INTERIM REPORT 2015 / 16

1 October 2015 – 31 December 2015

Q1

TUI GROUP

CONTENTS

FIRST QUARTER RESULTS ENDED 31 DECEMBER 2015

Highlights

- Good underlying performance in Q1 with 7.2 % improvement in underlying EBITA in spite of impact from geopolitical events*
- € 10 m of merger synergies in relation to corporate streamlining and Destination Services delivered in the quarter
- Disposal process for Hotelbeds on track
- Current trading for Winter 2015 / 16 and Summer 2016 remains in line with our expectations, taking into account the geopolitical backdrop
- Reiterate earnings guidance of at least 10 % growth in underlying EBITA in 2015 / 16*

KEY FINANCIALS

€ million	Q1 2015 / 16	Q1 2014 / 15 restated	Underlying Var. %	Q1 2015 / 16	Reported Q1 2014 / 15 restated
Turnover	3,718.4	3,526.4	5.4	3,718.4	3,526.4
EBITA	– 101.7	– 104.8	3.0	– 137.5	– 141.4
EBITA – at constant currency rates*	– 97.3	– 104.8	7.2	– 132.3	– 141.4

Note: EBITA comprises earnings before interest, taxes and goodwill impairments; it does not include the results from container shipping operations measured at equity nor the results from the measurement of interest hedging instruments.
* Assuming constant foreign exchange rates are applied to the result in the current and prior year and based on current Group structure.

Chief Executive of TUI Group, Friedrich Joussen, commented:

»We have delivered a good underlying performance in Q1 in spite of the backdrop of geopolitical turbulence in some of our destinations, with a 7.2 % improvement in underlying EBITA*. Northern Region and Riu have performed particularly well, and we remain pleased with demand and yield performance in our Cruise business. We are continuing to deliver our merger synergies as planned, with a further € 10 m realised in the quarter, and the disposal process for Hotelbeds remains on track.

It is evident that there has been a significant shift in demand away from Turkey, with Summer 2016 bookings to that destination currently down around 40 %. Our scale business model and own hotel content means that we have been able to act quickly to remix capacity to alternative, profitable destinations. In addition, our own hotels in destinations outside Turkey (such as Spain and the Canaries) are benefitting from the shift in demand. Based on current trading, and the resilience of our integrated business model, we continue to expect to deliver underlying EBITA growth of at least 10 % in 2015 / 16*.«

Q1 RESULTS

€ million	
Underlying EBITA Q1 2014/15 (restated)	**–105**
Non-repeat prior year gain on disposal of hotel (Riu Waikiki)	–16
Underlying trading	+5
Merger synergies (€5 m Corporate Streamlining, €5 m Destination Services)	+10
Refinancing of Europa 2	+5
Year-on-year impact of aircraft financing	+4
Underlying EBITA 2015/16 excluding FX	**–97**
Foreign exchange translation	–5
Underlying EBITA 2015/16	**–102**

Q1 RESULTS

- **Turnover** increased by 5.4 % to € 3,718 m (Q1 2014/15: € 3,526 m), or by 2.5 % excluding the positive impact of foreign exchange translation. Brand turnover (which includes the non-consolidated turnover of TUI Cruises and our Canadian strategic venture) increased by 6.9 % to € 4,357 m (Q1 2014/15: € 4,076 m), or by 4.3 % excluding the positive impact of foreign exchange translation. Growth was driven by Northern Region and Cruises.
- **Group underlying EBITA loss** for the quarter improved to € 102 m (Q1 2014/15: € 105 m loss), or € 97 m loss excluding the negative impact of foreign exchange translation.
- **Within the Source Markets,** underlying EBITA loss was € 82 m (Q1 2014/15: € 78 m loss), or € 77 m loss excluding the negative impact of foreign exchange translation.
  - Northern Region delivered a good performance, with a strong end of Summer trading result in the UK and continued trading margin improvement in Nordics.
  - The result in Central Region declined as a result of the continued challenging trading conditions in Germany, compounded by lower demand for North Africa and Turkey, and lower Canaries margins. The new management team, who took over at the end of June 2015, are taking corrective actions to improve profitability.
  - Western Region's operating result impacted by planned additional marketing costs in Netherlands in relation to the successful TUI rebranding.
- **In Hotels & Resorts,** underlying EBITA was € 25 m (Q1 2014/15: € 29 m, including € 16 m gain on disposal of Riu Waikiki) or € 23 m excluding the positive impact of foreign exchange translation.
  - Riu delivered a strong operating performance, with a 2.3 % point improvement in occupancy and 12.7 % increase in average rate per bed. This was partly offset by the non-repeat of the gain on disposal of Riu Waikiki in the prior year.
  - Robinson's result impacted by planned additional marketing costs to grow the brand, as well as the under occupancy cost relating to a leased property in Tunisia (opened Summer 2015) and lower demand for Turkey.
  - Result for other hotels adversely impacted by the events in Egypt and reduced demand for Turkish destinations.
- **In Cruises,** underlying EBITA increased to € 8 m (Q1 2014/15: € 2 m), including € 5 m benefit from the refinancing of Europa 2 and strong trading by Mein Schiff 4 which launched in June 2015. This was partly offset by € 2 m dry-dock costs for Hapag-Lloyd Cruises and non-repeat of a € 2 m shipyard financing provision release in the prior year in TUI Cruises.
- Following the carve out of Destination Services (formerly Inbound Services) into Other Tourism, € 5 m of synergies have been delivered in the quarter.
- On a post-carve out basis, **Hotelbeds Group** underlying EBITA increased to € 3 m (Q1 2014/15: € 2 m) as the business continues to outperform the market. The disposal process remains on track.
- **Specialist Group** underlying EBITA loss of € 32 m (Q1 2014/15: € 19 m loss), or € 30 m loss excluding the negative impact foreign exchange translation, reflects difficult trading in the adventure and ski divisions (impacted by geopolitical events and poor snow conditions respectively), and in the US tour operators.
- **All other segments** underlying EBITA loss of € 14 m (Q1 2014/15: € 26 m loss) includes € 5 m further benefit from the delivery of further corporate streamlining synergies, bringing the total delivered to date to € 15 m.

CURRENT TRADING REMAINS IN LINE WITH OUR EXPECTATIONS

- Winter 2015 / 16: 82 % sold to date, with flat bookings and average selling prices up 3 %. Overall Source Market long-haul bookings are up 10 % and the UK continues to deliver good growth in total bookings, up 3 %.
- Summer 2016 in line with our expectations at this early stage: 33 % sold to date, with overall volumes up 1 % and average selling prices up 2 %. UK bookings performance remains strong, up 9 %. Demand for Turkey has decreased significantly compared with prior year, and we have rapidly reshaped the programme to alternative destinations.
- Continued progress in increasing controlled and online distribution within the Source Markets.

EXPECT TO DELIVER AT LEAST 10% GROWTH* IN UNDERLYING EBITA IN 2015/16

- Based on current trading and the resilience of our business model, we continue to expect to deliver underlying EBITA growth of at least 10 % in 2015 / 16*.

Current trading in line with our expectations

WINTER 2015/16

Current trading for Winter, which is the low season for most of our businesses, is in line with our expectations. 82 % of the Source Market programme has been sold to date, in line with prior year, with flat bookings and average selling prices up 3 %. Long-haul bookings continue to grow strongly, up 10 %. Bookings through our controlled channels account for 70 % of Winter bookings, up one percentage point, with the online channel accounting for 43 % of bookings, up two percentage points.

Trading in our Hotels & Resorts businesses largely reflects bookings made through our Source Markets. We continue to grow bookings from our Source Markets to our target group hotels, in line with our strategy to deliver synergies through joint management of occupancy.

Following advice from several governments in November 2015, we ceased flying to and from Sharm el Sheikh and took rapid action to remix the tour operator programme. Egypt accounted for approximately 6 % of our Source Market programme in Winter 2014 / 15 and approximately 2 % of our Summer 2015 programme. Sharm el Sheikh constituted around 50 % of the overall Egypt programme. In addition, TUI Group operates 34 hotels in Egypt (as at December 2015), 22 of which are managed, nine owned, one leased and two franchised. Most of the owned and leased hotels are operated by joint ventures. 11 of the hotels in Egypt are located in Sharm el Sheikh.

CURRENT TRADING[1] WINTER 2015/16

YoY variation%	Total ASP[2]	Total Sales[2]	Total Customers[2]	Winter 2015/16 Programme sold (%)
Northern Region	**+3**	**+5**	**+2**	**81**
UK	+1	+5	+3	76
Nordics	+6	+7	Flat	93
Central Region	**+6**	**+3**	**–3**	**83**
Germany	+5	+2	–3	82
Western Region	**–1**	**Flat**	**+1**	**82**
Benelux	Flat	+3	+2	81
Total Source Markets	**+3**	**+3**	**Flat**	**82**
Hotelbeds Group – Bedbank[3]	**+6**	**+18**	**+11**	**n/a**

1 These statistics are up to 31 January 2016 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.

We remain pleased with the booking and yield performance of both TUI Cruises and Hapag-Lloyd Cruises, with the former reflecting the expansion of the fleet following the launch of Mein Schiff 4 in June 2015.

In the UK, bookings are up 3 % and average selling prices are up 1 %, with lower jet fuel costs and the impact of the weaker Euro on accommodation costs partly offsetting the increase in long-haul. To date, 76 % of the Winter programme has been sold. The key driver of volume expansion is long-haul, for which overall bookings are currently up 16 %, including growth in demand for Mexico, Dominican Republic and Jamaica, plus the addition of Costa Rica to the programme. Short and medium haul is 1 % ahead of prior year, despite lower demand for Egypt which we have offset by remixing the programme and channelling demand to alternative destinations.

In the Nordics, bookings are flat, with good trading since our last update. To date, 93 % of the Winter programme has been sold. Average selling prices continue to perform well (up 6 %) and trading margins continue to improve compared with prior year, in particular for short and medium haul. The roll-out of our Riu hotels to the Nordics source markets continues to prove successful.

In Germany, bookings are down 3 % in what remains a very competitive market. To date, 82 % of the Winter programme has been sold. Average selling prices are up 5 %, which reflects a higher proportion of long-haul bookings (up 10 %) and increases in accommodation costs. Performance has been adversely impacted by the recent events in Egypt and Turkey (which is a significant destination for German tourists) and as a result of the increase in flight capacity to sun and beach destinations (in particular the Canaries).

In Benelux bookings are up 2 % with flat average selling prices. Bookings in the Netherlands have remained strong following the TUI rebrand, up 6 %. Demand has been more subdued in Belgium following events in Tunisia, Paris and Egypt.

The Hotelbeds Group bedbank is continuing to deliver a significant increase in both TTV and roomnights for Winter, up 18 % and 11 % respectively.

SUMMER 2016

Summer 2016 trading remains in line with our expectations, taking into account the geopolitical backdrop, with bookings up 1 % and average selling prices up 2 %. We are still at an early stage of the booking cycle, with approximately 33 % of the Source Markets' programmes sold, in line with prior year. In the UK, where the highest proportion of the programme (41 %) has been sold to date, trading remains strong with bookings up 9 %. Short-haul, long-haul and cruise are performing well. Average selling prices for the UK are down 1 %, reflecting the development of input costs (including fuel).

Due to ongoing geopolitical uncertainty in the region, Summer bookings to Turkey from all Source Markets are around 40 % below prior year. In Summer 2015, 14 % of our Source Market customers travelled to Turkey, with a lower proportion from the UK, and a higher proportion from Germany and Nordics. In response to the decline in demand, we have rapidly reshaped the Summer programme by adding capacity to alternative popular and profitable destinations, such as Spain and Greece, including taking additional capacity in our Group hotels.

