03 CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

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CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT OF THE TUI GROUP FOR THE PERIOD FROM 1 OCT 2015 TO 30 SEP 2016

€ million	Notes	**2015/16**	2014/15 restated
Turnover	(1)	17,184.6	17,515.5
Cost of sales	(2)	15,278.1	15,549.5
Gross profit		**1,906.5**	**1,966.0**
Administrative expenses	(2)	1,216.9	1,352.6
Other income	(3)	36.3	42.9
Other expenses	(3)	7.4	5.7
Financial income	(5)	58.5	35.8
Financial expenses	(6)	345.9	364.5
Share of result of joint ventures and associates	(7)	187.2	143.9
Earnings before income taxes		**618.3**	**465.8**
Income taxes	(8)	153.4	58.2
Result from continuing operations		**464.9**	**407.6**
Result from discontinued operations	(9)	687.3	–28.0
Group profit for the year		**1,152.2**	**379.6**
Group profit for the year attributable to shareholders of TUI AG	(10)	1,037.4	340.4
Group profit for the year attributable to non-controlling interest	(11)	114.8	39.2

EARNINGS PER SHARE

€	Notes	**2015/16**	2014/15 restated
Basic earnings per share	(12)	**1.78**	**0.64**
from continuing operations		0.61	0.66
from discontinued operations		1.17	–0.02
Diluted earnings per share	(12)	**1.77**	**0.63**
from continuing operations		0.60	0.65
from discontinued operations		1.17	–0.02

STATEMENT OF COMPREHENSIVE INCOME OF TUI GROUP FOR THE PERIOD FROM 1 OCT 2015 TO 30 SEP 2016

€ million	Notes	**2015/16**	2014/15
Group profit		**1,152.2**	**379.6**
Remeasurements of pension provisions and related fund assets		–593.3	82.2
Changes in the measurement of companies measured at equity		–	0.1
Income tax related to items that will not be reclassified	(13)	157.9	–24.2
Items that will not be reclassified to profit or loss		**–435.4**	**58.1**
Foreign exchange differences		52.4	–221.7
Foreign exchange differences		32.7	–220.2
Reclassification/adjustments		19.7	–1.5
Financial instruments available for sale		31.8	–
Changes in the fair value		31.8	7.1
Reclassification/adjustments		–	–7.1
Cash flow hedges		546.1	–221.0
Changes in the fair value		505.7	360.1
Reclassification/adjustments		40.4	–581.1
Changes in the measurement of companies measured at equity		–32.0	22.0
Changes in the measurement outside profit or loss		–32.0	21.6
Reclassification/adjustments		–	0.4
Income tax related to items that may be reclassified	(13)	–80.9	27.1
Items that may be reclassified to profit or loss		**517.4**	**–393.6**
Other comprehensive income		**82.0**	**–335.5**
Total comprehensive income		**1,234.2**	**44.1**
attributable to shareholders of TUI AG		1,141.8	9.5
attributable to non-controlling interest		92.4	34.6
Allocation of share of shareholders of TUI AG of total comprehensive income			
Continuing operations		404.2	–76.4
Discontinued operations		737.6	85.9

FINANCIAL POSITION OF THE TUI GROUP AS AT 30 SEP 2016

€ million	Notes	30 Sep 2016	30 Sep 2015
Assets			
Goodwill	(14)	2,853.5	3,220.4
Other intangible assets	(15)	545.8	911.5
Property, plant and equipment	(16)	3,714.5	3,636.8
Investments in joint ventures and associates	(17)	1,180.8	1,077.8
Financial assets available for sale	(18)	50.4	56.2
Trade receivables and other assets	(19)	315.3	332.5
Derivative financial instruments	(20)	126.8	48.1
Deferred tax assets	(21)	344.7	330.7
Non-current assets		**9,131.8**	**9,614.0**
Inventories	(22)	105.2	134.5
Financial assets available for sale	(18)	265.8	334.9
Trade receivables and other assets	(19)	1,320.1	1,948.7
Derivative financial instruments	(20)	544.6	281.0
Income tax assets	(21)	87.7	58.5
Cash and cash equivalents	(23)	2,072.9	1,672.7
Assets held for sale	(24)	929.8	42.2
Current assets		**5,326.1**	**4,472.5**
		14,457.9	**14,086.5**

FINANCIAL POSITION OF THE TUI GROUP AS AT 30 SEP 2016

€ million	Notes	**30 Sep 2016**	30 Sep 2015
Equity and liabilities			
Subscribed capital	(25)	1,500.7	1,499.6
Capital reserves	(26)	4,192.2	4,187.7
Revenue reserves	(27)	–3,017.8	–3,773.9
Equity before non-controlling interest		**2,675.1**	**1,913.4**
Non-controlling interest	(30)	573.1	503.9
Equity		**3,248.2**	**2,417.3**
Pension provisions and similar obligations	(31)	1,410.3	1,114.5
Other provisions	(32)	803.0	746.3
Non-current provisions		**2,213.3**	**1,860.8**
Financial liabilities	(33)	1,503.4	1,653.3
Derivative financial instruments	(35)	27.5	78.5
Income tax liabilities	(36)	22.2	115.7
Deferred tax liabilities	(36)	62.9	125.7
Other liabilities	(37)	160.1	136.2
Non-current liabilities		**1,776.1**	**2,109.4**
Non-current provisions and liabilities		**3,989.4**	**3,970.2**
Pension provisions and similar obligations	(31)	40.6	32.4
Other provisions	(32)	374.8	463.4
Current provisions		**415.4**	**495.8**
Financial liabilities	(33)	537.7	233.1
Trade payables	(34)	2,476.9	3,224.2
Derivative financial instruments	(35)	249.6	388.2
Income tax liabilities	(36)	196.0	78.9
Other liabilities	(37)	2,872.4	3,247.3
Current liabilities		**6,332.6**	**7,171.7**
Liabilities related to assets held for sale	(38)	472.3	31.5
Current provisions and liabilities		**7,220.3**	**7,699.0**
		14,457.9	**14,086.5**

STATEMENT OF CHANGES IN GROUP EQUITY OF THE TUI GROUP FOR THE PERIOD FROM 1 OCT 2015 TO 30 SEP 2016

€ million	Subscribed capital (25)	Capital reserves (26)	Other revenue reserves	Foreign exchange differences	Financial instruments available for sale
Balance as at 1 Oct 2014	**732.6**	**1,056.3**	**1,049.6**	**–741.0**	**–**
Dividends	–	–	–94.5	–	–
Hybrid capital dividend	–	–	–10.9	–	–
Share based payment schemes	–	–	24.2	–	–
Conversion of convertible bonds	146.1	453.4	–	–	–
Issue of employee shares	0.3	1.2	–	–	–
Capital increase	620.6	2,676.8	–	–	–
Deconsolidation	–	–	–	–	–
Effects on the acquisition of non-controlling interests	–	–	–3,776.3	–260.2	–
Redemption hybrid capital	–	–	–5.2	–	–
Group profit for the year	**–**	**–**	**340.4**	**–**	**–**
Foreign exchange differences	–	–	–67.7	–128.0	–
Cash flow hedges	–	–	–	–	–
Remeasurements of pension provisions and related fund assets	–	–	82.1	–	–
Changes in the measurement of companies measured at equity	–	–	22.1	–	–
Taxes attributable to other comprehensive income	–	–	–24.2	–	–
Other comprehensive income	**–**	**–**	**12.3**	**–128.0**	**–**
Total comprehensive income	–	–	352.7	–128.0	–
Balance as at 30 Sep 2015	**1,499.6**	**4,187.7**	**–2,460.4**	**–1,129.2**	**–**
Dividends	–	–	–327.0	–	–
Share based payment schemes	–	–	4.3	–	–
Issue of employee shares	1.1	4.5	–	–	–
Acquisition of own shares	–	–	–56.3	–	–
Deconsolidation	–	–	–	–	–
Effects on the acquisition of non-controlling interests	–	–	–6.9	–	–
Group profit for the year	**–**	**–**	**1,037.4**	**–**	**–**
Foreign exchange differences	–	–	61.0	34.0	–
Financial Instruments available for sale	–	–	–	–	31.8
Cash flow hedges	–	–	–	–	–
Remeasurements of pension provisions and related fund assets	–	–	–593.3	–	–
Changes in the measurement of companies measured at equity	–	–	–32.0	–	–
Taxes attributable to other comprehensive income	–	–	157.9	–	–
Other comprehensive income	**–**	**–**	**–406.4**	**34.0**	**31.8**
Total comprehensive income	–	–	631.0	34.0	31.8
Balance as at 30 Sep 2016	**1,500.7**	**4,192.2**	**–2,215.3**	**–1,095.2**	**31.8**

Cash flow hedges	Revaluation reserve	Revenue reserves (27)	Hybrid capital (29)	Equity before non-controlling interest	Non-controlling interest (30)	**Total**
7.0	**20.5**	**336.1**	**294.8**	**2,419.8**	**110.4**	**2,530.2**
–	–	–94.5	–	–94.5	–197.1	–291.6
–	–	–10.9	–	–10.9	–	–10.9
–	–	24.2	–	24.2	1.9	26.1
–	–	–	–	599.5	–	599.5
–	–	–	–	1.5	–	1.5
–	–	–	–	3,297.4	–	3,297.4
–	–	–	–	–	–9.5	–9.5
3.2	0.2	–4,033.1	–	–4,033.1	563.6	–3,469.5
–	–	–5.2	–294.8	–300.0	–	–300.0
–	**–**	**340.4**	**–**	**340.4**	**39.2**	**379.6**
–12.8	–0.9	–209.4	–	–209.4	–12.3	–221.7
–231.0	–	–231.0	–	–231.0	10.0	–221.0
–	–	82.1	–	82.1	0.1	82.2
–	–	22.1	–	22.1	–	22.1
29.5	–	5.3	–	5.3	–2.4	2.9
–214.3	**–0.9**	**–330.9**	**–**	**–330.9**	**–4.6**	**–335.5**
–214.3	–0.9	9.5	–	9.5	34.6	44.1
–204.1	**19.8**	**–3,773.9**	**–**	**1,913.4**	**503.9**	**2,417.3**
–	–	–327.0	–	–327.0	–13.6	–340.6
–	–	4.3	–	4.3	–	4.3
–	–	–	–	5.6	–	5.6
–	–	–56.3	–	–56.3	–	–56.3
–	0.2	0.2	–	0.2	–10.0	–9.8
–	–	–6.9	–	–6.9	0.4	–6.5
–	**–**	**1,037.4**	**–**	**1,037.4**	**114.8**	**1,152.2**
–19.4	–0.6	75.0	–	75.0	–22.6	52.4
–	–	31.8	–	31.8	–	31.8
545.8	–	545.8	–	545.8	0.3	546.1
–	–	–593.3	–	–593.3	–	–593.3
–	–	–32.0	–	–32.0	–	–32.0
–80.8	–	77.1	–	77.1	–0.1	77.0
445.6	**–0.6**	**104.4**	**–**	**104.4**	**–22.4**	**82.0**
445.6	–0.6	1,141.8	–	1,141.8	92.4	1,234.2
241.5	**19.4**	**–3,017.8**	**–**	**2,675.1**	**573.1**	**3,248.2**

CASH FLOW STATEMENT

€ million	Notes	2015 / 16	2014 / 15	Var.
Group profit		1,152.2	379.6	+772.6
Depreciation, amortisation and impairments (+) / write-backs (–)		578.5	700.5	–122.0
Other non-cash expenses (+) / income (–)		–164.6	–118.7	–45.9
Interest expenses		202.3	207.7	–5.4
Dividends from joint ventures and associates		82.2	81.3	+0.9
Profit (–) / loss (+) from disposals of non-current assets		–802.5	–23.3	–779.2
Increase (–) / decrease (+) in inventories		–9.5	–6.1	–3.4
Increase (–) / decrease (+) in receivables and other assets		324.7	–233.6	+558.3
Increase (+) / decrease (–) in provisions		–234.2	–85.3	–148.9
Increase (+) / decrease (–) in liabilities (excl. financial liabilities)		–94.4	–111.6	+17.2
Cash inflow from operating activities	(45)	**1,034.7**	**790.5**	**+244.2**
Payments received from disposals of property, plant and equipment, investment property and intangible assets		115.3	341.6	–226.3
Payments from disposals of consolidated companies (excl. disposals of cash and cash equivalents due to divestments)		876.7	–27.6	+904.3
Payments received from the disposals of other non-current assets		12.1	325.5	–313.4
Payments made for investments in property, plant and equipment, investment property and intangible assets		–697.4	–826.4	+129.0
Payments made for investments in consolidated companies (excl. cash and cash equivalents received due to acquisitions)		–10.5	–5.1	–5.4
Payments made for investments in other non-current assets		–57.2	–24.8	–32.4
Cash inflow / outflow from investing activities	(46)	**239.0**	**–216.8**	**455.8**
Payments made for capital increases		–54.2	–9.8	–44.4
Payments made for interest increase in consolidated companies		–8.0	–128.2	+120.2
Dividend payments				
TUI AG		–327.0	–109.3	–217.7
subsidiaries to non-controlling interest		–14.1	–197.0	+182.9
Payments received from the issue of bonds and the raising of financial liabilities		108.8	79.3	+29.5
Payments made for redemption of hybrid capital		–	–300.0	+300.0
Payments made for redemption of loans and financial liabilities		–275.3	–359.7	+84.4
Interest paid		–92.3	–92.0	–0.3
Cash outflow from financing activities	(47)	**–662.1**	**–1,116.7**	**+454.6**
Net change in cash and cash equivalents		**611.6**	**–543.0**	**+1,154.6**
Development of cash and cash equivalents	(48)			
Cash and cash equivalents at beginning of period		**1,682.2**	**2,258.0**	**–575.8**
Change in cash and cash equivalents due to exchange rate fluctuations		105.8	–33.1	+138.9
Change in cash and cash equivalents due to changes in the group of consolidated companies		4.0	0.3	+3.7
Change in cash and cash equivalents with cash effects		611.6	–543.0	+1,154.6
Cash and cash equivalents at end of period		**2,403.6**	**1,682.2**	**+721.4**
of which included in the balance sheet as assets held for sale		**330.7**	9.5	+321.2

NOTES

Principles and methods underlying the consolidated financial statements

General

The TUI Group with its major subsidiaries and shareholdings operates in tourism.

TUI AG, based in Karl-Wiechert-Allee 4, Hanover is the TUI Group's parent company and a listed corporation under German law. The Company is registered in the commercial registers of the district courts of Berlin-Charlottenburg (HRB 321) and Hanover (HRB 6580). The shares in the company are traded on the London Stock Exchange and the Hanover and Frankfurt Stock Exchanges.

These consolidated financial statements of TUI AG were prepared for the business year from 1 October 2015 to 30 September 2016. Where any of TUI's subsidiaries have different financial years, financial statements were prepared as at 30 September in order to include these subsidiaries in TUI AG's consolidated financial statements.

The Executive Board and the Supervisory Board have submitted a Declaration of Compliance with the German Corporate Governance Code required pursuant to section 161 of the German Stock Corporation Act (AktG) and made it permanently available to the general public on the Company's website (www.tuigroup.com).

The consolidated financial statements are prepared in euros. Unless stated otherwise, all amounts are indicated in million euros (€ m).

The consolidated financial statements were approved for publication by TUI AG's Executive Board on 6 December 2016.

Accounting principles

DECLARATION OF COMPLIANCE

Pursuant to Regulation EEC No. 1606 / 2002 of the European Parliament and Council, TUI AG's consolidated financial statements as at 30 September 2016 were prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union. Moreover, the commercial-law provisions listed in section 315a (1) of the German Commercial Code (HGB) and the Disclosure and Transparency Rules of the UK Financial Conduct Authority were also observed in preparing the consolidated financial statements.

The accounting and measurement methods and the explanatory information and Notes to these annual financial statements for financial year 2015 / 16 are consistent in every respect with those followed in preparing the previous consolidated financial statements for financial year 2014 / 15.

GOING CONCERN REPORTING ACCORDING TO THE UK CORPORATE GOVERNANCE CODE

The Executive Board remains satisfied with the Group's funding and liquidity position. At 30 September 2016 the main sources of debt funding included:

- An external revolving credit facility of € 1,535.0 m maturing in December 2020, used to manage the seasonality of the Group's cash flows and liquidity,
- a bond 2014 / 19 with a nominal value of € 300.0 m, issued by TUI AG and originally maturing in October 2019,
- € 1,231.7 m of drawn finance lease obligations and
- Bank liabilities of € 410.8 m, being mainly loans used to acquire property, plant and equipment.

The revolving credit facility requires compliance with certain financial covenants and these covenants were all complied with at the balance sheet date.

The bond 2014 / 19 with a nominal value of € 300.0 m was called on 19 October 2016 and redeemed in full on 18 November 2016. New senior notes with the same nominal amount were successfully issued on 26 October 2016 with a more favourable interest coupon. The notes will mature on 26 October 2021.

In accordance with provision C1.3 of the 2016 revision of the UK Corporate Governance Code, the Executive Board confirms that it is considered appropriate to prepare the financial statements on the going concern basis.

Restatement of prior reporting period

The following restatements were made for financial year 2014 / 15:

RESTATEMENT CAUSED BY DISCONTINUED OPERATIONS

Due to the planned sale of the Hotelbeds Group segment in financial year 2015 / 16, the segment was reported as a discontinued operation in Q2 2015 / 16 in line with IFRS 5. The Hotelbeds Group was sold on 12 September 2016.

Additionally, the Specialist Group segment is reported as a discontinued operation as at 30 September 2016, due to its planned sale in the course of financial year 2016 / 17.

In the consolidated income statement for financial year 2015 / 16, the result generated by the Hotelbeds Group until its sale as well as the result of the Specialist Group is shown separately as result from discontinued operations. The prior year consolidated income statement was restated as follows. For further explanations please refer to the section "Acquisitions – Divestments – Discontinued operations".

RESTATED ITEMS OF THE INCOME STATEMENT OF THE TUI GROUP FOR THE PERIOD FROM 1 OCT 2014 TO 30 SEP 2015

€ million	Before restatement	Restatement Specialist Group	Restatement Hotelbeds Group	Restated
Turnover	20,011.6	–1,502.1	–994.0	17,515.5
Cost of sales	17,616.3	–1,305.4	–761.4	15,549.5
Gross profit	**2,395.3**	**–196.7**	**–232.6**	**1,966.0**
Administrative expenses	1,715.4	–170.2	–192.6	1,352.6
Other income	51.2	–8.3	–	42.9
Other expenses	8.0	–2.1	–0.2	5.7
Financial income	37.9	–1.0	–1.1	35.8
Financial expenses	370.1	–2.1	–3.5	364.5
Share of result of joint ventures and associates	144.5	–	–0.6	143.9
Earnings before income taxes from continuing operations	**535.4**	**–31.6**	**–38.0**	**465.8**
Income taxes	87.0	–17.6	–11.2	58.2
Result from continuing operations	**448.4**	**–14.0**	**–26.8**	**407.6**
Result from discontinued operations	–68.8	14.0	26.8	–28.0
Group profit for the year	**379.6**	**0.0**	**–**	**379.6**

Principles and methods of consolidation

PRINCIPLES

The consolidated financial statements include all significant subsidiaries directly or indirectly controlled by TUI AG. Control exists where TUI AG has power over the relevant activities, is exposed to variable returns or has rights to the returns, and has the ability to affect those variable returns through its power over the investee.

As a rule, the control is exercised by means of a direct or indirect majority of voting rights. If the TUI Group holds less than the majority of voting rights in a shareholding, it may exercise control due to contractual agreements or similar arrangements.

In assessing control, the existence and effect of potential voting rights that are currently exercisable or convertible are taken into account. Consolidation of subsidiaries starts from the date TUI gains control. When TUI ceases to control the corresponding companies, they are removed from the group of consolidated companies.

The consolidated financial statements are prepared from the separate or single-entity financial statements of TUI AG and its subsidiaries, drawn up on the basis of uniform accounting, measurement and consolidation methods and usually exclusively audited or reviewed by auditors.

Associates for which the TUI Group is able to exert significant influence over the financial and operating policy decisions within these companies are accounted for using the equity method. As a rule, significant influence is assumed if TUI AG directly or indirectly holds voting rights of 20 to less than 50 per cent.

Stakes in joint ventures are also measured using the equity method. A joint venture is a company managed jointly by the TUI Group with one or several partners based on a contractual agreement, in which the parties that jointly exercise control have rights to the company's net assets. Joint ventures also include companies in which the TUI Group holds a majority or minority of voting rights but in which decisions about the relevant activities may only be taken on an unanimous basis due to contractual agreements.

The dates as of which associates and joint ventures are included in or removed from the group of companies measured at equity are determined in a manner consistent with that applied to subsidiaries. At equity measurement in each case is based on the last annual financial statements available or the interim financial statements as at 30 September if the balance sheet dates differ from TUI AG's balance sheet date. This affects 28 companies with a financial year from 1 January to 31 December and two companies with a financial year from 1 April to 31 March of the following year.

GROUP OF CONSOLIDATED COMPANIES

In financial year 2015 / 16, the consolidated financial statements included a total of 417 subsidiaries besides TUI AG.

62 subsidiaries were not included in the consolidated financial statements. Even when taken together, these companies are not significant for the presentation of a true and fair view of the net assets, financial position and results of operations of the Group.

