

**HALF-YEAR FINANCIAL REPORT 2015 / 16**

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1 October 2015 – 31 March 2016

Q2



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# INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2016

- We are focussed on delivering our TUI Group strategy in becoming a content centric, vertically integrated tourism business.
- The agreement to dispose Hotelbeds for €1.2 billion and confirmation today of our intention to dispose Specialist Group enables us to focus fully on our growth strategy and to strengthen our balance sheet.
- Improvement in H1 operating result and growth in Summer 2016 revenue demonstrates delivery of our growth plans and resilience of our business model.
- Summer 2016 trading remains in line with our expectations.
- Expect to deliver at least 10% growth in underlying EBITA in 2015/16<sup>1</sup>, and reiterate our previous guidance of at least 10% underlying EBITA CAGR over the three years to 2017/18<sup>1</sup>.

## KEY FINANCIALS

Six months ended 31 March € million	Underlying			Reported	
	2016	2015 restated <sup>2</sup>	Change %	2016	2015 restated <sup>2</sup>
Turnover	6,792.3	6,612.1	+2.7	6,792.3	6,612.1
EBITA	-236.9	-283.1	+16.3	-288.3	-368.5
EBITA – at constant currency rates, excluding earlier timing of Easter <sup>1</sup>	-245.0	-283.1	+13.5	-296.8	-368.5

Note: EBITA comprises earnings before interest, taxes and goodwill impairments, excluding the results from container shipping operations measured at equity, the results from measurement of financial investment in container shipping, and the results from the measurement of interest hedging instruments.

<sup>1</sup> Assuming constant foreign exchange rates are applied to the result in the current and prior period and treating Hotelbeds Group as discontinued operations

<sup>2</sup> Prior year figures restated, further explanation is included on page 9

Chief Executive of TUI Group, Friedrich Joussem, commented:

“We are focussed on delivering our TUI Group strategy in becoming a content centric, vertically integrated tourism business. The agreement to dispose Hotelbeds Group for €1.2 billion announced on 28 April 2016 and confirmation today of our intention to dispose Specialist Group enables us to focus fully on our growth strategy and to strengthen our balance sheet.

The improvement in our H1 operating result demonstrates once again the delivery of our growth plans and the resilience of our business model, with UK, Riu and Cruises performing particularly well. We are continuing to deliver our merger synergies as planned, with a further €15 m realised in the year to date. Summer 2016 trading remains in line with our expectations, with Source Market booked revenues up 2%, a strong performance by our Western Mediterranean and long haul hotels, and continued growth in Cruises. We therefore continue to expect to deliver at least 10% growth in underlying EBITA in 2015/16<sup>1</sup>, and reiterate our previous guidance of at least 10% underlying EBITA CAGR over the three years to 2017/18<sup>1</sup>.”

## We are focused on delivering our TUI Group strategy in becoming a content centric, vertically integrated tourism business

- We have announced our agreement with Cinven Capital Management and Canada Pension Plan Investment Board (CPPIB) to dispose Hotelbeds Group for €1.2 billion. Completion is expected by the end of September 2016.
- Following completion of our strategic review, we confirm today our intention to dispose Specialist Group:
  - Profitable portfolio of specialist travel brands led by strong management teams;
  - Crystal and Thomson Lakes & Mountains to be transferred into the UK Source Market;
  - Marketing to commence Autumn 2016.
- Disposal proceeds will be used to invest in future growth opportunities and to strengthen our balance sheet.

### IMPROVEMENT IN H1 OPERATING RESULT

€ million

<b>Underlying EBITA H1 2014/15</b>	<b>-273</b>
Prior year restatement (including Hotelbeds treated as discontinued) <sup>2</sup>	-10
<b>Underlying EBITA restated H1 2014/15</b>	<b>-283</b>
Underlying trading	+11
Merger synergies (Corporate Streamlining, Destination Services)	+15
Impact of Europa 2 refinancing	+5
Impact of aircraft financing	+7
<b>Underlying EBITA H1 2015/16 excluding FX and Easter timing</b>	<b>-245</b>
Timing impact of Easter	+12
Foreign exchange translation	-4
<b>Underlying EBITA H1 2015/16</b>	<b>-237</b>

### H1 RESULTS

- Results in the current and prior year have been restated to include Destination Services within Other Tourism and include Hotelbeds Group within discontinued operations, as well as other changes to segmental reporting. For further explanation please see page 9.
- **Turnover** increased by 2.7% to €6,792 m (H1 2014/15: €6,612 m), or by 1.9% excluding the positive impact of foreign translation. Brand turnover (which includes the non-consolidated turnover of TUI Cruises and our Canadian strategic ventures) increased by 3.0% to €8,378 m (H1 2014/15: €8,134 m). Growth was driven by the Source Markets and Cruises.
- **Group underlying EBITA loss** for the quarter improved to €237 m (H1 2014/15: €283 m loss), or €245 m loss excluding the negative impact of foreign exchange translation and earlier timing of Easter.
- Within the **Source Markets**, underlying EBITA loss was €296 m (H1 2014/15: €264 m loss), or €305 m loss excluding the negative impact of foreign exchange translation and €12 m benefit from the earlier timing of Easter.
  - **Northern Region** delivered a broadly flat performance, with a strong result in the UK, in particular for the Canaries, long haul and cruise. The Nordics result was in line with prior year with a good Q1 performance impacted by pressure in the lates market in Q2. Trading in Canada was challenging, with lower margins as a result of the unfavourable movement in the Canadian versus US dollar impacting accommodation costs.
  - As expected, the result in **Central Region** deteriorated versus prior year as a result of the continued challenging trading conditions in Germany, compounded by lower demand for North Africa and Turkey. We remain focussed on taking corrective actions to improve profitability, including investment in marketing and online which is expected to deliver benefit in H2.
  - **Western Region's** operating result was slightly lower than prior year with an improved performance in France to EU destinations offset by impact of lower demand for North Africa and the closure of Brussels Airport following the terror attacks in March.

- We have reached agreement to acquire Transat's French tour operating business for an enterprise value of €55 m with completion anticipated by October 2016. The acquisition will enhance our existing turnaround plans for this Source Market, through market consolidation and delivering significant margin potential. It is expected to bring underlying EBITA margin in France in line with that of the overall Western Region currently, resulting in an overall improvement in margin in that segment.
- In **Hotels & Resorts**, underlying EBITA was €84 m (H1 2014/15: €56 m, or €83 m excluding the positive impact of foreign exchange translation).
  - Riu delivered a strong operating performance, with a 2% increase in capacity, 4 percentage points improvement in occupancy and 8% increase in average rate per bed. The result includes €11 m gain on disposal of a hotel in Majorca, partly offsetting the non-repeat of the €16 m gain on disposal of Riu Waikiki last year.
  - Robinson's result impacted by planned additional marketing costs to grow the brand, pre-opening costs in relation to resorts in Greece as well as the under occupancy cost relating to a leased property in Tunisia (opened Summer 2015) and the anticipated lower demand for Turkey.
- Result for other hotels adversely impacted by the events in Egypt and reduced demand for Turkish destinations, offset by €5 m gain on disposal of hotels in Spain and Bulgaria and exclusion of Grecotel losses following disposal last year.
- In **Cruises**, underlying EBITA increased to €40 m (H1 2014/15: €18 m), including €5 m benefit from the refinancing of Europa 2 and strong trading by Mein Schiff 4 which launched in June 2015.
- Following the carve out of Destination Services (formerly Inbound Services) into Other Tourism, €5 m of synergies have been delivered in the half.
- **Specialist Group** underlying EBITA loss of €18 m (H1 2014/15: €18 m loss), or €14 m loss excluding the negative impact of foreign exchange translation, with a good performance by luxury and tailormade brands and the benefit from the exclusion of PEAK losses in the prior year following exit from the strategic venture in Summer 2015.
- **All other segments** underlying EBITA loss of €28 m (H1 2014/15: €44 m loss) includes €10 m further benefit from the delivery of further corporate streamlining synergies, bringing the total delivered to date to €20 m.

#### SUMMER 2016 TRADING IN LINE WITH OUR EXPECTATIONS

- **Winter 2015/16 closed out as expected:** Revenues up 3% and flat bookings. Source Market long haul bookings are up 9% and the UK and Benelux delivered good growth in total bookings.
- **Summer 2016 remains in line with our expectations:** 59% sold to date, with revenues up 2% and bookings up 1%. This highlights the continued strength of underlying demand for our holidays.
  - UK revenue and bookings performance remains strong, up 7%.
  - As expected, we have seen a continued shift in the mix of bookings away from Turkey to alternative destinations. Overall, bookings excluding Turkey are up 8%.
- Continued progress in increasing controlled and online distribution across the Source Markets.
- Popularity of our hotels outside Turkey continues to drive improvement in Hotels & Resorts occupancy and performance this Summer, when we will be opening new hotels in the Caribbean, Sri Lanka and Greece.
- Strong growth in Cruise bookings for Summer 2016 driven by demand for Mein Schiff 5, with the rest of our fleet continuing to perform well.

#### EXPECT TO DELIVER AT LEAST 10% GROWTH<sup>1</sup> IN UNDERLYING EBITA IN 2015/16

- Based on current trading we expect to deliver underlying EBITA growth of at least 10% in 2015/16<sup>1</sup>, and reiterate our previous guidance of at least 10% underlying EBITA CAGR over the three years to 2017/18<sup>1</sup>.

## Delivering against our growth levers

### 1. DELIVER TOURISM GROWTH

Our growth strategy is clear:

- In becoming a **content centric, vertically integrated tourism group**, we operate in all stages of the value chain, from marketing and sales, to flight, accommodation (hotels and cruise) and destination services.
- The core of our offering will be **differentiated product, based on exclusive content**.
- We have a **resilient model**, prepared for current and future changes.
- The strength of our vertically integrated model is the **monitoring and selective control of all stages in the value chain**. This allows us to mitigate capacity risks, respond quickly and flexibly to market changes and actively shape overall situations and markets.
- We take advantage of **global economies of scale** resulting from our size and international scope to deliver competitive advantages and have defined six scaling platforms as a framework: TUI Brand, Aviation, Hotel Investment/Hotel Purchasing, Cruises, Destination Services, Integrated IT and Management Platforms.
- We use our **local strength** at crucial points in the competitive arena, to be close to customers and their individual needs.

#### 1.1 MARKETING & SALES

**We aim to achieve profitable top-line growth ahead of the market.**

In H1 2015/16, which is the low season for a large proportion of our businesses, turnover grew by 2% at constant currency rates. Brand turnover (which includes turnover from our strategic ventures in Canada and TUI Cruises) grew by 3% at constant currency rates. In H1 2015/16, Source Market customer volumes were in line with prior year, with good growth in the UK, Belgium and Netherlands and a weaker performance in Germany where we are focussed on improving market share.

**We are capitalising on the strength of the TUI brand on a global scale.** One brand offers significant opportunities in terms of growth potential, consistency of customer experience, digital presence, operational efficiency and competitive strength. It is our objective that there will be one brand wherever it is reasonable, but we will still ensure that we maintain our local roots. We launched our brand migration successfully in the Netherlands in October 2015, rapidly achieving strong unaided awareness of the TUI brand in this Source Market. Rebranding in Belgium, Nordics and the UK will follow over the next few years.

**Control over distribution remains central to our marketing and sales strategy, and all Source Markets are focussed on delivering more direct, more online sales.** In H1 2015/16 controlled distribution grew by one percentage point to 71%. Online distribution grew by two percentage points to 43%. Good progress was made across the Source Markets.

**In order to grow ahead of the market, we are also broadening our offering.** This includes long haul expansion, a modernised cruise offering in the UK and more choice of flight times and durations for our unique holidays. Our long haul customers grew by 9% in Winter 2015/16 and Summer 2016 long haul bookings are up 10%, with destinations in the Caribbean and Asia proving to be particularly popular.

**We will also continue to focus on improving earnings in underperforming Source Markets and driving improvements in operational efficiency.** In France, having remixed the programme away from North Africa, we are pleased to have delivered an improved performance in the first half and expect this to continue in the full year, with higher demand for EU destinations and the delivery of our ongoing restructuring programme. We intend to acquire Transat's French tour operating business for an enterprise value of €55 m, with completion anticipated by October 2016. The acquisition will enhance our existing turnaround plans for this Source Market, through market consolidation and significant margin potential. It is expected to bring underlying EBITA margin in France in line with that of the overall Western Region currently, resulting in an overall improvement in margin in that segment.

#### 1.2 FLIGHT

We have over 140 aircraft operated by five airlines in our Source Markets, flying around 13 million customers per annum. We are delivering operational efficiencies through our One Aviation programme, which focusses on aligning engineering and maintenance, customer (ground) operations and supplier management and procurement across our airlines. We expect to realise €50 m savings in relation to this by 2018/19.

#### 1.3 ACCOMMODATION

As a content centric business, accommodation is the key differentiator in the customer holiday experience and the key driver of satisfaction and retention rates, therefore growth in accommodation will be central in driving profitable top-line growth.

## HOTELS

**Our strategic focus within Hotels & Resorts is to achieve further differentiation and optimisation of our own hotel portfolio and a more focussed and defined brand profile.** The core brands will be Riu, Robinson, Magic Life and the new hotel brand TUI Blue, rounded off by three hotel concepts Sensatori, Sensimar and Family Life. Hotel brands and hotel concepts differ in that the brands will be managed by TUI as hotel operator, while the hotel concepts may also be taken over by other hotel operators for their facilities. We are targeting around 60 new hotels over the five year period from 2014/15 to 2018/19 with a ROIC of at least 15%. In 2014/15 we opened seven new resorts in our core hotel and club brands, as well as four new concept resorts in Group hotels. In 2015/16 we have six new openings within these brands, with several further planned openings in future years.

**Riu is the Group's largest hotel brand in terms of volume and earnings,** delivering 20% ROIC in 2014/15 (excluding TUI goodwill), and will be key in delivering profitable growth. We opened four new resorts in 2014/15, with a further three openings in 2015/16. Expansion to new destinations will be an important growth lever, particularly on long haul. Adding to the existing long haul presence of Riu, two more new hotels are scheduled to open in 2015/16 in the Dominican Republic and Sri Lanka. Further growth will be achieved by ongoing portfolio optimisation and facility refurbishment.

**TUI Blue is our new hotel brand focusing on differentiation and quality.** As a distinctive customer proposition, it offers a premium all-inclusive concept. In addition to new hotels, the brand will include the repositioning of some existing underperforming hotel brands to deliver turnaround. This has commenced in Summer 2016 with two resorts in Turkey operating under the TUI Blue brand.

**Robinson and Magic Life will be the core focus for our growth in clubs.** Robinson will focus on increased Source Market distribution, increased direct distribution globally and international expansion. We opened one new club in 2014/15 and have two more openings scheduled for 2015/16 in Greece and Turkey. Magic Life is already strongly integrated with the Source Markets, leading to a significant increase in occupancy over the past few years. For future growth, Magic Life will benefit from a further internationalisation of the concept through the Source Markets and increased distribution globally. We launched two new Magic Life clubs in 2014/15 and will continue to grow the brand in future years.

**Furthermore, we will grow our powerful and exclusive hotel concepts through internationalisation.** Sensatori, Sensimar and Family Life are our outstanding international hotel concept brands designed for specific customer segments. With around 100 hotels captured under these brands, there is a strong base which differentiates our local market offering. The internationalisation of the existing Sensatori and Sensimar brands and introduction of Family Life has been launched for Summer 2016. In 2015 we launched two new Sensatoris and two new Sensimars which are operated by Group hotels, and will open a further Sensatori in the Dominican Republic in Summer 2016.

## CRUISES

**With our three cruise brands and growth plans, we will become a leading cruise operator in Europe.** We make joint decisions within our Tourism business in terms of cruise fleet planning.

TUI Cruises currently operates four ships in the high growth, underpenetrated premium German market. Mein Schiff 5 will join the fleet in July 2016. We have a strong competitive advantage, having secured additional capacity, with three further ships ordered and one being delivered in each of the coming three years.

In the UK, Thomson Cruises operates a five ship fleet, which we intend to fully modernise in the next few years, starting with the launch of TUI Discovery (formerly Splendour of the Seas) in Q2 2016. It is also intended that, with the delivery of Mein Schiff 7 and Mein Schiff 8 to TUI Cruises, Mein Schiff 1 and Mein Schiff 2 will be moved to Thomson Cruises, leaving TUI Cruises with a six ship fleet.

With Hapag-Lloyd Cruises, we continue to focus on luxury and expedition cruises. The successful repositioning of the brand has been completed and the turnaround was delivered last year.

