HALF-YEAR FINANCIAL REPORT 2014/15

1 October 2014 – 31 March 2015

Q2

TUI GROUP

CONTENTS

Interim Management Report

Interim Financial Statements

Notes

H1 2014 / 15

TUI Group – Financial Highlights

€ million	Q2 2014/15	Q2 2013/14 restated	Var. %	H1 2014/15	H1 2013/14 restated	Var. %
Turnover	**3,413.7**	**3,126.9**	**+ 9.2**	**6,940.1**	**6,470.4**	**+ 7.3**
Underlying EBITA[1]						
Northern Region	– 64.2	– 80.4	+ 20.1	– 109.6	– 124.2	+ 11.8
Central Region	– 73.5	– 66.5	– 10.5	– 93.7	– 76.7	– 22.2
Western Region	– 48.7	– 42.7	– 14.1	– 61.7	– 69.8	+ 11.6
Hotels & Resorts	26.9	20.1	33.8	55.6	32.7	+ 70.0
Cruises	16.3	– 0.3	n. a.	18.3	– 16.2	n. a.
Other Touristik	– 7.5	– 8.9	+ 15.7	– 21.2	– 20.9	– 1.4
Tourism	**– 150.7**	**– 178.7**	**+ 15.7**	**– 212.3**	**– 275.1**	**+ 22.8**
Specialist Group	1.4	1.1	+ 27.3	– 17.7	– 16.9	– 4.7
Hotelbeds Group	4.2	0.2	n. a.	7.8	7.6	+ 2.6
All other Segments	– 22.7	– 24.2	+ 6.2	– 50.4	– 57.0	+ 11.6
TUI Group	**– 167.8**	**– 201.6**	**+ 16.8**	**– 272.6**	**– 341.4**	**+ 20.2**
Discontinued Operation	– 6.3	– 3.9	– 61.5	– 9.3	– 5.0	– 86.0
EBITA[2]	**– 227.5**	**– 175.6**	**– 29.6**	**– 368.9**	**– 334.1**	**– 10.4**
EBITDA	**– 125.0**	**– 85.0**	**– 47.1**	**– 171.2**	**– 154.4**	**– 10.9**
Underlying EBITDA	**– 80.0**	**– 124.7**	**+ 35.8**	**– 104.6**	**– 189.0**	**+ 44.7**
Net loss for the period	– 82.5	– 195.5	+ 57.8	– 218.7	– 350.0	+ 37.5
Earnings per share €	– 0.19	– 0.50	+ 62.0	– 0.48	– 0.96	+ 47.9
Equity ratio (31 Mar) %	12.3	18.1	– 5.8[3]	12.3	18.1	– 5.8[3]
Investments in other intangible assets and property, plant and equipment			–			–
Net debt (31 Mar)	– 1,694.2	– 1,347.8	– 25.7	– 1,694.2	– 1,347.8	– 25.7
Employees (31 Mar)	66,738	65,682	+ 1.6	66,738	65,682	+ 1.6

Differences may occur due to rounding

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

2 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 Percentage points

INTERIM MANAGEMENT REPORT

TUI Group fundamentals: Structure and Strategy

REPORTING STRUCTURE

For the present Half-Year Financial Report 2014 / 15 the previously used reporting structure was adjusted to the changed management concept of the new TUI Group in line with IFRS 8.

New Group structure see Annual Report 2013 / 14 from page 61; Changes in the group of consolidated companies see page 47 in this Interim Report

The previous sectors Travel, Hotels & Resorts and Cruises have been replaced by the following reportable segments as of 31 March 2015:

- Northern Region
- Central Region
- Western Region
- Hotels & Resorts
- Cruises
- Other Tourism
- Specialist Group
- Hotelbeds Group
- LateRooms Group (Discontinued operation)

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 Northern Region, Central Region, Western Region, Hotels & Resorts, Cruises and Other Tourism segments are allocated to Tourism. The Specialist Group, Hotelbeds Group and Other Segments comprise other operating businesses not allocable to the core Tourism Business.

The LateRooms Group has been classified as a discontinued operation.

The Northern Region segment comprises the tour operators and airlines as well as the cruise business in the UK, Ireland and the Nordics. In addition, the Canadian strategic venture Sunwing and the joint venture in Russia have been allocated to this segment. The Central Region segment comprises the tour operators and airlines in Germany and the tour operators in Austria, Switzerland and Poland. The tour operators and airlines in Belgium and the Netherlands and the tour operators in France are allocated to the segment Western Region. 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. As before, the Cruises segment consists of Hapag-Lloyd Kreuzfahrten and TUI Cruises. Other Tourism comprises the French airline and, in particular, central Tourism functions such as the TUI Group's flight control and information technology. The Specialist Group segment comprises the specialist tour operators previously managed under Specialist & Activity. The Hotelbeds Group segment was previously included in the Accommodation & Destinations business and comprises the B2B hotel portals and incoming agencies.

The previous year's numbers were restated to reflect the new segment structure.

Changes in the group of consolidated companies are presented in the Notes to the present Half-Year Financial Report.

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

See Annual Report 2013 / 14 page 58 f.

GROUP TARGETS AND STRATEGY

The TUI Group's strategy is outlined in the Annual Report 2013 / 14.

Our strategy as the world's leading tourism business, building on a global brand with an attractive hotel portfolio, a growing fleet of cruise ships, and a modern and efficient leisure airline with direct access to over 20 million customers is taking shape and is delivering results. We will start to deliver our merger synergies this year and are committed to accelerate profitable top line growth and future-proof the vertically-integrated model. Our business model differentiates us through scale and leading positions at all stages of the customer journey: Marketing & Sales, Flight, Inbound Service and Accommodation. The combination of our TUI power brand, our local roots and local market expertise, with a strong central IT defines our uniqueness. We will deliver growth through the coverage of more source markets, our long-haul expansion with a modern fleet of 787 aircraft, conquering new destinations – as we have done in the Caribbean – through profitable growth of our strong hotel brands, powerful and exclusive international hotel concepts and the further expansion of our cruise business. All this is supported by an integrated and very lean organisation to facilitate fast and agile decision-making.

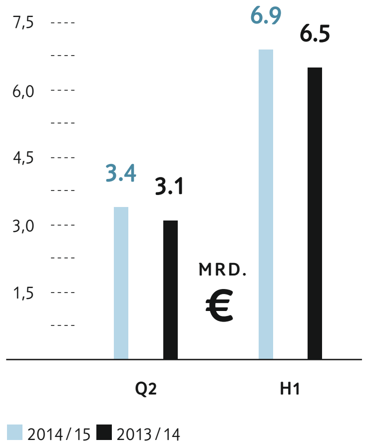
We have set out a roadmap for growth and will deliver improved customer experiences and increased shareholder value. Our new roadmap enables us to provide updated guidance for the future prospects of the Group. We believe that TUI Group has the ability to deliver at least 10 % underlying EBITA CAGR over the next three years on a constant currency basis. This includes top-line growth while enhancing the margin within our source markets through delivering increased operational efficiency and merger synergies. We will be growing our hotel concepts and hotel operations while improving yields and occupancy and remain focussed on growing our profitable TUI Cruises fleet and enhancing profitability in our luxury cruise business. We will maximise growth and value of our Other Businesses and reconfirm our commitment to exit the remaining stake in Hapag-Lloyd Container shipping. The flexibility of our customer-centric business model, build around a strong brand and strong IT platforms, our balance sheet strength, our financial rigour and discipline and our focus on free cash flow generation will drive shareholder value and allow us to continue our progressive dividend policy.

RESEARCH AND DEVELOPMENT

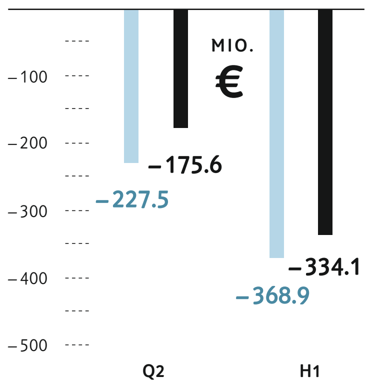
As a tourism service provider, TUI does not engage in research and development activities in the narrower sense of the term.

Earnings by the Segments

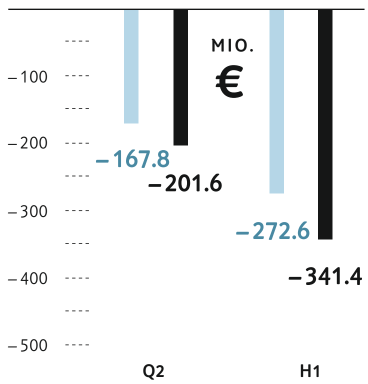
TURNOVER



EBITA



UNDERLYING EBITA



Development of turnover

TURNOVER

€ million	**Q2 2014 / 15**	Q2 2013 / 14	Var. %	**H1 2014 / 15**	H1 2013 / 14	Var. %
Northern Region	1,033.9	922.0	12.1	2,158.8	1,969.6	9.6
Central Region	876.5	806.2	8.7	1,935.0	1,828.9	5.8
Western Region	420.2	434.1	– 3.2	915.0	928.3	– 1.4
Hotels & Resorts	127.4	110.4	15.4	245.4	211.6	16.0
Cruises	82.7	94.0	– 12.0	136.2	149.2	– 8.7
Other Tourism	119.7	116.6	2.7	240.0	226.8	5.8
Tourism	2,660.4	2,483.3	7.1	5,630.4	5,314.4	5.9
Specialist Group	551.7	437.1	26.2	885.1	768.1	15.2
Hotelbeds Group	188.9	182.8	3.3	395.4	369.6	7.0
All other segments	12.7	23.7	– 46.4	29.2	18.3	59.6
TUI Group	**3,413.7**	**3,126.9**	**9.2**	**6,940.1**	**6,470.4**	**7.3**
Discontinued operation	14.1	15.7	– 10.2	31.3	33.3	– 6.0

At € 3.4 bn, the TUI Group's turnover was up 9.2 % year-on-year in Q2 2014 / 15. Turnover increased by 4.7 % on a constant current basis. This was driven by the 2.5 % rise in customer numbers, the earlier timing of Easter in 2015 and the increase in average prices in some segments.

At customer growth of 2.4 % year-on-year, accumulated turnover for H1 2014 / 15 amounted to € 6.9 bn, up 7.3 % year-on-year. On a constant currency basis, turnover grew by 3.4 % in H1 2014 / 15.

Development of earnings

UNDERLYING EBITA

€ million	**Q2 2014/15**	Q2 2013/14 restated	Var. %	**H1 2014/15**	H1 2013/14 restated	Var. %
Northern Region	– 64.2	– 80.4	20.1	– 109.6	– 124.2	11.8
Central Region	– 73.5	– 66.5	– 10.5	– 93.7	– 76.7	– 22.2
Western Region	– 48.7	– 42.7	– 14.1	– 61.7	– 69.8	11.6
Hotels & Resorts	26.9	20.1	33.8	55.6	32.7	70.0
Cruises	16.3	– 0.3	n. a.	18.3	– 16.2	n. a.
Other Tourism	– 7.5	– 8.9	15.7	– 21.2	– 20.9	– 1.4
Tourism	**– 150.7**	**– 178.7**	**15.7**	**– 212.3**	**– 275.1**	**22.8**
Specialist Group	1.4	1.1	27.3	– 17.7	– 16.9	– 4.7
Hotelbeds Group	4.2	0.2	n. a.	7.8	7.6	2.6
All other segments	– 22.7	– 24.2	6.2	– 50.4	– 57.0	11.6
TUI Group	**– 167.8**	**– 201.6**	**16.8**	**– 272.6**	**– 341.4**	**20.2**
Discontinued operation	– 6.3	– 3.9	– 61.5	– 9.3	– 5.0	– 86.0

EBITA

€ million	**Q2 2014/15**	Q2 2013/14 restated	Var. %	**H1 2014/15**	H1 2013/14 restated	Var. %
Northern Region	– 72.2	– 38.0	– 90.0	– 123.1	– 87.5	– 40.7
Central Region	– 76.1	– 70.7	– 7.6	– 101.6	– 82.8	– 22.7
Western Region	– 51.5	– 49.0	– 5.1	– 67.7	– 80.3	15.7
Hotels & Resorts	5.7	19.0	– 70.0	22.2	30.0	– 26.0
Cruises	16.3	5.1	219.6	18.3	– 3.4	n. a.
Other Tourism	– 10.6	– 14.0	24.3	– 26.1	– 26.0	– 0.4
Tourism	**– 188.4**	**– 147.6**	**– 27.6**	**– 278.0**	**– 250.0**	**– 11.2**
Specialist Group	– 3.0	– 3.5	14.3	– 26.2	– 28.9	9.3
Hotelbeds Group	– 6.2	– 4.9	– 26.5	– 6.8	0.1	n. a.
All other segments	– 29.9	– 19.6	– 52.6	– 57.9	– 55.3	– 4.7
TUI Group	**– 227.5**	**– 175.6**	**– 29.6**	**– 368.9**	**– 334.1**	**– 10.4**
Discontinued operation	– 18.3	– 4.3	– 325.6	– 21.9	– 5.9	– 271.2

Key performance indicators for TUI are EBITA and underlying EBITA. The Group believes that EBITA provides additional information to help understand the operating performance of the business during the financial period. EBITA are the earnings before income taxes, net interest expense, net expense from the measurement of interest hedges and impairment of goodwill. Whereas amortisations of intangible assets are included in EBITA, the result from the measurement of Container Shipping at equity is not included as the investment in Hapag-Lloyd Holding AG constitutes a financial investment rather than an operating business for the Group.

UNDERLYING EBITA: GROUP

€ million	**Q2 2014/15**	Q2 2013/14 restated	Var. %	**H1 2014/15**	H1 2013/14 restated	Var. %
EBITA	**–227.5**	**–175.6**	**–29.6**	**–368.9**	**–334.1**	**–10.4**
Gains on disposal	+0.9	–		+1.0	+0.5	
Restructuring	+15.0	+9.9		+16.5	+15.7	
Purchase price allocation	+17.2	+16.7		+35.2	+33.1	
Other one-off items	+26.6	–52.6		+43.6	–56.6	
Underlying EBITA	**–167.8**	**–201.6**	**+16.8**	**–272.6**	**–341.4**	**+20.2**

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

Other 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, major expenses for litigation, gains and losses from the sale of aircraft and other material business transactions with a one-off character.

In H1 2014/15, a netted amount of € 96.3 m had to be carried as adjustments. They primarily included the following items:

GAINS ON DISPOSAL

In H1 2014/15 gains on disposal of € 1.0 m was booked in connection with a capital reduction in a company of the Riu Group.

RESTRUCTURING COSTS

In H1 2014/15 restructuring costs of € 16.5 m were incurred. The overall charge included € 6.9 m for the streamlining of the corporate centre and € 4.7 m related to the planned integration of inbound services into the source market organisation. Smaller amounts of in total € 3.3 m related to restructuring measures in the source markets and a charge of € 1.4 m was included for restructuring measures within Hotelbeds Group.

PURCHASE PRICE ALLOCATIONS

In H1 2014/15 total expenses for purchase price allocations of € 35.2 m were booked. This related primarily to scheduled amortisation of intangible assets from business acquisitions in prior years.

OTHER ONE-OFF ITEMS

Netted expenses for one-off items of € 43.6 m comprised € 12.7 m in the source markets of which € 5.0 m were entry into service costs incurred as additional Boeing 787 Dreamliners were brought into service. In Corsair € 3.8 m strike costs in relation with the planned sale of that subsidiary were treated as exceptional costs. Additional costs of € 2.5 m within the Other one-off items was related to the reorganisation of TUI Germany (Radical Simplicity).

In the Hotels & Resorts segment write-downs of VAT receivables of an italian subsidiary of € 18.2 m were recognised within Other one-off items. In addition, provisions for a pending litigation in connection with the acquisition of a Turkish hotel of € 12.6 m were recognised.

