the source markets. The net debt position consisted of €1,576 m of cash and cash equivalents, €211 m of current liabilities and €1,672 m of non-current liabilities. The €300 m hybrid bond was redeemed during the quarter.

Net interest expense

Net interest expense (including expense from the measurement of interest hedges) for the 9-month period improved by €40 m to €142 m net expense (9M 2013 / 14: net expense €182 m). The decrease was driven by €74 m lower convertible bond interest due to conversions in the period, partly offset by new high-yield bond interest and higher interest in relation to asset-financing (including aircraft deliveries and the refinancing of Europa 2).

Income taxes

The tax income posted for the 9-month period is partly attributable to the seasonality of the tourism business. Following the merger of TUI AG and TUI Travel PLC a reassessment of deferred tax assets on tax loss carry-forwards was performed during the second quarter. This led to a tax credit of €117 m, primarily driven by the planned reorganisation of the German tax group.

Fuel / foreign exchange

Our strategy of hedging the majority of our jet fuel and currency requirements for future seasons, as detailed below, remains unchanged. This gives us certainty of costs when planning capacity and pricing. The following table shows the percentage of our forecast requirement that is currently hedged for Euros, US Dollars and jet fuel for our former TUI Travel businesses.

	Summer 2015	Winter 2015 / 16	Summer 2016
Euro	96 %	91 %	67 %
US Dollars	95 %	83 %	57 %
Jet Fuel	93 %	83 %	64 %

As at 7 August 2015

Based on exchange rates at current levels we anticipate a favourable impact of at least €60 m from foreign exchange translation on the full year underlying EBITA result, primarily due to the translation of peak season profits from Sterling and US dollar denominated operations.

Outlook

In spite of the tragic events in Tunisia and economic uncertainty in Greece, we have delivered strong underlying EBITA growth in the quarter and Summer 2015 trading remains robust. Winter 2015 / 16 trading is in line with our expectations, and we are pleased with early trading for Summer 2016 in the UK. Our resilient business model, with its scale and strong supplier relationships, means that we are able to flex our tour operator programme in response to changes in customer demand. Our portfolio of businesses means that we continue to deliver growth in earnings even when we face challenges in specific parts of the Group. Based on current trading we are confident of delivering underlying operating profit growth of 12.5 % to 15 % in the current financial year and at least 10 % underlying EBITA CAGR over the next three years¹.

¹ Assuming constant foreign exchange rates are applied to the underlying EBITA result in the current and prior year.

TUI GROUP – FINANCIAL HIGHLIGHTS

€ million	Q3 2014/15	Q3 2013/14 restated	Var. %	9M 2014/15	9M 2013/14 restated	Var. %
Turnover	5,081.1	4,777.0	+6.4	12,021.2	11,247.4	+6.9
Underlying EBITA¹						
Northern Region	107.0	99.1	+8.0	-2.6	-25.1	+89.6
Central Region	-4.2	29.9	n.a.	-97.9	-46.8	-109.2
Western Region	-11.1	2.0	n.a.	-72.8	-67.8	-7.4
Hotels & Resorts	67.3	41.7	+61.4	122.9	74.4	+65.2
Cruises	19.3	-1.5	n.a.	37.6	-17.7	n.a.
Other Tourism	-20.6	-21.9	+5.9	-40.2	-42.1	+4.5
Tourism	157.7	149.3	+5.6	-53.0	-125.1	+57.6
Specialist Group	24.5	20.5	+19.5	5.2	2.9	+79.3
Hotelbeds Group	30.6	23.6	+29.7	38.4	31.2	+23.1
All other segments	-18.6	-29.7	+37.4	-69.0	-86.7	+20.4
TUI Group	194.2	163.7	+18.6	-78.4	-177.7	+55.9
Discontinued operation	-0.8	-0.8	-	-10.1	-6.1	-65.6
Total	193.4	162.9	+18.7	-88.5	-183.8	+51.8
EBITA²	129.8	91.9	+41.2	-239.1	-242.2	+1.3
Underlying EBITDA	297.8	248.2	+20.0	193.2	59.2	+226.4
EBITDA	249.6	190.1	+31.3	78.4	35.7	+119.6
Net profit/loss for the period	49.4	-5.6	n.a.	-169.3	-355.6	+52.4
Earnings/loss per share	€ 0.05	-0.13	n.a.	-0.37	-1.09	+66.1
Equity ratio (30 June) ³	% 11.7	10.2	+1.5 ³	11.7	10.2	+1.5
Investments in other intangible assets and property, plant and equipment	315.3	265.7	+18.7	1,348.1	571.8	+135.8
Net debt (30 June)	-307.2	-324.8	+5.4	-307.2	-324.8	+5.4
Employees (30 June)	77,903	76,539	+1.8	77,903	76,539	+1.8

Differences may occur due to rounding

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

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

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

INTERIM MANAGEMENT REPORT

TUI Group fundamentals: Structure and strategy

REPORTING STRUCTURE

In the present Interim Financial Report for Q3 2014/15 the new TUI Group reports in the reporting structure introduced for the H1 2014/15.

GROUP TARGETS AND STRATEGY

The new TUI Group continues to pursue its strategy as presented in May 2015. A summary of that strategy is found in the introduction of the present report.

RESEARCH AND DEVELOPMENT

As a tourism service provider, TUI does not engage in research and development activities in the narrower sense of the term.

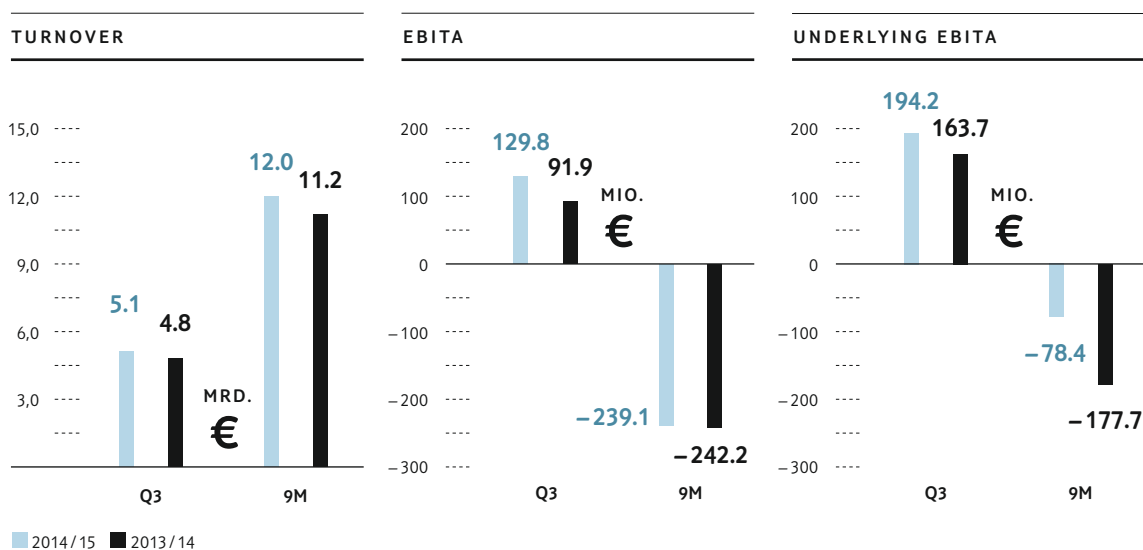


*New reporting structure
see TUI AG Half-Year
Financial Report 2014/15
from page 3*



Details on pages 3 et seq.

Summary by segment



Turnover

TURNOVER						
€ million	Q3 2014/15	Q3 2013/14	Var. %	9M 2014/15	9M 2013/14	Var. %
Northern Region	1,866.3	1,660.0	+12.4	4,025.1	3,629.6	+10.9
Central Region	1,406.4	1,393.4	+0.9	3,341.4	3,222.3	+3.7
Western Region	772.0	782.8	-1.4	1,687.0	1,711.1	-1.4
Hotels & Resorts	135.8	105.0	+29.3	381.2	316.6	+20.4
Cruises	63.8	63.9	-0.2	200.0	213.1	-6.1
Other Tourism	96.5	95.9	+0.6	328.9	319.7	+2.9
Tourism	4,340.8	4,101.0	+5.8	9,963.6	9,412.4	+5.9
Specialist Group	462.8	395.5	+17.0	1,355.5	1,166.6	+16.2
Hotelbeds Group	259.3	262.0	-1.0	654.7	631.6	+3.7
All other segments	18.2	18.5	-1.6	47.4	36.8	+28.8
TUI Group	5,081.1	4,777.0	+6.4	12,021.2	11,247.4	+6.9
Discontinued operation	18.5	18.9	-2.1	49.8	52.2	-4.6
Total	5,099.6	4,795.9	+6.3	12,071.0	11,299.6	+6.8

At €5.1 bn, the TUI Group's turnover rose by 6.4% year-on-year in Q3 2014/15, driven mainly by foreign exchange effects. Turnover increased by 0.3% on a constant current basis. Customer numbers were flat year-on-year in Q3 which reflects the earlier timing of Easter.

Accumulated turnover for 9M 2014/15 amounted to €12.0bn, up 6.9% year-on-year. On a constant currency basis, turnover grew by 2.3% outperforming the growth in customer numbers of 1.2%.

EBITA

UNDERLYING EBITA

€ million	Q3 2014/15	Q3 2013/14 restated	Var. %	9M 2014/15	9M 2013/14 restated	Var. %
Northern Region	107.0	99.1	+8.0	-2.6	-25.1	+89.6
Central Region	-4.2	29.9	n.a.	-97.9	-46.8	-109.2
Western Region	-11.1	2.0	n.a.	-72.8	-67.8	-7.4
Hotels & Resorts	67.3	41.7	+61.4	122.9	74.4	+65.2
Cruises	19.3	-1.5	n.a.	37.6	-17.7	n.a.
Other Tourism	-20.6	-21.9	+5.9	-40.2	-42.1	+4.5
Tourism	157.7	149.3	+5.6	-53.0	-125.1	+57.6
Specialist Group	24.5	20.5	+19.5	5.2	2.9	+79.3
Hotelbeds Group	30.6	23.6	+29.7	38.4	31.2	+23.1
All other segments	-18.6	-29.7	+37.4	-69.0	-86.7	+20.4
TUI Group	194.2	163.7	+18.6	-78.4	-177.7	+55.9
Discontinued operation	-0.8	-0.8	-	-10.1	-6.1	-65.6
Total	193.4	162.9	+18.7	-88.5	-183.8	+51.8

EBITA

€ million	Q3 2014/15	Q3 2013/14 restated	Var. %	9M 2014/15	9M 2013/14 restated	Var. %
Northern Region	101.3	95.4	+6.2	-21.8	7.9	n.a.
Central Region	-18.2	20.4	n.a.	-119.8	-62.4	-92.0
Western Region	-13.7	-3.0	-356.7	-81.4	-83.3	+2.3
Hotels & Resorts	64.1	40.7	+57.5	86.3	70.7	+22.1
Cruises	19.3	1.7	n.a.	37.6	-1.7	n.a.
Other Tourism	-21.2	-21.3	+0.5	-45.8	-46.6	+1.7
Tourism	131.6	133.9	-1.7	-144.9	-115.4	-25.6
Specialist Group	15.7	18.4	-14.7	-12.0	-11.2	-7.1
Hotelbeds Group	23.7	-34.9	n.a.	16.9	-34.8	n.a.
All other segments	-41.2	-25.5	-61.6	-99.1	-80.8	-22.6
TUI Group	129.8	91.9	+41.2	-239.1	-242.2	+1.3
Discontinued operation	-1.2	-1.6	+25.0	-23.1	-7.5	-208.0
Total	128.6	90.3	+42.4	-262.2	-249.7	-5.0

For the management of the TUI Group key indicators of relevance to TUI are EBITA and underlying EBITA. We regard EBITA as the indicator best suited to explain the TUI Group's operating performance. EBITA comprises earnings before net interest result, income tax and impairment of goodwill excluding losses on container shipping measured at equity and excluding the result from the measurement of interest hedges.

UNDERLYING EBITA: TUI GROUP

€ million	Q3 2014/15	Q3 2013/14 restated	Var. %	9M 2014/15	9M 2013/14 restated	Var. %
EBITA	129.8	91.9	+41.2	-239.1	-242.2	+1.3
Gains on disposal	-1.6	-2.9		-0.6	-2.4	
Restructuring	+29.1	+16.3		+45.6	+32.0	
Purchase price allocation	+21.5	+17.4		+56.7	+50.5	
Other one-off items	+15.4	+41.0		+59.0	-15.6	
Underlying EBITA	194.2	163.7	+18.6	-78.4	-177.7	+55.9

In order to explain and evaluate the operating performance of the segments, earnings adjusted for special one-off effects (underlying EBITA) are presented below. Underlying earnings have been adjusted for gains on disposal of financial investments, expenses in the framework of restructuring measures according to IAS 37, all effects of purchase price allocations, ancillary acquisition costs and conditional purchase price payments, and other expenses for and income from one-off items.

The one-off items carried as adjustments are income and expense items impacting or distorting the assessment of the operating profitability of the Sectors and the Group due to their levels and frequencies. These one-off items include, in particular, major restructuring and integration expenses not meeting the criteria of IAS 37, major expenses for litigation, profits and losses from the sale of aircraft and other material business transactions with a one-off character.

In the first nine months of financial year 2014/15 one-off income of €10.2 m and one-off costs of €114.2 m (excluding purchase price allocations) were adjusted.

GAINS ON DISPOSAL

In 9M 2014/15, gains on disposal of €0.6 m relates, in particular, to capital decreases in subsidiaries.

RESTRUCTURING COSTS

In 9M 2014/15 restructuring costs of €45.6 m were carried as adjustments. This amount included €24.8 m for the restructuring of the corporate centre and €6.5 m for the planned integration of incoming agencies into the source market organisations. A further €12.6 m related to reorganisation schemes in source markets Germany, Benelux and Nordic. An additional amount of €2.0 m was incurred for restructuring measures in the Hotelbeds segment.

EXPENSES FOR PURCHASE PRICE ALLOCATIONS

In 9M 2014/15, expenses for purchase price allocations of €56.7 m relate, in particular, to scheduled amortisation of intangible assets from acquisitions made in prior years.

OTHER ONE-OFF ITEMS




Net expenses for one-off items of €59.0 m comprised an amount of €16.2 m for the source markets. Apart from expenses for the commissioning of new Boeing B787 Dreamliners of €6.8 m, further costs of €3.8 m, incurred for strikes staged at Corsair in connection with the originally planned sale of the company, are shown as adjustments. A further €6.5 m related to restructuring measures in Germany, Belgium and France. In the Hotels & Resorts segment, adjustments comprised an amount of €18.2 m for write-downs of input tax assets of an Italian subsidiary and transfers to provisions for a pending litigation in connection with the acquisition of a Turkish hotel worth €14.2 m. In the Hotelbeds Group segment, adjustments consisted of expenses of €3.1 m for the planned integration of the incoming agencies into the source market organisations.

Tourism

The Tourism business comprises Northern Region (UK, Nordics, Canada, Russia), Central Region (Germany, Austria, Switzerland, Poland), Western Region (Belgium, Netherlands, France), Hotels & Resorts (including former TUI Travel hotels), Cruises and Other tourism (Corsair and central tourism functions).

Our key operating indicators developed as follows in our main source markets:

SOURCE MARKETS

DIRECT DISTRIBUTION MIX ¹ in %		ONLINE MIX ² in %		CUSTOMERS ³ '000	
					
2014/15 2013/14		2014/15 2013/14		2014/15 2013/14	
SOURCE MARKETS					
Q3	9M	Q3	9M	Q3	9M
69	70	40	41	5,436	11,455
67	67	37	38	5,440	11,318
NORTHERN REGION					
Q3	9M	Q3	9M	Q3	9M
92	91	57	58	2,015	4,116
92	90	54	55	1,987	4,065
CENTRAL REGION					
Q3	9M	Q3	9M	Q3	9M
48	49	16	16	1,991	4,251
45	45	13	13	2,038	4,218
WESTERN REGION					
Q3	9M	Q3	9M	Q3	9M
66	68	47	49	1,430	3,088
66	66	44	45	1,416	3,035

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

² Share of online sales

³ Germany customers restated to include seat only sales distributed by TUIfly.com

NORTHERN REGION

Northern Region comprises TUI's tour operators and airlines and the cruise business in the UK, Ireland and the Nordics. The segment also comprises the strategic stake held in Sunwing in Canada and TUI Russia, operating in the CIS countries.

NORTHERN REGION – KEY FIGURES

€ million	Q3 2014/15	Q3 2013/14 restated	Var. %	9M 2014/15	9M 2013/14 restated	Var. %
Turnover	1,866.3	1,660.0	+12.4	4,025.1	3,629.6	+10.9
Underlying EBITA	107.0	99.1	+8.0	-2.6	-25.1	+89.6
EBITA	101.3	95.4	+6.2	-21.8	7.9	n.a.

In the period under review, TUI tour operators in the Northern Region continued to improve. Underlying EBITA improved by €7.9 m to €107.0 m in Q3 2014/15 despite charges of €7 m caused by the attack in Tunisia in June 2015. This included a negative effect of €10 m from the early timing of Easter in 2015, offset by a positive foreign exchange effect of €12 m.

In the first nine months of 2014/15 the Northern Region recorded an increase in customer numbers of 1.3 % year-on-year, in particular due to the expansion of the long-haul programme offered by TUI UK. Turnover grew by 3.1 % on a constant currency basis. The seasonal loss (underlying EBITA) of the Northern Region declined by €22.5 m to €-2.6 m in the first nine months despite the adverse impact of the attack in Tunisia. In the accumulated reporting period a positive foreign exchange effect of €1.4 m was included.

The UK delivered improved results on the back of good load factors and strong pricing, both in Q3 and 9M 2014/15. Customer numbers rose by 4.0 % in the first nine months. This increase was driven by the expansion of the Boeing B787 long-haul programme, which recorded an increase in customer numbers of 20 %, and the growth in demand for TUI unique holidays. Online distribution accounted for 54 % of bookings.

In the accumulated reporting period, the Nordics recorded an increase in its performance versus the prior year, driven, in particular, by improved margins. Apart from reduced capacity on highly competitive routes, this increase also reflected enhanced operational efficiency due to the One Nordic programme. Online distribution continued to increase to 70 % of overall bookings, up 1 percentage point.

Our strategic stake in the Canadian Sunwing company also delivered a better performance in the first nine months, essentially driven by the further expansion of the differentiated hotel offering in the Caribbean and Mexico.

CENTRAL REGION

Central Region comprises the TUI tour operators in Germany, Austria, Switzerland and Poland and the TUIfly airline.

CENTRAL REGION – KEY FIGURES

€ million	Q3 2014/15	Q3 2013/14 restated	Var. %	9M 2014/15	9M 2013/14 restated	Var. %
Turnover	1,406.4	1,393.4	+0.9	3,341.4	3,222.3	+3.7
Underlying EBITA	-4.2	29.9	n.a.	-97.9	-46.8	-109.2
EBITA	-18.2	20.4	n.a.	-119.8	-62.4	-92.0

In Q3 2014/15, the performance of the Central Region continued to fall short of the prior year. The increase in customer numbers of 0.8% in 9M 2014/15 resulted in turnover growth of 3.7%.