## 1.4 DESTINATION SERVICES

Our unique destination service brings our brand alive, operating in more than 100 destinations with over 6,500 employees with access to around 11 million customers, managing airport transfers, excursions and resort services. The carve out of Destination Services from Hotelbeds Group to Tourism is now complete, delivering enhanced operational efficiency. €5m of synergies relating to the carve out were delivered in H1 2015/16 and a further €15m will be delivered by the end of financial year 2016/17.



### 1.5 INTEGRATED PLATFORMS, INTEGRATED MANAGEMENT

We take advantage of global economies of scale resulting from our size and international scope to deliver competitive advantages. We therefore act as one in six areas:

- **One shared global brand**
- **Aviation** – central control of configuration, purchasing, finance, maintenance, ground handling
- **Hotel investments/hotel purchasing** – international marketing of our core brands (Riu, Robinson, Magic Life, TUI Blue) and our hotel concepts (Sensimar, Sensatori, Family Life)
- **Cruises** – joint decisions about investment in new vessels and marketing of our core brands (TUI Cruises, Hapag Lloyd Cruises, Thomson Cruises)
- **Destination Services** – shared international team to serve our guests in destinations
- **IT** – customer platform, customer relationship management (CRM), customer app and yield management

### 2. MAXIMISE GROWTH AND VALUE OF OTHER BUSINESSES

In May 2015, we set out our strategy to maximise the growth and value of our other businesses – Hotelbeds Group, Specialist Group and our shareholding in Hapag-Lloyd AG which is held for sale – with a view to delivering superior returns for our shareholders. We have made significant progress in achieving our objectives.

#### HOTELBEDS GROUP

On 28 April 2016, we announced that we had reached agreement to sell Hotelbeds Group for €1.2 billion. This strategic disposal represents a significant step in TUI's progress as a content centric, vertically integrated tourism business. Proceeds will be used to invest in future growth opportunities and further strengthen TUI's balance sheet. The transaction is still subject to customary closing conditions and certain regulatory approvals and is expected to complete by the end of September 2016.

#### SPECIALIST GROUP

Specialist Group is a profitable portfolio of specialist travel brands led by strong management teams. Following completion of our strategic review of the business, we see limited linkage to our content centric, vertically integrated model, and limited ability to scale with our global platforms such as the TUI brand, therefore we announce our intention to dispose the business as one transaction. Ahead of disposal, Crystal and Thomson Lakes & Mountains will be transferred from Specialist into the UK Source Market segment, due to the synergies between these businesses. Marketing of the remaining Specialist Group is expected to commence Autumn 2016.

#### HAPAG-LLOYD AG

The completion of the Hapag-Lloyd IPO in November 2015 enhances our opportunities to exit our remaining shareholding. TUI Group holds 14.5 million shares equating to a 12.3% shareholding. This shareholding is accounted for as an available for sale financial asset and is therefore revalued based on the listed share price at the end of each quarter.

### 3. DELIVER MERGER SYNERGIES

Following the merger of TUI AG with TUI Travel PLC, corporate streamlining is expected to deliver cost savings of €50 m per annum by the end of 2016/17, mainly from the consolidation of overlapping functions. We delivered €10 m of savings in 2014/15 and have delivered a further €10 m in H1 2015/16, bringing the total to date to €20 m. Estimated one-off integration costs of €35 m are expected in order to achieve these savings, €31 m of which were incurred in 2014/15 and a further €4 m in H1 2015/16.

Our unified ownership structure enables a more efficient tax grouping and use of carried forward tax losses. As a consequence, the Group's underlying effective tax rate has reduced to 25% and is expected to remain at this level following the disposal of Hotelbeds.

We are also delivering further synergies due to joint management of occupancy by Source Markets and group hotels. Occupancy is expected to improve by 5% points by 2016/17 as a result of integration. In 2014/15, we delivered a 1.7 percentage point improvement, equating to approximately €10 m underlying EBITA benefit on the basis outlined at the time of the merger.

Additional savings of at least €20 m per annum are expected from the integration of Destination Services into the Tourism businesses. Estimated one-off cash costs in order to achieve are approximately €69 m (including P&L, capex and tax costs). The separation of legal entities and IT functions from Hotelbeds is now complete, with €5 m of synergies delivered so far this year.

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

We are focussed on improving free cash flow and therefore delivering superior returns on investment for shareholders. Our growth strategy reflects this goal, with the aim of creating a strong, flexible balance sheet which supports our long-term growth plans.

We are committed to improve our credit metrics following the delivery of merger synergies and the execution of our growth roadmap. Our focus on rating will allow us to obtain optimal financing conditions, and progress has already been made in this area, with Moody's announcing an upgrade in TUI Group's corporate family rating from Ba3 to Ba2 on 26 April 2016. We have set financial targets for 2015/16 based on a leverage ratio of 3.5 to 2.75 times, and an interest coverage ratio of 4.5 to 5.5 times interest (ratios were set prior to the disposal of Hotelbeds). We intend to adjust these target corridors further in subsequent financial years to support our goal of improving our credit rating.

With the increase in our operating profitability, the clearly noticeable decline in interest payments due to the reduction in Group debt over the past 18 months, and the more efficient tax grouping, we are committed to a progressive dividend policy. Dividends are expected to grow in line with the growth in underlying EBITA at constant currency, with an additional 10% on the base dividend in respect of 2015/16 as outlined at the time of the merger.

#### Current trading in line with our expectations

##### WINTER 2015 / 16

In the Source Markets, the Winter 2015/16 season closed out as expected, with revenues up 3%. Bookings were flat compared with prior year, with increased volumes in the UK and Benelux partly offset by Germany. Average selling prices increased by 3%, partly reflecting the growth in long haul bookings, up 9%. Direct distribution accounted for 71% of bookings with online accounting for 45%, up 2 percentage points.

Trading in our Hotels & Resorts businesses largely reflects bookings made through our Source Markets. We have continued 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.

##### SUMMER 2016

Overall, Summer 2016 trading remains in line with our expectations. 59% of the programme has been sold to date, which is broadly in line with prior year, with revenues up 2% and bookings up 1%. As expected, we have seen a continued shift in demand for Turkey to alternative destinations, with bookings outside Turkey up 8%. We are making continued progress in increasing controlled and online distribution – 68% of bookings to date were made via controlled channels (up two percentage points on prior year), with 39% made online (up 3 percentage points).

#### CURRENT TRADING<sup>1</sup>

YoY variation %	Summer 2016			
	Total Revenue <sup>2</sup>	Total Customers <sup>2</sup>	Total ASP <sup>2</sup>	Programme sold (%)
<b>Northern Region</b>	<b>+6</b>	<b>+5</b>	<b>+1</b>	<b>63</b>
UK	+7	+7	Flat	65
Nordics	-4	-9	+6	54
<b>Central Region</b>	<b>-1</b>	<b>-2</b>	<b>Flat</b>	<b>59</b>
Germany	-2	-3	+1	60
<b>Western Region</b>	<b>-1</b>	<b>Flat</b>	<b>-1</b>	<b>54</b>
Benelux	-1	Flat	-1	55
<b>Total Source Markets</b>	<b>+2</b>	<b>+1</b>	<b>+1</b>	<b>59</b>

<sup>1</sup> These statistics are up to 1 May 2016 and are shown on a constant currency basis

<sup>2</sup> These statistics relate to all customers whether risk or non-risk

In the UK, the programme is 65 % sold, ahead of prior year. We are continuing to deliver a strong performance with revenue and bookings up 7 %. Short and medium haul growth is driven by destinations across Spain, Greece and Cyprus. We are also continuing to grow our long haul programme, with Mexico, Dominican Republic and Jamaica remaining our most popular destinations and Costa Rica being added to the Summer programme this year. In addition UK cruise sales are up significantly, including our new addition to the fleet, the TUI Discovery.

In Nordic, the programme is 54 % sold. Revenues are down 4 % with bookings down 9 %. Turkey accounted for over 20 % of Nordics customers in Summer 2015, therefore lower demand currently for this destination has impacted on current trading. This is particularly evident in the shoulder months. Excluding Turkey, bookings are up 12 %, with growth driven by the Balearics, Canaries, Greece and Cyprus.

In Germany, the programme is 60 % sold. Revenues are down 2 % with bookings down 3 %. This is again driven by Turkey, which accounted for nearly 20 % of German customers in Summer 2015. Bookings to destinations outside Turkey are up 5 %, with increased demand for destinations across Spain as well as an increase in long haul package bookings, with Mexico, Dominican Republic and Cuba proving popular. In the wider context, we continue to experience pressure on margins as a result of the continued third party overcapacity to sun and beach destinations.

In Benelux, the programme is 55 % sold. Revenues are down slightly against flat bookings, with a positive performance by Netherlands offset by a general slow down in demand in Belgium following the attacks on Brussels Airport and as a result of subdued demand for Turkey. Bookings to destinations outside Turkey are up 5 %, with increased demand for destinations across Spain and growth in long haul.

As for Winter, trading in Hotels & Resorts largely reflects bookings made through our Source Markets. The popularity of our hotels outside Turkey and North Africa continues to drive improvement in Hotels occupancy and performance this Summer, and we are well placed to benefit from the increase in demand for the Western Mediterranean and long haul destinations. In 2015/16 we have six new openings planned in our core hotel, club and concept brands.

In Cruises, TUI Cruises will launch Mein Schiff 5 in July 2016. We are very pleased with the progress in bookings for the new ship, with booked load factor for calendar 2016 already in excess of 85 %.

## Restatement of results

We have revised our segmental reporting for the current and prior year. The most significant restatement relates to Hotelbeds Group. The Destination Services result has been carved out from Hotelbeds Group and is now reported within Other Tourism and, following the carve out, the Hotelbeds Group result has been reclassified to discontinued operations. In addition, costs relating to IT services have been reclassified from All Other Segments to Other Tourism, as they relate to the Tourism businesses. Minor reclassifications have also been made from Western and Central Region to All Other Segments.

## Adjustments

Adjustments of €51 m were incurred during H1 2015/16. The following table provides a breakdown of these items, which have been restated to treat Hotelbeds Group as discontinued operations.

### SIX MONTHS ENDED 31 MARCH

€ million	2016	2015
Restructuring expense	-5	-14
Gains on disposals	-1	-1
Other one-off items	-11	-42
Purchase price allocation (PPA)	-34	-28
<b>Total Adjustments</b>	<b>-51</b>	<b>-85</b>

The total charge of €51 m for H1 2015/16 includes €7 m merger related costs, €4 m in respect of corporate streamlining and €3 m for the integration of Destination Services into Tourism.

## Net interest expense

Net interest expense (including expense from the measurement of interest hedges) for the period improved by €25 m to €82 m net expense (H1 2014/15: net expense €107 m). The prior year charge included €22 m in respect of the TUI AG and TUI Travel bonds which converted during 2014/15.

## Income taxes

The tax income posted for H1 is partly attributable to the seasonality of the tourism business. Income tax credit for the period decreased

to €89 m (H1 2014/15: credit €274 m). The prior year included €123 m credit in respect of the post-merger reorganisation of the German tax group. In addition, the current year includes a provision of €37 m, reflecting the risk associated with a recent German trade tax ruling.

## Pro forma underlying earnings per share

In order to provide a comparable basis for TUI Group's underlying earnings per share, a pro forma calculation is included below. The calculation is based on the current issued share capital of 587 million shares, and therefore adjusts for the impact of bond conversions during the year, as well as the impact on minority interest and share count arising from the merger with TUI Travel PLC during December 2014. In addition, the figures now exclude Hotelbeds Group as a discontinued operation.

€ million	H1 2015/16	H1 2014/15	2014/15
Underlying EBITA (restated to exclude Hotelbeds Group)	-237	-283	1,001
Net interest expense (excluding prior year convertible bond interest)	-82	-88	-163
<b>Underlying earnings before tax</b>	<b>-319</b>	<b>-371</b>	<b>838</b>
Underlying effective tax rate	% 25	25	25
Tax charge	80	93	-210
Minority interest (excluding TUI Travel PLC in prior year)	-54	-35	-90
Hybrid dividend	-	-10	-11
<b>Net income</b>	<b>-293</b>	<b>-323</b>	<b>527</b>
Basic number of shares	587	587	587
<b>Pro forma underlying earnings per share in €</b>	<b>-0.50</b>	<b>-0.55</b>	<b>0.90</b>

## Net debt

The net debt position (cash and cash equivalents less capital market financing, loans, overdrafts and finance leases) at 31 March 2016 was €1,579 m, or €1,406 m including €173 m net cash within Hotelbeds Group (31 March 2015: net debt €1,694 m including Hotelbeds Group).

The net debt position at 31 March 2016 of €1,579 m consisted of €926 m of cash and cash equivalents (€179 m of which was subject to disposal restrictions), €223 m of current liabilities and €2,282 m of non-current liabilities.

## 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.

%	Summer 2016	Winter 2016/17
Euro	93	60
US Dollars	92	71
Jet Fuel	94	87

As at 6 May 2016

## Outlook

We have delivered a good first half, with an improved operating result, agreement to dispose Hotelbeds and the announcement of our intention to dispose Specialist Group. We are focussed on delivering our TUI Group strategy in becoming a content centric, vertically integrated tourism business and will use the proceeds of disposals to invest in future growth opportunities and to strengthen the balance sheet. Summer 2016 trading is in line with our expectations, therefore we reiterate our guidance below (which excludes Hotelbeds as a discontinued operation in the current and prior year):

- Brand turnover – at least 5 % growth<sup>4,5</sup>
- Turnover – at least 3 % growth<sup>4</sup>
- Underlying EBITA – at least 10 % growth<sup>4</sup>
- Adjustments (separately disclosed items plus purchase price allocations) – approximately €160 m<sup>4</sup>
- Net interest expense – approximately €170 m<sup>4</sup>
- Net capex and investments (including aircraft order book) – approximately €750 m<sup>4</sup>
- Net debt – broadly neutral at year-end<sup>4</sup>
- Underlying effective tax rate – approximately 25 %<sup>4</sup>

In addition, based on our growth plans and resilience of our business model, we reiterate our previous guidance of at least 10 % underlying EBITA CAGR over the three years to 2017/18<sup>4</sup>. We will provide a strategy update at our full year results presentation in December 2016.

<sup>4</sup> Assuming constant foreign exchange rates are applied to the result in the current and prior period and treating Hotelbeds Group as discontinued operations

<sup>5</sup> Reported turnover plus 100 % turnover for TUI Cruises and Canadian strategic ventures, excluding Hotelbeds Group (treated as discontinued operation)

# H1 2015/16

## TUI Group – financial highlights

€ million	Q2 2015/16	Q2 2014/15 restated	Var. %	H1 2015/16	H1 2014/15 restated	Var. %
<b>Turnover</b>	<b>3,291.3</b>	<b>3,255.7</b>	<b>+1.1</b>	<b>6,792.3</b>	<b>6,612.1</b>	<b>+2.7</b>
<b>Underlying EBITA<sup>1</sup></b>						
Northern Region	-83.0	-64.2	-29.3	-110.9	-109.6	-1.2
Central Region	-83.6	-73.5	-13.7	-109.8	-93.7	-17.2
Western Region	-48.0	-49.0	+2.0	-75.7	-60.9	-24.3
Hotels & Resorts	58.5	26.9	+117.5	83.7	55.6	+50.5
Cruises	31.9	16.3	+95.7	40.1	18.3	+119.1
Other Touristik	-7.1	-16.7	+57.5	-18.5	-30.9	+40.1
<b>Tourism</b>	<b>-131.3</b>	<b>-160.2</b>	<b>+18.0</b>	<b>-191.1</b>	<b>-221.2</b>	<b>+13.6</b>
Specialist Group	14.3	1.4	+921.4	-17.5	-17.7	+1.1
All other Segments	-14.7	-17.8	+17.4	-28.3	-44.2	+36.0
<b>TUI Group</b>	<b>-131.7</b>	<b>-176.6</b>	<b>+25.4</b>	<b>-236.9</b>	<b>-283.1</b>	<b>+16.3</b>
Discontinued Operation	5.0	2.9	+72.4	8.6	1.5	+473.3
<b>Total</b>	<b>-126.7</b>	<b>-173.7</b>	<b>+27.1</b>	<b>-228.3</b>	<b>-281.6</b>	<b>+18.9</b>
<b>EBITA<sup>2</sup></b>	<b>-156.3</b>	<b>-229.7</b>	<b>+32.0</b>	<b>-288.3</b>	<b>-368.5</b>	<b>+21.8</b>
<b>EBITDA</b>	<b>-43.7</b>	<b>-135.0</b>	<b>+67.6</b>	<b>-69.7</b>	<b>-186.3</b>	<b>+62.6</b>
<b>Underlying EBITDA</b>	<b>-29.6</b>	<b>-93.2</b>	<b>+68.2</b>	<b>-41.1</b>	<b>-123.9</b>	<b>+66.8</b>
Net profit for the period	-231.0	-82.5	-180.0	-394.9	-218.7	-80.6
Earnings per share (continuing operations)	€ -0.44	-0.17	+158.8	-0.75	-0.45	-66.7
Underlying earnings per share				-0.50	-0.55	+9.1
Equity ratio (31 Mar)	%			12.6	12.3	+0.3 <sup>3</sup>
Amortisation/write-backs of other intangible assets and depreciation/write-backs of property, plant and equipment	112.6	94.7	+18.9	218.7	182.3	+20.0
Net debt (31 Mar)				-1,406.7	-1,694.2	+17.0
Employees (31 Mar)				57,978	58,748	-1.3

Differences may occur due to rounding

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

<sup>2</sup> 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.