Tourism

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

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

SOURCE MARKETS

		DIRECT DISTRIBUTION MIX[1] *in %*		ONLINE MIX[2] *in %*		CUSTOMERS[3] *'000*	
		Q2	H1	Q2	H1	Q2	H1
SOURCE MARKETS	2014/15	71	70	43	41	2,634	6,020
	2013/14	69	68	40	38	2,569	5,879
NORTHERN REGION	2014/15	90	90	60	58	915	2,102
	2013/14	89	89	58	56	906	2,078
CENTRAL REGION	2014/15	45	44	15	14	965	2,260
	2013/14	41	40	11	10	922	2,181
WESTERN REGION	2014/15	72	69	53	51	755	1,658
	2013/14	66	65	46	45	742	1,620

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

[2] Share of online sales

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

NORTHERN REGION

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

NORTHERN REGION – KEY FIGURES

€ million	**Q2 2014/15**	Q2 2013/14 restated	Var. %	**H1 2014/15**	H1 2013/14 restated	Var. %
Turnover	1,033.9	922.0	+12.1	2,158.8	1,969.6	+9.6
Underlying EBITA	–64.2	–80.4	+20.1	–109.6	–124.2	+11.8
EBITA	–72.2	–38.0	–90.0	–123.1	–87.5	–40.7

In the period under review, TUI tour operators in the Northern Region continued to record a positive development. Due to the expansion of the long-haul business of TUI UK, in particular, the number of customers rose by 4.7 % year-on-year in H1 2014/15. On a constant currency basis, turnover grew by 5.1 %. The seasonal loss (underlying EBITA) of the Northern Region decreased by € 14.6 m to € – 109.6 m in H1 2014/15. This amount included a positive effect from the earlier timing of Easter in 2015 of around € 10 m, offset by € 10 m adverse impact from foreign exchange translation. Reported EBITA by the segment declined by € 35.6 m to €– 123.1 m due to one-off income from the changes in pension plans included in the prior year's numbers.

In the UK the result was in line with prior year. Customer numbers increased by 4,7 %, driven by the expanded 787 long-haul programme, the growth in unique offering as well as the impact of an earlier Easter. We continued to see strong demand for unique holidays, with new content for Sensatori in Jamaica and an increase in our long-haul cruises offering. There was also significant growth in the mix of online bookings, which increased by three percentage points to 54 %.

In the Nordics profits increased versus prior year. Underlying margins improved as a result of capacity reductions on more competitive routes and operational efficiency measures delivered through the One Nordic programme. We also saw an improvement in Thailand margins following political unrest last year. Online bookings continued to increase, to 69 % of overall bookings, up two percentage points.

We also continued to deliver an increase in profits in our Canadian strategic venture, Sunwing.

CENTRAL REGION

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

CENTRAL REGION – KEY FIGURES

€ million	**Q2 2014/15**	Q2 2013/14 restated	Var. %	**H1 2014/15**	H1 2013/14 restated	Var. %
Turnover	876.5	806.2	+8.7	1,935.0	1,828.9	+5.8
Underlying EBITA	–73.5	–66.5	–10.5	–93.7	–76.7	–22.2
EBITA	–76.1	–70.7	–7.6	–101.6	–82.8	–22.7

In Q2 2014 / 15, the development of earnings by Central Region continued to be impacted by margin pressure in the Canary Islands and in long-haul. The increase in customer numbers of 3.6 % in H1 2014 / 15 resulted in turnover growth of 5.8 %. The seasonal loss (underlying EBITA) in Central Region rose by € 17.0 m to € – 93.7 m in H1 2014 / 15. This amount included a positive effect from the earlier timing of Easter in 2015 worth around € 1 m. Reported EBITA by the segment declined by € 18.8 m to € – 101.6 m.

In spite of a 2.9 % increase in customer volumes, trading in the German market in Q2 2014 / 15 has been challenging as a result of continued margin pressure in the Canaries and in long-haul. Direct distribution mix grew three percentage points to 42 %, mainly driven by an increase in holidays booked online, 14 % of the total, up three percentage points on prior year.

WESTERN REGION

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

WESTERN REGION – KEY FIGURES

€ million	**Q2 2014 / 15**	Q2 2013 / 14 restated	Var. %	**H1 2014 / 15**	H1 2013 / 14 restated	Var. %
Turnover	420.2	434.1	– 3.2	915.0	928.3	– 1.4
Underlying EBITA	– 48.7	– 42.7	– 14.1	– 61.7	– 69.8	+ 11.6
EBITA	– 51.5	– 49.0	– 5.1	– 67.7	– 80.3	+ 15.7

In the period under review, the Western Region segment significantly reduced its operating loss. Due to capacity reductions in France, in particular, the number of customers declined considerably by 2.4 % in H1 2014 / 15. While turnover was down 1.4 % year-on-year, underlying EBITA by the segment improved by € 8.1 m to € – 61.7 m in H1 2014 / 15. Reported EBITA by the segment grew by € 12.6 m to € – 67.7 m.

The improvement in the result posted by the Western Region segment was driven by both France and Benelux. In France the result was ahead of last year as we continued to reduce unprofitable capacity. The market remained extremely challenging, especially to destinations in North Africa. Benelux also contributed to the improvement, with a 5 % increase in customers and significant increase in online bookings.

Hotels & Resorts

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

HOTELS & RESORTS – KEY FIGURES

€ million	**Q2 2014/15**	Q2 2013/14 restated	Var. %	**H1 2014/15**	H1 2013/14 restated	Var. %
Total turnover	250.0	221.8	+12.7	500.0	457.8	+9.2
Turnover	127.4	110.4	+15.4	245.4	211.6	+16.0
Underlying EBITA	26.9	20.1	+33.8	55.6	32.7	+70.0
EBITA	5.7	19.0	–70.0	22.2	30.0	–26.0

Total turnover by the Hotels & Resorts segments rose by 12.7 % to € 250.0 m in Q2 2014/15. In H1 2014/15, it totalled € 500.0 m, up 9.2 % year-on-year. Revenues per bed grew significantly year-on-year due to overall sound demand in the first half of the year on a slight increase in capacity over the previous year. Occupancy also showed a very positive development. Turnover with non-Group third parties rose by 15.4 % to € 127.4 m in Q2 2014/15. It amounted to € 245.4 m in H1 2014/15, up 16.0 % year-on-year.

In Q2 2014/15, underlying earnings amounted to € 26.9 m, up by € 6.8 m on the prior year. Accumulated underlying earnings for H1 2014/15 totalled € 55.6 m, an increase of € 22.9 m. The segment benefited, in particular, from the persistently positive performance of the strong hotel brands Riu and Robinson. Apart from operational improvements, this growth was also driven by a book profit of € 16 m from the sale of a Riu hotel.

In H1 2014/15, the Hotels & Resorts segment had to carry adjustments worth € 33.4 m. They related to transfers to provisions for a pending litigation in connection with the acquisition of a Turkish hotel and write-downs of VAT receivables of an italian subsidiary.

Reported earnings for H1 2014/15 fell significantly by € 7.8 m year-on-year to € 22.2 m due to the one-off expenses included.

HOTELS & RESORTS

		CAPACITY[1] '000 Q2	CAPACITY[1] '000 H1	OCCUPANCY RATE[2] in % Q2	OCCUPANCY RATE[2] in % H1	AVERAGE REVENUE PER BED[3] in € Q2	AVERAGE REVENUE PER BED[3] in € H1
HOTELS TOTAL	2014/15	5,195	10,836	79.7	78.6	66.89	60.66
	2013/14	5,251	10,796	76.4	75.9	58.76	56.16
RIU	2014/15	4,045	8,225	86.3	83.9	66.77	59.87
	2013/14	4,076	8,198	83.8	81.7	56.41	53.47
ROBINSON	2014/15	511	1,102	60.9	65.5	94.07	90.51
	2013/14	548	1,161	62.8	66.7	95.78	90.65
IBEROTEL	2014/15	527	1,132	54.2	59.0	43.50	43.73
	2013/14	518	1,102	40.5	46.0	42.30	43.17

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

[2] Occupied beds divided by capacity

[3] Arrangement revenue divided by occupied beds

RIU

Riu, one of Spain's leading hotel chains, operated a total of 94 hotels at the end of H1 2014 / 15. Capacity increased slightly by 0.3 % year-on-year to 8.23 m hotel beds in the first half of the year. At 83.9 %, average occupancy of Riu hotels rose by 2.2 percentage points year-on-year in H1 2014 / 15. This increase reflects, in particular, the strong demand for hotels in the Balearic Islands. Average revenues per bed grew by 12.0 %.

In H1 2014 / 15, business developed as follows in the individual regions:

Average occupancy of Riu hotels in the Canaries rose by 0.4 percentage points year-on-year to 90.8 %. In the Winter season, the destination benefited from a shift in demand from northern Africa to alternative destinations.

Riu hotels in the Balearics also recorded a very positive performance in the Winter season. At 67.6 %, occupancy of Riu hotels rose by 7.5 percentage points year-on-year.

Average occupancy of Riu hotels in mainland Spain rose by 0.1 percentage points year-on-year to 72.8 %.

In the long-haul business, Riu hotels recorded average occupancy of 83.5 %, up by 2.0 percentage points year-on-year. This increase was driven by higher occupancy of hotels in Jamaica and Mexico. Average revenues per bed in long-haul destinations grew by 13.4 % year-on-year.

ROBINSON

At the end of H1 2014 / 15, Robinson, market leader in the premium club holiday segment, was operating a total of 18 out of 23 club facilities. Capacity declined by 5.0 % in H1 2014 / 15. This reduction in capacity resulted from the sale of three club resorts, previously owned by Robinson. They continue to be operated under the Robinson brand as management operations.

As a result, occupancy of the overall Robinson Group declined by 1.2 percentage points in H1 2014 / 15. Average revenues per bed fell slightly by 0.2 % year-on-year, in particular due to the sale of the club resorts in Switzerland, which generate high prices. Adjusted for the Swiss club facilities, the average rate grew by 2.1 %.

IBEROTEL

At the end of H1 2014 / 15, 23 facilities were operated in Egypt, the United Arab Emirates and Germany. Iberotels in Turkey and Italy were still seasonally closed at the end of the reporting period. Capacity rose slightly by 2.8 % year-on-year. Overall occupancy of Iberotels grew year-on-year by 13.0 percentage points to 59.0 %. This positive development was above all driven by closer cooperation with the Group's tour operators and a recovery in demand due to the more stable political situation in Egypt. Average revenues per bed also rose by 1.3 % year-on-year.

OTHER HOTELS

Other hotels primarily comprise the Grupotel Group operating in the Balearic Islands, the Grecotel Group operating in Greece and the hotels previously managed by the former TUI Travel Sector.

Cruises

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

CRUISES – KEY FIGURES

€ million	**Q2 2014/15**	Q2 2013/14 restated	Var. %	**H1 2014/15**	H1 2013/14 restated	Var. %
Turnover	82.7	94.0	– 12.0	136.2	149.2	– 8.7
Underlying EBITA	16.3	– 0.3	n. a.	18.3	– 16.2	n. a.
EBITA	16.3	5.1	+ 219.6	18.3	– 3.4	n. a.

At € 82.7 m in Q2 and at € 136.2 m in H1 2014/15, turnover by Hapag-Lloyd Kreuzfahrten fell short of the respective prior year result for each of these periods. The decline was attributable to the decommissioning of Columbus 2 from the fleet in April 2014. No turnover is carried for TUI Cruises as the joint venture is measured at equity in the consolidated financial statements.

In Q2 2014/15, underlying earnings by the Cruises Segment rose by € 16.6 m year-on-year to € 16.3 m. Accumulated underlying earnings for H1 2014/15 totalled € 18.3 m, up by € 34.5 m year-on-year. The overall positive performance in the six months under review was driven by the significant improvement in operating performance of Hapag-Lloyd Kreuzfahrten and lower financing costs due to the purchase of Europa 2 of € 5 m. With the successful market launch of Mein Schiff 3 in the prior year, TUI Cruises continued to expand its competitive position in the Winter season and delivered a very successful performance in H1 2014/15.

The Cruises Segment did not carry any adjustments for Q2, nor for H1 2014/15. In the prior year's reference periods, adjustments had been carried for income from the use of provisions previously formed for onerous losses from occupancy risks at Hapag-Lloyd Kreuzfahrten. Reported earnings for H1 2014/15 totalled € 18.3 m, up by € 21.7 m year-on-year.

		OCCUPANCY *in %* Q2	OCCUPANCY *in %* H1	PASSENGER CRUISE DAYS *'000* Q2	PASSENGER CRUISE DAYS *'000* H1	AVERAGE DAILY RATES* *in €* Q2	AVERAGE DAILY RATES* *in €* H1
HAPAG-LLOYD KREUZFAHRTEN	2014/15	**77.3**	**73.8**	**91.0**	**168.3**	**578**	**524**
	2013/14	71.2	66.5	131.9	224.1	455	420
TUI CRUISES	2014/15	**100.8**	**100.8**	**575.6**	**1,163.9**	**143**	**148**
	2013/14	101.8	102.0	351.5	696.4	143	144

* Per day and passenger

HAPAG-LLOYD KREUZFAHRTEN

The positive operating performance of Hapag-Lloyd Kreuzfahrten consolidated in H1 2014 / 15. Fleet occupancy improved by 7.3 percentage points year-on-year to 73.8 %. The average rate per passenger per day rose substantially by 24.8 % to € 524. As a result of Hapag-Lloyd focussing its fleet on luxury and expedition cruises after the exit of Columbus 2 from the fleet as per April 2014, passenger days declined by 24.9 % year-on-year to 168,323 in H1 2014 / 15.

TUI CRUISES

In H1 2014 / 15, TUI Cruises continued its positive performance. At 100.8 %, occupancy of the ships (based on double occupancy) remained flat at the very high level of the prior year. All three ships contributed to this high level with their respective Caribbean, Canaries and Orient Winter routes. Due to the expansion of the TUI Cruises fleet to include Mein Schiff 3 in June 2014, capacity totalled 1,163,853 passenger days, up significantly on H1 2013 / 14. The average rate per passenger per day totalled € 148, up 2.9 % year-on-year.

Other businesses

SPECIALIST GROUP

SPECIALIST GROUP – KEY FIGURES

€ million	**Q2 2014/15**	Q2 2013/14 restated	Var. %	**H1 2014/15**	H1 2013/14 restated	Var. %
Turnover	551.7	437.1	+ 26.2	885.1	768.1	+ 15.2
Underlying EBITA	1.4	1.1	+ 27.3	– 17.7	– 16.9	– 4.7
EBITA	– 3.0	– 3.5	+ 14.3	– 26.2	– 28.9	+ 9.3

The Specialist Group segment pools the specialist and adventure tour operators in Europe, North America and Australia. At 6.8 % growth in customer numbers, the segment generated turnover of € 885.1 m in H1 2014 / 15, up 15.2 %.

In H1 2014 / 15 the Specialist Group reported an underlying operating loss of € 17.7 m, broadly in line with prior year. This included € 1 m benefit from the earlier timing Easter and € 3 m favourable foreign exchange translation. In H1 2014 / 15, net expenses of € 8.5 m had to be adjusted for; they mainly related to purchase price allocations. Reported EBITA amounted to € – 26.2 m in H1 2014 / 15.

HOTELBEDS GROUP

HOTELBEDS GROUP – KEY FIGURES

€ million	**Q2 2014/15**	Q2 2013/14 restated	Var. %	**H1 2014/15**	H1 2013/14 restated	Var. %
Turnover	188.9	182.8	+ 3.3	395.4	369.6	+ 7.0
Underlying EBITA	4.2	0.2	n. a.	7.8	7.6	+ 2.6
EBITA	– 6.2	– 4.9	– 26.5	– 6.8	0.1	n. a.

The Hotelbeds Group segment pools the online services and incoming agencies. Turnover by the segment grew by 7.0 % to € 395.4 m in H1 2014 / 15.

With an underlying EBITA of € 7.8 m performance in H1 was broadly in line with prior year, including € 3 m positive foreign exchange impact. Our accommodation wholesaler delivered a 33 % increase in TTV, with all markets showing healthy growth, notably Asia, US and Germany. This was partly offset by a lower Inbound Services result due to more challenging trading following political unrest in some countries.

In H1 2014 / 15, net expenses of € 14.6 m had to be adjusted for. They mainly related to purchase price allocations as well as the planned integration of incoming agencies into the source market organisation. In H1 2014 / 15, EBITA totalled € – 6.8 m.

