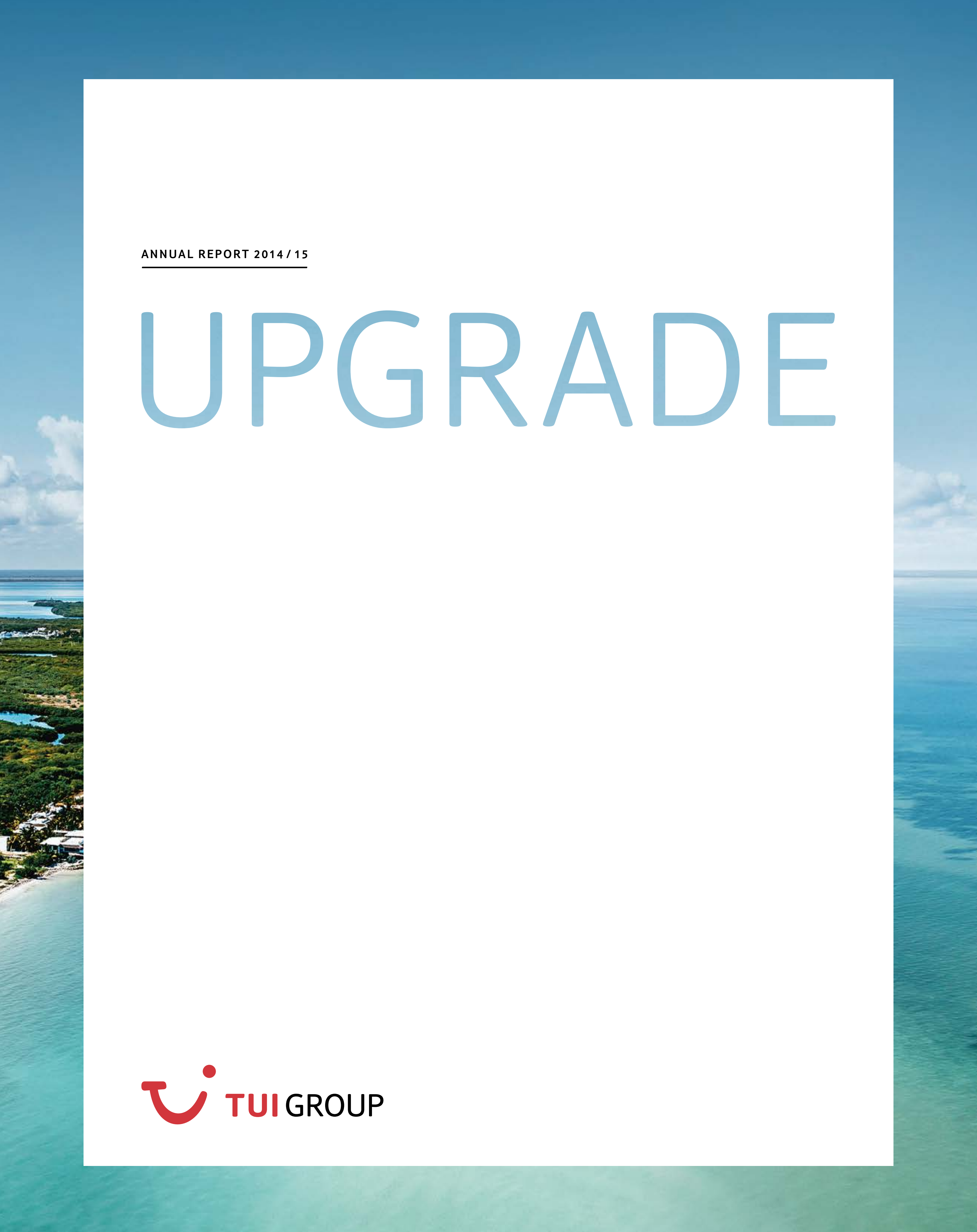

ANNUAL REPORT 2014 / 15

UPGRADE

TUI GROUP

MAGAZINE

UPGRADE

The merger between TUI AG and TUI Travel PLC has created the world's leading tourism business. The TUI Group is unique among its peers in the way it covers the value chain in the travel sector. The Group stands for an attractive dividend policy and an international working environment. That means an upgrade for customers, shareholders and employees.

CONTENTS

»In the completed financial year, we have taken a number of key decisions to ensure that the TUI Group can continue its growth course unabated.«

Friedrich Joussen, *Joint CEO*

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01 TO OUR SHAREHOLDERS

02 MANAGEMENT REPORT

03 CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

ANNUAL REPORT FORMATS

This annual report is available in the following formats:

Print

Online

http://annualreport2014-15.tui-group.com

Tablet

COMPASS

This is a page reference.

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Dear Shareholders,

We are delighted to be able to look back on a year of positive developments for the TUI Group. They are reflected in our growth, our operating results and the integration and restructuring progress we have achieved since the merger at the end of 2014. In fact, we have made considerably faster progress than anticipated. Obviously this is good news for you, our shareholders, but also for our customers and employees.

In the past financial year we ushered in a new era for TUI AG and TUI Travel PLC. When the merger went ahead on 17 December 2014 the world's largest leisure travel group was created.

The key objective behind the merger was to combine our tour operator business with the Group's own hotel and cruise companies. This has been achieved through the new organisational structure.

A number of hierarchical levels were eliminated during the restructuring process and, as a result, we are now a leaner, more agile and more competitive organisation. It is also due to these organisational changes that we have been able to step up the pace of the integration process. The associated positive impacts on our operating performance meant that it lost no momentum during the change process. Moreover, we again achieved double-digit growth in earnings and met our ambitious underlying EBITA target of around € 1bn.

We are pleased to share this positive business development with you by offering you an attractive dividend. A proposal to increase the dividend to 56 cents per share will be made by us at the 2014/15 Annual General Meeting. This represents a 70 percent year-on-year increase.

Further to the initial positive impact of the merger on our operations we have also made significant headway in delivering the synergies that we announced. We have combined TUI AG and TUI Travel PLC group functions with the aim of achieving € 50 m in savings by the end of the 2016/17 financial year. This is € 5 m more than we initially envisaged and announced at the time of the merger. At the same time, the non-recurring expenses necessary to deliver these synergies will be cut by € 10 m to € 35 m.

We expect to be generating additional savings of € 20 m per annum as of the 2016/17 financial year through the restructuring and integration of TUI Destination Services.

In light of our performance to date we are confident of being in a position to fully deliver the envisaged cost savings by the 2016/17 financial year.

From left to right: Joint CEOs Friedrich Joussen and Peter Long

Not only does the merger allow us to exploit cost synergies, it also means that we can cover the entire tourism value chain in an unprecedented way. We can offer our customers one-stop shop services ranging from holiday bookings and flights to hotel or club resort accommodation, plus fully comprehensive support. This is a USP that differentiates us from the traditional tour operators and online portals because we own the content, i.e. the hotels, clubs and cruise ships. Our own hotels and cruise ships are major assets that are crucial to our future growth, which is why we will continue to invest in them. In conjunction with our services they deliver a powerful brand experience to our customers and, for this reason, we will be shifting our business model's focus from tour operator business to content in future.

In this regard we will continue to follow a very clear strategic growth agenda. We aim to increase turnover, acquire new customers and launch new destinations – particularly all-year destinations. Our tour operators' strong market presence plus our (online and offline) distribution make us confident that the market will accept our growth and that our bookings will increase. The risk/reward ratio for our hotel and cruise investments is also considerable more positive today due to our strengths as an integrated tourism group.

Despite the many positive developments we have seen in the past financial year, we also experienced the devastating terrorist attack in Sousse. It shocked our Group, our sector and the holiday destination of Tunisia to the core. 33 TUI customers – mostly from the UK – lost their lives in the terrible incident. Our thoughts remain with the families and relatives of the victims.

This inhumane act of violence inspired many people to perform courageous and commendable acts. The Riu and TUI ground staff and the TUI care teams immediately did their best to care for our customers who were affected by the tragedy. They saved lives and did everything in their power to support, comfort and provide solace to our customers in Sousse. In affected source markets, particularly the UK, colleagues worked tirelessly as victims, families, friends and customers holidaying in other parts of Tunisia were brought home and holidays re-arranged for those about to start their holidays in that country. We are sure you will join us in thanking all involved for their extraordinary and moving efforts.

The TUI Group has got off to a great start. We have an excellent market position, we have a clear growth strategy and the Group itself is optimally structured. We will continue to pursue our strategy and endeavour to maintain our current pace of progress in order to ensure the TUI Group continues to be the first choice for you, our customers and our employees.

We appreciate and thank you for your confidence, support and loyalty to the TUI Group.

Yours sincerely,

Friedrich Joussen
Joint CEO of TUI AG

Peter Long
Joint CEO of TUI AG

VISION

Discovering the world's diversity, exploring new horizons, experiencing foreign countries and cultures: travel broadens peoples' minds. At TUI we create unforgettable moments for our customers across the world and make their dreams come true.

We are mindful of the importance of travel and tourism for many countries in the world and the people living there. We partner with these countries and help shape their future – in a committed and sustainable manner.

We, the 76,000 TUI employees. Opening up the inspiring world of travel. Think travel. Think TUI.

TUI GROUP – FINANCIAL HIGHLIGHTS

€ million		2014/15	2013/14 restated	Var. %
Turnover		**20,011.6**	**18,536.8**	**+8.0**
Underlying EBITA[1]				
Northern Region		530.3	398.3	+33.1
Central Region		103.5	163.0	–36.5
Western Region		68.8	81.7	–15.8
Hotels & Resorts		234.6	202.8	+15.7
Cruises		80.5	9.7	+729.9
Other Tourism		–21.1	–22.3	+5.4
Tourism		**996.6**	**833.2**	**+19.6**
Specialist Group		56.2	45.5	+23.5
Hotelbeds Group		116.8	101.7	+14.8
All other segments		–100.6	–110.5	+9.0
TUI Group		**1,069.0**	**869.9**	**+22.9**
Discontinued operation		–8.5	–2.8	–203.6
Total		**1,060.5**	**867.1**	**+22.3**
EBITA[2]		**865.3**	**777.2**	**+11.3**
Underlying EBITDA		**1,505.9**	**1,199.8**	**+25.5**
EBITDA		**1,362.0**	**1,163.6**	**+17.1**
Net profit for the period		379.6	270.8	+40.2
Earnings per share	€	0.64	0.26	+146.2
Equity ratio	%	17.2	18.1	–0.9[3]
Cash investments in other intangible assets and property, plant and equipment		594.3	385.7	+54.1
Net debt		213.7	–292.4	n. a.
Employees		76,036	77,028	–1.3

Differences may occur due to rounding.

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

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

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

OUR **STRATEGY**

THE NEW TUI GROUP 2014 / 15

THE WOLRD'S LEADING TOURISM BUSINESS

In the first year following the merger we have outperformed our operating earnings target of € 1 bn despite some geopolitical challenges earlier in the year. The integration of our businesses is on track and already delivering results. Our strong operational performance is reflected in the announced dividend of 56 cents per share.

We have defined a clear strategy and growth roadmap and therefore expect to deliver growth in underlying EBITA of at least 10 % in 2015 / 16 and reiterate our previous guidance of at least 10 % underlying EBITA CAGR over the next three years to 2017 / 18.

€ M

1,069

UNDERLYING GROUP EBITA

+23 %

*In our first year postmerger we have outperformed our earnings target of more than € 1 bn underlying EBITA.**

Resilient business model

Our strong operational performance in 2014 / 15 demonstrates the resilience of our integrated business model .

€ CENT

56

DIVIDEND

+70 %

Through our progressive dividend policy our shareholders benefit from our growth.

Balance sheet strength and flexibility

Our strong balance sheet and our flexible asset-right business model underpin our long-term growth plans.

20

€ M

SYNERGIES REALIZED

The integration of our two businesses is on track and already delivering results.

Clear strategy and growth roadmap

*We reiterate our previous guidance of at least 10 % underlying EBITA CAGR over the next three years to 2017 / 18.**

* At constant currency

Aircraft

MORE THAN

140

Destinations

180

COUNTRIES

Employees

76K

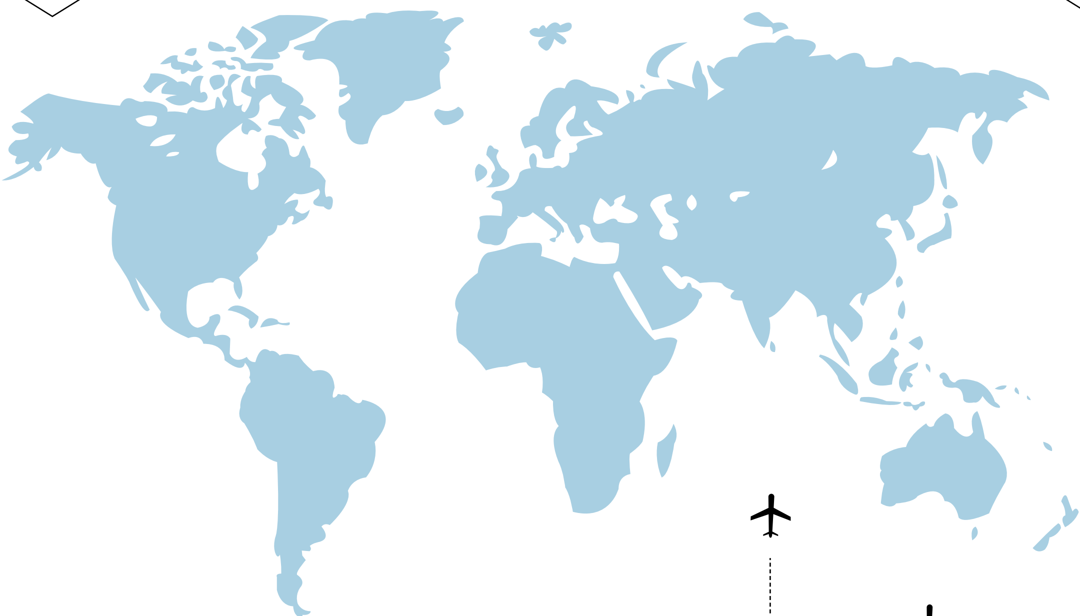
WORLDWIDE

Group-owned hotels

OVER

300

WORLDWIDE



13

CRUISE SHIPS

5

TOUR OPERATOR-AIRLINES

Marketing & Sales

»20 m

CUSTOMERS

We control the end-to-end customer journey, from inspiration and advice, to booking, flight, inbound services and accommodation. This differentiates us from the competition. We are capitalizing on the strength of the TUI brand on a global scale. A global brand experience and a global brand identity offer many advantages for our customers, suppliers and for our employees.

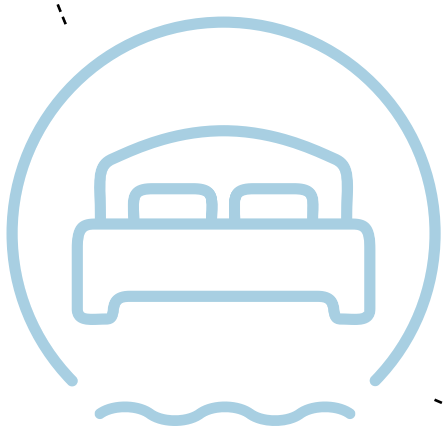
OUR VERTICALLY INTEGRATED

Hotels & Cruises

»7 m

CUSTOMERS

Having our own hotels and cruise ships gives us product differentiation. We currently accommodate over 7 million customers in our own hotels and cruise ships. We control quality and customer satisfaction and can fulfill customer demand for destinations and experiences where content is scarce. Growth in accommodation will be key in driving profitable top-line growth. This is driven by three elements: Growth in our strong hotel and club brands, growth in our powerful and exclusive international hotel concepts and profitable growth in cruises.



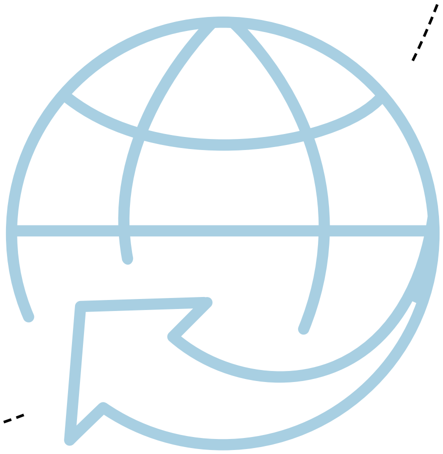
Flight

»13 m

CUSTOMERS

We have more than 140 aircraft operated by five tour operator airlines, flying around 13 million customers per annum. Our integrated business model provides us with high occupancy rates. With our joint aviation platform we want to future-proof our airlines, and this will only be possible if we leverage the potential economies of scale. We expect to benefit in the areas of aircraft purchasing and financing, engineering and maintenance, one IT and joint long-haul planning and procurement.

BUSINESS MODEL



Inbound services

»11 m

CUSTOMERS

Our unique inbound services brings our brand alive and further enhances our customers' holiday experience. Inbound services is currently operating in more than 100 destinations with over 6,500 employees with access to c. 11 million customers. We have implemented one service team and a single strategic customer platform for all the tourism activities within the TUI Group. We are delivering our differentiation strategy in all the destinations.

Marketing & Sales

In the next few years we aim to grow faster than the market. We will be aided in this by the global strength of the TUI brand. TUI stands for Trusted. Unique. Inspiring. Our mission "Spreading Smiles" reflects our promise to put a smile on our customers' faces with our products. We don't want to be just any tour operator. We want to be synonymous with travel, impossible for any aspiring holiday-maker to ignore: "Think Travel. Think TUI."

oneBrand

The appeal of TUI and the Smile logo are extremely high. OneBrand offers significant opportunities in terms of growth potential, consistency of customer experience, digital presence, operational efficiency and competitive strength. In the long run, there will be one brand wherever it makes sense, maintaining our local roots. On 1 October 2015, we successfully launched our rebranding campaign with the introduction of the TUI brand in the Netherlands.

FIRST STEP

Netherlands

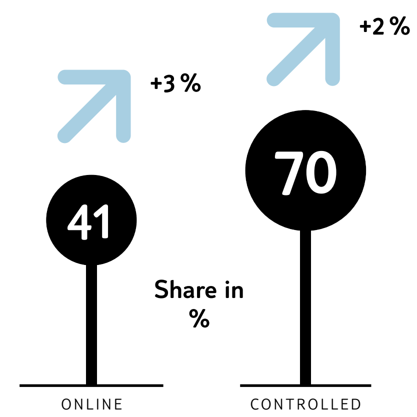
1 OCTOBER 2015

STRONG SALES

TRAVEL PLATFORMS

AND

TRAVEL AGENCIES



A central element of our marketing and sales strategies are our shops and platforms. All source markets are focused on delivering more direct, more online sales. In 2014 / 15 controlled distribution grew by two percentage points to 70 %. Online distribution grew by two percentage points to 41 %.

20

M

CUSTOMERS

We are able to provide to our more than 20 m customers the holiday experiences that they desire.

PROFITABLE GROWTH

more

FLEXIBILITY AND LONG-HAUL DESTINATIONS

In order to outperfom the market we are broadening our offering in existing source markets – this includes long-haul expansion, wider choice of flight times and durations due to the inclusion of third-party flying options. We also aim to tap new source markets through our scalable technology platforms.

Flight

We are building a common aviation platform for our five tour operator airlines to leverage scale and future-proof our airlines. We will act as one wherever it makes sense to do so, maintaining local differences where the benefits of differentiation are greater than those of harmonisation.

BOEING 787

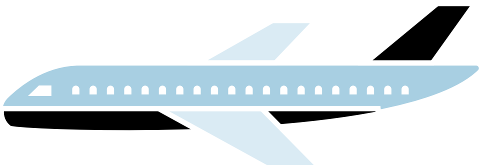
Dreamliner

We are the only leisure airline operating Boeing 787 Dreamliners, which is a key differentiator on long-haul destinations. Flying in a 787 delivers an enhanced customer experience as well as cost efficiency due to lower fuel consumption than similarly sized aircraft. Consequently, the 787 opens up new destinations, adding to our significant and growing long-haul presence.

DREAMLINER OPERATED

13 → 16

2014/15 +3 2018/19



one AVIATION

In future our airlines will act as one virtual airline. Organisational structure, the business model and scale are the main elements of our central platform.

Inbound Services

Servicing our customers at their holiday destination is an integral part of our aim to create a superior end-to-end customer experience. Apart from transfers to their hotels, we offer our customers end-to-end services and attractive options such as local excursions. To this end, we have pooled our incoming agencies in a common organisation. We now operate one common customer platform in order to efficiently manage all tourism activities. This ensures implementation of our differentiation strategy in all destinations.

11 MILLION CUSTOMERS

100 MORE THAN DESTINATIONS

6,500 MORE THAN EMPLOYEES

Integration

From 2015/16, these activities will be fully integrated within our tour operators. Our customers will benefit, and so will our dedicated employees. At the same time, we will be saving costs.

Hotels

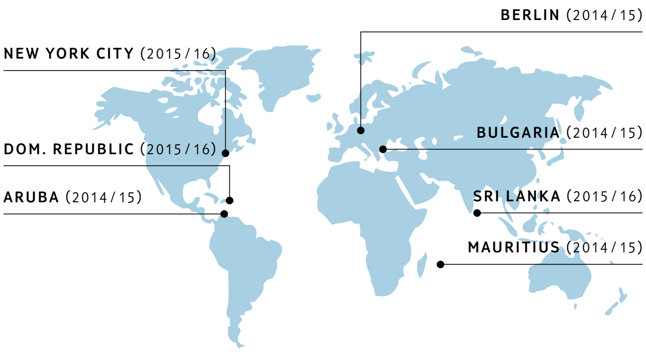
With Hotels & Resorts, the TUI Group has an attractive portfolio of hotels in top locations. We are aiming to expand that position by means of strengthening our differentiation strategy and optimising our portfolio of Group-owned hotels and sharpening our brand profile. We had identified further growth potential through the internationalisation of our hotel brands and exclusive hotel concepts. We also want to develop new, exclusive hotel projects in top locations. We are targeting around 60 new hotels by financial year 2018/19.

Riu

Riu is TUI Group's largest hotel brand, characterised by excellent service, location and quality. Expansion to new destinations will be an important growth lever. Further growth will be achieved by on-going portfolio optimisation and facility refurbishment.

ATTRACTIVE
PORTFOLIO
OF MORE THAN
100
HOTELS

7 NEW PROJECTS



TUI Blue

TUI Blue is our new hotel brand focusing on differentiation and quality. As a distinctive customer proposition, it offers a premium all-inclusive concept. TUI Blue is the Group's first hotel brand to feature our own name, making TUI an end-to-end customer experience, from booking to flight and accommodation as well as post-journey services.

PREMIUM ALL-INCLUSIVE CONCEPT

50 new hotels

We will launch the first TUI Blue hotels in Turkey in May 2016. In the medium term TUI Blue is to comprise 50 hotels, both new hotels and repositioned existing hotels.

Robinson

Robinson is our professional offering of sport, entertainment and programmed events. In terms of growth levers, Robinson will focus on increased source market distribution, increased direct distribution globally and international expansion.

NEW CLUBS

2015/16
Turkey

2015/16
Greece

2015/16
Maldives

Magic Life

Magic Life is characterised by family friendly holiday villages, varied sport and international entertainment programmes. A strong integration with source markets has already led to a significant increase in occupancy. For future growth, Magic Life will benefit from a further internationalisation of concept through source markets and increased distribution globally.

Cruises

With TUI Cruises and Hapag-Lloyd Cruises, the TUI Group has two strong brands for premium, luxury and expedition cruises in Germany. We also operate in the UK market under the Thomson Cruises brand.

TUI Cruises

With its four ships TUI Cruises is well positioned in the German market for premium cruises. Further growth is secured by additional capacity – four further ships have been ordered, which will be launched by 2019. Mein Schiff 5 and Mein Schiff 6 will be commissioned in 2016 and 2017.

4 SHIPS

+

4 ORDER BOOK

MEIN SCHIFF 5

2016

+

MEIN SCHIFF 6

2017

PROFITABLE GROWTH

Thomson Cruises

At Thomson Cruises we will fully modernise the fleet to significantly enhance the quality of our offering, starting with the launch of Thomson Discovery in early 2016. The planned redeployment of Mein Schiff 1 and Mein Schiff 2 to Thomson Cruises will further expand our fleet and secure our market share in the British cruise market.

THOMSON DISCOVERY EARLY 2016

Hapag-Lloyd Cruises

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 in 2014 / 15. Europa 2, the most ultramodern vessel in the fleet, was awarded the title Best Cruise Liner of the Year 2015 by the magazine Hideaways.

BEST CRUISE LINER

OF THE YEAR

EUROPA 2

WE ARE EXPANDING OUR FLEET TO BECOME

ONE OF EUROPE'S

LEADING

CRUISE LINES.

Sustainability

We take responsibility for society and our environment. Our sustainability strategy "BetterHolidays, Better World" defines very clear and verifiable objectives that the TUI Group aims to achieve by 2020. For us, sustainability is not an "in vogue" issue but has been an inherent part of our corporate culture for many years. After all, it is not by mere coincidence that we are the only tourism group listed in the Dow Jones Sustainability Index – for the tenth consecutive time. In order to further enhance our leadership in this area, too, we have set ourselves a number of very ambitious goals for the next five years. By 2020 we aim to further reduce our ecological footprint and therefore reduce our specific CO_2 emissions by a further 10 %. In our destinations we want to further enhance the positive impacts of tourism on social development and wealth. And, last but not least, we aim to set new standards for sustainable development in our sector and work with our partners in the destinations in order to protect the core element of any holiday trip: an intact and livable holiday region.

10.
FOLD -------

DOW JONES SUSTAINABILITY INDEX

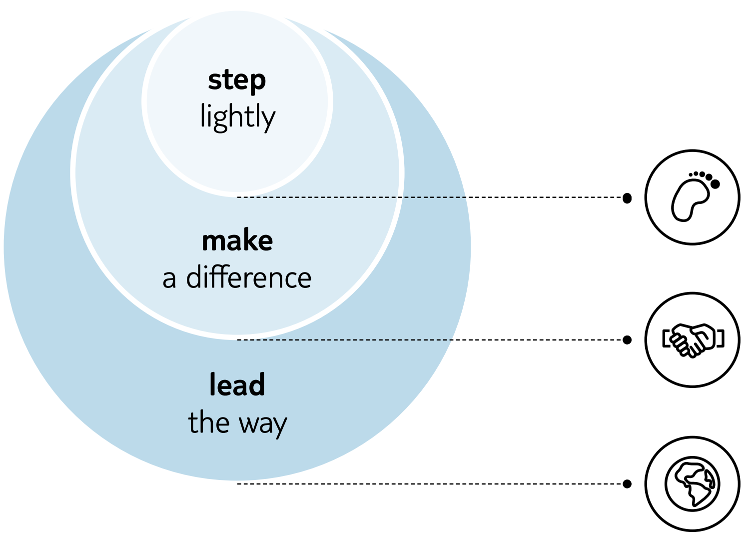
TUI Group ist the only tourism group listed in the DJSI.

CO_2

– 10 % UNTIL 2020

By 2020 we aim to reduce our CO_2 intensity by 10 %.

NEW STRATEGY



betterholidays
betterworld
TUI sustainability strategy 2015 – 2020

Reducing the environmental impact of holidays through our own operations

Creating positive change for people and communities through our value chain and customers

Pioneering sustainable tourism influencing the wider industry and beyond

Our clients

We want to open new horizons for our customers and create unforgettable moments across the world. We want our brand to become the epitome of travel: Think Travel. Think TUI. By doing this we want to inspire even more people for our products and services.

Our people

Our 76,000 employees are the face of our group and bring our brand to life. Their dedication and loyalty are key for us. We want to further strengthen this commitment and become an international employer of choice.

Our shareholders

We create value for our shareholders and want to deliver against our clear growth targets. Over the next three years to 2017/18 we want to deliver at least 10%* underlying EBITA CAGR. Through our attractive dividend policy our shareholders benefit from our growth.

Our responsibility

We are mindful of the importance of travel and tourism for many countries in the world and the people living there. We take responsibility for people and communities. With our investments we help to shape the future in a committed and sustainable manner.

OUR **TARGETS**

* On constant currency basis

GROUP EXECUTIVE COMMITTEE

KENTON JARVIS
Group Director Controlling and Financial Director Tourism

ELIE BRUYNINCKX
Western Region

DAVID BURLING
Member of the Executive Board;
Nothern Region, Airlines, Hotel Purchasing

FRIEDRICH JOUSSEN
Joint CEO

PETER LONG
Joint CEO

DR HILKA SCHNEIDER
Director Legal, Compliance & Board Office

THOMAS ELLERBECK
Group Director Corporate & External Affairs

SEBASTIAN EBEL

Member of the Executive Board;

Central Region, Hotels and Resorts, Cruises, TUI Destination Services and IT

WILLIAM WAGGOTT

Member of the Executive Board;

Specialist Group, Hotelbeds Group

ERIK FRIEMUTH

Group Chief Marketing Officer

DR ELKE ELLER

Member of the Executive Board;

Human Resources

FRANK ROSENBERGER

Group Director Strategy

HORST BAIER

Member of the Executive Board;

CFO

Please refer to our website for CVs www.tuigroup.com/en-en/about-us/management

Marine habitats are essential to the cruise sector. That is why the design of the Mein Schiff newbuilds paid such careful attention to using resources wisely and keeping emissions low. Mein Schiff 5 is currently under construction in Finland; two sister ships are already plying the oceans with their advanced environmental technology.

» READ MORE ABOUT BUILDING MEIN SCHIFF 5 IN OUR MAGAZINE UNDER „FULL STEAM AHEAD"

TO OUR SHAREHOLDERS

CONTENTS

*As part of the Management Report

(from left to right)

Top row:
Prof. Christian Strenger, Timothy Martin Powell, Dr Dierk Hirschel, Marcell Witt, Maxim G. Shemetov, Michael Pönipp, Andreas Barczewski, Peter Bremme, Wilfried H. Rau

Middle row:
Ortwin Strubelt, Carola Schwirn, Prof. Dr Edgar Ernst, Janis Carol Kong, Anette Strempel, Carmen Riu Güell

Bottom row:
Frank Jakobi (Vice Chairman), Coline Lucille McConville, Prof. Dr Klaus Mangold (Chairman), Sir Michael Hodgkinson (Vice Chairman), Valerie Frances Gooding

REPORT OF THE SUPERVISORY BOARD

Ladies and Gentlemen,

The Report of the Supervisory Board presented below tells you about our activities in financial year 2014 / 15.

A successful business year marked by ground-breaking change

TUI AG is looking back upon a financial year marked by charting a new course. On 28 October 2014, the Extraordinary General Meetings of TUI Travel PLC ("TUI Travel") and TUI AG resolved the merger of the two companies in the form of an all-share nil-premium merger. This means that you, our shareholders, gave the final go-ahead to fully merge two companies which had been largely independent beforehand. Both the Executive Board and Supervisory Board promised you that they would tap into substantial synergies, not least by removing overlapping functions at the two holdings but also through a deeper integration of the two business models. We have worked hard to deliver these goals ever since.

The first quarter of the completed financial year was, of course, marked by preparing for the merger and its completion according to the German Stock Corporation Act, which was effected in mid-December 2014. Only a few days later, the Integration Committee, newly established by the Supervisory Board, came together for its first meeting (goals, tasks and priorities see page 29 of the present report). In Q2 to Q4 of the financial year under review, the Group's Supervisory Board, Executive Board and employees worked towards numerous goals, creating processes and structures but also a joint corporate culture for the new company, and filling it with life.

The Supervisory Board itself also underwent a successful integration process in the period under review. In accordance with the merger agreement, the Supervisory Board now includes five members of the Board of Directors of the former TUI Travel as shareholder representatives. Against this background, we were deeply involved in forging a joint understanding of corporate governance in a German stock corporation with a primary quotation on the London Stock Exchange. This constellation is currently unique and entails a number of challenges, not least in terms of understanding one another. I am therefore delighted to be able to inform you on the next few pages about the progress we have achieved. In the present Annual Report you will find some additional explanatory comments, in particular for our new shareholders from the Anglo-Saxon environment who may be less familiar with the management system in a German stock corporation.

Apart from the merger and integration, we maintained our focus on our day-to-day business. Acting in concert with the Executive Board, the Supervisory Board held in-depth discussions about our future organisational structure and the strategic development of the TUI Group's business model. We also dealt with the appalling attack in Tunisia at the end of June 2015. In several extraordinary meetings we dealt with the situation in Tunisia and the measures implemented by the Executive Board. We were greatly distressed and saddened by the killings and severe injuries suffered by defenceless TUI customers on the beach. At the same time, we were deeply concerned about the traumatisation of our employees on the ground and in the crisis teams. The Executive Board and all our employees did an outstanding job in managing the crisis, for which they won widespread recognition in Germany and elsewhere. In this context, the Supervisory Board once again turned its attention to our security and crisis management.

We also gave our opinion and voted on a number of technical issues and business transactions requiring approval. As a Supervisory Board, we focused in particular on overseeing compliance with the German Corporate Governance Code ("DCGK"), clarifying questions about the UK Corporate Governance Code ("UK Code"), offering review and consultation around the financial statements of TUI AG and the Group and adopting resolutions on personnel issues relating to the Supervisory and Executive Board. In this context we also gave much thought to the future composition of the Supervisory Board following the close of the Annual General Meeting in 2016. We issued public information on this matter and placed it on our Company's website. With the letter of invitation to the AGM 2016, you will receive the outcome of our deliberations and our proposals for candidates to stand for election as shareholder representatives on the Supervisory Board.

In summary, we can observe that your Company took a major step ahead in the financial year under review. The Company has managed to set the course for a successful future and significantly exceed the budgeted targets. Let me thank the employees and the Executive Board of the TUI Group on behalf of the Supervisory Board, for shouldering the resulting extraordinary workload.

Cooperation between the Executive Board and the Supervisory Board

As TUI AG's oversight body, the Supervisory Board provided ongoing advice and supervision for the Executive Board in managing the Company in accordance with the law, the Articles of Association and our terms of reference in financial year 2014 / 15, as it has always done. Its actions were guided by the principles of good and responsible corporate governance. Our monitoring activities essentially served to ensure that the management of business operations and the management of the Group were lawful, orderly, fit for purpose and commercially robust.

⊕

Current composition of the Supervisory Board:
www.tuigroup.com/en-en/about-us/management

INFORMATION ON THE TWO-TIER SYSTEM (TWO-TIER BOARD)

In a stock corporation according to German law, there is a mandatory strict separation of the executive board and the supervisory board. While the management of the company is the exclusive task of the executive board, the supervisory board is in charge of advising and overseeing the executive board.

The individual advisory and oversight tasks of the supervisory board are set out in accordance with the law, the Articles of Association and our terms of reference. Accordingly, the supervisory board is, for instance, closely involved in entrepreneurial planning processes and the discussion of strategic issues. Moreover, there is a defined list of specific executive board decisions requiring the consent of the supervisory board, some of which have to be fully examined in advance and require the analysis of complex facts and circumstances.

In written and verbal reports, the Executive Board provided us with regular, timely and comprehensive information at our meetings and outside our meetings. The reports encompassed all relevant facts about strategic development, planning, business performance and the position of the Group in the course of the year, the risk situation, risk management and compliance, but also reports from the capital markets (e. g. from analysts). The Executive Board discussed with us all key transactions of relevance to the Company and the further development of the Group. Any deviations in business performance from the approved plans were explained in detail. The Supervisory Board was involved in all decisions of fundamental relevance to the Company in good time. We fully discussed and adopted all resolutions in accordance with the law, the Articles of Association and our terms of reference. We were completely and speedily informed about specific and particularly urgent plans and projects, including those arising between the regular meetings. As Chairman of the Supervisory Board, I was regularly informed about current business developments and key transactions in the Company between Supervisory Board meetings.

Deliberations in the Supervisory Board and its Committees

Financial year 2014 / 15 was again characterised by a busy meeting schedule for the Supervisory Board and its Committees.

Prior to Supervisory Board meetings, the shareholder representatives on the Supervisory Board and the employees' representatives met in separate meetings, which were regularly also attended by Executive Board members. Meeting attendance was again gratifyingly high. No Supervisory Board member attended fewer than half of the Supervisory Board meetings in financial year 2014 / 15. Average attendance was 95.1 % (previous year 94.8 %) at plenary meetings and 96.9 % (previous year 93.3 %) at Committee meetings. Members unable to attend a meeting usually participated in the voting through proxies. Preparation of all Supervisory Board members was greatly facilitated by the practice of distributing documents in advance in the run-up to the meetings and largely dispensing with handouts at meetings.

ATTENDANCE AT MEETINGS OF THE SUPERVISORY BOARD 2014/15

ATTENDANCE AT MEETINGS OF THE SUPERVISORY BOARD 2014/15

Name	Supervisory Board	Presiding Committee	Audit Committee	Nomination Committee	Integration Committee	Galaxy Committee
Prof. Dr Klaus Mangold (Chairman)	9 (9)	9 (9)*	6 (6)	7 (7)*	4 (4)*	1 (1)*
Frank Jakobi (Deputy Chairman)	9 (9)	9 (9)			4 (4)	1 (1)
Sir Michael Hodgkinson (since 12 December 2014, Deputy Chairman since 9 February 2015)	6 (7)	7 (7)		5 (5)	4 (4)	
Andreas Barczewski	9 (9)	9 (9)	6 (6)			
Peter Bremme	8 (9)					
Arnd Dunse (until 30 November 2014)	1 (1)					
Prof. Dr Edgar Ernst	7 (9)		6 (6)*		3 (4)	1 (1)
Angelika Gifford (until 11 December 2014)	2 (2)					
Valerie Frances Gooding (since 12 December 2014)	6 (7)					
Dr Dierk Hirschel (since 16 January 2015)	7 (7)					
Janis Carol Kong (since 12 December 2014)	6 (7)					
Vladimir Lukin (until 11 December 2014)	2 (2)	2 (2)		2 (2)		
Coline Lucille McConville (since 12 December 2014)	7 (7)					
Michael Pönipp	9 (9)		5 (5)			
Timothy Martin Powell (since 12 December 2014)	6 (7)		5 (5)		3 (4)	
Wilfried H. Rau (since 3 December 2014)	8 (8)					
Carmen Riu Güell	8 (9)	7 (9)		6 (7)		
Carola Schwirn	9 (9)					
Maxim G. Shemetov	9 (9)	7 (7)		5 (5)		
Anette Strempel	8 (9)	8 (9)				
Prof. Christian Strenger	9 (9)		6 (6)		4 (4)	1 (1)
Ortwin Strubelt	9 (9)		6 (6)			
Marcell Witt (since 16 January 2015)	7 (7)					

(In brackets: number of meetings held)
* Chairman of Committee

TOPICS DISCUSSED BY THE SUPERVISORY BOARD

ABOUT THE CO-DETERMINED SUPERVISORY BOARD

TUI AG falls within the scope of the German Industrial Co-Determination Act (MitbestG). Its Supervisory Board is therefore composed of an equal number of shareholder representatives and employee representatives. Employee representatives within the meaning of the Act include an executive (section 5 (3) of the German Works Council Constitution Act) and three trade union representatives. All Supervisory Board members have the same rights and obligations and they all have one vote in voting processes. In the event of a tie, a second round of voting can take place according to the terms of reference for the Supervisory Board, in which case the Chairman of the Supervisory Board has the casting vote.

The meetings in detail:

1. At its meeting on 27 October 2014, the Supervisory Board discussed the status of the merger ("Project Galaxy"). It also comprehensively prepared the Extraordinary General Meeting to be held on 28 October 2014 in that context. Following preliminary discussion in the Presiding Committee, it furthermore discussed the personal performance factor for the annual performance bonus for Mr Joussen and Mr Baier for financial year 2013 / 14 and the reference indicators for the annual performance bonus for financial year 2014 / 15. The Executive Board presented its preliminary report on the completed financial year 2013 / 14 and submitted the budget for financial year 2014 / 15 and the planning for the two subsequent financial years, adopted by the Supervisory Board after deliberation. The Supervisory Board then discussed the acquisition of Europa 2 and the sale of the shareholding in Grecotel, and approved the declaration of compliance for 2014 pursuant to section 161 of the German Stock Corporation Act.

2. By written circulation on 14 November 2014, the Supervisory Board resolved to sell the stake in Grecotel.

3. On 21 November 2014, after reviewing the various options in detail and weighing up the advantages and disadvantages of

entering into a settlement in order to resist actions for annulment of AGM resolutions, the Supervisory Board resolved by written circulation to authorise the Chairman of the Supervisory Board to grant a power of attorney to external lawyers to negotiate and conclude the settlement.

4. At its meeting on 9 December 2014, the Supervisory Board extensively discussed the annual financial statements of TUI AG, the consolidated financial statements, the combined management report for TUI AG and the Group and the Report by the Supervisory Board, each having received an unqualified audit opinion from the auditors, as well as the Corporate Governance Report and the Remuneration Report. The discussions were also attended by representatives of the auditors. Following comprehensive debate of these reports and its own review carried out on the previous day by the Audit Committee, the Supervisory Board endorsed the audit result of the auditors and approved the financial statements prepared by the Executive Board and the combined management report for TUI AG and the Group prepared by the Executive Board. The annual financial statements for 2013 / 14 were thereby adopted. Moreover, the Supervisory Board approved the Report by the Supervisory Board, the Corporate Governance Report and the Remuneration Report. It also adopted the invitation to the ordinary AGM 2015.

   The Supervisory Board likewise discussed the status of the merger and the rules of a listing on the London Stock Exchange and the preparatory activities of the Executive Board for "Day One" after completion of the merger. After preliminary discussions by the Presiding Committee followed by deliberations within the Supervisory Board, the Supervisory Board adopted resolutions, applicable in the event of completion of the merger, regarding the extension of the service contracts for Executive Board members Mr Joussen and Mr Baier and the conclusion of Executive Board service contracts with Messrs Ebel, Lundgren and Waggott. The Supervisory Board furthermore adopted resolutions regarding capital increases, amendments to the Articles of Association upon completion of the merger, and the listing of the TUI AG share. It also approved resolutions by the Executive Board on the acquisition of Europa 2 and the provision of guarantees for aircraft lessors. Moreover, the Executive Board presented a report on the participation in Hapag-Lloyd AG.

5. On 9 February 2015, at the first Supervisory Board meeting following the merger, the Supervisory Board elected Sir Michael Hodgkinson as an additional Deputy Chairman and elected new Supervisory Board members to the Committees. The meeting went on to prepare the ordinary AGM in 2015 and to discuss the CEO's report on the first quarter of financial year 2014 / 15. In addition to the reports from other committees, the Integration Committee in particular reported back from its meetings. The discussions also focused on the HR and Social Report and the status of the planned global employee survey. Moreover, the Supervisory Board approved the acquisition of the cruise ship Splendour for the UK market.

6. On 12 May 2015, the Supervisory Board discussed changes in the composition of the Executive Board (for more detailed information, see page 36, Supervisory Board and Executive Board) and discussed the plans to adjust the leadership structure with the Executive Board. It also comprehensively debated the reports by the Executive Board on Q2 and H1 of financial year 2014 / 15, with the auditors also in attendance for this agenda item. The Executive Board provided information on the structure and contents of the Capital Markets Day to be held the following day, and presented a new draft format for a monthly reporting to the Supervisory Board about operating performance , which was subsequently adopted. Moreover, the Supervisory Board approved a number of transactions (e.g. the construction of cruise ships Mein Schiff 7 and Mein Schiff 8 and the sale of cruise ships Mein Schiff 1 and Mein Schiff 2 to Thomson) and adopted a resolution on the transfer of TUI Travel share options to TUI AG. It also discussed a report on the interpretation of related party transactions and the draft agenda for the Supervisory Board's strategy meeting to be held in September.

7. The terms and conditions of the termination agreement with Mr Lundgren was put to a vote by written circulation on 22 May 2015.

8. At the meeting on 30 June 2015, convened at short notice due to the urgency of the issue, the Supervisory Board was informed about the situation following the terrorist attack in Tunisia on 26 June 2015 and the crisis management by the Executive Board. The members were informed in detail about the processes, the measures implemented and the situation of customers and employees.

9. On 9 July 2015, the Supervisory Board held a further extraordinary meeting to learn about the impact of the attacks in Tunisia. It agreed a time schedule for an overall presentation and discussion with the Executive Board of established procedures and measures for crisis prevention and management in the Group.

10. At a further extraordinary meeting on 31 July 2015, the Supervisory Board resolved to appoint Dr Elke Eller as an Executive Board member and Labour Director with effect from 15 October 2015 after she had personally introduced herself and after comprehensive discussion of the matter in the Presiding Committee. The Supervisory Board furthermore defined the key terms and conditions of her service contract as well as the schedule of responsibilities. The Executive Board informed the Supervisory Board about the recent developments following the terrorist attack in Tunisia and about the planned IPO of Hapag-Lloyd AG. An outline was also provided of the state of play and thinking on changes to the remuneration for the Supervisory Board.

11. At the two-day strategy meeting on 2 and 3 September 2015, the Supervisory Board discussed the strategic goals of TUI AG and held in-depth debates on various issues. On the first day, our exchange focused, inter alia, on the challenges in source

market Germany and the approaches developed by the Executive Board. Discussions also dealt with the characteristics of the Chinese market and various options for a potential engagement of TUI AG. The Executive Board presented the underlying thinking, goals and implementation schedule for the Group's global brand strategy to the Supervisory Board for discussion. After considering further topics, the Supervisory Board adopted the 5-year plan for TUI AG submitted by the Executive Board. On the second day, discussions focused, inter alia, on the prevention and crisis management system for Tourism, based on proposals submitted by the Executive Board. Debates also dealt with various corporate governance issues, based on a joint belief in the importance of good corporate governance that is reflected on the Supervisory Board and Executive Board; issues included the regular limit on length of service on the Supervisory Board, the implementation of an efficiency review for the work performed by the Supervisory Board, and a female quota for the Executive Board. The Supervisory Board also approved an extension to a revolving credit facility and the sale of the LateRooms Group, and reviewed the status of the planned IPO of Hapag-Lloyd AG.

12. At its extraordinary meeting on 23 September 2015, the Supervisory Board debated and resolved a number of issues to be proposed to the AGM 2016 with regard to the future composition of the Supervisory Board, the remuneration system for the Supervisory Board, the establishment and composition of committees and a regular limit on length of service on the Supervisory Board. It also adopted a resolution regarding the payment of an additional cash compensation (discretionary bonus) to the Executive Board members for their excellent and extremely time-intensive work in the implementation of the merger and the integration process as well as the delivery of synergies.

Furthermore, in addition to Supervisory Board meetings, the following workshops were held in the framework of the merger and integration process:

- a one-day induction workshop for new Supervisory Board members on 2 December 2014, and
- a joint workshop on selected items of German and British corporate governance with internal and external experts on 23 April 2015.

A further workshop was held after the period under review on 6 November 2015.

Committee meetings

In the period under review, the Supervisory Board had set up five committees to support its work: the Presiding Committee, the Audit Committee, the Nomination Committee, the so-called Galaxy Committee, and the Integration Committee. The committee members and chairpersons are shown in the above table on attendance at meetings.

See page 25

Moreover, it established a committee pursuant to section 27 (3) of the German Industrial Co-Determination Act ("Mediation Committee"). This did not meet during the period under review. The members of the Mediation Committee are Prof. Dr Mangold, his deputy Frank Jakobi, Carmen Riu and Carola Schwirn.

PRESIDING COMMITTEE

Members of the Presiding Committee:
- Prof. Dr Klaus Mangold
- Frank Jakobi
- Sir Michael Hodginson
- Andreas Barczewski
- Carmen Riu Güell
- Maxim G. Shemetov
- Anette Strempel

At its meeting on 27 October 2014, the Presiding Committee discussed the progress of the Galaxy Project with the Executive Board. It continued the meeting without the Executive Board to determine the reference indicators for the Executive Board's annual performance bonus for 2014 / 15 and the personal performance factor for the Executive Board's annual performance bonus for 2014 / 15. It also discussed the status of negotiations on service contracts for Executive Board members in the event of a merger.

At its meeting on 9 December 2014, the Presiding Committee focused on an in-depth discussion of the imminent completion of the merger. It also prepared the extension of the Executive Board service contracts for Messrs Joussen and Baier, and the conclusion of new Executive Board service contracts for Messrs Ebel, Lundgren and Waggott in the event of completion of the merger.

The Presiding Committee met on 9 February 2015 to discuss a number of matters relating rto the Executive Board and its composition. The focus was on launching an advertisement and recruitment process to appoint an Executive Board member in charge of HR. Other issues discussed were a female and gender quota, challenges regarding the variable compensation of the Supervisory Board in the light of UK Code and pay structures in the merged Company.

On 12 May 2015 the focus was on an imminent reshuffling of the Executive Board (details see page 36, Supervisory Board and Executive Board). The Presiding Committee also discussed ideas for meeting a female quota on the Executive Board, which had in the meantime progressed further, the planned transfer of TUI Travel stock options to TUI AG and the tax proceedings regarding Castelfalfi / Italy.

On 30 May 2015, using the written circulation method, the Presiding Committee approved the role of Non-Executive Director and subsequently Chairman of the Board of Directors at Royal Mail PLC in the UK, for which Mr Long had applied.

On 3 July 2015, the Presiding Committee focused on the appointment of Dr Eller as a member of the Executive Board and Labour Director, reflecting the process that had taken place. When Dr Eller had personally introduced herself and answered questions raised by the members of the Presiding Committee, the Presiding Committee felt persuaded that it should propose appointment of Dr Eller to the Supervisory Board and authorise the Chairman to engage in further contract negotiations. Moreover, Dr Joussen informed the Presiding Committee about crisis management after the terrorist attack in Tunisia.

On 31 July 2015, the Presiding Committee met for a further extraordinary meeting. Following discussion of the final terms and conditions of the service contract for Dr Eller, the Presiding Committee adopted recommendations for resolutions by the Supervisory Board. It also started to discuss the latest information regarding a change in the remuneration system for the fixed remuneration for the Supervisory Board and initial ideas for granting an additional cash remuneration (so-called discretionary bonus) to Executive Board members.

At a joint extraordinary meeting of the Presiding Committee and the Nomination Committee held on 25 August 2015, there were in-depth deliberations about the future composition of the Supervisory Board after the close of the Annual General Meeting in 2016. The agenda included the election of shareholder representatives to the Supervisory Board, the future remuneration system for the Supervisory Board and the structure and potential composition of the Committees.

The agenda for the Presiding Committee meeting on 1 September 2015 included preparatory discussions about setting a female quota for the Executive Board, the definition of a regular limit on length of service on the Supervisory Board and its future remuneration system, as well as the granting of an additional cash payment to Executive Board members (so-called discretionary bonus).

On 23 September 2015, the Presiding and Nomination Committee again met for a joint extraordinary meeting. They discussed and prepared resolutions to be adopted by the Supervisory Board on various matters related to the Executive and Supervisory Boards, e.g. fixing a regular limit on length of service on the Supervisory Board, the future remuneration system for the Supervisory Board and an examination of the legal modalities for transitioning to a new system, the structure and composition of the Committees and extending the option to elect an additional deputy chairman beyond the AGM 2016. Moreover, the final resolution regarding the granting of an additional cash payment (discretionary bonus) for Executive Board members was discussed.

AUDIT COMMITTEE

Members:

- Prof. Dr Edgar Ernst
- Andreas Barczewski
- Prof. Dr Klaus Mangold
- Michael Pönipp
- Timothy Martin Powell
- Prof. Christian Strenger
- Ortwin Strubelt

In the completed financial year, the Audit Committee held six ordinary and one extraordinary meetings. For the tasks and the advisory and resolution-related issues discussed by the Audit Committee, we refer to the comprehensive report on page 32.

NOMINATION COMMITTEE

Members:

- Prof. Dr Klaus Mangold
- Sir Michael Hodgkinson
- Carmen Riu Güell
- Maxim G. Shemetov

At its meeting on 27 October 2014, the Nomination Committee focused in particular on the composition of the shareholder representatives on the Supervisory Board after the planned merger and discussed alternative scenarios in case the merger should fail.

On 9 December 2014 the agenda of the Nomination Committee included discussions of the forthcoming changes in the composition of the shareholder representatives in the event of the merger. The Committee resolved to propose Maxim G. Shemetov, previously only appointed by court order, for election by the ordinary AGM 2015.

At its meeting on 9 February 2015, the Nomination Committee agreed the process to be pursued in selecting and choosing appropriate candidates to be proposed for election by the AGM 2016.

At its meeting on 11 May 2015, the Nomination Committee discussed its initial ideas regarding the future composition of the shareholder representatives on the Supervisory Board after the AGM 2016. It also debated various facets of fixed and performance-related remuneration for the Supervisory Board members in the historical and cultural context in Germany and the UK.

Regarding the extraordinary joint meeting of the Nomination Committee and the Presiding Committee on 25 August 2015, we refer to the information presented above in the section on the Presiding Committee.

On 1 September 2015, the Nomination Committee discussed the impact of fixing a regular limit on length of service on the Supervisory Board for the shareholder representatives. It also debated evolving ideas about the composition of shareholder representatives on the Supervisory Board after the AGM 2016.

Regarding the extraordinary joint meeting of the Nomination Committee and the Presiding Committee on 23 September 2015, we refer to the information presented above in the section on the Presiding Committee.

GALAXY COMMITTEE

Members:

- Prof. Dr Klaus Mangold
- Frank Jakobi
- Prof. Dr Edgar Ernst
- Prof. Christian Strenger

The Galaxy Committee was established by a resolution adopted by the Supervisory Board on 3 September 2014. Its task was the final deliberation and adoption of resolutions, where necessary, regarding ad hoc issues in connection with the planned merger between TUI AG and TUI Travel.

At its meeting on 24 October 2014, the Galaxy Committee focused on preparing the EGM on 28 October 2014.

Following completion of the merger, the Galaxy Committee was merged with the newly established Integration Committee.

INTEGRATION COMMITTEE

Members:

- Prof. Dr Klaus Mangold
- Frank Jakobi
- Sir Michael Hodgkinson
- Prof. Dr Edgar Ernst
- Timothy Martin Powell
- Prof. Christian Strenger

At its meeting on 15 December 2014, the Integration Committee discussed the deliberations of an external expert on the successful management and completion of integration processes. The Integration Committee also reviewed the integration reporting planned by the Executive Board and synergy management for the various work packages to be performed.

On 9 February 2015, the Integration Committee dealt with various agenda items including a comparison of the levels of remuneration of the executive staff of the merged company. It also held an in-depth discussion of the report presented by the Executive Board on the status of integration and the synergies delivered. It furthermore adopted a resolution to commission the Deloitte company with providing external consultancy to the Integration Committee and Supervisory Board based on its proven expertise and experience in similar integration projects.

On 11 May 2015, the Integration Committee discussed the report presented by Deloitte, providing observations and recommendations regarding the integration process. It went on to discuss the report presented by the Executive Board on the status of integration and synergies delivered. The Integration Committee then focused on the Executive Board's planned project to launch a brand strategy featuring one common global brand for the entire Group (oneBrand project).

At its meeting on 1 September 2015, the agenda focused on the report on the status of integration and synergies as well as cultural issues related to integration. The Integration Committee also discussed a report presented by the Executive Board on post-merger organisational balance at top management level.

Corporate Governance

The Supervisory Board regularly discusses corporate governance issues at great length.

In the so-called 2.7 Announcement and the ad-hoc announcement published on 15 September 2014, TUI AG had stated that the Company was going to remain a German stock corporation with the two-tier system established by the German Stock Corporation Act, i.e. both an Executive Board and a Supervisory Board. However, due to the primary quotation of the share on the London Stock Exchange, various provisions of the Listing Rules, Disclosure and Transparency Rules and the UK Code also have to be directly applied. Regarding application of the German Corporate Governance Code (DCGK) and the UK Code, TUI AG and TUI Travel also announced on 15 September 2014 that they were going to comply to the extend practicable with both codes mentioned above.

For the DCGK, conceptually founded, inter alia, on the German Stock Corporation Act, we issued an unqualified declaration of compliance for 2015 pursuant to section 161 of the German Stock Corporation Act. By contrast, there are some deviations from the UK Code driven for the most part by the different concepts underlying a one-tier management system for a public listed company in the UK (one-tier board) and the two-tier management system comprised of Executive Board and Supervisory Board in a stock corporation based on German law.

More detailed information on corporate governance, the declaration of compliance for 2015 pursuant to section 161 of the German Stock Corporation Act and the declaration on deviations from the UK Code is provided in the Corporate Governance Report in the present Annual Report, prepared by the Executive Board and the Supervisory Board, as well as on TUI AG's website.

Audit of the annual and consolidated financial statements of TUI AG and the Group

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover, audited the annual financial statements of TUI AG prepared in accordance with the provisions of the German Commercial Code (HGB), as well as the joint management report of TUI AG and the TUI Group, and the consolidated financial statements for the 2014 / 15 financial year prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS), and issued their unqualified audit certificate. The above documents, the Executive Board's proposal for the use of the net profit available for distribution and the audit reports by the auditors had been submitted in good time to all members of the Supervisory Board. They were discussed in detail at the Audit Committee meeting of 8 December 2015 and the Supervisory Board meeting of 9 December 2015, convened to discuss the annual financial statements, where the Executive Board provided comprehensive explanations of these statements. At those meetings, the Chairman of the Audit Committee and the auditors reported on the audit findings, having determined the key audit areas for the financial year under review beforehand with the Audit Committee. Neither the auditors nor the Audit Committee identified any weaknesses in the early risk detection and internal control system. On the basis of our own review of the annual financial statements of TUI AG and the Group and the joint management report, we did not have any grounds for objections and therefore concur with the Executive Board's evaluation of the situation of TUI AG and the TUI Group. Upon the recommendation of the Audit Committee, we approve the annual financial statements for financial year 2014 / 15; the annual financial statements of TUI AG are thereby adopted. We comprehensively discussed the proposal for the appropriation of profits with the Executive Board and approved the proposal in the light of the current and expected future financial position of the Group.

Audit opinion see page 304 et seqq.

Executive Board, Supervisory Board and committee membership

The composition of the Executive Board and Supervisory Board as at 30 September 2015 is presented in the annex to the Notes. In financial year 2014 / 15, the composition of the boards changed as follows:

SUPERVISORY BOARD

Since the completion of the merger, the Supervisory Board has comprised 20 members in accordance with the law and the Articles of Association. For the timing of the completion of the merger, Angelika Gifford and Vladimir Lukin had declared their intention to step down early from their Supervisory Board functions. In this context, Sir Michael Hodgkinson and Timothy Martin ("Minnow"), elected by the AGM on 28 October 2014, succeeded them as members of the Supervisory Board for the remaining term of office. The term of office of Sir Michael Hodgkinson and Timothy Martin ("Minnow") Powell therefore expires at the close of the AGM where their acts of management for the financial year ended on 30 September 2015 are ratified. Sir Michael Hodgkinson was elected as additional Deputy Chairman by the Supervisory Board at its meeting on 9 February 2015.

Upon completion of the merger, Valerie Frances Gooding, Janis Carol Kong and Coline Lucille McConville, elected by the AGM on 28 October 2014, became members of the Supervisory Board. Their term of office will expire at the close of the AGM where their acts of management for the financial year ended on 30 September 2019 are ratified.

Maxim G. Shemetov, only appointed by court in March 2014, was elected for a full term of office of around five years at the AGM on 10 February 2015. His term of office will expire at the close of the AGM where his acts of management for the financial year ended on 30 September 2019 are ratified.

Arnd Dunse was appointed managing director of TUI Deutschland GmbH with effect from 1 December 2014. Against this background, he stepped down before the end of his mandate from his Supervisory Board function with effect from 30 November 2014. With effect from 3 December 2014, Wilfried H. Rau was appointed as employee representative by the register court.

Moreover, Dr Dierk Hirschel and Marcell Witt were appointed as employee representatives on the Supervisory Board by the register court with effect from 16 January 2015.

The terms of office of Wilfried H. Rau, Dr Dierk Hirschel and Marcel Witt will expire upon the close of the AGM where their acts of management for the financial year ended 30 September 2015 are ratified.

PRESIDING COMMITTEE

Vladimir Lukin, who also left the Presiding Committee when he stepped down from the Supervisory Board, has been succeeded by Maxim G. Shemetov, elected as a Presiding Committee member by the Supervisory Board on 9 February 2015. Following completion of the merger, Sir Michael Hodgkinson was additionally elected as a Presiding Committee member on 9 February 2015.

AUDIT COMMITTEE

Arnd Dunse, who also left the Audit Committee when he stepped down from the Supervisory Board, has been succeeded by Michael Pönipp, elected as an Audit Committee member by the Supervisory Board on 9 December 2014. Upon completion of the merger, Timothy Martin ("Minnow") Powell was additionally elected as an Audit Committee member on 9 February 2015.

NOMINATION COMMITTEE

Vladimir Lukin, who also left the Nomination Committee when he stepped down from the Supervisory Board, has been succeeded by Maxim G. Shemetov, elected as a Nomination Committee member by the shareholder representatives on the Supervisory Board on 9 February 2015. Following completion of the merger, Sir Michael

Hodgkinson was additionally elected as a Nomination Committee member by the shareholder representatives on 9 February 2015.

The Supervisory Board thanks all members who left in financial year 2014 / 15 for their cooperation in a spirit of constructive confidence.

EXECUTIVE BOARD

Upon completion of the merger, the appointments of Messrs Ebel, Lundgren and Waggott as Executive Board members took effect. At the same time, the appointment of Mr Joussen was extended before the expiry of his service contract by five years, the appointment of Mr Baier by three years and the appointment of Mr Long until the end of the AGM 2016. None of the reappointments related to a contract not yet having reached the last year of the ongoing appointment period.

Mr Lundgren stepped down with effect from 30 May 2015. Mr Burling was appointed as an Executive Board member with effect from 1 June 2015. On 31 July 2015, Dr Elke Eller was appointed as an Executive Board member with effect from 15 October 2015. During the process of searching for and selecting candidates, the Presiding Committee and the Supervisory Board were consulted by the specialist company Stuart Spencer and Heiner Thorborg.

Until the completion of the merger on 11 December 2014, to avoid any conflict of interest, Mr Long did not take part in any Executive Board meetings nor in any Supervisory Board meetings to the extent that they entailed discussions or resolutions of issues concerning Project Galaxy.

On behalf of the Supervisory Board

Hanover, 9 December 2015

Prof. Dr Klaus Mangold
Chairman of the Supervisory Board

AUDIT COMMITTEE REPORT

Dear Shareholders,

As the Audit Committee, it is our job to assist the Supervisory Board in carrying out its monitoring function during the financial year, particularly in relation to accounting and financial reporting for the TUI Group, as required by legal provisions, the Corporate Governance Code and the Supervisory Board Terms of Reference.

In addition to these core functions, we are responsible in particular for monitoring the effectiveness and proper functioning of internal controls, the risk management system, the Internal Audit Department and the Legal and Regulatory compliance system.

The Audit Committee advises the Supervisory Board on who should be proposed as external auditors at the Annual General Meeting (AGM). Once the AGM has approved the appointment of the auditors, the Supervisory Board then formally appoints them to conduct the audit of the annual consolidated financial statements and the review of the quarterly interim financial reports.

The Audit Committee consists of 7 Supervisory Board members as follows:

- Prof. Edgar Ernst (Chairman)
- Andreas Barczewski
- Prof. Klaus Mangold
- Prof. Christian Strenger
- Ortwin Strubelt
- Michael Pönipp (since 9 December 2014)
- Minnow Powell (since 9 February 2015)

On 9 December 2014, Mr Michael Pönipp replaced Mr Arnd Dunse on the Audit Committee after the latter left the Supervisory Board. On 9 February 2015, another member was added to the committee. Mr Minnow Powell, previously Chairman of the Audit Committee of TUI Travel PLC (TUI Travel), was appointed by TUI AG's Supervisory Board to its Audit Committee following the merger of TUI AG and TUI Travel.

Both the Chairman of the Audit Committee and the remaining members of the Audit Committee are seen by the Supervisory Board to meet the criterion of being independent. In addition to the Chairman of the Audit Committee, at least one other member has expertise in the field of accounting and is experienced with the use of accounting principles and internal control systems.

The Audit Committee has six regular meetings a year; additional meetings can also be held on specific topics. The meeting dates and agendas are based both on the Group's reporting cycle and on the Supervisory Board agendas. The Chairman of the Audit Committee reports on the work of the Audit Committee and the proposals it makes to the Supervisory Board meeting that follows each Audit Committee meeting.

Apart from the Audit Committee members, the meetings have been attended by the Chairman of the Executive Board, the CFO and the following management members, based on the topics covered:

- Director of Group Financial Accounting
- Director of Group Audit
- Director of Compliance & Risk
- Director of Corporate Finance
- Director of Group Tax

Auditors PricewaterhouseCoopers Aktiengesellschaft (PwC) have also been invited to meetings on relevant topics. Wherever required, additional members of TUI Group senior management and operational management have been asked to attend Audit Committee meetings, as have external consultants.

Where it was deemed necessary to go into further detail on specific topics or cases, the Chairman of the Audit Committee held – in addition to Audit Committee meetings – individual meetings with the Executive Board, senior management or auditor representatives as appropriate. The Chairman of the Audit Committee reported on the key findings and conclusions from these meetings in the next Audit Committee meeting.

Six regular Audit Committee meetings and one extraordinary meeting were held during the period under review. The members of the committee took part in these meetings as shown in the table on page 25.

Effects of the merger of TUI AG and TUI Travel on the work of the Audit Committee

The merger of TUI AG with TUI Travel that took place in the period under review through the acquisition of outstanding TUI Travel shares had, given the significance of this transaction, a major impact on the Group's organisational structure. In this context, the Audit Committee has, since the meeting in February 2015, dealt in detail with the status of integration in the areas of Group Financial Accounting, Internal Audit and Compliance & Risk Management. The decision to elect Minnow Powell to the Audit Committee was of particular importance owing to his in-depth knowledge of TUI Travel .

We believe that the integration work in the areas mentioned above were largely completed by the end of the financial year and that the relevant systems were also in place in the new organisation. The experience of both parts of the company has been brought together according to the "best of both worlds" principle.

In addition, aspects of UK Corporate Governance have been applied to the work of the Audit Committee insofar as possible whilst still being in accordance with the relevant regulations of a German stock company. As far as possible, this has taken into account – earlier than required – specific European Union regulations affecting the future work of audit committees.

Reliability of financial reporting and monitoring of accounting process

In a German stock corporation the Executive Board is responsible for drafting the Annual Report & Accounts (ARA). According to S. 243 para. 2 of the German Commercial Law (Handelsgesetzbuch) the ARA must be clearly arranged and should mirror a realistic picture of the Company's economic situation. This is equivalent to the UK-Code requirement for the ARA to be fair, balanced and understandable – although this assessment has not been delegated to the Audit Committee (C3.4) – and the Executive Board is comfortable that this ARA satisfies both requirements.

In order to ensure ourselves of the reliability of both the annual financial statements and interim (quarterly) reporting, we have requested that the Executive Board inform us in detail about the Group's operational performance and its financial situation. This was done in the four Audit Committee meetings that took place directly before the financial statements in question were published. In these meetings, the relevant reports were discussed and the auditors also reported in detail on key aspects of the financial statements and on the findings of their audit or review of those financial statements.

In order to monitor accounting, we examined individual aspects in great detail, particularly areas, areas impacted by the merger of TUI AG and TUI Travel. In addition, the accounting treatment of key balance sheet items, such as goodwill, touristic prepayments, pension provisions, other provisions, including maintenance provisions, income taxes were reviewed. In each case we reviewed the underlying data and confirmed that the judgements were reasonable and in acceptance with the auditor's view. Moreover the implementation of new IFRSs, material litigations and key accounting issues arising from the operating businesses were assessed by the Audit Committee.

In the period under review, we concerned ourselves with the following individual subjects:

Effects and accounting treatment arising from the acquisition of the outstanding shares in TUI Travel by TUI AG, in particular the accounting for equity and debt financing measures, the allocation of goodwill, the capitalisation of tax losses to be carried forward, segment reporting and the necessary reporting obligations in accordance with the provisions of the UK Corporate Governance code. Topics discussed also included the going concern analysis prepared by the Company to support the going concern statements in the half-year and year-end financial statements, and the additional Viability Statement made in the Annual Report which is a new requirement this year under the UK Corporate Governance Code.

As part of the continuation of the Castelfalfi development project in Italy, the Audit Committee received regular reports on the status of the business and management's considerations regarding the safeguarding of the value of the investment in the long term. The write-down of the book value that was effected for the annual financial statements was discussed in detail. In connection with this project, the Audit Committee received in an extraordinary meeting in June a report on the settlement of tax proceedings brought by the Italian authorities against the business.

The August meeting included reports on both the effects of the terrorist attacks in Tunisia and the Greek financial crisis on the Company's operations and financial position.

The valuation logic with regard to the Hapag-Lloyd AG shares was discussed in detail on numerous occasions in the course of the financial year, and particularly at the year end with respect to the impairment that has been booked due to the current market situation of the container shipping industry.

The consistency and logic of the reconciliation from profit before tax to the key figure "underlying earnings" was discussed for all quarterly reports and the year-end financial statements.

The operating performance of the joint venture in Russia was also subjected to critical appraisal during the year.

Our evaluation of all discussed aspects of accounting and financial reporting has been in line with that of both management and the Group auditors.

The consolidated financial statements and summarised management report for the TUI Group and the annual financial statements for the TUI AG entity as at 30 September 2014 were the subject of a random audit during 2015 by the German Financial Reporting Enforcement Panel (DPR). The Audit Committee concerned itself with the progress of the audit several times during the year. The audit came to an end on 30 September 2015 without any errors or other material findings being identified.

Effectiveness of internal controls and the risk management system

The Audit Committee recognises that a robust and effective system of internal control is critical to achieving reliable and consistent business performance. To fulfil its monitoring function, the Audit Committee is informed regularly about the current status of internal controls and the risk management system and also about the further development of them.

The Group has continued to evolve its internal control framework which is underpinned by the COSO concept. In recent years the larger businesses in the Group have completed documentation of their main financial processes and regular testing by management of the key financial controls as a matter of routine is the next area of development.

The Group continues to have separate Compliance teams for the functions of Finance, Legal & Regulatory and IT, and these teams play a crucial role in improving controls across the Group and identifying areas where more focus is required. The Group auditors also report to us on any weaknesses they find in the internal control system of individual Group companies, and management tracks these items to ensure that they are addressed on a timely basis.

The Audit Committee receives regular reports on the performance and effectiveness of the risk management system, as noted in the Risk Report on page 97. It is noted that the Risk Oversight Committee (ROC) is an important management committee within the Group and we are satisfied that there is appropriate, active management of risk throughout the Group.

The Internal Audit Department ensures the independent monitoring of implemented processes and systems and reports directly to the Audit Committee on a quarterly basis. In the period under review, the Audit Committee was not provided with any audit findings indicating material weaknesses in the international control system or risk management system. In addition talks are held regularly between the Chairman of the Audit Committee and the Director of Internal Audit for the purposes of closer consultation and each year the internal audit plan is presented to the Audit Committee, discussed and approved. These regular points of contact give the Audit Committee comfort that the Internal Audit Department is working effectively. Prior to the merger, TUI Travel's Internal Audit Department was also assessed for effectiveness by an external third party to give additional comfort. While an external effectiveness review has not taken place in 2015, due to the completion of the merger and the organisational changes which followed, it is our intention to resume the external reviews from 2016.

During the year, in addition to the reporting on the core elements of the internal control and risk management system, we received reports on the status of the Legal & Regulatory Compliance systems, on the Group's hedging transactions (including the guidelines on which these are based), on insurance management, the status of IT security and individual crisis management processes.

Whistleblowing for staff members in case of potential impropriety

Across the Group, systems are implemented which allow staff members to raise concerns about infringements of groupwide compliance standards. As part of the Legal Compliance reporting, we received information about the status of the integration of the exisiting whistleblowing systems and the material notifications throughout the financial year.

Examination of auditor independence and objectivity

In December 2014 the Audit Committee recommended to the Supervisory Board that it propose the existing auditors PwC to the Annual General Meeting as auditors for financial year 2014/15. PwC has audited the TUI Group for more than 20 years and the Audit Committee has always held PwC's work to be of high quality. Whilst the last time that the Group audit was put out to tender was in financial year 2008, it did not seem appropriate to issue an invitation to tender in financial year 2014/15 due to the completion of the merger and the extra accounting complexity it created. It is noted that, in accordance with the EU regulation 537/2014 governing the rotation of auditors, it was decided to put the Group audit out to tender in financial year 2015/16 for the financial statements as at 30 September 2017.

Following the approval of PwC as auditors by the Annual General Meeting in February 2015, the Supervisory Board appointed PwC with the task of auditing the 2014/15 annual financial statements and reviewing the interim financial statements. The Audit Committee discussed with PwC their audit plan for this year's annual financial statements, including the main companies to be audited from the Group's perspective and the key areas of focus for the audit. Based on this, the Audit Committee firmly believes that the audit has taken into account the main financial risks to an appropriate degree and is satisfied that the auditors are independent and objective in how they conduct their work. The Group audit fee was also discussed and again we are comfortable that it has been set at an appropriate level. Through this regular engagement with the auditors, we are able to satisfy ourselves that the external audit process is effective.

Where the auditor has performed services that do not fall under the scope of the Group audit, the nature and extent of these services have been explained to the Audit Committee. In financial year 2014/15, these non-audit services accounted for 38% of the auditor's fees, which totalled €18.6m. The non-audit fees included services incurred in relation to the merger. Excluding those merger related fees the ratio would have been 17%. Together with management, we have discussed guidelines for approving non-audit services, which comes into force in financial year 2015/16. These take into account the requirements from the regulations of EU regulation 537/2014 on prohibited non-audit services and on limitations of the scope of non-audit services.

I would like to take this opportunity to thank the Audit Committee members, the auditors and the management for their hard work over the past financial year.

Hanover, 8 December 2015

Prof. Edgar Ernst
Chairman of the Audit Committee

Executive Board and Supervisory Board

Annex to the Notes

SUPERVISORY BOARD

Name	Function / Occupation	Location
Prof. Dr Klaus Mangold	Chairman of the Supervisory Board of TUI AG Chairman of the Supervisory Board of Rothschild GmbH	Stuttgart
Frank Jakobi[1]	Deputy Chairman of the Supervisory Board of TUI AG Travel Agent	Hamburg
Sir Michael Hodgkinson (since 12 December 2014)	Deputy Chairman of the Supervisory Board of TUI AG	London
Andreas Barczewski[1]	Aircraft Captain	Hanover
Peter Bremme[1]	Regional Head of the Special Division of ver.di – Vereinte Dienstleistungsgewerkschaft	Hamburg
Arnd Dunse[1] (until 30 November 2014)	Head of Group Controlling Department of TUI AG	Bad Nenndorf
Prof. Dr Edgar Ernst	President of Deutsche Prüfstelle für Rechnungslegung (DPR)	Berlin
Angelika Gifford (until 11 December 2014)	President Hewlett Packard Germany, Vice President HP Software Germany	Kranzberg
Valerie Frances Gooding (since 12 December 2014)	Member of supervisory bodies in different companies	Weybridge
Dr Dierk Hirschel[1] (since 16 January 2015)	Business unit manager of the trade-union ver.di – Vereinte Dienstleistungsgewerkschaft	Berlin
Janis Carol Kong (since 12 December 2014)	Member of supervisory bodies in different companies	London
Vladimir Lukin (until 11 December 2014)	Senior Vice President Legal Affairs, OAO Severstal First Deputy CEO, ZAO Sever Group First Deputy CEO, OOO Kapital	Moscow
Coline Lucille McConville (since 12 December 2014)	Member of supervisory bodies in different companies	London
Michael Pönipp[1]	Hotel Clerk	Hanover
Timothy Martin Powell (since 12 December 2014)	Member of supervisory bodies in different companies	London
Wilfried H. Rau[1] (since 3 December 2014)	Director Group Audit	Hanover
Carmen Riu Güell	Entrepreneur	Palma de Mallorca
Carola Schwirn[1]	Department Coordinator in the Transportation Division of ver.di – Vereinte Dienstleistungsgewerkschaft	Berlin
Maxim G. Shemetov	Head of Investment Management, Travel Sector, ZAO Sever Group	Moscow
Anette Strempel[1]	Travel Agent	Hemmingen
Prof. Christian Strenger	Member of Supervisory Boards	Frankfurt / Main
Ortwin Strubelt[1]	Travel Agent	Hamburg
Marcell Witt (since 16 January 2015)	Referee of Group and European Works Councils of TUI AG	

[1] Representative of the employees
[2] Information refers to 30 September 2015 or date of resignation from the Supervisory Board of TUI AG in financial year 2014/15.
[3] Chairman
[4] Deputy Chairman

a) Membership in supervisory boards within the meaning of section 125 of the German Stock Corporation Act (AktG)
b) Membership in comparable German and non-German bodies of companies within the meaning of section 125 of the German Stock Corporation Act (AktG)

Initial Appointment	Appointed until AGM	Other Board Memberships[2]		Name
7 Jan 2010	2016	a) Alstom AG[3]	b) Alstom S. A.	**Prof. Dr Klaus Mangold**
		Continental AG	Baiterek Holding JSC	
			Ernst & Young	
			Rothschild GmbH[3]	
			Swarco AG[4]	
15 Aug 2007	2016			**Frank Jakobi[1]**
12 Dec 2014	2016	b) Keolis (UK) Limited[3]		**Sir Michael Hodgkinson**
		Keolis Amey Docklands Ltd.		(since 12 December 2014)
10 May 2006	2016			**Andreas Barczewski[1]**
2 July 2014	2016	a) TÜV Nord AG		**Peter Bremme[1]**
1 Oct 2008				**Arnd Dunse[1]** (until 30 November 2014)
9 Feb 2011	2016	a) Deutsche Postbank AG		**Prof. Dr Edgar Ernst**
		DMG Mori AG		
		VONOVIA SE		
		Wincor Nixdorf AG		
26 March 2012		a) ProSiebenSat.1 Media SE	b) Rothschild & Co	**Angelika Gifford** (until 11 December 2014)
			(former Paris Orléans SCA)	
12 Dec 2014	2020	b) Premier Farnell[3]		**Valerie Frances Gooding**
		Vodafone PLC		(since 12 December 2014)
16 Jan 2015	2016	a) DZ Bank Gruppe		**Dr Dierk Hirschel[1]**
				(since 16 January 2015)
12 Dec 2014	2020	b) Copenhagen Airport	Bristol Airport Ltd.	**Janis Carol Kong**
		Network Rail Infrastructure Limited	Kingfischer PLC	(since 12 December 2014)
		Network Rail Limited	Portmeirion Group PLC	
			South West Airports Ltd.	
12 Feb 2014		b) OAO AB Rossiya	ZAO National Media Group	**Vladimir Lukin** (until 11 December 2014)
		OAO Severstal	ZAO Sveza	
		OJSC Power Machines	ZAO Video International	
		OOO T2 RTK Holding		
12 Dec 2014	2020	b) Fever-Tree Drinks plc	Inchape PLC	**Coline Lucille McConville**
		Travis Perkins plc		(since 12 December 2014)
		UTV Media PLC		
17 April 2013	2016	a) TUI Deutschland GmbH	b) MER-Pensionskasse V. V. a. G.	**Michael Pönipp[1]**
			TUI BKK	
12 Dec 2014	2016	b) Computacenter PLC		**Timothy Martin Powell**
		Supergroup PLC		(since 12 December 2014)
3 Dec 2014	2016	a) TUI Deutschland GmbH		**Wilfried H. Rau[1]** (since 3 December 2014)
14 Feb 2005	2016	b) Hotel San Francisco S.A.	Productores Hoteleros	**Carmen Riu Güell**
		Riu Hotels S.A.	Reunidos, S.A.	
		RIUSA II S.A.		
1 Aug 2014	2016			**Carola Schwirn[1]**
14 March 2014	2020			**Maxim G. Shemetov**
2 Jan 2009	2016			**Anette Strempel[1]**
9 Feb 2011	2016	a) Deutsche Asset & Wealth Management	b) The Germany Funds, Inc.[3]	**Prof. Christian Strenger**
		Investment GmbH		
3 April 2009	2016			**Ortwin Strubelt[1]**
16 Jan 2015	2016			**Marcell Witt** (since 16 January 2015)

Annex to the Notes

EXECUTIVE BOARD[1]

Name	Department	Other Board Memberships	
Friedrich Joussen	Joint CEO		
(Age 52)			
Member of the Executive Board since Oct 2012,			
CEO of the Executive Board from Feb 2013,			
Joint CEO since Dec 2014			
Current appointment until Oct 2020			
Peter Long	Joint CEO	a) TUI Deutschland GmbH	b) Beaumont Film Partnership LLP
(Age 63)			NRL Properties LLP
Member of the Executive Board since 2007,			Royal Mail PLC[2]
Joint CEO since Dec 2014			The Close Film Sale and Lease Back
Current appointment until Feb 2016			(2003/4) No 2 LLP
			The Family Holiday Association
			TUI Nederland Holding N.V.
			TUI Travel Belgium N.V.
Horst Baier	Finance	a) Hapag-Lloyd AG	b) RIUSA II S.A.[2]
(Age 58)		Leibniz-Service GmbH	Sunwing Travel Group Inc.
Member of the Executive Board since 2007		TUI Deutschland GmbH	TUI Canada Holdings Inc.
Current appointment until Nov 2018		TUIfly GmbH	
David Burling	Northern Region	b) Sunwing Travel Group Inc.	The Family Holiday Association
(Age 47)	Airlines	TUI Canada Holdings Inc.	
Member of the Executive Board since June 2015	Hotel Purchasing	TUI Travel Ltd.	
Current appointment until May 2018		TUI UK Ltd.	
		TUI UK Transport Ltd.	
Sebastian Ebel	Central Region	a) TUI Cruises GmbH	BRW Beteiligungs AG[2]
(Age 52)	Hotels	TUIfly GmbH	EVES Information Technology AG[2]
Member of the Executive Board since Dec 2014	Cruises		Eintracht Braunschweig
Current appointment until Nov 2017	TUI Destination Services		GmbH & Ko.KGaA[2]
	IT		
	HR and Labour Director		
Johan Lundgren	Mainstream	b) TUI Mostravel	
(Age 49)	(Organisational		
Member of the Executive Board from	structure until May 2015)		
Dec 2014 until May 2015			
William Waggott	Specialist Group	b) Atlantica Golden Resorts Ltd.	Hotelbeds UK Ltd.
(Age 52)	Hotelbeds Group	Bella Vista EAD	Thomson Travel Group (Holdings) Ltd.
Member of the Executive Board since Dec 2014		First Choice Holidays & Flights Ltd.	Travel Choice Ltd.
Current appointment until Nov 2017		First Choice Holidays Ltd.	Travel Scot World Ltd.
		Isango Ltd.	Trina Group Ltd.
		Meetings & Events UK Ltd.	TTG (Jersey) Ltd.
		Preussag UK Ltd.	TUI Aviation GmbH[2]
		TUI Travel Holdings Ltd.	TUI Travel Belgium N.V.
		TUI Travel Ltd.	TUI Nederland Holding N.V.
			TUI Travel Group Management
			Services Ltd.
			TUI Travel Amber Ltd.

[1] Information refers to 30 Sep 2015 or date of resignation from the Excecutive Board in financial year 2014/15.
[2] Chairman

a) Membership in Supervisory Boards required by law within the meaning of section 125 of the German Stock Corporation Act (AktG)
b) Membership in comparable Boards of domestic and foreign companies within the meaning of section 125 of the German Stock Corporation Act (AktG)

CORPORATE GOVERNANCE

Corporate Governance Report / Statement on Corporate Governance (as part of the Management Report)

The actions of TUI AG's management and oversight bodies are determined by the principles of good and responsible corporate governance.

In this chapter, the Executive Board and the Supervisory Board provide their report on Corporate Governance in the Company pursuant to sub-section 3.10 of the German Corporate Governance Code and section 289a of the German Commercial Code (HGB).

Declaration of Compliance pursuant to section 161 of the German Stock Corporation Act (AktG)

The Executive Board and the Supervisory Board comprehensively discussed corporate governance issues in financial year 2014 / 15 and jointly submitted the declaration of compliance for 2015 in December 2015, pursuant to section 161 of the German Stock Corporation Act. The declaration was made permanently accessible to the general public on TUI AG's website in December 2015.

WORDING OF THE DECLARATION OF COMPLIANCE FOR 2015

"In accordance with section 161 of the German Stock Corporation Act, the Executive Board and Supervisory Board of TUI AG hereby declare:

Since we submitted our last Declaration of Compliance in December 2014, we complied with the recommendations of the Code in its version of 24 June 2014. In future, all recommendations of the Code in its new version of 5 May 2015 will be observed."

⊕

The current and all previous declarations of compliance have been made permanently available on the web at: www.tuigroup.com/en-en/investors/corporate-governance/declaration-of-conformity

UK CORPORATE GOVERNANCE CODE

For the first time, the Executive Board and the Supervisory Board also provide a report on the Corporate Governance Code of the United Kingdom ("UK Code"). In the framework of its merger announcements, TUI Travel PLC (TUI Travel) and TUI AG had announced that they were going to comply also with the UK Code to the extend practicable. Moreover, due to its listing in the London Stock Exchange, various UK provisions are also directly mandatory (e.g. the Listing Rules and the Disclosure and Transparency Rules) for foreign companies such as TUI AG and its Annual Report.

⊕

UK Corporate Governance Code is available at: www.frc.org.uk
German Corporate Governance Code see at www.dcgk.de

In accordance with Listing Rule 9.8.7R and Listing Rule 9.8.6R (6), the Executive Board and the Supervisory Board therefore declare as follows:

UK Corporate Governance Statement

"Throughout the reporting period, the Company has complied with the provisions of the UK Code, including its main principles, except in respect of the departures set out and explained below.

TUI AG confirmed in the documentation for the merger of TUI AG and TUI Travel PLC sent to shareholders before the merger that it intended to adhere to both the UK Code and the German Corporate Governance Code (German Code) to the extent practicable. During the year, compliance with both the UK and German Codes was reviewed, taking into account that TUI is a German company subject to German law. In many respects, the requirements of the two Codes are similar, but there are certain aspects which are not compatible (in some cases due to the different legal regimes for German and UK companies) and so some deviations from best practice in the UK have been necessary.

It is important to understand that (as explained in the merger documentation) under the German Stock Corporation Act, the legislation applicable to TUI AG, a two-tier board system is mandatory. This means that two separate boards must be established by law:

- The Executive Board (Vorstand), which is responsible for running the Company. It is headed by the CEO (or in case of TUI AG currently by two Joint CEOs). The Executive Board members can broadly be compared to the Executive Directors in a UK company.
- The Supervisory Board (Aufsichtsrat), which is responsible for the supervision of the Executive Board, and is headed by its Chairman. The Supervisory Board members can broadly be compared to the non-executive directors in a UK company.

This two-tier board structure is different to the UK unitary board structure on which the UK Code is based. Some of the principal structures and procedures of the boards of a German company are also different to a UK company (for example, there is no Company Secretary). For this reason the Company has explained below circumstances where it considers not to comply. Furthermore the Company has explained where it considers not to be compliant in the legal sense, but with the spirit of the UK Code. In these cases the Company has explained its considerations for a better understanding of investors. Sub-headings refer to sections of the UK Code for ease of reference for investors.

IDENTIFICATION OF SENIOR INDEPENDENT DIRECTOR (A1.2)

Under German law and the German Code, there is no concept of a "Senior Independent Director". Instead, shareholders may raise any issues at the Annual General Meeting (AGM). In this forum, the Executive Board and, with respect to certain matters, the Chairman are available to address any issues and are legally obliged to provide adequate responses.

Outside the AGM, and where contact through the normal channels of the Executive Board and in particular with the Chief Executive and the Chief Financial Officer has failed to resolve an issue or where such contact is deemed inappropriate, the Chairman or any of his Deputies may be approached. Sir Michael Hodgkinson, who was the Deputy Chairman and Senior Independent Director of TUI Travel PLC before the merger, was appointed Second Deputy Chairman of the Company in February 2015 alongside Frank Jakobi (First Deputy Chairman who, according to the German Co-Determination Act, must be an Employee Representative). The role of Second Deputy Chairman was introduced following the merger and will remain for the foreseeable future.

DIVISION OF RESPONSIBILITIES – CHAIRMAN & CHIEF EXECUTIVES (A2.1)

The separation of the roles of the Chairman of the Supervisory Board (Prof. Klaus Mangold) and the two Co-Chief Executives (Friedrich Joussen and Peter Long) is clearly defined under German law as part of the two-tier board structure. Therefore, no further division of responsibilities is required and both the Executive Board and the Supervisory Board consider that the Company complies with the spirit of the UK Code.

INDEPENDENCE OF SUPERVISORY BOARD MEMBERS (B1.1)

Under the UK Code, the Board must identify in the annual report each non-executive director it considers to be "independent" for the purposes of the UK Code. As explained above, all members of the Supervisory Board are considered to be non-executive directors for the purposes of the UK Code. Under the UK Code, "independent" means that the relevant individual is independent in character and judgement and that there are no relationships or circumstances which are likely to affect, or could appear to affect, the individual's judgement.

In the UK there is no concept of Employee Representatives and the UK Code only envisages shareholder representatives on the Board as Non Executive Direstors. Therefore, the Company's approach is to exclude Employee Representatives from its independence disclosures (for a detailed explanation of Shareholder and Employee Representations, please see below).

The Supervisory Board has determined that seven of its nine members from the shareholder representatives (excluding the Chairman as required by the UK Code) are independent for the purposes of the UK Code and that the Chairman was independent on appointment in 2011 and is still considered independent (Prof. Mangold also was independent when he became member of the Supervisory Board in January 2010). The shareholder representatives of the Supervisory Board considered to be independent are: Prof. Edgar Ernst, Val Gooding, Sir Michael Hodgkinson, Janis Kong, Coline McConville, Minnow Powell and Prof. Christian Strenger.

The members of the Supervisory Board not considered to be independent for the purposes of the UK Code are Carmen Riu Güell and Maxim Shemetov.

In reaching its determination, the Supervisory Board has considered in particular the factors set out below.

PERFORMANCE-RELATED PAY

All Supervisory Board members currently receive a performance-related pay element in addition to their fixed pay. This variable element was resolved upon by shareholders at the 2013 AGM and was in line with a specific recommendation of the German Code at that time. In practice, the variable element is not substantial when compared to the level of fixed compensation (for further details see page 70 of the Directors' Remuneration Report). In these circumstances, the Supervisory Board considers that the variable pay element does not affect its members' independence for the purposes of the UK Code.

Moreover, as the recommendation in the German Code has now been withdrawn, and there is a tendency of German companies for Supervisory Board members to receive fixed remuneration only, it is intended to propose a resolution at the 2016 AGM to replace the performance-related pay element with a fixed fee only and thereby to comply with the UK standards of good corporate governance.

SHAREHOLDER AND EMPLOYEE REPRESENTATIVES

The Supervisory Board of TUI AG consists of ten members who are elected by shareholders at AGMs (the "Shareholder Representatives") and ten members who represent the employees of TUI AG (the "Employee Representatives"). This differs from UK practice where only those board members representing major shareholders are typically referred to as "Shareholder Representatives" and are not considered independent under the UK Code because of their link to a significant shareholder.