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

# INTERIM MANAGEMENT REPORT

## Corporate Governance

### Composition of the boards

In Q2 2015/16, the composition of the Executive Board of TUI AG changed as follows.

Upon the close of the ordinary Annual General Meeting on 9 February 2016, the term of office ended for all ten employee representatives on the Supervisory Board and for seven shareholder representatives on the Supervisory Board (including Maxim Shemetov, who stepped down from his mandate as shareholder representative on the Supervisory Board with effect from the close of the ordinary Annual General Meeting). At this year's ordinary Annual General Meeting, the shareholders therefore had to elect seven new Supervisory Board members. All candidates proposed for election by the Supervisory Board were elected: Prof. Dr Edgar Ernst, Angelika Gifford, Sir Michael Hodgkinson, Peter Long, Prof. Dr Klaus Mangold, Alexey A. Mordashov and Carmen Riu Güell. The candidates were individually elected for the full term of office of around five years stipulated in the Articles of Association.

Compared with the composition published in the Annual Report 2014/15, the following Supervisory Board members have left the Board since 30 September 2015: Timothy Martin Powell, Maxim G. Shemetov and Prof. Christian Strenger.



See Annual Report 2014/15 page 36–37

The election of the ten employee representatives to the Supervisory Board took place on 13 January 2016. Marcel Witt left the Supervisory Board, Stefan Weinhofer was elected as a new member of the Supervisory Board. The other employee representatives were re-elected.

Wilfried H. Rau, senior executive representative on TUI AG's Supervisory Board, passed away on 30 March 2016.

Since the election of the previous Joint CEO Peter Long as Supervisory Board member, Friedrich Joussem has been the sole CEO of TUI Group.

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.tui-group.com](http://www.tui-group.com)

## TUI Group fundamentals: Structure and strategy

### Reporting structure

The Interim Report for H1 2015/16 is based on TUI Group's adjusted reporting structure introduced as per H1 2014/15.



See Annual Report 2014/15 page 92

In Q1 2015/16, the carve-out of Destination Services from the Hotelbeds Group segment was completed as scheduled. Destination Services was included within Tourism and has been managed within Other Tourism since the beginning of Q2 2015/16. The remaining

part of Hotelbeds Group retained in the segment was classified as a discontinued operation in line with IFRS 5 in Q2 2015/16. After the balance sheet date on 28 April 2016 TUI Group has reached an agreement with GNVA Acquisitions Ltd., a company owned by funds managed or advised by Cinven Capital Management and Canada Pension Plan Investment Board to sell Hotelbeds Group for around 1.2 billion euros. The transaction, which is still subject to the relevant regulatory approvals, is expected to complete by end of September 2016. Proceeds will be used to invest in future growth opportunities and to strengthen the balance sheet.

Moreover, the IT services previously included in All other Segments were reclassified to Other Tourism in Q1 2015/16. Further minor reclassifications were also made from Western and Central Region to All Other Segments.

Changes in the group of consolidated companies are presented in the Notes to this Interim Report for H1 2015/16.

In the period under review, there were no changes in the legal framework with a material impact on TUI Group's business performance.

### Group targets and strategy

TUI Group continues to pursue its strategy as presented in financial year 2014/15.



See Annual Report 2014/15 pages 7–17 and 87–94 and pages 5–7 of this Interim Report for H1 2015/16

We maintain our assessment of the expected synergies and one-off costs resulting from the merger as presented in the Annual Report 2014/15. In H1 2015/16, we delivered synergies worth €15 m as part of the synergies expected from the merger between TUI AG and TUI Travel PLC, including synergies of €10 m from the consolidation of overlapping Corporate Centre functions and €5 m from the integration of Destination Services into Tourism.

### 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

Successful management of existing and emerging risks and opportunities is critical to the long-term success of our business and to the achievement of our strategic objectives. Full details of our risk governance framework and principal risks and opportunities can be found in the Annual Report 2014/15. The principal risks outlined in that report remain largely unchanged in the period under review H1 2015/16 and are set out below.



See Annual Report 2014/15: risks see pages 97–114; chances see page 119

### Inherent risks to the sector

Destination disruption; macroeconomic risks; competition & consumer preferences; input cost volatility; seasonal cashflow profile; legal & regulatory compliance; health & safety; supply chain risk; joint venture partnerships

### Actively managed principal risks

IT development & strategy; brand change; growth options; integration opportunities; sustainability targets; cyber security; talent management; corporate streamlining

These principal risks and uncertainties continue to face the Group over the remainder of the financial year. However it is also noted that in the second half of our financial year, the UK will hold a referendum on continued membership of the EU. The uncertainty in the financial markets over the outcome of that vote has already led to foreign currency volatility which impacts the translation of results from our UK businesses. That uncertainty and foreign currency volatility would be likely to continue if the outcome of the referendum is for the UK to leave the EU. 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.



# 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. The

following forecast refers to the TUI Group's continuing operations. Prior year figures have been restated.

### EXPECTED DEVELOPMENT OF GROUP TURNOVER, UNDERLYING EBITA AND ADJUSTMENTS

€ million	Expected Development vs. PY	
	2014/15 restated	2015/16*
Brand turnover	21,590	at least 5% growth
Turnover	19,018	at least 3% growth
Underlying EBITA	1,001	at least 10% growth
Adjustments	176	approx. €160 m cost

\* Based on constant currency, without discontinued operations

### 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 ventures. 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 €160 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 March due to the seasonal nature of the business.

#### INCOME STATEMENT OF THE TUI GROUP FOR THE PERIOD FROM 1 OCTOBER 2015 TO 31 MARCH 2016

€ million	Q2 2015 / 16	Q2 2014 / 15 restated	Var. %	H1 2015 / 16	H1 2014 / 15 restated	Var. %
<b>Turnover</b>	<b>3,291.3</b>	<b>3,255.7</b>	<b>+1.1</b>	<b>6,792.3</b>	<b>6,612.1</b>	<b>+2.7</b>
Cost of sales	3,179.9	3,159.3	+0.7	6,497.4	6,344.6	+2.4
<b>Gross profit</b>	<b>111.4</b>	<b>96.4</b>	<b>+15.6</b>	<b>294.9</b>	<b>267.5</b>	<b>+10.2</b>
Administrative expenses	321.7	379.8	-15.3	673.2	722.4	-6.8
Other income	12.8	11.9	+7.6	28.5	30.1	-5.3
Other expenses	0.3	0.5	-40.0	3.0	1.3	+130.8
Financial income	12.2	7.1	+71.8	18.8	15.2	+23.7
Financial expenses	112.3	43.3	159.4	200.3	118.5	+69.0
Share of result of joint ventures and associates	41.6	38.2	+8.9	63.7	55.2	+15.4
<b>Earnings before income taxes from continuing operations*</b>	<b>-256.3</b>	<b>-270.0</b>	<b>+5.1</b>	<b>-470.6</b>	<b>-474.2</b>	<b>+0.8</b>
Income taxes	-32.2	-200.0	+83.9	-89.1	-273.8	+67.5
<b>Result from continuing operations</b>	<b>-224.1</b>	<b>-70.0</b>	<b>-220.1</b>	<b>-381.5</b>	<b>-200.4</b>	<b>-90.4</b>
Result from discontinued operations	-6.9	-12.5	+44.8	-13.4	-18.3	+26.8
<b>Group loss for the year</b>	<b>-231.0</b>	<b>-82.5</b>	<b>-180.0</b>	<b>-394.9</b>	<b>-218.7</b>	<b>-80.6</b>
Group loss for the year attributable to shareholders of TUI AG	-264.9	-96.9	-173.4	-448.9	-201.5	-122.8
Group loss for the year attributable to non-controlling interest	33.9	14.4	+135.4	54.0	-17.2	n.a.

\*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.

#### TURNOVER AND COST OF SALES

In H1 2015/16, turnover totalled €6.8 bn, up by 2.7% year-on-year. On a constant currency basis, turnover grew by 1.9% in H1 2015/16. Apart from a slight increase in customer numbers year-on-year, this growth was also driven by the increase in the proportion of long-haul bookings, in particular in the large source markets. It also reflected higher average selling prices in Hotels & Resorts.

Turnover was presented alongside the cost of sales, which rose by 2.4% in H1 2015/16. A detailed breakdown of turnover and a review thereof are presented in the section Business development by segment.

**TURNOVER**

€ million	Q2 2015/16	Q2 2014/15 restated	Var. %	H1 2015/16	H1 2014/15 restated	Var. %
Northern Region	1,055.2	1,033.9	+2.1	2,287.6	2,158.8	+6.0
Central Region	897.8	876.0	+2.5	1,988.0	1,934.2	+2.8
Western Region	428.7	412.4	+4.0	915.6	899.7	+1.8
Hotels & Resorts	133.6	127.4	+4.9	266.0	245.4	+8.4
Cruises	89.2	82.7	+7.9	143.1	136.2	+5.1
Other Tourism	141.6	147.1	-3.7	289.1	300.4	-3.8
<b>Tourism</b>	<b>2,746.1</b>	<b>2,679.5</b>	<b>+2.5</b>	<b>5,889.4</b>	<b>5,674.7</b>	<b>+3.8</b>
Specialist Group	524.5	551.8	-4.9	850.1	885.2	-4.0
All other segments	20.7	24.4	-15.2	52.8	52.2	+1.1
<b>TUI Group</b>	<b>3,291.3</b>	<b>3,255.7</b>	<b>+1.1</b>	<b>6,792.3</b>	<b>6,612.1</b>	<b>+2.7</b>
Discontinued Operation	236.5	172.1	+37.4	453.9	359.3	+26.3
<b>Total</b>	<b>3,527.8</b>	<b>3,427.8</b>	<b>+2.9</b>	<b>7,246.2</b>	<b>6,971.4</b>	<b>+3.9</b>

**GROSS PROFIT**

At €294.9 m, gross profit as the balance of turnover and the cost of sales was up €27.4 m year-on-year in H1 2015/16.

**ADMINISTRATIVE EXPENSES**

Administrative expenses comprise expenses for general management functions not directly allocable to the turnover transactions. In H1, they totalled €673.2 m, down by €49.2 m on the prior year, which had been impacted by impairments on input tax claims in an Italian subsidiary and additions to provisions for litigation in connection with the acquisition of a Turkish hotel.

**OTHER INCOME / OTHER EXPENSES**

In H1 2015/16, other income totalled €28.5 m, mainly comprising gains on disposal from the sale of a Riu Hotel, a joint venture, a cruise ship and two plots of land. Other expenses totalled €3.0 m in H1 2015/16. They primarily resulted from foreign exchange losses in connection with capital measures.

**FINANCIAL RESULT**

The financial result decreased from €-103.3 m in H1 2014/15 to €-181.5 m in H1 2015/16. The decline was mainly driven by the measurement of the stake in Hapag-Lloyd AG. Following the IPO, the stake was measured at the stock market price of €16.10 per share as at 31 March 2016, resulting in an impairment of €100.3 m. On the other hand, the interest expense declined due to the conversion of all convertible bonds in financial year 2014/15.

**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 €63.7 m in H1 2015/16 (previous year €55.2 m). Hapag-Lloyd AG, which had been included in the previous year, has been carried under assets available for sale since 2 December 2014.

**INCOME TAXES**

The tax assets carried in H1 2015/16 are attributable to various factors including the seasonal swing in tourism. Due to a judgment from the fiscal court Münster on 4 February 2016, a reassessment of the trade tax risk for the purchase of hotel beds was undertaken, resulting in a separately recognised tax expense of €36.5 m in Q2 2015/16.

**GROUP LOSS**

In H1 2015/16, the Group result was negative at €-394.9 m (previous year €-218.7 m) due to the seasonality of the tourism business. The decline in the Group result in H1 2015/16 was mainly attributable to the expense for the measurement of the stake in Hapag-Lloyd AG and the increase in the tax credit in the prior year due to the merger between TUI AG and TUI Travel PLC.

**NON-CONTROLLING INTERESTS**

Non-controlling interests accounted for €54.0 m for H1 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 €-448.9 m (previous year €-201.5 m) of the Group result for H1 2015/16. As a result, basic earnings per share for the continuing operations amounted to €-0.75 (previous year €-0.45) for H1 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 TUI Group's operating performance. EBITA comprises earnings before interest, taxes and goodwill impairments,

excluding the results from container shipping operations measured at equity, the results from measurement of financial investment in Container Shipping, and the results from the measurement of interest hedging instruments.

### RECONCILIATION TO UNDERLYING EBITA

€ million	Q2 2015 / 16	Q2 2014 / 15 restated	Var. %	H1 2015 / 16	H1 2014 / 15 restated	Var. %
Earnings before income taxes	-256.3	-270.0	+5.1	-470.6	-474.2	+0.8
plus: Losses on Container Shipping measured at equity	-	-	-	-	-0.9	n.a.
plus: Loss on measurement of financial investment in Container Shipping	58.7	-	n.a.	100.3	-	n.a.
plus: Net interest expense and expense from the measurement of interest hedges	41.3	40.3	+2.5	82.0	106.6	-23.1
plus: Impairment of goodwill	-	-	-	-	-	-
<b>EBITA</b>	<b>-156.3</b>	<b>-229.7</b>	<b>+32.0</b>	<b>-288.3</b>	<b>-368.5</b>	<b>+21.8</b>
<b>Adjustments:</b>						
plus: Losses/less: gains on disposals	-0.6	0.9		0.9	1.0	
plus: Restructuring expense	3.8	12.3		5.5	13.8	
plus: Expense from purchase price allocation	17.5	13.6		33.5	28.0	
plus: Expense/less: income from other one-off items	3.9	26.3		11.5	42.6	
<b>Underlying EBITA</b>	<b>-131.7</b>	<b>-176.6</b>	<b>+25.4</b>	<b>-236.9</b>	<b>-283.1</b>	<b>+16.3</b>

Reported earnings by TUI Group improved by €80.2 m year-on-year to €-288.3 m in H1 2015/16.

### EBITA

€ million	Q2 2015 / 16	Q2 2014 / 15 restated	Var. %	H1 2015 / 16	H1 2014 / 15 restated	Var. %
Northern Region	-87.5	-72.2	-21.2	-121.6	-123.1	+1.2
Central Region	-84.5	-76.1	-11.0	-116.3	-101.6	-14.5
Western Region	-50.5	-51.6	+2.1	-79.4	-66.4	-19.6
Hotels & Resorts	58.4	5.7	+924.6	82.9	22.2	+273.4
Cruises	31.9	16.3	+95.7	40.1	18.3	+119.1
Other Tourism	-8.4	-23.5	+64.3	-21.6	-39.5	+45.3
<b>Tourism</b>	<b>-140.6</b>	<b>-201.4</b>	<b>+30.2</b>	<b>-215.9</b>	<b>-290.1</b>	<b>+25.6</b>
Specialist Group	1.6	-3.1	n.a.	-34.5	-26.2	-31.7
All other segments	-17.3	-25.2	+31.3	-37.9	-52.2	+27.4
<b>TUI Group</b>	<b>-156.3</b>	<b>-229.7</b>	<b>+32.0</b>	<b>-288.3</b>	<b>-368.5</b>	<b>+21.8</b>
Discontinued operation	-14.2	-15.9	+10.7	-24.3	-22.1	-10.0
<b>Sum of the segments</b>	<b>-170.5</b>	<b>-245.6</b>	<b>+30.6</b>	<b>-312.6</b>	<b>-390.6</b>	<b>+20.0</b>

In order to explain and evaluate the operating performance by the segments, earnings adjusted for separately disclosed items (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 separately disclosed items.

Separately disclosed 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 separately disclosed 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 H1 2015/16, earnings adjusted for one-off effects (underlying EBITA) totalled €–236.9 m, up €46.2 m year-on-year.