All other segments

All other segments comprise, in particular, the corporate centre functions of TUI AG and the intermediate holdings as well as the Group's real estate companies. All head office functions are being merged and we will start reporting against our corporate streamlining target in this segment.

ALL OTHER SEGMENTS – KEY FIGURES

€ million	**Q2 2014 / 15**	Q2 2013 / 14 restated	Var. %	**H1 2014 / 15**	H1 2013 / 14 restated	Var. %
Turnover	12.7	23.7	– 46.4	29.2	18.3	+ 59.6
Underlying EBITA	– 22.7	– 24.2	+ 6.2	– 50.4	– 57.0	+ 11.6
EBITA	– 29.9	– 19.6	– 52.6	– 57.9	– 55.3	– 4.7

In Q2 2014 / 15, expenses (underlying EBITA) by All other segments improved by € 1.5 m to € – 22.7 m year-on-year. Accumulated underlying EBITA totalled € – 50.4 m for H1 2014 / 15, an improvement of € 6.6 m year-on-year. The improvement was driven by the ongoing implementation of the Lean Centre programme including the discontinuation of all sponsorship activities.

In H1 2014 / 15, net expenses worth € 7.5 m had to be carried as adjustments. They primarily related to costs in connection with the merging of the head offices. Reported earnings improved by € 2.6 m year-on-year to € – 57.9 m in H1 2014 / 15.

Consolidated earnings

CONSOLIDATED PROFIT AND LOSS STATEMENT FOR THE PERIOD FROM 1 OCT 2014 TO 31 MAR 2015

€ million	**Q2 2014/15**	Q2 2013/14 restated	Var. %	**H1 2014/15**	H1 2013/14 restated	Var. %
Turnover	3,413.7	3,126.9	9.2	6,940.1	6,470.4	7.3
Cost of sales	3,266.5	2,940.3	11.1	6,581.3	6,094.9	8.0
Gross profit	**147.2**	**186.6**	**–21.1**	**358.8**	**375.5**	**–4.4**
Administrative expenses	429.1	384.2	11.7	815.1	730.7	11.6
Other income	11.9	13.6	–12.5	30.1	16.5	82.4
Other expenses	0.5	–	n. a.	1.3	1.5	–13.3
Financial income	8.1	6.1	32.8	16.0	13.9	15.1
Financial expenses	44.6	71.3	–37.4	120.2	139.4	–13.8
Share of result of joint ventures and associates	38.9	–15.2	n. a.	56.4	–24.9	n. a.
Earnings before income taxes	**–268.1**	**–264.4**	**–1.4**	**–475.3**	**–490.6**	**3.1**
Reconciliation to underlying EBITA:						
Earnings before income taxes	–268.1	–264.4	–1.4	–475.3	–490.6	3.1
plus: Losses on Container Shipping measured at equity	–	26.8	n. a.	–0.9	36.5	n. a.
plus: Net interest expense and expense from measurement of interest hedges	40.6	62.0	–34.5	107.3	120.0	–10.6
EBITA	–227.5	–175.6	–29.6	–368.9	–334.1	–10.4
Adjustments						
less: Gains on disposals	0.9	–		1.0	0.5	
plus: Restructuring expense	15.0	9.9		16.5	15.7	
plus: Expense from purchase price allocation	17.2	16.7		35.2	33.1	
plus: expense/less: income from other one-off items	26.6	–52.6		43.6	–56.6	
Underlying EBITA	**–167.8**	**–201.6**	**16.8**	**–272.6**	**–341.4**	**20.2**
Earnings before income taxes from continuing operations	**–268.1**	**–264.4**	**–1.4**	**–475.3**	**–490.6**	**3.1**
Income taxes	–200.7	–73.7	–172.3	–275.6	–144.5	–90.7
Result from continuing operations	**–67.4**	**–190.7**	**64.7**	**–199.7**	**–346.1**	**42.3**
Result from discontinued operation	–15.1	–4.8	–214.6	–19.0	–3.9	–387.2
Group loss for the year	**–82.5**	**–195.5**	**57.8**	**–218.7**	**–350.0**	**37.5**
Group loss for the year attributable to shareholders of TUI AG	–96.9	–120.3	19.5	–201.5	–229.8	12.3
Group loss for the year attributable to non-controlling interest	14.4	–75.2	n. a.	–17.2	–120.2	85.7

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

See page 5

TURNOVER AND COST OF SALES

Turnover comprises the turnover by Tourism and Central Operations. In H1 2014/15, turnover totalled €6.9 bn, up by 7.3 % year-on-year, driven by the earlier timing of Easter in 2015 and higher customer numbers in the source markets. Turnover was presented alongside the cost of sales, which rose by 8.0 % in H1. A detailed breakdown of turnover and the development of turnover are presented in the section Earnings by the Segments.

GROSS PROFIT

At € 358.8 m, gross profit as the balance of turnover and the cost of sales was down by € 16.7 m year-on-year in H1 2014 / 15.

ADMINISTRATIVE EXPENSES

Administrative expenses comprise expenses for general management functions. In H1 2014 / 15, they totalled € 815.1 m, up by € 84.4 m on the prior year. The increase resulted from transfers to provisions for a pending litigation in connection with the acquisition of a Turkish hotel and write-downs on VAT receivables of an italian subsidiary.

OTHER INCOME / OTHER EXPENSES

In H1 2014 / 15, other income totalled € 30.1 m, comprising the book profit from the divestment of a Riu hotel sold in December 2014. Other expenses amounted to € 1.3 m in H1 2014 / 15.

FINANCIAL RESULT

The financial result improved from € – 125.5 m in the H1 2013 / 14 to € – 104.2 m in H1 2014 / 15. The improvement is the result of changes in the financial liabilities in comparison to last year. Two convertible bonds matured at the beginning of the current financial year. Additionally, the two remaining convertible bonds have been converted almost completely in H1 of the current financial year. Accordingly, the interest expenses from convertible bonds decreased by € 44.3 m. In addition TUI AG redeemed a bank loan of over € 100.0 m in August 2014 so that the interest expenses decreased by further € 7.2 m. The new financing in the wake of the merger of TUI AG and TUI Travel PLC had offsetting effects. TUI Travel PLC's existing credit line was replaced by a revolving credit facility of TUI AG. Accordingly, the issuance costs of € 14.2 m carried as prepaid expenses for the credit facility of TUI Travel PLC were fully recognised through profit and loss in Q1 2014 / 15. Furthermore the new high-yield bond of € 300.0 m led to additional interest expenses of € 6.8 m in comparison to last year. Due to the purchase of the Europa 2 the interest expenses increased further by € 4.2 m. Also in context with the merger an agreement with Deutsche Bank (see section Merger of TUI AG and TUI Travel PLC) was terminated early with an interest effect of € 2.5 m.

SHARE OF RESULTS OF JOINT VENTURES AND ASSOCIATES

The share of results of joint ventures and associates comprises the share in net profit for the year of the associated companies and joint ventures as well as any impairments of the goodwill of these companies. The share of results of joint ventures and associates amounted to € 56.4 m in H1 2014 / 15 (previous year € – 24.9 m). The significant increase in the Tourism Segment was partly driven by a higher profit contribution by TUI Cruises.

UNDERLYING EBITA

In the period under review, underlying EBITA was negative due to the seasonality of the tourism business. In H1 2014 / 15, it amounted to € – 272.6 m, up by € 68.8 m year-on-year. EBITA was adjusted for gains on disposal, restructuring expenses, purchase price allocations and one-off items. The adjustments are outlined in detail in the section Earnings by the Segments.

Adjustments see page 7

INCOME TAXES

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

Following the merger between TUI AG and TUI Travel PLC a reassessment of deferred tax assets on tax loss carryforwards was performed during the second quarter. This lead to a tax credit of € 122.6 m. With the consent of the General Meeting of TUI AG for the planned profit-and-loss absorption agreement between LSG and TUI AG the planned reorganisation of the German tax group can be considered in assessing the recoverability of tax loss carryforwards in Germany. This lead to a tax credit of € 148,2 m. An adverse effect totalling € 25.6 results from the write-off of deferred tax assets on tax loss carryforwards in the United Kingdom due to a reassessment of potential restructuring measures.

GROUP LOSS

In H1 2014 / 15, the Group result was negative at € – 218.7 m (previous year € – 350.0) due to the seasonality of the tourism business. The year-on-year improvement in the Group result in H1 2014 / 15 was primarily due to higher tax assets.

NON-CONTROLLING INTERESTS

Non-controlling interests accounted for € – 17.2 m for H1 2014 / 15. 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

After deduction of non-controlling interests, TUI AG shareholders accounted for € – 201.5 m (previous year € – 229.9 m) of the Group result for H1 2014 / 15. As a result, basic earnings per share amounted to € – 0.48 (previous year € – 0.96) for H1 2014 / 15.

Performance indicators

KEY FIGURES OF INCOME STATEMENT

€ million	**Q2 2014 / 15**	Q2 2013 / 14 restated	Var. %	**H1 2014 / 15**	H1 2013 / 14 restated	Var. %
Earnings before interest, income taxes, depreciation, impairment and rent (EBITDAR)	**85.3**	**115.7**	**– 26.3**	**255.2**	**258.5**	**– 1.3**
Operating rental expenses	210.3	200.7	+ 4.8	426.4	412.9	+ 3.3
Earnings before interest, income taxes, depreciation, impairment (EBITDA)	**– 125.0**	**– 85.0**	**– 47.1**	**– 171.2**	**– 154.4**	**– 10.9**
Depreciation / amortisation less reversals of depreciation*	– 102.5	– 90.6	– 13.1	– 197.7	– 179.7	– 10.0
Earnings before interest, income taxes and impairment of goodwill (EBITA)	**– 227.5**	**– 175.6**	**– 29.6**	**– 368.9**	**– 334.1**	**– 10.4**
Impairment of goodwill	–	–	–	–	–	–
Earnings before interest and income taxes (EBIT)	**– 227.5**	**– 175.6**	**– 29.6**	**– 368.9**	**– 334.1**	**– 10.4**
Interest result and earnings from the measurement of interest hedges	40.6	62.0	– 34.5	107.3	120.0	– 10.6
Result from Container Shipping measured at equity	–	26.8	n. a.	– 0.9	36.5	n. a.
Earnings before income taxes (EBT)	**– 268.1**	**– 264.4**	**– 1.4**	**– 475.3**	**– 490.6**	**+ 3.1**

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

Net assets and financial position

The Group's balance sheet total increased by 6.7 % to € 14.9 bn versus the end of financial year 2013 / 14. The changes in the consolidated statement of financial position as against 30 September 2014 primarily reflect the seasonality of the tourism business.

ASSETS AND LIABILITIES

€ million	**31 Mar 2015**	30 Sep 2014 restated	Var. %
Non-current assets	10,187.4	8,992.2	+ 13.3
Current assets	4,758.0	5,015.0	– 5.1
Assets	**14,945.4**	**14,007.2**	**+ 6.7**
Equity	1,835.6	2,530.2	– 27.5
Provisions	2,568.6	2,347.1	+ 9.4
Financial liabilities	2,738.9	1,965.6	+ 39.3
Other liabilities	7,802.3	7,164.3	+ 8.9
Liabilities	**14,945.4**	**14,007.2**	**+ 6.7**

NON-CURRENT ASSETS

As at 31 March 2015, non-current assets accounted for 68.2 % of total assets, compared with 64.2 % as at 30 September 2014. Non-current assets rose year-on-year to € 10.2 bn in the period under review.

CURRENT ASSETS

As at 31 March 2015, current assets accounted for 31.8 % of total assets, following 35.8 % as at 30 September 2014. Current assets decreased from € 5.0 bn as at 30 September 2014 to € 4.8 bn as at 31 March 2015. The decline was primarily driven by the seasonality of the tourism business.

EQUITY

Equity totalled € 1.8 bn as at 31 March 2015. The equity ratio declined from 18.1 % as at 30 September 2014 to 12.3 %. Further information on the changes in equity is provided in the Notes to the present Half-Year Financial Report.

See page 59

PROVISIONS

Provisions mainly comprise provisions for pension obligations and provisions for typical operating risks. As at 31 March 2015, they totalled € 2.6 bn, up by 9.4 % versus 30 September 2014.

FINANCIAL LIABILITIES

As at 31 March 2015, financial liabilities consisted of non-current financial liabilities of € 2.2 bn and current financial liabilities of € 0.5 bn. As at 30 September 2014, non-current financial liabilities amounted to € 1.7 bn, with current financial liabilities of € 0.2 bn.

At the end of Q2 2014 / 15 (31 March 2015), the TUI Group's net debt including assets held for sale and associated liabilities of the TUI Group totalled € 1.7 bn. Net debt thus rose by € 2.0 bn against 30 September 2014. This was due to the seasonality of the tourism business, the increase in liabilities from finance leases and the reclassification of a perpetual subordinated bond, cancelled in March 2015, from equity to current financial liabilities.

OTHER LIABILITIES

As at 31 March 2015, other liabilities totalled € 7.8 bn, down against 30 September 2014.

Other segment indicators

UNDERLYING EBITDA

€ million	**Q2 2014/15**	Q2 2013/14 restated	Var. %	**H1 2014/15**	H1 2013/14 restated	Var. %
Northern Region	–45.2	–63.1	28.4	–72.5	–90.7	20.1
Central Region	–68.1	–61.7	–10.4	–83.5	–67.5	–23.7
Western Region	–44.7	–38.3	–16.7	–53.5	–60.4	11.5
Hotels & Resorts	45.3	38.6	17.6	91.4	70.7	29.4
Cruises	20.9	2.9	624.0	25.5	–9.6	n. a.
Other Tourism	0.2	–3.2	n. a.	–7.9	–9.5	17.2
Tourism	**–91.7**	**–124.9**	**26.6**	**–100.5**	**–167.1**	**39.8**
Specialist Group	9.4	7.9	17.9	–2.8	–3.4	19.3
Hotelbeds Group	10.8	5.4	100.4	20.4	17.8	14.7
All other segments	–8.5	–13.1	35.2	–21.7	–36.3	40.1
TUI Group	**–80.0**	**–124.7**	**35.8**	**–104.6**	**–189.0**	**44.7**
Discontinued operation	–3.1	–1.5	–106.7	–3.3	–0.4	–725.0

EBITDA

€ million	**Q2 2014/15**	Q2 2013/14 restated	Var. %	**H1 2014/15**	H1 2013/14 restated	Var. %
Northern Region	–49.3	–17.5	–181.1	–78.8	–47.7	–65.2
Central Region	–70.1	–65.2	–7.5	–89.3	–72.2	–23.8
Western Region	–46.4	–43.5	–6.7	–57.3	–68.4	16.3
Hotels & Resorts	26.3	38.6	–31.8	60.2	70.1	–14.2
Cruises	20.9	8.3	151.5	25.5	3.2	699.4
Other Tourism	–4.1	–8.3	50.6	–12.8	–14.6	12.4
Tourism	**–122.8**	**–87.7**	**–39.9**	**–152.6**	**–129.7**	**–17.7**
Specialist Group	9.4	7.3	28.4	–2.7	–7.5	64.1
Hotelbeds Group	4.0	3.7	7.8	12.7	17.0	–25.2
All other segments	–15.6	–8.3	–88.6	–28.6	–34.1	16.2
TUI Group	**–125.0**	**–85.0**	**–47.1**	**–171.2**	**–154.4**	**–10.9**
Discontinued operation	–	–1.5	n. a.	–6.7	–0.3	n. a.