In TUI AG, only Carmen Riu Güell and Maxim Shemetov are connected to significant shareholders, namely Riu Hotels (circa 3.4 %) and Alexey Mordashov (circa 15.0 %) respectively. It should also be noted that joint ventures exist between TUI AG and both Riu Hotels and TUI Russia (its majority is controlled by Mr Mordashov) (for further details page 157 of the Annual Report). Therefore, neither Ms Riu Güell nor Mr Shemetov is considered "independent" for the purposes of the UK Code.

Sir Michael Hodgkinson was a Non-Executive Director of TUI Travel PLC before the merger with TUI AG. He had also been on the Board of First Choice Holidays PLC since 2004 (which merged with the Tourism Division of TUI AG to form TUI Travel PLC in 2007). However, these appointments were to legally different Boards responsible for only part of the current Group and are therefore not included when considering his length of service on the TUI AG Supervisory Board. It is also noted that Sir Michael Hodgkinson was elected to the Supervisory Board by Shareholders in connection with the merger.

The Employee Representatives of the Supervisory Board are elected by TUI AG's workforce. Three Employee Representatives are nominated by a German workers' union (the ver.di).

Under the UK Code, directors who are or have been an employee of the Group in the last five years or who participate in the Group's pension arrangements would generally not be considered independent. In the UK, directors with an employment relationship are normally current or former executives. By contrast, under German law, Employee Representatives of the Supervisory Board must be employees of the Group, and must be elected by the employees without any involvement of the Executive or Supervisory Boards. In addition, their employment agreement may be terminated while they are Employee Representatives only in exceptional circumstances.

The Employee Representatives may also participate in Group pension schemes as is normal for employees and in their capacities as employees.

Union representatives are nominated, and employed by, the Union but are still classified as Employee Representatives. The Union representatives are nominated, and may only be removed from the Supervisory Board, by their respective Union and neither the Executive nor the Supervisory Board has any role in their appointment or removal.

HALF THE BOARD SHOULD BE INDEPENDENT NON-EXECUTIVE DIRECTORS (B1.2)

Considering for the purpose of the UK Code only the Shareholder Representatives on the Supervisory Board, more than half of its members are independent.

NOMINATION COMMITTEE – COMPOSITION AND RESPONSIBILITIES (B2.1)

The role of the Nomination Committee in a typical UK company is fulfilled in the Company by two Committees of the Supervisory Board: Under the Rules of Procedure for the Supervisory Board and its Committees (which are equivalent to the Terms of Reference in the UK) the Nomination Committee considers and proposes suitable candidates for election as Shareholder Representatives of the Supervisory Board. The Presiding Committee determines the requirements and remuneration for any new appointments to the Executive Board and recommends suitable candidates to the Supervisory Board. On this basis the Supervisory Board appoints Executive Board members. This is different from the UK where all director appointments are approved by shareholders at the AGM.

However, as is common practice in Germany, at each AGM shareholders are asked to decide whether they approve the actions of the Executive Board and Supervisory Board Members during the past financial year. At the AGM 2015, the first following the merger, the Company changed its procedure to allow a separate vote on each individual Executive Board and Supervisory Board member, in the light of UK practice. The Company intends to continue this practice. Accordingly, the Supervisory Board considers that the Company complies with the spirit of the UK Code to the extent practicable.

There is no requirement under German law or the German Code for the majority of the Nomination Committee members to be "independent". Of the four members of the Nomination Committee, two are representatives of significant shareholders (Carmen Riu Güell and Maxim Shemetov) and so not independent for the purposes of the UK Code. The remaining two members are Sir Michael Hodgkinson and Prof. Klaus Mangold (Chairman) who are both independent. Therefore TUI AG is not compliant with the UK Code which requires a majority of the Nomination Committee to be independent. However, the Company considers that the current membership of the Nomination Committee provides a strong and experienced pre-selection of Supervisory Board members, while keeping the Committee to a manageable size.

The Rules of Procedure for the Supervisory Board and its Committees are currently under revision and will be finalised within H1 of the financial year 2015 / 16. Afterwards the Supervisory Board will decide whether they will be made available for the public. Therefore the Company is currently not compliant with this part of the Code provision (and part C3.3 as far as the public availability of the Rules of Procedure for the Audit Committee is concerned).

LENGTH OF TENURE FOR NON-EXECUTIVE DIRECTORS (B2.3)

In accordance with German law and common practice, Shareholder Representatives are generally elected for five-year terms. Employee Representatives are also generally elected for five years. Therefore, neither Executive nor Supervisory Board Members are re-appointed annually by shareholders and so TUI AG does not comply with this provision of the UK Code.

Under the UK Code, any term beyond six years should be subject to rigorous review and a term extending beyond nine years could affect the independence of a Non-Executive Director. However, in the German Corporate Governance context, a longer length of service is quite normal as Supervisory Board members are usually elected for five years and regular re-election is common.

ANNUAL RE-ELECTION BY SHAREHOLDERS AT THE AGM (B7.1)

None of the Executive or Supervisory Board members is re-elected annually. However, as noted above, in light of the UK Code and UK practice, the Company voluntarily puts individual resolutions approving the actions of each Executive and Supervisory Board member in the previous financial year to the last AGM and intends to continue this practice.

Supervisory Board member´s appointments expiring at the AGM 2016 are disclosed in the table following the Chairman´s letter on page 36. In respect of the Shareholder Representatives, the Supervisory Board proposes the re-election of Prof. Dr Klaus Mangold, Sir Michael Hodgkinson, Carmen Riu Güell and Prof. Dr Edgar Ernst. Peter Long and Angelika Gifford will also be proposed for election by the shareholders. Maxim Shemetov has confirmed his intention to resign from the Supervisory Board provided that Alexey Mordashov is elected at the AGM 2016.

NOMINATION COMMITTEE SECTION OF THE ANNUAL REPORT & ACCOUNTS (B2.4)

See page 30 for the activities of the Nomination Committee which forms part of the Chairman's letter to shareholders.

During the year, neither a search consultancy nor external advertisements were used for any Supervisory Board appointments. The proposals for the new members were part of the merger terms designed to ensure a balance of interests and knowledge for the new combined group and appropriate diversity.

Succession planning for management below Executive Board level is driven by the Executive Board. The Presiding Committee is responsible for succession planning for the Executive Board only and a presentation on talent management and succession planning was given to the Presiding Committee during the year.

TERMS & CONDITIONS OF APPOINTMENTS OF NON-EXECUTIVE DIRECTORS (B3.2)

The terms and conditions of Supervisory Board members' appointments follow the provisions of the German Stock Corporation Act and the Articles of Association of the Company. The Articles are available on the website www.tuigroup.com/en-en/investors/corporate-governance.

EXTERNAL NON-EXECUTIVE/CHAIRMAN ROLES (B3.3)

Peter Long was appointed as a non-executive director and Chairman-designate of Royal Mail PLC with effect from 8 June 2015 and the appointment was approved at its Annual General Meeting on 23 July 2015. He took over the role of Chairman with effect from 1 September 2015. This appointment overlaps with his position of Joint CEO of TUI AG for a short period which is a point of non-compliance with the UK Code. However, Peter Long intends to step down as Joint CEO as of the end of the AGM in February 2016, and his proposed appointment to the Supervisory Board will be put to a shareholder resolution at the AGM for approval.

ADVICE AND SERVICES OF THE COMPANY SECRETARY (B5.2)

There is no specific role of Company Secretary in German companies. However, Executive and Supervisory Board Members have access to the Board Office (with team members in Germany and the UK) if they need any advice or services. The Board Office acts as an interface for corporate matters for the Executive and Supervisory Board members and is responsible for ensuring that the requisite processes and procedures are in place governing all Executive and Supervisory Board meetings (i.e. preparation of agendas, minuting of meetings and ensuring compliance with German and UK law as appropriate). The Board Office also supports the Chairman, the Joint CEOs, the CFO and the Chairman of the Audit Committee. Executive and Supervisory Board members also have access to legal advice via the Group Legal Director and the Board Office generally. The Supervisory Board can also approach the Executive Board directly for specific advice on any matters. Accordingly, the Executive Board and the Supervisory Board consider that the Company complies with the spirit of the UK Code.

BOARD PERFORMANCE EVALUATION (B6)

The individual Executive Board member's performance is evaluated annually by the Supervisory Board for the annual variable bonus. In this context, the Supervisory Board also reviews the individual's overall performance as part of the Executive Board. However, no external performance evaluation is done for the Executive Board and this would be highly unusual in Germany.

In respect of the Supervisory Board's performance, it is not customary to conduct annual reviews of effectiveness. Each Supervisory Board Member can give feedback to the Chairman, the Deputy Chairmen or the Supervisory Board as a whole as and when appropriate or required.

External evaluation is limited to Supervisory Board members and is performed by means of individual interviews and anonymous reviews. Consolidated results are shared with the entire Supervisory Board and appropriate actions suggested and discussed as appropriate. The last external review of the Supervisory Board was undertaken during 2013 by Board Consultants International and the current external review commenced in September 2015. Board Consultants International has no other connection with the Company.

The appraisal of the Chairman of the Supervisory Board is covered during the external evaluation process and Executive Board members are invited to contribute to the process.

FAIR, BALANCED AND UNDERSTANDABLE ANNUAL REPORT AND ACCOUNTS (C1.1)

In a German stock corporation the Executive Board is responsible for drafting the Annual Report & Accounts (ARA). According to S. 243 para. 2 of the German Commercial Law (Handelsgesetzbuch) the ARA must be clearly arranged and should mirror a realistic picture of the Company's economic situation. This is equivalent to the UK Code requirement for the ARA to be fair, balanced and understandable – although this assessement has not been delegated to the Audit Committee (C3.4) – and the Executive Board is comfortable that this ARA satisfies both requirements.

ESTABLISHMENT AND OPERATION OF REMUNERATION COMMITTEE (D2), REMUNERATION (D1)

In the German governance structure there is no separate Remuneration Committee. The remuneration of the Executive Board is agreed by the Supervisory Board based on recommendations from the Presiding Committee, which is governed by the Supervisory Board Rules of Procedure , as referred to above.

Supervisory Board and Committee remuneration is governed by the Articles of Association as resolved upon by the shareholders at the AGM.

There are no clawback or malus provisions which work in exactly the same way they would in the UK in the service contracts of Executive Board members and this would be unusual in Germany. However, there are different contractual and statutory provisions that may allow for a reduction or forfeiture of remuneration components or allow the company to recollect damages from Executive Board members. First, the service contracts of Executive Board members provide for forfeiture of the annual performance-based remuneration and the LTIP if the company terminates the service contract for cause without notice before the end of the one year performance period in case of the annual performance-based remuneration or before the end of the respective performance reference period regarding the LTIP. Second, the Supervisory Board may, under certain exceptional circumstances, reduce Executive Board compensation in case of a deterioration of the economic situation of the company. Third, Executive Board members may be liable for damages under German Corporate Law in case of a breach of duties of care and fiduciary duties.

See page 50 et seqq. of the Directors' Remuneration Report for full details on Executive and Supervisory Board member´s remuneration.

COMPENSATION COMMITMENTS IN EXECUTIVE DIRECTORS' SERVICE CONTRACTS (D1.4)

The principles that apply for departing Executive Directors are detailed in the Directors´ Remuneration Report (see page 62). The terms are already agreed in the Executive Directors' contracts of employment as approved by the Supervisory Board taking into account the various circumstances in which a director may leave. These include maximum limits on the amounts payable on termination. Given that in Germany contracts are issued for a fixed term, termination payments may be greater than the one year recommended in the UK Code.

However, taking into account (among other things) the UK Code, for all appointments made on completion of or following the merger, termination payments are subject to a cap of two years' remuneration. For Executive Board members other than Mr Joussen and Mr Baier the cap reduces to one year's remuneration after the first year´s service. In any event, if the outstanding term of the service contract at the time of termination is shorter, then the relevant cap is reduced to the remaining term.

NOTICE PERIODS FOR EXECUTIVE DIRECTORS (D1.5)

Executive Board appointments are normally for a fixed term of three to five years and therefore do not comply with the UK Code which stipulates that notice or contract periods should be set at one year or less. However, the contracts include maximum limits on the amounts payable on termination (see the Directors´ Remuneration Report from page 57).

DIALOGUE WITH SHAREHOLDERS (E1.1)

The Supervisory Board receives feedback from the Chairman and Deputy Chairman (Shareholder Representative) and Executive Board Members following meetings with major shareholders.

The following meetings between management and investors (attended by the Chief Executive Officers and / or the Chief Financial Officer and members of the Investor Relations team where appropriate) took place during the year ended 30 September 2015:

DIALOGUE WITH SHAREHOLDERS

Date	Event	Attendees
October 2014	TUI AG German investor roadshow	FJ, HB
	TUI Travel US investor roadshow	PJL
	Investor roundtable	PJL, FJ, HB,
January 2015	Commerzbank German investment seminar	HB
	German corporates conference	HB
March 2015	Investor dinner	PJL
May 2015	London investor roadshow	FJ, PJL, HB
	Frankfurt investor roadshow	FJ, PJL, HB
	BAML conference	FJ, PJL, HB
June 2015	Paris investor roadshow	HB
	Scandinavia investor roadshow	HB
	Zurich investor roadshow	HB
	US investor roadshow	FJ, PJL, HB
	Deutsche Bank conference	HB
September 2015	121 with Standard Life	FJ, PJL, HB

Key: Friedrich Joussen (FJ), Peter Long (PJL), Horst Baier (HB)

Key topics discussed at meetings between shareholders and Executive Board members included:

- Updates on the merger of TUI Travel and TUI AG.
- Strategic themes outlined at the Capital Markets Day Update in May 2015 including the growth roadmap and capital requirements / allocation to achieve growth.

The following additional meetings also took place between Sir Michael Hodgkinson and the top five former TUI Travel investors to discuss corporate governance, in particular in the context of the merger, mainly around alignment of UK and German Corporate Governance requirements. These meetings were also attended by members of the Investor Relations Department of TUI AG:

- December 2014 – L&G
- January 2015 – Blackrock, Artemis, JO Hambro, M&G
- June 2015 – Standard Life

Additional communications:

- The Investor Relations report is circulated each month to the Executive Board and a report is also prepared for the Supervisory Board. This includes updates on share price performances, sell-side analyst research and investor feedback.
- The IR team monitors detailed investor feedback (obtained via the Company brokers) following management roadshows and results announcements / trading updates.

It is not common practice in German companies for Supervisory Board members to make themselves available for meetings with major shareholders. This preserves the separation of duties between the Supervisory and Executive Boards and prevents unequal dissemination of information. The AGM is considered the appropriate forum for shareholders to raise any topics for discussion. However, see page 40 above in relation to the role of Sir Michael Hodgkinson as Second Deputy Chairman. Accordingly, the Supervisory Board considers that the Company complies with the spirit of the UK Code.

NON-EXECUTIVE DIRECTORS' UNDERSTANDING OF SHAREHOLDER VIEWS (E1.2)

Regular updates on meetings between Executive Board members and shareholders are circulated to the Supervisory Board to keep them informed of market and industry views. The updates also include analysts' views of TUI AG's position in the market.

An Investor Relations Report and Broker Notes are provided electronically to Executive and Supervisory Board Members and, where relevant, reports are circulated separately to Supervisory Board Members.

AGM RESOLUTION ON FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS (E2.1)

It is not German practice to pass a resolution at the AGM to receive and approve the financial statements and consolidated financial statements. Therefore, this was not done at the AGM in 2015 and it is not intended to do so at the AGM in 2016. However, the first item on the agenda of the Company's AGM is the presentation of the financial statements and consolidated financial statements to the AGM as required by German law. Under this item, the Executive Board will explain the financial statements and consolidated financial statements and the Chairman will explain, in particular, the report of the Supervisory Board (including this corporate governance statement). Shareholders will have the opportunity to raise any questions that they wish to put. Questions are typically raised, as is normal in the AGMs of German companies, and, as a general rule, answers must be provided under German law.

This is the standard practice for a German company and is in full compliance with the German Code. While the lack of a resolution to receive the Annual Report & Accounts is not in compliance with the UK Code, the Company considers that the arrangements afford shareholders with sufficient opportunity to raise any questions or concerns that they may have in relation to the Annual Report & Accounts, and to receive answers, in the AGM. Accordingly, the Executive Board and the Supervisory Board consider that the Company complies with the spirit of the UK Code to the extent practicable.

CIRCULATION OF AGM DOCUMENTATION TO SHAREHOLDERS (E.2.4)

The 2015 AGM of the Company was held on 10 February 2015. As required by German law, the Invitation to the Company's 2015 AGM (including the agenda and the voting proposals of the Executive Board and the Supervisory Board) was published in the Federal Gazette in Germany on 30 December 2014. Shareholders then had rights under German law to requisition additional agenda items at any time up to 30 days before the AGM. Therefore, in accordance with German practice, the combined Invitation and explanatory notes relating to the AGM was sent to shareholders on 19 January 2015 once this deadline had expired, which was less than the 20 business days before the AGM recommended in the UK Code (but more than the 21 days' notice required by German law). However, in addition to the original publication of the Invitation in the Federal Gazette in Germany, the combined Invitation and explanatory notes relating to the AGM was published on the company's website on 30 December 2014. As no agenda items were requisitioned by shareholders, this was in the same form as the final combined Invitation and explanatory notes relating to the AGM later sent to shareholders. Further, the Company's Annual Report and Accounts for the Financial Year to 30 September 2014 was published on 10 December 2014, significantly more than 20 business days before the 2015 AGM. Accordingly, the Company considers that it complied with the spirit of the UK Code requirements to the extent practicable. A similar timetable will be followed in relation to the 2016 AGM."

Functioning of the Executive and Supervisory Boards

TUI AG is a company under German law. One of the fundamental principles of German stock corporation law is the dual management system involving two bodies, the Executive Board in charge of managing the company and the Supervisory Board in charge of monitoring the company. TUI AG's Executive Board and Supervisory Board cooperate closely and in a spirit of trust in managing and overseeing the Company, with strict separation between the two bodies in terms of their membership and competences. Both bodies are obliged to ensure the continued existence of the Company and sustainable creation of added value in harmony with the principles of the social market economy.

TUI AG's Executive Board comprised six members as at the closing date 30 September 2015. The Executive Board is responsible for managing the Company's business operations in the interests of the Company. The allocation of functions and responsibilities to individual Board members is presented in a separate section. On 31 July 2015, the Supervisory Board appointed Dr Elke Eller a member of the Executive Board with effect from 15 October 2015. Dr Eller will be in charge of HR and will also be Labour Director.

For functions, see section on Executive Board and Supervisory Board on page 36 et seqq.

In accordance with the law and the Articles of Association, the Supervisory Board had 20 members at the balance sheet date, i.e. 30 September 2015. From 1 October 2014 until the completion of the merger between TUI AG and TUI Travel on 12 December 2014, the Supervisory Board only had 16 members.

For details about the activities of the Supervisory Board, see Supervisory Board Report from page 23

The Supervisory Board advises and oversees the Executive Board in the management of the Company. It is involved in strategic and planning decisions and all decisions of fundamental importance to the Company. When the Executive Board takes decisions on major transactions, such as the annual budget, major acquisitions or divestments, it is required by its terms of reference to seek the approval of the Supervisory Board. The Chairman of the Supervisory Board coordinates the work in the Supervisory Board, chairs its meetings and represents the concerns of the body externally. The Supervisory Board and the Audit Committee have adopted terms of reference for their own work, which are being revised. In the run-up to the Supervisory Board meetings, the representatives of shareholders and employees meet separately.

The Executive Board provides the Supervisory Board at regular meetings and in writing with comprehensive, up-to-date information about the strategy, the budget, business performance and the situation of the Group, including risk management and compliance. The Executive Board works on the basis of terms of reference issued by the Supervisory Board, which are also being revised.

TUI AG has taken out a D&O insurance policy with an appropriate deductible for all members of the Executive Board and Supervisory Board. The deductible amounts to 10 % of the loss up to the amount of one and a half times the fixed annual compensation.

COMPOSITION OF THE SUPERVISORY BOARD

As at the balance sheet date, 30 September 2015, the Supervisory Board of TUI AG comprised 20 members. Pursuant to section 8 of the Terms of Reference for the Supervisory Board of TUI AG and in line with the recommendations of the German Corporate Governance Code, the composition of the Supervisory Board in financial year

2014 / 15 ensured that its members as a group had the knowledge, ability and expert experience required to properly complete their tasks. The goals set by the Supervisory Board itself for its composition include in particular comprehensive industry knowledge, internationality, diversity and an appropriate degree of female representation. The goals set by the Supervisory Board itself for its composition include in particular comprehensive industry knowledge, internationality, diversity and an appropriate participation of women. These goals are currently being reviewed and further developed, where necessary, in the framework of a revision of its terms of reference. The revision will be completed in the first half-year of the financial year 2015 / 16.

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For current composition, go to:
www.tuigroup.com/en-en/investors/corporate-governance/management

Twelve members of the Supervisory Board had considerable international experience. Due to the different professional careers of its members, the composition of the Supervisory Board overall reflects a great diversity of relevant experience, ability and industry knowhow. None of the shareholder representatives on the Supervisory Board had any commercial or personal relationship with the Company, its Executive Board or third parties that might cause a material clash of interests. Eight shareholder representatives are independent.

In accordance with the recommendations of the German Corporate Governance Code, the original shareholder representatives were individually elected for five-year terms of office during elections to the Supervisory Board at the Annual General Meeting in 2011. All shareholder representatives newly elected in the period under review were individually elected at the Extraordinary General Meeting on 28 October 2014 or the Annual General Meeting on 10 February 2015. The district court of Hanover appointed Wilfried H. Rau, Dr Dierk Hirschel and Marcell Witt as employee representatives. The only member older than 68 years when elected to the Supervisory Board was Sir Michael Hodgkinson. In this case, the Supervisory Board deemed it appropriate to deviate from the regular age limit in order for the Company to benefit from Sir Michael Hodgkinson's extensive experience in the framework of the imminent integration process and in order to ensure continuity. In financial year 2014 / 15, no former Executive Board members of TUI AG were represented on the Supervisory Board. On 23 September 2015, the Supervisory Board also specified a regular limit of length of membership for the members of the Supervisory Board, in accordance with section 5.4.1. para. 2 sentence 2 of the German Corporate Governance Code.

COMMITTEES OF THE SUPERVISORY BOARD AND THEIR COMPOSITION

At 30 September 2015, the balance sheet date, the Supervisory Board had established four committees from among its members to support its work: the Presiding Committee, the Audit Committee, the Nomination Committee and the Integration Committee. The Galaxy Committee, which functioned from September 2014 until the completion of the merger, was absorbed into the newly created Integration Committee in December 2014. A committee was furthermore established in accordance with section 27 (3) of the German Co-Determination Act.

The Presiding Committee and Audit Committee have up to eight members each, with an equal number of shareholder and employee representatives. The Presiding Committee prepares, in particular, the appointment of Executive Board members, including the terms and conditions of service contracts and remuneration proposals. The Audit Committee's task is to support the Supervisory Board in exercising its oversight function. The Chairman of the Audit Committee is an independent financial expert and has particular knowledge and experience in the application of accounting principles and internal control methods from his own professional practice. The Nomination Committee consists exclusively of shareholder representatives, in keeping with the recommendation in the German Corporate Governance Code. Its task is to suggest suitable candidates for the Supervisory Board to propose to the Annual General Meeting.

The Integration Committee was set up by a resolution adopted by the Supervisory Board on 10 July 2014 for a period of two years after completion of the planned merger. Its role is to advise and monitor the Executive Board in implementing the integration process required following completion of the merger. It develops recommendations for resolutions to be adopted by the Supervisory Board; however, it does not have a mandate to adopt any resolutions on its behalf.

Executive and Supervisory Board members have a duty to act in TUI AG's best interests. In the completed financial year 2014 / 15, there were no conflicts of interest requiring disclosure to the Supervisory Board. In the Executive Board of TUI AG only Mr Long sat on more than three supervisory boards of listed non-Group companies or supervisory bodies of external companies with similar requirements.

Specifications pursuant to sections 76 (4), 111 (5) of the German Stock Corporation Act

At least 30 % of the Supervisory Board members were women and at least 30 % were men at the balance sheet date. The Supervisory Board was therefore compliant with section 96 (2) sentence 1 of the German Stock Corporation Act. Neither the shareholder representatives nor the employee representatives on the Supervisory Board have raised an objection to general application of the 30 % quorum to the entire Supervisory Board in accordance with section 96 (2) sentence 2 of the German Stock Corporation Act. The Supervisory Board resolved during the period under review, in keeping with section 111 (5) of the German Stock Corporation Act, that a woman should be recruited to the Executive Board. This objective is to be implemented by 31 October 2015. It was achieved ahead of the target date as at 15 October 2015 when Dr Eller joined the Executive Board.

In turn, the Executive Board resolved during the period under review, in keeping with section 76 (4) of the German Stock Corporation Act, that women should account for 20 % of executives at the level immediately below the Executive Board and 30 % at the level below this. Both targets are to be achieved by 30 June 2017.

Additional corporate governance disclosures

SHAREHOLDERS AND ANNUAL GENERAL MEETING

TUI AG shareholders exercise their co-determination and monitoring rights at the Annual General Meeting, which takes place at least once a year. The AGM takes decisions on all statutory matters, and these are binding on all shareholders and the Company. For voting on resolutions, each share confers one vote.

All shareholders registering in due time are entitled to participate in the Annual General Meeting. Shareholders who are not able to attend the AGM in person are entitled to have their voting rights exercised by a bank, a shareholder association, one of the representatives provided by TUI AG and acting on the shareholders' behalf in accordance with their instructions, or some other proxy of their own choosing. Shareholders also have the opportunity of authorising the representative provided by TUI AG via the web in the run-up to the AGM. Shareholders can, moreover, register for electronic dispatch of the AGM documents.

Information on the AGM at: www.tuigroup.com/en-en/investors/agm

The invitation to the AGM and the reports and information required for voting are published in accordance with the provisions of the German Stock Corporation Act and provided in German and English on TUI AG's website. During the AGM, the presentations by the chairmen of the Supervisory Board and the Executive Board can be followed live over the internet.

RISK MANAGEMENT

Good corporate governance entails the responsible handling of commercial risks. The Executive Board of TUI AG and the management of the TUI Group have comprehensive general and company-specific reporting and monitoring systems available to identify, assess and manage these risks. These systems are continually developed, adjusted to match changes in overall conditions and reviewed by the auditors. The Executive Board regularly informs the Supervisory Board about existing risks and changes to these risks. The Audit Committee deals in particular with monitoring the accounting process, including reporting, the effectiveness of the internal control and risk management systems and the internal auditing system, compliance and audit of the annual financial statements.

More detailed information about risk management in the TUI Group is presented in the Risk Report. It also contains the report on the accounting-related internal control and risk management system required in accordance with the German Commercial Code (sections 289 (5), 315 (2) no. 5 HGB).

Risk Report see page 97

TRANSPARENCY

TUI provides immediate, regular and up-to-date information about the Group's economic situation and new developments to capital market participants and the interested public. The Annual Report and the Interim Reports are published within the applicable timeframes. The Company publishes press releases and ad hoc announcements, if required, on topical events and any new developments. Moreover, the company website at www.tuigroup.com provides comprehensive information on the TUI Group and the TUI share.

The scheduled dates for the principal regular events and publications – such as the AGM, Annual Report and Interim Reports – are set out in a financial calendar. The calendar is published well in advance and made permanently accessible to the public on TUI AG's website.

Financial calendar online at: www.tuigroup.com/en-en/investors

DIRECTORS' DEALINGS / SHAREHOLDINGS

The Company was informed by William Waggott of notifiable purchase and sale transactions of TUI AG shares or related financial instruments by directors (directors' dealings) concerning financial year 2014 / 15.

Such purchase and sale transactions by directors are governed by the TUI Share Dealing Code, adopted for the TUI Group by the Executive Board on 16 December 2014.

Directors' dealings online at:
www.tuigroup.com/en-en/investors/corporate-governance/directors-dealings

No member of the Executive Board or Supervisory Board holds shares in TUI AG, related options or other derivatives representing 1 % or more of the capital stock. Moreover, the ownership of TUI AG shares and related financial instruments by Executive and Supervisory Board members amounts in total to less than 1 % of the shares issued by the Company.

ACCOUNTING AND AUDITING

TUI AG prepares its consolidated financial statements and consolidated interim financial statements in accordance with the provisions of the International Financial Reporting Standards (IFRS) as applicable in the European Union. The statutory annual financial statements of TUI AG, which form the basis for the dividend payment, are prepared in accordance with the German Commercial Code (HGB). The consolidated financial statements are prepared by the Executive Board, audited by the auditors and approved by the Supervisory Board. The interim reports are discussed between the Audit Committee and the Executive Board prior to publication. The consolidated financial statements and the financial statements of TUI AG were audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover, the auditors elected by the 2015 Annual General Meeting. The audit was based on German auditing rules, taking account of the generally accepted auditing standards issued by the German Auditors' Institute as well as the International Standards on Auditing. It also covered risk management and compliance with reporting requirements on corporate governance pursuant to section 161 of the German Stock Corporation Act as well as the Listing Rule 9.8.7 R and Listing Rule 9.8.10.

See audit opinion by the auditors on page 304

The condensed consolidated interim financial statements and management reports as at 31 December 2014, 31 March and 30 June 2015 were examined by the auditors.

In addition, a contractual agreement was concluded with the auditors to the effect that the auditors will immediately inform the Supervisory Board of any grounds for disqualification or partiality as well as of all findings and events of importance arising during the performance of the audit. There were no grounds to provide such information in the framework of the audit of financial year 2014 / 15.

Compliance

The TUI Group's Compliance Management System is a fundamental element of our commitment to commercial, environmental and socially responsible activity and operations. It is underlined by memberships in associations such as the UN Global Compact and the Business Integrity Forum of Transparency International and therefore forms an indispensable part of the TUI Group's corporate culture and our corporate governance activities.

CODE OF CONDUCT / SUPPLIERS' CODE OF CONDUCT

The Code of Conduct, drawn up for the entire TUI Group, enshrines guiding principles for everyone to follow, from executives and senior management to every Group employee. It defines minimum standards aimed at assisting our employees in their everyday work and providing orientation in conflict situations.

Compliance online: www.tuigroup.com/en-en/about-us/compliance

The Suppliers' Code of Conduct forms the counterpart to TUI's Code of Conduct. It details our ethical, social and legal expectations of our business partners. After we had announced our Suppliers' Code of Conduct, our business partners were required by contract to observe, in particular, all national and international anti-corruption laws applicable to the supplier relationship. This places our business relationship with our partners on a solid legal and social basis.

COMPLIANCE RULES

In addition, the principles set out in the Code of Conduct are detailed in various policies and rules reflecting the legal requirements. Guidance on appropriate conduct and working practice is found in, for example, our anti-corruption policy and our policies on gifts and invitations, data protection and trade sanctions. All groups of employees have thus been acquainted with the policies of relevance to their everyday work.

COMPLIANCE MANAGEMENT SYSTEM

TUI's Compliance Management System is built on three pillars: prevention, discovery and response, which, in turn, comprise a large number of internal measures and processes:

COMPLIANCE MANAGEMENT PROCESSES

PREVENTION	EXPOSURE	REACTION
• *Compliance Policies and Group Policies* • *Compliance Training* • *Compliance Communication* • *Compliance Information* • *Compliance Risk Identification and Risk Assessment*	• *Reporting* • *Leads* • *Investigations*	• *Implementation of Process Controls* • *Exchange with Management and local Compliance Officers* • *Disciplinary Measures*

Activities in the completed financial year focused on merging and harmonising two proven Compliance Management Systems tailored to the needs of the tourism sector. In a first step, the Compliance Management Systems of TUI Travel and TUI AG were compared to identify what they had in common. It became clear that the systems were partly based on different approaches but that both Compliance Management Systems have similar structures. Based on this result, the best from both systems has now been gradually merged into the new Compliance Management System.

The strategic goal of TUI's Compliance Management System is to prevent misconduct. Apart from a bundle of Compliance-specific measures, responsible action requires managers and employees to receive appropriate assistance. To this end, the Group-wide Policy Management process was transferred to Group Compliance following the merger of TUI AG and TUI Travel PLC in order to create a harmonised set of Policies that are sufficiently comprehensive and clear to meet our standards.

COMPLIANCE PROGRAMME

In the period under review, the Compliance Programme focused on various issues, including anti-corruption measures, protecting free and fair competition, data protection and the handling of trade sanctions. Any other issues identified are regularly monitored to check their relevance for the TUI Group through a risk identification process. From next financial year, they will be captured via an automated system.

COMPLIANCE STRUCTURE

The TUI Group's Compliance structure supports those responsible in the task of communicating the values and rules and anchoring them in the Group. It ensures that Compliance requirements are implemented throughout the Group in different countries and cultures. Under the aegis of the Chief Compliance Officer, Group Compliance and the decentralised Compliance Officers perform the following tasks at different management levels:

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Compliance online: www.tuigroup.com/en-en/about-us/compliance

1. Raising awareness of Compliance
2. Achieving the goals of the Code of Conduct and the Compliance Rules
3. Providing training
4. Advising managers and employees
5. Securing the necessary exchange of information
6. Monitoring national and international legislative initiatives
7. Providing regular reports

COMPLIANCE TRAINING

Compliance training is an indispensable element of TUI's Compliance Management System, with its focus on preventing misconduct. It is carried out according to a graded concept. Managers and staff at TUI have all benefited from face-to-face teaching, online programmes and the "Compliance Compass" brochure, enabling all our employees to acquaint themselves with Compliance and the underlying corporate values, regardless of their position in the company hierarchy and their geographical location. In order to reflect the importance of training for a compliance culture within the Company, the online training programme was extended in the completed financial year so as to include a refresher course on TUI's Code of Conduct. In addition, TUI companies and sectors offer training schemes with their own specific focus to raise awareness of challenges they may face.

WHISTLE-BLOWING

In agreement with various stakeholder groups, TUI offers its managers and employees a group-wide whistleblower system to enable severe infringements of the corporate values anchored in TUI's Code of Conduct to be reported anonymously and without reprisals. This whistle-blower system is currently available to staff in 47 countries. Any infringements reported are consistently investigated in the interests of all stakeholders and the Company. Our top priority is to ensure confidentiality and handle information discreetly. Any incidents reported are analysed by Group Compliance in consultation with Group Audit Services and the necessary action is then taken. Infringements are fully investigated in the interests of all our staff and the Company itself.

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Executive Board of TUI AG: www.tuigroup.com/en-en/about-us/management

Remuneration Report

Introduction

The remuneration report outlines the general principles underlying the determination of the total remuneration of the members of the Executive Board of TUI AG, and sets out the structure and level of the remuneration of the Executive Board members. It also comprises the general principles governing, and levels of the remuneration paid to members of the Supervisory Board. This section is in particular based on the recommendations of the German Corporate Governance Code ("GCGC"), the requirements of the German Commercial Code (Handelsgesetzbuch) and the German Stock Corporation Act (Aktiengesetz) and, to the extent practicable, the requirements of the UK Corporate Governance Code ("UK-Code").

As TUI AG is also listed on the London Stock Exchange, this report refers, wherever appropriate, to the recommendations of the UK-Code. However, matters that are related to the governance or legislation of a German company, and therefore are mandatory law, are disclosed in this report by reference to German governance or legislation.

Whilst the UK-Code requirements are followed as far as practicable, in line with current German legislation it is not proposed that the remuneration framework and policy will be put to shareholders for a binding vote. In addition, there are no Malus or Clawback terms within the framework at the current time. This position will continue to be monitored.

Following a recommendation from the Presiding Committee (for further remits, please see page 27), and according to section 87 (1) sentence 1 German Stock Corporation Act (Aktiengesetz), the Supervisory Board determines the remuneration of the individual Executive Board members. It also regularly adopts and reviews the remuneration framework for the Executive Board.

Remuneration of the Executive Board

I. APPROVAL OF THE REMUNERATION FRAMEWORK BY SHAREHOLDERS

For Executive Board members of TUI AG, a new remuneration framework was proposed in financial year 2009 / 10 and approved by the shareholders at the Annual General Meeting on 17 February 2010. The framework is designed to promote and reward sustained growth and robust financial performance in the Group through incentivising the members of the Executive Board.

II. REGULAR INTERNAL AND EXTERNAL REVIEW

For the financial year 2014 / 15 a review against section 87 (1) of the German Stock Corporation Act (Aktiengesetz) was performed as an annual standing agenda item of the Presiding Committee and the Supervisory Board during their meetings on 21 October 2015 with the outcome that the Executive Board remuneration was deemed to meet the requirements of section 87 (1) of the German Stock Corporation Act (Aktiengesetz).

To support its decision making, the Presiding Committee and the Supervisory Board may from time to time seek external advice regarding remuneration. In particular, advice provides external perspective of the appropriateness and levels of remuneration within the company (vertical benchmarking) and also provides horizontal benchmarking data for comparable companies in the DAX and MDAX on the levels of pay and short and long-term incentives. In financial year 2014 / 15, the Supervisory Board commissioned a consultancy company, hkp Group AG, to prepare an expert report regarding the appropriateness of the remuneration level for Executive Board members. The overall finding supported the judgement of the Supervisory Board that the level of remuneration for Executive Board members complied with section 87 (1) of the German Stock Corporation Act (Aktiengesetz) as well as the recommendations of the GCGC.

III. MERGER RELATED ISSUES

On 12 December 2014, the merger between TUI AG and the former TUI Travel PLC ("TUI Travel"; now TUI Travel Limited) became effective (the "merger date"). Up until the merger date, the Executive Board of TUI AG consisted of Mr Joussen, Mr Baier and Mr Long. As part of the merger, the Executive Board of TUI AG was expanded and Mr Ebel, Mr Lundgren and Mr Waggott were also appointed as members.

Mr Long, Mr Lundgren and Mr Waggott were Executive Directors of the former TUI Travel PLC before the merger became effective. Up until the merger date, Mr Long, Mr Lundgren and Mr Waggott received their remuneration exclusively from TUI Travel. Their remuneration was approved by TUI Travel's remuneration committee which consisted of independent Non-Executive Directors. Following the merger, the service contracts of Mr Long, Mr Lundgren and Mr Waggott with TUI Travel were terminated and new service contracts were agreed by TUI AG with Mr Joussen, Mr Long, Mr Baier, Mr Ebel, Mr Lundgren and Mr Waggott. The remuneration framework agreed by the shareholders in 2010 applies to of all these service contracts. The remuneration framework also applies to service contracts concluded or amended after the merger date, including the service contracts of Mr Burling and Mrs Eller.

IV. GENERAL PRINCIPLES

The framework and levels for the remuneration of Executive Board members are determined and reviewed regularly by the full Supervisory Board taking into account the following principles:

- The remuneration framework should be transparent and easy to understand.
- The remuneration must be appropriate. The level of remuneration is determined by the responsibilities and personal performance of each individual Executive Board member.
- The economic position, performance and sustainable development of the company are taken into account. A substantial part of the total remuneration is based on the achievement of stretching long-term performance targets.
- Remuneration is reviewed in line with the relevant peer group and benchmark of other large international organisations and also reflects typical practice in other large German companies.
- The common level of remuneration is considered in comparison with the compensation structure in other areas of the company. In this regard it is also taken due account of the relationship between the remuneration of the Executive Board and that of senior management and staff, both overall and with regard to its development over time.
- The remuneration is set at a level that is competitive in the market for highly qualified Executive Board members.
- There is an appropriate correlation between the levels of fixed remuneration and performance-based variable remuneration.
- The interests of the Executive Board members should be consistent with those of the shareholders in that the Executive Board members are incentivised to benefit from both share price increases for the company and other shareholder measures such as Total Shareholder Return.

V. REMUNERATION OF THE EXECUTIVE BOARD IN FINANCIAL YEAR 2014/15

In the financial year 2014/15, the remuneration framework for the Executive Board of TUI AG comprises: (1) a fixed remuneration; (2) an annual performance-based remuneration; (3) virtual shares of TUI AG in accordance with the Long-Term Incentive Plan ("LTIP"); (4) fringe benefits; (5) pension benefits; and (6) a potential additional remuneration in cash or in virtual shares ("discretionary bonus").

Details of the various remuneration elements are set out below:

1. FIXED REMUNERATION

PURPOSE AND LINK TO STRATEGY

Highly-qualified Executive Board members who are needed to develop and implement company strategy should be acquired and retained.

The remuneration should be commensurate with the abilities, experience and role of the individual Executive Board member.

OPERATION

The Supervisory Board must take into account the following criteria, in particular, when determining the fixed remuneration:

- Individual degree of responsibility.
- Results of operational and personal performance (if applicable).
- Economic position, performance and sustainable development of the company.
- Remuneration structure in companies that are comparable to TUI AG in terms of size, worldwide business activities and complexity.
- Ability to be competitive to attract and retain highly-qualified and marketable Executive Board members.
- The comparison to the broader remuneration structures of the senior leaders and the wider employees in the TUI Group.

The fixed remuneration is paid in twelve equal instalments at the end of each month. If the service contract begins or ends in the course of a year, the fixed annual remuneration will be paid pro-rata for that year.

The remuneration is generally reviewed when service contracts of Executive Board members are extended, and fixed for the term of the new service contract. A review of the remuneration can also take place during the term of a service contract in particular if there is a change with respect to the tasks or responsibility of an Executive Board member.

PERFORMANCE CRITERIA

Personal performance and the operational performance are taken into account when determining the fixed remuneration.

2. ANNUAL PERFORMANCE-BASED REMUNERATION (JAHRESERFOLGSVERGÜTUNG – "JEV")

PURPOSE AND LINK TO STRATEGY

The JEV is intended to motivate Executive Board members to achieve ambitious and stretching financial and strategic performance targets. The performance targets are reflective of the company strategy and aimed at increasing corporate value.

OPERATION

The JEV will be calculated on the basis of a group performance indicator and the individual performance of the Executive Board member. The performance reference period is the financial year of TUI AG.

For every Executive Board member, an individual target amount ("Target Amount") is agreed in the service contract. Since 1 October 2010 the performance target has been the reported earnings before interest, tax and amortisation of goodwill ("Reported Group EBITA"). The target value for the one-year performance reference period for the Reported Group EBITA performance target will be set each year by the Supervisory Board.

To measure performance, the planned Reported Group EBITA will be compared with the corresponding actual Reported Group EBITA as set forth in the audited consolidated accounts of TUI AG. The degree of target achievement will be determined as follows:

- If the value achieved is below the target value by 50 % or more, this is equivalent to a target achievement of 0 %.
- If the value achieved corresponds to the target value, this is equivalent to a target achievement of 100 %.
- If the value achieved is above the target value by 50 % or more, this is equivalent to a target achievement of 187.5 %.

In the event of a Reported Group EBITA of between 50 % below target value and target value, any award will be based on a linear interpolation between 0 % and 100 % and in the event of a Reported Group EBITA of between target value and 50 % above target value linear interpolation between 100 % and 187.5 % will be used to determine the degree of target achievement. The degree of target achievement will be rounded to two decimal places, as customary in commercial practice.

At the discretion of the Supervisory Board, the degree of target achievement for the performance target can be multiplied by a factor of between 0.8 and 1.2, depending on the individual performance of the Executive Board member and based upon their achievement of personal objectives and other performance indicators such as customer satisfaction and / or employee satisfaction metrics.

The figure resulting from the multiplication of the Target Amount by the degree of target achievement for the Reported Group EBITA and the discretionary multiplier will be paid out in cash in the month following the approval by the Supervisory Board of the annual accounts of TUI AG for the respective financial year. If the service contract begins or ends in the course of the financial year relevant for the grant of the JEV, the claims for payment of the same will generally be pro-rata.

CAP

An annual cap applies and the maximum amount payable for the JEV is capped as follows:

- Mr Joussen: € 2,070.0 thousand
- Mr Long: € 2,070.0 thousand
- Mr Baier: € 1,012.5 thousand
- Mr Burling: € 900.0 thousand
- Mr Ebel: € 720.0 thousand
- Mr Waggott: € 810.0 thousand
- Mr Lundgren: € 1,192.5 thousand

In accordance with section 87 (1) sentence 3 German Stock Corporation Act (Aktiengesetz), the Supervisory Board is entitled to limit the amount of the JEV to allow for extraordinary circumstances (e. g. takeover of the company, sale of parts of the company, uncovering of hidden reserves, external influences). Mr Lundgren received the JEV on a pro-rata basis until 31 May 2015.

PERFORMANCE CRITERIA

The JEV is linked to the degree of target achievement and the individual performance of the Executive Board member. The degree of target achievement and the personal performance determines the amount of the possible JEV up to the cap.

3. VIRTUAL SHARES ACCORDING TO THE LTIP
3.1 GENERAL PRINCIPLES

PURPOSE AND LINK TO STRATEGY

The long-term objective is to increase corporate and shareholder value by defining ambitious goals that are closely linked to the company's earnings, share price performance and dividends.

OPERATION

The LTIP is a performance share plan based on virtual shares and is assessed over a period of four years ("Performance Reference Period").

For Executive Board members, an individual target amount ("Target Amount") is agreed in the service contract. At the beginning of each financial year a provisional number of virtual shares, commensurate with the Target Amount, will be set. This will constitute the basis for the determination of the final performance-based payment for the tranche in question at the end of the respective Performance Reference Period. To set this number, the Target Amount will be divided by the average XETRA price of TUI AG shares over the 20 prior trading days. The claim to a payment only arises upon expiry of the Performance Reference Period and depends on whether or not the respective performance target is achieved.

The performance target for determining the amount of the final payout at the end of the Performance Reference Period is the total shareholder return ("TSR") of TUI AG relative to TSR of the Dow Jones Stoxx 600 Travel & Leisure, whereby the ranking of the TUI AG TSR in relation to the Dow Jones Stoxx 600 Travel & Leisure companies will be monitored over the entire Performance Reference Period. The TSR is the aggregate of all share price increases plus the gross dividends paid over the Performance Reference Period. Data from a reputable data provider (e.g. Bloomberg, Thomson Reuters) will be used for the purpose of establishing the TSR values for TUI AG and the Dow Jones Stoxx 600 Travel & Leisure companies. The reference for the determination of the rankings is the composition of the Dow Jones Stoxx 600 Travel & Leisure on the last day of the Performance Reference Period. The values for companies that were not listed over the entire Performance Reference Period will be factored in on a pro-rata basis. The level of target achievement is established as follows depending on the ranking of the TSR of TUI AG relative to the TSR values of the Dow Jones Stoxx 600 Travel & Leisure companies:

- TSR value of TUI AG equivalent to the bottom and second to bottom value of the Dow Jones Stoxx 600 Travel & Leisure corresponds to a target achievement of 0 % .
- TSR value of TUI AG equivalent to the third to bottom value of the Dow Jones Stoxx 600 Travel & Leisure corresponds to a target achievement of 25 %.
- TSR value of TUI AG equivalent to the median of the Dow Jones Stoxx 600 Travel & Leisure corresponds to a target achievement of 100 %.
- TSR value of TUI AG equivalent to the third to top value of the Dow Jones Stoxx 600 Travel & Leisure corresponds to a target achievement of 175 %.

For performance between the third to bottom and top third position a straight line assessment will be used to determine the level of target achievement at between 25 % and 175 %. The degree of target achievement will be rounded to two decimal places, as customary in commercial practice.

To determine the final number of virtual shares, the degree of target achievement will be multiplied by the provisional number of virtual shares on the final day of the Performance Reference Period ("Final Number of Virtual Shares"). The payout is determined by multiplying the Final Number of Virtual Shares by the average XETRA price of TUI AG shares over the 20 trading days prior to the end of the Performance Reference Period. The payout which is calculated in this way will be due in the month following the approval of the annual accounts of TUI AG for the fourth financial year of the Performance Reference Period and the resulting amount is paid out in cash. If the service contract ends in the course of the financial year relevant for the grant of the LTIP, the claims for payment of the same will generally be pro-rata.

CAP

LTIP payments are capped and the absolute maximum amount payable in cash per Performance Reference Period is capped at:

- Mr Joussen: € 4,440.0 thousand
- Mr Long: € 4,440.0 thousand
- Mr Baier: € 2,025.0 thousand
- Mr Burling: € 1,500.0 thousand
- Mr Ebel: € 1,500.0 thousand
- Mr Waggott: € 1,650.0 thousand and from financial year 2015 / 16 onwards € 2,100.0 thousand
- Mr Lundgren: € 2,370.0 thousand

PERFORMANCE CRITERIA

The LTIP is based on the financial results over a four-year period. The relevant degree of target achievement is determined by comparing the change in TSR at TUI AG with the change in TSR at the companies in the Dow Jones Stoxx 600 Travel & Leisure Index.

3.2 DEVELOPMENT OF AGGREGATE VIRTUAL SHARES OF EXECUTIVE BOARD MEMBERS OF TUI AG (INCL. FOUR-YEARS-MODEL)

	Units
Balance as at 30 Sep 2014	**679,101**
Virtual shares granted for the financial year 2014/15	453,532
Decrease of virtual shares	– 60,213
Balance as at 30 Sep 2015	**1,072,420**

On 30 September 2015, former Executive Board members who were Executive Board members of TUI AG prior to the merger date held no virtual shares in TUI AG (previous year no virtual shares).

Provisions totalling € 5,417.9 thousand (previous year € 2,660.8 thousand) and liabilities worth € 1,530.0 thousand (previous year € 1,839.2 thousand) were made to cover entitlements under TUI AG's LTIP for Executive Board members. Those provisions only cover liabilities of the LTIP of TUI AG and do not include rolled-over liabilities of TUI Travel. The total expense for share-based payments and the amount attributable to each individual Executive Board member are shown in the table "Remuneration of individual Executive Board members".

Provisions that sat with TUI Travel for rolled-over virtual share LTIs to their Executive Directors who are now Executive Board members of TUI AG at an amount of € 2,030 thousand were transferred to TUI AG and increase the provision mentioned in the paragraph above. Other rolled-over equity settled LTIs continue to be provided for in equity within the Group accounts.

4. FRINGE BENEFITS

PURPOSE AND LINK TO STRATEGY

Additional benefits offered should be competitive to those offered to highly qualified Executive Board members.

Fringe benefits should also support and promote the health and well-being of the Executive Board members.

Fringe benefits include the provision of a company car with driver services as well as travel and insurance benefits.

OPERATION

Executive Board members receive the following fringe benefits:

- Reimbursement of business travel expenses in accordance with TUI AG's general business travel guidelines.
- Twice a year, free of charge, a holiday from within the World of TUI range, without any limitation as to tour operator, type of holiday, category or price. Spouses / partners are granted a 50 % discount on the catalogue price for the aforementioned vacations, and children still in education or training a 100 % discount. Apart from that, a reduction of 75 % (spouses / partners) / 50 % (children still in education or training) is granted for flights.
- A suitable company car with driver or alternatively a car allowance of € 1.5 thousand gross per month.

Insurance cover is provided in line with local arrangements applicable in Germany and the United Kingdom. This is offered as follows:

TUI AG provides insurance cover for accidents and death in service to the customary extent for Mr Joussen, Mr Baier and Mr Ebel and will pay the insurance contributions for the terms of their service contract. The coverage amounts to € 1,500.0 thousand for death and € 3,000.0 thousand for disablement. Furthermore, Mr Joussen, Mr Baier and Mr Ebel receive an allowance towards health and long-term care insurance in the amount payable if the respective Executive Board member were an employee, but no more than half of each insurance premium.

For Mr Long, Mr Burling and Mr Waggott private medical insurance cover is provided for both the individual and their spouse / partner and school age children. In addition life insurance cover is provided as a multiple of their base salary and permanent health insurance cover is also provided. These benefits are provided and paid for by TUI AG as part of the existing employee policies offered to UK employees. Mr Lundgren received the fringe benefits on a pro-rata basis until 31 May 2015.

AMOUNT

It can be assumed that the value of the benefits for a company car and for free holiday annually received by an individual Executive Board member normally does not exceed € 100.0 thousand.

PERFORMANCE CRITERIA

The provision of fringe benefits is not based on the performance of the company and / or personal performance.

5. PENSION BENEFITS

PURPOSE AND LINK TO STRATEGY

Highly-qualified Executive Board members to develop and implement company strategy should be attracted and retained.

The pension entitlements should be competitive on the market for highly-qualified Executive Board members and should provide them with security in their retirement.

OPERATION

Pensions are paid to former Executive Board members if they reach the predefined age limit or are permanently incapacitated. The Executive Board members are not entitled to receive transition payments upon leaving the Executive Board, with the exception of Mr Ebel who has an acquired right receiving transition payments under a legacy contract.

With regard to pension entitlements, different principles apply for Mr Joussen, Mr Baier and Mr Ebel on the one hand and Mr Long, Mr Burling, Mr Lundgren and Mr Waggott on the other hand due to the legacy systems in Germany and the UK.

Mr Joussen, Mr Baier and Mr Ebel are entitled to pension benefits according to the pension commitments granted to Executive Board members by TUI AG ("TUI AG Pension Scheme"). Those Executive Board members receive, on an annual basis, a contractually agreed amount that is paid into an existing pension plan for the respective Executive Board member. The contributions to the company pension plan carry an interest rate established in the pension obligation. The interest rate currently stands at 5 % p. a. The beneficiary may choose between a one-off payment, payment by instalments or pension payments.

The amounts agreed on and effective since the merger date in the service contracts are:

- Mr Joussen: € 454.5 thousand per year. Mr Joussen becomes eligible for payment of the pension upon reaching the age of 62. According to the service contract effective up until the merger date, Mr Joussen received an amount of € 196.5 thousand per year.
- Mr Baier: € 267.75 thousand per year. Mr Baier becomes eligible for payment of the pension upon reaching the age of 60. According to the service contract effective up until the merger date, the pension contribution amounted to 22.5 % of the target cash remuneration in the contribution year.
- Mr Ebel: € 207.0 thousand per year. Mr Ebel becomes eligible for payment of the pension upon reaching the age of 62.

Should Executive Board members retire from TUI AG before the normal retirement date due to an on-going occupational disability, they will receive an occupational disability pension until they are able to work again, but at most until they reach the normal retirement date.

Under certain circumstances, spouses, partners or cohabitants of deceased Executive Board members will receive a survivor's pension worth 60 % of the above-mentioned pension for their lifetime or until remarriage. Children of Executive Board members will receive an orphan's pension, paid as a maximum until they reach the age of 27. Orphans who have lost one parent will receive 20 % of the pension, and orphans who have lost both parents will receive 25 %.

Mr Long, Mr Burling and Mr Waggott receive a fixed annual amount for pension purposes. These may be payable into an agreed company pension scheme where possible or where the tax arrangements prevent payment into a pension plan will be payable as cash. The amounts agreed on in the service contracts are:

- Mr Long: € 454.5 thousand
- Mr Burling: € 225.0 thousand
- Mr Waggott: € 236.25 thousand
- Mr Lundgren: € 316,125 thousand

Mr Waggott also has a deferred pension entitlement under the Final Salary section of the TUI UK Scheme. He ceased to be an active member on 3 September 2007 (appointment of Mr Waggott as Executive Director of TUI Travel) and, therefore did not accrue further benefits during the year. David Burling has a deferred pension entitlement under the Final Salary section of the TUI UK Scheme. He ceased to be an active member on 31 March 2014 and therefore did not accrue further benefits during the year. Mr Lundgren received the amount for pension purposes on a pro-rata basis until 31 May 2015.

PERFORMANCE CRITERIA

Pension entitlements are not based on the performance of the company and / or personal performance.

PENSION OF CURRENT EXECUTIVE BOARD MEMBERS BELOW THE TUI AG PENSION SCHEME

€ '000	Addition to / reversal from pension provision 2014 / 15	2013 / 14	Net present value 30 Sep 15	30 Sep 14
Friedrich Joussen	1,876.7	0.0	1,876.7	0.0
Horst Baier	1,193.1	715.2	8,053.3	6,860.2
Sebastian Ebel	784.7	0.0	784.7	0.0
Total	**3,854.5**	**715.2**	**10,714.7**	**6,860.2**

At 30 September 2015, pension obligations for active members of the Executive Board totalled € 10,714.7 thousand (previous year balance sheet date: € 6,860.2 thousand) according to IAS 19 and € 9,233.1 thousand (previous year balance sheet date € 6,371.9 thousand) according to commercial law (Handelsgesetzbuch). In the period under review, the provision according to IAS 19 was increased by an amount of € 3,854.5 thousand (previous year decrease by € 13,627.4 thousand), with an increase of € 2,861.2 thousand (previous year decrease by € 11,692.3 thousand) according to commercial law (Handelsgesetzbuch) provisions.

Where the above table shows a corresponding amount, the pension obligations for beneficiaries are funded via the conclusion of pledged reinsurance policies. As the reinsurance policy fully covers the pension obligations for former and current Executive Board members, the insurance was deducted as an asset from the pension obligations.

The values of the pension-entitlements differ with regard to the prior year figures as they are disclosed unbalanced to the covered assets in the amount of the actuarial net present value. The figures of the prior year have been adapted accordingly.

6. POTENTIAL ADDITIONAL REMUNERATION IN CASH OR IN VIRTUAL SHARES (DISCRETIONARY BONUS)

PURPOSE AND LINK TO STRATEGY

The potential additional remuneration is intended to compensate exceptional performance by Executive Board members.

OPERATION

The Supervisory Board may grant an additional remuneration in cash or in virtual shares in exceptional circumstances such as an extraordinary high workload in connection with the merger of TUI AG and TUI Travel or a realization of synergies that exceed the planned level by more than 20 % above budget. The Supervisory Board determines whether and to what amount the additional remuneration will be paid.

CAP

An annual cap applies and the cash equivalent of the additional remuneration is capped at:

- Mr Joussen: € 920.0 thousand
- Mr Long: € 920.0 thousand
- Mr Baier: € 450.0 thousand
- Mr Burling: € 400.0 thousand
- Mr Ebel: € 320.0 thousand
- Mr Waggott: € 360.0 thousand
- Mr Lundgren: € 530.0 thousand

PERFORMANCE CRITERIA

Personal performance and the result of operations are taken into account when determining the additional remuneration.

7. REMUNERATION CAPS

The following table summarises the agreed caps that will apply with respect to remuneration (remuneration components and total remuneration) Executive Board members for a financial year.

REMUNERATION CAPS

€ '000[1]	Fixed remuneration[2]	JEV	LTIP	Discretionary bonus	Annual cap on remuneration[3]
Friedrich Joussen	1,100.0	2,070.0	4,440.0	920.0	7,500.0
Peter Long	1,100.0	2,070.0	4,440.0	920.0	7,500.0
Horst Baier	740.0	1,012.5	2,025.0	450.0	4,200.0
David Burling	600.0	900.0	1,500.0	400.0	3,450.0
Sebastian Ebel	680.0	720.0	1,500.0	320.0	3,380.0
William Waggott[4]	690.0	810.0	1,650.0	360.0	3,600.0
Johann Lundgren	875.0	1,192.5	2,370.0	530.0	5,000.0

1 Discclosure on full-year base accordig to current service contracts
2 No cap applied
3 Cap of total remuneration acc. to service contract
4 From financial year 2015 / 16 on LTIP will be capped at € 2,100.0 thousand, annual cap on remuneration will be at € 4,080.0 thousand

VI. ROLLED-OVER SHARE AWARDS

During their period of service as Executive Directors of TUI Travel, Mr Long, Mr Lundgren, and Mr Waggott received long-term incentives (LTI) on an annual basis in the form of TUI Travel shares with a vesting period of three years. Mr Burling received these long-term incentives during the term of his employment relationship with TUI Travel.

As a result of the three-year vesting period, a number of tranches are still outstanding. Following the merger in December 2014 and the subsequent delisting of TUI Travel, it was agreed that these outstanding share awards would be rolled over. These outstanding share awards will remain in place and will vest in line with the previous three-year period. At the date of vesting any share awards that vest will be awarded as the applicable number of TUI AG. The performance conditions applicable to these awards will remain in place as follows:

Awards vest based on performance against Earnings per share (as defined in the plan rules), relative TSR and Return on invalid Capital measures over a three-year period. The relative weightings are shown are EPS – 50 %, Relative TSR – 25 % and ROIC – 25 %.

Following the merger it has been agreed by the Supervisory Board that the performance will be measured up until the merger date based upon TUI Travel performance and from the merger date on based upon TUI AG performance. Aggregate performance will then be determined for the full three-year period. Deferred bonus awards are not subject to performance measures. No further performance measures apply to deferred share awards as these represent the deferral of annual bonus amounts that have already been earned.

Mr Long, Mr Burling, Mr Lundgren and Mr Waggott were granted share-based awards under the Deferred Annual Bonus Scheme ("DABS") as well as the Performance Share Plan ("PSP"). The following tranches are currently outstanding:

FORMER EXECUTIVE DIRECTORS OF TUI TRAVEL PLC
OUTSTANDING DABS / DABLIS SHARE AWARDS AT 30 SEPTEMBER 2015 (AWARDED BY TUI TRAVEL PLC)
TUI AG CLOSING SHARE PRICE AT 30 SEP 2015 (GBP): 12.18

Name	TUI Travel shares / nil-cost options held at 1 October 2014	TUI Travel nil-cost options awarded during the year ended 30 September 2015	Award date	Market price (TUI Travel) per share at award (GBP)	TUI Travel shares vested and released during the year ended 30 September 2015
Peter Long	256,646 [1]		6 Dec 12	2.840	
	1,026,584 [2]		6 Dec 12	2.840	
	181,546 [1]		12 Dec 13	3.769	
	726,184 [2, 3]		12 Dec 13	3.769	
		161,972 [1, 4]	8 Dec 14	4.500	
Total	**2,190,960**	**161,972**			**0**
David Burling	42,253 [1]		6 Dec 12	2.840	
	169,012 [2]		6 Dec 12	2.840	
	40,295 [1]		12 Dec 13	3.769	
	161,180 [2, 3]		12 Dec 13	3.769	
		25,000 [1, 4]	8 Dec 14	4.500	
Total	**412,740**	**25,000**			**0**
William Waggott	134,207 [1]		6 Dec 12	2.840	
	536,828 [2]		6 Dec 12	2.840	
	98,063 [1]		12 Dec 13	3.769	
	392,252 [2, 3]		12 Dec 13	3.769	
		42,777 [1, 4]	8 Dec 14	4.500	
Total	**1,161,350**	**42,777**			**0**
Johan Lundgren	170,809 [1]		6 Dec 12	2.840	
	683,236 [2]		6 Dec 12	2.840	
	119,607		12 Dec 13	3.769	
	478,428 [2, 3]		12 Dec 13	3.769	
		54,444 [1, 4]	8 Dec 14	4.500	
Total	**1,452,080**	**54,444**			**0**
Grand total	**5,217,130**	**284,193**			**0**

All outstanding share awards shown were made over TUI Travel PLC shares. At vest / exercise, shares will convert to TUI AG shares at the merger conversion ratio of 0,399.

[1] DABS / DABLIS deferred award: The deferred element of annual bonus, subject to forfeiture for gross misconduct, bankruptcy or certain other circumstances in accordance with the scheme rules.

[2] DABS / DABLIS matching award: A multiple of the deferred award, subject to continued employment to the release date and performance conditions over the three-year vesting period.

[3] Change to remuneration structure with effect from 1 October 2014 – last matching awards made in December 2013.

[4] All awards made in December 2014 are phantom awards and will therefore be settled in cash on vesting.

Market price (TUI Travel) per share at vesting (GBP)	Market value at vesting (GBP)	Planned / Actual vesting and release date	TUI Travel shares / nil-cost options lapsed during the year ended 30 September 2015	Maximum TUI Travel shares / nil-cost options held at 30 September 2015	Maximum TUI AG shares / nil-cost options held at 30 September 2015	Maximum value based on TUI AG share price of GBP 12.18 at 30 September 2015 (GBP)
		6 Dec 15		256,646	102,401	1,247,244
		6 Dec 15		1,026,584	409,607	4,989,013
		12 Dec 16		181,546	72,436	882,270
		12 Dec 16		726,184	289,747	3,529,118
		8 Dec 17		161,972	64,626	787,145
	0		**0**	**2,352,932**	**938,817**	**11,434,790**
		6 Dec 15		42,253	16,858	205,330
		6 Dec 15		169,012	67,435	821,358
		12 Dec 16		40,295	16,077	195,818
		12 Dec 16		161,180	64,310	783,296
		8 Dec 17		25,000	9,975	121,496
	0		**0**	**437,740**	**174,655**	**2,127,298**
		6 Dec 15		134,207	53,548	652,215
		6 Dec 15		536,828	214,194	2,608,883
		12 Dec 16		98,063	39,127	476,567
		12 Dec 16		392,252	156,508	1,906,267
		8 Dec 17		42,777	17,068	207,888
	0		**0**	**1,204,127**	**480,445**	**5,851,820**
		6 Dec 15		170,809	68,152	830,091
		6 Dec 15		683,236	272,611	3,320,402
		12 Dec 16		119,607	47,723	581,266
		12 Dec 16		478,428	190,892	2,325,065
		8 Dec 17		54,444	21,723	264,586
	0		**0**	**1,506,524**	**601,101**	**7,321,410**
	0		**0**	**5,501,323**	**2,195,018**	**26,735,318**

FORMER EXECUTIVE DIRECTORS OF TUI TRAVEL PLC
OUTSTANDING PSP AWARDS AT 30 SEPTEMBER 2015 (AWARDED BY TUI TRAVEL PLC)
TUI AG CLOSING SHARE PRICE AT 30 SEP 2015 (GBP): 12.18

Name	TUI Travel PSP shares / nil-cost options held at 1 October 2014	TUI Travel PSP nil-cost options awarded during the year ended 30 September 2015	Award date	Market price (TUI Travel) per share at award (GBP)	TUI Travel PSP shares vested and released during the year ended 30 September 2015
Peter Long	598,591		6 Dec 12	2.840	
	338,286		12 Dec 13	3.769	
Total	**936,877**	**0**			**0**
David Burling	105,633		6 Dec 12	2.840	
	79,596		12 Dec 13	3.769	
		137,600	8 Dec 14	4.500	
Total	**185,229**	**137,600**			**0**
William Waggott	232,394		6 Dec 12	2.840	
	145,927		12 Dec 13	3.769	
Total	**378,321**	**0**			**0**
Johan Lundgren	295,774		6 Dec 12	2.840	
	185,725		12 Dec 13	3.769	
Total	**481,499**	**0**			**0**
Grand total	**1,981,926**	**137,600**			**0**

PSP awards are subject to continued employment to the release date and performance conditions over the three-year vesting period.
All outstanding share awards shown were made over TUI Travel PLC shares. At vest / exercise, shares will convert to TUI AG shares at the merger conversion ratio of 0,399.
[1] The award made to David Burling in December 2014 is a phantom award and will therefore be settled in cash on vesting.

	Market price (TUI Travel) per share at vesting (GBP)	Market value at vesting (GBP)	Planned/Actual vesting and release date	TUI Travel PSP shares lapsed during the year ended 30 September 2015	Maximum TUI Travel PSP shares/nil-cost options held at 30 September 2015	Maximum TUI AG shares/nil-cost options held at 30 September 2015	Maximum value based on TUI AG share price of GBP 12.18 at 30 September 2015 (GBP)
			6 Dec 15		598,591	238,837	2,909,035
			12 Dec 16		338,286	134,976	1,644,008
		0		**0**	**936,877**	**373,813**	**4,553,043**
			6 Dec 15		105,633	42,147	513,350
			12 Dec 16		79,596	31,758	386,812
			8 Dec 17		137,600	54,902	668,706
		0		**0**	**322,829**	**128,807**	**1,568,868**
			6 Dec 15		232,394	92,725	1,129,391
			12 Dec 16		145,927	58,224	709,168
		0		**0**	**378,321**	**150,949**	**1,838,559**
			6 Dec 15		295,774	118,013	1,437,398
			12 Dec 16		185,725	74,104	902,587
		0		**0**	**481,499**	**192,117**	**2,339,985**
		0		**0**	**2,119,526**	**845,686**	**10,300,455**

VII. PAYMENTS/BENEFITS IN CASE OF PREMATURE TERMINATION OF EXECUTIVE BOARD MEMBERSHIP

1. GENERAL CONTRACTUAL FRAMEWORK

Payments made to an Executive Board member on premature termination of his service contract without good cause generally may not exceed the value of two years' compensation (severance pay cap) and compensate no more than the remaining term of the service contract. The severance pay cap is calculated on the basis of the target direct compensation (fixed remuneration, target JEV and target LTIP) for the last expired financial year and, if relevant, the expected target direct compensation for the current financial year. If the service contract is terminated for cause without notice, no payments will be made to Executive Board members.

In cases of premature termination of the service contract, the JEV and payments according to the LTIP will be managed as follows:

- JEV:
  - If the company terminates the service contract for cause without notice before the end of the one-year Performance Reference Period on the grounds of matters for which the Executive Board member is responsible or if the Executive Board member terminates the service contract without cause, the claim to the JEV for the performance reference period in question will be forfeited and no alternative remuneration or compensation for the loss of the JEV will be paid.
  - In all other cases of premature termination of the service contract before the end of the one-year Performance Reference Period, the JEV will generally be paid pro-rata.

- LTIP:
  - If the company terminates the service contract for cause without notice before the end of the respective Performance Reference Period on the grounds of matters for which the Executive Board member is responsible, or if the Executive Board member terminates the service contract without good cause, the claims under the LTIP will lapse for all tranches not yet paid and no alternative remuneration or compensation will be paid.
  - If the service contract ends before the expiry of the Performance Reference Period for other reasons, the claims under the LTIP will be maintained for tranches not yet paid. The tranche of the current financial year will generally be reduced on a pro-rata basis. The determination of pay-out will be done in the same way as in case of a continuation of the service contract.

The service contracts of the Executive Board members do not contain change of control clauses.

The service contract of Mr Joussen contains an exceptional termination right. According to this provision Mr Joussen is entitled to resign from his position as a member of the Executive Board and to terminate his service contract with a notice period of six months to the end of a month if he should not be appointed as sole Chairman of the Executive Board of TUI AG on the day following the Annual General Meeting 2016. The exceptional right of termination can only be exercised six months after the Annual General Meeting 2016 within a period of three months. The exceptional right of termination lapses if Mr Joussen is appointed as sole Chairman of the Executive Board of TUI AG before exercising the exceptional right of termination. If Mr Joussen exercises the exceptional right of termination, he is entitled to a severance payment in the amount of the severance pay cap as described above. Claims of Mr Joussen to the JEV for the Performance Reference Period in question and claims under the LTIP for all tranches of virtual shares not yet paid will not lapse in this case.

2. PAYMENTS/BENEFITS MADE IN CASE OF PREMATURE TERMINATION OF EXECUTIVE BOARD MEMBERSHIP IN FINANCIAL YEAR 2014/15

Mr Lundgren resigned from his position as member of the Executive Board of TUI AG with effect from 31 May 2015. In this respect, TUI AG and Mr Lundgren agreed that their service relationship would end by mutual agreement with effect from 31 May 2015. Mr Lundgren has received his fixed remuneration, the fringe benefits, the car allowance and the amount for pension purposes on a pro-rata basis from 12 December 2014 until the termination date. Mr Lundgren also has received the JEV on a pro-rata basis from 1 October 2014 until the termination date pursuant to the terms agreed on in his service contract. In addition, Mr Lundgren has received secretarial support until the expiry of 30 September 2015.

The JEV was settled at the termination date, taking into account the Reported Group EBITA according to the forecast submitted at the Supervisory Board meeting on 12 May 2015, and an individual performance factor of 1.0. The annual, performance based remuneration became due on 1 July 2015.

Mr Lundgren is not entitled to any rights under TUI AG's LTIP. Granted virtual shares, if any, have been forfeited entirely. All share awards granted to Mr Lundgren by TUI Travel prior to the financial year 2014/15 and which were rolled over to TUI AG will be treated according to the agreed plan conditions.

A post-contractual covenant not to compete for the period from 1 June 2015 to 30 September 2016 has been agreed in the severance agreement. For the duration of the post-contractual covenant not to compete, TUI AG pays Mr Lundgren a compensation totalling € 2,318.8 thousand. Correlatively over the period of 16 months instalments of € 144,927.06 are payable at the end of each month. Payments made to Mr Lundgren in financial year 2014/15 as a result of the termination of his service contract amount to a total of € 1,108.9 thousand (monthly compensation for post-contractual covenant, JEV pro-rated, pension contribution pro-rated).

3. PAYMENTS TO PAST EXECUTIVE BOARD MEMBERS WHO LEFT PRIOR TO FINANCIAL YEAR 2014/15

Other than the above mentioned no payments were made in financial year 2014/15 to past Executive Board members due to premature termination of Executive board membership (previous year € 2,451.0

thousand). As far as those past Executive Board members received pension payments during the financial year 2014 / 15 they are included in the paragraph VIII of this remuneration report.

VIII. PENSION PAYMENTS MADE TO PAST EXECUTIVE BOARD MEMBERS

In financial year 2014 / 15, the total pensions paid to former Executive Board members and their surviving dependants totalled € 4,891.1 thousand (previous year € 4,455.8 thousand).

Pension provisions for former members of the Executive Board and their dependants amounted to € 79,754.3 thousand (previous year € 69,626.6 thousand) as measured according to IAS 19 at the balance sheet date, and € 68,170.10 thousand (previous year € 63,193.0 thousand) as measured according to commercial law provisions (Handelsgesetzbuch). In financial year 2014 / 15, obligations for this group of persons decreased by € 610.1 thousand (in financial year 2013 / 14 increase by € 20,038.9 thousand) according to IAS 19 and increased by € 3,088.6 thousand (in the previous year by € 11,559.3 thousand) according to commercial law provisions.

IX. OVERVIEW: REMUNERATION OF INDIVIDUAL EXECUTIVE BOARD MEMBERS

1. REMUNERATION OF INDIVIDUAL EXECUTIVE BOARD MEMBERS GRANTED BY TUI AG FOR FINANCIAL YEAR 2014/15

REMUNERATION OF INDIVIDUAL EXECUTIVE BOARD MEMBERS GRANTED BY TUI AG FOR FINANCIAL YEAR 2014/15 (ACC. TO SECTION 314, PARAGRAPH 6 LIT A OF THE GERMAN COMMERCIAL CODE

€ '000	Fixed remuneration[1]	JEV	Discretionary Bonus	LTIP[2]	**Total 2014 / 15**	Total 2013 / 14
Friedrich Joussen	1,132.0	1,335.8	500.0	8,900.1	11,867.9	3,895.9
Peter Long[3]	918.4	1,335.8	500.0	2,980.1	5,734.3	
Horst Baier[4]	811.9	977.2	320.0	3,384.2	5,492.7	1,699.5
David Burling[5]	215.3	193.6	0.0	1,668.9	2,077.8	
Sebastian Ebel[6]	561.2	373.7	320.0	1,907.6	3,162.6	
William Waggott[6]	583.5	479.2	0.0	2,207.5	3,270.1	
Johann Lundgren[7]	420.4	384.3	0.0	3,170.7	3,975.4	
Total	**4,642.7**	**5,079.6**	**1,640.0**	**24,219.0**	**35,581.4**	**5,595.4**
Previous year[8]	1,747.3	1,722.2	0.0	2,371.3	5,595.4	

[1] Including fringe benefits (without insurances under Group coverage)
[2] Disclosure of all performance reference periods within current service contract terms (IFRS2)
[3] Since merger date paid by TUI AG
[4] Acc. to current service contract fixed remuneration in FY 2014 / 15 includes € 63,600 received for memberships on the Hapag-Lloyd AG Supervisory Board and its committees
[5] Since 1 June 2015
[6] Since merger date
[7] From merger date until 31 May 2015
[8] Remuneration Horst Baier received for memberships on the Hapag-Lloyd AG Supervisory Board and its committees is deducted

Between 1 October 2014 and the merger date Mr Long has been member of the Executive Board of TUI AG but received his remuneration through TUI Travel based on a resolution of its Remuneration Committee. The remuneration shown below for information purposes only relates to the terms of Mr Long´s TUI Travel service agreement and includes the bonus payable in December 2014 for the financial year 2013 / 14 and the long term incentives schemes awarded by TUI Travel in December 2011 which vested in December 2014. During this period TUI Travel performed very strongly with market capitalisation more than doubling and with significant improvement in the share price and the value of the long term incentive awards which vested reflect this.

The fixed remuneration of Mr Long for the financial year 2014 / 15 as determined by the Remuneration Committee of TUI Travel amounted to € 272.0 thousand for the period between 1 October 2014 and merger date. Furthermore during the reporting period and based on the resolutions of the Remuneration Committee of TUI Travel, Mr Long received a remuneration referring to prior financial years totalling € 19,508.2 thousand whereof € 13,673.8 thousand were attributable to bonuses and € 5,834.4 thousand to the long-term incentive programme.

As in the prior year, the members of the Executive Board did not receive any loans or advances in financial year 2014 / 15.

The two tables below (Remuneration awarded and Remuneration paid) show the benefits already granted by TUI AG and payments received by the individual members of the Executive Board.

2. REMUNERATION AWARDED (ACC. TO 4.2.5, ATTACHMENT TABLE 1 DCGK)

REMUNERATION AWARDED (ACC. TO 4.2.5, ATTACHMENT TABLE 1 DCGK)

	Friedrich Joussen Joint CEO, since 14 February 2013[1]				**Peter Long** Joint CEO, since 12 December 2014[2]			
€ '000	2013/14	**2014/15**	2014/15 (Min)	2014/15 (Max)	2013/14	**2014/15**	2014/15 (Min)	2014/15 (Max)
Fixed remuneration	1,000.0	1,080.4	1,080.4	1,080.4	–	884.8	884.8	884.8
Fringe benefits	56.5	51.6	51.6	51.6	–	33.7	33.7	33.7
Total	**1,056.5**	**1,132.0**	**1,132.0**	**1,132.0**	**–**	**918.4**	**918.4**	**918.4**
JEV	920.0	920.0	0.0	2,070.0	–	920.0	0.0	2,070.0
Discretionary bonus	–	500.0	0.0	920.0	–	500.0	0.0	920.0
LTIP	1,731.4	1,805.6	0.0	4,440.0	–	1,805.6	0.0	4,440.0
Cash Deferral (2013/14–2014/15)	–	–	–	–	–	–	–	–
LTIP (2013/14–2016/17)	1,731.4	–	–	–	–	–	–	–
LTIP (2014/15–2017/18)	–	1,805.6	0.0	4,440.0	–	1,805.6	0.0	4,440.0
Total	**3,707.9**	**4,357.6**	**1,132.0**	**6,851.1**	**–**	**4,144.0**	**918.4**	**7,134.4**
Pension/service costs[3]	196.5	648.9	648.9	648.9	–	365.6	365.6	365.6
Total remuneration[4]	**3,904.4**	**5,006.5**	**1,780.9**	**7,500.0**	**–**	**4,509.6**	**1,284.0**	**7,500.0**

REMUNERATION AWARDED (ACC. TO 4.2.5, ATTACHMENT TABLE 1 DCGK)

	Horst Baier CFO, since 8 November 2007				**David Burling** Member of Executive Board, since 1 June 2015			
€ '000	2013/14	**2014/15**	2014/15 (Min)	2014/15 (Max)	2013/14	**2014/15**	2014/15 (Min)	2014/15 (Max)
Fixed remuneration	680.0	728.3	728.3	728.3	–	200.0	200.0	200.0
Fringe benefits	10.8	20.1	20.1	20.1	–	15.3	15.3	15.3
Total	**690.8**	**748.3**	**748.3**	**748.3**	**–**	**215.3**	**215.3**	**215.3**
JEV	255.0	450.0	0.0	1,012.5	–	133.3	0.0	300.0
Discretionary bonus	–	320.0	0.0	450.0	–	–	0.0	400.0
LTIP	894.9	823.5	0.0	2,025.0	–	203.3	0.0	500.0
Cash Deferral (2013/14–2014/15)	255.0	–	–	–	–	–	–	–
LTIP (2013/14–2016/17)	639.9	–	–	–	–	–	–	–
LTIP (2014/15–2017/18)	–	823.5	0.0	2,025.0	–	203.3	0.0	500.0
Total	**1,840.7**	**2,341.8**	**748.3**	**3,798.8**	**–**	**552.0**	**215.3**	**1,415.3**
Pension/service costs[3]	358.3	401.2	401.2	401.2	–	75.0	75.0	75.0
Total remuneration[4]	**2,199.0**	**2,743.1**	**1,149.6**	**4,200.0**	**–**	**627.0**	**290.3**	**1,490.3**

REMUNERATION AWARDED (ACC. TO 4.2.5, ATTACHMENT TABLE 1 DCGK)

	Sebastian Ebel Member of Executive Board, since 12 December 2015				**William Waggott** Member of Executive Board, since 12 December 2014			
€ '000	2013/14	**2014/15**	2014/15 (Min)	2014/15 (Max)	2013/14	**2014/15**	2014/15 (Min)	2014/15 (Max)
Fixed remuneration	–	547.0	547.0	547.0	–	555.0	555.0	555.0
Fringe benefits	–	14.3	14.3	14.3	–	28.5	28.5	28.5
Total	**–**	**561.2**	**561.2**	**561.2**	**–**	**583.5**	**583.5**	**583.5**
JEV	–	257.4	0.0	579.1	–	360.0	0.0	810.0
Discretionary bonus	–	320.0	0.0	320.0	–	–	0.0	360.0
LTIP	–	490.7	0.0	1,206.5	–	671.0	0.0	1,650.0
Cash Deferral (2013/14–2014/15)	–	–	–	–	–	–	–	–
LTIP (2013/14–2016/17)	–	–	–	–	–	–	–	–
LTIP (2014/15–2017/18)	–	490.7	0.0	1,206.5	–	671.0	0.0	1,650.0
Total	**–**	**1,629.3**	**561.2**	**2,666.9**	**–**	**1,614.5**	**583.5**	**3,403.5**
Pension/service costs[3]	–	279.2	279.2	279.2	–	190.0	190.0	190.0
Total remuneration[4]	**–**	**1,908.5**	**840.5**	**2,946.1**	**–**	**1,804.5**	**773.5**	**3,593.5**

REMUNERATION AWARDED (ACC. TO 4.2.5, ATTACHMENT TABLE 1 DCGK)

	Johan Lundgren Member of Executive Board, from 12 December 2014 to 31 May 2015			
€ '000	2013/14	**2014/15**	2014/15 (Min)	2014/15 (Max)
Fixed remuneration	–	412.1	412.1	412.1
Fringe benefits	–	8.3	8.3	8.3
Total	**–**	**420.4**	**420.4**	**420.4**
JEV	–	353.3	0.0	795.0
Discretionary bonus	–	–	0.0	530.0
LTIP	–	0.0	0.0	0.0
Cash Deferral (2013/14–2014/15)	–	–	–	–
LTIP (2013/14–2016/17)	–	–	–	–
LTIP (2014/15–2017/18)	–	–	–	–
Total	**–**	**773.7**	**420.4**	**1,745.4**
Pension/service costs[3]	–	144.9	144.9	144.9
Total remuneration[4]	**–**	**918.6**	**565.3**	**1,890.3**

1 Appointment as CEO of TUI AG, member of Executive Board since 15 October 2013
2 Appointment as Joint CEO of TUI AG (before: CEO of TUI Travel PLC), member of the Executive Board of TUI AG since 3 September 2007
3 For Mr Joussen, Mr Baier and Mr Ebel service costs acc. to IAS19 are disclosed, Mr Long, Mr Burling and Mr Waggott received pension contributions
4 For Mr Joussen, Mr Long and Mr Baier the (reduced) cap on total remuneration acc. to their service contracts applies

3. REMUNERATION PAID (ACC. TO 4.2.5, ATTACHMENT TABLE 2 DCGK)

REMUNERATION PAID (ACC. TO 4.2.5, ATTACHMENT TABLE 2 DCGK)

€ '000	Friedrich Joussen Joint CEO, since 14 February 2013[1] 2014/15	2013/14	Peter Long Joint CEO, since 12 December 2014[2] 2014/15	2013/14	Horst Baier CFO, since 8 November 2007[2] 2014/15	2013/14
Fixed remuneration	1,080.4	1,000.0	884.8	–	728.3	680.0
Fringe benefits	51.6	56.5	33.7	–	20.1	10.8
Total	**1,132.0**	**1,056.5**	**918.4**	**–**	**748.3**	**690.8**
JEV	1,326.3	1,108.0	1,326.3	–	648.7	307.1
Discretionary bonus	500.0	–	500.0	–	320.0	–
LTIP	0.0	1,280.0	0.0	–	1,853.6	866.3
Cash Deferral (in FY 2011/12)	–	–	–	–	–	169.9
Cash Deferral (in FY 2012/13)	–	–	–	–	152.4	137.1
Cash Deferral (in FY 2013/14)	–	–	–	–	171.2	–
LTIP (2010/11–2013/14)	–	–	–	–	–	559.2
LTIP (2011/12–2014/15)	–	–	–	–	1,530.0	–
LTIP (2013/14–2016/17)	–	1,280.0	–	–	–	–
Others	–	–	–	–	63.6	–245.4
Total	**2,958.3**	**3,444.5**	**2,744.8**	**–**	**3,634.2**	**1,618.8**
Pension/service costs[3]	648.9	196.5	365.6	–	401.2	358.3
Total remuneration	**3,607.2**	**3,641.0**	**3,110.3**	**–**	**4,035.5**	**1,977.1**

REMUNERATION PAID (ACC. TO 4.2.5, ATTACHMENT TABLE 2 DCGK)

€ '000	David Burling Member of Executive Board since 1 June 2015 2014/15	2013/14	Sebastian Ebel Member of Executive Board since 12 December 2014 2014/15	2013/14	William Waggott Member of Executive Board since 12 December 2014 2014/15	2013/14
Fixed remuneration	200.0	–	547.0	–	555.0	–
Fringe benefits	15.3	–	14.3	–	28.5	–
Total	**215.3**	**–**	**561.2**	**–**	**583.5**	**–**
JEV	192.2	–	371.1	–	475.7	–
Discretionary bonus	–	–	320.0	–	–	–
LTIP	0.0	–	0.0	–	0.0	–
Cash Deferral (in FY 2011/12)	–	–	–	–	–	–
Cash Deferral (in FY 2012/13)	–	–	–	–	–	–
Cash Deferral (in FY 2013/14)	–	–	–	–	–	–
LTIP (2010/11–2013/14)	–	–	–	–	–	–
LTIP (2011/12–2014/15)	–	–	–	–	–	–
LTIP (2013/14–2016/17)	–	–	–	–	–	–
Others	–	–	–	–	–	–
Total	**407.5**	**–**	**1,252.3**	**–**	**1,059.2**	**–**
Pension/service costs[3]	75.0	–	279.2	–	190.0	–
Total remuneration	**482.5**	**–**	**1,531.5**	**–**	**1,249.2**	**–**

REMUNERATION PAID (ACC. TO 4.2.5, ATTACHMENT TABLE 2 DCGK)

	Johan Lundgren Member of Executive Board from 12 December 2014 to 31 May 2015	
€ '000	**2014/15**	2013/14
Fixed remuneration	412.1	–
Fringe benefits	8.3	–
Total	**420.4**	**–**
JEV	384.3	–
Discretionary bonus	–	–
LTIP	0.0	–
Cash Deferral (in FY 2011/12)	–	–
Cash Deferral (in FY 2012/13)	–	–
Cash Deferral (in FY 2013/14)	–	–
LTIP (2010/11–2013/14)	–	–
LTIP (2011/12–2014/15)	–	–
LTIP (2013/14–2016/17)	–	–
Others	–	–
Total	**804.6**	**–**
Pension/service costs[3]	144.9	–
Total remuneration	**949.5**	**–**

[1] Appointment as CEO of TUI AG, member of Executive Board since 15 October 2013
[2] Appointment as Joint CEO of TUI AG (before: CEO of TUI Travel PLC), member of the Executive Board of TUI AG since 03 September 2007
[3] For Mr Joussen, Mr Baier and Mr Ebel service costs acc. to IAS19 are disclosed, Mr Long, Mr Burling and Mr Waggott received pension contributions

The allocation for the completed financial year shows the cash payment for the performance period "LTIP 2011/12–2014/15" for Mr Baier. For Mr Joussen a contractual advance payment of €1,280.0 thousand was agreed with for the performance period "LTIP 2013/14–2016/17" payable upon the adoption of the annual financial statements for financial year 2013/14. It is shown as an allocation and will be offset against the actual entitlement that will have arisen at the end of the performance period "LTIP 2013/14–2016/17". Under the new service contract of December 2014, TUI AG and Mr Joussen agreed to cease any entitlement of Mr Joussen to contractual advance payments as part of the LTIP. As a consequence, Mr Joussen will not receive additional advance payments of €100.0 thousand each for the performance periods "LTIP 2012/13–2015/16" and "LTIP 2013/14–2016/17" nor has he received any advance payments for the performance period "LTIP 2014/15–2017/18" nor will he receive advance payments for subsequent performance periods.

X. THE RECRUITMENT OF NEW EXECUTIVE BOARD MEMBERS

1. GENERAL PRINCIPLES

When hiring a new Executive Board member, or promoting to the Executive Board from within the Group, the Supervisory Board will offer a package that is sufficient to retain and motivate and, if relevant, attract the right talent whilst at all times aiming to pay no more than necessary. In determining an appropriate remuneration package, the Supervisory Board will take into consideration all relevant factors, including, but not limited to, the impact on other existing remuneration arrangements, the candidate's location and experience, external market influences and internal pay relativities.

Typically, the new appointment will be in line with, or be transitioned on to, the principles as set in the previous tables. In certain circumstances, the Supervisory Board may use other elements if it considers it appropriate to do so with due regard to the best interests of all stakeholders of the company.

2. ILLUSTRATIONS OF THE APPLICATION OF THE EXECUTIVE BOARD MEMBERS REMUNERATION POLICY

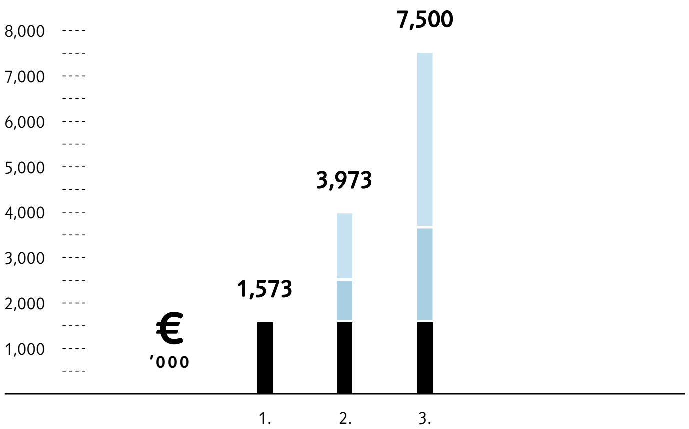
The company's remuneration arrangements have been designed so that a substantial proportion of pay is dependent on the achievement of stretching short and long-term performance targets. As part of this process, the Supervisory Board will regularly review the impact of different performance scenarios on the potential reward opportunity and pay-outs to be received by Executive Board members. The charts show hypothetical values of the remuneration package for Executive Board members under three assumed performance scenarios:

- Minimum performance (i.e. fixed elements of pay only, with no JEV pay-out or vesting of long-term incentives);
- Performance in line with expectations (assuming target pay-out under the JEV, and threshold performance under the LTIP); and
- Maximum performance (assuming maximum pay-out under both the JEV and the LTIP in line with the caps allowable in the individual service contracts).

These charts are for illustrative purposes only and actual outcomes may differ from those shown.