#### UNDERLYING EBITA

€ million	Q2 2015/16	Q2 2014/15 restated	Var. %	H1 2015/16	H1 2014/15 restated	Var. %
Northern Region	–83.0	–64.2	–29.3	–110.9	–109.6	–1.2
Central Region	–83.6	–73.5	–13.7	–109.8	–93.7	–17.2
Western Region	–48.0	–49.0	+2.0	–75.7	–60.9	–24.3
Hotels & Resorts	58.5	26.9	+117.5	83.7	55.6	+50.5
Cruises	31.9	16.3	+95.7	40.1	18.3	+119.1
Other Tourism	–7.1	–16.7	+57.5	–18.5	–30.9	+40.1
<b>Tourism</b>	<b>–131.3</b>	<b>–160.2</b>	<b>+18.0</b>	<b>–191.1</b>	<b>–221.2</b>	<b>+13.6</b>
Specialist Group	14.3	1.4	+921.4	–17.5	–17.7	+1.1
All other segments	–14.7	–17.8	+17.4	–28.3	–44.2	+36.0
<b>TUI Group</b>	<b>–131.7</b>	<b>–176.6</b>	<b>+25.4</b>	<b>–236.9</b>	<b>–283.1</b>	<b>+16.3</b>
Discontinued operation	5.0	2.9	+72.4	8.6	1.5	+473.3
<b>Sum of the segments</b>	<b>–126.7</b>	<b>–173.7</b>	<b>+27.1</b>	<b>–228.3</b>	<b>–281.6</b>	<b>+18.9</b>

In H1 2015/16, adjustments worth €5.1 m were carried for income, while adjustments for expenses amounted to €23.0, excluding the expenses for purchase price allocations. Overall, net one-off expenses of €7.1 m were incurred in connection with the merger between TUI AG and TUI Travel PLC. They included expenses of €4.3 m for the rationalisation of the corporate head office, while expenses of €2.8 m related to the integration of incoming agencies in Tourism.

Other adjustments mainly comprised the following items:

#### GAINS ON DISPOSAL

In H1 2015/16, negative gains on disposal worth €0.9 m had to be carried as adjustments. They related in particular to capital reductions in subsidiaries.

#### RESTRUCTURING COSTS

The restructuring costs of €5.5 m carried as adjustments in H1 2015/16 related to reorganisation measures in Central Region and Western Region, the rationalisation of the corporate head office, and the integration of incoming agencies into the source market organisations.

#### EXPENSES FOR PURCHASE PRICE ALLOCATIONS

In H1 2015/16, expenses for purchase price allocations of €33.5 m had to be carried as adjustments. They related above all to scheduled amortisation of intangible assets from acquisitions made in prior years.

#### SEPARATELY DISCLOSED ITEMS

Net expenses for separately disclosed items of €11.5 m comprised in particular an amount of €4.7 m for the reorganisation in Central Region and Western Region, an expense of €2.9 m for the discontinuation of the business operations of TUI Connect, and an amount of €1.8 m for subsequent payments into a pension plan of a former shareholding.

## Other earnings indicators

## KEY FIGURES OF INCOME STATEMENT

€ million	Q2 2015 / 16	Q2 2014 / 15 restated	Var. %	H1 2015 / 16	H1 2014 / 15 restated	Var. %
<b>Earnings before interest, income taxes, depreciation, impairment and rent (EBITDAR)</b>	<b>162.1</b>	<b>74.7</b>	<b>+117.0</b>	<b>351.2</b>	<b>231.1</b>	<b>+52.0</b>
Operating rental expenses	205.8	209.7	-1.9	420.9	417.4	+0.8
<b>Earnings before interest, income taxes, depreciation and impairment (EBITDA)</b>	<b>-43.7</b>	<b>-135.0</b>	<b>+67.6</b>	<b>-69.7</b>	<b>-186.3</b>	<b>+62.6</b>
Depreciation/amortisation less reversals of depreciation*	112.6	94.7	+18.9	218.6	182.2	+20.0
<b>Earnings before interest, income taxes and impairment of goodwill (EBITA)</b>	<b>-156.3</b>	<b>-229.7</b>	<b>+32.0</b>	<b>-288.3</b>	<b>-368.5</b>	<b>+21.8</b>
Impairment of goodwill	-	-	-	-	-	-
<b>Earnings before interest and income taxes (EBIT)</b>	<b>-156.3</b>	<b>-229.7</b>	<b>+32.0</b>	<b>-288.3</b>	<b>-368.5</b>	<b>+21.8</b>
Interest result and earnings from the measurement of interest hedges	-41.3	-40.3	-2.5	-82.0	-106.6	+23.1
Effect of the reduction and measurement of financial commitment to Container Shipping	-58.7	-	n.a.	-100.3	-	n.a.
Result from Container Shipping measured at equity	-	-	-	-	0.9	n.a.
<b>Earnings before income taxes (EBT)</b>	<b>-256.3</b>	<b>-270.0</b>	<b>+5.1</b>	<b>-470.6</b>	<b>-474.2</b>	<b>+0.8</b>

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

## Business development by segment

### 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, Destination Services and central tourism functions). Our operating indicators developed as follows in our key source markets:

#### SOURCE MARKETS

##### DIRECT DISTRIBUTION MIX<sup>1</sup> in %



##### ONLINE MIX<sup>2</sup> in %



##### CUSTOMERS in '000



#### SOURCE MARKETS

Q2		H1		Q2		H1		Q2		H1	
72	71	45	43	2,696	6,022	71	70	43	41	2,624	5,999

#### NORTHERN REGION

Q2		H1		Q2		H1		Q2		H1	
91	90	63	61	944	2,135	90	90	60	58	915	2,102

#### CENTRAL REGION

Q2		H1		Q2		H1		Q2		H1	
45	45	15	14	958	2,215	45	44	15	14	964	2,260

#### WESTERN REGION<sup>3</sup>

Q2		H1		Q2		H1		Q2		H1	
71	70	54	53	795	1,671	72	69	53	51	745	1,638

<sup>1</sup> Share of sales via own channels (retail and online)

<sup>2</sup> Share of online sales

<sup>3</sup> Previous year's figures included Italy which has been transferred to All Other Segments

**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	Q2 2015/16	Q2 2014/15 restated	Var. %	H1 2015/16	H1 2014/15 restated	Var. %
Turnover	1,055.2	1,033.9	+2.1	2,287.6	2,158.8	+6.0
Underlying EBITA	-83.0	-64.2	-29.3	-110.9	-109.6	-1.2
EBITA	-87.5	-72.2	-21.2	-121.6	-123.1	+1.2

In H1 2015/16, customer numbers in Northern Region grew by 1.6 % year-on-year, in particular due to the expansion of TUI UK's long-haul offering. Turnover climbed by 6.0 % to €2,287.6 m in H1 2015/16; it rose by 4.1 % on a constant currency basis. The seasonal loss (underlying EBITA) of Northern Region grew slightly by €1.3 m to €-110.9 m in H1 2015/16. This includes a positive effect of around €7 m driven by the earlier timing of Easter versus the prior year.

Reported EBITA by the segment improved by €1.5 m to €-121.6 m.

TUI tour operators in the UK continued to record a very strong performance in the first half of the year. They benefitted from sound current trading, in particular for long-haul destinations like Mexico and the Dominican Republic. In the short- and medium-haul portfolio, demand was particularly strong for the Canaries, mainland Spain and the Cape Verde Islands. Cruises also reported strong demand. Customer numbers in the UK grew by 2.3 %. Online bookings totalled 57 % of all bookings, up by 3 percentage points year-on-year.

The performance of the Nordics was flat year-on-year in the first half of the year. Price pressure in the lates market intensified in Q2. The inclusion of Riu hotels in the Nordics programme had a positive effect on long-haul bookings in the Winter season 2015/16. Online distribution continued to grow with an increase of 2 percentage points to 71 %.

Due to the decline in the exchange rate of Canadian dollar versus US dollar, Sunwing recorded an increase in direct costs so that its performance decreased year-on-year. The further expansion of the differentiated hotel offering in the Caribbean and Mexico had a positive impact.

**CENTRAL REGION**

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

**CENTRAL REGION – KEY FIGURES**

€ million	Q2 2015/16	Q2 2014/15 restated	Var. %	H1 2015/16	H1 2014/15 restated	Var. %
Turnover	897.8	876.0	+2.5	1,988.0	1,934.2	+2.8
Underlying EBITA	-83.6	-73.5	-13.7	-109.8	-93.7	-17.2
EBITA	-84.5	-76.1	-11.0	-116.3	-101.6	-14.5

Due to a higher proportion of long-haul destinations, turnover by Central Region grew by 2.8 %, despite lower customer numbers. The seasonal loss (underlying EBITA) of Central Region rose by €16.1 m to €-109.8 m in H1 2015/16. This development was driven by the geopolitical events in Egypt and Turkey and the persistently competitive market environment. Increased marketing and the expansion of online

distribution in the German market also resulted in higher costs. The result includes a positive effect from the earlier timing of Easter in 2016 of around €2 m.

Reported EBITA by the segment declined by €14.7 m to €-116.3 m.



**WESTERN REGION**

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

**WESTERN REGION – KEY FIGURES**

€ million	Q2 2015/16	Q2 2014/15 restated	Var. %	H1 2015/16	H1 2014/15 restated	Var. %
Turnover	428.7	412.4	+4.0	915.6	899.7	+1.8
Underlying EBITA	-48.0	-49.0	+2.0	-75.7	-60.9	-24.3
EBITA	-50.5	-51.6	+2.1	-79.4	-66.4	-19.6

In H1 2015/16, turnover by Western Region grew by 1.8% year-on-year, with growth in customer numbers of 2.1%. The seasonal loss (underlying EBITA) increased by €14.8m year-on-year to €-75.7m in H1 2015/16. This includes a positive effect from the earlier timing of Easter of around €3m in H1 2015/16. Apart from the planned additional marketing costs in the framework of the TUI rebranding campaign in the Netherlands, the result was negatively impacted by the reversal of a provision in Belgium in the prior year. In France, the tour operation business improved year-on-year due to the expansion of the offering to EU destinations. By contrast, Western Region also

recorded a decline in demand for North African destinations driven by the geopolitical events, as well as the impact of the closure of Brussels Airport following the terror attacks in March.

Reported EBITA by the segment declined by €13.0m to €-79.4m.

**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	Q2 2015/16	Q2 2014/15 restated	Var. %	H1 2015/16	H1 2014/15 restated	Var. %
Total turnover	259.7	250.0	+3.9	530.3	500.0	+6.1
Turnover	133.6	127.4	+4.9	266.0	245.4	+8.4
Underlying EBITA	58.5	26.9	+117.5	83.7	55.6	+50.5
EBITA	58.4	5.7	+924.6	82.9	22.2	+273.4

Total turnover by the Hotels & Resorts segment rose by 6.1% year-on-year to €530.3m in H1 2015/16. Average revenues per bed and occupancy of TUI hotels grew considerably year-on-year. While Riu increased their overall capacity in the period under review, hotel capacity in North Africa and Turkey was reduced.

Turnover with non-Group third parties climbed by 8.4% to €266.0m in H1 2015/16.

Underlying earnings by Hotels & Resorts rose by €28.1m to €83.7m in H1 2015/16. This significant increase was driven by the very good operating performance delivered by hotel brand Riu. In the current and previous financial years, earnings by Hotels & Resorts also included book profits from disposals of hotels of around €16m.

Due to the strong operating performance, reported earnings by the Hotels & Resorts segment improved considerably by €60.7m year-on-year to €82.9m in H1 2015/16.

## HOTELS &amp; RESORTS

CAPACITY<sup>1</sup> in '0002015/16  
2014/15OCCUPANCY RATE<sup>2</sup> in %2015/16  
2014/15AVERAGE REVENUE PER BED<sup>3</sup> in €€ 2015/16  
2014/15HOTELS TOTAL<sup>4</sup>

Q2	H1
<b>6,237</b>	<b>13,970</b>
6,343	14,130

Q2	H1
<b>78.9</b>	<b>75.7</b>
77.5	75.0

Q2	H1
<b>66.35</b>	<b>61.63</b>
61.67	56.49

## RIU

Q2	H1
<b>4,135</b>	<b>8,370</b>
4,045	8,225

Q2	H1
<b>91.6</b>	<b>87.7</b>
86.3	83.9

Q2	H1
<b>69.25</b>	<b>64.68</b>
66.77	59.87

## ROBINSON

Q2	H1
<b>493</b>	<b>1,143</b>
511	1,102

Q2	H1
<b>62.6</b>	<b>63.5</b>
60.9	65.5

Q2	H1
<b>97.58</b>	<b>90.38</b>
94.07	90.51

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

## RIU

Riu, one of Spain's leading hotel chains, operated a total of 92 hotels at the end of H1 2015/16. Capacity increased by 1.8% year-on-year to 8.37 m hotel beds. At 87.7%, average occupancy of Riu hotels rose by 3.8 percentage points year-on-year in H1 2015/16. Average revenues per bed grew by 8.0%. The sound operating performance was driven by the entire Riu portfolio. Demand was particularly strong for long-haul destinations and destinations in Spain, which also benefited from shifts in demand from North Africa and Turkey.

In H1 2015/16, business developed as follows in the individual regions:

Riu hotels in the Canary Islands benefited from very strong demand and the renovation of several hotel complexes in the past few years. Occupancy rose by a further 3.0 percentage points to 93.8% year-on-year. Average revenues per bed also improved significantly by 13.9%.

Riu hotels in the Balearic Islands recorded a very positive performance in the Winter season. At 70.9%, occupancy of Riu hotels rose by 3.3 percentage points year-on-year.

At 78.0%, average occupancy of Riu hotels in mainland Spain also rose substantially by 5.2 percentage points on the prior year.

In the long-haul business, Riu hotels recorded average occupancy of 86.6%, up by 3.1 percentage points year-on-year. This increase was driven above all by higher occupancy of hotels in the Dominican Republic and the Cape Verde Islands. For long-haul destinations, average revenues per bed grew by 8.1% year-on-year, partly driven by foreign exchange effects.

#### ROBINSON

At the end of the H1, Robinson, market leader in the premium club holiday segment, was operating a total of 18 out of the 24 club facilities of the forthcoming Summer season. Capacity rose by 3.7% in H1 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 2.0 percentage points down year-on-year. This was mainly due to weak demand for the club facility in Tunisia. Despite the price measures

launched to stimulate demand in Turkey and Tunisia, average revenues per bed were almost flat year-on-year at a slight minus of 0.1%.

In connection with the growth strategy, Robinson increased its marketing measures for the club brand in the period under review. Its performance was impacted by the costs associated with that campaign, the opening costs for new resorts and weaker demand for the club in Tunisia and the resort in Turkey.

#### OTHER HOTELS

Other hotels mainly comprise Iberotels, the Grupotel Group based in the Balearics, and the hotels previously managed in the former TUI Travel sector. Other hotels also saw their indicators impacted by the effects of the geopolitical situation. On the other hand, they benefitted from the non-repeat of Grecotel's losses in the prior year.

In May 2016, the first two TUI Blue hotels will open in Turkey. The two former Iberotel hotels, which were extensively refurbished during the Winter season 2015/16, will be operated by our new hotel brand, offering TUI customers a consistent holiday experience with a premium all-inclusive concept.

#### CRUISES

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

#### CRUISES – KEY FIGURES

€ million	Q2 2015/16	Q2 2014/15 restated	Var. %	H1 2015/16	H1 2014/15 restated	Var. %
Turnover	89.2	82.7	+7.9	143.1	136.2	+5.1
Underlying EBITA	31.9	16.3	+95.7	40.1	18.3	+119.1
EBITA	31.9	16.3	+95.7	40.1	18.3	+119.1

At €143.1 m in H1 2015/16, turnover by Hapag-Lloyd Cruises was up 5.1% 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 continued sound business performance of the two companies. In H1 2015/16, they grew by €21.8 m to €40.1 m year-on-year. Hapag-Lloyd Cruises benefitted from a strong increase in the average rate and 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 Q1 2015/16. TUI Cruises continued to expand its competitive position and recorded a very positive performance in H1 2015/16.

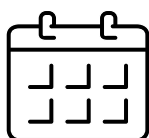
In H1 2015/16, reported earnings totalled €40.1 m, up by €21.8 m year-on-year.