INVESTMENTS IN OTHER INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

€ million	**Q2 2014/15**	Q2 2013/14 restated	Var. %	**H1 2014/15**	H1 2013/14 restated	Var. %
Northern Region	134.1	18.7	617.1	202.6	73.5	175.6
Central Region	5.0	6.3	– 20.6	10.9	10.7	1.9
Western Region	7.9	6.4	23.4	12.6	11.4	10.5
Hotels & Resorts	45.7	12.6	262.7	108.2	31.8	240.3
Cruises	292.5	– 0.1	n. a.	293.2	5.9	n. a.
Other Tourism	17.6	9.7	81.4	32.4	12.5	159.2
Tourism	**502.8**	**53.6**	**838.1**	**659.9**	**145.8**	**352.6**
Specialist Group	8.8	5.8	51.7	15.9	12.4	28.2
Hotelbeds Group	9.4	17.6	– 46.6	14.2	23.2	– 38.8
All other segments	247.6	8.6	n. a.	342.7	124.7	174.8
TUI Group	**768.6**	**85.6**	**797.9**	**1,032.7**	**306.1**	**237.4**
Discontinued operation	2.7	2.7	–	5.3	4.6	15.2

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

€ million	**Q2 2014/15**	Q2 2013/14 restated	Var. %	**H1 2014/15**	H1 2013/14 restated	Var. %
Northern Region	23.0	20.3	13.3	43.9	39.7	10.6
Central Region	6.0	5.5	9.1	12.3	10.5	17.1
Western Region	5.1	5.6	– 8.9	10.5	11.9	– 11.8
Hotels & Resorts	4.6	3.2	43.8	7.2	6.6	9.1
Cruises	23.9	19.5	22.6	43.5	39.9	9.0
Other Tourism	6.4	5.6	14.3	13.2	11.4	15.8
Tourism	**69.0**	**59.7**	**15.6**	**130.6**	**120.0**	**8.8**
Specialist Group	12.3	10.8	13.9	23.4	21.4	9.3
Hotelbeds Group	10.0	8.5	17.6	19.4	16.7	16.2
All other segments	14.5	11.2	29.5	28.5	21.1	35.1
TUI Group	**105.8**	**90.2**	**17.3**	**201.9**	**179.2**	**12.7**
Discontinued operation	11.6	2.8	314.3	15.0	5.6	167.9

EMPLOYEES

	31 Mar 2015	31 Mar 2014	Var. %
Northern Region	13,103	13,005	0.8
Central Region	11,172	11,020	1.4
Western Region	5,444	5,374	1.3
Hotels & Resorts	17,120	16,715	2.4
Cruises	239	251	– 4.8
Other Tourism	1,405	1,583	– 11.2
Tourism	**48,483**	**47,948**	**1.1**
Specialist Group	6,654	6,571	1.3
Hotelbeds Group	10,553	10,079	4.7
All other segments	1,048	1,084	– 3.3
TUI Group	**66,738**	**65,682**	**1.6**
Discontinued operation	385	602	– 36.0

Risk and Opportunity Report

For a comprehensive presentation of our risk and opportunity management systems and potential risks and opportunities, we refer to the corresponding comments in our Annual Report 2013 / 14. The risks and opportunities outlined in that report remained largely unchanged in the period under review H1 2014 / 15. They continue to comprise the following risks:

Annual Report 2013 / 14: Risks see page 116 et seq., opportunities see page 147 et seq.

GROUP RISKS

Description	Likelihood of occurance	Possible financial effects	Significance	Risk situation compared to 30 Sep 2014
Business risks in Tourism	possible	moderate	medium risk	→
Environmental and industry risks	possible	moderate	medium risk	→
Risks from information technology	possible	significant	medium risk	→
Risks from Container Shipping	possible	moderate	medium risk	→
Environmental risks	possible	insignificant	very low risk	→
Financial risks				
Long-term corporate financing	possible	minor	low risk	→
Short-term liquidity management	highly unlikely	insignificant	very low risk	→
Covenants	highly unlikely	serious	low risk	→
Risks from unhedged exposures	unlikely	serious	medium risk	→
Credit risks	highly unlikely	serious	low risk	→
Risks from acquisitions and divestments	highly unlikely	minor	very low risk	→
Risks from pension provisions	unlikely	minor	low risk	→
Personnel risks	unlikely	insignificant	very low risk	→
Tax risks	unlikely	serious	medium risk	→
Other risks				
Contingent liabilities and litigation	possible	minor	low risk	→
Miscellaneous other risks	possible	moderate	medium risk	→

Legend:
→ No change in the risk situation

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

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

Report on expected developments

Expected development of the economic framework

EXPECTED DEVELOPMENT OF GROSS DOMESTIC PRODUCT

Var. %	2016	**2015**
World	**3.8**	**3.5**
Eurozone	1.6	1.5
Germany	1.7	1.6
France	1.5	1.2
UK	2.3	2.7
US	3.1	3.1
Russia	– 1.1	– 3.8
Japan	1.2	1.0
China	6.3	6.8
India	7.5	7.5

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

MACROECONOMIC SITUATION

In its current forecast, the International Monetary Fund (IMF, World Economic Outlook, April 2015) has projected global GDP growth to be lower at 3.5 % as against October 2014 to reflect weaker prospects for some large emerging market economies and oil-exporting countries. The outlook for advanced economies remains favourabe. The US remain on a robust growth path, while the experts also expect higher growth rates for the Eurozone.

MARKET DEVELOPMENT IN TOURISM

The UNWTO expects international tourism to continue to grow worldwide in this decade. For the next few years, it projects average weighted growth of around 3 % per annum (UNWTO, Tourism Highlights, 2014 edition). In calendar year 2014 international arrivals grew by 4.4 % worldwide. (UNWTO, World Tourism Barometer, April 2015).

IMPACT ON THE TUI GROUP

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

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

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

Expected development of earnings

EXPECTED DEVELOPMENT OF GROUP EARNINGS

€ million	Expected development vs. PY **2014 / 15***
Turnover	2 % to 4 %
Underlying EBITA	10 % to 15 %
One-off effects	≈ € 220 m

* Based on constant currency

TURNOVER

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

UNDERLYING EBITA

In financial year 2014 / 15, the TUI Group's underlying EBITA is expected to grow by 10 % to 15 % on a constant currency basis.

ADJUSTMENTS

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

Expected development of financial position

CAPITAL EXPENDITURE

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

NET LIQUIDITY

The Group's net liquidity amounted to € 323 m at the balance sheet date. Due to the expected increase in the financing volume for aircraft on the basis of finance leases and the repayment of our hybrid bond in April 2015, which had not been included in our budget, we expect the Group to be in a net debt position which is broadly neutral by the end of financial year 2014 / 15.

Sustainable development

CLIMATE PROTECTION AND EMISSIONS

Greenhouse gas emissions and the impact of these emissions on climate change pose one of the major global challenges for the tourism sector. Our goal of reducing absolute and specific CO_2 emissions from our aircraft fleet by 6 % against the baseline of 2007 / 08 by the end of financial year 2013 / 14 had been achieved ahead of schedule in August 2013. We had therefore planned to cut specific CO_2 emissions per passenger kilometre from our airlines by an additional three percentage points by the end of 2015 with the support of new technologies. This goal was also achieved ahead of schedule. We will publish a new goal for subsequent years in mid-2015.

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

At the date of preparation of the present Management Report (11 May 2015), we uphold our positive assessment of the TUI Group's current economic situation and outlook for financial year 2014 / 15. With its finance profile and services portfolio, the TUI Group is well positioned in the market. In the first six months of the new financial year 2014 / 15, our business performance has been line with our expectations

We expect the TUI Group's underlying earnings to rise by 10 % to 15 % year-on-year on a constant currency basis. We thus confirm the communicated goal, to achieve an operating result (underlying EBITA) of around € 1 bn for the TUI Group on a constant currency basis in financial year 2014 / 15.

Our roadmap for growth over the next three years has enabled us to provide updated guidance for the future prospects of our Group. We intend to deliver at least 10 % underlying EBITA CAGR over the next three years on a constant currency basis. Our long-term target for the TUI Group's gross capital expenditure is 3 % of consolidated turnover, excluding aircraft pre-delivery payments.

Corporate Governance

Composition of the boards

In H1 2014 / 15 the composition of the boards of TUI AG changed significantly. The Extraordinary General Meeting of TUI AG on 28 October 2014 adopted a number of resolutions relating to the boards of TUI AG, which took effect in the framework of the completion of the merger between TUI AG and TUI Travel PLC:

- On the one hand, it was resolved to enlarge the Supervisory Board by four members to a total of 20 members. Thus, the enlarged Supervisory Board now comprises ten shareholder representatives and ten employee representatives. Compared with ist composition published in the Annual Report 2013 / 14, Arnd Dunse*, Angelika Gifford and Vladimir Lukin have left the Supervisory Board since 30 September 2014. Since that reporting date, the following new members have been elected or appointed to the Supervisory Board of TUI AG: Sir Michael Hodgkinson, Valerie Francis Gooding, Dr. Dierk Hirschel*, Janis Carol Kong, Timothy Martin Powell, Coline Lucille McConville, Wilfried H. Rau*, and Marcel Witt*.
- It was resolved to create the option to elect a Co-Vice Chairman of the Supervisory Board for a transition period until the close of the ordinary Annual General Meeting 2016. The Supervisory Board continues to be chaired by Professor Dr Klaus Mangold. The Co-Vice Chairmen are Frank Jakobi and Sir Michael Hodgkinson.
- Peter Long was appointed as Co-CEO so that TUI AG has been managed by Friedrich Joussen and Peter Long as Joint CEOs since the completion of the merger. Moreover, the Executive Board of TUI AG was increased by three members to a total of six members. Alongside the three previous members (Friedrich Joussen, Peter Long and Horst Baier) the newly appointed Executive Board members are: Johan Lundgren (Deputy CEO, CEO Mainstream), Sebastian Ebel (HR/Labour Director, CEO Platforms) and William Waggott (CEO Non-Mainstream).

In addition, Maxim G. Shemetov was elected by the ordinary Annual General Meeting on 10 February 2015 for a term of office expiring 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 financial year ended 30 September 2019. Mr Shemetov had previously been appointed by court and was formally elected by the shareholders in line with the principles of corporate governance.

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

*Employee representatives

INTERIM FINANCIAL STATEMENTS

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

€ million	Notes	**Q2 2014/15**	Q2 2013/14 restated	**H1 2014/15**	H1 2013/14 restated
Turnover		3,413.7	3,126.9	6,940.1	6,470.4
Cost of sales	(1)	3,266.5	2,940.3	6,581.3	6,094.9
Gross profit		**147.2**	**186.6**	**358.8**	**375.5**
Administrative expenses	(1)	429.1	384.2	815.1	730.7
Other income	(2)	11.9	13.6	30.1	16.5
Other expenses	(2)	0.5	–	1.3	1.5
Financial income	(4)	8.1	6.1	16.0	13.9
Financial expenses	(4)	44.6	71.3	120.2	139.4
Share of result of joint ventures and associates	(5)	38.9	– 15.2	56.4	– 24.9
Earnings before income taxes		**– 268.1**	**– 264.4**	**– 475.3**	**– 490.6**
Reconciliation to underlying EBITA:					
Earnings before income taxes		– 268.1	– 264.4	– 475.3	– 490.6
plus: Losses on Container Shipping measured at equity		–	26.8	– 0.9	36.5
plus: Net interest expense and expense from measurement of interest hedges		40.6	62.0	107.3	120.0
EBITA*		– 227.5	– 175.6	– 368.9	– 334.1
Adjustments:	(6)				
plus: Losses from disposals		0.9	–	1.0	0.5
plus: Restructuring expense		15.0	9.9	16.5	15.7
plus: Expense from purchase price allocation		17.2	16.7	35.2	33.1
plus: Expense (previous year income) from other one-off items		26.6	– 52.6	43.6	– 56.6
Underlying EBITA		**– 167.8**	**– 201.6**	**– 272.6**	**– 341.4**
Earnings before income taxes from continuing operations		**– 268.1**	**– 264.4**	**– 475.3**	**– 490.6**
Income taxes	(7)	– 200.7	– 73.7	– 275.6	– 144.5
Result from continuing operations		**– 67.4**	**– 190.7**	**– 199.7**	**– 346.1**
Result from discontinued operation		– 15.1	– 4.8	– 19.0	– 3.9
Group loss for the year		**– 82.5**	**– 195.5**	**– 218.7**	**– 350.0**
Group loss for the year attributable to shareholders of TUI AG		– 96.9	– 120.3	– 201.5	– 229.8
Group loss for the year attributable to non-controlling interest	(8)	14.4	– 75.2	– 17.2	– 120.2

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

EARNINGS PER SHARE

€	**Q2 2014/15**	Q2 2013/14 restated	**H1 2014/15**	H1 2013/14 restated
Basic and diluted earnings per share	– 0.19	– 0.50	– 0.48	– 0.96
from continuing operations	– 0.16	– 0.49	– 0.44	– 0.95
from discontinued operation	– 0.03	– 0.01	– 0.04	– 0.01

CONDENSED STATEMENT OF COMPREHENSIVE INCOME OF THE TUI GROUP FOR THE PERIOD FROM 1 OCT 2014 TO 31 MAR 2015

€ million	**Q2 2014/15**	Q2 2013/14 restated	**H1 2014/15**	H1 2013/14 restated
Group loss	**– 82.5**	**– 195.5**	**– 218.7**	**– 350.0**
Remeasurement of pension provisions and related fund assets	– 114.4	– 50.0	– 189.6	– 16.8
Changes in the measurement of companies measured at equity	–	– 2.1	0.1	1.4
Income tax related to items that will not be reclassified	27.9	12.2	49.1	5.6
Items that will not be reclassified to profit or loss	**– 86.5**	**– 39.9**	**– 140.4**	**– 9.8**
Foreign exchange differences	– 58.2	– 27.5	– 67.0	– 92.4
Financial instruments available for sale	3.1	1.0	6.6	0.7
Cash flow hedges	56.5	– 21.7	– 204.6	– 10.3
Changes in the measurement of companies measured at equity	30.2	1.8	30.4	11.8
Income tax related to items that may be reclassified	– 11.2	2.3	38.8	– 0.2
Items that may be reclassified to profit or loss	**20.4**	**– 44.1**	**– 195.8**	**– 90.4**
Other comprehensive income	**– 66.1**	**– 84.0**	**– 336.2**	**– 100.2**
Total comprehensive income	**– 148.6**	**– 279.5**	**– 554.9**	**– 450.2**
attributable to shareholders of TUI AG	– 191.7	– 169.3	– 558.7	– 286.5
attributable to non-controlling interest	43.1	– 110.2	3.8	– 163.7
Allocation of share of shareholders of TUI AG of total comprehensive income				
Continuing operations	– 174.3	– 166.9	– 539.2	– 285.3
Discontinued operation	– 17.4	– 2.4	– 19.5	– 1.2

FINANCIAL POSITION OF THE TUI GROUP AS AT 31 MAR 2015

€ million	Notes	**31 Mar 2015**	30 Sep 2014 restated	1 Oct 2013 restated
Assets				
Goodwill		3,286.6	3,136.2	2,976.4
Other intangible assets		935.8	933.4	866.0
Investment property		7.3	7.7	58.0
Property, plant and equipment	(9)	3,643.2	2,836.0	2,681.4
Investments in joint ventures and associates	(10)	1,128.5	1,336.4	1,390.2
Financial assets available for sale		60.1	62.7	71.4
Trade receivables and other assets		378.1	368.1	342.8
Derivative financial instruments		89.1	75.8	37.9
Deferred tax asset		658.7	235.9	223.1
Non-current assets		**10,187.4**	**8,992.2**	**8,647.2**
Inventories		140.6	126.3	115.1
Financial assets available for sale		488.6	300.0	–
Trade receivables and other assets		2,331.7	1,911.2	1,872.6
Derivative financial instruments		507.4	169.7	49.1
Current tax asset		122.7	93.9	53.7
Cash and cash equivalents		1,044.7	2,258.0	2,674.0
Assets held for sale	(11)	122.3	155.9	11.6
Current assets		**4,758.0**	**5,015.0**	**4,776.1**
		14,945.4	**14,007.2**	**13,423.3**