Bookings and yields for both TUI Cruises and Hapag-Lloyd Cruises remain strong. We are pleased with the progress in bookings for Mein Schiff 5, which launches in July 2016.

NET DEBT AND LIQUIDITY

The net debt position (cash and cash equivalents less financial dept) at 31 December 2015 was € 1,876 m (30 September 2015: net debt € 214 m). The increase since year-end was driven by customary seasonal cash outflows within the tour operators. The net debt position consisted of € 1,042 m of cash and cash equivalents, € 225 m of current financial liabilities and € 2,693 m of non-current financial liabilities. We remain satisfied with our long-term debt funding and liquidity position. This includes external bank revolving credit facilities totalling € 1.75 bn which are used to manage the seasonality of the Group's cash flows. The maturity date of the revolving credit facility was recently extended from June 2018 to December 2020 on broadly the same terms.

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

%	**Winter 2015 / 16**	Summer 2016
Euro	96	83
US Dollars	92	76
Jet Fuel	96	85

As at 29 January 2016

OUTLOOK

We have delivered a good start to the year, with underlying EBITA up 7.2 %* in the first quarter. This demonstrates the resilience of our integrated model, which has helped us to absorb the impact of geopolitical unrest and the challenges we sometimes face in specific source markets and destinations. The shift in demand away from Turkey is a challenge for Summer 2016, and we have taken actions to mitigate this. Delivery of merger synergies and the Hotelbeds disposal process are on-track. Based on current trading and the resilience of our integrated business model, we continue to expect to deliver at least 10 %* growth in underlying EBITA in 2015 / 16.

FIRST QUARTER 2015/16

TUI Group – financial highlights

€ million		Q1 2015/16	Q1 2014/15 restated	Var. %
Turnover		**3,718.4**	**3,526.4**	**+5.4**
Underlying EBITA[1]				
Northern Region		–27.9	–45.4	+38.5
Central Region		–26.2	–20.3	–29.1
Western Region		–27.7	–11.9	–132.8
Hotels & Resorts		25.2	28.7	–12.2
Cruises		8.2	2.0	+310.0
Other Tourism		–11.4	–14.2	+19.7
Tourism		**–59.8**	**–61.1**	**+2.1**
Specialist Group		–31.8	–19.1	–66.5
Hotelbeds Group		3.5	1.8	+94.4
All other segments		–13.6	–26.4	+48.5
TUI Group		**–101.7**	**–104.8**	**+3.0**
Discontinued operation		0.1	–3.0	n/a
Sum of the segments		**–101.6**	**–107.8**	**+5.8**
EBITA[2]		**–137.5**	**–141.4**	**+2.8**
Underlying EBITDA		**–2.1**	**–24.6**	**+91.5**
EBITDA		**–22.8**	**–46.2**	**+50.6**
Net profit for the period		–163.9	–136.2	–20.3
Earnings per share	€	–0.32	–0.32	–
Equity ratio (31 Dec)[3]	%	15.6	14.0	+1.6
Cash gross capex		159.3	126.5	+25.9
Net debt (31 Dec)		–1,875.6	–1,632.0	–14.9
Employees (31 Dec)		64,594	65,268	–1.0

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 ganis/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

Corporate Governance

Composition of the Boards

In Q1 2015 / 16, the composition of the Executive Board of TUI AG changed as follows.

In financial year 2014 / 15, the Supervisory Board had appointed Dr Elke Eller as Executive Board member in charge of HR and Labour Director of TUI AG. She took over the Labour Director function from Sebastian Ebel as at 15 October 2015. He had previously temporarily held that function in addition to his operational responsibilities as Executive Board member.

The composition of the Supervisory Board of TUI AG did not change in Q1 2015 / 16.

The current, complete composition of the Executive Board and Supervisory Board is listed on our website, where it has been made permanently available to the public.

www.tuigroup.com/en-en/investors

TUI Group fundamentals: Structure and strategy

Reporting structure

In the Interim Financial Report for Q1 2015 / 16 the TUI Group reporting structure is based on that introduced for the H1 2014 / 15.

In Q1 2015 / 16, the carve-out of Destination Services from the Hotelbeds Group segment was completed as scheduled. They were integrated in the Tourism business and have been managed under Other Tourism since the period under review. Following an evaluation of various options to increase the growth and value of the Hotelbeds Group retained in the segment, a divestment process has been initiated and is proceeding according to plan. Moreover, the IT services previously carried in All Other Segments were pooled in the Other Tourism segment in Q1 2015 / 16.

Details see Annual Report 2014 / 15 page 92

Group targets and strategy

The TUI Group continues to pursue its strategy as presented in financial year 2014 / 15. A summary can be found in the Annual Report 2014 / 15.

Our assessment of the expected synergies and one-off costs resulting from the merger is retained as presented in the Annual Report for 2014 / 15. In the period under review, we delivered synergies worth € 10 m from the merger with TUI Travel, half of which resulted from the consolidation of overlapping Corporate Centre functions with the other half driven by the integration of Destination Services in the Tourism business.

Details see Annual Report 2014 / 15 pages 7 – 17 and 87 – 94

Research and development

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

Risk and Opportunity Report

For a comprehensive presentation of our risk and opportunity management systems and any potential risks and opportunities, we refer to the corresponding comments in our Annual Report 2014 / 15. The risks and opportunities outlined in that report remained largely unchanged in the period under review.

The TUI Group's risks, both individually and in conjunction with other risks, are limited and from today's perspective do not threaten the continued existence of individual subsidiaries or the Group.

Opportunities and risks or any positive or negative changes of opportunities and risks are not offset against one another.

Annual Report 2014 / 15: Risks see page 97 et seq. opportunities see page 119 et seq.

Report on expected development

Expected development of Group turnover, earnings and adjustments

We reiterate our forecast of expectations for the TUI Group in financial year 2015 / 16, as presented in the Annual Report 2014 / 15.

EXPECTED DEVELOPMENT OF GROUP TURNOVER, UNDERLYING EBITA AND ADJUSTMENTS

	Expected Development vs. PY	
€ million	2014 / 15	**2015 / 16***
Brand turnover	22,584	at least 5 % growth
Turnover	20,012	at least 3 % growth
Underlying EBITA	1,069	at least 10 % growth
Adjustments	204	approx. € 180 m cost

* Based on constant currency, without discontinued operations

See Annual Report 2014 / 15 page 115 et seq.

Brand turnover

A proportion of earnings growth will be delivered by TUI's joint ventures, however, due to equity accounting the revenue from these businesses is excluded from reported turnover. We have therefore introduced the concept of brand turnover, to show more clearly the total revenue generated by TUI brands, the key ones being TUI Cruises and our Canadian tour operator strategic venture. We expect brand turnover to rise by at least 5 % in financial year 2015 / 16 at constant currency.

Turnover

We expect turnover to rise by at least 3 % at constant currency in financial year 2015 / 16, primarily due to an anticipated increase in customer numbers of our tour operators as we deliver our growth roadmap.

Underlying EBITA

In financial year 2015 / 16, underlying EBITA by the TUI Group is expected to grow by at least 10 % at constant currency as we deliver our growth roadmap. Risks relate to the development of customer numbers against the backdrop of continued volatility in the economic environment and geopolitical tensions for our key source markets, demand for our Group hotels and cruises and the delivery of merger synergies.

Adjustments

For financial year 2015 / 16 we expect purchase price allocations and net one-off costs (mainly in relation to the delivery of merger synergies) of approximately € 180 m to be carried as adjustments.

Consolidated earnings

Comments on the consolidated income statement

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

INCOME STATEMENT OF THE TUI GROUP FOR THE PERIOD FROM 1 OCT 2015 TO 31 DEC 2015

€ million	**Q1 2015 / 16**	Q1 2014 / 15 restated	Var. %
Turnover	**3,718.4**	**3,526.4**	**+ 5.4**
Cost of sales	3,487.0	3,314.8	+ 5.2
Gross profit	**231.4**	**211.6**	**+ 9.4**
Administrative expenses	405.4	386.0	+ 5.0
Other income	15.7	18.2	– 13.7
Other expenses	2.7	0.8	+ 237.5
Financial income	6.7	8.3	– 19.3
Financial expenses	88.5	75.9	+ 16.6
Share of result of joint ventures and associates	22.6	17.5	+ 29.1
Earnings before income taxes	**– 220.2**	**– 207.1**	**– 6.3**
Income taxes	– 59.5	– 74.9	+ 20.6
Result from continuing operations	**– 160.7**	**– 132.2**	**– 21.6**
Result from discontinued operation	– 3.2	– 4.0	+ 20.0
Group loss for the year	**– 163.9**	**– 136.2**	**– 20.3**
Group loss for the year attributable to shareholders of TUI AG	– 184.0	– 104.6	– 75.9
Group loss for the year attributable to non-controlling interest	20.1	– 31.6	n / a

TURNOVER AND COST OF SALES

In Q1 2015 / 16, turnover totalled € 3.7 bn, up by 5.4 % year-on-year. On a constant currency basis, turnover grew by 2.5 % in Q1 2015 / 16. While customer numbers declined by 1.4 %, the turnover growth against Q1 2014 / 15 was driven in particular by the increase in the proportion of long-haul holidays, in particular in the large source markets. It also reflected higher average selling prices in Hotels & Resorts and an increase in the business volume of Hotelbeds Group. Turnover was presented alongside the cost of sales, which rose by 5.2 % in Q1. A detailed breakdown of turnover and a review thereof are presented in the section Business development by segments.

TURNOVER

€ million	**Q1 2015 / 16**	Q1 2014 / 15 restated	Var. %
Northern Region	1,232.4	1,124.9	+ 9.6
Central Region	1,090.2	1,058.5	+ 3.0
Western Region	486.9	487.3	– 0.1
Hotels & Resorts	132.4	118.0	+12.2
Cruises	53.9	53.5	+ 0.7
Other Tourism	147.5	152.6	– 3.3
Tourism	3,143.3	2,994.8	+ 5.0
Specialist Group	325.6	333.4	– 2.3
Hotelbeds Group	217.4	170.7	+ 27.4
All other segments	32.1	27.5	+16.7
TUI Group	**3,718.4**	**3,526.4**	**+ 5.4**
Discontinued operation	–	17.2	n / a
Sum of the segments	**3,718.4**	**3,543.6**	**+ 4.9**

See page 16

GROSS PROFIT

At € 231.4 m, gross profit as the balance of turnover and the cost of sales was up € 19.8 m year-on-year in Q1 2015 / 16.

ADMINISTRATIVE EXPENSES

Administrative expenses comprise expenses for general management functions not directly allocable to the turnover transactions. In Q1, they totalled € 405.4 m, up by € 19.4 m on the prior year. The increase was mainly driven by foreign exchange effects and expenses in connection with various restructuring measures within the Group.

OTHER INCOME / OTHER EXPENSES

In Q1 2015 / 16, other income totalled € 15.7 m, mainly comprising gains on disposal from the sale of a joint venture, a cruise ship and two plots of land.

Other expenses totalled € 2.7 m for Q1 2015 / 16. They primarily resulted from foreign exchange losses in connection with capital measures.

FINANCIAL RESULT

The financial result declined from € – 67.6 m in Q1 2014 / 15 to € – 81.8 m in the current financial year 2015 / 16. The interest result improved by € 25.5 m within that period, driven by the conversion of all convertible bonds in financial year 2014 / 15 and the associated decline in interest expenses. This was partly offset by the measurement of the investment in Hapag-Lloyd. Following the IPO, the stake was measured at stock market price as at 31 December 2015, resulting in an impairment of € 41.6 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 € 22.6 m in Q1 2015 / 16 (previous year € 17.5 m). Hapag-Lloyd AG, which was included in the previous year, has been carried under assets available for sale since 2 December 2014.

INCOME TAXES

The tax assets generated in Q1 2015 / 16 were attributable to various factors including the seasonal swing in tourism and the simplification of Group structures in Germany following the merger between TUI AG and TUI Travel PLC.