## CRUISES

OCCUPANCY in %

2015/16  
2014/15

PASSENGER DAYS in '000

2015/16  
2014/15

AVERAGE DAILY RATES\* in €

€ 2015/16  
2014/15

## HAPAG-LLOYD CRUISES

Q2	H1
79.5	74.9
77.3	73.8

Q2	H1
94.8	166.3
91.0	168.3

Q2	H1
623	561
578	524

## TUI CRUISES

Q2	H1
101.2	100.9
100.8	100.8

Q2	H1
814.8	1,633.1
575.6	1,163.9

Q2	H1
148	147
143	147

\* Per day and passenger

## HAPAG-LLOYD CRUISES

The positive operating performance of Hapag-Lloyd Cruises continued in H1 2015/16. Fleet occupancy improved by 1.1 percentage points year-on-year to 74.9%. The average rate per passenger per day rose substantially by 7.1 % to € 561. Due to changed itineraries in connection with the dry-docking of Europa and Hanseatic, the number of passenger days declined by 1.2 % to 166,298 in H1 2015/16.

## TUI CRUISES

In H1 2015/16, TUI Cruises also continued its positive performance, benefitting in particular from strong demand for Mein Schiff 4, which was commissioned in June 2015. The new vessel Mein Schiff 5, scheduled for launch in July 2016, also recorded very good bookings in the period under review. At 100.9%, 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 with the launch of Mein Schiff 4 in 2015, capacity grew considerably year-on-year to 1,633,092 passenger days. The average rate per passenger per day totalled € 147. It thus remained flat year-on-year despite the changed itinerary mix resulting from the fleet enlargement.

## SPECIALIST GROUP

The Specialist Group segment combines the specialist and adventure tour operators in Europe, North America and Australia. Following completion of our strategic review, we confirm our intention to dispose Specialist Group. Marketing of the portfolio is expected to commence in the Autumn of 2016. Tour operators Crystal and Thomson Lakes & Mountains will be retained by TUI Group and transferred into the UK source market.

## SPECIALIST GROUP – KEY FIGURES

€ million	Q2 2015/16	Q2 2014/15 restated	Var. %	H1 2015/16	H1 2014/15 restated	Var. %
Turnover	524.5	551.8	-4.9	850.1	885.2	-4.0
Underlying EBITA	14.3	1.4	+921.4	-17.5	-17.7	+1.1
EBITA	1.6	-3.1	n.a.	-34.5	-26.2	-31.7

In H1 2015/16, turnover by the segment declined by 4.0% to €850.1 m. The seasonal loss (underlying EBITA) of Specialist Group was slightly down year-on-year at €17.5 m in H1 2015/16. This result was negatively impacted by a sluggish skiing holiday season due to poor snow conditions, whereas the luxury and tailormade businesses showed good performances. Positive effects from the sale of the PEAK Group in the prior year as well as cost savings were offset by negative translation effects resulting from the unfavourable development of foreign exchange rates.

In H1 2015/16, reported EBITA by the segment declined by €8.3 m to €–34.5 m year-on-year.

### 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	Q2 2015/16	Q2 2014/15 restated	Var. %	H1 2015/16	H1 2014/15 restated	Var. %
Turnover	20.7	24.4	–15.2	52.8	52.2	+1.1
Underlying EBITA	–14.7	–17.8	+17.4	–28.3	–44.2	+36.0
EBITA	–17.3	–25.2	+31.3	–37.9	–52.2	+27.4

All other segments underlying EBITA improved by €15.9 m year-on-year to €–28.3 m in H1 2015/16. In the period under review, additional corporate streamlining synergies worth €10 m were delivered. The improvement was also driven by higher proceeds from sales of land as well as from foreign exchange translation.

In H1 2015/16, reported EBITA improved by €14.3 m to €–37.9 m year-on-year.

## Net assets and financial position

At €14.0 bn, the Group's balance sheet total was flat 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 Mar 2016	30 Sep 2015	Var. %
Non-current assets	9,365.7	9,614.0	-2.6
Current assets	4,645.4	4,472.5	+3.9
<b>Assets</b>	<b>14,011.1</b>	<b>14,086.5</b>	<b>-0.5</b>
Equity	1,767.9	2,417.3	-26.9
Provisions	2,345.2	2,356.6	-0.5
Financial liabilities	2,505.2	1,886.4	+32.8
Other liabilities	7,392.8	7,426.2	-0.4
<b>Liabilities</b>	<b>14,011.1</b>	<b>14,086.5</b>	<b>-0.5</b>

#### NON-CURRENT ASSETS

As at 31 March 2016, non-current assets accounted for 66.8% of total assets, compared with 68.2% as at 30 September 2015. Non-current assets rose year-on-year to €9.4 bn in the period under review.

#### CURRENT ASSETS

As at 31 March 2016, current assets accounted for 33.2% of total assets, following 31.8% as at 30 September 2015. Current assets increased from €4.5 bn as at 30 September 2015 to €4.6 bn as at 31 March 2016.

#### EQUITY

Equity totalled €1.8 bn as at 31 March 2016. The equity ratio declined from 17.2% as at 30 September 2015 to 12.6%. Further information on the changes in equity is provided in the Notes to this Interim Report.

#### PROVISIONS

Provisions mainly comprise provisions for pension obligations, current and deferred tax liabilities and provisions for operating risks. As at 31 March 2016, they totalled €2.3 bn, flat on the level reported as at 30 September 2015.

#### FINANCIAL LIABILITIES

As at 31 March 2016, financial liabilities consisted of non-current financial liabilities of €2.3 bn and current financial liabilities of €0.2 bn. As at 30 September 2015, non-current financial liabilities had amounted to €1.7 bn, with current financial liabilities of €0.2 bn.

At the end of H1 2015/16, TUI Group's net debt including assets held for sale and related liabilities of TUI Group totalled €1.4 bn, down by €0.3 bn year-on-year.

#### OTHER LIABILITIES

As at 31 March 2016, other liabilities totalled €7.4 bn, flat versus 30 September 2015.

## Other segment indicators

### UNDERLYING EBITDA

€ million	Q2 2015/16	Q2 2014/15 restated	Var. %	H1 2015/16	H1 2014/15 restated	Var. %
Northern Region	-63.2	-45.2	-39.8	-72.3	-72.5	+0.3
Central Region	-78.8	-68.1	-15.7	-100.0	-83.6	-19.6
Western Region	-44.1	-45.2	+2.4	-67.9	-53.0	-28.1
Hotels & Resorts	79.0	45.3	+74.3	126.1	91.4	+38.0
Cruises	36.7	20.9	+76.0	49.5	25.5	+94.1
Other Tourism	5.0	-5.4	n.a.	5.4	-10.6	n.a.
<b>Tourism</b>	<b>-65.4</b>	<b>-97.7</b>	<b>+33.1</b>	<b>-59.2</b>	<b>-102.8</b>	<b>+42.4</b>
Specialist Group	31.5	9.4	+236.9	6.8	-2.8	n.a.
All other segments	4.3	-4.9	n.a.	11.3	-18.2	n.a.
<b>TUI Group</b>	<b>-29.6</b>	<b>-93.3</b>	<b>+68.3</b>	<b>-41.1</b>	<b>-123.8</b>	<b>+66.8</b>
Discontinued operation	6.9	10.2	-32.4	15.5	15.9	-2.5
<b>Total</b>	<b>-22.7</b>	<b>-83.1</b>	<b>+72.7</b>	<b>-25.6</b>	<b>-107.9</b>	<b>+76.3</b>

### EBITDA

€ million	Q2 2015/16	Q2 2014/15 restated	Var. %	H1 2015/16	H1 2014/15 restated	Var. %
Northern Region	-64.3	-49.3	-30.4	-76.1	-78.8	+3.5
Central Region	-79.1	-70.1	-12.9	-105.3	-89.4	-17.8
Western Region	-45.7	-46.9	+2.6	-69.8	-56.7	-23.1
Hotels & Resorts	80.0	26.3	+204.1	127.6	60.2	+112.0
Cruises	36.7	20.9	+76.0	49.5	25.5	+94.1
Other Tourism	3.7	-13.3	n.a.	2.2	-19.2	n.a.
<b>Tourism</b>	<b>-68.7</b>	<b>-132.4</b>	<b>+48.1</b>	<b>-71.9</b>	<b>-158.5</b>	<b>+54.6</b>
Specialist Group	22.5	9.4	+140.1	-2.2	-2.7	+18.8
All other segments	2.5	-11.9	n.a.	4.4	-25.1	n.a.
<b>TUI Group</b>	<b>-43.7</b>	<b>-135.0</b>	<b>+67.6</b>	<b>-69.7</b>	<b>-186.3</b>	<b>+62.6</b>
Discontinued operation	-11.1	3.5	n.a.	-12.5	8.4	n.a.
<b>Total</b>	<b>-54.8</b>	<b>-131.5</b>	<b>+58.3</b>	<b>-82.2</b>	<b>-177.9</b>	<b>+53.8</b>

## CASH GROSS CAPEX

€ million	Q2 2015/16	Q2 2014/15	Var. %	H1 2015/16	H1 2014/15	Var. %
Northern Region	18.5	11.9	+55.5	44.6	29.3	+52.2
Central Region	5.4	5.0	+8.0	9.1	10.4	-12.5
Western Region	4.8	7.9	-39.2	7.7	12.6	-38.9
Hotels & Resorts	40.6	30.4	+33.6	108.4	97.5	+11.2
Cruises	-0.8	81.5	n.a.	7.9	82.2	-90.4
Other Tourism	19.2	20.6	-6.8	43.6	39.4	+10.7
<b>Tourism</b>	<b>87.7</b>	<b>157.3</b>	<b>-44.2</b>	<b>221.3</b>	<b>271.4</b>	<b>-18.5</b>
Specialist Group	11.6	8.9	+30.3	18.3	15.9	+15.1
All other segments	2.8	0.9	+211.1	14.8	1.9	+678.9
<b>TUI Group</b>	<b>102.1</b>	<b>167.1</b>	<b>-38.9</b>	<b>254.4</b>	<b>289.2</b>	<b>-12.0</b>
Discontinued operation	8.0	7.3	+9.6	15.1	14.3	+5.6
<b>Total</b>	<b>110.1</b>	<b>174.4</b>	<b>-36.9</b>	<b>269.5</b>	<b>303.5</b>	<b>-11.2</b>

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

€ million	Q2 2015/16	Q2 2014/15	Var. %	H1 2015/16	H1 2014/15	Var. %
Northern Region	23.1	22.9	+0.9	45.5	44.3	+2.7
Central Region	5.4	6.0	-10.0	11.0	12.2	-9.8
Western Region	4.8	4.6	+4.3	9.6	9.7	-1.0
Hotels & Resorts	21.6	20.6	+4.9	44.6	37.9	+17.7
Cruises	4.8	4.6	+4.3	9.3	7.2	+29.2
Other Tourism	12.1	10.3	+17.5	23.9	20.2	+18.3
<b>Tourism</b>	<b>71.8</b>	<b>69.0</b>	<b>+4.1</b>	<b>143.9</b>	<b>131.5</b>	<b>+9.4</b>
Specialist Group	20.9	12.4	+68.5	32.4	23.5	+37.9
Hotelbeds Group	-	-	-	-	-	-
All other segments	19.9	13.3	+49.6	42.3	27.2	+55.5
<b>TUI Group</b>	<b>112.6</b>	<b>94.7</b>	<b>+18.9</b>	<b>218.6</b>	<b>182.2</b>	<b>+20.0</b>
Discontinued operation	3.1	19.5	-84.1	11.8	30.5	-61.3
<b>Total</b>	<b>115.7</b>	<b>114.2</b>	<b>+1.3</b>	<b>230.4</b>	<b>212.7</b>	<b>+8.3</b>



## EMPLOYEES

	31 Mar 2016	31 Mar 2015 restated	Var. %
Northern Region	13,493	13,103	+3.0
Central Region	10,950	11,093	-1.3
Western Region	5,227	5,169	+1.1
Hotels & Resorts	17,533	17,119	+2.4
Cruises	244	239	+2.1
Other Tourism	4,136	4,073	+1.5
<b>Tourism</b>	<b>51,583</b>	<b>50,796</b>	<b>+1.5</b>
Specialist Group	4,687	6,654	-29.6
All other segments	1,708	1,298	+31.6
<b>TUI Group</b>	<b>57,978</b>	<b>58,748</b>	<b>-1.3</b>
Discontinued operation	8,672	8,375	+3.5
<b>Total</b>	<b>66,650</b>	<b>67,123</b>	<b>-0.7</b>

# INTERIM FINANCIAL STATEMENTS

## INCOME STATEMENT OF THE TUI GROUP FOR THE PERIOD FROM 1 OCT 2015 TO 31 MAR 2016

€ million	Notes	Q2 2015/16	Q2 2014/15 restated	H1 2015/16	H1 2014/15 restated
Turnover	(1)	3,291.3	3,255.7	6,792.3	6,612.1
Cost of sales	(2)	3,179.9	3,159.3	6,497.4	6,344.6
<b>Gross profit</b>		<b>111.4</b>	<b>96.4</b>	<b>294.9</b>	<b>267.5</b>
Administrative expenses	(2)	321.7	379.8	673.2	722.4
Other income	(3)	12.8	11.9	28.5	30.1
Other expenses	(3)	0.3	0.5	3.0	1.3
Financial income	(4)	12.2	7.1	18.8	15.2
Financial expenses	(4)	112.3	43.3	200.3	118.5
Share of result of joint ventures and associates	(5)	41.6	38.2	63.7	55.2
<b>Earnings before income taxes from continuing operations*</b>		<b>-256.3</b>	<b>-270.0</b>	<b>-470.6</b>	<b>-474.2</b>
Income taxes	(6)	-32.2	-200.0	-89.1	-273.8
<b>Result from continuing operations</b>		<b>-224.1</b>	<b>-70.0</b>	<b>-381.5</b>	<b>-200.4</b>
Result from discontinued operations		-6.9	-12.5	-13.4	-18.3
<b>Group loss for the year</b>		<b>-231.0</b>	<b>-82.5</b>	<b>-394.9</b>	<b>-218.7</b>
Group loss for the year attributable to shareholders of TUI AG		-264.9	-96.9	-448.9	-201.5
Group loss for the year attributable to non-controlling interest	(7)	33.9	14.4	54.0	-17.2

\* 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

€	Q2 2015/16	Q2 2014/15 restated	H1 2015/16	H1 2014/15 restated
Basic and diluted earnings per share	-0.45	-0.19	-0.77	-0.48
from continuing operations	-0.44	-0.17	-0.75	-0.45
from discontinued operations	-0.01	-0.02	-0.02	-0.03

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME OF THE TUI GROUP FOR THE PERIOD  
FROM 1 OCT 2015 TO 31 MAR 2016**

€ million	Q2 2015 / 16	Q2 2014 / 15	H1 2015 / 16	H1 2014 / 15
<b>Group loss</b>	<b>-231.0</b>	<b>-82.5</b>	<b>-394.9</b>	<b>-218.7</b>
Remeasurements of pension provisions and related fund assets	-120.8	-114.4	-129.3	-189.6
Changes in the measurement of companies measured at equity	-	-	-	0.1
Income tax related to items that will not be reclassified	33.9	27.9	20.3	49.1
<b>Items that will not be reclassified to profit or loss</b>	<b>-86.9</b>	<b>-86.5</b>	<b>-109.0</b>	<b>-140.4</b>
Foreign exchange differences	123.9	-58.2	138.5	-67.0
Financial instruments available for sale	-	3.1	-	6.6
Cash flow hedges	242.5	56.5	112.6	-204.6
Changes in the measurement of companies measured at equity	-23.2	30.2	-28.5	30.4
Income tax related to items that may be reclassified	-45.0	-11.2	3.5	38.8
<b>Items that may be reclassified to profit or loss</b>	<b>298.2</b>	<b>20.4</b>	<b>226.1</b>	<b>-195.8</b>
<b>Other comprehensive income</b>	<b>211.3</b>	<b>-66.1</b>	<b>117.1</b>	<b>-336.2</b>
<b>Total comprehensive income</b>	<b>-19.7</b>	<b>-148.6</b>	<b>-277.8</b>	<b>-554.9</b>
attributable to shareholders of TUI AG	-41.1	-191.7	-330.2	-558.7
attributable to non-controlling interest	21.4	43.1	52.4	3.8
<b>Allocation of share of shareholders of TUI AG of total comprehensive income</b>				
Continuing operations	-40.2	-173.9	-338.0	-555.3
Discontinued operations	-0.9	-17.8	7.8	-3.4