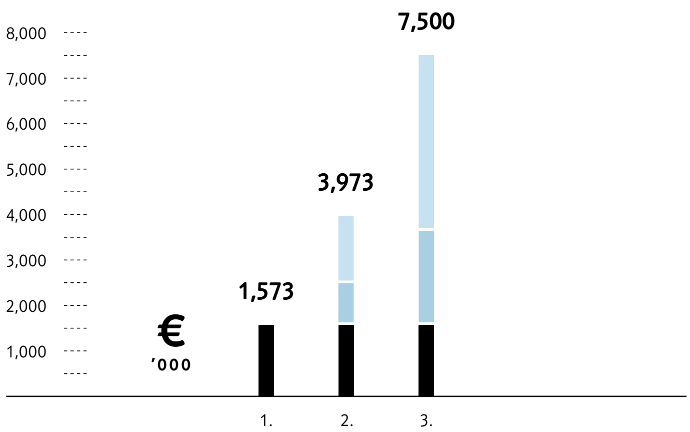
Key:
- Fixed Remuneration
- JEV
- LTIP

FRIEDRICH JOUSSEN



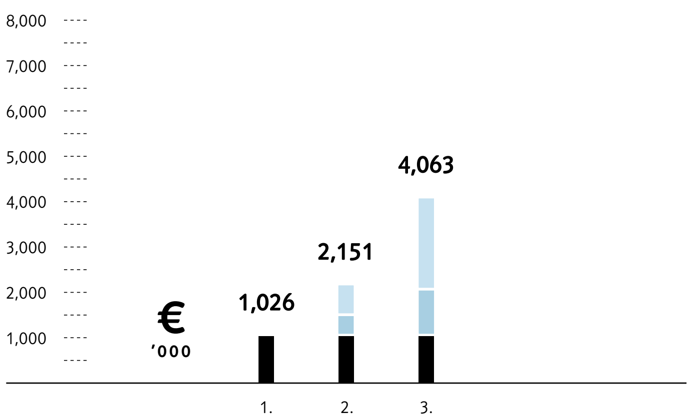
€ '000	Fixed Remuneration	JEV	LTIP	**Total**
1. Minimum performance	1,573	0	0	**1,573**
2. Performance in line with expectations	1,573	920	1,480	**3,973**
3. Maximum performance	1,573	2,070	3,858	**7,500**
%				
1. Minimum performance	100	0	0	**100**
2. Performance in line with expectations	40	23	37	**100**
3. Maximum performance	21	28	51	**100**

PETER LONG



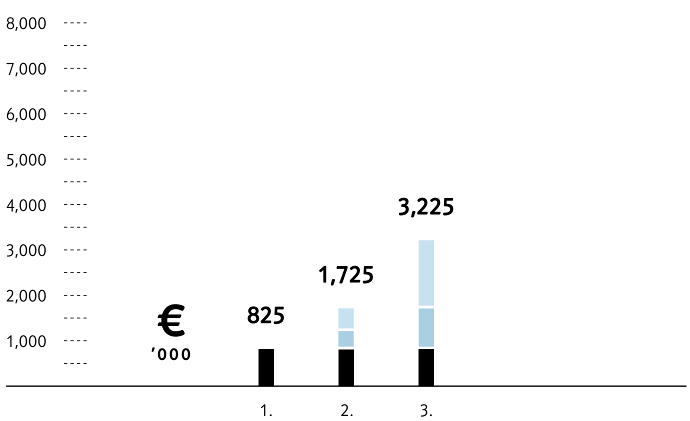
€ '000	Fixed Remuneration	JEV	LTIP	**Total**
1. Minimum performance	1,573	0	0	**1,573**
2. Performance in line with expectations	1,573	920	1,480	**3,973**
3. Maximum performance	1,573	2,070	3,858	**7,500**
%				
1. Minimum performance	100	0	0	**100**
2. Performance in line with expectations	40	23	37	**100**
3. Maximum performance	21	28	51	**100**

HORST BAIER



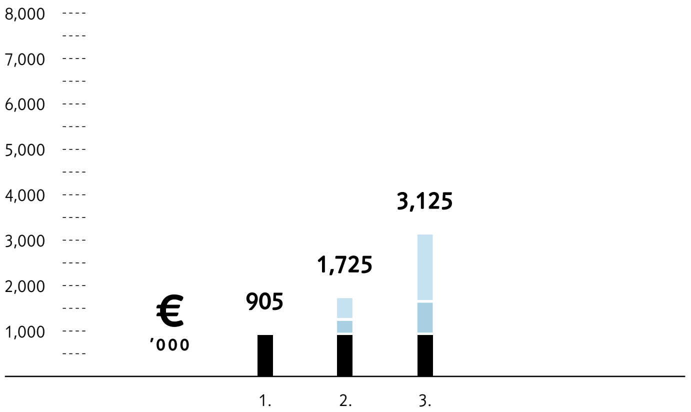
€ '000	Fixed Remuneration	JEV	LTIP	**Total**
1. Minimum performance	1,026	0	0	**1,026**
2. Performance in line with expectations	1,026	450	675	**2,151**
3. Maximum performance	1,026	1,013	2,025	**4,063**
%				
1. Minimum performance	100	0	0	**100**
2. Performance in line with expectations	48	21	31	**100**
3. Maximum performance	25	25	50	**100**

DAVID BURLING



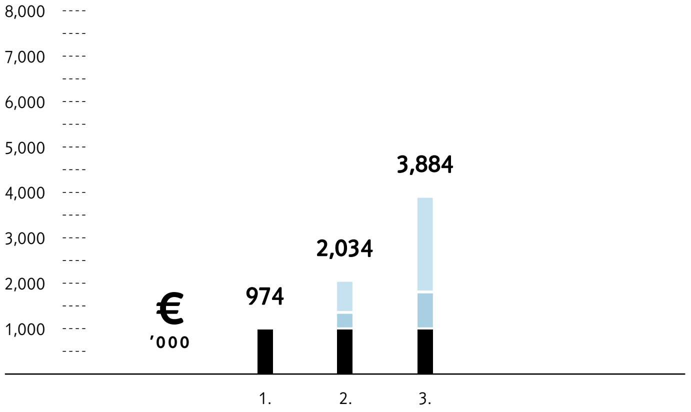
€ '000	Fixed Remuneration	JEV	LTIP	**Total**
1. Minimum performance	825	0	0	**825**
2. Performance in line with expectations	825	400	500	**1,725**
3. Maximum performance	825	900	1,500	**3,225**
%				
1. Minimum performance	100	0	0	**100**
2. Performance in line with expectations	48	23	29	**100**
3. Maximum performance	26	28	47	**100**

SEBASTIAN EBEL



€ '000	Fixed Remuneration	JEV	LTIP	Total
1. Minimum performance	905	0	0	**905**
2. Performance in line with expectations	905	320	500	**1,725**
3. Maximum performance	905	720	1,500	**3,125**
%				
1. Minimum performance	100	0	0	**100**
2. Performance in line with expectations	52	19	29	**100**
3. Maximum performance	29	23	48	**100**

WILLIAM WAGGOTT



€ '000	Fixed Remuneration	JEV	LTIP	Total
1. Minimum performance	974	0	0	**974**
2. Performance in line with expectations	974	360	700	**2,034**
3. Maximum performance	974	810	2,100	**3,884**
%				
1. Minimum performance	100	0	0	**100**
2. Performance in line with expectations	48	18	34	**100**
3. Maximum performance	25	21	54	**100**

Notes
These illustrations of the application of the Director's Remuneration Policy show the potential reward opportunity for the Executive Directors from 1 October 2015 onwards.
Total remuneration for minimum performance ("fixed remuneration") is comprised of salary, company car or car allowance and employer pension contribution / allowance.
Total remuneration for performance in line with expectations is comprised of "fixed remuneration", target annual bonus and target long-term incentive.
Total remuneration for maximum performance is comprised of "fixed remuneration", maximum annual bonus and maximum long-term incentive including share price appreciation. Maximum is capped at overall remuneration caps where applicable.
All employee share plans have been excluded, as have any legacy awards which Executive Directors may hold.

Remuneration of the Supervisory Board

The remuneration of Supervisory Board members currently comprises fixed components and a long-term variable component. For parts of a financial year, when a member leaves or joins the Supervisory Board, the remuneration is paid on a pro-rata basis. It is determined in accordance with section 18 of TUI AG's Articles of Association, which have been made permanently accessible to the public on the internet.

PURPOSE AND LINK TO STRATEGY

Highly-qualified Supervisory Board members should be acquired and retained.

OPERATION

The members of the Supervisory Board receive a fixed remuneration of € 50.0 thousand, payable upon completion of the financial year, besides reimbursement of their expenses. The Chairman of the Supervisory Board receives three times, the deputy chairs receive one and a half times the fixed and long-term variable remuneration of an ordinary member.

An additional fixed remuneration of € 40.0 thousand is paid for membership of committees (the Presiding Committee, Audit Committee and Integration Committee, with the exception of the Nomination Committee). The Chairman of the Audit Committee receives three times the remuneration of the ordinary Audit Committee members.

The fixed remuneration is paid out at the end of the respective financial year.

The members of the Supervisory Board do not receive annual management bonuses or fringe benefits.

First time for the financial year 2012 / 13, the members of the Supervisory Board also receive remuneration related to the company's long-term performance. It amounts to € 400 per € 0.01 of the average undiluted earnings per share (EPS) carried in the consolidated financial statements for the respective last three financial years. The long-term variable remuneration is payable for the first time upon the close of the Annual General Meeting which will vote on the ratification of the acts of management of the Supervisory Board for the third completed financial year (February 2016 for the financial year 2014 / 15). The payable amount is to be capped at € 50.0 thousand.

The members of the Supervisory Board and the Committees receive an attendance fee of € 1.0 thousand per meeting. The members of the Supervisory Board are also reimbursed for necessary travel and other expenses incurred in connection with their role.

The members of the Supervisory Board are included in any financial liability insurance policy (D&O insurance) taken out in an appropriate amount by the company and in its interest. The relevant insurance premiums are paid by the company. In line with the recommendation of the German Corporate Governance Code, there is a deductible for which the Supervisory Board members can take out their own private insurance.

The remuneration of the Supervisory Board is reviewed at appropriate intervals. In this regard the expected time required for the relevant duties and experience in companies of a similar size, industry and complexity are taken into account.

CAP

The maximum aggregate remuneration for an ordinary Supervisory Board member on the basis of the current remuneration scheme including long term variable remuneration (considering the cap mentioned above) and not including committee memberships, attendance fees or the reimbursement of travel and other expenses, is € 100.0 thousand. The remuneration of Supervisory Board members is determined by the Annual General Meeting and set forth in the Articles of Association.

At the meeting of the Supervisory Board held on 23 September 2015, it was agreed that a change in respect of Supervisory Board remuneration should be put to the shareholders at the Annual General Meeting in 2016. The proposal for consideration by shareholders is that the remuneration of the Supervisory Board will no longer include a long-term variable element. Further details will be published with the invitation to the Annual General Meeting mentioned above.

I. REMUNERATION OF THE SUPERVISORY BOARD

TOTAL REMUNERATION OF SUPERVISORY BOARD

€ '000	**2014 / 15**	2013 / 14
Fixed remuneration	1,081.6	906.7
Long-term variable remuneration	628.3	235.1
Remuneration for committee memberships	797.6	559.6
Attendance fee	306.0	249.0
Remuneration for TUI AG Supervisory Board mandate	2,813.5	1,950.4
Remuneration for Supervisory Board mandates in the Group	15.5	74.1
Total	**2,829.0**	**2,024.5**

In addition, travel and other expenses totalling € 421.6 thousand (previous year: € 362.1 thousand) were reimbursed. Total remuneration of the Supervisory Board members thus amounted to € 3,250.6 thousand (previous year: € 2,386.6 thousand).

II. REMUNERATION OF INDIVIDUAL SUPERVISORY BOARD MEMBERS FOR THE FINANCIAL YEAR 2014/15

REMUNERATION OF INDIVIDUAL SUPERVISORY BOARD MEMBERS FOR FINANCIAL YEAR 2014/15

€ '000	Fixed remuneration	Long-term variable remuneration	Fixed remuneration for committee membership	Attendance fee	Remuneration for Supervisory Board memberships in the Group	**Total**
Prof. Dr Klaus Mangold (Chairman)	150.0	115.9	112.1	35.0		413.0
Frank Jakobi (Deputy Chairman)	75.0	53.2	72.1	22.0		222.3
Sir Michael Hodgkinson (since 12 December 2014; Deputy Chairman since 9 February 2015)	56.2	15.6	57.8	22.0		151.6
Andreas Barczewski	50.0	38.6	80.0	24.0		192.6
Peter Bremme	50.0	23.1		8.0		81.1
Arnd Dunse (until 30 November 2014)	8.3	17.2	6.7	1.0		33.2
Prof. Dr Edgar Ernst	50.0	38.6	152.1	16.0		256.7
Angelika Gifford (until 11 December 2014)	9.9	17.8		2.0		29.6
Valerie Frances Gooding (since 12 December 2014)	40.1	10.6		6.0		56.8
Dr Dierk Hirschel (since 16 January 2015)	35.3	10.3		7.0		52.5
Janis Carol Kong (since 12 December 2014)	40.1	10.6		6.0		56.8
Vladimir Lukin (until 11 December 2014)	9.9	6.9	7.9	6.0		30.7
Coline Lucille McConville (since 12 December 2014)	40.1	10.6		7.0		57.8
Michael Pönipp	50.0	36.5	33.3	14.0	15.5	149.3
Timothy Martin Powell (since 12 December 2014)*	40.1	0.0	57.8	14.0		111.9
Wilfried H. Rau (since 3 December 2014)	41.3	10.7		8.0		60.0
Carmen Riu Güell	50.0	38.6	40.0	21.0		149.6
Carola Schwirn	50.0	22.7		9.0		81.7
Maxim G. Shemetov	50.0	24.6	25.7	21.0		121.3
Anette Strempel	50.0	38.6	40.0	16.0		144.6
Prof. Christian Strenger	50.0	38.6	72.1	19.0		179.7
Ortwin Strubelt	50.0	38.6	40.0	15.0		143.6
Marcell Witt (since 16 January 2015)	35.3	10.3		7.0		52.5
Total	**1,081.6**	**628.3**	**797.6**	**306.0**	**15.5**	**2,829.0**

* Mr Powell declared to waive his long-term variable remuneration.

The Supervisory Board members who left in the course of the financial year receive their entitlements from the long-term programme on a pro-rata basis upon the ratification of the acts of management of the Supervisory Board for the financial year in which they left during the following Annual General Meeting. The entitlements of the Supervisory Board members under the long-term remuneration arrangement are covered by a pro-rata provision. Apart from the work performed by the employees' representatives pursuant to their contracts, none of the members of the Supervisory Board provided any personal services such as consultation or agency services for TUI AG or its subsidiaries in financial year 2014 / 15 and thus did not receive any additional remuneration arising out of this.

TUI SHARE PERFORMANCE

Market environment

In financial year 2014 / 15, the global indices showed strong volatility. The German share index (DAX) hit a new record high of more than 12,000 points in April 2015 after a low of 8,572 points at the beginning of the financial year, on 15 October 2014. The FTSE 100 fluctuated within a broad bandwidth from 5,899 to 7,104 points from October 2014 to September 2015.

In the period under review, global indices were affected, in particular, by the discussions around the potential insolvency of Greece. In December 2014, the markets were already nervous as Greece failed to elect a new president. Market anxiety heightened in the Spring, and by July 2015, events were virtually affected every day by debates around a potential exit by Greece from the eurozone (Grexit).

In the period under review, the monetary policy of the central banks also played a major role. Investors were concerned about the potential timing of an interest rate turnaround in the US, while the European Central Bank (ECB) injected positive stimuli by expanding its asset purchase programme.

In financial year 2014 / 15, a considerable slump in share prices was driven by economic developments in a number of key emerging economies. Following a weak start to calendar year 2015 by the global economy, in the summer of 2015 the focus again shifted to disappointing macroeconomic data from China. Speculation about the state of the Chinese economy was additionally fuelled by the strongest drop in share prices in the Chinese stock market for more than eight years in July 2015 and China devaluing its currency several times within a very short period of time.

Towards the end of the period under review, stock markets again came under pressure amid fears of a substantial cooling of China's economy. The FTSE 100 closed at 6,062 points at the balance sheet date, down by 8 %. The German indexes delivered a better performance in a volatile environment. The DAX index reported a slight increase of 3 %, while the MDAX grew by 22 % in the financial year under review.

TUI SHARE DATA

30 September 2015		
WKN		TUAG00
ISIN		DE000TUAG000
Stock exchange centres		London, Xetra, Hanover
Reuters / Bloomberg		TUIGn.DE/TUI1.GR (Frankfurt); TUIT.L/TUI:LN (London)
Stock category		Registered ordinary shares
Capital stock	€	1,499,627,312
Number of shares		586,603,217
Market capitalisation	bn €	9.6
Market capitalisation	bn GBP	7.1

TUI share price significantly outperforms the market in the financial year 2014 / 15

In the completed financial year, the TUI share price showed a positive performance. The primary listing on the London Stock Exchange recorded an increase of 8 %, considerably outperforming the FTSE 100. The secondary listing in Germany rose considerably by 41 %, while the MDAX increased by 22 % in the same period of time.

The main event at the beginning of financial year 2014 / 15 was the merger between TUI AG and TUI Travel. The management teams of the two companies supported the merger plan aimed at creating the world's leading tourism business. At the Extraordinary General Meetings held in October 2014, the shareholders of the two companies approved the merger. The improved growth prospects to be expected from a steady expansion of the hotel and cruise brands and the substantial synergies to be delivered by simplifying the Group structure had convinced both the shareholders and the capital market.

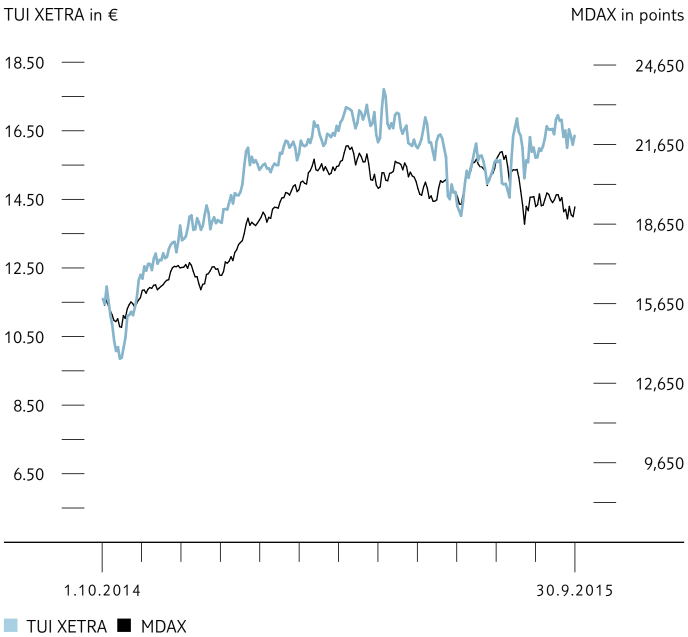
In the months that followed, the TUI share price benefited from the successful completion of the merger. The share price was also boosted by sound business performance and an attractive dividend payment.

In May 2015, TUI's management team provided an update on the tourism group's future growth strategy and the status of integration. At a Capital Markets Update held in London, the Executive Board of the TUI Group defined a number of clear strategic milestones to be achieved by 2018, aimed at enhancing the efficiency and agility of the Group and accelerating profitable growth.

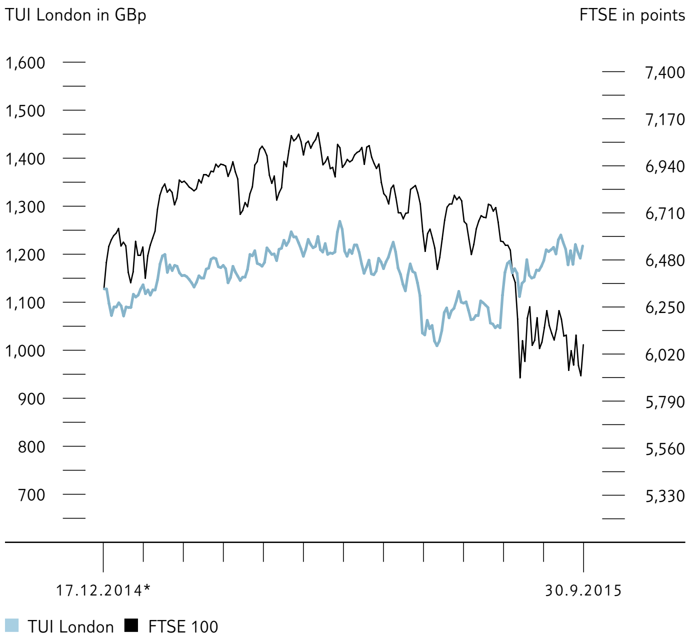
Later in the financial year, the TUI share price did not avoid the challenging market environment. The share price was impacted by the debates about the debt crisis in Greece, the potential threat of a Grexit and the associated effects on the tourism sector. Moreover, the tourism sector was impacted by a terrorist attack on customers in Tunisia in late June 2015. TUI's top priority was to support its customers, their families and any employees concerned during this sad period. Despite these events, the TUI Group achieved strong growth in underlying EBITA in Q3 2014/15, demonstrating the resilience of its integrated business model.

In the last few weeks of the period under review, the TUI share price was influenced by opposing trends, with sound operating results and booking volumes on the one hand and a stock market environment marked by weak economic data on the other. Even during that phase, the share price remained more stable than its national, closing at 1,218 pence or € 16.35 at the balance sheet date.

TUI SHARE PRICE (XETRA)
WITH MDAX (FINANCIAL YEAR 2014/15)



TUI SHARE PRICE (LONDON)
WITH FTSE 100 (FINANCIAL YEAR 2014/15)



* Start of Trading at London Stock Exchange

LONG-TERM DEVELOPMENT OF THE TUI SHARE PRICE (XETRA)

€	2010/11	2011/12	2012/13	2013/14	**2014/15**
High	10.86	6.97	9.85	13.88	17.71
Low	3.68	3.14	6.70	9.14	9.84
Year-end share price	3.88	6.70	9.44	11.85	16.35

Quotations, indexes and trading

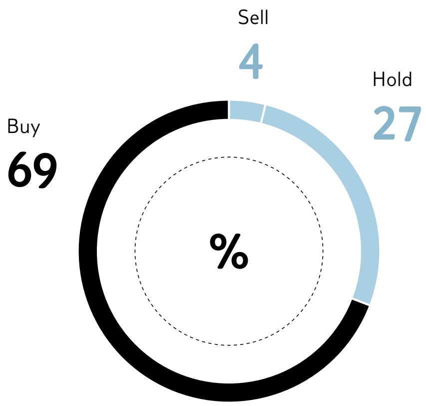
Since 17 December 2014, the primary listing of TUI has been in the premium segment of the main market on the London Stock Exchange. It was admitted to the FTSE UK series of indexes including the FTSE 100, the most important British share index. It has additionally been listed in the electronic trading system Xetra and at the Hanover stock market with a secondary listing.

Among the sustainability, TUI has been listed in the renowned Dow Jones Sustainability Index (DJSI) Europe since September 2015, this being the tenth time in succession. TUI is the only tourism group that has managed to gain admission to the sustainability index. At this year's annual review of the sustainability ranking, TUI scored particularly well in the categories Climate Strategy and Corporate Citizenship. TUI is also listed in the sustainability FTSE4Good, STOXX Global ESG Leaders Index, Ethibel Excellence Index and ECPI Ethical Index €uro and is featured in the CDP Climate Disclosure Leadership Index in the UK and Germany.

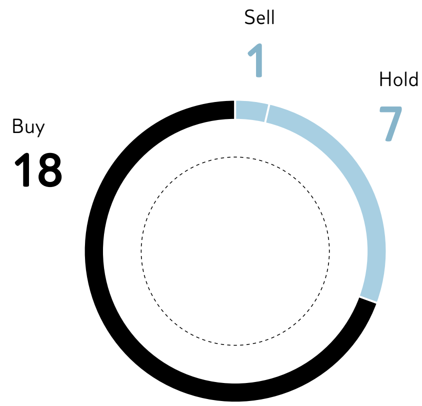
Since the beginning of 2015, the average daily trading volume has been around one million shares each on the London Stock Exchange and on Xetra. This reflects strong liquidity in the pound sterling and euro trading lines.

Analyst recommendations

ANALYSTS' RECOMMENDATIONS
AS AT 30 SEPT 2015



NUMBER OF ANALYSTS
AS AT 30 SEPT 2015



For institutional and private investors, assessments and recommendations by financial analysts are a key decision-making factor. In the financial year under review, around 25 analysts regularly published studies on the TUI Group. In September 2015, 69 % of analysts issued a recommendation to "buy" TUI shares, with 27 % recommending "hold". 4 % of the analysts recommended "sell".

Capital stock and number of shares

EMPLOYEE SHARES

In financial year 2014 / 15, a total of 133,340 employee shares were issued. At the balance sheet date, the capital stock totalled € 1,499,627,311.68, consisting of 586,603,217 no-par value shares documented by global certificates. The proportionate share capital attributable to each individual share is around € 2.56. Apart from subscribed capital, there is also authorised and conditional capital, as outlined in greater detail in the Notes to the consolidated financial statements.

See page 161 et seqq.

CONVERTIBLE BONDS

In November 2009, TUI AG had issued a convertible bond with subscription rights with a total volume of around € 218 m. At the end of the conversion period, the outstanding volume had fallen to € 2 m, and this was duly redeemed in November 2014.

In March 2011, TUI AG again issued convertible bonds with subscription rights with a total volume of around € 339 m, maturing in 2016, and a coupon of 2.75 %. In the completed financial year, the TUI

Group decided to redeem this convertible bond early. The principal amount of € 2 m still outstanding at the end of the conversion period was redeemed in April 2015.

For the convertible bond of TUI Travel still outstanding in the period under review, third-party investors received shares in TUI AG in exchange for shares in TUI Travel for all outstanding bonds. Moreover, a residual amount from a further convertible bond of TUI Travel still outstanding at the beginning of the financial year was redeemed as at the due date. At the balance sheet date, therefore, there were no conversion rights left from convertible bonds.

Resolutions of the 2014 Extraordinary General Meeting and the 2015 Annual General Meeting

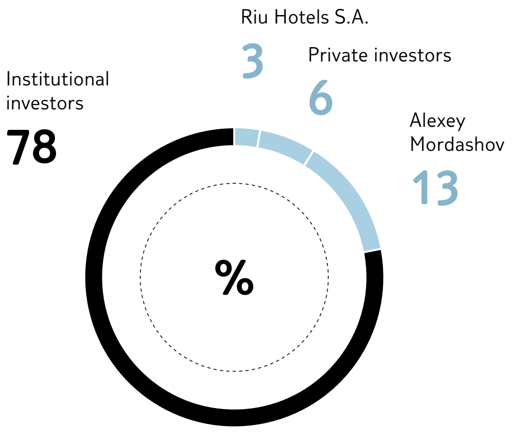
At the Extraordinary General Meeting held on 28 October 2014, the TUI shareholders approved the resolutions on the merger between TUI AG and TUI Travel by a large majority, paving the way for the creation of the world's number one integrated tourism business.

Details about the 2015 AGM are available online at:
www.tuigroup.com/en-en/investors/agm

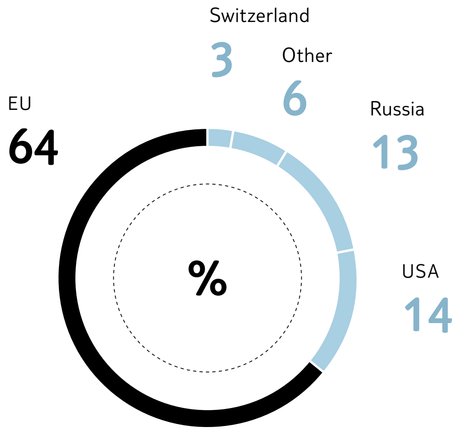
The first Annual General Meeting following the successful merger of the two companies was held in Hanover on 10 February 2015. It was attended by around 1,720 shareholders and shareholder representatives, representing around 60 % of the voting capital during the votes. The acts of management of the Executive and Supervisory Boards of the Company were ratified by large majorities. The AGM approved the proposal submitted by the Executive Board and Supervisory Board to pay a dividend of € 0.33 per share for the completed financial year.

Shareholder Structure

SHAREHOLDER STRUCTURE
AS AT 30 SEPT 2015



GEOGRAPHICAL SHAREHOLDER STRUCTURE
AS AT 30 SEPT 2015



Some 87 % of all TUI shares were in free float at the end of financial year 2014 / 15. Around 6 % of all TUI shares were held by private shareholders, around 78 % by institutional investors and financial institutions and around 16 % by strategic investors. According to an analysis of the share register, most shares were held by investors from EU countries.

The latest information on the shareholder structure and voting right notifications pursuant to section 26 of the German Securities Trading Act is available online at:
www.tuigroup.com/en-en/investors/news

Dividend

DEVELOPMENT OF DIVIDENDS AND EARNINGS OF TUI

€	2010/11	2011/12	2012/13	2013/14	**2014/15**
Earnings per share	–0.01	–0.16	–0.14	+0.26	+0.64
Dividend	–	–	0.15	0.33	0.56

TUI AG's profit for the year amounted to € 1,256.7 m. Taking account of the transfer to other revenue reserves (€ 314.0 m) and the profit carried forward of € 66.7 m, net profit available for distribution totalled € 1,009.4 m. A proposal will be submitted to the Annual General Meeting to use the net profit available for distribution for the financial year under review to distribute a dividend of € 0.56 per no-par value share and to carry the amount of € 680.9 m, remaining after deduction of the dividend total of € 328.5 m, forward on new account.

Rating

The international rating agencies Standard & Poor's and Moody's regularly rate the creditworthiness of TUI as a debtor. In December 2014, Standard & Poor's Rating Services lifted TUI's corporate rating from "B+" to "BB–". S&P attributed the rating upgrade to an improvement in key indicators in financial year 2013/14. It was also attributed to the merger between TUI and TUI Travel, which had a structurally advantageous effect on the rating.

In December 2014, Moody's Investors Service also lifted TUI's rating to "Ba3". In August 2015, the agency improved its outlook again from "neutral" to "positive". Moody's attributed the rating upgrade to the reduction in debt after the rating agency had adjusted its methodology for the measurement of operating leases. A further positive factor was the improved operating performance despite an increase in security risks in Tunisia and volatility in Greece.

RATING AGENCIES

	Corporate Rating	Outlook
Standard & Poor's	BB–	stable
Moody's	Ba3	positive

Investor Relations

Open and continuous dialogue and transparent communication form the basis for confidence in our dealings with shareholders, institutional investors, equity and credit analysts and lenders. Many discussions were held with TUI shareholders and bondholders; they centred on Group strategy and the development of business in the various business sectors, enabling stakeholders to make a realistic assessment of TUI's future development.

Apart from the development of business operations in Tourism, Investor Relations in the period under review focused in particular on the merger between TUI AG and TUI Travel and the growth strategy for the integrated tourism group.

TUI's management team explained these central issues at road shows in London, Frankfurt, Paris, Zurich, Oslo, Copenhagen, New York and Boston. The IR team also carried out road shows in Amsterdam, Brussels and Milan.

Questions from analysts and investors were also discussed at the conference calls held when the interim reports were published, in the framework of analysts' meetings, at many investor conferences in Europe and the US and at numerous one-to-ones. Many of these meetings were personally attended by management.

Investor Relations also makes every effort to engage in direct contact with private investors. The IR team sought dialogue with this target group on many occasions, such as events organised by shareholder associations. Another key platform for exchanges with private shareholders was the IR stand at TUI's Annual General Meeting. TUI also uses its new website to address its private investors. Apart from the comprehensive information that is made available, all IR conference calls and the Capital Markets Update were transmitted live and in full on that website in financial year 2014/15.

More details about Investor Relations online at www.tuigroup.com/en-en/investors

Protecting natural resources and taking social responsibility for our destinations are part and parcel of TUI's corporate culture. Mexico is no exception. Holbox island and its little fishing village are in the middle of the biosphere reserve Yum Balam. Preserving this unspoilt Caribbean holiday idyll is a matter close to our hearts.

» READ MORE ABOUT MEXICO AS A LONG-HAUL DESTINATION IN OUR MAGAZINE UNDER „ÁNDALE!"

02 MANAGEMENT REPORT*

CONTENTS

* The present combined Management Report has been drawn up for both the TUI Group and TUI AG. It was prepared in accordance with sections 289, 315 and 315 (a) of the German Commercial Code (HGB) and German Accounting Standards (DRS) numbers 17 and 20.

The combined Management Report also includes the Remuneration Report and the Corporate Governance Report as well as the Two-Year-Table.

TUI GROUP FUNDAMENTALS

Structure, business model and market environment

TUI GROUP

TOURISM BUSINESS				SPECIALIST TRAVEL		ALL OTHER SEGMENTS*
SOURCE MARKETS	HOTELS & RESORTS	CRUISES	OTHER TOURISM	SPECIALIST GROUP	HOTELBEDS GROUP	
• *Northern Region* • *Central Region* • *Western Region*	• *Riu* • *Robinson* • *Other Hotels*	• *TUI Cruises* • *Hapag-Lloyd Cruises*				• *Corporate Center* • *Real Estate*

* LateRooms Group and Financial stake in Hapag-Lloyd AG (Container shipping) held for sale

TUI Group

TUI Group is the world's leading tourism business consisting of market-leading tour operators, 1,800 travel agencies and leading online portals, five tour operator airlines with more than 140 aircraft, over 310 hotels with 214,000 beds, 13 cruise liners and countless incoming agencies in all major holiday destinations around the globe. This integrated offering will enable us to provide our 20 million customers with an unparalleled holiday experience in 180 regions.

TUI AG structure

TUI AG is the Group's parent company headquartered in Hanover. It holds directly or, via its affiliates, indirect interests in the principal Group companies conducting the Group's operating business in individual countries. Overall, TUI AG's group of consolidated companies comprised 532 direct and indirect subsidiaries at the balance sheet date, of which 45 were based in Germany and 487 abroad. A further 19 affiliated companies and 33 joint ventures were included in TUI AG's consolidated financial statements on the basis of at equity measurement.

ORGANISATION AND MANAGEMENT

TUI AG is a stock corporation under German law, whose basic principle is dual management by two boards, the Executive Board and the Supervisory Board. The Executive and Supervisory Boards cooperate closely in governing and monitoring the Company. The Executive Board is responsible for the overall management of the Company.

The appointment and removal of Board members is based on sections 84 et seq. of the German Stock Corporation Act in combination with section 31 of the German Co-Determination Act. Amendments to the Articles of Association are effected on the basis of the provisions of sections 179 et seq. of the German Stock Corporation Act in combination with section 24 of TUI AG's Articles of Association.

EXECUTIVE BOARD AND GROUP EXECUTIVE COMMITTEE

As at the balance sheet date, the Executive Board of TUI AG consisted of the two Joint CEOs and four other Board members.

Details on Executive Board members see page 38

A Group Executive Committee was set up in order to manage the TUI Group strategically and operationally. As at 30 September 2015 the Committee consisted of twelve members who meet under the chairmanship of Joint CEOs Friedrich Joussen and Peter Long.

REPORTING STRUCTURE

Due to the merger with TUI Travel PLC, the TUI Group changed its organisational structure as of 31 March 2015. The previous reporting structure has been updated to reflect the management structure of the new TUI Group, in line with IFRS 8. The previous sectors Travel, Hotels & Resorts and Cruises have been replaced by the following reporting segments:

TUI Group's tour operating business is clustered into the three geographical regions. The Northern Region, Central Region and Western Region represent together with Hotels & Resorts, Cruises and Other Tourism the Tourism division.

Northern Region

The Northern Region segment comprises the tour operators, airlines and cruise business in the UK, Ireland and the Nordics. In addition, the Canadian strategic venture Sunwing and the joint venture in Russia have been included within this segment.

Central Region

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

Western Region

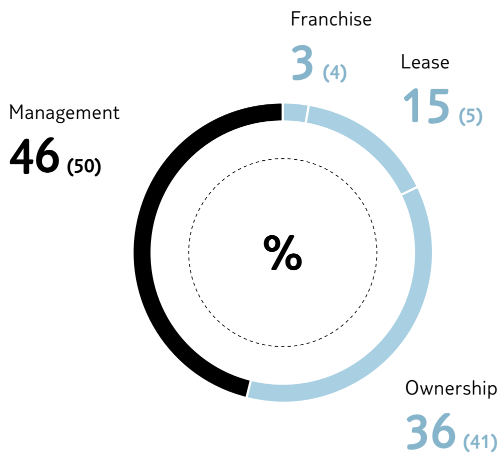
The tour operators and airlines in Belgium and the Netherlands and the tour operators in France are included within the segment Western Region.

Hotels & Resorts

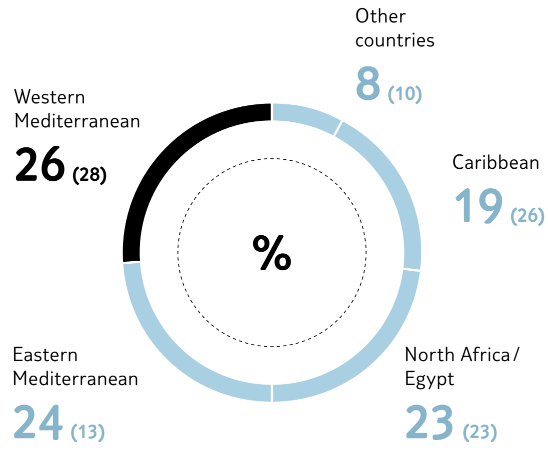
The Hotels & Resorts segment comprises all Group-owned hotels and hotel companies of the TUI Group. The hotel activities of the former Travel Sector have also been allocated to Hotels & Resorts. The segment continues to hold majority participations in hotels, joint ventures with local partners, companies where TUI holds a financial stake, enabling it to exert a strong influence, and hotels operated under management contracts.

In financial year 2014/15, Hotels & Resorts comprised a total of 310 hotels with 214,066 beds. At 272 hotels, most hotels are in the four- or five-star categories. 46 % were operated in the framework of management contracts, 36 % were owned by the respective hotel company, 15 % were leased and 3 % of the hotels were managed under franchise agreements.

FINANCING STRUCTURE HOTELS & RESORTS



OWNED HOTEL BEDS ACCORDING TO REGIONS



In brackets: previous year

HOTELS & RESORTS

Hotel brand	3 stars	4 stars	5 stars	Total hotels	Beds	Main sites
Riu	5	57	42	104	90,187	Spain, Mexico, Caribbean, Tunisia, Cape Verdes
Robinson	–	20	4	24	14,442	Spain, Greece, Turkey, Switzerland, Austria
Iberotel	–	15	9	24	13,406	Egypt, Turkey, Germany
Other hotel companies	33	95	30	158	96,031	Spain, Greece, Egypt
Total	**38**	**187**	**85**	**310**	**214,066**	

As at 30 September 2015

RIU

Riu is the largest hotel company in the portfolio of Hotels & Resorts. The Majorca-based enterprise has a high proportion of regular customers and stands for professionalism and excellent service. Most of the hotels are in the premium and comfort segments and are located in Spain, Mexico and the Caribbean.

ROBINSON

Robinson, the leading provider in the premium club holiday segment, is characterised by its professional sport, entertainment and event portfolio. Moreover, the clubs offer high-quality hotel amenities, excellent service and spacious architecture. Most of the hotels are located in Spain, Greece, Turkey, Switzerland and Austria. The facilities also meet ambitious standards in terms of promoting sustainable development activities and meeting specific environmental standards.

IBEROTEL

Iberotel hotels offer a comprehensive level of comfort and excellent dining options. Most of these premium hotels are located in Egypt and Turkey. They offer top-quality products, complying with the highest quality, safety and environmental standards.

OTHER HOTEL COMPANIES

Other hotel companies include Majorca-based Grupotel and other brands such as Jaz and Magic Life, our club brand characterised by family friendly holiday villages and varied sport and entertainment programmes.

Cruises

The Cruises segment consists of Hapag-Lloyd Cruises and the joint venture TUI Cruises.

HAPAG-LLOYD CRUISES

Hamburg-based Hapag-Lloyd Cruises holds a leading position in the German-speaking market with its four ships fleet in the luxury and expedition cruise segments.

Its flagships are the five-star-plus vessels Europa and Europa 2. They were awarded this category by the Berlitz Cruise Guide and are the world's only ships to be recognised in this way, in the case of Europa for the sixteenth time in succession. Europa primarily cruises on world tours, while her sister ship Europa 2 takes shorter but combinable routes. The Hanseatic is used, among other destinations, for expedition cruises to the Arctic and Antarctic. It is the world's only five-star passenger vessel with the highest Arctic class. The Bremen, a four-star vessel – also awarded the highest Arctic class – is another expedition ship travelling to similar destinations. Three of the ships are owned and one was chartered.

TUI CRUISES

The Hamburg-based TUI Cruises is a joint venture formed in 2008 between TUI AG and the US shipping company Royal Caribbean Cruises Ltd., in which each partner holds a 50 % stake. With four ships so far TUI Cruises is top-ranked in the German-speaking premium market for cruises. The Berlitz Cruises Guide awarded the Mein Schiff 4 as World's best ship in the category "Large Resort Ships" and her sister ship Mein Schiff 3 second best.

TUI Cruises is planning to take advantage of growth opportunities and expand its market position by additional newbuilds. The decision to order Mein Schiff 7 and Mein Schiff 8 was taken in September 2015. The commissioning of the newbuilds is planned for 2018 and 2019 and they are to replace Mein Schiff 1 and Mein Schiff 2 respectively. TUI Cruises first two ships are planned to be transferred within TUI Group to Thomson Cruises, currently part of the UK tour operator reported within Northern Region.

Other Tourism

Other Tourism comprises the French airline Corsair and, in particular, central Tourism functions such as the TUI Group's flight control and information technology departments.

Specialist Travel

The Specialist Group segment and the Hotelbeds Group segment together form Specialist Travel.

SPECIALIST GROUP

The Specialist Group segment pools more than 100 specialist and adventure tour operators in Europe, North America and Australia. It operates under five divisions: Adventure, Education, North American Specialists, Events and Specialist Holiday Group. It includes tour operators offering market-leading travel experiences and adventures, tour operators for student trips and language courses, providers of charter yachts, premium tour operators, and providers of skiing and other sporting tours.

HOTELBEDS GROUP

The Hotelbeds Group previously was part of the Accommodation & Destinations sector and comprises B2B hotel portals selling globally sourced hotel and apartment accommodation online to wholesale customers such as travel agencies and tour operators via various Internet portals. The Inbound Services Division manages regional incoming agencies providing incoming services for tour operators, such as transfers and liaison with holiday-makers. This Division also provides wide-ranging services for the cruise industry.

All other segments

Apart from the segments mentioned above, the segment "All other segments" will also be retained. It combines, in particular, the corporate centre functions of TUI AG and the interim holdings as well as the Group's real estate companies. The corporate centre functions of TUI Travel PLC, previously comprised in the Travel Sector, have also been allocated to that segment.

The segment of the LateRooms Group has been classified as a discontinued operation. As at October 2015 the platform for travel services was sold.

The financial stake in Hapag-Lloyd Container Shipping of roughly 13.9 % (as at 30 September 2015) was reclassified to financial assets available for sale according to IFRS 5 since Q3 2013 / 14.

Market environment and competition in the tourism businesses

Tourism is our core business. Following the merger between TUI AG and TUI Travel PLC we have created the world´s number one integrated leisure tourism business. Furthermore, we consider ourselves to be Europe's largest leisure hotelier based on capacity. Within our Tourism segment, we also operate three cruise line businesses, Thomson Cruises, Hapag-Lloyd Cruises and TUI Cruises.

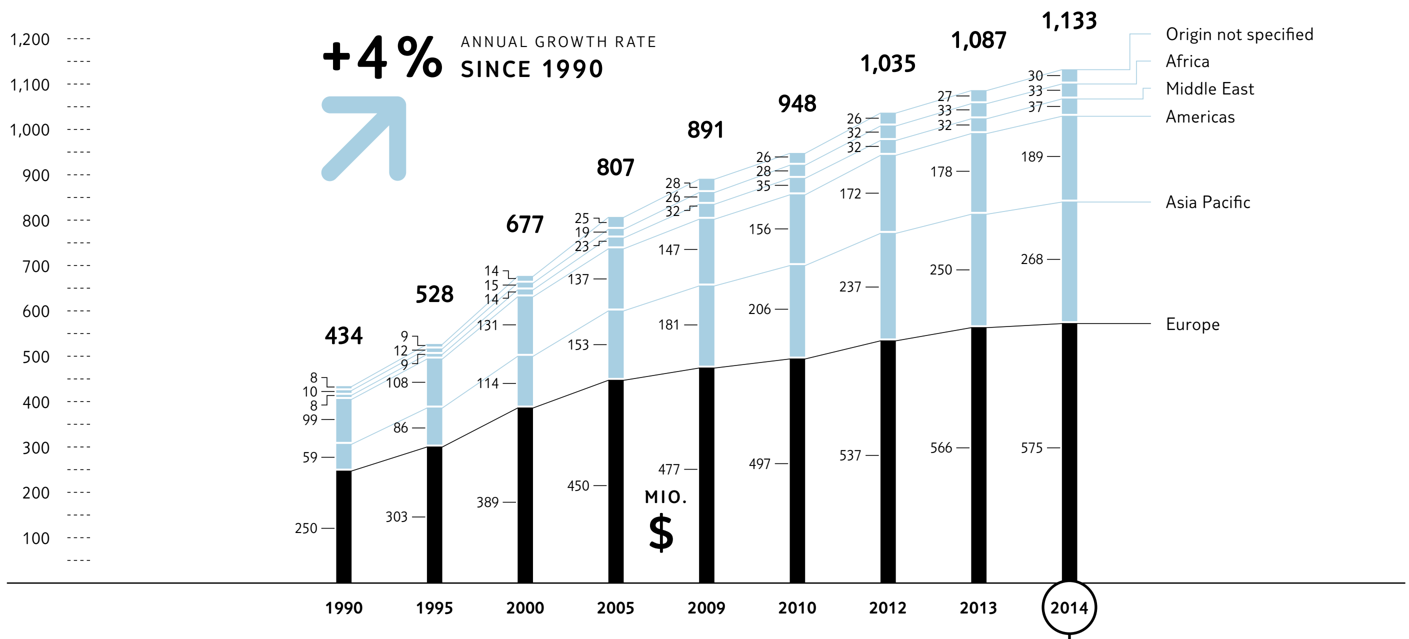
TOURISM MARKET

According to the World Tourism Organization (UNWTO), tourism comprises the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes. The key tourism indicators to measure market size are the number of international tourist arrivals, and international tourism receipts. With international tourism receipts reaching $ 1.2 trillion in 2014, the tourism industry is one of the most important sectors in the world economy. International tourism (travel and passenger transport) accounts for 9 % of GDP and for 30 % of the world's exports of services and 6 % of overall exports of goods and services. As a worldwide export category, tourism ranks fifth after fuels, chemicals, food and automotive products, while ranking first in many developing countries (UNWTO, Tourism Highlights, 2015). International tourist arrivals worldwide are expected to increase by 3.3 % a year between 2010 and 2030 to reach 1.8 billion by 2030 (UNWTO Tourism Towards 2030).

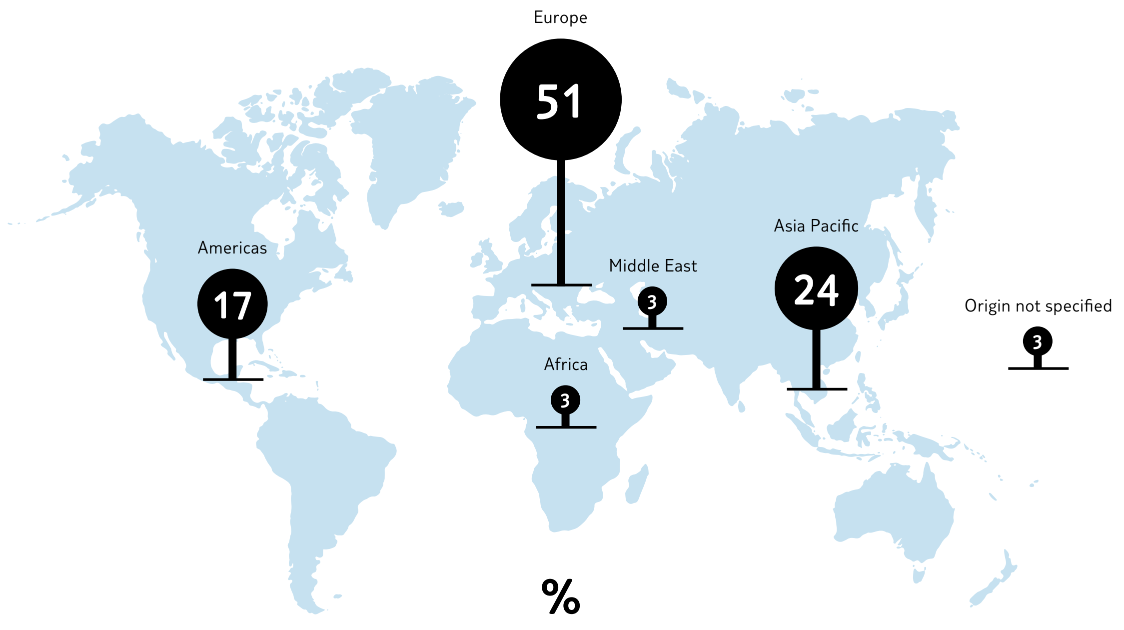
Travel for leisure, recreation and holidays accounts for just over half of all international tourist arrivals (53 %). Some 14 % travel for business and professional purposes and another 27 % travel for specific purposes, such as visiting friends and relatives or health, with the remaining 6 % travelling for unspecified reasons (UNWTO, Tourism Highlights, 2015 Edition).

Europe is the largest and most mature tourism market in the world, accounting for 51 % of international tourist arrivals and 41 % of receipts in 2014. Asia Pacific accounts for 17 % of international tourist arrivals in 2014. The total increased with a CAGR of + 4 % from 1990 up to 1,133 m tourists in 2014. Five European countries (France, Spain, Italy, the United Kingdom and Germany) figured in the top ten international tourism destinations in 2014. Our three main source markets were in the top six of all source markets worldwide measured by international tourism expenditure.

DEVELOPMENT INTERNATIONAL TOURIST ARRIVALS BY ORIGIN



SHARE OF INTERNATIONAL TOURIST ARRIVALS BY ORIGIN



Germany continues to be the third largest source market in the world, with international tourism expenditure of approximately $ 92.2 billion in 2014, after China (approximately $ 164.9 billion) and the United States (approximately $ 110.8 billion). In terms of expenditure per capita, Germany ranks first globally, with approximately $ 1,137 spent per German on average in 2014. (source: UNWTO, Tourism Highlights, 2015 Edition). Key operators in the German tourism market are TUI Deutschland, Thomas Cook, DER Touristik, FTI and Alltours (FVW, Dossier, Deutsche Veranstalter, 2013).

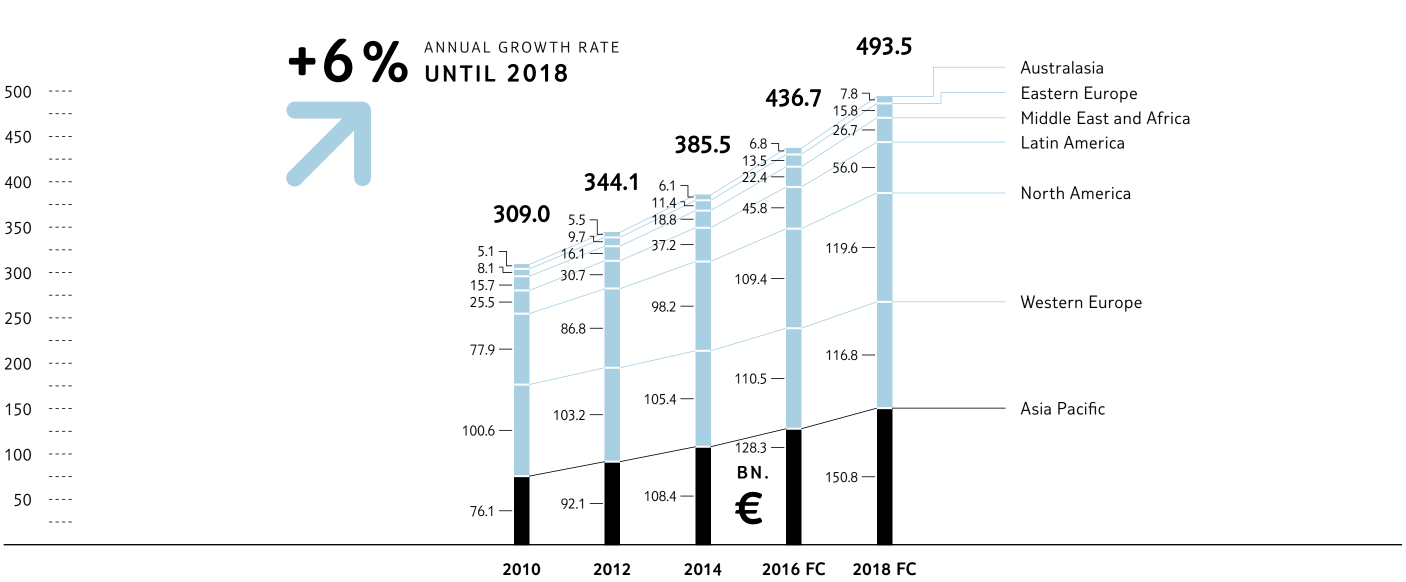
The United Kingdom is the fourth largest source market in the world, with approximately $ 52.7 billion spent on tourism activities in 2014 and on average $ 893 spent per capita over the same period (source: UNWTO, Tourism Highlights, 2015 Edition). The British tourism market is characterized by a high degree of concentration, with two key operators: TUI Group and Thomas Cook (Mintel, European Leisure Travel Industry, September 2013).

France is the sixth largest source market in 2014, with international tourism expenditure of approximately $ 42.9 billion (source: UNWTO, Tourism Highlights, 2015 Edition). TUI is the market leader in France with its two main tour-operator brands, Nouvelles Frontières and Marmara. Thomas Cook is second-ranked in the French tour-operator market (Mintel, European Leisure Travel Industry, September 2013). France is the largest destination market in the world, with over 83.7 million tourists in 2014.

HOTEL MARKET

The total worldwide hotel market was € 385.5 bn in 2014 (business and leisure market). It is estimated to grow with a CAGR of 6.4 % by 2018 (Euromonitor; June 2015). The hotel market is divided between business and leisure travel. A number of characteristics differentiate leisure travel hotels from business hotels, including longer average lengths of stay for guests in leisure hotels, varying locations of hotels (e. g. cities or leisure resorts) as well as hotel amenities and service requirements. From a demand perspective, the leisure hotel market in Europe is divided into several smaller submarkets which cater to the individual needs and demands of tourists. These submarkets include premium, comfort, budget, family / apartment, and club or resort style hotels. Hotel companies can offer a variety of hotels across different sub-markets because they are often defined by price range, star ratings, exclusivity, or available facilities.

HOTEL MARKET, RETAIL VALUE



Consumers in our three main source markets prefer the following destinations:

Germany: The most popular leisure hotel destinations for consumers in the German source market are Spain, Italy, Turkey, Austria, Croatia, France, Poland and Greece (source: Mintel, European Leisure Travel Industry, September 2013). Turkey is expected to be the highest growing market with a CAGR of 13.6 % to 2018 while Italy is the biggest market in terms of size with a volume of € 22.9 bn retail value (Euromonitor, June 2015).

United Kingdom: The most popular leisure hotel destinations for consumers in the United Kingdom source market are Spain, France, the United States, Italy, Greece, Portugal and Turkey (Mintel, European Leisure Travel Industry, September 2013).

France: The most popular leisure hotel destinations for consumers in the French source market are Spain, Tunisia, Morocco, Greece and Turkey (Mintel, European Leisure Travel Industry, September 2013).

Hotel operations can generally be divided into (i) asset owners, whose primary business is to own real estate assets; (ii) brand owners and operators who typically manage hotel assets themselves or enter into franchising arrangements with independent operators who, in turn manage the hotel property assets; and (iii) independent operators combining the operations of asset owners and brand owners and operators by managing diverse assets under different brands, often through franchise agreements.

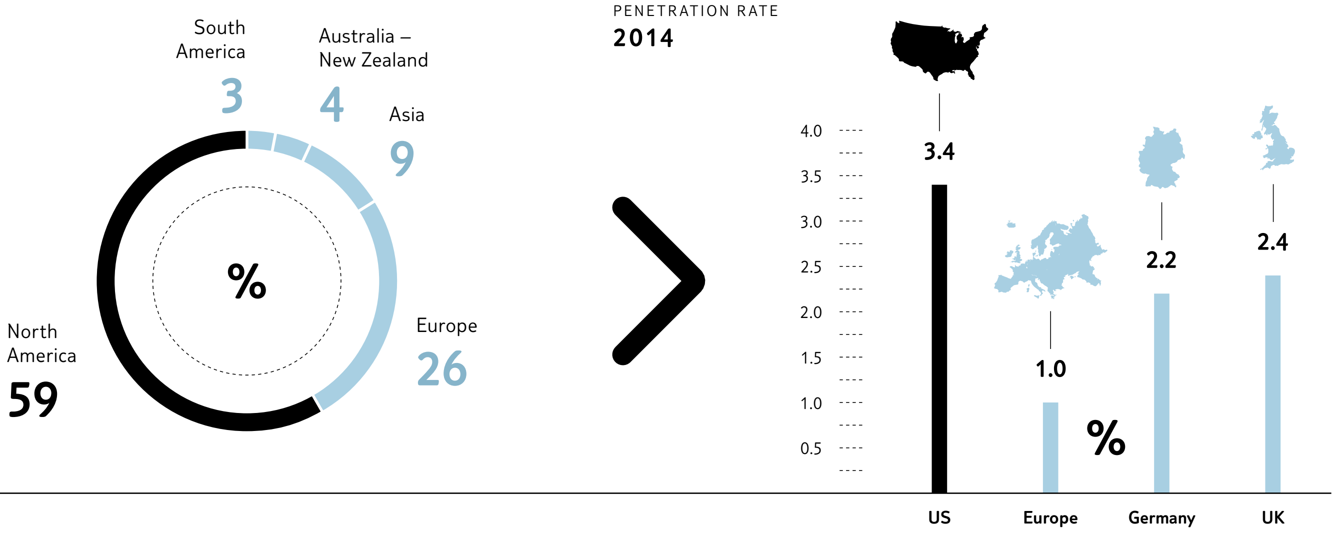
The upper end of the leisure hotel market is characterized by a high degree of sophistication and specialization among large international companies and investors. There are also a large number of small, often family-run businesses, particularly in Europe, with less sophistication and fewer financial resources. Most family-owned and operated businesses are not branded and customers cannot typically access these hotels through global distribution systems. Given the variety of models under which leisure hotels are owned and operated and the fragmented competitive landscape which, at least in Europe, is not dominated by large hotel chains, conditions differ greatly between locations.

CRUISE MARKET

The global cruise industry is expected to generate approximately $ 39.6 billion of revenue in 2015 – a 6.9 % increase over 2014 with 22.2 million passengers carried each year (Cruise Market Watch website, www.cruisemarketwatch.com/market-share). The North American market is by far the largest and most mature cruise market in the world, with approximately 13 million guests in 2015 and a strong penetration rate of 3.4 % of the total population taking a cruise in 2014. By contrast, the European cruise markets showed approximately 6.4 million European passengers and, on average, a penetration rate of only 1.0 % in 2014, with penetration rates varying significantly from country to country (CLIA Europe Statistics and Markets, 2014).

The United Kingdom, France and Germany are among the five largest cruise markets in Europe (Mintel, Cruises – International, June 2014).

WORLDWIDE CRUISE PASSENGERS BY SOURCE REGION AND PENETRATION RATE 2014



Germany, largest cruise market in Europe, reached 1.8 million passengers in 2014 and, at 2.2 %, showed a lower penetration rate than the United Kingdom (CLIA Europe Statistics and Markets, 2014). The United Kingdom is the second largest cruise market in Europe, with approximately 1.6 million cruise passengers in 2014 and the strongest penetration rate (2.4 % of the British population took a cruise in 2014, well above the European average) (CLIA Europe Statistics and Markets, 2014). France, the fourth largest cruise market in Europe, had approximately 0.6 million cruise passengers in 2014. The French cruise market is characterized by a lower penetration rate, with only 0.9 % of the population boarding a cruise in 2014 (CLIA Europe Statistics and Markets, 2014).

The European cruise market is divided into submarkets that cater to a variety of customers: budget, discovery, premium and luxury. Cruise operators utilize different cruise formats to target these submarkets and the unique demands of their customers. For example, Hapag-Lloyd Cruises, Deilmann and Phoenix are all active in the premium cruise submarket, Compagnie du Ponant Cruises is active in the French luxury cruise submarket, and Hapag-Lloyd Cruises is the exclusive operator in the German luxury submarket. In addition to traditional formats, operators offer club ship cruises (such as AIDA) or more contemporary oriented cruises (such as TUI Cruises) in the premium cruise submarket. As a cruise ship is often perceived as a destination in itself, cruise companies compete, in particular, within the luxury and premium cruise submarkets, with other destinations such as leading hotels and resorts.

Brand

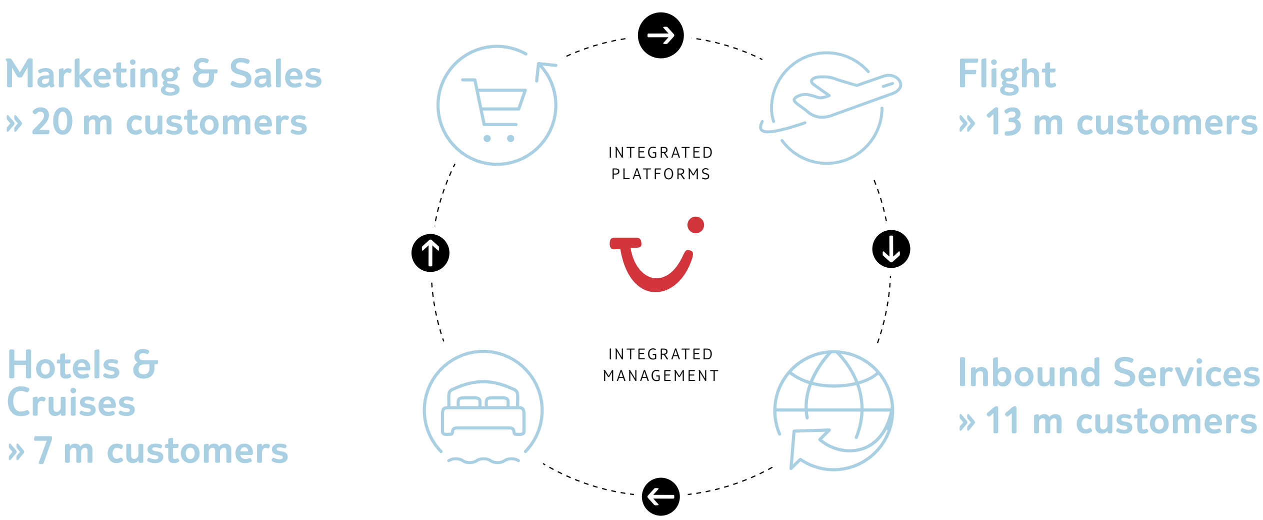
The TUI Group offers strong brands in all its sectors. In our view, the strength of our brands in all tourism source markets in Europe and in the destinations provides us with a significant competitive edge over our peers. In a survey carried out in 2015, TUI was again rated as the most trusted travel brand in Germany and Austria (source: Reader's Digest Trusted Brands 2015). TUI has also achieved the strongest growth in brand value of all companies included in a study conducted by the internationally renowned brand consultancy Interbrand to rank the most valuable German brands in 2015. TUI's brand value grew by 43 % to € 1.4 bn euros. In analysing TUI, Interbrand's brand experts emphasize the fact that the Group will achieve a greater presence and gain continuity due to the ongoing pooling of all services and sub-brands under the TUI brand.

Goals and strategies

Merger of TUI AG and TUI Travel

The merger of TUI AG and TUI Travel PLC in December 2014 created the world's leading Tourism business, combining the premium leisure hotel and cruise brands of TUI AG with the strong marketing and sales capabilities, modern and efficient airline fleet, inbound services network and unique holiday concepts of TUI Travel. This has resulted in a vertically-integrated Tourism business model completing our progression from predominantly being a trading business, to being a branded consumer services group with a strong focus on exclusive hotel and cruise content. We will set new standards in our industry with respect to growth, quality as well as brand promise and will create significant opportunities for shareholders, customers, suppliers and our employees. We deliver an unparalleled customer proposition and increased value for shareholders.

OUR VERTICAL INTEGRATED BUSINESS MODEL



Our business model differentiates us through scale and leading positions at all stages of the customer journey: Marketing & Sales, Flight, Inbound Services and Accommodation. This, and the combination of our TUI power brand, our local roots and local market expertise, with a strong central IT platform, defines our uniqueness.

The benefits of a vertically-integrated model are clear:

- We control the end-to-end customer journey, from inspiration and advice, to booking, flight, inbound services and accommodation. This differentiates us from the competition and gives us the knowledge and ability to provide the holiday experiences that our customers desire, resulting in sustainable, profitable top-line growth through growth in customer volumes, revenue per customer and retention.
- Having our own hotels and cruise ships gives us the ability to differentiate our products and means that we control quality, customer satisfaction and can fulfil customer demand for destinations and experiences where content is scarce.
- Growth is accelerated and de-risked as a result of the integration of content with distribution – we can grow our hotels, concepts and cruise ships with the knowledge that we have direct access to the customer through our own strong marketing and sales network.
- Significant corporate and operational synergies will also be delivered as a result of vertical-integration – for example, occupancy in our own hotels has already improved as a result of the merger.

Our organisational structure

The post-merger integration is progressing smoothly and with a faster pace than originally anticipated. We have therefore accelerated organisational change, implementing a flat structure to enable fast and agile decision-making and clearly separating our Tourism business from our other businesses (Specialist Travel and Hapag-Lloyd AG, the latter being a financial asset available for sale).

TUI GROUP

TOURISM BUSINESS		SPECIALIST TRAVEL	
NORTHERN REGION	HOTELS & RESORTS	HOTELBEDS GROUP	SPECIALIST GROUP
CENTRAL REGION	CRUISES		
WESTERN REGION	INBOUND SERVICES*	HELD FOR SALE	
Platforms (aviation & customer / IT)		*Hapag-Lloyd AG*	

* From 2015 / 16

This structure enables us to focus on growing our integrated tourism business whilst managing our other businesses for both growth and value. The structure of our Tourism business is balanced between local management tailored to the different characteristics of our three regions, Hotels & Resorts, Cruises and Inbound Services divisions, with the scale and efficiency achieved through our global platforms.

Taking TUI to the next level: The world's leading Tourism business

WHAT WE WANT TO ACHIEVE – OUR GROWTH LEVERS

The following growth levers form the basis to deliver increased shareholder returns:

- Deliver Tourism growth
- Maximise growth & value of our other businesses
- Deliver merger synergies
- Balance sheet strength, flexibility and strong cash flow generation

OUR GROWTH LEVERS

Deliver tourism growth

MARKETING & SALES

Our Source Markets (including our joint ventures) sell holidays to over 20 million customers per annum. Our goal is to achieve profitable top-line growth ahead of the market. In 2014 / 15 we achieved 2 % growth in Source Market customers, with 5 % growth in the UK and Benelux offset partly by capacity reductions in the Nordics and France and a lower growth rate in Germany.

We are capitalising on the strength of the TUI brand on a global scale. A global brand experience and a global brand identity offer many advantages for our customers, suppliers and for our employees. The appeal of TUI and the Smile logo are extremely high. OneBrand offers significant opportunities in terms of growth potential, consistency of customer experience, digital presence, operational efficiency and competitive strength. In the long run, 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, and we are already achieving strong unaided awareness of the TUI Brand in this source market. The TUI brand roll-out has also commenced in France, with Belgium, Nordics and the UK to follow over the next few years.

Control over distribution continues to be central to our marketing and sales strategy, and all Source Markets are focused on delivering more direct, and online sales. In 2014 / 15 controlled distribution grew by two percentage points to 70 %. Online distribution grew by three percentage points to 41 %. Good progress was made across all source markets.

In order to grow ahead of the market, we are also broadening our offering in existing source markets. This includes long-haul expansion, offering more choice of flight times and durations for our unique holidays. Our long-haul package customers grew by 8 % in 2014 / 15.

In addition, new source markets will deliver additional growth and will be accessed by our scalable technology platform, already launched in Spain and soon to be launched in Portugal and Brazil, providing us with a straightforward route to market entry. Tapping the long-tail market will further enhance opportunities for Group hotels to increase occupancy.

We will also continue to focus on improving earnings in underperforming source markets and driving improvements in operational efficiency.

FLIGHT

We have around 140 aircraft operated by five tour operator airlines, flying around 13 million customers per annum. These airlines have until recently been run separately. We are now changing that structure. Together, our airlines would rank as the seventh largest airline operation in Europe, with high rates of asset utilisation due to our integrated model. We want to future-proof our airlines, and this will only be possible if we leverage the potential economies of scale.

The way our five airlines are operating will further improve as we are building a competitive aviation platform. In essence, we are building a virtual airline. This means that we will act 'as one' wherever it makes sense to do so, maintaining local differences where the benefit of that differentiation is greater than that of harmonisation. Organisational structure, the business model and scale are the main elements of our central platform. We expect to benefit in the areas of aircraft purchasing and financing, engineering and maintenance, IT and joint long-haul planning and procurement.

We are the only leisure airline operating the Boeing B787 Dreamliner which is a key differentiator on long-haul destinations. As the B787 is providing us with significant commercial benefits, we are growing our B787 fleet. Flying in a B787 delivers an enhanced customer experience as well as cost efficiency due to lower fuel consumption than similarly sized aircrafts. Consequently, the B787 opens up new destinations, adding to our significant and growing long-haul presence.

INBOUND SERVICES

Our unique inbound service brings our brand alive. We have implemented one service team and a single strategic customer platform for all the tourism activities within the TUI Group. Inbound service is currently operating in more than 100 destinations with over 6,500 employees with access to 11 million customers. From 2015 / 16, the inbound services business will start to be integrated within tourism. We are delivering our differentiation strategy in all the destinations. We are enhancing customer experience, sales, margin and people engagement and, in parallel, reducing cost of sales and overheads which all contributes to an increased margin profile. As an integral element of our seamless approach based on world class customer platforms we are offering joint operations for transfer, management and transport and we offer differentiated, local experience excursions.

GROWTH IN ACCOMMODATION – CONTENT AS KEY DIFFERENTIATOR

We currently accommodate over 7 million customers per annum in our own hotels and cruise ships. Growth in accommodation will be key in driving profitable top-line growth. This is driven by three elements: Growth in our strong hotel and club brands, growth in our powerful and exclusive international hotel concepts and profitable growth in cruises.

GROWTH IN ACCOMMODATION – HOTELS AND INTERNATIONAL CONCEPTS

We have identified further growth potential through the internationalisation of TUI's owned and controlled hotel brands and exclusive hotel concepts. In addition, new, exclusive hotel projects are to be developed and operated in prime locations.

Our strategic focus within TUI Hotels & Resorts is to achieve further differentiation and optimisation of our own hotel portfolio and a more focused and defined brand profile. The core brands will be Riu, Robinson, Magic Life and the new hotel brand TUI Blue. The offering will be rounded off by the internationalisation of three hotel concepts – Sensatori, Sensimar and Family Life.

Hotel brands and hotel concepts differ in that the brands will be managed by TUI as the hotel operator, while the hotel concepts may also be adopted by other hotel operators for their hotels. For our hotel activities, we are planning to create strong volume growth in content. We are targeting around 60 new hotels by 2018 / 19.

Riu is TUI Group's largest hotel brand, characterised by excellent service, location and quality. It is our strategy to continue to grow the highly profitable brand. In addition to the attractive portfolio of more than 100 hotels, we opened three new hotels in 2014 / 15 in Aruba, Bulgaria and Germany and one new resort in Mauritius. Expansion to new destinations will be an important growth lever, particularly on long-haul. Adding to the existing long-haul presence of Riu, four more new hotels are scheduled to open in 2015 / 16 and 2016 / 17 in the Dominican Republic, Sri Lanka, Jamaica and Mexico. 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, there will be repositioning of some existing underperforming hotel brands to deliver turnaround. We held an operational trial in Summer 2015 at a former Iberotel in Sarigerme and we will formally launch this hotel plus one other currently in our portfolio under the TUI Blue brand in May 2016, followed by the launch of a resort in Tuscany towards the end of 2016. A further twelve hotels are currently under negotiation for launch in 2015/16.

Robinson and Magic Life will be the core focus for our growth in clubs. Robinson is our professional offering of sport, entertainment and programmed events. In terms of growth levers, Robinson will focus on increased source market distribution, increased direct distribution globally and international expansion. We opened one new club in Tunisia in 2014/15 and have four more openings scheduled in 2015/16 and 2016/17 in Turkey, Greece and the Maldives, with several more opportunities under negotiation.

Magic Life is characterised by family-friendly holiday villages, varied sport and international entertainment programmes. A strong integration with source markets has already led to a significant increase in occupancy. For future growth, Magic Life will benefit from a further internationalisation of concept through source markets and increased distribution globally. We launched new Magic Life clubs in Ibiza and Rhodes this summer.

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 more than 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 is being launched for Summer 2016.

In 2015 we launched two new Sensatoris and two new Sensimars, which are operated by Group hotels.

GROWTH IN ACCOMMODATION – CRUISES

We expect the planned expansion of our fleet to enable us to become one of Europe's leading cruise companies.

TUI Cruises currently operates four ships in the high growth, under-penetrated premium German market. We have a strong competitive advantage, having secured additional capacity, with four further ships ordered and one being delivered in each of the coming four 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 new Thomson Discovery in Q2 2016. It is also intended that, with the delivery of Mein Schiff 7 and 8 to TUI Cruises, Mein Schiff 1 and 2 will be moved to Thomson Cruises, leaving TUI Cruises with a six ship fleet and enabling the modernisation of the Thomson 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 this year.

INTEGRATED PLATFORMS, INTEGRATED MANAGEMENT

Our platform development is focussed on customer experience, which in turn will drive profitable top-line growth. Our central mobility and online platforms continue to evolve. In addition, we are implementing a SAP-based central customer platform which will collate all information on our customers across their journey, providing a single view of the customer; and we are also implementing our eCRM platform which will support strategic marketing.

We have a strong management team with experienced commercial leaders. By integrating our management team, we are making joined-up decisions across the business, ensuring that we deliver our common goal of achieving profitable top-line growth.

Maximise growth and value the segment Specialist Travel

MAXIMISING THE GROWTH AND VALUE OF HOTELBEDS GROUP AND SPECIALIST GROUP

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

Hotelbeds Group is the global number 1 in the B2B accommodation wholesale space with operations in over 100 countries. This market position has been achieved predominantly by growing the business organically and we continue to outperform the market, delivering over 20 % per annum TTV growth in recent years. In financial year 2014/15 the bedbank delivered 26 % TTV growth and 18 % growth in roomnights.

The separation of Inbound Services has commenced and following their integration into the Tourism Business, Hotelbeds Group will be run as an independent business. This approach provides us with full flexibility and we are evaluating all our options how to best proceed with the strategy to maximise the growth and value of the Hotelbeds Group, including potential disposal. In the meantime, we continue to target 15 % – 20 % CAGR in underlying EBITA over the next three years.

The Specialist Group is run to maximise value, focussing on opportunities to improve the performance of their portfolio of businesses. Underlying EBITA increased by € 11 m in the financial year 2014/15, with an improvement in all divisions. In July 2015 we announced with the founders of Intrepid Travel that we would end the PEAK strategic venture, enabling us to focus on our adventure travel offering more effectively. We target underlying EBITA CAGR for Specialist Group in line with the Tourism Business over the next three years.

LATEROOMS GROUP

We took the strategic decision this year to exit the LateRooms Group as it was non-core to our Tourism strategy. The operational business of AsiaRooms was closed down during the second quarter 2014 / 15, and Malapronta was closed during the third quarter. The sale of LateRooms.com was completed in October 2015.

Deliver merger synergies

Although the key rationale for the merger of TUI AG and TUI Travel PLC was growth, significant synergies are also expected. The integration of our two businesses is on track and already delivering results. In 2014 / 15 we have updated our assumptions on expected synergies and one-off integration costs.

Due to further reorganisation measures initiated, corporate streamlining is now expected to deliver cost savings of € 50 m (previously € 45 m) per annum from 2016 / 17, mainly from the consolidation of overlapping functions. We have delivered € 10 m savings in 2014 / 15. Against the backdrop of measures implemented, estimated one-off integration costs of € 35 m (previously € 45 m) are expected in order to achieve these savings, € 31 m of which have been incurred in 2014 / 15.

Our unified ownership structure enables a more efficient tax grouping and use of carried forward tax losses. A profit & loss transfer agreement between TUI AG and Leibniz-Service GmbH was approved by our shareholders in February 2015. This enabled immediate corporate restructuring for tax purposes. As a consequence, the Group's underlying effective tax rate has reduced to 25 %. There are no restructuring or one-off costs in relation to achieving this synergy.

We also expect to deliver further synergies due to joint management of occupancy by source markets and group hotels. Occupancy is expected to improve by 5 percentage 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. We do not expect any restructuring or one-off costs in relation to achieving this synergy. There is only minimal risk attached to this synergy as TUI Travel's acquisition of Magic Life successfully demonstrated.

Additional (net) cost savings of at least € 20 m per annum are expected from the integration of Inbound Services into the Tourism Businesses. Due to a lower estimated tax burden from the restructuring of legal entities, estimated one-off cash costs in order to achieve these savings have declined by roughly € 6 m to approximately € 69 m (including P&L, capex and tax costs). There is a minimal risk to achievement – our cost savings target is already de-risked. The separation of legal entities and IT functions from Hotelbeds commenced at the start of financial year 2015 / 16.

Balance sheet strength, flexibility and strong cash flow generation

FOCUS ON BALANCE SHEET STRENGTH AND STRONG FREE CASH-FLOW GENERATION

We have clearly stated strategic goals to improve free cash flow and therefore deliver superior returns on investment for shareholders. Our growth strategy will reflect these goals, with the aim of creating a strong, flexible balance sheet and enhanced cash flow generation.

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

Thanks to the sustained reduction in group debt, we have further strengthened our financial stability and flexibility. We are also committed to a strict focus on SDI management and 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. We have therefore set financial stability targets based on an leverage ratio of 3.5 to 2.75 times earnings (3.0 times in 2014 / 15), and an interest coverage ratio of 4.5 to 5.5 times interest (4.7 times in 2014 / 15).

With the increase in our operating profitability, the clearly noticeable decline in interest payments due to the reduction in Group debt and the more efficient tax grouping, we are committed to a progressive dividend policy. Dividends are expected to grow in line with the growth in underlying EBITA at constant currency, with an additional 10 % in 2014 / 15 and 2015 / 16 as outlined at the time of the merger. We are pleased to have announced our dividend of 56 cents per share in respect of 2014 / 15, reflecting the strong growth in underlying earnings this year, and calculated off the 2013 / 14 base of 44.5 cents per share, including the TUI Travel PLC interim dividend.

WHAT WE WANT TO ACHIEVE: THE WORLD'S LEADING TOURISM BUSINESS

TUI Group is on course to meet its strategic and commercial objectives, with a strong and sustainable business model and exciting growth prospects:

- Profitable top-line growth ahead of the market (greater than 3 %)
- At least 10 % underlying EBITA CAGR over the next three years to 2017 / 18
- Committed to progressive dividend growth

Based on our growth levers, our balance sheet strength and strong cash flow generation, we believe TUI Group is a compelling investment case with strong prospects for delivering increased shareholder returns.

Research and development

As a tourism service provider, the TUI Group does not engage in research and development activities comparable with manufacturing companies. This sub-report is therefore not prepared.

Value-oriented Group management

Management system and Key Performance Indicators

As the world's leading tourism business with a global brand, an attractive hotel portfolio, a growing cruise business, a modern and efficient aircraft fleet and direct access to more than 20 million customers, we aim to secure our vertically integrated business model by means of profitable growth and achieve a sustainable increase in the value of the TUI Group.

A standardised management system has been created to implement value-driven management across the Group as a whole and in its individual business segments. The value-oriented management system is an integral part of the consistent Group-wide planning and controlling process.

Key management variables used for regular value analysis are Return On Invested Capital (ROIC) and absolute value added. ROIC is compared with the segment-specific cost of capital. ROIC is calculated as the ratio of underlying earnings before interest, taxes and amortisation of goodwill (underlying EBITA) to average invested interest-bearing invested capital (invested capital) for the segment.

Our definition of EBITA is earnings before interest, taxes, net interest expenses and expenses for the measurement of interest hedging instruments as well as impairments of goodwill. While EBITA includes amortisation of intangible assets, it does not carry the at equity result of our investment in container shipping as our stake in Hapag-Lloyd AG is a pure equity investment without an operating character.

The indicator we use in order to explain and assess the TUI Group's operating performance is underlying EBITA adjusted for special one-off effects. It is adjusted for gains on disposal of financial assets, restructuring expenses, primarily scheduled amortisation of intangible assets from purchase price allocations and other expenses for and income from one-off items.

In the framework of our growth strategy, we aim to achieve an underlying EBITA CAGR of at least 10 % over the next three years on a constant currency basis.

In order to follow the development of business in our segments in the course of the year, we monitor the financial indicators turnover and EBITA, but also non-financial performance indicators, such as customer numbers in our tour operators, and capacity or passenger days, occupancy and average prices in Hotels & Resorts and Cruises segments. In the framework of our sustainability reporting, we have also defined a target indicator for specific CO_2 emissions per passenger kilometre for our airlines. We measure achievement of that indicator on an annual basis.

Information on operating performance indicators is provided in the sections on "Business development by segments" (page 127) and "Environment" (page 146) and in the Report on expected developments (page 115).

Cost of capital

COST OF CAPITAL (WACC)

%	Tour operator 2014/15	Hotels 2014/15	Cruises 2014/15	TUI Group 2014/15
Risk-free interes rate	1.50	1.50	1.50	1.50
Risk adjustement	9.86	6.48	6.56	8.94
Market risk premium	6.00	6.00	6.00	6.00
Beta factor[1]	1.6426	1.0807	1.0927	1.4904
Cost of equity after taxes	**11.36**	**7.98**	**8.06**	**10.44**
Cost of debt capital before taxes	4.02	4.02	4.02	4.02
Tax shield	1.20	1.20	1.20	1.20
Cost of debt capital after taxes	**2.82**	**2.82**	**2.82**	**2.82**
Share of equity[2]	52.77	73.08	69.80	58.19
Share of debt capital[2]	47.23	26.92	30.20	41.81
WACC after taxes[3]	**7.25**	**6.50**	**6.50**	**7.25**
Tax rate	29.83	29.83	29.83	29.83
Cost of equity before taxes	**15.72**	**11.05**	**11.14**	**14.51**
Cost of debt capital before taxes	**4.02**	**4.02**	**4.02**	**4.02**
Share of equity[2]	52.77	73.08	69.80	58.19
Share of debt capital[2]	47.23	26.92	30.20	41.81
WACC before taxes[3]	**10.25**	**9.25**	**9.00**	**10.00**

1 Segment beta based on peer group, group beta based on weighted segment betas
2 Segment share based on peer group, group share based on weighted segment shares
3 Rounded to 1/4 percentage points

The cost of capital is calculated as the weighted average cost of equity and debt capital (WACC). While the cost of equity reflects the return expected by investors from TUI shares, the cost of debt capital is based on the average borrowing costs of the TUI Group. The cost of capital always shows pre-tax costs, i.e. costs before corporate and investor taxes. The expected return determined in this way corresponds to the same tax level as the underlying earnings included in ROIC.

ROIC and economic value added

ROIC is calculated as the ratio of underlying earnings before interest, taxes and amortisation of goodwill (underlying EBITA) to the average for invested interest-bearing capital (invested capital) for the relevant segment. Given its definition, this performance indicator is not influenced by any tax or financial factors and has been adjusted for one-off effects. From a Group perspective, invested capital under the financing approach is derived from liabilities, comprising equity including non-controlling interests and the balance of interest-bearing liabilities and interest-bearing assets. The cumulative amortisations of purchase price allocations are then factored in to invested capital.

Apart from ROIC as a relative performance indicator, economic value added is used as an absolute value-oriented performance indicator. Economic value added is calculated as the product of ROIC less associated capital costs multiplied by interest-bearing invested capital.

ROIC AND VALUE ADDED TUI GROUP

€ million		**2014/15**	2013/14 restated
Equity		2,417.3	2,530.2
Interest bearing financial liability items		3,500.0	3,502.7
Financial assets		2,523.6	3,004.6
Purchase price allocation		572.9	514.1
Invested Capital		3,966.6	3,542.4
Invested Capital Prior year		3,542.4	3,568.1
Seasonal adjustment[1]		500.0	500.0
Ø Invested capital[2]		**4,254.5**	**4,055.3**
Underlying EBITA		**1,069.0**	**869.9**
ROIC	**%**	**25.13**	**21.45**
Weighted average cost of capital (WACC)	%	10.00	10.00
Value added		**643.5**	**464.4**

1 Adjustment to net debt to reflect a seasonal average cash balance
2 Average value based on balance at beginning and year-end

For the TUI Group, ROIC was up by 3.7 percentage points on the previous year at 25.1 %. With the cost of capital at 10.0 %, this meant positive economic value added of € 643.5 m (previous year € 464.4 m).

RISK REPORT

Successful management of existing and emerging risks is critical to the long-term success of our business and to the achievement of our strategic objectives. In order to seize market opportunities and leverage the potential for success, risk must be accepted to a reasonable degree. Risk management is therefore an integral component of the Group's Corporate Governance.

As with many of the Group functions and processes, the financial year 2014/15 has been a year of transition following the merger of TUI AG and TUI Travel PLC in December 2014. However given that both of the companies had strong risk management cultures, it has been a period of gentle evolution as opposed to wholesale revolution. The evolution has involved identifying the strengths in each of the previous risk management processes to create a unified process and framework which continues to apply best practice principles and satisfies both German and UK legal and regulatory requirements.

Our revised risk governance framework, which is aligned to and embedded within our business planning cycle, is set out below.

Risk governance framework

STRATEGIC DIRECTION AND RISK APPETITE

The Executive Board, with oversight by the Supervisory Board, determines the strategic direction of the TUI Group and agrees the nature and extent of the risks it is willing to take to achieve its strategic objectives.

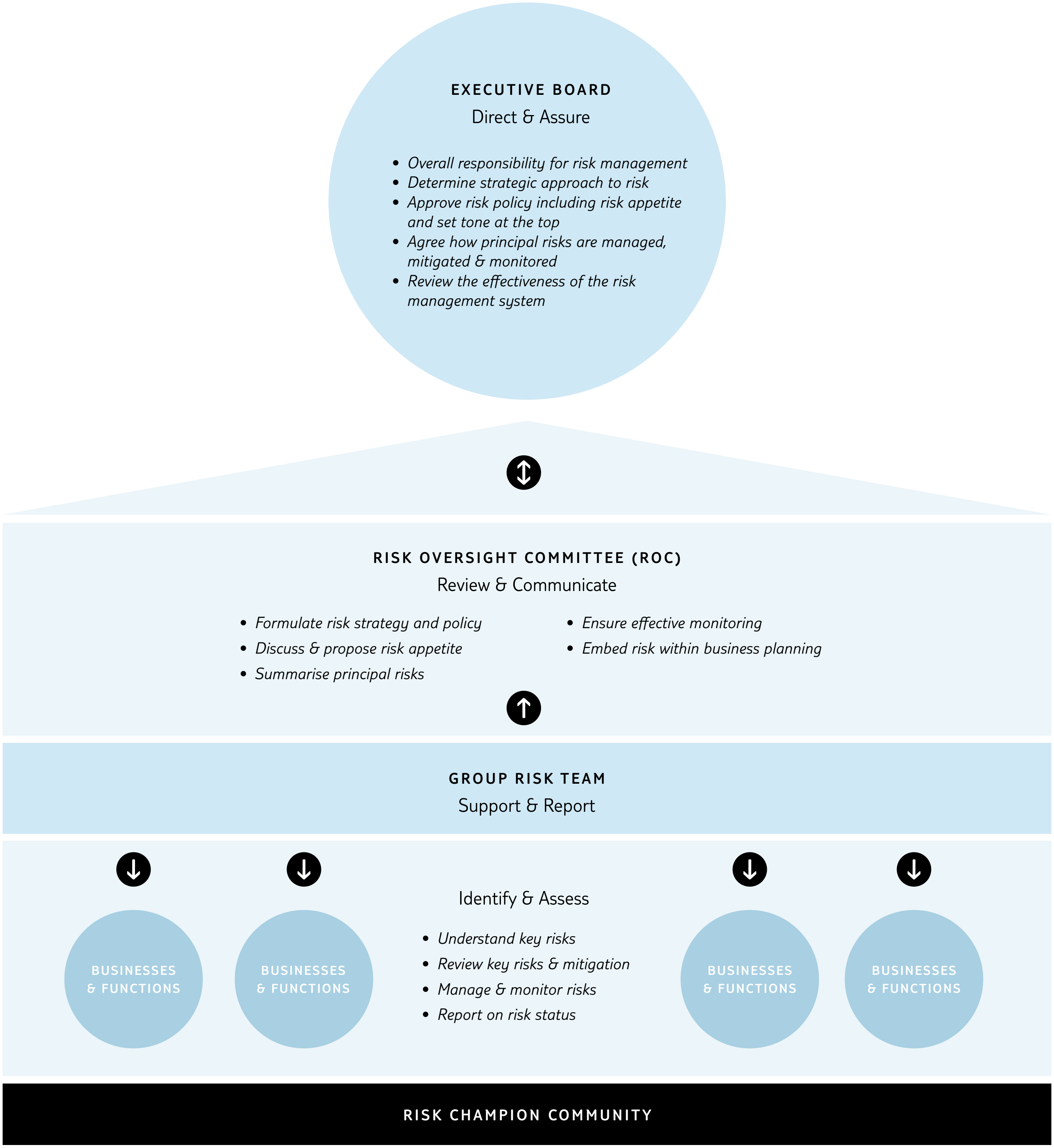
To ensure that the strategic direction chosen by the business represents the best of the strategic options open to it, the Executive Board is supported by the Group Strategy function. This function exists to facilitate and inform the Executive Board's assessment of the risk landscape and development of potential strategies by which it can drive long-term shareholder value. On an annual basis the Group Strategy function develops an in-depth fact base in a consistent format which outlines the market attractiveness, competitive position and financial performance by division and source market. These are then used to facilitate debate as to the level and type of risk that the Executive Board finds appropriate in the pursuit of its strategic objectives. The strategy, once fully defined, considered and approved by the Executive Board, is then incorporated into the Group's three-year roadmap and helps to communicate the risk appetite and expectations of the organisation both internally and externally.

Ultimate responsibility for the Group's risk management rests with the Executive Board. Having determined and communicated the appropriate level of risk for the business, the Executive Board has established and maintains a risk management system to identify, assess, manage and monitor risks which could threaten the existence of the company or have a significant impact on the achievement of its strategic objectives: these are referred to as the principal risks of the Group.