DEVELOPMENT OF THE GROUP OF CONSOLIDATED COMPANIES* AND THE GROUP COMPANIES MEASURED AT EQUITY

	Balance 30 Sep 2015	Additions	Disposals	**Balance 30 Sep 2016**
Consolidated subsidiaries	532	19	134	417
Associates	19	4	10	13
Joint ventures	33	–	6	27

* excl. TUI AG

A total of 19 companies have been newly included as consolidated subsidiaries since 1 October 2015, with 12 companies newly established, three companies added due to the purchase of additional stakes and four companies included in consolidation due to an expansion of their business operations.

Since 1 October 2015, a total of 134 companies have been removed from consolidation. 97 of the companies were removed from consolidation due to divestment, 21 companies due to liquidation, and ten companies due to mergers. In addition, three companies were removed from consolidation due to sales of stakes and the associated loss of control. Moreover, two companies were removed from consolidation due to the discontinuation of their business operations, and one company due to a loss of control. The divestments include 91 companies of the Hotelbeds Group. For more detailed information about the sale of the Hotelbeds Group, please refer to the section "Acquisitions – Divestments – Discontinued operations".

13 associated companies and 27 joint ventures are measured at equity as at the balance sheet date. The number of companies measured at equity has declined by ten since 1 October 2015, with five disposals, one merger and two companies transferred to the Sunwing Group. Moreover, one company is now consolidated due to the acquisition of further stakes, and one company is no longer measured at equity due to a loss of joint control. Parallel to these removals, four associated companies were added in the current financial year due to further acquisitions of stakes, and in one case a newly established operation, so that the number of associated companies declined by six overall in financial year 2015 / 16. The number of joint ventures measured at equity has declined by a total of six since 1 October 2015 due to the merger of five companies and the divestment of one company.

The major direct and indirect subsidiaries, associates and joint ventures of TUI AG are listed under “Other Notes – TUI Group Shareholdings”.

The effects of the changes in the group of consolidated companies in financial year 2015 / 16 on financial years 2015 / 16 and 2014 / 15 are outlined below. While the value of companies deconsolidated in financial year 2015 / 16 posted in the statement of financial position is carried as per the closing date for the previous period, items in the income statement are also shown for a part year period of financial year 2015 / 16. Items which are already presented in the result from discontinued operations, the assets held for sale or liabilities related to assets held for sale are not inculded in the tables below but in the section “Discontinued operations”.

IMPACT OF CHANGES IN THE GROUP OF CONSOLIDATED COMPANIES ON THE STATEMENT OF FINANCIAL POSITION

€ million	Additions **30 Sep 2016**	Disposals 30 Sep 2015
Non-current assets	23.5	430.9
Current assets	13.4	812.2
Non-current financial liabilities	–	0.2
Current financial liabilities	–	7.3
Non-current other liabilities	–	54.9
Current other liabilities	10.2	774.6

IMPACT OF CHANGES IN THE GROUP OF CONSOLIDATED COMPANIES ON THE CONSOLIDATED INCOME STATEMENT

€ million	Additions **2015 / 16**	Disposals **2015 / 16**	 2014 / 15
Turnover with third parties	32.4	0.2	3.0
Turnover with consolidated Group companies	19.6	0.1	0.7
Cost of sales and administrative expenses	50.7	0.4	6.1
Other income / other expenses	–	0.6	–
Share of result of joint ventures and associates	–	0.1	0.8
Financial expenses (+) / income (-)	– 0.8	–	0.4
Earnings before income taxes	**2.1**	**0.6**	**– 2.0**
Income taxes	0.3	1.7	– 1.7
Group profit for the year	**1.8**	**– 1.1**	**– 0.3**

Acquisitions – divestments – discontinued operations

ACQUISITIONS

In financial year 2015 / 16, 18 travel agencies were acquired in the form of asset deals. Moreover, further interests were acquired in the Aelos Group, previously measured at equity. Following these acquisitions, the TUI Group now holds 100 % of the shares in each of these companies. The consideration for these acquisitions consisted of payments totalling € 7.9 m.

The acquisitions did not have a material effect on turnover or the Group result for the reporting period.

The purchase price allocations of the following companies and businesses acquired in financial year 2014 / 15 were finalised within the twelve-month period provided under IFRS 3 in the present annual financial statements without having a major impact on the consolidated statement of financial position:

- 11 travel agencies in Germany
- aQi Hotel Schladming GmbH
- aQi Hotel Management GmbH

ACQUISITIONS AFTER THE BALANCE SHEET DATE

On 31 October 2016 TUI AG acquired 99.99 % of the shares in Transat France S. A., Ivry-sur-Seine, France. The aim of that acquisition is to increase the market presence in France. This acquisition also included the purchase of the majority stake in Transat Développement SAS, Ivry-sur-Seine, France and Tourgreece Tourism Enterprise A.E., Athen, Greece.

The consideration transferred consisted of payments totalling € 64.9 m subject to contractual purchase price amendments.

The table below provides an overview of the fair values of the Transat Group as at the date of first-time consolidation:

STATEMENTS OF FINANCIAL POSITION OF THE TRANSAT GROUP AS AT THE DATE OF FIRST-TIME CONSOLIDATION

€ million	Fair value at date of first-time consolidation
Other intangible assets	11.9
Property, plant and equipment	21.2
Investments	7.0
Fixed assets	**40.1**
Trade receivables	146.8
Other assets (including prepaid expenses)	31.6
Cash and cash equivalents	13.9
Liabilities and deferred income	211.9
Net assets	**20.5**

At the reporting date, accounting for the business combination, in particular fair value measurement of assets and liabilities, was not yet completed. The preliminary goodwill out of this acquisition is € 44.4 m.

DIVESTMENTS

The disposal of LateRooms Ltd. and the Hotelbeds Group is explained in the „Discontinued Operations“ section. The effects of the other divestments on the TUI Group's net assets, financial position and results of operations were immaterial.

DISCONTINUED OPERATIONS

SPECIALIST GROUP

TUI AG has decided to exit the Specialist Group as it is not closely aligned with TUI Group's remaining business and thus offers very little potential for integration into the Group's operation. Specialist Group consists of two segments. The tour operators combined under the Travelopia brand offer expedition travel, luxury tours, sporting events, student travels and sailing trips. Travelopia is expected to be sold within the forthcoming financial year. Specialist tour operators of Specialist Group not managed under Travelopia comprise adventure tours and language schools already sold by the end of the financial year under review.

The result from this discontinued operation is reported separately from the income and expenses of continuing operations in the consolidated income statement, shown in a separate line as “Result from discontinued operations” together with the profit contributions of the other discontinued operations. The consolidated income statement of the prior year was restated accordingly.

INCOME STATEMENT OF THE DISCONTINUED OPERATION SPECIALIST GROUP FOR THE PERIOD FROM 1 OCT 2015 TO 30 SEP 2016

€ million	**2015/16**	2014/15
Turnover	1,371.4	1,502.1
Cost of sales	1,217.1	1,305.4
Gross profit	**154.3**	**196.7**
Administrative expenses	177.0	170.2
Other income	7.0	8.3
Other expenses	20.7	2.1
Financial income	0.6	1.0
Financial expenses	1.1	2.1
Earnings before income taxes from the discontinued operation	**– 36.9**	**31.6**
Income taxes	– 2.7	17.6
Result from the discontinued operation Specialist Group	**– 34.2**	**14.0**
Result from the discontinued operation Specialist Group attributable to shareholders of TUI AG	– 34.1	28.2
Result from the discontinued operation Specialist Group attributable to non-controlling interest	– 0.1	–14.2

The income statement for the discontinued operation Specialist Group reflects the sale of specialist tour operators not forming part of Travelopia, which has already been effected. This has in particular driven the decline in turnover and cost of sales. Moreover, administrative expenses and other expenses for the establishment of an independent organisation and for the preparation for the sale of Travelopia were incurred in the current financial year.

In the prior year, the result from discontinued operations attributable to non-controlling shareholders also comprised shares in the result attributable to TUI Travel PLC’s non-controlling shareholders until December 2014.

The assets and liabilities are shown separately in the consolidated statement of financial position under “Assets held for sale” and “Liabilities related to assets held for sale”. The table below presents the key asset and liability groups of the discontinued operation Specialist Group.

ASSETS AND LIABILITIES OF THE DISCONTINUED OPERATION SPECIALIST GROUP AS AT 30 SEP 2016

€ million	30 Sep 2016
Assets	
Goodwill	53.1
Other intangible assets	132.1
Property, plant and equipment	220.9
Trade receivables from third parties and other assets	0.8
Trade receivables from continuing operations	3.1
Derivative financial instruments	0.5
Deferred tax assets	7.6
Non-current assets	**418.1**
Inventories	37.6
Trade receivables from third parties and other assets	121.2
Trade receivables from continuing operations	80.6
Derivative financial instruments	6.8
Current tax assets	17.6
Cash and cash equivalents	330.7
Current assets	**594.5**
	1,012.6

€ million	
Equity and liabilities	
Revenue reserves	302.7
Equity before non-controlling interest	**302.7**
Non-controlling interest	–1.8
Equity	**300.9**
Other provisions	14.7
Non-current provisions	**14.7**
Financial liabilities against third parties	6.0
Financial liabilities against continuing operations	236.1
Derivative financial instruments	0.1
Deferred tax liabilities	33.5
Other liabilities	1.2
Non-current liabilities	**276.9**
Non-current provisions and liabilities	**291.6**
Other provisions	1.9
Current provisions	**1.9**
Financial liabilities against third parties	6.7
Trade payables to third-parties	93.9
Trade payables to continuing operations	3.3
Derivative financial instruments	0.7
Current tax liabilities	17.7
Other liabilities	295.9
Current liabilities	**418.2**
Current provisions and liabilities	**420.1**
	1,012.6

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

RECONCILIATION TO ASSETS HELD FOR SALE IN THE FINANCIAL POSITION OF THE TUI AG AS AT 30 SEP 2016

€ million	**30 Sep 2016**
Current and non-current assets of the Specialist Group	1,012.6
Elimination of receivables from continuing operations	– 83.7
Assets held for sale of the Specialist Group	**928.9**

RECONCILIATION TO LIABILITIES RELATED TO ASSETS HELD FOR SALE IN THE FINANCIAL POSITION OF THE TUI AG AS AT 30 SEP 2016

€ million	**30 Sep 2016**
Current and non-current liabilities of the Specialist Group	711.7
Elimination of liabilities against continuing operations	– 239.4
Liabilities related to assets held for sale	**472.3**

The consolidated cash flow statement shows the cash flows of the overall Group including the discontinued operations. The table below provides a separate presentation of the cash flows of the discontinued operation Specialist Group. Cash flows from intercompany relationships, in particular financing schemes, dividends, business transfers and sales of companies, are not taken into account. In the financial year under review, the cash outflow from investing activities includes an inflow of € 29.1 m reflecting a part of the purchase price for Hotelbeds Group and an amount of € 80.4 m for tax payments directly associated with the sale.

CONDENSED CASH FLOW STATEMENT OF THE DISCONTINUED OPERATION SPECIALIST GROUP

€ million	**2015 / 16**	2014 / 15
Cash inflow from operating activities	42.1	53.1
Cash outflow from investing activities	– 80.6	– 47.3
Cash outflow from financing activities	– 3.9	– 3.1

HOTELBEDS GROUP

In the second quarter of the completed financial year, TUI AG had decided to exit its Hotelbeds Group segment. Hotelbeds Group comprises B2B portals to sell hotel bed capacity and destination services to wholesale customers such as travel agencies and tour operators worldwide. This segment also comprises incoming agencies whose services are not directly aligned with TUI Group's tour operators and services for the cruise industry.

The sale of Hotelbeds Group to GNVA Acquisitions Ltd was completed on 12 September 2016. GNVA Acquisitions Ltd is a company owned by the fund managed and advised by Cinven Capital Management and Canada Pension Plan Investment Board. The result from the sale is calculated as follows:

RESULT FROM THE SALE OF THE HOTELBEDS GROUP

€ million	2015/16
Cash received	1,233.1
Fair Value of investment retained	0.9
Total Consideration	**1,234.0**
Carrying amount of net assets sold	–355.4
Carrying amount of non-controlling interest	10.0
Reclassification of fx differences	–18.4
Reclassifications of hedging reserves	1.4
Costs of disposal, additional charges and guarantees	–95.8
Profit on sale before income taxes	**775.8**
Income taxes on disposal	94.9
Profit on sale after tax	**680.9**

The profit on sale includes contractual guarantees disclosed as other liabilities.

TUI Group continues to hold an indirect stake in an incoming agency of Hotelbeds Group after the sale. The agency is now included in TUI AG's consolidated financial statements as a joint venture. Fair value measurement of the remaining stake resulted in a profit of € 0.5 m. Taxes on the gain on disposal only reflect taxes directly associated with the sale. These taxes have already been paid.

The result from this discontinued operation Hotelbeds Group generated until the date of disposal is carried separately from the income from and expenses for continuing operations in the consolidated income statement. It is shown in a separate line as "Result from discontinued operations" together with the profit contributions of other discontinued operations. The consolidated income statement for the prior year was restated accordingly.

INCOME STATEMENT OF THE DISCONTINUED OPERATION HOTELBEDS GROUP FOR THE PERIOD FROM 1 OCT 2015 TO 12 SEP 2016

€ million	2015/16	2014/15
Turnover	950.2	994.0
Cost of sales	735.4	761.4
Gross profit	**214.8**	**232.6**
Administrative expenses	156.9	192.6
Other income	0.4	–
Other expenses	4.9	0.2
Financial income	0.1	1.1
Financial expenses	1.7	3.5
Share of result of joint ventures and associates	0.3	0.6
Earnings before income taxes from the discontinued operation	**52.1**	**38.0**
Income taxes	10.7	11.2
Operating result from the discontinued operation	**41.4**	**26.8**
Result from the disposal of the discontinued operation before income taxes	775.8	–
Income taxes on the profit on disposal	94.9	–
Result from the disposal of the discontinued operation Hotelbeds Group	**680.9**	**–**
Result from the discontinued operation Hotelbeds Group	**722.3**	**26.8**
Result from discontinued operation Hotelbeds Group attributable to shareholders of TUI AG	718.9	28.1
Result from discontinued operation Hotelbeds Group attributable to non-controlling interest	3.4	–1.3

The turnover with the continuing operations of € 108.9 m in financial year 2015 / 16 (previous year € 64.8 m) was eliminated against the cost of sales of the Hotelbeds Group.

The decline in turnover and cost of sales is driven by the sale of Hotelbeds Group as at 12 September 2016 as therefore the income statement does not reflect the total year. Adjusted for that effect, the hotel bed portals, in particular, posted an increase in turnover. Administrative expenses and other expenses rose due to the costs incurred in connection with the establishment of a separate organisation for Hotelbeds Group. This increase in costs was offset by the sale prior to the close of the financial year.

In the prior year, the result from discontinued operation attributable to non-controlling shareholders also comprised the share of results attributable to the non-controlling shareholders of TUI Travel PLC until the end of December 2014.

The Group's consolidated Cash Flow Statement presents the cash flows for the overall Group including the discontinued operations. A separate presentation of the cash flows for the discontinued operation Hotelbeds Group is provided in the following table. Cash flows from intercompany financing schemes and intercompany dividends, business transfers and company sales are not taken into account. The cash flows from operating activities are negative, as the second half of the month of September is not included in the cash flow statement for the financial year. As the cash flows associated with the sale of Hotelbeds Group are shown in TUI Group's segments in which they have been incurred, the cash outflows from investing activities only comprise the amount of the cash and cash equivalents transferred on the sale of the Hotelbeds Group but do not include the selling prices paid.

CONDENSED CASH FLOW STATEMENT OF THE DISCONTINUED OPERATION HOTELBEDS GROUP

€ million	**2015 / 16**	2014 / 15
Cash outflow / inflow from operating activities	– 24.5	8.5
Cash outflow from investing activities	– 289.4	– 31.9
Cash inflow / outflow from financing activities	10.4	– 6.0

LATEROOMS GROUP

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

The result of this discontinued operation is carried separately from the income from and expenses for continuing operations in the consolidated income statement. It is shown in a separate line as "Result from discontinued operations" together with the profit contributions of the other discontinued operations. As the LateRooms Group was already classified as discontinued operation in the prior year, there is no restatement of the prior year income statement for the LateRooms Group.

INCOME STATEMENT OF THE DISCONTINUED OPERATION LATEROOMS GROUP FOR THE PERIOD FROM 1 OCT 2015 TO 30 SEP 2016

€ million	**2015/16**	2014/15
Turnover	–	69.7
Cost of sales	–	51.4
Gross profit	**–**	**18.3**
Administrative expenses	–	43.2
Other income	0.1	–
Other expenses	–	7.3
Financial expenses	–	0.7
Earnings before income taxes from the discontinued operation	**0.1**	**– 32.9**
Income taxes	– 1.3	– 0.1
Result from the discontinued operation	**1.4**	**– 32.8**
Result from the disposal / measurement of the discontinued operation	– 2.2	– 36.0
Result from the discontinued operation LateRooms Group	**– 0.8**	**– 68.8**
Result from the discontinued operation LateRooms Group attributable to shareholders of TUI AG	– 0.8	– 67.0
Result from the discontinued operation LateRooms Group attributable to non-controlling interest	–	– 1.8

The loss on disposal of the LateRooms Group comprises the cumulative foreign exchange translation differences that were reclassified to profit and loss upon removal from equity, and the ancillary divestment costs.

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

CONDENSED CASH FLOW STATEMENT OF THE DISCONTINUED OPERATION LATEROOMS GROUP

€ million	**2015/16**	2014/15
Cash outflow from operating activities	–	– 13.6
Cash outflow from investing activities	–	– 8.3
Cash inflow from financing activities	–	16.3

FOREIGN EXCHANGE TRANSLATION

Transactions in foreign currencies are translated into the functional currency at the foreign exchange rates at the date of the transaction. Any gains and losses resulting from the execution of such transactions and the translation of monetary assets and liabilities denominated in foreign currencies at the foreign exchange rate at the date of the transaction are shown in the income statement, with the exception of gains and losses to be recognised in equity as qualifying cash flow hedges.

The annual financial statements of companies are prepared in the respective functional currency. The functional currency of a company is the currency of the primary economic environment in which the company operates. With the exception of a small number of companies, the functional currencies of all subsidiaries correspond to the currency of the country of incorporation of the respective subsidiary.

Where subsidiaries prepare their financial statements in functional currencies other than the Euro, being the Group's reporting currency, the assets, liabilities and notes to the statement of financial position are translated at the rate of exchange applicable at the balance sheet date (closing rate). Goodwill allocated to these companies and adjustments of the fair value arising on the acquisition of a foreign company are treated as assets and liabilities of the foreign company and also translated at the rate of exchange applicable at the balance sheet date. The items of the income statement and hence the result for the year shown in the income statement are translated at the average rate of the month in which the respective transaction takes place.

Differences arising on the translation of the annual financial statements of foreign subsidiaries are reported outside profit and loss and separately shown as foreign exchange differences in the consolidated statement of changes in equity. When a foreign company or operation is sold, any foreign exchange differences previously included in equity outside profit and loss are recognised as a gain or loss from disposal in the income statement through profit and loss.

Translation differences relating to non-monetary items with changes in their fair values eliminated through profit and loss (e. g. equity instruments measured at their fair value through profit and loss) are included in the income statement. In contrast, translation differences for non-monetary items with changes in their fair values taken to equity (e. g. equity instruments classified as available for sale) are included in revenue reserves.

The TUI Group did not hold any subsidiaries operating in hyperinflationary economies in the financial year under review, nor in the previous year.

The translation of the financial statements of foreign companies measured at equity follows the same principles for adjusting carrying amounts and translating goodwill as those used for consolidated subsidiaries.

NET INVESTMENT IN A FOREIGN OPERATION

Monetary items receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, essentially constitute part of a net investment in this foreign operation. Foreign exchange differences from the translation of these monetary items are recognised in other comprehensive income.

EXCHANGE RATES OF CURRENCIES OF RELEVANCE TO THE TUI GROUP

	Closing rate		Annual average rate	
1 € equivalent	**30 Sep 2016**	30 Sep 2015	**2015 / 16**	2014 / 15
Sterling	0.86	0.74	0.78	0.74
US dollar	1.12	1.12	1.11	1.15
Swiss franc	1.09	1.09	1.09	1.10
Swedish krona	9.62	9.41	9.35	9.35

CONSOLIDATION METHODS

The recognition of the net assets of acquired businesses is based on the acquisition method. Accordingly all identifiable assets and all liabilities assumed are measured at fair value as of the acquisition date. Subsequently, the consideration for the stake is measured at fair value and eliminated against the acquiree’s revalued equity attributable to the acquired share. As in the prior year, the option to measure the non-controlling interests at their fair value (full goodwill method) was not used.

Any excess of acquisition costs over net assets acquired is capitalised as goodwill and recognised as an asset for the acquired subsidiary in accordance with the provisions of IFRS 3. Any negative goodwill is recognised immediately in profit and loss and presented as other income.

When additional shares are purchased after obtaining control, the difference between the purchase price and the carrying amount of the stakes acquired is recognised directly in equity. The effects from sales of stakes not entailing a loss of control are also recognised directly in equity. By contrast, when control is obtained or lost, gains or losses are recognised in profit and loss. In the case of business combination achieved in stages (where the acquirer held an equity interest before he obtained control), the equity stake previously held in the acquired company is revalued at the fair value applicable at the acquisition date and the resulting gain or loss is recognised in profit or loss. For transactions involving a loss of control, the profit or loss does not only comprise the difference between the carrying amounts of the disposed stakes and the consideration received but also the result from the revaluation of the remaining shares.