FINANCIAL POSITION OF THE TUI GROUP AS AT 31 MAR 2015

€ million	Notes	31 Mar 2015	30 Sep 2014 restated	1 Oct 2013 restated
Equity and liabilities				
Subscribed capital		1,496.9	732.6	645.2
Capital reserves		4,180.7	1,056.3	957.7
Revenue reserves		– 4,379.6	336.1	116.3
Hybrid capital		–	294.8	294.8
Equity before non-controlling interest		**1,298.0**	**2,419.8**	**2,014.0**
Non-controlling interest		537.6	110.4	– 20.3
Equity	**(14)**	**1,835.6**	**2,530.2**	**1,993.7**
Pension provisions and similar obligations	(12)	1,401.6	1,242.4	1,102.2
Other provisions		692.3	601.6	575.0
Non-current provisions		**2,093.9**	**1,844.0**	**1,677.2**
Financial liabilities	(13)	2,220.8	1,748.4	1,834.1
Derivative financial instruments		112.2	20.7	30.6
Current tax liabilities		123.3	98.5	107.8
Deferred tax liabilities		130.5	144.8	107.8
Other liabilities		128.5	130.5	93.6
Non-current liabilities		**2,715.3**	**2,142.9**	**2,173.9**
Non-current provisions and liabilities		**4,809.2**	**3,986.9**	**3,851.1**
Pension provisions and similar obligations	(12)	28.7	32.1	33.8
Other provisions		446.0	471.0	447.5
Current provisions		**474.7**	**503.1**	**481.3**
Financial liabilities	(13)	518.1	217.2	937.3
Trade payables		2,069.2	3,292.1	3,041.9
Derivative financial instruments		689.5	241.9	177.3
Current tax liabilities		59.6	101.2	132.5
Other liabilities		4,446.2	3,134.6	2,808.2
Current liabilities		**7,782.6**	**6,987.0**	**7,097.2**
Liabilities related to assets held for sale		43.3	–	–
Current provisions and liabilities		**8,300.6**	**7,490.1**	**7,578.5**
		14,945.4	**14,007.2**	**13,423.3**

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

€ million	Subscribed capital	Capital reserves	Revenue reserves	Hybrid capital	Equity before non-controlling interest	Non-controlling interest	**Total**
Balance as at 30 Sep 2014	**732.6**	**1,056.3**	**321.7**	**294.8**	**2,405.4**	**111.7**	**2,517.1**
Adoption of IFRS 10 and IFRS 11	–	–	–2.6	–	–2.6	–1.3	–3.9
Amendment IAS 28	–	–	17.0	–	17.0	–	17.0
Balance as at 1 Oct 2014 (restated)	**732.6**	**1,056.3**	**336.1**	**294.8**	**2,419.8**	**110.4**	**2,530.2**
Dividends	–	–	–94.5	–	–94.5	–184.7	–279.2
Hybrid capital dividend	–	–	–11.2	–	–11.2	–	–11.2
Share based payment schemes of TUI Travel PLC	–	–	7.9	–	7.9	1.9	9.8
Issue of employee shares	0.3	1.2	–	–	1.5	–	1.5
Conversion of convertible bonds	143.4	446.4	–	–	589.8	–	589.8
Capital increase	620.6	2,676.8	–	–	3,297.4	–	3,297.4
Effects on the acquisition of non-controlling interests	–	–	–4,054.0	–	–4,054.0	606.2	–3,447.8
Redemption of hybrid capital	–	–	–5.2	–294.8	–300.0	–	–300.0
Group loss	**–**	**–**	**–201.5**	**–**	**–201.5**	**–17.2**	**–218.7**
Foreign exchange differences	–	–	–80.0	–	–80.0	13.0	–67.0
Financial instruments available for sale	–	–	6.6	–	6.6	–	6.6
Cash flow hedges	–	–	–215.2	–	–215.2	10.6	–204.6
Remeasurements of pension provisions and related fund assets	–	–	–189.6	–	–189.6	–	–189.6
Changes in the measurement of companies measured at equity	–	–	30.5	–	30.5	–	30.5
Taxes attributable to other comprehensive income	–	–	90.5	–	90.5	–2.6	87.9
Other comprehensive income	**–**	**–**	**–357.2**	**–**	**–357.2**	**21.0**	**–336.2**
Total comprehensive income	–	–	–558.7	–	–558.7	3.8	–554.9
Balance as at 31 Mar 2015	**1,496.9**	**4,180.7**	**–4,379.6**	**–**	**1,298.0**	**537.6**	**1,835.6**

CONDENSED STATEMENT OF CHANGES IN GROUP EQUITY OF THE TUI GROUP FOR THE PERIOD FROM 1 OCT 2013 TO 31 MAR 2014

€ million	Subscribed capital	Capital reserves	Revenue reserves	Hybrid capital	Equity before non-controlling interest	Non-controlling interest	**Total**
Balance as at 30 Sep 2013	**645.2**	**957.7**	**118.7**	**294.8**	**2,016.4**	**– 19.6**	**1,996.8**
Adoption of IFRS 10 and IFRS 11	–	–	– 2.4	–	– 2.4	– 0.7	– 3.1
Balance as at 1 Oct 2013 (restated)	**645.2**	**957.7**	**116.3**	**294.8**	**2,014.0**	**– 20.3**	**1,993.7**
Dividends	–	–	– 37.8	–	– 37.8	– 82.4	– 120.2
Hybrid capital dividend	–	–	– 11.4	–	– 11.4	–	– 11.4
Share based payment schemes of TUI Travel PLC	–	–	5.3	–	5.3	4.3	9.6
Issue of employee shares	0.3	0.4	–	–	0.7	–	0.7
Tax impact on convertible bonds	–	–	–	–	–	27.4	27.4
Effects on the acquisition of non-controlling interests	–	–	– 21.1	–	– 21.1	– 17.4	– 38.5
Effects of written option on non-controlling interests	–	–	– 2.4	–	– 2.4	– 2.2	– 4.6
Group loss	**–**	**–**	**– 229.8**	**–**	**– 229.8**	**– 120.2**	**– 350.0**
Foreign exchange differences	–	–	– 59.8	–	– 59.8	– 32.6	– 92.4
Financial instruments available for sale	–	–	0.4	–	0.4	0.3	0.7
Cash flow hedges	–	–	0.6	–	0.6	– 10.9	– 10.3
Remeasurements of pension provisions and related fund assets	–	–	– 13.4	–	– 13.4	– 3.4	– 16.8
Changes in the measurement of companies measured at equity	–	–	13.2	–	13.2	–	13.2
Taxes attributable to other comprehensive income	–	–	2.3	–	2.3	3.1	5.4
Other comprehensive income	**–**	**–**	**– 56.7**	**–**	**– 56.7**	**– 43.5**	**– 100.2**
Total comprehensive income	–	–	– 286.5	–	– 286.5	– 163.7	– 450.2
Balance as at 31 Mar 2014 (restated)	**645.5**	**958.1**	**– 237.6**	**294.8**	**1,660.8**	**– 254.3**	**1,406.5**

CONDENSED CASH FLOW STATEMENT OF THE TUI GROUP

€ million	**H1 2014/15**	H1 2013/14 restated
Cash outflow from operating activities of continuing operations	– 1,084.4	– 771.6
Cash inflow/outflow from investing activities of continuing operations	13.1	– 72.5
Cash outflow/inflow from financing activities of continuing operations	– 77.2	284.6
Net change in cash and cash equivalents of continuing operations	**– 1,148.5**	**– 559.5**
Cash outflow from operating activities of the discontinued operation	– 10.4	– 8.4
Cash outflow from investing activities of the discontinued operation	– 5.3	– 4.3
Net change in cash and cash equivalents of the discontinued operation	**– 15.7**	**– 12.7**
Change in cash and cash equivalents of continuing and discontinued operations due to exchange rate fluctuation	– 28.9	– 22.5
Cash and cash equivalents of continuing and discontinued operations at beginning of period	**2,258.0**	**2,674.0**
Cash and cash equivalents of continuing and discontinued operations at end of period	**1,064.9**	**2,079.3**
of which included in the balance sheet as assets held for sale	20.2	1.5

NOTES

General

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

The condensed interim consolidated financial statements of TUI AG and its subsidiaries cover the period from 1 October 2014 to 31 March 2015. The interim consolidated financial statements are prepared in euros. Unless stated otherwise, all amounts are stated in million euros (€ m).

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

Accounting principles

DECLARATION OF CONFORMITY

The interim consolidated financial statements for the period ended 31 March 2015 comprises condensed interim consolidated financial statements and an interim Group management report in accordance with section 37w of the German Securities Trading Act (WpHG).

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

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

GOING CONCERN – REPORT ACCORDING TO UK CORPORATE GOVERNANCE CODE

The TUI Group meets its day-to-day working capital requirements by means of cash, bank balances and bank loans. The TUI Group's net debt (financial liabilities less cash and cash equivalents) total € 1,694.2 m as at 31 March 2015 (net financial assets of € 292.4 m as at 30 September 2014). The increase in debt since year-end was driven by typical seasonal cash outflows, in particular within the tour operators. The net debt position consists of € 1,044.7 m of cash and cash equivalents, € 518.1 m of current financial liabilities and € 2,220.8 m of non-current financial liabilities. The Executive Board remains satisfied with the liquidity and long-term debt funding position. This includes an external revolving credit facility totalling € 1,535.0 m which matures in June 2018, used to manage the seasonality of the Group's cash flows and liquidity. The credit facility requires compliance with certain financial covenants. At the balance sheet date, all financial covenants were complied with.

Apart from the above credit facility, other liabilities to banks existed as at 31 March 2015, e. g. loans taken out to acquire fixed assets. Total liabilities to banks amounted to € 1,138.8 m at the balance sheet date.

Alongside these liabilities to banks, the Group's debt comprises the following main elements as at 31 March 2015:

- High-yield bond 2014 / 19 with a nominal value of € 300 m, issued by TUI AG, maturing in October 2019.
- Perpetual subordinated bond with a nominal value of € 300 m, issued by TUI AG.
  This bond was redeemed in April 2015.
- Finance leases worth € 898.2 m.

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

ACCOUNTING AND MEASUREMENT METHODS

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

As a matter of principle, the accounting and measurement methods adopted in the preparation of these interim financial statements as at 31 March 2015 are consistent with those followed in the preparation of the preceding consolidated financial statements for the financial year ended 30 September 2014.

NEW SEGMENT STRUCTURE

Due to the merger with TUI Travel PLC, the TUI Group has changed its organisational structure. The previously used reporting structure has been adjusted to the changed management concept of the new TUI Group in line with IFRS 8.

The previous sectors Travel (comprised of the four businesses Mainstream, Specialist & Activity, Accommodation & Destinations and Other), Hotels & Resorts and Cruises have been replaced by the following reporting segments as of 31 March 2015 in line with IFRS 8:

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

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

The Northern Region, Central Region, Western Region, Hotels & Resorts, Cruises and Other Tourism segments are allocated to the Tourism Business. The Specialist Group, Hotelbeds Group and All Other segments comprise other operating businesses that cannot be allocated to the core Tourism Business. The LateRooms Group has been classified as a discontinued operation.

The Northern Region segment comprises the tour operators and airlines as well as the cruise business in the UK, Ireland and the Nordics. In addition, the strategic Canadian ventures, including Sunwing, and the joint venture in Russia have been allocated to this segment. The Central Region segment comprises the tour operators and airlines in Germany and the tour operators in Austria, Switzerland and Poland. The tour operators and airlines in Belgium and the Netherlands and the tour operators in France are allocated to the segment Western Region. 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. As before, the Cruises segment consists of Hapag-Lloyd Kreuzfahrten and the joint venture TUI Cruises. The Other Tourism segment comprises the French airline and, in particular, central Tourism functions such as the TUI Group's flight control and information technology. The Specialist Group segment comprises the specialist tour operators previously managed under Specialist & Activity. The Hotelbeds Group segment was previously included in the Accommodation & Destinations business and comprises the B2B hotel portals and incoming agencies.

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

DISCONTINUED OPERATION

The TUI Group has decided to exit the LateRooms Group segment. The LateRooms Group provides accommodation services to final customers via the online hotel portals LateRooms, primarily operating in the UK, and AsiaRooms. Exit from this segment is to be executed by selling LateRooms and closing down AsiaRooms. The operative business of AsiaRooms was closed in the second quarter of 2014 / 15, the Group is in the process of run-off. In connection with the closing of the business transaction costs amounting to € 11.6 m have incurred in the first half of financial year 2014 / 15. The sale of LateRooms is expected to be executed in the current financial year.

NEWLY APPLIED STANDARDS

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

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

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

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

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

IFRS 10: CONSOLIDATED FINANCIAL STATEMENTS

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

IFRS 11: JOINT ARRANGEMENTS

IFRS 11 supersedes SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers and the previous IAS 31 Interests in Joint Ventures. The standard governs the classification and accounting for joint operations and joint ventures. The classification as a joint arrangement is effected based on subsidiarity in relation to control under IFRS 10. In the event of a joint arrangement, further classification as either a joint operation or a joint venture depends on the rights and obligations of the partners. Accounting for jointly controlled assets is subject to the rules for joint operations, which thus continue to be recognised on a proportionate basis. By contrast, proportionate consolidation, which was admissible in the past, will now no longer apply to joint ventures under IFRS 11; they must henceforth be consolidated on the basis of the equity method alone. Application of IFRS 11 does not have a material effect on the consolidated financial statements. Upon the first-time adoption of the standard, three companies will be 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 prior disclosure requirements. In particular, the type of interest, the risks associated with the interest and their impact on the Group's net assets, financial position and results of operations must be made evident. First-time application of IFRS 12 leads to extended disclosure requirements in the consolidated financial statements as at 30 September 2015.

TRANSITION GUIDANCE FOR IFRS 10, IFRS 11 AND IFRS 12

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

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

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

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 as TUI AG does not prepare IFRS-based single-entity financial statements according to section 325 (2a) of the German Commercial Code.

AMENDMENTS TO IAS 28: INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

AMENDMENTS TO IAS 32: FINANCIAL INSTRUMENTS - PRESENTATION

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

IFRIC 21: LEVIES

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

AMENDMENTS TO IAS 19: DEFINED BENEFIT PLANS – EMPLOYEE CONTRIBUTIONS

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

ANNUAL IMPROVEMENTS PROJECT 2010-2012

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

ANNUAL IMPROVEMENTS PROJECT 2011-2013

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

Changes in accounting and measurements methods

Due to an agenda decision adopted by the IFRS Interpretations Committee in May 2014, minimum taxation will also be taken into account in recognising deferred tax assets on loss carryforwards as from financial year 2013 / 14 if deferred tax assets are only recognised to the extent that there is an overhang of deferred tax liabilities due to a lack of taxable profit. This recognition change is applied as from the beginning of the third quarter of financial year 2013 / 14 with retroactive effect as of the beginning of the reference period, i.e. as from 1 October 2012. Regarding the restatement of the prior year's numbers we refer to our Annual Report as at 30 September 2014.

The restatements of prior year's numbers resulting from this change are presented in the section on Restatement of prior reporting period.

Restatement of prior reporting period

The following restatements were effected 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 affected by the reclassifications were restated across the board in the financial statements upon the first-time application of these standards.

RESTATEMENT CAUSED BY IAS 28

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

RESTATEMENT CAUSED BY DEFERRED TAXES

Due to the changes effected as from Q3 2013 / 14, tax assets for H1 2013 / 14 had to be increased by € 1.2 m.

RESTATEMENT CAUSED BY DISCONTINUED OPERATION

Due to the planned sale of the segment LateRooms Group in financial year 2014 / 15 this segment is shown as discontinued operation as at 31 March 2015 in accordance with IFRS 5. The result from this discontinued operation is carried in a separate line under result from discontinued operation. The income statement in the interim financial statements for the prior year was restated accordingly.