This risk management system includes an internally-published risk management policy which helps to reinforce the tone set from the top on risk, by instilling an appropriate risk culture in the organisation whereby employees are expected to be risk aware, control minded and "do the right thing". The policy provides a formal structure for risk management to embed it in the fabric of the business. Each principal risk has assigned to it a member of the Executive Committee as overall risk sponsor to ensure that there is clarity of responsibility and to ensure that each of the principal risks are understood fully and managed effectively.

The Executive Board regularly reports to the Audit Committee of the Supervisory Board on the overall risk position of the Group, on the individual principal risks and their management, and on the performance and effectiveness of the risk management system as a whole.

RISK MANAGEMENT SYSTEM



The Risk Oversight Committee ("ROC") ensures on behalf of the Executive Board that business risks are identified, assessed, managed and monitored across the businesses and functions of the Group. Meeting on at least a quarterly basis, the ROC's responsibilities include considering the principal risks to the Group's strategy and the risk appetite for each of those risks, assessing the operational effectiveness of the controls in place to manage those risks and any action plans to further improve controls, and reviewing the bottom-up risk reporting from the businesses themselves to assess whether there are any heightened areas of concern. The ROC helps to ensure that risk management is embedded into the planning cycle of the Group and has oversight of the stress-testing of cash flow forecasts.

Senior executives from the Group's major businesses are required to attend the ROC on a rotational basis and present on the risk and control framework in their business, so that the members of the ROC can ask questions on the processes in place, the risks present in each business and any new or evolving risks which may be on their horizon, and also to seek confirmation that the appropriate risk culture continues to be in place in each of the major businesses.

Chaired by the Chief Financial Officer, other members of the Committee include the Group Director Controlling and Finance Director Tourism, the directors of Compliance & Risk, Financial Accounting, Treasury & Insurance, Group Reporting, Assurance & Strategy, Investor Relations, Group Reward and representatives from the IT and Legal Compliance functions. The director of Group Audit attends without having voting rights to maintain the independence of their function. The ROC reports quarterly to the Executive Board to ensure that it is kept abreast of changes in the risk landscape and developments in the management of principal risks, and to facilitate regular quality discussions on risks and risk management at the Executive Board.

The Executive Board has also established a Group Risk team to ensure that the risk management system functions effectively and that the risk management policy is implemented appropriately across the Group. The Group Risk team supports the risk management process by providing guidance, support and challenge to management whilst acting as the central point for co-ordinating, monitoring and reporting on risk across the Group. The Group Risk team is responsible for the administration and operation of the risk and control software which underpins the Group's risk reporting and risk management process.

Each division and source market within the Group is required to adopt the Group Risk Management policy. In order to do this, each either has their own Risk Committee or includes risk as a regular agenda item at their Board meetings to ensure that it receives the appropriate senior management attention within their business. In addition, the divisions and source markets each appoint a Risk Champion, who promotes the risk management policy within their business and ensures its effective application. The Risk Champions are necessarily in close contact with the Group Risk team and they are critical both in ensuring that the risk management system functions effectively and in implementing a culture of continuous improvement in risk management and reporting.

RISK MANAGEMENT PROCESS

The Group Risk team applies a consistent risk methodology across all key areas of the business. This is underpinned by risk and control software which reinforces clarity of language, visibility of risks, controls and actions and accountability of ownership. Although the process of risk identification, assessment and response is continuous and embedded within the day-to-day operations of the divisions and source markets, it is consolidated, reported and reviewed at varying levels throughout the Group on at least a quarterly basis.

Risk identification: On a quarterly basis, line management closest to the risks identify the risks relevant to the pursuit of the strategy within their business area in the context of four types of risk:

- longer-term strategic and emerging threats;
- medium-term challenges associated with business change programmes;
- short-term risks triggered by changes in the external and regulatory environment; and
- short-term risks in relation to internal operations and control.

A risk owner is assigned to each risk, who has the accountability and authority for ensuring that the risk is appropriately managed.

Risk descriptions: The nature of the risk is articulated, stating the underlying concern the risk gives arise to, identifying the possible causal factors that may result in the risk materialising and outlining the potential consequences should the risk crystallise. This allows the divisions / source markets and the Group to assess the interaction of risks and potential triggering events and / or aggregated impacts before developing appropriate mitigation strategies to target causes and / or consequences.

Risk assessment: The methodology used is to initially assess the gross risk. The gross risk is essentially the worst case scenario, being the product of the impact together with the likelihood of the risk materialising if there were no controls in place to manage, mitigate or monitor the risk. The key benefit of assessing the gross risk is that it highlights the potential risk exposure if controls were to fail completely or not be in place at all. Both impact and likelihood are scored on a rating of 1 to 5 using the criteria outlined below.

The next step in the process is to assess the controls which are currently in place and which help to reduce the likelihood of the risk materialising and / or its impact if it does. The details of the controls including the control owners are documented. Consideration of the controls in place then enables the current or net risk score to be assessed, which is essentially the reasonably foreseeable scenario. This measures the impact and likelihood of the risk with the current controls identified in operation. The key benefit of assessing the current risk score is that it provides an understanding of the current level of risk faced today and the reliance placed on the controls currently in operation.

IMPACT ASSESSMENT

	INSIGNIFICANT	MINOR	MODERATE	MAJOR	CATASTROPHIC
QUANTITATIVE	*< 3 % EBITA* (< € 30 m)*	*3 – < 5 % EBITA* (30 – < € 50 m)*	*5 – < 10 % EBITA* (50 – < € 100 m)*	*10 – < 15 % EBITA* (100 – < € 150 m)*	*≥ 15 % EBITA* (≥ € 150 m)*
QUALITATIV	*Minimal impact on*	*Limited impact on*	*Short term impact on*	*Medium term impact on*	*Detrimental impact on*
	• *Global reputation* • *Programme delivery* • *Technology reliability* • *Health & Safety standards*	• *Global reputation* • *Programme delivery* • *Technology reliability* • *Health & Safety standards*	• *Global reputation* • *Programme delivery* • *Technology reliability* • *Health & Safety standards*	• *Global reputation* • *Programme delivery* • *Technology reliability* • *Health & Safety standards*	• *Global reputation* • *Programme delivery* • *Technology reliability* • *Health & Safety standards*

* Budgeted underlying EBITA for the financial year ended 30 September 2015

LIKELIHOOD ASSESSMENT

	RARE	UNLIKELY	POSSIBLE	LIKELY	ALMOST CERTAIN
	< 10 % Chance	*10 – <30 % Chance*	*30 – < 60 % Chance*	*60 – < 80 % Chance*	*≥ 80 % Chance*

Risk Response: If management are comfortable with the current risk score, then the risk is accepted and therefore no further action is required. The controls in place continue to be operated and management monitor the risk, the controls and the risk landscape to ensure that the risk score stays stable and in line with management's tolerance of the risk.

If, however, management assesses that the current risk score is too high, then an action plan will be drawn up with the objective of introducing new or stronger controls which will reduce the impact and / or likelihood of the risk to an acceptable, tolerable and justifiable level.

This is known as the target risk score and is the parameter by which management can ensure the risk is being managed in line with the Group's overall risk appetite. The risk owner will normally be the individual tasked with ensuring that this action plan is implemented within an agreed timetable.

Each division / source market will continue to review their risk register on an ongoing basis through the mechanism appropriate for their business e. g. local Risk Committee. The risk owner will be held to account if action plans are not implemented within the agreed delivery timescales.

This bottom-up risk reporting is considered by the ROC alongside the Group's principal risks. New risks are added to the Group's principal risk register if deemed to be of a significant nature so that the ongoing status and the progression of key action plans can be managed in line with the Group's targets and expectations.

AD HOC RISK REPORTING

Whilst there is a formal process in place aligned to reporting on risks and risk management on a quarterly basis, the process of risk identification, assessment and response is continuous and therefore if required risks can be reported to the Executive Board outside of the quarterly process if events dictate that this is necessary and appropriate. Ideally such ad hoc reporting is performed by the business or function which is closest to the risk, but it can be performed by the Group Risk team if necessary. Examples of ad hoc risk reporting in the financial year 2014/15 were the assessment of the risks posed by the potential exit of Greece from the EU (so-called "Grexit" risk) and reporting of the impact and action plans required in the aftermath of the tragic events in Tunisia which occurred at the end of June 2015.

RISK MATURITY & CULTURE

During the financial year 2014/15, the Risk Champions and the Group Risk team have worked together to formally assess the risk maturity and culture of their business primarily through the Risk Champions completing self-assessment questionnaires, validating this with their local boards and then discussing their responses with the Group Risk team. The Group Risk team have then used these assessments to rate the risk maturity of each business and have included this assessment on the risk reporting dashboard which forms part of the quarterly bottom-up risk reporting pack. This assessment process has proven to be an extremely useful exercise which has led to the development of risk management actions plans for the businesses as part of the culture of continuous improvement.

Furthermore we have just conducted our first Group-wide employee survey since the merger completed and the feedback received from our employees will form the basis for forging a unified culture for the Group. It is a key yardstick for us, indicating where we stand as a Company, what our strengths are and what weaknesses we will need to address.

ENTITY SCOPING

A robust exercise is conducted each year to determine the specific entities in the Group which need to be included within the risk and control software and therefore be subject to the full rigour of the risk management process. The scoping exercise starts with the entities included within the Group's consolidation system, and applies materiality thresholds to a combination of revenue, profit and asset benchmarks. From the entities this identifies, the common business management level at which those entities are managed is identified to dictate the entities which need to be set in the risk and control software itself to facilitate completeness of bottom-up risk reporting across the Group. This ensures that the risks and controls are able to be captured appropriately at the level at which the risks are being managed.

EFFECTIVENESS OF RISK MANAGEMENT SYSTEM

The Executive Board regularly reports to the Audit Committee of the Supervisory Board on the performance and effectiveness of the risk management system, supported by the ROC and the Group Risk team. Additionally, the Audit Committee receives assurance from Internal Audit through its programme of audits over a selection of principal risks and business transformation initiatives most critical to the Group's continued success. Finally, the Group's auditors assess the risk management system in accordance with section 317 (4) of the German Commercial Code.

The conclusion from all of the above assurance work is that the risk management system has functioned effectively throughout the year and there have been no significant failings or weaknesses identified. Of course there is always room for improvement and as noted earlier, in assessing risk maturity at each of our major businesses we have developed risk management actions plans which the Risk Champions, on behalf of local management, will focus on in their respective businesses during the financial year 2015/16. Broadly this concerns ensuring consistency of approach in assessing risk scores, clearer identification of controls currently in place as well as any action plans to introduce further controls, and ensuring that risk identification has considered the four risk categories. There will be an upgrade to the risk and control software during the financial year 2015/16 which will help to facilitate and monitor these action plans.

Principal risks

There are some principal risks which are inherent to the tourism sector and necessarily face all businesses in the sector. Internally we refer to these as our "Monitored" risks – we have controls, processes and procedures in place as a matter of course which serve to mitigate each risk to either minimise the likelihood of the event occurring and/or minimise the impact if it does occur. These risks are on our risk radar and we regularly monitor the risk, the controls and the risk landscape to ensure that the risk score stays stable and in line with our risk appetite in each case.

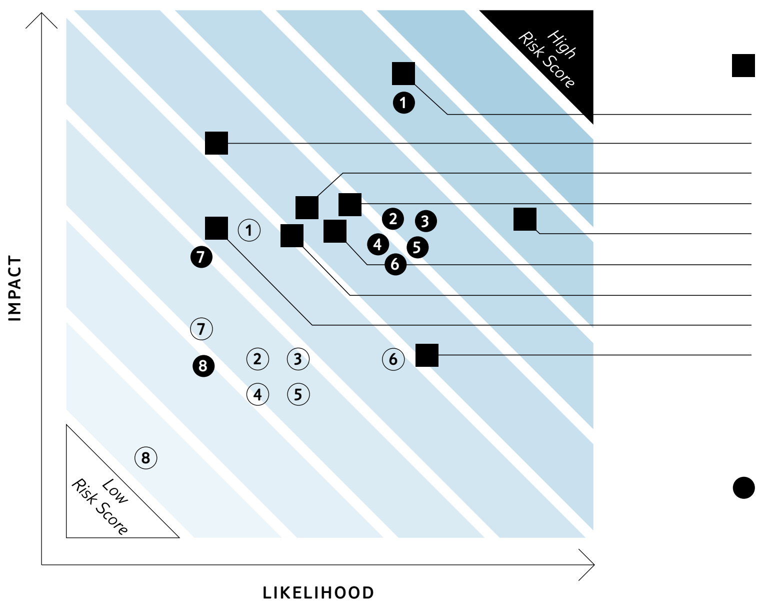
Furthermore, the tourism industry is fast-paced and competitive, with the emergence of new market participants operating new business models, combined with consumer tastes and preferences evolving all the time. As a result as a business we always have to adapt to the changing environment, and it is this process of constant change which generally gives rise to a number of principal risks which we have to actively manage in order to bring the risk into line with our overall risk appetite.

With the merger completing in December 2014, this has led to a refinement of the overall Group strategy and the associated principal risks in the strategic and business change risk categories as a result. We have action plans in place to increase controls around each of these risks and reduce the current net risk score to the target level indicated in the heat map overleaf.

In the heat map the assessment criteria used are shown on page 100. Note that the quantitative impact assessment is based on the budgeted underlying EBITA for the financial year ended 30 September 2015.

If the risk detail in the subsequent tables does not suggest otherwise, the risks shown below relate to all segments of the Group. The risks listed are the principal risks to which we are exposed and are not exhaustive. They will necessarily evolve over time due to the dynamic nature of our business. Note that because of the new format of the presentation of our risks in this the first year of the newly merged Group, the risks as presented are not directly comparable in detail with the risks listed in the risk report 2014.

RISK POSITION



INHERENT RISKS

CURRENT RISK POSITION

Macroeconomic Risks
Health & Safety
Seasonal Cash Flow Profile
Competition and Consumer Preferences
Destination disruption
Input Cost Volatility
Legal & Regulatory Compliance
Joint Venture Partnerships
Supply Chain Risk

AKTIVE RISKS

CURRENT RISK POSITION **TARGET RISK POSITION**

1 *IT Development & Strategy*
2 *Brand Change*
3 *Growth Options*
4 *Integration Oportunities*
5 *Sustainability Targets*
6 *Cyber Security*
7 *Talent Management*
8 *Corporate Streamlining*

CURRENT RISK POSITION

This shows the current level of risk faced today after taking in to account the controls that are in place and which are operating as intended.

TARGET RISK POSITION

This shows the target level of risk deemed to be an acceptable, tolerable and justifiable risk position after further actions have been implemented to mitigate the risk.

Principal risks – Inherent to the sector

RISK NAME	NATURE OF RISK	MITIGATING FACTORS
DESTINATION DISRUPTION	Providers of holiday and travel services are exposed to the inherent risk of incidents affecting some countries or destinations within their operations. This can include natural catastrophes such as hurricanes or tsunamis; outbreaks of disease such as Ebola; political volatility as has been seen in Egypt and Greece in recent years; the implications of war in countries close to our source markets and destinations; and terrorist events such as the tragic incident in Tunisia this year. There is the risk that if such an event occurs which impacts on one or more of our destinations that we could potentially suffer significant operational disruption and costs in our businesses. We may possibly be required to repatriate our customers and / or the event could lead to a significant decline in demand for holidays to the affected destinations over an extended period of time.	• Whilst we are unable to prevent such events from occurring, we have well defined crisis management procedures and emergency response plans which are implemented when an event of this nature occurs, with the focus being on the welfare of our customers. • Where the appropriate course of action is to bring customers home immediately, our significant fleet of aircraft allows us to do this smoothly and efficiently. • Our policy is to follow foreign office advice in each of our source markets with regards to non-essential travel. This serves to minimise the exposure of our customers to turbulent regions. • Due to our presence in all key holiday regions, when a specific destination has been impacted by an external event, we are able to offer alternative destinations to our customers and to remix our destination portfolio away from the affected area in future seasons if necessary. • We always assume some level of destination disruption each year when setting financial plans and targets, so that we are able to cope with a "normal" level of disruption without it jeopardising achievement of our targets.
MACROECONOMIC RISKS	Spending on travel and tourism is discretionary and price sensitive. The economic outlook remains uncertain with different source markets at different points in the economic cycle. Consumers are also waiting longer to book their trips in order to assess their financial situation. There is the risk that fluctuations in macroeconomic conditions in our source markets will impact on the spending power of our customers which could impact on our short-term growth rates and lead to margin erosion.	• Many consumers prioritise their spending on holidays above other discretionary items. • Creating unique and differentiated holiday products which match the needs of our customers. • Leveraging our scale to keep costs down and prices competitive. • Having a range of source markets so that we are not over exposed to one particular economic cycle. • Promoting the benefits of travelling with a recognised and leading tour operator to increase consumer confidence and peace of mind.

RISK NAME	NATURE OF RISK	MITIGATING FACTORS
COMPETITION & CONSUMER PREFERENCES	The tourism industry is fast-paced and competitive with the emergence of new market participants operating new business models, combined with consumer tastes and preferences evolving all the time. In recent years there has been an emergence of successful substitute business models such as web-based travel and hotel portals which allow end users to combine the individual elements of a holiday trip on their own and book them separately. Consumer tastes and preferences have evolved in recent years as well, with more consumers booking their holidays online and via mobiles and tablets, and booking closer to the time of travel. There is the risk that if we do not respond adequately to such business model disruption or if our products and services fail to meet changing customer demands and preferences, that our turnover, market share and profitability will suffer as a result.	• Our outstanding market position as a leading tourism group, the strength of our brands and our vertically integrated business model enables us to respond robustly to competitive threats. • The TUI Group is characterised by the continuous development of unique and exclusive holidays, developing new concepts and services which match the needs and preferences of our customers. • Our vertically integrated business model offers end-to-end customer services, from consultation and booking of holidays via flights with the Group's own airlines through to Group-owned or operated hotels, resorts and cruise ships. Vertical integration thus facilitates the development and marketing of individual, tailored holiday offerings for customers which it is difficult for competitors to replicate. • Building strong and lasting relationships with our key hotel partners, which further reinforces our ability to develop new concepts exclusive to the TUI Group which competitors struggle to match. • Focusing on being online throughout the whole of the customer journey – from inspiration, to booking, to the holiday itself, as well as returning and sharing experiences through social media.
INPUT COST VOLATILITY	A significant proportion of operating expenses are in non-local currency and / or relate to aircraft fuel which therefore exposes the business to changes in both exchange rates and fuel prices. There is the risk that if we do not manage adequately the volatility of exchange rates, fuel prices and other input costs, then this could result in increased costs and lead to margin erosion, impacting on our ability to achieve profit targets. There is also the risk that if our hedging policy is too rigid, we may find ourselves unable to respond to competitive pricing pressures during the season without it having a direct detrimental impact on our market position and / or profitability.	• Ensuring that the appropriate derivative financial instruments are used to provide hedging cover for the underlying transactions involving fuel and foreign currency. • Maintaining an appropriate hedging policy to ensure that this hedging cover is taken out ahead of source market customer booking profiles. This provides a degree of certainty over input costs when planning pricing and capacity, whilst also allowing some flexibility in prices so as to be able to respond to competitive pressures if necessary. • Tracking the foreign exchange and fuel markets to ensure the most up-to-date market intelligence and the ongoing appropriateness of our hedging policies. • Detailed information on currency and fuel hedges can be found in the Notes to the consolidated financial statements.

RISK NAME	NATURE OF RISK	MITIGATING FACTORS
SEASONAL CASHFLOW PROFILE	Tourism is an inherently seasonal business with the majority of profits earned in the European summer months. Cash flows are similarly seasonal with the cash high occurring in the summer as advance payments and final balances are received from customers, with the cash low occurring in the winter as liabilities have to be settled with many suppliers after the end of the summer season. There is the risk that if we do not adequately manage cash balances through the winter low period this could impact on the Group's liquidity and ability to settle liabilities as they fall due whilst ensuring that financial covenants are maintained.	• As our business is spread across a number of source markets within the Tourism division there are some counter-cyclical features e. g. winter is a more important season for the Nordic and Canadian source markets. Similarly some of the businesses in the Specialist Travel division e. g. Crystal, have a different seasonality profile to temper the seasonality within Tourism. • The business produces regularly both short term and long term cash forecasts during the year which the Treasury team use to manage cash resources effectively. • Existing credit facilities are considered to be more than sufficient for our requirements and provide ample headroom. • We continue to maintain high-quality relationships with the Group's key financiers and monitor compliance with the covenants contained within our financing facilities.
LEGAL & REGULATORY COMPLIANCE	Most providers of holiday and travel services operate across a number of economies and jurisdictions which therefore exposes them to a range of legal, tax and other regulatory laws which must be complied with. As the TUI Group is the world's leading tourism business operating from 31 source markets and providing holidays in over 180 destinations, we are exposed to a range of laws and regulations with which we must comply or else risk incurring fines or other sanctions from regulatory bodies.	• Communication and strong tone from the top concerning compliance with laws and regulations. • Embedded legal and tax expertise in all major businesses responsible for maintaining high quality relationships with the relevant regulators and authorities. • Ongoing review conducted by the Group Legal Compliance team to centrally monitor compliance with regulations and provide expert advice to local teams on specific areas.
HEALTH & SAFETY	For all providers of holiday and travel services, ensuring the health and safety of customers is of paramount importance. This is especially so for TUI as we are the world's leading tourism business selling holidays to over 20 million customers per annum. There is the risk of accidents occurring causing injury or death to customers or colleagues whilst on a TUI holiday. This could result in reputational damage to the business and / or financial liabilities through legal action being taken by the affected parties.	• Health and safety functions are established in all businesses in order to ensure there is appropriate focus on health and safety processes as part of the normal course of business. • Ongoing monitoring is conducted by the Group Health & Safety compliance function to ensure compliance with minimum standards. • Appropriate insurance policies are in place for when incidents do occur.

RISK NAME	NATURE OF RISK	MITIGATING FACTORS
SUPPLY CHAIN RISK	Providers of holiday and travel services are exposed to the inherent risk of failure in their key suppliers, particularly hotels. This is further heightened by the industry convention of paying in advance ("prepayment") to secure a level of room allocation for the season. There is the risk that we do not adequately manage our financial exposure should demand drop either for individual hotels and / or for the destination in which the hotels are located and to which the tour operator still has a level of prepayment outstanding which could result in financial losses.	• Owned and joint venture partner hotels form a substantial part of our programme which reduces our inherent risk in this area. • Established and embedded a robust prepayment authorisation process to both limit the level of prepayments made and ensure that they are only paid to trusted, credit-worthy counterparties. • Where prepayments are made to external hoteliers this is to secure access to unique and differentiated product for which demand is inherently higher and more resilient to external events than for commodity product. • Prepayments are monitored on a timely and sufficiently granular basis to manage our financial exposure to justifiable levels.
JOINT VENTURE PARTNERSHIPS	It is common for tourism groups to use joint venture partnerships in some of their operations in order to reduce the risk of new ventures or to gain access to additional expertise. TUI has four significant joint ventures – Riu; TUI Cruises; Sunwing; TUI Russia & Ukraine. There is the risk that if we do not maintain good relations with our key partners that the ventures' objectives may not remain consistent with that of the Group which could lead to operational difficulties and jeopardise the achievement of financial targets.	• Good working relationships exist with all of our main joint venture partners and they are fully aligned with and committed to the growth strategy of TUI Group.

Actively managed principal risks – Strategic & emerging and business change

RISK NAME	NATURE OF RISK	MITIGATING FACTORS
IT DEVELOPMENT & STRATEGY	Our focus is on enhancing customer experience by providing engaging, intuitive and seamless customer service through delivery of leading digital solutions, core platform capabilities, underlying technical infrastructure and IT services required to support the Group's overall strategy for driving profitable top-line growth. There is a risk that we fail to keep up with or outpace the market and evolving consumer preferences, we do not concentrate our activities on the correct areas for overall business success, do not address legacy inefficiencies and complexities of our existing infrastructure and / or do not execute our strategy and developments in line with expectations. If we are ineffective in our strategy or technology development this could impact on our ability to provide leading technology solutions in our markets thereby impacting on our competitiveness, our ability to provide a superior customer experience and associated impact on quality and operational efficiency. This would ultimately impact on our customer numbers, revenue and profitability.	• Developed and communicated (in conjunction with Executives, Business & IT Leadership Teams) the Group's IT Strategy which is clearly aligned to our overall business objectives and considers external factors such as the pace of technology change and internal factors such as the underlying quality required throughout IT. • Continuing to implement our online platform in order to enhance customer experience and drive higher conversion rates. • Implementing a SAP-based central customer platform to collate all information on our customers across their journey to provide a single view of the customer alongside an eCRM platform which will support strategic marketing. • Defined and implemented a programme and project management framework and software delivery lifecycle management methodologies, including associated training and coaching. • Cascaded clear technology standards and associated delivery roadmaps which are linked to Group wide and source market objectives.
BRAND CHANGE	Our long term strategy is to migrate our many local brands in to one global brand, with the aim of strengthening and enhancing our competitive positon, particularly in the online world. We are aiming to capitalise on the strength of the TUI brand on a global scale whilst ensuring we maintain local roots. There is an inherent risk when executing such a large scale global brand strategy that we may not be able to maintain the benefits of local brand equity throughout the process and we recognise that such a large programme should take place with respect for the interests of all our stakeholders and existing contractual obligations. If we do not successfully deliver against our strategy this could result in a decline in brand awareness and loyalty with associated decline in customer demand or it could impact on our ability to maximise on the opportunities facilitated by having oneBrand on a global scale.	• Undertaken detailed market research in each source market to assess current brand positioning and likely impact of the brand change. • Approved incremental marketing spend to raise the profile of the TUI brand locally in order to promote the benefits and to manage the expectations of our customers in relation to the future of our enhanced products and services. • Established a 'oneBrand' programme team responsible for coordinating and monitoring the brand change activity across all source markets, with KPIs identified and tracked on a regular basis by both local and group colleagues and prompt corrective action taken to address issues as they arise. • Taking a phased and focussed approach to the brand change by implementing in one source market at a time. This minimises the risk at a given point in time and allows us to gain learnings from the source markets undergoing transition and implement those learnings in the next source market. • Communicating both internally & externally across multiple media channels to drive brand awareness, with further plans to increase awareness through consistent marketing in key destination airports and changing of the livery on our aircraft in order to support greater awareness of the TUI Brand.

RISK NAME	NATURE OF RISK	MITIGATING FACTORS
GROWTH OPTIONS	We have set ourselves a target of achieving underlying EBITA CAGR of at least 10 % over the next three financial years. The achievement of this target is likely to require us to achieve growth in revenues of c. 3 % pa. Our focus is on achieving growth in accommodation by: • opening new hotels (target set of c. 60 new hotels by 2018 / 19); • growing our powerful and exclusive international hotel concepts; • continuing to expand the Cruise fleet. Additionally we are looking to broaden our offering to customers by introducing extra flexibility into our packages, and to expand our long-haul offering by taking advantage of the capabilities of the 787s which we have and are due to receive via our order book. Note that availability of aircraft finance is a key assumption of our business model. Whilst managing this expansion, we must continue to adapt to changes in consumer tastes and booking profiles, and we must continue to match our capacity to consumer demand. There is a risk that we could be unsuccessful in maximising opportunities to execute our expansion strategy. This could mean that we fail to achieve some of the initiatives we have embarked upon, which could result in us falling short against the overall growth targets we have set for the business.	• The Executive Board is very focussed on the strategy and mindful of the risks, so there is strong direction and commitment from the top. • The Group Tourism Board plays an important role in co-ordinating, executing and monitoring the various growth initiatives. • There are a number of initiatives underway to achieve growth which reduces the risk through diversification. • Each of the business teams tasked with achieving an element of the growth strategy are still required to maintain sound financial discipline. The Group's investment criteria and authorisation processes must still be adhered to as we are not prepared to be reckless in the pursuit of growth. • We continue to maintain strong relationships with the providers of aircraft finance. • Monitoring of overall market conditions continues to occur so that plans can be adapted or contingency plans invoked if required.

RISK NAME	NATURE OF RISK	MITIGATING FACTORS
INTEGRATION OPPORTUNITIES	Our key rationale for the merger of TUI AG and TUI Travel PLC is growth and delivery of significant synergies and to act 'as one' wherever it makes sense to do so, maintaining local differences where the benefit of that differentiation is greater than that of harmonisation. There are a number of restructuring projects underway across the Group as a result to enable us to achieve these opportunities. There is an inherent risk with any large restructuring programme that we face challenges in managing the complexities associated with further integrating our business, reducing overlapping activities in order to develop a more lean and streamlined operating model. If we are not successful in leveraging and optimising the identified opportunities this could have a significant impact on our ability to deliver the identified benefits in line with expectations and enhance shareholder value.	• Strong project management structures exist for all of the major restructuring programmes which are underway to ensure that they are managed effectively. • Roll-out of project reporting tool is underway to ensure enhanced visibility of the progress of major projects as a matter of routine. • Regular reporting by the major projects to the Executive Board to ensure swift resolution of any issues or to enhance co-ordination across the Group where required.
SUSTAINABILITY TARGETS	Our focus is to reduce the environmental impact of our holidays, creating positive change for people and communities and pioneer sustainable tourism across the world. There is a risk that we are not successful in driving forecast environmental improvements across our operations, that our suppliers do not uphold our sustainability standards and we fail to influence destinations to manage tourism more sustainably. If we do not maximise our positive impact on destinations and minimise the negative impact on the environment to the extent that our stakeholders expect, this could result in a decline in stakeholder confidence, reduction in demand for our products and services and loss of competitive advantage.	• Developed and launched the 'Better Holidays, Better World' 2020 sustainability strategy framework. • Established a dedicated sustainability team to work closely with the business and other stakeholders to implement the sustainability strategy. • Operating the most carbon efficient airlines in Europe with continued investment in new, more efficient aircraft (e.g. Boeing 787 Dreamliner) and cruise ships (e.g. Mein Schiff 3 & 4). • Implemented an environmental management system with five of our airlines having achieved ISO 14001 certification. • Increased measures to influence accommodation suppliers to achieve third party sustainability certification recognised by the Global Sustainable Tourism Council (GSTC). • Continuing to invest in projects to drive innovation such as the ecoDemonstrator partnership with Boeing and ground-breaking total impact measurement study in collaboration with PwC and the Travel Foundation to inform future strategy.

RISK NAME	NATURE OF RISK	MITIGATING FACTORS
CYBER SECURITY	Our responsibility is to protect the confidentiality, integrity and availability of the data we have and the services we provide to our customers, our employees, our suppliers and service delivery teams. There is a risk that our increasing dependence on online sales and customer care channels (web / mobile) increases our exposure and susceptibility to cyber-attacks and hacks. If we do not ensure we have the appropriate level of security controls in place across the Group, this could have a significant negative impact on our key stakeholders, associated reputational damage and potential for financial implications.	• Renewed commitment from the Executive Board in support of key initiatives to ensure all existing and future IT systems are secure by design, that exposure to vulnerability is managed effectively and that user access is sufficiently controlled. • Continuous review and testing of all external devices and ongoing monitoring of logs in order to identify any potential threats as and when they arise.
TALENT MANAGEMENT	Our success depends on the ability to attract and retain key talent and it relies on having good relations with colleagues. There is a risk that we are unable to attract and retain key talent, build future leadership capability and maintain the commitment and trust of our employees. This risk is enhanced in periods of uncertainty and in areas of the business impacted by the merger and the restructuring programmes which are underway as a result. If we face challenges in managing and maintaining our talent pipeline in order to deliver against our strategy, drive competiveness and maximise on our operating performance, this could impact on our ability to future proof the Group and the associated potential for negative impact on shareholder confidence.	• Continuing to extend and embed our established talent management framework across the Group in order to engage and empower people whilst delivering results and managing performance. • Assessing our current organisational competence and capability against that required to maximise current and future shareholder value. • Ensuring succession plans are in place for all identified business critical roles, in particular emergency successors for all senior management roles, and that these plans are reviewed every six months. • Developed a structured and standard approach to be applied where necessary to key individuals during periods of uncertainty and / or organisational change in order to retain top talent in business critical roles. • Implemented a process to identify and deliver programmes targeted at high potential talent in order to drive competiveness and maximise operating performance. • Building our pipeline of leadership talent through our International Graduate Leadership Programme which attracts, develops and retains high quality graduates to become our future senior Commercial Leaders. • Driving high performance and engagement through our performance review, development plans and career planning process.

RISK NAME	NATURE OF RISK	MITIGATING FACTORS
CORPORATE STREAMLINING	The merger of TUI AG and TUI Travel PLC has presented us with the opportunity to reduce Corporate overheads by eliminating duplicate costs. If we do not deliver the targeted savings of € 50 m this may impact on our ability to achieve our overall underlying EBITA growth target.	• Close monitoring of the delivery of corporate streamlining cost savings to ensure they are achieved in line with expectations. • To date 20 % of the target savings have been achieved in the financial year 2014 / 15.

RISKS WITH NO IMPACT ON UNDERLYING EBITA

Impairment risk related to the investment in container shipping (Hapag-Lloyd AG). TUI Group continues to hold a substantial investment in the container shipping company, Hapag-Lloyd AG. Significant deterioration in the market value of the investment will require an impairment to be booked in the income statement of the TUI Group – as has occurred in the financial year ended 30 September 2015. Whilst this risk has been reduced by the impairment already taken, the value of the investment on our balance sheet is still material and therefore the risk continues to exist. We are committed to our plan to fully exit this investment in the medium term.

German trade tax risk. As noted in prior years, the German tax authorities have issued guidance on how certain items of expenditure should be treated for the purposes of German trade tax. The Group continues to disagree with the German tax authorities' interpretation of this matter and it is possible that the issue will have to be litigated through the German tax courts which could take a considerable amount of time to bring it to a resolution. It is difficult to estimate accurately the potential liability should the German tax authorities challenge successfully the Group's interpretation of the guidance due to the differing nature of the contracts which could be impacted by any such challenge. As a result there is a range of possible outcomes, however it is possible that a material liability might arise for the overall period since 2008. Further details can be found in the Contingent liabilities note to the consolidated financial statements.

OVERALL RISK ASSESSMENT

The completion in December 2014 of the merger between TUI AG and TUI Travel PLC has had an impact on our risk landscape by opening up new business opportunities but also introducing new risks in the pursuit of those opportunities (e. g. brand change) and in the context of the delivery of specific merger synergies and we are pleased that the post-merger integration of the Group is progressing well and with a faster pace than originally anticipated. We are confident in the delivery of our specific merger synergy targets and integration-related restructuring programmes and in our ability to successfully attract, retain and manage our key talent as the management of talent is always a risk which is heightened in the immediate aftermath of a major corporate transaction.

Destination disruption is an inherent risk to which all providers of holiday and travel services are exposed. This disruption can take place in many forms such as natural catastrophes, outbreaks of diseases, social unrest, terrorist attacks and the implications of war in countries close to our source markets and destinations. Sadly, this financial year saw the crystallisation of one such risk with the tragic events in Tunisia at the end of June. Whilst in general the destination disruption risk is constant on a year-to-year basis, with the Tunisia incident and the recent suspension of flights from the UK to Sharm el-Sheikh in Egypt, it is apparent that the risk of disruption in some North African destinations has increased. Our policy in this regard remains to follow foreign office advice in each of our source markets relating to non-essential travel to specific destinations.

Cyber crime is an emerging threat which is present in all modern economies and across virtually all industry sectors due to the increased use of the internet as a business channel and method of communication. We have recognised this by including cyber security on our principal risk register this year.

Finally, the risk of a deterioration in the valuation of our container shipping investment crystallised during the year and an impairment has been taken. Whilst this has therefore reduced the risk for future periods, the value of the investment on our balance sheet is still material and therefore the risk continues to exist.

Other than the items noted above, the Executive Board is of the opinion that there has been no other significant change to the risk landscape of the Group.

VIABILITY STATEMENT

In accordance with provision C2.2 of the 2014 revision of the UK Corporate Governance Code, the Executive Board has assessed the prospect of the Company over a longer period than the twelve months required by the 'Going Concern' provision. The Executive Board considers annually and on a rolling-basis a three year plan for the business as outlined earlier in the "Strategic direction and risk appetite" section. The latest three year plan was approved in October 2015 and covers the period to 30th September 2018. A three year horizon is considered appropriate for a fast-moving competitive environment such as tourism, and it is noted that the latest three year plan goes beyond the June 2018 date when the Group's current € 1,535.0 m revolving credit facility matures, which is used to manage the seasonality of the Group's cash flows and liquidity.

The three year plan considers cash flows as well as the financial covenants which the credit facility requires compliance with. Key assumptions underpinning the three year plan and the associated cash flow forecast are that the credit markets will be sufficiently fluid to enable the revolving credit facility to be renewed at the same level, and that aircraft finance will continue to be readily available.

The Executive Board has conducted a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity. Sensitivity analysis is applied to the cash flow to model the potential effects should principal risks actually occur, individually or in unison. This includes modelling the effects on the cash flow of significant disruption to a major destination in the summer season.

Taking account of the company's current position, principal risks and the aforementioned sensitivity analysis, the Executive Board has a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the three year period of the assessment.

Key features of the internal control and risk management system in relation to the Group accounting process (sections 289 (5) and 315 (2) no 5 of the German Commercial Code HGB)

1. DEFINITION AND ELEMENTS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN THE TUI GROUP

The TUI Group's internal control system comprises all the principles, processes and measures that are applied to secure effective, efficient and accurate accounting which is compliant with the necessary legal requirements.

In the completed financial year, the TUI Group's existing internal control system was further developed, drawing on the internationally recognised framework of COSO (Committee of Sponsoring Organizations of the Treadway Commission), which forms the conceptual basis for the internal control system.

The TUI Group's internal control system consists of internal controls and the internal monitoring system. The Executive Board of TUI AG, in exercising its function of managing business operations, has entrusted responsibility for the internal control system in the TUI Group to specific Group functions.

The elements of the internal monitoring system in the TUI Group comprise both measures integrated into processes and measures performed independently. Besides manual process controls, e. g. the "four-eyes principle", another key element of the process-related measures are automated IT process controls. Process-related monitoring is also secured by bodies such as the Risk Oversight Committee of TUI AG and by specific Group functions.

The Supervisory Board of TUI AG, in particular its Audit Committee, as well as the Group Auditing department at TUI AG and the decentralised audit departments within Group companies, are incorporated into the TUI Group's internal monitoring system through their audit activities performed independently from business processes. On the basis of section 107 (3) of the German Stock Corporation Act, the Audit Committee of TUI AG deals primarily with the auditing of the annual financial statements, monitoring the accounting process and the effectiveness of the internal control and risk management system.

The Group's auditors have oversight of the TUI Group's control environment through their non-process-related activities. The audit of the consolidated financial statements by the Group auditor and the audit of the individual financial statements of Group companies included in the consolidated financial statements, in particular, constitute a key non-process-related monitoring measure with regard to Group accounting.

In relation to Group accounting, the risk management system, introduced as an Enterprise Risk Management System (ERM System) as a component of the internal control system, also addresses the risk of misstatements in Group bookkeeping and external reporting. Apart from operational risk management, which includes the transfer of risks to insurance companies by creating cover for damage and liability risks and also hedging transactions to limit foreign currency and fuel price risks, the TUI Group's risk management system embraces the systematic early detection, management and monitoring of risks across the Group. A more detailed explanation of the risk management system is provided in the section on the Risk Governance Framework in the Risk Report.

2. USE OF IT SYSTEMS

Bookkeeping transactions are captured in the individual financial statements of the subsidiaries of TUI AG, through local accounting systems such as SAP or Oracle. As part of the process of preparing their individual financial statements, subsidiaries complete standardised reporting packages in the Group's Oracle Hyperion Financial Management 11.1.2.3 (HFM) reporting system. HFM is used as the uniform reporting and consolidation system throughout the Group so that no additional interfaces exist for the preparation of the consolidated financial statements.

All consolidation processes used to prepare the consolidated financial statements of TUI AG, e.g. capital consolidation, assets and liabilities consolidation and expenses and income elimination including at equity measurement, are generated and fully documented in HFM. All elements of TUI AG's consolidated financial statements, including the disclosures in the Notes, are developed from the HFM consolidation system. HFM also provides various modules for evaluation purposes in order to prepare complementary information to explain TUI AG's consolidated financial statements.

The HFM reporting and consolidation system has an in-built workflow process whereby when businesses promote their data within the system, to signal that their reporting package is complete, they are then locked out from making any further changes to that data. This ensures data integrity within the system and also facilitates a strong audit trail enabling changes to a reporting package to be identified. This feature of the HFM system has been checked and validated by the TUI AG Group Audit department on several occasions since the system was introduced.

At their own discretion, TUI AG's Group auditors select certain individual financial statements from the financial statements entered in the HFM reporting and consolidation system by the Group companies, which are then reviewed for the purposes of auditing the consolidated financial statements.

3. SPECIFIC RISKS RELATED TO GROUP ACCOUNTING

Specific risks related to Group accounting may arise, for example, from unusual or complex business transactions, in particular at critical times towards the end of the financial year. Business transactions not routinely processed also entail special risks. The discretion necessarily granted to employees for the recognition and measurement of assets and liabilities may result in further Group accounting-related risks. The outsourcing and transfer of accounting-specific tasks to service companies may also give rise to specific risks. Accounting-related risks from derivative financial instruments are outlined in the Notes to the consolidated financial statements.

4. KEY REGULATION AND CONTROL ACTIVITIES TO ENSURE PROPER AND RELIABLE GROUP ACCOUNTING

The internal control measures aimed at securing proper and reliable Group accounting ensure that business transactions are fully recorded in a timely manner in accordance with legal requirements and the Articles of Association. This also ensures that assets and liabilities are properly recognised, measured and presented in the consolidated financial statements. The control operations also ensure that bookkeeping records provide reliable and comprehensive information.

Controls implemented to secure proper and reliable accounting include, for instance, analysis of facts and developments on the basis of specific indicators. Separation of administrative, execution, settlement and authorisation functions and the implementation of these functions by different persons reduces the potential for fraudulent operations. Organisational measures also aim to capture any corporate or Group-wide restructuring or changes in sector business operations rapidly and appropriately in Group accounting. They also ensure, for instance, that bookkeeping transactions are correctly recognised in the period in which they occur in the event of changes in the IT systems used by the accounting departments of Group companies. The internal control system likewise ensures that changes in the TUI Group's economic or legal environment are mapped and that new or amended accounting standards are correctly applied.

The TUI Group's accounting policies together with the International Financial Reporting Standards (IFRS) in compliance with EU legislation, govern the uniform accounting and measurement principles for the German and foreign companies included in TUI's consolidated financial statements. They include general accounting principles and methods, policies concerning the statement of financial position, income statement, notes, management report, cash flow statement and segment reporting.

The TUI Group's accounting policies also govern specific formal requirements for the consolidated financial statements. Besides defining the group of consolidated companies, they include detailed guidance on the reporting of financial information by those companies via the group reporting system HFM on a monthly, quarterly and year end basis. TUI's accounting policies also include, for instance, specific instructions on the initiating, reconciling, accounting for and settlement of transactions between group companies or determination of the fair value of certain assets, especially goodwill.

At Group level, specific controls to ensure proper and reliable Group accounting include the analysis and, where necessary, correction of the individual financial statements submitted by the Group companies, taking account of the reports prepared by the auditors and meetings to discuss the financial statements which involve both the auditors and local management. Any further content that requires adjusting can be isolated and processed downstream.

The control mechanisms already established in the HFM consolidation system minimize the risk of processing erroneous financial statements. Certain parameters are determined at Group level and have to be applied by group companies. This includes parameters applicable to the measurement of pension provisions or other provisions and the interest rates to be applied when cash flow models are used to calculate the fair value of certain assets. The central implementation of impairment tests for goodwill recognized in the financial statements secures the application of uniform and standardised evaluation criteria.

5. DISCLAIMER

With the organisational, control and monitoring structures established by the TUI Group, the internal control and risk management system enables company-specific facts to be captured, processed and recognised in full and properly presented in the Group's accounts.

However, it lies in the very nature of the matter that discretionary decision-making, faulty checks, criminal acts and other circumstances, in particular, cannot be ruled out and will restrict the efficiency and reliability of the internal control and risk management systems, so that even Group-wide application of the systems cannot guarantee with absolute certainty the accurate, complete and timely recording of facts in the Group's accounts.

Any statements made relate exclusively to subsidiaries according to IFRS 10 included in TUI AG's consolidated financial statements.

OVERALL ASSESSMENT BY THE EXECUTIVE BOARD AND REPORT ON EXPECTED DEVELOPMENT

KEY FIGURES % € TARGET 2014/15	TARGET ACHIEVEMENT ACTUAL 2014/15	OUTLOOK TARGET 2015/16
BRAND TURNOVER *in €bn*		
n. a.	22.6 +6.7 %[1]	at least +5 %[1]
TURNOVER *in €bn*		
2–4 %[1]	20.0 +3.6 %[1]	at least +3 %[1]
EBITA (UNDERLYING) *in €m*		
+10–15 %[1]	1,069 +15.4 %[1]	at least +10 %[1]
ADJUSTMENTS[2] *in €m*		
220 costs	204 costs	180 costs
CASH CAPEX AND INVESTMENTS *in €m*		
800 gross capex	826 gross capex	750 net capex and investments
NET DEBT *in €bn*		
broadly neutral	0.2 net debt	ca. 0.5 net debt

1 Variance year-on-year at constant currency in %, based on the current group structure
2 Comprises SDIs and PPA

Comparison of the actual business performance in 2014 / 15 with the forecast

In financial year 2014 / 15, the TUI Group's performance exceeded our original forecast. The TUI Group's underlying EBITA rose by 22.9 % to € 1,069.0 m in financial year 2014 / 15. Excluding the positive foreign exchange effects included in these earnings, in particular from the rise of sterling against the euro in the period under review, the amount corresponds to the target we communicated of achieving an operating result of around € 1 bn on a constant currency basis.

Due to the sound operating performance, the Group also achieved an increase in its reported EBITA, which grew by 11.3 % to € 865.3 m.

At an increase of 8.0 %, the TUI Group's turnover climbed substantially in the period under review, in particular due to foreign exchange effects. On a constant currency basis, the TUI Group's turnover growth stood at 3.6 %, placing it at the upper end of the range originally communicated in our forecast.

Investments in other intangible assets and property, plant and equipment were slightly higher than expected at € 826.4 m. With a net liquidity of € 213.7 m carried at the end of financial year 2014 / 15, the development of the TUI Group's net debt was slightly above the broadly neutral position we had expected.

Expected changes in the economic framework

EXPECTED DEVELOPMENT OF GROSS DOMESTIC PRODUCT

Var. %	**2016**	2015
World	**3.6**	**3.1**
Eurozone	1.6	1.5
Germany	1.6	1.5
France	1.5	1.2
UK	2.2	2.5
US	2.8	2.6
Russia	– 0.6	– 3.8
Japan	1.0	0.6
China	6.3	6.8
India	7.5	7.3

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

MACROECONOMIC SITUATION

The International Monetary Fund (IMF, World Economic Outlook, October 2015) expects average world gross domestic product growth of 3.1 % for calendar year 2015. For 2016, the IMF expects the global economy to grow by 3.6 %. While higher growth rates are expected for the advanced countries the outlook for the emerging markets has become weaker primarly reflecting declining commodity prices and disruptions in domestic markets.

MARKET TREND IN TOURISM

UNWTO expects international tourism to continue growing globally in this decade. For the next few years, average weighted growth of around 3 % per annum has been forecast (source: UNWTO, Tourism Highlights, 2014 edition). In the first eight months of 2015, international arrivals grew by 4.3 %. UNWTO expects growth of 3 % to 4 % for calendar year 2015 (source: UNWTO, World Tourism Barometer, October 2015).

EFFECTS ON THE TUI GROUP

As a leading tourism provider, the TUI Group depends on the development of consumer demand in the large source markets in which we operate with our tour operator and hotel brands. Our budget is based on the assumptions used as a basis by the IMF to predict the future development of the global economy.

Apart from the development of consumer sentiment, political stability in the destinations is a further crucial factor affecting demand for holiday products. In our view, our business model is sufficiently flexible to compensate for the challenges we currently face.

The expected turnover growth assumed in our budget for financial year 2015 / 16, is slightly above the UNWTO forecast. Our strategic focus is to further align our brands in the source markets, further expanding our Group-owned hotel portfolio and expanding our cruise business, in particular under the TUI Cruises brand.

Expected development of Group turnover, earnings and adjustments

TUI GROUP

Our consolidated financial statements are translated using monthly exchange rates. The TUI Group generates a large portion of consolidated turnover, earnings and cash flow, and has significant balance sheet balances in non-Euro currencies, in particular GBP, USD and SEK. Taking account of the seasonal nature of the tourism business, the development of these currencies against the euro in the course of the year therefore strongly impacts the financial indicators carried in TUI Group's consolidated financial statements. The comments on the expected development of our Group in financial year 2015 / 16 provided below are based on a constant currency exchange rates, based on the rates prevailing in financial year 2014 / 15.

EXPECTED DEVELOPMENT OF GROUP TURNOVER, UNDERLYING EBITA AND ADJUSTMENTS

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

* Based on constant currency, without discontinued operations

BRAND TURNOVER

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

TURNOVER

We expect turnover to rise by at least 3 % at constant currency in financial year 2015 / 16, primarily due to an anticipated increase in customer numbers of our tour operators as we deliver our growth roadmap (as outlined in the Goals and Strategy section of this report).

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 (as outlined in the Goals and Strategy section of this report). Risks relate to the development of customer numbers against the backdrop of continued volatility in the economic environment for our key source markets, demand for our Group hotels and cruises and the delivery of merger synergies.

See Risk report for further details.

ADJUSTMENTS

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

ROIC AND ECONOMIC VALUE ADDED

Due to the enhanced operating result, we expect ROIC to improve slightly in financial year 2015 / 16; depending on the development of the TUI Group's capital costs, this is also expected to result in a slight increase in economic value added.

DEVELOPMENT IN THE SEGMENTS

The development outlined below is based on current trading, our growth roadmap and the relative performance of our segments during financial year 2014 / 15. This development is sensitive to fluctuations in customer demand from specific source markets and customer segments, as well as the development of input costs. The benefit of our diversified business model is that such fluctuations may be offset by improved demand elsewhere in the business.

SOURCE MARKETS

Based on current trading and assuming constant currency exchange rates, we would expect the Source Markets to deliver at least 10 % underlying earnings growth at constant currency. Based on their relative performances during the financial year ended 2014 / 15, we would expect the growth percentage for Central and Western Region in financial year 2015 / 16 to exceed that of Northern Region.

HOTELS & RESORTS

We are delivering phased growth in our key hotel and club brands and also expect to deliver further occupancy improvements in financial 2015 / 16. Taking into account the non-recurring gain on disposal of a Riu hotel in financial year 2014 / 15, we would expect growth in Hotels & Resorts at the lower end of our Group underlying EBITA guidance of at least 10 %.

CRUISES

Based on the full year operation of Mein Schiff 4 and delivery of Mein Schiff 5 during financial year 2015 / 16, we expect growth in Cruises underlying EBTIA to significantly exceed our Group guidance of at least 10 %.

SPECIALIST TRAVEL

Specialist Travel comprises the segments Specialist Group and Hotelbeds Group that operate in seperate markets with different developments. Based on current trading and our strategy to maximize the growth and value of these businesses, we would expect underlying EBITA in Specialist Travel to develop in line with the Source Markets.

Expected development of Group financial position

EXPECTED DEVELOPMENT OF GROUP FINANCIAL POSITION

€ million	Expected development vs. PY in % 2014 / 15	2015 / 16*
Net capex and investments	654.7	approx. € 750 m
Net debt	213.7	slight increase

* At constant currency

NET CAPEX AND INVESTMENTS

In the light of investment decisions already taken and projects in the pipeline, we expect net cash capex and investments to be approximately € 750 m in financial year 2015 / 16. This includes anticipated predelivery payments for aircraft and disposal proceeds for fixed assets. Most of these funds will be used for investments in property, plant and equipment. The planned investments include the expansion and refurbishment of our hotel portfolio, introduction of new production and booking systems and the purchase of aircraft spares and yachts.

NET DEBT

At the balance sheet date, the Group's net debt amounted to € 213.7 m. Due to the expected increase in financing volume for aircraft and a cruise ship in the UK on the basis of finance leases, we expect the TUI Group's net debt to increase in financial year 2015 / 16 to around € 0.5 bn.

Sustainable development

CLIMATE PROTECTION AND EMISSIONS

Greenhouse gas emissions and the impact of these emissions on climate change pose one of the major global challenges for the tourism sector. In September 2015 TUI Group launched its sustainability strategy, Better Holidays, Better World 2015 – 2020. By 2020 we will operate Europe's most carbon-efficient airlines and reduce the carbon intensity of our global operations by 10 % by 2020. We will reduce TUI airlines carbon emissions per passenger km (g CO_2 / rpk) by 10 % (against the baseline of 2013 / 14).

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

At the date of preparation of the Management Report (8 December 2015), we uphold our positive assessment of the TUI Group's economic situation and outlook for financial year 2015 / 16. With its finance profile and branded customer services portfolio, the TUI Group is well positioned in the market. In the first few weeks of the new financial year 2015 / 16 the overall business performance has matched expectations.

As against the prior year reference period, we expect our Group's operating result to grow year-on-year due to the improved operating performance of our Sectors. The TUI Group's underlying earnings are expected to rise by at least 10 % year-on-year, on a constant currency basis.

Our roadmap for growth over the next three years has enabled us to provide updated guidance for the future prospects of our Group. We intend to deliver at least 10 % underlying EBITA CAGR over the next three years to 2017 / 18. Our long-term target for the TUI Group's gross capex (excluding advance payments on aircraft orders) is 3 % of consolidated turnover.

Opportunity Report

The TUI Group's opportunity management follows the Group strategy for core business Tourism. Responsibility for the systematic detection and use of opportunities rests with the operational management of the Tourism Sectors Source markets, Hotels & Resorts and Cruises. Market scenarios and critical success factors for the individual Sectors are analysed and assessed in the framework of the Group-wide planning and control process. The core task of the Group's Executive Board is to secure profitable growth for the TUI Group by optimising the shareholding portfolio and developing the Group structure over the long term.

Overall, the TUI Group is well positioned to benefit from opportunities resulting from the main trends in its markets.

OPPORTUNITIES FROM THE DEVELOPMENT OF THE OVERALL FRAMEWORK

Should economic development prove better than expected, the TUI Group and its Sectors would benefit from the resulting increase in demand in the travel market. Moreover, changes in the competitive environment might create opportunities for the TUI Group in individual markets.

CORPORATE STRATEGY

We see opportunities for further organic growth in particular by expanding our hotel portfolio and cruise business. As market leader, we also intend to benefit from demographic change and the resulting expected increase in demand for high-quality travel at an attractive price / performance ratio in the long term.

OPERATIONAL OPPORTUNITIES

We intend to improve our competitive position further by offering unique content and further expanding controlled distribution in Source Markets, in particular online distribution. We also see operational opportunities arising from stronger integration of our content and tour operator business.

OTHER OPPORTUNITIES

Moreover, we consider the potential sale of our remaining stake in Container Shipping as an opportunity to further improve the TUI Group's key financial ratios.

REPORT ON ECONOMIC POSITION

Macroeconomic and industry framework

Macroeconomic development

DEVELOPMENT OF GROSS DOMESTIC PRODUCT

Var. %	**2015**	2014
World	**3.1**	**3.4**
Eurozone	1.5	0.9
Germany	1.5	1.6
France	1.2	0.2
UK	2.5	3.0
US	2.6	2.4
Russia	–3.8	0.6
Japan	0.6	–0.1
China	6.8	7.3
India	7.3	7.3

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

In calendar year 2015, the global economy continued to grow moderately. Overall, the International Monetary Fund in its most recent outlook (IMF, World Economic Outlook, October 2015) projects global growth for 2015 at 3.1 %, down year-on-year. Economic momentum picked up gradually in the advanced economies, while growth was very moderate in the emerging markets.

Development of tourism

CHANGE OF INTERNATIONAL TOURIST ARRIVALS VS. PRIOR YEAR

Var. %	**2015***	2014
World	**+4.3**	**+4.2**
Europe	+5.3	+2.4
Asia and the Pacific	+4.3	+5.7
Americas	+4.2	+8.4
Afrika	–5.4	+1.8
Middle East	+3.6	+6.2

Source: UNWTO World Tourism Barometer, October 2015
*Period January till August

In calendar year 2014, international arrivals grew worldwide by 4.2 % to € 1.13 bn. This trend continued for the first eight months of calendar year 2015, with growth totalling 4.3 % within that period. Europe remained the most popular region worldwide, showing the strongest increase in arrivals at 5.3 %. The Eurozone benefited from the weakness of its currency together with a gradual economic recovery. For the full year 2015, UNWTO expects the global travel and tourism market to grow by 3 to 4 %. The stable growth trend observed in tourism in the past few years has thus held up (UNWTO, World Tourism Barometer, October 2015).

Customer numbers in the TUI Group's source markets rose by a total of 1.6 % on the prior year in financial year 2014 / 15. This growth was mainly attributable to the positive development in the UK. This source market benefited from the expansion of the Boeing 787 long-haul programme and growth in TUI unique travel.

Business development in the source markets, see page 127 et seqq.

Key exchange rates and commodity prices

EXCHANGE RATE USD

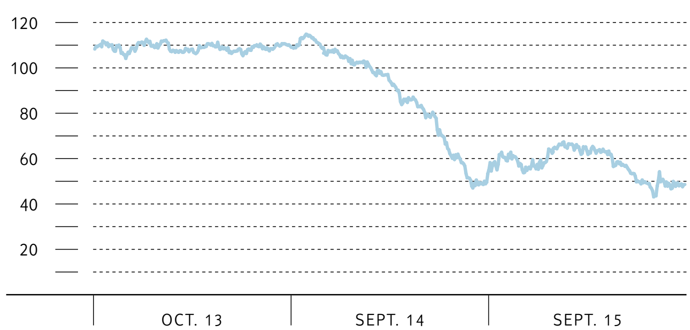
USD / EUR

EXCHANGE RATE GBP

GBP / EUR

OIL PRICE

Brent (USD / Barrel)



The exchange rate charts are presented on the basis of the indirect quotation format customary in the foreign exchange market. If the exchange rate falls, the value of the presented currency rises against the euro. By contrast, if the exchange rate rises, the value of the currency falls against the euro.

The TUI Group companies operate on a worldwide scale. This presents financial risks for the TUI Group, arising from changes in exchange rates and commodity prices.

The essential financial transaction risks from operations relate to euros and US dollars. They mainly result from foreign exchange items in the individual Group companies, for instance aircraft fuel and bunker oil, ship handling costs or products and services sourced by hotels. The value of sterling against the euro is of relevance for the translation of results generated in the UK market in TUI's consolidated financial statements.

In the period under review, the average exchange rate of the US dollar against the euro fell by around 11.1 % from 1.26 USD / euro to 1.12 USD / euro. The average exchange rate of sterling against the euro decreased by around 5.1 % from 0.78 GBP / euro to 0.74 GBP / euro in the period under review. Both currencies thus appreciated against the euro.

Changes in commodity prices affect the TUI Group, in particular in procuring fuels such as aircraft fuel and bunker oil. The price of Brent oil almost halved in the financial year under review, amounting to 48.37 USD per barrel as at 30 September 2015.

In Tourism, most risks related to changes in exchange rates and price risks from fuel sourcing are hedged by derivatives. Information on hedging strategies and risk management as well as financial transactions and the scope of such transactions at the balance sheet date is provided in the sections Financial Position and Risk Report in the Management Report and the section Financial Instruments in the Notes to the consolidated financial statements.

Fincancial Position see page 138
Risk Report see page 97
Financial Instrument see page 262

Changes in the legal framework

In financial year 2014 / 15, there were no changes in the legal framework with material impacts on the TUI Group's business performance.

Group earnings

Comments on the consolidated income statement

Financial year 2014 / 15 brought a markedly positive development in the TUI Group's earnings position. The operating result (underlying EBITA) of the TUI Group improved by 22.9 % to € 1,069.0 m in the period under review. This growth was driven in particular by the very good performance of Northern Region, Hotels & Resorts and Cruises. The significant increase in the result from continued operations to € 448.4 m derived not only from an improved operating performance, but also from a better interest result and lower income taxes following the merger with TUI Travel.

INCOME STATEMENT OF THE TUI GROUP FOR THE PERIOD FROM 1 OCTOBER 2014 TO 30 SEPTEMBER 2015

€ million	**2014 / 15**	2013 / 14 restated	Var. %
Turnover	**20,011.6**	**18,536.8**	**+ 8.0**
Cost of sales	17,616.3	16,300.8	+ 8.1
Gross profit	**2,395.3**	**2,236.0**	**+ 7.1**
Administrative expenses	1,715.4	1,533.8	+ 11.8
Other income	51.2	35.9	+ 42.6
Other expenses	8.0	2.1	+ 281.0
Financial income	37.9	36.8	+ 3.0
Financial expenses	370.1	300.9	+ 23.0
Share of result of joint ventures and associates	144.5	26.8	+ 439.2
Earnings before income taxes	**535.4**	**498.7**	**+ 7.4**
Income taxes	87.0	212.5	– 59.1
Result from continuing operations	**448.4**	**286.2**	**+ 56.7**
Result from discontinued operation	– 68.8	– 15.4	– 346.8
Group profit for the year	**379.6**	**270.8**	**+ 40.2**
Group profit for the year attributable to shareholders of TUI AG	340.4	90.4	+ 276.5
Group profit for the year attributable to non-controlling interest	39.2	180.4	– 78.3

Turnover and cost of sales

TURNOVER

€ million	**2014 / 15**	2013 / 14	Var. %
Northern Region	7,014.9	6,200.8	+ 13.1
Central Region	5,601.8	5,426.0	+ 3.2
Western Region	2,903.4	2,970.2	– 2.2
Hotels & Resorts	574.8	515.9	+ 11.4
Cruises	273.3	281.0	– 2.7
Other Tourism	496.1	478.4	+ 3.7
Tourism	**16,864.3**	**15,872.3**	**+ 6.2**
Specialist Group	1,835.1	1,625.5	+ 12.9
Hotelbeds Group	1,227.1	999.7	+ 22.7
All other segments	85.1	39.3	+ 116.5
TUI Group	**20,011.6**	**18,536.8**	**+ 8.0**
Discontinued operations	69.7	74.8	– 6.8
Sum of the segments	**20,081.3**	**18,611.6**	**+ 7.9**

In financial year 2014 / 15, turnover by the TUI Group rose by 8.0 % to € 20.0 bn, partly due to foreign exchange effects. On a constant currency basis, adjusted in particular for the effect of the increase in sterling against the euro, turnover grew by 3.6 %, showing stronger growth than customer numbers in the source markets, which rose 1.6 % year-on-year. Turnover is presented alongside the cost of sales, which were up 8.1 % in the period under review.

GROSS PROFIT

Gross profit, i.e. the difference between turnover and the cost of sales, increased by € 159.3 m to around € 2.4 bn in financial year 2014 / 15.

ADMINISTRATIVE EXPENSES

Administrative expenses rose by € 181.6 m year-on-year to € 1,715.4 m. Apart from foreign exchange effects, the year-on-year increase in administrative expenses mainly results from reorganisation and restructuring measures implemented in the period under review, in particular for the conversion of the corporate centre, the planned integration of incoming agencies into the source market organisation and the combination of the airlines. The restructuring projects in source markets Germany, Benelux and Nordic also resulted in higher administrative expenses compared with the prior year. Further expenses relate in particular to impairments on input tax claims in an Italian subsidiary and transfers to provisions for pending litigation in connection with the acquisition of a Turkish hotel.

OTHER INCOME/OTHER EXPENSES

In financial year 2014 / 15, other income and other expenses of € 51.2 m mainly included book profits from the sale of a Riu Group hotel in December 2014 (€ 16.9 m) and from the sale of two Greek hotel companies in Q3 2014 / 15 (€ 10.1 m). Income was also generated from the sale of the companies in the PEAK Adventure Travel Group (€ 4.4 m) and the sale of two hotels in the Specialist Group as well as sale-and-lease-back transactions with aircraft. Additional income relates to the recycling to the income statement of cumulative foreign exchange gains previously carried in equity in the wake of a capital reduction in a subsidiary.

Other income carried in the prior year mainly related to profits from sale-and-lease-back transactions with aircraft, book profits from the disposal of real estate, the sale of a hotel company in Switzerland and from gains on disposal from the sale of shareholdings.

Other expenses carried for 2014 / 15 totalled € 8.0 m, resulting mainly from foreign exchange losses in connection with capital reductions and liquidations of subsidiaries and from expenses for aircraft sale-and-lease-back transactions.

NET FINANCIAL RESULT

In the period under review, the net financial result declined by € 68.1 m to € – 332.2 m despite a considerable reduction in the interest expenses in the reporting period. The increase in overall financial expenses was driven by the impairment of € 147.1 m on the stake in Hapag-Lloyd AG, classified as a financial instrument available for sale, in the period under review.

The decline in interest expenses results from a change in the structure of the financial liabilities. All convertible bonds were fully converted in financial year 2014 / 15. Accordingly, the interest expense for convertible bonds declined by € 95.9 m. TUI AG also repaid a bank loan of € 100 m in August 2014. As a result, the interest expense declined by a further € 12.9 m.

The new funding scheme in connection with the merger between TUI AG and TUI Travel PLC had offsetting effects. The credit line granted to TUI Travel was replaced by a credit line granted to TUI AG. The borrowing costs for the credit facility of TUI Travel PLC previously carried as prepaid expenses of € 14.2 m were fully taken through profit and loss in Q1 2014 / 15. Moreover, the high-yield bond worth € 300.0 m issued previously by TUI AG in September 2014 resulted in interest expenses of € 14.7 m. In addition, the acquisition of Europa 2 led to an increase in financial liabilities and a rise in interest expenses of € 9.3 m. Interest expenses rose by € 10.2 m from the increase in finance lease liabilities.

SHARE OF RESULTS OF JOINT VENTURES AND ASSOCIATES

The result from joint ventures and associates comprises the proportionate net profit for the year of the associated companies and joint ventures and impairments of goodwill for these companies. In the period under review, the at equity result totalled € 144.5 m. The significant increase of € 117.7 m partly resulted from the higher profit contribution by TUI Cruises.

INCOME TAXES

The year-on-year decline in income taxes in financial year 2014 / 15 is mainly attributable to a revaluation of the deferred tax assets for loss carryforwards following the merger between TUI AG and TUI Travel PLC.

RESULT FROM DISCONTINUED OPERATION

The result from discontinued operation shows the after-tax result of the LateRooms Group, classified as a discontinued operation.

GROUP PROFIT

Group profit increased by € 108.8 m year-on-year to € 379.6 m in financial year 2014 / 15.

SHARE IN GROUP PROFIT ATTRIBUTABLE TO TUI AG SHAREHOLDERS

The share in Group profit attributable to the TUI AG shareholders improved from € 90.4 m in the prior year to € 340.4 m in financial year 2014 / 15. Apart from the general improvement in the Group's performance, the increase is attributable to the fact that the non-controlling shareholders in TUI Travel PLC ceased to exist on completion of the merger between TUI AG and TUI Travel PLC in December 2014.

NON-CONTROLLING INTERESTS

Non-controlling interests in Group profit for the year totalled € 39.2 m in the period under review. They related to the external shareholders of TUI Travel PLC until the completion of the merger with TUI AG and to the companies in Hotels & Resorts.

EARNINGS PER SHARE

The interest in Group profit for the year attributable to TUI AG shareholders after deduction of non-controlling interests totalled € 340.4 m (previous year € 90.4 m) in 2014 / 15. Basic earnings per share therefore amounted to € 0.64 (previous year € 0.26) in financial year 2014 / 15.

EBITA, underlying EBITA und underlying earnings per share

Key indicators used to manage the TUI Group are EBITA and underlying EBITA. We consider EBITA to be the performance indicator best suited to explain the development of the TUI Group's operating performance. EBITA comprises earnings before interest, taxes and goodwill impairments; it does not include the results from container shipping operations measured at equity nor the results from the measurement of interest hedging instruments.

RECONCILIATION TO UNDERLYING EARNINGS

€ million	2014/15	2013/14 restated	Var. %
Earnings before income taxes	**535.4**	**498.7**	**7.4**
less: Profit (prior year loss) on Container Shipping measured at equity	– 0.9	54.2	n. a.
plus: Loss on measurement of financial investment in Container Shipping	147.1	–	n. a.
plus: Net Interest expense and expense from the measurement of interest hedges	183.7	224.3	–18.1
EBITA	**865.3**	**777.2**	**11.3**
Adjustments:			
less: Gain on disposals (prior year loss)	– 5.2	– 3.7	– 40.5
plus: Restructuring expense	64.8	43.6	48.6
plus: Expense from purchase price allocation	76.2	71.8	6.1
plus: Expense (prior year income) from other one-off items	67.9	–19.0	n. a.
Underlying EBITA	**1,069.0**	**869.9**	**22.9**

Reported earnings (EBITA) of the TUI Group rose by € 88.1 m to € 865.3 m due to the very good operating performance in financial year 2014 / 15.

EBITA

€ million	2014/15	2013/14	Var. %
Northern Region	505.3	428.3	+18.0
Central Region	72.9	140.3	– 48.0
Western Region	56.6	61.6	– 8.1
Hotels & Resorts	195.7	199.1	–1.7
Cruises	80.5	24.2	+ 232.6
Other Tourism	– 26.4	– 27.6	+ 4.3
Tourism	**884.6**	**825.9**	**+7.1**
Specialist Group	38.5	26.6	+ 44.7
Hotelbeds Group	82.3	29.1	+182.8
All other segments	–140.1	–104.4	– 34.2
TUI Group	**865.3**	**777.2**	**+11.3**
Discontinued operations	– 68.1	– 4.7	n. a.
Sum of the segments	**797.2**	**772.5**	**+ 3.2**

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

One-off items carried here include adjustments for income and expense items that reflect amounts and frequencies of occurrence rendering an evaluation of the operating profitability of the segments and the Group more difficult or causing distortions. These items include 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.

The TUI Group's underlying EBITA rose by € 199.1 m to € 1,069.0 m in financial year 2014 / 15.

UNDERLYING EBITA

€ million	**2014/15**	2013/14	Var. %
Northern Region	530.3	398.3	+33.1
Central Region	103.5	163.0	–36.5
Western Region	68.8	81.7	–15.8
Hotels & Resorts	234.6	202.8	+15.7
Cruises	80.5	9.7	+729.9
Other Tourism	–21.1	–22.3	+5.4
Tourism	**996.6**	**833.2**	**+19.6**
Specialist Group	56.2	45.5	+23.5
Hotelbeds Group	116.8	101.7	+14.8
All other segments	–100.6	–110.5	+9.0
TUI Group	**1,069.0**	**869.9**	**+22.9**
Discontinued operations	–8.5	–2.8	–203.6
Sum of the segments	**1,060.5**	**867.1**	**+22.3**

In the period under review, adjustments worth € 15.1 m were carried for income, compared with adjustments on underlying expenses amounting to € 218.8 m, taking into account the expenses for purchase price allocations.

Overall, one-off expenses worth € 46.6 m were incurred in connection with the merger between TUI AG and the former TUI Travel PLC. They included an amount of € 30.9 m for the restructuring of the corporate centre and € 15.7 m for the planned integration of the incoming agencies in the source market organisations.

The adjustments primarily related to the following facts and circumstances:

GAINS ON DISPOSAL

In financial year 2014/15, gains on disposal worth € 5.2 m had to be adjusted for. They related in particular to capital reductions in subsidiaries.

RESTRUCTURING COSTS

In financial year 2014/15, restructuring costs of € 64.8 m had to be adjusted for. This amount included € 29.6 m for the conversion of the corporate centre and € 9.6 m for the planned integration of the incoming agencies in the source market organisations. A further € 9.0 m related to the combination of the airlines within the oneAviation project, with a further € 13.5 m relating to reorganisation in the German, Benelux and Nordic source markets. An additional € 2.8 m related to restructuring activities in the Hotelbeds Group segment.

EXPENSES FOR PURCHASE PRICE ALLOCATIONS

In financial year 2014/15, expenses for purchase price allocations worth € 76.2 m were adjusted for; they related in particular to scheduled amortisation of intangible assets from acquisitions made in previous years.

ONE-OFF ITEMS

Net expenses for one-off items of € 67.9 m included an amount of € 28.3 m relating to the source markets. Apart from expenses for the commissioning of new Boeing 787 Dreamliners worth € 6.9 m, € 3.1 m were carried as adjustments for strike costs at Corsair in connection with the originally planned sale of the company. A further € 7.5 m related to reorganisation in Germany, Benelux and France. In Hotels & Resorts, adjustments worth € 18.6 m were carried for impairments on input tax claims in an Italian subsidiary and transfers to provisions for pending litigation in connection with the acquisition of a Turkish hotel worth € 15.6 m. In the Hotelbeds Group segment, adjustments of € 6.1 m were carried for expenses for the planned integration of the incoming agencies in the source market organisations. All other segments essentially carried adjustments for pension obligations in the UK and for CP Ships Canada worth € 7.1 m.

PRO FORMA UNDERLYING EARNINGS PER SHARE

In order to provide a comparable basis for TUI Group's underlying earnings per share going forward, a pro forma calculation is included below. The calculation is based on the issued share capital as at 30 September 2015, 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. The 32.4 % increase in pro forma underlying earnings per share is driven by the growth in underlying EBITA and reduction in underlying effective tax rate to 25 %.

PRO FORMA UNDERLYING EARNINGS PER SHARE TUI GROUP

€ million		2014/15	2013/14
EBITA (underlying)		**1,069.0**	**869.9**
less: Net interest expense		–183.7	–224.3
plus: Interest expense on convertible bonds		19.0	108.1
Underlying profit before tax		**904.3**	**753.7**
Income taxes (underlying)*		226.1	221.6
Underlying Group profit		**678.2**	**532.1**
Minority interest		89.8	71.6
Hybrid interest expense		10.9	23.2
Underlying Group profit attributable to TUI shareholders of TUI AG		**577.5**	**437.3**
Number of shares (pro forma)	No. million	586.6	586.6
Pro forma underlying earnings per share		**0.98**	**0.75**

* The underlying effective tax rate is calculated based on the underlying profit before tax (excluding separately disclosed items, acquisition related expenses and impairment charges).

Business development by segments

Current and future trading in Tourism

In Tourism, travel products are booked on a seasonal basis with different lead times. The release of bookings for individual seasons takes place at different points in time, depending on the design of the booking and reservation systems in each source market. Moreover, load factor management ensures that the tour operator capacity available for bookings is seasonally adjusted to actual and expected demand.

At the end of financial year 2014/15, current trading by our source markets for the winter season 2015/16 was as follows as compared with the prior year:

CURRENT TRADING[1]

	Winter season 2015/16		
Var. %	Average selling price[2]	Total sales[2]	Total customers[2]
Northern Region	**+4**	**+6**	**+2**
UK	+2	+6	+4
Nordics	+8	+6	–2
Central Region	**+5**	**+5**	**flat**
Germany	+5	+4	–1
Western Region	**+1**	**–1**	**–2**
Benelux	+2	+1	–1
Total source markets	**+4**	**+4**	**flat**
Accommodation Wholesaler[3]	**+8**	**+19**	**+11**

[1] As at 29 November 2015 (on a constant currency basis)
[2] These statistics relate to all customers whether risk or non-risk.
[3] Sales refer to total transaction value (TTV) and customers refer to roomnights.

For the 2016 summer season, already available for bookings in the UK, current trading was 11 % ahead of the prior year in November 2015. Average selling prices were flat year-on-year.

Trading by the Hotels & Resorts segment largely mirrors customer numbers in the source markets, as a high proportion of the Group-owned hotel beds are taken up by TUI tour operators. In the Cruises segment, advance bookings were up year-on-year at the balance sheet date with sound demand levels, primarily due to the fleet expansion effected in the period under review.

Disclosures on current trading are regularly published on TUI's website in the framework of the TUI Group's quarterly reporting.

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www.tuigroup.com/en-en/investors/news

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

Source markets

	DIRECT DISTRIBUTION MIX[1] *in %*		ONLINE MIX[2] *in %*		CUSTOMERS[3] *in '000*	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
SOURCE MARKETS	70	68	41	38	19,142	18,844
NORTHERN REGION	91	91	58	56	6,943	6,781
CENTRAL REGION	44	39	15	12	7,168	7,115
WESTERN REGION	68	66	48	45	5,031	4,948

[1] Share of sales via own channels (retail and online)
[2] Share of online sales
[3] Germany customers restated to include seat only sales distributed by TUIfly.com. Excl. guest numbers from our joint ventures in Canada and Russia

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	**2014/15**	2013/14	Var. %
Turnover	7,014.9	6,200.8	+13.1
Underlying EBITA	530.3	398.3	+33.1
EBITA	505.3	428.3	+18.0

In financial year 2014/15 the Northern Region recorded an increase in customer numbers of 2.4% year-on-year, with particularly strong growth in the UK. Turnover grew by 13.1%, on a constant currency basis the increase was 4.6%. Northern Region underlying EBITA improved by €132.0m in the year. This included €7m impact from Tunisia for the UK in June and €49m positive foreign exchange translation.

In the UK we delivered a strong trading performance. Customer volumes grew by 5% in the year, driven by further growth in our unique offering. The Winter season saw the first full Winter operations of Sensatori in Jamaica, followed by the opening of two new Sensatori units in Ibiza and Turkey during the Summer, and the addition of Robinson to the portfolio. Long-haul customer volumes grew by 13% in the year, enabled by the expansion of our 787 fleet, with Mexico up 19% and Jamaica up 39%. We also saw strong short-haul growth to Mainland Spain and Balearics. We have broadened our customer offering to include third party flights, giving our customers more choice on departure time and duration for our unique package holidays. Over 50,000 customers took advantage of this during 2014/15. Direct distribution remains in excess of 90%, we continue to drive growth in online, with that channel accounted for 54% of holidays in the year, up three percentage points.

In the Nordics we also delivered an improvement in underlying EBITA, with an improvement in trading margins (particularly to the Canaries, Thailand and Greece) as a result of capacity rationalisation and delivery of further operational efficiencies. Direct distribution remains in excess of 90%, with online distribution at 72%, up two percentage points.

In Canada, our strategic venture Sunwing delivered further expansion of its differentiated offering, in particular through its subsidiary Blue Diamond Resorts which manages and builds hotels in the Caribbean and Mexico.

In October 2015 we reduced our shareholding in the Russia & CIS joint venture from 50% to 25%.

Central Region

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

CENTRAL REGION – KEY FIGURES

€ million	**2014/15**	2013/14	Var. %
Turnover	5,601.8	5,426.0	+3.2
Underlying EBITA	103.5	163.0	–36.5
EBITA	72.9	140.3	–48.0

The increase in customer numbers of 0.7% in fiscal year 2014/15 resulted in turnover growth of 3.2%. Central Region underlying EBITA decreased by €59.5m in the year, including €1m positive foreign exchange translation. This was primarily driven by Germany, where in spite of a 1% increase in volumes, trading has been challenging. Following margin pressure in the Canaries and long-haul destinations during Winter, we have experienced further pressure in the Summer due to additional capacity in the market to destinations such as Majorca, which in turn has continued to impact margins. This was compounded by the impact during the early Summer of weaker trading to Greece, and by the impact of lower demand for Turkey. In addition, we have made additional investment in distribution this year, and have had one-off costs of € 8 m in relation to the TUIfly pension scheme. Direct distribution for Germany has continued to improve, to 44 % for the year (up five percentage points), with online distribution at 15 % (up three percentage points).

Western Region

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

WESTERN REGION – KEY FIGURES

€ million	**2014 / 15**	2013 / 14	Var. %
Turnover	2,903.4	2,970.2	– 2.2
Underlying EBITA	68.8	81.7	– 15.8
EBITA	56.6	61.6	– 8.1

In fiscal year 2014 / 15, turnover by the Western Region declined by 2.2 % despite an increase in customer numbers of 1.7 %. Western Region underlying EBITA was down € 12.9 m on prior year. In spite of a 5 % increase in volumes, Benelux delivered a broadly flat result, including € 2 m impact from Tunisia in June, costs in association with the delayed entry into service of an aircraft, and the initial costs for the rebranding of Arke in the Netherlands to TUI. In France, we are continuing to remix capacity towards Mediterranean destinations and have delivered significant further restructuring savings. However, the continued unpopularity of North African destinations for this source market means that the result of the year was down on prior year.

Hotels & Resorts

The Hotels & Resorts segment comprises all hotels and hotel companies of the TUI Group including the hotel business of former TUI Travel. They include subsidiaries, joint ventures with local partners, associates over which significant influence is held, and hotels operated under management contracts.

HOTELS & RESORTS – KEY FIGURES

€ million	**2014 / 15**	2013 / 14	Var. %
Total turnover	1,252.5	1,164.5	+7.5
Turnover	574.8	515.9	+11.4
Underlying EBITA	234.6	202.8	+15.7
EBITA	195.7	199.1	–1.7

Total turnover by the Hotels & Resorts segment rose by 7.5 % to € 1.3 bn year-on-year. Due to closer cooperation with the Group tour operators and overall sound demand on slightly lower capacity year-on-year, occupancy grew versus the prior year. Average revenues per bed also benefited from closer cooperation with the Group tour operators, achieving a very positive result, in particular in the peak season. Turnover with non-Group third parties grew by 11.4 % year-on-year to € 574.8 m in financial year 2014 / 15.

In the period under review, underlying earnings by the Hotels & Resorts segment improved by € 31.8 m to € 234.6 m. They included a book profit of around € 16 m from the sale of the Riu Waikiki hotel, synergies worth around € 10 m from a post-merger increase in hotel occupancy of 2 percentage points, and positive foreign exchange effects of around € 7 m. Earnings were adversely affected by an amount of around € 43 m incurred to cover the repercussions of the attack in Tunisia, including € 23 m for accomodation commitments (leased hotels), € 3 m for lower management fees, and € 17 m provisions against prepayments.

Due to stronger integration of Group-owned hotels with TUI tour operators, occupancy of owned hotels was increased by 1.7 percentage points in the period under review. Based on the calculations effected in the framework of the merger, this corresponds to an improvement in underlying EBITA of around € 10 m.

HOTELS & RESORTS

		CAPACITY[1] *in '000*	OCCUPANCY RATE[2] *in %*	AVERAGE REVENUE PER BED[3] *in €*
HOTELS TOTAL[4]	2014 / 15	23,973	82.3	59.10
	2013 / 14	23,715	80.6	53.95
RIU	2014 / 15	17,272	85.9	57.13
	2013 / 14	17,242	84.7	50.53
ROBINSON	2014 / 15	2,898	72.6	90.67
	2013 / 14	2,845	74.1	88.93
IBEROTEL	2014 / 15	2,485	67.1	43.57
	2013 / 14	2,362	58.1	41.44

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

RIU

Riu, one of Spain's leading hotel chains, operated a total of 104 (prior year: 103) hotels in the period under review. Capacity increased slightly by 0.2 % year-on-year to 90,187 hotel beds in financial year 2014 / 15. At 85.9 %, average occupancy of Riu hotels rose by 1.2 percentage points year-on-year. Average revenues per bed grew significantly by 13.1 %.

Riu hotels in the Canaries recorded a year-on-year decline in occupancy of 0.7 percentage points to 92.5 %. The Canaries continued to benefit from strong demand, which resulted in an above-average increase in average revenues per bed of 9.7 %.

Riu hotels in the Balearics recorded a year-on-year increase in occupancy of 3.9 percentage points to 82.6 %. Average revenues per bed grew by 5.5 % on the prior year. In mainland Spain, average occupancy of Riu hotels matched the prior year's level at 85.5 %. Average revenues per bed rose by 2.9 % year-on-year.

In the long-haul business, Riu hotels recorded average occupancy of 82.4 %, up by 1.9 percentage points on the high level reported in the prior year. Riu hotels in Mexico and Jamaica, in particular, continued to record strong demand from the USA.

ROBINSON

In financial year 2014 / 15, Robinson, market leader in the premium club holiday segment, operated a total of 24 club facilities with 14,442 beds in eleven countries, as in the prior year. Capacity declined due to the sale of three Club resorts in Switzerland and Austria. All three Club resorts continue to be operated under the Robinson brand as management operations. Robinson Clubs in Morocco, Italy and Portugal achieved year-on-year growth in occupancy. Clubs in Turkey and the Maldives fell short of the prior year's levels. Overall, occupancy for the Robinson Group was 1.5 percentage points down year-on-year. Adjusted for the portfolio changes, however, occupancy grew by 0.4 percentage points. Average revenues per bed improved by 2.0 % year-on-year to € 90.67.

IBEROTEL

In financial year 2014 / 15, as in the prior year, Iberotel had 24 hotels with a total of 13,406 beds in Egypt, the United Arab Emirates, Turkey, Italy and Germany. Overall occupancy of Iberotels grew year-on-year by 9.0 percentage points to 67.1 %. This positive development was above all driven by closer cooperation with the Group's tour operators and a recovery in demand for hotels in Egypt. Hotels in Turkey posted occupancy of 99.2 %. Average revenues per bed rose by 5.1 % year-on-year.

OTHER HOTELS

Other hotels primarily comprise the Grupotel Group, located in the Balearics, and the hotels previously managed in the former TUI Travel sector.

Cruises

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

CRUISES – KEY FIGURES

€ million	**2014 / 15**	2013 / 14	Var. %
Turnover	273.3	281.0	– 2.7
Underlying EBITA	80.5	9.7	+729.9
EBITA	80.5	24.2	+ 232.6

TURNOVER AND EARNINGS

At € 273.3 m in financial year 2014 / 15 turnover by Hapag-Lloyd Cruises was down 2.7 % on the prior year result. This was attributable to the decommissioning of Columbus 2 from the fleet in April 2014. No turnover is carried for TUI Cruises as the joint venture is measured at equity in the consolidated financial statements.

Cruises underlying EBITA increased by € 70.8 m during the financial year 2014 / 15 to € 80.5 m. Apart from a considerable improvement in the operating performance of Hapag-Lloyd Cruises, the overall positive performance by the segment was driven by a fall of around € 14 m in financing costs due to the acquisition of Europa 2. TUI Cruises continued the consolidation of its competitive position and its extremely effective performance during the period under review with the successful market launch of Mein Schiff 3 in June 2014 and Mein Schiff 4 in June 2015.

CRUISES

	PASSENGER DAYS	OCCUPANCY *in %*	AVERAGE DAILY RATES* *in €*
	2014/15 (2013/14)	2014/15 (2013/14)	2014/15 (2013/14)
HAPAG-LLOYD CRUISES	348,145 (401,027)	76.2 (68.2)	536 (450)
TUI CRUISES	2,678,464 (1,681,281)	102.7 (102.3)	173 (171)

*Per day and passenger

HAPAG-LLOYD CRUISES

In financial year 2014/15, Hapag-Lloyd Cruises continued its positive operating performance. Occupancy of its fleet increased by 8.0 percentage points versus the previous year to 76.2 %. The cumulative average daily rate rose considerably by 19.1 % to € 536. Due to the Hapag-Lloyd fleet focusing on luxury and expedition cruises and the decommissioning of Columbus 2 from the fleet as per April 2014, passenger cruise days declined by 13.2 % year-on-year to 348,145 in 2014/15.

TUI CRUISES

In financial year 2014/15, TUI Cruises recorded a further improvement in its operating indicators versus the prior year. Occupancy of the enlarged fleet rose by 0.4 percentage points year-on-year to 102.7 % (calculated on the basis of two-bed occupancy), reflecting continued strong demand for our cruise products. This was also documented by the 1.2 % improvement in the average daily rate per passenger to € 173. In financial year 2014/15, TUI Cruises recorded a total of 2,678,464 passenger days.

In July 2015, TUI Cruises published further details of its plans to expand and announced that two more cruise ships had been ordered in addition to Mein Schiff 5 and Mein Schiff 6. The two newbuilds will likewise be constructed at the Meyer Turku shipyard in Finland. They will join the TUI Cruises fleet in 2018 and 2019, further consolidating TUI's leadership in the premium segment. It is anticipated that Mein Schiff 1 and 2 will then be redeployed to Thomson Cruises, in order to continue with the modernisation of that fleet.

Specialist Travel

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

SPECIALIST GROUP

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

SPECIALIST GROUP – KEY FIGURES

€ million	**2014/15**	2013/14	Var. %
Turnover	1,835.1	1,625.5	+12.9
Underlying EBITA	56.2	45.5	+23.5
EBITA	38.5	26.6	+44.7

In financial year 2014/15 turnover by the segment rose by 12.9 % to € 1.8 bn. Specialist Group underlying EBITA increased by € 10.7 m in the financial year 2014/15 to € 56.2 m. This included € 8 m favourable foreign exchange impact.

Underlying performance improved in all divisions. In July 2015 we announced with the founders of Intrepid Travel that we would end the PEAK strategic venture, enabling us to focus on our adventure travel offering more effectively. This has resulted in the non-consolidation of Summer profits from Intrepid in our underlying EBITA result, however, this is offset by a reduction in minority interest below underlying EBITA. After adjusting the EBITA for minority interests, Specialist Group's result has improved by 18 %.

HOTELBEDS GROUP

The Hotelbeds Group segment pools the online services and incoming agencies.

HOTELBEDS GROUP – KEY FIGURES

€ million	**2014/15**	2013/14	Var. %
Turnover	1,227.1	999.7	+22.7
Underlying EBITA	116.8	101.7	+14.8
EBITA	82.3	29.1	+182.8

Turnover by the segment rose by 22.7 % to € 1.2 bn in the financial year 2014/15. At € 116.8 m Hotelbeds Group underlying EBITA was up € 15.1 m for the year, including € 4 m favourable foreign exchange impact. The bedbank delivered 26 % TTV increase and 18 % room-night increase, with a strong volume performance in all destinations, particularly Europe, Asia Pacific and the Middle East and Africa. The segment currently includes the result of our Inbound Services division, which is being separated and transferred to Tourism during 2015/16 by calendar year end 2015 or beginning of 2016.

All other segments

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

ALL OTHER SEGMENTS – KEY FIGURES

€ million	**2014/15**	2013/14	Var. %
Turnover	85.1	39.3	+116.5
Underlying EBITA	–100.6	–110.5	+9.0
EBITA	–140.1	–104.4	–34.2

All other segments underlying EBITA cost reduced by € 9.9 m to € 100.6 m, including € 2 m favourable foreign exchange impact. This was driven by the delivery of € 10 m merger-related corporate streamlining synergies in the year, mainly in relation to headcount reductions and savings in professional fees.

Group net assets

DEVELOPMENT OF THE GROUP'S ASSET STRUCTURE

€ million	30 Sep 2015	30 Sep 2014	Var. %
Fixed assets	8,902.7	8,312.4	+7.1
Non-current receivables	711.3	679.8	+4.6
Non-current assets	**9,614.0**	**8,992.2**	**+6.9**
Inventories	134.5	126.3	+6.5
Current receivables	2,623.1	2,474.8	+6.0
Cash and cash equivalents	1,672.7	2,258.0	–25.9
Assets held for sale	42.2	155.9	–72.9
Current assets	**4,472.5**	**5,015.0**	**–10.8**
Assets	**14,086.5**	**14,007.2**	**+0.6**
Equity	2,417.3	2,530.2	–4.5
Liabilities	11,669.2	11,477.0	+1.7
Equity and liabilities	**14,086.5**	**14,007.2**	**+0.6**

The Group's balance sheet total increased by 0.6% as against 30 September 2014 to € 14.1 bn.