GROUP LOSS

In Q1 2015 / 16, the Group result was negative at € – 163.9 m (previous year € –136.2 m) due to the seasonality of the tourism business.

NON-CONTROLLING INTERESTS

Non-controlling interests accounted for € 20.1 m for Q1 2015 / 16. They related to companies in Hotels & Resorts, and in 2014 / 15 they also related to the external shareholders of TUI Travel PLC until the completion of the merger with TUI AG.

EARNINGS PER SHARE

After deduction of non-controlling interests, TUI AG shareholders accounted for € – 184.0 m (previous year € – 104.6 m) of the Group result for Q1 2015 / 16. As a result, basic earnings per share amounted to € – 0.32 (previous year € – 0.32) for Q1 2015 / 16.

EBITA and underlying EBITA

Key indicators used to manage TUI Group are EBITA and underlying EBITA. We consider EBITA to be the performance indicator best suited to explain the TUI Group's operating performance. EBITA comprises earnings before interest, taxes and goodwill impairments, excluding the results from container shipping operations measured at equity, and the results from the measurement of interest hedging instruments.

RECONCILIATION TO UNDERLYING EBITA

€ million	**Q1 2015/16**	Q1 2014/15 restated	Var. %
Earnings before income taxes	–220.2	–207.1	–6.3
less: Gains on Container Shipping measured at equity	–	–0.9	n/a
plus: Loss measurement of financial investment in Container Shipping	41.6	–	n/a
plus: Net interest expense and expense from the measurement of interest hedges	41.1	66.6	–38.3
EBITA	–137.5	–141.4	+2.8
Adjustments:			
less: Gains on disposals	1.5	0.1	
plus: Restructuring expense	3.2	1.5	
plus: Expense from purchase price allocation	20.4	18.0	
plus: Expense from other one-off items	10.7	17.0	
Underlying EBITA	**–101.7**	**–104.8**	**+3.0**

Reported earnings by TUI Group improved by €3.9 m year-on-year to €–137.5 m in Q1 2015/16.

EBITA

€ million	**Q1 2015/16**	Q1 2014/15 restated	Var. %
Northern Region	–34.1	–50.9	+33.0
Central Region	–31.8	–25.5	–24.7
Western Region	–28.9	–14.8	–95.3
Hotels & Resorts	24.5	16.5	+48.5
Cruises	8.2	2.0	+310.0
Other Tourism	–13.2	–16.0	+17.5
Tourism	**–75.3**	**–88.7**	**+15.1**
Specialist Group	–36.1	–23.2	–55.6
Hotelbeds Group	–2.5	–2.5	–
All other segments	–23.6	–27.0	+12.6
TUI Group	**–137.5**	**–141.4**	**+2.8**
Discontinued operation	–4.6	–3.6	–27.8
Sum of the segments	**–142.1**	**–145.0**	**+2.0**

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

One-off items carried as adjustments include income and expense items that reflect amounts and frequencies of occurrence rendering an evaluation of the operating profitability of the segments and the Group more difficult or causing distortions. These one-off items include in particular major restructuring and integration expenses not meeting the criteria of IAS 37, material expenses for litigation, gains and losses from the sale of aircraft, and other material business transactions with a one-off character.

In Q1 2015 / 16, earnings adjusted for one-off effects (underlying EBITA) totalled € – 101.7 m, up € 3.1 m year-on-year.

UNDERLYING EBITA

€ million	**Q1 2015 / 16**	Q1 2014 / 15 restated	Var. %
Northern Region	– 27.9	– 45.4	+ 38.5
Central Region	– 26.2	– 20.3	– 29.1
Western Region	– 27.7	– 11.9	– 132.8
Hotels & Resorts	25.2	28.7	– 12.2
Cruises	8.2	2.0	+ 310.0
Other Tourism	– 11.4	– 14.2	+ 19.7
Tourism	**– 59.8**	**– 61.1**	**+ 2.1**
Specialist Group	– 31.8	– 19.1	– 66.5
Hotelbeds Group	3.5	1.8	+ 94.4
All other segments	– 13.6	– 26.4	+ 48.5
TUI Group	**– 101.7**	**– 104.8**	**+ 3.0**
Discontinued operation	0.1	– 3.0	n / a
Sum of the segments	**– 101.6**	**– 107.8**	**+ 5.8**

In Q1 2015 / 16, adjustments worth € 1.1 m were carried for income, compared with adjustments on underlying expenses amounting to € 16.5, taking into account the expenses for purchase price allocations.

Overall, net one-off expenses of € 1.9 m were incurred in connection with the merger between TUI AG and TUI Travel PLC. They included income of € 0.7 m for the rationalisation of the corporate head office, while expenses of € 2.6 m related to the integration of incoming agencies into the source market organisations.

Other adjustments mainly comprised the following items:

GAINS ON DISPOSAL

In Q1 2015 / 16, negative gains on disposal worth € 1.5 m had to be carried as adjustments. They related in particular to capital reductions in subsidiaries.

RESTRUCUTURING COSTS

The restructuring costs of € 3.2 m carried as adjustments in Q1 2015 / 16 related in particular to reorganisation measures in the Central and Western Regions and the integration of incoming agencies into the market organisations.

EXPENSES FOR PURCHASE PRICE ALLOCATIONS

In the first three months of 2015 / 16, expenses for purchase price allocations of € 20.4 m had to be carried as adjustments. They related above all to scheduled amortisation of intangible assets from acquisitions made in prior years.

ONE-OFF ITEMS

Net expenses for one-off items of € 10.7 m comprised in particular an amount of € 3.2 m for the reorganisation in Central Region, an expense of € 3.0 m for the discontinuation of the business operations of TUI Connect, an amount of € 3.0 m for consultancy costs in connection with the planned divestment of Hotelbeds Group, and an amount of € 1.8 m for subsequent payments into the pension plan of a former shareholding.

Performance indicators

KEY FIGURES OF INCOME STATEMENT

€ million	**Q1 2015/16**	Q1 2014/15 restated	Var. %
Earnings before interest, income taxes, depreciation, impairment and rent (EBITDAR) of continuing operations	**195.6**	**164.6**	**+18.8**
Operating rental expenses	218.4	210.8	+3.6
Earnings before interest, income taxes, depreciation and impairment (EBITDA) of continuing operations	**–22.8**	**–46.2**	**+50.6**
Depreciation/amortisation less reversals of depreciation*	–114.7	–95.2	–20.5
Earnings before interest, income taxes and impairment of goodwill (EBITA) of continuing operations	**–137.5**	**–141.4**	**+2.8**
Impairment of goodwill	–	–	–
Earnings before interest and income taxes (EBIT) of continuing operations	**–137.5**	**–141.4**	**+2.8**
Net interest expense and expense from measurement of interest hedges	–41.1	–66.6	+38.3
Losses on measurement of financial investment in Container Shipping	–41.6	–	n/a
Profit on Container Shipping measured at equity	–	0.9	n/a
Earnings before income taxes (EBT) of continuing operations	**–220.2**	**–207.1**	**–6.3**

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

Business development by segments

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 key source markets:

	DIRECT DISTRIBUTION MIX[1] *in %*		ONLINE MIX[2] *in %*		CUSTOMERS *in '000*	
	Q1 2015/16	Q1 2014/15	Q1 2015/16	Q1 2014/15	Q1 2015/16	Q1 2014/15
SOURCE MARKETS	70	69	42	40	3,326	3,375
NORTHERN REGION	89	90	60	57	1,192	1,187
CENTRAL REGION	44	44	14	13	1,257	1,295
WESTERN REGION	70	67	52	49	877	893

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

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	**Q1 2015/16**	Q1 2014/15 restated	Var. %
Turnover	1,232.4	1,124.9	+ 9.6
Underlying EBITA	– 27.9	– 45.4	+ 38.5
EBITA	– 34.1	– 50.9	+ 33.0

In the period under review, TUI tour operators in Northern Region continued their positive performance of the prior year. Customer numbers grew by 0.4 % year-on-year. Turnover climbed by 9.6 %; it rose by 3.1 % on a constant currency basis. The seasonal loss (underlying EBITA) declined by € 17.5 m to € 27.9 m in Q1 2015 / 16.

TUI tour operators in the UK benefited from strong end of Summer trading result, in particular for long-haul destinations and the Canaries, and a good performance by Thomson Cruises. Customer numbers grew by 2.0 % in Q1 2015 / 16. Online distribution accounted for 57 % of bookings, up by 4 percentage points.

The Nordics also improved their performance year-on-year due to higher selling prices in the period under review. Online distribution grew by 2 percentage points to 71 % of overall bookings.

The Canadian Sunwing company, in which TUI holds a strategic stake, also continued its growth course, essentially driven by the further expansion of the differentiated hotel offering in the Caribbean and Mexico.

CENTRAL REGION

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

CENTRAL REGION – KEY FIGURES

€ million	**Q1 2015/16**	Q1 2014/15 restated	Var. %
Turnover	1,090.2	1,058.5	+ 3.0
Underlying EBITA	– 26.2	– 20.3	– 29.1
EBITA	– 31.8	– 25.5	– 24.7

In Q1 2015 / 16, the performance of Central Region declined against the prior year. With customer numbers down 2.9 % year-on-year, turnover grew by 3.0 % due to a higher proportion of long-haul bookings. The seasonal loss increased by € 5.9 m year-on-year to € 26.2 m in Q1 2015 / 16. This development was driven by the continued challenging trading conditions and weaker demand for North Africa and Turkey as well as lower Canaries margins. The new management team, who took over at the end of June 2015, are taking corrective actions to improve profitability.

Direct distribution remained at around 51 % in Germany, as before. Online distribution accounted for 19 % of all bookings, up by 2 percentage points.

WESTERN REGION

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

WESTERN REGION – KEY FIGURES

€ million	**Q1 2015/16**	Q1 2014/15 restated	Var. %
Turnover	486.9	487.3	– 0.1
Underlying EBITA	– 27.7	– 11.9	– 132.8
EBITA	– 28.9	– 14.8	– 95.3

Turnover by Western Region was flat year-on-year on a 1.8 % decline in customer numbers in Q1 2015/16. The seasonal loss increased by € 15.8 m year-on-year to € 27.7 m in Q1 2015/16. This was attributable to planned additional marketing costs in the framework of the TUI rebranding campaign in the Netherlands and income from the reversal of a provision in Belgium within the prior year result. In addition, demand for North Africa in Western Region was adversely impacted by geopolitical events.

HOTELS & RESORTS

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

HOTELS & RESORTS – KEY FIGURES

€ million	**Q1 2015/16**	Q1 2014/15 restated	Var. %
Total turnover	270.6	250.0	+ 8.2
Turnover	132.4	118.0	+ 12.2
Underlying EBITA	25.2	28.7	– 12.2
EBITA	24.5	16.5	+ 48.5

Total turnover by the Hotels & Resorts segment rose by 8.2 % year-on-year to € 270.6 m in Q1 2015/16. Due to overall sound demand in the period under review on a slight decrease in capacity year-on-year, occupancy continued to show a positive development. Revenues per bed also grew considerably year-on-year. Turnover with non-Group third parties climbed by 12.2 % to € 132.4 m in Q1 2015/16.

The Hotels & Resorts segment benefited from the strong operating performance of Riu hotels in Q1 2015/16, in particular in the Canaries and Mexico. In connection with the growth strategy pursued by Robinson, marketing activities for the club brand were intensified in the period under review. Robinson also reported weaker demand, in particular for the new club in Tunisia and the clubs in Turkey. The performance indicators of the other hotels were also impacted by the geopolitical backdrop. Underlying earnings accounted for € 25.2 m in Q1 2015/16, up by around € 12 m year-on-year, taking account of a book profit of € 16 m included in the prior year's reference quarter.