## FINANCIAL POSITION OF THE TUI GROUP AS AT 31 MAR 2016

€ million	Notes	31 Mar 2016	30 Sep 2015
<b>Assets</b>			
Goodwill	(8)	3,023.1	3,220.4
Other intangible assets	(9)	724.6	911.5
Investment property		1.6	7.2
Property, plant and equipment		3,590.8	3,629.6
Investments in joint ventures and associates	(10)	1,063.3	1,077.8
Financial assets available for sale		54.2	56.2
Trade receivables and other assets		354.8	332.5
Derivative financial instruments		97.6	48.1
Deferred tax assets		455.7	330.7
<b>Non-current assets</b>		<b>9,365.7</b>	<b>9,614.0</b>
Inventories		142.7	134.5
Financial assets available for sale	(11)	234.0	334.9
Trade receivables and other assets		1,759.9	1,948.7
Derivative financial instruments		344.7	281.0
Current tax assets		94.7	58.5
Cash and cash equivalents		925.6	1,672.7
Assets held for sale	(12)	1,143.8	42.2
<b>Current assets</b>		<b>4,645.4</b>	<b>4,472.5</b>
		<b>14,011.1</b>	<b>14,086.5</b>

## FINANCIAL POSITION OF THE TUI GROUP AS AT 31 MAR 2016

€ million	Notes	31 Mar 2016	30 Sep 2015
<b>Equity and liabilities</b>			
Subscribed capital		1,500.1	1,499.6
Capital reserves		4,190.2	4,187.7
Revenue reserves		-4,477.7	-3,773.9
<b>Equity before non-controlling interest</b>		<b>1,212.6</b>	<b>1,913.4</b>
Non-controlling interest		555.3	503.9
<b>Equity</b>	<b>(16)</b>	<b>1,767.9</b>	<b>2,417.3</b>
Pension provisions and similar obligations	(13)	1,164.8	1,114.5
Other provisions		738.4	746.3
<b>Non-current provisions</b>		<b>1,903.2</b>	<b>1,860.8</b>
Financial liabilities	(14)	2,282.0	1,653.3
Derivative financial instruments		100.2	78.5
Current tax liabilities		152.0	115.7
Deferred tax liabilities		58.7	125.7
Other liabilities		108.1	136.2
<b>Non-current liabilities</b>		<b>2,701.0</b>	<b>2,109.4</b>
<b>Non-current provisions and liabilities</b>		<b>4,604.2</b>	<b>3,970.2</b>
Pension provisions and similar obligations	(13)	33.7	32.4
Other provisions		408.3	463.4
<b>Current provisions</b>		<b>442.0</b>	<b>495.8</b>
Financial liabilities	(14)	223.2	233.1
Trade payables		1,560.3	3,224.2
Derivative financial instruments		416.5	388.2
Current tax liabilities		63.6	78.9
Other liabilities		4,194.2	3,247.3
<b>Current liabilities</b>		<b>6,457.8</b>	<b>7,171.7</b>
Liabilities related to assets held for sale	(15)	739.2	31.5
<b>Current provisions and liabilities</b>		<b>7,639.0</b>	<b>7,699.0</b>
		<b>14,011.1</b>	<b>14,086.5</b>

## CONDENSED STATEMENT OF CHANGES IN GROUP EQUITY FOR THE PERIOD FROM 1 OCT 2015 TO 31 MAR 2016

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

## CONDENSED STATEMENT OF CHANGES IN GROUP EQUITY FOR THE PERIOD FROM 1 OCT 2014 TO 31 MAR 2015

€ million	Subscribed capital	Capital reserves	Revenue reserves	Hybrid capital	Equity before non-controlling interest	Non-controlling interest	Total
<b>Balance as at 1 Oct 2014</b>	<b>732.6</b>	<b>1,056.3</b>	<b>336.1</b>	<b>294.8</b>	<b>2,419.8</b>	<b>110.4</b>	<b>2,530.2</b>
Dividends	–	–	–94.5	–	–94.5	–184.7	–279.2
Hybrid capital dividend	–	–	–11.2	–	–11.2	–	–11.2
Share-based payment schemes	–	–	7.9	–	7.9	1.9	9.8
Issue of employee shares	0.3	1.2	–	–	1.5	–	1.5
Issue of convertible bonds	143.4	446.4	–	–	589.8	–	589.8
Capital increase	620.6	2,676.8	–	–	3,297.4	–	3,297.4
Effects on the acquisition of non-controlling interest	–	–	–4,054.0	–	–4,054.0	606.2	–3,447.8
Redemption of hybrid capital	–	–	–5.2	–294.8	–300.0	–	–300.0
<b>Group loss</b>	<b>–</b>	<b>–</b>	<b>–201.5</b>	<b>–</b>	<b>–201.5</b>	<b>–17.2</b>	<b>–218.7</b>
Foreign exchange differences	–	–	–80.0	–	–80.0	13.0	–67.0
Financial instruments available for sale	–	–	6.6	–	6.6	–	6.6
Cash Flow Hedges	–	–	–215.2	–	–215.2	10.6	–204.6
Remeasurements of pension provisions and related fund assets	–	–	–189.6	–	–189.6	–	–189.6
Changes in the measurement of companies measured at equity	–	–	30.5	–	30.5	–	30.5
Taxes attributable to other comprehensive income	–	–	90.5	–	90.5	–2.6	87.9
<b>Other comprehensive income</b>	<b>–</b>	<b>–</b>	<b>–357.2</b>	<b>–</b>	<b>–357.2</b>	<b>21.0</b>	<b>–336.2</b>
Total comprehensive income	–	–	–558.7	–	–558.7	3.8	–554.9
<b>Balance as at 31 Mar 2015</b>	<b>1,496.9</b>	<b>4,180.7</b>	<b>–4,379.6</b>	<b>–</b>	<b>1,298.0</b>	<b>537.6</b>	<b>1,835.6</b>

## CONDENSED CASH FLOW STATEMENT OF THE TUI GROUP

€ million	H1 2015/16	H1 2014/15
Cash outflow from operating activities	–565.3	–1,094.8
Cash outflow/inflow from investing activities	–243.4	7.8
Cash inflow/outflow from financing activities	199.6	–77.2
<b>Net change in cash and cash equivalents</b>	<b>–609.1</b>	<b>–1,164.2</b>
Change in cash and cash equivalents due to exchange rate fluctuation	41.2	–28.9
<b>Cash and cash equivalents at beginning of period</b>	<b>1,682.2</b>	<b>2,258.0</b>
<b>Cash and cash equivalents at end of period</b>	<b>1,114.3</b>	<b>1,064.9</b>
of which included in the balance sheet as assets held for sale	188.7	20.2

# 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 2015 to 31 March 2016. 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 9 May 2016.

## Accounting principles

### DECLARATION OF COMPLIANCE

The interim consolidated financial statements for the period ended 31 March 2016 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 the Group's auditors.

### GOING CONCERN REPORT ACCORDING TO THE UK CORPORATE GOVERNANCE CODE

TUI Group meets its day-to-day working capital requirements through cash in hand, bank balances and loans from credit institutions. As at 31 March 2016, TUI Group's net debt position (financial liabilities less cash and cash equivalents) including discontinued operations totals €1,406.7 m (as at 30 September 2015 €204.2 m). The increase in net debt versus year-end is driven by normal seasonal cash outflows, mainly within the tour operators. Net debt consists of €1,114.3 m of cash and cash equivalents, €238.5 m of current financial liabilities, and €2,282.5 m of non-current financial liabilities. The Executive Board remains satisfied with the Group's long-term funding and liquidity position. The main sources of debt funding include an external revolving credit facility of €1,535.0 m maturing in December 2020, used to manage the seasonality of the Group's cash flows and liquidity. The revolving credit facility requires compliance with financial covenants. All covenants were fully complied with at the balance sheet date.



Alongside this credit facility, other bank liabilities exist as at 31 March 2016, for example, loans used to acquire property, plant and equipment. These bank liabilities total €1,186.3 m at the balance sheet date.

Apart from these bank liabilities, the Group's main financial liabilities as at 31 March 2016 include:

- the high-yield bond 2014/19 with a nominal value of €300.0 m issued by TUI AG, maturing in October 2019.
- finance lease obligations worth €940.4 m.

Due to the current economic factors and political situation in some destinations, there is more uncertainty over customer demand. TUI's Executive Board is of the view that TUI's business model is sufficiently flexible to compensate for the challenges currently identifiable. The expectations and forecasts have shown that TUI Group will continue to have sufficient funds available from borrowings and operating cash flows in order to meet its payment obligations for the foreseeable future and guarantee its ability to continue as a going concern. The interim financial statements were therefore prepared on the going concern basis of accounting.

#### ACCOUNTING AND MEASUREMENT METHODS

The preparation of the interim financial statements requires management to make estimates and judgements that affect the reported amounts of assets, liabilities and contingent liabilities as at the balance sheet date and the reported amounts of turnover and expenses during the 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 March 2016 are consistent in every respect 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 half of financial year 2014/15:

### RESTATEMENT CAUSED BY DISCONTINUED OPERATION

Due to the planned sale of the segment Hotelbeds Group in financial year 2015/16 the segment was carried as a discontinued operation as at 31 March 2016 in line with IFRS 5. In the consolidated income statement, the result from this discontinued operation is shown separately as result from discontinued operation. The prior year consolidated income statement was restated as shown in the following table. For further details refer to the section "Acquisitions – divestments – discontinued operations".

#### RESTATED ITEMS OF THE INCOME STATEMENT OF THE TUI GROUP FOR THE PERIOD FROM 1 OCT 2014 TO 31 MAR 2015

€ million	before restatement	Restatement	restated
Turnover	6,940.1	– 328.0	6,612.1
Cost of sales	6,581.3	– 236.7	6,344.6
<b>Gross profit</b>	<b>358.8</b>	<b>– 91.3</b>	<b>267.5</b>
Administrative expenses	815.1	– 92.7	722.4
Financial income	16.0	– 0.8	15.2
Financial expenses	120.2	– 1.7	118.5
Share of result of joint ventures and associates	56.4	– 1.2	55.2
<b>Earnings before income taxes from continuing operations</b>	<b>– 475.3</b>	<b>1.1</b>	<b>– 474.2</b>
Income taxes	– 275.6	1.8	– 273.8
<b>Result from continuing operations</b>	<b>– 199.7</b>	<b>– 0.7</b>	<b>– 200.4</b>
Result from discontinued operation	– 19.0	0.7	– 18.3
<b>Group loss for the year</b>	<b>– 218.7</b>	<b>–</b>	<b>– 218.7</b>

## Group of consolidated companies

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

The interim financial statements as at 31 March 2016 included a total of 528 subsidiaries, besides TUI AG.

Since 1 October 2015, a total of 11 companies have been newly included in consolidation. Five of these companies have been newly established, three companies have been included due to purchases of additional interests, and three companies have been included due to an expansion of their business activities. On the other hand, a total of 15 companies have been deconsolidated since 1 October 2015, with ten 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, and one company was deconsolidated due to loss of control.

The number of joint ventures and associates measured at equity decreased by five companies as against 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 six as five companies were merged and one company was sold.

## Acquisitions – Divestments – Discontinued operations

### ACQUISITIONS

In the first half of 2015/16, 15 travel agencies were acquired by the purchase of trade and assets. Moreover, further shares were acquired in companies of the Aeolos Group, previously measured at equity. Due to the acquisition, TUI Group holds 100% of the shares in the companies. The considerations for these acquisitions consisted of payments, totalling €7.6 m.

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

No major acquisitions were made after the balance sheet date.

In the current interim financial statements, the purchase price allocations of the eight travel agencies 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 explained in the section “Discontinued operations”. The other divestments did not have a material impact on TUI Group’s net assets, financial position and results of operations.

### DISCONTINUED OPERATIONS

#### HOTELBEDS GROUP

TUI AG has decided to exit the Hotelbeds Group segment. Hotelbeds Group operates accommodation wholesale portals to sell hotel bed capacity and destination services to travel agencies and tour operators worldwide. The segment also comprises incoming agencies whose services are not directly aligned to the activities of TUI Group’s tour operators, and services for the cruise industry.

On 28 April 2016, TUI AG reached an agreement with GNVA Acquisitions Ltd., a company which is ultimately owned by funds managed or advised by Cinven Capital Management and Canada Pension Plan Investment Board, to sell Hotelbeds Group for €1.2 bn. The closing of the transaction is expected to be completed by the end of September 2016.

The result from 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 operations. The consolidated income statement for the first half of the prior year was restated accordingly to reflect the share of results related to the discontinued operation Hotelbeds Group.

**INCOME STATEMENT OF THE DISCONTINUED OPERATION HOTELBEDS GROUP FOR THE PERIOD  
FROM 1 OCT 2015 TO 31 MAR 2016**

€ million	Q2 2015 / 16	Q2 2014 / 15	H1 2015 / 16	H1 2014 / 15
Turnover	236.5	158.0	453.9	328.0
Cost of sales	184.8	107.2	354.3	236.7
<b>Gross profit</b>	<b>51.7</b>	<b>50.8</b>	<b>99.6</b>	<b>91.3</b>
Administrative expenses	65.9	49.3	119.8	92.7
Other income	0.1	–	0.1	–
Other expenses	3.3	–	3.3	–
Financial income	–0.4	0.6	–0.3	0.8
Financial expenses	0.8	1.0	1.3	1.7
Share of result of joint ventures and associates	0.8	0.7	1.3	1.2
<b>Earnings before income taxes from discontinued operation</b>	<b>–17.8</b>	<b>1.8</b>	<b>–23.7</b>	<b>–1.1</b>
Income taxes	–8.5	–0.7	–11.1	–1.8
<b>Result from discontinued operation</b>	<b>–9.3</b>	<b>2.5</b>	<b>–12.6</b>	<b>0.7</b>
Result from discontinued operation attributable to shareholders of TUI AG	–9.3	2.6	–13.0	3.7
Result from discontinued operation attributable to non-controlling interest	–	–0.1	0.4	–3.0

The turnover with the continuing operations of €26.7 m in the first half of 2015/16 (previous year €39.0 m) was eliminated against the turnover of Hotelbeds Group.

Turnover by Hotelbeds Group grew by 38 % to €453.9 m year-on-year. The strong increase is primarily attributable to the activities of the portals in Asia, Latin America and Spain. This growth went hand in hand with an increase in the cost of sales versus the prior year. Administrative expenses for the current financial year include consultancy costs in connection with the disposal of Hotelbeds Group. Overall, earnings before tax decreased by €22.6 m.

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

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**ASSETS AND LIABILITIES OF THE DISCONTINUED OPERATION HOTELBEDS GROUP AS AT 31 MAR 2016**


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€ million	<b>31 Mar 2016</b>
<b>Assets</b>	
Goodwill	111.7
Other intangible assets	164.7
Property, plant and equipment	22.8
Investments in entities of the continuing operations	83.1
Investments in joint ventures and associates	8.6
Financial assets available for sale	0.8
Trade receivables and other assets	8.6
Trade receivables and other assets from continuing operations	8.8
Deferred tax assets	30.0
<b>Non-current assets</b>	<b>439.1</b>
Inventories	0.4
Trade receivables from third-parties and other assets	527.4
Receivables from continuing operations	102.0
Derivative financial instruments	2.7
Current tax assets	77.3
Cash and cash equivalents	188.7
Assets held for sale	0.1
<b>Current assets</b>	<b>898.6</b>
	<b>1,337.7</b>

## ASSETS AND LIABILITIES OF THE DISCONTINUED OPERATION HOTELBEDS GROUP AS AT 31 MAR 2016

€ million	31 Mar 2016
<b>Equity and liabilities</b>	
Revenue reserves	391.5
<b>Equity before non-controlling interest</b>	<b>391.5</b>
Non-controlling interest	7.5
<b>Equity</b>	<b>399.0</b>
Pension provisions and similar obligations	1.0
Other provisions	1.9
<b>Non-current provisions</b>	<b>2.9</b>
Financial liabilities to third parties	0.5
Financial liabilities to continuing operations	9.0
Deferred tax liabilities	29.1
Other liabilities	15.0
<b>Non-current liabilities</b>	<b>53.6</b>
<b>Non-current provisions and liabilities</b>	<b>56.5</b>
Other provisions	0.3
<b>Current provisions</b>	<b>0.3</b>
Financial liabilities to third parties	15.3
Financial liabilities to continuing operations	178.0
Trade payables to third parties	469.5
Trade payables to continuing operations	12.5
Derivative financial instruments	1.5
Current tax liabilities	72.4
Other liabilities	132.7
<b>Current liabilities</b>	<b>881.9</b>
<b>Current provisions and liabilities</b>	<b>882.2</b>
	<b>1,337.7</b>

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

## RECONCILIATION TO ASSETS HELD FOR SALE IN THE FINANCIAL POSITION OF THE TUI GROUP AS AT 31 MAR 2016

€ million	31 Mar 2016
Current and non-current assets of the Hotelbeds Group	1,337.7
Elimination of investments in and receivables from continuing operations	-193.9
<b>Assets held for sale</b>	<b>1,143.8</b>

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**RECONCILIATION TO LIABILITIES RELATED TO ASSETS HELD FOR SALE IN THE FINANCIAL POSITION OF THE TUI GROUP AS AT 31 MAR 2016**


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€ million	<b>31 Mar 2016</b>
Current and non-current liabilities of the Hotelbeds Group	938.7
Elimination of liabilities against continuing operations	-199.5
<b>Liabilities related to assets held for sale</b>	<b>739.2</b>

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

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**CONDENSED CASH FLOW STATEMENT OF THE DISCONTINUED OPERATION HOTELBEDS GROUP**


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€ million	H1 2015/16	H1 2014/15
Cash outflow from operating activities	-231.1	-317.3
Cash outflow from investing activities	-13.0	-7.9
<b>Net change in cash and cash equivalents of the discontinued operation Hotelbeds Group</b>	<b>-244.1</b>	<b>-325.2</b>

**LATEROOMS GROUP**

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 operations. As the LateRooms Group was already classified as discontinued operation in the second quarter of the prior year, there is no restatement of the prior year income statement for the LateRooms Group.