The seasonal loss (underlying EBITA) rose by €51.1 m to €-97.9 m year-on-year in 9M 2014/15.

Following the performance in the Winter season 2014/15 in Germany, which had already been impacted by strong margin pressure in the Canaries, a significant winter destination, as well as long-haul destinations, the performance in Q3 2014/15 also fell short of the prior year's levels. This was due to a number of factors including investment in distribution and continued margin pressure in what remains a competitive market. There was also a negative €1 m impact from the earlier timing of Easter. Economic uncertainty in Greece has had a greater impact on late trading from Germany than from other source markets.

In Germany customer numbers declined slightly year-on-year in Q3 2014/15 so that growth in customer numbers fell to 1.1% for 9M 2014/15. Direct distribution increased to 48%. Online distribution accounted for 15% of all bookings.

WESTERN REGION

Western Region combines TUI tour operators and Group-owned airlines in Belgium, the Netherlands and tour operators in France.

WESTERN REGION – KEY FIGURES

€ million	Q3 2014/15	Q3 2013/14 restated	Var. %	9M 2014/15	9M 2013/14 restated	Var. %
Turnover	772.0	782.8	-1.4	1,687.0	1,711.1	-1.4
Underlying EBITA	-11.1	2.0	n.a.	-72.8	-67.8	-7.4
EBITA	-13.7	-3.0	-356.7	-81.4	-83.3	+2.3

In the first nine months, turnover by the Western Region declined by 1.4% despite an increase in customer numbers of 1.8%. The seasonal loss (underlying EBITA) rose by €13.1 m to €-11.1 m in Q3 2014/15. This amount included the adverse impact of €1.5 m caused by the attack in Tunisia in June 2015. In the first nine months, the loss rose by €5.0 m to €-72.8 m.

The French market remained difficult in Q3 in particular for travel to North Africa. Due to the further reduction in unprofitable capacity, TUI France achieved further cost savings. In Belgium, the result was impacted by additional charter costs caused by the delayed entry into service of an aircraft.

Hotels & Resorts

The Hotels & Resorts segment comprises all hotels and hotel companies of the TUI Group including the hotel business of former TUI Travel.



HOTELS & RESORTS – KEY FIGURES

€ million	Q3 2014/15	Q3 2013/14 restated	Var. %	9M 2014/15	9M 2013/14 restated	Var. %
Total turnover	316.9	291.3	+8.8	816.9	749.1	+9.1
Turnover	135.8	105.0	+29.3	381.2	316.6	+20.4
Underlying EBITA	67.3	41.7	+61.4	122.9	74.4	+65.2
EBITA	64.1	40.7	+57.5	86.3	70.7	+22.1

Total turnover by the Hotels & Resorts segment rose by 8.8% to €316.9m in Q3 2014/15. In 9M 2014/15, it totalled €816.9m, up 9.1% year-on-year. Due to overall sound demand in the first nine months on a slight increase in capacity year-on-year, occupancy showed a very positive development. Revenues per bed also grew significantly year-on-year. Turnover with non-Group third parties rose by 29.3% to €135.8m in Q3 2014/15. It amounted to €381.2m in 9M 2014/15, up 20.4% year-on-year.

In 9M 2014/15, the Hotels & Resorts segment benefited, in particular, from the persistently positive performance of the strong hotel brands Riu, Robinson and Iberotel. The growth strategy was consistently continued in the period under review. In the first nine months, two new Riu hotels, one new Riu resort, one new Robinson Club and one new Magic Life Club were opened. Underlying earnings amounted to €67.3m in Q3 2014/15, up €25.6m year-on-year. Accumulated underlying earnings for the first nine months of 2014/15 amounted to €122.9m, up €48.5m. This amount includes the book profit of €16m from the sale of a Riu hotel and a positive foreign exchange effect of €8m. Earnings were adversely affected by an amount of €1m caused by the attack in Tunisia.

HOTELS & RESORTS

CAPACITY ¹ '000		OCCUPANCY RATE ² in %		AVERAGE REVENUE PER BED ³ in €	
	2014/15 2013/14		2014/15 2013/14	€	2014/15 2013/14
HOTELS TOTAL⁴					
Q3	9M	Q3	9M	Q3	9M
6,435	17,199	78.9	78.9	54.94	58.60
6,424	17,125	78.6	76.6	49.03	53.47
RIU					
Q3	9M	Q3	9M	Q3	9M
4,501	12,726	81.6	83.1	52.93	57.46
4,492	12,690	83.1	82.2	45.84	50.74
ROBINSON					
Q3	9M	Q3	9M	Q3	9M
826	1,929	71.0	67.9	84.63	87.87
795	1,955	70.7	68.3	82.14	87.07
IBEROTEL					
Q3	9M	Q3	9M	Q3	9M
654	1,786	70.6	63.3	41.40	42.78
676	1,777	59.3	48.5	37.59	40.58

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

² Occupied beds divided by capacity

³ Arrangement revenue divided by occupied beds

⁴ Adjusted for KPIs of Grecotel; excl. former TUI Travel hotels

RIU

Riu, one of Spain's leading hotel chains, operated a total of 103 hotels at the end of 9M 2014/15. Capacity increased slightly by 0.3% year-on-year to 12.7 m hotel beds in the first nine months of the year. At 83.1%, average occupancy of Riu hotels rose by 0.9 percentage points year-on-year in 9M 2014/15. This increase reflects, in particular, the strong demand for hotels in the Balearic Islands. Average revenues per bed grew by 13.2%.

In 9M 2014/15, business developed as follows in the individual regions:

Riu hotels in the Canaries managed to offset the slight year-on-year decline in occupancy of 1.3 percentage points to 89.1% by a significant increase in average revenues per bed of 8.2%.

Riu hotels in the Balearics also recorded a very positive performance in the period under review. At 72.0%, occupancy of Riu hotels rose by 5.3 percentage points year-on-year.

Average occupancy of Riu hotels in mainland Spain was down 0.4 percentage points on the prior year at 76.2%.

In the long-haul business, Riu hotels recorded average occupancy of 81.8%, up by 0.9 percentage points year-on-year. This increase was driven by higher occupancy of hotels in Jamaica and Mexico. Average revenues per bed in long-haul destinations grew by 15.5% year-on-year, partly driven by foreign exchange effects.

ROBINSON

At the end of the reporting period, Robinson, market leader in the premium club holiday segment, was operating a total of 22 out of 24 club facilities. Capacity declined by 1.4% in 9M 2014/15. This reduction in capacity resulted from the sale of three Club resorts, previously owned by Robinson. All three Club resorts continue to be operated under the Robinson brand as management operations.

In the accumulated reporting period, occupancy of the Robinson Group was 0.4 percentage points down year-on-year. Average revenues per bed rose slightly by 0.9% year-on-year, in particular due to the sale of the club resorts in Switzerland, which generate high prices, in Q2 2013/14. Adjusted for the Swiss club facilities, the average rate grew by 2.3%.

IBEROTEL

At the end of 9M 2014/15, 25 facilities were operated in Egypt, the United Arab Emirates, Turkey, Italy and Germany. Capacity rose slightly by 0.5% year-on-year. Overall occupancy of Iberotels grew year-on-year by 14.8 percentage points to 63.3%. This positive development was above all driven by closer cooperation with the Group's tour operators and a recovery in demand for hotels in Egypt. Average revenues per bed also rose by 5.4% year-on-year.

Cruises

As before, the Cruises segment comprises Hapag-Lloyd Kreuzfahrten and the joint venture TUI Cruises.

CRUISES – KEY FIGURES

€ million	Q3 2014/15	Q3 2013/14 restated	Var. %	9M 2014/15	9M 2013/14 restated	Var. %
Turnover	63.8	63.9	-0.2	200.0	213.1	-6.1
Underlying EBITA	19.3	-1.5	n.a.	37.6	-17.7	n.a.
EBITA	19.3	1.7	n.a.	37.6	-1.7	n.a.

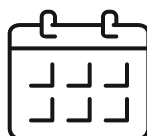
At €200.0m in 9M 2014/15, turnover by Hapag-Lloyd Kreuzfahrten was down 6.1% on the respective prior year result. This was attributable to the decommissioning of Columbus 2 from the fleet in April 2014. No turnover is carried for TUI Cruises as the joint venture is measured at equity in the consolidated financial statements.

In Q3 2014/15, underlying earnings by the Cruises segment rose by €20.8m year-on-year to €19.3m. Accumulated underlying earnings for 9M 2014/15 totalled €37.6m, up by €55.3m year-on-year. Apart from a considerable improvement in the operating performance of Hapag-Lloyd Kreuzfahrten, the overall positive performance of the segment was also driven by lower financing costs due to the acquisition of Europa 2 totalling around €9m on an accumulated basis. With the successful market launch of Mein Schiff 3 in June 2014 and Mein Schiff 4 in June 2015, TUI Cruises continued to expand its competitive position and again delivered a very successful performance in the period under review.

CRUISES

OCCUPANCY¹ in %2014/15
2013/14

PASSENGER CRUISE DAYS '000

2014/15
2013/14AVERAGE DAILY RATES² in €2014/15
2013/14

HAPAG-LLOYD KREUZFAHRTEN

Q3	9M
76.0	74.5
67.5	66.8

Q3	9M
85.2	253.5
90.9	315.0

Q3	9M
510	519
427	422

TUI CRUISES

Q3	9M
101.0	100.9
99.4	100.8

Q3	9M
646.5	1,810.3
374.4	1,068.7

Q3	9M
174	158
183	159

¹ Occupied beds divided by capacity, based on double occupancy

² Per day and passenger

HAPAG-LLOYD KREUZFAHRTEN

The positive operating performance of Hapag-Lloyd Kreuzfahrten continued in 9M 2014/15. Fleet occupancy improved by 7.7 percentage points year-on-year to 74.5%. The average rate per passenger per day rose substantially by 23.0% to €519. As Hapag-Lloyd focuses its fleet on luxury and expedition cruises and Columbus 2 left the fleet in April 2014, passenger days declined by 19.5% year-on-year to 253,531 in the first nine months of 2014/15.

TUI CRUISES

In 9M 2014/15, TUI Cruises continued its positive performance. At 100.9%, occupancy of the ships (based on double occupancy) matched the very high level of the prior year. Due to the expansion of the TUI Cruises fleet to include Mein Schiff 3 in June 2014 and Mein Schiff 4 in June 2015, capacity grew to 1,810,313 passenger days and thus rose substantially year-on-year. The average rate per passenger per day totalled €158, matching the prior year's level.

In July 2015, TUI Cruises announced that it had ordered two further cruise ships on top of the vessels already ordered, Mein Schiff 5 and Mein Schiff 6, in line with its expansion plans. The two newbuilds, also to be built by Meyer Turku shipyard in Finland, will enlarge TUI Cruises' fleet from 2018 or 2019 and strengthen TUI's leadership position in the premium segment.

Specialist Travel

Specialist Travel comprises the segments Specialist Group and Hotelbeds Group. These are operated separately from the Tourism business as they have different business models.

SPECIALIST GROUP

SPECIALIST GROUP – KEY FIGURES

€ million	Q3 2014/15	Q3 2013/14 restated	Var. %	9M 2014/15	9M 2013/14 restated	Var. %
Turnover	462.8	395.5	+17.0	1,355.5	1,166.6	+16.2
Underlying EBITA	24.5	20.5	+19.5	5.2	2.9	+79.3
EBITA	15.7	18.4	-14.7	-12.0	-11.2	-7.1

The Specialist Group segment combines the specialist and adventure tour operators in Europe, North America and Australia. In 9M 2014/15, turnover by the segment rose by 16.2% to €1.4 bn.

The Specialist Group reported growth in the underlying operating result of €2.4 m to €5.2 m in 9M 2014/15. This included a positive translation effect of €6 m.

In July 2015, the TUI Group and the Australian tour operator Intrepid ended their strategic venture in active and adventure travel, launched in 2011. The Peak Adventure Travel Group created in the framework of this partnership was dissolved by mutual consent. In future, the TUI Group will operate a new Adventure Specialist Division, combining several premium adventure and active travel tour operators.

HOTELBEDS GROUP

HOTELBEDS GROUP – KEY FIGURES

€ million	Q3 2014/15	Q3 2013/14 restated	Var. %	9M 2014/15	9M 2013/14 restated	Var. %
Turnover	259.3	262.0	-1.0	654.7	631.6	+3.7
Underlying EBITA	30.6	23.6	+29.7	38.4	31.2	+23.1
EBITA	23.7	-34.9	n.a.	16.9	-34.8	n.a.

The Hotelbeds Group segment pools the online services and incoming agencies. Turnover by the segment rose by 3.7% to €654.7 m in 9M 2014/15. At an underlying operating result of €38.4 m, the Hotelbeds Group recorded a positive performance in 9M 2014/15. The result for the first nine months included a positive foreign exchange effect of €4 m. The B2B portals (Accommodation Wholesaler) recorded an increase in the transaction volume of 27% year-on-year. All markets reported sound growth rates.

All other segments

All other segments comprise, in particular, the corporate centre functions of TUI AG and the intermediate holdings as well as the Group's real estate companies.

ALL OTHER SEGMENTS – KEY FIGURES

€ million	Q3 2014/15	Q3 2013/14 restated	Var. %	9M 2014/15	9M 2013/14 restated	Var. %
Turnover	18.2	18.5	–1.6	47.4	36.8	+28.8
Underlying EBITA	–18.6	–29.7	+37.4	–69.0	–86.7	+20.4
EBITA	–41.2	–25.5	–61.6	–99.1	–80.8	–22.6

In Q3 2014/15, expenses (underlying EBITA) by All other segments declined by €–11.1 m to €–18.6 m year-on-year. Accumulated underlying EBITA for the first nine months of 2014/15 totalled €–69.0 m for 9M 2014/15, improving by €17.7 m year-on-year. The improvement was driven by the ongoing implementation of the Lean Centre programme including the discontinuation of all sponsorship activities.

Consolidated earnings

CONSOLIDATED PROFIT AND LOSS STATEMENT FOR THE PERIOD FROM 1 OCT 2014 TO 30 JUN 2015

€ million	Q3 2014/15	Q3 2013/14 restated	Var. %	9M 2014/15	9M 2013/14 restated	Var. %
Turnover	5,081.1	4,777.0	+6.4	12,021.2	11,247.4	+6.9
Cost of sales	4,569.9	4,326.3	+5.6	11,151.2	10,421.2	+7.0
Gross profit	511.2	450.7	+13.4	870.0	826.2	+5.3
Administrative expenses	418.9	388.0	+8.0	1,234.0	1,118.7	+10.3
Other income	+14.5	+7.0	+107.1	+44.6	+23.5	+89.8
Other expenses	+5.6	+0.4	n.a.	+6.9	+1.9	+263.2
Financial income	0.1	6.4	-98.4	16.1	20.3	-20.7
Financial expenses	35.6	66.2	-46.2	155.8	205.6	-24.2
Share of result of joint ventures and associates	29.5	10.5	+181.0	85.9	-14.4	n.a.
Earnings before income taxes	95.2	20.0	+376.0	-380.1	-470.6	+19.2
Reconciliation to underlying EBITA:						
Earnings before income taxes	95.2	20.0	+376.0	-380.1	-470.6	+19.2
less: Gains/losses on Container Shipping measured at equity	-	9.5	n.a.	-0.9	46.0	n.a.
plus: Net interest expense and expense from the measurement of interest hedges	34.6	62.4	-44.6	141.9	182.4	-22.2
EBITA	129.8	91.9	+41.2	-239.1	-242.2	+1.3
Adjustments:						
less: Gains on disposals	-1.6	-2.9		-0.6	-2.4	
plus: Restructuring expense	29.1	16.3		45.6	32.0	
plus: Expense from purchase price allocation	21.5	17.4		56.7	50.5	
plus: expense/less: income from other one-off items	15.4	41.0		59.0	-15.6	
Underlying EBITA	194.2	163.7	+18.6	-78.4	-177.7	+55.9
Earnings before income taxes from continuing operations	95.2	20.0	+376.0	-380.1	-470.6	+19.2
Income taxes	44.8	22.1	+102.7	-230.8	-122.4	-88.6
Result from continuing operations	50.4	-2.1	n.a.	-149.3	-348.2	+57.1
Result from discontinued operation	-1.0	-3.5	+71.4	-20.0	-7.4	-170.3
Group profit/loss for the year	49.4	-5.6	n.a.	-169.3	-355.6	+52.4
Group profit/loss for the year attributable to shareholders of TUI AG	29.2	-26.4	+n.a.	-172.3	-256.2	+32.7
Group profit/loss for the year attributable to non-controlling interest	20.2	20.8	-2.9	3.0	-99.4	n.a.

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



See page 12

TURNOVER AND COST OF SALES

In 9M 2014/15, turnover totalled €12.0 bn, up by 6.9% year-on-year. The increase amounted to 2.3% on a constant currency basis. Turnover is presented alongside the cost of sales, which rose by 7.0% in the first nine months. A detailed breakdown of turnover and a review thereof is presented in the section Summary by segment.

GROSS PROFIT

At €870.0 m, gross profit as the balance of turnover and the cost of sales was up by €43.8 m year-on-year in 9M 2014/15.

ADMINISTRATIVE EXPENSES

In 9M 2014/15, they totalled €1,234.0 m, up by €115.3 m on the prior year. This increase was mainly driven by foreign exchange effects, additions to provisions for a pending litigation in connection with the acquisition of a Turkish hotel and write-downs of input tax assets of a subsidiary in Italy.

OTHER INCOME / OTHER EXPENSES

Other income in 9M 2014/15 totals €44.6 m, comprising book profits from the sale of a Riu hotel in December 2014 (€16.9 m) and the sale of two Greek hotel companies in Q3 2014/15 (€10.1 m). Further income was generated from sale-and-lease-back transactions with aircraft and the sale of two hotels of the Specialist Group.

Other expenses totalled €6.9 m for the first nine months of 2014/15, resulting, in particular, from foreign exchange losses in connection with capital decreases and liquidations of subsidiaries and expenses for sale-and-lease-back transactions with aircraft.

FINANCIAL RESULT

The financial result improved from €–185.3 m in 9M 2013/14 to €–139.7 m in the first nine months of financial year 2014/15. This improvement is attributable to changes in the structure of the financial debt. All convertible bonds were fully converted in financial year 2014/15. The interest expense for the convertible bonds therefore declined by €74.0 m. TUI AG also repaid a bank loan of €100.0 m in August 2014. As a result, the interest expense fell by a further €10.5 m.



Details see TUI AG's Half-Year Financial Report 2014/15 page 47 et seq.