Vertical structural indicators

Non-current assets accounted for 68.2% of total assets, compared with 64.2% in the previous year. The intensity of investments (ratio of fixed assets to total assets) increased from 59.3% to 63.2%.

Current assets accounted for 31.8% of total assets, compared with 35.8% in the previous year. The Group's cash and cash equivalents decreased by € 585.3 m year-on-year to € 1,672.7 m. They thus accounted for 11.9% of total assets, as against 16.1% in the previous year.

Horizontal structural indicators

At the balance sheet date, the ratio of equity to non-current assets was 25.1%, as against 28.1% in the previous year. The ratio of equity to fixed assets was 27.2% (previous year 30.4%). The ratio of equity plus non-current financial liabilities to fixed assets was 105.1%, compared with 111.9% in the previous year.

STRUCTURE OF THE GROUP'S NON-CURRENT ASSETS

€ million	30 Sep 2015	30 Sep 2014	Var. %
Goodwill	3,220.4	3,136.2	+2.7
Other intangible assets	911.5	933.4	–2.3
Investment property	7.2	7.7	–6.5
Property, plant and equipment	3,629.6	2,836.0	+28.0
Companies measured at equity	1,077.8	1,336.4	–19.4
Financial assets available for sale	56.2	62.7	–10.4
Fixed assets	**8,902.7**	**8,312.4**	**+7.1**
Receivables and assets	380.6	443.9	–14.3
Deferred tax claims	330.7	235.9	+40.2
Non-current receivables	**711.3**	**679.8**	**+4.6**
Non-current assets	**9,614.0**	**8,992.2**	**+6.9**

Development of the Group's non-current assets

GOODWILL

Goodwill rose by € 84.2 m to € 3,220.4 m. The increase in the carrying amount is essentially due to the translation of goodwill not managed in the TUI Group's functional currency into euros. In the period under review, no adjustments were required as a result of impairment tests.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment increased to € 3,629.6 m in the period under review, primarily driven by the acquisition of cruise ship Europa 2, previously chartered, and the capitalisation of seven aircraft, partly under finance lease agreements. Property, plant and equipment also comprised leased assets in which Group companies held economic ownership. At the balance sheet date, these finance leases had a carrying amount of € 1,010.0 m, up 82.6 % year-on-year.

DEVELOPMENT OF PROPERTY, PLANT AND EQUIPMENT

€ million	**30 Sep 2015**	30 Sep 2014	Var. %
Real estate with hotels	971.2	949.7	+ 2.3
Other land	163.0	152.4	+ 7.0
Aircraft	1,166.0	635.7	+ 83.4
Ships	706.7	432.8	+ 63.3
Machinery and fixtures	391.9	378.5	+ 3.5
Assets under construction, payments on accounts	230.8	286.9	– 19.6
Total	**3,629.6**	**2,836.0**	**+ 28.0**

COMPANIES MEASURED AT EQUITY

Nineteen associated companies and 33 joint ventures were measured at equity. At € 1,077.8 m, their value decreased by 19.4 % year-on-year as at the balance sheet date.

STRUCTURE OF THE GROUP'S CURRENT ASSETS

€ million	**30 Sep 2015**	30 Sep 2014	Var. %
Inventories	**134.5**	**126.3**	**+ 6.5**
Financial assets available for sale	334.9	300.0	+11.6
Trade accounts receivable and other assets*	2,229.7	2,080.9	+7.2
Current tax assets	58.5	93.9	– 37.7
Current receivables	**2,623.1**	**2,474.8**	**+ 6.0**
Cash and cash equivalents	**1,672.7**	**2,258.0**	**– 25.9**
Assets held for sale	**42.2**	**155.9**	**–72.9**
Current assets	**4,472.5**	**5,015.0**	**–10.8**

* incl. receivables from derivative financial instruments

Development of the Group's current assets

INVENTORIES

At € 134.5 m, inventories increased by 6.5 % year-on-year. In the period under review, impairments worth € 0.5 m (previous year none) were effected on inventories in order to carry them at the lower net realisable value. As in the previous year, no material reversals of write-downs on inventories were effected in the year just completed.

FINANCIAL ASSETS AVAILABLE FOR SALE

Financial assets available for sale increased by 11.6 % to € 334.9 m. As at 30 September 2014, the item current other securities comprised money market fund shares worth € 300.0 m. They represented the issuance proceeds from the high-yield bond issued in connection with the merger and were sold after the completion of the merger with TUI Travel PLC when the restriction on disposal was lifted. Current financial assets available for sale comprised the remaining shares in Hapag-Lloyd AG worth € 334.9 m as at 30 September 2015.

CURRENT RECEIVABLES

Current receivables comprise trade accounts receivable and other receivables, effective income tax assets and claims from derivative financial instruments. At € 2,623.1 m, current receivables increased by 6.0 % year-on-year.

CASH AND CASH EQUIVALENTS

At € 1,672.7 m, cash and cash equivalents decreased by 25.9 % year-on-year.

ASSETS HELD FOR SALE

Assets held for sale decreased by € 113.7 m to € 42.2 m. The decline is primarily attributable to the reclassification of the stake in Hapag-Lloyd AG to fiancial assets available for sale.

Unrecognised assets

In carrying out their business operations, Group companies used assets of which they were not the economic owner according to the IASB rules. Most of these assets were aircraft, hotel complexes or ships for which operating leases, i.e. rental, lease or charter agreements, were concluded under the terms and conditions customary in the sector.

OPERATING RENTAL, LEASE AND CHARTER CONTRACTS

€ million	**30 Sep 2015**	30 Sep 2014	Var. %
Aircraft	2,144.7	2,036.1	+ 5.3
Hotel complexes	793.6	873.3	– 9.1
Travel agencies	263.7	278.0	– 5.1
Administrative buildings	327.5	371.7	–11.9
Ships, Yachts and motor boats	195.0	519.3	– 62.4
Other	118.8	88.8	+ 33.8
Total	**3,843.3**	**4,167.2**	**–7.8**
Fair value	**3,540.6**	**3,821.2**	**–7.3**

The fair value of financial liabilities from operating rental, lease and charter agreements decreased by € 280.6 m to € 3,540.6 m. At 55.8 %, aircraft accounted for the largest portion, with hotel complexes accounting for 20.6 %.

Further explanations as well as the structure of the remaining terms of the financial liabilities from operating rental, lease and charter agreements are provided in the section Other financial liabilities in the Notes to the consolidated financial statements.

Information on other intangible, non-recognised assets in terms of brands, customer and supplier relationships and organisational and process benefits is provided in the section on The TUI Group; relationships with investors and capital markets are outlined in the section on The TUI Share.

The TUI Group fundamentals see page 80
The TUI share from page 73

Financial position of the Group

Principles and goals of financial management

PRINCIPLES

The TUI Group's financial management is centrally operated by TUI AG, which acts as the Group's internal bank. Financial management covers all Group companies in which TUI AG directly or indirectly holds an interest of more than 50%. It is based on policies covering all cash flow-oriented aspects of the Group's business activities. In the framework of a cross-border division of tasks within the organisation, TUI AG has outsourced some of the operational treasury activities to First Choice Holidays Finance Ltd, TUI Travel's former treasury company. However, the operational treasury and financing activities are carried out on a coordinated and centralised basis.

GOALS

TUI's financial management goals include ensuring sufficient liquidity for TUI AG and its subsidiaries and limiting financial risks from fluctuations in currencies, commodity prices and interest rates.

LIQUIDITY SAFEGUARDS

The Group's liquidity safeguards consist of two components:

- In the course of the annual Group planning process, TUI draws up a multi-annual finance budget, and long-term financing and refinancing requirements are derived from this. By drawing on this information and observing the financial markets to identify refinancing opportunities, decisions can be taken promptly about entering into appropriate financing instruments for the long-term funding of the Company.
- TUI uses syndicated and bilateral credit facilities, as well as its liquid funds to secure sufficient short-term cash reserves. Through intra-Group cash pooling, the cash surpluses of individual Group companies are used to finance the cash requirements of other Group companies. Planning of bank transactions is based on a monthly rolling liquidity planning system.

LIMITING FINANCIAL RISKS

The Group companies operate on a global scale. This gives rise to financial risks for the TUI Group, mainly from changes in exchange rates, commodity prices and interest rates.

The key operating financial transaction risks relate to the Euro, USD, GBP, and to fuel. They mainly result from cost items in foreign currencies held by individual Group companies, e.g. hotel procurement, aircraft leasing, aircraft fuel and bunker oil invoices or ship handling costs.

The Group has entered into derivative hedges in a number of foreign currencies in order to limit its exposure to risks from changes in exchange rates for the hedged items. Changes in commodity prices affect the TUI Group, in particular in procuring fuels such as aircraft fuel and bunker oil. The price risks relating to fuel procurement are largely hedged with the aid of derivative instruments. Where price increases can be passed on to customers due to contractual agreements, this is also reflected within the Group's hedging behaviour. In order to control risks related to interest rates arising on liquidity procurement in the international money and capital markets and investments of liquid funds, the Group uses derivative interest hedges on a case-by-case basis as part of its interest rate risk management.

The TUI Group does not enter into any contracts or deals in derivative financial instruments for trading or speculative purposes.

More detailed information on hedging and risk management as well as financial transactions and the scope of such transactions at the balance sheet date is provided in the Risk Report within the Management Report and the section Financial Instruments in the Notes to the consolidated financial statements.

See from page 97 and 262

Capital structure

CAPITAL STRUCTURE OF THE GROUP

€ million	30 Sep 2015	30 Sep 2014	Var. %
Non-current assets	9,614.0	8,992.2	+6.9
Current assets	4,472.5	5,015.0	–10.8
Assets	**14,086.5**	**14,007.2**	**+0.6**
Subscribed capital	1,499.6	732.6	+104.7
Reserves including net profit available for distribution	413.8	1,392.4	–70.3
Hybrid capital	–	294.8	n. a.
Non-controlling interest	503.9	110.4	+356.4
Equity	**2,417.3**	**2,530.2**	**–4.5**
Non-current financial liabilities	1,860.8	1,844.0	+0.9
Current provisions	495.8	503.1	–1.5
Provisions	**2,356.6**	**2,347.1**	**+0.4**
Non-current liabilities	1,653.3	1,748.4	–5.4
Current financial liabilities	233.1	217.2	+7.3
Financial liabilities	**1,886.4**	**1,965.6**	**–4.0**
Other non-current financial liabilities	456.1	394.5	+15.6
Other current financial liabilities	6,938.6	6,769.8	+2.5
Other financial liabilities	**7,394.7**	**7,164.3**	**+3.2**
Debt related to assets held for sale	**31.5**	**–**	**n. a.**
Liabilities	**14,086.5**	**14,007.2**	**+0.6**

CAPITAL RATIOS

€ million		30 Sep 2015	30 Sep 2014	Var. %
Non-current capital		6,387.5	6,517.1	–2.0
Non-current capital in relation to balance sheet total	%	45.3	46.5	–1.2*
Equity ratio	%	17.2	18.1	–0.9*
Equity and non-current financial liabilities		4,070.6	4,278.6	–4.9
Equity and non-current financial liabilities in relation to balance sheet total	%	28.9	30.5	–1.6*
Gearing	%	48.7	44.5	+4.2*

* percentage points

Overall, non-current capital decreased by 2.0 % to € 6,387.5 m. In relation to the balance sheet total it amounts to 45.3 % (previous year 46.5 %).

The equity ratio was 17.2 % (previous year 18.1 %). Equity and non-current financial liabilities accounted for 28.9 % (previous year 30.5 %) of the balance sheet total at the cut-off date.

The gearing, i. e. the ratio of average net debt to average equity, moved to 48.7 % from 44.5 % in the previous year.

EQUITY

COMPOSITION OF EQUITY

€ million	30 Sep 2015	30 Sep 2014	Var. %
Subscribed capital	1,499.6	732.6	+104.7
Capital reserves	4,187.7	1,056.3	+296.4
Revenue reserves	–3,773.9	336.1	n.a.
Hybrid capital	–	294.8	n.a.
Non-controlling interest	503.9	110.4	+356.4
Equity	**2,417.3**	**2,530.2**	**–4.5**

In the year under review subscribed capital and the capital reserve increased mainly due to the contribution in kind in connection with the merger of TUI AG and TUI Travel PLC. To the contrary revenue reserves declined by €4,095.6 m to –€3,773.9 m. The hybrid bond included in last year's equity was redeemed in the year under review. Non-controlling interests accounted for €503.9 m of equity.

PROVISIONS

Provisions mainly comprised provisions for pension obligations, current and deferred tax provisions and provisions for typical operating risks classified as current or non-current, depending on expected occurrence. At the balance sheet date, they accounted for a total of €2,356.6 m and were thus €9.5 m or 0.4 % up year-on-year.

LIABILITIES

COMPOSITION OF LIABILITIES

€ million	30 Sep 2015	30 Sep 2014	Var. %
Bonds	293.7	1,114.1	–73.6
Liabilites to banks	494.1	260.7	+89.5
Liabilites from finance leases	982.0	500.6	+96.2
Other financial liabilities	116.6	90.2	+29.3
Financial liabilities	**1,886.4**	**1,965.6**	**–3.6**

STRUCTURAL CHANGES IN FINANCIAL LIABILITIES

The Group's financial liabilities decreased by a total of €79.2 m to €1,866.4 m. The structure of the financial liabilities changed, in particular, due to the reduction in liabilities from bonds following the redemption of convertible bonds by TUI AG and TUI Travel in the completed financial year. On the other hand, liabilities to banks increased, in particular due to the adoption of a ship financing and the finance lease liabilities resulting from additional aircraft financings.

CONVERSIONS AND REDEMPTIONS UNDER THE € 217.8 M CONVERTIBLE BOND OF TUI AG

After €192.3 m of the €217.8 m convertible bond of TUI AG had been converted into new shares in TUI AG in prior years, further conversions were effected in financial year 2014/15 so that the remaining nominal volume of the convertible bond totalled €2.4 m, redeemed at its maturity date on 17 November 2014.

CONVERSIONS AND REDEMPTIONS UNDER THE € 339.0 M CONVERTIBLE BOND OF TUI AG

The convertible bond with a nominal value of €339.0 m issued by TUI AG on 24 March 2011 was terminated ahead of its maturity date in the completed financial year and was almost fully converted by the end of the conversion period on 20 March 2015. The bonds outstanding worth €2.4 m were redeemed at nominal value plus interest on 7 April 2015.

CONVERSIONS AND REDEMPTIONS OF A £ 400.0 M CONVERTIBLE BOND OF TUI TRAVEL LIMITED

The third-party investors' portion amounting to £200.0 m of the convertible bond worth £400.0 m issued by TUI Travel Limited on 22 April 2010 was almost fully converted in financial year 2014/15. In the course of the merger between TUI AG and TUI Travel Limited, the bondholders were granted a special termination right, which was subsequently exercised by a large number of bondholders for conversion. The bonds outstanding were cancelled ahead of the maturity date by TUI Travel Limited on 3 March 2015. By the end of the cancellation period on 17 April 2015, all bonds still outstanding were converted by the bondholders.

ASSUMPTION OF A € 211.0 M SHIP FINANCING

In January 2015, the TUI Group took ownership of cruise ship Europa 2, replacing a respective charter agreement. The bank loan taken out by the previous owner as a collateralised ship financing was assumed by TUI as part of the purchase price payment. The bank loan will fall due in April 2025; at the date of the transfer it amounted to €211.0 m and it will be repaid in semi-annual instalments over the term of the loan.

NEW FINANCE LEASES

Acquisitions in the completed financial year included six new Boeing aircraft (four Boeing 787-8 and two Boeing 738-800), refinanced by means of finance leases based on sale-and-lease-back agreements.

OVERVIEW OF TUI'S LISTED BONDS

The tables below list the maturities, nominal volumes and annual interest coupons of the listed bonds. In accordance with IAS 32, the hybrid bond worth €300.0 m was not shown under financial liabilities but carried in equity until the redemption decision was taken.

LISTED BONDS

Capital measures	Issuance	Maturity		Amount initial € million		Amount outstanding € million	Interest rate % p.a.
Senior Notes	September 2014	October 2019		300.0		300.0	4.500
Convertible bond	November 2009	November 2014		217.8		–	5.500
Convertible bond	March 2011	March 2016		339.0		–	2.750
Hybrid bond	December 2005	Perpetual		300.0		–	7.353*
Convertible bond TUI Travel PLC	October 2009	October 2014	GBP	350.0	GBP	–	6.000
Convertible bond TUI Travel PLC	April 2010	April 2017	GBP	400.0	GBP	–	4.900

Amounts are stated in € million, respectively GBP million.
* Floating (as of 31 March 2015)

ISSUE OF A € 300.0 M BOND BY TUI AG

In September 2014, TUI AG issued high-yield bonds worth €300.0 m maturing on 1 October 2019. With the completion of the merger between TUI AG and TUI Travel PLC, the conditions for transferring the proceeds from the bond from fiduciary custody to TUI AG were fulfilled.

REPAYMENT OF A € 300.0 M HYBRID BOND OF TUI AG

TUI AG redeemed its perpetual subordinated bond ("hybrid bond") with a nominal value of €300.0 m by 30 April 2015. Due to the redemption, the hybrid bond was reclassified from equity to financial liabilities in March 2015. It was redeemed at nominal value plus accrued interest at the end of April 2015.

ADDITIONAL BANK LOANS

Apart from these bonds and the ship financing outlined above, the Hotels & Resorts segment, in particular, but also other segments took out separate bank loans, primarily in order to finance investments by these companies.

More detailed information, in particular on the remaining terms, is provided under Financial liabilities in the Notes to the consolidated financial statements.

See Notes, page 252

OTHER FINANCIAL LIABILITIES

Totalling €7,394.7 m, other financial liabilities were up €230.4 m respectively 3.2 % on previous year.

Off-balance sheet financial instruments and key credit facilities

OPERATING LEASES

The development of operating rental, leasing and charter contracts is presented in the section Net assets in the Management Report.

See page 135

More detailed explanations and information on the structure of the remaining terms of the associated financial liabilities are provided in the section Other financial liabilities in the Notes to the consolidated financial statements. There were no contingent liabilities related to special-purpose vehicles.

SYNDICATED CREDIT FACILITIES OF TUI AG AND TUI TRAVEL PLC

In September 2014, in preparation for the planned merger between TUI AG and TUI Travel PLC, TUI AG signed a syndicated credit facility worth € 1.75 bn maturing in June 2018. This credit facility replaced the credit facility of TUI Travel PLC worth £ 1.4 bn at the completion of the merger between TUI AG and TUI Travel PLC on 11 December 2014. This syndicated credit facility is available for general corporate financing purposes (in particular in the winter months). It carries a floating interest rate which is based on the short-term interest rate level (EURIBOR or LIBOR) plus a margin. At the balance sheet date, an amount of € 135.7 m from this credit facility was used for the issuance of bank guarantees.

BILATERAL BONDING FACILITIES OF TUI AG WITH INSURANCE COMPANIES

In the completed financial year, TUI AG concluded several bilateral bonding facilities with various insurance companies with a total volume of £ 112.5 m. These bonding facilities are required in connection with the operation of tourism services in order to ensure that Group companies are able to meet, in particular, the requirements of European oversight and regulatory authorities on the provision of guarantees and warranties. The guarantees granted usually have a term of 12 to 18 months. The issued guarantees carry bonding fees in the form of a fixed percentage of the maximum guarantee amount. At the balance sheet date, the bonding facilities were utilised by an amount of £ 70.2 m.

Commitments from finance leases

The € 300.0 m bond and the credit and guarantee facilities of TUI AG comprise a number of obligations.

TUI AG has a duty to comply with certain financial covenants (as defined in the respective contracts) from its syndicated credit facility worth € 1.75 bn and a number of bilateral bonding facilities requiring (a) compliance with an EBITDAR-to-net interest expense ratio, measuring the Group's relative charge from the interest result and the lease and rental expenses; and (b) compliance with a net debt-to-EBITDA ratio, calculating the TUI Group's relative charge from financial liabilities. The EBITDAR-to-net interest expense ratio has to have a coverage ratio of at least 1.5 times; net debt must not exceed 3.0 times EBITDA. The financial covenants are determined semi-annually. They restrict, inter alia, TUI's scope for encumbering or selling assets, acquiring other companies or shareholdings and effecting mergers.

The bond worth € 300.0 m and the credit and bonding facilities of TUI AG also contain additional contractual clauses typical for financing instruments of this type. Non-compliance with these obligations awards the lenders the right to call in the facilities or terminate the financing schemes for immediate repayment.

Ratings by Standard & Poor's and Moody's

TUI AG RATINGS

	2010/11	2011/12	2012/13	2013/14	**2014/15**	Outlook
Standard & Poor's	B–	B–	B	B+	BB–	stable
Moody's	Caa1	B3	B3	B2	Ba3	positive

In preparation for the merger with TUI Travel PLC, both rating agencies acknowledged the potential synergies to be delivered and the simplification of the Group structure. In December 2014, Moody's upgraded its corporate rating from "B2" to "Ba3", and Standard & Poor's lifted their rating from "B+" to "BB–". In August 2015, Moody's lifted its outlook to "positive" due to improvements to the operating performance and a revised credit metrics methodology.

The bonds worth € 300.0 m of TUI AG are assigned a "BB–" rating by Standard & Poor's and a "Ba3" rating by Moody's. The syndicated credit facility worth € 1.75 bn of TUI AG was assigned a "BB-" rating by Standard & Poor's.

Financial stability targets

TUI considers a stable credit rating to be a prerequisite for the further development of the business. In response to the merger between TUI AG and TUI Travel, Standard & Poor's and Moody's both lifted their TUI ratings. We are seeking further improvements so as to ensure better access to the debt capital markets even in difficult macroeconomic situations. The financial stability ratios we have defined are leverage ratio and coverage ratio, based on the following basic definitions:

Leverage ratio = (gross financial liabilities + fair value of financial commitments from lease, rental and leasing agreements + pension provisions and similar obligations) / (reported EBITDA + long-term leasing and rental expenses)

Coverage ratio = (reported EBITDA + long-term leasing and rental expenses) / (net interest expenses + ⅓ of long-term leasing and rental expenses)

These basic definitions are subject to specific adjustments in order to reflect current circumstances.

For the completed financial year, the leverage ratio was 3.0(x), while the coverage ratio was 4.7(x). Our business performance reflects constant improvements in these indicators. We aim to achieve a leverage ratio between 3.50(x) and 2.75(x) and a coverage ratio between 4.50(x) and 5.5.(x) for financial year 2015 / 16. We intend to adjust these target corridors further in subsequent financial years to support our goal of improving our credit rating.

Interest and financing environment

Throughout the financial year, short-term interest rates have remained at extremely low levels compared with historical rates. Some central bank deposit rates are now negative, which has had a knock-on effect on bank deposit rates. Therefore, yields on the investment of liquid funds have been impacted, as well as refinancing costs in case of variable interest rates.

Quoted credit margins (CDS levels) for corporates in the so-called high-yield territory rose slightly year-on-year, showing strong fluctuations in some cases. While demand for CDS paper declined overall, quotations were at a very low level for TUI AG. Refinancing options were available against the backdrop of the very receptive capital market environment.

In September 2014, in preparation for the merger between TUI AG and TUI Travel PLC, TUI AG issued a five-year bond worth € 300.0 m and signed a syndicated credit facility worth € 1.75 bn maturing in June 2018. The assumption of debt from a ship financing worth € 211.0 m was effected on the basis of the existing terms and conditions. In the completed financial year, no major new large-volume financing schemes were taken out apart from collateralised aircraft financings.

Liquidity analysis

LIQUIDITY RESERVE

In the completed financial year, the TUI Group's solvency was secured at all times by means of cash inflows from operating activities, liquid funds, and bilateral and syndicated credit agreements with banks.

At the balance sheet date, cash and cash equivalents of TUI AG, the TUI Group's parent company, totaled € 833.7 m.

RESTRICTIONS ON THE TRANSFER OF LIQUID FUNDS

At the balance sheet date, there were restrictions worth around € 0.2 bn on the transfer of liquid funds within the Group that might significantly impact the Group's liquidity, such as restrictions on capital movements and restrictions due to credit agreements concluded.

CHANGE OF CONTROL

Significant agreements taking effect in the event of a change of control due to a takeover bid are outlined in the chapter on Information required under takeover law.

Information required under takeover law see page 157

Cash flow statement

SUMMARY CASH FLOW STATEMENT

€ million	2014 / 15	2013 / 14 revised
Net cash inflow from operating activities	+790.5	+1,074.5
Net cash outflow from investing activities	– 216.8	– 586.3
Net cash outflow from financing activities	–1,116.7	– 318.8
Change in cash and cash equivalents with cash effects	**– 543.0**	**+169.4**

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

NET CASH INFLOW FROM OPERATING ACTIVITIES

In the financial year under review, the cash inflow from operating activities amounted to € 790.5 m (previous year € 1,074.5 m). It included interest of € 18.6 m and dividends of € 84.3 m in the reporting period. A cash outflow of € 148.4 m resulted from income tax payments.

NET CASH FLOW FROM INVESTMENT

In the financial year under review, the cash outflow from investing activities totalled € 216.8 m (previous year € 586.3 m). Payments received, in particular from the sale of the shares in a money market fund acquired in the prior year and sold after the completion of the merger between TUI AG and TUI Travel PLC, went hand in hand with a cash outflow for capital expenditure related to property, plant and equipment and intangible assets of € 462.1 m for the tour operators and airlines, € 173.3 m for Hotels & Resorts, € 88.5 m for the Cruises segment and € 85.3 m for Specialist Travel. The cash outflows for capital expenditure in property, plant and equipment and intangible assets and the corresponding cash inflows do not match the additions and disposals shown in the development of fixed assets, as these also include the non-cash investments and disposals.

NET CASH OUTFLOW FROM FINANCING ACTIVITIES

In the period under review, the cash outflow from financing activities rose by € 797.9 m year-on-year to € 1,116.7 m.

Major cash outflows resulted from the repayment of a financing scheme in connection with a convertible bond of former TUI Travel PLC (€ 195.3 m), the cancellation and repayment of the hybrid bond of TUI AG (€ 300.0 m), dividend payments to the hybrid bondholders and shareholders of TUI AG (€ 109.3 m) and to minority shareholders, primarily former TUI Travel PLC and RIUSA II S.A. (€ 197.0 m) and interest payments (€ 92.0 m).

CHANGE IN CASH AND CASH EQUIVALENTS

€ million	2014 / 15	2013 / 14
Cash and cash equivalents at the beginning of period	**+ 2,258.0**	**+ 2,674.0**
Changes due to changes in exchange rates	– 33.1	– 1.7
Change in cash and cash equivalents due to changes in the group of consolidated companies	+ 0.3	+ 3.8
Cash changes	– 543.0	+169.4
Non cash changes	–	– 587.5
Cash and cash equivalents at the end of period	**+1,682.2**	**+ 2,258.0**

Cash and cash equivalents comprise all liquid funds, i.e. cash in hand, bank balances and cheques. They declined by 25.9 % year-on-year to € 1,682.2 m. Cash and cash equivalents include an amount of € 9.5 m shown under assets held for sale.

The detailed cash flow statement and additional explanations are provided in the consolidated financial statements and in the section Notes to the cash flow statement in the Notes to the consolidated financial statements.

See pages 168 and 252

Analysis of investments

The development of fixed assets, including property, plant and equipment, intangible assets, shareholdings and other investments, is presented in the section on Net assets in the Management Report. Additional explanatory information is provided in the Notes to the consolidated financial statements.

ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

The table below lists the cash investments in intangible assets and property, plant and equipment. This indicator does not include financing processes such as the taking out of loans and finance leases.

CAPEX BY SEGMENT

€ million	**2014/15**	2013/14	Var. %
Northern Region	65.3	70.5	–7.4
Central Region	23.6	24.9	–5.2
Western Region	23.6	22.3	+5.8
Hotels & Resorts	167.3	133.6	+25.2
Cruises	86.7	10.4	+733.7
Other Tourism	82.5	39.0	+111.5
Tourism	449.0	300.7	+49.3
Specialist Group	35.7	32.7	+9.2
Hotelbeds Group	38.4	27.8	+38.1
All other segments	60.0	12.7	+372.4
TUI Group	**583.1**	**373.9**	**+56.0**
Discontinued operations	11.2	11.8	–5.1
Sum of the segments	**594.3**	**385.7**	**+54.1**

Investments in other intangible assets and property, plant and equipment totalled €594.3 m in the period under review, up 54.1 % on the prior year.

In the period under review, investments mainly related to the development and launch of new booking and reservation systems, down payments on ordered aircraft, and the acquisition of MS Europa 2.

Essential investments in TUI Hotels & Resorts related in particular to the construction of hotels in Jamaica, Mauritius and Tuscany. Investments were also effected for the renovation and maintenance of existing hotel facilities.

The table below shows a reconciliation of investments to additions to the TUI Group's other intangible assets and property, plant and equipment.

RECONCILIATION OF CAPITAL EXPENDITURE

€ million	**2014/15**	2013/14 restated
Capital expenditure	**594.3**	**385.7**
Debt financed investments	211.0	–
Finance leases	477.4	161.5
Advance payments	232.1	216.5
Additions to the group of consolidated companies	8.6	39.2
Additions to other intangible assets, investment property and property, plant and equipment	**1,523.4**	**802.9**

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

€ million	**2014/15**	2013/14	Var. %
Northern Region	103.1	103.8	– 0.7
Central Region	28.3	22.5	+ 25.8
Western Region	22.0	23.3	– 5.6
Hotels & Resorts	113.0	81.2	+ 39.2
Cruises	17.1	13.1	+ 30.5
Other Tourism	50.6	24.7	+104.9
Tourism	**334.1**	**268.6**	**+ 24.4**
Specialist Group	47.5	43.5	+ 9.2
Hotelbeds Group	39.4	34.8	+ 13.2
All other segments	75.7	39.5	+ 91.6
TUI Group	**496.7**	**386.4**	**+ 28.5**
Discontinued operations	56.0	11.8	+ 374.6
Sum of the segments	**552.7**	**398.2**	**+ 38.8**

Investment obligations

ORDER COMMITMENTS

Due to agreements concluded in financial year 2014 / 15 or in prior years, order commitments for investments totalled € 3,927.7 m at the balance sheet date; this total includes an amount of € 275.1 m for scheduled deliveries in financial year 2015 / 16.

At the balance sheet date, order commitments for aircraft comprised 64 planes (4 B787s and 60 B737s), to be delivered by the end of financial year 2022 / 23. Delivery of one aircraft has been scheduled for financial year 2015 / 16.

More detailed information is provided in the section Other financial liabilities in the Notes to the consolidated financial statements.

Sustainable development

Commitment to sustainability: Responsibility for the environment, society and our people.

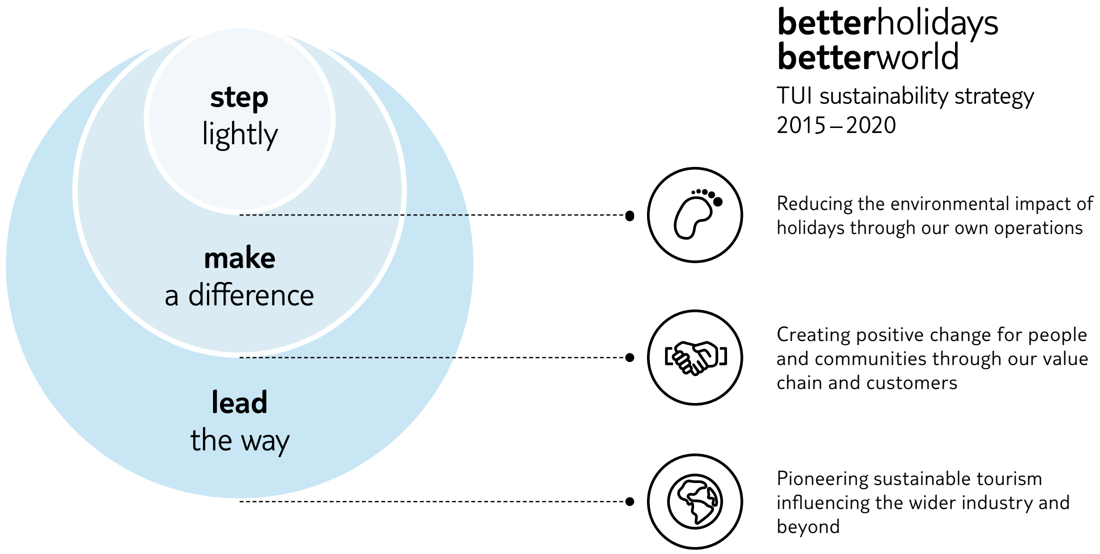
For the TUI Group, economic, environmental and social sustainability is a fundamental management principle and a cornerstone of our strategy for continually enhancing the value of our Company. This is the way we create the conditions for long-term economic success and assume responsibility for future generations.

In September 2015, the TUI Group presented its new 2020 sustainability strategy. Under the title "Better Holidays, Better World", the sustainability efforts of the world's leading tourism business comprise three major ambitions: "step lightly", "make a difference" and "lead the way".

More detailed information on TUI's sustainability strategy at www.tuigroup.com/BHBWstrategy

Our goal is to make a positive contribution to sustainable development in environmental and social respects, both in the host countries and at our own locations. At the same time, we consistently aim to avoid or reduce any negative impacts our business operations might have on our natural and social environment. In order to actively help shape the future of sustainable tourism, TUI aim to extend its investments in youth, tourism skills and education and collaboration with the holiday destinations.

TUI'S SUSTAINABILITY STRATEGY 2015 – 2020



In its Magazine, the TUI Group provides detailed information about sustainability targets, activities, milestones and indicators. Current projects and initiatives are, moreover, regularly published on our website at www.tui-sustainability.com. TUI Group companies also offer detailed information about their sustainability activities on their local websites.

TUI Magazine online at annualreport2014-15.tui-group.com

Details about sustainability in the TUI Group: www.tui-sustainability.com

Since 21 September 2015, TUI AG has once again been listed in the renowned Dow Jones Sustainability Index Europe, where it is the only travel group. In this year's review of the index composition, the Company achieved particularly high scores in the categories Climate Strategy and Corporate Citizenship.

TUI AG is also represented in the sustainability indexes FTSE4Good, STOXX Global ESG Leaders Index, Ethibel Excellence Index and ECPI Ethical Index €uro. TUI is featured in the Climate Disclosure Leadership Index (CDLI) in the UK and Germany for its approach to carbon disclosure.

The environment

Respecting the environment in our products, services and processes is an essential feature of our quality standards. Conserving natural resources and mitigating negative environmental impacts secure TUI's success. We place priority on carbon reduction, resource efficiency and biodiversity.

GROUP-WIDE ENVIRONMENTAL MONITORING

Group-wide processes to monitor environmental performance and determine meaningful indicators were further pursued in financial year 2014 / 15. These are based on internationally acknowledged standards such as the Greenhouse Gas Protocol and the current Guidelines of the Global Reporting Initiative (GRI). Group-wide monitoring focuses on those business activities which most impact the environment and is actively used to improve environmental performance.

Detailed information about the TUI Group's environmental footprint will be found in the accompanying Magazine.

To establish the relevant indicators, our businesses use an internal system to report their consumption and activities on an annual basis. The quantitative data is then consolidated at Group level and aggregated into metrics. In the period under review, a web-based system was used across the board for the first time to further enhance data quality and increase the efficiency of the data capture process.

FOCUS ON CARBON AND EMISSIONS

Our specific focus is on improving carbon emissions, in particular by the TUI Group's airlines, which account for a large proportion of our CO_2 emissions.

CARBON DIOXIDE EMISSIONS (CO_2)

tons	**2014/15**	2013/14	Var. %
Airlines & Aviation	5,615,386	5,520,695	+1.7
Hotels & Resorts	510,492	658,568	–22.5
Cruises	639,119	576,741	+10.8
Major Premises/Shops	38,115	35,110	+8.6
Ground Transport	17,761	24,974	–28.9
Scope 3 (Other)	68,403	63,888	+7.1
Group	**6,889,276**	**6,879,976**	**+0.1**

In the financial year 2014/15, the TUI Group's total emissions increased slightly year-on-year in absolute terms. This is mainly a result of increased activity in the Airline & Aviation segment.

The increase of 10.8% in absolute CO_2 emissions from cruise operations mainly resulted from the introduction of TUI Cruises Mein Schiff 4.

Climate protection measures taken by TUI airlines

TUI airlines have launched more than 30 measures to steadily enhance the efficiency of aircraft and cut emissions. They include ongoing fleet renewal, regularly washing engines and mounting winglets. Aircraft operated by TUI airlines are gradually being fitted with split scimitar winglets, generating further improvements in aircraft aerodynamics.

Reducing the weight of the aircraft in the TUI fleet also helps to cut fuel consumption and thus reduce carbon emissions. The commissioning of Boeing 787 Dreamliners by Thomson Airways, Arkefly and Jetairfly has led to cuts in fuel consumption, as these aircraft are more lightweight and aerodynamic because the airframe is made of carbon fibre reinforced plastic. The use of lighter equipment, such as seats and trolleys, also helps to reduce aircraft weight, jet fuel consumption and hence emissions.

TUI airlines achieved their 2014 target of reducing absolute and specific CO_2 emissions by 9% versus the 2007/08 baseline well ahead of schedule. In September 2015 TUI Group launched its sustainability strategy, Better Holidays, Better World 2015–2020.

We aim to continue to operate Europe's most carbon-efficient airlines and reduce the carbon intensity of our global operations by 10% by 2020. We will reduce TUI airlines carbon emissions per passenger km (g CO_2/RPK) by 10% (against the baseline of 2013/14).

TUI AIRLINES – FUEL CONSUMPTION AND RELATED EMISSIONS

		2014/15	2013/14	Var. %
Specific fuel consumption	l/100 rpk*	2.62	2.68	–2.3
Carbon dioxide (CO_2) – absolute	t	5,034,264	5,014,068	+0.4
Carbon dioxide (CO_2) – specific	kg/100 rpk*	6.60	6.76	–2.3
Nitrogen oxide (NO_X) – absolute	t	30,754	31,651	–2.8
Nitrogen oxide (NO_X) – specific	g/100 rpk*	41.38	44.13	–6.2
Carbon monoxide (CO) – absolute	t	1,523	1,440	+5.8
Carbon monoxide (CO) – specific	g/100 rpk*	2.05	2.01	+2.0
Hydrocarbon (HC) – absolute	t	130	131	–0.8
Hydrocarbon (HC) – specific	g/100 rpk*	0.17	0.18	–5.6

* rpk = Revenue Passenger Kilometre

Fuel consumption, relative CO_2 emissions and other emissions declined in 2015 thanks to continued deployment of new technology, ongoing fleet renewal and highly efficient load factors and flight operations.

TUI AIRLINES – CARBON INTENSITY

		2014/15	2013/14[1]	Var. %	g CO_2e/rpk[2]
TUI Airline fleet	**g CO_2/rpk**	**66.0**	**67.6**	**–2.3**	**66.7**
ArkeFly	g CO_2/rpk	63.8	69.0	–7.5	64.4
Corsair International	g CO_2/rpk	79.8	82.3	–3.0	80.6
Jetairfly	g CO_2/rpk	69.6	70.0	–0.6	70.3
Thomson Airways	g CO_2/rpk	63.7	64.8	–1.7	64.3
TUIfly	g CO_2/rpk	63.4	63.8	–0.6	64.0
TUIfly Nordic	g CO_2/rpk	60.6	62.6	–3.2	61.2

We have requested PwC (the Company's auditors) to provide assurance on the carbon intensity metrics displayed in the table "TUI Airlines – Carbon intensity" above.
To read our airline carbon data methodology document and PwC's Assurance Report in full, please visit www.tuigroup.com/en-en/sustainability/reporting-downloads

[1] In FY 2014/15 TUI Group adopted the European Standard (EN 16258-2012) to reflect the methodology used by airlines to comply with the EU's Emissions Trading Scheme requirements. Therefore, TUI has restated previous year's KPIs using the same methods.

[2] rpk = Revenue Passenger Kilometre

To enhance the information content, specific emissions are also shown in the form of CO_2 equivalents (CO_2e). Apart from carbon dioxide (CO_2), they include the other five greenhouse gas emissions that impact the climate as listed in the Kyoto Protocol: methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF_6).

Human resources

Changes in headcount

On 30 September 2015, the TUI Group's worldwide headcount was 76,036, 1.3 % down year-on-year. In the period under review, the headcount strongly reflected the seasonality of the tourism business, in particular in hotel companies and incoming agencies. Tourism employed the lion's share of Group personnel.

PERSONNEL BY SEGMENT

	30 Sep 2015	30 Sep 2014 restated*	Var. %
Northern Region	14,102	14,872	– 5.2
Central Region	12,247	12,045	+ 1.7
Western Region	5,700	5,500	+ 3.6
Hotels & Resorts	24,373	23,990	+ 1.6
Cruises	232	228	+ 1.8
Other Tourism	1,436	1,553	– 7.5
Tourism	58,090	58,188	– 0.2
Specialist Group	4,267	6,068	– 29.7
Hotelbeds Group	12,342	11,358	+ 8.7
All other segments	1,071	983	+ 9.0
TUI Group	**75,770**	**76,597**	**– 1.1**
Discontinued operation	266	431	– 38.3
Total	**76,036**	**77,028**	**– 1.3**

* Previous year's figures restated to the deconsolidation of two companies

TOURISM
At the end of financial year 2014 / 15, the headcount in Tourism totalled 58,090, almost flat year-on-year. The individual segments recorded different trends.

NORTHERN REGION
Northern Region reported a year-on-year decline in headcount of 5.2 % to 14,102. This decrease mainly resulted from the reduction in sales by retail shops in the UK and lower staffing numbers in the destinations.

CENTRAL REGION
Central Region recorded a headcount of 12,247, a decline of 1.7 % year-on-year. The headcount increased in the retail segment in Germany and at TUI Services, while staffing numbers in Austria and in tour operation in Germany decreased due to ongoing restructuring programmes.

WESTERN REGION
Western Region saw an increase in headcount of 3.6 % to 5,700, primarily due to the inclusion of additional entities.

HOTELS & RESORTS
At the balance sheet date, Hotels & Resorts reported 24,373 employees, up 1.6 % on the prior year. This growth was mainly attributable to the opening of new hotel resorts and the optimisation of the hotel portfolio. It was driven, above all, by Riu hotels, the largest hotel company in the portfolio, reporting an increase of 2.7 % to 10,829 employees. Due to new acquisitions, Robinson also posted an increase of 7.6 % to 3,385. In financial year 2015 / 16, Hotels & Resorts will see a substantial rise in headcount due to the growth strategy, in particular the launch of hotels under the new brand TUI Blue.

CRUISES
The Cruises segment recorded a year-on-year increase in headcount of 1.8 % to 232, driven by the reactivation of dormant work contracts.

SPECIALIST TRAVEL
The Specialist Group reported a decline in headcount of 29.7 % to 4,267, primarily attributable to the sale of Peak Travel. The Hotelbeds Group recorded an increase of 8.7 % to 12,342 employees year-on-year, mainly due to the creation of new jobs at Intercruises, the provider of cruise handling services.

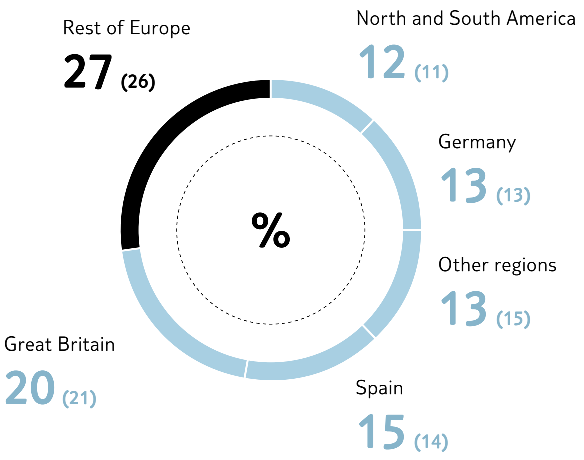
ALL OTHER SEGMENTS
All other segments recorded an increase in headcount of 9 % to 1,071 year-on-year. In TUI AG, the headcount rose by 18.9 % to 126, mainly due to the creation of new functions. The headcount growth in other segments was also driven by the first-time inclusion of TUI Spain with 103 employees while, on the other hand, restructuring measures continued in the real estate companies.

GLOBAL HEADCOUNT

PERSONNEL BY REGION

	30 Sep 2015	30 Sep 2014 restated	Var. %
Germany	10,094	9,914	+ 1.8
Great Britain	14,925	15,972	– 6.6
Spain	11,172	10,556	+ 5.8
Rest of Europe	20,170	20,391	– 1.1
North and South America	9,289	8,563	+ 8.5
Other regions	10,120	11,201	– 9.7
TUI Group	**75,770**	**76,597**	**– 1.1**
Discontinued operation	266	431	– 38.3
Total	**76,036**	**77,028**	**– 1.3**

PERSONNEL BY REGION* AS AT 30 SEPT 2015



* Excl. employees of the discontinued operations
In brackets: previous year

As a global player, the TUI Group has over 76,000 employees in 57 countries. The number of employees working in Germany increased by 1.8 % to 10,094. The Group's headcount in Europe declined by 0.8 % to 56,361, or 74.4 % of the Group's overall headcount. Due to a reduction in the number of employees working in other regions, the headcount in non-European countries declined by 1.8 % to 19,409, or 25.6 % of the overall headcount. The year-on-year changes were driven by staff reductions in the UK and the sale of PEAK Travel.

Mixed leadership

As at 30 September 2015, the balance sheet date, the share of women as a proportion of the overall headcount grew by around 1 percentage points to 56.2 %. The proportion of women in leadership positions grew slightly by 29.5 % to 31.3 %.

The proportion of women on our German supervisory bodies continued to rise in the period under review. On 30 September 2015, women accounted for 29.8 % of members, up around 2 percentage points year-on-year. Within TUI AG, women already made up 30 % of Supervisory Board members.

In Germany, advantage was taken of the self-commitment mechanism provided for under the German Stock Corporation Act (AktG) and the Act on Limited Liability Companies (GmbHG) to fix specific targets for TUI AG, TUI Deutschland and TUIfly in the period under review – now we are heading for achieving these targets until 30 June 2017.

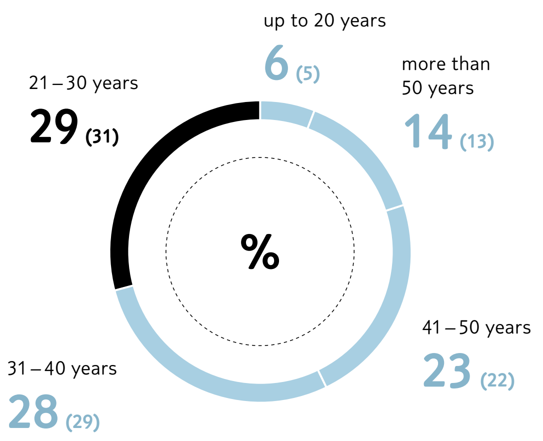
PROPORTION OF WOMEN IN MANAGERIAL POSITIONS AS AT 30 SEPT. 2015

	TUI AG		TUI DEUTSCHLAND		TUIFLY	
	actual	target	actual	target	actual	target
Executive Board	0 %	At least 1 female*	0 %	20 %	0 %	20 %
First management level below Executive Board	13 %	20 %	33 %	30 %	33 %	30 %
Second management level below Executive Board	20 %	30 %	39 %	40 %	46 %	40 %

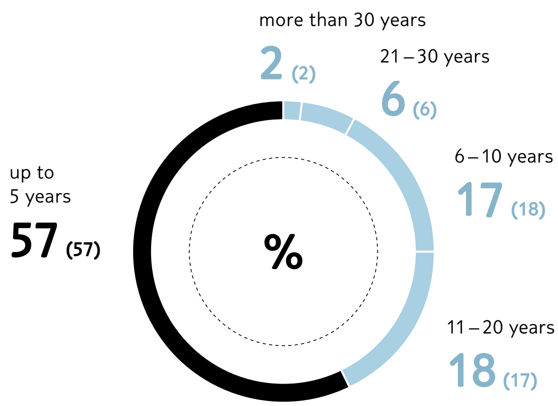
* Target has been achieved mid of October 2015 with Dr Elke Eller as Group HR / Labour Director

Other staff indicators

AGE STRUCTURE OF GROUP EMPLOYEES



AVERAGE COMPANY AFFILIATION



In brackets: previous year

Around two thirds of Group employees were aged between 21 and 40, with initial signs of demographic change gradually becoming visible. At Group level, the proportion of employees under 30 declined by 0.6 percentage points to 34.7 %. The proportion of employees in the medium age bracket between 31 and 50 fell by 0.7 percentage points to 51 %. The only age bracket reporting growth was the 50+ age group, with an increase of 1.3 percentage points to 14.3 % of the total headcount, while in Germany 20.1 % of employees fell into the 50+ age group.

Around 57 % have been with the Company for up to five years. In Germany the figure for this group is significantly lower at around 33 %. By contrast, around 17.8 % of Group employees have a company affiliation of 11 to 20 years, compared with around 32.5 % of employees in Germany.

The seasonality of employment structures is also reflected in the types of employment contract held by our staff. At the balance sheet date, around 31 % of the Group headcount had temporary contracts, while in Germany the proportion of staff with temporary contracts was only around 16 %.

Personnel costs

The compensation package offered by the TUI Group reflects the appropriateness of compensation and customary market rates. It varies in its composition, as it is influenced by framework conditions in different countries and companies. Depending on the function concerned, a fixed basic salary may go hand in hand with variable components. The TUI Group uses these variable factors as incentives to staff to pursue strategic and long-term corporate objectives. The key components are designed to honour performance and to enable employees to participate in the Company's long-term success. Senior management have share options and are thus able to benefit directly when the Company grows in value. TUI also pays social benefits such as company pensions or specific retirement benefits.

In the period under review, the TUI Group's personnel costs rose by 11 % to € 2,715.6 m. The year-on-year increase in expenses for wages and salaries was mainly attributable to foreign exchange effects and, in particular, expenses incurred in connection with restructuring measures.

Social security contributions and expenses for pensions and other benefits declined in the prior year due to income of € 81.0 m from the change in pension plans carried in the cost of sales. Apart from that effect and the restructuring expenses incurred in financial year 2014 / 15, the development of the euro exchange rate caused higher year-on-year expenses due to translation effects.

PERSONNEL COSTS

€ million	**2014 / 15**	2013 / 14 restated	Var. %
Wages and salaries	2,233.6	2,083.7	+ 7.2
Social security contributions	482.0	362.5	+ 33.0
Total	**2,715.6**	**2,466.2**	**+ 11.0**

PENSION SCHEMES

The companies in the TUI Group offer their employees benefits from the company-based pension schemes funded by the employer. Options for the employees include pension schemes, direct insurance contracts and individual or direct commitments to build up a private pension. These schemes were devised so as to take advantage of fiscal and social security co-sponsorship opportunities. TUI AG companies also have a statutory obligation to enable their employees to convert their gross pay into pension contributions. To this end, TUI AG has concluded advantageous collective contracts with an established insurance undertaking, and all our German employees can sign up to these.

PART-TIME EARLY RETIREMENT

In order to further increase the flexibility of their company HR and succession planning, Group companies in Germany are able to make use of the opportunities provided under the German Part-Time Early Retirement Act to shift gradually from employment to retirement. At the balance sheet date, € 9.4 m was provided through a capital investment model for the 183 employees working under part-time early retirement contracts in order to hedge their accrued assets against employer insolvency.

ANNUAL FINANCIAL STATEMENTS OF TUI AG

Condensed version according to German Commercial Code (HGB)

Earnings position of TUI AG

The annual financial statements of TUI AG were prepared in accordance with the provisions of the German Commercial Code (HGB), taking account of the complementary provisions of the German Stock Corporation Act (AktG), and audited by the auditors PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover. They are published in the electronic federal gazette. The annual financial statements have been made permanently available on the Internet at www.tuigroup.com and can be requested in print from TUI AG.

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Annual financial statements TUI AG 2014/15 online at www.tuigroup.com/en-en/investors

In the present Annual Report, the Management Report of TUI AG has been combined with the Management Report of the TUI Group.

INCOME STATEMENT OF TUI AG

€ million	**2014/15**	2013/14	Var. %
Other operating income	508.8	83.1	+512.3
Personnel costs	37.8	34.1	+10.9
Depreciation	0.6	0.6	–
Other operating expenses	568.6	164.0	+246.7
Net income from investments	1,420.0	64.7	n.a.
Write-downs of investments	24.6	5.0	+392.0
Net interest	–28.9	–61.1	+52.7
Profit on ordinary activities	**1,268.3**	**–117.1**	**n.a.**
Taxes	11.6	–7.7	n.a.
Net profit/loss for the year	**1,256.7**	**–109.4**	**n.a.**

The earnings position of TUI AG, the Group's parent company, is primarily determined by the appropriation of profits by its Group companies, either directly associated with TUI AG via profit and loss transfer agreements or distributing their profits to TUI AG based on appropriate resolutions.

OTHER OPERATING INCOME

The increase in other operating income was mainly driven by a significant year-on-year increase in gains on exchange. This income was offset by expenses for exchange losses of a similar amount, carried in other operating expenses. Apart from the increase in gains on exchange, the increase in other operating income was attributable to the first-time elimination of intercompany services, carried alongside expenses of almost the same amount rebilled to TUI AG by other Group companies, shown in other operating expenses. This item also included intra-Group gains on disposal from shareholdings and income from the sale of securities held as fixed assets.

PERSONNEL COSTS AND OTHER OPERATING EXPENSES

Personnel costs rose in financial year 2014/15, mainly due to the conclusion of a collective agreement, a slight increase in restructuring costs and the recruitment of new staff.

Other operating expenses comprise, in particular, the cost of financial and monetary transactions, charges, fees, services, transfers to impairments and other administrative costs as well as expenses for exchange losses. Apart from the increase in expenses for exchange losses mentioned above, other operating expenses also rose due to the elimination of intercompany services.

NET INCOME FROM INVESTMENTS

In the financial year under review, net income from investments was driven, in particular, by the considerable year-on-year increase in dividend payments by TUI Travel Ltd (previously TUI Travel PLC). Moreover, TUI Cruises GmbH distributed profits for the first time in the completed financial year. Net income from investments also included income from profit transfers from hotel companies and companies allocable to central operations. It also comprised expenses for loss transfers from Group companies, resulting in a corresponding reduction in net income from investments. In the period under review, the transfer of the loss from the impairment of the interests in Hapag-Lloyd Aktiengesellschaft, to TUI-Hapag Beteiligungs GmbH, had a particularly negative effect.

WRITE-DOWNS OF INVESTMENTS

In the period under review, write-downs of investments related, in particular, to interests in TUI Beteiligungs GmbH and write-downs of hotel investments.

INTEREST RESULT

Due to the assumption of the internal Group financing function following the merger with TUI Travel PLC, interest income from Group companies rose in the financial year under review. The improvement in the interest result also resulted from lower interest expenses due to the redemption and repayment of bonds and bank loans.

TAXES

In the period under review, taxes related to income taxes and other taxes. They did not include deferred taxes. In the previous year, taxes were affected by the reversal of unused tax provisions.

NET PROFIT FOR THE YEAR

For financial year 2014 / 15, TUI AG posted a net profit for the year of € 1,256.7 m.

Net assets of TUI AG

TUI AG's net assets and financial position as well as its balance sheet structure reflect its function as the TUI Group's parent company. The balance sheet total rose by 41.9 % to € 7.4 bn in financial year 2014 / 15.

ABBREVIATED BALANCE SHEET OF TUI AG (FINANCIAL STATEMENT ACCORDING TO GERMAN COMMERCIAL CODE)

€ million	**30 Sep 2015**	30 Sep 2014	Var. %
Intangible assets / property, plant and equipment	13.7	17.7	– 22.6
Investments	5,662.1	4,179.6	+ 35.5
Fixed assets	**5,675.8**	**4,197.3**	**+ 35.2**
Inventories / Receivables / Trade securities	912.7	662.9	+ 37.7
Cash and cash equivalents	833.7	370.2	+125.2
Current assets	**1,746.4**	**1,033.1**	**+ 69.0**
Prepaid expenses	0.8	0.3	+166.7
Assets	**7,423.0**	**5,230.7**	**+ 41.9**
Equity	**4,995.4**	**2,791.6**	**+78.9**
Special non-taxed items	**0.5**	**0.6**	**–16.7**
Provisions	**405.6**	**399.3**	**+1.6**
Bonds	300.0	964.4	– 68.9
Financial liabilities	–	194.4	n. a.
Other liabilities	1,721.5	880.3	+ 95.6
Liabilities	**2,021.5**	**2,039.1**	**– 0.9**
Deferred income	–	0.1	n. a.
Liabilities	**7,423.0**	**5,230.7**	**+ 41.9**

FIXED ASSETS

At the balance sheet date, fixed assets almost exclusively consisted of investments. The increase in investments was mainly attributable to the acquisition of Leibniz Service GmbH and the merger of TUI AG and TUI Travel PLC. This merger was effected by means of the acquisition of the minority interests outstanding in TUI Travel PLC by TUI AG. The TUI Travel PLC shareholders with the exception of TUI AG received 0,399 new shares in TUI AG for each share in TUI Travel PLC. An opposite effect was caused by the disposal of shareholdings, a capital decrease, the repayment of TUI Travel's convertible bond and impairments of interests in Group companies and shareholdings.

CURRENT ASSETS

The increase in receivables in financial year 2014 / 15 mainly resulted from the assumption of the internal Group financing function for the TUI Travel Group companies in the framework of the merger between TUI AG and TUI Travel PLC.

Due to the redemption of the money market fund, carried under current assets in the prior year, cash and cash equivalents increased in the period under review.

TUI AG'S CAPITAL STRUCTURE

EQUITY

TUI AG's equity increased by € 2,203.8 m to € 4,995.4 m. The subscribed capital of TUI AG consists of no-par value shares, each representing an equal portion in the capital stock. The proportionate share in the capital stock per share is around € 2.56. At the end of the financial year under review, the subscribed capital of TUI AG rose by a total of € 767.0 m to around € 1,499.6 m due to the capital increase against non-cash contribution in connection with the merger of TUI AG and TUI Travel PLC, the issue of employee shares and conversions from the 2009 / 14 and 2011 / 16 convertible bonds and a convertible bond issued by TUI Travel PLC. At the end of the financial year under review, subscribed capital comprised 586,603,217 shares.

In financial year 2014 / 15, the capital reserve rose by a total of € 274.7 m due to the conversion of bonds into shares and the issue of employee shares. Revenue reserves exclusively consisted of other revenue reserves. The Articles of Association do not contain any provisions concerning the formation of reserves. Pursuant to section 58 (2) of the German Stock Corporation Act an amount of € 314.0 m of the profit of the year were transferred to the revenue reserves.

The profit for the year amounted to € 1,256.7 m. Taking account of the transfer to other revenue reserves of € 314.0 m and the profit carried forward of € 66.7 m, net profit available for distribution totalled € 1,009.4 m. A proposal will be submitted to the Annual General Meeting to use the net profit available for distribution for the financial year under review to distribute a dividend of € 0.56 per no-par value share and to carry the amount of € 680.9 m, remaining after deduction of the dividend total of € 328.5 m, forward on new account. The equity ratio rose to 67.3 % (previous year 53.4 %).

PROVISIONS

Provisions increased by € 6.3 m to € 405.6 m. They consisted of pension provisions worth € 139.0 m (previous year € 131.7 m) and other provisions worth € 266.6 m (previous year € 267.6 m).

Other provisions decreased year-on-year, in particular due to the use of provisions formed in the prior year for outstanding invoices. Provisions also declined year-on-year due to the reversal of a provision formed for typical operating risks, the adjustment of insurance tax and the measurement of hedges on behalf of tourism companies. The decline was partly offset by additions to the provisions for the Executive Board members.

LIABILITIES

TUI AG's liabilities totalled € 2,021.5 m, a decline of € 17.6 m or 0.9 %.

In September 2014, TUI AG issued an unsecured bond worth € 300.0 m maturing on 1 October 2019. Due to the repayment of TUI Travel's convertible bond and the conversion of bonds into shares in TUI AG, liabilities from bonds declined significantly year-on-year.

The increase in other liabilities was also associated with the assumption of the internal Group financing function and mainly reflected an increase in liabilities to Group companies.

TUI's net financial position improved substantially year-on-year, amounting to a positive position of € 533.7 m in the period under review.

CAPITAL AUTHORISATION RESOLUTIONS

Information on new or existing resolutions concerning capital authorisation, adopted by Annual General Meetings, is provided in the next chapter on Information Required under Takeover Law.

Information Required under Takeover Law see page 157

INFORMATION REQUIRED UNDER TAKEOVER LAW

pursuant to sections 289 (4) and 315 (4) of the German Commercial Code (HGB) and explanatory report

Composition of subscribed capital

The subscribed capital of TUI AG consists of no-par value shares, each representing an equal share of the capital stock. The proportionate share in the capital stock per share is around € 2.56.

The subscribed capital of TUI AG, registered in the commercial registers of the district courts of Berlin-Charlottenburg and Hanover, consisted of 586,603,217 shares at the end of financial year 2014 / 15 (previous year 286,561,143 shares) and totalled € 1,499,627,312. Each share confers one vote at the Annual General Meeting.

RESTRICTIONS ON VOTING RIGHTS OR THE TRANSFER OF SHARES

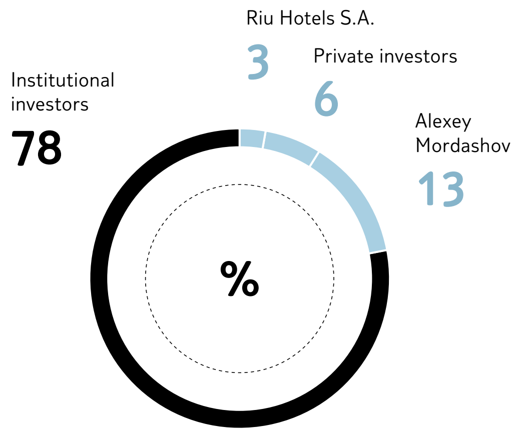
The Executive Board of TUI AG is not aware of any restrictions on voting rights or the transfer of shares.

EQUITY INTERESTS EXCEEDING 10 % OF THE VOTING RIGHTS

The Executive Board of TUI AG has been notified of the following direct or indirect equity interests reaching or exceeding 10 % of the voting rights:

In a notification pursuant to section 21 (1) of the German Securities Trading Act (WpHG), Alexey Mordashov, Russia, notified us that 13.72 % (73,222,346 voting rights) of the voting shares in TUI AG were attributable to him on 19 December 2014. He also informed us in a notification pursuant to section 25a (1) of the German Securities Trading Act that 12.84 % (74,967,030 voting rights) of the voting shares in TUI AG were attributable to him on 20 March 2015.

SHAREHOLDER STRUCTURE
AS AT 30 SEPT 2015



At the end of financial year 2014 / 15, around 87 % of the TUI shares were in free float. Around 6 % of all TUI shares were held by private shareholders, around 78 % by institutional investors, and around 16 % by strategic investors. According to an analysis of the share register these were mainly investors from EU countries.

Shares with special control rights

There have not been any shares, nor are there any shares, with special control rights.

System of voting right control of any employee share scheme where the control rights are not exercised directly by the employees

Where TUI AG grants shares to employees under its employee share programme, the shares are directly transferred to the employees with a lock-up period. Beneficiaries are free to directly exercise the control rights to which employee shares entitle them, in just the same way as other shareholders, in line with legal requirements and the provisions of the Articles of Association.

Appointment and removal of Executive Board members and amendments to the Articles of Association

The appointment and removal of Executive Board members is based on sections 84 et seq. of the German Stock Corporation Act in combination with section 31 of the German Codetermination Act. Amendments to the Articles of Association are based on the provisions of sections 179 et seq. of the German Stock Corporation Act in combination with section 24 of the Articles of Association of TUI AG.

Powers of the Executive Board to issue or buy back shares

The Annual General Meeting of 10 February 2015 authorised TUI AG's Executive Board to acquire own shares of up to 5 % of the capital stock existing as at the date of the resolution. The authorisation will expire on 9 August 2016. To date, the option to acquire own shares has not been exercised.

The Extraordinary General Meeting of 28 October 2014 adopted a resolution to create authorised capital for the issue of new shares against non-cash contributions worth € 18.0 m in order to be able to satisfy TUI Travel share awards granted by TUI Travel to its employees by means of the issue of new shares in TUI AG. The authorisation for this authorised capital will expire on 27 October 2019.

The Annual General Meeting of 13 February 2013 resolved two authorisations to increase the capital stock by a total of € 74.5 m by 12 February 2018. This includes authorised capital for the issue of new shares, with the option to exclude the shareholders' subscription rights, worth € 64.5 m and authorised capital to issue employee shares worth € 10 m.

Conditional capital of € 120 m was resolved by the Annual General Meeting of 15 February 2012. Accordingly, bonds with conversion options or warrants as well as profit-sharing rights and income bonds of up to a nominal amount of € 1.0 bn may be issued up to 14 February 2017. This authorisation has not yet been exercised.

The Annual General Meeting of 9 February 2011 adopted a resolution to authorise capital for the issue of new shares against cash contributions worth € 246 m by 8 February 2016.

In the financial year under review, the conditional capital amounting in each case to € 100 m, resolved in 2008 and 2009, expired with the conversion and repayment of the bonds worth approximately € 218 m and € 339 m issued in 2009 and 2011 on the basis of these resolutions. The 2014 conditional capital worth around € 62 m, used in exchange for corresponding subscription rights to TUI Travel PLC for the issue of TUI shares to the holders of the convertible bonds issued by TUI Travel PLC in 2010, also served out its purpose.

Significant agreements associated with a change of control in the Company following a takeover bid and their consequences

Some of the outstanding financing instruments contain change of control clauses. A change of control occurs in particular if a third party directly or indirectly acquires control over at least 50 % or the majority of the voting shares in TUI AG.

In the event of a change of control, the holders of the fixed-interest bond with an outstanding volume of € 300.0 m must be offered a buyback.

For the syndicated credit line worth € 1.75 bn, of which € 135.7 m had been drawn down at the balance sheet date through the use of bank guarantees, a right of termination by the lenders has been agreed in the event of a change of control. A similar right has also been agreed for several bilateral guarantee lines with a total volume of £ 112.5 m, concluded with various insurance companies, of which £ 70.2 m had been drawn down as at the balance sheet date.

Beyond this, there are no agreements in guarantee, leasing, option or other financial contracts that might cause material early redemption obligations that would be of significant relevance for the Group's liquidity.

Apart from the financing instruments mentioned above, a framework agreement between the Riu family and TUI AG includes a change of control clause. A change of control occurs if a shareholder group represents a predefined majority of AGM attendees or if one third of the shareholder representatives on the Supervisory Board are attributable to a shareholder group. In the event of a change of control, the Riu family is entitled to acquire at least 20 % and at most all shares held by TUI in RIUSA II S.A.

A similar agreement concerning a change of control at TUI AG has been concluded with the El Chiaty Group. Here, too, a change of control occurs if a shareholder group represents a predefined majority of AGM attendees or if one third of the shareholder representatives on the Supervisory Board are attributable to a shareholder group. In that case, the El Chiaty Group is entitled to acquire at least 15 % and at most all shares held by TUI in the joint hotel companies in Egypt and the United Arab Emirates.

A change of control agreement has also been concluded for the joint venture TUI Cruises between Royal Caribbean Cruises Ltd and

TUI AG. It gives the other partner the right to demand termination of the joint venture and to purchase the stake held by TUI AG at a price which is lower than the selling price of their own stake.

Compensation agreements between the Company and Executive Board members or employees in the event of a takeover bid

CHANGE OF CONTROL AGREEMENT

In the event of a loss of Executive Board membership through a change of control or exercise of the right granted to Board members, specifically accorded for this event, to resign from office and terminate their service contract as a Board member, a Board member is entitled to receive remuneration for his or her financial entitlements for the remaining period of the service contract up to a maximum period of two or three years, respectively.

The annual management bonus and the entitlements from the long-term incentive programme for the remaining term of the service contract are based on the average remuneration received in the past two financial years for Mr Joussen and the average in the past three financial years for Mr Baier.

REPORT ON SUBSEQUENT EVENTS

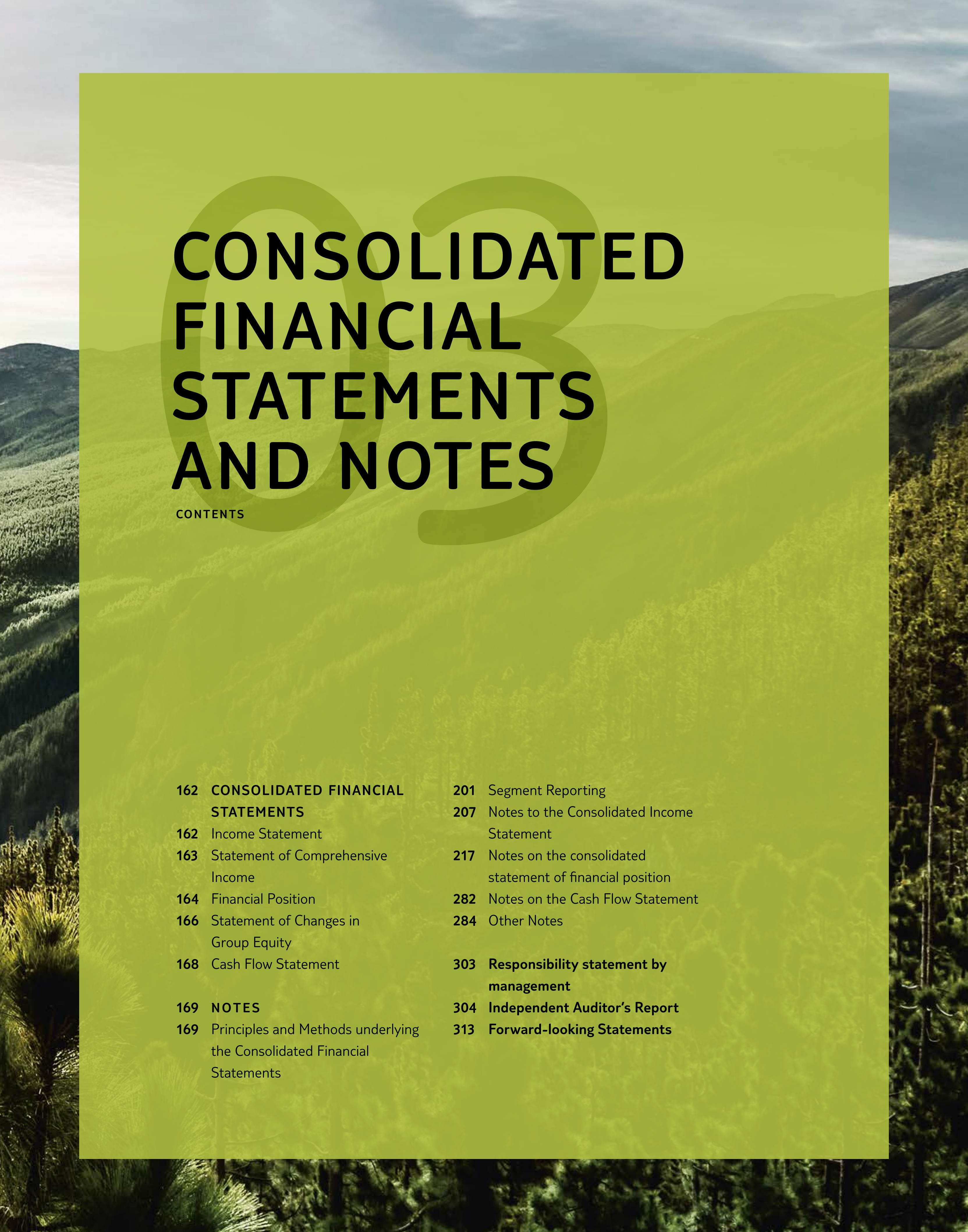
On 6 October 2015, TUI entered a contract for the sale of LateRooms Ltd. for a consideration of 8.5 GBP (€ 11.6 m). The completion of the sale took place on 6 October 2015. The transaction does not require regulatory approval. The LateRooms segment was presented as a discontinued operation as at 30 September 2015.

On 23 October 2015, TUI and Oscrivia Limited entered contractual agreements to reorganise the equity of Togebi Holdings Limited. In particular, a cash capital increase of USD 20 m was agreed, in which TUI participates with a USD 3 m contribution. Following the completion of the agreements, TUI Group's stake in Togebi Holdings Limited, within the segment region north, reduces from 49 % to 25 %. At the same time Oscrivia Limited increases its stake from 51 % to 75 %. Furthermore the joint venture agreement closed in 2009 was amended to reflect the new voting rights proportions. Due to these amendments, the relevant activities of Togebi Holdings Limited continue to be jointly determined by TUI and Oscrivia Limited, so that Togebi Holdings Limited remains to be classified as a joint venture.

On 6 November 2015 the initial public offering of Hapag-Lloyd AG occurred. Hapag-Lloyd's gross issuing proceeds through the placing of 13,228,677 new shares at an issue price of € 20.00 per HLAG share amounted to approximately € 265.0 m. Since then, the shares of Hapag-Lloyd AG are traded in the regulated market (prime standard) of the Frankfurt stock exchange. Due to this capital increase TUI's stake in Hapag-Lloyd AG's capital has reduced from 13.9 % to 12.3 %. Had the investment, contrary to the requirements of IFRS 13, been measured at the issue price of € 20.00 per share at the balance sheet date, an additional impairment of € 43.7 m had arisen. For fair value measurements of the investment at future measurement dates the quoted price of the Hapag-Lloyd share is relevant as a level 1 input.

Climb the Pico del Teide through its lunar lava landscape and exotic vegetation. This is authentic Tenerife. TUI offers guests diverse ways to experience their destination first hand – not only on the Canary Islands, but all over the world.

» READ MORE ABOUT TUI ON TENERIFE IN OUR MAGAZINE UNDER "SUITCASE IN HAND"



CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

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CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT OF THE TUI GROUP FOR THE PERIOD FROM 1 OCTOBER 2014 TO 30 SEPTEMBER 2015

€ million	Notes	**2014/15**	2013/14 restated
Turnover	(1)	20,011.6	18,536.8
Cost of sales	(2)	17,616.3	16,300.8
Gross profit		**2,395.3**	**2,236.0**
Administrative expenses	(2)	1,715.4	1,533.8
Other income	(3)	51.2	35.9
Other expenses	(3)	8.0	2.1
Financial income	(5)	37.9	36.8
Financial expenses	(6)	370.1	300.9
Share of result of joint ventures and associates	(7)	144.5	26.8
Earnings before income taxes *		**535.4**	**498.7**
Income taxes	(8)	87.0	212.5
Result from continuing operations		**448.4**	**286.2**
Result from discontinued operation	(9)	– 68.8	–15.4
Group profit for the year		**379.6**	**270.8**
Group profit for the year attributable to shareholders of TUI AG	(10)	340.4	90.4
Group profit for the year attributable to non-controlling interest	(11)	39.2	180.4

* 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

€	Notes	**2014/15**	2013/14 restated
Basic earnings per share	(12)	**0.64**	**0.26**
from continuing operations		0.77	0.29
from discontinued operation		– 0.13	– 0.03
Diluted earnings per share	(12)	**0.63**	**0.26**
from continuing operations		0.76	0.29
from discontinued operation		– 0.13	– 0.03

STATEMENT OF COMPREHENSIVE INCOME OF TUI GROUP FOR THE PERIOD FROM 1 OCTOBER 2014 TO 30 SEPTEMBER 2015

€ million	Notes	**2014/15**	2013/14 restated
Group profit		**379.6**	**270.8**
Remeasurements of pension provisions and related fund assets		82.2	–286.0
Changes in the measurement of companies measured at equity		0.1	–2.5
Income tax related to items that will not be reclassified	(13)	–24.2	70.4
Items that will not be reclassified to profit or loss		**58.1**	**–218.1**
Foreign exchange differences		–221.7	–115.1
Foreign exchange differences		–220.2	–111.5
Reclassification/adjustments		–1.5	–3.6
Financial instruments available for sale		–	–0.9
Changes in the fair value		7.1	–0.9
Reclassification/adjustments		–7.1	–
Cash flow hedges		–221.0	119.1
Changes in the fair value		360.1	–30.8
Reclassification/adjustments		–581.1	149.9
Changes in the measurement of companies measured at equity		22.0	16.8
Changes in the measurement outside profit or loss		21.6	18.5
Reclassification/adjustments		0.4	–1.7
Income tax related to items that may be reclassified	(13)	27.1	–20.8
Items that may be reclassified to profit or loss		**–393.6**	**–0.9**
Other comprehensive income		**–335.5**	**–219.0**
Total comprehensive income		**44.1**	**51.8**
attributable to shareholders of TUI AG		9.5	4.6
attributable to non-controlling interest		34.6	47.2
Allocation of share of shareholders of TUI AG of total comprehensive income:			
Continuing operations		82.0	11.5
Discontinued operation		–72.5	–6.9

FINANCIAL POSITION OF THE TUI GROUP AS AT 30 SEP 2015

€ million	Notes	**30 Sep 2015**	30 Sep 2014 restated	1 Oct 2013 restated
Assets				
Goodwill	(14)	3,220.4	3,136.2	2,976.4
Other intangible assets	(15)	911.5	933.4	866.0
Investment property	(16)	7.2	7.7	58.0
Property, plant and equipment	(17)	3,629.6	2,836.0	2,681.4
Investments in joint ventures and associates	(18)	1,077.8	1,336.4	1,390.2
Financial assets available for sale	(19)	56.2	62.7	71.4
Trade receivables and other assets	(20)	332.5	368.1	342.8
Derivative financial instruments	(21)	48.1	75.8	37.9
Deferred tax assets	(22)	330.7	235.9	223.1
Non-current assets		**9,614.0**	**8,992.2**	**8,647.2**
Inventories	(23)	134.5	126.3	115.1
Financial assets available for sale	(19)	334.9	300.0	–
Trade receivables and other assets	(20)	1,948.7	1,911.2	1,872.6
Derivative financial instruments	(21)	281.0	169.7	49.1
Current tax assets	(22)	58.5	93.9	53.7
Cash and cash equivalents	(24)	1,672.7	2,258.0	2,674.0
Assets held for sale	(25)	42.2	155.9	11.6
Current assets		**4,472.5**	**5,015.0**	**4,776.1**
		14,086.5	**14,007.2**	**13,423.3**

FINANCIAL POSITION OF THE TUI GROUP AS AT 30 SEP 2015

€ million	Notes	30 Sep 2015	30 Sep 2014 restated	1 Oct 2013 restated
Equity and liabilities				
Subscribed capital	(26)	1,499.6	732.6	645.2
Capital reserves	(27)	4,187.7	1,056.3	957.7
Revenue reserves	(28)	–3,773.9	336.1	116.3
Hybrid capital	(30)	–	294.8	294.8
Equity before non-controlling interest		**1,913.4**	**2,419.8**	**2,014.0**
Non-controlling interest	(31)	503.9	110.4	–20.3
Equity		**2,417.3**	**2,530.2**	**1,993.7**
Pension provisions and similar obligations	(32)	1,114.5	1,242.4	1,102.2
Other provisions	(33)	746.3	601.6	575.0
Non-current provisions		**1,860.8**	**1,844.0**	**1,677.2**
Financial liabilities	(34)	1,653.3	1,748.4	1,834.1
Derivative financial instruments	(36)	78.5	20.7	30.6
Current tax liabilities	(37)	115.7	98.5	107.8
Deferred tax liabilities	(37)	125.7	144.8	107.8
Other liabilities	(38)	136.2	130.5	93.6
Non-current liabilities		**2,109.4**	**2,142.9**	**2,173.9**
Non-current provisions and liabilities		**3,970.2**	**3,986.9**	**3,851.1**
Pension provisions and similar obligations	(32)	32.4	32.1	33.8
Other provisions	(33)	463.4	471.0	447.5
Current provisions		**495.8**	**503.1**	**481.3**
Financial liabilities	(34)	233.1	217.2	937.3
Trade payables	(35)	3,224.2	3,292.1	3,041.9
Derivative financial instruments	(36)	388.2	241.9	177.3
Current tax liabilities	(37)	78.9	101.2	132.5
Other liabilities	(38)	3,247.3	3,134.6	2,808.2
Current liabilities		**7,171.7**	**6,987.0**	**7,097.2**
Liabilities related to assets held for sale	(39)	31.5	–	–
Current provisions and liabilities		**7,699.0**	**7,490.1**	**7,578.5**
		14,086.5	**14,007.2**	**13,423.3**

STATEMENT OF CHANGES IN GROUP EQUITY OF THE TUI GROUP FOR THE PERIOD FROM 1 OCTOBER 2014 TO 30 SEPTEMBER 2015

€ million	Subscribed capital (26)	Capital reserves (27)	Other revenue reserves	Foreign exchange differences	Financial instruments available for sale
Balance as at 30 Sep 2013	**645.2**	**957.7**	**897.0**	**–753.0**	**0.5**
Adoption of IFRS 10 and IFRS 11	–	–	–2.6	–0.6	–
Balance as at 1 October 2013 (restated)	**645.2**	**957.7**	**894.4**	**–753.6**	**0.5**
Dividends	–	–	–37.8	–	–
Hybrid capital dividend	–	–	–23.2	–	–
Share based payment schemes of TUI Travel PLC	–	–	17.3	–	–
Conversion of convertible bonds	87.1	97.9	271.9	–	–
Issue of employee shares	0.3	0.7	–	–	–
First-time consolidation	–	–	–	–	–
Deconsolidation	–	–	–	–	–
Written option on non controlling interests	–	–	–2.6	–	–
Effects on the acquisition of non-controlling interests	–	–	–22.7	–	–
Effects on the transfer to non-controlling interests	–	–	14.0	–1.8	–
Group profit for the year	**–**	**–**	**90.4**	**–**	**–**
Foreign exchange differences	–	–	–33.4	14.4	–
Financial instruments available for sale	–	–	–	–	–0.5
Cash flow hedges	–	–	–	–	–
Remeasurements of pension provisions and related fund assets	–	–	–177.4	–	–
Changes in the measurement of companies measured at equity	–	–	13.6	–	–
Taxes attributable to other comprehensive income	–	–	45.1	–	–
Other comprehensive income	**–**	**–**	**–152.1**	**14.4**	**–0.5**
Total comprehensive income	–	–	–61.7	14.4	–0.5
Balance as at 30 September 2014 (restated)	**732.6**	**1,056.3**	**1,049.6**	**–741.0**	**–**
Dividends	–	–	–94.5	–	–
Hybrid capital dividend	–	–	–10.9	–	–
Share based payment schemes of TUI Travel PLC	–	–	24.2	–	–
Conversion of convertible bonds	146.1	453.4	–	–	–
Issue of employee shares	0.3	1.2	–	–	–
Capital increase	620.6	2,676.8	–	–	–
Deconsolidation	–	–	–	–	–
Effects on the acquisition of non-controlling interests	–	–	–3,776.3	–260.2	–
Redemption hybrid capital	–	–	–5.2	–	–
Group profit for the year	**–**	**–**	**340.4**	**–**	**–**
Foreign exchange differences	–	–	–67.7	–128.0	–
Cash flow hedges	–	–	–	–	–
Remeasurements of pension provisions and related fund assets	–	–	82.1	–	–
Changes in the measurement of companies measured at equity	–	–	22.1	–	–
Taxes attributable to other comprehensive income	–	–	–24.2	–	–
Other comprehensive income	**–**	**–**	**12.3**	**–128.0**	**–**
Total comprehensive income	–	–	352.7	–128.0	–
Balance as at 30 September 2015	**1,499.6**	**4,187.7**	**–2,460.4**	**–1,129.2**	**–**

Cash flow hedges	Revaluation reserve	Revenue reserves (28)	Hybrid capital (30)	Equity before non-controlling interest	Non-controlling interest (31)	**Total**
–47.5	**21.7**	**118.7**	**294.8**	**2,016.4**	**–19.6**	**1,996.8**
0.8	–	–2.4	–	–2.4	–0.7	–3.1
–46.7	**21.7**	**116.3**	**294.8**	**2,014.0**	**–20.3**	**1,993.7**
–	–	–37.8	–	–37.8	–91.2	–129.0
–	–	–23.2	–	–23.2	–	–23.2
–	–	17.3	–	17.3	14.2	31.5
–	–	271.9	–	456.9	193.8	650.7
–	–	–	–	1.0	–	1.0
–	–	–	–	–	1.6	1.6
–	–	–	–	–	–1.8	–1.8
–	–	–2.6	–	–2.6	–2.1	–4.7
–	–	–22.7	–	–22.7	–18.7	–41.4
0.1	–	12.3	–	12.3	–12.3	–
–	**–**	**90.4**	**–**	**90.4**	**180.4**	**270.8**
–3.2	–1.2	–23.4	–	–23.4	–91.7	–115.1
–	–	–0.5	–	–0.5	–0.4	–0.9
69.3	–	69.3	–	69.3	49.8	119.1
–	–	–177.4	–	–177.4	–108.6	–286.0
–	–	13.6	–	13.6	0.7	14.3
–12.5	–	32.6	–	32.6	17.0	49.6
53.6	**–1.2**	**–85.8**	**–**	**–85.8**	**–133.2**	**–219.0**
53.6	–1.2	4.6	–	4.6	47.2	51.8
7.0	**20.5**	**336.1**	**294.8**	**2,419.8**	**110.4**	**2,530.2**
–	–	–94.5	–	–94.5	–197.1	–291.6
–	–	–10.9	–	–10.9	–	–10.9
–	–	24.2	–	24.2	1.9	26.1
–	–	–	–	599.5	–	599.5
–	–	–	–	1.5	–	1.5
–	–	–	–	3,297.4	–	3,297.4
–	–	–	–	–	–9.5	–9.5
3.2	0.2	–4,033.1	–	–4,033.1	563.6	–3,469.5
–	–	–5.2	–294.8	–300.0	–	–300.0
–	**–**	**340.4**	**–**	**340.4**	**39.2**	**379.6**
–12.8	–0.9	–209.4	–	–209.4	–12.3	–221.7
–231.0	–	–231.0	–	–231.0	10.0	–221.0
–	–	82.1	–	82.1	0.1	82.2
–	–	22.1	–	22.1	–	22.1
29.5	–	5.3	–	5.3	–2.4	2.9
–214.3	**–0.9**	**–330.9**	**–**	**–330.9**	**–4.6**	**–335.5**
–214.3	–0.9	9.5	–	9.5	34.6	44.1
–204.1	**19.8**	**–3,773.9**	**–**	**1,913.4**	**503.9**	**2,417.3**

CASH FLOW STATEMENT

€ million	Notes	2014/15	2013/14 restated	Var.
Group profit		379.6	270.8	108.8
Depreciation, amortisation and impairments (+)/write-backs (–)		700.5	398.7	301.8
Other non-cash expenses (+)/income (–)		–118.7	6.1	–124.8
Interest expenses		207.7	254.0	–46.3
Dividends from joint ventures and associates		81.3	38.2	43.1
Profit (–)/loss (+) from disposals of non-current assets		–23.3	–30.4	7.1
Increase (–)/decrease (+) in inventories		–6.1	9.2	–15.3
Increase (–)/decrease (+) in receivables and other assets		–233.6	–34.2	–199.4
Increase (+)/decrease (–) in provisions		–85.3	–215.0	129.7
Increase (+)/decrease (–) in liabilities (excl. financial liabilities)		–111.6	377.1	–488.7
Cash inflow from operating activities	(46)	**790.5**	**1,074.5**	**–284.0**
Payments received from disposals of property, plant and equipment, investment property and intangible assets		341.6	334.3	7.3
Payments from disposals of consolidated companies (excl. disposals of cash and cash equivalents due to divestments)		–27.6	13.5	–41.1
Payments received from the disposals of other non-current assets		325.5	39.4	286.1
Payments made for investments in property, plant and equipment, investment property and intangible assets		–826.4	–601.2	–225.2
Payments made for investments in consolidated companies (excl. cash and cash equivalent received due to acquisitions)		–5.1	–24.1	19.0
Payments made for investments in other non-current assets		–24.8	–348.2	323.4
Cash outflow from investing activities	(47)	**–216.8**	**–586.3**	**369.5**
Payments received from and made for capital increases		–9.8	–7.0	–2.8
Payments made for interest increase in consolidated companies		–128.2	–50.6	–77.6
Dividend payments				
TUI AG		–109.3	–60.9	–48.4
subsidiaries to non-controlling interest		–197.0	–108.2	–88.8
Payments received from the issue of bonds and the raising of financial liabilities		79.3	309.7	–230.4
Payments made for redemption of hybrid capital		–300.0	–	–300.0
Payments made for redemption of loans and financial liabilities		–359.7	–263.9	–95.8
Interest paid		–92.0	–137.9	45.9
Cash outflow from financing activities	(48)	**–1,116.7**	**–318.8**	**–797.9**
Net change in cash and cash equivalents		**–543.0**	**169.4**	**–712.4**
Development of cash and cash equivalents	(49)			
Cash and cash equivalents at beginning of period		**2,258.0**	**2,674.0**	**–416.0**
Change in cash and cash equivalents due to exchange rate fluctuations		–33.1	–1.7	–31.4
Change in cash and cash equivalents due to changes in the group of consolidated companies		0.3	3.8	–3.5
Change in cash and cash equivalents with cash effects		–543.0	169.4	–712.4
Change in cash and cash equivalents without cash effects		–	–587.5	587.5
Cash and cash equivalents at end of period		**1,682.2**	**2,258.0**	**–575.8**
of which included in the balance sheet as assets held for sale		**9.5**	–	9.5

NOTES

Principles and Methods underlying the Consolidated Financial Statements

General

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

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

These consolidated financial statements of TUI AG were prepared for the business year from 1 October 2014 to 30 September 2015. Where any of TUI's subsidiaries have deviating financial years, financial statements were prepared as at 30 September in order to include these subsidiaries in TUI AG's consolidated financial statements.

The members of the Executive Board and the Supervisory Board are listed in the section on "Corporate Governance" in the Management Report, along with details of other board positions held.

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

The consolidated financial statements are prepared in euros. Unless stated otherwise, all amounts are indicated in million euros (€m).

The consolidated financial statements were approved for publication by TUI AG's Executive Board on 8 December 2015.

Accounting principles

DECLARATION OF COMPLIANCE

Pursuant to Regulation EEC No. 1606 / 2002 of the European Parliament and Council, TUI AG's consolidated financial statements as at 30 September 2015 were prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union. Moreover, the commercial-law provisions listed in section 315a (1) of the German Commercial Code (HGB) and the Disclosure and Transparency Rules of the UK Financial Conduct Authority were also observed in preparing the consolidated financial statements.

The accounting and measurement methods and the explanatory information and Notes to these annual financial statements for financial year 2014 / 15 are consistent in every respect with those followed in preparing the previous consolidated financial statements for financial year 2013 / 14 with the exceptions of standards and interpretations applicable from 1 October 2014 for the first time.

NEW SEGMENT STRUCTURE

Due to the merger with TUI Travel PLC, the TUI Group has changed its organisational structure. In line with IFRS 8, the previously used reporting structure was adjusted as at 31 March 2015 to reflect the management structure of the TUI Group. The new segment structure is presented and explained in the segment reporting within this report.