On loss of control of a subsidiary the gain or loss on derecognition will be calculated as the difference of the fair value of the consideration plus the fair value of any investment retained in the former subsidiary less the share of the book value of the net assets of the subsidiary. Any gains or losses previously recognised in other comprehensive income from currency translations or the valuation of financial assets and liabilities will be reclassified to the profit or loss statement. When a subsidiary is sold, any goodwill allocated to the respective subsidiary is taken into account in the calculation of the profit or loss of disposal.

The Group's associates and joint ventures are measured at equity and included at the cost to purchase as at the acquisition date. The Group's stake in associates and joint ventures includes the goodwill arising from the respective acquisition.

The Group's share in profits and losses of associates and joint ventures is carried in the income statement as from the date of acquisition (Share of result from joint ventures and associates), while the Group's share in changes in reserves is shown in its revenue reserves. The accumulated changes arising after the acquisition are shown in the carrying amount of the participation. When the share in the loss of an associated company or joint venture equals or exceeds the Group's original stake in this company, including other unsecured receivables, no further losses are recognised. Any losses exceeding that stake are only recognised to the extent that obligations have been assumed or payments have been made for the associated company or joint venture.

Where the accounting and measurement methods applied by associates and joint ventures differ from the uniform accounting rules applied in the Group, the differences are adjusted.

Intercompany receivables and payables or provisions are eliminated. Intercompany turnover and other income as well as the corresponding expenses are eliminated. Intercompany results from intercompany deliveries and services are reversed through profit and loss, taking account of deferred taxes. However, intercompany losses are an indicator that an asset may be impaired. Intercompany profits from transactions with companies measured at equity are eliminated in relation to the Group's stake in the company. Intercompany transactions are provided at arm's length.

Accounting and measurement methods

The consolidated financial statements were prepared according to the historical cost principle, with the exception of certain financial instruments such as financial assets and derivatives held for trading or available for sale as well as plan assets from externally funded defined-benefit obligations held at fair value at the balance sheet date.

The financial statements of the consolidated subsidiaries are prepared in accordance with uniform accounting and measurement principles. The amounts recognised in the consolidated financial statements are not determined by tax regulations but solely by the commercial presentation of the net assets, financial position and results of operations as set out in the rules of the IASB.

TURNOVER RECOGNITION

Turnover comprises the fair value of the consideration received or to be received for the sale of products and services in the course of ordinary business activities. Turnover is stated excluding value-added tax, returns, discounts and price rebates and after elimination of intra-Group sales.

Turnover and other income is recognised upon delivery of the service or assets and hence upon transfer of the risk.

The commission fees received by travel agencies for package tours are recognised once the travel agencies have performed their contractual obligations towards the tour operator. As a rule, this condition is met upon payment by the customers or, at the latest, at the date of departure. The services of tour operators mainly consist in organising and coordinating package tours. Turnover from the organisation of tours is therefore recognised in full when the customer departs. Turnover from individual travel modules booked by the customer directly with airlines, hotel companies or incoming agencies is recognised when the customers use the services concerned. Income from non-completed cruises is recognised according to the proportion of contract performance at the balance sheet date. The percentage of completion is determined as the ratio between travel days completed by the balance sheet date and overall travel days.

Interest income is reported on a prorated basis according to the effective interest method. Dividends are recognised when the legal entitlement has arisen.

GOODWILL AND OTHER INTANGIBLE ASSETS

Acquired intangible assets are carried at cost. Self-generated intangible assets, primarily software for use by the Group itself, are capitalised at cost where an inflow of future economic benefits for the Group is probable and can be reliably measured. The cost to produce comprises direct costs and directly allocable overheads. Intangible assets with a finite service life are amortised over the expected useful life.

Intangible assets acquired as a result of business combinations, such as order book, customer base or trademark rights, are included at their fair value as at the date of acquisition and are amortised on a straight-line basis.

USEFUL LIVES OF INTANGIBLE ASSETS

	Useful lives
Concessions, property rights and similar rights	up to 20 years
Trademarks at acquisition date	15 to 20 years
Order book as at acquisition date	until departure date
Software	3 to 10 years
Customer base as at acquisiton date	up to 15 years

If there are any events or indications suggesting potential impairment, the amortised carrying amount of the intangible asset is compared with the recoverable amount. Any losses in value going beyond wear-and-tear depreciation are taken into account through the recognition of impairments.

Depending on the functional area of the intangible asset, depreciation, amortisation and impairments are included under cost of sales or administrative expenses. If the original cause of a prior year impairment no longer applies, the impairment is written back to other income.

Intangible assets with indefinite useful lives are not amortised but are tested for impairment at least annually. In addition, impairment tests are conducted if there are any events or indications suggesting potential impairment. The TUI Group's intangible assets with an indefinite useful life consist exclusively of goodwill.

Impairment tests for goodwill are conducted on the basis of cash generating units. According to the IASB rules, cash generating units are the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Impairments are recognised where the carrying amount of the tested units plus the allocated goodwill exceeds the recoverable amount. The recoverable amount is the higher of fair value less costs of disposal and the present value of future cash flows based on continued use (value in use). The fair value less costs of disposal corresponds to the amount that could be generated between knowledgeable, willing, independent business partners after deduction of the costs of disposal. Due to the restrictions applicable to the determination of cash flows when deriving the value in use, e.g. the requirement not to account for earnings effects from investments in expansions or from restructuring activities for which no provision was formed according to IAS 37, the fair value less costs of disposal usually exceeds the value in use and therefore represents the recoverable amount.

Impairments of goodwill required are shown separately in the consolidated income statement. In accordance with IAS 36, reversals of goodwill impairment losses is prohibited.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at amortised cost. The costs to purchase include costs to bring the asset to a working condition. The costs to produce are determined on the basis of direct costs and directly attributable indirect costs and depreciation.

Borrowing costs directly associated with the acquisition, construction or production of qualifying assets are included in the costs to acquire or produce these assets until the assets are ready for their intended use. The capitalisation rate is 3.25 % for the current financial year and 4.00 % for the previous year. In financial year 2015 / 16, borrowing costs of € 2.1 m (previous year € 8.8 m) were capitalised as part of the costs to purchase and costs to produce. Other borrowing costs are recognised as current expenses.

To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the underlying capitalisation rate is determined on the basis of the specific borrowing cost; in all other cases the weighted average of the borrowing costs applicable to the borrowings outstanding is applied.

Depreciation of property, plant and equipment is based on the straight-line method, based on the customary useful lives. The useful economic lives are as follows:

USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

	Useful lives
Hotel buildings	30 to 40 years
Other buildings	up to 50 years
Cruise ships	20 to 30 years
Yachts	5 to 15 years
Motorboats	15 to 24 years
Aircraft	
Fuselages and engines	up to 18 years
Engine overhaul	depending on intervals, up to 5 years
Major overhaul	depending on intervals, up to 5 years
Spare parts	12 years
Other machinery and fixtures	up to 40 years
Operating and business equipment	up to 10 years

Moreover, the level of depreciation is determined by the residual amounts recoverable at the end of the useful life of an asset. The residual value assumed in first-time recognition for cruise ships and hotel complexes is 30 % of the acquisition costs. The determination of the depreciation of aircraft fuselages, aircraft engines and spare parts in first-time recognition is based on a residual value of 20 % of the cost of acquisition.

Both the useful lives and residual values are reviewed on an annual basis when preparing the annual financial statements. The review of the residual values is based on comparable assets at the end of their useful lives as at the current point in time. Any adjustments required are recognised as a correction of depreciation over the remaining useful life of the asset. The adjustment of depreciation is recognised retrospectively for the entire financial year in which the review has taken place. Where the review results in an increase in the residual value so that it exceeds the remaining net carrying amount of the asset, depreciation is suspended. In this case, the amounts are not written back.

Any losses in value going beyond wear-and-tear depreciation are taken into account through the recognition of impairment losses. If there are any events or indications suggesting impairment, the required impairment test is performed to compare the carrying amount of an asset with the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and the value of future cash flows attributable to the asset (value in use).

Investment grants received are shown as reductions in the costs to purchase or produce items of property, plant or equipment where these grants are directly allocable to individual items. Where a direct allocation of grants is not possible, the grants and subsidies received are included as deferred income under other liabilities and reversed in accordance with the use of the investment project.

LEASES

FINANCE LEASES

In accordance with IAS 17, leased property, plant and equipment in which the TUI Group assumes substantially all the risks and rewards of ownership is capitalised. Capitalisation is based on the fair value of the asset or the present value of the minimum lease payments, if lower. Depreciation is charged over the useful life or the lease term, if shorter, on the basis of the depreciation method applicable to comparable purchased or manufactured assets. Payment obligations arising from future lease payments are disclosed as liabilities, excluding future interest expenses. Every lease payment is broken down into an interest portion and a redemption portion so as to produce a constant periodic rate of interest on the remaining balance of the liability. The interest portion is disclosed in the income statement through profit or loss.

Where companies of the TUI Group are lessors in finance leases, receivables equivalent to the net investment value are included for the leases. The periodic distribution of the income from finance leases results in constant interest payments on the outstanding net investment volume of the leases over the course of time.

OPERATING LEASES

Both expenses incurred and income received under operating leases are recognised in the income statement on a straight-line basis over the term of the corresponding leases.

SALE-AND-LEASE-BACK TRANSACTIONS

Gains from sale-and-lease-back transactions resulting in a finance lease are recognised in income over the term of the lease.

If a sale-and-lease-back transaction results in an operating lease, a gain or loss is recognised immediately if the transaction has demonstrably been carried out at fair value. If a loss is compensated for by future lease payments at below-market price, this loss is deferred and amortised over the term of the lease agreement. If the agreed purchase price exceeds fair value, the gain arising from the difference between these two values is also deferred and amortised.

INVESTMENT PROPERTY

Property not occupied for use by subsidiaries and exclusively held to generate rental income and capital gains is recognised at amortised cost. This property is amortised over a period of up to 50 years.

FINANCIAL INSTRUMENTS

Financial instruments are contractual rights or obligations that will lead to an inflow or outflow of financial assets or the issue of equity rights. They also comprise derivative rights or obligations derived from primary assets.

In accordance with IAS 39, financial instruments are broken down into financial assets or liabilities to be measured at fair value through profit and loss, loans and receivables, financial assets available for sale, financial assets held to maturity and other liabilities.

In terms of financial instruments measured at fair value through profit and loss, the TUI Group holds derivative financial instruments mainly to be classified as held for trading as they do not meet the balance sheet-related criteria as hedges in the framework of a hedging relationship. The fair value option is not exercised. Moreover, the TUI Group holds financial assets in the loans and receivables and available for sale categories. However, the present financial statements do not include any assets held to maturity.

In financial year 2015 / 16 as well as in the prior year, no significant reclassifications were made within the individual measurement categories.

PRIMARY FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Primary financial assets are recognised at the value as at the trading date on which the Group commits to buy the asset. Primary financial assets are classified as loans and receivables or as financial assets available for sale when recognised for the first time. Loans and receivables as well as financial assets available for sale are initially recognised at fair value plus transaction costs.

Loans and receivables are non-derivative financial assets with fixed or fixable contractual payments not listed in an active market. They are shown under trade accounts receivable and other assets in the statement of financial position and classified as current receivables if they mature within twelve months of the balance sheet date.

For subsequent measurement, loans and receivables are valued at amortised cost based on the effective interest method. Value adjustments are made to account for identifiable individual risks. Where objective information indicates that impairments are required, e. g. substantial financial difficulties of the counterparty, payment delays or adverse changes in regional industry conditions expected to impact the Group's borrowers in the light of past experience, impairments are recognised at an amount corresponding to the expected loss. Impairments and reversals of impairments are included under cost of sales, administrative expenses or financial expenses, depending on the nature of the transaction.

Financial assets available for sale are non-derivative financial assets either individually expressly allocated to this category or not allocable to any other category of financial assets. Within the TUI Group, they consist of stakes in companies and securities. They are allocated to non-current assets unless management intends to sell them within twelve months of the balance sheet date.

Financial assets available for sale are measured at their fair value upon initial recognition. Changes in the fair value are included in equity outside profit or loss until the disposal of the assets. If there is objective evidence of impairment, an impairment loss is taken through profit and loss. Objective evidence may, in particular, be substantial financial difficulties of the counterparty and significant changes in the technological, market, legal or economic environment. Moreover, for equity instruments held, a significant or prolonged decline in the fair value below its cost is also objective evidence of impairment. The TUI Group concludes that a significant decline exists if the fair value falls by more than 20 % below cost. A decline is assessed as prolonged if the fair value remains below cost for more than twelve months. In the event of subsequent reversal of the impairment, the impairment included in profit or loss is not reversed for equity instruments but recognised in other comprehensive income. Where a listed market price in an active market is not available for shares held in companies and other methods to determine an objective market value are not applicable, these equity instruments are measured at cost.

A derecognition of assets is primarily recognised as at the date on which the rights for payments from the asset expire or are transferred and therefore as at the date essentially all risks and rewards of ownership are transferred.

Primary financial liabilities are included in the consolidated statement of financial position if an obligation exists to transfer cash and cash equivalents or other financial assets to another party. First-time recognition of a primary liability is recognised at its fair value. For loans taken out, the nominal amount received is reduced by discounts obtained and borrowing costs paid. In the framework of follow-up measurement, primary financial liabilities are measured at amortised cost based on the effective interest method.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

At initial measurement, derivative financial instruments are measured at the fair value attributable to them on the date the contract is entered into. Subsequent re-measurement is also recognised at the fair value applicable at the respective balance sheet date. Where derivative financial instruments are not part of a hedge in connection with hedge accounting, they have to be classified as held for trading in accordance with IAS 39.

The method used to recognise profits and losses depends on whether the derivative financial instrument has been classified as a hedge and on the type of underlying hedged item. Changes in the fair values of derivative financial instruments are recognised in profit and loss unless they are classified as a hedge in accordance with IAS 39. If they are classified as an effective hedge in accordance with IAS 39, the transaction is recognised as a hedge.

The TUI Group applies the hedge accounting provisions relating to hedging of balance sheet items and future cash flows. Depending on the nature of the underlying transaction, the Group classifies derivative financial instruments either as fair value hedges against exposure to changes in the fair value of assets or liabilities or as cash flow hedges against variability in cash flows from highly probable future transactions.

Upon conclusion of the transaction, the Group documents the hedge relationship between the hedge and the underlying item, the risk management goal and the underlying strategy. In addition, a record is kept of the assessment, both at the beginning of the hedge relationship and on a continual basis, as to whether the derivatives used for the hedge are highly effective in compensating for the changes in the fair values or cash flows of the underlying transactions.

Changes in the fair value of derivatives used as fair value hedges for the recognised assets or liabilities are recognised through profit and loss. Moreover, the carrying amounts of the underlying transactions are adjusted through profit and loss for the gains or losses resulting from the hedged risk.

The effective portion of changes in the fair value of derivatives forming cash flow hedges is recognised in equity. Any ineffective portion of such changes in the fair value, by contrast, is recognised immediately in the income statement through profit and loss. Amounts taken to equity are reclassified to the income statement and included as income or expenses in the period in which the hedged item has an effect on results.

If a hedge expires, is sold or no longer meets the criteria for hedge accounting, the cumulative gain or loss remains in equity and is only recognised in the income statement through profit and loss when the originally hedged future transaction occurs. If the future transaction is no longer expected to take place, the cumulative gains or losses recognised directly in equity are recognised immediately through profit and loss.

INVENTORIES

Inventories are measured at the lower of cost or net realisable value. Net realisable value is the estimated selling price less the estimated cost incurred until completion and the estimated variable costs required to sell. All inventories are written down individually where the net realisable value of inventories is lower than their carrying amounts. Where the original causes of inventory write-downs no longer apply, the write-downs are reversed. The measurement method applied to similar inventory items is the weighted average cost formula.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash, call deposits, other current highly liquid financial assets with an original term of a maximum of three months and current accounts. Overdrawn current accounts are shown as liabilities to banks under current financial liabilities.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if the associated carrying amount will be recovered principally through sale rather than through continued use.

The reclassification is made at the lower of carrying amount and fair value less cost of disposal. Depreciation and at equity measurements are suspended. Impairment charges are recognised in profit and loss, with any gains on subsequent remeasurement resulting in the recognition of profits of up to the amount of the cumulative impairment cost.

EQUITY

Ordinary shares are classified as equity. Costs directly allocable to the issue of new shares or conversion options are taken to equity on a net after-tax basis as a deduction from the issuance proceeds.

OWN SHARES

The group's holdings in its own equity instruments are shown as deductions from shareholders' equity at cost, including directly attributable transaction costs. Own equity instruments are held by an employee benefit trust of TUI Travel Ltd. No gain or loss is recognised in the income statement on the purchase or sale of shares by the employee benefit trust. Any difference between the proceeds from sale and the original cost are taken to reserves.

PROVISIONS

Other provisions are formed when the Group has a current legal or constructive obligation as a result of a past event and where in addition it is probable that assets will be impacted by the settlement of the obligation and the level of the provision can be reliably determined. Provisions for restructuring comprise severance payments to employees and payments for the early termination of rental agreements. Provisions for environmental protection measures, in particular the disposal of legacy industry waste, are recognised if future cash outflows are likely due to legal and public obligations to implement safeguarding or restoration measures, if the cost of these measures can be reliably estimated and the measures are not expected to lead to a future inflow of benefits.

Provisions for onerous losses are formed if the unavoidable costs of meeting contractual obligations exceed the expected economic benefit. Any assets concerned are impaired, if necessary, prior to forming the appropriate provision. No provisions are recognised for future operating losses.

Where a large number of similar obligations exist, the probability of a charge over assets is determined on the basis of this group of obligations. A provision is also recognised if the probability of a charge over assets is low in relation to an individual obligation contained in this group.

Provisions are measured at the present value of the expected expenses, taking account of a pre-tax interest rate, reflecting current market assessments of the time value of money and the risks specific to the liability. Risks already taken into account in estimating future cash flows do not affect the discount rate. Increases in provisions due to accretion of interest are recognised as interest expenses through profit or loss.

The pension provision recognised for defined benefit plans corresponds to the net present value of the defined benefit obligations (DBOs) as at the balance sheet date less the fair value of the plan assets. If the value of the plan assets exceeds the value of the DBO, the exceeding amount is shown within other assets. Measurement of such an asset is limited to the net present value of the value in use in the form of reimbursements from the plan or reductions in future contribution payments. The DBOs are calculated annually by independent actuaries using the projected unit credit method. The net present value of the DBOs is calculated by discounting the expected future outflows of cash at a rate based on the interest rate of top-rated corporate bonds.

Past service cost is immediately recognised through profit or loss. Remeasurements (in particular actuarial gains and losses) arising from the regular adjustment of actuarial parameters are eliminated against equity outside profit and loss in full when they occur.

For defined contribution plans, the Group pays contributions to public or private pension insurance plans on the basis of a statutory or contractual obligation or on a voluntary basis. The Group does not have any further payment obligations on top of the payment of the contributions. The contributions are recognised under staff costs when they fall due.

LIABILITIES
Liabilities are always recognised at the date on which they arise at fair value less borrowing and transaction costs. Over the course of time, liabilities are measured at amortised cost based on application of the effective interest method.

As a matter of principle, the foreign exchange differences resulting from the translation of trade accounts payable are reported as a correction of the cost of sales. Foreign exchange differences from the translation of liabilities not resulting from normal operating processes are reported under other income / other expenses, financial expenses / income or administrative expenses, depending on the nature of the underlying liability.

DEFERRED TAXES
In accordance with IAS 12, deferred taxes are determined using the balance sheet liability method. Accordingly, probable future tax assets and liabilities are recognised for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Expected tax savings from the use of losses carried forward assessed as recoverable in the future are recognised as deferred tax assets. Regardless of the unlimited ability to carry German losses forward which continues to exist, the annual utilisation is limited by the minimum taxation. Foreign losses carried forward frequently have to be used within a given country-specific time limit and are subject to restrictions concerning the use of these losses carried forward for profits on ordinary activities, which are taken into account accordingly in the measurement.

Income tax is directly charged or credited to equity if the tax relates to items directly credited or charged to equity in the same period or some other period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference or an unused tax loss can be utilised.

Deferred taxes are measured at the tax rates and tax provisions applicable at the balance sheet date or adopted by law and expected to be applicable at the date of recognition of the deferred tax asset or the payment of the deferred tax liability.

CURRENT INCOME TAXES
The German companies of the TUI Group have to pay trade income tax of 15.7 % (previous year 15.2 %). As in the prior year, the corporation tax rate is 15.0 %, plus a 5.5 % solidarity surcharge on corporation tax.

The calculation of foreign income taxes is based on the laws and provisions applicable in the individual countries. The income tax rates applied to foreign companies vary from 0.0 % to 40.0 %.

Deferred and current income tax liabilities are offset against the corresponding tax assets if they exist in the same fiscal territory and have the same nature and maturity.

SHARE-BASED PAYMENTS
All share-based payment schemes in the Group are payment schemes paid in cash or via equity instruments.