The new funding scheme in connection with the merger between TUI AG and TUI Travel PLC had offsetting effects. The credit line granted to TUI Travel PLC was replaced by a credit line granted to TUI AG. Accordingly, the borrowing costs of €14.2 m previously carried as prepaid expenses for the credit facility were fully recognised through profit and loss in Q1 2014/15. Moreover, the high-yield bond issued previous by TUI AG in September 2014 worth €300.0 m resulted in interest expenses of €11.2 m. In addition, the acquisition of Europa 2 led to an increase in financial liabilities and a rise in interest expenses of €7.0 m. Due to the increase in finance lease liabilities, interest expenses rose by €7.0 m. Furthermore, the financing agreement with Deutsche Bank, outlined in Q2 2014/15 in the section on Merger between TUI AG and TUI Travel PLC was redeemed early, giving rise to a financial expense of €2.5 m.

SHARE OF RESULTS OF JOINT VENTURES AND ASSOCIATES

The share of results of joint ventures and associates comprises the share in net profit for the year of the associated companies and joint ventures as well as any impairments of the goodwill of these companies. The share of results of joint ventures and associates amounted to €85.9 m in 9M 2014/15 (previous year €–14.4 m). The significant increase in the Tourism segment was partly driven by a higher profit contribution by TUI Cruises.

UNDERLYING EBITA

In the first nine months of 2014/15, underlying EBITA amounted to €–78.4 m, an improvement of €99.4 m year-on-year. EBITA was adjusted for gains on disposal of financial investments, restructuring expenses, purchase price allocations and one-off items. The adjustments are outlined in detail in the performance review of the segments.



Adjustments see page 14

INCOME TAXES

The tax assets generated in the first nine months of 2014/15 were attributable to various factors including the seasonal swing in tourism and the revaluation of deferred tax assets on loss carryforwards, carried out after the merger between TUI AG and TUI Travel PLC.

GROUP LOSS

In 9M 2014/15, the Group result was negative at €–169.3 m (previous year €–355.6 m) due to the seasonality of the tourism business. The considerable year-on-year improvement in the Group result in 9M 2014/15 was primarily driven by the increase in tax assets.

NON-CONTROLLING INTERESTS

Non-controlling interests accounted for €3.0 m for 9M 2014/15. They related to the external shareholders of TUI Travel PLC until the completion of the merger with TUI AG and the companies in Hotels & Resorts.

EARNINGS PER SHARE

After deduction of non-controlling interests, TUI AG shareholders accounted for €–172.3 m (previous year €–256.2 m) of the Group result for 9M 2014/15. As a result, basic earnings per share amounted to €–0.37 (previous year €–1.09) for 9M 2014/15.

Performance indicators

KEY FIGURES OF INCOME STATEMENT

€ million	Q3 2014/15	Q3 2013/14 restated	Var. %	9M 2014/15	9M 2013/14 restated	Var. %
Earnings before interest, income taxes, depreciation, impairment and rent (EBITDAR)	469.1	385.0	+21.8	721.5	628.8	+14.7
Operating rental expenses	219.5	194.9	+12.6	643.1	593.1	+8.4
Earnings before interest, income taxes, depreciation, impairment (EBITDA)	249.6	190.1	+31.3	78.4	35.7	+119.6
Depreciation/amortisation less reversals of depreciation*	119.8	98.2	+22.0	317.5	277.9	+14.2
Earnings before interest, income taxes and impairment of goodwill (EBITA)	129.8	91.9	+41.2	-239.1	-242.2	+1.3
Impairment of goodwill	-	-	-	-	-	-
Earnings before interest and income taxes (EBIT)	129.8	91.9	+41.2	-239.1	-242.2	+1.3
Interest result and earnings from the measurement of interest hedges	-34.6	-62.4	+44.6	-141.9	-182.4	+22.2
Result from Container Shipping measured at equity	-	-9.5	n.a.	0.9	-46.0	n.a.
Earnings before income taxes (EBT)	95.2	20.0	+376.0	-380.1	-470.6	+19.2

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

Net assets and financial position

The Group's balance sheet total increased by 10.4 % to €15.5 bn versus the end of financial year 2013 / 14. The changes in the consolidated statement of financial position as against 30 September 2014 primarily reflect the seasonality of the tourism business.

ASSETS AND LIABILITIES

€ million	30 Jun 2015	30 Sep 2014 restated	Var. %
Non-current assets	10,134.0	8,992.2	+12.7
Current assets	5,336.7	5,015.0	+6.4
Assets	15,470.7	14,007.2	+10.4
Equity	1,813.4	2,530.2	-28.3
Provisions	2,361.5	2,347.1	+0.6
Financial liabilities	1,882.9	1,965.6	-4.2
Other liabilities	9,412.9	7,164.3	+31.4
Liabilities	15,470.7	14,007.2	+10.4

NON-CURRENT ASSETS

As at 30 June 2015, non-current assets accounted for 65.5 % of total assets, compared with 64.2 % as at 30 September 2014. Non-current assets rose year-on-year to €10.1 bn in the period under review, mainly driven by additions to fixed assets. Further information is given in the Notes.

CURRENT ASSETS

As at 30 June 2015, current assets accounted for 34.5 % of total assets, following 35.8 % as at 30 September 2014. Current assets increased from €5.0 bn as at 30 September 2014 to €5.3 bn as at 30 June 2015.

EQUITY

Equity totalled €1.8 bn as at 30 June 2015. The equity ratio declined from 18.1 % as at 30 September 2014 to 11.7 %. Further information on the changes in equity is provided in the Notes.

PROVISIONS

Provisions mainly comprise provisions for pension obligations and provisions for operating risks. As at 30 June 2015, they totalled €2.4 bn, up by 0.6 % versus 30 September 2014.

FINANCIAL LIABILITIES

As at 30 June 2015, financial liabilities consisted of non-current financial liabilities of nearly €1.7 bn and current financial liabilities of €0.2 bn. As at 30 September 2014, non-current financial liabilities amounted to €1.7 bn, with current financial liabilities of €0.2 bn.

As at the end of Q3 2015 (30 June 2015), the TUI Group's net debt totalled €0.3 bn. Net debt thus rose by €0.6 bn as against 30 September 2014. This was due to the seasonality of the tourism business and an increase in liabilities from finance leases as well as the repayment of a subordinated bond, carried in equity until it was cancelled.

OTHER LIABILITIES

As at 30 June 2015, other liabilities totalled €9.4 bn, a considerable increase against 30 September 2014.

Other segment indicators

UNDERLYING EBITDA

€ million	Q3 2014/15	Q3 2013/14 restated	Var. %	9M 2014/15	9M 2013/14 restated	Var. %
Northern Region	126.4	124.6	+1.4	54.0	33.9	+59.3
Central Region	4.1	34.6	-88.2	-79.5	-32.9	-141.5
Western Region	-6.9	6.1	n.a.	-60.5	-54.3	-11.4
Hotels & Resorts	91.4	60.2	+51.8	182.8	130.9	+39.6
Cruises	24.1	1.8	n.a.	49.6	-7.8	n.a.
Other Tourism	-12.8	-15.8	+19.0	-19.1	-24.7	+22.7
Tourism	226.3	211.5	+7.0	127.3	45.1	+182.4
Specialist Group	32.7	27.4	+19.3	28.5	23.3	+22.3
Hotelbeds Group	36.9	29.1	+26.8	57.3	46.8	+22.4
All other segments	1.9	-19.8	n.a.	-19.9	-56.0	+64.5
Consolidation	-	-	-	-	-	-
TUI Group	297.8	248.2	+20.0	193.2	59.2	+226.4
Discontinued operation	-0.9	1.5	n.a.	-4.3	1.1	n.a.
Total	296.9	249.7	+18.9	188.9	60.3	+213.3

EBITDA

€ million	Q3 2014/15	Q3 2013/14 restated	Var. %	9M 2014/15	9M 2013/14 restated	Var. %
Northern Region	124.3	124.0	+0.2	45.5	76.3	-40.4
Central Region	-9.2	25.9	n.a.	-98.6	-46.3	-112.9
Western Region	-8.3	2.3	n.a.	-65.6	-66.1	+0.8
Hotels & Resorts	89.3	60.2	+48.3	149.5	130.3	+14.7
Cruises	24.1	5.0	+382.0	49.6	8.2	+504.9
Other Tourism	-13.4	-15.2	+11.8	-24.7	-29.2	+15.4
Tourism	206.8	202.2	+2.3	55.7	73.2	-23.9
Specialist Group	29.5	29.0	+1.7	25.3	20.8	+21.6
Hotelbeds Group	33.4	-25.9	n.a.	46.1	-9.0	n.a.
All other segments	-20.1	-15.2	-32.2	-48.7	-49.3	+1.2
Consolidation	-	-	-	-	-	-
TUI Group	249.6	190.1	+31.3	78.4	35.7	+119.7
Discontinued operation	-1.2	1.5	n.a.	-8.0	1.2	n.a.
Total	248.4	191.6	+29.6	70.4	36.9	+90.9

INVESTMENTS IN OTHER INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

€ million	Q3 2014/15	Q3 2013/14 restated	Var. %	9M 2014/15	9M 2013/14 restated	Var. %
Northern Region	44.7	63.0	-29.0	247.4	136.4	+81.4
Central Region	6.3	6.3	-	17.2	17.0	+1.2
Western Region	5.6	4.5	+24.4	18.1	16.0	+13.1
Hotels & Resorts	32.5	68.7	-52.7	140.7	100.6	+39.9
Cruises	4.0	3.6	+11.1	297.2	9.5	n.a.
Other Tourism	18.4	10.5	+75.2	50.8	22.9	+121.8
Tourism	111.5	156.6	-28.8	771.4	302.4	+155.1
Specialist Group	8.2	10.3	-20.4	24.2	22.7	+6.6
Hotelbeds Group	9.0	12.1	-25.6	23.2	35.3	-34.3
All other segments	186.6	86.7	+115.2	529.3	211.4	+150.4
TUI Group	315.3	265.7	+18.7	1,348.1	571.8	+135.8
Discontinued operation	3.1	3.1	-	8.3	7.7	+7.8
Total	318.4	268.8	+18.5	1,356.4	579.5	+134.1

AMORTISATION OF OTHER INTANGIBLE ASSETS AND DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

€ million	Q3 2014/15	Q3 2013/14 restated	Var. %	9M 2014/15	9M 2013/14 restated	Var. %
Northern Region	23.0	28.6	-19.6	66.9	68.4	-2.2
Central Region	8.9	5.5	+61.8	21.2	15.9	+33.3
Western Region	5.4	5.3	+1.9	15.9	17.2	-7.6
Hotels & Resorts	23.2	19.8	+17.2	66.7	59.7	+11.7
Cruises	4.8	3.3	+45.5	12.0	9.9	+21.2
Other Tourism	7.9	6.1	+29.5	21.0	17.5	+20.0
Tourism	73.2	68.6	+6.7	203.7	188.6	+8.0
Specialist Group	13.8	10.6	+29.2	37.3	32.0	+16.6
Hotelbeds Group	9.8	9.0	+8.9	29.2	25.7	+13.6
All other segments	21.4	10.4	+105.8	49.9	31.5	+58.4
TUI Group	118.2	98.6	+19.9	320.1	277.8	+15.2
Discontinued operation	-	3.0	n.a.	15.0	8.6	+74.4
Total	118.2	101.6	+16.3	335.1	286.4	+17.0

EMPLOYEES

	30 June 2015	30 June 2014	Var. %
Northern Region	14,359	15,144	-5.2
Central Region	11,876	11,854	+0.2
Western Region	5,707	5,629	+1.4
Hotels & Resorts	24,916	23,659	+5.3
Cruises	235	230	+2.2
Other Tourism	1,256	1,386	-9.4
Tourism	58,349	57,902	+0.8
Specialist Group	6,394	6,173	+3.6
Hotelbeds Group	12,138	11,478	+5.8
All other segments	1,022	986	+3.7
TUI Group	77,903	76,539	+1.8
Discontinued operation	333	488	-31.8
Total	78,236	77,027	+1.6

Risk and opportunity report

Our business is exposed to risks from external events such as natural catastrophes, outbreaks of diseases, social unrest, terrorist attacks and the implications of war in countries close to our source markets and destinations. Sadly, this quarter saw the crystallisation of one such risk with the tragic events in Tunisia at the end of June.

Whilst we are unable to prevent such incidents from occurring, our policy is to follow foreign office advice with regards to non-essential travel. This serves to minimise the exposure of our customers to turbulent regions, and the UK, Belgium and Netherlands foreign offices are currently advising against unnecessary travel to Tunisia.

In addition, we have comprehensive crisis management procedures which come into effect when any external event has occurred which impacts on a specific destination, with the focus being on the welfare of our customers both in the destination and who were due to arrive in that destination shortly afterwards. Where the appropriate course of action is to bring customers home immediately – as it was with Tunisia – our significant fleet of aircraft allows us to do this smoothly and efficiently.

Due to our presence in all key holiday regions, when a specific destination has been impacted by an external event, we are able to offer alternative destinations to our customers and to remix our destination portfolio away from the affected area in future seasons if necessary. To date, most customers who had booked holidays to Tunisia this Summer have rebooked with us for alternative destinations.

Another high profile external event which has impacted a specific destination in the quarter has been the ongoing economic uncertainty in Greece, as a result of its national debt negotiations with its international creditors. Again our wide range of destinations helps to mitigate the risk as prospective customers are able to choose alternative destinations. In fact, whilst the situation has had some impact on bookings in particular source markets (Germany and Belgium), overall bookings to Greece are up year-on-year. Our businesses continue to monitor the situation with regards to local supply chains but concerns have been reduced with the reopening of the Greek banks in early July.

Given the wide range of external events which can impact our business, part of our risk-mitigation strategy is to always assume that there will be some level of disruption in each year when setting financial plans and targets. This means that we are able to cope with a “normal” level of disruption without it jeopardising achievement of our targets in any one year nor our longer-term targets.

As of today, therefore, the TUI Group’s risks, both individually and in aggregate, are limited and do not threaten the continued existence of individual subsidiaries or the Group.

Report on expected developments

Expected development of the economic framework

EXPECTED DEVELOPMENT OF GROSS DOMESTIC PRODUCT

Var. %	2016	2015
World	3.8	3.3
Eurozone	1.7	1.5
Germany	1.7	1.6
France	1.5	1.2
UK	2.2	2.4
US	3.0	2.5
Russia	0.2	-3.4
Japan	1.2	0.8
China	6.3	6.8
India	7.5	7.5

Source: International Monetary Fund (IMF), World Economic Outlook Update, July 2015

MACROECONOMIC SITUATION

In its current forecast, the International Monetary Fund (IMF, World Economic Outlook, July 2015) has revised the global GDP growth forecast downward to 3.3 % as against October 2014 to reflect weaker prospects for some large emerging market economies and oil-exporting countries. The outlook for advanced economies, in particular the US and the Eurozone, remains favourable.

MARKET DEVELOPMENT IN TOURISM

UNWTO expects international tourism to continue to grow worldwide in this decade. For the next few years, it projects average weighted growth of around 3 % per annum (UNWTO, Tourism Highlights, 2015 edition). In calendar year 2014 international arrivals grew by 4.3 % worldwide. (UNWTO, World Tourism Barometer, June 2015).

IMPACT ON THE TUI GROUP

As a leading tourism provider, the TUI Group depends on the development of consumer demand in the large source markets in which we operate our tour operator and hotel brands. Our planning is based on the IMF's assumptions regarding the future development of the world economy.

Apart from consumer sentiment, political stability in the destinations is a further key factor for demand in the travel market. We regard our business model as sufficiently flexible to offset the challenges currently identifiable.

The quantitative growth assumed for our source markets in our budget for financial year 2014/15 is in line with the UNWTO's long-term forecast. Our strategic focus remains on expanding our online and direct distribution, expanding our own hotel portfolio and growing our cruise business, in particular under the TUI Cruises brand.

Expected development of turnover and EBITA

EXPECTED DEVELOPMENT OF GROUP EARNINGS

€ million	Expected development vs. PY 2014/15*
Turnover	2% to 4%
Underlying EBITA	12,5% to 15%
One-off effects	≈ €220m

*Based on constant currency

TURNOVER

For financial year 2014/15, we expect turnover to grow by 2% to 4% on a constant currency basis, driven primarily by an anticipated rise in customer numbers and average selling prices by our tour operators.

UNDERLYING EBITA

In financial year 2014/15, the TUI Group's underlying EBITA is expected to grow by 12.5% to 15% on a constant currency basis.

ADJUSTMENTS

In financial year 2014/15, we expect earnings to include special one-off expenses for purchase price allocations and special expenses totalling around €220 m, to be recognised as adjustments. This amount includes one-off expenses incurred in the framework of the merger between TUI AG and TUI Travel PLC.

Financial position

INVESTMENTS

In the light of investment decisions already taken and projects in the pipeline, the TUI Group expects to see an increase in financing requirements of around €800 m in financial year 2014/15. This amount includes the acquisition of Europa 2, effected in the period under review, and expected investments for the expansion of our hotel portfolio. Our long-term target for the TUI Group's gross investments (excluding advance payments on aircraft orders) is around 3% of consolidated turnover.

NET LIQUIDITY

The Group's net liquidity amounted to €292 m at the end of the last financial year 2013/14. Due to the expected increase in the financing volume for aircraft on the basis of finance leases and the repayment of our hybrid bond in April 2015, which had not been included in our budget, we expect the Group to be in a broadly neutral net debt position by the end of financial year 2014/15.

Sustainable development

CLIMATE PROTECTION AND EMISSIONS

Greenhouse gas emissions and the impact of these emissions on climate change pose one of the major global challenges for the tourism sector. Our goal of reducing absolute and specific CO₂ emissions from our aircraft fleet by 6% against the baseline of 2007/08 by the end of financial year 2013/14 had been achieved ahead of schedule in August 2013. We had therefore planned to cut specific CO₂ emissions per passenger kilometre from our airlines by an additional 3 percentage points by the end of 2015 with the support of new technologies. This goal was also achieved ahead of schedule. We will publish a new goal for subsequent years in our Annual Report for 2014/15.

Overall Executive Board assessment of the TUI Group's current situation and expected development

At the date of preparation of the present Management Report (12 August 2015), we uphold our positive assessment of the TUI Group's current economic situation and outlook for financial year 2014/15. With its finance profile and services portfolio, the TUI Group is well positioned in the market. In the first nine months of the current financial year 2014/15, our business performance was in line with our expectations

We expect the TUI Group's underlying earnings to grow by 12.5% to 15% year-on-year on a constant currency basis. We thus confirm our communicated goal of having the ability to achieve an operating result (underlying EBITA) of around €1 bn for the TUI Group on a constant currency basis in financial year 2014/15.

Our roadmap for growth over the next three years has enabled us to provide updated guidance for the future prospects of our Group. We intend to deliver at least 10% underlying EBITA CAGR over the next three years. Our long-term target for the TUI Group's gross investments (excluding advance payments on aircraft orders) is 3% of consolidated turnover.

Corporate Governance

Composition of the Boards

In Q3 2014/15 the composition of the Executive Board of TUI AG changed as follows.

Johan Lundgren, Deputy CEO of TUI AG and Managing Director Mainstream, left the Group with effect from 31 May 2015. Following the merger between TUI AG and TUI Travel PLC in December 2014, he was actively involved in designing the new structure of the Group and is now pursuing new challenges outside the TUI Group. David Burling, Managing Director TUI UK & Ireland and member of the Group Executive Committees, was appointed Member of the Executive Board with effect from 1 June 2015. He has overall responsibility for the Northern Regions as well as Hotel Purchasing and Airline Platforms.