**INCOME STATEMENT OF THE DISCONTINUED OPERATION LATEROOMS GROUP  
FOR THE PERIOD FROM 1 OCT 2015 TO 31 MAR 2016**

€ million	Q2 2015 / 16	Q2 2014 / 15	H1 2015 / 16	H1 2014 / 15
Turnover	–	14.1	–	31.3
Cost of sales	–	11.5	–	22.6
<b>Gross profit</b>	<b>–</b>	<b>2.6</b>	<b>–</b>	<b>8.7</b>
Administrative expenses	–	20.7	–	30.4
Other income	–	–	0.1	–
Other expenses	–	0.2	–	0.2
Financial income	–	0.4	–	–
<b>Earnings before income taxes from discontinued operation</b>	<b>–</b>	<b>–17.9</b>	<b>0.1</b>	<b>–21.9</b>
Income taxes	–	–2.9	–1.3	–2.9
<b>Operating result from discontinued operation</b>	<b>–</b>	<b>–15.0</b>	<b>1.4</b>	<b>–19.0</b>
Result from disposal of discontinued operation	2.4	–	–2.2	–
<b>Result from discontinued operation</b>	<b>2.4</b>	<b>–15.0</b>	<b>–0.8</b>	<b>–19.0</b>
Result from discontinued operation attributable to shareholders of TUI AG	2.4	–13.2	–0.8	–17.2
Result from discontinued operation attributable to non-controlling interest	–	–1.8	–	–1.8

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 operations. A separate presentation of the cash flows for the discontinued operation LateRooms Group is provided in the following table.

**CONDENSED CASH FLOW STATEMENT OF THE DISCONTINUED OPERATION LATEROOMS GROUP**

€ million	H1 2015 / 16	H1 2014 / 15
Cash outflow from operating activities	–	–10.4
Cash outflow from investing activities	–	–5.3
<b>Net change in cash and cash equivalents of the discontinued operation LateRooms Group</b>	<b>–</b>	<b>–15.7</b>

### Notes to the consolidated income statement

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



**(1) TURNOVER**

The turnover growth versus the first half of the prior year is mainly driven by the increase in the proportion of long-haul bookings in the source markets and the rise in average selling prices in the Hotels & Resorts segment, with an overall slight increase in customer numbers.

**(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	Q2 2015 / 16	Q2 2014 / 15 restated	H1 2015 / 16	H1 2014 / 15 restated
Staff cost	185.1	217.1	383.7	401.0
Lease, rental and leasing expenses	16.3	17.7	33.3	34.1
Depreciation, amortisation and impairment	19.0	21.3	38.3	39.7
Others	101.3	123.7	217.9	247.6
<b>Total</b>	<b>321.7</b>	<b>379.8</b>	<b>673.2</b>	<b>722.4</b>

In the first half of the prior year, administrative expenses were impacted by write-downs of VAT receivables of an Italian subsidiary and a provision for litigation in connection with the acquisition of a Turkish hotel. In the current reporting period, similar expenses were not incurred so that administrative expenses declined year-on-year. Additionally, the prior year reference period included expenses of the Australian subsidiary PEAK Adventure Travel Group Ltd., which was sold in July 2015.

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

**RENTAL AND LEASING EXPENSES**

€ million	Q2 2015 / 16	Q2 2014 / 15 restated	H1 2015 / 16	H1 2014 / 15 restated
<b>Rental and leasing expenses</b>	<b>210.8</b>	<b>213.1</b>	<b>436.8</b>	<b>431.0</b>
thereof cost of sales	194.5	195.4	403.5	396.9
thereof administrative expenses	16.3	17.7	33.3	34.1

**STAFF COST**

€ million	Q2 2015 / 16	Q2 2014 / 15 restated	H1 2015 / 16	H1 2014 / 15 restated
Wages and salaries	470.2	493.3	955.4	959.6
thereof cost of sales	316.0	314.2	636.5	627.8
thereof administrative expenses	154.2	179.1	318.9	331.8
Social security contributions, pension costs and benefits	102.1	106.7	212.2	211.9
thereof cost of sales	71.2	68.7	147.4	142.7
thereof administrative expenses	30.9	38.0	64.8	69.2
<b>Total</b>	<b>572.3</b>	<b>600.0</b>	<b>1,167.6</b>	<b>1,171.5</b>

**DEPRECIATION / AMORTISATION / IMPAIRMENT**

€ million	Q2 2015 / 16	Q2 2014 / 15 restated	H1 2015 / 16	H1 2014 / 15 restated
Depreciation and amortisation	102.7	97.8	208.1	186.2
thereof cost of sales	83.7	76.5	170.6	146.5
thereof administrative expenses	19.0	21.3	37.5	39.7
Impairment of property, plant and equipment and intangible assets	9.6	0.2	10.4	0.2
thereof cost of sales	9.6	0.2	9.6	0.2
thereof administrative expenses	–	–	0.8	–
<b>Total</b>	<b>112.3</b>	<b>98.0</b>	<b>218.5</b>	<b>186.4</b>

The increase in depreciation and amortisation under cost of sales is attributable to the addition of property, plant and equipment, in particular seven aircraft and the cruise ship Europa 2, which were acquired during the course of the prior year, and are therefore not fully reflected in the prior year charge.

The impairment charges in the first half year 2015 / 16 mainly relate to an impairment on brands.

**(3) OTHER INCOME / OTHER EXPENSES****OTHER INCOME / OTHER EXPENSES**

€ million	Q2 2015 / 16	Q2 2014 / 15	H1 2015 / 16	H1 2014 / 15
Other income	12.8	11.9	28.5	30.1
Other expenses	0.3	0.5	3.0	1.3
<b>Total</b>	<b>12.5</b>	<b>11.4</b>	<b>25.5</b>	<b>28.8</b>

In the first half of 2015 / 16, other income mainly results from the sale of a Riu Group hotel, 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 reference period related mainly to income from the sale of a Riu Group hotel and two Specialist Group hotels as well as income from aircraft sale-and-lease-back transactions.

Other expenses recognised in the first half of 2015/16 mainly result from foreign exchange losses in connection with equity transactions.

#### (4) FINANCIAL RESULT

The decrease in the financial result from €–103.3 m in the first half of the prior year to €–181.5 m in the current financial year mainly results from the measurement of the investment in Hapag-Lloyd AG. Following the IPO, the stake was measured at the stock market price of € 16.10 per share as at 31 March 2016. This resulted in an impairment of € 100.3 m.

Offsetting this, there was a year-on-year decline in interest expenses of € 24.7 m in total, 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	Q2 2015 / 16	Q2 2014 / 15 restated	H1 2015 / 16	H1 2014 / 15 restated
Northern Region	14.3	29.5	13.8	31.5
Central Region	0.1	0.4	1.0	1.0
Hotels & Resorts	10.4	0.6	18.5	3.1
Cruises	16.6	6.8	29.8	17.1
Other tourism	0.2	0.8	0.6	1.4
<b>Tourism</b>	<b>41.6</b>	<b>38.1</b>	<b>63.7</b>	<b>54.1</b>
Specialist Group	–	0.1	–	0.2
Container Shipping	–	–	–	0.9
<b>Total</b>	<b>41.6</b>	<b>38.2</b>	<b>63.7</b>	<b>55.2</b>

The decreasing results in the segment Northern Region are caused by the Canadian tour operator Sunwing, which recorded increasing direct costs due to the decrease of the Canadian Dollar compared to the US Dollar and therefore showed a lower result.

The increase of the equity-result in the Hotels & Resorts segment is mainly due to the improvement of the operating business of Riu Hotels. Besides, the prior year reference period included negative results of two greek hotel companies, which were sold in the third quarter of 2014/15.

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

#### (6) INCOME TAXES

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

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

Due to the merger between TUI AG and TUI Travel PLC, a revaluation of deferred tax assets on loss carryforwards was undertaken in the prior financial year, resulting in a tax income of € 122.6 m in the second quarter of 2014/15.

**(7) GROUP LOSS ATTRIBUTABLE TO NON-CONTROLLING INTEREST****GROUP LOSS ATTRIBUTABLE TO NON-CONTROLLING INTEREST**

€ million	Q2 2015/16	Q2 2014/15	H1 2015/16	H1 2014/15
Central Region	-0.2	0.1	-0.2	0.5
Hotels & Resorts	34.3	16.9	54.1	35.1
<b>Tourism</b>	<b>34.1</b>	<b>17.0</b>	<b>53.9</b>	<b>35.6</b>
Specialist Group	-	-2.5	-0.1	-2.3
Hotelbeds Group	-	-0.2	0.4	0.1
All other segments	-0.2	0.1	-0.2	0.1
formerly Travel	-	-	-	-50.7
<b>Total</b>	<b>33.9</b>	<b>14.4</b>	<b>54.0</b>	<b>-17.2</b>

The Group loss attributable to non-controlling interest disclosed as „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) GOODWILL**

Upon presentation of Hotelbeds Group as a discontinued operation, the goodwill allocated to this operation amounting to €113.4 m was reclassified to “Assets held for sale”. The carrying amount also declined, in particular, due to exchange rate variations on goodwill not carried in TUI Group’s reporting currency.

**(9) OTHER INTANGIBLE ASSETS**

The decline in the carrying amount of other intangible assets is mainly driven by the reclassification of the carrying amounts related to Hotelbeds Group of €165.0 m to “Assets held for sale”.

**(10) 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 refer to the section “Related parties”. Furthermore the joint venture agreement was amended to reflect the new voting rights proportions. 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.

**(11) FINANCIAL ASSETS AVAILABLE FOR SALE**

Current financial assets available for sale include the remaining shares in Hapag-Lloyd AG of €234.0 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 €16.10 per share resulted in a fair value of €234.0 m (Level 1 measurement). Therefore an impairment charge of €100.3 m was carried in financial expenses.

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

€ million	31 Mar 2016	30 Sep 2015
Discontinued Operation Hotelbeds Group	1,143.8	–
Discontinued Operation LateRooms Group	–	38.8
Property and hotel facilities	–	0.4
Other assets	–	3.0
<b>Total</b>	<b>1,143.8</b>	<b>42.2</b>

Regarding assets held for sale of Hotelbeds Group and – in the prior year – LateRooms Group, we refer to the section on “Discontinued operations”.

**(13) PENSION PROVISIONS**

Pension provisions increased by €51.6 m to €1,198.5 m as against the end of the financial year. Remeasurement effects result in an increase in the provision of €129.3 m, carried outside profit and loss. This is primarily attributable to the significant decrease in the discount rate due to the fall in capital market interest rates both in the Eurozone and the UK. On the other hand, the shortfall of funded plans in the UK decreases due to employer contributions of €74.8 m.

**(14) FINANCIAL LIABILITIES**

Non-current financial liabilities rose by €628.7 m to €2,282.0 m as against 30 September 2015. The increase mainly results from the use of long-term credit lines to cover the payments due in the first six months of 2015/16 in the framework of the seasonality of the tourism business.

In December 2015, the revolving credit facility worth €1.75 bn (including a tranche of €215.0 m for the issue of bank guarantees) was extended ahead of its maturity date and will now mature in December 2020. At the balance sheet date, an amount of €726.4 m had been drawn from that credit line.

Current financial liabilities declined by €9.9 m to €223.2 m as at 31 March 2016 as against 30 September 2015.

**(15) LIABILITIES RELATED TO ASSETS HELD FOR SALE****LIABILITIES RELATED TO ASSETS HELD FOR SALE**

€ million	31 Mar 2016	30 Sep 2015
Discontinued Operation LateRooms Group	–	31.5
Discontinued Operation Hotelbeds Group	739.2	–
<b>Total</b>	<b>739.2</b>	<b>31.5</b>

**(16) CHANGES IN EQUITY**

Since 30 September 2015, equity decreased by € 649.4 m to € 1,767.9 m.

In the first half year 2015 / 16, TUI AG paid a dividend of € 0.56 per no-par value share, € 327.0 m in total (previous year € 94.5 m), to its shareholders. In the first half of 2015 / 16, the shares of non-controlling shareholders decreased by € 0.9 m due to the payment of dividends. The year-on-year change is mainly based on the payment of dividends to non-Group shareholders of TUI Travel PLC of € 183.0 m prior to the merger between TUI AG and TUI Travel PLC.

The ongoing measurement of the awards from share option plans serviced with shares resulted in an increase in equity of € 4.6 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 Limited acquired shares in TUI AG in the first half 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 € 51.3 m. Overall, own shares remained basically unchanged due to the issuance of shares in the framework of the share option plans. The employee benefit trust now holds 2,664,194 shares in TUI AG.

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

Gains and losses from cash flow hedges worth € 112.6 m (pre-tax) 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.

## Financial instruments

### CARRYING AMOUNTS AND FAIR VALUES ACCORDING TO CLASSES AND MEASUREMENT CATEGORIES AS AT 31 MAR 2016

€ million	Carrying amount	Category under IAS 39				Values according to IAS 17 (leases)	Carrying amount of financial instruments	Fair value of financial instruments
		At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss			
<b>Assets</b>								
Financial assets available for sale	288.2	–	48.8	239.4	–	–	288.2	288.2
Trade receivables and other assets	2,114.7	759.5	–	–	–	–	759.5	759.5
Derivative financial instruments								
Hedging transactions	409.7	–	–	409.7	–	–	409.7	409.7
Other derivative financial instruments	32.6	–	–	–	32.6	–	32.6	32.6
Cash and cash equivalents	925.6	925.6	–	–	–	–	925.6	925.6
<b>Liabilities</b>								
Financial liabilities	2,505.2	1,566.2	–	–	–	939.0	1,566.2	1,584.6
Trade payables	1,560.3	1,559.8	–	–	–	–	1,559.8	1,559.8
Derivative financial instruments								
Hedging	478.6	–	–	478.6	–	–	478.6	478.6
Other derivative financial instruments	38.1	–	–	–	38.1	–	38.1	38.1
Other liabilities	4,302.3	143.2	–	–	–	–	143.2	143.2

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

€ million	Carrying amount	Category under IAS 39						Carrying amount of financial instruments	Fair value of financial instruments
		At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss	Values according to IAS 17 (leases)			
<b>Assets</b>									
Financial assets available for sale	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 transactions	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	
<b>Liabilities</b>									
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 transactions	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 €48.8m (previous year €50.4m) 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.



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**AGGREGATION ACCORDING TO MEASUREMENT CATEGORIES UNDER IAS 39 AS AT 31 MAR 2016**


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€ million	At amortised cost	At cost	with no effect on profit and loss	Fair value through profit and loss	Carrying amount of financial instruments	Fair value
					<b>Total</b>	
Loans and receivables	1,685.1	–	–	–	1,685.1	1,685.1
Financial assets						
available for sale	–	48.8	239.4	–	288.2	288.2
held for trading	–	–	–	32.6	32.6	32.6
Financial liabilities						
at amortised cost	3,269.2	–	–	–	3,269.2	3,287.6
held for trading	–	–	–	38.1	38.1	38.1

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


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€ million	At amortised cost	At cost	with no effect on profit and loss	Fair value through profit and loss	Carrying amount of financial instruments	Fair value
					<b>Total</b>	
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.