For transactions with cash compensation, the resulting liability for the Group is charged to expenses at its fair value as at the date of the performance of the service by the beneficiary. Until payment of the liability, the fair value of the liability is remeasured at every closing date and all changes in the fair value are recognised through profit and loss.

For equity settled transactions the fair value of the awards granted is recognised under staff costs with a corresponding direct increase in equity. The fair value is determined at the point when the awards are granted and spread over the vesting period during which the employees become entitled to the awards.

The fair value of the awards granted is measured using option valuation models, taking into account the terms and conditions upon which the awards were granted. The amount to be included under staff costs is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to market-based performance conditions not meeting the thresholds for vesting.

SUMMARY OF SELECTED ACCOUNTING AND MEASUREMENT METHODS

The table below lists the key accounting and measurement methods used by the TUI Group.

SUMMARY OF SELECTED MEASUREMENT BASES

Item in the statement of financial position	Measurement base
Assets	
Goodwill	At cost (subsequent measurement: impairment test)
Other intangible assets with indefinite useful lives	At cost (subsequent measurement: impairment test)
Other intangible assets with definite useful lives	At amortised cost
Property, plant & equipment	At amortised cost
Equity accounted investments	At cost as adjusted for post-acquisition changes in the Group's share of the investment's net assets
Financial assets	
Loans and receivables	At amortised cost
Held to maturity	Not applicable
Held for trading/Derivatives	At fair value
Available for sale	Fair value (with gains or losses recognised within other comprehensive income) or at cost
Inventory	Lower of cost and net realisable value
Trade and other receivables	At amortised cost
Cash and cash equivalents	At cost
Assets held for sale	Lower of cost and fair value less cost of disposal
Liabilities and Provisions	
Loans and borrowings	At amortised cost
Provision for pensions	Projected unit credit method
Other provisions	Present value of the settlement amount
Financial liabilities	
Non-derivative financial liabilities	At amortised cost
Derivative financial liabilities	At fair value
Payables, trade and other liabilities	At amortised cost

Key estimates and judgements

The presentation of the assets, liabilities, provisions and contingent liabilities shown in the consolidated financial statements is based on estimates and judgements. Any uncertainties are appropriately taken into account in determining the values.

All estimates and judgements are based on the conditions and assessments as at the balance sheet date. In evaluating the future development of business, reasonable assumptions were made regarding the expected future economic environment in the business areas and regions in which the Group operates.

Estimates and judgements that may have a material impact on the amounts reported for assets and liabilities in the TUI Group are mainly related to the following balance sheet-related facts and circumstances:

- Establishment of assumptions for impairment tests, in particular for goodwill,
- Determination of the fair values for acquisitions of companies and determination of the useful lives of acquired intangible assets,
- Determination of useful lives and residual carrying amounts of property, plant and equipment,
- Determination of actuarial assumptions to measure pension obligations,
- Recognition and measurement of other provisions,
- Recoverability of future tax savings from tax losses carried forward and tax-deductible temporary differences
- Measurement of tax risks
- Recoverable amounts of touristic prepayments.

Other estimates and judgements relate to the determination of the recoverable amount in relation to impairment tests for equity accounted investments and the determination of the fair value of financial instruments.

Despite careful preparation of the estimates, actual results may differ from the estimate. In such cases, the assumptions and the carrying amounts of the assets and liabilities concerned, if necessary, are adjusted accordingly. As a matter of principle, changes in estimates are taken into account in the financial year in which the changes have occurred and in future periods.

GOODWILL

The goodwill reported as at 30 September 2016 has a carrying amount of € 2,853.5 m (previous year € 3,220.4 m). The determination of the recoverable amount of a CGU for the annual impairment test requires estimates and judgement with regard to the methodology used and the assumptions, which may have a considerable effect on the recoverable amount and the level of a potential impairment. They relate, in particular, to the weighted average cost of capital (WACC) after income taxes, used as the discounting basis, the growth rate in perpetuity and the forecasts for future cash flows including the underlying budget assumptions based on corporate planning. Changes in these assumptions may have a substantial impact on the recoverable amount and the level of a potential impairment.

ACQUISITION OF COMPANIES AND INTANGIBLE ASSETS

In accounting for business combinations, the identifiable assets, liabilities and contingent liabilities acquired have to be measured at their fair values. In this context, cash flow-based methods are regularly used. Depending on the assumptions underlying such methods, different results may be produced. In particular, some judgement is required in estimating the economic useful lives of intangible assets and determining the fair values of contingent liabilities.

Detailed information on acquisitions of companies or useful lives of intangible assets is provided in the section “Acquisitions – divestments – discontinued operation” in the chapter on “Principles and methods of consolidation” and in the section on “Goodwill and other intangible assets” of the chapter “Accounting and measurement methods”.

PROPERTY, PLANT AND EQUIPMENT

The measurement of wear-and-tear to property, plant and equipment items entails estimates. The carrying amount of property, plant and equipment as at 30 September 2016 totals € 3,714.5 m (previous year € 3,636.8 m). In order to review the amounts carried, an evaluation is carried out on an annual basis to assess whether there are any indications of a potential impairment. These indications relate to a number of areas and factors, e. g. the market-related or technical environment but also physical condition. If any such indication exists, management must estimate the recoverable amount on the basis of expected cashflows and appropriate interest rates. Moreover, essential estimates and judgements relate to the definition of economic useful lives as well as the residual amounts of items of property, plant and equipment which may be recovered.

More detailed information on the useful lives and residual values of property, plant and equipment items is provided in the section “Property, plant and equipment” in the chapter “Accounting and measurement methods”.

PENSION PROVISIONS

As at 30 September 2016, the carrying amount of provisions for pensions and similar obligations totals € 1,450.9 m (previous year € 1,146.9 m). For those pension plans where the plan assets exceed the obligation, other assets amounting to € 36.2 m are shown as at 30 September 2016 (prior year € 15.2 m).

In order to determine the obligations under defined benefit pension schemes, actuarial calculations are used which rely on underlying assumptions concerning life expectancy and the discount rate. In respect of the estimation of the discount rate used for the UK pensions plans, there has been a change as at 30 September 2016 in regard to the determination that is explained in the section "Changes in estimates".

At the balance sheet date, the fair value of the plan assets totals € 2,676.0 m (previous year € 2,302.1 m). As assets classified as plan assets are never available for short-term sale, the fair values of these plan assets may change significantly up to the realisation date. The interest rate used to discount the liability is also used to determine the expected return on plan assets.

Detailed information on actuarial assumptions is provided in Note 31.

OTHER PROVISIONS

As at 30 September 2016, other provisions of € 1,177.8 m (previous year € 1,209.7 m) are reported. When recognising and measuring provisions, assumptions are required about probability of occurrence, maturity and level of risk. Provisions are recognised if a past event has resulted in a current legal or constructive obligation, if an outflow of assets is probable in order to meet that obligation, and if a reliable estimate can be made of the amount of the liability.

Determining whether a current obligation exists is usually based on review by internal or external experts. The amount of provision is based on expected expenses, and is either calculated by assessing the specific case in the light of empirical values, outcomes from comparable circumstances, or else estimated by experts. Due to the uncertainties associated with assessment, actual expenses may deviate from estimates so that unexpected charges may result.

More detailed information on other provisions is offered in the Notes to the statement of financial position in Note 32.

DEFERRED TAX ASSETS

As at 30 September 2016, deferred tax assets totalling € 344.7 m (previous year € 330.7 m restated) were recognised. Prior to offsetting against deferred tax liabilities, deferred tax assets total € 727.5 m, included an amount of € 211.5 m (previous year € 239.4 m) for recognised losses carried forward. The assessment of the recoverability of deferred tax assets is based on the ability of the respective Group company to generate sufficient taxable income. TUI therefore assesses at every balance sheet date whether the recoverability of expected future tax savings is sufficiently probable in order to recognise deferred tax assets. The assessment is based on various factors including internal forecasts regarding the future tax asset situation of the Group company. If the assessment of the recoverability of future deferred tax assets changes, impairments may be recognised, if necessary, on the deferred tax assets.

More detailed information on deferred tax assets is available in the Notes to the statement of financial position in Note 21.

INCOME TAXES

The Group is liable to pay income taxes in various countries. Key estimates are required when determining income tax liabilities, including the probability, the timing and the size of any amounts that may become payable. For certain transactions and calculations the final tax charge cannot be determined during the ordinary course of business. After taking appropriate external advice, the Group makes provisions or discloses contingencies for uncertain tax positions based on the probable or possible level of additional taxes that might be incurred. The level of obligations for expected tax audits is based on an estimation of whether and to what extent additional income taxes will be due. Judgements are corrected, if necessary, in the period in which the final tax charge is determined.

Detailed information on the German trade tax liability is available in the Notes to contingent liabilities in Note 39.

RECOVERABLE AMOUNTS OF TOURISTIC PREPAYMENTS

At 30 September 2016, trade receivables and other assets include touristic prepayments of € 724.2 m (previous year € 966.6 m). The assessment of the recoverable amounts of touristic prepayments made to hoteliers requires judgement about the volume of future trading with hoteliers and the credit worthiness of those hoteliers. To assess the recoverablity of touristic prepayments, TUI considers the financial strength of those hoteliers, the quality of the hotels as well as the demand for each hotel and the relevant destination during the past and in coming seasons.

CHANGES IN ESTIMATES

In financial year 2015 / 16, the basis for the determination of the discount rate for pension plans in the UK has changed. The discount rate used for pension provisions is based on an index of first-class corporate bonds. Previously, the yield structure resulting from that index has been extrapolated on the basis of the yield curves for various almost risk-free bonds, taking account of an appropriate risk mark-up reflecting the term of the obligation. The bonds to be used have to reflect the maturity of the obligation. Due to the small size of the market for long-term bonds, the calculation has exclusively been based on market data for medium-term bonds to date. In order to enhance the presentation of the maturities profile of UK pension plans, the determination of the yield structure now also includes bonds with longer maturities. This change causes an increase in the scope of market data included in the determination.

The change in this estimate causes an increase in the discount rate of 15 basis points. As a result, provisions for pensions and similar obligations declined by € 111.5 m, while deferred tax assets decreased by € 22.3 m and equity rose by € 89.2 m without impact on profit and loss.

Due to the higher discount rate, the net interest on the defined benefit pension plans will also increase in the next financial year. Applying the same estimates as in the past, the net interest for the pension plans concerned would be € 64.3 m for financial year 2016 / 17. Using the changed estimates, the expected net interest for these plans now totals € 68.7 m for the next financial year.

Segment reporting

Notes on the segments

The identification of operating segments is based on the internal organisational and reporting structure primarily built around the different products and services as well as a geographical structure within the TUI Group. Allocation of individual organisational entities to operating segments is exclusively based on economic criteria, irrespective of the participation structure under company law. The segments are independently managed by those in charge, who regularly receive separate financial information for each segment. They regularly report to the Group Executive Committee, which consists of five Executive Board members and six other executives. The legally binding decision regarding the use of resources is taken by the Executive Board. The TUI Group Executive Board has therefore been identified as the Chief Operating Decision Maker (CODM) in accordance with IFRS 8.

The Northern Region segment comprises the tour operators and airlines as well as the cruise business in the UK, Ireland and the Nordic countries. This segment also comprises the strategic Canadian venture Sunwing and the joint venture TUI Russia. Since Q3 2015 / 16, this segment has also included the tour operators Crystal Ski and Thomson Lakes & Mountains, previously carried in the Specialist Group segment, which provide winter season business for the UK airline. The prior year's numbers have been restated to reflect the changes in the segments.

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

The Western Region segment comprises the tour operators and airlines in Belgium and the Netherlands and the tour operator in France.

The Hotels & Resorts segment comprises all Group-owned hotels and hotel shareholdings of the TUI Group. The hotel activities of the former Travel Sector have also been allocated to the Hotels & Resorts segment.

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

The Other Tourism segment comprises the French schedules airline Corsair and central tourism functions such as the flight control and information technology. In addition, the incoming agencies previously carried in the Hotelbeds Group segment have been integrated into the Tourism business and are therefore also shown in the Other Tourism segment. The prior year's numbers have been restated to reflect the changes in the segments.

In addition to the above segments forming the Tourism business, "All other segments" is recognised. It comprises all business operations not related to the Tourism business, and includes the central corporate functions and interim holdings of TUI Group and the Group's real estate companies.

Due to the planned sale of Specialist Group in financial year 2016 / 17, this segment is carried as a discontinued operation at the balance sheet date. The prior year's numbers are restated accordingly. Specialist Group comprises the specialist tour operators, offering expedition travel, luxury tours, sports event packages, student travel and sailing holidays. Hotelbeds Group, classified as a discontinued operation in Q2 2015 / 16, which comprises B2B hotel portals and incoming agencies, was sold on 12 September 2016. The turnover and profit until the divestment date are also shown in the line "Discontinued operations". The prior year's segment reporting was adjusted accordingly. Discontinued operations also include LateRooms Group until it was sold on 6 October 2015. For more detailed explanations of discontinued operations, refer to the section Discontinued operations in the section on Acquisitions – Divestments – Discontinued Operations.

Notes to the segment data

The selection of segment data presented is based on the regular internal reporting of segmented financial indicators to the Executive Board. Segment reporting discloses in particular the performance indicators EBITA and underlying EBITA, since these indicators are used for value-oriented corporate management and thus represent the consolidated performance indicator within the meaning of IFRS 8.

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

In contrast to EBITA, the underlying EBITA has been adjusted for gains on disposal of financial investments, expenses in connection with restructuring measures according to IAS 37, all effects of purchase price allocations, ancillary acquisition cost and conditional purchase price payments and other expenses for and income from one-off items. The one-off items carried as adjustments are income and expense items impacting or distorting the assessment of the operating profitability of the segments and the Group due to their levels and frequency. These one-off items include major restructuring and integration expenses not meeting the criteria of IAS 37, major expenses for litigation, profit and loss from the sale of aircraft and other material business transactions of a one-off nature.

Alongside this indicator, segment reporting is extended to include EBITDA and EBITDAR. In the TUI Group EBITDA is defined as earnings before interest, income taxes, goodwill impairments and amortisation and write-ups of other intangible assets, depreciation and write-ups of property, plant and equipment and investments. The amounts of amortisation and depreciation represent the net balance including write-backs. For the reconciliation from EBITDA to the indicator EBITDAR, long-term leasing and rental expenses are eliminated.

Internal and external turnover, depreciation and amortisation, impairments on other intangible assets (excluding goodwill), property, plant and equipment and investments as well as the share of result of joint ventures and associates are likewise shown for each segment, as these amounts are included when measuring EBITA. As a rule, inter-segment business transactions are based on the arm's length principle, as applied in transactions with third parties. No single external customer accounts for 10 % or more of turnover.

Assets and liabilities per segment are not included in the reporting to the Executive Board and are therefore not shown in segment reporting. The only asset-related segmental indicator reported to the Executive Board is capital expenditure, which therefore is also disclosed in the segment reporting. The amounts shown represent cash capital expenditure on intangible assets and property, plant and equipment in line with the indicator reported internally. Related financing loans and finance lease agreements are not included in this indicator. Therefore the amount of the capital expenditure does not coincide with the additions to intangible assets and property, plant and equipment in the fixed assets and intangible assets movements. A reconciliation of the investments is presented in a separate table.

Depreciation, amortisation and write-backs relate to non-current assets that are split geographically and do not include goodwill impairments.

The non-current assets, which are split geographically, contain other intangible assets, investment property, property, plant and equipment and other non-current assets that do not meet the definition of financial instruments.

Segment indicators

TURNOVER BY SEGMENT

€ million	2015/16 External	2015/16 Group	2015/16 Total	2014/15 External	2014/15 Group restated	2014/15 Total restated
Northern Region	7,001.5	50.9	7,052.4	7,348.4	71.4	7,419.8
Central Region	5,566.6	54.8	5,621.4	5,600.9	57.9	5,658.8
Western Region	2,869.9	18.9	2,888.8	2,847.0	9.6	2,856.6
Hotels & Resorts	618.6	659.8	1,278.4	574.8	677.4	1,252.2
Cruises	296.7	–	296.7	273.3	–	273.3
Other Tourism	665.5	258.0	923.5	704.8	160.2	865.0
Consolidation	–	–972.7	–972.7	–	–885.4	–885.4
Tourism	**17,018.8**	**69.7**	**17,088.5**	**17,349.2**	**91.1**	**17,440.3**
All other segments	165.8	44.1	209.9	166.3	40.6	206.9
Consolidation	–	–113.8	–113.8	–	–131.7	–131.7
Continuing operations	**17,184.6**	**–**	**17,184.6**	**17,515.5**	**–**	**17,515.5**
Discontinued operations	2,321.6	108.9	2,430.5	2,565.8	64.8	2,630.6
Total	**19,506.2**	**108.9**	**19,615.1**	**20,081.3**	**64.8**	**20,146.1**

EBITA AND UNDERLYING EBITA BY SEGMENT

€ million	EBITA 2015/16	EBITA 2014/15	Underlying EBITA 2015/16	Underlying EBITA 2014/15
Northern Region	440.4	513.4	460.9	538.4
Central Region	67.3	72.9	88.5	103.5
Western Region	72.1	57.7	86.1	68.7
Hotels & Resorts	285.1	195.7	287.3	234.6
Cruises	129.6	80.5	129.6	80.5
Other Tourism	–6.2	–4.1	4.6	8.4
Tourism	**988.3**	**916.1**	**1,057.0**	**1,034.1**
All other segments	–90.2	–121.5	–56.5	–80.9
Continuing operations	**898.1**	**794.6**	**1,000.5**	**953.3**
Discontinued operations	14.7	2.6	92.9	107.3
Total	**912.8**	**797.2**	**1,093.4**	**1,060.5**

In order to enhance comparability, EBITA from the discontinued operations does not include the gain from the sale of Hotelbeds Group.

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

€ million	**2015/16**	2014/15 restated
Underlying EBITA of continuing operations	**1,000.5**	**953.3**
Result on disposal*	– 0.8	3.3
Restructuring expense*	–12.0	– 59.4
Expense from purchase price allocation*	– 41.9	– 42.1
Expense from other one-off items*	– 47.7	– 60.5
EBITA of continuing operations	**898.1**	**794.6**
Profit on Container Shipping measured at equity	–	0.9
Loss on measurement of financial investment in Container Shipping	–100.3	–147.1
Net interest expense and expense from measurement of interest hedges	–179.5	–182.6
Earnings before income taxes of continuing operations	**618.3**	**465.8**

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

EBITDA AND EBITDAR BY SEGMENT

	EBITDA		Long-term leasing and rental expenses		EBITDAR	
€ million	**2015/16**	2014/15	**2015/16**	2014/15	**2015/16**	2014/15
Northern Region	534.6	619.3	372.8	374.9	907.4	994.2
Central Region	90.0	101.1	148.8	206.1	238.8	307.2
Western Region	97.9	78.0	153.5	144.2	251.4	222.2
Hotels & Resorts	380.1	308.7	110.1	116.8	490.2	425.5
Cruises	148.9	97.6	5.3	10.7	154.2	108.3
Other Tourism	54.5	60.6	39.3	36.1	93.8	96.7
Consolidation	–	–	–7.5	– 5.6	–7.5	– 5.6
Tourism	**1,306.0**	**1,265.3**	**822.3**	**883.2**	**2,128.3**	**2,148.5**
All other segments	– 0.9	– 50.6	376.8	373.8	375.9	323.2
Consolidation	–	–	– 454.7	– 451.9	– 454.7	– 451.9
Continuing operations	**1,305.1**	**1,214.7**	**744.4**	**805.1**	**2,049.5**	**2,019.8**
Discontinued operations	85.6	135.2	65.1	64.1	150.7	199.3
Total	**1,390.7**	**1,349.9**	**809.5**	**869.2**	**2,200.2**	**2,219.1**

OTHER SEGMENTAL INFORMATION

€ million	Amortisation(+)/ write-backs (–) of intangible assets and depreciation(+)/ write-backs (–) of property, plant and equipment and investments 2015/16	2014/15	Thereof impairments (+)/ write-backs (–) 2015/16	2014/15	Share of result of joint ventures and associates 2015/16	2014/15	Capital expenditure 2015/16	2014/15 restated
Northern Region	94.2	105.9	1.3	4.9	22.4	23.7	86.4	69.9
Central Region	22.7	28.2	0.1	4.4	3.1	3.1	20.6	23.6
Western Region	25.8	20.3	6.6	0.4	0.6	–	21.6	23.5
Hotels & Resorts	95.0	113.0	2.5	26.0	57.7	44.0	262.3	173.3
Cruises	19.3	17.1	–	–	100.1	68.1	10.7	88.5
Other Tourism	60.7	64.7	7.8	23.2	3.3	4.1	101.0	102.2
Tourism	**317.7**	**349.2**	**18.3**	**58.9**	**187.2**	**143.0**	**502.6**	**481.0**
All other segments	89.3	71.0	0.9	0.6	–	–	20.8	45.7
Continuing operations	**407.0**	**420.2**	**19.2**	**59.5**	**187.2**	**143.0**	**523.4**	**526.7**
Discontinued operations	70.9	132.5	16.9	50.1	0.3	0.6	82.2	75.3
Total	**477.9**	**552.7**	**36.1**	**109.6**	**187.5**	**143.6**	**605.6**	**602.0**

RECONCILIATION OF CAPITAL EXPENDITURE

€ million	2015/16	2014/15 restated
Capital expenditure	**605.6**	**602.0**
Debt financed investments	–	211.0
Finance leases	315.5	477.4
Advance payments	91.8	224.4
Additions to the group of consolidated companies	2.7	8.6
Additions to discontinued operations	–20.6	–
Additions to other intangible assets and property, plant and equipment	**995.0**	**1,523.4**

KEY FIGURES BY REGION

€ million	External turnover by customer 2015/16	2014/15	Thereof external turnover from discontinued operations 2015/16	2014/15	Non-current assets 2015/16	2014/15	Thereof non-current assets from discontinued operations 2015/16	2014/15
Germany	5,125.4	5,033.0	87.2	131.9	615.2	581.3	0.3	–
Great Britain	6,356.6	6,824.3	641.8	785.1	2,000.3	2,054.7	178.0	11.4
Spain	232.3	483.4	112.6	369.1	470.0	604.4	–	–
Other Europe	6,276.1	6,148.4	342.8	287.9	456.3	499.3	55.7	–
North and South America	1,038.6	972.8	835.8	716.0	401.5	533.8	71.5	–
Rest of the world	477.2	619.4	301.4	275.8	488.3	462.9	48.2	–
Total	**19,506.2**	**20,081.3**	**2,321.6**	**2,565.8**	**4,431.6**	**4,736.4**	**353.7**	**11.4**

Notes to the consolidated income statement

The Group's earnings position showed strong growth in financial year 2015 / 16. Operating growth was primarily driven by the continued strong business performance of Northern Region, Hotels & Resorts and Cruises. Additionally, the improvement of the Group profit was driven by the profit on the sale of the Hotelbeds Group.