On 31 July 2015 the Supervisory Board has appointed Dr Elke Eller to the Executive Board as the TUI AG's HR / Labour Director. She is taking over Sebastian Ebel's HR / Labour Director function, which he had temporarily assumed after the merger of TUI AG and TUI Travel PLC in addition to his operational responsibilities on the Executive Committee. Dr Eller commences work in this new function on 15 October 2015.

The composition of the Supervisory Board of TUI AG did not change in Q3 2014/15.

The current, complete composition of the Executive Board and Supervisory Board is listed on our website (www.tui-group.com), where it has been made permanently available to the public.

INTERIM FINANCIAL STATEMENTS

INCOME STATEMENT OF THE TUI GROUP FOR THE PERIOD FROM 1 OCT 2014 TO 30 JUN 2015

€ million	Notes	Q3 2014/15	Q3 2013/14 restated	9M 2014/15	9M 2013/14 restated
Turnover		5,081.1	4,777.0	12,021.2	11,247.4
Cost of sales	(1)	4,569.9	4,326.3	11,151.2	10,421.2
Gross profit		511.2	450.7	870.0	826.2
Administrative expenses	(1)	418.9	388.0	1,234.0	1,118.7
Other income	(2)	14.5	7.0	44.6	23.5
Other expenses	(2)	5.6	0.4	6.9	1.9
Financial income	(4)	0.1	6.4	16.1	20.3
Financial expenses	(4)	35.6	66.2	155.8	205.6
Share of result of joint ventures and associates	(5)	29.5	10.5	85.9	-14.4
Earnings before income taxes		95.2	20.0	-380.1	-470.6
Reconciliation to underlying EBITA:					
Earnings before income taxes		95.2	20.0	-380.1	-470.6
less: Gains (prior year losses) on Container Shipping measured at equity		-	9.5	-0.9	46.0
plus: Net interest expense and expense from the measurement of interest hedges		34.6	62.4	141.9	182.4
EBITA*		129.8	91.9	-239.1	-242.2
Adjustments:					
less: Gains on disposals	(6)	-1.6	-2.9	-0.6	-2.4
plus: Restructuring expense		29.1	16.3	45.6	32.0
plus: Expense from purchase price allocation		21.5	17.4	56.7	50.5
plus: expense /less: income from other one-off items		15.4	41.0	59.0	-15.6
Underlying EBITA		194.2	163.7	-78.4	-177.7
Earnings before income taxes from continuing operations					
		95.2	20.0	-380.1	-470.6
Income taxes	(7)	44.8	22.1	-230.8	-122.4
Result from continuing operations		50.4	-2.1	-149.3	-348.2
Result from discontinued operation		-1.0	-3.5	-20.0	-7.4
Group profit / loss for the year		49.4	-5.6	-169.3	-355.6
Group profit / loss for the year attributable to shareholders of TUI AG		29.2	-26.4	-172.3	-256.2
Group profit / loss for the year attributable to non-controlling interest	(8)	20.2	20.8	3.0	-99.4

* Earnings before net interest result, income tax and impairment of goodwill excluding losses on container shipping measured at equity and excluding the result from the measurement of interest hedges.

EARNINGS PER SHARE

€	Q3 2014/15	Q3 2013/14 restated	9M 2014/15	9M 2013/14 restated
Basic and diluted earnings per share	0.05	-0.13	-0.37	-1.09
from continuing operations	0.05	-0.12	-0.33	-1.07
from discontinued operation	0.00	-0.01	-0.04	-0.02

CONDENSED STATEMENT OF COMPREHENSIVE INCOME OF THE TUI GROUP FOR THE PERIOD FROM 1 OCT 2014 TO 30 JUN 2015

€ million	Q3 2014/15	Q3 2013/14 restated	9M 2014/15	9M 2013/14 restated
Group profit/ loss	49.4	-5.6	-169.3	-355.6
Remeasurements of pension provisions and related fund assets	208.8	-132.4	19.2	-149.2
Changes in the measurement of companies measured at equity	-	-2.0	0.1	-0.6
Income tax related to items that will not be reclassified	-56.1	31.1	-7.0	36.7
Items that will not be reclassified to profit or loss	152.7	-103.3	12.3	-113.1
Foreign exchange differences	-146.2	-48.5	-213.2	-140.9
Financial instruments available for sale	0.5	-1.6	7.1	-0.9
Cash flow hedges	-103.7	19.2	-308.3	8.9
Changes in the measurement of companies measured at equity	-7.9	1.4	22.5	13.2
Income tax related to items that may be reclassified	27.8	-6.2	66.6	-6.4
Items that may be reclassified to profit or loss	-229.5	-35.7	-425.3	-126.1
Other comprehensive income	-76.8	-139.0	-413.0	-239.2
Total comprehensive income	-27.4	-144.6	-582.3	-594.8
attributable to shareholders of TUI AG	-31.8	-97.9	-590.5	-384.4
attributable to non-controlling interest	4.4	-46.7	8.2	-210.4
Allocation of share of shareholders of TUI AG of total comprehensive income:				
Continuing operations	-33.8	-96.5	-573.0	-381.8
Discontinued operation	2.0	-1.4	-17.5	-2.6

FINANCIAL POSITION OF THE TUI GROUP AS AT 30 JUN 2015

€ million	Notes	30 Jun 2015	30 Sep 2014 restated	1 Oct 2013 restated
Assets				
Goodwill		3,281.9	3,136.2	2,976.4
Other intangible assets		926.5	933.4	866.0
Investment property		7.3	7.7	58.0
Property, plant and equipment	(9)	3,694.6	2,836.0	2,681.4
Investments in joint ventures and associates	(10)	1,113.8	1,336.4	1,390.2
Financial assets available for sale	(11)	58.1	62.7	71.4
Trade receivables and other assets		355.2	368.1	342.8
Derivative financial instruments		33.4	75.8	37.9
Deferred tax assets		663.2	235.9	223.1
Non-current assets		10,134.0	8,992.2	8,647.2
Inventories		142.0	126.3	115.1
Financial assets available for sale	(11)	489.1	300.0	–
Trade receivables and other assets		2,544.8	1,911.2	1,872.6
Derivative financial instruments		280.5	169.7	49.1
Current tax assets		112.2	93.9	53.7
Cash and cash equivalents		1,575.7	2,258.0	2,674.0
Assets held for sale	(12)	192.4	155.9	11.6
Current assets		5,336.7	5,015.0	4,776.1
		15,470.7	14,007.2	13,423.3

FINANCIAL POSITION OF THE TUI GROUP AS AT 30 JUN 2015

€ million	Notes	30 Jun 2015	30 Sep 2014 restated	1 Oct 2013 restated
Equity and liabilities				
Subscribed capital		1,499.6	732.6	645.2
Capital reserves		4,187.7	1,056.3	957.7
Revenue reserves		-4,403.4	336.1	116.3
Hybrid capital		-	294.8	294.8
Equity before non-controlling interest		1,283.9	2,419.8	2,014.0
Non-controlling interest		529.5	110.4	-20.3
Equity	(15)	1,813.4	2,530.2	1,993.7
Pension provisions and similar obligations	(13)	1,192.6	1,242.4	1,102.2
Other provisions		701.4	601.6	575.0
Non-current provisions		1,894.0	1,844.0	1,677.2
Financial liabilities	(14)	1,671.8	1,748.4	1,834.1
Derivative financial instruments		85.5	20.7	30.6
Current tax liabilities		115.8	98.5	107.8
Deferred tax liabilities		139.7	144.8	107.8
Other liabilities		137.4	130.5	93.6
Non-current liabilities		2,150.2	2,142.9	2,173.9
Non-current provisions and liabilities		4,044.2	3,986.9	3,851.1
Pension provisions and similar obligations	(13)	29.5	32.1	33.8
Other provisions		438.0	471.0	447.5
Current provisions		467.5	503.1	481.3
Financial liabilities	(14)	211.1	217.2	937.3
Trade payables		2,789.7	3,292.1	3,041.9
Derivative financial instruments		534.6	241.9	177.3
Current tax liabilities		91.2	101.2	132.5
Other liabilities		5,418.8	3,134.6	2,808.2
Current liabilities		9,045.4	6,987.0	7,097.2
Liabilities related to assets held for sale		100.2	-	-
Current provisions and liabilities		9,613.1	7,490.1	7,578.5
		15,470.7	14,007.2	13,423.3

CONDENSED STATEMENT OF CHANGES IN GROUP EQUITY OF THE TUI GROUP FOR THE PERIOD FROM 1 OCT 2014 TO 30 JUN 2015

€ million	Subscribed capital	Capital reserves	Revenue reserves	Hybrid capital	Equity before non-controlling interest	Non-controlling interest	Total
Balance as at 30 Sep 2014	732.6	1,056.3	321.7	294.8	2,405.4	111.7	2,517.1
Adoption of IFRS 10 and IFRS 11	–	–	–2.6	–	–2.6	–1.3	–3.9
Amendment IAS 28	–	–	17.0	–	17.0	–	17.0
Balance as at 1 Oct 2014 (restated)	732.6	1,056.3	336.1	294.8	2,419.8	110.4	2,530.2
Dividends	–	–	–94.5	–	–94.5	–196.1	–290.6
Hybrid capital dividend	–	–	–10.9	–	–10.9	–	–10.9
Share-based payment schemes of TUI Travel PLC	–	–	13.5	–	13.5	2.0	15.5
Issue of employee shares	0.3	1.2	–	–	1.5	–	1.5
Conversion of convertible bonds	146.1	453.4	–	–	599.5	–	599.5
Capital increase	620.6	2,676.8	–	–	3,297.4	–	3,297.4
Effects on the acquisition of non-controlling interests	–	–	–4,051.9	–	–4,051.9	605.0	–3,446.9
Redemption hybrid capital	–	–	–5.2	–294.8	–300.0	–	–300.0
Group loss	–	–	–172.3	–	–172.3	3.0	–169.3
Foreign exchange differences	–	–	–210.6	–	–210.6	–2.6	–213.2
Financial instruments available for sale	–	–	7.1	–	7.1	–	7.1
Cash Flow Hedges	–	–	–318.6	–	–318.6	10.3	–308.3
Remeasurements of pension provisions and related fund assets	–	–	19.2	–	19.2	–	19.2
Changes in the measurement of companies measured at equity	–	–	22.6	–	22.6	–	22.6
Taxes attributable to other comprehensive income	–	–	62.1	–	62.1	–2.5	59.6
Other comprehensive income	–	–	–418.2	–	–418.2	5.2	–413.0
Total comprehensive income	–	–	–590.5	–	–590.5	8.2	–582.3
Balance as at 30 Jun 2015	1,499.6	4,187.7	–4,403.4	–	1,283.9	529.5	1,813.4

CONDENSED STATEMENT OF CHANGES IN GROUP EQUITY OF THE TUI GROUP FOR THE PERIOD FROM 1 OCT 2013 TO 30 JUN 2014

Mio. €	Subscribed capital	Capital reserves	Revenue reserves	Hybrid capital	Equity before non-controlling interest	Non-controlling interest	Total
Balance as at 30 Sep 2013	645.2	957.7	118.7	294.8	2,016.4	-19.6	1,996.8
Adoption of IFRS 10 and IFRS 11	-	-	-2.4	-	-2.4	-0.7	-3.1
Balance as at 1 Oct 2013 (restated)	645.2	957.7	116.3	294.8	2,014.0	-20.3	1,993.7
Dividends	-	-	-37.8	-	-37.8	-89.9	-127.7
Hybrid capital dividend	-	-	-17.4	-	-17.4	-	-17.4
Share-based payment schemes of TUI Travel PLC	-	-	7.4	-	7.4	7.8	15.2
Issue of employee shares	0.3	0.7	-	-	1.0	-	1.0
Issue of convertible bonds	67.9	76.0	-	-	143.9	-	143.9
Tax impact on convertible bonds	-	-	-	-	-	27.4	27.4
First-time consolidation	-	-	-	-	-	1.6	1.6
Deconsolidation	-	-	-	-	-	-1.8	-1.8
Effects on the acquisition of non-controlling interests	-	-	-22.2	-	-22.2	-18.3	-40.5
Effects of written option on non-controlling interests	-	-	-2.6	-	-2.6	-2.1	-4.7
Group loss	-	-	-256.2	-	-256.2	-99.4	-355.6
Foreign exchange differences	-	-	-73.5	-	-73.5	-67.4	-140.9
Financial instruments available for sale	-	-	-0.5	-	-0.5	-0.4	-0.9
Cash Flow Hedges	-	-	8.3	-	8.3	0.6	8.9
Remeasurements of pension provisions and related fund assets	-	-	-94.6	-	-94.6	-54.6	-149.2
Changes in the measurement of companies measured at equity	-	-	12.4	-	12.4	0.2	12.6
Taxes attributable to other comprehensive income	-	-	19.7	-	19.7	10.6	30.3
Other comprehensive income	-	-	-128.2	-	-128.2	-111.0	-239.2
Total comprehensive income	-	-	-384.4	-	-384.4	-210.4	-594.8
Balance as at 30 Jun 2014 (restated)	713.4	1,034.4	-340.7	294.8	1,701.9	-306.0	1,395.9

CONDENSED CASH FLOW STATEMENT OF THE TUI GROUP

€ million	9M 2014/15	9M 2013/14 restated
Cash inflow from operating activities	515.0	385.3
Cash outflow from investing activities	-27.4	-156.8
Cash outflow from financing activities	-1,061.8	-384.7
Net change in cash and cash equivalents	-574.2	-156.2
Change in cash and cash equivalents due to exchange rate fluctuation	-65.7	-15.3
Change in cash and cash equivalents without cash effects	-	-587.5
Cash and cash equivalents at beginning of period	2,258.0	2,674.0
Cash and cash equivalents at end of period	1,618.1	1,915.0
of which included in the balance sheet as assets held for sale	42.4	-

NOTES

General

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

The condensed interim consolidated financial statements of TUI AG and its subsidiaries cover the period from 1 October 2014 to 30 June 2015. The interim consolidated financial statements are prepared in euros. Unless stated otherwise, all amounts are stated in million euros (€m).

The interim consolidated financial statements were released for publication by the Executive Board of TUI AG on 11 August 2015.

Accounting principles

DECLARATION OF CONFORMITY

The interim consolidated financial statements for the period ended 30 June 2015 comprise condensed interim consolidated financial statements and an interim Group management report in accordance with section 37w of the German Securities Trading Act (WpHG).

The interim consolidated financial statements were prepared in accordance with the Disclosure and Transparency Rules of the UK Financial Services Authority and in conformity with International Financial Reporting Standards (IFRS) and the relevant Interpretations of the International Accounting Standards Board (IASB) for interim financial reporting as applicable in the European Union.

In accordance with IAS 34, the Group's interim financial statements are published in a condensed form compared with the consolidated annual financial statements and should therefore be read in combination with TUI AG's consolidated financial statements for financial year 2013/14. The present interim financial statements have been reviewed by the Group's auditors.

GOING CONCERN REPORTING ACCORDING TO THE UK CORPORATE GOVERNANCE CODE

The TUI Group meets its day-to-day working capital requirements by utilising cash, bank balances and bank loans. The TUI Group's net financial debt (financial liabilities less cash and cash equivalents) totals €307.2 m as at 30 June 2015 (net financial assets of €292.4 m as at 30 September 2014). The increase in debt since year-end was driven by the typical seasonality of cash flows, in particular within the tour operators. The net debt position consists of €1,575.7 m of cash and cash equivalents, €211.1 m of current financial liabilities and €1,671.8 m of non-current financial liabilities. The Executive Board remains satisfied with the liquidity and long-term debt funding position. Borrowings include an external revolving credit facility totalling €1,535.0 m maturing in June 2018, used to manage the seasonality of the Group's cash flows and liquidity. The credit facility requires compliance with certain financial covenants. At the last review date, all financial covenants were complied with.

In addition to the above credit facility, other liabilities to banks existed as at 30 June 2015, e.g. loans taken out to acquire property, plant and equipment. Total liabilities to banks amounted to €501.1 m at the balance sheet date.

Alongside these bank liabilities, the Group's debt comprises the following main elements as at 30 June 2015:

- High-yield bond 2014/19 with a nominal value of €300.0m, issued by TUI AG, maturing in October 2019,
- Finance leases worth €992.2m

Due to the current economic conditions and political situation in some destinations, there is an element of uncertainty with regard to customer demand. The TUI Group's Executive Board considers TUI Group's business model sufficiently flexible to offset the currently identifiable challenges. The expectations and forecasts show that the TUI Group will continue to have sufficient resources available in the future through borrowings and operating cash flows, in order to meet its payment obligations in the foreseeable future and guarantee it remains a going concern. The interim financial statements were therefore prepared on the basis of the going concern principle.

ACCOUNTING AND MEASUREMENT METHODS

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

As a matter of principle, the accounting and measurement methods adopted in the preparation of these interim financial statements as at 30 June 2015 are consistent with those followed in the preparation of the preceding consolidated financial statements for the financial year ended 30 September 2014.

NEW SEGMENT STRUCTURE

Due to the merger with TUI Travel PLC, the TUI Group has changed its organisational structure. In line with IFRS 8, the previously used reporting structure was adjusted as at 31 March 2015 to the changed management structure of the new TUI Group.

The previous sectors Travel (comprised of the four businesses Mainstream, Specialist & Activity, Accommodation & Destinations and Other), Hotels & Resorts and Cruises have been replaced by the following reporting segments:

- Northern Region
- Central Region
- Western Region
- Hotels & Resorts
- Cruises
- Other Tourism
- Specialist Group
- Hotelbeds Group
- LateRooms Group

In addition to the above segments, the "All other segments" segment will also be retained. It comprises in particular, the corporate centre functions of TUI AG and the intermediate holding companies as well as the Group's real estate companies. The corporate centre functions of TUI Travel PLC, previously included within the Travel Sector, have also been reallocated to this segment.

The Northern Region, Central Region, Western Region, Hotels & Resorts, Cruises, and Other Tourism segments comprise the Tourism Business. The Specialist Group, Hotelbeds Group and the other segments comprise other operating businesses that do not form part of Tourism, the core business. The LateRooms Group has been classified as a discontinued operation.

The Northern Region segment comprises the tour operators and airlines businesses in the UK, Ireland and Nordics as well as the UK cruise business. This segment also includes the strategic venture Sunwings in Canada and the joint venture TUI Russia. The Central Region segment comprises the tour operators and airlines in Germany and the tour operators in Austria, Switzerland and Poland. The Western Region segment comprises the tour operators and airlines in Belgium and the Netherlands as well as tour operators in France. The Hotels & Resorts segment comprises all Group-owned hotels and investments in hotel companies of the TUI Group. The hotel activities of the former Travel Sector have also been allocated to Hotels & Resorts. As before, the Cruises segment consists of Hapag-Lloyd Kreuzfahrten and the joint venture TUI Cruises. The Other Tourism segment comprises the French scheduled airline Corsair and, in particular, central tourism functions such as the TUI Group's flight control and IT operations. The Specialist Group segment comprises the specialist tour operators previously managed under Specialist & Activity. The Hotelbeds Group segment was previously included in the Accommodation & Destinations business and comprises the B2B hotel portals and incoming agencies.