HOTELS & RESORTS

	CAPACITY[1] *in '000*	OCCUPANCY RATE[2] *in %*	AVERAGE REVENUE PER BED[3] *in €*
	Q1 2015/16 / Q1 2014/15	Q1 2015/16 / Q1 2014/15	Q1 2015/16 / Q1 2014/15
HOTELS TOTAL[4]	**7,826** / 7,898	**73.1** / 72.9	**57.39** / 51.95
RIU	**4,235** / 4,180	**83.9** / 81.6	**59.52** / 52.81
ROBINSON	**650** / 591	**64.2** / 69.5	**85.05** / 87.82
IBEROTEL	**539** / 591	**54.3** / 63.3	**48.31** / 43.90

1 Group owned or leased hotel beds multiplied by opening days per quarter
2 Occupied beds dividied by capacity
3 Arrangement revenue divided by occupied beds
4 Adjusted for KPIs of Grecotel; incl. former TUI Travel hotels

RIU

Riu, one of Spain's leading hotel chains, operated a total of 88 hotels at the end of Q1 2015/16. Capacity increased by 1.3 % year-on-year to 4.2 m hotel beds. At 83.9 %, average occupancy of Riu hotels rose by 2.3 percentage points year-on-year in Q1 2015/16. This increase reflects in particular strong demand for hotels in the Cape Verde Islands and Mexico. Average revenues per bed grew by 12.7 %.

In Q1 2015/16, business developed as follows in the individual regions:

Riu hotels in the Canary Islands benefited from strong demand and the restoration of several hotel complexes in the past few years. Occupancy rose by a further 1.3 percentage points to 93.6 % year-on-year. Average revenues per bed also improved significantly by 13.8 %.

Riu hotels in the Balearic Islands also recorded a very positive performance in the period under review. At 73.9 %, occupancy of Riu hotels rose by 1.9 percentage points year-on-year.

At 77.3 %, average occupancy of Riu hotels in mainland Spain was up 4.6 percentage points on the prior year.

In the long-haul business, Riu hotels recorded average occupancy of 79.4 %, up by 3.0 percentage points year-on-year. This increase was driven by higher occupancy of hotels in the Cape Verde Islands and Mexico. For long-haul destinations, average revenues per bed grew by 13.8 % 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 16 out of the 26 club facilities of the forthcoming Summer season 2016. Capacity rose by 10.0 % in Q1 2015 / 16. This increase in capacity resulted from the new club facility in Djerba in Tunisia. In the period under review, occupancy of Robinson Group was 5.3 percentage points down year-on-year. This was mainly due to weak demand for the club facility in Tunisia and the expected subdued demand for Turkey. Average revenues per bed were down 3.2 % year-on-year. This decrease was driven by the new Tunisian club resort as well as price measures launched to stimulate demand in Turkey.

IBEROTEL

At the end of Q1 2015 / 16, 18 facilities were operated in Egypt, the United Arab Emirates, Turkey, Italy and Germany. Overall occupancy of Iberotels decreased by 9.0 percentage points year-on-year to 54.3 %. Capacity of Iberotel hotels declined by 10.9 % year-on-year in the period under review. This development was above all driven by the strategic realignment of Iberotels in Turkey, which will be operated as TUI Blue facilities in future in the framework of TUI Group's new hotel concept. Average revenues per bed improved by 10.0 % year-on-year.

CRUISES

As before, the Cruises segment comprises Hapag-Lloyd Cruises and the joint venture TUI Cruises. From January 2016, Hapag-Lloyd Cruises is renamed as Hapag-Lloyd Cruises. The renaming takes place in the framework of the alignment of the company to a modern and international target group.

CRUISES – KEY FIGURES

€ million	**Q1 2015 / 16**	Q1 2014 / 15 restated	Var. %
Turnover	53.9	53.5	+ 0.7
Underlying EBITA	8.2	2.0	+ 310.0
EBITA	8.2	2.0	+ 310.0

At € 53.9 m in Q1 2015 / 16, turnover by Hapag-Lloyd Cruises was up 0.7 % versus the prior year. No turnover is carried for TUI Cruises as the joint venture is measured at equity in the consolidated financial statements.

Underlying earnings by the Cruises segment reflect the sound business performance in Q1 2015 / 16, improving by € 6.2 m year-on-year to € 8.2 m. Hapag-Lloyd Cruises benefited from the year-on-year decline in financing costs due to the acquisition of Europa 2, completed in Q2 2014 / 15. On the other hand, capacity declined due to scheduled dry-docking of Europa and Hanseatic in the period under review. TUI Cruises expanded its competitive position and continued to record a positive performance in the period under review.

CRUISES

	PASSENGER DAYS *in '000*	OCCUPANCY *in %*	AVERAGE DAILY RATES* *in €*
	Q1 2015/16 / Q1 2014/15	**Q1 2015/16** / Q1 2014/15	**Q1 2015/16** / Q1 2014/15
HAPAG-LLOYD CRUISES			
Q1 2015/16	**71.5**	**69.7**	**478**
Q1 2014/15	77.3	70.1	462
TUI CRUISES			
Q1 2015/16	**818.3**	**100.5**	**146**
Q1 2014/15	588.3	100.8	151

*Per day and passenger

HAPAG-LLOYD CRUISES

The positive operating performance of Hapag-Lloyd Cruises continued in Q1 2015/16. Fleet occupancy was almost flat year-on-year at 69.7 %. The average rate per passenger per day rose substantially by 3.5 % to € 478. Due to changed itineraries in connection with the dry-docking of Europa and Hanseatic, passenger days declined by 7.6 % to 71,481 in Q1 2015/16.

TUI CRUISES

In Q1 2015/16, TUI Cruises continued its positive performance. At 100.5 %, occupancy of the ships (based on double occupancy, as customary in the industry) matched the very high level of the prior year. Due to the expansion of TUI Cruises' fleet following the launch of Mein Schiff 4 in June 2015, capacity grew to 818,329 passenger days, up by 39.1 % year-on-year. The average rate per passenger per day totalled € 146. It thus declined slightly, as expected, in Q1 2015/16 due to the mix of itineraries of the fleet, now comprising four ships.

Specialist Travel

Specialist Travel comprises Specialist Group and Hotelbeds Group. These are managed separately from the Tourism business as they are based on different business models.

SPECIALIST GROUP

The Specialist Group segment combines the specialist and adventure tour operators in Europe, North America and Australia.

SPECIALIST GROUP – KEY FIGURES

€ million	**Q1 2015/16**	Q1 2014/15 restated	Var. %
Turnover	325.6	333.4	– 2.3
Underlying EBITA	– 31.8	– 19.1	– 66.5
EBITA	– 36.1	– 23.2	– 55.6

In Q1 2015 / 16, turnover by the segment declined by 2.3 % to € 325.6 m. The seasonal loss (underlying EBITA) of Specialist Group rose substantially by € 12.7 m to € 31.8 m in Q1 2015 / 16. This was due to various factors including the sluggish skiing holiday business due to poor snow conditions, the decline in demand for adventure tours due to the geopolitical events and the poor performance of the US specialist tour operators.

HOTELBEDS GROUP

The Hotelbeds Group segment comprises portals selling hotel accommodation online to wholesale customers.

HOTELBEDS GROUP – KEY FIGURES

€ million	**Q1 2015 / 16**	Q1 2014 / 15 restated	Var. %
Turnover	217.4	170.7	+ 27.4
Underlying EBITA	3.5	1.8	+ 94.4
EBITA	– 2.5	– 2.5	–

The disposal process for Hotelbeds Group remains on track. Destination Services, which were also managed in this segment until the end of financial 2014 / 15, were carved out and integrated into the Tourism business in the period under review. They will be managed as part of the All other Tourism segment in future.

Turnover by the segment grew considerably by 27.4 % to € 217.4 m in Q1 2015 / 16. At underlying operating earnings of € 3.5 m, Hotelbeds Groups considerably outperformed the market in the first three months. Total transaction volume grew by 16 % year-on-year, while the number of roomnights rose by 10 %.

All other segments

All other segments comprise above all the corporate head office functions of TUI AG and the interim holdings as well as the Group's real estate companies.

ALL OTHER SEGMENTS – KEY FIGURES

€ million	**Q1 2015 / 16**	Q1 2014 / 15 restated	Var. %
Turnover	32.1	27.5	+ 16.7
Underlying EBITA	– 13.6	– 26.4	+ 48.5
EBITA	– 23.6	– 27.0	+ 12.6

All other segments underlying EBITA cost declined by € 12.8 m year-on-year to € 13.6 m in Q1 2015 / 16. In the period under review, additional corporate streamlining synergies worth € 5 m were delivered. The improvement was also driven by higher proceeds from sales of land.

Net assets and financial position

The Group's balance sheet total decreased by 3.5 % to € 13.6 bn versus the end of financial year 2014 / 15. The changes in the consolidated statement of financial position as against 30 September 2015 primarily reflect the seasonality of the tourism business.

ASSETS AND LIABILITIES

€ million	**31 Dec 2015**	30 Sep 2015	Var. %
Non-current assets	9,780.3	9,614.0	+ 1.7
Current assets	3,806.7	4,472.5	– 14.9
Assets	**13,587.0**	**14,086.5**	**– 3.5**
Equity	2,114.7	2,417.3	– 12.5
Provisions	2,340.4	2,356.6	– 0.7
Financial liabilities	2,917.6	1,886.4	+ 54.7
Other liabilities	6,214.3	7,426.2	– 16.3
Liabilities	**13,587.0**	**14,086.5**	**– 3.5**

NON-CURRENT ASSETS

As at 31 December 2015, non-current assets accounted for 72.0 % of total assets, compared with 68.2 % as at 30 September 2015. Non-current assets rose year-on-year to € 9.8 bn in the period under review.

CURRENT ASSETS

As at 31 December 2015, current assets accounted for 28.0 % of total assets, following 31.8 % as at 30 September 2015. Current assets decreased from € 4.5 bn as at 30 September 2015 to € 3.8 bn as at 31 December 2015.

EQUITY

Equity totalled € 2.1 bn as at 31 December 2015. The equity ratio declined from 17.2 % as at 30 September 2015 to 15.6 %. Further information on the changes in equity is provided in the Notes to this Interim Report.

PROVISIONS

Provisions mainly comprise provisions for pension obligations and provisions for operating risks. As at 31 December 2015, they totalled € 2.3 bn, down by 0.7 % versus 30 September 2015.

FINANCIAL LIABILITIES

As at 31 December 2015, financial liabilities consisted of non-current financial liabilities of € 2.7 bn and current financial liabilities of € 0.2 bn. As at 30 September 2015, non-current financial liabilities amounted to € 1.7 bn, with current financial liabilities of € 0.2 bn.

At the end of Q1 2015 / 16, TUI Group's net debt totalled € 1.9 bn, up by € 0.2 bn as against 31 December 2014. The increase in net debt was driven in particular by the acquisition of Europa 2 and the conclusion of finance leases for new aircraft in financial year 2014 / 15.

OTHER LIABILITIES

As at 31 December 2015, other liabilities were considerably down against 30 September 2015 at € 6.2 bn. The decline mainly resulted from the seasonality of the tourism business.