(1) Turnover

Group turnover is mainly generated from tourism services. A breakdown of turnover by segments is shown under segment reporting.

(2) Cost of sales and administrative expenses

Cost of sales relates to the expenses incurred in the provision of tourism services. In addition to expenses for personnel, depreciation, amortisation, rental and leasing, it includes all costs incurred by the Group in connection with the provision and delivery of airline services, hotel accommodation, cruises and distribution costs.

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

ADMINISTRATIVE EXPENSES

€ million	**2015 / 16**	2014 / 15 restated
Staff cost	697.6	737.3
Lease, rental and leasing expenses	60.5	60.2
Depreciation, amortisation and impairments	64.3	79.9
Others	394.5	475.2
Total	**1,216.9**	**1,352.6**

In the prior year, administrative expenses were impacted by impairment of VAT claims in an Italian subsidiary and a provision for litigation in connection with the acquisition of a Turkish hotel. In financial year 2015 / 16, similar expenses did not recur so that administrative expenses declined year-on-year. Moreover, the prior year reference period included higher expenses for reorganisation and restructuring measures, in particular the rationalisation of the corporate head office, changes in source market organisation and the aggregation of the airlines. In addition, the merger between TUI AG and TUI Travel PLC created synergies in the period under review, which caused a decline in administrative expenses. Administrative expenses also declined due to the development of exchange rates.

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

LEASE, RENTAL AND LEASING EXPENSES

€ million	2015 / 16	2014 / 15 restated
Lease, rental and leasing expenses	**817.0**	**854.2**
thereof cost of sales	756.5	794.0
thereof administrative expenses	60.5	60.2

Where rental and lease expenses for operating leases are directly related to the turnover generating activities, these expenses are shown under the cost of sales. However, where rental and lease expenses are incurred in respect of administrative buildings, they are shown under administrative expenses.

The year-on-year decline in lease, rental and leasing expenses is mainly driven by exchange rate movements and primarily relates to leasing expenses for aircraft. Moreover, lease payments for cruise ships declined year-on-year due to the acquisition of Europa 2, which had still been leased in the first quarter of the previous year.

STAFF COSTS

€ million	2015 / 16	2014 / 15 restated
Wages and salaries	1,846.7	1,869.7
thereof cost of sales	1,268.8	1,265.9
thereof administrative expenses	577.9	603.8
Social security contributions, pension costs and benefits	425.3	435.7
thereof cost of sales	305.6	302.2
thereof administrative expenses	119.7	133.5
Total	**2,272.0**	**2,305.4**

Pension costs include service cost for defined benefit obligations. The net interest expense from the defined benefit obligations is included under financial expenses due to its financing nature. A detailed presentation of pension obligations is provided in Note 31.

The year-on-year decline in staff costs in financial year 2015 / 16 mainly results from foreign exchange effects and higher expenses posted in the prior year in connection with restructuring measures. Moreover, expenses for share-based payments, carried under administrative expenses, declined year-on-year due to changes in the structure of the remuneration models and the development of the share price. On the other hand, some staff costs rose year-on-year in operating areas, in particular in airlines and hotels, causing a slight overall increase in the cost of sales.

The average annual headcount (excluding apprentices) developed as follows:

AVERAGE ANNUAL HEADCOUNT IN THE FINANCIAL YEAR (EXCL. APPRENTICES)

	2015/16	2014/15 restated
Average annual – Continuing operations	57,331	57,486
Average annual – Discontinued operations	11,887	13,856
Total	**69,218**	**71,342**

DEPRECIATION/AMORTISATION/IMPAIRMENT

€ million	2015/16	2014/15 restated
Depreciation and amortisation	390.7	360.6
thereof cost of sales	327.5	282.4
thereof administrative expenses	63.2	78.2
Impairment of other intangible assets and property, plant and equipment	17.3	58.3
thereof cost of sales	16.2	56.6
thereof administrative expenses	1.1	1.7
Total	**408.0**	**418.9**

Depreciation and amortisation include the amortisation of other intangible assets, depreciation of property, plant and equipment as well as write-downs of investment property. The uniform Group-wide useful lives underlying depreciation and amortisation and the principles for impairment are outlined under Accounting and measurement in the Notes.

The addition of property, plant and equipment in the prior year, in particular seven aircraft and the cruise ship Europa 2, caused an increase in depreciation and amortisation, carried under cost of sales. This trend was further reinforced by further additions in the financial year under review, including an aircraft and the cruise ship TUI Discovery. Depreciation and amortisation also rose due to investments in hotels and software.

Impairments of property, plant and equipment mainly relate to impairments of trademarks of € 6.1 m and impairments of software of € 7.8 m.

In the prior year, impairments mainly comprised impairments of € 26.4 m on property, plant and equipment in Tenuta di Castelfalfi S.p.A. and an impairment charge of € 24.9 m for software.

(3) Other income / other expenses

OTHER INCOME/OTHER EXPENSES

€ million	2015/16	2014/15 restated
Other income	36.3	42.9
Other expenses	7.4	5.7
Total	**28.9**	**37.2**

In financial year 2015/16, other income mainly results from the sale of a Riu Group hotel, from the sale of a joint venture and from the sale of the cruise ship Island Escape. Income was also generated from the sale of commercial real estate owned by Preussag Immobilien GmbH, Salzgitter, and the sale of vehicles owned by incoming agencies.

Other income recognised in the prior year mainly related to gains from the sale of a Riu Group hotel and from the sale of two Greek hotel companies as well as to the sale of companies in the PEAK Adventure Travel Group and the sale of two Specialist Group hotels. Income was also generated from the recycling of cumulative foreign exchange gains previously carried in equity outside profit and loss resulting from a capital reduction in a subsidiary.

Other expenses recognised in financial year 2015 / 16 mainly relates to disposals of aircraft spare parts and the recycling of foreign exchange losses in connection with capital restructuring.

Other expenses recognised in the prior year mainly resulted from foreign exchange losses in connection with capital reductions and liquidations of subsidiaries and from book losses on the sale of aircraft assets.

(4) Goodwill impairment

In financial year 2015 / 16, as in the prior year, the impairment tests conducted in accordance with IAS 36 did not result in any goodwill impairments for TUI Group's cash generating units.

(5) Financial income

FINANCIAL INCOME

€ million	**2015 / 16**	2014 / 15 restated
Income from non-consolidated Group companies including income from profit transfer agreements	1.4	1.6
Income from other investments	1.0	1.5
Income from investments	**2.4**	**3.1**
Other interest and similar income	19.5	18.6
Income from the measurement of hedges	1.0	1.0
Interest income	**20.5**	**19.6**
Income from the measurement of other financial instruments	4.1	3.9
Foreign exchange gains on financial items	31.5	9.2
Total	**58.5**	**35.8**

(6) Financial expenses

FINANCIAL EXPENSES

€ million	2015/16	2014/15 restated
Net interest expenses from defined benefit pension plans	27.6	34.4
Other interest and similar expenses	159.9	150.6
Expenses relating to the measurement of hedges	12.5	17.2
Interest expenses	**200.0**	**202.2**
Expenses relating to the measurement of the investment in Hapag-Lloyd AG	100.3	147.1
Expenses relating to the measurement of other financial instruments	4.0	6.2
Foreign exchange losses on financial items	41.6	9.0
Total	**345.9**	**364.5**

The year-on-year increase in other interest and similar expenses is attributable to changes in the structure of financial liabilities. After the balance sheet date, TUI AG's bond with a nominal value of € 300.0 m was redeemed ahead of its due date at a redemption price of 102.25 %. Interest expenses therefore rose in the financial year under review. They also increased due to the rise in liabilities from finance leases. An opposite trend was driven by the conversion of all convertible bonds in financial year 2014/15.

The other financial expenses primarily comprise the measurement of the stake in Hapag-Lloyd AG, shown in a separate line. The measurement of the stake effected in the course of the year at the closing rate of the Hapag-Lloyd share as at 31 March 2016 in the principal market Xetra at € 16.10 per share with a fair value of € 234.0 m resulted in an impairment of € 100.3 m, carried in financial expenses (Level 1 measurement). The subsequent increase in the value driven by the rise in Hapag-Lloyd's share price to € 18.29 as at 30 September 2016 and the resulting increase in fair value to € 265.8 m was carried in equity outside profit and loss, in line with IAS 39. As a result, the impairment charge carried in financial expenses remains at € 100.3 m. For more detailed information, we refer to Note 18.

In the prior year, expenses for the measurement of other financial instruments also resulted from the measurement of the stake in Hapag-Lloyd AG at fair value (previous year Level 3 measurement).

(7) Share of results of joint ventures and associates

SHARE OF RESULT OF JOINT VENTURES AND ASSOCIATES

€ million	2015/16	2014/15 restated
Income from associated companies measured at equity	25.3	35.3
Expenses for associated companies measured at equity	0.1	7.0
Share of result of associates	**25.2**	**28.3**
Income from joint ventures measured at equity	163.0	124.1
Expenses for joint ventures measured at equity	1.0	8.5
Share of result of joint ventures	**162.0**	**115.6**
Total	**187.2**	**143.9**

The share of result of joint ventures and associates comprises the net profit for the year attributable to the associated companies and joint ventures.

The year-on-year decline in income from associated companies measured at equity is attributable to the Canadian tour operator Sunwing. Due to the fall of the Canadian dollar versus the US dollar, Sunwing recorded an increase in direct costs and a resulting decline in its results versus the prior year. Offsetting this, a Caribbean hotel company which had still posted a negative profit contribution in the prior year reported a positive contribution in the period under review.

The increase in income from joint ventures mainly results from the improvement in the operating performance of Riu Hotels as well as the sound performance of TUI Cruises and the first-time full-year operation of Mein Schiff 4 and the launch of Mein Schiff 5 in July 2016.

Expenses for joint ventures declined year-on-year as the negative profit contributions of two Greek hotel companies did not reoccur since these companies were sold in Q3 2014 / 15.

In the financial year under review, the share of results of joint ventures and associates did not include any impairments, consistent with the prior year.

(8) Income taxes

BREAKDOWN OF INCOME TAXES

€ million	**2015 / 16**	2014 / 15 restated
Current tax expense		
in Germany	39.5	16.2
abroad	125.1	140.3
Deferred tax income	–11.2	–98.3
Total	**153.4**	**58.2**

The increase in current income tax expenses in Germany is attributable to the reassessment of the trade tax risk in hotel purchasing, which resulted in tax expenses of € 35.1 m related to prior periods in the financial year under review. In terms of income taxes in the rest of the world, countries outside Germany posted tax income related to prior periods, unlike in 2014 / 15. Overall, current tax expenses related to prior periods amount to € 9.9 m (previous year € 14.8.) in financial year 2014 / 15.

Deferred tax assets mainly arose abroad, outside of Germany. In the prior year, deferred tax assets for losses carried forward were re-measured following the merger between TUI AG and TUI Travel PLC, resulting in tax assets of € 114.2 in the prior year reference period.

In financial year 2015 / 16, total income taxes of € 153.4 m (previous year € 58.2 m) were derived from an "expected" income tax expense that would have arisen if the statutory income tax rate of TUI AG as the parent company (aggregate income tax rate) had been applied to earnings before tax as follows:

RECONCILIATION OF EXPECTED TO ACTUAL INCOME TAXES

€ million	**2015 / 16**	2014 / 15 restated
Earnings before income taxes	618.3	465.8
Expected income tax (current year 31.5 %, previous year 31.0 %)	**194.8**	**144.4**
Variation from the difference between actual and expected tax rates	– 27.0	– 34.9
Changes in tax rates and tax law	– 26.1	– 3.3
Income not taxable	–114.6	–125.3
Expenses not deductible	101.8	157.6
Effects from loss carryforwards	31.3	–113.4
Temporary differences for which no deferred taxes were recognised	–1.0	6.8
Deferred and current tax relating to other periods (net)	–11.1	25.3
Other differences	5.3	1.0
Income taxes	**153.4**	**58.2**

In the prior year, the effects from losses carried forward included the revaluation of German losses carried forward from the enlargement of the fiscal unity in Germany. An offsetting effect arose from impairments of deferred tax assets on losses carried forward in the UK.

(9) Result from discontinued operation

The result from discontinued operations includes the after-tax results of Specialist Group, Hotelbeds Group and LateRooms Group, classified as discontinued operations. For further information, please refer to the section "Discontinued operations" within "Acquisitions – Divestments – Discontinued operations".

(10) Group profit for the year attributable to shareholders of TUI AG

The share of Group profit attributable to the TUI AG shareholders improved from € 340.4 m in the prior year to € 1,037.4 m in financial year 2015 / 16. Apart from the general improvement in the Group's performance, the increase is attributable to the disposal of Hotelbeds Group (for more details, please refer to the section on Discontinued operations). The year-on-year increase in the share in Group profit attributable to TUI AG shareholders is also driven by the fact that non-controlling interests in TUI Travel PLC were only held until the merger between TUI AG and TUI Travel PLC in December 2014.

(11) Group profit for the year attributable to non-controlling interest

GROUP PROFIT FOR THE YEAR ATTRIBUTABLE TO NON-CONTROLLING INTEREST

€ million	**2015/16**	2014/15
Central Region	0.3	2.3
Hotels & Resorts	111.2	88.8
Other Tourism	0.2	0.1
Tourism	**111.7**	**91.2**
Specialist Group	– 0.1	– 3.1
Hotelbeds Group	3.4	2.0
All other segments	– 0.2	– 0.3
Formerly Travel (TUI Travel PLC – Group)	–	– 50.6
Total	**114.8**	**39.2**

In Hotels & Resorts, Group profit for the year attributable to non-controlling interests primarily relates to RIUSA II Group. In the prior year, the segment structure was slightly changed. The non-controlling interests carried in the line "Formerly Travel" in the prior year comprise the prorated losses of the former TUI Travel PLC sub-group until the acquisition of the shares in TUI Travel PLC held by non-controlling interests by TUI AG in December 2014. Since the merger between TUI AG and TUI Travel PLC in December 2014, there have no longer been any non-controlling interests in the former TUI Travel PLC sub-group.

(12) Earnings per share

In accordance with IAS 33, basic earnings per share are calculated by dividing the Group profit for the year attributable to TUI AG shareholders by the weighted average number of registered shares outstanding during the financial year under review. The average number of shares is derived from the total number of shares at the beginning of the financial year (586,603,217 shares) and the employee shares issued on a pro rata temporis basis (179,486 new shares). The prorated effect of the own shares held by an employee benefit trust of 2,664,194 shares was deducted.

In the prior year, the dividend on the hybrid capital was deducted from Group profit for the year attributable to shareholders of TUI AG until the call date on 24 March 2015 since the hybrid capital represented equity until the call date but did not constitute Group profit attributable to TUI AG shareholders.

EARNINGS PER SHARE

		2015/16	2014/15 restated
Group profit for the year attributable to shareholders of TUI AG	€ million	1,037.4	340.4
Dividend effect on hybrid capital	€ million	–	–10.9
= Adjusted Group profit for the year attributable to shareholders of TUI AG	€ million	1,037.4	329.5
Weighted average number of shares		584,118,509	513,114,716
Basic earnings per share	€	**1.78**	**0.64**
– Basic earnings per share from continuing operations	€	0.61	0.66
– Basic earnings per share from discontinued operations	€	1.17	– 0.02

DILUTED EARNINGS PER SHARE

		2015/16	2014/15 restated
Adjusted Group profit for the year attributable to shareholders of TUI AG	€ million	1,037.4	329.5
Weighted average number of shares		584,118,509	513,114,716
Diluting effect from assumed exercise of share awards		1,522,934	6,384,006
Weighted average number of shares (diluted)		585,641,443	519,498,722
Diluted earnings per share	€	**1.77**	**0.63**
– Diluted earnings per share from continuing operations	€	0.60	0.65
– Diluted earnings per share from discontinued operations	€	1.17	– 0.02

As a rule, a dilution of earnings per share occurs when the average number of shares increases due to the issue of shares from conversion of share options. In the financial year under review, these effects resulted from share-based remuneration plans. The conversion rights existing in prior years fully expired in financial year 2014/15.

(13) Taxes attributable to other results

TAX EFFECTS RELATING TO OTHER COMPREHENSIVE INCOME

	2015/16			2014/15		
€ million	**Gross**	**Tax effect**	**Net**	Gross	Tax effect	Net
Foreign exchange differences	52.4	–	52.4	– 221.7	–	– 221.7
Available for sale financial instruments	31.8	–	31.8	–	–	–
Cash flow hedges	546.1	– 80.9	465.2	– 221.0	27.1	–193.9
Remeasurements of pension provisions and related fund assets	– 593.3	157.9	– 435.4	82.2	– 24.2	58.0
Changes in the measurement of companies measured at equity outside profit or loss	– 32.0	–	– 32.0	22.1	–	22.1
Other comprehensive income	**5.0**	**77.0**	**82.0**	**– 338.4**	**2.9**	**– 335.5**

In addition, income taxes worth € – 0.9 m (previous year € 17.7 m) carried outside profit and loss were generated in the period under review and recognised directly in equity.

Notes on the consolidated statement of financial position

(14) Goodwill

GOODWILL

€ million	**2015 / 16**	2014 / 15
Historical cost		
Balance as at 1 Oct	**3,678.8**	**3,590.6**
Exchange differences	– 234.3	95.6
Additions	9.2	1.6
Disposals*	–	–
Reclassification as assets held for sale	–167.0	– 9.0
Balance as at 30 Sep	**3,286.7**	**3,678.8**
Impairment		
Balance as at 1 Oct	**458.4**	**454.4**
Exchange differences	– 25.0	3.9
Disposals*	–	–
Reclassification as assets held for sale	– 0.2	0.1
Balance as at 30 Sep	**433.2**	**458.4**
Carrying amounts as at 30 Sep	**2,853.5**	**3,220.4**

* Of which no disposals from changes in the group of consolidated companies

The decrease in the carrying amount is mainly attributable to the translation of goodwill not carried in the TUI Group's functional currency into euros and recognition of the Hotelbeds Group and Specialist Group segments as discontinued operations. In Q1 2015 / 16, incoming agencies (Destination Services) were carved out from the Hotelbeds Group segment and transferred to Other Tourism. They are carried as a separate cash-generating unit.

In accordance with the rules of IAS 21, goodwill allocated to the individual segments and sectors was recognised in the functional currency of the subsidiaries and subsequently translated when preparing the consolidated financial statements. As with the treatment of other differences from the translation of annual financial statements of foreign subsidiaries, differences due to exchange rate movements between the exchange rate at the date of acquisition of the subsidiary and the exchange rate at the balance sheet date are taken directly to equity outside profit and loss and are disclosed as a separate item. In financial year 2015 / 16, a decrease in the carrying amount of goodwill of € 209.3 m (previous year increase of € 91.7 m) resulted from foreign exchange differences.

The following table provides a breakdown of the carrying amounts of goodwill by cash generating unit (CGU):

GOODWILL PER CASH GENERATING UNIT

€ million	30 Sep 2016	30 Sep 2015
Northern Region	1,545.1	1,736.1
Central Region	507.7	505.7
Western Region	338.8	338.4
Specialist Group	–	70.5
Hotelbeds Group	–	202.1
Destination Services	94.3	–
Riu	351.7	351.7
Robinson	9.7	9.7
TUI Blue	6.2	6.2
Total	**2,853.5**	**3,220.4**

Impairment charges are recognised if the carrying amount of the tested unit plus the allocated goodwill exceeds the recoverable amount. In the financial year under review, goodwill was tested for impairment at the level of cash generating units (CGUs) as at 30 June 2016.

For all cash generating units, the recoverable amount was determined on the basis of fair value less costs of disposal. The fair value was determined by discounting expected future cash inflows. This was based on the budget for Q4 of the financial year under review, the medium-term plan for the entity under review, prepared as at 30 September 2016, after deduction of income tax payments. Budgeted turnover and EBITA margins are based on observed values from prior financial years and expectations with regard to the future development of the market. The cash inflows after the planning period are extrapolated on the basis of individual growth rates based on long-term business expectations.