The prior year's numbers have been restated to reflect the new segment structure.

DISCONTINUED OPERATION

TUI AG has decided to exit the LateRooms Group segment. The LateRooms Group provides accommodation services to final customers via the online hotel portals LateRooms, primarily operating in the UK, and AsiaRooms. The exit is to be completed by selling LateRooms and closing down AsiaRooms. The operative business of AsiaRooms was closed in the second quarter of 2014/15. In connection with the closure, transaction costs totalling €11.6m have been incurred to date. The sale of LateRooms is expected to take place before the end of the current calendar year.

NEWLY APPLIED STANDARDS

The following standards and interpretations revised or newly issued by the IASB and relevant for the TUI Group have been mandatory since the beginning of financial year 2014/15:

- IFRS 10: Consolidated Financial Statements
- IFRS 11: Joint Arrangements
- IFRS 12: Disclosure of Interests in other Entities
- Amendments to IFRS 10, IFRS 11 and IFRS 12: Transition Guidance
- Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities
- Amendments to IAS 27: Separate Financial Statements
- Amendments to IAS 28: Investments in Associates and Joint Ventures
- Amendments to IAS 32: Financial Instruments – Presentation: Offsetting Financial Assets and Financial Liabilities
- IFRIC 21: Levies

In addition, the following standards amended by the IASB and endorsed were adopted ahead of the effective date as of the beginning of financial year 2014/15:

- Annual Improvements Project (2010–2012)
- Annual Improvements Project (2011–2013)
- Amendments to IAS 19: Employee Benefits – Defined Benefit Plans: Employee Contributions

Due to the first-time adoption of IFRS 10 and IFRS 11, including the transition guidance and the amendments to IAS 28, the prior-year numbers were restated. The restatements are outlined in the section on Restatement of prior reporting period. The other announcements did not have any or had no significant impact on the presentation of the TUI Group's net assets, financial position and results of operations in the present Interim Report.

IFRS 10: CONSOLIDATED FINANCIAL STATEMENTS

IFRS 10 supersedes the provisions of IAS 27 Consolidated Financial Statements and Accounting for Investments in Subsidiaries, relevant for consolidated financial statements, and SIC-12 Consolidation – Special Purpose Entities with a uniform model to consolidate entities based on the concept of control of a parent company over a subsidiary. According to IFRS 10, control requires power over the relevant activities of an investee, exposure to variable returns and the ability to affect those variable returns through power over an investee. Upon the first-time adoption of the standard, two companies transitioned from full consolidation to the equity method as the other shareholders have a right to co-determine the definition and exercise of the relevant activities via management or supervisory bodies. The reallocation does not have a material effect on the TUI Group.

IFRS 11: JOINT ARRANGEMENTS

IFRS 11 supersedes SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers and the previous IAS 31 Interests in Joint Ventures. The standard governs the classification and accounting for joint operations and joint ventures. The classification as a joint arrangement is effected based on subsidiarity in relation to control under IFRS 10. In the event of a joint arrangement, further classification as either a joint operation or a joint venture depends on the rights and obligations of the partners. Accounting for jointly controlled assets is subject to the rules for joint operations, which thus continue to be recognised on a proportionate basis. By contrast, proportionate consolidation, which was admissible in the past, will now no longer apply to joint ventures under IFRS 11; they must henceforth be consolidated on the basis of the equity method alone. Application of IFRS 11 does not have a material effect on the consolidated financial statements. Upon the first-time adoption of the standard, three companies will be newly reallocated to joint ventures. One of the companies had already been accounted for using the equity method. The elimination of proportionate consolidation for joint ventures does not have an impact on the TUI Group as joint ventures have already been included in the TUI Group's consolidated financial statements using the equity method.

IFRS 12: DISCLOSURE OF INTERESTS IN OTHER ENTITIES

This new standard pools the disclosure requirements regarding an entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. Some of the disclosures required under IFRS 12 go far beyond previous disclosure requirements. In particular, the type of interest, the risks associated with the interest and their impact on the Group's net assets, financial position and results of operations must be made evident. First-time application of IFRS 12 leads to extended disclosure requirements in the consolidated financial statements as at 30 September 2015.

TRANSITION GUIDANCE FOR IFRS 10, IFRS 11 AND IFRS 12

The transition guidance published in June 2012 includes relief for first-time adopters of the new standards. Restated comparative information now only has to be provided for the immediately preceding comparative period. The requirement to disclose comparative information for unconsolidated structured entities for periods prior to first-time application of IFRS 12 has been removed.

AMENDMENTS TO IFRS 10, IFRS 12 AND IAS 27: INVESTMENT ENTITIES

The amendments, issued in October 2012, free many investment entities from the future requirement to consolidate the subsidiaries they control in their consolidated financial statements. Instead, they measure the interests held for investing at fair value. Moreover, new disclosure requirements have been introduced for investment entities. These amendments are of no relevance to TUI Group.

AMENDMENTS TO IAS 27: SEPARATE FINANCIAL STATEMENTS

The amendments to IAS 27 exclusively govern the accounting for investments in subsidiaries, associates and joint ventures and the related notes in the shareholder's separate financial statements. The previous consolidation rules are now part of the newly published IFRS 10. The amendments are of no relevance to TUI Group as TUI Group does not prepare IFRS-based single-entity financial statements according to section 325 (2a) of the German Commercial Code.

AMENDMENTS TO IAS 28: INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The amendments to IAS 28 were issued in June 2011 and require application of the equity method in accounting for investments in associates and joint ventures. This is in line with the TUI Group's accounting method used to date. The amendment also requires that in the event of a partial sale only the part intended to be sold may be shown as held for sale. Accounting for the remaining part has to be based on the equity method until the date when the investment ceases to have the form of an associate. First-time application of these amendments leads to changes in the accounting for the investment in container shipping line Hapag-Lloyd AG since, as a result, only a 30 % stake of the investment met the "held for sale" criterion retroactively for financial year 2013 / 14.

AMENDMENTS TO IAS 32: FINANCIAL INSTRUMENTS – PRESENTATION

The amendments to IAS 32, issued in December 2011, specify that financial assets and financial liabilities should be offset in the statement of financial position when, and only when, the entity's current right to set-off is not contingent on a future event and is legally enforceable in the normal course of business but also in the event of default, insolvency or bankruptcy of a counterparty. They also clarify that a gross settlement system is equivalent to net settlement if it has features that eliminate credit and liquidity risk and process receivables and payables in a single settlement process. The amendments do not have a material effect on the presentation of the consolidated financial statements.

IFRIC 21: LEVIES

This interpretation, issued by IFRIC in May 2013, sets out how and when to recognise a liability for a levy imposed by a government other than income taxes under IAS 12. It clarifies that an obligation to pay a levy is to be recognised as soon as the obligating event that triggers the payment of the levy occurs. The interpretation does not have a material effect on the TUI Group's financial statements.

AMENDMENTS TO IAS 19: DEFINED BENEFIT PLANS – EMPLOYEE CONTRIBUTIONS

These amendments, published in November 2013, make it clear that contributions paid by employees (or third parties) themselves for defined benefit pension plans and not linked to the length of service may be recognised as a reduction in the service cost in the period in which the related service was rendered. They include, for instance, contributions determined as a fixed percentage of the annual remuneration. The amendment does not have a major impact on TUI's consolidated financial statements.

ANNUAL IMPROVEMENTS PROJECT 2010 – 2012

Improvements from the Annual Improvements Project were published in December 2013. They contain amendments to the following seven standards: IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38 and IAS 24. The amendments include minor changes in the contents and above all clarifications of the presentation, recognition and measurement. The amendments do not have a material effect on the presentation of the financial statements.

ANNUAL IMPROVEMENTS PROJECT 2011 – 2013

Improvements from the Annual Improvements Project were published in December 2013. They contain amendments to four standards including IFRS 3, IFRS 13 and IAS 40. The amendments include minor changes in the contents and above all clarifications of the presentation, recognition and measurement. The amendments do not impact the presentation of the financial statements.

Restatement of prior reporting period

The following restatements were made for financial year 2013 / 14:

RESTATEMENT CAUSED BY IFRS 10 AND IFRS 11

In accordance with the transition guidance, the prior year values of the items impacted by the reclassifications were restated throughout the financial statements upon the first-time application of these standards.

RESTATEMENT CAUSED BY IAS 28

Due to the amendments to IAS 28, assets held for sale declined by €327.4 m as at 30 September 2014. This corresponds to the 70 % share in the stake in Hapag-Lloyd AG which retroactively must be accounted for using the equity method in line with the provisions relating to the partial sale of entities. A 30 % share of the stake, or €140.2 m, must be carried under assets held for sale as of April 2014, as before. Accordingly, the carrying value for joint ventures and associates increases by €344.4 m as at 30 September 2014. Revenue reserves had to be restated to reflect the total income from at equity measurement of €17.0 m from April 2014.

The prior year numbers in the consolidated income statement and the statement of other comprehensive income were restated to reflect the profit contributions of the stake in Hapag-Lloyd AG, retroactively to be measured using the equity method, for the period from April 2014 until 30 June 2014.

RESTATEMENT CAUSED BY DISCONTINUED OPERATION

Due to the planned sale of the LateRooms Group segment in calendar year 2015 the segment was carried as a discontinued operation as at 30 June 2015 in line with IFRS 5. In the consolidated income statement, the result from this discontinued operation is shown separately as Result from discontinued operation. The prior year consolidated income statement was restated accordingly.

The restatements are shown in the tables below. The prior year numbers were restated as follows:

**RESTATED ITEMS OF THE INCOME STATEMENT OF THE TUI GROUP FOR THE PERIOD
FROM 1 OCT 2013 TO 30 JUN 2014**

€ million	9M 2013/14				restated
	before restatement	Adoption of IFRS 10 and IFRS 11	Adoption of IAS 28 of new	Restatements Discontinued operations	
Turnover	11,384.4	-84.8	-	-52.2	11,247.4
Cost of sales	10,528.6	-77.2	-	-30.2	10,421.2
Gross profit	855.8	-7.6	-	-22.0	826.2
Administrative expenses	1,152.5	-4.3	-	-29.5	1,118.7
Other income	23.4	0.1	-	-	23.5
Other expenses	1.9	-	-	-	1.9
Financial income	19.8	-	-	0.5	20.3
Financial expenses	207.4	-1.8	-	-	205.6
Share of result of joint ventures and associates	-9.2	1.9	-7.1	-	-14.4
Earnings before income taxes	-472.0	0.5	-7.1	8.0	-470.6
Reconciliation to underlying EBITA:					
Earnings before income taxes	-472.0	0.5	-7.1	8.0	-470.6
plus: Loss on Container Shipping measured at equity	38.9	-	7.1	-	46.0
plus: Net interest expense and expense from measurement of interest hedges	184.7	-1.7	-	-0.6	182.4
EBITA	-248.4	-1.2	-	7.4	-242.2
Adjustments:					
less: Gains (previous losses) on disposals	-2.3	-0.1	-	-	-2.4
plus: Restructuring expense	32.0	-	-	-	32.0
plus: Expense from purchase price allocation	52.0	-0.1	-	-1.4	50.5
less: Income from other one-off items	-15.6	-	-	-	-15.6
Underlying EBITA	-182.3	-1.4	-	6.0	-177.7
Earnings before income taxes from continuing operations					
	-472.0	0.5	-7.1	8.0	-470.6
Income taxes	-123.4	0.4	-	0.6	-122.4
Result from continuing operations	-348.6	0.1	-7.1	7.4	-348.2
Result from discontinued operation	-	-	-	-7.4	-7.4
Group loss for the year	-348.6	0.1	-7.1	-	-355.6
Group loss for the year attributable to shareholders of TUI AG	-249.2	0.1	-7.1	-	-256.2
Group loss for the year attributable to non-controlling interest	-99.4	-	-	-	-99.4

**RESTATED ITEMS IN THE STATEMENT OF COMPREHENSIVE INCOME OF THE TUI GROUP
FOR THE PERIOD FROM 1 OCT 2013 TO 30 JUN 2014**

€ million	9M 2013 / 14			
	before restatement	Restatements		restated
		Adoption of IFRS 10 and IFRS 11	Adoption of IAS 28 new	
Group loss	-348.6	0.1	-7.1	-355.6
Remeasurements of pension provisions and related fund assets	-149.2	-	-	-149.2
Changes in the measurement of companies measured at equity	1.4	-	-2.0	-0.6
Income tax related to items that will not be reclassified	36.7	-	-	36.7
Items that will not be reclassified	-111.1	-	-2.0	-113.1
Foreign exchange differences	-145.1	-1.4	5.6	-140.9
Financial instruments available for sale	-0.9	-	-	-0.9
Cash Flow Hedges	10.5	-1.6	-	8.9
Changes in the measurement of companies measured at equity	12.4	0.7	0.1	13.2
Income tax related to items that may be reclassified	-6.5	0.1	-	-6.4
Items that may be reclassified	-129.6	-2.2	5.7	-126.1
Other comprehensive income	-240.7	-2.2	3.7	-239.2
Total comprehensive income	-589.3	-2.1	-3.4	-594.8
attributable to shareholders of TUI AG	-380.5	-0.5	-3.4	-384.4
attributable to non-controlling interest	-208.8	-1.6	-	-210.4

RESTATED ITEMS IN THE BALANCE SHEET OF THE TUI GROUP AS AT 1 OCT 2013 AND 30 SEP 2014

€ million	1 Oct 2013 before restatement 2014/15*	1 Oct 2013 Adoption of IFRS 10 and IFRS 11	1 Oct 2013 restated	30 Sep 2014 before restatement	30 Sep 2014 Adoption of IFRS 10 and IFRS 11	30 Sep 2014 Amendment IAS 28	30 Sep 2014 restated
Assets							
Other intangible assets	866.2	-0.2	866.0	933.5	-0.1	-	933.4
Property, plant and equipment	2,682.0	-0.6	2,681.4	2,836.6	-0.6	-	2,836.0
Investments in joint ventures and associates	1,386.4	3.8	1,390.2	988.0	4.0	344.4	1,336.4
Financial assets available for sale	71.5	-0.1	71.4	62.7	-	-	62.7
Derivative financial instruments	37.9	-	37.9	76.3	-0.5	-	75.8
Deferred tax assets	224.6	-1.5	223.1	238.1	-2.2	-	235.9
Non-current assets	8,645.8	1.4	8,647.2	8,647.2	0.6	344.4	8,992.2
Inventories	115.4	-0.3	115.1	126.5	-0.2	-	126.3
Trade receivables and other assets	1,876.8	-4.2	1,872.6	1,917.8	-6.6	-	1,911.2
Derivative financial instruments	49.1	-	49.1	171.4	-1.7	-	169.7
Current tax assets	53.9	-0.2	53.7	94.0	-0.1	-	93.9
Cash and cash equivalents	2,701.7	-27.7	2,674.0	2,286.0	-28.0	-	2,258.0
Assets held for sale	11.6	-	11.6	483.3	-	-327.4	155.9
Current assets	4,808.5	-32.4	4,776.1	5,379.0	-36.6	-327.4	5,015.0
	13,454.3	-31.0	13,423.3	14,026.2	-36.0	17.0	14,007.2

* as reported in the annual report as at 30 September 2014.

RESTATED ITEMS IN THE BALANCE SHEET OF THE TUI GROUP AS AT 1 OCT 2013 AND 30 SEP 2014

€ million	1 Oct 2013 before restatement 2014/15*	1 Oct 2013 Adoption of IFRS 10 and IFRS 11	1 Oct 2013 restated	30 Sep 2014 before restatement	30 Sep 2014 Adoption of IFRS 10 and IFRS 11	30 Sep 2014 Amendment IAS 28	30 Sep 2014 restated
Equity and liabilities							
Revenue reserves	118.7	-2.4	116.3	321.7	-2.6	17.0	336.1
Equity before non- controlling interest	2,016.4	-2.4	2,014.0	2,405.4	-2.6	17.0	2,419.8
Non-controlling interest	-19.6	-0.7	-20.3	111.7	-1.3	-	110.4
Equity	1,996.8	-3.1	1,993.7	2,517.1	-3.9	17.0	2,530.2
Derivative financial instruments	30.7	-0.1	30.6	20.7	-	-	20.7
Deferred tax liabilities	109.2	-1.4	107.8	147.3	-2.5	-	144.8
Other liabilities	98.4	-4.8	93.6	134.9	-4.4	-	130.5
Non-current liabilities	2,180.2	-6.3	2,173.9	2,149.8	-6.9	-	2,142.9
Non-current provisions and liabilities	3,857.4	-6.3	3,851.1	3,993.8	-6.9	-	3,986.9
Other provisions	449.2	-1.7	447.5	472.0	-1.0	-	471.0
Current provisions	483.0	-1.7	481.3	504.1	-1.0	-	503.1
Financial liabilities	935.5	1.8	937.3	214.5	2.7	-	217.2
Trade payables	3,049.2	-7.3	3,041.9	3,301.2	-9.1	-	3,292.1
Derivative financial instruments	178.8	-1.5	177.3	242.0	-0.1	-	241.9
Current tax liabilities	134.0	-1.5	132.5	101.5	-0.3	-	101.2
Other liabilities	2,819.6	-11.4	2,808.2	3,152.0	-17.4	-	3,134.6
Current liabilities	7,117.1	-19.9	7,097.2	7,011.2	-24.2	-	6,987.0
Current provisions and liabilities	7,600.1	-21.6	7,578.5	7,515.3	-25.2	-	7,490.1
	13,454.3	-31.0	13,423.3	14,026.2	-36.0	17.0	14,007.2

* as reported in the annual report as at 30 September 2014.

A detailed presentation of the impact on the equity items is directly shown in the condensed statement of changes in equity.

RESTATED ITEMS IN THE CASH FLOW STATEMENT OF THE TUI GROUP

€ million	9M 2013/14		
	before restatement	Restatement Adoption of IFRS 10 and IFRS 11	restated
Cash inflow from operating activities	385.8	–0.5	385.3
Cash outflow from financing activities	–388.5	3.8	–384.7
Net change in cash and cash equivalents	–159.5	3.3	–156.2
Change in cash and cash equivalents due to exchange rate fluctuation	–15.4	0.1	–15.3
Cash and cash equivalents at beginning of period	2,701.7	–27.7	2,674.0
Cash and cash equivalents at end of period	1,939.3	–24.3	1,915.0

Group of consolidated companies

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

The interim financial statements as at 30 June 2015 included a total of 578 subsidiaries, in addition to TUI AG.

Since 1 October 2014, 14 companies have been consolidated for the first time. Nine of these companies have been newly established, four companies have been included due to purchases of additional interests, and one company has been included due to an expansion of its business activities. On the other hand, a total of 58 companies have been deconsolidated since 1 October 2014, with 47 of these companies deconsolidated due to liquidation, five companies due to mergers, and two companies due to being sold. Two companies were deconsolidated due to the discontinuation of their business operations, and two companies had to be classified as joint ventures in the framework of the first-time adoption of IFRS 10 and IFRS 11 thus having transitioned from consolidation to the equity method.