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**HIERARCHY OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE AS AT 31 MAR 2016**


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€ million	Total	Fair value hierarchy		
		Level 1	Level 2	Level 3
<b>Assets</b>				
Financial assets Available for sale	239.4	234.0	–	5.4
Derivative financial instruments				
Hedging transactions	409.7	–	409.7	–
Other derivative financial instruments	32.6	–	32.6	–
<b>Liabilities</b>				
Derivative financial instruments				
Hedging transactions	478.6	–	478.6	–
Other derivative financial instruments	38.1	–	38.1	–
At amortised cost				
Financial liabilities	1,584.6	312.9	1,271.7	–

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


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€ million	Total	Fair value hierarchy		
		Level 1	Level 2	Level 3
<b>Assets</b>				
Financial assets Available for sale	340.7	–	–	340.7
Derivative financial instruments				
Hedging transactions	262.4	–	262.4	–
Other derivative financial instruments	66.7	–	66.7	–
<b>Liabilities</b>				
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 as at 31 December 2015 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 derivatives (OTC), are determined by means of valuation techniques. These valuation techniques maximise the use of observable market data and minimise the use of Group-specific assumptions. If all essential input factors for the determination of the fair value of an instrument are observable, the instrument is categorised within Level 2.

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

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

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

With the exception of the shares in Hapag-Lloyd AG and the indirect 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.

<b>FINANCIAL ASSETS MEASURED AT FAIR VALUE IN LEVEL 3</b>	
€ million	Financial assets available for sale
<b>Balance as at 1 Oct 2014</b>	<b>5.5</b>
Additions (incl. transfers)	481.9
Total gains or losses for the period	–146.7
recognised through profit and loss	–147.1
recognised in other comprehensive income	0.4
<b>Balance as at 30 Sep 2015</b>	<b>340.7</b>
<b>Change in unrealised gains or losses for the period for financial assets held at the balance sheet date</b>	<b>–147.1</b>
<b>Balance as at 1 Oct 2015</b>	<b>340.7</b>
Additions	–
Disposals	334.9
repayment/sale	–
conversion/rebooking	334.9
Total gains or losses for the period	–0.4
recognised through profit and loss	–
recognised in other comprehensive income	–0.4
<b>Balance as at 31 Mar 2016</b>	<b>5.4</b>
<b>Change in unrealised gains or losses for the period for financial assets held at the balance sheet date</b>	<b>–</b>

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 11 “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 March 2016, contingent liabilities totalled €336.7 m (as at 30 September 2015 €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. The decline as against 30 September 2015 is primarily driven by the redemption of loans and foreign exchange effects.

In the course of financial year 2011/12, the German tax administration issued a decree on the interpretation of the trade tax act, amended with effect from financial year 2008. This decree, only binding for the tax administration, is interpreted by the German tax administration as indicating that expenses of German tour operators for the purchase of hotel beds are not fully deductible in determining the basis for the assessment of trade tax. TUI does

not share that view, in particular as hotel purchasing contracts are mixed contracts also covering catering, cleaning, entertaining guests and other services characterising the purchase service.

On 4 February 2016 the Münster fiscal court agreed with the interpretation of the German tax administration in the case of a third party tour operator. To recognise the increased risk compared to 30 September 2015 provisions amounting to €42.0m were carried as at 31 March 2016.

## Other financial commitments

### FINANCIAL COMMITMENTS FROM OPERATING LEASE, RENTAL AND CHARTER CONTRACTS

€ million	31 Mar 2016	30 Sep 2015
Nominal value	3,511.2	3,843.3
Fair value	3,328.5	3,540.6

### NOMINAL VALUES OF OTHER FINANCIAL COMMITMENTS

€ million	31 Mar 2016	30 Sep 2015
Order commitments in respect of capital expenditure	4,033.3	3,927.7
Other financial commitments	85.7	114.4
<b>Total</b>	<b>4,119.0</b>	<b>4,042.1</b>
<b>Fair value</b>	<b>3,847.8</b>	<b>3,619.9</b>

Capital commitments for investments rose by €105.6m as at 31 March 2016 as against 30 September 2015. This was mainly driven by new contractually agreed investments in 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 the continuing and discontinued operations. In the period under review, cash and cash equivalents declined by €567.9m to €1,114.3m.

In the period under review, the outflow of cash from operating activities amounted to €565.3m (previous year €1,094.8m). In line with previous years, the high outflow of cash is attributable to trade accounts payable to suppliers after the end of the summer tourism season.

The outflow of cash from investing activities totals €243.4m. It comprises a cash outflow for investments in property, plant and equipment and intangible assets of €116.2m by the tour operators and airlines, of €108.4m by TUI Hotels & Resorts, of €7.9m by Cruises, and of €33.4m by other Tourism companies. The Group also recorded an inflow of €40.6m from the sale of property, plant and equipment and intangible assets, primarily a British cruise ship, a hotel in Majorca, two plots of land in Germany and a French tour operator brand. The cash flow from investing activities also includes an outflow of €12.4m in connection with the acquisition of consolidated companies and for capital increases in joint ventures. The sale of subsidiaries and joint ventures resulted in an inflow of €18.8m. In the previous year, the cash inflow mainly resulted from the sale of the shares in a money market fund amounting to €300.0m.

The inflow of cash from financing activities totalled €199.6 m. At the reporting date, an amount of €726.4 m was drawn from the external revolving credit line to manage the seasonality of cash flows and the Group's liquidity. The Hotels & Resorts segment took out financial liabilities worth €48.9 m. The Group redeemed finance lease liabilities worth €38.3 m. Other financial liabilities worth €107.9 m were repaid. An amount of €51.7 m was used for interest payments. Further outflows relate to the dividends for TUI AG shareholders (€327.0 m) and minority shareholders (€2.2 m). The employee benefit trust of TUI Travel Ltd. purchased shares in TUI AG worth €51.3 m in order to use them for its share option plans. An amount of €1.5 m was paid to purchase shares in companies already included in consolidation. The cash outflow in the previous year mainly resulted from the redemption of a liability to banks amounting to €195.3 m in connection with the merger of TUI AG and TUI Travel PLC.

Cash and cash equivalents also decreased by €41.2 m due to changes in exchange rates.

As at 31 March 2016, cash and cash equivalents worth €179.2 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 the framework of long-standing litigation over VAT refunds for the period from 2001 to 2011 without admission of guilt, the purpose being to suspend the accrual of interest for both parties. In order to collateralise a potential repayment, the Belgian government was granted a bank guarantee. Due to the bank guarantee, TUI's ability to dispose of the cash and cash equivalents has been restricted. The remaining restrictions of €62.9 m relate to cash and cash equivalents to be deposited 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 carried in the segment Other Tourism. Moreover, the IT services previously carried in "All Other Segments" have been combined in the segment Other Tourism since the first quarter of 2015 / 16. Due to the planned disposal of the Hotelbeds Group segment in financial year 2015 / 16, the segment was carried as a discontinued operation as at 31 March 2016. Segment reporting for the prior year was restated accordingly. In addition, the LateRooms Group is shown as discontinued operation until its sale on 6 October 2015.

**TURNOVER BY SEGMENT FOR THE PERIOD FROM 1 OCT 2015 TO 31 MAR 2016**

€ million	Q2 2015 / 16			H1 2015 / 16		
	External	Group	Total	External	Group	Total
Northern Region	1,055.2	49.9	1,105.1	2,287.6	73.0	2,360.6
Central Region	897.8	13.7	911.5	1,988.0	25.0	2,013.0
Western Region	428.7	5.7	434.4	915.6	9.5	925.1
Hotels & Resorts	133.6	126.1	259.7	266.0	264.3	530.3
Cruises	89.2	–	89.2	143.1	–	143.1
Other Tourism	141.6	43.2	184.8	289.1	92.3	381.4
Consolidation	–	–183.7	–183.7	–	–384.8	–384.8
<b>Tourism</b>	<b>2,746.1</b>	<b>54.9</b>	<b>2,801.0</b>	<b>5,889.4</b>	<b>79.3</b>	<b>5,968.7</b>
Specialist Group	524.5	–	524.5	850.1	–	850.1
All other segments	20.7	15.3	36.0	52.8	18.6	71.4
Consolidation	–	–70.2	–70.2	–	–97.9	–97.9
<b>Continuing operations</b>	<b>3,291.3</b>	<b>–</b>	<b>3,291.3</b>	<b>6,792.3</b>	<b>–</b>	<b>6,792.3</b>
Discontinued operations	236.5	10.5	247.0	453.9	26.7	480.6
<b>Sum of the segments</b>	<b>3,527.8</b>	<b>10.5</b>	<b>3,538.3</b>	<b>7,246.2</b>	<b>26.7</b>	<b>7,272.9</b>

**TURNOVER BY SEGMENT FOR THE PERIOD FROM 1 OCT 2014 TO 31 MAR 2015**

€ million	Q2 2014 / 15			H1 2014 / 15		
	External restated	Group restated	Total restated	External restated	Group restated	Total restated
Northern Region	1,033.9	56.6	1,090.5	2,158.8	82.2	2,241.0
Central Region	876.0	9.6	885.6	1,934.2	23.8	1,958.0
Western Region	412.4	4.8	417.2	899.7	9.0	908.7
Hotels & Resorts	127.4	122.6	250.0	245.4	254.6	500.0
Cruises	82.7	–	82.7	136.2	–	136.2
Other Tourism	147.1	43.8	190.9	300.4	88.9	389.3
Consolidation	–	–178.7	–178.7	–	–368.2	–368.2
<b>Tourism</b>	<b>2,679.5</b>	<b>58.7</b>	<b>2,738.2</b>	<b>5,674.7</b>	<b>90.3</b>	<b>5,765.0</b>
Specialist Group	551.8	–	551.8	885.2	–	885.2
All other segments	24.4	11.9	36.3	52.2	22.5	74.7
Consolidation	–	–70.6	–70.6	–	–112.8	–112.8
<b>Continuing operations</b>	<b>3,255.7</b>	<b>–</b>	<b>3,255.7</b>	<b>6,612.1</b>	<b>–</b>	<b>6,612.1</b>
Discontinued operations	172.1	20.0	192.1	359.3	39.0	398.3
<b>Sum of the segments</b>	<b>3,427.8</b>	<b>20.0</b>	<b>3,447.8</b>	<b>6,971.4</b>	<b>39.0</b>	<b>7,010.4</b>

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

**EBITA BY SEGMENT**

€ million	Q2 2015 / 16	Q2 2014 / 15 restated	H1 2015 / 16	H1 2014 / 15 restated
Northern Region	-87.5	-72.2	-121.6	-123.1
Central Region	-84.5	-76.1	-116.3	-101.6
Western Region	-50.5	-51.6	-79.4	-66.4
Hotels & Resorts	58.4	5.7	82.9	22.2
Cruises	31.9	16.3	40.1	18.3
Other Tourism	-8.4	-23.5	-21.6	-39.5
<b>Tourism</b>	<b>-140.6</b>	<b>-201.4</b>	<b>-215.9</b>	<b>-290.1</b>
Specialist Group	1.6	-3.1	-34.5	-26.2
All other segments	-17.3	-25.2	-37.9	-52.2
<b>Continuing operations</b>	<b>-156.3</b>	<b>-229.7</b>	<b>-288.3</b>	<b>-368.5</b>
Discontinued operations	-14.2	-15.9	-24.3	-22.1
<b>Sum of the segments</b>	<b>-170.5</b>	<b>-245.6</b>	<b>-312.6</b>	<b>-390.6</b>

In the first half of 2015 / 16, EBITA includes results of €63.7 m (previous year €54.3 m) from joint ventures and associates, primarily generated in Tourism.

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

**UNDERLYING EBITA BY SEGMENT**

€ million	Q2 2015 / 16	Q2 2014 / 15 restated	H1 2015 / 16	H1 2014 / 15 restated
Northern Region	-83.0	-64.2	-110.9	-109.6
Central Region	-83.6	-73.5	-109.8	-93.7
Western Region	-48.0	-49.0	-75.7	-60.9
Hotels & Resorts	58.5	26.9	83.7	55.6
Cruises	31.9	16.3	40.1	18.3
Other Tourism	-7.1	-16.7	-18.5	-30.9
<b>Tourism</b>	<b>-131.3</b>	<b>-160.2</b>	<b>-191.1</b>	<b>-221.2</b>
Specialist Group	14.3	1.4	-17.5	-17.7
All other segments	-14.7	-17.8	-28.3	-44.2
<b>Continuing operations</b>	<b>-131.7</b>	<b>-176.6</b>	<b>-236.9</b>	<b>-283.1</b>
Discontinued operations	5.0	2.9	8.6	1.5
<b>Sum of the segments</b>	<b>-126.7</b>	<b>-173.7</b>	<b>-228.3</b>	<b>-281.6</b>



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

€ million	Q2 2015 / 16	Q2 2014 / 15 restated	H1 2015 / 16	H1 2014 / 15 restated
<b>Underlying EBITA of continuing operations</b>	<b>-131.7</b>	<b>-176.6</b>	<b>-236.9</b>	<b>-283.1</b>
Result on disposal*	0.6	-0.9	-0.9	-1.0
Restructuring expense*	-3.8	-12.3	-5.5	-13.8
Expense from purchase price allocation*	-17.5	-13.6	-33.5	-28.0
Expense from other one-off items*	-3.9	-26.3	-11.5	-42.6
<b>EBITA of continuing operations</b>	<b>-156.3</b>	<b>-229.7</b>	<b>-288.3</b>	<b>-368.5</b>
Profit on Container Shipping measured at equity	-	-	-	0.9
Losses on measurement of financial investment in Container Shipping	-58.7	-	-100.3	-
Net interest expense and expense from measurement of interest hedges	-41.3	-40.3	-82.0	-106.6
<b>Earnings before income taxes of continuing operations</b>	<b>-256.3</b>	<b>-270.0</b>	<b>-470.6</b>	<b>-474.2</b>

\* For a description of the adjustments see the management report

## Related parties

Apart from the subsidiaries included in the consolidated financial statements, TUI AG, in carrying out its ordinary business activities, maintains direct and indirect relationships with related parties. All transactions with related parties were executed on an arm's length basis, based on international comparable uncontrolled price methods in accordance with IAS 24, in both current and prior periods. The equity stake held by Riu Hotels S.A., listed in the Notes on the consolidated financial statements as at 30 September 2015, was retained unamended at the reporting date for the interim financial statements. More detailed information on related parties is provided under Other notes in the Notes on 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 TUI Group. ZSG is owned by a large shareholder and member of the supervisory board of TUI AG. In October 2015, contractual agreements on the reorganisation of the equity of TUI Russia were concluded with Oscrivia. A capital increase was agreed, in which TUI participated by paying net amount of USD 3 m, while Oscrivia paid a net amount of USD 17 m.

Upon completion of this transaction, TUI Group's stake in TUI Russia declined from 49% to 25%. In return, Oscrivia increased its stake to 75%. Existing loans and guarantees of the shareholders were adjusted to reflect the new stakes. Moreover, TUI Russia was granted a deferment on settlement of payables due to TUI Group worth USD 4.9 m and due to Oscrivia worth USD 5.1 m to finance its Winter season 2015 / 16.

### Major transactions after the balance sheet date

On 20 April 2016, TUI UK Limited, a subsidiary in the Northern Region economically acquired a cruise ship funded by a finance lease. Due to this acquisition, finance lease liabilities will increase by € 188.0 m representing the present value of the lease payments. Cruise ships, yachts and boats within fixed assets will increase by the same amount. Against this, financial commitments from operating lease, rental and charter contracts will decrease by the nominal value of the lease payments of € 263.9 m.

On 28 April 2016, TUI AG reached an agreement with GNVA Acquisitions Limited, UK, a company which is ultimately owned by funds managed or advised by Cinven Capital Management and Canada Pension Plan Investment Board to sell Hotelbeds Group. The agreed purchase price totals € 1.2 bn. The completion of the transaction is subject to various conditions including approval by the European Commission under the EU Merger Regulation. The transaction is expected to complete by the end of September 2016. Hotelbeds Group constitutes a discontinued operation as at 31 March 2016. For further details, refer to the section on „Discontinued operation“.

# RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for Interim financial reporting and in the accordance with (German) principles of proper accounting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

The Executive Board

Hanover, 9 May 2016

Friedrich Jousen  
Horst Baier  
David Burling  
Sebastian Ebel  
Dr. Elke Eller  
William Waggott

# 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 2015 to 31 March 2016, which are part of the halfyear 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, 9 May 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.



# Imprint

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TUI AG  
Karl-Wiechert-Allee 4  
30625 Hanover, Germany  
Phone: + 49 511 566-00  
Fax: +49 511 566-1901  
[www.tuigroup.com](http://www.tuigroup.com)

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

# Financial calendar

## **11 MAY 2016**

*Half year financial report 2015/16*

## **11 AUGUST 2016**

*Interim report Q3 2015/16*

## **28 SEPTEMBER 2016**

*Trading Update*

## **DECEMBER 2016**

*Annual Report 2015/16*

## **FEBRUARY 2017**

*Annual General Meeting 2017*