The discount rates are calculated as the weighted average cost of capital, taking account of the risks associated with the cash generating unit on the basis of external capital market information. The cost of equity included in the calculation reflects the return expected by investors. The cost of borrowing is derived from the long-term financing terms of comparable companies in the peer group.

The table below provides an overview of the assumptions used for determining the fair values per CGU. It shows the timeframe for the cash flow forecast, the growth rates used to extrapolate the cash flow forecast, and the relevant valuation hierarchy according to IFRS 13. The table lists the main cash generating units to which goodwill has been allocated.

ASSUMPTIONS FOR CALCULATION OF FAIR VALUE IN FINANCIAL YEAR 2015/16

	Planning period in years	Growth rate revenues in %	EBITA-Margin in %	Growth rate after planning period in %	WACC in %	Level
Northern Region	3.25	8.3	7.2	0.5	6.75	3
Central Region	3.25	7.1	2.3	0.5	6.75	3
Western Region	3.25	7.8	3.4	0.5	6.75	3
Destination Services	3.25	8.2	7.3	0.5	6.75	3
Riu	3.25	3.7	31.2	0.5	5.75	3
Robinson	3.25	17.2	14.9	0.5	5.75	3
TUI Blue	3.25	93.1	12.8	0.5	5.75	3

ASSUMPTIONS FOR CALCULATION OF FAIR VALUE IN FINANCIAL YEAR 2014/15

	Planning period in years	Growth rate revenues in %	EBITA-Margin in %	Growth rate after planning period in %	WACC in %	Level
Northern Region	3.25	4.3	6.8	0.5	7.25	3
Central Region	3.25	8.2	2.8	0.5	7.25	3
Western Region	3.25	9.3	3.1	0.5	7.25	3
Riu	3.25	2.4	24.1	0.5	6.75	3
Robinson	3.25	17.9	17.3	0.5	6.75	3
Iberotel	3.25	5.9	18.4	0.5	6.75	3
Specialist Group	3.25	2.3	2.8	0.5	7.25	3
Hotelbeds Group	3.25	11.3	6.0	0.5	7.25	3

Goodwill was tested for impairment as at 30 June 2016. The test did not result in a requirement to recognise an impairment. Neither an increase in WACC of 50 basis points nor a reduction in the growth rate in perpetuity of 50 basis points would have led to an impairment of goodwill. The same applies to a decrease of revenue growth rates and EBITA-margin in perpetuity by 10 % each.

(15) Other intangible assets

OTHER INTANGIBLE ASSETS

€ million	Concessions, industrial property rights and similar rights and values	Selfgenerated software	Transport and leasing contracts	Customer base	Payments on account	**Total**
Historical cost						
Balance as at 1 Oct 2014	**1,276.0**	**142.1**	**107.1**	**252.5**	**0.4**	**1,778.1**
Exchange differences	48.8	4.8	6.4	6.4	–	66.4
Additions due to changes in the group of consolidated companies	0.8	–	–	0.2	–	1.0 [1]
Additions	165.7	23.9	–	1.6	0.3	191.5
Disposals	35.4	17.0	–	2.2	–	54.6 [2]
Reclassification as assets held for sale	–73.1	–44.7	–	–3.6	–	–121.4
Reclassifications	–111.9	114.4	–3.0	0.7	–0.2	–
Balance as at 30 Sep 2015	**1,270.9**	**223.5**	**110.5**	**255.6**	**0.5**	**1,861.0**
Exchange differences	–90.6	–20.0	–10.4	–6.5	–	–127.5
Additions due to changes in the group of consolidated companies	0.7	–	–	0.4	–	1.1
Additions	146.7	6.1	–	0.3	2.5	155.6
Disposals	104.5	4.6	–	1.6	–	110.7
Reclassification as assets held for sale	–408.5	–33.6	–7.1	–199.0	–	–648.2
Reclassifications	–128.3	128.8	–	–	–0.5	–
Balance as at 30 Sep 2016	**686.4**	**300.2**	**93.0**	**49.2**	**2.5**	**1,131.3**
Amortisation						
Balance as at 1 October 2014	**626.6**	**57.4**	**37.7**	**122.9**	**–**	**844.6**
Exchange differences	20.4	1.9	2.1	3.5	–	27.9
Amortisation for the current year	96.5	27.9	0.5	18.2	–	143.1
Impairments for the current year	7.2	29.2	–	–	–	36.4
Disposals	29.0	17.0	–	2.2	–	48.2
Reclassification as assets held for sale	–27.5	–25.0	–	–1.8	–	–54.3
Reclassifications	–35.8	31.6	4.2	–	–	–
Balance as at 30 Sep 2015	**658.4**	**106.0**	**44.5**	**140.6**	**–**	**949.5**
Exchange differences	–43.6	–6.6	–5.4	–4.0	–	–59.6
Amortisation for the current year	74.1	31.4	4.7	11.1	–	121.3
Impairments for the current year	22.9	8.0	–	–	–	30.9
Disposals	100.0	4.3	–	1.6	–	105.9
Reclassification as assets held for sale	–210.1	–19.5	–5.2	–115.9	–	–350.7
Reclassifications	–11.0	6.3	4.7	–	–	–
Balance as at 30 Sep 2016	**390.7**	**121.3**	**43.3**	**30.2**	**–**	**585.5**
Carrying amounts as at 30 Sep 2015	**612.5**	**117.5**	**66.0**	**115.0**	**0.5**	**911.5**
Carrying amounts as at 30 Sep 2016	**295.7**	**178.9**	**49.7**	**19.0**	**2.5**	**545.8**

1 Of which additions due to first-time consolidation of non-consolidated companies € 0.2 m
2 Of which disposals due to changes in the group of consolidated companies of € 1.5 m (historical costs) and € 0.8 m (amortisation)

Other intangible assets, consisting in particular of trademarks and customer relationships, are amortised over their useful lives.

Self-generated software consists of computer programs for tourism applications exclusively used internally by the Group.

The decrease in the carrying amount of the intangible assets compared to the prior year is mainly attributable to the reclassification of the segments Hotelbeds Group and Specialist Group to assets held for sale.

The increase in disposals is driven by the implementation of new software in the Northern Region segment. The software previously used and fully amortised was therefore derecognised.

Impairments include an amount of € 9.7 m in respect of the Specialist Group brands, required due to the sale of businesses in the course of the year. In addition, brands in the Western Region segment worth € 6.1 m were impaired as they are no longer in use due to the adoption of the Group's new brand strategy. Impairments also included software worth € 6.3 m in Specialist Group and a module of an Internet platform worth € 7.8 m in Other Tourism, as they are no longer used.

The prior year's impairments of € 21.8 m relate to various modules of an Internet platform for joint use in Northern, Western and Central Regions.

At the balance sheet date, the carrying amount of intangible assets subject to restraints on ownership or pledged as security amounts to €nil (previous year € 109.1 m).

(16) Property, plant and equipment

PROPERTY, PLANT AND EQUIPMENT

€ million	Real estate with hotels	Other real estate, land rights and buildings incl. buildings on third-party properties	Aircraft
Historical cost			
Balance as at 1 Oct 2014	**1,333.1**	**255.4**	**1,160.3**
Exchange differences	–11.7	–1.5	77.0
Additions due to changes in the group of consolidated companies	6.5	–	–
Additions	41.9	42.0	525.9
Disposals	1.5	8.9	42.2
Reclassification as assets held for sale	6.9	–0.7	–45.0
Reclassifications	26.3	–4.8	58.4
Balance as at 30 Sep 2015	**1,401.5**	**281.5**	**1,734.4**
Exchange differences	–32.5	–17.6	–24.1
Additions due to changes in the group of consolidated companies	–	–	–
Additions	48.1	55.8	145.4
Disposals	5.6	25.7	43.4
Reclassification as assets held for sale	–	–67.3	–5.7
Reclassifications	25.4	4.7	28.5
Balance as at 30 Sep 2016	**1,436.9**	**231.4**	**1,835.1**
Depreciation			
Balance as at 1 Oct 2014	**383.4**	**95.3**	**524.6**
Exchange differences	–3.6	3.7	13.8
Depreciation for the current year	38.8	6.6	101.0
Impairments for the current year	0.2	19.8	0.6
Disposals	1.1	6.4	35.6
Reclassification as assets held for sale	1.4	–0.1	–36.0
Reclassifications	11.2	–7.6	–
Balance as at 30 Sep 2015	**430.3**	**111.3**	**568.4**
Exchange differences	–10.4	0.9	–21.0
Depreciation for the current year	37.7	5.7	123.4
Impairments for the current year	–	1.3	–
Disposals	4.4	17.4	37.7
Reclassification as assets held for sale	–	–28.4	–0.6
Reclassifications	4.8	2.6	0.6
Balance as at 30 Sep 2016	**458.0**	**76.0**	**633.1**
Carrying amounts as at 30 Sep 2015	**971.2**	**170.2**	**1,166.0**
Carrying amounts as at 30 Sep 2016	**978.9**	**155.4**	**1,202.0**

[1] Of which additions due to first-time consolidation of non-consolidated companies of € 0.2 m
[2] Of which disposals due to changes in the group of consolidated companies of € 0.8 m (historical cost) and € 0.7 m (depreciation), respectively

Ships, yachts and boats	Machinery and fixtures	Other plants, operating and office equipment revised	Assets under construction	Payments on account	**Total**
788.4	**254.9**	**985.8**	**65.2**	**221.7**	**5,064.8**
29.3	–1.1	1.0	1.1	16.5	110.6
–	–	1.1	–	–	7.6 [1]
314.9	23.7	83.0	59.7	232.2	1,323.3
24.6	4.7	65.8	4.0	236.4	388.1 [2]
–	–	–14.5	–6.5	–7.6	–67.4
2.1	4.2	16.2	–60.5	–50.6	–8.7
1,110.1	**277.0**	**1,006.8**	**55.0**	**175.8**	**6,042.1**
–61.5	–1.9	–27.4	–2.8	–9.2	–177.0
–	–	1.6	–	–	1.6
228.0	26.6	77.0	157.7	98.1	836.7
156.2	6.2	107.1	1.7	43.1	389.0
–246.0	–	–90.8	–2.0	–	–411.8
20.1	9.1	–25.9	–48.1	–11.5	2.3
894.5	**304.6**	**834.2**	**158.1**	**210.1**	**5,904.9**
355.6	**180.8**	**681.4**	**–**	**–**	**2,221.1**
13.7	–0.6	1.0	–	–	28.0
52.8	15.1	85.8	–	–	300.1
2.9	4.8	0.4	2.2	–	30.9
19.2	4.4	56.9	1.7	–	125.3
–	–	–10.5	–0.5	–	–45.7
–2.4	–1.5	–3.5	–	–	–3.8
403.4	**194.2**	**697.7**	**0.0**	**–**	**2,405.3**
–14.1	–1.1	–18.7	–	–	–64.4
58.7	19.3	78.8	–	–	323.6
–	0.7	0.7	–	–	2.7
144.8	6.1	101.1	–	–	311.5
–82.7	–	–56.0	–	–	–167.7
–0.3	13.1	–18.2	–0.2	–	2.4
220.2	**220.1**	**583.2**	**–0.2**	**–**	**2,190.4**
706.7	**82.8**	**309.1**	**55.0**	**175.8**	**3,636.8**
674.3	**84.5**	**251.0**	**158.3**	**210.1**	**3,714.5**

The decrease in the carrying amount of property, plant and equipment compared to the prior year is mainly attributable to the reclassification of the segments Hotelbeds Group and Specialist Group to assets held for sale.

In the reporting period, additions included the cruise ship TUI Discovery with a carrying amount of € 182.9 m held as a finance lease. The ship is operated in the Northern Region segment. In the prior year, additions of ships included Europa 2 in the Cruise segment worth € 278.2 m.

Moreover, one aircraft, operated under a finance lease, was capitalised in the amount of € 120.2 m in the period under review. In addition, advance payments for aircraft ordered amounting to € 91.8 m were capitalised.

Additions to assets under construction included investments in hotel facilities in Hotels & Resorts worth € 100.9 m.

In the prior year, impairment charges mainly related to buildings and technical systems at Tenuta di Castelfalfi S.p.A. in Hotels & Resorts.

All investment property was sold in the course of the financial year. For materiality reasons, the development of these assets is therefore shown under Other real estate, land rights and buildings incl. buildings on third-party properties. In the prior year, these assets had a carrying amount of € 7.2 m and a fair value of € 10.1 m.

As at the balance sheet date, the carrying amount of tangible assets subject to ownership restrictions or pledged as security totals € 613.1 m (previous year € 700.4 m).

Property, plant and equipment also comprise leased assets in which Group subsidiaries have assumed substantially all the risks and rewards of ownership of the assets.

COMPOSITION OF FINANCE LEASED ASSETS

	Net carrying amounts	
€ million	**30 Sep 2016**	30 Sep 2015
Other real estate, land rights and buildings incl. buildings on third-party properties	14.8	24.2
Aircraft	955.0	871.0
Ships, yachts and boats	232.5	96.3
Machinery and fixtures	–	0.1
Other plant, operating and office equipment	27.7	18.4
Total	**1,230.0**	**1,010.0**

The payment obligations resulting from future lease payments are carried as liabilities, with future interest expenses not reflected in the carrying amount of the financial liabilities. Total payments due under finance leases amount to € 1,450.1 m (previous year € 1,216.6 m). Group companies have not accepted any guarantees for the residual values of the leased assets, as in the prior year.

RECONCILIATION OF FUTURE LEASE PAYMENTS TO LIABILITIES FROM FINANCE LEASES

	30 Sep 2016				30 Sep 2015			
	Remaining term				Remaining term			
€ million	up to 1 year	1–5 years	more than 5 years	**Total**	up to 1 year	1–5 years	more than 5 years	Total
Total future lease payments	125.7	462.4	862.0	1,450.1	103.3	396.4	716.9	1,216.6
Interest portion	33.5	113.4	71.5	218.4	34.4	115.8	84.4	234.6
Liabilities from finance leases	92.2	349.0	790.5	1,231.7	68.9	280.6	632.5	982.0

(17) Investments in joint ventures and associates

The table below presents the TUI Group's significant joint arrangements and associates. All joint arrangements and associates are shown in the list of TUI Group Shareholdings in Note 55. All joint arrangements are joint ventures. There are no joint operations within the definition of IFRS 12.

SIGNIFICANT ASSOCIATES AND JOINT VENTURES

		Capital share in %		Voting rights share in %	
Name and headquarter of company	Nature of business	**30 Sep 2016**	30 Sep 2015	**30 Sep 2016**	30 Sep 2015
Associates					
Sunwing Travel Group Inc., Toronto, Canada	Tour operator	49.0	49.0	25.0	25.0
Blue Diamond Hotels and Resorts Inc., St. Michael, Barbados	Hotel operator	–*	49.0	–*	49.0
Joint ventures					
Riu Hotels S.A., Palma de Mallorca, Spain	Hotel operator	49.0	49.0	49.0	49.0
TUI Cruises GmbH, Hamburg, Germany	Cruise ship operator	50.0	50.0	50.0	50.0
Togebi Holdings Limited, Nicosia, Cyprus	Tour operator	25.0	49.0	25.0	49.0

* Since 30 Sep 2016 shares are held by Sunwing Travel Group Inc., Toronto, Canada.

All companies shown in the table are accounted for using the equity method.

The financial years of Sunwing Travel Group Inc. and Blue Diamond Hotels and Resorts Inc. correspond to the TUI Group's financial year. The financial years of the other associates and joint ventures end on 31 December of each year. In order to update at equity measurement as at the TUI Group's balance sheet date, interim financial statements for the period ending 30 September are prepared for these companies.

SIGNIFICANT ASSOCIATES

In 2009, the Sunwing Travel Group entered into a partnership with TUI Group. Sunwing Travel Group Inc. is a vertically integrated travel company that encompasses tour operators, an airline and retail travel agencies. The company has different classes of shares. TUI Group holds 25 % of the voting shares.

Blue Diamond Hotels & Resorts Inc., a hotel operation and development company operating a chain of luxury beach holiday resorts and hotels in the Caribbean and Mexico, was carried as an associate and measured at equity in the prior year. In September 2016, the company was transferred to Sunwing Travel Group and therefore no longer constituted a direct associate as at the balance sheet date.

SIGNIFICANT JOINT VENTURES

Riu Hotels S.A. is a hotel company established in 1976, which owns and operates 4- to 5-star hotels, mainly located in Spain and Central America.

TUI Cruises was established in 2008, and is a joint venture with the US shipping line Royal Caribbean Cruises Ltd. The Hamburg-based company offers German-speaking cruises for the premium market. Since the commissioning of Mein Schiff 5 in July 2016, TUI Cruises has operated five cruise ships.

Togebi Holdings Limited (TUI Russia) is a joint venture with Oscrivia Limited, a subsidiary of the Russian ZAO Sever Group (ZSG). ZSG is owned by a large shareholder and member of the supervisory board of TUI AG. The business purpose of this joint venture, established in 2009, is to develop the tour operation business, in particular in Russia and Ukraine. The company owns tour operator subsidiaries and retail chains in these countries.

CHANGES IN THE GROUP'S INTEREST IN SIGNIFICANT JOINT VENTURES

In the prior year, the TUI Group held a stake of 49.0 % in TUI Russia. In October 2015, contractual agreements on the reorganisation of the equity of TUI Russia were concluded with Oscrivia Limited. The parties agreed a capital increase in which TUI Group participated by paying a net amount of $ 3 m, while Oscrivia Limited paid a net amount of $ 17 m. TUI Group's share in TUI Russia declined from 49 % to 25 % and Oscrivia Limited increased its share to 75 %. Existing loans and guarantees of the shareholders were adjusted to reflect the new stakes. Furthermore, the joint venture agreement was amended to reflect the new voting rights proportions. The relevant activities of TUI Russia continue to be jointly determined by TUI Group and Oscrivia Limited, so that TUI Russia remains classified as a joint venture.

FINANCIAL INFORMATION ON ASSOCIATES AND JOINT VENTURES

The following tables provide summarised financial information for the significant associates and joint ventures of the TUI Group. The information disclosed reflects the full amounts presented in the consolidated financial statements of the relevant associates and joint ventures (100 per cent) and not TUI Group's share of those amounts.

COMBINED FINANCIAL INFORMATION OF MATERIAL ASSOCIATES

	Sunwing Travel Group Inc., Toronto, Canada[3]		Blue Diamond Hotels and Resorts Inc., St. Michael, Barbados[2]	
€ million	**30 Sep 2016 / 2015 / 16**	30 Sep 2015 / 2014 / 15	**30 Sep 2016 / 2015 / 16**	30 Sep 2015 / 2014 / 15
Non-current assets	736.5	163.1	–	314.7
Current assets	491.5	368.9	–	84.1
Non-current provisions and liabilities	386.3	44.9	–	114.9
Current provisions and liabilities	421.9	285.7	–	170.8
Revenues	1,432.6	1,557.3	264.8	201.9
Profit / loss[1]	11.6	45.2	48.3	17.5
Other comprehensive income	4.5	–	–	–1.6
Total comprehensive income	**16.1**	**45.2**	**48.3**	**15.9**

1 Solely from continuing operations
2 Since 30 Sep 2016 shares are held by Sunwing Travel Group Inc., Toronto, Canada
3 The balance sheet at 30 Sep 2016 also contains the balances of the Blue Diamonds Hotels and Resorts Inc., St. Michael, Barbados, as well as other entities, which were transferred to the Sunwing Travel Group at the balance sheet date.

COMBINED FINANCIAL INFORMATION OF MATERIAL JOINT VENTURES

€ million	Riu Hotels S.A., Palma de Mallorca, Spain		TUI Cruises GmbH, Hamburg, Germany		Togebi Holdings Limited, Nicosia, Cypres	
	30 Sep 2016/ 2015/16	30 Sep 2015/ 2014/15	**30 Sep 2016/ 2015/16**	30 Sep 2015/ 2014/15	**30 Sep 2016/ 2015/16**	30 Sep 2015/ 2014/15
Non-current assets	739.8	829.7	2,049.0	1,569.4	3.9	5.2
Current assets	79.5	72.1	379.5	195.7	27.1	19.0
thereof cash and cash equivalents	26.8	27.4	105.5	109.0	3.4	3.4
Non-current provisions and liabilities	13.3	101.7	1,234.8	860.4	117.3	157.0
thereof financial liabilities	9.0	73.2	1,234.8	860.4	114.6	146.1
Current provisions and liabilities	148.3	160.6	614.1	367.9	27.2	35.5
thereof financial liabilities	82.2	104.6	–	–	18.6	27.3
Turnover	305.7	276.9	807.3	614.1	129.5	200.9
Depreciation of intangible assets and property, plant and equipment	21.1	24.9	58.1	42.0	1.3	4.7
Interest income	0.2	0.1	–	5.8	–	–
Interest expenses	1.7	2.6	16.2	11.4	4.7	5.0
Income taxes	36.7	26.1	0.3	–	0.1	–
Profit/loss*	92.5	70.9	200.2	136.2	9.2	–44.1
Other comprehensive income	–36.4	69.1	–37.8	–22.6	–	–
Total comprehensive income	**56.1**	**140.0**	**162.4**	**113.6**	**9.2**	**–44.1**

*Solely from continuing operations

In financial year 2015/16, TUI Group received dividends of €60.0 m from TUI Cruises and €12.2 m from Riu Hotels. In total, dividends of €79.4 m were paid by all joint ventures to TUI Group (previous year €76.4 m, including €34.3 m from Riu Hotels and €35.0 m from TUI Cruises). In financial year 2015/16 as well as in the prior year, TUI Group did not receive any dividends from its major associates; in total, TUI Group received dividends of €1.1 m from its associates (previous year €2.6 m).