The number of companies measured at equity declined by three compared to 30 September 2014. The number of associated companies declined by one company due to its inclusion in consolidation. The number of joint ventures declined by two as three companies were added and five were removed from this category. One company was newly established, and two other companies are now carried as joint ventures and accounted for using the equity method in the framework of the first-time adoption of IFRS 10 and IFRS 11. On the other hand, three joint ventures were included in consolidation due to purchases of additional shares and were therefore no longer measured at equity. Two other companies were sold.

Merger of TUI AG and TUI Travel PLC

On 28 October 2014 the shareholders of TUI AG and the minority shareholders of TUI Travel PLC created the essential prerequisites for the merger between the two companies at General Meetings held in Hanover and London.

The capital increase in exchange for non-cash contribution, resolved by the Extraordinary General Meeting of TUI AG, took effect on 11 December 2014 upon registration in the Berlin and Hanover commercial registers. Due to the issue of 242,764,564 new shares, subscribed capital rose by €620.6m with a proportionate share in the capital stock per share of around €2.56. In the consolidated financial statements according to IFRS, the difference between the value of these shares, measured at the stock market share price on the day of registration in the commercial register, and the proportionate share in the capital stock had to be transferred to the capital reserve as a premium worth €2,693.1 m. The associated after-tax borrowing costs of €16.3 m were eliminated against the transfer to the capital reserve.

The merger between TUI AG and TUI Travel PLC was executed through the acquisition by TUI AG of the outstanding minority interests in TUI Travel PLC. The shareholders of TUI Travel PLC with the exception of TUI AG received 0.399 new shares in TUI AG for each TUI Travel share that they held. As this share swap constituted a transaction with non-controlling interests in accordance with IFRS, the negative shares in equity attributable to them of €606.2 m had to be eliminated against the revenue reserves.

The following table shows the impact of the merger on TUI AG's equity before non-controlling interest in the period under review:

EFFECTS ON EQUITY BEFORE NON-CONTROLLING INTEREST	
€ million	9M 2014/15
Effects on subscribed capital	620.6
Increase in capital reserves	2,693.1
Borrowing costs	-16.3
Effects on capital reserves	2,676.8
Carrying amount of non-controlling interest acquired	-606.2
Consideration for non-controlling interest acquired	-3,313.7
Transaction costs	-45.4
Amount recognised in retained earnings	-3,965.3
Effects on equity before non-controlling interest	-667.9

Due to this transaction, TUI AG is now the beneficial owner of all shares in TUI Travel PLC. The Extraordinary General Meeting of TUI AG on 28 October 2014 resolved to create conditional capital in order to facilitate the future transfer of TUI Travel PLC shares that may arise from conversions of convertible bonds of TUI Travel PLC. Due to the conversion of the convertible bonds of TUI Travel PLC completed in the meantime, 23,640,450 new shares in TUI AG were therefore created.

The EGM also resolved to create authorised capital in order to secure payment of the share-based payment schemes granted in 2012 and 2013 in the former Travel Sector. The General Meeting of TUI Travel PLC on 28 October 2014 resolved to amend the Articles of Association accordingly, stipulating that all shares in TUI Travel PLC arising in future from these transactions will have to be converted into TUI AG shares at an exchange ratio of 1:0.399.

These arrangements did not cover convertible bonds issued by TUI Travel PLC with a volume of £200.0 m, acquired by Deutsche Bank in 2010. TUI AG exercised economic control over these bonds through a financing agreement. In connection with the completion of the merger, Deutsche Bank and TUI AG agreed in December 2014 to terminate this financing scheme early, with redemption of the remaining amount of £150.0 m to take place in two steps. Accordingly, a payment of £83.3 m (or €105.8 m) was made in December. On 27 January 2015, TUI AG paid the amount of £66.7 m (or €89.4 m) still outstanding at that point in time and a compensation of around £3 m for the early repayment as consideration for the transfer of the bonds. In March 2015, TUI Travel Limited redeemed the convertible bonds early by paying £200.0 m to TUI AG.

In the wake of the merger, the Group's funding was also changed. The credit facility previously granted to TUI Travel PLC was replaced by corresponding financing agreements by TUI AG. TUI Travel PLC was re-registered as a private company and became TUI Travel Limited with effect from 19 January 2015. The newly negotiated funding scheme consists of a revolving credit line of €1,535.0 m and a facility to grant bank guarantees of €215.0 m, maturing on 30 June 2018. Total borrowing costs amounted to €16.8 m. They are carried as prepaid expenses in the statement of financial position and charged to expenses on a straight-line basis over the term of the credit facility.

Moreover, due to the completion of the merger, the restrictions on the proceeds of €300.0 m from the issuance of a high-yield bond in September 2014 were lifted. In the prior year, these amounts had been invested in a money market fund on a fiduciary basis on behalf of TUI AG. Due to the disposal of the shares in the money market fund, financial assets available for sale decreased by €300.0 m and hence caused an increase in cash and cash equivalents.

Acquisitions – Divestments – Discontinued operation

ACQUISITIONS

In the first nine months of 2014/15, 11 travel agencies were acquired in the form of asset deals. Moreover, further shares were acquired in the companies aQi Hotel Schladming GmbH and aQi Hotelmanagement GmbH, previously measured at equity. Due to the acquisition, TUI Group holds 100% of the shares in each of these companies. The considerations transferred for all acquisitions by TUI Group consist of purchase price payments and total €3.4 m.

The acquisitions had no significant impact on turnover and the Group result for the period under review.

No major acquisitions were completed after the balance sheet date.

In the present interim financial statements, the purchase price allocations of the following companies and businesses acquired in financial year 2013/14 were finalised without a material effect on the consolidated statement of financial position within the 12-month period stipulated by IFRS 3:

- Le Passage to India Tours & Travels pvt. Ltd., New Delhi, India
- Global Obi S.L, Palma de Mallorca, Spain
- 6 travel agencies in Germany
- OFT REISEN GmbH, Rengsdorf, Germany
- Carlson Saint Martin SAS (Group), Anse Marcel, Saint Martin

DIVESTMENTS

The divestments did not have a material impact on the TUI Group's net assets, financial position and results of operations.

DISCONTINUED OPERATION

As outlined in the section "Accounting principles", TUI AG has decided to exit the LateRooms Group segment in calendar year 2015. In line with the provisions of IFRS 5, this segment has therefore been classified as a discontinued operation as of 31 March 2015.

The result from this discontinued operation is carried separately from the income from and expenses of continuing operations in the consolidated income statement. It is shown in a separate line under Result from discontinued operation. The income statements in the interim financial statements for the prior year were restated accordingly.

INCOME STATEMENT OF THE DISCONTINUED OPERATION LATEROOMS GROUP FOR THE PERIOD FROM 1 OCT 2014 TO 30 JUN 2015

€ million	Q3 2014/15	Q3 2013/14	9M 2014/15	9M 2013/14
Turnover	18.5	18.9	49.8	52.2
Cost of sales	12.8	11.1	35.4	30.2
Gross profit	5.7	7.8	14.4	22.0
Administrative expenses	7.0	9.4	37.4	29.5
Other expenses	-0.1	-	0.1	-
Financial income	-0.8	-0.3	-0.8	-0.5
Earnings before income taxes from discontinued operation	-2.0	-1.9	-23.9	-8.0
Income taxes	-1.0	1.6	-3.9	-0.6
Result from discontinued operation	-1.0	-3.5	-20.0	-7.4
Group loss for the year attributable to shareholders of TUI AG	-1.0	-1.9	-18.2	-4.0
Group loss for the year attributable to non-controlling interest	-	-1.6	-1.8	-3.4

The year-on-year decline in earnings before tax in the current financial year 2014/15 is attributable to the expenses incurred in connection with the completed closure of AsiaRooms as well as a decline in turnover in Asia.

The assets and liabilities are carried separately under Assets held for sale and Liabilities related to assets held for sale in the consolidated statement of financial position. The table below presents the main groups of assets and liabilities of the discontinued operation.

ASSETS AND LIABILITIES OF THE DISCONTINUED OPERATION LATEROOMS GROUP AS AT 30 JUN 2015	
€ million	30 Jun 2015
Assets	
Goodwill	11.7
Other intangible assets	45.2
Property, plant and equipment	7.2
Deferred tax assets	4.1
Non-current assets	68.2
Trade receivables and other assets	9.2
Current tax assets	0.8
Cash and cash equivalents	10.4
Current assets	20.4
	88.6
Equity and liabilities	
Revenue reserves	–13.8
Equity before non-controlling interest	–13.8
Non-controlling interest	0.1
Equity	–13.7
Financial liabilities to continuing operations	65.6
Deferred tax liabilities	4.3
Non-current liabilities	69.9
Trade payables to third-parties	13.0
Trade payables to continuing operations	2.0
Current tax liabilities	10.6
Other liabilities	6.8
Current liabilities	32.4
	88.6

The receivables from and liabilities to the Group's continuing operations are eliminated in the consolidated statement of financial position and are therefore not included in the items "Assets held for sale" and "Liabilities related to assets held for sale".

**RECONCILIATION TO ASSETS HELD FOR SALE IN THE FINANCIAL POSITION OF THE TUI GROUP
AS AT 30 JUN 2015**

€ million	30 Jun 2015
Current and non-current assets of the LateRooms Group	89.9
Assets held for sale	89.9

**RECONCILIATION TO LIABILITIES RELATED TO ASSETS HELD FOR SALE IN THE FINANCIAL POSITION
OF THE TUI GROUP AS AT 30 JUN 2015**

€ million	30 Jun 2015
Current and non-current liabilities of the LateRooms Group	102.3
Elimination of liabilities against continuing operations	-67.6
Liabilities related to assets held for sale	34.7

The cash flows for the overall Group including the discontinued operation are shown in the Group's Cash Flow Statement. A separate presentation of the cash flows for the discontinued operation is provided in the following table.

CONDENSED CASH FLOW STATEMENT OF THE DISCONTINUED OPERATION LATEROOMS GROUP

€ million	9M 2014/15	9M 2013/14
Cash outflow from operating activities	-10.5	-11.1
Cash outflow from investing activities	-8.3	-7.4
Cash inflow from financing activities	10.5	11.4
Change in cash and cash equivalents due to exchange rate fluctuation	1.0	1.0
Net change in cash and cash equivalents of the discontinued operation	-7.3	-6.1

Notes to the consolidated income statement

The TUI Group's results reflect the strong seasonal swing in tourism, with the tourism business characterised by the winter and summer travel months. The Group seeks to counteract the seasonal swing through a broad range of holiday offerings in the Summer and Winter seasons and its presence in many different travel markets in the world with different annual cycles. The consolidated income statement reflects the seasonality of the tourism business due to which the result generated in the period from October to June is negative. Due to the seasonality of the business, a comparison of results with full-year results does not make sense.

The year-on-year increase in turnover for the nine month period is mainly attributable to foreign exchange effects as well as higher customer numbers in the source markets.

(1) COST OF SALES AND ADMINISTRATIVE EXPENSES

The cost of sales relates to the expenses incurred to deliver tourism services. Apart from the expenses for staff costs, depreciation/amortisation and rental and leasing expenses, it includes in particular all costs incurred by the Group in connection with the provision and delivery of airline services, hotel accommodation and cruises as well as distribution costs.

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

ADMINISTRATIVE EXPENSES

€ million	Q3 2014/15	Q3 2013/14 restated	9M 2014/15	9M 2013/14 restated
Staff cost	264.5	224.4	723.1	635.7
Rental and leasing expenses	19.3	18.0	57.5	52.3
Depreciation, amortisation and impairments	26.8	21.5	73.6	63.5
Others	108.3	124.1	379.8	367.2
Total	418.9	388.0	1,234.0	1,118.7

The increase in administrative expenses versus the nine month period 2013/14 mainly results from foreign exchange effects and provisions recognised for a pending litigation in connection with the acquisition of a Turkish hotel and write-downs of input tax assets at an Italian subsidiary. Moreover, restructuring expenses, in particular for the restructuring of the corporate centre and reorganisation schemes in the source markets, arose in the period under review.

The cost of sales and administrative expenses include the following rental and leasing expenses as well as staff costs and depreciation/amortisation:

RENTAL AND LEASING EXPENSES

€ million	Q3 2014/15	Q3 2013/14 restated	9M 2014/15	9M 2013/14 restated
Rental and leasing expenses	252.2	220.2	678.6	633.1
thereof cost of sales	232.9	202.2	621.1	580.8
thereof administrative expenses	19.3	18.0	57.5	52.3

The year-on-year increase in rental and leasing expenses in the first nine months of the year mainly results from expenses for aircraft leases. As the aircraft leases are denominated in US dollars, the exchange rate changes cause an increase in leasing expenses driven by foreign currency translation. Moreover, leasing expenses for aircraft rose slightly year-on-year due to changes in the composition of the aircraft fleet. This increase offsets the decline in leasing expenses for cruise ships due to the purchase of the previously leased Europa 2.

STAFF COSTS

€ million	Q3 2014/15	Q3 2013/14 restated	9M 2014/15	9M 2013/14 restated
Wages and salaries	596.4	533.1	1,635.2	1,500.6
thereof cost of sales	371.6	349.8	1,029.7	972.6
thereof administrative expenses	224.8	183.3	605.5	528.0
Social security contributions, pension costs and benefits	119.1	119.1	343.6	283.5
thereof cost of sales	79.4	78.0	226.0	175.8
thereof administrative expenses	39.7	41.1	117.6	107.7
Total	715.5	652.2	1,978.8	1,784.1

The year-on-year increase in staff costs in the first nine months of 2014/15 primarily results from staff costs of €52.4m incurred in connection with restructuring measures. The increase was also driven by the inclusion of income of €45.2m from the curtailment of pension plans in the prior year's comparative period, which had been included net within social security contributions and pension costs and benefits. Apart from these effects, the increase in expenses year-on-year was also attributable to the changes in the euro exchange rate.

DEPRECIATION / AMORTISATION / IMPAIRMENTS

€ million	Q3 2014/15	Q3 2013/14 restated	9M 2014/15	9M 2013/14 restated
Depreciation and amortisation	111.3	90.9	313.0	269.9
thereof cost of sales	85.7	69.4	240.6	206.5
thereof administrative expenses	25.6	21.5	72.4	63.4
Impairments of property, plant and equipment and intangible assets	6.9	7.7	7.1	7.9
thereof cost of sales	5.7	7.7	5.9	7.8
thereof administrative expenses	1.2	–	1.2	0.1
Total	118.2	98.6	320.1	277.8

Impairments of assets mainly relate to impairments of brands.

An essential element of impairments of property, plant and equipment in the prior year's comparative period was the impairment of the cruise ship Island Escape of €7.7 m.

(2) OTHER INCOME / OTHER EXPENSES**OTHER INCOME / OTHER EXPENSES**

€ million	Q3 2014/15	Q3 2013/14 restated	9M 2014/15	9M 2013/14 restated
Other income	14.5	7.0	44.6	23.5
Other expenses	5.6	0.4	6.9	1.9
Total	8.9	6.6	37.7	21.6

In the current financial year 2014/15, other income primarily results from the profit on the sale of a hotel of the Riu Group in Q1 2014/15 (€16.9 m) and the sale of two Greek hotel companies in Q3 2014/15 (€10.1 m). Moreover, income was generated from sale-and-lease-back transactions with aircraft and the sale of two hotels held by the Specialist Group. Additional income relates to the recycling of cumulative foreign exchange gains previously carried in equity outside profit and loss following the capital reduction in a subsidiary.

Other income in the nine month period 2013/14 mainly related to profits on the sale of the science park in Kiel and the industrial park in Berlin-Tempelhof as well as the sale of a hotel company in Switzerland. Other income also included profits from sale-and-lease-back transactions with aircraft and gains on disposal from the sale of an investment and a subsidiary.

Other expenses for the current financial year 2014/15 arise, in particular, from foreign exchange losses in connection with capital reductions and liquidations of subsidiaries and expenses for sale-and-lease-back transactions with aircraft.

(3) GOODWILL IMPAIRMENTS

In the first nine months of 2014/15, as in the prior year, no goodwill impairments were recognised.

(4) FINANCIAL RESULT

The financial result improved from €–185.3 m in the nine month period 2013/14 to €–139.7 m in the first nine months of financial year 2014/15. This improvement is attributable to changes in the structure of the financial debt. All convertible bonds were fully converted in financial year 2014/15. The interest expense for the convertible bonds therefore declined by €74.0 m. TUI AG also repaid a bank loan of €100.0 m in August 2014. As a result, the interest expense fell by a further €10.5 m.

The new funding scheme in connection with the merger between TUI AG and TUI Travel PLC had offsetting effects. The credit line granted to TUI Travel PLC was replaced by a credit line granted to TUI AG. Accordingly, the borrowing costs of €14.2 m carried previously as prepaid expenses for the credit facility were fully recognised through profit and loss in Q1 2014/15. Moreover, the high-yield bond issued by TUI AG in September 2014 worth €300.0 m resulted in interest expenses of €11.2 m. In addition, the acquisition of Europa 2 led to an increase in financial liabilities and a rise in interest expenses of €7.0 m. Due to the increase in finance lease liabilities, interest expenses rose by €7.0 m. Furthermore, the financing agreement with Deutsche Bank, outlined in the section on “Merger between TUI AG and TUI Travel PLC” was redeemed early in Q2 2014/15, giving rise to financial expenses of €2.5 m.

(5) SHARE OF RESULT OF JOINT VENTURES AND ASSOCIATES**SHARE OF RESULT OF JOINT VENTURES AND ASSOCIATES**

€ million	Q3 2014/15	Q3 2013/14 restated	9M 2014/15	9M 2013/14 restated
Tourism	32.2	21.7	84.8	31.6
Hotelbeds Group	–0.2	–0.1	–	–
Specialist Group	–2.5	–1.6	0.2	–
Container Shipping	–	–9.5	0.9	–46.0
Total	29.5	10.5	85.9	–14.4

The considerable increase in the share of result of joint ventures and associates in Tourism originates from the commissioning of Mein Schiff 3 and Mein Schiff 4 in June 2014 and May 2015 with TUI Cruises and the improvement in business operations in Canada. Moreover, losses generated by TUI Russia and container shipping had been included in the prior year. In the current financial year 2014/15, no losses have been carried for TUI Russia as this would have led to a negative carrying amount of the stake in TUI Russia. Hapag-Lloyd AG, which was included with a negative profit contribution in the prior year, has been recognised under assets available for sale since 2 December 2014.

(6) ADJUSTMENTS

In addition to the disclosures required under IFRS, the consolidated income statement comprises a reconciliation to EBITA and underlying EBITA.

The TUI Group defines EBITA as earnings before interest, taxes and goodwill impairments. EBITA includes amortisation of other intangible assets. EBITA does not include measurement effects from interest hedging instruments and the proportionate result from container shipping, as the stake in Hapag-Lloyd AG is a financial investment rather than an operating stake from TUI AG's perspective.