Other segment indicators

UNDERLYING EBITDA

€ million	Q1 2015/16	Q1 2014/15 restated	Var. %
Northern Region	–9.2	–27.3	+66.3
Central Region	–21.2	–15.4	–37.7
Western Region	–23.7	–7.8	–202.3
Hotels & Resorts	47.1	46.1	+2.2
Cruises	12.8	4.6	+178.3
Other Tourism	0.4	–5.4	n/a
Tourism	6.2	–5.3	n/a
Specialist Group	–24.6	–12.1	–103.6
Hotelbeds Group	8.6	6.0	+43.3
All other segments	7.7	–13.3	n/a
Consolidation	–	–	–
TUI Group	**–2.1**	**–24.6**	**+91.5**
Discontinued operation	–	–0.2	n/a
Sum of the segments	**–2.1**	**–24.8**	**+91.5**

EBITDA

€ million	Q1 2015/16	Q1 2014/15 restated	Var. %
Northern Region	–11.7	–29.5	+60.3
Central Region	–26.2	–19.2	–36.5
Western Region	–24.1	–9.8	–144.9
Hotels & Resorts	47.5	33.9	+40.2
Cruises	12.8	4.6	+178.3
Other Tourism	–1.4	–6.1	+77.0
Tourism	–3.1	–26.2	+88.2
Specialist Group	–24.7	–12.1	–104.5
Hotelbeds Group	6.2	5.2	+19.2
All other segments	–1.2	–13.2	+90.9
Consolidation	–	–	–
TUI Group	**–22.8**	**–46.2**	**+50.7**
Discontinued operation	–4.6	–0.2	n/a
Sum of the segments	**–27.4**	**–46.4**	**+41.0**

CASH GROSS CAPEX

€ million	Q1 2015/16	Q1 2014/15	Var. %
Northern Region	26.1	17.4	+ 50.0
Central Region	3.9	5.5	– 29.1
Western Region	2.9	4.7	– 38.3
Hotels & Resorts	67.7	67.1	+ 0.9
Cruises	8.7	0.7	n/a
Other Tourism	24.4	18.8	+ 29.8
Tourism	**133.7**	**114.2**	**+ 17.1**
Specialist Group	6.7	7.0	– 4.3
Hotelbeds Group	7.1	4.3	+ 65.1
All other segments	11.8	1.0	n/a
TUI Group	**159.3**	**126.5**	**+ 25.9**
Discontinued operation	–	2.6	n/a
Sum of the segments	**159.3**	**129.1**	**+ 23.4**

AMORTISATION (+) / WRITE-BACKS (–) OF OTHER INTANGIBLE ASSETS AND DEPRECIATION (+) / WRITE-BACKS (–) OF PROPERTY PLANT AND EQUIPMENT AND INVESTMENTS

€ million	Q1 2015/16	Q1 2014/15 restated	Var. %
Northern Region	22.4	21.4	+ 4.7
Central Region	5.6	6.3	– 11.1
Western Region	4.8	5.0	– 4.0
Hotels & Resorts	23.0	17.3	+ 32.9
Cruises	4.6	2.6	+ 76.9
Other Tourism	11.8	9.9	+ 19.2
Tourism	**72.2**	**62.5**	**+ 15.5**
Specialist Group	11.4	11.1	+ 2.7
Hotelbeds Group	8.7	7.7	+ 13.0
All other segments	22.4	13.8	+ 62.3
TUI Group	**114.7**	**95.1**	**+ 20.6**
Discontinued operation	–	3.4	n/a
Sum of the segments	**114.7**	**98.5**	**+ 16.4**

EMPLOYEES

	31 Dec 2015	31 Dec 2014	Var. %
Northern Region	12,783	13,006	– 1.7
Central Region	11,260	11,167	+ 0.8
Western Region	5,101	5,037	+ 1.3
Hotels & Resorts	16,961	16,026	+ 5.8
Cruises	242	234	+ 3.4
Other Tourism	3,649	3,833	– 4.8
Tourism	**49,996**	**49,303**	**+ 1.4**
Specialist Group	4,543	6,414	– 29.2
Hotelbeds Group	8,938	7,836	+ 14.1
All other segments	1,117	1,241	– 10.0
TUI Group	**64,594**	**64,794**	**– 0.3**
Discontinued operation	–	474	n / a
Sum of the segments	**64,594**	**65,268**	**– 1.0**

INTERIM FINANCIAL STATEMENTS

INCOME STATEMENT OF THE TUI GROUP FOR THE PERIOD FROM 1 OCT 2015 TO 31 DEC 2015

€ million	Notes	**Q1 2015/16**	Q1 2014/15 restated
Turnover	(1)	3,718.4	3,526.4
Cost of sales	(2)	3,487.0	3,314.8
Gross profit		**231.4**	**211.6**
Administrative expenses	(2)	405.4	386.0
Other income	(3)	15.7	18.2
Other expenses	(3)	2.7	0.8
Financial income	(4)	6.7	8.3
Financial expenses	(4)	88.5	75.9
Share of result of joint ventures and associates	(5)	22.6	17.5
Earnings before income taxes*		**– 220.2**	**– 207.1**
Income taxes	(6)	– 59.5	– 74.9
Result from continuing operations		**– 160.7**	**– 132.2**
Result from discontinued operation		– 3.2	– 4.0
Group loss for the year		**– 163.9**	**– 136.2**
Group loss for the year attributable to shareholders of TUI AG		– 184.0	– 104.6
Group loss for the year attributable to non-controlling interest	(7)	20.1	– 31.6

* The financial performance indicators EBITA and underlying EBITA of the TUI Group, formerly reconciled on the face of the income statement of the TUI Group, are outlined in the segment reporting within the Group notes now.

EARNINGS PER SHARE

€	**Q1 2015/16**	Q1 2014/15 restated
Basic earnings per share	**– 0.32**	**– 0.32**
from continuing operations	– 0.31	– 0.31
from discontinued operation	– 0.01	– 0.01

CONDENSED STATEMENT OF COMPREHENSIVE INCOME OF THE TUI GROUP FOR THE PERIOD FROM 1 OCT 2015 TO 31 DEC 2015

€ million	Q1 2015/16	Q1 2014/15
Group loss	**–163.9**	**–136.2**
Remeasurements of pension provisions and related fund assets	–8.5	–75.2
Changes in the measurement of companies measured at equity	–	0.1
Income tax related to items that will not be reclassified	–13.6	21.2
Items that will not be reclassified to profit or loss	**–22.1**	**–53.9**
Foreign exchange differences	14.6	–8.8
Financial instruments available for sale	–	3.5
Cash flow hedges	–129.9	–261.1
Changes in the measurement of companies measured at equity	–5.3	0.2
Income tax related to items that may be reclassified	48.5	50.0
Items that may be reclassified to profit or loss	**–72.1**	**–216.2**
Other comprehensive income	**–94.2**	**–270.1**
Total comprehensive income	**–258.1**	**–406.3**
attributable to shareholders of TUI AG	–289.1	–367.0
attributable to non-controlling interest	31.0	–39.3

Allocation of share of shareholders of TUI AG of total comprehensive income		
Continuing operations	–287.9	–364.9
Discontinued operation	–1.2	–2.1

FINANCIAL POSITION OF THE TUI GROUP AS AT 31 DEC 2015

€ million	Notes	31.12.2015	30.9.2015
Assets			
Goodwill		3,244.0	3,220.4
Other intangible assets		928.3	911.5
Investment property		1.6	7.2
Property, plant and equipment		3,706.1	3,629.6
Investments in joint ventures and associates	(8)	1,083.5	1,077.8
Financial assets available for sale	(9)	55.9	56.2
Trade receivables and other assets		340.1	332.5
Derivative financial instruments		38.3	48.1
Deferred tax assets		382.5	330.7
Non-current assets		**9,780.3**	**9,614.0**
Inventories		156.5	134.5
Financial assets available for sale	(9)	292.7	334.9
Trade receivables and other assets		1,912.5	1,948.7
Derivative financial instruments		284.9	281.0
Current tax assets		114.5	58.5
Cash and cash equivalents		1,042.0	1,672.7
Assets held for sale	(10)	3.6	42.2
Current assets		**3,806.7**	**4,472.5**
		13,587.0	**14,086.5**

FINANCIAL POSITION OF THE TUI GROUP AS AT 31 DEC 2015

€ million	Notes	31.12.2015	30.9.2015
Equity and liabilities			
Subscribed capital		1,500.1	1,499.6
Capital reserves		4,190.2	4,187.7
Revenue reserves		– 4,109.8	– 3,773.9
Equity before non-controlling interest		**1,580.5**	**1,913.4**
Non-controlling interest		534.2	503.9
Equity	**(12)**	**2,114.7**	**2,417.3**
Pension provisions and similar obligations		1,108.9	1,114.5
Other provisions		746.8	746.3
Non-current provisions		**1,855.7**	**1,860.8**
Financial liabilities	(11)	2,692.6	1,653.3
Derivative financial instruments		107.4	78.5
Current tax liabilities		115.6	115.7
Deferred tax liabilities		81.3	125.7
Other liabilities		110.3	136.2
Non-current liabilities		**3,107.2**	**2,109.4**
Non-current provisions and liabilities		**4,962.9**	**3,970.2**
Pension provisions and similar obligations		29.6	32.4
Other provisions		455.1	463.4
Current provisions		**484.7**	**495.8**
Financial liabilities	(11)	225.0	233.1
Trade payables		2,098.3	3,224.2
Derivative financial instruments		497.8	388.2
Current tax liabilities		94.0	78.9
Other liabilities		3,109.6	3,247.3
Current liabilities		**6,024.7**	**7,171.7**
Liabilities related to assets held for sale		–	31.5
Current provisions and liabilities		**6,509.4**	**7,699.0**
		13,587.0	**14,086.5**

CONDENSED STATEMENT OF CHANGES IN GROUP EQUITY OF THE TUI GROUP FOR THE PERIOD FROM 1 OCT 2015 TO 31 DEC 2015

€ million	Subscribed capital	Capital reserves	Revenue reserves	Hybrid capital	Equity before non-controlling interest	Non-controlling interest	**Total**
Balance as at 1 Oct 2015	**1,499.6**	**4,187.7**	**– 3,773.9**	**–**	**1,913.4**	**503.9**	**2,417.3**
Dividends	–	–	–	–	–	– 0.6	– 0.6
Share-based payment schemes	–	–	2.0	–	2.0	–	2.0
Issue of employee shares	0.5	2.5	–	–	3.0	–	3.0
Purchase of own shares	–	–	– 48.9	–	– 48.9	–	– 48.9
Effects on the acquisition of non-controlling interests	–	–	0.1	–	0.1	– 0.1	–
Group loss	**–**	**–**	**– 184.0**	**–**	**– 184.0**	**20.1**	**– 163.9**
Foreign exchange differences	–	–	3.8	–	3.8	10.8	14.6
Cash Flow Hedges	–	–	– 130.0	–	– 130.0	0.1	– 129.9
Remeasurements of pension provisions and related fund assets	–	–	– 8.5	–	– 8.5	–	– 8.5
Changes in the measurement of companies measured at equity	–	–	– 5.3	–	– 5.3	–	– 5.3
Taxes attributable to other comprehensive income	–	–	34.9	–	34.9	–	34.9
Other comprehensive income	**–**	**–**	**– 105.1**	**–**	**– 105.1**	**10.9**	**– 94.2**
Total comprehensive income	–	–	– 289.1	–	– 289.1	31.0	– 258.1
Balance as at 31 Dec 2015	**1,500.1**	**4,190.2**	**– 4,109.8**	**–**	**1,580.5**	**534.2**	**2,114.7**