In addition to the material associates and joint ventures, TUI Group has interests in a number of equity accounted associates and joint ventures that are individually not considered significant. The tables below provide information on TUI Group's share of the profit/loss, other income and other comprehensive income of the material associates and joint ventures as well as the aggregated amount of the share of these earnings figures for the immaterial associates and joint ventures.

SHARE OF FINANCIAL INFORMATION OF MATERIAL AND OTHER ASSOCIATES

€ million	Sunwing Travel Group Inc., Toronto, Canada		Blue Diamond Hotels and Resorts Inc., St. Michael, Barbados		Other associates		Associates Total	
	2015/16	2014/15	**2015/16**	2014/15	**2015/16**	2014/15 restated	**2015/16**	2014/15 restated
TUI's share of								
Profit/loss	5.7	22.1	23.7	8.6	–4.2	–2.4	25.2	28.3
Other comprehensive income/loss	4.5	–	–	–0.8	–	0.7	4.5	–0.1
Total comprehensive income/loss	10.2	22.1	23.7	7.8	–4.2	–1.7	29.7	28.2

SHARE OF FINANCIAL INFORMATION OF MATERIAL AND OTHER VENTURES

€ million	Riu Hotels S.A., Palma de Mallorca, Spain		TUI Cruises GmbH, Hamburg, Germany		Togebi Holdings Limited, Nicosia, Cypres		Other joint ventures		Joint ventures Total	
	2015/16	2014/15	**2015/16**	2014/15	**2015/16**	2014/15	**2015/16**	2014/15	**2015/16**	2014/15
TUI's share of										
Profit/loss	45.3	34.7	100.1	68.1	–	–	16.6	12.8	162.0	115.6
Other comprehensive income/loss	–18.1	33.6	–18.7	–11.3	–	–	–	–0.8	–36.8	21.5
Total comprehensive income/loss	27.2	68.3	81.4	56.8	–	–	16.6	12.0	125.2	137.1

NET ASSETS OF THE MATERIAL ASSOCIATES

€ million	Sunwing Travel Group Inc., Toronto, Canada[2]	Blue Diamond Hotels and Resorts Inc., St. Michael, Barbados[1]
Net assets as at 1 Oct 2014	**170.4**	**87.0**
Profit/loss	45.2	17.5
Other comprehensive income	–	–1.6
Dividends	–	–
Capital increase	–	–
Foreign exchange effects	–14.2	10.2
Net assets as at 30 Sep 2015	**201.4**	**113.1**
Net assets as at 1 Oct 2015	**201.4**	**113.1**
Profit/loss	11.6	48.3
Other comprehensive income	9.2	–
Dividends payable	–	–
Capital increase	–	60.4
Foreign exchange effects	0.9	–
Consolidation effects	196.7	–221.8
Net assets as at 30 Sep 2016	**419.8**	**–**

[1] Since 30 Sep 2016 shares are held by Sunwing Travel Group Inc., Toronto, Canada.
[2] The net assets at 30 Sep 2016 also contain the balances of the Blue Diamonds Hotels and Resorts Inc., St. Michael, Barbados, which was transferred to the Sunwing Travel Group at the balance sheet date, as well as other transferred entities.

RECONCILIATION TO THE CARRYING AMOUNT OF THE ASSOCIATES IN THE GROUP BALANCE SHEET

€ million	Sunwing Travel Group Inc., Toronto, Canada[2]	Blue Diamond Hotels and Resorts Inc., St. Michael, Barbados[1]	Other associates	Associates total restated
Share of TUI in % as at 30 Sep 2015	49.0	49.0	–	–
TUI's share of the net assets as at 30 Sep 2015	98.7	55.4	25.5	179.6
Goodwill as at 30 Sep 2015	50.1	–	4.0	54.1
Carrying value as at 30 Sep 2015	**148.8**	**55.4**	**29.5**	**233.7**
Share of TUI in % as at 30 Sep 2016	49.0	–	–	–
TUI's share of the net assets as at 30 Sep 2016	205.7	–	50.9	256.6
Goodwill as at 30 Sep 2016	51.3	–	4.0	55.3
Carrying value as at 30 Sep 2016	**257.0**	**–**	**54.9**	**311.9**

1 Since 30 Sep 2016 shares are held by Sunwing Travel Group Inc., Toronto, Canada.
2 The balance sheet at 30 Sep 2016 also contains the balances of the Blue Diamonds Hotels and Resorts Inc., St. Michael, Barbados, which was transferred to the Sunwing Travel Group at the balance sheet date.

NET ASSETS OF THE MATERIAL JOINT VENTURES

€ million	Riu Hotels S.A., Palma de Mallorca, Spain	TUI Cruises GmbH, Hamburg, Germany	Togebi Holdings Limited, Nicosia, Cyprus
Net assets as at 1 Oct 2014	**564.5**	**493.2**	**–107.7**
Profit/loss	70.9	136.2	–44.1
Other comprehensive income	69.1	–22.6	–
Dividends	–70.0	–70.0	–
Capital increase	–	–	–
Foreign exchange effects	3.2	–	–16.7
Net assets as at 30 Sep 2015	**637.7**	**536.8**	**–168.5**
Net assets as at 1 Oct 2015	**637.7**	**536.8**	**–168.5**
Profit/loss	92.5	200.2	9.2
Other comprehensive income	–36.4	–37.8	–0.2
Dividends payable	–25.0	–120.0	–
Capital increase	–	–	48.3
Foreign exchange effects	–12.5	–	–2.3
Net assets as at 30 Sep 2016	**656.3**	**579.2**	**–113.5**

RECONCILIATION TO THE CARRYING AMOUNT OF THE JOINT VENTURES IN THE GROUP BALANCE SHEET

€ million	Riu Hotels S.A., Palma de Mallorca, Spain	TUI Cruises GmbH, Hamburg, Germany	Togebi Holdings Limited, Nicosia, Cyprus	Other joint ventures	Joint ventures total
Share of TUI in % as at 30 Sep 2015	49.0	50.0	49.0	–	–
TUI's share of the net assets as at 30 Sep 2015	312.7	268.4	–82.6	228.1	726.6
unrecognised share of losses	–	–	39.9	–	39.9
Goodwill as at 30 Sep 2015	1.7	–	42.7	33.2	77.6
Carrying value as at 30 Sep 2015	**314.4**	**268.4**	**–**	**261.3**	**844.1**
Share of TUI in % as at 30 Sep 2016	49.0	50.0	25.0	–	–
TUI's share of the net assets as at 30 Sep 2016	321.6	289.6	–28.4	228.4	811.2
unrecognised share of losses	–	–	6.5	–	6.5
Goodwill as at 30 Sep 2016	1.7	–	21.9	27.6	51.2
Carrying value as at 30 Sep 2016	**323.3**	**289.6**	**–**	**256.0**	**868.9**

UNRECOGNISED LOSSES BY JOINT VENTURES

Unrecognised accumulated losses of € 6.5 m (previous year € 39.9 m) relate to the joint venture TUI Russia, operating in the source markets of Russia and Ukraine. Due to the recognition of the share of losses in the previous years the carrying amount of the joint venture was already fully written off in financial year 2013 / 14. Further losses of € 39.9 m have not been recognised in the previous years as the TUI Group has no obligation to cover the losses. Recognition of these losses would have reduced the carrying amount of the joint venture to below zero. The decline of the unrecognised proportional losses of € 33.4 m in the reporting period are mainly due to the reduction of the interest and the capital increase in TUI Russia.

RISKS ASSOCIATED WITH THE STAKES IN ASSOCIATES AND JOINT VENTURES

No contingent liabilities existed in respect of associates as at 30 September 2016 and 30 September 2015.

Contingent liabilities of € 106.2 m (previous year € 125.4 m) exist in respect of joint ventures. In addition, financial liabilities from investments of € 613.2 m (previous year € 877.2 m) and from lease, charter and rental agreements worth € 8.4 m (previous year € 9.3 m) are in place in respect of joint ventures.

(18) Financial assets available for sale

Financial assets available for sale consist of stakes in non-consolidated Group companies, interests and other securities.

FINANCIAL ASSETS AVAILABLE FOR SALE

	30 Sep 2016		30 Sep 2015	
€ million	Remaining term more than 1 year	**Total**	Remaining term more than 1 year	Total
Shares in non-consolidated Group companies	2.1	2.1	5.9	5.9
Investments	36.3	302.1	38.5	373.4
Other securities	12.0	12.0	11.8	11.8
Total	**50.4**	**316.2**	**56.2**	**391.1**

Investments comprise the remaining interests in Hapag-Lloyd AG totalling € 265.8 m. An IPO of Hapag-Lloyd AG took place on 6 November 2015. TUI's interest in Hapag-Lloyd AG declined from 13.9 % to 12.3 % due to non-participation in the associated cash capital increase and the sale of 27,079 Hapag-Lloyd AG shares as part of the IPO.

The shares in Hapag-Lloyd AG are traded in the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange. The investment is measured at the closing rate of the Hapag-Lloyd share in the principal market Xetra at the respective balance sheet date (Level 1 measurement). The measurement of the stake effected in the course of the year at the closing rate of the Hapag-Lloyd share as at 31 March 2016 in the principal market Xetra at € 16.10 per share with a fair value of € 234.0 m resulted in an impairment of € 100.3 m, carried in financial expenses. Since then, Hapag-Lloyd's share price has risen to € 18.29 as at 30 September 2016 so that the fair value has again risen to € 265.8 m. This increase of € 31.8 m in the value was carried in equity outside profit and loss, in line with IAS 39. As a result, the impairment charge carried in financial expenses remains at € 100.3 m.

On 30 September 2016, TUI AG entered into an agreement to close the gap between the obligations and the fund assets of defined benefit pension plans in the UK in the long run. All shares in Hapag-Lloyd AG were assigned as collateral at the balance sheet date. In October 2016, a securities account has been opened and the number of shares assigned as collateral has declined. In future, every quarter end it will be determined as a quotient of £ 126 m to the share price translated into pounds sterling and reduced by a safety margin of 10 %. The agreement does not prevent TUI from selling the shares.

The impairment of financial assets held for sale, carried in the consolidated income statement for the period under review, totalled € 101.0 m (previous year € 155.6 m).

Where a listed market price in an active market is not available and other methods to determine an objective market value do not produce any reliable results, the shares are measured at cost.

(19) Trade receivables and other assets

TRADE RECEIVABLES AND OTHER ASSETS

€ million	**30 Sep 2016** Remaining term more than 1 year	**30 Sep 2016 Total**	30 Sep 2015 Remaining term more than 1 year	30 Sep 2015 Total
Trade receivables	–	429.5	–	740.1
Advances and loans	220.5	831.9	243.2	1,086.5
Other receivables and assets	94.8	374.0	89.3	454.6
Total	**315.3**	**1,635.4**	**332.5**	**2,281.2**

The decrease in trade receivables and other assets results primarily from the sale of Hotelbeds Group.

AGEING STRUCTURE OF THE FINANCIAL INSTRUMENTS INCLUDED IN TRADE RECEIVABLES AND OTHER ASSETS

€ million	Carrying amount of financial instruments	of which not impaired but overdue	of which not impaired and overdue in the following periods: less than 30 days	between 30 and 90 days	between 91 and 180 days	more than 180 days
Balance as at 30 Sep 2016						
Trade receivables	429.5	176.0	119.3	24.3	15.7	16.7
Advances and loans	75.5	18.5	17.4	0.1	–	1.0
Other receivables and assets	184.7	21.2	11.4	2.7	1.1	6.0
Total	**689.7**	**215.7**	**148.1**	**27.1**	**16.8**	**23.7**
Balance as at 30 Sep 2015						
Trade receivables	740.1	190.0	94.1	66.0	15.1	14.8
Advances and loans	118.5	17.7	–	0.7	0.3	16.7
Other receivables and assets	206.1	18.2	12.2	3.9	0.4	1.7
Total	**1,064.7**	**225.9**	**106.3**	**70.6**	**15.8**	**33.2**

For financial assets which are neither overdue nor impaired, the TUI Group assumes that the borrower concerned has a good credit standing.

As at 30 September 2016, trade receivables and other assets worth € 62.7 m (previous year € 99.7 m) were impaired. The table below provides a maturity analysis of the impairments.

AGEING STRUCTURE OF IMPAIRMENT OF FINANCIAL INSTRUMENTS INCLUDED IN TRADE RECEIVABLES AND OTHER ASSETS

			30 Sep 2016			30 Sep 2015
€ million	**Gross value**	**Impairment**	**Net value**	Gross value	Impairment	Net value
Trade receivables and other assets						
Not overdue	478.8	4.8	474.0	859.7	20.9	838.8
Overdue up to 30 days	149.9	1.8	148.1	107.1	0.8	106.3
Overdue 30 – 90 days	30.1	3.0	27.1	75.9	5.3	70.6
Overdue 91 – 180 days	18.8	2.0	16.8	22.3	6.5	15.8
Overdue more than 180 days	74.8	51.1	23.7	99.4	66.2	33.2
Total	**752.4**	**62.7**	**689.7**	**1,164.4**	**99.7**	**1,064.7**

Impairments of trade receivables and other assets developed as follows:

IMPAIRMENT ON ASSETS OF THE TRADE RECEIVABLES AND OTHER ASSETS CATEGORY ACCORDING TO IFRS 7

€ million	**2015 / 16**	2014 / 15
Balance at the beginning of period	**99.7**	**100.3**
Additions	10.5	16.1
Disposals	23.1	5.9
Other changes	–24.4	–10.8
Balance at the end of period	**62.7**	**99.7**

In financial year 2015 / 16 as well as in the prior year no cash inflow was recorded from impaired interest-bearing trade receivables and other assets.

Trade receivables, advances and loans as well as other receivables and assets comprise the following items:

TRADE RECEIVABLES

€ million	**30 Sep 2016**	30 Sep 2015
From third parties	415.4	712.4
From non-consolidated Group companies	1.7	1.5
From affiliates	12.4	26.2
Total	**429.5**	**740.1**

ADVANCES AND LOANS

	30 Sep 2016		30 Sep 2015	
€ million	Remaining term more than 1 year	**Total**	Remaining term more than 1 year	Total
Advances to non-consolidated Group companies	0.4	17.8	0.4	17.4
Advances to affiliates	6.2	6.4	0.1	0.9
Loans to affiliates	9.6	9.6	39.6	40.7
Advances to third parties	11.0	35.9	1.4	24.5
Loans to third parties	34.6	38.1	34.9	36.4
Payments on account to affiliates	5.4	10.9	3.0	11.7
Payments on account to third parties	153.3	713.2	163.8	954.9
Total	**220.5**	**831.9**	**243.2**	**1,086.5**

Payments on account mainly relate to advance payments for future tourism services, in particular future hotel services payable by tour operators, which is customary in the industry.

OTHER RECEIVABLES AND ASSETS

€ million	30 Sep 2016 Remaining term more than 1 year	30 Sep 2016 Total	30 Sep 2015 Remaining term more than 1 year	30 Sep 2015 Total
Other receivables from non-consolidated Group companies	1.5	1.6	1.5	1.7
Other receivables from affiliates	–	6.6	6.2	18.0
Interest deferral	–	1.2	–	1.9
Other tax refund claims	15.4	81.6	9.9	90.4
Defined benefit asset	36.2	36.2	15.2	15.2
Other assets	41.7	246.8	56.5	327.4
Total	**94.8**	**374.0**	**89.3**	**454.6**

(20) Derivative financial instruments

DERIVATIVE FINANCIAL INSTRUMENTS

€ million	30 Sep 2016 Remaining term more than 1 year	30 Sep 2016 Total	30 Sep 2015 Remaining term more than 1 year	30 Sep 2015 Total
Third party receivables from derivative financial instruments	126.8	671.4	48.1	329.1

Derivative financial instruments are included at their fair value (market value). They are mainly used to hedge our future operating business and their nature is detailed in the explanatory information on financial instruments.

(21) Deferred and income tax assets

The measurement of deferred and income taxes is detailed in the section "Accounting and measurement methods".

INCOME TAX ASSETS

€ million	30 Sep 2016	30 Sep 2015
Deferred tax assets	344.7	330.7
Income tax assets	87.7	58.5
Total	**432.4**	**389.2**

Deferred income tax assets include €328.7 m (previous year €287.6 m) that is expected to be realised after more than twelve months.

INDIVIDUAL ITEMS OF DEFERRED TAX ASSETS AND LIABILITIES RECOGNISED IN THE FINANCIAL POSITION

	30 Sep 2016		30 Sep 2015	
€ million	**Asset**	**Liability**	Asset	Liability
Finance lease transactions	2.2	–	–	2.2
Recognition and measurement differences for property, plant and equipment and other non-current assets	67.6	231.9	110.7	317.7
Recognition differences for receivables and other assets	23.1	62.4	4.4	40.0
Measurement of financial instruments	21.4	64.5	53.5	22.1
Measurement of pension provisions	253.5	0.1	143.2	0.8
Recognition and measurement differences for other provisions	63.1	32.0	67.4	14.1
Other transactions	85.1	54.8	64.1	80.8
Capitalised tax savings from recoverable losses carried forward	211.5	–	239.4	–
Netting of deferred tax assets and liabilities	–382.8	–382.8	–352.0	–352.0
Balance sheet amount	**344.7**	**62.9**	**330.7**	**125.7**

No deferred tax assets are recognised for deductible temporary differences of €157.3 m (previous year €128.2 m).

No deferred tax liabilities are recognised for temporary differences of €58.6 m (previous year €49.5 m) between the net assets and the respective taxable carrying amounts of subsidiaries since these temporary differences are not expected to be reversed in the near future.

RECOGNISED LOSSES CARRIED FORWARD AND TIME LIMITS FOR NON-RECOGNISED LOSSES CARRIED FORWARD

€ million	**30 Sep 2016**	30 Sep 2015
Recognised losses carried forward	**1,041.0**	**1,184.4**
Non-recognised losses carried forward	**4,654.5**	**4,449.8**
of which losses carried forward forfeitable within one year	4.4	2.7
of which losses carried forward forfeitable within 2 to 5 years	83.0	62.3
of which losses carried forward forfeitable within more than 5 years (excluding non-forfeitable loss carryforwards)	1.8	6.0
Non-forfeitable losses carried forward	4,565.3	4,378.8
Total unused losses carried forward	**5,695.5**	**5,634.2**

Losses carried forward for German companies comprise the cumulative amount of trade tax and corporation tax as well as interest carried forward in relation to the German interest barrier. Potential tax savings totalling €981.7 m (previous year €907.2 m) were not capitalised since the use of the underlying losses carried forward is unlikely to be utilised within the planning period.

In the financial year 2015 / 16, the use of losses carried forward previously assessed as non-recoverable and for which no deferred tax asset had been recognised as at 30 September 2015 led to tax reductions of €10.7 m (previous year €24.0 m). As in the prior year, no tax reductions were realised by means of losses carried back.

DEVELOPMENT OF DEFERRED TAX ASSETS FROM LOSSES CARRIED FORWARD

€ million	2015 / 16	2014 / 15
Capitalised tax savings at the beginning of the year	**239.4**	**135.0**
Use of losses carried forward	–15.3	–14.4
Capitalisation of tax savings from tax losses carried forward	6.7	150.1
Write-down of capitalised tax savings from tax losses carried forward	–13.7	–36.1
Reclassification to discontinued operation	–4.8	–0.3
Exchange adjustments and other items	–0.8	5.1
Capitalised tax savings at financial year-end	**211.5**	**239.4**

Capitalised deferred tax assets from temporary differences and losses carried forward that are assessed as recoverable of € 4.9 m (previous year € 203.3 m) are covered by expected future taxable income even for companies that generated losses in the period under review or the prior year.

(22) Inventories

INVENTORIES

€ million	30 Sep 2016	30 Sep 2015
Marine inventory	–	33.2
Airline spares and operating equipment	24.9	28.6
Real estate for sale	39.0	32.8
Other inventories	41.3	39.9
Total	**105.2**	**134.5**

Other inventories included an amount of € 16.1 m for consumables used in hotels (previous year € 16.6 m).

No major reversals of inventory provisions were recognised in the financial year 2015 / 16, nor in the prior year.

The decline in the amount of inventories is mainly driven by the reclassification of the inventories related to Specialist Group to Assets held for sale.

(23) Cash and cash equivalents

CASH AND CASH EQUIVALENTS

€ million	30 Sep 2016	30 Sep 2015
Bank deposits	2,037.6	1,641.8
Cash in hand and cheques	35.3	30.9
Total	**2,072.9**	**1,672.7**

At 30 September 2016, cash and cash equivalents of € 128.6 m (previous year € 198.5 m) was subject to restriction on disposal. This included an amount of € 116.4 m for cash collateral received, which was deposited in a Belgian subsidiary by the Belgian tax authorities in the financial year 2012 / 13 relating to long-standing litigation over VAT refunds for the years 2001 to 2011. Without prejudice to the outcome, the purpose was to suspend the accrual of interest for both parties. In order to collateralise a potential repayment, the Belgian government was granted a bank guarantee. Due to the bank guarantee, TUI Group's ability to dispose of the cash and cash equivalents has been restricted.