The adjustments comprise results from the sale of investments as gains on disposal, events according to IAS 37 as restructuring measures and all effects of purchase price allocations, incidental acquisition costs and contingent considerations on EBITA as purchase price allocations.

In the first nine months of financial year 2014/15, adjustments worth €45.6 m were recognised in respect of restructuring costs. This amount included €24.8 m for the restructuring of the corporate centre and €6.5 m for the planned integration of the incoming agencies into the source market organisations. A further €12.6 m were recognised as adjustments for reorganisation schemes in source markets Germany, Benelux and Nordic. A further €2.0 m related to restructuring activities in the Hotelbeds segment.

Adjusted expenses for purchase price allocations primarily relate to scheduled amortisation of intangible assets from acquisitions completed in prior years.

The one-off items recognised as adjustments are income (–) and expenses (+) impacting or distorting the assessment of the operating profitability of the segments and the Group due to their levels and frequencies. These one-off items include, in particular, major restructuring and integration expenses not meeting the criteria of IAS 37, major expenses for litigation, gains and losses from the sale of aircraft and other material business transactions with a one-off character.

ONE-OFF ITEMS BY SEGMENT

€ million	Q3 2014/15	Q3 2013/14	9M 2014/15	9M 2013/14
Northern Region	1.2	3.6	3.2	–46.7
Central Region	1.1	0.1	3.7	–
Western Region	0.7	–1.3	3.6	–
Hotels & Resorts	2.1	–	32.5	–
Cruises	–	–3.2	–	–16.0
Other Tourism	0.8	–0.5	5.7	4.6
Tourism	5.9	–1.3	48.7	–58.1
Specialist Group	1.1	–1.4	1.1	0.6
Hotelbeds Group	1.4	49.8	3.1	49.6
All other segments	7.0	–6.1	6.1	–7.7
Total	15.4	41.0	59.0	–15.6

The source markets recognised adjustments for expenses of €6.8 m for the commissioning of new Boeing 787 Dreamliners, including expenses of €4.2 m in the Northern Region segment and €2.6 m in the Western Region segment.

The one-off items recognised in the Northern Region segment in the first nine months of the prior year related, in particular, to income from changes in pension plans.

Adjusted expenses in the Central Region segment relate to the reorganisation of TUI Deutschland (Radical Simplicity).

In the Hotels & Resorts segment, adjustments in the current financial year 2014/15 primarily consisted of the write-downs of input tax assets for an Italian subsidiary of €18.2 m as well as provisions made for a pending legal dispute in connection with the acquisition of a Turkish hotel.

In the Cruises segment, adjustments recognised in the prior year related to income from the partial use of a provision for onerous losses made in the nine months period 2012/13.

In the Other Tourism segment, adjustments were primarily carried for strike costs of €3.8 m incurred in connection with the efforts to sell Corsair. Expenses recognised as adjustments in the prior year mainly related to the reorganisation of aviation activities in France.

The one-off items in the Hotelbeds Group segment relate to expenses incurred in connection with the integration of the incoming agencies into the source market organisations. In the prior year's reference period, adjustments were mainly recognised for expenses related to the payment of margin VAT in a Spanish subsidiary for the previous years following a reassessment of the legal situation.

(7) INCOME TAXES

The tax income posted for the first nine months of financial year 2014/15 is partly attributable to the seasonality of the tourism business.

Due to the merger between TUI AG and TUI Travel PLC, a revaluation of deferred tax assets on loss carryforwards was undertaken, resulting in tax income of €116.6 m. With the approval of the planned profit and loss transfer agreement between LSG and TUI AG by TUI AG's Annual General Meeting, the planned reorganisation of the German tax group was taken into account in testing domestic loss carryforwards for impairment. This results in tax income of €142.2 m. An offsetting effect worth €25.6 m results from the impairment of deferred tax assets on loss carryforwards in the UK due to the reassessment of planned reorganisation measures following the merger.

(8) GROUP GAIN / LOSS ATTRIBUTABLE TO NON-CONTROLLING INTEREST

GROUP GAIN / LOSS ATTRIBUTABLE TO NON-CONTROLLING INTEREST

€ million	Q3 2014/15	Q3 2013/14 restated	9M 2014/15	9M 2013/14 restated
Central Region	0.1	0.5	0.6	1.7
Hotels & Resorts	19.9	11.6	55.0	45.0
Tourism	20.0	12.1	55.6	46.7
Specialist Group	-0.5	3.7	-2.8	-1.3
Hotelbeds Group	0.6	0.9	0.7	0.2
All other segments	-	-	0.1	0.1
formerly Travel (TUI Travel PLC Group)	0.1	4.1	-50.6	-145.1
Total	20.2	20.8	3.0	-99.4

Notes to the financial position of the TUI Group

(9) PROPERTY, PLANT AND EQUIPMENT

The cruise ship Europa 2 was acquired in the current financial year for a contractual purchase price of €291.7 m. After deduction of lease payments already made of €13.5 m, the remaining purchase price totals €278.2 m. The transaction replaces the previous charter agreement for the cruise liner commissioned in 2013. Due to the capitalisation of the cruise ship in Q2 2014/15, the amount recognised for property, plant and equipment increased as at 30 June 2015.

In addition, seven aircraft of which six are finance leased and one is owned with a total cost of €556.6 m have been capitalised in the current financial year. Further, advance payments amounting to €213.3 m for future deliveries of aircraft already ordered have been capitalised.

(10) COMPANIES MEASURED AT EQUITY

The merger of Hapag-Lloyd AG and Compañía Sud Americana de Vapores S.A (CSAV), contractually agreed in April 2014, was completed on 2 December 2014. In the framework of the transaction, CSAV contributed its container shipping business to Hapag-Lloyd AG as a non-cash contribution; in return, it received a stake of 30% in the combined entity. Due to the transaction, the TUI Group's stake in the combined Hapag-Lloyd declined from 22.0% to 15.4%. TUI Group thus lost its significant influence over the company.

The stake was therefore reclassified to financial assets available for sale at its fair value of €481.9 m on the settlement date. At the same time, the amount held for companies measured at equity declined by €339.6 m and assets held for sale by €140.2 m.

(11) FINANCIAL ASSETS AVAILABLE FOR SALE

As at 30 June 2015, current financial assets available for sale of €489.1 m comprise the remaining shares in Hapag-Lloyd AG. As TUI Group did not take part in a cash capital increase carried out in mid-December 2014, the stake in Hapag-Lloyd AG declined from 15.4% to the present 13.9%.

As at 30 September 2014, this item included money market fund shares worth €300.0 m. These money market fund instruments constitute the issue proceeds of the high-yield bond issued in the framework of the merger. These were redeemed after the completion of the merger when the restrictions around disposal had been lifted.

(12) ASSETS HELD FOR SALE**ASSETS HELD FOR SALE**

€ million	30 Jun 2015	30 Sep 2014 restated
Investment Hapag-Lloyd AG	–	140.2
Disposal Group PEAK	98.6	–
Discontinued Operation LateRooms Group	89.9	–
Property and hotel facilities	0.5	13.0
Other assets	3.4	2.7
Total	192.4	155.9

In the current financial year, the LateRooms Group segment was reclassified to Assets held for sale as a discontinued operation. Assets worth €89.9 m and liabilities worth €34.7 m exist in connection with this discontinued operation. For more detailed information, we refer to the section on “Discontinued operation”.

In May 2015, the decision was taken to split up the adventure travel portfolio, pooled in the subsidiary PEAK Adventure Travel Group Ltd., Australia, between TUI AG and the current non-controlling shareholders of PEAK. The Group will retain, in particular, the activities in Europe and North America, while the remaining business will be transferred to the non-controlling shareholders. On 2 July 2015 a corresponding agreement was concluded with the non-controlling shareholders. It was executed as at 31 July 2015. Upon the execution of the agreement, the companies to be transferred, which previously have been shown in the segment Specialist Group, have been classified as a disposal group as at 30 June 2015. Assets worth €98.6 m and liabilities worth €65.5 m are held within this disposal group.

An aircraft worth €9.9 m and an engine worth €7.9 m were reclassified to Assets held for sale and sold in the course of the current financial year. The sale of a hotel led to the reduction in Assets held for sale of €6.3 m. Moreover, a hotel facility in Bulgaria worth €6.0 m was reclassified to property, plant and equipment.

(13) PENSION PROVISIONS

At €1,222.1 m, pension provisions declined by €52.4 m versus the end of the prior financial year. The provision declined by €116.8 m due to contributions made to the fund assets to reduce the funding shortfall in the UK. Foreign exchange effects had an offsetting effect, causing provisions to rise by €49.2 m. Due to the recovery of capital market interest rates in Q3, the discount rate matched the level at the end of the financial year in the Eurozone while the discount rate in the UK was only slightly down. Accordingly, only minor revaluation effects had to be carried in equity outside profit and loss.

(14) FINANCIAL LIABILITIES

Non-current financial liabilities declined by €76.6 m to €1,671.8 m as against 30 September 2014. The decline mainly results from the conversion of two convertible bonds totalling €793.5 m. The decline in financial liabilities resulting from the conversion has been partly offset by an increase in non-current liabilities to banks of €240.4 m and an increase in liabilities from finance leases of €491.6 m to €992.2 m.

The convertible bond with a nominal value of £400.0 m issued by TUI Travel PLC on 22 April 2010 was almost fully converted in financial year 2014/15. Following the merger between TUI Travel PLC and TUI AG, the bondholders were granted a special redemption right, subsequently used for conversion by many of the bondholders. On 3 March 2015, TUI Travel Limited announced early redemption of the remaining bonds. All bonds still outstanding were then converted by the bondholders by the end of the redemption period ended on 17 April 2015.

The convertible bond issued by TUI AG on 24 March 2011 with a nominal value of €339.0 m was called early in the current financial year and almost fully converted by the end of the conversion period on 20 March 2015. The remaining bonds of €2.4 m were repaid at their nominal value plus interest as at 7 April 2015.

TUI AG cancelled its perpetual subordinated bond ("hybrid bond") with a nominal value of €300.0 m with effect from 30 April 2015. In the framework of the cancellation, the hybrid bond was reclassified from equity to financial liabilities in March 2015. The bond was repaid at nominal value plus accrued interest at the end of April 2015.

Current liabilities declined by €6.1 m to €211.1 m as at 30 June 2015 compared to 30 September 2014.

(15) CHANGES IN EQUITY

Since 30 September 2014, equity decreased by €716.8 m to €1,813.4 m.

In Q1, the shares of non-controlling shareholders decreased by €183.0 m, mainly due to the payment of dividends to non-Group shareholders of TUI Travel PLC. TUI AG paid dividends worth €94.5 m to its shareholders. The interest on the hybrid capital issued by TUI AG also had to be carried as a dividend in accordance with IFRS rules.

On 24 March 2015, TUI AG cancelled its perpetual subordinated bond with a nominal value of €300.0 m, effective 30 April 2015. The issuing costs incurred when the bond was issued were eliminated against revenue reserves.

The ongoing measurement of the awards from stock option plans serviced with shares resulted in an increase in equity of €15.5 m.

The issuance of employee shares gave rise to 133,340 shares in TUI AG or subscribed capital worth €0.3 m and capital reserves of €1.2 m, respectively.

Due to conversions from the 2009/14 and 2011/16 convertible bonds, 33,503,738 new shares in TUI AG were issued. In addition, 2010/17 convertible bonds of TUI Travel PLC were converted. In line with the regulations for the merger between TUI AG and TUI Travel PLC, with the resulting shares in TUI Travel PLC swapped into 23,640,450 shares in TUI AG at a ratio of 1:0.399. Due to conversions of convertible bonds, subscribed capital rose by a total of €146.1 m, while the capital reserve increased by €453.4 m.

The capital increase against non-cash contribution in the wake of the merger between TUI AG and TUI Travel PLC had major effects on subscribed capital and the Group's reserves, outlined in detail in the section on "Merger between TUI AG and TUI Travel PLC" in the present Interim Report.

The impact of the acquisition of non-controlling interests relates to the main acquisition, the merger between TUI AG and TUI Travel PLC. The consideration including the ancillary costs for the acquisition of the non-controlling interests, totalled €3,359.1 m, while the carrying amount of the acquired shares totalled €-606.2 m. Please also refer to the section on Merger between TUI AG and TUI Travel PLC in the present Interim Report.

Moreover, an employee share trust of TUI Travel PLC acquired shares in TUI Travel PLC in Q1 in order to use them for stock option plans. As the amounts used for this purpose had to be offset against revenue reserves as acquisition of non-controlling interests, equity declined by €84.5 m. As shares were issued in the framework of the stock option plans, non-controlling interests remained unchanged overall. In the framework of the merger between TUI Travel PLC and TUI AG, the shares additionally held by the employee share trust were swapped into shares in TUI AG so that the relevant trust now holds 2,745,963 shares in TUI AG.

Furthermore, non-controlling interests in Global Obi S.L., Spain, and TUI Leisure airport sales GmbH, Germany, were acquired in the third quarter of the current financial year. The acquired carrying amounts of the non-controlling interests totalled €1.2 m, while the consideration amounted to €3.3 m.

The Group's loss in the first nine months of the current financial year is due to the seasonality of the tourism business.

Gains and losses from cash flow hedges worth €-308.3 m (pre-tax) are carried under other comprehensive income in equity outside profit and loss. This reserve is reversed through profit and loss in the period in which the underlying transaction is assessed as having an effect on profit and loss or is no longer considered to be likely.

The re-measurement of pension obligations (in particular actuarial gains and losses) is also recognised within other comprehensive income in equity outside profit and loss.

Financial instruments

CARRYING AMOUNTS AND FAIR VALUES ACCORDING TO CLASSES AND MEASUREMENT CATEGORIES AS AT 30 JUN 2015

€ million	Carrying amount	Category under IAS 39				Values according to IAS 17 (leases)	Carrying amount of financial instruments	Fair value of financial instruments
		At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss			
Assets								
Available for sale financial assets	547.2	–	46.6	500.6	–	–	547.2	547.2
Trade receivables and other assets	2,900.0	1,085.6	–	–	–	–	1,085.6	1,085.6
Derivative financial instruments								
Hedging	278.2	–	–	278.2	–	–	278.2	278.2
Other derivative financial instruments	35.7	–	–	–	35.7	–	35.7	35.7
Cash and cash equivalents	1,575.7	1,575.7	–	–	–	–	1,575.7	1,575.7
Assets held for sale	192.4	–	–	–	–	–	–	–
Liabilities								
Financial liabilities	1,882.9	890.8	–	–	–	992.2	890.8	910.3
Trade payables	2,789.7	2,789.6	–	–	–	–	2,789.6	2,789.6
Derivative financial instruments								
Hedging	562.8	–	–	562.8	–	–	562.8	562.8
Other derivative financial instruments	57.3	–	–	–	57.3	–	57.3	57.3
Other liabilities	5,556.2	176.1	–	–	61.4	–	237.5	237.5

CARRYING AMOUNTS AND FAIR VALUES ACCORDING TO CLASSES AND MEASUREMENT CATEGORIES AS AT 30 SEP 2014 (RESTATED)

€ million	Carrying amount	Category under IAS 39				Values according to IAS 17 (leases)	Carrying amount of financial instruments	Fair value of financial instruments
		At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss			
Assets								
Available for sale financial assets	362.7	–	45.4	317.3	–	–	362.7	362.7
Trade receivables and other assets	2,279.3	1,113.8	–	–	–	–	1,113.8	1,113.8
Derivative financial instruments								
Hedging	223.5	–	–	223.5	–	–	223.5	223.5
Other derivative financial instruments	22.0	–	–	–	22.0	–	22.0	22.0
Cash and cash equivalents	2,258.0	2,258.0	–	–	–	–	2,258.0	2,258.0
Assets held for sale	155.9	–	–	–	–	–	–	–
Liabilities								
Financial liabilities	1,965.6	1,465.0	–	–	–	500.6	1,465.0	1,713.2
Trade payables	3,292.1	3,292.0	–	–	–	–	3,292.0	3,292.0
Derivative financial instruments								
Hedging	207.2	–	–	207.2	–	–	207.2	207.2
Other derivative financial instruments	55.4	–	–	–	55.4	–	55.4	55.4
Other liabilities	3,265.1	156.5	–	–	60.8	–	217.3	217.3

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

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

Financial instruments classified as financial assets available for sale include an amount of € 46.6 m (as at 30 September 2014 € 45.4 m) for interests in partnerships and corporations for which no active market exists. The fair values of these non-listed interests cannot be calculated by means of a measurement model since their future cash flows cannot be reliably determined. The investments are carried at cost. In the period under review, there were no major disposals of interests in partnerships or corporations measured at cost as at 30 September 2014. TUI Group does not intend to sell or derecognise the stakes in these partnerships or corporations in the near future.

AGGREGATION ACCORDING TO MEASUREMENT CATEGORIES UNDER IAS 39 AS AT 30 JUN 2015

€ million	At amortised	At cost	Fair value		Carrying amount	Fair value
	cost		with no effect on profit and loss	through profit and loss		
					Total	
Loans and receivables	2,661.3	–	–	–	2,661.3	2,661.3
Financial assets						
available for sale	–	46.6	500.6	–	547.2	547.2
held for trading	–	–	–	35.7	35.7	35.7
Financial liabilities						
at amortised cost	3,856.5	–	–	–	3,856.5	3,937.4
held for trading	–	–	–	118.7	118.7	118.7

AGGREGATION ACCORDING TO MEASUREMENT CATEGORIES UNDER IAS 39 AS AT 30 SEP 2014 (RESTATED)

€ million	At amortised	At cost	Fair value		Carrying amount	Fair value
	cost		with no effect on profit and loss	through profit and loss		
					Total	
Loans and receivables	3,371.8	–	–	–	3,371.8	3,371.8
Financial assets						
available for sale	–	45.4	317.3	–	362.7	362.7
held for trading	–	–	–	22.0	22.0	22.0
Financial liabilities						
at amortised cost	4,913.5	–	–	–	4,913.5	5,222.5
held for trading	–	–	–	116.2	116.2	116.2

FAIR VALUE MEASUREMENT

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: input factors for the measurement are quoted market price other than those mentioned in Level 1, directly (as market price quotation) or indirectly (derivable from market price quotation) observable in the market for the asset or liability.
- Level 3: input factors for the measurement of the asset or liability are not based on observable market data.

HIERARCHY OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE AS AT 30 JUN 2015

€ million	Total	Fair value hierarchy		
		Level 1	Level 2	Level 3
Assets				
Available for sale financial assets	500.6	5.5	–	495.1
Derivative financial instruments				
Hedging transactions	278.2	–	278.2	–
Other derivative financial instruments	35.7	–	35.7	–
Liabilities				
Derivative financial instruments				
Hedging transactions	562.8	–	562.8	–
Other derivative financial instruments	57.3	–	57.3	–
Other liabilities	61.4	–	61.4	–
At amortised cost				
Financial liabilities	910.3	312.9	597.4	–

HIERARCHY OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE AS OF 30 SEP 2014 (RESTATED)

€ million	Total	Fair value hierarchy		
		Level 1	Level 2	Level 3
Assets				
Available for sale financial assets	317.3	11.8	300.0	5.5
Derivative financial instruments				
Hedging transactions	223.5	–	223.5	–
Other derivative financial instruments	22.0	–	22.0	–
Liabilities				
Derivative financial instruments				
Hedging transactions	207.2	–	207.2	–
Other derivative financial instruments	55.4	–	55.4	–
Other liabilities	60.8	–	60.8	–
At amortised cost				
Financial liabilities	1,713.2	1,362.3	350.9	–

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

There were no transfers into or out of Level 3, either. Reclassifications from Level 3 to Level 2 or Level 1 are recognised if observable market price quotations become available for the asset or liability concerned. TUI Group records transfers to and out of Level 3 as at the date of the obligating event or occasion triggering the transfer.