The tables below present the restatements. The prior year numbers were restated as follows:

RESTATED ITEMS OF THE INCOME STATEMENT OF THE TUI GROUP FOR THE PERIOD FROM 1 OCT 2013 TO 31 MAR 2014

					H1 2013/14
		Restatements			
€ million	before restatement	Adoption of IFRS 10 and IFRS 11	Deferred tax	Discontinued operation	restated
Turnover	6,559.1	–55.4	–	–33.3	6,470.4
Cost of sales	6,164.7	–50.7	–	–19.1	6,094.9
Gross profit	**394.4**	**–4.7**	**–**	**–14.2**	**375.5**
Administrative expenses	753.8	–3.0	–	–20.1	730.7
Financial income	13.8	–0.1	–	0.2	13.9
Financial expenses	140.6	–1.2	–	–	139.4
Share of result of joint ventures and associates	–26.1	1.2	–	–	–24.9
Earnings before income taxes	**–497.3**	**0.6**	**–**	**6.1**	**–490.6**
Reconciliation to underlying earnings:					
Earnings before income taxes	–497.3	0.6	–	6.1	–490.6
less: Net interest income and income from measurement of interest hedges	121.4	–1.2	–	–0.2	120.0
Group EBITA	–339.4	–0.6	–	5.9	–334.1
plus: Losses from disposals	0.6	–0.1	–	–	0.5
plus: Expense from purchase price allocation	34.0	–	–	–0.9	33.1
Underlying Group EBITA	**–345.7**	**–0.7**	**–**	**5.0**	**–341.4**
Earnings before income taxes from continuing operations	**–497.3**	**0.6**	**–**	**6.1**	**–490.6**
Income taxes	–146.1	0.6	–1.2	2.2	–144.5
Result from continuing operations	**–351.2**	**–**	**1.2**	**3.9**	**–346.1**
Result from discontinued operation	–	–	–	–3.9	–3.9
Group loss for the year	**–351.2**	**–**	**1.2**	**–**	**–350.0**
Group loss for the year attributable to shareholders of TUI AG	–231.0	–	1.2	–	–229.8
Group loss for the year attributable to non-controlling interest	–120.2	–	–	–	–120.2

RESTATED ITEMS IN THE STATEMENT OF COMPREHENSIVE INCOME OF THE TUI GROUP FOR THE PERIOD FROM 1 OCT 2013 TO 31 MAR 2014

				H1 2013/14
		Restatements		
€ million	before restatement	Adoption of IFRS 10 and IFRS 11	Deferred tax	restated
Group loss	**–351.2**	**–**	**1.2**	**–350.0**
Remeasurements of pension provisions and related fund assets	–16.8	–	–	–16.8
Changes in the measurement of companies measured at equity	1.4	–	–	1.4
Income tax related to items that will not be reclassified	5.6	–	–	5.6
Items that will not be reclassified to profit or loss	**–9.8**	**–**	**–**	**–9.8**
Foreign exchange differences	–91.0	–1.4	–	–92.4
Financial instruments available for sale	0.7	–	–	0.7
Cash flow hedges	–9.4	–0.9	–	–10.3
Changes in the measurement of companies measured at equity	11.5	0.3	–	11.8
Income tax related to items that may be reclassified	–0.3	0.1	–	–0.2
Items that may be reclassified to profit or loss	**–88.5**	**–1.9**	**–**	**–90.4**
Other comprehensive income	**–98.3**	**–1.9**	**–**	**–100.2**
Total comprehensive income	**–449.5**	**–1.9**	**1.2**	**–450.2**
attributable to shareholders of TUI AG	–287.1	–0.6	1.2	–286.5
attributable to non-controlling interest	–162.4	–1.3	–	–163.7

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

€ million	1 Oct 2013 before restatement 2014/15*	1 Oct 2013 Adoption of IFRS 10 and IFRS 11	1 Oct 2013 restated	30 Sep 2014 before restatement	30 Sep 2014 Adoption of IFRS 10 and IFRS 11	30 Sep 2014 Amendment IAS 28	30 Sep 2014 restated
Assets							
Other intangible assets	866.2	– 0.2	866.0	933.5	– 0.1	–	933.4
Property, plant and equipment	2,682.0	– 0.6	2,681.4	2,836.6	– 0.6	–	2,836.0
Investments in joint ventures and associates	1,386.4	3.8	1,390.2	988.0	4.0	344.4	1,336.4
Financial assets available for sale	71.5	– 0.1	71.4	62.7	–	–	62.7
Derivative financial instruments	37.9	–	37.9	76.3	– 0.5	–	75.8
Deferred tax asset	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 asset	53.9	– 0.2	53.7	94.0	– 0.1	–	93.9
Cash and cash equivalents	2,701.7	– 27.7	2,674.0	2,286.0	– 28.0	–	2,258.0
Assets held for sale	11.6	–	11.6	483.3	–	– 327.4	155.9
Current assets	**4,808.5**	**– 32.4**	**4,776.1**	**5,379.0**	**– 36.6**	**– 327.4**	**5,015.0**
	13,454.3	**– 31.0**	**13,423.3**	**14,026.2**	**– 36.0**	**17.0**	**14,007.2**

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

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

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

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

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

RESTATED ITEMS IN THE CASH FLOW STATEMENT OF THE TUI GROUP

	H1 2013/14			
		Restatement		
€ million	before restatement	Adoption of IFRS 10 and IFRS 11	Discontinued operation	restated
Cash outflow from operating activities of continuing operations	–776.6	–3.4	8.4	–771.6
Cash outflow from investing activities of continuing operations	–76.8	–	4.3	–72.5
Cash inflow from financing activities of continuing operations	281.0	3.6	–	284.6
Net change in cash and cash equivalents of continuing operations	**–572.4**	**0.2**	**12.7**	**–559.5**
Cash outflow from operating activities of the discontinued operation	–	–	–8.4	–8.4
Cash outflow from investing activities of the discontinued operation	–	–	–4.3	–4.3
Net change in cash and cash equivalents of the discontinued operation	**–**	**–**	**–12.7**	**–12.7**
Change in cash and cash equivalents due to exchange rate fluctuation of continuing and discontinued operations	–22.6	0.1	–	–22.5
Cash and cash equivalents of continuing and discontinued operations at beginning of period	**2,701.7**	**–27.7**	–	**2,674.0**
Cash and cash equivalents of continuing and discontinued operations at end of period	**2,106.7**	**–27.4**	**–**	**2,079.3**

Group of consolidated companies

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

The interim financial statements as at 31 March 2015 included a total of 46 domestic and 544 foreign subsidiaries in addition to TUI AG.

Since 1 October 2014, ten companies have been consolidated for the first time. Six of these companies have been newly established, three companies have been included due to purchases of additional interests, and one company has been included due to an expansion of its business activities. On the other hand, a total of 42 companies have been deconsolidated since 1 October 2014, with 34 of these companies deconsolidated due to liquidation, three companies due to mergers, and two companies were sold. One company was deconsolidated due to the discontinuation of its business operations, and two companies had to be classified as joint ventures in the framework of the first-time adoption of IFRS 10 and IFRS 11 so these have transitioned from consolidation to the equity method.

The number of companies measured at equity did not change overall compared to 30 September 2014. The number of associated companies declined by two due to the reclassification of one company as a joint venture and the inclusion of one further company in consolidation. The number of joint ventures grew by two. One company was newly established, and three other companies are now carried as joint ventures and accounted for using the equity method in the framework of the first-time adoption of IFRS 10 and IFRS 11. On the other hand, two joint ventures were consolidated due to purchases of additional shares and were therefore no longer measured at equity.

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 laid the key foundations 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 commercial registers of Berlin and Hanover. Due to the issue of 242,764,564 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 price on the day of registration in the commercial register, and the proportionate share in the capital stock had to be transferred to the capital reserve as a premium worth € 2,693.1 m. The associated after-tax borrowing costs of € 16.3 m were eliminated against the transfer to the capital reserve.

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

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

EFFECTS ON EQUITY BEFORE NON-CONTROLLING INTEREST

€ million	H1 2014/15
Effects on subscribed capital	**620.6**
Share premium shown in capital reserves	2,693.1
Borrowing costs	– 16.3
Effects on capital reserves	**2,676.8**
Carrying amount of non-controlling interest acquired	– 606.2
Consideration for non-controlling interest acquired	– 3,313.7
Transaction costs	– 50.9
Amount recognised in retained earnings	**– 3,970.8**
Effects on equity before non-controlling interest	**– 673.4**

Due to this transaction, TUI AG is now the beneficial owner of all shares in TUI Travel PLC. The Extraordinary General Meeting of TUI AG on 28 October 2014 resolved to create conditional capital in order to facilitate the future transfer of TUI Travel PLC shares that may arise from conversions of convertible bonds of TUI Travel PLC. The EGM also resolved to create authorised capital in order to secure payment of the share-based payment schemes granted in 2012 and 2013 in the former Travel Sector. The General Meeting of TUI Travel PLC on 28 October 2014 resolved to amend the Articles of Association accordingly, stipulating that all shares in TUI Travel PLC arising in future from these transactions will have to be converted into TUI AG shares at an exchange ratio of 1:0.399.

These arrangements did not cover convertible bonds issued by TUI Travel PLC with a volume of £ 200.0 m, acquired by Deutsche Bank in 2010. TUI AG exercised economic control over these bonds through a financing agreement. In connection with the completion of the merger, Deutsche Bank and TUI agreed in December 2014 to terminate this financing scheme early, with redemption of the remaining amount of £ 150.0 m to take place in two steps. Accordingly, a payment of £ 83.3 m (or € 105.8 m) was made in December. On 27 January 2015, TUI 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 changed. The credit facility previously granted to TUI Travel PLC was replaced by corresponding financing agreements by TUI AG. The newly negotiated financing is composed of a revolving credit facility of € 1,535.0 m and bank guarantee limit of € 215.0 m and will mature on 30 June 2018. Total borrowing costs amounted to € 16.8 m. These were carried as prepaid expenses in the statement of financial position and charged to expenses on a straightline 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. Thus, cash and cash equivalents increased.

Acquisitions – Divestments – Discontinued operations

ACQUISITIONS

In H1 2014 / 15, ten travel agencies were acquired in the form of asset deals. Moreover, further shares were acquired in the companies aQi Hotel Schladming GmbH and aQi Hotelmanagement GmbH, previously measured at equity. Due to the acquisition, the TUI Group holds 100 % of the shares in each of these companies. The considerations transferred for all acquisitions by the TUI Group only consist of purchase price payments and total € 3.1 m.

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

No major acquisitions were effected after the balance sheet date.

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

- Le Passage to India Tours & Travels pvt. Ltd., New Delhi, India
- Global Obi S.L, Palma de Mallorca, Spain
- 5 travel agencies in Germany

DIVESTMENTS

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

DISCONTINUED OPERATION

As commented in the section "Accounting principles", the LateRooms Group is expected to be sold in the current financial year. In line with the requirements of IFRS 5, the shareholdings available for sale were shown as discontinued operation as of 31 March 2015.

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

INCOME STATEMENT OF THE DISCONTINUED OPERATION LATEROOMS GROUP FOR THE PERIOD FROM 1 OCT 2014 TO 31 MAR 2015

€ million	**Q2 2014/15**	Q2 2013/14	**H1 2014/15**	H1 2013/14
Turnover	14.1	15.7	31.3	33.3
Cost of sales	11.5	9.9	22.6	19.1
Gross profit	**2.6**	**5.8**	**8.7**	**14.2**
Administrative expenses	20.7	10.1	30.4	20.1
Other expenses	0.2	–	0.2	–
Financial income	0.3	–0.2	–	–0.2
Earnings before income taxes from discontinued operation	**–18.0**	**–4.5**	**–21.9**	**–6.1**
Income taxes	–2.9	0.3	–2.9	–2.2
Result from discontinued operation	**–15.1**	**–4.8**	**–19.0**	**–3.9**
Group loss for the year attributable to shareholders of TUI AG	–13.3	–2.7	–17.2	–2.1
Group loss for the year attributable to non-controlling interest	–1.8	–2.1	–1.8	–1.8

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

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

ASSETS AND LIABILITIES OF THE DISCONTINUED OPERATION LATEROOMS GROUP AS AT 31 MAR 2015

€ million	31 Mar 2015
Assets	
Goodwill	11.4
Other intangible assets	41.7
Property, plant and equipment	6.9
Deferred tax asset	6.9
Non-current assets	**66.9**
Trade receivables from third-parties and other assets	9.2
Receivables from continued operations	9.5
Current tax asset	4.4
Cash and cash equivalents	20.1
Current assets	**43.2**
	110.1
Equity and liabilities	
Revenue reserves	– 16.1
Equity before non-controlling interest	**– 16.1**
Non-controlling interest	0.1
Equity	**– 16.0**
Financial liabilities to continued operations	70.4
Deferred tax liabilities	8.4
Non-current liabilities	**78.8**
Trade payables to third-parties	15.4
Trade payables to continued operations	12.4
Current tax liabilities	13.8
Other liabilities	5.7
Current liabilities	**47.3**
	110.1

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

RECONCILIATION TO ASSETS HELD FOR SALE IN THE FINANCIAL POSITION OF THE TUI GROUP AS AT 31 MAR 2015

€ million	31 Mar 2015
Current and non-current assets of the LateRooms Group	110.1
Elimination of receivables from continuing operations	– 9.5
Assets assets held for sale	**100.6**

RECONCILIATION LIABILITIES RELATED TO ASSETS HELD FOR SALE IN THE FINANCIAL POSITION OF THE TUI GROUP AS AT 31 MAR 2015

€ million	31 Mar 2015
Current and non-current liabilities of the LateRooms Group	126.1
Elimination of liabilities against continuing operations	– 82.8
Liabilities related to assets held for sale	**43.3**

Notes to the consolidated income statement

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

The year-on-year increase in turnover in the first half of the year is mainly attributable to the early Easter in 2015 as well as increased customer numbers in the source markets. The increase is also driven by exchange rate effects.

(1) COST OF SALES AND ADMINISTRATIVE EXPENSES

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

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

ADMINISTRATIVE EXPENSES

€ million	**Q2 2014/15**	Q2 2013/14 restated	**H1 2014/15**	H1 2013/14 restated
Staff costs	247.8	212.0	458.6	411.3
Lease, rental and leasing expenses	19.7	14.0	38.2	34.3
Depreciation, amortisation and impairments	24.9	21.1	46.8	42.0
Others	136.7	137.1	271.5	243.1
Total	**429.1**	**384.2**	**815.1**	**730.7**

Beside foreign exchange effects the increase in administrative expenses compared to the first half of prior year is mainly attributable to provisions recognised for a pending legal dispute in connection with the acquisition of a Turkish hotel and to write-downs of VAT receivables of an Italian subsidiary.

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

LEASE, RENTAL AND LEASING EXPENSES

€ million	**Q2 2014/15**	Q2 2013/14 restated	**H1 2014/15**	H1 2013/14 restated
Lease, rental and leasing expenses	**210.3**	**200.7**	**426.4**	**412.9**
thereof cost of sales	190.6	186.7	388.2	378.6
thereof administrative expenses	19.7	14.0	38.2	34.3

The year-on-year increase in lease, rental and leasing expenses in the first half of the year mainly relates to leasing expenses for aircrafts. As the aircraft leasings are contracted in US Dollar, the movement of the exchange rate leads to an increase in leasing expenses due to translation.

STAFF COSTS

€ million	**Q2 2014/15**	Q2 2013/14 restated	**H1 2014/15**	H1 2013/14 restated
Wages and salaries	535.1	484.7	1,038.8	967.5
thereof cost of sales	330.2	306.9	658.1	622.8
thereof administrative expenses	204.9	177.8	380.7	344.7
Social security contributions, pension costs and benefits	113.6	61.0	224.5	164.4
thereof cost of sales	70.7	26.8	146.6	97.8
thereof administrative expenses	42.9	34.2	77.9	66.6
Total	**648.7**	**545.7**	**1,263.3**	**1,131.9**

The year-on-year increase in staff costs in H1 2014 / 15 primarily arises from the inclusion of income of € 45.2 m from the amendment of pension plans in the prior year's comparative period, which had been included in social security contributions and pension costs and benefits. Moreover, in the current reporting period, expenses of € 16.5 m were incurred in connection with restructuring measures. Apart from these effects, the movement of the euro exchange rate resulted in an increase in expenses year-on-year, due to the currency translation.

DEPRECIATION / AMORTISATION / IMPAIRMENTS

€ million	**Q2 2014 / 15**	Q2 2013 / 14 restated	**H1 2014 / 15**	H1 2013 / 14 restated
Depreciation and amortisation	105.6	90.0	201.7	179.0
thereof cost of sales	80.7	68.9	154.9	137.0
thereof administrative expenses	24.9	21.1	46.8	42.0

(2) OTHER INCOME / OTHER EXPENSES

OTHER INCOME / OTHER EXPENSES

€ million	**Q2 2014 / 15**	Q2 2013 / 14	**H1 2014 / 15**	H1 2013 / 14
Other income	11.9	13.6	30.1	16.5
Other expenses	0.5	–	1.3	1.5
Total	**11.4**	**13.6**	**28.8**	**15.0**

In H1 2014 / 15, Other income primarily arose from the book profit from the sale of a hotel of the Riu Group in December 2014 and aircraft sale-and-lease-back transactions. Additional income relates to the sale of two hotels of the Specialist Group.