NEWLY APPLIED STANDARDS

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

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

In addition, the following standards amended by the IASB and endorsed by the European Union were early adopted as of the beginning of financial year 2014 / 15:

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

Due to the first-time adoption of IFRS 10 and IFRS 11, including the transition guidance and the amendments to IAS 28, the prior-year numbers were restated. The restatements are summarised in the section on "Restatement of prior reporting period". The other announcements had no significant impact on the presentation of the TUI Group's net assets, financial position and results of operations.

IFRS 10: CONSOLIDATED FINANCIAL STATEMENTS

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

IFRS 11: JOINT ARRANGEMENTS

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

Group as joint ventures have already been included in the TUI Group's consolidated financial statements using the equity method.

IFRS 12: DISCLOSURE OF INTERESTS IN OTHER ENTITIES

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

TRANSITION GUIDANCE FOR IFRS 10, IFRS 11 AND IFRS 12

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

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

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

AMENDMENTS TO IAS 27: SEPARATE FINANCIAL STATEMENTS

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

AMENDMENTS TO IAS 28: INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

AMENDMENTS TO IAS 32: FINANCIAL INSTRUMENTS – PRESENTATION

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

IFRIC 21: LEVIES

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

AMENDMENTS TO IAS 19: DEFINED BENEFIT PLANS – EMPLOYEE CONTRIBUTIONS

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

ANNUAL IMPROVEMENTS PROJECT 2010–2012

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

ANNUAL IMPROVEMENTS PROJECT 2011–2013

Improvements from the Annual Improvements Project were published in December 2013. They contain amendments to four standards including IFRS 3, IFRS 13 and IAS 40. The amendments are largely clarifications of the presentation, recognition and measurement requirements within the standards. The amendments do not impact TUI Group's consolidated the financial statements.

STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

The following table provides an overview of the new standards and amendments to existing standards, which do not have to be applied by the TUI Group for the current financial statements.

SUMMARY OF NEW STANDARDS NOT YET APPLIED/APPLICABLE

Standard/ Interpretation		Applicable for financial years from	Endorsement by the EU commission
Standard			
IAS 16 & IAS 41	Agriculture: Bearer Plants	1.1.2016	Yes
IFRS 11	Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations	1.1.2016	Yes
IAS 16 & IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1.1.2016	Yes
IAS 1	Presentation of Financial Statements: Disclosure Intitiative	1.1.2016	No
IAS 27	Separate Financial Statements: Equity Method in Separate Financial Statements	1.1.2016	No
IAS 28 & IFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1.1.2016	No
IAS 28, IFRS 10 & IFRS 12	Investment Entities applying the Consolidation Exception	1.1.2016	No
various	Annual Improvements Project (2012–2014)	1.1.2016	No
IFRS 9	Financial Instruments	1.1.2018	No
IFRS 15	Revenue from Contracts with Customers	1.1.2018	No

TUI Group does not generally intend to voluntarily apply these standards or the resulting amendments ahead of their effective dates.

Information on the contents of and potential effects on future periods of these standards is presented under other disclosures in Note 55.

GOING CONCERN REPORTING ACCORDING TO THE UK CORPORATE GOVERNANCE CODE

The Executive Board remains satisfied with the Group's funding and liquidity position. At 30 September 2015 the main sources of debt funding included:

- An external revolving credit facility of € 1,535.0 m maturing in June 2018, used to manage the seasonality of the Group's cash flows and liquidity,
- a high-yield bond with a nominal value of € 300.0 m, maturing in October 2019,
- € 982.0 m of drawn finance lease obligations and
- Bank liabilities of € 494.1 m, being mainly loans used to acquire property, plant and equipment.

The revolving credit facility requires compliance with certain financial covenants and these covenants were all complied with at the balance sheet date.

In accordance with provision C1.3 of the 2014 revision of the UK Corporate Governance Code, the Executive Board confirms that it is considered appropriate to prepare the financial statements on the going concern basis.

Restatement of prior reporting period

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

RESTATEMENT CAUSED BY IFRS 10 AND IFRS 11

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

RESTATEMENT CAUSED BY IAS 28

The impact of the amendment to IAS 28 was that 70 % of the TUI Group's investment in Hapag-Lloyd AG , worth € 327.4 m no longer met the criteria to be classified as held for sale, so was restated to be consolidated using the equity method. This resulted in assets held for sale declining by € 327.4 m as at 30 September 2014. The 30 % share of the stake, worth € 140.2 m, continued to be carried under assets held for sale. The carrying value of joint ventures and associates increases by € 344.4 m as at 30 September 2014, whilst Revenue reserves were restated to reflect the total income from the at equity measurement of € 17.0 m from 1 April 2014.

The prior year numbers in the consolidated income statement and the statement of other comprehensive income were restated to reflect the profit contributions of the stake in Hapag-Lloyd AG, measured using the equity method, for the period from 29 April 2014 until 30 September 2014.

RESTATEMENT CAUSED BY DISCONTINUED OPERATION

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

The restatements are shown in the tables below.

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

		Restatements			
€ million	before restatement	Adoption of IFRS 10 and IFRS 11	Adoption of IAS 28 new	Discontinued operation	restated
Turnover	18,714.7	–103.1	–	–74.8	18,536.8
Cost of sales	16,436.6	–93.1	–	–42.7	16,300.8
Gross profit	**2,278.1**	**–10.0**	**–**	**–32.1**	**2,236.0**
Administrative expenses	1,577.3	–6.7	–	–36.8	1,533.8
Financial income	36.2	–0.1	–	0.7	36.8
Financial expenses	305.2	–4.3	–	–	300.9
Share of result of joint ventures and associates	40.0	2.1	–15.3	–	26.8
Earnings before income taxes from continuing operations	**505.6**	**3.0**	**–15.3**	**5.4**	**498.7**
Income taxes	221.7	0.8	–	–10.0	212.5
Result from continuing operations	**283.9**	**2.2**	**–15.3**	**15.4**	**286.2**
Result from discontinued operation	–	–	–	–15.4	–15.4
Group profit for the year	**283.9**	**2.2**	**–15.3**	**–**	**270.8**
Group profit for the year attributable to shareholders of TUI AG	104.7	1.0	–15.3	–	90.4
Group profit for the year attributable to non-controlling interest	179.2	1.2	–	–	180.4

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

€ million	before restatement	Restatements: Adoption of IFRS 10 and IFRS 11	Restatements: Adoption of IAS 28 new	restated
Group profit	**283.9**	**2.2**	**–15.3**	**270.8**
Changes in the measurement of companies measured at equity	1.4	–	–3.9	–2.5
Items that will not be reclassified to profit or loss	**–214.2**	**–**	**–3.9**	**–218.1**
Foreign exchange differences	–150.1	–1.5	36.5	–115.1
Cash Flow Hedges	122.7	–3.6	–	119.1
Changes in the measurement of companies measured at equity	15.5	1.3	–	16.8
Income tax related to items that may be reclassified	–21.3	0.5	–	–20.8
Items that may be reclassified to profit or loss	**–34.1**	**–3.3**	**36.5**	**–0.9**
Other comprehensive income	**–248.3**	**–3.3**	**32.6**	**–219.0**
Total comprehensive income	**35.6**	**–1.1**	**17.3**	**51.8**
attributable to shareholders of TUI AG	–12.2	–0.5	17.3	4.6
attributable to non-controlling interest	47.8	–0.6	–	47.2

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

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

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

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

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

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

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

RESTATED ITEMS IN THE CASH FLOW STATEMENT OF THE TUI GROUP FOR THE PERIOD FROM 1 OCT 2013 TO 30 SEP 2014

€ million	before restatement	Adoption of IFRS 10 and IFRS 11	restated
Cash inflow from operating activities	1,074.7	–0.2	1,074.5
Cash outflow from investing activities	–586.2	–0.1	–586.3
Cash outflow from financing activities	–318.9	0.1	–318.8
Net change in cash and cash equivalents	**169.6**	**–0.2**	**169.4**
Change in cash and cash equivalents due to exchange rate fluctuation	–1.6	–0.1	–1.7
Change in cash and cash equivalents due to changes in the group of consolidated companies	3.8	–	3.8
Change in cash and cash equivalents without cash effects	–587.5	–	–587.5
Cash and cash equivalents at beginning of period	**2,701.7**	**–27.7**	**2,674.0**
Cash and cash equivalents at end of period	**2,286.0**	**–28.0**	**2,258.0**

Principles and methods of consolidation

PRINCIPLES

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

As a rule, the control is exercised by means of a direct or indirect majority of voting rights. If the TUI Group holds less than the majority of voting rights in a shareholding, it may exercise control due to contractual agreements or similar arrangements.

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

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

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

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

The dates as of which associates and joint ventures are included in or removed from the group of companies measured at equity are determined in a manner consistent with that applied to subsidiaries. At equity measurement in each case is based on the last annual financial statements available or the interim financial statements as at 30 September if the balance sheet dates differ from TUI AG's balance sheet date. This affects 33 companies with a financial year from 1 January to 31 December, four companies with a financial year from 1 November to 31 October of the following year and two companies with a financial year from 1 April to 31 March of the following year.

GROUP OF CONSOLIDATED COMPANIES

In financial year 2014 / 15, the consolidated financial statements included a total of 532 subsidiaries besides TUI AG.

77 subsidiaries were not included in the consolidated financial statements. Even when taken together, these companies are not significant for the presentation of a true and fair view of the net assets, financial position and results of operations of the Group.

DEVELOPMENT OF THE GROUP OF CONSOLIDATED COMPANIES* AND THE GROUP COMPANIES MEASURED AT EQUITY

	Balance 30 Sep 2014	Additions due to Adoption of IFRS 10 and IFRS 11	Disposals due to Adoption of IFRS 10 and IFRS 11	Balance 1 Oct 2014 restated	Additions	Disposals	**Balance 30 Sep 2015**
Consolidated subsidiaries	622	–	2	620	21	109	532
Associates	22	–	1	21	–	2	19
Joint ventures	35	3	–	38	1	6	33

* Excl. TUI AG

Due to the first-time application of IFRS 10 and IFRS 11 from 1 October 2014, the number of companies included in consolidation and measured at equity reported as at 30 September 2014 was restated. Due to the first-time application of the standards, two companies previously included in consolidation were classified as joint ventures and are now measured at equity; they are therefore no longer consolidated. Moreover, one company previously included as an associate is now classified as a joint venture, resulting in the removal of one company from associates and the addition of one company to joint ventures.

Apart from the retrospective changes resulting from the first-time application of IFRS 10 and IFRS 11, a total of 21 companies have been newly included as consolidated subsidiaries since 1 October 2014, with 14 companies newly established, four companies added due to the purchase of additional stakes and three companies added due to an expansion of their business operations.

Since 1 October 2014 (restated), a total of 109 companies have been removed from consolidation. 58 of the companies were removed from consolidation due to liquidation, 41 due to divestment and five companies due to mergers. In addition, five companies were removed from consolidation due to the discontinuation of their business operations. 38 of the companies sold relate to the PEAK Group. For more detailed information about the sale of the PEAK Group, please refer to the section on "Acquisitions – Divestments – Discontinued operations".

19 associated companies and 33 joint ventures are measured at equity as at the balance sheet date. The number of companies measured at equity has decreased by two since 1 October 2014 (restated), with one disposal and one addition to the group of consolidated companies. The number of joint ventures measured at equity has decreased by a total of five since 1 October 2014 (restated) due to the addition of one newly established company and the removal of six companies, three joint ventures of which were sold with the remaining three companies now included in consolidation due to the acquisition of additional stakes.

The major direct and indirect subsidiaries, associates and joint ventures of TUI AG are listed under "Other Notes – TUI Group Shareholdings".

The effects of the changes in the group of consolidated companies in financial year 2014 / 15 on financial years 2014 / 15 and 2013 / 14 are outlined below. While the value of companies deconsolidated in financial year 2014 / 15 posted in the statement of financial position is carried as per the closing date for the previous period, items in the income statement are also shown for a part year period of financial year 2014 / 15.

IMPACT OF CHANGES IN THE GROUP OF CONSOLIDATED COMPANIES ON THE STATEMENT OF FINANCIAL POSITION

€ million	Additions **30 Sep 2015**	Disposals 30 Sep 2014
Non-current assets	7.1	61.2
Current assets	0.2	50.9
Non-current financial liabilities	4.4	11.9
Current financial liabilities	0.4	0.1
Non-current other liabilities	0.4	4.4
Current other liabilities	0.4	48.3

IMPACT OF CHANGES IN THE GROUP OF CONSOLIDATED COMPANIES ON THE CONSOLIDATED INCOME STATEMENT

€ million	Additions **2014 / 15**	Disposals **2014 / 15**	 2013 / 14
Turnover with third parties	2.2	108.3	152.1
Turnover with consolidated Group companies	–	8.1	7.1
Cost of sales and administrative expenses	2.0	120.4	159.7
Other income / other expenses	–	14.1	–
Share of result of joint ventures and associates	–	–7.0	– 53.0
Financial expenses	–	–17.2	–11.6
Earnings before income taxes	**0.2**	**20.3**	**– 41.9**
Income taxes	–	–1.1	4.5
Group profit for the year	**0.2**	**21.4**	**– 46.4**

MERGER OF TUI AG AND TUI TRAVEL PLC

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

The capital increase in exchange for non-cash contribution, resolved by the Extraordinary General Meeting of TUI AG, took effect on 11 December 2014 upon registration in the Berlin and Hanover commercial registers. Due to the issue of 242,764,546 new shares, subscribed capital rose by € 620.6 m with a proportionate share in the capital stock per share of around € 2.56. In the consolidated financial statements according to IFRS, the difference between the value of these shares, measured at the stock market share price on the day of registration in the commercial register, and the proportionate share in the capital stock had to be transferred to the capital reserve as a premium worth € 2,693.1 m. The associated after-tax issuance costs of € 16.3 m were deducted from the capital reserve.

The merger between TUI AG and TUI Travel PLC was executed through the acquisition of the outstanding minority interests in TUI Travel PLC by TUI AG. The shareholders of TUI Travel PLC with the exception of TUI AG received 0,399 new shares in TUI AG for each TUI Travel share that they held. As this share swap constituted a transaction with non-controlling interests in accordance with IFRS, the negative shares in equity attributable to them of € 606.2 m had to be eliminated against the revenue reserves.

TUI Travel PLC was re-registered as a private company and became TUI Travel Ltd. with effect from 19 January 2015.

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

EFFECTS ON EQUITY BEFORE NON-CONTROLLING INTEREST

€ million	2014/15
Effects on subscribed capital	**620.6**
Increase in capital reserves	2,693.1
Transaction costs	–16.3
Effects on capital reserves	**2,676.8**
Carrying amount of non-controlling interest acquired	–606.2
Consideration for non-controlling interest acquired	–3,313.7
Transaction costs	–46.0
Amount recognised in retained earnings	**–3,965.9**
Effects on equity before non-controlling interest	**–668.5**

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

The EGM also resolved to create authorised capital in order to secure the share-based payment schemes granted in 2012 and 2013 in the former Travel Sector. The General Meeting of TUI Travel PLC on 28 October 2014 resolved to amend the Articles of Association accordingly, stipulating that all entitlements to shares in TUI Travel PLC arising in future from these schemes will have to be converted into TUI AG shares at an exchange ratio of 1:0,399.

These arrangements excluded £200.0 m of convertible bonds issued by TUI Travel PLC, acquired by Deutsche Bank in 2010. TUI AG exercised economic control over these bonds through a financing agreement. In connection with the completion of the merger, Deutsche Bank and TUI AG agreed in December 2014 to terminate this financing scheme early, with redemption of the remaining amount of £150.0 m to take place in two steps. Accordingly, a payment of £83.3 m (or €105.8 m) was made in December 2014. On 27 January 2015, TUI AG paid the amount of £66.7 m (or €89.4 m) still outstanding at that point in time and a compensation of around £3 m for the early repayment as consideration for the transfer of the bonds. In March 2015, TUI Travel Ltd. redeemed the convertible bonds early by paying £200.0 m to TUI AG.

In the wake of the merger, the Group's funding was also revised. The credit facility previously granted to TUI Travel PLC was replaced by corresponding financing agreements of TUI AG. The newly negotiated funding scheme consists of a revolving credit line of €1,535.0 m and a facility to grant bank guarantees of €215.0 m, maturing on 30 June 2018. Total transaction costs amounted to €16.8 m. They are included as prepaid expenses in the statement of financial position and charged to expenses on a straight-line basis over the term of the credit facility.

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

ACQUISITIONS – DIVESTMENTS – DISCONTINUED OPERATION

ACQUISITIONS

In financial year 2014 / 15, 11 travel agencies were acquired in the form of asset deals. Moreover, further interests were acquired in aQi Hotel Schladming GmbH and aQi Hotelmanagement GmbH, previously measured at equity. Due to the acquisitions, the TUI Group now holds 100 % of the shares in each of these companies. The consideration transferred by the TUI Group for the acquisitions exclusively comprises purchase price payments and totals € 3.4 m.

The acquisitions did not have a material effect on turnover or the Group result for the reporting period.

No major acquisitions were carried out after the balance sheet date.

The purchase price allocations of the following companies and businesses acquired in financial year 2013 / 14 were finalised within the twelve-month timeframe provided under IFRS 3 in the present annual financial statements without having a major impact on the consolidated statement of financial position:

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

DIVESTMENTS

In May 2015, the decision was taken to split up the adventure travel portfolio, pooled in the Australian subsidiary PEAK Adventure Travel Group Ltd between TUI AG and the then non-controlling shareholders in PEAK. On 31 July 2015, an agreement was executed with the non-controlling shareholders to retain, in particular, the activities in Europe and North America in the Group and to transfer the remaining business to the non-controlling shareholders. Upon execution, the companies to be transferred, previously included in the Specialist Group segment had to be derecognised. In return, TUI AG received the non-controlling stakes in the companies remaining within the Group. The transaction generated a profit of € 4.4 m, included under Other income. This profit includes the amounts reclassified from equity.

The effects of the other divestments on the TUI Group's net assets, financial position and results of operations were immaterial.

DISCONTINUED OPERATION

TUI AG has decided to exit the LateRooms Group segment. The LateRooms Group consists of the online hotel portals LateRooms, AsiaRooms and MalaPronta, which provide accommodation services to final customers, in particular in the UK, Asia and Brazil. The operating business of AsiaRooms was discontinued in the second quarter of 2014 / 15. Expenses of € 17.2 m arose in connection with the closure. The discontinuation of the operating business of MalaPronta took place in the fourth quarter of 2014 / 15, resulting in expenses of € 5.4 m. On 6 October 2015, LateRooms was sold. The measurement of LateRooms as at 30 September 2015, based on the agreed purchase price less costs to sell, resulted in impairment charges of € 36.0 m.

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

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

€ million	**2014/15**	2013/14
Turnover	69.7	74.8
Cost of sales	51.4	42.7
Gross profit	**18.3**	**32.1**
Administrative expenses	43.2	36.8
Other expenses	7.3	–
Financial expenses	0.7	0.7
Earnings before income taxes from the discontinued operation	**– 32.9**	**– 5.4**
Income taxes	– 0.1	10.0
Result from the discontinued operation	**– 32.8**	**–15.4**
Result from the measurement of the discontinued operation	– 36.0	–
Result from the discontinued operation	**– 68.8**	**–15.4**
Group loss for the year attributable to shareholders of TUI AG	– 67.0	– 8.3
Group loss for the year attributable to non-controlling interest	–1.8	–7.1

Earnings before income taxes declined year-on-year in financial year 2014/15 due to expenses incurred in connection with the closure of AsiaRooms and MalaPronta.

The result from the measurement of the discontinued operation based on the purchase price less costs to sell does not include any income taxes.

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

ASSETS AND LIABILITIES OF THE DISCONTINUED OPERATION LATEROOMS GROUP AS AT 30 SEP 2015

€ million	30 Sep 2015
Assets	
Other intangible assets	3.9
Property, plant and equipment	7.5
Deferred tax assets	7.8
Non-current assets	**19.2**
Trade receivables and other assets	10.2
Cash and cash equivalents	9.5
Current assets	**19.7**
	38.9

€ million	30 Sep 2015
Equity and liabilities	
Revenue reserves	7.3
Equity before non-controlling interest	**7.3**
Non-controlling interest	0.1
Equity	**7.4**
Deferred tax liabilities	4.0
Non-current liabilities	**4.0**
Trade payables to third-parties	10.6
Current tax liabilities	11.5
Other liabilities	5.4
Current liabilities	**27.5**
	38.9

Receivables from and payables to the Group's continuing operations are eliminated in the consolidated statement of financial position and are therefore not included in the items “Assets held for sale” and “Liabilities related to assets held for sale”.

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

€ million	30 Sep 2015
Current and non-current assets of the LateRooms Group	38.9
Elimination of receivables from continuing operations	– 0.1
Assets held for sale	**38.8**

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

€ million	30 Sep 2015
Current and non-current liabilities of the LateRooms Group	31.5
Elimination of liabilities against continuing operations	–
Liabilities related to assets held for sale	**31.5**

The consolidated cash flow statement shows the cash flows of the overall Group including the discontinued operation. The table below provides a separate presentation of the cash flows of the discontinued operation.

CONDENSED CASH FLOW STATEMENT OF THE DISCONTINUED OPERATION LATEROOMS GROUP

€ million	2014/15	2013/14
Cash outflow from operating activities	–13.6	–10.6
Cash outflow from investing activities	–8.3	–9.3
Cash inflow from financing activities	16.3	11.4
Change in cash and cash equivalents due to exchange rate fluctuation	–0.9	–
Net change in cash and cash equivalents of the discontinued operation	**–6.5**	**–8.5**

FOREIGN EXCHANGE TRANSLATION

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

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

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

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

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

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

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

NET INVESTMENT IN A FOREIGN OPERATION

Monetary items receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, essentially constitute part of a net investment in this foreign operation. Foreign exchange differences from the translation of these monetary items are recognised in other comprehensive income.

EXCHANGE RATES OF CURRENCIES OF RELEVANCE TO THE TUI GROUP

	Closing rate		Annual average rate	
1 € equivalent	**30 Sep 2015**	30 Sep 2014	**2014/15**	2013/14
Sterling	0.74	0.78	0.74	0.82
US dollar	1.12	1.26	1.15	1.36
Swiss franc	1.09	1.21	1.10	1.22
Swedish krona	9.41	9.15	9.35	9.00

CONSOLIDATION METHODS

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

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

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

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

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

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

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

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

Accounting and measurement methods

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

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

TURNOVER RECOGNITION

Turnover comprises the fair value of the consideration received or to be received for the sale of products and services in the course of ordinary business activities. Turnover is stated excluding value-added tax, returns, discounts and price rebates and after elimination of intra-Group sales.

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

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

Interest income is reported on a prorated basis according to the effective interest method. Dividends are recognised when the legal entitlement has arisen.

GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

USEFUL LIVES OF INTANGIBLE ASSETS

	Useful lives
Concessions, property rights and similar rights	up to 20 years
Trademarks at acquisition date	15 to 20 years
Order book as at acquisition date	until departure date
Software	3 to 10 years
Customer base as at acquisiton date	up to 15 years

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

Depending on the functional area of the intangible asset, depreciation, amortisation and impairments are included under cost of sales or administrative expenses. If the original cause of a prior year impairment no longer applies, the impairment is written back to other income.

Intangible assets with indefinite useful lives are not amortised but are tested for impairment at least annually. In addition, impairment tests are conducted if there are any events or indications suggesting potential impairment. The TUI Group's intangible assets with an indefinite useful life consist exclusively of goodwill.

Impairment tests for goodwill are conducted on the basis of cash generating units. According to the IASB rules, cash generating units are the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Impairments are recognised where the carrying amount of the tested units plus the allocated goodwill exceeds the recoverable amount. The recoverable amount is the higher of fair value less costs of disposal and the present value of future cash flows based on continued use (value in use). The fair value less costs of disposal corresponds to the amount that could be generated between knowledgeable, willing, independent business partners after deduction of the costs of disposal. Due to the restrictions applicable to the determination of cash flows when deriving the value in use, e. g. the requirement not to account for earnings effects from investments in expansions or from restructuring activities for which no provision was formed according to IAS 37, the fair value less costs of disposal usually exceeds the value in use and therefore represents the recoverable amount.

Impairments of goodwill required are shown separately in the consolidated income statement. In accordance with IAS 36, reversals of impairment losses for goodwill are prohibited.

PROPERTY, PLANT AND EQUIPMENT

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

Borrowing costs directly associated with the acquisition, construction or production of qualifying assets are included in the costs to acquire or produce these assets until the assets are ready for their intended use. The capitalisation rate is 4.00 % for the current financial year and 6.00 % for the previous year. In financial year 2014 / 15, borrowing costs of € 8.8 m (previous year € 10.1 m) were capitalised as part of the costs to purchase and costs to produce. Other borrowing costs are recognised as current expenses.

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

Depreciation of property, plant and equipment is based on the straight-line method, based on the customary useful lives. Use-related depreciation and amortisation is based on the following useful lives:

USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

	Useful lives
Hotel buildings	30 to 40 years
Other buildings	up to 50 years
Cruise ships	20 to 30 years
Yachts	5 to 15 years
Motorboats	15 to 24 years
Aircraft	
Fuselages and engines	up to 18 years
Engine overhaul	depending on intervals, up to 5 years
Major overhaul	depending on intervals, up to 5 years
Spare parts	12 years
Other machinery and fixtures	up to 40 years
Operating and business equipment	up to 10 years

Moreover, the level of depreciation is determined by the residual amounts recoverable at the end of the useful life of an asset. The residual value assumed in first-time recognition for cruise ships and hotel complexes is 30 % of the acquisition costs. The determination of the depreciation of aircraft fuselages, aircraft engines and spare parts in first-time recognition is based on a residual value of 20 % of the cost of acquisition.

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

Any losses in value going beyond wear-and-tear depreciation are taken into account through the recognition of impairment losses. If there are any events or indications suggesting impairment, the required impairment test is performed to compare the carrying amount of an asset with the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and the value of future cash flows attributable to the asset (value in use).

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

LEASES

FINANCE LEASES

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

Where companies of the TUI Group are lessors in finance leases, receivables equivalent to the net investment value are included for the leases. The periodic distribution of the income from finance leases results in constant interest payments on the outstanding net investment volume of the leases over the course of time.

OPERATING LEASES

Both expenses incurred and income received under operating leases are recognised in the income statement on a straight-line basis over the term of the corresponding leases.

SALE-AND-LEASE-BACK TRANSACTIONS

Gains from sale-and-lease-back transactions resulting in a finance lease are recognised in income over the term of the lease.

If a sale-and-lease-back transaction results in an operating lease, a gain or loss is recognised immediately if the transaction has demonstrably been carried out at fair value. If a loss is compensated for by future lease payments at below-market price, this loss is deferred and amortised over the term of the lease agreement. If the agreed purchase price exceeds fair value, the gain arising from the difference between these two values is also deferred and amortised.

INVESTMENT PROPERTY

Property not occupied for use by subsidiaries and exclusively held to generate rental income and capital gains is recognised at amortised cost. This property is amortised over a period of up to 50 years.

FINANCIAL INSTRUMENTS

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

In accordance with IAS 39, financial instruments are broken down into financial assets or liabilities to be measured at fair value through profit and loss, loans and receivables, financial assets available for sale, financial assets held to maturity and other liabilities.

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

In financial year 2014 / 15, no major reclassifications were recognised within the individual measurement categories as in the previous year.

PRIMARY FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

Loans and receivables are non-derivative financial assets with fixed or fixable contractual payments not listed in an active market. They are shown under trade accounts receivable and other assets in the statement of financial position and classified as current receivables if they mature within twelve months of the balance sheet date.

In the framework of follow-up measurement, loans and receivables are measured at amortised cost based on the effective interest method. Value adjustments are made to account for identifiable individual risks. Where objective information indicates that impairments are required, e. g. substantial financial difficulties of the counterparty, payment delays or adverse changes in regional industry conditions expected to impact the Group's borrowers in the light of past experience, impairments are recognised at an amount corresponding to the expected loss. Impairments and reversals of impairments are included under cost of sales, administrative expenses or financial expenses, depending on the nature of the transaction.

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

Financial assets available for sale are measured at their fair value upon initial recognition. Changes in the fair value are included in equity outside profit or loss until the disposal of the assets. If there is objective evidence of impairment, an impairment loss is taken through profit and loss. Objective evidence may, in particular, be substantial financial difficulties of the counterparty and significant changes in the technological, market, legal or economic environment. Moreover, for equity instruments held, a significant or prolonged decline in the fair value below its cost is also objective evidence of impairment. The TUI Group concludes that a significant decline exists if the fair value falls by more than 20 % below cost. A decline is assessed as prolonged if the fair value remains below cost for more than twelve months. In the event of subsequent reversal of the impairment, the impairment included in profit or loss is not reversed for equity instruments but recognised in other comprehensive income. Where a listed market price in an active market is not available for shares held in companies and other methods to determine an objective market value are not applicable, these equity instruments are measured at cost.

A derecognition of assets is primarily recognised as at the date on which the rights for payments from the asset expire or are transferred and therefore as at the date essentially all risks and rewards of ownership are transferred.

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

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

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

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

The TUI Group applies the hedge accounting provisions relating to hedging of balance sheet items and future cash flows. Depending on the nature of the underlying transaction, the Group classifies derivative financial instruments either as fair value hedges against exposure to changes in the fair value of assets or liabilities or as cash flow hedges against variability in cash flows from highly probable future transactions.

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

Changes in the fair value of derivatives used as fair value hedges for the recognised assets or liabilities are recognised through profit and loss. Moreover, the carrying amounts of the underlying transactions are adjusted through profit and loss for the gains or losses resulting from the hedged risk.

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

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

INVENTORIES

Inventories are measured at the lower of cost or net realisable value. Net realisable value is the estimated selling price less the estimated cost incurred until completion and the estimated variable costs required to sell. All inventories are written down individually where the net realisable value of inventories is lower than their carrying amounts. Where the original causes of inventory write-downs no longer apply, the write-downs are reversed. The measurement method applied to similar inventory items is the weighted average cost formula.

CASH AND CASH EQUIVALENTS

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

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if the associated carrying amount will be recovered principally through sale rather than through continued use.

The reclassification is made at the lower of carrying amount and fair value less costs of disposal. Depreciation and at equity measurements are suspended. Impairment charges are recognised in profit and loss, with any gains on subsequent remeasurement resulting in the recognition of profits of up to the amount of the cumulative impairment cost.

EQUITY

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

OWN SHARES

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

PROVISIONS

Other provisions are formed when the Group has a current legal or constructive obligation as a result of a past event and where in addition it is probable that assets will be impacted by the settlement of the obligation and the level of the provision can be reliably determined. Provisions for restructuring comprise severance payments to employees and payments for the early termination of rental agreements. Provisions for environmental protection measures, in particular the disposal of legacy industry waste, are recognised if future cash outflows are likely due to legal and public obligations to implement safeguarding or restoration measures, if the cost of these measures can be reliably estimated and the measures are not expected to lead to a future inflow of benefits.

Provisions for onerous losses are formed if the unavoidable costs of meeting contractual obligations exceed the expected economic benefit. Any assets concerned are impaired, if necessary, prior to forming the appropriate provision. No provisions are recognised for future operating losses.

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

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

The pension provision recognised for defined benefit plans corresponds to the net present value of the defined benefit obligations (DBOs) as at the balance sheet date less the fair value of the plan assets. Measurement of any pension assets is limited to the net present value of the value in use in the form of reimbursements from the plan or reductions in future contribution payments. The DBOs are calculated annually by independent actuaries using the projected unit credit method. The net present value of the DBOs is calculated by discounting the expected future outflows of cash at a rate based on the interest rate of top-rated corporate bonds.

Past service cost is immediately recognised through profit or loss. Remeasurements (in particular actuarial gains and losses) arising from the regular adjustment of actuarial parameters are eliminated against equity outside profit and loss in full when they occur.

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

LIABILITIES

Liabilities are always recognised at the date on which they arise at fair value less borrowing and transaction costs. Over the course of time, liabilities are measured at amortised cost based on application of the effective interest method.

When issuing bonds comprising a debt component and a second component in the form of conversion options or warrants, the proceeds obtained for the respective components are recognised in accordance with their character. At the issuing date, the debt component is included as a bond at a value that would have been generated for the issue of this debt instrument without corresponding conversion options or warrants on the basis of current market terms. If the conversion options or warrants have to be classified as equity instruments, the difference over the issuing proceeds generated is transferred to the capital reserve with deferred taxes taken into account.

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

DEFERRED TAXES

In accordance with IAS 12, deferred taxes are determined using the balance sheet liability method. Accordingly, probable future tax assets and liabilities are recognised for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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

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

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

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

CURRENT INCOME TAXES

The German companies of the TUI Group have to pay trade income tax of 15.2 % (previous year 15.2 % or 15.7 % depending on the applicable rate). As in the prior year, the corporation tax rate is 15.0 %, plus a 5.5 % solidarity surcharge on corporation tax.

The calculation of foreign income taxes is based on the laws and provisions applicable in the individual countries. The income tax rates applied to foreign companies vary from 0.0 % to 40.0 %.

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

SHARE-BASED PAYMENTS

All share-based payment schemes in the Group are payment schemes paid in cash or via equity instruments.

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

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

The fair value of the awards granted is measured using option valuation models, taking into account the terms and conditions upon which the awards were granted. The amount to be included under staff costs is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to market-based performance conditions not meeting the thresholds for vesting.

SUMMARY OF SELECTED ACCOUNTING AND MEASUREMENT METHODS

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

SUMMARY OF SELECTED MEASUREMENT BASES

Item in the statement of financial position	Measurement base
Assets	
Goodwill	At cost (subsequent measurement: impairment test)
Other intangible assets with indefinite useful lives	At cost (subsequent measurement: impairment test)
Other intangible assets with definite useful lives	At amortised cost
Property, plant & equipment	At amortised cost
Equity accounted investments	At cost as adjusted for post-acquisition changes in the Group's share of the investment's net assets
Financial assets	
Loans and receivables	At amortised cost
Held to maturity	Not applicable
Held for trading / Derivatives	At fair value
Available for sale	Fair value (with gains or losses recognised within other comprehensive income) or at cost
Inventory	Lower of cost and net realisable value
Trade and other receivables	At amortised cost
Cash and cash equivalents	At cost
Assets held for sale	Lower of cost and fair value less cost of disposal
Liabilities and Provisions	
Loans and borrowings	At amortised cost
Provision for pensions	Projected unit credit method
Other provisions	Present value of the settlement amount
Financial liabilities	
Non-derivative financial liabilities	At amortised cost
Derivative financial liabilities	At fair value
Payables, trade and other liabilities	At amortised cost

Key estimates and judgements

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

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

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

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

Other estimates and judgements relate to the determination of the recoverable amount in the framework of impairment tests for equity accounted investments and the determination of the fair value of financial instruments, in particular the investment in Hapag-Lloyd AG.

Details of the fair value measurement of the investment in Hapag-Lloyd AG and a sensitivity analysis are disclosed in Note 44. Details of the impairment are given in Note 19.

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

GOODWILL

The goodwill reported as at 30 September 2015 had a carrying amount of € 3,220.4 m (previous year € 3,136.2 m). Following the merger of TUI AG and TUI Travel PLC, the goodwill that was allocated to the former TUI Travel sector was reallocated to the newly created segments. In reallocating goodwill, judgement have been made regarding the methodology and valuation assumptions used to determine the relative values of the newly created segments. The determination of the recoverable amount of a CGU for the annual impairment test requires estimates and judgement with regard to the methodology used and the assumptions, which may have a considerable effect on the recoverable amount and the level of a potential impairment. They relate, in particular, to the weighted average cost of capital (WACC) after income taxes, used as the discounting basis, the growth rate in perpetuity and the forecasts for future cash flows including the underlying budget assumptions based on corporate planning. Changes in these assumptions may have a substantial impact on the recoverable amount and the level of a potential impairment.

Detailed disclosures about the reallocation of the goodwill of the former TUI Travel sector and the impairment testing and the methods and assumptions used are provided in the section on “Goodwill and other intangible assets” in the section on “Accounting and measurement methods”.

ACQUISITION OF COMPANIES AND INTANGIBLE ASSETS

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

Detailed information on acquisitions of companies or useful lives of intangible assets is provided in the section "Acquisitions – divestments – discontinued operation" in the chapter on "Principles and methods of consolidation" and in the section on "Goodwill and other intangible assets" of the section "Accounting and measurement methods".

PROPERTY, PLANT AND EQUIPMENT

The measurement of wear-and-tear property, plant and equipment items entails estimates. The carrying amount of property, plant and equipment as at 30 September 2015 totals € 3,629.6 m (previous year € 2,836.0 m). In order to review the amounts carried, an evaluation is carried out on an annual basis to assess whether there are any indications of a potential impairment. These indications relate to a number of areas and factors, e. g. the market-related or technical environment but also physical condition. If any such indication exists, management must estimate the recoverable amount on the basis of expected cashflows and appropriate interest rates. Moreover, essential estimates and judgements relate to the definition of economic useful lives as well as the residual amounts of items of property, plant and equipment which may be recovered.

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

PENSION PROVISIONS

As at 30 September 2015, the carrying amount of the provisions for pensions and similar obligations totals € 1,146.9 m (previous year € 1,274.5 m). For those pension plans, where the plan assets exceed the obligation, other assets amounting to € 15.2 m are shown as at 30 September 2015 (prior year € Nil).

In order to determine the obligations under defined benefit pension schemes, actuarial calculations are used which depend on underlying assumptions concerning life expectancy and the discount rate. In terms of the estimation of the discount rate used, there has been a change as at 30 September 2015 that is explained in the section "Changes in estimates".

At the balance sheet date, plan assets total € 2,302.1 m (previous year € 1,980.0 m). As assets classified as plan assets are never available for short-term sale, the fair values of these plan assets may change significantly up to the realisation date. The interest rate used to discount the liability is also used to determine the expected return on plan assets.

Detailed information on actuarial assumptions is provided in Note 32.

OTHER PROVISIONS

As at 30 September 2015, other provisions of € 1,209.7 m (previous year € 1,072.6 m) are shown. When recognising and measuring provisions, assumptions are required about probability of occurrence, maturity and level of risk. Provisions are recognised if a past event has resulted in a current legal or constructive obligation, if an outflow of assets is probable in order to meet that obligation, and if a reliable estimate can be made of the amount of the liability.

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

More detailed information on other provisions is offered in the Notes to the statement of financial position under Note 33.

DEFERRED TAX ASSETS

As at 30 September 2015, deferred tax assets totalling € 330.7 m (previous year € 235.9 m) were recognised. Prior to offsetting against deferred tax liabilities, deferred tax assets total € 682.7 m, including an amount of € 239.4 m (previous year € 135.0 m) for capitalised losses carried forward. The assessment of the usability of deferred tax assets is based on the ability of the respective Group company to generate sufficient taxable income. TUI therefore assesses as at every balance sheet date whether the recoverability of expected future tax savings is sufficiently probable in order to recognise deferred tax assets. The assessment is based on various factors including internal forecasts regarding the future tax asset situation of the Group company. If the assessment of the recoverability of future deferred tax claims changes, impairments may be recognised, if necessary, for the deferred tax assets.

More detailed information on deferred tax assets is available in the Notes to the statement of financial position under Note 22.

CURRENT INCOME TAXES

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

Detailed information on the contingency due to German trade tax is available in the Notes to the statement of financial position under Note 40.

RECOVERABLE AMOUNTS OF TOURISTIC PREPAYMENTS

At 30 September 2015, trade receivables and other assets include touristic prepayments of €966.6m (previous year € 895.8m). The assessment of the recoverable amounts of touristic prepayments made to hoteliers requires judgement about the volumes of future trading with hoteliers and the credit worthiness of those hoteliers. To assess the recoverablity of touristic prepayments, TUI considers the financial strength of those hoteliers, the quality of the hotels as well as the demand for each hotel and the touristic destination during the past and in coming seasons.

CHANGES IN ESTIMATES

The discount rate used for discounting pension obligations is based on an index of first-class corporate bonds. This far, the yield structure resulting from that index has been extrapolated on the basis of the yield curves for various almost risk-free bonds, taking account of an appropriate risk mark-up reflecting the term of the obligation. The risk-free bonds were German government bonds and zero-coupon euro-denominated interest rate swaps. Against the backdrop of strongly diverging interest rates in the Eurozone in the period under review, the yield structures of these bonds currently vary strongly. However, taking account of the fact that a large majority of pension obligations within the Eurozone are held in Germany, the extrapolation of the yield structure will exclusively be based on German government bonds from 30 September 2015. The change in this estimate will cause the discount rate to rise by 25 basis points. As a result, provisions for pensions and similar obligations will decline by € 30.6 m, while deferred tax assets will decrease by € 9.5 m and equity will rise by € 21.1 m outside profit and loss.

Due to the higher discount rate, the net interest on the net defined benefit liability for the next financial year will increase accordingly. Applying the same estimates as in the past, the net interest for the pension plans concerned would have been € 12.7 m for the financial year 2015 / 16. Using the changed estimates, the expected net interest for these plans increases to € 13.9 m for the next financial year.

Segment Reporting

Notes on the segments

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

Due to the merger between TUI AG and TUI Travel PLC, the TUI Group changed its organisational structure in financial year 2014 / 15. With effect from 31 March 2015, the previously used reporting structure according to IFRS 8 was adjusted to reflect the changed control concept of the new TUI Group.

Prior to the merger with TUI Travel PLC, TUI Travel was a reportable segment, managed as a separate entity from TUI Group's perspective. After the merger, the services offered by TUI AG and TUI Travel PLC were integrated and a new organisational structure was created. The previous segments TUI Travel (comprised of the four businesses Mainstream, Specialist & Activity, Accommodation & Destinations and Other), TUI Hotels & Resorts and Cruises have been replaced by the following segments:

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

The Northern Region segment comprises the tour operators and airlines as well as the cruise business in the UK, Ireland and the Nordic countries. This segment also comprises the strategic Canadian venture Sunwing and the joint venture TUI Russia.

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

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

The Hotels & Resorts segment comprises all Group-owned hotels and hotel shareholdings of the TUI Group. The hotel activities of the former Travel Sector have also been allocated to the Hotels & Resorts segment.

The Cruises segment consists of Hapag-Lloyd Kreuzfahrten and the joint venture TUI Cruises, as before.

The Other Tourism segment comprises the French commercial airline Corsair and, in particular, central tourism functions such as the flight control and information technology.

The Specialist Group segment comprises the specialist tour operators previously carried under the designation Specialist & Activity.

The Hotelbeds Group segment was previously included in the Accommodation & Destinations business and comprises the B2B hotel portals and incoming agencies.

Apart from the segments listed above, the "All other segments" category continues to be shown. It carries, in particular, the corporate centre functions of TUI AG and the interim holdings as well as the Group's real estate companies. The corporate centre functions of TUI Travel PLC, previously included in TUI Travel, have also been allocated to this segment.

The segments Northern Region, Central Region, Western Region, Hotels & Resorts, Cruises and Other Tourism constitute the Tourism Business. The segments Specialist Group, Hotelbeds Group and Other segments comprise other, non-core businesses not related to Tourism. The LateRooms Group operates the online hotel portals LateRooms, AsiaRooms and MalaPronta, offering accommodation services to final consumers. It has been classified as a discontinued operation. For more detailed information, we refer to the section on "Discontinued operation" under "Accounting principles" and the chapter on "Acquisitions, divestments and discontinued operations".

The prior year numbers have been restated to reflect the new reporting structure.

Notes to the segment data

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

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

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

Alongside this indicator, segment reporting is voluntarily extended to include EBITDA and EBITDAR. In the TUI Group EBITDA is defined as earnings before interest, income taxes, goodwill impairments and amortisation and write-ups of other intangible assets, depreciation and write-ups of property, plant and equipment and investments. The amounts of amortisation and depreciation represent the net balance including write-backs. For the reconciliation from EBITDA to the indicator EBITDAR, long-term leasing and rental expenses are eliminated.

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

Assets and liabilities per segment are not included in the reporting to the Executive Board and are therefore not shown in segment reporting. The only asset-related segmental indicator reported to the Executive Board is capital expenditure, which therefore is also disclosed in this segment reporting. The amounts shown represent cash capital expenditure in intangible assets and property, plant and equipment in line with the indicator reported internally. Financing, like taken loans and finance lease agreements, are not included in this indicator. Therefore the amount of the capital expenditure does not coincide with the additions to intangible assets and property, plant and equipment. A reconciliation of the investments is presented in a separate table.

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

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

Segment indicators

TURNOVER BY SEGMENT

€ million	2014/15 External	2014/15 Group	2014/15 Total	2013/14 External restated	2013/14 Group restated	2013/14 Total restated
Northern Region	7,014.9	130.3	7,145.2	6,200.8	98.5	6,299.3
Central Region	5,601.8	49.6	5,651.4	5,426.0	64.5	5,490.5
Western Region	2,903.4	9.2	2,912.6	2,970.2	24.6	2,994.8
Hotels & Resorts	574.8	677.4	1,252.2	515.9	648.6	1,164.5
Cruises	273.3	–	273.3	281.0	1.0	282.0
Other Tourism	496.1	3.5	499.6	478.4	14.0	492.4
Consolidation	–	–734.7	–734.7	–	–721.2	–721.2
Tourism	**16,864.3**	**135.3**	**16,999.6**	**15,872.3**	**130.0**	**16,002.3**
Specialist Group	1,835.1	–	1,835.1	1,625.5	–	1,625.5
Hotelbeds Group	1,227.1	173.2	1,400.3	999.7	220.8	1,220.5
All other segments	85.1	77.7	162.8	39.3	71.2	110.5
Consolidation	–	–386.2	–386.2	–	–422.0	–422.0
Continuing operations	**20,011.6**	**–**	**20,011.6**	**18,536.8**	**–**	**18,536.8**
Discontinued operations	69.7	–	69.7	74.8	–	74.8
Total	**20,081.3**	**–**	**20,081.3**	**18,611.6**	**–**	**18,611.6**

EBITA AND UNDERLYING EBITA BY SEGMENT

€ million	EBITA 2014/15	EBITA 2013/14 restated	Underlying EBITA 2014/15	Underlying EBITA 2013/14 restated
Northern Region	505.3	428.3	530.3	398.3
Central Region	72.9	140.3	103.5	163.0
Western Region	56.6	61.6	68.8	81.7
Hotels & Resorts	195.7	199.1	234.6	202.8
Cruises	80.5	24.2	80.5	9.7
Other Tourism	–26.4	–27.6	–21.1	–22.3
Tourism	**884.6**	**825.9**	**996.6**	**833.2**
Specialist Group	38.5	26.6	56.2	45.5
Hotelbeds Group	82.3	29.1	116.8	101.7
All other segments	–140.1	–104.4	–100.6	–110.5
Continuing operations	**865.3**	**777.2**	**1,069.0**	**869.9**
Discontinued operations	–68.1	–4.7	–8.5	–2.8
Total	**797.2**	**772.5**	**1,060.5**	**867.1**

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

€ million	2014/15	2013/14 restated
Underlying EBITA of continuing operations	**1,069.0**	**869.9**
Result on disposal*	5.2	3.7
Restructuring expense*	–64.8	–43.6
Expense from purchase price allocation*	–76.2	–71.8
Expense (previous year income) from other one-off items*	–67.9	19.0
EBITA of continuing operations	**865.3**	**777.2**
Profit (previous year loss) on Container Shipping measured at equity	0.9	–54.2
Loss on measurement of financial investment in Container Shipping	–147.1	–
Net interest expense and expense from measurement of interest hedges	–183.7	–224.3
Earnings before income taxes of continuing operations	**535.4**	**498.7**

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

EBITDA AND EBITDAR BY SEGMENT

€ million	EBITDA 2014/15	EBITDA 2013/14 restated	Long-term leasing and rental expenses 2014/15	Long-term leasing and rental expenses 2013/14	EBITDAR 2014/15	EBITDAR 2013/14 restated
Northern Region	608.4	532.1	365.0	341.7	973.4	873.8
Central Region	101.2	162.8	206.5	139.9	307.7	302.7
Western Region	78.6	84.9	144.5	128.6	223.1	213.5
Hotels & Resorts	308.7	280.3	116.8	110.1	425.5	390.4
Cruises	97.6	37.3	10.7	38.8	108.3	76.1
Other Tourism	24.2	–2.9	29.1	26.2	53.3	23.3
Consolidation	–	–	–5.6	–15.9	–5.6	–15.9
Tourism	1,218.7	1,094.5	867.0	769.4	2,085.7	1,863.9
Specialist Group	86.0	70.1	60.7	49.4	146.7	119.5
Hotelbeds Group	121.7	63.9	18.0	16.3	139.7	80.2
All other segments	–64.4	–64.9	374.4	320.0	310.0	255.1
Consolidation	–	–	–451.9	–357.4	–451.9	–357.4
Continuing operations	**1,362.0**	**1,163.6**	**868.2**	**797.7**	**2,230.2**	**1,961.3**
Discontinued operations	–12.1	7.1	1.0	1.0	–11.1	8.1
Total	**1,349.9**	**1,170.7**	**869.2**	**798.7**	**2,219.1**	**1,969.4**

OTHER SEGMENTAL INFORMATION

€ million	Amortisation (+) / write-backs (–) of intangible assets and depreciation (+) / write-backs (–) of property, plant and equipment and investments 2014/15	2013/14 restated	Thereof impairments (+) / write-backs (–) 2014/15	2013/14	Share of result of joint ventures and associates 2014/15	2013/14 restated	Capital expenditure 2014/15	2013/14 restated
Northern Region	103.1	103.8	5.3	18.3	23.7	– 0.3	65.3	70.5
Central Region	28.3	22.5	4.4	0.3	3.1	3.1	23.6	24.9
Western Region	22.0	23.3	0.4	–	–	–	23.6	22.3
Hotels & Resorts	113.0	81.2	25.6	0.3	44.0	40.7	167.3	133.6
Cruises	17.1	13.1	–	–	68.1	31.3	86.7	10.4
Other Tourism	50.6	24.7	23.2	–	–	– 0.2	82.5	39.0
Tourism	**334.1**	**268.6**	**58.9**	**18.9**	**138.9**	**74.6**	**449.0**	**300.7**
Specialist Group	47.5	43.5	1.0	0.2	–	0.6	35.7	32.7
Hotelbeds Group	39.4	34.8	–	0.2	4.7	5.6	38.4	27.8
All other segments	75.7	39.5	0.6	– 6.4	–	0.2	60.0	12.7
Continuing operations	**496.7**	**386.4**	**60.5**	**12.9**	**143.6**	**81.0**	**583.1**	**373.9**
Discontinued operations	56.0	11.8	49.1	–	–	–	11.2	11.8
Total	**552.7**	**398.2**	**109.6**	**12.9**	**143.6**	**81.0**	**594.3**	**385.7**

RECONCILIATION OF CAPITAL EXPENDITURE

€ million	2014/15	2013/14 restated
Capital expenditure	594.3	385.7
Debt financed investments	211.0	–
Finance leases	477.4	161.5
Advance payments	232.1	216.5
Additions to the group of consolidated companies	8.6	39.2
Additions to other intangible assets, investment property and property, plant and equipment	**1,523.4**	**802.9**

KEY FIGURES BY REGION

€ million	External turnover by customer 2014/15	2013/14 restated	Thereof external turnover from discontinued operation 2014/15	2013/14	Non-current assets 2014/15	2013/14 restated	Thereof non-current assets from discontinued operation 2014/15	2013/14
Germany	5,033.0	4,860.6	0.3	0.5	581.3	374.4	–	–
Great Britain	6,824.3	6,010.3	63.1	63.1	2,054.7	1,474.6	11.4	27.1
Spain	483.4	164.4	0.2	0.3	604.4	581.2	–	–
Other Europe	6,148.4	6,222.8	1.9	2.9	499.3	552.6	–	–
North and South America	972.8	875.1	1.2	1.9	533.8	500.9	–	–
Rest of the world	619.4	478.4	3.0	6.1	462.9	495.6	–	9.8
Total	**20,081.3**	**18,611.6**	**69.7**	**74.8**	**4,736.4**	**3,979.3**	**11.4**	**36.9**

Notes to the Consolidated Income Statement

The financial year 2014 / 15 showed a strong growth in the TUI Group's earnings position. Operating growth was driven by the very good performance of Northern Region, Hotels & Resorts and Cruises. The significant increase in the result from continuing operations reflected an improved operating performance, favourable effects of foreign exchange conversion, a better interest result and lower tax charges following the merger with TUI Travel PLC.

(1) Turnover

Group turnover is mainly generated from tourism services. A breakdown of turnover into the segments is shown in the segment reporting.

(2) Cost of sales and administrative expenses

The cost of sales relates to the expenses incurred in the rendering of tourism services. In addition to the expenses for personnel, 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 activities by the administrative functions and break down as follows:

ADMINISTRATIVE EXPENSES

€ million	**2014 / 15**	2013 / 14 restated
Staff cost	971.2	878.7
Lease, rental and leasing expenses	78.3	72.3
Depreciation, amortisation and impairments	106.5	90.6
Others	559.4	492.2
Total	**1,715.4**	**1,533.8**

Apart from foreign exchange effects, the year-on-year increase in administrative expenses in financial year 2014 / 15 mainly results from reorganisation and restructuring measures implemented in the reporting period, in particular as a result of the rationalisation of the corporate head office, the planned integration of incoming agencies into the source market organisations and the aggregation of the airlines. The reorganisation schemes in the Germany, Benelux and Nordic source markets also resulted in higher administrative expenses compared to the prior year. Further expenses particularly relate to impairments of VAT claims in an Italian subsidiary and the recognition of provision for pending litigation in connection with the acquisition of the business of a Turkish hotel management company.

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

LEASE, RENTAL AND LEASING EXPENSES

€ million	**2014 / 15**	2013 / 14 restated
Lease, rental and leasing expenses	**929.6**	**860.0**
thereof cost of sales	851.3	787.7
thereof administrative expenses	78.3	72.3

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

The year-on-year increase in lease, rental and leasing expenses mainly relates to lease expenses for aircraft. As the lease agreements for aircraft have been denominated in US dollars, leasing expenses have risen due to the exchange rates movements. Moreover, lease payments for aircraft have increased slightly year-on-year due to changes in the composition of the aircraft fleet. This increase offsets the decline in leasing expenses for cruise ships driven by the acquisition of Europa 2, which had previously been leased.

STAFF COSTS

€ million	**2014 / 15**	2013 / 14 restated
Wages and salaries	2,233.6	2,083.7
thereof cost of sales	1,426.6	1,351.2
thereof administrative expenses	807.0	732.5
Social security contributions, pension costs and benefits	482.0	362.5
thereof cost of sales	317.8	216.3
thereof administrative expenses	164.2	146.2
Total	**2,715.6**	**2,446.2**

Pension costs include among others service cost for defined benefit obligations. The net interest expense from the defined benefit obligations is included under financial expenses due to its financing nature. A detailed presentation of pension obligations is provided in Note 32.

Beside foreign exchange effects, the increase in the expenses for wages and salaries versus the prior year mainly results from expenses in connection with the restructuring measures outlined in the explanatory information on administrative expenses.

In the prior year, social security contributions, pension costs and other benefits were reduced by an income amounting to € 81.0 m from the curtailment of pension plans, included within cost of sales. Apart from that effect and the restructuring expenses incurred in financial year 2014 / 15, primarily the development of the Euro exchange rate caused a year-on-year increase in expenses due to translation effects.

The average annual headcount (excluding apprentices) developed as follows:

AVERAGE ANNUAL HEADCOUNT IN THE FINANCIAL YEAR (EXCL. APPRENTICES)

	2014/15	2013/14 restated
Average annual – Continuing operations	**70,943**	70,143
Average annual – Discontinued operations	**399**	552
Total	**71,342**	**70,695**

DEPRECIATION/AMORTISATION/IMPAIRMENT

€ million	**2014/15**	2013/14 restated
Depreciation and amortisation	436.3	373.4
thereof cost of sales	331.5	282.9
thereof administrative expenses	104.8	90.5
Impairment of other intangible assets, property, plant and equipment and investment property	59.2	21.6
thereof cost of sales	57.5	21.5
thereof administrative expenses	1.7	0.1
Total	**495.5**	**395.0**

Depreciation and amortisation includes the amortisation of other intangible assets, depreciation of property, plant and equipment as well as write-downs of investment property. The uniform Group-wide useful lives that drive depreciation and amortisation and the principles for impairment are outlined in the section “Accounting and measurement”.

The impairment charge mainly comprises an impairment of € 26.4 on property, plant and equipment in Tenuta di Castelfalfi S.p.A. The main impairment of intangible assets included an impairment charge of € 24.9 m for software.

In the previous year, a major component of the impairment of property, plant and equipment of € 18.2 m related to the impairment of the cruise ship Island Escape.

(3) Other income / other expenses

OTHER INCOME/OTHER EXPENSES

€ million	**2014/15**	2013/14
Other income	51.2	35.9
Other expenses	8.0	2.1
Total	**43.2**	**33.8**

In the financial year 2014 / 15, other income mainly results from the profit that arose from the sale of a Riu Group hotel (€ 16.9 m) sold in Q1 2014 / 15 and from the sale of two Greek hotel companies in Q3 2014 / 15 (€ 10.1 m). Income was also generated from the sale of the companies in the PEAK Adventure Travel Group (€ 4.4 m) and the sale of two hotels in the Specialist Group as well as sale-and-lease-back transactions of aircraft. Further income relates to the recycling of cumulative foreign exchange gains previously carried in equity outside profit and loss resulting from a capital reduction in a subsidiary.

Other income recognised in the prior year mainly related to profits from sale-and-lease-back transactions of aircraft and profits from the disposal of real estate. Additional income resulted from the sale of a hotel company in Switzerland and from gains on disposal from the sale of investments.

Other expenses recognised in the financial year 2014 / 15 mainly resulted from foreign exchange losses in connection with capital reductions and liquidations of subsidiaries and from losses from the sale of aircraft assets.

(4) Goodwill impairment

In financial year 2014 / 15, and also in the prior year, the implementation of impairment tests according to IAS 36 did not result in any goodwill impairments for the TUI Group's cash generating units.

(5) Financial income

FINANCIAL INCOME

€ million	**2014 / 15**	2013 / 14 restated
Income from non-consolidated Group companies including income from profit transfer agreements	1.6	2.0
Income from other investments	1.5	0.4
Income from investments	**3.1**	**2.4**
Other interest and similar income	20.3	25.3
Income from the measurement of interest rate hedges	1.0	–
Interest income	**21.3**	**25.3**
Income from the measurement of other financial instruments	3.9	9.1
Foreign exchange gains on financial items	9.6	–
Total	**37.9**	**36.8**

(6) Financial expenses

FINANCIAL EXPENSES

€ million	**2014 / 15**	2013 / 14 restated
Net interest expenses from defined benefit pension plans	34.4	38.6
Other interest and similar expenses	153.4	207.1
Expenses relating to the measurement of interest rate hedges	17.2	3.9
Interest expenses	**205.0**	**249.6**
Expenses relating to the measurement of the investment in Hapag-Lloyd AG	147.1	–
Expenses relating to the measurement of other financial instruments	6.6	43.6
Foreign exchange losses on financial items	11.4	7.7
Total	**370.1**	**300.9**

The year-on-year reduction in other interest and similar expenses is attributable to changes in the structure of financial liabilities. All convertible bonds were fully converted in financial year 2014 / 15. Accordingly, the interest expense for convertible bonds declined by € 95.9 m. TUI AG also repaid a bank loan of € 100.0 m in August 2014. As a result, the interest expense declined by a further € 12.9 m.

The reduction was partly offset by the impacts of the new funding scheme in connection with the merger between TUI AG and TUI Travel PLC. The credit facility granted to TUI Travel was replaced by a credit facility granted to TUI AG. The issuance costs for the credit facility of TUI Travel PLC previously carried as prepaid expenses of € 14.2 m were fully taken through profit and loss in the first quarter of 2014 / 15. The high-yield bond worth € 300.0 m issued by TUI AG in September 2014 resulted in interest expenses of € 13.5 m. In addition, the acquisition of Europa 2 led to an increase in financial liabilities and a rise in interest expenses of € 9.9 m. Interest expenses also rose by € 10.3 m due to the increase in finance lease liabilities.

In financial year 2014 / 15, expenses for the measurement of financial instruments mainly include an impairment of the stake in Hapag-Lloyd AG, shown in a separate line in the table. For further details please refer to note 19. In the previous year, expenses for the measurement of other financial instruments mainly resulted from the impairment of loans to TUI Russia.

(7) Share of results of joint ventures and associates

SHARE OF RESULT OF JOINT VENTURES AND ASSOCIATES

€ million	**2014 / 15**	2013 / 14 restated
Income from associated companies measured at equity	36.5	29.9
Expenses for associated companies measured at equity	7.6	59.5
Share of result of associates	**28.9**	**– 29.6**
Income from joint ventures measured at equity	127.4	80.4
Expenses for joint ventures measured at equity	11.8	24.0
Share of result of joint ventures	**115.6**	**56.4**
Total	**144.5**	**26.8**

The share of results of joint ventures and associates comprises the net profit for the year attributable to TUI Group.

The considerable increase in the share of results of joint ventures and associates is due to the commissioning of cruise ships Mein Schiff 3 and Mein Schiff 4 by TUI Cruises in June 2014 and June 2015 and the improvement in the operating performance of Riu Hotels and Sunwing Travel Group. Moreover, the prior year comparative figure included losses generated by TUI Russia (€ 21.4 m) and container shipping (€ 38.9 m). In financial year 2014 / 15, no losses were recognised for TUI Russia as this would have resulted in a negative carrying amount for the interests in TUI Russia. Hapag-Lloyd AG, which had a negative profit contribution in the prior year, has been included under financial assets available for sale since 2 December 2014.

In the financial year under review, and also in the prior year the share of results of joint ventures and associates did not include any impairment charges.

(8) Income taxes

BREAKDOWN OF INCOME TAXES

€ million	**2014 / 15**	2013 / 14 restated
Current tax expense		
in Germany	17.5	16.8
abroad	170.1	96.7
Deferred tax income (previous year tax expense)	–100.6	99.0
Total	**87.0**	**212.5**

The increase in the current tax expenses is largely attributable to income taxes related to prior periods, which created tax expenses of € 33.0 m in financial year 2014 / 15 whereas tax income of € 39.2 m had been generated in the prior year.

The deferred tax income is mainly driven by a revaluation of deferred tax assets on losses carried forward in Germany. TUI AG and Leibniz-Service GmbH entered a profit and loss transfer agreement which resulted in an enlargement of the German tax group for income tax purposes. This led to an increase in the recoverability of domestic losses carried forward of € 144.9 m. An offsetting effect amounting to € 30.7 m arose from the impairment of deferred tax assets on losses carried forward in the UK mainly due to the reassessment of planned reorganisation measures following the merger.

In financial year 2014 / 15, total income taxes of € 87.0 m (previous year € 212.5 m) were derived from an "expected" income tax expense that would have arisen if the statutory income tax rate of TUI AG as the parent company (aggregate income tax rate) had been applied to earnings before tax as follows:

RECONCILIATION OF EXPECTED TO ACTUAL INCOME TAXES

€ million	**2014/15**	2013/14 restated
Earnings before income taxes	535.4	498.7
Expected income tax (current year 31.0 %, previous year 31.5 %)	**166.0**	**157.1**
Variation from the difference between actual and expected tax rates	– 44.5	– 44.0
Changes in tax rates and tax law	– 6.9	–1.9
Income not taxable	–130.0	–74.8
Expenses not deductible	165.4	93.7
Effects from loss carryforwards	–110.5	65.9
Temporary differences for which no deferred taxes were recognised	6.8	23.5
Deferred and current tax relating to other periods (net)	39.7	–7.5
Other differences	1.0	0.5
Income taxes	**87.0**	**212.5**

The increase in non-taxable income reflects the non-taxable positive results of joint ventures and associates. Expenses which are not deductible increased, in particular, due to one-off effects in Germany such as the impairment of the interests in container shipping.

The effects of losses carried forward mainly result from the enlargement of the German tax group for income tax purposes. An offsetting effect arises from the impairment of deferred tax assets on losses carried forward in the UK.

(9) Result from discontinued operation

The result from discontinued operation shows the after tax result of the LateRooms Group, which is classified as a discontinued operation. For further information please refer to the section "discontinued operation" within "Acquisitions, divestments and discontinued operations".

(10) Group profit for the year attributable to shareholders of TUI AG

The share in Group profit attributable to the TUI AG shareholders improved from € 90.4 m in the prior year to € 340.4 m in financial year 2014 / 15. Apart from the general improvement in the Group's result, the increase is attributable to the fact that non-controlling interests in TUI Travel PLC were only held until the merger between TUI AG and TUI Travel PLC in December 2014.

(11) Group profit for the year attributable to non-controlling interests

GROUP PROFIT FOR THE YEAR ATTRIBUTABLE TO NON-CONTROLLING INTEREST

€ million	**2014/15**	2013/14 restated
Central Region	2.3	2.5
Western Region	– 0.1	–
Hotels & Resorts	88.8	66.7
Tourism	**91.0**	**69.2**
Specialist Group	– 3.1	0.7
Hotelbeds Group	1.8	1.6
All other segments	0.1	0.1
Formerly Travel (TUI Travel PLC – Group)	– 50.6	108.8
Total	**39.2**	**180.4**

Since the merger of TUI AG and TUI Travel PLC in December 2014 the result of TUI Travel PLC – Group is no longer attributable to non-controlling interests. Accordingly only the losses of the winter season have been attributed to minorities in the current year. The Group result for the year attributable to non-controlling interests in the Hotels & Resorts segment mainly relates to the RIUSA II Group.

(12) Earnings per share

In accordance with IAS 33, basic earnings per share are calculated by dividing the Group profit for the year attributable to TUI AG shareholders by the weighted average number of registered shares outstanding during the financial year under review. The average number of shares is derived from the total number of shares at the beginning of the financial year (286,561,143 shares), the shares resulting from the capital increase (195,412,121 shares on a pro rata temporis basis), the employee shares issued on a pro rata temporis basis (121,251 new shares for 331 days) and the conversion of bonds into new shares (33,263,465 shares on a pro rata temporis basis). The prorated effect of 2,243,264 own shares, held by an employee benefit trust of TUI Travel Ltd., was deducted.

The dividend on the hybrid capital is deducted from Group profit for the year attributable to shareholders of TUI AG until cancellation as of 24 March 2015, since the hybrid capital represents equity but does not constitute Group profit attributable to TUI AG shareholders until cancellation.

EARNINGS PER SHARE

		2014/15	2013/14 restated
Group profit for the year attributable to shareholders of TUI AG	€ million	340.4	90.4
Dividend effect on hybrid capital	€ million	–10.9	–23.2
= Adjusted Group profit for the year attributable to shareholders of TUI AG	€ million	329.5	67.2
Weighted average number of shares		513,114,716	262,595,131
Basic earnings per share	€	**0.64**	**0.26**
– Basic earnings per share from continuing operations	€	0.77	0.29
– Basic earnings per share from discontinued operation	€	–0.13	–0.03

DILUTED EARNINGS PER SHARE

		2014/15	2013/14 restated
Adjusted Group profit for the year attributable to shareholders of TUI AG	€ million	329.5	67.2
Interests savings from convertible bonds	€ million	–	43.6
Diluted and adjusted share in Group profit for the year attributable to shareholders of TUI AG	€ million	329.5	110.8
Weighted average number of shares		513,114,716	262,595,131
Diluting effect from assumed exercise of conversion inputs		–	57,163,090
Diluting effect from assumed exercise of share awards		6,384,006	–
Weighted average number of shares (diluted)		519,498,722	319,758,221
Diluted earnings per share	€	**0.63**	**0.26**
– Diluted earnings per share from continuing operations	€	0.76	0.29
– Diluted earnings per share from discontinued operation	€	–0.13	–0.03

As a rule, a dilution of earnings per share occurs when the average number of shares increases due to the addition of the issue of potential shares. In the period under review, these effects are driven by share-based payment schemes. The conversion rights held in previous years fully expired in financial year 2014/15. The potential shares from convertible bonds, which had to be taken into account in financial year 2013/14, did not create a dilution effect in the prior year as they would have increased earnings per share. Basic and diluted earnings per share were therefore identical in the prior year.

(13) Taxes attributable to other results

TAX EFFECTS RELATING TO OTHER COMPREHENSIVE INCOME

€ million	**2014/15**			2013/14 restated		
	Gross	**Tax effect**	**Net**	Gross	Tax effect	Net
Foreign exchange differences	–221.7	–	–221.7	–115.1	–	–115.1
Available for sale financial instruments	–	–	–	–0.9	–	–0.9
Cash flow hedges	–221.0	27.1	–193.9	119.1	–20.8	98.3
Remeasurements of pension provisions and related fund assets	82.2	–24.2	58.0	–286.0	70.4	–215.6
Changes in the measurement of companies measured at equity outside profit or loss	22.1	–	22.1	14.3	–	14.3
Other comprehensive income	**–338.4**	**2.9**	**–335.5**	**–268.6**	**49.6**	**–219.0**

In addition, income taxes worth € 17.7 m (previous year € 35.4 m) included outside profit and loss were generated in the period under review. They were recognised directly in equity.

Notes on the consolidated statement of financial position

(14) Goodwill

GOODWILL

€ million	2014 / 15	2013 / 14
Historical cost		
Balance as at 1 Oct	**3,590.6**	**3,421.6**
Exchange differences	95.6	146.5
Additions	1.6	27.0
Disposals*	–	4.5
Reclassification as assets held for sale	– 9.0	–
Balance as at 30 Sep	**3,678.8**	**3,590.6**
Impairment		
Balance as at 1 Oct	**454.4**	**445.2**
Exchange differences	3.9	11.2
Disposals*	–	2.0
Reclassification as assets held for sale	0.1	–
Balance as at 30 Sep	**458.4**	**454.4**
Carrying amounts as at 30 Sep	**3,220.4**	**3,136.2**

* Of which no disposals from changes in the group of consolidated companies

The increase in the carrying amount is mainly attributable to the translation of goodwill not reported in the TUI Group's functional currency into Euros.

In accordance with the rules of IAS 21, goodwill allocated to the individual segments and sectors was recognised in the functional currency of the subsidiaries and subsequently translated when preparing the consolidated financial statements. As with the treatment of other differences from the translation of annual financial statements of foreign subsidiaries, differences due to exchange rate movements between the exchange rate at the date of acquisition of the subsidiary and the exchange rate at the balance sheet date are taken directly to equity outside profit and loss and are disclosed as a separate item. In financial year 2014 / 15, the carrying amount of goodwill increase by € 91.7 m (previous year increase of € 135.3 m) as a result of foreign exchange differences.

Prior to the merger of TUI AG with TUI Travel PLC, goodwill was allocated to the former TUI Travel Sector as a whole. Due to the reorganisation of the reporting structure following the merger between TUI AG and TUI Travel PLC, that goodwill was allocated to the newly created segments based on their relative values. The relative values were calculated as the ratios of the fair values of each newly created segment to the total amount of the fair values of the newly created segments. The calculation of the fair values was based on the discounted cash flows, calculated on the basis of the medium-term plan for TUI Travel PLC, prepared as at 30 September 2014. The reorganisation of the reporting structure did not affect the cash generating units allocated to the Hotels & Resorts segment prior to the merger between TUI AG and TUI Travel PLC. The goodwill allocated to these units therefore remained unchanged.

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

GOODWILL PER CASH GENERATING UNIT

€ million	**30 Sep 2015**	30 Sep 2014
Northern Region	1,736.1	–
Central Region	505.7	–
Western Region	338.4	–
Specialist Group	70.5	–
Hotelbeds Group	202.1	–
formerly TUI Travel (TUI Travel PLC Group)	–	2,767.5
Riu	351.7	351.7
Robinson	9.7	9.7
Iberotel	6.2	7.3
Total	**3,220.4**	**3,136.2**

Impairment charges are recognised if the carrying amount of the tested unit plus the allocated goodwill exceeds the recoverable amount. Goodwill was tested for impairment as at 30 June 2015, whilst in previous years it was as at 30 September. The changed date for the goodwill impairment test is mainly attributable to the realignment of the organisational structure due to the merger with TUI Travel PLC.

For all cash generating units, the recoverable amount was determined on the basis of fair value less costs of disposal. The fair value was determined by discounting expected future cash inflows. This was based on the budget for Q4 of the financial year under review, the medium-term plan for the entity under review, prepared as at 30 September 2015, following deduction of income tax payments. Budgeted turnover and EBITA margins are based on empirical values from prior financial years and expectations with regard to the future development of the market. The cash inflows after the planning period are extrapolated on the basis of individual growth rates based on long-term business expectations.

The discount rates are calculated as the weighted average cost of capital, taking account of the risks associated with the cash generating unit on the basis of external capital market information. The cost of equity included in the determination reflects the return expected by investors. The cost of borrowing is derived from the long-term financing terms of comparable companies in the peer group.

The table below provides an overview of the assumptions used for determinating the fair values per CGU. It shows the timeframe for the cash flow forecast, the growth rates used to extrapolate the cash flow forecast, and the relevant valuation hierarchy according to IFRS 13. The table lists the main cash generating units to which goodwill has been allocated. In the prior year, the fair value of the former CGU TUI Travel was determined on the basis of the closing price of the TUI Travel share in its primary market, the London Stock Exchange.

ASSUMPTIONS FOR CALCULATION OF FAIR VALUE IN FINANCIAL YEAR 2014/15

	Planning period in years	Growth rate revenues in %	EBITA-Margin in %	Growth rate after planning period in %	WACC in %	Level
Northern Region	3.25	4.3	6.8	0.5	7.25	3
Central Region	3.25	8.2	2.8	0.5	7.25	3
Western Region	3.25	9.3	3.1	0.5	7.25	3
Riu	3.25	2.4	24.1	0.5	6.75	3
Robinson	3.25	17.9	17.3	0.5	6.75	3
Iberotel	3.25	5.9	18.4	0.5	6.75	3
Specialist Group	3.25	2.3	2.8	0.5	7.25	3
Hotelbeds Group	3.25	11.3	6.0	0.5	7.25	3

ASSUMPTIONS FOR CALCULATION OF FAIR VALUE IN FINANCIAL YEAR 2013/14

	Planning period in years	Growth rate revenues in %	EBITA-Margin in %	Growth rate after planning period in %	WACC in %	Level
formerly TUI Travel (TUI Travel PLC Group)						1
Riu	3	3.6	22.9	1.0	7.25	3
Robinson	3	4.2	15.7	1.0	7.25	3
Iberotel	3	3.4	22.1	1.0	7.25	3

Goodwill was tested for impairment as at 30 June 2015. The test did not result in a requirement to recognise an impairment. Neither an increase in WACC of 50 basis points nor a reduction in the growth rate in perpetuity of 50 basis points would have led to an impairment of goodwill.

(15) Other intangible assets

OTHER INTANGIBLE ASSETS

€ million	Concessions, industrial property rights and similar rights and values	Self-generated software	Transport and leasing contracts	Customer base	Payments on account	**Total**
Historical cost						
Balance as at 1 Oct 2013	**1,116.1**	**117.4**	**99.5**	**242.3**	**–**	**1,575.3**
Adoption of IFRS 10 and IFRS 11	–0.6	–	–	–0.1	–	–0.7
Balance as at 1 Oct 2013 (restated)	**1,115.5**	**117.4**	**99.5**	**242.2**	**–**	**1,574.6**
Exchange differences	55.6	2.7	7.6	5.8	–	71.7
Additions due to changes in the group of consolidated companies	10.4	–	–	4.2	–	14.6[1]
Additions	122.2	22.8	–	0.3	0.4	145.7
Disposals	22.6	5.5	–	0.1	–	28.2[2]
Reclassification as assets held for sale	–0.4	–	–	–	–	–0.4
Reclassifications	–4.7	4.7	–	–	–	–
Balance as at 30 Sep 2014 (restated)	**1,276.0**	**142.1**	**107.1**	**252.4**	**0.4**	**1,778.0**
Exchange differences	48.8	4.8	6.4	6.5	–	66.5
Additions due to changes in the group of consolidated companies	0.8	–	–	0.2	–	1.0[3]
Additions	165.7	23.9	–	1.6	0.3	191.5
Disposals	35.4	17.0	–	2.2	–	54.6[4]
Reclassification as assets held for sale	–73.1	–44.7	–	–3.6	–	–121.4
Reclassifications	–111.9	114.4	–3.0	0.7	–0.2	–
Balance as at 30 Sep 2015	**1,270.9**	**223.5**	**110.5**	**255.6**	**0.5**	**1,861.0**
Amortisation						
Balance as at 1 Oct 2013	**516.4**	**57.9**	**31.7**	**103.1**	**–**	**709.1**
Adoption of IFRS 10 and IFRS 11	–0.4	–	–	–0.1	–	–0.5
Balance as at 1 October 2013 (restated)	**516.0**	**57.9**	**31.7**	**103.0**	**–**	**708.6**
Exchange differences	29.3	–0.8	2.5	2.9	–	33.9
Amortisation for the current year	86.2	21.2	3.5	17.1	–	128.0
Disposals	20.2	5.3	–	0.1	–	25.6[2]
Reclassification as assets held for sale	–0.3	–	–	–	–	–0.3
Reclassifications	15.6	–15.6	–	–	–	–
Balance as at 30 Sep 2014 (restated)	**626.6**	**57.4**	**37.7**	**122.9**	**–**	**844.6**
Exchange differences	20.4	1.9	2.1	3.5	–	27.9
Amortisation for the current year	96.5	27.9	0.5	18.2	–	143.1
Impairments for the current year	7.2	29.2	–	–	–	36.4
Disposals	29.0	17.0	–	2.2	–	48.2[4]
Reclassification as assets held for sale	–27.5	–25.0	–	–1.8	–	–54.3
Reclassifications	–35.8	31.6	4.2	–	–	0.0
Balance as at 30 Sep 2015	**658.4**	**106.0**	**44.5**	**140.6**	**–**	**949.5**
Carrying amounts as at 30 Sep 2014 (restated)	**649.4**	**84.7**	**69.4**	**129.5**	**0.4**	**933.4**
Carrying amounts as at 30 Sep 2015	**612.5**	**117.5**	**66.0**	**115.0**	**0.5**	**911.5**

[1] Of which additions due to first-time consolidation of non-consolidated companies of € 0.9 m
[2] Of which disposals due to changes in the group of consolidated companies of € 1.2 m (historical cost) and € 1.0 m (amortisation), respectively
[3] Of which additions due to first-time consolidation of non-consolidated companies of € 0.2 m
[4] Of which disposals due to changes in the group of consolidated companies of € 1.5 m (historical cost) and € 0.8 m (amortisation), respectively

Self-generated software consists of computer programmes for tourism applications exclusively used internally by the Group.

Other intangible assets mainly consist of trademarks and customer relationships, and are amortised over their useful lives.

Impairments primarily relate to various modules of an internet platform solution for joint use in Northern, Western and Central Region of € 21.8 m. The review of the carrying amount was based on a strategic decision to discontinue the use of these modules. These modules have been fully impaired as there is no possibility to sell them externally. The impairments were recognised within cost of sales.

As at the balance sheet date, the carrying amount of intangible assets subject to ownership restrictions or pledged as security totals € 109.1 m (previous year € 112.3 m).

(16) Investment property

INVESTMENT PROPERTY

€ million	**2014 / 15**	2013 / 14
Historical cost		
Balance as at 1 Oct	**23.2**	**95.1**
Additions	0.6	1.6
Disposals	0.6	0.6
Reclassifications	–1.4	–72.9
Balance as at 30 Sep	**21.8**	**23.2**
Depreciation		
Balance as at 1 Oct	**15.5**	**37.1**
Depreciation for the current year	0.4	0.9
Impairments for the current year	0.1	0.1
Disposals	0.3	0.4
Reclassifications	–1.1	–22.2
Balance as at 30 Sep	**14.6**	**15.5**
Carrying amounts as at 30 Sep	**7.2**	**7.7**

Real estate owned by the Group is usually occupied for use in the course of the Group's ordinary business activities. In addition, the Group owns commercial property which meets the definition of investment property under IAS 40. The carrying amount of this investment property shown in fixed assets totals € 7.2 m (previous year € 7.7 m). The fair values totalling € 10.1 m (previous year € 11.3 m) were calculated by the Group's own real estate company, without consulting an external expert, on the basis of comparable market rents (Level 3 valuation). Investment property generated total income of € 5.3 m (previous year € 8.5 m). The generation of this income was associated with expenses of € 4.9 m (previous year € 7.3 m) in financial year 2014 / 15. The reclassifications made in the completed financial year relate to property in Bremen and Salzgitter, which were sold in the course of the year. In the prior year, reclassifications related to the science park in Kiel and an industrial park in Berlin-Tempelhof, initially reclassified to assets held for sale and subsequently sold.

(17) Property, plant and equipment

PROPERTY, PLANT AND EQUIPMENT

€ million	Real estate with hotels	Other real estate, land rights and buildings incl. buildings on third-party properties	Aircraft
Historical cost			
Balance as at 1 Oct 2013	**1,315.2**	**189.3**	**968.6**
Adoption of IFRS 10 and IFRS 11	–	–	–
Balance as at 1 Oct 2013 (restated)	**1,315.2**	**189.3**	**968.6**
Exchange differences	11.0	6.4	50.7
Additions due to changes in the group of consolidated companies	21.5	0.8	–
Additions	58.7	11.3	182.0
Disposals	13.9	4.0	51.0
Reclassification as assets held for sale	–74.1	–17.5	–
Reclassifications	14.7	45.9	10.0
Balance as at 30 Sep 2014 (restated)	**1,333.1**	**232.2**	**1,160.3**
Balance as at 1 Oct 2014	**1,333.1**	**232.2**	**1,160.3**
Adoption of IFRS 10 and IFRS 11	–	–	–
Balance as at 1 Oct 2014 (restated)	**1,333.1**	**232.2**	**1,160.3**
Exchange differences	–11.7	–1.5	77.0
Additions due to changes in the group of consolidated companies	6.5	–	–
Additions	41.9	41.4	525.9
Disposals	1.5	8.3	42.2
Reclassification as assets held for sale	6.9	–0.7	–45.0
Reclassifications	26.3	–3.4	58.4
Balance as at 30 Sep 2015	**1,401.5**	**259.7**	**1,734.4**
Depreciation			
Balance as at 1 Oct 2013	**407.7**	**56.8**	**477.1**
Adoption of IFRS 10 and IFRS 11	–	–	–
Balance as at 1 Oct 2013 (restated)	**407.7**	**56.8**	**477.1**
Exchange differences	10.1	1.7	15.0
Depreciation for the current year	34.1	4.3	76.7
Impairments for the current year	–	–	0.1
Disposals	7.8	2.6	44.3
Reclassification as assets held for sale	–54.3	–10.7	–
Reclassifications	–6.4	30.3	–
Balance as at 30 Sep 2014 (restated)	**383.4**	**79.8**	**524.6**
Balance as at 1 Oct 2014	**383.4**	**79.8**	**524.6**
Adoption of IFRS 10 and IFRS 11	–	–	–
Balance as at 1 Oct 2014 (restated)	**383.4**	**79.8**	**524.6**
Exchange differences	–3.6	3.7	13.8
Depreciation for the current year	38.8	6.2	101.0
Impairments for the current year	0.2	19.8	0.6
Disposals	1.1	6.2	35.6
Reclassification as assets held for sale	1.4	–0.1	–36.0
Reclassifications	11.2	–6.5	–
Balance as at 30 Sep 2015	**430.3**	**96.7**	**568.4**
Carrying amounts as at 1 Oct 2014 (restated)	**949.7**	**152.4**	**635.7**
Carrying amounts as at 30 Sep 2015	**971.2**	**163.0**	**1,166.0**

[1] Of which additions due to first-time consolidation of non-consolidated companies of € 0.3 m
[2] Of which disposals due to changes in the group of consolidated companies of € 0.3 m (historical cost) and € 0.2 m (depreciation), respectively
[3] Of which additions due to first-time consolidation of non-consolidated companies of € 0.2 m
[4] Of which disposals due to changes in the group of consolidated companies of € 0.8 m (historical cost) and € 0.7 m (depreciation), respectively

	Ships	Machinery and fixtures	Other plants, operating and office equipment revised	Assets under construction	Payments on account	**Total**
	747.9	**238.4**	**955.8**	**100.3**	**229.0**	**4,744.5**
	–	–	−3.3	–	–	−3.3
	747.9	**238.4**	**952.5**	**100.3**	**229.0**	**4,741.2**
	36.2	0.2	16.5	0.7	12.8	134.5
	–	–	2.3	–	–	24.6[1]
	32.5	11.8	84.3	24.5	211.3	616.4
	23.6	0.7	56.3	1.7	229.4	380.6[2]
	–	−2.0	−12.6	–	–	−106.2
	−4.6	7.2	−0.9	−58.6	−2.0	11.7
	788.4	**254.9**	**985.8**	**65.2**	**221.7**	**5,041.6**
	788.4	**255.0**	**989.0**	**65.2**	**221.7**	**5,044.9**
	–	−0.1	−3.2	–	–	−3.3
	788.4	**254.9**	**985.8**	**65.2**	**221.7**	**5,041.6**
	29.3	−1.1	1.0	1.1	16.5	110.6
	–	–	1.1	–	–	7.6[3]
	314.9	23.7	83.0	59.7	232.2	1,322.7
	24.6	4.7	65.8	4.0	236.4	387.5[4]
	–	–	−14.5	−6.5	−7.6	−67.4
	2.1	4.2	16.2	−60.5	−50.6	−7.3
	1,110.1	**277.0**	**1,006.8**	**55.0**	**175.8**	**6,020.3**
	298.8	**165.3**	**656.8**	**–**	**–**	**2,062.5**
	–	–	−2.7	–	–	−2.7
	298.8	**165.3**	**654.1**	**–**	**–**	**2,059.8**
	14.3	0.4	8.0	–	–	49.5
	44.2	13.2	83.7	–	–	256.2
	18.2	–	3.2	–	–	21.5
	16.5	0.7	49.4	–	–	121.3[2]
	–	−1.8	−11.2	–	–	−78.0
	−3.4	4.4	−7.0	–	–	17.9
	355.6	**180.8**	**681.4**	**–**	**–**	**2,205.6**
	355.6	**180.8**	**684.1**	**–**	**–**	**2,208.3**
	–	–	−2.7	–	–	−2.7
	355.6	**180.8**	**681.4**	**–**	**–**	**2,205.6**
	13.7	−0.6	1.0	–	–	28.0
	52.8	15.1	85.8	–	–	299.7
	2.9	4.8	0.4	2.2	–	30.9
	19.2	4.4	56.9	1.7	–	125.1[4]
	–	–	−10.5	−0.5	–	−45.7
	−2.4	−1.5	−3.5	–	–	−2.7
	403.4	**194.2**	**697.7**	**0.0**	**–**	**2,390.7**
	432.8	**74.1**	**304.4**	**65.2**	**221.7**	**2,836.0**
	706.7	**82.8**	**309.1**	**55.0**	**175.8**	**3,629.6**

In the period under review, cruise ship Europa 2 was acquired for a contractual purchase price of € 291.7 m. Following deduction of lease payments of € 13.5 m made in advance, the remaining acquisition cost totalled € 278.2 m. The transaction replaces the previous charter agreement for the cruise liner commissioned in 2013.

Moreover, seven aircraft worth € 556.6 m were capitalised in the period under review, six of which were operated under finance leases with one aircraft owned by the Group. In addition, advance payments for further aircraft to be delivered in the future amounting to € 224.4 m were capitalised.

In the period under review, impairment charges mainly related to buildings and technical systems at Tenuta di Castelfalfi S.p.A in the segment Hotels & Resorts. An impairment test required due to planning updates, recognised as at the balance sheet date, resulted in an impairment of € 26.4 m. The fair value of € 28.8 m was determined by discounted cashflow valuations based on the current budget by applying a discount rate of 6.5 % p. a. Any cash-flows for periods after the budgeting period have been extrapolated with a constant growth rate of 0.5 % p. a. As the calculations were based on internal budgets, the fair values have to be assigned to level 3 under the IFRS 13 hierarchy. In the previous year, impairment charges were mainly recognised in relation to the Island Escape cruise ship (€ 18.2 m). The impairment charges were included within cost of sales.

At the balance sheet date, the carrying amount of property, plant and equipment subject to restraints on ownership or pledged as security amounts to € 700.4 m (previous year € 347.3 m).

Property, plant and equipment also includes leased assets in which Group subsidiaries have assumed substantially all the risks and rewards of ownership of the assets.

COMPOSITION OF FINANCE LEASED ASSETS

	Net carrying amounts	
€ million	**30 Sep 2015**	30 Sep 2014
Other real estate, land rights and buildings incl. buildings on third-party properties	24.2	15.2
Aircraft	871.0	418.6
Ships, yachts and boats	96.3	101.8
Machinery and fixtures	0.1	0.8
Other plants, operating and office equipment	18.4	16.8
Total	**1,010.0**	**553.2**

The payment obligations resulting from future lease payments are included as liabilities, with future interest expenses not reflected in the carrying amount of the financial liabilities. Total payments due in future periods under finance leases amount to € 1,216.6 m (previous year € 612.7 m). Group companies have not accepted any guarantees for the residual values of the leased assets, as in the prior year.

RECONCILIATION OF FUTURE LEASE PAYMENTS TO LIABILITIES FROM FINANCE LEASES

				30 Sep 2015				30 Sep 2014
			Remaining term				Remaining term	
€ million	up to 1 year	1–5 years	more than 5 years	**Total**	up to 1 year	1–5 years	more than 5 years	Total
Total future lease payments	103.3	396.4	716.9	1,216.6	64.9	196.3	351.5	612.7
Interest portion	34.4	115.8	84.4	234.6	18.1	59.3	34.7	112.1
Liabilities from finance leases	68.9	280.6	632.5	982.0	46.8	137.0	316.8	500.6

(18) Investments in joint ventures and associates

The table below presents the TUI Group's significant joint arrangements and associates. All joint arrangements and associates are listed in the list of TUI Group Shareholdings in Note 56. All joint arrangements are joint ventures. There are no joint operations within the definition of IFRS 12.

SIGNIFICANT ASSOCIATES AND JOINT VENTURES

		Capital share in %		Voting rights share in %	
Name and headquarter of company	Nature of business	**30 Sep 2015**	30 Sep 2014	**30 Sep 2015**	30 Sep 2014
Associates					
Sunwing Travel Group Inc., Toronto, Canada	Tour operator	49.0	49.0	25.0	25.0
Blue Diamond Hotels and Resorts Inc., St. Michael, Barbados	Hotel operator	49.0	49.0	49.0	49.0
Hapag-Lloyd Aktiengesellschaft, Hamburg, Germany	Container shipping company	–*	22.0	–*	22.0
Joint ventures					
Riu Hotels S.A., Palma de Mallorca, Spain	Hotel operator	49.0	49.0	49.0	49.0
TUI Cruises GmbH, Hamburg, Germany	Cruise ship operator	50.0	50.0	50.0	50.0
Togebi Holdings Limited, Nicosia, Cyprus	Tour operator	49.0	49.0	49.0	49.0

*Not measued at equity, significant influence lost in December 2014

All companies shown in the table are accounted for using the equity method.

The financial years of Sunwing Travel Group Inc. and Blue Diamond Hotels and Resorts Inc. correspond to the TUI Group's financial year. The financial years of the other associates and joint ventures end on 31 December of each year. In order to update at equity measurement as at the TUI Group's balance sheet date, interim financial statements for the period ending 30 September are prepared for these companies.