LEVEL 1 FINANCIAL INSTRUMENTS

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

LEVEL 2 FINANCIAL INSTRUMENTS

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

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

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

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

With the exception of the shares in Hapag-Lloyd AG and the stake in National Air Traffic Services (NATS) presented below, all fair values resulting from the application of the measurement assumptions are categorised within Level 2.

LEVEL 3 FINANCIAL INSTRUMENTS

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

FINANCIAL ASSETS MEASURED AT FAIR VALUE IN LEVEL 3		
€ million	Available for sale financial assets	Other assets held for trading
Balance as at 1 Oct 2013	–	40.6
Additions	5.2	–
Disposals		
repayment / sale	–	35.5
conversion	–	5.2
Total comprehensive income	0.3	0.1
recognised in other comprehensive income	0.3	0.1
Balance as at 30 Sep 2014	5.5	0.0
Net gains for financial instruments on the balance sheet as at the balance sheet date	–	–
Balance as at 1 Oct 2014	5.5	–
Additions	481.9	–
Total comprehensive income	7.7	–
recognised in other comprehensive income	7.7	–
Balance as at 30 Jun 2015	495.1	–
Net gains for financial instruments on the balance sheet as at the balance sheet date	–	–

The additions relate to the investment in Hapag-Lloyd AG, held under financial assets available for sale from 2 December 2014.

MEASUREMENT PROCESS

The fair value of Level 3 financial instruments is determined by means of the discounted cash flow method by TUI's Finance department. The market data and parameters required for the quarterly measurement are collected and validated, respectively. Unobservable input parameters are reviewed and updated, if necessary, on the basis of the information internally available.

The results of the measurement are compared with measurements by independent market participants, e.g. analyst studies. These are provided by Investor Relations. If the fair value determined on the basis of the valuation technique falls outside the bandwidth of external assessments, the measurement model is reviewed by the Finance department and its plausibility verified by means of alternative assumptions, which might be taken into account by other market participants based on prudent assessment in determining prices as at the quarterly reporting date. The result of the measurement of the key Level 3 financial instruments is reported to the Chief Financial Officer.

MEASUREMENT OF LEVEL 3 FINANCIAL INSTRUMENTS

The following table provides information on the measurement methods and central unobservable inputs used in determining fair values.

FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)					
Financial asset	Fair Value in € million	Valuation technique	Unobservable input	Range	Inter-relationship between unobservable input and fair value measurement
Investment Hapag-Lloyd AG	489.1	Discounted Cash Flow	(Forecast) EBITDA-Margin	7%–10%	The higher the (forecast) EBITDA-margin, the higher the fair value
			WACC	7.0%	The lower the weighted average cost of capital, the higher the fair value
			Terminal Growth Rate	0.5%	The higher the terminal growth rate, the higher the fair value
Investment NATS	6.1	Prior transactions	(n. a.)	(n. a.)	(n. a.)

SENSITIVITY ANALYSIS

The fair value of the investment in Hapag-Lloyd AG would change significantly if one or more of the significant unobservable input factors were changed to reflect reasonably possible alternative assumptions. The following table presents the sensitivities to a change in significant unobservable inputs.

EFFECT OF CHANGES TO NON-OBSERVABLE INPUTS ON THE FAIR VALUE MEASUREMENT			
€ million	Increase/(decrease) in non-observable inputs	Favourable/ (unfavourable) impact on profit or loss	Favourable/ (unfavourable) impact on OCI
(Forecasted) EBITDA-margin	0.25 %	–	60.5
	–0.25 %	–53.4	–7.2
WACC	0.25 %	–36.5	–7.2
	–0.25 %	–	47.2
Terminal Growth Rate	0.25 %	–	38.7
	–0.25 %	–28.7	–7.2

The favourable and adverse changes presented have been calculated separately.

An increase or decrease in the determined corporate value of the investment in NATS of +10%/–10% results in a €0.4 m increase/€–0.4 m decrease in the value recognised for the asset by the TUI Group, carried in after-tax earnings outside profit and loss (as at 30 September 2014 €+0.4 m/€–0.4 m). Changes in unobservable parameters do not have a material effect on the result.

Contingent liabilities

As at 30 June 2015, contingent liabilities totalled €371.9m (as at 30 September 2014 €375.1 m). The contingent liabilities reflect the level of estimated potential exposure as at the balance sheet date. They mainly relate to the assumption of liability for the benefit of Hapag-Lloyd AG for collateralised ship financing schemes and the assumption of liability for the benefit of TUI Cruises GmbH. The slight decrease as against 30 September 2014 mainly results from redemption payments, which more than offset the increases resulting from newly concluded assumptions of liability.

In January 2014, the Italian public prosecutor completed his investigations against a former managing director of an Italian subsidiary on allegations of complicity in VAT evasion. In May 2015 criminal proceedings in this matter were instituted against the manager concerned. Until the facts and circumstances of the case have been clarified, the financial authorities have temporarily suspended the payment of disputed input tax assets worth €18.2 m. On 11 December 2014, TUI received a tax assessment from the Italian financial authorities, which refused its subsidiary the right to deduct the input tax worth €18.2 m. The tax assessment also imposed fines and interest payments totalling €33 m. The subsidiary had filed an appeal against the tax assessment. On 23 June 2015, an agreement was concluded with the Italian tax authorities. Under the agreement, the Italian subsidiary is not allowed to deduct the input tax, while the interest payments and fines are reduced to €1.8m. In Q2 2014/15, the VAT receivables were fully written down.

Other financial liabilities

FINANCIAL COMMITMENTS FROM OPERATING LEASE, RENTAL AND CHARTER CONTRACTS

€ million	30 Jun 2015	30 Sep 2014 restated
Nominal value	4,096.1	4,167.2
Fair value	3,768.3	3,821.2

NOMINAL VALUES OF OTHER FINANCIAL COMMITMENTS

€ million	30 Jun 2015	30 Sep 2014
Order commitments in respect of capital expenditure	3,964.2	3,160.9
Other financial commitments	135.1	210.7
Total	4,099.3	3,371.6
Fair value	3,715.5	3,086.1

Order commitments for investments rose by €803.3 m as at 30 June 2015 compared to 30 September 2014. This was mainly driven by new order commitments for cruise ships from finance lease contracts with TUI Cruises GmbH, a joint venture of the TUI Group.

Notes to the Group's cash flow statement

Based on the after-tax Group result, the cash flow from operating activities is determined using the indirect method. The cash flow statement shows the continuing and discontinued operations. In the period under review, cash and cash equivalents declined by €639.9 m to €1,618.1 m. The cash and cash equivalents include an amount of €42.4 m that is shown within assets held for sale.

In the 9 months period under review, the inflow of cash from operating activities was €515.0 m (previous year €385.3 m).

The outflow of cash from investing activities totals €27.4 m. It comprises a cash outflow for investments in property, plant and equipment and intangible assets of €388.2 m by the tour operators and airlines, of €129.1 m by TUI Hotels & Resorts as well as €86.2 m by Cruises and €52.1 m by the other tourism companies. The Group also recorded an inflow of €335.5 m from the sale of property, plant and equipment, primarily aircraft assets and a hotel in Gran Canaria. The cash flow from investing activities also includes payments of €24.5 m for the acquisition of subsidiaries and for capital increases in joint ventures. The sale of joint ventures generated an inflow of €17.9 m. The shares in a money market fund acquired in the prior year were sold following the completion of the merger with TUI Travel PLC, resulting in cash inflows of €300.0 m.

The outflow of cash from financing activities totalled €1,061.8 m. TUI AG concluded new financing agreements to replace the revolving credit facility previously concluded by TUI Travel. The amounts drawn under these agreements have been fully repaid in the period under review. TUI AG used €195.3 m to redeem a financing in connection with a convertible bond of TUI Travel PLC. Please also refer to the section "Merger of TUI AG and TUI Travel PLC". A cash outflow of €2.4 m related to the non-converted portion of the convertible bond of TUI AG that matured in November 2014, originally amounting to €217.8 m and the non-converted portion of the early terminated convertible bond of TUI AG in the period under review, originally amounting to €339.0 m. The termination of the perpetual subordinated bond of TUI AG leads to a cash outflow of €300.0 m.

Hotels & Resorts took out financial liabilities worth €10.7 m and redeemed €60.0 m. For the financing of aircraft a loan amounting to €76.7 m was drawn. Finance lease liabilities worth €43.9 m were repaid.

An amount of €78.1 m was used for interest payments. Further outflows relate to the dividends for the hybrid bond holders and shareholders of TUI AG (€109.3 m) and the dividends for the minority shareholders, mainly of TUI Travel PLC and RIUSA II S.A. (€196.2 m). Moreover, TUI Travel PLC purchased own shares worth €84.5 m in order to use them for its stock option plans. For the acquisition of further shares of companies already consolidated further €3.7 m were spent. TUI AG and TUI Travel PLC made payments totalling €38.2 m to acquire minority interests in TUI Travel PLC. The capital increase of TUI AG through contribution of the minority interests caused payments of €10.5 m in the period under review.

Cash and cash equivalents also decreased by €65.7 m due to changes in exchange rates.

As at 30 June 2015, cash and cash equivalents worth €193.9 m were subject to restraints on disposal. They included €116.3 m for cash collateral received, deposited with a Belgian subsidiary by Belgian tax authorities in financial year 2012/13 against the backdrop of a multi-year litigation regarding VAT refunds for the period from 2001 to 2011 without admission of guilt in order to stop interest accrual for both parties. In order to collateralise a potential reimbursement, the Belgian government was granted a bank guarantee. Due to the bank guarantee, TUI Group is subject to restraints on disposal for the cash and cash equivalents. €77.6 m cash and cash equivalents relate to amounts deposited due to legal or regulatory requirements.

Segment information

Due to the merger with TUI Travel PLC, the TUI Group has changed its organisational structure. In line with IFRS 8, the previously used reporting structure was adjusted to the changed management structure of the new TUI Group for the present consolidated interim financial statements. We refer to the explanations regarding the new segment structure in the section on Accounting principles.

TURNOVER BY SEGMENT FOR THE PERIOD FROM 1 OCT 2014 TO 30 JUN 2015

€ million			Q3 2014/15			9M 2014/15	
	External	Group	Total	External	Group	Total	
Northern Region	1,866.3	22.8	1,889.1	4,025.1	105.0	4,130.1	
Central Region	1,406.4	11.1	1,417.5	3,341.4	34.7	3,376.1	
Western Region	772.0	–	772.0	1,687.0	9.0	1,696.0	
Hotels & Resorts	135.8	181.1	316.9	381.2	435.7	816.9	
Cruises	63.8	–	63.8	200.0	–	200.0	
Other Tourism	96.5	0.8	97.3	328.9	3.3	332.2	
Consolidation	–	–195.3	–195.3	–	–480.2	–480.2	
Tourism	4,340.8	20.5	4,361.3	9,963.6	107.5	10,071.1	
Specialist Group	462.8	–	462.8	1,355.5	–	1,355.5	
Hotelbeds Group	259.3	74.1	333.4	654.7	171.5	826.2	
All other segments	18.2	18.7	36.9	47.4	61.2	108.6	
Consolidation	–	–113.3	–113.3	–	–340.2	–340.2	
Continuing operations	5,081.1	–	5,081.1	12,021.2	–	12,021.2	
Discontinued operations	18.5	–	18.5	49.8	–	49.8	
Total	5,099.6	–	5,099.6	12,071.0	–	12,071.0	

TURNOVER BY SEGMENT FOR THE PERIOD FROM 1 OCT 2013 TO 30 JUN 2014

€ million			Q3 2013/14			9M 2013/14	
	External restated	Group restated	Total restated	External restated	Group restated	Total restated	
Northern Region	1,660.0	18.7	1,678.7	3,629.6	79.6	3,709.2	
Central Region	1,393.4	13.9	1,407.3	3,222.3	52.4	3,274.7	
Western Region	782.8	22.4	805.2	1,711.1	23.1	1,734.2	
Hotels & Resorts	105.0	186.3	291.3	316.6	432.5	749.1	
Cruises	63.9	–	63.9	213.1	1.0	214.1	
Other Tourism	95.9	2.3	98.2	319.7	11.7	331.4	
Consolidation	–	–217.9	–217.9	–	–498.8	–498.8	
Tourism	4,101.0	25.7	4,126.7	9,412.4	101.5	9,513.9	
Specialist Group	395.5	–	395.5	1,166.6	–	1,166.6	
Hotelbeds Group	262.0	77.5	339.5	631.6	148.1	779.7	
All other segments	18.5	19.4	37.9	36.8	56.7	93.5	
Consolidation	–	–122.6	–122.6	–	–306.3	–306.3	
Continuing operations	4,777.0	–	4,777.0	11,247.4	–	11,247.4	
Discontinued operations	18.9	–	18.9	52.2	–	52.2	
Total	4,795.9	–	4,795.9	11,299.6	–	11,299.6	

EARNINGS BEFORE TAXES, INTEREST AND IMPAIRMENT OF GOODWILL BY SEGMENT

€ million	Q3 2014/15	Q3 2013/14 restated	9M 2014/15	9M 2013/14 restated
Northern Region	101.3	95.4	-21.8	7.9
Central Region	-18.2	20.4	-119.8	-62.4
Western Region	-13.7	-3.0	-81.4	-83.3
Hotels & Resorts	64.1	40.7	86.3	70.7
Cruises	19.3	1.7	37.6	-1.7
Other Tourism	-21.2	-21.3	-45.8	-46.6
Tourism	131.6	133.9	-144.9	-115.4
Specialist Group	15.7	18.4	-12.0	-11.2
Hotelbeds Group	23.7	-34.9	16.9	-34.8
All other segments	-41.2	-25.5	-99.1	-80.8
Continuing operations	129.8	91.9	-239.1	-242.2
Discontinued operation	-1.2	-1.6	-23.1	-7.5
Total	128.6	90.3	-262.2	-249.7

For the first nine months of 2014/15, earnings before interest, taxes and impairment of goodwill (EBITA) include results of €85.0m (previous year €31.6m) from joint ventures and associates, primarily generated in Tourism.

UNDERLYING EARNINGS BEFORE TAXES, INTEREST AND IMPAIRMENT ON GOODWILL BY SEGMENT

€ million	Q3 2014/15	Q3 2013/14 restated	9M 2014/15	9M 2013/14 restated
Northern Region	107.0	99.1	-2.6	-25.1
Central Region	-4.2	29.9	-97.9	-46.8
Western Region	-11.1	2.0	-72.8	-67.8
Hotels & Resorts	67.3	41.7	122.9	74.4
Cruises	19.3	-1.5	37.6	-17.7
Other Tourism	-20.6	-21.9	-40.2	-42.1
Tourism	157.7	149.3	-53.0	-125.1
Specialist Group	24.5	20.5	5.2	2.9
Hotelbeds Group	30.6	23.6	38.4	31.2
All other segments	-18.6	-29.7	-69.0	-86.7
Continuing operations	194.2	163.7	-78.4	-177.7
Discontinued operation	-0.8	-0.8	-10.1	-6.1
Total	193.4	162.9	-88.5	-183.8

RECONCILIATION TO EARNINGS BEFORE TAXES OF THE CONTINUING OPERATIONS OF THE TUI GROUP

€ million	Q3 2014/15	Q3 2013/14 restated	9M 2014/15	9M 2013/14 restated
EBITA of continuing operations	129.8	91.9	-239.1	-242.2
Profit/Loss on Container Shipping measured at equity	-	-9.5	0.9	-46.0
Net interest expense and expense from measurement of interest hedges	-34.6	-62.4	-141.9	-182.4
Earnings before income taxes of continuing operations	95.2	20.0	-380.1	-470.6

Related parties

Apart from the subsidiaries included in the consolidated financial statements, TUI AG, in carrying out its ordinary business activities, maintains direct and indirect relationships with related parties. All transactions with related parties have been executed on an arm's length basis on the basis of international comparable uncontrolled price methods in accordance with IAS 24, as before. The equity stake held by Riu Hotels S.A., listed in the Notes to the consolidated financial statements as at 30 September 2014, was retained unchanged at the reporting date for the interim financial statements. More detailed information on related parties is provided under "Other notes" in the Notes to the consolidated financial statements for 2013/14.

In the current financial year TUI Russia continues to record significant losses. A provision of €13.9m has been recognised in the year for risks relating to the engagement in Russia and Ukraine.

Major transactions after the balance sheet date

In May 2015, the decision was taken to divide the adventure travel portfolio, brought together in the subsidiary PEAK Adventure Travel Group Ltd., Australia, between TUI AG and the current non-controlling shareholders of PEAK. A corresponding agreement was entered into with the non-controlling shareholders on 2 July 2015. It was executed with effect as at 31 July 2015.

In connection with this transaction, the assets and liabilities disclosed in the section on Assets held for sale will exit the Group. The transaction will not have any material impact on the Group's result.

REVIEW REPORT

To TUI AG, Berlin and Hanover

We have reviewed the condensed interim consolidated financial statements – comprising the statement of financial position, condensed statement of comprehensive income, income statement, condensed statement of cash flows, condensed statement of changes in equity and selected explanatory notes – and the interim Group management report of TUI AG for the period from 1 October 2014 to 30 June 2015, which are part of the interim financial report according to Section 37x (3) of the German Securities Trading Act (WpHG). The preparation of the condensed interim consolidated financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and of the interim Group management report which has been prepared in accordance with the requirements of the German Securities Trading Act applicable to interim Group management reports is the responsibility of the Company's management. Our responsibility is to issue a review report of the condensed interim consolidated financial statements and on the interim Group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim Group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the German Auditors' Institute (IDW, Institut der Wirtschaftsprüfer), also taking account of the International Standard on Review Engagements 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' (ISRE 2410). Those standards require that we plan and conduct the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim Group management report has not been prepared, in material respects, in accordance with the requirements of the German Securities Trading Act applicable to interim Group management reports. A review is limited primarily to enquiries of Company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

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

Hanover, 12 August 2015

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

Thomas Stieve, Auditor
Prof. Dr Mathias Schellhorn, Auditor

CAUTIONARY STATEMENT REGARDING FORWARD- LOOKING STATEMENTS

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

Financial calendar

13 AUGUST 2015

Interim Report Q3 2014/15

30 SEPTEMBER 2015

Pre-Close Trading Update

10 DECEMBER 2015

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PHOTOGRAPHY

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*The English and a German version of this
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www.tuigroup.com/en/investors*