Other income in H1 2013 / 14 mainly related to book profits from the sale of the science park in Kiel and the sale of a hotel company in Switzerland as well as profits from sale-and-lease-back transactions with aircraft.

(3) GOODWILL IMPAIRMENTS

In H1 2014 / 15, as in the prior year, no goodwill impairments were recognised.

(4) FINANCIAL RESULT

The financial result improved from € – 125.5 m in the first half-year 2013 / 14 to € – 104.2 m in H1 2014 / 15. The improvement is the result of changes in the financial liabilities in comparison to last year. Two convertible bonds matured at the beginning of the current financial year. Additionally, the two remaining convertible bonds have been converted almost completely in the first half of the current financial year. Accordingly, the interest expenses from convertible bonds decreased by € 44.3 m. In addition TUI AG redeemed a bank loan of € 100.0 m in August 2014 so that the interest expenses decreased by further € 7.2 m.

The new financing in the wake of the merger of TUI AG and TUI Travel PLC had offsetting effects. TUI Travel PLC's existing credit line was replaced by a revolving credit facility of TUI AG. Accordingly, the issuance costs of € 14.2 m carried as prepaid expenses for the credit facility of TUI Travel PLC were fully recognised through profit and loss in Q1 2014 / 15. Furthermore the new high-yield bond of € 300.0 m led to additional interest expenses of € 6.8 m in comparison to last year. Due to the purchase of the Europa 2 the interest expenses increased further by € 4.2 m. Also in context with the Merger an agreement with Deutsche Bank (see section Merger of TUI AG and TUI Travel PLC) was terminated early with an interest effect of € 2.5 m.

(5) SHARE OF RESULT OF JOINT VENTURES AND ASSOCIATES

SHARE OF RESULT OF JOINT VENTURES AND ASSOCIATES

€ million	**Q2 2014 / 15**	Q2 2013 / 14 restated	**H1 2014 / 15**	H1 2013 / 14 restated
Tourism	37.1	11.0	52.6	9.9
Hotelbeds Group	0.1	–	0.2	0.1
Specialist Group	1.7	0.6	2.7	1.6
Containershipping	–	– 26.8	0.9	– 36.5
Total	**38.9**	**– 15.2**	**56.4**	**– 24.9**

The considerable increase in the share of result of joint ventures and associates in Tourism results is attributable to, in particular, Mein Schiff 3 and the improvement of operations in Canada. Furthermore, in the prior year losses of TUI Russia were included. In the current financial year no losses on TUI Russia have been recognised as this would have resulted in a negative carrying amount of the investment in TUI Russia. Hapag-Lloyd AG, which in the previous year was included with a negative result, is shown within financial assets available for sale since 2 December 2014.

(6) ADJUSTMENTS

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

TUI Group defines EBITA as earnings before interest, income taxes and impairment of goodwill. Amortisation of other intangible assets is included in EBITA. EBITA excludes effects from measurement of interest hedges as well as the result from the measurement of Container Shipping at equity as the investment in Hapag-Lloyd Holding AG constitutes a financial investment rather than an operating business for the group.

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

In H1 2014 / 15, restructuring costs of € 16.5 m were incurred. The overall charge included € 6.9 m for the streamlining of the corporate centre and € 4.7 m related to the planned integration of inbound services into the source market organisation. Smaller amounts of in total € 3.3 m related to restructuring measures in the source markets and a charge of € 1.4 m was included for restructuring measures within Hotelbeds Group.

The adjusted expenses from purchase price allocations are mainly composed of scheduled amortisation of intangible assets from business acquisitions in prior years.

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

ONE-OFF ITEMS BY SEGMENT

€ million	**Q2 2014/15**	Q2 2013/14	**H1 2014/15**	H1 2013/14
Northern Region	0.8	– 52.9	2.0	– 50.3
Central Region	1.0	– 0.1	2.6	– 0.1
Western Region	1.4	– 0.1	2.9	1.3
Hotels & Resorts	18.2	–	30.4	–
Cruises	–	– 5.4	–	– 12.8
Other Tourism	4.2	5.1	4.9	5.1
Tourism	**25.6**	**– 53.4**	**42.8**	**– 56.8**
Specialist Group	–	0.8	–	2.0
Hotelbeds Group	1.0	0.5	1.7	– 0.2
All other segments	–	– 0.5	– 0.9	– 1.6
Total	**26.6**	**– 52.6**	**43.6**	**– 56.6**

In the source markets expenses of € 5.0 m were adjusted relating to service costs incurred as additional Boeing 787 Dreamliners were brought into service. Thereof € 3.0 m was incurred in the Northern Region segment and € 2.0 m in the Western Region segment.

The one-off items shown in H1 2013 / 14 in the Northern Region segment related, in particular, to an income from the amendment of pension plans.

The adjusted expenses in the Central Region in H1 2014 / 15 relate to the reorganisation of TUI Germany (Radical Simplicity).

The adjustments in the Hotels & Resorts segment included above, relate to the write-downs of VAT receivables for an Italian subsidiary amounting to € 18.2 m and provisions recognised for a pending legal dispute in connection with the acquisition of a Turkish hotel.

In the Cruises segment, income from the proportionate use of a provision for onerous losses, formed in H1 2012 / 13, was adjusted for in the prior year.

The one-off items in the segment Other Tourism in H1 2014 / 15 mainly comprise € 3.8 m strike costs relating to the planned sale of Corsair.

(7) INCOME TAXES

The tax income posted for H1 2014 / 15 is partly attributable to the seasonality of the tourism business. Following the merger between TUI AG and TUI Travel PLC a reassessment of deferred tax assets on tax loss carryforwards was performed during the second quarter. This led to a tax credit of € 122.6 m. With the consent of the General Meeting of TUI AG for the planned profit-and-loss absorption agreement between LSG and TUI AG the planned reorganisation of the German tax group can be considered in assessing the recoverability of tax loss carryforwards in Germany. This led to a tax credit of € 148.2 m. An adverse effect totalling € 25.6 m results from the write-off of deferred tax assets on tax loss carryforwards in the United Kingdom due to a reassessment of potential restructuring measures, following the merger.

(8) GROUP LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

GROUP LOSS ATTRIBUTABLE TO NON-CONTROLLING INTEREST

€ million	**Q2 2014/15**	Q2 2013/14 restated	**H1 2014/15**	H1 2013/14 restated
Central Region	0.1	0.6	0.5	1.2
Hotels & Resorts	16.9	18.2	35.1	33.4
Tourism	**17.0**	**18.8**	**35.6**	**34.6**
Specialist Group	– 2.5	– 4.7	– 2.3	– 5.0
Hotelbeds Group	– 0.2	– 0.7	0.1	– 0.7
All other segments	0.1	0.1	0.1	0.1
formerly Travel	–	– 88.7	– 50.7	– 149.2
Total	**14.4**	**– 75.2**	**– 17.2**	**– 120.2**

Notes to the financial position of the TUI Group

(9) PROPERTY PLANT AND EQUIPMENT

In the current financial year the cruise ship Europa 2 was acquired for a contractual purchase price of € 291.7 m. After deduction of lease payments of € 13.5 m made in advance, the remaining purchase price totals € 278.2 m. The transaction replaces the previous charter agreement for the cruise liner commissioned in 2013. The capitalisation of the cruise ship in Q2 2014/15 leads to an increase in the amount of property, plant and equipment as at 31 March 2015.

Moreover, four finance leased aircraft with an amount of € 325.9 m and pre-delivery payments for further aircraft orders to be delivered in the future amounting to € 182.7 m have been capitalised in the first half of financial year 2014/15.

(10) INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

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

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

(11) ASSETS HELD FOR SALE

ASSETS HELD FOR SALE

€ million	31 Mar 2015	30 Sep 2014 restated
Investment	–	140.2
Discontinued Operation	100.6	–
Aircrafts and engines	17.8	–
Property and hotel facilities	0.5	13.0
Other assets	3.4	2.7
Total	**122.3**	**155.9**

In the current financial year the LateRooms Group was reclassified to assets held for sale as a discontinued operation. Assets worth € 100.6 m and liabilities worth € 43.3 m relate to this discontinued operation. For further details reference is given to the section "discontinued operation".

Aircraft and engines held for sale relate to an aircraft worth € 9.9 m and an engine worth € 7.9 m. Regarding hotel facilities, the divestment of a hotel resulted in a reduction in assets held for sale of € 6.3 m. Moreover, a hotel facility in Bulgaria worth € 6.0 m was reclassified to fixed assets.

(12) PENSION PROVISIONS

At € 1,430.3 m, pension provisions rose considerably by € 155.8 m versus the end of the financial year. The increase was mainly caused by a strong decline in the discount rate due to lower capital market interest rates in the Eurozone and the UK.

(13) FINANCIAL LIABILITIES

Compared to 30 September 2014, non-current financial liabilities rose by € 472.4 m to € 2,220.8 m. The increase mainly arises from the TUI Group drawing long-term credit lines to cover the payments due in H1 2014 / 15 due to the seasonality in tourism and an increase in liabilities from finance leases due to the addition of four new finance leased aircrafts and foreign exchange effects. This increase in non-current debt was partly offset by the conversion of two convertible bonds totalling € 793.5 m.

The convertible bond with a nominal value of £ 400.0 m issued by TUI Travel PLC on 22 April 2010 was almost fully converted in H1 2014 / 15. In the course of the merger between TUI Travel PLC and TUI AG, the bond holders had a special right to convert their bonds or require early redemption of their bonds. This right was executed by most of the bondholders by converting their bonds into shares. On 3 March 2015, TUI Travel Limited announced the early redemption of the remaining share of the bond according to its conditions. The conversion period ended on 10 April 2015. As at 31 March 2015, the nominal value of the bonds outstanding totalled € 9.7 m. The non-converted units have been converted on 17 April 2015.

The convertible bond with a nominal value of € 339.0 m placed by TUI AG on 24 March 2011 was terminated prematurely in the current financial year and almost fully converted until the end of the conversion period on 20 March 2015. The bonds outstanding as at 31 March 2015 worth € 2.4 m was repaid on 7 April 2015 at nominal value plus interest.

Current financial liabilities rose by € 300.9 m as against 30 September 2014 to € 518.1 m. The increase in current financial liabilities mainly arose from the reclassification of a perpetual subordinated bond worth € 300.0 m, cancelled in March 2015, from equity (hybrid bond) to current financial liabilities. The bond was repaid as at 30 April 2015.

The remaining changes in the consolidated statement of financial position compared to 30 September 2014 primarily reflect the seasonality of the tourism business.

(14) CHANGES IN EQUITY

Since 30 September 2014, total equity decreased by € 694.6 m overall to € 1,835.6 m.

In the first half-year, equity declined by € 183.0 m due to the payment of dividends to non-Group shareholders especially of TUI Travel PLC. TUI AG paid a dividend worth € 94.5 m to its shareholders. Moreover, the interest on the hybrid capital issued by TUI AG also has to be carried as a dividend in accordance with IFRS rules.

On 25 March 2015, TUI AG cancelled its perpetual subordinated bond with a nominal value of € 300.0 m with effect as per 30 April 2015. This bond therefore no longer had to be carried as hybrid capital under equity but had to be carried under current financial liabilities. The issuing costs incurred when the bond was issued were eliminated against revenue reserves.

The ongoing measurement of the awards from stock option plans serviced with shares resulted in an increase in equity of € 9.8 m.

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

The capital increase in exchange for non-cash contributions, recognised in the wake of the merger between TUI AG and TUI Travel PLC, had a significant effect on the Group's subscribed capital and reserves, outlined in detail in the section on "Merger between TUI AG and TUI Travel PLC" of this Interim Report.

Due to conversions from the 2009 / 14 and 2011 / 16 convertible bonds, 33,503,738 new shares in TUI AG were issued. In addition, 2010 / 17 convertible bonds of TUI Travel PLC were converted. In line with the provisions for the merger between TUI AG and TUI Travel PLC, the resulting shares in TUI Travel PLC were exchanged into 22,554,227 shares in TUI AG at a ratio of 1:0.399. Due to conversions of convertible bonds, subscribed capital rose by a total of € 143.4 m, and the capital reserve rose by € 446.4 m.

In Q1, an employee share trust of TUI Travel PLC acquired shares in TUI Travel PLC in order to use them for stock option plans. As the amounts used for this purpose had to be offset against revenue reserves as acquisition of non-controlling interests, equity declined by € 83.2 m. In the wake of the merger between TUI Travel PLC and TUI AG, these shares were swapped into shares in TUI AG so that the relevant subsidiary now holds 2,786,854 shares in TUI AG. Moreover, the merger of TUI AG with TUI Travel PLC is shown within the effects from the acquisition of non-controlling interest.

The Group's loss in H1 is due to the seasonality of the tourism business.

The portion in gains and losses from cash flow hedges worth € – 204.6 m (pre-tax) is carried under Other income in equity outside profit and loss. This provision is reversed through profit and loss in the period in which the underlying transaction is assessed as having an effect on profit and loss or is no longer considered to be likely.

The remeasurement of pension obligations (in particular actuarial gains and losses) is also carried under Other comprehensive income in equity outside profit and loss.

Financial instruments

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

		Category under IAS 39						
€ million	**Carrying amount**	At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss	Values according to IAS 17 (leases)	Carrying amount of financial instruments	Fair value of financial instruments
Assets								
Available for sale financial assets	548.7	–	46.8	501.9	–	–	548.7	548.7
Trade receivables and other assets	2,709.8	1,040.9	–	–	–	–	1,040.9	1,040.9
Derivative financial instruments								
Hedging	527.9	–	–	527.9	–	–	527.9	527.9
Other derivative financial instruments	68.6	–	–	–	68.6	–	68.6	68.6
Cash and cash equivalents	1,044.7	1,044.7	–	–	–	–	1,044.7	1,044.7
Assets held for sale	122.3	–	–	–	–	–	–	–
Liabilities								
Financial liabilities	2,738.9	1,840.7	–	–	–	898.2	1,840.7	1,851.8
Trade payables	2,069.2	2,069.1	–	–	–	–	2,069.1	2,069.1
Derivative financial instruments								
Hedging	705.6	–	–	705.6	–	–	705.6	705.6
Other derivative financial instruments	96.1	–	–	–	96.1	–	96.1	96.1
Other liabilities	4,574.7	173.2	–	–	61.9	–	235.1	235.1

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

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

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

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

Financial instruments classified as financial assets available for sale include an amount of € 46.8 m (as at 30 September 2014 € 45.4 m) for interests in partnerships and corporations for which no active market exists. The fair values of these non-listed interests cannot be calculated by means of a measurement model since their future cash flows cannot be reliably determined. The investments are carried at the cost to purchase. In H1 2014 / 15, there were no major disposals of interests in partnerships or corporations measured at cost just as in the previous year. TUI does not intend to sell or derecognise the interests in these partnerships or corporations in the near future.

AGGREGATION ACCORDING TO MEASUREMENT CATEGORIES UNDER IAS 39 AS AT 31 MAR 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	2,085.6	–	–	–	2,085.6	2,085.6
Financial assets						
available for sale	–	46.8	501.9	–	548.7	548.7
held for trading	–	–	–	68.6	68.6	68.6
Financial liabilities						
at amortised cost	4,083.0	–	–	–	4,083.0	4,156.0
held for trading	–	–	–	158.0	158.0	158.0

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	4,913.5	–	–	–	4,913.5	5,222.5
held for trading	–	–	–	116.2	116.2	116.2

FAIR VALUE MEASUREMENT

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

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

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

€ million	Total	Fair value hierarchy Level 1	Level 2	Level 3
Assets				
Other assets held for trading	–	–	–	–
Available for sale financial assets	501.9	7.4	–	494.5
Derivative financial instruments				
Hedging transactions	527.9	–	527.9	–
Other derivative financial instruments	68.6	–	68.6	–
Liabilities				
Derivative financial instruments				
Hedging transactions	705.6	–	705.6	–
Other derivative financial instruments	96.1	–	96.1	–
Other liabilities	61.9	–	61.9	–
At amortised cost				
Financial liabilities	1,851.8	616.2	1,235.6	–

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

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

At the end of every reporting period, TUI checks whether there are any reasons for reclassification to or from one of the measurement levels. Financial assets and financial liabilities are generally transferred out of Level 1 into Level 2 if the liquidity and trading activity no longer indicate an active market. The opposite situation applies to potential transfers out of Level 2 into Level 1. In H1 2014 / 15, there were no transfers between Level 1 and Level 2.