SIGNIFICANT ASSOCIATES

In 2009, the Sunwing Travel Group entered into a partnership with TUI Group. Sunwing Travel Group Inc. is a vertically integrated travel company that encompasses tour operators, an airline and retail travel agencies. The company has different classes of shares. TUI Group holds 25 % of the voting shares.

Blue Diamond Hotels and Resorts Inc., a hotel operation and development company, operates a chain of luxury beach holiday resorts and hotels in the Caribbean and Mexico.

Hapag-Lloyd AG is a container shipping group. In accordance with the amendments to IAS 28, applicable for the TUI Group from financial year 2014 / 15, 70 % of the overall TUI Group interest – corresponding to 15.4 % of the issued share capital – is recognised retrospectively as an associate using the equity method. The remaining 30 % of the overall TUI Group interest – representing 6.6 % of issued share capital with a carrying amount of € 140.2 m – is recognised as an asset held for sale, as before, due to the expected merger between Hapag-Lloyd AG and Compañia Sud Americana de Vapores S.A. (CSAV) and the associated reduction in the interest held in Hapag-Lloyd AG to 15.4 %. This resulted in a restatement of the prior year amounts. See the section "Restatement of the prior reporting period".

CHANGES IN THE GROUP'S INTEREST IN SIGNIFICANT ASSOCIATES

In the prior year, the TUI Group held a stake of 22.0 % in Hapag-Lloyd AG located in Hamburg. On 2 December 2014, the merger between Hapag-Lloyd AG and Compañia Sud Americana de Vapores S.A. (CSAV), contractually agreed in April 2014, was completed. In the framework of this transaction, CSAV transferred its container shipping activities to Hapag-Lloyd AG as a non-cash contribution, in exchange for a 30 % stake in the combined entity. TUI Group's stake in post-merger Hapag-Lloyd declined from 22.0 % to 15.4 % due to the transaction. As a result, TUI lost its significant influence over the company. In accordance with IAS 28, the stake in the interest measured at equity of € 344.4 m and the stake included as assets held for sale of € 140.2 m were derecognised, and the remaining interest, whose fair value totalled € 481.9 m at the closing date of the transaction, was recognised as a financial asset available for sale.

The interest in Hapag-Lloyd AG declined from 15.4 % to 13.9 % due to non-participation in a cash capital increase carried out in mid-December 2014. As at 30 September 2015, the remaining interest in Hapag-Lloyd AG is carried as a financial asset available for sale, as before.

SIGNIFICANT JOINT VENTURES

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

TUI Cruises is a joint venture with the US shipping line Royal Caribbean Cruises Ltd. established in 2008. The Hamburg-based company offers German-speaking cruises for the premium market. Since the commissioning of Mein Schiff 4 in June 2015, TUI Cruises has operated four cruise ships in this market.

Togebi Holdings Limited is a joint venture with Oscrivia Limited, a company owned by the Russian S-Group Capital Management Limited. The business purpose of this joint venture, established in 2009, is to develop the tour operation business, in particular in Russia and Ukraine. The company owns tour operation subsidiaries and retail chains in these countries.

FINANCIAL INFORMATION ON ASSOCIATES AND JOINT VENTURES

The following tables provide summarised financial information for the significant associates and joint ventures of the TUI Group. The information disclosed reflects the full amounts presented in the consolidated financial statements of the relevant associates and joint ventures (100 per cent) and not TUI Group's share of those amounts.

COMBINED FINANCIAL INFORMATION OF MATERIAL ASSOCIATES

€ million	Sunwing Travel Group Inc., Toronto, Canada 30 Sep 2015 / 2014/15	30 Sep 2014 / 2013/14	Blue Diamond Hotels and Resorts Inc., St. Michael, Barbados 30 Sep 2015 / 2014/15	30 Sep 2014 / 2013/14	Hapag-Lloyd AG, Hamburg, Germany (until December 2014)[2] 30 Sep 2015 / 2014/15	30 Sep 2014 / 2013/14
Non-current assets	163.1	160.8	314.7	212.3	–	5,326.9
Current assets	368.9	315.5	84.1	38.9	–	1,289.5
Non-current provisions and liabilities	44.9	40.5	114.9	76.7	–	3,064.2
Current provisions and liabilities	285.7	265.4	170.8	87.5	–	1,471.9
Revenues	1,557.3	1,231.4	201.9	97.2	1,168.0	6,547.6
Profit / loss[1]	45.2	36.3	17.5	15.3	–51.9	–275.8
Other comprehensive income	–	–	–1.6	–3.9	15.2	89.3
Total comprehensive income	**45.2**	**36.3**	**15.9**	**11.4**	**–36.7**	**–186.5**

[1] Solely from continuing operations
[2] Until classification of investment in Hapag-Lloyd AG as available for sale financial asset

COMBINED FINANCIAL INFORMATION OF MATERIAL JOINT VENTURES

€ million	Riu Hotels S.A., Palma de Mallorca, Spain 30 Sep 2015 / 2014/15	30 Sep 2014 / 2013/14	TUI Cruises GmbH, Hamburg, Germany 30 Sep 2015 / 2014/15	30 Sep 2014 / 2013/14	Togebi Holdings Limited, Nicosia, Cyprus 30 Sep 2015 / 2014/15	30 Sep 2014 / 2013/14
Non-current assets	829.7	720.5	1,569.4	1,107.0	5.2	30.3
Current assets	72.1	72.8	195.7	175.9	19.0	41.8
thereof cash and cash equivalents	27.4	27.0	109.0	128.0	3.4	6.1
Non-current provisions and liabilities	101.7	81.5	860.4	585.1	157.0	105.2
thereof financial liabilities	73.2	79.8	860.4	538.8	146.1	98.6
Current provisions and liabilities	160.6	145.6	367.9	204.6	35.5	74.6
thereof financial liabilities	104.6	145.5	–	–	27.3	49.0
Turnover	276.9	228.6	614.1	381.3	200.9	397.9
Depreciation of intangible assets and property, plant and equipment	24.9	22.3	42.0	28.8	4.7	1.1
Interest income	0.1	0.4	5.8	7.6	–	–
Interest expenses	2.6	3.2	11.4	7.2	5.0	5.0
Income taxes	26.1	22.8	–	–	–	–0.2
Profit / loss[1]	70.9	53.4	136.2	62.6	–44.1	–72.5
Other comprehensive income	69.1	19.5	–22.6	15.8	–	–
Total comprehensive income	**140.0**	**72.9**	**113.6**	**78.4**	**–44.1**	**–72.5**

[1] Solely from continuing operations

In the financial year 2014/15, TUI Group received dividends of €35.0 m from TUI Cruises and €34.3 m from Riu Hotels S.A. In total dividends amounting to €76.4 m were paid by all joint ventures to the TUI Group (previous year €24.2 m, thereof €9.8 m from Riu Hotels S.A.). In the financial year 2014/15 the TUI Group received dividends amounting to €2.6 m from all associates in total, thereof no dividends from any of the major associates (previous year €12.3 m in total, thereof €8.4 m from Sunwing Travel Group).

In addition to the material associates and joint ventures, TUI Group has interests in a number of equity accounted associates and joint ventures that are individually not considered as significant. The tables below provide information on TUI Group's share of the profit/loss, other income and other comprehensive income of the material associates and joint ventures as well as the aggregated amount of the share of these earnings figures for the immaterial associates and joint ventures.

SHARE OF FINANCIAL INFORMATION OF MATERIAL AND OTHER ASSOCIATES

€ million	Sunwing Travel Group Inc., Toronto, Canada		Blue Diamond Hotels and Resorts Inc., St. Michael , Barbados		Hapag-Lloyd AG, Hamburg, Germany (until December 2014)		Other associates		Associates Total	
	30 Sep 2015/ 2014/15	30 Sep 2014/ 2013/14	**30 Sep 2015/ 2014/15**	30 Sep 2014/ 2013/14	**30 Sep 2015/ 2014/15**	30 Sep 2014/ 2013/14	**30 Sep 2015/ 2014/15**	30 Sep 2014/ 2013/14	**30 Sep 2015/ 2014/15**	30 Sep 2014/ 2013/14 restated
TUI's share of										
Profit/loss	22.1	17.8	8.6	7.5	0.9	–54.2	–2.7	–0.7	28.9	–29.6
Other comprehensive income/loss	–	–0.1	–0.8	–1.9	–0.1	–4.9	–	0.1	–0.9	–6.8
Total comprehensive income/loss	22.1	17.7	7.8	5.6	0.8	–59.1	–2.7	–0.6	28.0	–36.4

SHARE OF FINANCIAL INFORMATION OF MATERIAL AND OTHER JOINT VENTURES

€ million	Riu Hotels S.A., Palma de Mallorca, Spain		TUI Cruises GmbH, Hamburg, Germany		Togebi Holdings Limited, Nicosia, Cyprus		Other joint ventures		Joint ventures Total	
	30 Sep 2015/ 2014/15	30 Sep 2014/ 2013/14	**30 Sep 2015/ 2014/15**	30 Sep 2014/ 2013/14	**30 Sep 2015/ 2014/15**	30 Sep 2014/ 2013/14	**30 Sep 2015/ 2014/15**	30 Sep 2014/ 2013/14	**30 Sep 2015/ 2014/15**	30 Sep 2014/ 2013/14 restated
TUI's share of										
Profit/loss	34.7	26.3	68.1	31.3	–	–21.3	12.8	20.1	115.6	56.4
Other comprehensive income/loss	33.6	9.6	–11.3	7.9	–	–	–0.8	1.5	21.5	19.0
Total comprehensive income/loss	68.3	35.9	56.8	39.2	–	–21.3	12.0	21.6	137.1	75.4

NET ASSETS OF THE MATERIAL ASSOCIATES

€ million	Sunwing Travel Group Inc., Toronto, Canada	Blue Diamond Hotels and Resorts Inc., St. Michael, Barbados	Hapag-Lloyd AG, Hamburg, Germany (until December 2014)
Net assets as at 1 Oct 2013	**152.1**	**69.3**	**2,266.8**
Profit/loss	36.3	15.3	–275.8
Other comprehensive income	–	–3.9	–31.7
Dividends	–17.2	–	–
Capital increase	–1.0	–	–
Foreign exchange effects	0.2	6.3	121.0
Net assets as at 30 Sep 2014	**170.4**	**87.0**	**2,080.3**
Net assets as at 1 Oct 2014	**170.4**	**87.0**	**2,080.3**
Profit/loss	45.2	17.5	–51.9
Other comprehensive income	–	–1.6	–0.6
Dividends payable	–	–	–
Capital increase	–	–	–
Foreign exchange effects	–14.2	10.2	15.8
Net assets as at 30 Sep 2015*	**201.4**	**113.1**	**2,043.6**

* In case of Hapag-Lloyd AG the net assets are shown as at 2 Dec 2014

RECONCILIATION TO THE CARRYING AMOUNT OF THE ASSOCIATES IN THE GROUP BALANCE SHEET

€ million	Sunwing Travel Group Inc., Toronto, Canada	Blue Diamond Hotels and Resorts Inc., St. Michael, Barbados	Hapag-Lloyd AG, Hamburg, Germany (until December 2014)*	Other associates	Associates Total restated
Share of TUI in % as at 30 Sep 2014	49.0	49.0	15.4	–	–
TUI's share of the net assets as at 30 Sep 2014	83.5	42.6	233.6	21.4	381.1
Goodwill as at 30 Sep 2014	53.6	–	110.7	10.9	175.2
Carrying value as at 30 Sep 2014	**137.1**	**42.6**	**344.3**	**32.3**	**556.3**
Share of TUI in % as at 30 Sep 2015	49.0	49.0	–	–	–
TUI's share of the net assets as at 30 Sep 2015	98.7	55.4	–	25.5	179.6
Goodwill as at 30 Sep 2015	50.1	–	–	4.0	54.1
Carrying value as at 30 Sep 2015	**148.8**	**55.4**	**–**	**29.5**	**233.7**

* Only the equity accounted part

NET ASSETS OF THE MATERIAL JOINT VENTURES

€ million	Riu Hotels S.A., Palma de Mallorca, Spain	TUI Cruises GmbH, Hamburg, Germany	Togebi Holdings Limited, Nicosia, Cyprus
Net assets as at 1 Oct 2013	**491.6**	**394.9**	**– 44.8**
Profit / loss	53.4	62.6	–72.5
Other comprehensive income	19.5	15.7	–
Dividends	– 20.0	–	–
Capital increase	–	20.0	19.6
Foreign exchange effects	20.0	–	–10.0
Net assets as at 30 Sep 2014	**564.5**	**493.2**	**–107.7**
Net assets as at 1 Oct 2014	**564.5**	**493.2**	**–107.7**
Profit / loss	70.9	136.2	– 44.1
Other comprehensive income	69.1	– 22.6	–
Dividends payable	–70.0	–70.0	–
Capital increase	–	–	–
Foreign exchange effects	3.2	–	–16.7
Net assets as at 30 Sep 2015	**637.7**	**536.8**	**–168.5**

RECONCILIATION TO THE CARRYING AMOUNT OF THE JOINT VENTURES IN THE GROUP BALANCE SHEET

€ million	Riu Hotels S.A., Palma de Mallorca, Spain	TUI Cruises GmbH, Hamburg, Germany	Togebi Holdings Limited, Nicosia, Cyprus	Other joint ventures	Joint ventures Total restated
Share of TUI in % as at 30 Sep 2014	49.0	50.0	49.0	–	–
TUI's share of the net assets as at 30 Sep 2014	276.8	246.6	– 52.8	225.7	696.3
Unrecognised share of losses	–	–	14.8	–	14.8
Goodwill as at 30 Sep 2014	1.7	–	38.0	29.3	69.0
Carrying value as at 30 Sep 2014	**278.5**	**246.6**	**–**	**255.0**	**780.1**
Share of TUI in % as at 30 Sep 2015	49.0	50.0	49.0	–	–
TUI's share of the net assets as at 30 Sep 2015	312.7	268.4	– 82.6	228.1	726.6
Unrecognised share of losses	–	–	39.9	–	39.9
Goodwill as at 30 Sep 2015	1.7	–	42.7	33.2	77.6
Carrying value as at 30 Sep 2015	**314.4**	**268.4**	**–**	**261.3**	**844.1**

UNRECOGNISED LOSSES BY JOINT VENTURES

Unrecognised cumulative losses of € 39.9 m relate to the joint venture Togebi Holdings Limited (TUI Russia), operating in the source markets of Russia and Ukraine. Due to the recognition of the share of losses in the previous years the carrying amount of the joint venture was already fully written off in financial year 2013 / 14. Further losses of € 25.1 m (previous year € 14.8 m) have not been recognised as the TUI Group has no obligation to cover the losses. Recognition of these losses would have reduced the carrying amount of the joint venture to below zero.

RISKS ASSOCIATED WITH THE STAKES IN ASSOCIATES AND JOINT VENTURES

No contingent liabilities existed in respect of associates as at 30 September 2015 (previous year € 235.9 m).

Contingent liabilities of € 125.4 m (previous year € 125.8 m) exist in respect of joint ventures. In addition, financial liabilities from investments of € 877.2 m and from lease, charter and rental agreements worth € 9.3 m are in place in respect of joint ventures.

(19) Financial assets available for sale

Financial assets available for sale consist of stakes in non-consolidated Group companies, interests and other securities.

FINANCIAL ASSETS AVAILABLE FOR SALE

€ million	30 Sep 2015 Remaining term more than 1 year	**30 Sep 2015 Total**	30 Sep 2014 Remaining term more than 1 year	30 Sep 2014 Total
Shares in non-consolidated Group companies	5.9	5.9	8.3	8.3
Investments	38.5	373.4	37.1	37.1
Other securities	11.8	11.8	17.3	317.3
Total	**56.2**	**391.1**	**62.7**	**362.7**

As at 30 September 2014, other current securities comprised shares in a money market fund worth € 300.0 m, representing the issuance proceeds from the high-yield bond issued in the framework of the merger that were sold upon the completion of the merger with TUI Travel PLC when the restriction on disposal was lifted.

As at 30 September 2015, investments comprise the remaining 13.9 % stake in Hapag-Lloyd AG. The investment is carried at its fair value of € 334.9 m at the balance sheet date. For the fair value measurement of the stake in Hapag-Lloyd AG, we refer to the section "Level 3 financial instruments" in Note 44.

Testing the carrying amounts of available for sale financial assets for objective evidence that the assets may be impaired resulted in an impairment of the stake in Hapag-Lloyd AG of € 147.1 m. In management judgement, the decline in fair value below the cost of the investment is significant. The investment was, therefore, written-off to its fair value of € 334.9 through profit and loss. The impairment charge of € 147.1 m was included in financial expenses. Past increases of the fair value deferred in other comprehensive income of € 7.1 m were derecognised.

In financial year 2014 / 15, financial assets classified as available for sale under IAS 39 of € 155.6 m (previous year € 1.9 m) were impaired.

Where a listed market price in an active market is not available and other methods to determine an objective market value do not produce any reliable results, the shares are measured at cost.

(20) Trade receivables and other receivables

TRADE RECEIVABLES AND OTHER ASSETS

€ million	30 Sep 2015 Remaining term more than 1 year	**30 Sep 2015 Total**	30 Sep 2014 restated Remaining term more than 1 year	30 Sep 2014 restated Total
Trade receivables	–	740.1	–	693.9
Advances and loans	243.2	1,086.5	232.6	1,004.1
Other receivables and assets	89.3	454.6	135.5	581.3
Total	**332.5**	**2,281.2**	**368.1**	**2,279.3**

AGEING STRUCTURE OF THE FINANCIAL INSTRUMENTS INCLUDED IN TRADE RECEIVABLES AND OTHER ASSETS

			of which not impaired and overdue in the following periods			
€ million	Carrying amount of financial instruments	of which not impaired but overdue	less than 30 days	between 30 and 90 days	between 91 and 180 days	more than 180 days
Balance as at 30 Sep 2015						
Trade receivables	740.1	190.0	94.1	66.0	15.1	14.8
Advances and loans	118.5	17.7	–	0.7	0.3	16.7
Other receivables and assets	206.1	18.2	12.2	3.9	0.4	1.7
Total	**1,064.7**	**225.9**	**106.3**	**70.6**	**15.8**	**33.2**
Balance as at 30 Sep 2014 (restated)						
Trade receivables	693.9	176.6	100.7	52.3	16.7	6.9
Advances and loans	107.1	22.8	0.3	0.6	0.6	21.3
Other receivables and assets	312.8	23.3	5.7	3.7	3.5	10.4
Total	**1,113.8**	**222.7**	**106.7**	**56.6**	**20.8**	**38.6**

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

As at 30 September 2015, trade receivables and other receivables worth € 99.7 m (previous year € 100.3 m) were impaired. The table below provides a maturity analysis of the impairments.

AGEING STRUCTURE OF IMPAIRMENTS OF FINANCIAL INSTRUMENTS INCLUDED IN TRADE RECEIVABLES AND OTHER ASSETS

			30 Sep 2015			30 Sep 2014 restated
€ million	**Gross value**	**Impairment**	**Net value**	Gross value	Impairment	Net value
Trade receivables and other assets						
Not overdue	859.7	20.9	838.8	915.2	24.1	891.1
Overdue up to 30 days	107.1	0.8	106.3	107.7	1.0	106.7
Overdue 30 – 90 days	75.9	5.3	70.6	58.1	1.5	56.6
Overdue 90 – 180 days	22.3	6.5	15.8	23.1	2.3	20.8
Overdue more than 180 days	99.4	66.2	33.2	110.0	71.4	38.6
Total	**1,164.4**	**99.7**	**1,064.7**	**1,214.1**	**100.3**	**1,113.8**

Impairments of trade receivables and other receivables developed as follows:

IMPAIRMENTS ON ASSETS OF THE TRADE RECEIVABLES AND OTHER ASSETS CATEGORY ACCORDING TO IFRS 7

€ million	**2014 / 15**	2013 / 14
Balance at the beginning of period	**100.3**	**135.9**
Additions	16.1	11.5
Disposals	5.9	15.5
Other changes	–10.8	–31.6
Balance at the end of period	**99.7**	**100.3**

In financial year 2014 / 15 no cash inflow was recorded from impaired interest-bearing trade receivables and other assets (previous year € 1.5 m).

Trade receivables, advances and loans as well as other receivables and assets comprise the following items:

TRADE RECEIVABLES

€ million	**30 Sep 2015**	30 Sep 2014 restated
From third parties	712.4	652.9
From non-consolidated Group companies	1.5	2.6
From affiliates	26.2	38.4
Total	**740.1**	**693.9**

ADVANCES AND LOANS

€ million	30 Sep 2015 Remaining term more than 1 year	**30 Sep 2015 Total**	30 Sep 2014 restated Remaining term more than 1 year	30 Sep 2014 restated Total
Advances to non-consolidated Group companies	0.4	17.4	0.6	16.4
Advances to affiliates	0.1	0.9	0.2	1.5
Loans to affiliates	39.6	40.7	42.1	44.0
Advances to third parties	1.4	24.5	7.3	30.9
Loans to third parties	34.9	36.4	13.6	15.5
Payments on account to affiliates	3.0	11.7	–	25.9
Payments on account to third parties	163.8	954.9	168.8	869.9
Total	**243.2**	**1,086.5**	**232.6**	**1,004.1**

Payments on account mainly relate to advance payments for future tourism services, in particular future hotel services to be received by tour operators, which is customary in the industry.

OTHER RECEIVABLES AND ASSETS

€ million	30 Sep 2015 Remaining term more than 1 year	**30 Sep 2015 Total**	30 Sep 2014 restated Remaining term more than 1 year	30 Sep 2014 restated Total
Other receivables from non-consolidated Group companies	1.5	1.7	1.9	1.9
Other receivables from affiliates	6.2	18.0	35.7	54.9
Interest deferral	–	1.9	–	1.4
Other tax refund claims	9.9	90.4	33.4	96.1
Other assets	71.7	342.6	64.5	427.0
Total	**89.3**	**454.6**	**135.5**	**581.3**

(21) Derivative financial instruments

DERIVATIVE FINANCIAL INSTRUMENTS

€ million	30 Sep 2015 Remaining term more than 1 year	**30 Sep 2015 Total**	30 Sep 2014 restated Remaining term more than 1 year	30 Sep 2014 restated Total
Third party receivables from derivative financial instruments	48.1	329.1	75.8	245.5

Derivative financial instruments are included at their fair value (market value). They are mainly used to hedge our future operating business and their nature is outlined in detail in the explanatory information on financial instruments.

(22) Deferred and current tax assets

The measurement of deferred and current taxes is detailed in the section "Accounting and measurement methods".

INCOME TAX ASSETS

€ million	**30 Sep 2015**	30 Sep 2014 restated
Deferred tax assets	330.7	235.9
Current tax assets	58.5	93.9
Total	**389.2**	**329.8**

Deferred income tax assets include € 287.6 m (previous year € 197.9 m) that is expected to be realised after more than twelve months.

INDIVIDUAL ITEMS OF DEFERRED TAX ASSETS AND LIABILITIES RECOGNISED IN THE FINANCIAL POSITION

	30 Sep 2015		30 Sep 2014 restated	
€ million	**Asset**	**Liability**	Asset	Liability
Finance lease transactions	–	2.2	–	2.3
Recognition and measurement differences for property, plant and equipment and other non-current assets	110.7	317.7	145.2	333.2
Recognition differences for receivables and other assets	4.4	40.0	12.4	42.2
Measurement of financial instruments	53.5	22.1	24.9	36.6
Measurement of pension provisions	143.2	0.8	157.0	0.4
Recognition and measurement differences for other provisions	67.4	14.1	60.0	14.3
Other transactions	64.1	80.8	59.1	73.5
Capitalised tax savings from recoverable losses carried forward	239.4	–	135.0	–
Netting of deferred tax assets and liabilities	–352.0	–352.0	–357.7	–357.7
Balance sheet amount	**330.7**	**125.7**	**235.9**	**144.8**

No deferred tax assets are recognised for deductible temporary differences of € 128.2 m (previous year € 110.9 m).

No deferred tax liabilities are recognised for temporary differences of € 49.5 m (previous year € 43.0 m) between the net assets and the respective taxable carrying amounts of subsidiaries since these temporary differences are not expected to be reversed in the near future.

CAPITALISED LOSSES CARRIED FORWARD AND TIME LIMITS FOR NON-CAPITALISED LOSSES CARRIED FORWARD

€ million	30 Sep 2015	30 Sep 2014 restated
Capitalised losses carried forward	**1,184.4**	**677.0**
Non-capitalised losses carried forward	**4,449.8**	**5,328.8**
of which losses carried forward forfeitable within one year	2.7	14.0
of which losses carried forward forfeitable within 2 to 5 years	62.3	7.8
of which losses carried forward forfeitable within more than 5 years (excluding non-forfeitable loss carryforwards)	6.0	1.6
Non-forfeitable losses carried forward	4,378.8	5,305.4
Total unused losses carried forward	**5,634.2**	**6,005.8**

Losses carried forward for German companies comprise the cumulative amount of trade tax and corporation tax as well as interest carried forward in relation to the German interest barrier. Potential tax savings totalling € 907.2 m (previous year € 1,037.9 m) were not capitalised since the use of the underlying losses carried forward is unlikely to be utilised within the planning period.

In the financial year 2014 / 15, the use of losses carried forward previously assessed as non-recoverable and for which no deferred tax asset had been recognised as at 30 September 2014 led to tax reductions of € 24.0 m (previous year €Nil). As in the prior year, no tax reductions were realised by means of losses carried back.

DEVELOPMENT OF DEFERRED TAX ASSETS FROM LOSSES CARRIED FORWARD

€ million	2014 / 15	2013 / 14 restated
Capitalised tax savings at the beginning of the year	**135.0**	**160.5**
Use of losses carried forward	– 14.4	– 22.8
Capitalisation of tax savings from tax losses carried forward	150.1	12.6
Write-down of capitalised tax savings from tax losses carried forward	– 36.1	– 21.1
Reclassification to discontinued operation	– 0.3	–
Exchange adjustments and other items	5.1	5.8
Capitalised tax savings at financial year-end	**239.4**	**135.0**

Capitalised deferred tax assets from temporary differences and losses carried forward that are assessed as recoverable of € 203.3 m (previous year € 10.5 m) are covered by expected future taxable income even for companies that generated losses in the period under review or the prior year. In the financial year 2014 / 15, the recoverability of these deferred tax assets results from the enlargement of the German tax Group for income tax purposes.

(23) Inventories

INVENTORIES

€ million	30 Sep 2015	30 Sep 2014 restated
Marine inventory	33.2	24.2
Airline spares and operating equipment	28.6	30.0
Real estate for sale	32.8	31.2
Other inventories	39.9	40.9
Total	**134.5**	**126.3**

Other inventories included an amount of € 16.6 m for consumables used in hotels (previous year € 16.5 m).

No major reversals of inventory provisions were recognised in the financial year 2014 / 15, nor in the prior year.

(24) Cash and cash equivalents

CASH AND CASH EQUIVALENTS

€ million	30 Sep 2015	30 Sep 2014 restated
Bank deposits	1,641.8	2,222.8
Cash in hand and cheques	30.9	35.2
Total	**1,672.7**	**2,258.0**

At 30 September 2015, cash and cash equivalents of € 198.5 m (previous year € 180.3 m) was subject to restriction on disposal. This included an amount of € 116.3 m for cash collateral received, which was deposited in a Belgian subsidiary by the Belgian tax authorities in the financial year 2012 / 13 relating to long-standing litigation over VAT refunds for the years 2001 to 2011. Without prejudice to the outcome, the purpose was to suspend the accrual of interest for both parties. In order to collateralise a potential repayment, the Belgian government was granted a bank guarantee. Due to the bank guarantee, TUI Group's ability to dispose of the cash and cash equivalents has been restricted.

(25) Assets held for sale

ASSETS HELD FOR SALE

€ million	30 Sep 2015	30 Sep 2014 restated
Investment Hapag-Lloyd AG	–	140.2
Discontinued Operation LateRooms Group	38.8	–
Property and hotel facilities	0.4	13.0
Other assets	3.0	2.7
Total	**42.2**	**155.9**

In the reporting period, the LateRooms Group segment was reclassified to assets held for sale as a discontinued operation. As at 30 September 2015, there were assets of € 38.8 m in connection with this discontinued operation. For further information, please refer to the section "Discontinued operations".

In accordance with IFRS 5, the assets and liabilities of LateRooms Ltd. which were included in the discontinued operation LateRooms Group were written down to their fair value less costs of disposal of € 11.6 m. This is a non-recurring fair value measurement, for which current purchase offers of potential buyers were used as non-observable inputs. The measurement is therefore categorised within level 3 of the fair value hierarchy. The impairment charge of € 36.0 m was recognised in the "Result from discontinued operations".

Cumulative expenses related to assets held for sale, directly carried in equity, total € 5.5 m.

(26) Subscribed capital

The merger between TUI AG and TUI Travel PLC had a major impact on the Group's equity capital position. For a more detailed presentation, we refer to the section on the "Merger between TUI AG and TUI Travel PLC" in this report.

The subscribed capital of TUI AG consists of no-par value shares, each representing an identical share in the capital stock. The proportionate share in the capital stock per no-par value share is around € 2.56. Since the switch in July 2005, the shares have been registered shares, whose owners have been listed by name in the share register.

The subscribed capital of TUI AG is registered in the commercial registers of the district courts of Berlin-Charlottenburg and Hanover. In the financial year under review, it rose by a total of 242,764,546 shares due to the capital increase as a result of non-cash contribution in connection with the merger between TUI AG and TUI Travel PLC. A further 133,340 shares were issued as employee shares. Conversions of bonds into shares under TUI AG's 2009 / 14 and 2011 / 16 convertible bonds and conversions of a convertible bond issued by TUI Travel PLC gave rise to 57,144,188 shares. Subscribed capital thus consisted of 586,603,217 shares at the end of the financial year. It rose by € 767.0 m to € 1,499.6 m.

As at 30 September 2015, 2,745,990 shares in TUI AG were held by an employee benefit trust of TUI Travel Limited.

The Annual General Meeting on 10 February 2015 authorised the Executive Board of TUI AG to acquire its own shares up to 5 % of the capital stock. The authorisation will expire on 9 August 2016. The authorisation to acquire own shares has not been used to date.

CONDITIONAL CAPITAL

The Annual General Meetings of 7 May 2008 and 13 May 2009 created conditional capital of € 100.0 m each and authorised the Company to issue bonds. The two conditional capital authorisations expired in the financial year 2014 / 15 due to conversion and repayment, respectively, of the convertible bonds issued in 2009 and 2011.

Using the conditional capital of 13 May 2009, TUI AG issued an uncollateralised, non-subordinated convertible bond of € 217.8 m, on 17 November 2009, maturing on 17 November 2014. The bond was issued in denominations of € 56.30. The last conversion price was € 5.5645 per no-par value share due to the cash dividend paid on 13 February 2014. By the end of the conversion period, 3,425,345 bonds had been converted into 38,697,895 new shares in TUI AG (including 4,143,061 bonds in the financial year under review). The remaining nominal value of € 2.4 m was repaid at maturity on 17 November 2014.

Using the conditional capital of 7 May 2008, TUI AG issued a further uncollateralised non-subordinated convertible bond of € 339.0 m on 24 March 2011, maturing on 24 March 2016. The bond was issued in denominations of € 59.26. Due to the cash dividend paid on 11 February 2015, the last conversion price was € 11.4634 per non-par value share. The convertible bond was redeemed early in the period under review. Until the end of the conversion period, 5,680,079 bonds were converted into 29,362,361 new shares in TUI AG (including 29,360,677 shares in the financial year under review). The remaining nominal value of € 2.4 m was repaid at maturity on 7 April 2015.

The General Meeting of 28 October 2014 created conditional capital of € 62.0 m for the granting of new shares to the holders of a convertible bond with a nominal value of £ 400.0 m issued by TUI Travel PLC in April 2010. In the framework of the merger between TUI AG and TUI Travel PLC, these bondholders had special early redemption rights; the ratio for exchanging the shares in TUI Travel PLC resulting from the conversion into TUI AG shares was fixed at 1:0.399. When a large majority of external bondholders had used the right to convert their pieces of bonds into shares and the bonds held within the Group had been redeemed, TUI Travel Ltd. announced the early redemption of the remaining bonds on 3 March 2015. While a part of the convertible bond with a nominal value of € 200.0 m, held by TUI AG, was redeemed, all other convertible bonds were converted. This led to the creation of 23,640,450 new shares in TUI AG.

Further conditional capital for the issue of bonds of € 120.0 m was approved at the Annual General Meeting on 15 February 2012. The authorisation to issue bonds with conversion options and warrants as well as profit-sharing rights and income bonds (with and without fixed terms) has been limited to a total nominal amount of € 1.0 bn and will expire on 14 February 2017.

Overall, TUI AG has total conditional capital of € 120.0 m as at 30 September 2015 (previous year € 231.7 m).

AUTHORISED CAPITAL

The Annual General Meeting of 9 February 2011 resolved to create additional authorised capital of € 246.0 m for the issue of new shares for cash. This authorisation will expire on 8 February 2016.

The Annual General Meeting of 13 February 2013 resolved to issue new registered shares for cash for up to a maximum of € 64.5 m. This authorisation will expire on 12 February 2018.

The Annual General Meeting of 13 February 2013 also resolved new authorised capital for the issue of employee shares worth € 10.0 m. The Executive Board of TUI AG has been authorised to use this authorised capital in one or several transactions to issue employee shares against cash contribution by 12 February 2018. 99,800 new employee shares were issued in financial year 2014 / 15 so that authorised capital totals around € 9.4 m at the balance sheet date.

The General Meeting of 28 October 2014 resolved to create authorised capital to issue new shares against non-cash contribution of €18.0 m in order to be able to service TUI Travel PLC share awards granted by TUI Travel PLC to its employees. This authorisation will expire on 27 October 2019.

Unused authorised capital thus totals around €337.9 m as at 30 September 2015 (previous year €320.2 m).

(27) Capital reserves

The capital reserves reflect transfers of premiums. In addition, amounts entitling the holders to acquire shares in TUI AG in the context of bonds issued for conversion options and warrants have to be transferred to the capital reserves if the conversion options and warrants are classified as equity instruments in accordance with IAS 32. Premiums from the issue of shares due to the exercise of conversion options and warrants are also transferred to the capital reserve.

Transaction costs for the issue of conversion options and warrants and for the capital increase by means of an issue of new shares against cash or non-cash contribution were deducted from the additions to capital reserves resulting from these transactions.

Capital reserves rose by €2,676.8 m due to the capital increase against non-cash contribution in connection with the merger between TUI AG and TUI Travel PLC. Capital reserves also rose by €1.2 m due to the issue of employee shares and by €453.4 m from the conversion of TUI AG bonds into shares. Overall, TUI AG's capital reserves increased by €3,131.4 m to €4,187.7 m.

(28) Revenue reserves

In the financial year 2014 / 15, TUI AG paid a dividend of €0.33 per no-par value share; the total amount paid was €94.5 m. Moreover, the interest paid on the hybrid capital issued by TUI AG recognised as a dividend in accordance with IFRS rules until its cancellation effective 24 March 2015.

Existing equity-settled share-based payment transactions resulted in an increase in equity of €26.1 m. Disclosures on these long-term incentive programmes are given under Note 43 in the section on "Share-based payments in accordance with IFRS 2".

Effects of the acquisition of non-controlling interests principally reflect the merger between TUI AG and TUI Travel PLC. The consideration including ancillary acquisition costs for the purchase of the non-controlling interests totalled €3,359.7 m, while the book value of the acquired interests accounted for €–606.2 m. In this regard, please refer to the section on "Merger between TUI AG and TUI Travel PLC" in this report.

In addition, an employee benefit trust of TUI Travel PLC acquired shares in TUI Travel PLC in the first quarter in order to use them for stock option plans. The amounts used for this purpose had to be offset against revenue reserves as an acquisition of non-controlling interests. Equity therefore declined by €85.1 m. As almost all shares were issued due to the stock option plans, non-controlling interests remained unchanged overall.

The split of the Peak Adventure Travel Group Ltd, Australia, presented in the section on "Principles and methods of consolidation", is reflected as an acquisition of non-controlling interests. The consideration paid for the acquisition totalled €23.4 m, while the non-controlling interests acquired totalled €42.0 m.

Furthermore, non-controlling interests in Global Obi S.L., Spain, in Wonder Holding AB, Sweden and in TUI Leisure airport sales GmbH, Germany, were acquired in financial year 2014 / 15. The consideration paid for the acquisition amounted to € 1.3 m, the acquired carrying amounts of the non-controlling interests totalled € 0.6 m.

Foreign exchange differences comprise differences from the translation of the financial statements of foreign subsidiaries as well as differences from the translation of goodwill denominated in foreign currencies.

The proportion of gains and losses from hedges used as effective hedges of future cash flows is included in equity in other comprehensive income outside profit and loss. A reversal of this item through profit and loss takes place in the same period in which the hedged item has an effect on profit and loss or is no longer assessed as probable.

The remeasurements of pension obligations (arising from actuarial gains and losses) are also included in other income in equity outside profit and loss.

The revaluation reserve formed in accordance with IAS 27 (old version) in the framework of step acquisitions of companies is retained until the date of deconsolidation of the company concerned. In accordance with revised IAS 27, requiring prospective application, no new revaluation reserves are formed for step acquisitions since the changes in the fair values of the assets and liabilities of an acquired company arising in between the individual acquisition dates are taken through profit and loss based on the stake which had not yet triggered consolidation of the company concerned.

(29) Use of Group profit available for distribution

In accordance with the German Stock Corporation Act, the Annual General Meeting decides the use of the profit available for distribution included in TUI AG's commercial-law annual financial statements. The annual profit of TUI AG amounted to € 1,256.7 m. After a transfer to the revenue reserves of € 314.0 m and retained profits carried forward of € 66.7 m, the profit available for distribution amounts to € 1,009.4 m. A proposal will be submitted to the Annual General Meeting to use the profit available for distribution for the financial year 2014 / 15 to pay a dividend of € 0.56 per no-par value share or € 328.5 m in total and carry forward the remaining amount of € 680.9 m The final dividend total will depend on the number of dividend-bearing no-par value shares at the date on which the resolution regarding the use of Group profit available for distribution is adopted by the Annual General Meeting.

(30) Hybrid capital

The subordinated hybrid capital issued by TUI AG in December of financial year 2005 with a nominal volume of € 300.0 m was cancelled on 24 March 2015 with effect from 30 April 2015. The borrowing costs incurred for the issue of the hybrid capital were offset against revenue reserves upon redemption.

(31) Non-controlling interests

Non-controlling interests mainly relate to the companies presented in the table below.

SUBSIDIARIES WITH SIGNIFICANT NON-CONTROLLING INTERESTS

		Capital share TUI in %		Capital share non-controlling interests in %	
Name and headquarter of company	Nature of business	**30 Sep 2015**	30 Sep 2014	**30 Sep 2015**	30 Sep 2014
RIUSA II S.A., Palma de Mallorca, Spain	Hotel operator	50.0	50.0	50.0	50.0
TUI Travel Ltd., Crawley, Great Britain	Tour operator	100.0	54.1	–	45.9

The financial year of RIUSA II S.A. differs from the financial year of TUI Group and ends at 31 December. This reporting date was determined at the creation of the company. For the preparation of the consolidated financial statements of TUI Group as at 30 September consolidated financial statements of the RIUSA II Group are prepared as at TUI Group's balance sheet date 30 September. The financial year of TUI Travel Ltd. corresponds to the financial year of TUI Group.

The RIUSA II Group, allocated to Hotels & Resorts, operates owned and leased hotels and hotels operated under management contracts in tourism destinations of the TUI Group. Based on the contractual agreements between the shareholders and the framework agreements with the TUI Group as well as the considerable importance of tour operation business for the economic success of the RIUSA II Group, the TUI Group is able to direct the decisions on the mostrelevant activities. The RIUSA II Group is therefore fully consolidated although the TUI Group only holds a 50% equity stake.

Following the merger of TUI AG and TUI Travel PLC there are no non-controlling interests in TUI Travel Ltd. remaining. For a detailed description of the transaction please refer to the section „Merger of TUI AG and TUI Travel PLC" within the principles and methods of consolidation.

The following table provides summarised financial information for subsidiaries with material non-controlling interests. The information disclosed reflects the amounts presented in the consolidated financial statements of the respective sub groups.

SUMMARISED FINANCIAL INFORMATION ON SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

€ million	RIUSA II S.A., Palma de Mallorca, Spain[1] 30 Sep 2015 / 2014 / 15	RIUSA II S.A., Palma de Mallorca, Spain[1] 30 Sep 2014 / 2013 / 14	TUI Travel Ltd., Crawley, Great Britain[1] 30 Sep 2015 / 2014 / 15[2]	TUI Travel Ltd., Crawley, Great Britain[1] 30 Sep 2014 / 2013 / 14
Current assets	294.5	232.3	–	3,674.3
Non-current assets	1,242.1	1,172.9	–	6,145.4
Current liabilities	110.3	129.4	–	6,988.8
Non-current liabilities	86.4	84.8	–	2,588.4
Revenues	715.9	630.8	2,335.7	17,865.7
Profit / loss	177.2	133.8	–109.8	239.4
Total comprehensive income	–8.4	16.2	–20.5	–221.6
Cash inflow / outflow from operating activities	232.6	179.0	–1,605.7	425.6
Cash inflow / outflow from investing activities	–99.0	–94.3	–35.7	–220.8
Cash inflow / outflow from financing activities	–64.9	–44.1	524.3	–533.3
Accumulated non-controlling interests	494.1	419.4	–	–310.8
Profit / loss attributable to non-controlling interests	88.6	–66.9	–49.6	113.7
Dividends attributable to non-controlling interests	10.0	5.0	183.0	85.9

1 Consolidated Subgroup
2 Until the merger of TUI AG with TUI Travel PLC

(32) Pension provisions and similar obligations

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

All defined contribution plans are funded by the payment of contributions to external insurance companies or funds. German employees enjoy benefits from a statutory defined contribution plan paying pensions as a function of employees' income and the contributions paid in. Several additional industry pension organisations exist for companies of the TUI Group. Once the contributions to the state-run pension plans and private pension insurance organisations have been paid, the Company has no further payment obligations. One major private pension fund is Aegon Levensverzekering N.V. operating the defined contribution pension plans for the main Dutch subsidiaries of the TUI Group. Contributions paid are expensed for the respective period. In the period under review, the expenses for all defined contribution plans totalled € 85.8 m (previous year € 85.3 m).

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

Within this group, the MER-Pensionskasse VVaG, a private pension fund, in which German companies of the tourism industry are organised, represents a multi-employer plan, that is classified as a defined benefit plan. In accordance with the statutes of the plan, the plan participants and the employers pay salary based contributions into the plan. There are no further obligations pursuant to the statutes of the plan, an additional funding obligation of the participating companies is excluded explicitly. The paid-in contributions are invested in accordance with the policies of the pension plan unless they are used within a short term for the rendering of benefits. As the investments are pooled and not kept separately per participating employer, an allocation of the plan assets to the individual participating employer is not possible. The risk of investment as well as the biometric risk are jointly shared by all plan participants. Moreover, the pension fund does not provide any information to participating companies that would allow the allocation of any over- or underfunding or the extent of TUI's participation in the plan. Due to these restrictions, an accounting of the plan in accordance with the requirements of IAS 19 is not possible and the plan is therefore recognised as if it was a defined contribution plan. In the fiscal year contributions made to MER-Pensionskasse VvaG amounted to € 5.5 m (previous year € 5.6 m). For the next fiscal year, contributions are expected to remain stable at this level.

The major pension plans recognised as defined benefit plans exist in particular in Germany and the UK. By far the largest pension plans are operated by the Group's tour operators in the UK, accounting for a proportion of 75.3 % (previous year 74.0 %) of the Group's total obligations at the balance sheet date. German plans account for a further 20.2 % (previous year 21.6 %).

In the UK, the following major pension schemes in which pension payments are linked to final salary and length of service are operated. The final remuneration to be taken into account is capped.

MATERIAL DEFINED BENEFIT PLANS IN GREAT BRITAIN

Scheme name	Status
Britannia Airways Limited Superannuation and Life Assurance Scheme	closed
TUI Pension Scheme (UK)	closed
Thomson Airways Pension Scheme	closed

Almost all defined benefit plans in the UK are funded externally. Under UK law, the employer is obliged to ensure sufficient funding so that plan assets cover the pension payments to be made and the administrative costs of the funds. The pension funds are managed by independent trustees. The trustees comprise independent members but also beneficiaries of the plan and employer representatives. The trustees are responsible for the investment of fund assets, taking account of the interests of plan members, but they also negotiate the level of the contributions to the fund to be paid by the employers, which constitute minimum contributions to the fund. To this end, actuarial valuations are made every two years by actuaries commissioned by the trustees. These valuations serve as a basis to determine the annual contributions to be paid to the fund in order to cover any shortfalls in coverage, last defined in July 2015. On top of a fixed annual contribution, a certain percentage of the pensionable remuneration of the plan members has to be paid to the scheme. Additionally, the current agreement replaced formerly existing result-based additional payments in favour of higher fixed contributions.

By contrast, the defined benefit plans in Germany are unfunded. The obligations entail payments of company pensions when the beneficiaries reach the legal retirement age. The amount of the pension paid usually depends on the remuneration received by the staff member at the retirement date. The pension obligations regularly also comprise surviving dependants' benefits and invalidity benefits.

MATERIAL DEFINED BENEFIT PLANS IN GERMANY

Scheme name	Status
Versorgungsordnung TUI AG	closed
Versorgungsordnung Hapag-Lloyd Fluggesellschaft GmbH	open
Versorgungsordnung TUI Deutschland GmbH	closed
Versorgungsordnung TUI Beteiligungs GmbH	closed
Versorgungsordnung Preussag Immobilien GmbH	closed

In the period under review, defined benefit pension obligations created total expenses of € 90.9 m for the Group. Compared to last year, there were no gains from transactions to optimise pension schemes in the current year to offset the regular expenses for current service costs and interests. Last year, firstly pensioners and later on active plan members in the UK were offered to exchange promised higher pension increases in the future against immediate higher pension payments with only limited increases of pensions in the future. These transactions resulted in negative past service cost of € 75.9 m.

PENSION COSTS FOR DEFINED BENEFIT OBLIGATIONS

€ million	**2014 / 15**	2013 / 14 restated
Current service cost for employee service in the period	59.1	43.8
Curtailment gains	1.7	4.7
Net interest on the net defined benefit liability	34.4	38.6
Past service cost	– 0.9	–76.6
Total	**90.9**	**1.1**

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

DEFINED BENEFIT OBLIGATION RECOGNISED ON THE BALANCE SHEET

€ million	**30 Sep 2015 Total**	30 Sep 2014 Total
Present value of funded obligations	2,711.0	2,523.5
Fair value of external plan assets	2,302.1	1,980.0
Deficit of funded plans	**408.9**	**543.5**
Present value of unfunded pension obligations	722.8	731.0
Defined benefit obligation recognised on the balance sheet	**1,131.7**	**1,274.5**
Overfunded plans in Other assets	**15.2**	**–**
Provisions for pensions and similar obligations	**1,146.9**	**1,274.5**
of which current	32.4	32.1
of which non-current	1,114.5	1,242.4

Remeasurements (in particular actuarial gains and losses) are immediately offset against equity in the year in which they arise. The total pension obligations, net of fund assets, of the TUI Group are therefore fully recognised in the statement of financial position.

Where the defined benefit pension obligations are not unfunded, they are funded externally. This type of funding of pension obligations is common in the UK. For funded pension plans, the provision carried only covers the shortfall in coverage between the plan assets and the present value of the benefit obligations.

Where plan assets exceed funded pension obligations, taking account of a difference due to past service cost, and where at the same time there is an entitlement to reimbursement or reduction of future contributions to the fund, the excess is recognised in conformity with the cap defined by IAS 19.

DEVELOPMENT OF DEFINED BENEFIT OBLIGATIONS

€ million	Present value of obligation	Fair value of plan assets	**Total**
Balance as at 1 Oct 2014	**3,254.5**	**–1,980.0**	**1,274.5**
Current service cost	59.1	–	59.1
Past service cost	–0.9	–	–0.9
Curtailments and settlements	–2.1	0.4	–1.7
Interest expense (+)/interest income (-)	114.4	–80.0	34.4
Pensions paid	–132.7	99.6	–33.1
Contributions paid by employer	–	–149.8	–149.8
Contributions paid by employees	1.2	–1.2	–
Remeasurements	–6.6	–75.6	–82.2
due to changes in financial assumptions	20.5	–	20.5
due to changes in demographic assumptions	–30.2	–	–30.2
due to experience adjustments	3.1	–	3.1
due to return on plan assets not included in group profit for the year	–	–75.6	–75.6
Exchange differences	146.9	–115.5	31.4
Changes in the group of consolidated companies	–	–	–
Balance as at 30 Sep 2015	**3,433.8**	**–2,302.1**	**1,131.7**

DEVELOPMENT OF DEFINED BENEFIT OBLIGATIONS

€ million	Present value of obligation	Fair value of plan assets (restated)	**Total (restated)**
Balance as at 1 Oct 2013	**2,752.3**	**–1,616.6**	**1,135.7**
Current service cost	43.8	–	43.8
Past service cost	–76.6	–	–76.6
Curtailments and settlements	–9.9	5.2	–4.7
Interest expense (+)/interest income (-)	111.8	–73.2	38.6
Pensions paid	–116.0	80.6	–35.4
Contributions paid by employer	–	–145.8	–145.8
Contributions paid by employees	1.2	–1.2	–
Remeasurements	383.7	–97.7	286.0
due to changes in financial assumptions	341.3	–	341.3
due to changes in demographic assumptions	–	–	–
due to experience adjustments	42.4	–	42.4
due to return on plan assets not included in group profit for the year	–	–97.7	–97.7
Exchange differences	164.1	–131.3	32.8
Changes in the group of consolidated companies	0.1	–	0.1
Balance as at 30 Sep 2014	**3,254.5**	**–1,980.0**	**1,274.5**

The present value of the pension obligation rose by €179.3 m to €3,433.8 m in the financial year under review, primarily due to foreign exchange effects.

The TUI Group's fund assets rose even more substantially by €322.1 m in the period under review. Apart from foreign exchange effects and contributions made by a UK subsidiary in order to reduce the existing shortfall in coverage, the considerable increase in fund assets was also driven by the positive investment performance.

COMPOSITION OF PENSION ASSETS AT THE BALANCE SHEET DATE

€ million	**30 Sep 2015 Quoted market price in an active market**		30 Sep 2014 Quoted market price in an active market	
	yes	**no**	yes	no
Fair value of fund assets at end of period	**1,560.2**	**741.9**	**1,398.5**	**581.5**
of which equities	692.0	–	696.4	–
of which government bonds	292.0	–	228.8	–
of which corporate bonds	274.8	–	193.6	–
of which liability driven investments	250.0	–	203.9	–
of which property	–	138.0	–	114.6
of which growth funds	–	89.3	–	81.3
of which insurance policies	–	63.7	–	66.2
of which catastrophe bonds	–	63.0	–	52.6
of which cash	–	246.4	–	146.7
of which other	51.4	141.5	75.8	120.1

At the balance sheet date, as well as in the previous year, there is no direct investment in financial instruments issued by TUI AG or any of its consolidated subsidiaries or in any property occupied by the group. For funded plans, investment in passive index tracker funds may hold a proportionate investment in TUI AG financial instruments.

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

ACTUARIAL ASSUMPTIONS

			30 Sep 2015
Percentage p.a.	**Germany**	**Great Britain**	**Other countries**
Discount rate	2.25	3.8	1.9
Projected future salary increases	2.5	2.7	1.9
Projected future pension increases	1.75	3.6	1.4

			30 Sep 2014
Percentage p.a.	Germany	Great Britain	Other countries
Discount rate	2.25	3.9	1.8
Projected future salary increases	2.5	2.7	2.0
Projected future pension increases	2.0	3.3	2.1

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

For pension plans outside of Germany, actuarial calculations are based on country-specific parameters.

Apart from the parameters described above, a further key assumption relates to life expectancy. In Germany, the Heubeck reference tables 2005G are used to determine life expectancy. In the UK, the S1NxA base tables are used, which are adjusted to future expected increases on the basis of the CMI 2013. The pension in payment escalation formulae depends primarily on the pension scheme concerned. Apart from fixed rates of increase, there are also a number of inflation-linked pension adjustment mechanisms in different countries.

Changes in the key actuarial assumptions mentioned above would lead to the changes in defined benefit obligations presented below. The methodology used to determine sensitivity corresponds to the method used to calculate the defined benefit obligation. The assumptions were amended in isolation each time; actual interdependencies between the assumptions were not taken into account. The effect of the increase in life expectancy by one year is calculated by means of a reduction in mortality due to the use of the Heubeck tables 2005G for pension plans in Germany. In the UK, an extra year is added to the life expectancy determined on the basis of the mortality tables.

SENSITIVITY OF THE DEFINED BENEFIT OBLIGATION DUE TO CHANGED ACTUARIAL ASSUMPTIONS

	30 Sep 2015		30 Sep 2014	
€ million	+50 Basis points	–50 Basis points	+50 Basis points	–50 Basis points
Discount rate	–292.5	+330.5	–287.6	+331.5
Salary increase	+23.8	–23.0	+20.0	–18.7
Pension increase	+110.3	–103.5	+96.8	–78.4
	+1 year		+1 year	
Life expectancy	+114.6	–	+107.7	–

The weighted average duration of the defined benefit obligations totalled 18.5 years (previous year 18.9 years) for the overall Group. In the UK, the weighted duration was 19.7 years (previous year 20.7 years), while it stood at 15.1 years (previous year 15.8 years) in Germany.

Fund assets are determined on the basis of the fair values of the funds invested as at 30 September 2015. The interest rate used to determine the interest income from the assets of external funds is identical to the discount rate used for the defined benefit obligation.

For the forthcoming financial year, the companies of the TUI Group are expected to contribute around € 128.5 m (previous year € 108.8 m) to the pension schemes and pay pensions worth € 32.4 m (previous year € 32.1 m) for unfunded plans. For funded schemes, payments to the recipients are fully made from fund assets to that the TUI Group does not record a cash outflow as a result.

The TUI Group's defined benefit plans entail various risks, some of which may have substantial effects on the Company.

INVESTMENT RISK

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

INTEREST RATE RISK

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

INFLATION RISK

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

LONGEVITY RISK

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

CURRENCY RISK

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

(33) Other provisions

DEVELOPMENT OF PROVISIONS IN THE FINANCIAL YEAR 2014/15

€ million	Balance as at 30 Sep 2014 restated	Changes with no effect on profit and loss*	Usage	Reversal	Additions	**Balance as at 30 Sep 2015**
Maintenance provisions	482.1	40.3	78.3	31.7	151.3	563.7
Risks from onerous contracts	57.9	1.0	19.4	1.7	10.3	48.1
Restructuring provisions	39.4	– 0.2	28.7	0.4	31.8	41.9
Provisions for other personnel costs	41.4	– 5.1	12.0	0.1	13.9	38.1
Provisions for other taxes	69.1	– 51.2	1.4	0.8	11.7	27.4
Provisions for environmental protection	39.9	–	3.5	0.3	4.4	40.5
Provision for Litigation	103.2	–18.7	1.3	5.0	30.9	109.1
Miscellaneous provisions	239.6	94.4	77.0	17.9	101.8	340.9
Other provisions	**1,072.6**	**60.5**	**221.6**	**57.9**	**356.1**	**1,209.7**

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

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

Provisions for onerous contracts principally relate to unfavourable lease contracts. The decrease in the current financial year is mainly driven by the utilisation of these provisions.

The restructuring provisions primarily relate to restructuring projects within the Northern and Central Region segments for which detailed, formal restructuring plans have been drawn up and communicated to the parties concerned. The restructuring provisions included at the balance sheet date of € 41.9 m (previous year € 39.4 m) largely relate to benefits for employees in connection with the termination of employment contracts.

Provisions for personnel costs comprise provisions for jubilee benefits as well as provisions for share-based payment schemes with cash compensation in accordance with IFRS 2. Information on these long-term incentive programmes is presented under Note 43 in the section on "Share-based payments in accordance with IFRS 2".

The provisions for environmental protection measures primarily relate to statutory obligations to remediate sites contaminated with legacy waste from former mining and metallurgical activities. Estimating the future cost of remediating contaminated sites entails many uncertainties, which may also impact the amount of provisions. The measurement is based on assumptions about future costs derived from empirical values, conclusions from environmental expert reports and the legal assessment of the Group as well as the expected duration of the remediation measures. Unwinding these obligations under environmental law takes a long time and constitutes a technically complex process. Accordingly, there are considerable uncertainties about the actual timeframe and the specific amount of expenses required so that actual costs may exceed the provisions carried.

Provisions for litigation are established in relation to existing lawsuits. The recognised provisions mainly relate to the demand for compensation received from the container terminal at Zeebrugge as well as to claims for damages in relation to hotel lease contracts. Overall the future financial position is unlikely to be substantially affected by each of these claims.

The changes with no effect on profit and loss primarily relate to foreign exchange translation impacts as well as to movements within the other provisions.

Where the difference between the present value and the settlement value of a provision is material for the measurement of a non-current provision as at the balance sheet date, the provision is recognised at its present value in accordance with IAS 37. The discount rate to be applied should take account of the specific risks of the provision and of future price increases. This criterion applies to some items contained in the TUI Group's other provisions. Additions to other provisions comprise an interest portion of € 4.6 m (previous year € 5.9 m), recognised as an interest expense.

TERMS TO MATURITY OF INCOME TAX PROVISIONS AND OTHER PROVISIONS

€ million	**30 Sep 2015** Remaining term more than 1 year	**30 Sep 2015 Total**	30 Sep 2014 restated Remaining term more than 1 year	30 Sep 2014 restated Total
Maintenance provisions	455.8	563.7	359.1	482.1
Risks from onerous contracts	23.3	48.1	30.8	57.9
Restructuring provisions	0.2	41.9	0.5	39.4
Provisions for other personnel costs	23.6	38.1	23.2	41.4
Provisions for other taxes	22.3	27.4	20.8	69.1
Provisions for environmental protection	38.4	40.5	36.3	39.9
Provisions for litigation	50.5	109.1	77.7	103.2
Miscellaneous provisions	132.2	340.9	53.2	239.6
Other provisions	**746.3**	**1,209.7**	**601.6**	**1,072.6**

(34) Financial liabilities

FINANCIAL LIABILITIES

	30 Sep 2015				30 Sep 2014 restated			
	Remaining term				Remaining term			
€ million	up to 1 year	1–5 years	more than 5 years	**Total**	up to 1 year	1–5 years	more than 5 years	Total
Convertible bonds	–	–	–	–	28.2	793.5	–	821.7
Other bonds	–	293.7	–	293.7	–	–	292.4	292.4
Liabilities to banks	61.0	207.3	225.8	494.1	53.0	135.2	72.5	260.7
Liabilities from finance leases	68.9	280.6	632.5	982.0	46.8	137.0	316.8	500.6
Financial liabilities due to non-consolidated Group companies	5.2	–	–	5.2	5.6	–	–	5.6
Financial liabilities due to affiliates	8.0	–	–	8.0	–	–	–	–
Other financial liabilities	90.0	13.4	–	103.4	83.6	1.0	–	84.6
Total	**233.1**	**795.0**	**858.3**	**1,886.4**	**217.2**	**1,066.7**	**681.7**	**1,965.6**

Non-current financial liabilities decreased year-on-year by € 94.9 m to € 1,653.3 m as at the balance sheet date. The decline primarily resulted from the conversion of two convertible bonds totaling € 793.5 m, largely offset by an increase in non-current liabilities to banks of € 225.4 m and an increase in liabilities from finance leases of € 459.3 m to € 913.1 m.

The increase in non-current liabilities to banks to € 433.1 m arises from debt finance associated with the acquisition of the cruise ship Europa 2 and the acquisition of an aircraft.

The increase in liabilities from finance leases mainly results from financing of aircraft.

Current financial liabilities rose by € 15.9 m to € 233.1 m year-on-year as at 30 September 2015.

FAIR VALUES AND CARRYING AMOUNTS OF THE BONDS ISSUED (30 SEP 2015)

€ million	Issuer	Volume initial	Volume outstanding	Interest rate % p.a.	30 Sep 2015 Stock market value	30 Sep 2015 Carrying amount	30 Sep 2014 Stock market value	30 Sep 2014 Carrying amount
2009/14 convertible bond	TUI AG	217.8	–	5.500	–	–	54.3	25.2
2011/16 convertible bond	TUI AG	338.9	–	2.750	–	–	388.7	317.1
2014/19 bond	TUI AG	300.0	300.0	4.500	314.4	293.7	306.0	292.4
2009/14 convertible bond	TUI Travel PLC	GBP 350.0	GBP –	6.000	GBP –	–	GBP 2.3	3.0
2010/17 convertible bond	TUI Travel PLC	GBP 400.0	GBP –	4.900	GBP –	–	GBP 474.4	476.4
Total					**314.4**	**293.7**	**1,362.3**	**1,114.1**
2005/-- hybrid capital	TUI AG	300.0	–	3M EURIBOR plus 7.300	–	–	308.2	294.8

On 17 November 2009, TUI AG issued a five-year convertible bond worth €217.8m. This bond carried a fixed-interest coupon of 5.5% per annum. It was issued at denominations of €56.30. As at 30 September 2014, the nominal volume outstanding totalled €25.5m. In the period under review, €23.1m of that total were converted, while the remaining amount of €2.4m plus accumulated interest was repaid at maturity on 17 November 2014.

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

On 26 September 2014, TUI AG issued a high-yield bond with a coupon of 4.5% p.a. with a nominal volume of €300.0m. The bond was issued in denominations of €100,000 each. It will mature on 1 October 2019.

On 1 October 2009, TUI Travel PLC issued a convertible bond with a nominal value of £350.0m with a fixed-interest coupon of 6.0% per annum and a conversion price of £3.493 per no-par value share, maturing on 5 October 2014. The bond was issued in denominations of £100,000. Following the end of the conversion period, the volume of the bond outstanding as at 30 September 2014 was £2.3m. Non-converted bonds were repaid at their nominal amount plus accumulated interest at final maturity.

The convertible bond with a nominal volume of £400.0m, issued by TUI Travel PLC on 22 April 2010 was almost fully converted in financial year 2014/15. In the framework of the merger between TUI Travel PLC and TUI AG, the bondholders had a special redemption right, subsequently used for conversion by many of the external bondholders. Further convertible bonds with a nominal value of £200m were early redeemed by TUI AG. TUI AG had obtained the legal title on these bonds with the early redemption of a financing agreement in January 2015. On 3 March 2015, TUI Travel Ltd. announced early redemption of the remaining bonds. All bonds still outstanding were converted by the bondholders by the end of the conversion period on 17 April 2015.

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

(35) Trade accounts payable

TRADE PAYABLES

€ million	**30 Sep 2015**	30 Sep 2014 restated
To third parties	3,181.2	3,224.4
To non-consolidated Group companies	5.8	6.0
To affiliates	37.2	61.7
Total	**3,224.2**	**3,292.1**

(36) Derivative financial instruments

DERIVATIVE FINANCIAL INSTRUMENTS

	30 Sep 2015				30 Sep 2014 restated			
	Remaining term				Remaining term			
€ million	up to 1 year	1–5 years	more than 5 years	**Total**	up to 1 year	1–5 years	more than 5 years	Total
Liabilities from derivative financial instruments to third parties	388.2	78.5	–	466.7	241.9	20.7	–	262.6

Derivative financial instruments are included at their fair values (market values). They mainly serve to hedge future business operations and are detailed in the explanatory information on financial instruments.

(37) Deferred and current tax liabilities

DEFERRED AND CURRENT TAX LIABLITIES

€ million	**30 Sep 2015**	30 Sep 2014 restated
Deferred tax liabilities	125.7	144.8
Current tax liabilities	194.6	199.7
Total	**320.3**	**344.5**

Deferred tax liabilities include an amount of € 105.5 m (previous year € 119.1.m) to be realised after more than twelve months.

(38) Other liabilities

OTHER LIABILITIES

€ million	30 Sep 2015 Remaining term up to 1 year	30 Sep 2015 Remaining term 1–5 years	30 Sep 2015 Total	30 Sep 2014 restated Remaining term up to 1 year	30 Sep 2014 restated Remaining term 1–5 years	30 Sep 2014 restated Total
Other liabilities due to non-consolidated Group companies	3.6	–	3.6	5.0	–	5.0
Other liabilities due to affiliates	29.1	8.0	37.1	38.0	0.3	38.3
Other liabilities relating to other taxes	41.9	–	41.9	48.3	–	48.3
Other liabilities relating to social security	47.2	–	47.2	44.2	–	44.2
Other liabilities relating to employees	273.4	13.8	287.2	282.0	10.5	292.5
Other liabilities relating to members of the Boards	4.2	–	4.2	0.3	–	0.3
Advance payments received	2,568.3	13.5	2,581.8	2,435.7	11.8	2,447.5
Other miscellaneous liabilities	205.0	25.7	230.7	215.2	63.2	278.4
Other liabilities	**3,172.7**	**61.0**	**3,233.7**	**3,068.7**	**85.8**	**3,154.5**
Deferred income	74.6	75.2	149.8	65.9	44.7	110.6
Total	**3,247.3**	**136.2**	**3,383.5**	**3,134.6**	**130.5**	**3,265.1**

(39) Liabilities related to assets held for sale

In the period under review, liabilities related to assets held for sale amounted to € 31.5 m (previous year none). They related to the discontinued operation LateRooms Group.

(40) Contingent liabilities

As at 30 September 2015, contingent liabilities amount to € 364.4 m (previous year € 375.1 m). Contingent liabilities are reported at an amount representing the best estimate of the potential expenditure that would be required to meet the potential obligation as at the balance sheet date.

Contingent liabilities as at 30 September 2015 are principally attributable to the granting of guarantees for the benefit of Hapag-Lloyd AG and TUI Cruises GmbH for collateralised ship financing schemes. The year-on-year decline versus 30 September 2014 mainly results from the return of guarantees and from redemption payments, which more than offset the increase resulting from contingent liabilities newly entered into.

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 Group 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.

As the Group has concluded many different contracts to purchase the same service, quantifying this risk in the event the tax administration enforces its view entails a significant element of uncertainty. Should TUI Group's legal interpretation be adopted, there is no risk.

Should TUI Group's legal interpretation be rejected, a risk of around € 42 m (previous year € 113 m) might arise for the period since 2008. This change reflects the reassessment of the risk.

(41) Litigation

Neither TUI AG nor any of its subsidiaries have been involved in pending or foreseeable court or arbitration proceedings which might have a significant impact on their economic position as at 30 September 2015. This also applies to actions claiming warranty, repayment or any other compensation brought forward in connection with the divestment of subsidiaries and business units over the past few years.

In 1999, the operator of the container terminal in Zeebrugge in Belgium filed an action for damages against CP Ships Ltd. – still part of TUI Group – and some of its subsidiaries due to an alleged breach of contract in connection with switching the Belgian port of call from Zeebrugge to Antwerp. Following first oral proceedings in September 2013, the court ruled against two subsidiaries of CP Ships Ltd. in October 2013 and dismissed the action against all other defendants (including CP Ships Ltd.). Both parties have appealed so that the action is now only pending against the two subsidiaries of CP Ships Ltd. and CP Ships Ltd. itself. Moreover, the CP Ships companies would have rights of recourse against solvent third parties in the event of an adverse final judgment.

As in previous years, the respective Group companies recognised adequate provisions, partly covered by expected insurance benefits, to cover all potential financial charges from court or arbitration proceedings. Overall, the future financial position is therefore unlikely to be substantially affected by such charges.

(42) Other financial commitments

NOMINAL VALUES OF OTHER FINANCIAL COMMITMENTS

€ million	30 Sep 2015				30 Sep 2014			
	Remaining term				Remaining term			
	up to 1 year	1–5 years	more than 5 years	**Total**	up to 1 year	1–5 years	more than 5 years	Total
Order commitments in respect of capital expenditure	275.1	1,969.8	1,682.8	3,927.7	589.8	1,603.6	967.5	3,160.9
Other financial commitments	39.2	75.2	–	114.4	56.1	154.6	–	210.7
Total	**314.3**	**2,045.0**	**1,682.8**	**4,042.1**	**645.9**	**1,758.2**	**967.5**	**3,371.6**
Fair value	**307.5**	**1,912.9**	**1,399.5**	**3,619.9**	**631.7**	**1,644.7**	**809.7**	**3,086.1**

The fair value of other financial commitments was determined by means of discounting future expenses using a customary market interest rate of 2.25 % per annum (previous year 2.25 % p. a.).

Order commitments in respect of capital expenditure relating almost exclusively to Tourism increased by € 766.8 m year-on-year as at 30 September 2015. This was primarily due to new order commitments for cruise ships arising under finance leases entered into by a subsidiary of the TUI Group with TUI Cruises GmbH, a joint venture of TUI AG. Order commitments for aircraft decreased slightly in the financial year under review due to the commissioning of additional aircraft and aircraft equipment offset by deliveries and current down payments. The decline was partly offset by foreign exchange effects for liabilities denominated in non-functional currencies.

FINANCIAL COMMITMENTS FROM OPERATING LEASE, RENTAL AND CHARTER CONTRACTS

					30 Sep 2015					30 Sep 2014 restated
				Remaining term					Remaining term	
€ million	up to 1 year	1–5 years	5–10 years	more than 10 years	**Total**	up to 1 year	1–5 years	5–10 years	more than 10 years	Total
Aircraft	401.4	1,219.5	508.6	15.2	2,144.7	363.8	1,090.4	523.7	58.2	2,036.1
Hotel complexes	231.9	462.4	90.9	8.4	793.6	225.1	537.6	102.1	8.5	873.3
Travel agencies	74.1	143.1	38.7	7.8	263.7	74.1	148.8	45.6	9.5	278.0
Administrative buildings	54.6	129.7	76.1	67.1	327.5	58.9	149.2	96.0	67.6	371.7
Yachts and motor boats	96.9	97.6	0.5	–	195.0	118.2	248.3	135.2	17.6	519.3
Other	26.8	26.9	8.8	56.3	118.8	29.0	33.9	4.5	21.4	88.8
Total	**885.7**	**2,079.2**	**723.6**	**154.8**	**3,843.3**	**869.1**	**2,208.2**	**907.1**	**182.8**	**4,167.2**
Fair value	**866.1**	**1,944.9**	**605.7**	**123.9**	**3,540.6**	**850.0**	**2,065.6**	**759.2**	**146.4**	**3,821.2**

The fair value of financial commitments from lease, rental and charter agreements was determined by means of discounting future expenses using a standard market interest rate of 2.25 % p. a. (previous year 2.25 % p. a.).

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

Operating leases for aircraft do not include a purchase option. Current lease payments usually do not include any maintenance costs. The basic lease term is usually around 8 years on average.

The decrease in commitments compared to 30 September 2014 arises mainly from the acquisition of Europa 2, which had been leased under a lease agreement until January 2015. An opposite effect resulted from the commissioning of several aircraft, causing an increase in lease obligations for aircraft.

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

MULTI-ANNUAL BONUS PAYMENT

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

Upon the completion of the four-year performance period, the preliminary number of phantom shares is multiplied by the degree of target achievement. This degree is determined by the rank achieved by TUI AG when comparing the total shareholder return (TSR) of companies listed in the "Dow Jones Stoxx 600 Travel & Leisure" index. The rank is subsequently translated into a percentage, which is the degree of target achievement. If the degree of target achievement is less than 25 %, no preliminary phantom shares are remunerated. If the degree of target achievement exceeds 25 %, it is multiplied by the number of preliminary phantom shares granted; however, a cap of 175 % applies. At the end of the four-year performance period, the number of phantom shares determined in this way is multiplied by the average price (20 trading days) of TUI AG shares, and the resulting amount is paid out in cash. The maximum amount payable under the long-term incentive programme has been capped for each individual.

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

The fair value of the phantom shares granted in financial year 2014 / 15 is recognised as remuneration for the current financial year based on a degree of target achievement of 100 %.

STOCK OPTION PLAN

Bonuses are granted to Group executives entitled to receive a bonus; the bonuses are also translated into phantom shares in TUI AG on the basis of an average share price. For Executive Board members, the stock option plan was terminated upon the introduction of the multi-annual bonus.

The phantom shares are calculated on the basis of Group earnings before interest, taxes and amortisation of goodwill (EBITA). The translation into phantom shares is based on the average share price of the TUI share on the 20 trading days following the Supervisory Board meeting at which the annual financial statements are approved. The number of phantom shares granted in a financial year is therefore only determined in the subsequent year. Following a lock-up period of two years, the individual beneficiaries are free to exercise their right to cash payment from this bonus within three years. Following significant corporate news, the entitlements have to be exercised within defined timeframes. The lock-up period is not applicable if a beneficiary leaves the Company; in that case, the entitlements have to be exercised in the next time window. The level of the cash payment depends on the average share price of the TUI share over a period of 20 trading days after the exercise date. There are no absolute or relative return or share price targets. A cap has been agreed for exceptional, unforeseen developments. Since the strike price is € 0.0 and the incentive programme does not entail a vesting period, the fair value corresponds to the intrinsic value and hence the market price at the balance sheet date. Accordingly, the fair value of the obligation is determined by multiplying the number of phantom shares with the share price at the respective reporting date.

Phantom shares developed as follows for the two remuneration schemes:

DEVELOPMENT OF PHANTOM SHARES

	Number of shares	Present value € million
Balance as at 30 Sep 2013	**1,724,055**	**15.1**
Phantom shares granted	357,484	4.2
Phantom shares exercised	900,497	9.3
Measurement results	–	4.0
Balance as at 30 Sep 2014	**1,181,042**	**14.0**
Phantom shares granted	779,616	9.7
Phantom shares exercised	497,970	8.3
Phantom shares forfeited	69,116	0.8
Measurement results	–	8.2
Balance as at 30 Sep 2015	**1,393,572**	**22.8**

The multi-annual bonus and the stock option plan are recognised as payments with cash compensation. As at 30 September 2015 provisions relating to entitlements under these long-term incentive programmes totaled € 15.2 m and further € 1.5 m were included as liabilities (previous year provisions of € 13.2 m and no liabilities). Within the stock option plan 182,438 phantom shares (value equivalent to € 3.0 m) vested as at 30 September 2015.

In financial year 2014 / 15, personnel expenses due to share-based payment schemes with cash compensation of € 8.0 m (previous year € 7.8 m) were recognised through profit and loss.

EMPLOYEE SHARES

TUI AG offers shares at preferential conditions for purchase by eligible employees in Germany and some European countries. The purchase entails a lock-up period of two years. In financial year 2014 / 15, a total of 133,340 employee shares that employees had subscribed to in the prior year were issued. The subscription period for employee shares in financial year 2014 / 15 expired on 23 September 2015. Employees subscribed to 181,280 employee shares, to be issued in the following financial year. Personnel costs recognised through profit and loss, i.e. the difference between the current share price as at the balance sheet date and the reduced purchase price, amount to € 0.9 m.

SHARE-BASED PAYMENT SCHEMES IN TUI AG SUBSIDIARIES

After completion of the merger between TUI Travel PLC and TUI AG on 11 December 2014 all members of the TUI Group Executive Board received new contracts of employment. With retroactive effect to 1 October 2014 all members of the TUI Group Executive Board are participating in the above-mentioned scheme of multi-annual bonus payment. Therefore, since the beginning of the financial year, the remuneration schemes described below are no longer granted to former TUI Travel PLC executive directors that now form part of the TUI AG board of executives. In the scheme of arrangement of the merger TUI AG committed to fulfil existing entitlements to share-based payments ('roll-over'). Therefore outstanding awards of Executive Board members based on former TUI Travel PLC contracts of employment will be remunerated at maturity. Equity-settled share-based payments will be made in TUI AG shares converted from the TUI Travel entitlements at the conversion rate of 0.399 new TUI AG shares for each TUI Travel share as agreed in the merger documentation.

Certain beneficiaries (except for the Executive Board members) are still eligible to receive awards under the three remuneration schemes described below. Prior to the merger between TUI Travel PLC and TUI AG, the schemes operated by TUI Travel PLC businesses were equity-settled and all outstanding awards remain equity-settled. All awards granted under the schemes after the merger will be settled in cash.

The three principal share-based payment schemes linking executive remuneration to the future performance of the company are: a Performance Share Plan (PSP), a Deferred Annual Bonus Scheme (DABS) and a Deferred Annual Bonus Long-Term Incentive Scheme (DABLIS). These incentive schemes are offered to participants free of charge and entail both lock-up periods and performance conditions.

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

PERFORMANCE SHARE PLAN (PSP)

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

DEFERRED ANNUAL BONUS SCHEME (DABS)

The awards granted under this scheme vest upon completion of a three-year period at the earliest.

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

DEFERRED ANNUAL BONUS LONG-TERM INCENTIVE SCHEME (DABLIS)

The Deferred Annual Bonus Long-Term Incentive Scheme (DABLIS), for executive staff (except for the Executive Board) requires a 25 % conversion of any annual variable compensation into shares. Some eligible staff have been awarded further (matching) share awards as additional bonuses. Matching shares are limited to four times the converted amount. The earliest point for the shares to be eligible for release is similarly at the end of a three-year period.

Up to 50 % of the awards will vest based on achievement of certain EBITA targets. Up to 25 % of awards will vest based on the earnings per share (EPS) performance relative to the UK Retail Price Index and up to 25 % based on the total shareholder return (TSR) performance in relation to the TSR performance of other capital market-oriented travel and tourism companies.

The following schedules relate to the outstanding awards under the TUI Travel equity-settled schemes and show the number of TUI Travel Limited shares which remain outstanding following conversion into TUI AG shares at the conversion rate of 0.399 new TUI AG shares for each TUI Travel share as agreed in the merger documentation.

The vesting schedule for the awards was as follows as at 30 September 2015:

SHARE AWARD SCHEMES AND ORDINARY SHARES OUTSTANDING

	30 Sep 2015 Number of shares	30 Sep 2014 Number of shares	Date due to vest / date vested
Performance Share Plan (PSP)	–	1,214,096	7 December 2014
	–	77,103	1 June 2015
	732,594	738,838	6 December 2015
	486,203	511,339	12 December 2016
Deferred Annual Bonus Scheme (DABS)	–	2,075,061	7 December 2014
	1,393,129	1,395,470	6 December 2015
	925,025	976,878	12 December 2016
Deferred Annual Bonus Long Term Incentive Scheme (DABLIS)	–	1,435,845	7 December 2014
	808,039	840,113	6 December 2015
	681,508	735,507	12 December 2016
Total	**5,026,498**	**10,000,250**	

The development of awards already granted is as follows:

DEVELOPMENT OF THE NUMBER OF SHARE OPTIONS

	Number
Outstanding at beginning of the financial year	10,000,250
Forfeited during the year	– 222,497
Exercised during the financial year	– 4,751,255
Granted during the financial year	–
Balance as at 30 Sep 2015	**5,026,498**

The weighted average TUI Travel PLC share price was 452 pence at exercise date (translated to € 5.81, previous year 387 pence or € 4.52). The weighted average remaining contractual life of options not exercised is 0.61 years at 30 September 2015 (previous year 0.93 years). In addition to the above shares, the deferral of variable compensation into share awards means that 558,154 shares (previous year 1,122,556 shares) are still outstanding under DABS and 799,354 (previous year 1,781,444) under DABLIS. The awards will vest between 6 December 2015 and 12 December 2016.

The fair value of services received in return for shares awarded during the financial year was measured by reference to the fair value of the equity instruments awarded. The fair value at the date the share awards were granted is usually estimated using a binominal methodology, except where there is a market-based performance condition attached to vesting. In that case a Monte Carlo simulation is used for the estimate.

INFORMATION RELATING TO FAIR VALUES OF SHARES AWARDED

		2014/15	2013/14
Fair values at measurement date	€	–	5.32 – 10.58
Share price	€	–	12.16
Expected volatility	%	–	30.60
Award life		–	3 years
Expected dividends	%	–	4.67
Risk free interest rate	%	–	0.78

Participants are not entitled to dividends prior to vesting. Expected volatility is based on historic volatility adjusted for changes to future volatility indicated by publicly available information.

In financial year 2014/15, personnel costs of € 20.1 m (previous year € 23.9 m) relating to share-based payment schemes involving compensation by equity instruments were carried through profit and loss.

Eligible beneficiaries are included in a cash-settled (Phantom) scheme. Calculation of the cash settlement is based on the same criteria as those used for settlement by equity instruments. In the financial year 2014/15, this gave rise to staff costs of € 10.9 m (previous year € 2.7 m). As at 30 September 2015 provisions relating to entitlements under these long-term incentive programmes totaled € 11.2 m and were classified as accruals.

The schedule below shows the development of outstanding cash-settled phantom shares as at 30 September 2015:

DEVELOPMENT OF PHANTOM SHARES GRANTED AT SUB-GROUP LEVEL

	Number of shares	Present value € million
Balance as at 30 Sep 2014	**410,006**	**4.9**
Phantom shares granted	1,579,926	26.3
Phantom shares exercised	–185,987	– 3.1
Phantom shares forfeited	–199,559	– 3.3
Measurement results	–	1.9
Balance as at 30 Sep 2015	**1,604,386**	**26.7**

(44) Financial instruments

RISKS AND RISK MANAGEMENT

RISK MANAGEMENT PRINCIPLES

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

In accordance with the Group's financial goals, financial risks have to be mitigated. In order to achieve those goals, policies and procedures applicable within TUI Group have been developed, ensuring responsibilities for all financial transactions undertaken.

Due to the merger of TUI AG and TUI Travel PLC the cash management activities and the financial risk management of both companies was combined at corporate level.

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

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

Accounting and measurement of financial instruments is in line with IAS 39.

MARKET RISK

Market risks result in fluctuations in earnings, equity and cash flows. In order to limit or eliminate these risks, the TUI Group has developed various hedging strategies, including the use of derivative financial instruments.

According to IFRS 7, market risks have to be presented using sensitivity analyses showing the effects of hypothetical changes in relevant risk variables on profit or loss and equity. The effects for the period are determined by relating the hypothetical changes in risk variables to the portfolio of primary and derivative financial instruments as at the balance sheet date. It is ensured that the portfolio of financial instruments as at the balance sheet date is representative for the entire financial year.

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

CURRENCY RISK

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

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

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

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

SENSITIVITY ANALYSIS – CURRENCY RISK

€ million		**30 Sep 2015**		30 Sep 2014
Variable: Foreign exchange rate	**+10 %**	**–10 %**	+10 %	–10 %
Exchange rates of key currencies				
€/US dollar				
Revaluation reserve	–102.3	+102.4	–105.7	+105.7
Earnings after income taxes	–8.0	+9.8	–7.8	+9.5
€/Pound sterling				
Revaluation reserve	–203.8	+203.8	–119.0	+119.0
Earnings after income taxes	–150.5	+152.4	–93.3	+95.3
Pound sterling/US dollar				
Revaluation reserve	–97.9	+97.9	–95.7	+95.7
Earnings after income taxes	–13.5	+13.5	–1.9	+1.9
€/Swiss franc				
Revaluation reserve	+0.7	–0.7	+4.1	–4.5
Earnings after income taxes	–0.2	+0.2	+0.3	–0.3
€/Swedish krona				
Revaluation reserve	+21.0	–21.0	+19.4	–11.3
Earnings after income taxes	–	–	–	–

INTEREST RATE RISK

The TUI Group is exposed to interest rate risks from floating-rate primary and derivative financial instruments. Where interest-driven cash flows of floating-rate primary financial instruments are converted into fixed cash flows due to derivative hedges, they are not exposed to an interest rate risk. No interest rate risk exists for fixed-interest financial instruments carried at amortised cost.

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

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

SENSITIVITY ANALYSIS – INTEREST RATE RISK

€ million	**30 Sep 2015**		30 Sep 2014	
Variable: Interest rate level for floating interest-bearing debt and fixed-interest bearing loans	**+50 basis points**	**–50 basis points**	+50 basis points	–50 basis points
Revaluation reserve	–	–	+0.3	+0.2
Earnings after income taxes	+0.3	–	+1.6	–1.4

FUEL PRICE RISK

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

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

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

SENSITIVITY ANALYSIS – FUEL PRICE RISK

€ million	**30 Sep 2015**		30 Sep 2014	
Variable: Fuel prices for aircraft and ships	**+10 %**	**–10 %**	+10 %	–10 %
Revaluation reserve	+62.4	–61.6	+80.2	–80.2
Earnings after income taxes	–0.1	–0.3	–	–

OTHER PRICE RISKS

Apart from the financial risks that may result from changes in exchange rates, commodity prices and interest rates, the TUI Group is exposed to other price risks due to one-off items.

For the sensitivity analysis of these one-off items, reference is given to the comments on the development of the value of Level 3 financial instruments.

SENSITIVITY ANALYSIS – OTHER PRICE RISKS

€ million		**30 Sep 2015**		30 Sep 2014
Variable: Other market values, cash flows	**+10 %**	**–10 %**	+10 %	–10 %
Revaluation reserve	–	–	+14.1	–17.0
Earnings after income taxes	–	–	–	–
Equity – Available for sale financial instruments	–	–	+ 0.4	– 0.4

CREDIT RISK

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

Maximum credit risk exposure corresponds in particular to the total of the recognised carrying amounts of the financial assets (including derivative financial instruments with positive market values). It also relates to the granting of financial guarantees for the discharge of liabilities. Details concerning the guarantees at the balance sheet date are presented in Note 40. Legally enforceable possibilities of netting financial assets and liabilities are taken into account. Credit risks are reviewed closely on conclusion of the contract and continually monitored thereafter so as to be able to swiftly respond to potential impairments in a counterparty's solvency. Responsibility for handling the credit risk is always held by the respective Group companies of the TUI Group.

Since the TUI Group operates in many different business areas and regions, significant credit risk concentrations of receivables from and loans to specific debtors or groups of debtors are not to be expected. A significant concentration of credit risks related to specific countries is not to be expected either. The maximum credit risk is reduced by collateral held and other credit enhancements of € 1.1 m (previous year € 1.1 m). Collateral held relates exclusively to financial assets of the category Trade receivables and other receivables. The collateral mainly comprises collateral for financial receivables granted and maturing in more than one year and / or with a volume of more than € 1 m. Rights in rem, directly enforceable guarantees, bank guarantees and comfort letters are used as collateral.

Identifiable credit risks of individual receivables are covered by means of corresponding bad debt allowances. In addition, portfolios are impaired based on empirical values. An analysis of the aging structure of the category Trade receivables and other assets is presented in Note 20.

At the balance sheet date, there were no financial assets that would be overdue or impaired unless the terms and conditions of the contract had been renegotiated, neither in financial year 2014 / 15 nor in 2013 / 14.

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

LIQUIDITY RISK

Liquidity risks consist of the Group being unable to meet its shot term financial obligations and resulting increases in funding costs. For this reason, the key objectives of TUI's internal liquidity management system are to secure the Group's liquidity at all times and consistently comply with contractual payment obligations. Assets of € 0.3 m (previous year € 3.1 m) were deposited as collateral for liabilities. The participating Group companies are also jointly and severally liable for financial liabilities from cash pooling agreements.

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

CASH FLOW OF FINANCIAL INSTRUMENTS – FINANCIAL LIABILITIES (30 SEP 2015)

	Cash outflow until 30 Sep							
	up to 1 year		1 – 2 years		2 – 5 years		more than 5 years	
€ million	**repayment**	**interest**	repayment	interest	repayment	interest	repayment	interest
Financial liabilities								
Bonds	–	– 13.5	–	– 13.5	– 300.0	– 33.8	–	–
Liabilities to banks	– 61.0	– 4.3	– 55.6	– 3.5	– 151.7	– 8.6	– 225.8	– 7.3
Liabilities from finance leases	– 68.8	– 34.4	– 68.2	– 32.2	– 212.5	– 83.6	– 632.5	– 84.4
Financial liabilities due to non-consolidated Group companies	– 5.2	–	–	–	–	–	–	–
Financial liabilities due to affiliates	– 8.0	–	–	–	–	–	–	–
Other financial liabilities	– 90.0	–	– 13.4	–	–	–	–	–
Trade payables	– 3,224.2	–	–	–	–	–	–	–
Other liabilities	– 66.2	– 12.2	– 7.5	–	– 2.7	–	–	–

CASH FLOW OF FINANCIAL INSTRUMENTS – FINANCIAL LIABILITIES (30 SEP 2014) (RESTATED)

	Cash outflow until 30 Sep							
	up to 1 year		1–2 years		2–5 years		more than 5 years	
€ million	**repayment**	**interest**	repayment	interest	repayment	interest	repayment	interest
Financial liabilities								
Bonds	–28.4	–48.9	–338.9	–43.4	–514.6	–65.7	–300.0	–6.8
Liabilities to banks	–53.0	–1.3	–49.1	–1.2	–86.1	–3.7	–72.5	–5.0
Liabilities from finance leases	–46.8	–27.2	–39.1	–0.8	–97.9	–1.9	–316.8	–10.6
Financial liabilities due to non-consolidated Group companies	–5.6	–	–	–	–	–	–	–
Other financial liabilities	–83.6	–	–1.0	–	–	–	–	–
Trade payables	–3,292.1	–	–	–	–	–	–	–
Other liabilities	–225.0	–12.7	–17.3	–	–2.2	–	–	–

CASH FLOW OF DERIVATIVE FINANCIAL INSTRUMENTS (30 SEP 2015)

	Cash in-/outflow until 30 Sep			
€ million	**up to 1 year**	1–2 years	2–5 years	more than 5 years
Derivative financial instruments				
Hedging transactions – inflows	+6,865.3	+1,620.3	+412.1	+0.7
Hedging transactions – outflows	–7,016.7	–1,660.1	–423.0	–0.7
Other derivative financial instruments – inflows	+4,090.9	+153.1	+23.2	–
Other derivative financial instruments – outflows	–3,576.0	–150.1	–22.4	–

CASH FLOW OF DERIVATIVE FINANCIAL INSTRUMENTS (30 SEP 2015 RESTATED)

	Cash in-/outflow until 30 Sep		
€ million	**up to 1 year**	1–2 years	2–5 years
Derivative financial instruments			
Hedging transactions – inflows	+6,149.6	+743.2	+34.6
Hedging transactions – outflows	–6,196.4	–722.4	–31.3
Other derivative financial instruments – inflows	+3,103.1	+27.3	–
Other derivative financial instruments – outflows	–3,134.2	–27.2	–0.8

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGES

STRATEGY AND GOALS

In accordance with the TUI Group's implementing regulations, derivatives are allowed to be used if they are based on underlying recognised assets or liabilities, firm commitments or forecasted transactions. Hedge accounting is based on the rules of IAS 39, in particular in the framework of forecasted transactions. In the financial year under review, hedges primarily consisted of cash flow hedges.

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

CASH FLOW HEDGES

As at 30 September 2015, hedges existed to hedge cash flows in foreign currencies with maturities of up to six years (previous year up to three years). The hedging transactions of fuel price hedges had terms of up to four years (previous year up to four years). There were no longer any hedging transactions to hedge the floating-rate interest payment obligations. Interest hedges were entered into in financial years 2010 / 11 and 2012 / 13 in order to hedge TUI AG's floating-rate interest payment obligations in connection with the funding to acquire a part of the convertible bond issued by TUI Travel PLC. Due to the merger between TUI AG and TUI Travel PLC, these interest hedges were terminated. In the prior year, interest hedges with a term of up to two years existed.