CONDENSED STATEMENT OF CHANGES IN GROUP EQUITY OF THE TUI GROUP FOR THE PERIOD FROM 1 OCT 2014 TO 31 DEC 2014

€ million	Subscribed capital	Capital reserves	Revenue reserves	Hybrid capital	Equity before non-controlling interest	Non-controlling interest	**Total**
Balance as at 1 Oct 2014	**732.6**	**1,056.3**	**336.1**	**294.8**	**2,419.8**	**110.4**	**2,530.2**
Dividends	–	–	–	–	–	–183.9	–183.9
Hybrid capital dividend	–	–	–5.7	–	–5.7	–	–5.7
Share-based payment schemes	–	–	4.6	–	4.6	1.9	6.5
Issue of employee shares	0.3	1.3	–	–	1.6	–	1.6
Issue of convertible bonds	10.6	12.3	10.3	–	33.2	–	33.2
Capital increase	620.6	2,679.0	–	–	3,299.6	–	3,299.6
Effects on the acquisition of non-controlling interests	–	–	–4,043.9	–	–4,043.9	606.2	–3,437.7
Group loss	**–**	**–**	**–104.6**	**–**	**–104.6**	**–31.6**	**–136.2**
Foreign exchange differences	–	–	6.7	–	6.7	–15.5	–8.8
Financial instruments available for sale	–	–	3.5	–	3.5	–	3.5
Cash Flow Hedges	–	–	–271.4	–	–271.4	10.3	–261.1
Remeasurements of pension provisions and related fund assets	–	–	–75.2	–	–75.2	–	–75.2
Changes in the measurement of companies measured at equity	–	–	0.3	–	0.3	–	0.3
Taxes attributable to other comprehensive income	–	–	73.7	–	73.7	–2.5	71.2
Other comprehensive income	**–**	**–**	**–262.4**	**–**	**–262.4**	**–7.7**	**–270.1**
Total comprehensive income	–	–	–367.0	–	–367.0	–39.3	–406.3
Balance as at 31 Dec 2014	**1,364.1**	**3,748.9**	**–4,065.6**	**294.8**	**1,342.2**	**495.3**	**1,837.5**

CONDENSED CASH FLOW STATEMENT OF THE TUI GROUP

€ million	**Q1 2015/16**	Q1 2014/15
Cash outflow from operating activities	–1,410.5	–1,549.9
Cash outflow/inflow from investing activities	–129.0	176.3
Cash inflow from financing activities	904.0	213.7
Net change in cash and cash equivalents	**–635.5**	**–1,159.9**
Change in cash and cash equivalents due to exchange rate fluctuation	–4.7	–4.4
Cash and cash equivalents at beginning of period	**1,682.2**	**2,258.0**
Cash and cash equivalents at end of period	**1,042.0**	**1,093.7**
of which included in the balance sheet as assets held for sale	–	–

NOTES

General

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

The condensed interim consolidated financial statements of TUI AG and its subsidiaries cover the period from 1 October to 31 December 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 8 February 2016.

Accounting principles

DECLARATION OF COMPLIANCE

The interim consolidated financial statements for the period ended 31 December 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 compliance with the Disclosure and Transparency Rules of the UK Financial Services Authority and in conformity with the International Financial Reporting Standards (IFRS) and the relevant Interpretations of the International Accounting Standards Board (IASB) for interim financial reporting applicable in the European Union.

In accordance with IAS 34, the Group's interim financial statements are published in a condensed form compared with the consolidated annual financial statements and should therefore be read in combination with TUI AG's consolidated financial statements for financial year 2014/15. The interim financial statements were reviewed by auditors on the basis of section 318 (2) sentence 2 of the German Commercial Code (HGB) (in combination with section 37w (5) sentence 2 of the German Securities Trading Act).

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 income and expenses during the period under review. Actual results may deviate from the estimates.

The accounting and measurement methods adopted in the preparation of the interim financial statements as at 31 December 2015 are consistent with those followed in preparing the previous consolidated financial statements for the financial year ended 30 September 2015. The income taxes were recorded based on the best estimate of the weighted average tax rate that is expected for the whole financial year.

Restatement of prior reporting period

The following restatement was made for the first quarter of financial year 2014 / 15:

RESTATEMENT CAUSED BY DISCONTINUED OPERATION

LateRooms Group, already classified as a discontinued operation as at 30 September 2015, was sold on 6 October 2015. The result generated by LateRooms to that date is carried as result from discontinued operation in a separate line in the consolidated income statement for the first quarter of 2015 / 16. The income statement for the first quarter of the prior year was restated as follows.

RESTATED ITEMS OF THE INCOME STATEMENT OF THE TUI GROUP FOR THE PERIOD FROM 1 OCT 2014 TO 31 DEC 2014

€ million	before restatement	restatement	restated
Turnover	3,543.6	– 17.2	3,526.4
Cost of sales	3,325.9	– 11.1	3,314.8
Gross profit	**217.7**	**– 6.1**	**211.6**
Administrative expenses	395.7	– 9.7	386.0
Financial income	7.9	0.4	8.3
Earnings before income taxes from continuing operations	**– 211.1**	**4.0**	**– 207.1**
Income taxes	– 74.9	–	– 74.9
Result from continuing operations	**– 136.2**	**4.0**	**– 132.2**
Result from discontinued operation	–	– 4.0	– 4.0
Group loss for the year	**– 136.2**	**–**	**– 136.2**

Group of consolidated companies

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

The interim financial statements as at 31 December 2015 included a total of 532 subsidiaries, besides TUI AG.

Since 1 October 2015, a total of seven companies have been added to the consolidation. Three of these companies have been newly established, three 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 seven companies have been deconsolidated since 1 October 2015, with three of these companies deconsolidated due to liquidation, one company due to a merger, and one company was sold. Two companies were deconsolidated due to the discontinuation of their business operations.

The number of companies measured at equity did not change from 30 September 2015. The number of associated companies rose by one due to the addition of two companies and the disposal of one company. The number of joint ventures declined by one as one company was sold.

Acquisitions – Divestments – Discontinued operation

ACQUISITIONS

In the first quarter of 2015 / 16, six travel agencies were acquired in the form of asset deals. Moreover, further shares were acquired in companies of the Aeolos Group, previously measured at equity. Due to the acquisition, TUI Group now holds 100 % of the shares in the companies. The consideration for these acquisitions was cash to the value of € 6.4 m.

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

No major acquisitions were effected after the balance sheet date.

In the current interim financial statements, the purchase price allocations of eight travel agencies in Germany acquired in financial year 2014 / 15 were finalised without a material effect on the consolidated statement of financial position within the 12-month period stipulated by IFRS 3.

DIVESTMENTS

The divestment of LateRooms Ltd. is presented in the section “Discontinued operation”. The other divestments did not have a material impact on TUI Group’s net assets, financial position and results of operations.

DISCONTINUED OPERATION

In the previous year, TUI AG had decided to exit its LateRooms Group segment. While AsiaRooms and Malapronta were discontinued in the prior year, LateRooms Ltd. was sold on 6 October 2015.

The result of this discontinued operation is carried separately from the income from and expenses for continuing operations in the consolidated income statement. It is shown in a separate line as result from discontinued operation. The consolidated income statement for the first quarter of the prior year was restated accordingly.

INCOME STATEMENT OF THE DISCONTINUED OPERATION LATEROOMS GROUP FOR THE PERIOD FROM 1 OCT 2015 TO 31 DEC 2015

€ million	**Q1 2015/16**	Q1 2014/15
Turnover	–	17.2
Cost of sales	–	11.1
Gross profit	**–**	**6.1**
Administrative expenses	–	9.7
Other income	0.1	–
Financial income	–	– 0.4
Earnings before income taxes from discontinued operation	**0.1**	**– 4.0**
Income taxes	– 1.3	–
Operative result from discontinued operation	**1.4**	**– 4.0**
Result from disposal of discontinued operation	– 4.6	–
Result from discontinued operation	**– 3.2**	**– 4.0**
Group loss for the year attributable to shareholders of TUI AG	– 3.2	– 4.0

The result of the divestment of the discontinued operation comprises the cumulative foreign exchange translation differences that were reclassified to profit and loss upon removal from equity, and the ancillary divestment costs.

The Group's Cash Flow Statement presents the cash flows for the overall Group including the discontinued operation. 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	**Q1 2015/16**	Q1 2014/15
Cash inflow from operating activities	–	0.7
Cash inflow/outflow from investing activities	7.1	– 2.6
Cash inflow from financing activities	–	2.2
Change in cash and cash equivalents due to exchange rate fluctuation	–	– 0.1
Net change in cash and cash equivalents of the discontinued operation	**7.1**	**0.2**

Notes to the consolidated income statement

TUI Group's results reflect the significant seasonal swing in tourism between the Winter and Summer travel months. The Group seeks to counteract the seasonal swing through a broad range of holiday offerings in the Summer and Winter season and its presence in different travel markets worldwide with varying annual cycles. The consolidated income statement reflects the seasonality of the tourism business, as a result of which the result generated in the period from October to December is negative. Due to the seasonality of the business, a comparison of the first quarter's results with the full-year results is not meaningful.

(1) TURNOVER

The year-on-year increase in turnover in the first quarter is mainly attributable to the higher proportion of long-haul bookings in the source markets, an increase in average selling prices in the Hotels & Resorts segment and a higher business volume in the Hotelbeds group segment. These effects outweighted the slight decrease in customer numbers overall.

(2) COST OF SALES AND ADMINISTRATIVE EXPENSES

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

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

ADMINISTRATIVE EXPENSES

€ million	**Q1 2015/16**	Q1 2014/15 restated
Staff costs	230.7	210.8
Rental and leasing expenses	19.3	18.5
Depreciation, amortisation and impairment	23.7	21.9
Others	131.7	134.8
Total	**405.4**	**386.0**

The increase in administrative expenses compared to the first quarter of the prior year mainly results from foreign exchange effects. In addition, the increase in administrative expenses was driven by expenses in connection with various restructuring measures within the Group.

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

RENTAL AND LEASING EXPENSES

€ million	**Q1 2015/16**	Q1 2014/15 restated
Rental and leasing expenses	**229.6**	**216.1**
thereof cost of sales	210.3	197.6
thereof administrative expenses	19.3	18.5

The year-on-year increase in rental and lease expenses in the period under review mainly relates to lease payments for aircraft. As the lease agreements for aircraft have been denominated in US dollars, the exchange rate changes have caused an increase in leasing expenses driven by foreign currency translation.

STAFF COSTS

€ million	Q1 2015/16	Q1 2014/15 restated
Wages and salaries	528.5	503.9
thereof cost of sales	336.2	328.1
thereof administrative expenses	192.3	175.8
Social security contributions, pension costs and benefits	117.0	111.0
thereof cost of sales	78.6	76.0
thereof administrative expenses	38.4	35.0
Total	**645.5**	**614.9**

The increase in wages and salaries expenses in the first quarter of 2015/16 primarily results from an increase in expenses driven by foreign exchange translation due to changes in local exchange rates relative to the euro. Staff costs also rose year-on-year due to various restructuring measures within the Group.

DEPRECIATION / AMORTISATION / IMPAIRMENT

€ million	Q1 2015/16	Q1 2014/15 restated
Depreciation and amortisation	113.5	95.9
thereof cost of sales	90.6	74.0
thereof administrative expenses	22.9	21.9
Impairments of property, plant and equipment and intangible assets	0.8	–
thereof cost of sales	–	–
thereof administrative expenses	0.8	–
Total	**114.3**	**95.9**

The increase in depreciation and amortisation within cost of sales is attributable to the additions of property, plant and equipment in the prior year, in particular seven aircraft and the cruise ship Europa 2.

(3) OTHER INCOME / OTHER EXPENSES

OTHER INCOME / OTHER EXPENSES

€ million	Q1 2015/16	Q1 2014/15
Other income	15.7	18.2
Other expenses	2.7	0.8
Total	**13.0**	**17.4**

In the first quarter of 2015/16, other income mainly results from the gains from the disposal of the joint venture Safeharbour One S.L., Barcelona, and the sale of the cruise ship Island Escape. Additional income was generated from the sale of two plots of land in Salzgitter and Stutensee.

Other income recognised in the prior year comparative period was mainly comprised of the profit arising on the disposal of a Riu Group hotel sold in the first quarter of 2014 / 15.

Other expenses recognised in the first quarter of 2015 / 16 mainly result from foreign exchange losses in connection with capital measures.