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

LEVEL 1 FINANCIAL INSTRUMENTS

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

LEVEL 2 FINANCIAL INSTRUMENTS

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

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

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

- For over-the-counter bonds, liabilities to banks, promissory notes and other non-current financial liabilities, the fair value is determined as the present value of future cash flows, taking account of observable yield curves and the respective credit spread, which depends on the credit rating.

- For over-the-counter derivatives, the fair value is determined by means of appropriate calculation methods, e. g. by discounting the expected future cash flows. The forward prices of forward transactions are based on the spot or cash prices, taking account of forward premiums and discounts. The calculation of the fair values of optional foreign exchange and interest derivatives is based on the Black & Scholes model and the Turnbull & Wakeman model for optional fuel hedges. The fair values determined on the basis of the Group's own systems are regularly compared with fair value confirmations of the external counterparties.

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

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

LEVEL 3 FINANCIAL INSTRUMENTS

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

FINANCIAL ASSETS MEASURED AT FAIR VALUE IN LEVEL 3

€ million	Available for sale financial assets
Balance as at 1 October 2014	**5.5**
Additions	481.9
Total comprehensive income	7.1
recognised in income statement	–
recognised in other comprehensive income	7.1
Balance as at 31 March 2015	**494.5**
Net gains for financial instruments on the balance sheet as at the balance sheet date	**–**

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

A change of + 10 / – 10 % in the determined corporate value of 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). Changes in unobservable input factors have no material effects on earnings.

MEASUREMENT PROCESS

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

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

MEASUREMENT OF LEVEL 3 FINANCIAL INSTRUMENTS

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

FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)

Financial asset	Fair Value in € million	Valuation technique	Unobservable input	Range	Inter-relationship between unobservable input and fair value measurement
Investment Hapag-Lloyd AG	488.6	Discounted Cash Flow	(Forecast) EBITDA-Margin	6 % – 10 %	The higher the (forecast) EBITDA-margin, the higher the fair value
			WACC	6.75 %	The lower the weighted average cost of capital, the higher the fair value
			Terminal Growth Rate	1 %	The higher the terminal growth rate, the higher the fair value
Investment NATS	5.9	Prior transactions	(n. a.)	(n. a.)	(n. a.)

SENSITIVITY ANALYSIS

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

EFFECT OF CHANGES TO NON-OBSERVABLE INPUTS ON THE FAIR VALUE MEASUREMENT

€ million	Increase / (decrease) in non-observable inputs	Favourable / (unfavourable) impact on profit or loss	Favourable / (unfavourable) impact on OCI
(Forecasted) EBITDA-margin	0.25 %	–	68.7
	– 0.25 %	– 61.9	– 6.7
WACC	0.25 %	– 43.2	– 6.7
	– 0.25 %	–	54.6
Terminal Growth Rate	0.25 %	–	45.4
	– 0.25 %	– 34.8	– 6.7

The favourable and adverse changes presented have been calculated separately.

Contingent liabilities

As at 31 March 2015, contingent liabilities totalled around € 419.7 m (as at 30 September 2014 € 375.1 m). Contingent liabilities are carried at the level of estimated settlement as at the balance sheet date. They mainly relate to the assumption of liability for the benefit of Hapag-Lloyd AG for collateralised ship financing schemes and the assumption of liability for the benefit of TUI Cruises GmbH. The increase compared to 30 September 2014 mainly results from foreign exchange effects and an increase in loans taken out.

In January 2014 the Italian public prosecutor completed his investigations against a former managing director of an Italian subsidiary on allegations of complicity in VAT evasion. In February 2015 a court decided that criminal proceedings in this matter will be instituted against the manager concerned in May 2015. Until the facts and circumstances of the case have been clarified, the financial authorities have temporarily suspended the payment of input tax assets worth € 18.2 m, as this payment has become disputed as a result. On 11 December 2014, TUI received a tax assessment from the Italian financial authorities, which refused its subsidiary the right to deduct the input tax worth € 18.2 m. The tax assessment also imposed fines and interest payments totalling € 33 m. TUI has filed an appeal against the tax assessment. In April 2015, the subsidiary was granted a stay of execution of the payments laid down in the tax assessment. Due to the initiation of criminal proceedings that have now been established, TUI considers collection of the receivables of € 18.2 m as no longer highly probable. Accordingly, these receivables were fully written down in Q2 2014 / 15.

Other financial liabilities

FINANCIAL COMMITMENTS FROM OPERATING LEASE, RENTAL AND CHARTER CONTRACTS

€ million	31 Mar 2015	30 Sep 2014 restated
Nominal value	4,237.5	4,167.2
Fair value	**4,040.7**	3,821.2

NOMINAL VALUES OF OTHER FINANCIAL COMMITMENTS

€ million	31 Mar 2015	30 Sep 2014
Order commitments in respect of capital expenditure	3,524.7	3,160.9
Other financial commitments	157.1	210.7
Total	**3,681.8**	**3,371.6**
Fair value	**3,494.0**	**3,086.1**

Notes to the cash flow statement of the TUI Group

Based on the after-tax Group result, the cash flow from operating activities is determined using the indirect method. In the period under review, cash and cash equivalents declined by € 1,213.3 m to € 1,044.7 m.

In the period under review, the outflow of cash from operating activities was € 1,084.4 m (previous year € 771.6 m). As every year, the strong outflow of cash is due to the liabilities to suppliers payable after the end of the tourism season.

The outflow of cash from investing activities totals € 13.1 m. It comprises a cash outflow for investments in property, plant and equipment and intangible assets of € 258.0 m by the tour operators and airlines and of € 97.5 m by Hotels & Resorts as well as € 82.2 m by the cruise companies but also an inflow of € 211.4 m from the sale of property, plant and equipment – primarily aircraft assets and a hotel in Gran Canaria. The cash flow from investing activities also includes payments of € 19.7 m for the acquisition of consolidated companies and for capital increases in joint ventures. The shares in a money market fund acquired in the prior year were sold following the completion of the merger with TUI Travel PLC, resulting in cash inflows of € 300.0 m.

The outflow of cash from financing activities of the continuing operations totalled € 77.2 m. TUI AG concluded new financing agreements to replace the revolving credit facility previously concluded by TUI Travel PLC in order to continue to provide operating capital for the TUI Group. In the period under review, an amount of € 694.3 m was drawn. TUI AG used € 195.3 m to redeem an existing liability to banks. A cash outflow of € 2.4 m related to the non-converted portion of the convertible bond of TUI AG that matured in November 2014, originally amounting to € 217.8 m. Hotels & Resorts took out financial liabilities worth € 12.3 m and redeemed € 59.6 m. Companies in the tourism business took out bank liabilities worth € 6.9 m and repaid € 3.4 m. Financing lease liabilities worth € 28.7 m were repaid. An amount of € 56.1 m was used for interest payments. Further outflows relate to the dividend for the hybrid bond holders and shareholders of TUI AG (€ 106.0 m) and the dividends for the minority shareholders of TUI Travel PLC and L'tur tourismus AG (€ 185.0 m). Moreover, TUI Travel PLC purchased own shares worth € 83.2 m in order to use them for its stock option plans. TUI AG and TUI Travel PLC made payments worth € 41.7 m to acquire minority interests in TUI Travel PLC. The capital increase of TUI AG through contribution of the minority interests caused payments of € 10.9 m in the period under review.

Cash and cash equivalents also decreased by € 28.9 m due to changes in exchange rates.

As at 31 March 2015, cash and cash equivalents worth € 180.9 m were subject to disposal restrictions. These included € 116.3 m for cash collateral received, deposited with a Belgian subsidiary by Belgian tax authorities in financial year 2012 / 13 against the backdrop of a multi-year litigation regarding VAT refunds for the period from 2001 to 2011 without admission of guilt in order to stop interest accruing for both parties. In order to collateralise a potential reimbursement, the Belgian government was granted a bank guarantee. Due to the bank guarantee, TUI is subject to restrictions relating to the disposal of the associated cash and cash equivalents. The remaining disposal restrictions relate to cash and cash equivalents deposited to meet legal or regulatory requirements.

Segment indicators

Due to the merger with TUI Travel PLC, the TUI Group has changed its organisational structure. The previously used reporting structure has been adjusted to the changed management concept of the new TUI Group in line with IFRS 8. Please refer to the explanations on the new segment structure in the section "Accounting Principles".

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

€ million	External	Group	Q2 2014/15 Total	External	Group	H1 2014/15 Total
Northern Region	1,033.9	56.6	1,090.5	2,158.8	82.2	2,241.0
Central Region	876.5	9.4	885.9	1,935.0	23.6	1,958.6
Western Region	420.2	4.8	425.0	915.0	9.0	924.0
Hotels & Resorts	127.4	122.6	250.0	245.4	254.6	500.0
Cruises	82.7	–	82.7	136.2	–	136.2
Other Tourism	119.7	1.4	121.1	240.0	2.5	242.5
Consolidation	–	–138.6	–138.6	–	–284.9	–284.9
Tourism	2,660.4	56.2	2,716.6	5,630.4	87.0	5,717.4
Specialist Group	551.7	–	551.7	885.1	–	885.1
Hotelbeds Group	188.9	47.3	236.2	395.4	97.4	492.8
All other segments	12.7	24.1	36.8	29.2	42.5	71.7
Consolidation	–	–127.6	–127.6	–	–226.9	–226.9
Continuing operations	**3,413.7**	**–**	**3,413.7**	**6,940.1**	**–**	**6,940.1**
Discontinued operations (LateRooms Group)	14.1	–	14.1	31.3	–	31.3
Sum of the segments	**3,427.8**	**–**	**3,427.8**	**6,971.4**	**–**	**6,971.4**

TURNOVER BY SEGMENT FOR THE PERIOD FROM 1 OCT 2013 TO 31 MAR 2014

€ million	External restated	Group restated	Q2 2013/14 Total restated	External restated	Group restated	H1 2013/14 Total restated
Northern Region	922.0	45.7	967.7	1,969.6	60.9	2,030.5
Central Region	806.2	17.9	824.1	1,828.9	38.5	1,867.4
Western Region	434.1	0.1	434.2	928.3	0.7	929.0
Hotels & Resorts	110.4	111.4	221.8	211.6	246.2	457.8
Cruises	94.0	1.0	95.0	149.2	1.0	150.2
Other Tourism	116.6	4.9	121.5	226.8	9.4	236.2
Consolidation	–	–129.7	–129.7	–	–280.9	–280.9
Tourism	2,483.3	51.3	2,534.6	5,314.4	75.8	5,390.2
Specialist Group	437.1	–	437.1	768.1	–	768.1
Hotelbeds Group	182.8	29.5	212.3	369.6	70.6	440.2
All other segments	23.7	23.0	46.7	18.3	37.3	55.6
Consolidation	–	–103.8	–103.8	–	–183.7	–183.7
Continuing operations	**3,126.9**	**–**	**3,126.9**	**6,470.4**	**–**	**6,470.4**
Discontinued operations (LateRooms Group)	15.7	–	15.7	33.3	–	33.3
Sum of the segments	**3,142.6**	**–**	**3,142.6**	**6,503.7**	**–**	**6,503.7**

EARNINGS BEFORE TAXES, INTEREST AND IMPAIRMENT OF GOODWILL BY SEGMENT

€ million	**Q2 2014/15**	Q2 2013/14 restated	**H1 2014/15**	H1 2013/14 restated
Northern Region	–72.2	–38.0	–123.1	–87.5
Central Region	–76.1	–70.7	–101.6	–82.8
Western Region	–51.5	–49.0	–67.7	–80.3
Hotels & Resorts	5.7	19.0	22.2	30.0
Cruises	16.3	5.1	18.3	–3.4
Other Tourism	–10.6	–14.0	–26.1	–26.0
Tourism	**–188.4**	**–147.6**	**–278.0**	**–250.0**
Specialist Group	–3.0	–3.5	–26.2	–28.9
Hotelbeds Group	–6.2	–4.9	–6.8	0.1
All other segments	–29.9	–19.6	–57.9	–55.3
Continuing operations	**–227.5**	**–175.6**	**–368.9**	**–334.1**
Discontinued operations (LateRooms Group)	–18.3	–4.3	–21.9	–5.9
Sum of the segments	**–245.8**	**–179.9**	**–390.8**	**–340.0**

For H1 2014/15, earnings before interest, taxes and amortisation of goodwill (EBITA) include results of € 55.5 m (previous year € 11.6 m) from joint ventures and associates, primarily generated in Tourism.

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

€ million	**Q2 2014/15**	Q2 2013/14 restated	**H1 2014/15**	H1 2013/14 restated
Northern Region	–64.2	–80.4	–109.6	–124.2
Central Region	–73.5	–66.5	–93.7	–76.7
Western Region	–48.7	–42.7	–61.7	–69.8
Hotels & Resorts	26.9	20.1	55.6	32.7
Cruises	16.3	–0.3	18.3	–16.2
Other Tourism	–7.5	–8.9	–21.2	–20.9
Tourism	**–150.7**	**–178.7**	**–212.3**	**–275.1**
Specialist Group	1.4	1.1	–17.7	–16.9
Hotelbeds Group	4.2	0.2	7.8	7.6
All other segments	–22.7	–24.2	–50.4	–57.0
Continuing operations	**–167.8**	**–201.6**	**–272.6**	**–341.4**
Discontinued operations (LateRooms Group)	–6.3	–3.9	–9.3	–5.0
Sum of the segments	**–174.1**	**–205.5**	**–281.9**	**–346.4**

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

€ million	Q2 2014 / 15	Q2 2013 / 14 restated	H1 2014 / 15	H1 2013 / 14 restated
EBITA from continuing operations	**– 227.5**	**– 175.6**	**– 368.9**	**– 334.1**
Losses on Container Shipping measured at equity	–	– 26.8	0.9	– 36.5
Net interest expense and expense from measurement of interest hedges	– 40.6	– 62.0	– 107.3	– 120.0
Earnings before income taxes from continuing operations	**– 268.1**	**– 264.4**	**– 475.3**	**– 490.6**

Related parties

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

Major events after the balance sheet date

On 30 April 2015, TUI AG's perpetual subordinated bond bond with a nominal volume of € 300.0 m was fully repaid at nominal value. The repayment had been resolved and announced by the Executive Board of TUI AG on 25 March 2015. Due to the repayment totalling € 300.0 m, cash and cash equivalents and current financial liabilities declined accordingly in the statement of financial position compared to 31 March 2015.

RESPONSIBILITY STATEMENT

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

The Executive Board

Hanover, 11 May 2015

Friedrich Joussen
Peter Long
Horst Baier
Sebastian Ebel
Johan Lundgren
William Waggott

REVIEW REPORT

To TUI AG, Berlin and Hanover

We have reviewed the condensed interim consolidated financial statements – comprising the statement of financial position, condensed statement of comprehensive income, income statement, condensed statement of cash flows, condensed statement of changes in equity and selected explanatory notes – and the interim Group management report of TUI AG for the period from 1 October 2014 to 31 March 2015, which are part of the half-year financial report accordingto Section 37w of the German Securities Trading Act (WpHG). The preparation of the condensed interim consolidated financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and of the interim Group management report which has been prepared in accordance with the requirements of the German Securities Trading Act applicable to interim Group management reports is the responsibility of the Company's management. Our responsibility is to issue a review report of the condensed interim consolidated financial statements and on the interim Group management report based on our review.

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

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

Hanover, 11 May 2015

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

Thomas Stieve, Auditor
Prof. Dr Mathias Schellhorn, Auditor

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

Financial calendar

11 MAY 2015
Half Year Financial Report 2014 / 15
Capital Markets Day

13 AUGUST 2015
Interim Report Q3 2014 / 15

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

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