In accounting for derivatives of cash flow hedges, the effective portion of the cumulative changes in market values is carried in the revaluation reserve outside profit and loss until the hedged item occurs. It is carried in the income statement through profit and loss when the hedged item is executed. In the financial year under review, expenses of € 580.8 m (previous year income of € 150.6 m) for currency hedges and derivative financial instruments used as price hedges were carried in the cost of sales. Expenses of € 0.3 m (previous year expenses of € 0.7 m) was carried in the financial result for interest hedges. Income of € 0.7 m (previous year income of € 0.1 m) was carried for the ineffective portion of the cash flow hedges.

NOMINAL AMOUNTS OF DERIVATIVE FINANCIAL INSTRUMENTS USED

			30 Sep 2015			30 Sep 2014 restated
	Remaining term			Remaining term		
€ million	up to 1 year	more than 1 year	**Total**	up to 1 year	more than 1 year	Total
Interest rate hedges						
Caps	67.7	160.4	228.1	–	225.6	225.6
Swaps	–	25.2	25.2	25.0	90.0	115.0
Currency hedges						
Forwards	10,261.1	2,109.5	12,370.6	9,128.3	789.7	9,918.0
Options	2.1	–	2.1	4.0	–	4.0
Structured instruments	114.5	113.6	228.1	204.6	18.4	223.0
Commodity hedges						
Swaps	977.2	313.5	1,290.7	1,041.2	283.9	1,325.1
Options	37.4	–	37.4	3.0	–	3.0
Other financial instruments	**–**	**–**	**–**	**–**	**193.0**	**193.0**

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

FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

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

POSITIVE AND NEGATIVE FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS SHOWN AS RECEIVABLES OR LIABILITIES

€ million	**30 Sep 2015**		30 Sep 2014 restated	
	Receivables	**Liabilities**	Receivables	Liabilities
Cash flow hedges for				
currency risks	257.5	96.7	186.0	124.1
other market price risks	4.9	347.1	37.4	83.1
interest rate risks	–	–	0.1	0.3
Fair value hedges for				
currency risks	–	–	–	0.2
Hedging	**262.4**	**443.8**	**223.5**	**207.7**
Other derivative financial instruments	**66.7**	**22.9**	**22.0**	**54.9**
Total	**329.1**	**466.7**	**245.5**	**262.6**

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

FINANCIAL INSTRUMENTS – ADDITIONAL DISCLOSURES

CARRYING AMOUNTS AND FAIR VALUES

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

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

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

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

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

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

€ million	Carrying amount	Category under IAS 39: At amortised cost	Category under IAS 39: At cost	Category under IAS 39: Fair value with no effect on profit and loss	Category under IAS 39: Fair value through profit and loss	Values according to IAS 17 (leases)	Carrying amount of financial instruments	Fair value of financial instruments
Assets								
Available for sale financial assets	362.7	–	45.4	317.3	–	–	362.7	362.7
Trade receivables and other assets	2,279.3	1,113.8	–	–	–	–	1,113.8	1,113.8
Derivative financial instruments								
Hedging	223.5	–	–	223.5	–	–	223.5	223.5
Other derivative financial instruments	22.0	–	–	–	22.0	–	22.0	22.0
Cash and cash equivalents	2,258.0	2,258.0	–	–	–	–	2,258.0	2,258.0
Liabilities								
Financial liabilities	1,965.6	1,465.0	–	–	–	500.6	1,465.0	1,713.2
Trade payables	3,292.1	3,292.0	–	–	–	–	3,292.0	3,292.0
Derivative financial instruments								
Hedging	207.7	–	–	207.7	–	–	207.7	207.7
Other derivative financial instruments	54.9	–	–	–	54.9	–	54.9	54.9
Other liabilities	3.265.1	217.3	–	–	–	–	217.3	217.3

The financial investments classified as financial assets available for sale include an amount of € 50.4 m (previous year € 45.4 m) for stakes in partnerships and corporations for which an active market does not exist. The fair value of these non-listed stakes is not determined using a measurement model since the future cash flows cannot be reliably determined. The stakes are carried at acquisition cost. In the period under review and in the previous year, there were no major disposals of stakes in partnerships and corporations measured at acquisition cost. The TUI Group does not intend to sell or derecognise the stakes in these partnerships and corporations in the near future.

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

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

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

€ million	At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss	**Carrying amount Total**	Fair value
Loans and receivables	3,371.8	–	–	–	3,371.8	3,371.8
Financial assets						
available for sale	–	45.4	317.3	–	362.7	362.7
held for trading	–	–	–	22.0	22.0	22.0
Financial liabilities						
at amortised cost	4,974.3	–	–	–	4,974.3	5,222.5
held for trading	–	–	–	55.4	55.4	55.4

FAIR VALUE MEASUREMENT

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

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

CLASSIFICATION OF FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS AS OF 30 SEP 2015

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

CLASSIFICATION OF FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS AS OF 30 SEP 2014 (RESTATED)

		Fair value hierarchy		
€ million	**Total**	Level 1	Level 2	Level 3
Assets				
Other assets held for trading	–	–	–	–
Available for sale financial assets	317.3	11.8	300.0	5.5
Derivative financial instruments				
Hedging transactions	223.5	–	223.5	–
Other derivative financial instruments	22.0	–	22.0	–
Liabilities				
Derivative financial instruments				
Hedging transactions	207.7	–	207.7	–
Other derivative financial instruments	54.9	–	54.9	–
At amortised cost				
Financial liabilities	1,713.2	1,362.3	350.9	–

At the end of every reporting period, TUI Group examines whether there are any reasons to reclassify assets from or to a different level. Financial assets and financial liabilities are always reclassified from Level 1 to Level 2 if liquidity and trading activities no longer indicate an active market. This also applies, vice versa, to potential reclassifications from Level 2 to Level 1. In the period under review, no reclassifications were made between Level 1 and Level 2.

There were also no reclassifications from or to Level 3. Reclassifications from Level 3 to Level 2 or Level 1 are made if observable quoted prices become available for the asset or liability concerned. TUI Group records reclassifications to and from Level 3 as per the day on which an event or trigger causes the reclassification.

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

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

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

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

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

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

FINANCIAL ASSETS MEASURED AT FAIR VALUE IN LEVEL 3

€ million	Other assets held for trading	Available for sale financial assets
Balance as at 1 October 2013	**40.6**	**–**
Additions (incl. Transfers)	–	5.2
Disposals		
repayment/sale	35.5	–
conversion	5.2	–
Total gains or losses for the period	0.1	0.3
included in profit or loss	–	–
included in other comprehensive income	0.1	0.3
Balance as at 30 September 2014	**–**	**5.5**
Change in unrealised gains or losses for the period for financial assets held at the balance sheet date	**–**	**–**
Balance as at 1 October 2014	**–**	**5.5**
Additions (incl. Transfers)	–	481.9
Total gains or losses for the period	–	–146.7
included in profit or loss	–	–147.1
included in other comprehensive income	–	0.4
Balance as at 30 September 2015	**–**	**340.7**
Change in unrealised gains or losses for the period for financial assets held at the balance sheet date	**–**	**–147.1**

The changes in Level 3 financial instruments result from the addition of the stake in Hapag-Lloyd AG, which has been accounted for as an available for sale financial asset since December 2014.

As the recurring fair value measurements of the investment in Hapag-Lloyd AG are using significant non-observable inputs, these are categorised within Level 3 of the fair value hierarchy.

The loss on level 3 financial instruments contains the impairment of the investment in Hapag-Lloyd AG of € 147.1 m. We refer to the section "available for sale financial assets" in Note 19.

MEASUREMENT PROCESS

Determination of the fair value of Level 3 financial instruments is based on discounted cash flow techniques by the TUI Group's finance department. The market data and parameters required for the quarterly valuation are collected and validated. Unobservable inputs are checked and updated, if necessary, on the basis of the internally available information.

The valuation results are compared with those of independent market participants, e. g. analyst studies, provided by Investor Relations. If the fair value determined on the basis of the given valuation technique falls outside of the bandwidth of external valuations, the valuation model is reviewed by Finance and verified by means of alternative assumptions, which might be considered by other market participants based on sound judgement in the price verification process at the end of the corresponding quarter. The CFO is informed about the result of the valuation of the key Level 3 financial instruments.

MEASUREMENT OF LEVEL 3 FINANCIAL INSTRUMENTS

The table below provides information about the valuation methods and the key unobservable inputs used to determine the fair values.

FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)

Financial asset	Fair Value in € million	Valuation technique	Unobservable input	Range	Inter-relationship between unobservable input and fair value measurement
Investment Hapag-Lloyd AG	334.9	Discounted Cash Flow	(estimated) EBITDA-Margin	7 %–9 %	The higher the (estimated) EBITDA-margin, the higher the fair value
			WACC	6.0 %	The lower the weighted average cost of capital, the higher the fair value
			Terminal Growth Rate	0.5 %	The higher the terminal growth rate, the higher the fair value
Investment NATS	5.8	Prior transactions	(n. a.)	(n. a.)	(n. a.)

The forecasted EBITDA-margin is based on assumptions about the future development of freight volumes, freight rates as well as the USD / EUR exchange rate and the oil price. To ensure the market proximity of the measurement inputs, the plausibility of used EBITDA-margins was tested based on observable EBITDA multiples of listed peers at the balance sheet date. Possible future deviations to these assumptions may result from the development of the macroeconomic situation and the ongoing hard competition within the container shipping industry.

SENSITIVITY ANALYSIS

The fair value of the stake in Hapag-Lloyd AG would change significantly if one or several of the key unobservable inputs were replaced by alternative assumptions assessed as possible. The table below presents the sensitivities to changes in the key unobservable inputs.

EFFECT OF CHANGES TO NON-OBSERVABLE INPUTS ON THE FAIR VALUE MEASUREMENT

€ million	Increase / (decrease) in non-observable inputs	Favourable / (unfavourable) impact on profit or loss
(Forecasted) EBITDA-margin	0.25 %	71.5
	– 0.25 %	–71.4
WACC	0.25 %	– 43.0
	– 0.25 %	47.2
Terminal Growth Rate	0.25 %	40.4
	– 0.25 %	– 36.8

The positive and negatives changes presented have been calculated separately.

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

EFFECTS ON RESULTS

The effects of the measurement of financial assets available for sale outside profit and loss and the effective portions of changes in fair values of derivatives designated in the framework of cash flow hedge accounting are listed in the statement of changes in equity.

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

NET RESULTS OF FINANCIAL INSTRUMENTS

€ million	2014/15 from interest	2014/15 other net results	2014/15 net result	2013/14 restated from interest	2013/14 restated other net results	2013/14 restated net result
Loans and receivables	–13.0	80.1	67.1	8.0	54.0	62.0
Available for sale financial assets	–	–141.3	–141.3	1.9	2.1	4.0
Financial assets and liabilities held for trading	–142.0	98.6	–43.4	10.9	–2.0	8.9
Financial liabilities at amortised cost	–49.5	–82.6	–132.1	–101.5	–135.3	–236.8
Total	**–204.5**	**–45.2**	**–249.7**	**–80.7**	**–81.2**	**–161.9**

Other net result of available for sale financial assets comprises the impairment of the stake in Hapag-Lloyd AG of € 147.1 m. Besides the net results primarily include results from participations, gains and losses on disposal, effects of fair value measurements and impairments, as well as interest income and interest expenses.

Financial instruments measured at fair value outside profit and loss did not give rise to any commission expenses in financial year 2014/15, just as in the previous year.

NETTING

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

OFFSETTING – FINANCIAL ASSETS

€ million	Gross Amounts of financial assets	Gross amounts of recognised financial liabilities set off	**Net amounts of financial assets presented in the balance sheet**	Related amounts not set off in the balance sheet: Financial Instruments	Related amounts not set off in the balance sheet: Cash Collateral received	Net Amount
Financial assets as at 30 Sep 2015						
Derivative financial assets	329.1	–	329.1	56.5	–	272.6
Cash and cash equivalents	5,556.2	3,883.6	1,672.6	–	–	1,672.6
Financial assets as at 30 Sep 2014 (restated)						
Derivative financial assets	245.5	–	245.5	208.4	–	37.1
Cash and cash equivalents	5,835.7	3,577.8	2,258.0	–	–	2,258.0

OFFSETTING – FINANCIAL LIABILITIES

€ million	Gross Amounts of financial liabilities	Gross amounts of recognised financial assets set off	**Net amounts of financial liabilities presented in the balance sheet**	Related amounts not set off in the balance sheet		Net Amount
				Financial Instruments	Cash Collateral granted	
Financial liabilities as at 30 Sep 2015						
Derivative financial liabilities	466.7	–	466.7	56.5	–	410.2
Financial liabilities	5,770.0	3,883.6	1,886.4	–	–	1,886.4
Financial liabilities as at 30 Sep 2014 (restated)						
Derivative financial liabilities	262.6	–	262.6	208.4	–	54.2
Financial liabilities	5,543.3	3,577.8	1,965.6	–	–	1,965.6

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

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

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

(45) Capital risk management

One of the key performance indicators in the framework of capital risk management is the IFRS-based gearing, i.e. the relationship between the Group's net debt and Group equity. From a risk perspective, a balanced relation between net debt and equity is to be sought. In terms of risk aspects, the TUI Group strives for an appropriate ratio between net debt and equity.

In order to exert active control over the capital structure, the TUI Group's management may change dividend payments to the shareholders, repay capital to the shareholders, issue new shares or issue hybrid capital. The management may also sell assets in order to reduce Group debt.

GEARING CALCULATION

€ million		**2014/15**	2013/14 restated
Average financial debt		2,308.5	2,803.5
Average cash and cash equivalent		1,346.7	2,013.2
Average Group net debt		**961.8**	**790.3**
Average Group equity		1,976.0	1,774.2
Gearing	%	**48.7**	**44.5**

Notes on the Cash Flow Statement

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

In the period under review, cash and cash equivalents declined by € 575.8 m to € 1,682.2 m, including an amount of € 9.5 m carried as assets held for sale.

(46) Cash inflow / outflow from operating activities

Based on the Group result after tax, the cash flow from operating activities is derived using the indirect method. The cash inflow from operating activities amounted to € 790.5 m (previous year € 1,074.5 m) in the period under review.

In the period under review, the cash inflow included interest of € 18.6 m and dividends of € 84.3 m. A cash outflow of € 148.4 m resulted from income tax payments.

(47) Cash inflow / outflow from investing activities

In financial year 2014 / 15, the cash outflow from investing activities amounted to € 216.8 m (previous year € 586.3 m).

The cash flow from investing activities includes a cash inflow of € 341.6 m from the sale of property, plant and equipment, primarily aircraft assets and a hotel in Gran Canaria.

The Group recorded a cash inflow of € 2.3 m from the sale of consolidated companies. On the other hand, it also recorded a cash outflow of € 29.9 m for the divestment of the PEAK Adventure Travel Group.

The cash inflow from the disposal of other non-current assets comprises an amount of € 300.0 m from the sale of stakes in a money market fund acquired in the prior year and sold after the completion of the merger with TUI Travel PLC. A cash inflow of € 17.9 m was generated from the sale of joint ventures.

Cash outflows include an amount of € 462.1 m for investments in property, plant and equipment and intangible assets of tour operators and airlines, € 173.3 m for Hotels & Resorts, € 88.5 m for Cruises and € 85.3 m for Specialist Travel companies. The cash outflow for investments in property, plant and equipment and intangible assets and the cash inflow from corresponding divestments do not match the additions and disposals shown in the development of fixed assets, which also include non-cash investments and disposals.

In financial year 2014 / 15, a cash outflow of € 5.5 m resulted from acquisitions of companies to be included in consolidation. This amount includes payments of € 1.7 m for acquisitions made in prior years. Cash and cash equivalents acquired through the acquisitions total € 0.4 m so that the total outflow of cash amounted to € 5.1 m.

The cash outflow for other assets includes an amount of € 23.8 m for the acquisition and for capital increases in joint ventures.

(48) Cash inflow / outflow from financing activities

The cash outflow from financing activities totalled € 1,116.7 m (previous year € 318.8 m).

In the framework of the merger between TUI AG and TUI Travel PLC, the capital increase required resulted in a cash outflow of € 10.9 m while other measures caused an outflow of € 38.8 m. TUI Travel PLC acquired own shares worth € 85.1 m in order to use them for share option plans. An outflow of € 4.3 m resulted from the increase in shares in consolidated companies.

TUI AG has replaced the credit line previously held by TUI Travel PLC with corresponding new credit facilities. The amounts drawn from that facility in the period under review have meanwhile been fully repaid. TUI AG used an amount of € 195.3 m to repay a financing scheme in connection with a convertible bond issued by TUI Travel PLC. In this context, reference is made to the section on "Merger between TUI AG and TUI Travel PLC". A cash outflow of € 2.4 m relates to the non-converted part of TUI AG's convertible bond which matured in November 2014, originally amounting to € 217.8 m, and the non-converted part of TUI AG's convertible bond originally worth € 339.0 m which was called early in the period under review. A cash outflow of € 300.0 m resulted from the redemption of TUI AG's perpetual subordinated bond.

The segment Hotels & Resorts has taken out financial liabilities worth € 7.4 m and redeemed € 76.8 m. A loan of € 76.7 m was used to finance a plane. Finance lease liabilities worth € 57.0 m were repaid.

Further cash outflows relate to the dividends for the hybrid holders and TUI AG shareholders (€ 109.3 m) and the dividends for the minority shareholders, primarily of TUI Travel PLC and RIUSA II S.A. (€ 197.0 m). A cash outflow of € 92.0 m resulted from interest payments.

(49) Development of cash and cash equivalents

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

As certain amounts from a cash pool agreement have been included in cash management since the prior year, a reconciliation is shown from cash and cash equivalents in the prior year's cash flow statement to cash and cash equivalents as presented in the statement of financial position. The effect of € 587.5 m is carried as a non-cash change in cash and cash equivalents.

Cash and cash equivalents also declined by € 33.1 m due to foreign exchange effects.

As at 30 September 2015, cash and cash equivalents of € 198.5 m were subject to restrictions on disposal. This amount includes € 116.3 m for cash collateral received, which was deposited in a Belgian subsidiary by Belgian tax authorities in the period under review 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 on disposal relate to cash and cash equivalents to be deposited due to legal or regulatory requirements.

Other Notes

(50) Significant transactions after the balance sheet date

On 6 October 2015, TUI entered a contract for the sale of LateRooms Ltd. for a consideration of £ 8.5 m (€ 11.6 m). The completion of the sale took place on 6 October 2015. The transaction does not require regulatory approval. The LateRooms segment was presented as a discontinued operation as at 30 September 2015.

On 23 October 2015, TUI and Oscrivia Limited entered contractual agreements to reorganise the equity of Togebi Holdings Limited. In particular, a cash capital increase of USD 20 m was agreed, in which TUI participates with a USD 3 m contribution. Following the completion of the agreements, TUI Group's stake in Togebi Holdings Limited, within the segment northern region, reduces from 49 % to 25 %. At the same time Oscrivia Limited increases its stake from 51 % to 75 %. Furthermore the joint venture agreement closed in 2009 was amended to reflect the new voting rights proportions. Due to these amendments, the relevant activities of Togebi Holdings Limited continue to be jointly determined by TUI and Oscrivia Limited, so that Togebi Holdings Limited remains to be classified as a joint venture.

On 6 November 2015 the initial public offering of Hapag-Lloyd AG occurred. Hapag-Lloyd's gross issuing proceeds through the placing of 13,228,677 new shares at an issue price of € 20.00 per HLAG share amounted to approximately € 265.0 m. Since then, the shares of Hapag-Lloyd AG are traded in the regulated market (prime standard) of the Frankfurt stock exchange. Due to this capital increase TUI's stake in Hapag-Lloyd AG's capital has reduced from 13.9 % to 12.3 %. If the investment had been measured at the issue price of € 20.00 per share at the balance sheet date, contrary to the requirements of IFRS 13, an additional impairment of € 43.7 m would have arised. For fair value measurements of the investment at future measurement dates the quoted price of the Hapag-Lloyd share is relevant as a level 1 input.

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

Total expenses for the services provided by the auditors of the consolidated financial statements in financial year 2014 / 15, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, can be broken down as follows:

SERVICES OF THE AUDITORS OF THE CONSOLIDATED FINANCIAL STATEMENTS

€ million	**2014 / 15**	2013 / 14
Audit fees for TUI AG and subsidiaries in Germany	2.9	4.0
Audit fees	**2.9**	**4.0**
Review of interim financial statements	1.0	0.7
Services related to capital increases / decreases	–	1.2
Other assurance services	0.3	0.4
Other certification and measurement services	**1.3**	**2.3**
Consulting fees	2.3	1.1
Tax advisor services	0.1	0.1
Other services	**2.4**	**1.2**
Total	**6.6**	**7.5**

(52) Remuneration of Executive and Supervisory Board members

Total remuneration for Supervisory Board members in the period under review amounted to €2,829.0 thousand (previous year €2,024.5 thousand).

Remuneration for former Executive Board members or their surviving dependants totalled €4,891.1 thousand (previous year €4,455.8 thousand) in financial year 2014/15. Pension obligations for former Executive Board members and their surviving dependants amounted to €79,754.3 thousand (previous year €69,626.6 thousand) as at the balance sheet date.

All the disclosures for active executive board members as well as the individual amounts and further details on the remuneration system are provided in the Remuneration Report included in the Management Report.

(53) Exemption from disclosure and preparation of a management report in accordance with section 264 (3) of the German Commercial Code (HGB)

The following German subsidiaries fully included in consolidation have met the condition required under section 264 (3) of the German Commercial Code and were therefore exempted from the requirement to disclose their annual financial statements and prepare a management report:

- Berge & Meer Touristik GmbH, Rengsdorf
- DEFAG Beteiligungsverwaltungs GmbH I, Hanover
- DEFAG Beteiligungsverwaltungs GmbH III, Hanover
- FOX-TOURS Reisen GmbH, Rengsdorf
- Germanair Flugzeug Leasing GmbH, Hamburg
- Hapag-Lloyd Executive GmbH, Langenhagen
- Hapag-Lloyd Kreuzfahrten GmbH, Hamburg
- Last-Minute-Restplatzreisen GmbH, Baden-Baden
- L'tur tourismus Aktiengesellschaft, Baden-Baden
- Master-Yachting GmbH, Eibelstadt
- MEDICO Flugreisen GmbH, Baden-Baden
- MicronNexus GmbH, Hamburg
- OFT REISEN GmbH, Rengsdorf
- Preussag Beteiligungsverwaltungs GmbH IX, Hanover
- Preussag Immobilien GmbH, Salzgitter
- ProTel Gesellschaft für Kommunikation mbH, Rengsdorf
- Robinson Club GmbH, Hanover
- TCV Touristik-Computerverwaltungs GmbH, Baden-Baden
- TICS GmbH Touristische Internet und Call Center Services, Baden-Baden
- TUI 4 U GmbH, Bremen
- TUI aqtiv GmbH, Hanover
- TUI Aviation GmbH, Hanover
- TUI Beteiligungs GmbH, Hanover
- TUI Business Services GmbH, Hanover
- TUI Connect GmbH, Hanover
- TUI Group Services GmbH, Hanover
- TUI-Hapag Beteiligungs GmbH, Hanover
- TUI Hotel Betriebsgesellschaft mbH, Hanover
- TUI InfoTec GmbH, Hanover
- TUI Leisure Travel Service GmbH, Neuss
- TUI Leisure Travel Spezial Tours GmbH, Hanover
- TUI.com GmbH, Berlin
- TUIfly Vermarktungs GmbH, Hanover
- Wolters Reisen GmbH, Stuhr

The German subsidiary Leibniz-Service GmbH, Hanover, fully included in consolidation has met the condition required under section 264 (3) of the German Commercial Code and was therefore exempted from the requirement to disclose its annual financial statements.

(54) Related parties

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

In respect of related parties, financial obligations from order commitments mainly relate to purchases of hotel services. The TUI Group also has obligations from order commitments of € 877.2 m (previous year € Nil) to related party TUI Cruises. These obligations are related to finance lease contracts for cruise ships, closed in financial year 2014 / 15.

In addition, there are obligations of € 15.1 m (previous year € 22.4 m) from rental and lease agreements.

TRANSACTIONS WITH RELATED PARTIES

€ million	**2014 / 15**	2013 / 14 restated
Services provided by the Group		
Management and consultancy services	82.4	65.8
Sales of tourism services	58.8	51.9
Other services	7.5	–
Total	**148.7**	**117.7**
Services received by the Group		
In the framework of lease, rental aund leasing agreements	31.7	29.9
Purchase of hotel services	236.9	338.9
Incoming services	9.2	8.6
Distribution services	0.2	–
Other services	51.2	37.8
Total	**329.2**	**415.2**

TRANSACTIONS WITH RELATED PARTIES

€ million	2014/15	2013/14 restated
Services provided by the Group to		
non-consolidated Group companies	3.2	2.3
joint ventures	61.6	49.5
associates	39.0	30.5
other related parties	44.9	35.4
Total	**148.7**	**117.7**
Services received by the Group from		
non-consolidated Group companies	5.8	11.0
joint ventures	230.5	320.5
associates	81.1	73.2
other related parties	11.8	10.5
Total	**329.2**	**415.2**

Transactions with joint ventures and associates are recognised in the tourism business. They relate to, in particular, the tourism services of the hotel companies used by the Group's tour operators.

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

RECEIVABLES AGAINST RELATED PARTIES

€ million	30 Sep 2015	30 Sep 2014 restated
Trade receivables from		
non-consolidated Group companies	1.5	2.6
joint ventures	20.6	27.9
associates	5.6	10.5
Total	**27.7**	**41.0**
Advances and loans to		
non-consolidated Group companies	17.4	16.4
joint ventures	34.0	33.6
associates	7.6	11.9
Total	**59.0**	**61.9**
Payments on account to		
joint ventures	11.7	25.9
Total	**11.7**	**25.9**
Other receivables from		
non-consolidated Group companies	1.7	1.9
joint ventures	10.7	51.1
associates	7.3	3.8
Total	**19.7**	**56.8**

PAYABLES DUE TO RELATED PARTIES

€ million	30 Sep 2015	30 Sep 2014 restated
Trade payables due to		
non-consolidated Group companies	5.8	6.0
joint ventures	32.3	49.6
associates	4.9	12.1
Total	**43.0**	**67.7**
Financial liabilities due to		
non-consolidated Group companies	5.2	5.6
joint ventures	8.0	–
Total	**13.2**	**5.6**
Other liabilities due to		
non-consolidated Group companies	3.6	5.0
joint ventures	28.8	33.0
associates	8.3	5.3
other related parties	4.2	0.3
Total	**44.9**	**43.6**

Liabilities to related parties did not comprise any liabilities from finance leases, as in the prior year.

The share of results of associates and joint ventures is shown separately per segment in segment reporting.

The joint venture Riu Hotels S.A. held less than 5 % of the shares in TUI AG at the balance sheet date. The number of shares was identical with the prior year; the percentage reduction only constitutes a dilution effect caused by the merger between TUI AG and TUI Travel PLC. Luis Riu Güell and Carmen Riu Güell (member of the Supervisory Board of TUI AG) hold a stake of 51 % in Riu Hotels S.A.

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

REMUNERATION OF MANAGEMENT, EXECUTIVE AND SUPERVISORY BOARD

Mio. €	2014/15	2013/14
Short-term benefits	13.8	20.0
Post-employment benefits	3.9	0.7
Other long-term benefits (share-based payments)	8.3	6.9
Termination benefits	2.3	–
Total	**28.3**	**27.6**

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

Pension provisions for active Executive Board members total € 10.7 m (previous year € 6.9 m) as at the balance sheet date.

In addition, provisions amounting to € 5.4 m (previous year € 2.6 m) are recognised relating to the long-term incentive programme.

(55) International Financial Reporting Standards (IFRS) and Interpretations (IFRIC)

The following standards have already been transposed into EU legislation, but are only mandatory for annual financial statements after 30 September 2015:

AMENDMENTS TO IAS 16: PROPERTY, PLANT AND EQUIPMENT AND IAS 41: AGRICULTURE

Bearer plants that bear biological assets for more than one period without serving as an agricultural produce themselves, such as grape vines or olive trees, have this far been measured at fair value. The amendments, issued in June 2014, clarify that bearer plants will be treated as property, plant and equipment in the scope of IAS 16 in future and are to be measured at amortised cost. By contrast, the produce growing on the bearer plant will continue to be measured at fair value in accordance with IAS 41. The amendments will not have an impact on TUI's consolidated financial statements.

AMENDMENTS TO IFRS 11: JOINT ARRANGEMENTS

The provisions, issued in May 2014, specify how to account for the acquisition of an interest in a joint operation that constitutes a business operation within the meaning of IFRS 3. Accordingly, the acquirer has to measure identifiable assets and liabilities at fair value, recognise acquisition-related costs as expenses, recognise deferred tax assets and liabilities and capitalise any residual amounts as goodwill. The acquirer also has to observe the disclosure requirements of IFRS 3. The amendments apply prospectively. They are not expected to have a material impact on TUI's financial statements.

AMENDMENTS TO IAS 16: PROPERTY, PLANT AND EQUIPMENT AND IAS 38: INTANGIBLE ASSETS

The amendments, issued in May 2014, clarify the conditions under which the use of revenue-based methods to calculate the depreciation of property, plant and equipment or amortisation of intangible assets is acceptable. The amendments are of no relevance to TUI as revenue-based depreciation and amortisation methods are not used.

Amendments, standards and interpretations published by the IASB but not yet transposed into EU legislation:

AMENDMENTS TO IAS 1: PRESENTATION OF FINANCIAL STATEMENTS

The amendments, issued in December 2014 in the framework of the Disclosure Initiative, clarify that materiality considerations apply to the presentation of all parts of the financial statements. The standard no longer shows the way to order the notes so that the order of the notes may reflect the individual relevance for the company. The amendments clarify that immaterial notes are not required. This also applies if disclosure of such notes is explicitly demanded in other standards. The presentation of an entity's share of other comprehensive income of equity-accounted associates and joint ventures in the statement of comprehensive income is clarified. The TUI Group is investigating the impact of the amendments of the presentation of financial statements.

AMENDMENTS TO IAS 27: SEPARATE FINANCIAL STATEMENTS – EQUITY METHOD IN SEPARATE FINANCIAL STATEMENTS

The amendments, published in August 2014, allow using the equity method in accounting for investments in subsidiaries, jointly controlled entities and associates in separate financial statements. The option to measure such investments in accordance with IAS 39 or at cost is retained. The amendments are of no relevance to TUI as TUI does not prepare IFRS-based single-entity financial statements according to section 325 (2a) of the German Commercial Code.

AMENDMENTS TO IAS 28: INVESTMENTS IN ASSOCIATES AND JOINT VENTURES AND IFRS 10: CONSOLIDATED FINANCIAL STATEMENTS

The amendments, published in September 2014 clarify how the sale or contribution of assets between an investor and its associate or joint venture has to be recognised. The amendments had originally been planned to be effective for annual periods beginning on or after 1 January 2016. In the spring of 2015, the IASB took the preliminary decision to postpone this effective date so as to coordinate it with the effective date of other planned amendments to IAS 28. Transposition into EU legislation has therefore been temporarily suspended. It is not possible to assess the impact on the TUI Group's net assets, financial position and results of operations as the amendments will apply prospectively to future transactions.

AMENDMENTS TO IAS 28: INVESTMENTS IN ASSOCIATES AND JOINT VENTURES, IFRS 10: CONSOLIDATED FINANCIAL STATEMENTS, AND IFRS 12: DISCLOSURE OF INTERESTS IN OTHER ENTITIES

The amendments, issued by the IASB in December 2014 under the title "Investment Entities: Applying the Consolidation Exception", clarify which subsidiaries of investment entities have to be consolidated and which subsidiaries have to be carried at fair value. The amendments apply prospectively and are effective from 1 January 2016. They are not relevant to the TUI Group.

ANNUAL IMPROVEMENTS PROJECT 2012 – 2014

Improvements from the Annual Improvements Project were published in September 2014. They contain amendments to four standards: IAS 19, IAS 34, IFRS 5, and IFRS 7. The provisions include to minor changes to the contents and, above all clarifications of the presentation, recognition and measurement. TUI does not expect the first-time application of the amendments to have a material impact on its consolidated financial statements.

IFRS 9: FINANCIAL INSTRUMENTS

Publication of the fourth and final version of this new standard in July 2014 marks the completion of the project for the accounting for financial instruments, launched by the International Accounting Standards Board in 2008 in response to the financial crisis. The new standard supersedes the provisions for the classification and measurement of financial assets previously included in IAS 39 "Financial Instruments: Recognition and Measurement" and comprises new rules on hedge accounting. The provisions to determine impairments are replaced by the "expected loss model". The standard will be effective for annual periods beginning on or after 1 January 2018 as announced by the IASB. TUI is investigating the potential impact of the first-time application of the standard on the Group's net assets, financial position and results of operations.

IFRS 15: REVENUE FROM CONTRACTS WITH CUSTOMERS

The standard, issued in May 2014, creates convergence of the provisions on revenue recognition comprised in various standards and interpretations this far. It also establishes a single, comprehensive framework for revenue recognition, to be applied consistently across transactions and industries, specifying the amount and point in time or period over which revenue has to be recognised. IFRS 15 replaces IAS 18 "Revenue" and IAS 11 "Construction Contracts" as well as Interpretations IFRIC 13 "Customer Loyalty Programmes", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfers of Assets from Customers" and SIC 31 "Revenue – Barter Transactions Involving Advertising Services". The amendments will take effect from 1 January 2018. TUI is investigating the impact of this standard on its net assets, financial position and results of operations.

A decision about endorsement of these amendments or these new standards by the EU is currently still pending.

(56) TUI Group Shareholdings

Disclosure of the TUI Group's shareholdings ist required under section 313 of the German Commercial Trading Act. Comparative information for the prior-year reference period is therefore not provided.

COMPANY	COUNTRY	CAPITAL SHARE IN %
Consolidated companies		
Tourism		
"MAGIC LIFE" Assets AG, Vienna	Austria	100
Abbey International Insurance PCC Limited, Luqa	Malta	100
Absolut Holding Limited, Luqa	Malta	99.9
Adehy Limited, Dublin	Ireland	100
American Holidays (NI) Limited, Crawley	United Kingdom	100
AMP Management Ltd., Crawley	United Kingdom	100
aQi Hotel Schladming GmbH, Bad Erlach	Austria	100
atraveo GmbH, Düsseldorf	Germany	74.8
B.D.S Destination Services Tours, Cairo	Egypt	67
Berge & Meer Touristik GmbH, Rengsdorf	Germany	100
Blue Scandinavia Holding AB, Stockholm	Sweden	100
Boomerang-Reisen GmbH, Trier	Germany	100
Boomerang-Reisen Vermögensverwaltungs GmbH, Trier	Germany	75
Britannia Sweden AB, Stockholm	Sweden	100
BU RIUSA II EOOD, Sofia	Bulgaria	100
Cabotel-Hoteleria e Turismo Lda., Santiago, Cape Verde	Cape Verde	100
Callers-Pegasus Pension Trustee Ltd., Crawley	United Kingdom	100
Carlson Anse Marcel Riusa II SNC, Paris	France	100
Club Hôtel Management Tunisia, SARL, Djerba	Tunisia	100
Clubhotel Management AE, Athens	Greece	100
Corsair S.A., Rungis	France	100
Crystal Holidays Ltd., Crawley	United Kingdom	100
Crystal International Travel Group Ltd., Crawley	United Kingdom	100
Daidalos Hotel- und Touristikunternehmen A.E., Athens	Greece	89.8
Dominicanotel S.A., Puerto Plata	Dominican Republic	100
Egyptian Germany Co. for Hotels (L.T.D), Cairo	Egypt	66.6
Elena SL, Palma de Mallorca	Spain	100
Entreprises Hotelières et Touristiques PALADIEN Lena Mary S.A., Argolis	Greece	100
Europa 2 Ltd, Valletta	Malta	100
Explorers Travel Club Limited, Crawley	United Kingdom	100
Falcon Leisure Group (Overseas) Limited, Crawley	United Kingdom	100
First Choice (Turkey) Limited, Crawley	United Kingdom	100
First Choice Airways Limited, Crawley	United Kingdom	100
First Choice Holiday Hypermarkets Limited, Crawley	United Kingdom	100
First Choice Holidays & Flights Limited, Crawley	United Kingdom	100
First Choice Land (Ireland) Limited, Dublin	Ireland	100
First Choice Travel Shops (SW) Limited, Crawley	United Kingdom	100
First Choice Travel Shops Limited, Crawley	United Kingdom	100
Follow Coordinate Hotels Portugal Unipessoal Lda, Albufeira Freguesia	Portugal	100
FOX-TOURS Reisen GmbH, Rengsdorf	Germany	100
Fritidsresor AB, Stockholm	Sweden	100
Fritidsresor Holding Spain S.A.U., San Bartolomé de Tirajana	Spain	100
Fritidsresor Ltd., Crawley	United Kingdom	100
Fritidsresor Tours & Travels India Pvt Ltd, Bardez, Goa	India	100

COMPANY	COUNTRY	CAPITAL SHARE IN %
GEAFOND Número Dos Fuerteventura S.A., Las Palmas, Gran Canaria	Spain	100
GEAFOND Número Uno Lanzarote S.A., Las Palmas, Gran Canaria	Spain	100
Groupement Touristique International S.A.S., Lille	France	100
Hapag-Lloyd (Bahamas) Ltd., Nassau	Bahamas	100
Hapag-Lloyd Kreuzfahrten GmbH, Hamburg	Germany	100
Holiday Center S.A., Cala Serena/Cala d'Or	Spain	100
Horizon Holidays Ltd., Crawley	United Kingdom	100
Horizon Midlands (Properties) Ltd., Crawley	United Kingdom	100
I Viaggi del Turchese S.r.l., Fidenza	Italy	100
Iberotel International A.S., Antalya	Turkey	100
Iberotel Otelcilik A.S., Istanbul	Turkey	100
Imperial Cruising Company SARL, Heliopolis Cairo	Egypt	90
Inter Hotel SARL, Tunis	Tunisia	100
Itaria Limited, Nicosia	Cyprus	100
Jandia Playa S.A.U., Morro Jable, Fuerteventura	Spain	100
JetAir N.V., Oostende	Belgium	100
Jetair Real Estate N.V., Brussels	Belgium	100
Jetair Travel Distribution N.V., Oostende	Belgium	100
Jetaircenter N.V., Mechelen	Belgium	100
JNB (Bristol) Limited, Crawley	United Kingdom	100
Kras B.V., Ammerzoden	Netherlands	100
Label Tour EURL, Montreuil	France	100
Last-Minute-Restplatzreisen GmbH, Baden-Baden	Germany	100
L'TUR Suisse AG, Dübendorf/ZH	Switzerland	99.5
l'tur tourismus Aktiengesellschaft, Baden-Baden	Germany	70
Lunn Poly (Jersey) Ltd., St. Helier	Jersey	100
Lunn Poly Ltd., Crawley	United Kingdom	100
Magic Hotels SA, Tunis	Tunisia	100
Magic Life Egypt for Hotels LLC, Sharm El-Sheikh	Egypt	100
Magic Life GmbH & Co KG, Vienna	Austria	100
Magic Life Greece S.A., Athens	Greece	100
Magic Tourism International S.A., Tunis	Tunisia	100
Medico Flugreisen GmbH, Baden-Baden	Germany	100
MX RIUSA II S.A. de C.V., Cabo San Lucas	Mexico	100
Nazar Nordic AB, Malmö	Sweden	100
Nordotel S.A.U., San Bartolomé de Tirajana	Spain	100
Nouvelles Frontières Senegal S.R.L., Dakar	Senegal	100
Ocean College LLC, Sharm El-Sheikh	Egypt	100
Ocean Ventures for Hotels and Tourism Services SAE, Sharm El-Sheikh	Egypt	98
OFT REISEN GmbH, Rengsdorf	Germany	100
Orion Airways Ltd., Crawley	United Kingdom	100
Orion Airways Pension Trustees Ltd., Crawley	United Kingdom	100
Oy Finnmatkat AB, Helsinki	Finland	100
Paradise Hotels Management Company LLC, Cairo	Egypt	100
PATS N.V., Oostende	Belgium	100
Portland Holidays Direct Limited, Belfast	United Kingdom	100
Preussag Beteiligungsverwaltungs GmbH IX, Hanover	Germany	100
Professor Kohts Vei 108 AS, Stabekk	Norway	100
Promociones y Edificaciones Chiclana S.A., Palma de Mallorca	Spain	100
ProTel Gesellschaft für Kommunikation mbH, Rengsdorf	Germany	100
Puerto Plata Caribe Beach S.A., Puerto Plata	Dominican Republic	100
RCHM S.A.S., Agadir	Morocco	100
Revoli Star SA, San Bartolomé de Tirajana	Spain	100

COMPANY	COUNTRY	CAPITAL SHARE IN %
Rideway Investment Ltd., London	United Kingdom	100
Riu Jamaicotel Ltd., Negril	Jamaica	100
Riu Le Morne Ltd, Port Louis	Mauritius	100
RIUSA II S.A., Palma de Mallorca	Spain	50*
RIUSA NED B.V., Amsterdam	Netherlands	100
Robinson AUSTRIA Clubhotel GmbH, Villach-Landskron	Austria	100
Robinson Club GmbH, Hanover	Germany	100
Robinson Club Italia S.p.A., Marina di Ugento	Italy	100
Robinson Club Maldives Private Limited, Malé	Maldives	100
Robinson Clubhotel Turizm Ltd. Sti., Istanbul	Turkey	100
Robinson Hoteles España S.A., Cala d'Or	Spain	100
Robinson Hotels Portugal S.A., Vila Nova de Cacela	Portugal	67
Robinson Otelcilik A.S., Istanbul	Turkey	100
Saint Martin RIUSA II SAS, Basse Terre	France	100
Simply Travel Holdings Ltd., Crawley	United Kingdom	100
Skymead Leasing Ltd., Crawley	United Kingdom	100
Société d'Exploitation du Paladien Marrakech SA, Marrakech	Morocco	100
Société d'Investissement Aérien S.A., Casablanca	Morocco	100
Société d'Investissement et d'Exploration du Paladien de Calcatoggio (SIEPAC), Montreuil	France	100
Société d'Investissement hotelier Almoravides S.A., Marrakech	Morocco	100
Sons of South Sinai for Tourism Services and Supplies SAE, Sharm El-Sheikh	Egypt	84.1
Specialist Holidays Group Ltd., Crawley	United Kingdom	100
Star Club SA, San Bartolomé de Tirajana	Spain	100
Star Tour A/S, Copenhagen	Denmark	100
Star Tour Holding A/S, Copenhagen	Denmark	100
Startour-Stjernereiser AS, Stabekk	Norway	100
STIVA RII Ltd., Dublin	Ireland	100
Sunshine Cruises Limited, Crawley	United Kingdom	100
TCV Touristik-Computerverwaltungs GmbH, Baden-Baden	Germany	100
TdC Agricoltura Società agricola a r.l., Florence	Italy	100
TdC Amministrazione S.r.l., Florence	Italy	100
Tec4Jets B.V., Rijswijk ZH	Netherlands	100
Tec4Jets NV, Oostende	Belgium	100
Tenuta di Castelfalfi S.p.A., Florence	Italy	100
Thomson Airways Limited, Crawley	United Kingdom	100
Thomson Holidays Ltd. (Ireland), Dublin	Ireland	100
Thomson Holidays Services, Inc., Orlando	United States	100
Thomson Services Ltd., St. Peter Port	Guernsey	100
Thomson Travel Group (Holdings) Ltd., Crawley	United Kingdom	100
Thomson Travel Holdings SA, Luxembourg	Luxembourg	100
Thomson Travel International SA, Luxembourg	Luxembourg	100
TICS GmbH Touristische Internet und Call Center Services, Baden-Baden	Germany	100
TLT Reisebüro GmbH, Hanover	Germany	100
Travel Choice Limited, Crawley	United Kingdom	100
Tropical Places Ltd., Crawley	United Kingdom	100
TT Hotels Italia S.R.L., Rom	Italy	100
TT Hotels Turkey Otel Hizmetleri Turizm ve ticaret AS, Istanbul	Turkey	100
TUI (IP) Ltd., Crawley	United Kingdom	100
TUI (Suisse) AG, Zurich	Switzerland	100
TUI (Suisse) Holding AG, Zurich	Switzerland	100

* Controlling influence

COMPANY	COUNTRY	CAPITAL SHARE IN %
TUI 4 U GmbH, Bremen	Germany	100
TUI Airlines Belgium N.V., Oostende	Belgium	100
TUI Airlines Nederland B.V., Rijswijk	Netherlands	100
TUI aqtiv GmbH, Hanover	Germany	100
TUI Austria Holding GmbH, Vienna	Austria	100
TUI Business Services GmbH, Hanover	Germany	100
TUI Curaçao N.V., Curaçao	Country of Curaçao	100
TUI Denmark Holding A/S, Copenhagen	Denmark	100
TUI Deutschland GmbH, Hanover	Germany	100
TUI France SAS, Nanterre	France	100
TUI Hotel Betriebsgesellschaft mbH, Hanover	Germany	100
TUI Leisure Travel Service GmbH, Neuss	Germany	100
TUI Leisure Travel Special Tours GmbH, Hanover	Germany	100
TUI Nederland Holding N.V., Rijswijk	Netherlands	100
TUI Nederland N.V., Rijswijk	Netherlands	100
TUI Nordic Administration AB, Stockholm	Sweden	100
TUI Nordic Holding AB, Stockholm	Sweden	100
TUI Northern Europe Ltd., Crawley	United Kingdom	100
TUI Norway Holding AS, Stabekk	Norway	100
TUI Österreich GmbH, Vienna	Austria	100
TUI Pension Scheme (UK) Ltd., Crawley	United Kingdom	100
TUI Poland Dystrybucja Sp. z o.o., Warsaw	Poland	100
TUI Poland Sp. z o.o., Warsaw	Poland	100
TUI Reisecenter Austria Business Travel GmbH, Vienna	Austria	74.9
TUI Service AG, Altendorf	Switzerland	100
TUI Suisse Retail AG, Zurich	Switzerland	100
TUI Travel (Ireland), Dublin	Ireland	100
TUI Travel Belgium N.V., Oostende	Belgium	100
TUI Travel Group Solutions Limited, Crawley	United Kingdom	100
TUI Travel Holdings Sweden AB, Stockholm	Sweden	100
TUI UK Ltd., Crawley	United Kingdom	100
TUI UK Retail Limited, Crawley	United Kingdom	100
TUI UK Transport Ltd., Crawley	United Kingdom	100
TUI.com GmbH, Berlin	Germany	100
TUIfly GmbH, Langenhagen	Germany	100
TUIfly Nordic AB, Stockholm	Sweden	100
TUIfly Vermarktungs GmbH, Hanover	Germany	100
Tunisotel S.A.R.L., Tunis	Tunisia	100
Turcotel Turizm A.S., Istanbul	Turkey	100
Turkuaz Insaat Turizm A.S., Ankara	Turkey	100
Unijet Group Limited, Crawley	United Kingdom	100
Unijet Leisure Limited, Crawley	United Kingdom	100
Wolters Reisen GmbH, Stuhr	Germany	100
WonderCruises AB, Stockholm	Sweden	100
WonderHolding AB, Stockholm	Sweden	100
World of TUI Ltd., Crawley	United Kingdom	100
Specialist Group & Hotelbeds Group		
600035 B.C. LTD, Canada	Canada	100
Acampora Travel S.r.l., Sorrent	Italy	51
Advantos Brazil Operandora de Turismo LTDA, Rio de Janeiro	Brazil	100
Adventure Transport Limited, Crawley	United Kingdom	100
Adventure Travels USA, Inc., Wilmington (Delaware)	United States	100

COMPANY	COUNTRY	CAPITAL SHARE IN %
Africa Focus Tours Namibia Pty. Ltd., Windhuk	Namibia	100
Alcor Yachting SA, Genf	Switzerland	100
Alkor Yat Turizm Isletmacileri A.S., Izmir	Turkey	99.7
Americas Corporate Business Services, Inc., Wilmington (Delaware)	United States	100
Antigua Charter Services, St. John's	Antigua and Barbuda	100
Apart Hotel Zarevo EOOD, Varna	Bulgaria	100
Aragon Tours Limited, Crawley	United Kingdom	100
Arccac Eurl, Bourg St. Maurice	France	100
ATC African Travel Concept Pty. Ltd., Cape Town	South Africa	50.1
ATC Namibian Reflections Pty. Ltd., Cape Town	South Africa	100
Audio Tours and Travel of Hong Kong Limited, Kowloon	Hong Kong	99
B2B d.o.o., Cavtat	Croatia	100
Beds on line SL, Palma de Mallorca	Spain	100
Blue Travel Partner Services S.A., Santo Domingo	Dominican Republic	99
Brightspark Travel Inc, State of Delaware	United States	100
Cassata Travel s.r.l., Cefalù (Palermo)	Italy	66
CBQ No. 2 (UK) Limited, Crawley	United Kingdom	100
CBQ NO. 2 (US) Limited, State of Delaware	United States	100
CBQ No. 2 International Projects Limited, Crawley	United Kingdom	100
Cel Obert SL, Sant Joan de Caselles	Andorra	100
CHS Tour Services Ltd, Crawley	United Kingdom	100
Citirama Ltd., Quatre Bornes	Mauritius	100
Club Turavia SA de CV, Cancún	Mexico	100
Connoisseur Belgium BVBA, Nieuwpoort	Belgium	100
Crown Blue Line France SA, Castelnaudary	France	100
Crown Blue Line GmbH, Kleinzerlang	Germany	100
Crown Blue Line Limited, Crawley	United Kingdom	100
Crown Holidays Limited, Crawley	United Kingdom	100
Crown Travel Limited, Crawley	United Kingdom	100
Crystal Holidays, Inc, State of Delaware	United States	100
Destination Services Greece Travel and Tourism SA, Athens	Greece	100
Destination Services Morocco SA, Agadir	Morocco	100
Destination Services Singapore Pte Limited, Singapore	Singapore	100
Destination Services Turkey Turizm ve Seyahat Anonim Sirketi, Istanbul	Turkey	100
EAC Language Centres (UK) Limited, Edinburgh	United Kingdom	100
Easy Market S.p.A., Rimini	Italy	100
Educatours Limited, Mississauga, Ontario	Canada	100
EEFC, Inc., State of Delaware	United States	100
Emerald Star Limited, Dublin	Ireland	100
Events International (Sports Travel) Limited, Crawley	United Kingdom	100
Events International Limited, Crawley	United Kingdom	100
Exodus Travels Australia Pty Ltd, Melbourne	Australia	100
Exodus Travels Canada Inc, Toronto	China	100
Exodus Travels Limited, Crawley	United Kingdom	100
Exodus Travels USA, Inc., Emeryville, CA	United States	100
Expediciones Amazonicas, S.A.C., Iquitos	Peru	100
Experience English Limited, Crawley	United Kingdom	100
Fanatics Sports & Party Tours UK Limited, Crawley	United Kingdom	100
Fanatics Sports and Party Tours PTY Limited, Banksia	Australia	100
FanFirm Pty Ltd, Banksia	Australia	100
Fantravel.com, Inc., Wilmington (Delaware)	United States	100
First Choice Expeditions, Inc., State of Delaware	United States	100

COMPANY	COUNTRY	CAPITAL SHARE IN %
First Choice Marine (BVI) Ltd, British Virgin Islands	Virgin Islands (British)	100
First Choice Marine (Malaysia) Snd Bhd, Malaysia	Malaysia	100
First Choice Marine Limited, Crawley	United Kingdom	100
First Choice Sailing, Inc. (USA) (also known as Sunsail, Inc.), State of Delaware	United States	100
Francotel Limited, Crawley	United Kingdom	100
GEI-Moorings, LLC, State of Delaware	United States	100
Global Obi, S.L., Palma de Mallorca	Spain	75.5
Great Atlantic Sports Travel, Inc., Wilmington (Delaware)	United States	75
Gulliver Travel d.o.o., Dubrovnik	Croatia	70
Gullivers Group Limited, Crawley	United Kingdom	100
Gullivers Sports Travel Limited, Crawley	United Kingdom	100
Hannibal Tour SA, Tunis	Tunisia	100
Hayes & Jarvis (Travel) Limited, Crawley	United Kingdom	100
Headwater Holidays Limited, Crawley	United Kingdom	100
Hellenic Sailing Holidays SA, Athens	Greece	100
Hellenic Sailing SA, Athens	Greece	100
Holidays Services S.A., Agadir	Morocco	100
Hotelbeds (Shanghai) Commercial Services Co., Limited, Shanghai	China	100
Hotelbeds (Thailand) Limited, Bangkok	Thailand	100
Hotelbeds Costa Rica SA, San José	Costa Rica	100
Hotelbeds Dominicana SA, Santo Domingo	Dominican Republic	100
Hotelbeds Group SLU, Palma de Mallorca	Spain	100
Hotelbeds Hong Kong Limited, Kowloon	Hong Kong	100
Hotelbeds Product SLU, Puerto de la Cruz, Teneriffa	Spain	100
Hotelbeds Spain, S.L.U., Palma de Mallorca	Spain	100
Hotelbeds Technology SLU, Palma de Mallorca	Spain	100
Hotelbeds UK Limited, Crawley	United Kingdom	100
Hotelbeds USA Inc, Orlando	United States	100
Hotelbeds, S.L.U., Palma de Mallorca	Spain	100
Hotelopia Holidays, S.L., Ibiza	Spain	100
Hotelopia SL, Palma de Mallorca	Spain	100
Intercruises Shoreside & Port Services Canada, Inc., Quebec	Canada	100
Intercruises Shoreside & Port Services PTY LTD, Stanmore NSW	Australia	100
Intercruises Shoreside & Port Services S.a.r.l., Paris	France	100
Intercruises Shoreside & Port Services Sam, Monaco	Monaco	100
Intercruises Shoreside & Port Services, Inc., State of Delaware	United States	100
Intercruises Shoreside & Port Services, SLU, Barcelona	Spain	100
International Expeditions, Inc., State of Delaware	United States	100
Intrav, Inc., State of Delaware	United States	100
Isango India Private Limited, Delhi	India	100
Isango! Limited, Crawley	United Kingdom	100
i-To-i Placements Limited, Carrick-on-Suir	Ireland	100
i-To-i PTY Ltd., Sydney	Australia	100
JBS Group US, Inc., Wilmington (Delaware)	United States	100
Lapter Eurl, Macot La Plagne	France	100
Le Boat Netherlands B.V., Rotterdam	Netherlands	100
Le Passage to India Tours and Travels Pvt Ltd, Neu-Delhi	India	91
Le Piolet SCI, St Martin de Belleville, Savoie	France	100
Les Tours Jumpstreet Tours, Inc., Montreal	Canada	100
Liberate SLU, Palma de Mallorca	Spain	100
Lima Tours S.A.C., Lima	Peru	100
Lodges & Mountain Hotels SARL, Notre Dame de Bellecombe, Savoie	France	100

COMPANY	COUNTRY	CAPITAL SHARE IN %
Luso Ds – Agência de Viagens, Unipessoal Lda, Faro	Portugal	100
Lusomice, Unipessoal Lda., Lisbon	Portugal	100
Mainstream DS Dominicana S.A.S., Higuey	Dominican Republic	100
Manahe Ltd., Quatre Bornes	Mauritius	51
Manchester Academy Holdings Limited, Crawley	United Kingdom	100
Manchester Academy Tours Limited, Crawley	United Kingdom	100
Mariner International Asia Limited, Hongkong	Hong Kong	100
Mariner International Travel, Inc., State of Delaware	United States	100
Mariner Operations USA Inc, State of Delaware	United States	100
Mariner Travel GmbH, Bad Vilbel	Germany	100
Mariner Travel SARL, Paris	France	100
Mariner Yacht Services SA, Le Marin	Morocco	100
Mariner Yachts (Proprietary) Limited, Illovo	South Africa	100
Master-Yachting GmbH, Eibelstadt	Germany	100
Maxi Yen SL, Palma de Mallorca	Spain	100
Meetings & Events International Limited, Crawley	United Kingdom	100
Meetings & Events Spain S.L.U., Palma de Mallorca	Spain	100
Meetings & Events UK Limited, Crawley	United Kingdom	100
MicronNexus GmbH, Hamburg	Germany	100
Molay Travel SARL, Molay-Littry, Calvados	France	100
Molay Travel SCI, Molay-Littry, Calvados	France	100
Mont Charvin Ski SARL, Paris	France	100
Moorings Grenadines Ltd., St. Vincent and Grenadines	Saint Vincent and the Grenadines	100
Moorings Mexico SA de CV, La Paz	Mexico	100
Moorings Yachting SAS, Paris	France	100
Moorings Yat Isletmecilgi Turizm Ve Tic Ltd, Mugla	Turkey	100
MyPlanet Holding A/S, Holstebro	Denmark	100
MyPlanet International A/S, Holstebro	Denmark	100
MyPlanet Sweden AB, Göteborg	Sweden	100
Pacific World (Beijing) Travel Agency Co., Ltd., Peking	China	100
Pacific World (Shanghai) Travel Agency Co. Limited, Shanghai	China	100
Pacific World Company Limited, HCM City	Vietnam	90
Pacific World Destination East Sdn. Bhd., Penang	Malaysia	65
Pacific World Meetings & Events (Thailand) Limited, Bangkok	Thailand	49*
Pacific World Meetings & Events Hellas Travel Limited, Athens	Greece	100
Pacific World Meetings & Events Hong Kong, Limited, Hongkong	China	100
Pacific World Meetings & Events SAM, Monaco	Monaco	99.9
Pacific World Meetings & Events Singapore Pte. Ltd, Singapore	Singapore	100
Pacific World Singapore Pte Limited, Singapore	Singapore	100
PEAK DMC North America, Inc, Wilmington (Delaware)	United States	100
Petit Palais Srl, Valtournenche	Italy	100
Platinum Event Travel Limited, Crawley	United Kingdom	100
Porter and Haylett Limited, Crawley	United Kingdom	100
Premier Holidays Afloat Limited, Dublin	Ireland	100
Premiere International Corp, Gardena	United States	100
Prestige Boating Holidays Limited, Dublin	Ireland	100
PT. Pacific World Nusantara, Bali	Indonesia	100
Quark Expeditions, Inc., State of Delaware	United States	100
Real Travel Ltd, Crawley	United Kingdom	100
Sawadee Amsterdam BV, Amsterdam	Netherlands	100
SERAC Travel GmbH, Zermatt	Switzerland	100
Ski Bound Limited, Crawley	United Kingdom	100
Skibound France SARL, Notre Dame de Bellecombe	France	100

* Controlling influence

COMPANY	COUNTRY	CAPITAL SHARE IN %
Société Marocaine pour le Developpement des Transports Touristiques S.A., Agadir	Morocco	100
Specialist Holiday Group Ireland Ltd., Dublin	Ireland	100
Specialist Holidays (Travel) Limited, Crawley	United Kingdom	100
Specialist Holidays Contracting Ltd., Crawley	United Kingdom	100
Specialist Holidays Ltd., Crawley	United Kingdom	100
Specialist Holidays, Inc., Mississauga, Ontario	Canada	100
Sports Executive Travel Limited, Crawley	United Kingdom	100
Sportsworld (Beijing) Sports Management Consulting Limited Company, Peking	China	100
Sportsworld Eventos Ltda, São Paulo	Brazil	100
Sportsworld Group Limited, Crawley	United Kingdom	100
Sportsworld Holdings Limited, Crawley	United Kingdom	100
Student City S.a.r.l., Paris	France	100
Student City Travel Limited, Crawley	United Kingdom	100
Student Skiing Limited, Crawley	United Kingdom	100
Studentcity.com, Inc., State of Delaware	United States	100
Summer Times International Ltd., Quatre Bornes	Mauritius	100
Summer Times Ltd., Quatre Bornes	Mauritius	100
Sunsail (Antigua) Limited, Antigua	Antigua and Barbuda	100
Sunsail (Australia) Pty Ltd, Hamilton Island, Queensland	Australia	100
Sunsail (Seychelles) Limited, Mahé	Seychelles	100
Sunsail (Thailand) Company Ltd, Phuket	Thailand	30*
Sunsail Adriatic d.o.o., Split	Croatia	100
Sunsail Hellas MEPE, Athens	Greece	100
Sunsail International B.V., Rotterdam	Netherlands	100
Sunsail Limited, Crawley	United Kingdom	100
Sunsail SAS, Castelnaudary	France	100
Sunsail Worldwide Sailing Limited, Crawley	United Kingdom	100
Sunsail Worldwide Sailing St. Vincent Limited, St. Vincent and Grenadines	Saint Vincent and the Grenadines	100
T.T. Services Samoa Ltd, Apia	Samoa	100
Tantur Turizm Seyahat A.S., Istanbul	Turkey	100
TCS & Starquest Expeditions, Inc., Seattle	United States	100
TCS Expeditions, Inc., State of Delaware	United States	100
Teamlink Travel Limited, Crawley	United Kingdom	100
The English Language Centre York Limited, York	United Kingdom	100
The Moorings (Bahamas) Ltd, Nassau	Bahamas	100
The Moorings (Seychelles) Limited, Mahé	Seychelles	100
The Moorings (St. Lucia) LTD, St. Lucia	Saint Lucia	100
The Moorings Belize Limited, Belize City	Belize	100
The Moorings d.o.o., Split	Croatia	100
The Moorings Limited, British Virgin Islands	Virgin Islands (British)	100
The Moorings Sailing Holidays Limited, Crawley	United Kingdom	100
The Moorings SAS, Utoroa, Raiatea	French Polynesia	100
Thomson Reisen GmbH, St. Johann	Austria	100
Thomson Sport (UK) Limited, Crawley	United Kingdom	100
Tigdiv Eurl, Tignes	France	100
Transfar – Agencia de Viagens e Turismo Lda., Faro	Portugal	99.9
TRAVCOA Corporation, State of Delaware	United States	100
Travel Class Holdings Limited, Crawley	United Kingdom	100
Travel Class Limited, Crawley	United Kingdom	100
Travel Contracting Limited, Crawley	United Kingdom	100

* Controlling influence

COMPANY	COUNTRY	CAPITAL SHARE IN %
Travel Partner Brasil Agencia de Turismo e Viagens Ltda, Jundiai, State of São Paulo	Brazil	99.9
Travel Partner Bulgaria EOOD, Varna	Bulgaria	100
Travel Partner Turkey Turizm ve Seyahat Anonim Sirketi, Istanbul	Turkey	100
Travel Scot World Limited, Crawley	United Kingdom	100
Travel Services Europe Spain SL, Barcelona	Spain	100
Travel Turf, Inc., Allentown	United States	100
Travelbound European Tours Limited, Crawley	United Kingdom	100
Travelmood Limited, Crawley	United Kingdom	100
Trek America Travel Limited, Crawley	United Kingdom	100
Trek Investco Limited, Crawley	United Kingdom	100
TT Enterprises Private Ltd, Chennai	India	100
TT International Services Broker LLC, Abu Dhabi	United Arab Emirates	49*
TT Services AB, Stockholm	Sweden	90
TT Services Kiribati Ltd, South Tarawa	Kiribati	100
TT Services Nauru Ltd, Yaren	Nauru	100
TT Services New Zealand Ltd, Auckland	New Zealand	100
TT Services Vanuatu Ltd, Port Vila	Vanuatu	100
TT Visa Outsourcing Limited, Crawley	United Kingdom	100
TT Visa Services Limited, Crawley	United Kingdom	100
TT Visa Services Pte Limited, Singapore	Singapore	100
TT Visa Services, Inc., Wilmington (Delaware)	United States	100
TTS Consultancy Services Private Ltd, Chennai	India	100
TTSS Limited, Crawley	United Kingdom	100
TTSS Transportation Limited, Crawley	United Kingdom	100
TUI (Cyprus) Ltd., Nicosia	Cyprus	100
TUI China Travel CO. Ltd., Peking	China	75
TUI España Turismo S.A., Barcelona	Spain	100
TUI Hellas Travel and Tourism SA, Athens	Greece	100
TUI Holding Spain S.L., Barcelona	Spain	100
TUI Italia S.R.L., Mailand	Italy	100
TUI Marine Grenada Limited, St. George's	Grenada	100
TUI Mexicana SA de CV, Mexico	Mexico	100
TUI PORTUGAL – Agencia de Viagens e Turismo S.A., Faro	Portugal	100
TUI Travel Partner Services Japan KK, Tokio	Japan	100
TUI UK Italia S.r.L., Turin	Italy	100
Tunisie Investment Services Holding S.A., Tunis	Tunisia	100
Tunisie Voyages S.A., Tunis	Tunisia	100
Turismo Asia Company Ltd., Bangkok	Thailand	100
Ultramar Express Transport S.A., Palma de Mallorca	Spain	100
Versun Yachts NSA, Athens	Greece	100
Voukouvalides Travel & Tourism S.A., Kos	Greece	100
We Love Rugby Pty Ltd, Banksia	Australia	100
Williment Travel Group Limited, Wellington	New Zealand	100
World Challenge Expeditions Limited, Crawley	United Kingdom	100
World Challenge Expeditions Pty Ltd, Victoria	Australia	100
World Challenge Expeditions, Inc., Cambridge, MA	United States	100
World Challenge NZ Limited, Wellington	New Zealand	100
Yachts International Limited, British Virgin Islands	Virgin Islands (British)	100
YIL, LLC, State of Delaware	United States	100
Your Man Tours, Inc., El Segundo, CA	United States	100
Zegrahm Expeditions, Inc., Seattle	United States	100

* Controlling influence

COMPANY	COUNTRY	CAPITAL SHARE IN %
The LateRooms Group		
AsiaRooms Business Services (Thailand) Co., Ltd, Bangkok	Thailand	100
Asiarooms Pte Ltd, Singapore	Singapore	100
Late Rooms Limited, Crawley	United Kingdom	100
Late Rooms Services Australia PTY LTD, Dawes Point	Australia	100
Mala Pronta Viagens e Turismo Ltda., Curitiba	Brazil	100
All other segments		
Absolut Insurance Limited, Guernsey	Guernsey	100
Amber Nominee GP Limited, Crawley	United Kingdom	100
Canada Maritime Services Limited, Crawley	United Kingdom	100
Canadian Pacific (UK) Limited, Crawley	United Kingdom	100
Cast Agencies Europe Limited, Crawley	United Kingdom	100
Cast Group Services Limited, Crawley	United Kingdom	100
Cheqqer B.V., Rijswijk	Netherlands	100
Contship Holdings Limited, Crawley	United Kingdom	100
CP Ships (Bermuda) Ltd., Hamilton	Bermuda	100
CP Ships (UK) Limited, Crawley	United Kingdom	100
CP Ships Ltd., Saint John	Canada	100
CPS Holdings (No. 2) Limited, Crawley	United Kingdom	100
CPS Number 4 Limited, Crawley	United Kingdom	100
DEFAG Beteiligungsverwaltungs GmbH I, Hanover	Germany	100
DEFAG Beteiligungsverwaltungs GmbH III, Hanover	Germany	100
First Choice Holdings, Inc., State of Delaware	United States	100
First Choice Holidays Finance Limited, Crawley	United Kingdom	100
First Choice Holidays Limited, Crawley	United Kingdom	100
First Choice Leisure Limited, Crawley	United Kingdom	100
First Choice Olympic Limited, Crawley	United Kingdom	100
First Choice Overseas Holdings Limited, Crawley	United Kingdom	100
First Choice USA, Crawley	United Kingdom	100
Germanair Flugzeug Leasing GmbH, Hamburg	Germany	100
Hapag-Lloyd Executive GmbH, Langenhagen	Germany	100
LateRooms Group Holding (Brazil) Limited, Crawley	United Kingdom	100
LateRooms Group Holding (UK) Limited, Crawley	United Kingdom	100
LateRooms Group Holding Limited, Crawley	United Kingdom	100
Leibniz-Service GmbH, Hanover	Germany	100
Manufacturer's Serialnumber 852 Limited, Dublin	Ireland	100
Owners Abroad España, S.A., Las Palmas	Spain	100
PM Peiner Maschinen GmbH, Hanover	Germany	100
Preussag Immobilien GmbH, Salzgitter	Germany	100
Preussag UK Ltd., Crawley	United Kingdom	100
Sovereign Tour Operations Limited, Crawley	United Kingdom	100
Thomson Airways (Services) Limited, Crawley	United Kingdom	100
Thomson Airways Trustee Limited, Crawley	United Kingdom	100
travel-Ba.Sys GmbH & Co KG, Mülheim an der Ruhr	Germany	83.5
Trina Group Limited, Crawley	United Kingdom	100
TTG (Jersey) Limited, Jersey	Jersey	100
TUI Aviation GmbH, Hanover	Germany	100
TUI Beteiligungs GmbH, Hanover	Germany	100
TUI Canada Holdings, Inc, Toronto	Canada	100
TUI Connect GmbH, Hanover	Germany	100
TUI Group Services GmbH, Hanover	Germany	100
TUI Group UK Trustee Limited, Crawley	United Kingdom	100

COMPANY	COUNTRY	CAPITAL SHARE IN %
TUI Holdings (Australia) PTY Limited, Queensland	Australia	100
TUI InfoTec GmbH, Hanover	Germany	100
TUI Spain, SLU, Madrid	Spain	100
TUI Travel Amber E&W LLP, Crawley	United Kingdom	100
TUI Travel Amber Limited, Edinburgh	United Kingdom	100
TUI Travel Amber Scot LP, Edinburgh	United Kingdom	100
TUI Travel Aviation Finance Limited, Crawley	United Kingdom	100
TUI Travel Common Investment Fund Trustee Limited, Crawley	United Kingdom	100
TUI Travel Group Management Services Limited, Crawley	United Kingdom	100
TUI Travel Healthcare Limited, Crawley	United Kingdom	100
TUI Travel Holdings Limited, Crawley	United Kingdom	100
TUI Travel Limited, Crawley	United Kingdom	100
TUI Travel Nominee Limited, Crawley	United Kingdom	100
TUI Travel Overseas Holdings Limited, Crawley	United Kingdom	100
TUI Travel SAS Adventure Limited, Crawley	United Kingdom	100
TUI Travel SAS Holdings Limited, Tring, Hertfordshire	United Kingdom	100
TUI Travel SAS Services Limited, Crawley	United Kingdom	100
TUI-Hapag Beteiligungs GmbH, Hanover	Germany	100
Viagens Aurora Limitada, Albufeira	Portugal	95
Joint Ventures and associated companies		
Tourism		
2332491 Ontario, Inc, Toronto	Canada	49
Ahungalla Resorts Limited, Bentota	Sri Lanka	40
alps & cities 4ever GmbH, Vienna	Austria	50
Atlantica Hellas S.A., Rhodos	Greece	50
Atlantica Hotels and Resorts S.A., Lemesos	Cyprus	49.9
Bartu Turizm Yatirimlari Anonim Sirketi, Istanbul	Turkey	50
Blue Diamond Hotels and Resorts, Inc., St. Michael	Barbados	49
Bonitos GmbH & Co KG, Frankfurt/Main	Germany	50
DER Reisecenter TUI GmbH, Berlin	Germany	50
ENC for touristic Projects Company S.A.E., Sharm El-Sheikh	Egypt	50
Etapex, S.A., Agadir	Morocco	35
Fanara Residence for Hotels S.A.E., Sharm El-Sheikh	Egypt	50
First Om El Gorayfat Company for Hotels S.A.E., Mersa Allam	Egypt	50
GBH Turizm Sanayi Isletmecilik ve Ticaret A.S., Istanbul	Turkey	50
GeBeCo Gesellschaft für internationale Begegnung und Cooperation mbH & Co. KG, Kiel	Germany	50.1
Golden Lotus Hotel Company S.A.E., Luxor	Egypt	50
GRUPOTEL DOS S.A., Can Picafort	Spain	50
InteRes Gesellschaft für Informationstechnologie mbH, Darmstadt	Germany	25.2
Jaz Hotels & Resorts S.A.E., Cairo	Egypt	51
Kamarayat Nabq Company for Hotels S.A.E., Sharm El-Sheikh	Egypt	50
Karisma Hotels Adriatic d.o.o., Zagreb	Croatia	33.3
Karisma Hotels Caribbean S.A., Panama	Panama	50
Makadi Club for Hotels S.A.E., Hurghada	Egypt	50
Mirage Resorts Company S.A.E., Hurghada	Egypt	50
Oasis Company for Hotels S.A.E., Hurghada	Egypt	50
Quinta da Ria Empreendimentos do Algarve, S.A., Vila Nova de Cacela	Portugal	33
Raiffeisen-Tours RT-Reisen GmbH, Burghausen	Germany	25.1
Riu Hotels S.A., Palma de Mallorca	Spain	49
Safeharbour One SL, Barcelona	Spain	50

COMPANY	COUNTRY	CAPITAL SHARE IN %
Sharm El Maya Touristic Hotels Co. S.A.E., Cairo	Egypt	50
Sun Oasis for Hotels Company S.A.E., Hurghada	Egypt	50
Sunwing Travel Group, Inc, Toronto	Canada	49
Teckcenter Reisebüro GmbH, Kirchheim/Teck	Germany	50
Tikida Bay S.A., Agadir	Morocco	34
TIKIDA DUNES S.A., Agadir	Morocco	30
Tikida Palmeraie S.A., Marrakech	Morocco	33.3
Togebi Holdings Ltd, Nicosia, Cyprus	Cyprus	49
TRAVELStar GmbH, Hanover	Germany	50
TUI Cruises GmbH, Hamburg	Germany	50
UK Hotel Holdings FZC L.L.C., Fujairah	United Arab Emirates	50
Vacation Express USA Corp., Atlanta	United States	49
Specialist Travel		
Aeolos Travel LLP, Nicosia	Cyprus	49.9
Aitken Spence Travels Ltd, Colombo	Sri Lanka	50
Alpha Tourism and Marketing Services Ltd., Port Louis	Mauritius	25
Alpha Travel (U.K.) Limited, Harrow	United Kingdom	25
Holiday Travel (Israel) Limited, Airport City	Israel	50
Pollman's Tours and Safaris Limited, Nairobi	Kenya	25
Ranger Safaris Ltd., Arusha	Tanzania	25
Travco Group Holding S.A.E., Cairo	Egypt	50
TT Services Lanka Private Ltd, Colombo	Sri Lanka	50
All other segments		
.BOSYS SOFTWARE GMBH, Hamburg	Germany	25.2
ACCON-RVS Accounting & Consulting GmbH, Berlin	Germany	50

RESPONSIBILITY STATEMENT BY MANAGEMENT

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

Hanover, 8 December 2015

The Executive Board

Friedrich Joussen	Peter Long	Horst Baier
David Burling	Sebastian Ebel	Dr Elke Eller
William Waggott		

INDEPENDENT AUDITOR'S REPORT

To TUI AG, Berlin and Hannover

Report on the Audit of the Consolidated Financial Statements

Audit Opinion

We have audited the consolidated financial statements of TUI AG, Berlin and Hannover, and its subsidiaries, which comprise the consolidated statement of financial position as at 30 September 2015, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements.

In our opinion based on the findings of our audit, the accompanying consolidated financial statements comply, in all material respects, with International Financial Reporting Standards, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": "German Commercial Code") and give a true and fair view of the net assets and financial position of the Group as at 30 September 2015 and the results of operations for the financial year then ended, in accordance with these requirements.

According to § 322 Abs. 3 Satz (sentence) 1 HGB, we state that our audit of the consolidated financial statements has not led to any reservations.

Basis for Audit Opinion

We conducted our audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW) and additionally considered the International Standards on Auditing (ISA). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the provisions of German commercial law and professional standards as well as the IESBA Code of Ethics for Professional Acccountants of the International Ethics Standards Board for Accountants (IESBA Code) and we have fulfilled our other professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate audit opinion on these matters.

In our view, the key audit matters were as follows:

❶ Acquisition of non-controlling interests in TUI Travel PLC by TUI AG
❷ Recoverability of goodwill
❸ Recoverability of shares in Hapag-Lloyd AG
❹ Provisions and other areas of judgment
❺ Deferred tax assets relating to losses carried forward and risks related to German trade tax
❻ EBITA adjustments

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

① Matter and issue
② Audit approach and findings
③ Reference to further information

❶ Acquisition of non-controlling interests in TUI Travel PLC by TUI AG

FINANCIAL RECOGNITION OF ACQUISITION OF NON-CONTROLLING INTEREST

① During the financial year TUI AG acquired all non-controlling interests in TUI Travel PLC, Crawley/United Kingdom, (hereinafter "TUI Travel PLC") by TUI AG. The Acquisition was executed by capital increase of TUI AG in return for shares in TUI Travel PLC as contribution in kind. Thereby the shareholders of TUI Travel PLC (except TUI AG) received for each share of TUI Travel PLC 0.399 new shares of TUI AG. The subscribed capital of TUI AG increased therefore by € 621 million. The measurement of the shares issued as consideration was conducted at fair value on stock issue (listing price on registration date). This resulted in a reduction of profit reserves by € 3,313 million. The difference of this amount (€ 3,313 million) and the increase of subscribed capital (€ 621 million) less the related expenses (€ 16 million) results in an increase of capital reserve by € 2,676 million. The non-controlling interests recorded in Group's equity up to the acquisition of € –606 million less related expenses (€ 46 million) have been directly offset against profit reserves, which therefore did decrease. Overall the amount of the Group's equity was reduced by the incurred expenses of € 62 million. This matter was from our point of view of particular importance because of its material impact on Group's equity accounts.

② With respect to the recognition of the acquisition of non-controlling interests we intensively dealt during our audit with the underlying legal requirements as well as the assessments of the involved consultants on this transaction. We considered the measurement of the shares issued as contribution in kind based on the listing price at the date of registration in the commercial register. Furthermore, we examined the amount of non-controlling interests for write off. Based on the procedures performed we were able to satisfy ourselves that the acquisition of non-controlling interests in TUI Travel PLC is properly presented.

③ The Company's disclosures about acquisition of non-controlling interests and their impact on Group's equity accounts are contained in section "Merger of TUI AG with TUI Travel PLC" and in sections 26 to 28 of the notes to the consolidated financial statements.

EXPENSES RELATED TO THE ACQUISITION OF NON-CONTROLLING INTERESTS

① In connection with the acquisition of non-controlling interests in TUI Travel PLC, expenses relating to the fees from banks and consulting firms accrued. Where material expenses are directly related to the capital increase or the acquisition of non-controlling interests, the costs incurred have to be directly offset against equity. Therefore, € 62 million were classified directly in equity. This matter was from our point of view of particular importance because the underlying allocation rules are very complex.

② During our audit we satisfied ourselves of the proper recognition of the accrued expenses based on the evidence submitted to us. Furthermore, we reperformed the allocation of expenses applied by Management and accept the classification made by Management.

③ The Company's disclosures about the recognition of expenses in connection with the acquisition of non-controlling interests in equity are provided in the statement of changes in equity and are further contained in section "Merger of TUI AG with TUI Travel PLC" of the notes to the consolidated financial statements.

CHANGE IN SEGMENT REPORTING

① As part of TUI AG's organisational and strategic reorganisation following the acquisition of non-controlling interests in TUI Travel PLC, the TUI Group's internal reporting structure was reorganized. Since the internal reporting structure is used as a basis for determining the segment structure under IFRS 8 (segment reporting), consequently the new reporting structure resulted in a change in TUI AG's segment reporting. From our point of view, this matter was of particular importance, because in the context of capital market communications the segment reporting has a special significance and the segment structure presented also affects other accounting-related areas (particularly the reallocation of goodwill and the resultant implication on testing of goodwill for impairment as well as the allocation of the remaining assets and the disclosure of discontinued operations).

② During our audit we, amongst other procedures, considered the internal reporting and its subcategorisation of the individual reporting units; and reconciled this structure to the segment structure used in the segment reporting. Moreover, we examined the method applied for the reallocation of goodwill. We were able to satisfy ourselves that the changes in segment reporting applied by Management were consistent with the reorganisation of the internal reporting structure.

③ The Company's disclosures about the change of the internal reporting structure regarding the acquisition of non-controlling interests are contained in section "Comments on Segments" of the notes to the consolidated financial statements.

❷ Recoverability of goodwill

① Goodwill amounting to € 3.2 million in total is reported under the goodwill line item in the statement of financial position in the consolidated financial statements of TUI AG. Goodwill is tested by the Company for impairment as of June 30 of the financial year (impairment test). While in the previous year goodwill for the former TUI Travel segment was tested for impairment based on this segment, in this financial year the goodwill for former TUI Travel has been split into the redefined segments after the acquisition of non-controlling interests and in each case tested for impairment at that level. As TUI Travel PLC was no longer listed at the reporting date and listing prices could therefore not be used for the measurement of goodwill, a discounted cash flow (DCF) valuation technique was used for measurement for the first time. From our point of view, this matter was of particular importance, because the result of this measurement depends to a large extent on Management's assessment of future cash inflows and the discount rate used, and is therefore subject to considerable uncertainty.

② With respect to the appropriateness of the future cash inflows used in the calculation we satisfied ourselves, amongst other procedures, by agreeing this information with the current budgets in the three-year plan adopted by Management and approved by the supervisory board, as well as by comparison with general and sector-specific market expectations. With the knowledge that even relatively small changes in the discount rate applied can have material effects on the value of goodwill calculated in this way, we also focused our testing on the parameters used to determine the discount rate applied, including the weighted average cost of capital, and reperformed the calculations. Due to the materiality of goodwill (representing approximately 22 % of consolidated total assets) and the fact that its measurement also depends on economic conditions which are outside of the company's sphere of influence, we also performed sensitivity analyses for cash-generating units with low coverage (net book value compared to present value) and found that the respective goodwill was sufficiently covered by discounted future cash flows. Overall, we consider the measurement inputs and assumptions used by Management to be in line with our expectations.

③ The Company's goodwill disclosures are contained in section 14 of the notes to the consolidated financial statements.

❸ Recoverability of shares in Hapag-Lloyd AG

① In TUI AG's consolidated financial statements, the shares in Hapag-Lloyd AG, Hamburg, (hereinafter "Hapag-Lloyd AG") are reported in the amount of € 335 million after a value adjustment of € 147 million and are presented as financial instruments within the balance sheet item financial assets available for sale. These shares are measured at fair value, with changes in fair value of less than 20 % of original costs being recognised directly in equity pursuant to TUI AG's internal accounting guidelines. Changes in measurement greater or equal 20 % result in an impairment and are classified in the income statement. As Hapag-Lloyd AG was not listed as of the reporting date and it was therefore not possible to use a listing price for the measurement of the shares, measurement took place using a discounted cash flow valuation technique. The Company's measurement showed that the previous carrying amount could no longer be covered by future cash inflows. This led to the recognition of an impairment loss of € 147 million. From our point of view, this matter was of particular importance, because the result of this measurement depends to a large extent on Management's assessment of future cash inflows and the discount rate used, and is subject to considerable uncertainty.

② Amongst other procedures, we examined the measurement of the shares in Hapag-Lloyd AG and verified the inputs used in connection with the valuation technique using company-specific information as well as sector-specific market data and expectations. We also evaluated the appropriateness of the threshold for impairments specified by TUI AG. Even taking into account the relevant market data (e. g. the first listing price of Hapag-Lloyd AG dated 6 November 2015), we found the measurement of the shares in Hapag-Lloyd AG to be within an acceptable range and we accept Management's assessment.

③ The Company's disclosures about financial assets available-for-sale are contained in section "Accounting and measurement methods" and section 19 of the notes to the consolidated financial statements.

❹ Provisions and other areas of judgment

① In TUI AG's consolidated financial statements, prepayments to hotels totalling € 967 million are reported under the balance sheet line item trade receivables and other assets; provisions for aircraft maintenance in the amount of € 564 million are reported under the balance sheet line item other provisions. In addition, provisions for pensions and similar obligations of € 1,147 million are reported. From our point of view, this matter was of particular importance, because recognition and measurement of these material items are based to a large extent on Management's estimates and assumptions.

② With the knowledge that estimated values result in an increased risk of material misstatements within the consolidated financial statements and that Management's measurement decisions have a direct and significant effect on consolidated profit, we assessed the appropriateness of the carrying amounts inter alia by comparing these amounts with historical data and by referring to contracts provided to us. Amongst other tests, we

- assessed the recoverability of prepayments to hotels, considering the background of current political developments in Greece and the incidents in Tunisia and Turkey, based on the repayment plans agreed with the respective hoteliers, the possibilities to offset payments with future overnight accommodation services and the framework agreements,
- reperformed the calculation of the costs expected for maintenance expenses for aircraft maintenance based on group-wide maintenance agreements, the price increases expected based on external market forecasts and the discount rates applied and
- assessed the appropriateness of the key assumptions and inputs used to calculate pension provisions by involving the expertise of our internal pension valuation specialists.

In doing so, we were able to satisfy ourselves that the estimates applied and the assumptions made by Management were sufficiently reasonable and supported with reference to historical data or third party information to justify the recognition and measurement of the material provisions and the other areas where judgment was involved.

③ The Company's disclosures about trade receivables and other assets as well as provisions are contained in sections 20 as well as 32 and 33 of the notes to the consolidated financial statements.

❺ Deferred Taxes assets relating to losses carried forward and risks related to German trade tax

① Deferred tax assets of € 331 million (of which € 239 million relate to losses carried forward) are reported in the consolidated statement of financial position in the consolidated financial statements of TUI AG. Due to the acquisition of non-controlling interest in TUI Travel PLC, the tax affairs have been restructured in Germany with the consequence of deferred tax assets of € 145 million being recognised by TUI AG relating to losses carried forward. Furthermore, there are tax risks as certain hotel expenses may not be completely deductible for the determination of German trade tax. Management estimates the probability of occurrence for these risks related to German trade tax to be less than 50 %. Therefore, a contingent liability is disclosed, which does not result in a provision. Based on updated estimates this contingent liability considerably dropped to € 42 million from € 113 million previous year. From our point of view, these matters were of particular importance, because they depend to a large extent on estimates and assumptions made by Management, and is subject to uncertainties.

② Within our audit of these tax matters we added internal tax accounting specialists to our audit team. With their support, we assessed the internal processes and controls implemented to record tax matters. With respect to the tax restructuring, we also questioned the date when deferred taxes were recognized as well as Management's underlying reasons. We assessed the recoverability of deferred tax assets relating to losses carried forward and deductible temporary differences on the basis of the Company's internal forecasts for future taxable income position of TUI AG and its material controlled entities for income tax purposes using Management's planning and evaluated the appropriateness of the planning framework used. Furthermore, we examined the reconciliation to the tax expense. Based on expert opinions we gained an understanding about the tax risks from the treatment of certain hotel expenses in connection with the German trade tax and we evaluated the appropriateness of the financial recognition. We were able to retrace the assumptions made by Management concerning the recognition and measurement of deferred taxes as well as the risk relating to German trade tax and accept Management's assessments.

③ The Company's disclosures about deferred taxes are contained in the notes to the consolidated financial statements in section "accounting policies" as well as in sections 9, 22, 37 and for tax disputes in section 40. In addition, further disclosures about the acquisition of non-controlling interests in TUI Travel PLC are in section "Merger of TUI AG with TUI Travel PLC" of the notes to the consolidated financial statements.

❻ EBITA adjustments

① For the TUI Group's management and analysis purposes, operating profit (earnings before interest, taxes and amortization – EBITA) is used and adjusted for one-off effects and non-operating effects on profit. Adjustments to EBITA in the amount of € 204 million have been reported in the consolidated financial statements of TUI AG. Underlying EBITA is used for capital market communication as a core financial performance indicator. Furthermore, underlying EBITA is used as a target achievement standard for the annual performance-related remuneration of TUI AG's middle management. The adjustments to EBITA were of particular importance during our audit, because the applied adjustments are based on TUI AG's internal accounting guidelines and there is a risk of bias in Management's judgment.

② We reperformed the calculation of underlying EBITA and assessed the identification of extraordinary effects on profit and non-operating effects on profit. Based on the knowledge obtained during the audit of the consolidated financial statements and the information provided to us by Management, we examined whether, the adjustments made are in line with the definition and the procedural method stated in the comments on segment reporting. We were able to satisfy ourselves that the adjustments applied to EBITA by Management were consistent with TUI AG's internal accounting guideline and continuous applied.

③ The Company's disclosures about the adjustments to EBITA as well as their determination are described under "Comments on Segments" in the segment reporting of the notes to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information compromises

- the Corporate Governance- Report according to section 3.1 of the German Corporate Governance Code,
- the Management's Corporate Governance Statement pursuant to § 289a HGB
- the report concerning the UK Corporate Governance Code according to section 9.8.6 R (5) of the listing rules in the United Kingdom and
- the report to shareholders according to section 9.8.8 R of the listing rules in the United Kingdom as well as
- other parts of the annual report of TUI AG, Berlin and Hannover, for the financial year ending 30 September 2015, which were not subject of our audit.

Our audit opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements and, therefore, that these statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB. Furthermore, Management is responsible for such internal controls as Management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern as well as using the going concern basis of accounting unless Management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The supervisory board of TUI AG, Berlin and Hannover, is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW) and additional consideration of the ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW) and additional consideration of the ISA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may include collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the net assets and financial position of the Group in accordance with International Financial Reporting Standards, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an audit opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

REPORT ON THE AUDIT OF THE GROUP MANAGEMENT REPORT

We have audited the accompanying group management report, which is combined with the management report of TUI AG, Berlin and Hannover, for the financial year from 1 October 2014 to 30 September 2015.

In our opinion based on the findings of our audit of the consolidated financial statements and combined management report, the accompanying combined management report is in all material respects consistent with the consolidated financial statements, provides as a whole a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

According to § 322 Abs. 3 Satz 1 HGB we state, that our audit of the combined management report has not led to any reservations.

Management of TUI AG, Berlin and Hannover, is responsible for the preparation of the combined management report in accordance with the requirements of German commercial law applicable pursuant to § 315a Abs. 1 HGB.

We conducted our audit in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of the combined management report promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW). Accordingly, we are required to plan and perform the audit of the combined management report to obtain reasonable assurance about whether the combined management report is in all material respects consistent with the consolidated financial statements and the audit findings, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

REVIEW OF MANAGEMENT'S STATEMENT REGARDING THE UK CORPORATE GOVERNANCE CODE

Under section 8.8.10 R (2) of the UK Listing Rules we are required to review Management's Statement pursuant to 9.8.6 R (6) of the UK Listing Rules in the report concerning the UK Corporate Governance Code regarding the Company's compliance with the provisions C.1.1, C.2.1 and C.2.3 as well as C.3.1 to C.3.8 of the UK Corporate Governance Code during the financial year or respectively Company's explanation in case of discrepancies. We have nothing to report having performed our review.

Responsible Auditor

The responsible auditor on the audit is Thomas Stieve.

Hannover, 8 December 2015

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Thomas Stieve	Prof. Dr Mathias Schellhorn
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

FORWARD-LOOKING STATEMENTS

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

PUBLISHED BY
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CONCEPT AND DESIGN
3st kommunikation, Mainz, Germany

PHOTOGRAPHY
Michael Neuhaus (cover photo, p. 78 – 79)
Rüdiger Nehmzow (p. 3, 22)
Getty Images (p. 20 – 21, 160 – 161)

PRINTER
Kunst- und Werbedruck, Bad Oeynhausen, Germany

The Magazine and the Annual Report are also available online:
http://annualreport2014-15.tui-group.com

This report was published on 10 December 2015.

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