(4) FINANCIAL RESULT

The financial result declined from € – 67.6 m in the first quarter of the prior year to € – 81.8 m in the current financial year. This was caused by the measurement of the investment in Hapag-Lloyd AG. Following the IPO, the stake was measured at the stock market price of € 20.14 per share as at 31 December 2015 leading to an impairment of € 41.6 m.

This effect was partly offset by a reduction in the interest expense of € 25.5 m mainly due to the conversion of all convertible bonds in financial year 2014 / 15.

(5) SHARE OF RESULT OF JOINT VENTURES AND ASSOCIATES

SHARE OF RESULT OF JOINT VENTURES AND ASSOCIATES

€ million	**Q1 2015 / 16**	Q1 2014 / 15
Tourism	22.1	16.0
Hotelbeds Group	0.5	0.5
Specialist Group	–	0.1
Container Shipping	–	0.9
Total	**22.6**	**17.5**

Hapag-Lloyd AG has been carried in financial assets available for sale since 2 December 2014.

(6) INCOME TAXES

The tax income arising in the first quarter of 2015 / 16 is driven by the seasonality of the tourism business.

(7) GROUP LOSS ATTRIBUTABLE TO NON-CONTROLLING INTEREST

GROUP LOSS ATTRIBUTABLE TO NON-CONTROLLING INTEREST

€ million	**Q1 2015 / 16**	Q1 2014 / 15
Central Region	–	0.4
Hotels & Resorts	19.8	18.2
Tourism	**19.8**	**18.6**
Specialist Group	– 0.1	0.2
Hotelbeds Group	0.4	0.3
formerly Travel (TUI Travel PLC Group)	–	– 50.7
Total	**20.1**	**– 31.6**

The non-controlling interest shown in the line „formerly Travel" in the prior year comprise the minority share of the losses of the former TUI Travel PLC Group until the acquisition of the non-controlling interest in TUI Travel PLC by TUI AG in December 2014.

Notes to the financial position of the TUI Group

(8) INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

TUI Group's share in the joint venture Togebi Holdings Limited (TUI Russia) reduced from 49 % to 25 % in the first quarter of the current financial year. For details on this transaction we refer to the section "Related parties". Furthermore the joint venture agreement was amended to reflect the new voting rights proportions. Due to these amendments, the relevant activities of TUI Russia continue to be jointly determined by TUI and Oscrivia Limited, so that TUI Russia remains classified as a joint venture.

(9) FINANCIAL ASSETS AVAILABLE FOR SALE

Current financial assets available for sale include the remaining shares in Hapag-Lloyd AG of € 292.7 m. Hapag-Lloyd AG held an initial public offering on 6 November 2015. As TUI did not take part in the corresponding cash capital increase and as a result of the sale of 27,079 shares of Hapag-Lloyd AG in connection with the initial public offering, TUI Group's stake in Hapag-Lloyd AG declined from 13.9 % to 12.3 %.

The shares in Hapag-Lloyd AG are traded in the regulated market (Prime Standard) of the Frankfurt Stock Exchange. The measurement of the stake at the closing rate of the Hapag-Lloyd share in the Xetra main market of € 20.14 per share resulted in a fair value of € 292.7 m (Level 1 measurement). Therefore an impairment of € 41.6 m was carried in financial expenses.

(10) ASSETS HELD FOR SALE

ASSETS HELD FOR SALE

€ million	**31 Dec 2015**	30 Sep 2015
Discontinued Operation LateRooms Group	–	38.8
Property and hotel facilities	0.4	0.4
Other assets	3.2	3.0
Total	**3.6**	**42.2**

LateRooms Ltd. was sold in the beginning of the current financial year.

(11) FINANCIAL LIABILITIES

Non-current financial liabilities rose by € 1,039.3 m to € 2,692.6 m as against 30 September 2015. The increase mainly results from the use of long-term credit lines to cover seasonal cash needs in the first quarter.

In December 2015, the revolving credit facility worth € 1.75 bn (including a tranche of € 215.0 m for the issue of bank guarantees), maturing in June 2018 was extended ahead of its maturity date and will now mature in December 2020. At the balance sheet date, an amount of € 1,021.9 m had been drawn from that credit line.

Current financial liabilities declined by € 8.1 m to € 225.0 m as at 31 December 2015 as against 30 September 2015.

(12) CHANGES IN EQUITY

Since 30 September 2015, equity decreased by € 302.6 m to € 2,114.7 m.

In the first quarter of 2015 / 16, the shares of non-controlling shareholders decreased by € 0.6 m due to the payment of dividends. The variation compared to the prior year is mainly based on dividend payments of € 183.0 m to non-Group shareholders of TUI Travel PLC made before the merger of TUI AG and TUI Travel PLC.

The ongoing measurement of the awards from equity-settled share option plans resulted in an increase in equity of € 2.0 m in the current financial year.

The issue of employee shares gave rise to 181,280 shares in TUI AG or subscribed capital worth € 0.5 m and capital reserves of € 2.5 m, respectively.

Moreover, an employee benefit trust of TUI Travel Ltd. acquired shares in TUI AG in the first quarter of 2015 / 16 in order to use them for share option plans. As the transaction constitutes an acquisition of own shares the purchase cost is eliminated against revenue reserves, reducing equity by € 48.9 m. Overall, non-controlling shares remained unchanged due to the issuance of shares in the framework of the share option plans. The employee benefit trust now holds 2,664,194 shares in TUI AG.

The Group loss in the first quarter of the current financial year is due to the seasonality of the tourism business.

Gains and losses from cash flow hedges worth € – 129.9 m (pre-tax), which are determined as effective hedge of future cash flows are carried under other comprehensive income in equity outside profit and loss.

The remeasurement of pension obligations (in particular actuarial gains and losses) is also carried under other comprehensive income in equity outside profit and loss. Due to almost unchanged parameters, remeasurement effects of only € – 8.5 m were recorded in the first quarter of 2015 / 16. The first quarter of the prior year was influenced by a significant decrease in discount rates, which led to remeasurement effects of € – 75.2 m in the prior year reference period.

Financial instruments

CARRYING AMOUNTS AND FAIR VALUES ACCORDING TO CLASSES AND MEASUREMENT CATEGORIES AS AT 31 DEC 2015

€ million	Carrying amount	Category under IAS 39: At amortised cost	Category under IAS 39: At cost	Category under IAS 39: Fair value with no effect on profit and loss	Category under IAS 39: Fair value through profit and loss	Values according to IAS 17 (leases)	Carrying amount of financial instruments	Fair value of financial instruments
Assets								
Available for sale financial assets	348.6	–	50.1	298.5	–	–	348.6	348.6
Trade receivables and other assets	2,252.6	1,034.3	–	–	–	–	1,034.3	1,034.3
Derivative financial instruments								
Hedging	261.7	–	–	261.7	–	–	261.7	261.7
Other derivative financial instruments	61.5	–	–	–	61.5	–	61.5	61.5
Cash and cash equivalents	1,042.0	1,042.0	–	–	–	–	1,042.0	1,042.0
Liabilities								
Financial liabilities	2,917.6	1,922.1	–	–	–	995.5	1,922.1	1,941.5
Trade payables	2,098.3	2,098.0	–	–	–	–	2,098.0	2,098.0
Derivative financial instruments								
Hedging	576.3	–	–	576.3	–	–	576.3	576.3
Other derivative financial instruments	28.9	–	–	–	28.9	–	28.9	28.9
Other liabilities	3,219.9	161.4	–	–	–	–	161.4	161.4

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

€ million	**Carrying amount**	Category under IAS 39 At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss	Values according to IAS 17 (leases)	Carrying amount of financial instruments	Fair value of financial instruments
Assets								
Available for sale financial assets	391.1	–	50.4	340.7	–	–	391.1	391.1
Trade receivables and other assets	2,281.2	1,064.7	–	–	–	–	1,064.7	1,064.7
Derivative financial instruments								
Hedging	262.4	–	–	262.4	–	–	262.4	262.4
Other derivative financial instruments	66.7	–	–	–	66.7	–	66.7	66.7
Cash and cash equivalents	1,672.7	1,672.7	–	–	–	–	1,672.7	1,672.7
Liabilities								
Financial liabilities	1,886.4	904.5	–	–	–	982.0	904.5	925.1
Trade payables	3,224.2	3,224.0	–	–	–	–	3,224.0	3,224.0
Derivative financial instruments								
Hedging	443.8	–	–	443.8	–	–	443.8	443.8
Other derivative financial instruments	22.9	–	–	–	22.9	–	22.9	22.9
Other liabilities	3,383.5	152.9	–	–	–	–	152.9	152.9

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

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

Financial instruments classified as “Financial assets available for sale” include an amount of € 50.0 m (previous year € 50.4 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 the cost to purchase. In the period under review, and also as at 30 September 2015, there were no major disposals of interests in partnerships or corporations measured at cost. TUI 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 31 DEC 2015

€ million	At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss	**Carrying amount Total**	Fair value
Loans and receivables	2,076.3	–	–	–	2,076.3	2,076.3
Financial assets						
available for sale	–	50.1	298.5	–	348.6	348.6
held for trading	–	–	–	61.5	61.5	61.5
Financial liabilities						
at amortised cost	4,181.5	–	–	–	4,181.5	4,200.9
held for trading	–	–	–	28.9	28.9	28.9

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

€ million	At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss	**Carrying amount Total**	Fair value
Loans and receivables	2,737.4	–	–	–	2,737.4	2,737.4
Financial assets						
available for sale	–	50.4	340.7	–	391.1	391.1
held for trading	–	–	–	66.7	66.7	66.7
Financial liabilities						
at amortised cost	4,281.4	–	–	–	4,281.4	4,302.0
held for trading	–	–	–	22.9	22.9	22.9

FAIR VALUE MEASUREMENT

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: input factors for the measurement are quoted market price other than those mentioned in Level 1, directly (as market price quotation) or indirectly (derivable from market price quotation) observable in the market for the asset or liability.
- Level 3: input factors for the measurement of the asset or liability are based on non-observable market data.

HIERARCHY OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE AS AT 31 DEC 2015

		Fair value hierarchy		
€ million	**Total**	Level 1	Level 2	Level 3
Assets				
Available for sale financial assets	298.5	292.7	–	5.8
Derivative financial instruments				
Hedging transactions	261.7	–	261.7	–
Other derivative financial instruments	61.5	–	61.5	–
Liabilities				
Derivative financial instruments				
Hedging transactions	576.3	–	576.3	–
Other derivative financial instruments	28.9	–	28.9	–
At amortised cost				
Financial liabilities	1,941.5	313.5	1,628.0	–

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

		Fair value hierarchy		
€ million	**Total**	Level 1	Level 2	Level 3
Assets				
Available for sale financial assets	340.7	–	–	340.7
Derivative financial instruments				
Hedging transactions	262.4	–	262.4	–
Other derivative financial instruments	66.7	–	66.7	–
Liabilities				
Derivative financial instruments				
Hedging transactions	443.8	–	443.8	–
Other derivative financial instruments	22.9	–	22.9	–
At amortised cost				
Financial liabilities	925.1	314.4	610.7	–

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

Reclassifications from Level 3 to Level 2 or Level 1 are effected if observable market price quotations become available for the asset or liability concerned. TUI Group records transfers to and out of Level 3 as at the date of the obligating event or occasion triggering the transfer. The review at the balance sheet date due to the initial public offering of Hapag-Lloyd AG resulted in the transfer of the valuation of the stake in Hapag-Lloyd AG from Level 3 into Level 1. Other than that, there were no transfers into or out of Level 3.

LEVEL 1 FINANCIAL INSTRUMENTS

The fair value of financial instruments for which an active market is available is based on the market price quotation at the balance sheet date. An active market exists if price quotations are easily and regularly available from a stock exchange, traders, brokers, price service providers or regulatory authorities, and if these prices represent actual and regular market transactions between independent business partners. These financial instruments are categorised within Level 1. The fair values correspond to the nominal values multiplied by the price quotations at the balance sheet date. Level 1 financial instruments primarily comprise shares 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 fuel hedge options. The fair values determined on the basis of the Group's own systems are regularly compared with fair value confirmations of the external counterparties.

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

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
Balance as at 1 Oct 2014	**5.5**
Additions (incl. Transfers)	481.9
Total gains or losses for the period	– 146.7
included in profit or loss	– 147.1
included in other comprehensive income	0.4
Balance as at 30 Sep 2015	**340.7**
Change in unrealised gains or losses for the period for financial assets held at the balance sheet date	**– 147.1**
Balance as at 1 Oct 2015	**340.7**
Additions	–
Disposals	334.9
repayment / sale	–
conversion / rebooking	334.9
Total gains or losses for the period	–
recognised in income statement	–
recognised in other comprehensive income	–
Balance as at 31 Dec 2015	**5.8**
Change in unrealised gains or losses for the period for financial assets held at the balance sheet date	**–**

The disposals caused by reclassification into Level 1 of the measurement hierarchy relate to the investment in Hapag-Lloyd AG, for which observable input parameters have existed since the IPO on 6 November 2015. Detailed information is provided under Note 9 (Financial assets available for sale).

SENSITIVITY ANALYSIS

An increase or decrease in the 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 (previous year € + 0.4 m / € – 0.4 m). Changes in unobservable parameters do not have a material effect on the result.

Contingent liabilities

As at 31 December 2015, contingent liabilities totalled € 364.0 m (previous year € 364.4 m). Contingent liabilities are carried at the level of estimated settlement 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.

Other financial liabilities

FINANCIAL COMMITMENTS FROM OPERATING LEASE, RENTAL AND CHARTER CONTRACTS

€ million	**31 Dec 2015**	30 Sep 2015
Nominal value	3,746.2	3,843.3
Fair value	3,455.1	3,540.6

NOMINAL VALUES OF OTHER FINANCIAL COMMITMENTS

€ million	**31 Dec 2015**	30 Sep 2015
Capital commitments	4,193.2	3,927.7
Other financial commitments	107.6	114.4
Total	**4,300.8**	**4,042.1**
Fair value	**3,871.1**	**3,619.9**

Capital commitments for investments rose by € 265.5 m as at 31 December 2015 as against 30 September 2015. This was mainly driven by capital commitments with respect to hotels.

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 both the continuing and discontinued operations. In the period under review, cash and cash equivalents declined by € 640.2 m to € 1,042.0 m.

In the period under review, the outflow of cash from operating activities was € 1,410.5 m (previous year € 1,549.9 m).

The outflow of cash from investing activities totals € 129.0 m. It comprises a cash outflow for expenditure on property, plant and equipment and intangible assets of € 68.4 m by the tour operators and airlines, € 67.7 m by Hotels & Resorts, € 8.7 m by Cruises, and € 13.8 m by other Tourism companies. The Group also recorded an inflow of € 23.4 m from the sale of property, plant and equipment and intangible assets, primarily a British cruise ship, two plots of land in Germany and a French tour operator brand. The cash flow from investing activities also includes payments of € 11.4 m for the acquisition of consolidated companies and for capital increases in joint ventures. The sale of subsidiaries and joint ventures resulted in an inflow of € 18.6 m.

The inflow of cash from financing activities totalled € 904.0 m. The revolving credit facility used to manage the seasonality of the cash flows and the liquidity of the Group was drawn by an amount of € 1,021.9 m as at the balance sheet date. The Hotels & Resorts segment took out financial liabilities worth € 47.5 m and redeemed € 17.0 m worth of finance lease liabilities. Other financial liabilities worth € 71.5 m were repaid.

An amount of € 26.6 m was used for interest payments. Further outflows relate to the dividends for the minority shareholders (€ 2.2 m). Moreover, the employee benefit trust of TUI Travel Ltd. purchased shares in TUI AG worth € 48.9 m in order to use them for its share option plans. An amount of € 1.0 m was paid to purchase shares in companies already included in consolidation.

Cash and cash equivalents also decreased by € 4.7 m due to changes in exchange rates.

As at 31 December 2015, cash and cash equivalents worth € 197.6 m were subject to restrictions. This amount included € 116.3 m for cash collateral received, which was deposited with a Belgian subsidiary by Belgian tax authorities in financial year 2012 / 13 in relation to a long-standing litigation over VAT refunds for the period from 2001 to 2011. Without admission of guilt, the payment was made to suspend the accrual of interest for both parties. In order to collateralise a potential repayment, the Belgian government was granted a bank guarantee. Due to the bank guarantee, TUI's ability to dispose of the cash and cash equivalents has been restricted. The remaining restrictions of € 81.3 m relate to cash and cash equivalents held on deposit due to legal or regulatory requirements.

Segment indicators

In the first quarter of 2015 / 16, the incoming agencies previously carried in the Hotelbeds Group segment were integrated into the Tourism business. As a result, they are now included in the Other Tourism segment. Moreover, the IT services previously carried in All Other Segments were combined in the Other Tourism segment in the first quarter of 2015 / 16. Segment reporting for the prior year was restated accordingly.

TURNOVER BY SEGMENT FOR THE PERIOD FROM 1 OCT 2015 TO 31 DEC 2015

€ million	External	Group	Q1 2015 / 16 Total
Northern Region	1,232.4	23.1	1,255.5
Central Region	1,090.2	11.3	1,101.5
Western Region	486.9	3.8	490.7
Hotels & Resorts	132.4	138.2	270.6
Cruises	53.9	–	53.9
Other Tourism	147.5	49.1	196.6
Consolidation	–	– 201.4	– 201.4
Tourism	**3,143.3**	**24.1**	**3,167.4**
Specialist Group	325.6	–	325.6
Hotelbeds Group	217.4	16.2	233.6
All other segments	32.1	2.2	34.3
Consolidation	–	– 42.5	– 42.5
Continuing operations	**3,718.4**	**–**	**3,718.4**
Discontinued operations	–	–	–
Total	**3,718.4**	**–**	**3,718.4**

TURNOVER BY SEGMENT FOR THE PERIOD FROM 1 OCT 2014 TO 31 DEC 2014

€ million	External restated	Group restated	**Q1 2014/15 Total restated**
Northern Region	1,124.9	25.6	1,150.5
Central Region	1,058.5	14.2	1,072.7
Western Region	487.3	4.2	491.5
Hotels & Resorts	118.0	132.0	250.0
Cruises	53.5	–	53.5
Other Tourism	152.6	43.4	196.0
Consolidation	–	– 188.1	– 188.1
Tourism	**2,994.8**	**31.3**	**3,026.1**
Specialist Group	333.4	–	333.4
Hotelbeds Group	170.7	20.7	191.4
All other segments	27.5	7.6	35.1
Consolidation	–	– 59.6	– 59.6
Continuing operations	**3,526.4**	**–**	**3,526.4**
Discontinued operations	17.2	–	17.2
Total	**3,543.6**	**–**	**3,543.6**

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

EBITA BY SEGMENT

€ million	**Q1 2015/16**	Q1 2014/15 restated
Northern Region	– 34.1	– 50.9
Central Region	– 31.8	– 25.5
Western Region	– 28.9	– 14.8
Hotels & Resorts	24.5	16.5
Cruises	8.2	2.0
Other Tourism	– 13.2	– 16.0
Tourism	**– 75.3**	**– 88.7**
Specialist Group	– 36.1	– 23.2
Hotelbeds Group	– 2.5	– 2.5
All other segments	– 23.6	– 27.0
Continuing operations	**– 137.5**	**– 141.4**
Discontinued operation	– 4.6	– 3.6
Total	**– 142.1**	**– 145.0**

In the first quarter of 2015 / 16, the EBITA includes results of € 22.6 m (previous year € 16.6 m) from joint ventures and associates, primarily generated in Tourism.

The underlying EBITA has been adjusted for gains on disposal of financial investments, expenses in connection with restructuring measures according to IAS 37, all effects of purchase price allocations, ancillary acquisition cost and conditional purchase price payments and other expenses for and income from one-off items. The one-off items carried as adjustments are income and expense items impacting or distorting the assessment of the operating profitability of the segments and the Group due to their size or incidence.

UNDERLYING EBITA BY SEGMENT

€ million	**Q1 2015/16**	Q1 2014/15 restated
Northern Region	–27.9	–45.4
Central Region	–26.2	–20.3
Western Region	–27.7	–11.9
Hotels & Resorts	25.2	28.7
Cruises	8.2	2.0
Other Tourism	–11.4	–14.2
Tourism	**–59.8**	**–61.1**
Specialist Group	–31.8	–19.1
Hotelbeds Group	3.5	1.8
All other segments	–13.6	–26.4
Continuing operations	**–101.7**	**–104.8**
Discontinued operation	0.1	–3.0
Total	**–101.6**	**–107.8**

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

€ million	**Q1 2015/16**	Q1 2014/15 restated
Underlying EBITA of continuing operations	**–101.7**	**–104.8**
Result on disposal*	–1.5	–0.1
Restructuring expense*	–3.2	–1.5
Expense from purchase price allocation*	–20.4	–18.0
Expense from other one-off items*	–10.7	–17.0
EBITA of continuing operations	**–137.5**	**–141.4**
Profit on Container Shipping measured at equity	–	0.9
Losses on measurement of financial investment in Container Shipping	–41.6	–
Net interest expense and expense from measurement of interest hedges	–41.1	–66.6
Earnings before income taxes of continuing operations	**–220.2**	**–207.1**

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

Related parties

Apart from the subsidiaries included in the consolidated financial statements, TUI AG, in carrying out its ordinary business activities, maintains direct and indirect relationships with related parties. All transactions with related parties 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 2015, 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 2014 / 15.

Togebi Holdings Limited (TUI Russia) is a joint venture between Oscrivia Limited (Oscrivia), a subsidiary of ZAO Sever Group (ZSG), and the TUI Group. ZSG is owned by a major shareholder of TUI AG. In October 2015, TUI Group has entered contractual agreements to reorganise the equity of TUI Russia. A capital increase has been agreed upon, in which TUI participated with a cash contribution of USD 3 m net and Oscrivia participated with a cash contribution of USD 17 m net.

Following completion of this transaction, TUI Group's stake in TUI Russia reduced from 49 % to 25 %. At the same time Oscrivia increased its stake from 51 % to 75 %. The existing loans and bank guarantees from shareholders have been restructured to reflect the new equity participation ratios. Furthermore, certain receivables of TUI Group or Oscrivia against TUI Russia amounting to USD 4.9 m or USD 5.1 m have been deferred to provide short-term financing for the Winter season 2015 / 16.

Major transactions after the balance sheet date

TUI AG has decided to exit its Hotelbeds segment. The necessary steps for the disposal process have been initiated. They met the conditions to classify the Hotelbeds segment as a discontinued operation in accordance with IFRS 5 after 31 December 2015, the quarterly reporting date, but before the preparation of the consolidated interim report of TUI AG. The Hotelbeds segment comprises portals selling hotel bed capacity and destination services worldwide to tade customers such as travel agencies and tour operators. This segment also includes incoming agencies whose services are not directly aligned to the activities of TUI Group's tour operators, and services for the cruise industry.

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 to 31 December 2015, which are part of the interim financial report according to Section 37w 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, 8 February 2016

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.

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The English and a German version of this Interim Report are available on the web: www.tuigroup.com/en/investors

Financial calendar

9 FEBRUARY 2016
Interim report Q1 2015 / 16

9 FEBRUARY 2016
Annual General Meeting 2016

31 MARCH 2016
Pre-close trading update

11 MAY 2016
Half year financial report 2015 / 16

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