(24) Assets held for sale

ASSETS HELD FOR SALE

€ million	**30 Sep 2016**	30 Sep 2015
Discontinued Operation Specialist Group	928.9	–
Discontinued Operation LateRooms Group	–	38.8
Property and hotel facilities	–	0.4
Other assets	0.9	3.0
Total	**929.8**	**42.2**

In the reporting period, the Specialist Group segment was reclassified to Assets held for sale as a discontinued operation. Assets worth € 928.9 m exist in connection with this discontinued operation as at 30 September 2016. The LateRooms Group was sold at the beginning of the financial year. For further information, refer to the section on Discontinued operations. The Hotelbeds Group segment was classified to Assets held for sale during the reporting period and sold on 12 September 2016.

(25) Subscribed capital

The subscribed capital of TUI AG consists of no-par value shares, each representing an identical share in the capital stock. The proportionate share in the capital stock per no-par value share is around € 2.56. Since July 2005, the shares have been registered shares, whose owners have been listed by name in the share register.

The subscribed capital of TUI AG has been registered in the commercial registers of the district courts of Berlin-Charlottenburg and Hanover. In the financial year under review, it rose due to the issue of 434,970 shares resulting from the issue of employee shares. Subscribed capital thus consisted of 587,038,187 shares at the end of the financial year. It increased by € 1.1 m to € 1,500.7 m. The increase recorded in the prior year was driven by a capital increase against non-cash contribution in connection with the merger between TUI AG and TUI Travel PLC and the conversion of bonds of TUI AG and TUI Travel PLC.

As at 30 September 2016, 2,664,194 shares in TUI AG were held by an employee benefit trust of TUI Travel Limited.

The Annual General Meeting on 9 February 2016 authorised the Executive Board of TUI AG to acquire own shares of up to 5 % of the capital stock. The authorisation will expire on 8 August 2017. The authorisation to acquire own shares has not been used to date.

CONDITIONAL CAPITAL

The Annual General Meeting of 9 February 2016 created conditional capital for the issue of bonds of € 150.0 m. The authorisation to issue bonds with conversion options and warrants as well as profit-sharing rights and income bonds (with and without fixed terms) has been limited to a total nominal amount of € 2.0 bn and will expire on 8 February 2021.

Overall, TUI AG had total conditional capital of around € 150.0 m (previous year € 120.0 m) as at 30 September 2016.

AUTHORISED CAPITAL

The Annual General Meeting of 13 February 2013 resolved new authorised capital for the issue of employee shares worth € 10.0 m. The Executive Board of TUI AG has been authorised to use this capital in one or several transactions to issue employee shares against cash contribution by 12 February 2018. 434,970 new employee shares were issued in the completed financial year so that authorised capital totals around € 8.3 m at the balance sheet date.

The General Meeting of 28 October 2014 resolved to create authorised capital to issue new shares against non-cash contribution of € 18.0 m in order to be able to service TUI Travel share awards granted by TUI Travel to its employees with new shares in TUI AG. The authorisation for this capital will expire on 27 October 2019.

The Annual General Meeting on 9 February 2016 resolved to create an authorisation for the issue of new registered shares against cash contribution of up to a maximum of € 150.0 m. The authorisation will expire on 8 February 2021.

The Annual General Meeting on 9 February 2016 also created authorised capital for the issue of new shares against cash or non-cash contribution of € 570.0 m. The issue of new shares against non-cash contribution has been limited to € 300.0 m. The authorisation for this approved capital will expire on 8 February 2021.

Unused authorised capital thus totals € 746.3 m at 30 September 2016 (previous year € 337.9 m).

(26) Capital reserves

The capital reserves comprise transfers of premiums. They also contain amounts entitling the holders to acquire shares in TUI AG in respect of bonds issued for conversion options and warrants. Premiums from the issue of shares due to the exercise of conversion options and warrants were also transferred to the capital reserves.

In the period under review, capital reserves rose by € 4.5 m (previous year € 1.2 m) due to the issue of employee shares. In the previous year, TUI AG's capital reserves rose by € 453.4 m due to the conversion of convertible bonds and by € 2,676.8 m due to the capital increase against non-cash contribution in connection with the merger between TUI AG and TUI Travel PLC.

(27) Revenue reserves

In the completed financial year, TUI AG paid a dividend of € 0.56 per no-par value share to its shareholders; the total amount paid was € 327.0 m (previous year € 94.5 m). In financial year 2015 / 16, non-controlling interest declined by € 13.6 m due to the payment of dividends. The year-on-year change is mainly driven by the payment of dividends to non-Group shareholders in TUI Travel PLC of € 183.0 m made before the merger between TUI AG and TUI Travel PLC. Moreover, the interest paid on the hybrid bond issued by TUI AG had to be carried as a dividend in accordance with IFRS rules until it was called on 24 March 2015.

Existing equity-settled share-based payment transactions resulted in an increase in equity of € 4.3 m. Disclosures on these long-term incentive programmes are outlined in Note 42 in the section on "Share-based payments" in accordance with IFRS 2.

Moreover, an employee share trust of TUI Travel Ltd acquired shares in TUI AG in financial year 2015 / 16 in order to use them for stock option plans. The amounts used for this purpose were offset against revenue reserves as an acquisition of non-controlling interest. Equity therefore declined by € 56.3 m. Due to the issue of shares through the stock option plans, own shares remained largely unchanged overall. The employee benefit trust now holds 2,664,194 shares in TUI AG.

Deconsolidation effects mainly resulted from the sale of Hotelbeds Group in financial year 2015 / 16. For more detailed information, refer to the section "Discontinued operations".

In financial year 2015 / 16, non-controlling interest were acquired for a consideration of € 6.5 m. The carrying amount of these interest was € 0.4 m. Acquisitions of non-controlling interest primarily included non-controlling interest in Atraveo GmbH, Düsseldorf.

In the prior year, the effects of the acquisition of non-controlling interest primarily reflected the merger between TUI AG and TUI Travel PLC. The consideration including ancillary acquisition costs for the purchase of the non-controlling interest totalled € 3,359.7 m, while the carrying amount of the acquired interest accounted for €– 606.2 m. Peak Adventure Travel Group Ltd, Australia, which was split up in the prior year, was partly carried as an acquisition of non-controlling interest. The consideration paid for the acquisition totalled € 23.4 m, while the non-controlling interest acquired totalled € 42.0 m.

Foreign exchange differences comprise differences from the translation of the financial statements of foreign subsidiaries as well as differences from the translation of goodwill denominated in foreign currencies.

Changes in financial instruments available for sale of € 31.8 m reflect the value increase from the rise in Hapag-Lloyd share prices in financial year 2015 / 16. More detailed information on the increase in fair values is provided in the section "Financial assets available for sale" in Note 18.

The proportion of gains and losses from hedges used as effective hedges of future cash flows is carried in equity in other comprehensive income outside profit and loss in an amount of € 546.1 m (before tax). A reversal of this provision through profit and loss takes place in the same period in which the hedged item has an effect on profit and loss or is no longer assessed as probable. The considerable increase recorded in financial year 2015 / 16 is mainly driven by changes in exchange rates and in fuel prices.

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

The revaluation reserve formed in accordance with IAS 27 (old version) in the framework of step acquisitions of companies is retained until the date of deconsolidation of the company concerned.

(28) Use of Group profit available for distribution

In accordance with the German Stock Corporation Act, the Annual General Meeting decides on the distribution of the profit reported in TUI AG's annual financial statements. TUI AG's net profit for the year totals € 139.9 m, which combined with retained profits brought forward of € 682.4 m, gives profit available for distribution of € 822.3 m. A proposal will be submitted to the Annual General Meeting to use the profit available for distribution for the financial year to pay a dividend of € 0.63 per no-par value share, estimated to be worth € 369.8 m, and carry the amount of € 452.5 m remaining after deduction of the dividend forward on new account. The final dividend total will depend on the number of dividend-bearing no-par value shares in issue at the date on which the resolution is adopted by the Annual General Meeting.

(29) Hybrid capital

The subordinated hybrid capital issued by TUI AG in December 2005 with a nominal value of € 300.0 m was redeemed in the prior year. The borrowing costs incurred for the issue of the hybrid capital were offset against revenue reserves upon redemption.

(30) Non-controlling interest

Non-controlling interest mainly relate to RIUSA II S.A. based in Palma de Mallorca, Spain. TUI's share in this hotel company remains at 50.0 %, as in the prior year.

The financial year of RIUSA II S.A. ends on 31 December and thus differs from TUI Group's financial year. This reporting date was determined at the creation of the company. For the preparation of the consolidated financial statements of TUI Group as at 30 September, consolidated financial statements of RIUSA II Group are prepared as at TUI Group's balance sheet date, 30 September.

RIUSA II Group, recognised within the Hotels & Resorts segment, operates owned and leased hotels and hotels operated under management contracts in tourism destinations of TUI Group. Due to the contractual agreements between the shareholders and the framework agreements with TUI Group and the importance of TUI tour operation to the economic success of RIUSA II Group, TUI Group is able to direct decisions on the most relevant activities. RIUSA II Group is therefore fully consolidated although TUI Group only holds a 50 % equity stake.

The table below provides summarised financial information for RIUSA II S.A., Palma de Mallorca, Spain, the subsidiary with material non-controlling interest. The information disclosed reflects the amounts presented in the consolidated financial statements of the sub-group.

SUMMARISED FINANCIAL INFORMATION ON RIUSA II S.A., PALMA DE MALLORCA, SPAIN*

€ million	**30 Sep 2016 / 2015 / 16**	30 Sep 2015 / 2014 / 15
Current assets	336.3	294.5
Non-current assets	1,296.5	1,242.1
Current liabilities	113.9	110.3
Non-current liabilities	22.1	86.4
Revenues	796.1	715.9
Profit / loss	221.4	177.2
Other comprehensive income	– 42.4	– 8.4
Cash inflow / outflow from operating activities	292.4	232.6
Cash inflow / outflow from investing activities	–166.8	– 99.0
Cash inflow / outflow from financing activities	– 85.6	– 64.9
Accumulated non-controlling interest	572.6	494.1
Profit / loss attributable to non-controlling interest	110.7	88.6
Dividends attributable to non-controlling interest	11.0	10.0

* Consolidated sub-group

(31) Pension provisions and similar obligations

A number of defined contribution plans and defined benefit pension plans are operated for Group employees. Pension obligations vary, reflecting the different legal, fiscal and economic conditions in each country of operation, and usually depend on employees' length of service and pay levels.

All defined contribution plans are funded by the payment of contributions to external insurance companies or funds. German employees enjoy benefits from a statutory defined contribution plan paying pensions as a function of employees' income and the contributions paid in. Several additional industry pension organisations exist for companies of the TUI Group. Once the contributions to the state-run pension plans and private pension insurance organisations have been paid, the Company has no further payment obligations. One major private pension fund is Aegon Levensverzekering N.V. operating the defined contribution pension plans for the main Dutch subsidiaries of the TUI Group. Contributions paid are expensed for the respective period. In the period under review, the expenses for all defined contribution plans totalled € 81.9 m (previous year € 85.8 m).

Apart from these defined contribution pension plans, the TUI Group operates defined benefit plans, which usually entail the formation of provisions within the Company or investments in funds outside the Company.

Within this group, MER-Pensionskasse VVaG, a private pension fund in which German companies of the tourism industry are organised, represents a multi-employer plan classified as a defined benefit plan. In accordance with the statues of the plan, the plan participants and the employers pay salary-based contributions into the plan. There are no further obligations pursuant to the statutes of the plan; an additional funding obligation of the participating companies is explicitly excluded. The paid-in contributions are invested in accordance with the policies of the pension plan unless they are used in the short term to deliver benefits. As the investments are pooled and are not kept separately for each participating employer, an allocation of plan assets to individual participating employers is not possible. The investment risk and the mortality risk are jointly shared by all plan participants. Moreover, the pension fund does not provide any information to participating companies that would allow the allocation of any over- or underfunding or TUI's participation in the plan. For this reason, accounting for the plan in accordance with the requirements of IAS 19 is not possible, and the plan is therefore classed as a defined contribution plan. In the period under review, contributions to MER-Pensionskasse WAG totalled € 5.9 m (previous year € 5.5 m). For the next financial year, contributions are expected to remain at that level.

TUI Group's major pension plans recognised as defined benefit plans exist in Germany and the UK. By far the largest pension plans are operated by the Group's tour operators in the UK. They accounted for 74.6 % (previous year 75.3 %) of TUI Group's total obligations at the balance sheet date. German plans account for a further 21.3 % (previous year 20.2 %).

In the UK, the following major pension plans linking pension payments to final salary and length of service are operated. The final remuneration to be taken into account is capped.

MATERIAL DEFINED BENEFIT PLANS IN GREAT BRITAIN

Scheme name	Status
BAL Scheme	closed
TUI UK Scheme	closed
TAPS Scheme	closed

Almost all defined benefit plans in the UK are funded externally. Under UK law, the employer is obliged to ensure sufficient funding so that plan assets cover the pension payments to be made and the administrative costs of the funds. The pension funds are managed by independent trustees. The trustees comprise independent members but also beneficiaries of the plan and employer representatives. The trustees are responsible for the investment of fund assets, taking account of the interests of plan members, but they also negotiate the level of the contributions to the fund to be paid by the employers, which constitute minimum contributions to the funds. To that end, actuarial valuations are made every three years by actuaries commissioned by the trustees. The annual contributions to be paid to the funds in order to cover any shortfalls were last defined in September 2016. On top of a fixed annual contribution, a certain percentage of the pensionable remuneration of plan members has to be paid into the plan. In order to account for the increase in underfunding, in particular driven by the drop in interest rates, one-off payments linked to the occurrence of certain events were agreed. As a result, an additional £ 150 m (previous year € 174.2 m) were payable to the funds upon the sale of Hotelbeds Group in the period under review.

By contrast, defined benefit plans in Germany are unfunded. The company assumes the obligation for payments of company pensions when the beneficiaries reach the legal retirement age. The amount of the pension paid usually depends on the remuneration received by the staff members at the retirement date. Pension obligations usually include surviving dependants' benefits and invalidity benefits.

MATERIAL DEFINED BENEFIT PLANS IN GERMANY

Scheme name	Status
Versorgungsordnung TUI AG	closed
Versorgungsordnung Hapag-Lloyd Fluggesellschaft GmbH	open
Versorgungsordnung TUI Deutschland GmbH	closed
Versorgungsordnung TUI Beteiligungs GmbH	closed
Versorgungsordnung Preussag Immobilien GmbH	closed

In the period under review, defined benefit pension obligations created total expenses of € 83.0 m. Overall, expenses declined by € 7.9 m year-on-year largely due to lower net interest expenses.

PENSION COSTS FOR DEFINED BENEFIT OBLIGATIONS

€ million	**2015 / 16**	2014 / 15
Current service cost for employee service in the period	57.1	59.1
Curtailment gains	–	1.7
Net interest on the net defined benefit liability	27.6	34.4
Past service cost	– 1.7	– 0.9
Total	**83.0**	**90.9**

Provisions for pension obligations are established for benefits payable in the form of retirement, invalidity and surviving dependants' benefits. Provisions are exclusively formed for defined benefit schemes under which the Company guarantees employees a specific pension level, including arrangements for early retirement and temporary assistance benefits.

DEFINED BENEFIT OBLIGATION RECOGNISED ON THE BALANCE SHEET

€ million	**30 Sep 2016 Total**	30 Sep 2015 Total
Present value of funded obligations	3,185.9	2,711.0
Fair value of external plan assets	2,676.0	2,302.1
Deficit of funded plans	**509.9**	**408.9**
Present value of unfunded pension obligations	904.8	722.8
Defined benefit obligation recognised on the balance sheet	**1,414.7**	**1,131.7**
of which		
Overfunded plans in other assets	**36.2**	**15.2**
Provisions for pensions and similar obligations	**1,450.9**	**1,146.9**
of which current	40.6	32.4
of which non-current	1,410.3	1,114.5

Re-measurements (in particular actuarial gains and losses) are immediately offset against equity in the year in which they arise. TUI Group's total pension obligations are therefore fully recognised in the statement of financial position net of fund assets.

Where the defined benefit pension obligations are not unfunded, they are funded externally. This type of funding of pension obligations is common in the UK. For funded pension plans, the provision carried only covers the shortfall in coverage between plan assets and the present value of benefit obligations.

Where plan assets exceed funded pension obligations, taking account of a difference due to past service cost, and where at the same time there is an entitlement to reimbursement or reduction of future contributions to the fund, the excess is recognised in conformity with the cap defined by IAS 19. At 30 September 2016, defined benefit assets of €36.2 m (previous year €15.2 m) were shown in other assets.

DEVELOPMENT OF DEFINED BENEFIT OBLIGATIONS

€ million	Present value of obligation	Fair value of plan assets	**Total**
Balance as at 1 Oct 2015	**3,433.8**	**–2,302.1**	**1,131.7**
Current service cost	57.1	–	57.1
Past service cost	–1.7	–	–1.7
Curtailments and settlements	–	–	–
Interest expense (+)/interest income (-)	108.2	–80.6	27.6
Pensions paid	–160.5	125.2	–35.3
Contributions paid by employer	–	–300.2	–300.2
Contributions paid by employees	1.5	–1.5	–
Remeasurements	1,076.7	–483.4	593.3
due to changes in financial assumptions	1,083.3	–	1,083.3
due to changes in demographic assumptions	–1.1	–	–1.1
due to experience adjustments	–5.5	–	–5.5
due to return on plan assets not included in group profit for the year	–	–483.4	–483.4
Exchange differences	–420.8	363.8	–57.0
Other changes	–3.6	2.8	–0.8
Balance as at 30 Sep 2016	**4,090.7**	**–2,676.0**	**1,414.7**

DEVELOPMENT OF DEFINED BENEFIT OBLIGATIONS

€ million	Present value of obligation	Fair value of plan assets	**Total**
Balance as at 1 Oct 2014	**3,254.5**	**–1,980.0**	**1,274.5**
Current service cost	59.1	–	59.1
Past service cost	–0.9	–	–0.9
Curtailments and settlements	–2.1	0.4	–1.7
Interest expense (+)/interest income (–)	114.4	–80.0	34.4
Pensions paid	–132.7	99.6	–33.1
Contributions paid by employer	–	–149.8	–149.8
Contributions paid by employees	1.2	–1.2	–
Remeasurements	–6.6	–75.6	–82.2
due to changes in financial assumptions	20.5	–	20.5
due to changes in demographic assumptions	–30.2	–	–30.2
due to experience adjustments	3.1	–	3.1
due to return on plan assets not included in group profit for the year	–	–75.6	–75.6
Exchange differences	146.9	–115.5	31.4
Other changes	–	–	–
Balance as at 30 Sep 2015	**3,433.8**	**–2,302.1**	**1,131.7**

In the period under review, the present value of the pension obligation rose by € 656.9 m to € 4,090.7 m, primarily due to the significant fall in interest rates in the Eurozone and the UK.

TUI Group's fund assets rose significantly by € 373.9 m in the period under review. Apart from contributions made by UK subsidiaries in order to reduce the existing funding gap, the increase was driven by higher asset prices, in particular, of fixed-interest bonds linked to the lower interest rate.

COMPOSITION OF PENSION ASSETS AT THE BALANCE SHEET DATE

	30 Sep 2016		30 Sep 2015	
	Quoted market price in an active market		Quoted market price in an active market	
€ million	**yes**	**no**	yes	no
Fair value of fund assets at end of period	**1,633.9**	**1,042.1**	**1,560.2**	**741.9**
of which equities	727.5	–	692.0	–
of which government bonds	104.9	–	292.0	–
of which corporate bonds	301.8	–	274.8	–
of which liability driven investments	489.2	–	250.0	–
of which property	–	108.2	–	138.0
of which growth funds	–	83.3	–	89.3
of which insurance policies	–	73.2	–	63.7
of which catastrophe bonds	–	65.6	–	63.0
of which cash	–	585.2	–	246.4
of which other	10.5	126.6	51.4	141.5

At the balance sheet date, as in the prior year, fund assets did not comprise any direct investments in financial instruments issued by TUI AG or its consolidated subsidiaries or any property owned by the Group. For funded plans, investment in passive index tracker funds may entail a proportionate investment in Group-owned financial instruments.

Pension obligations are measured on the basis of actuarial calculations based on country-specific parameters and assumptions. The obligations under defined benefit plans are calculated on the basis of the internationally accepted projected unit credit method, taking account of expected future increases in salaries and pensions.

ACTUARIAL ASSUMPTIONS

			30 Sep 2016
Percentage p. a.	**Germany**	**Great Britain**	**Other countries**
Discount rate	1.0	2.3	1.4
Projected future salary increases	2.5	2.7	1.4
Projected future pension increases	1.8	3.6	1.3

			30 Sep 2015
Percentage p. a.	Germany	Great Britain	Other countries
Discount rate	2.25	3.8	1.9
Projected future salary increases	2.5	2.7	1.9
Projected future pension increases	1.75	3.6	1.4

The interest rate applicable in discounting the provision for pensions is based on an index for corporate bonds adjusted for securities already downgraded and under observation by rating agencies as well as subordinate bonds in order to meet the criterion for high quality bonds (rated AA or higher) required under IAS 19. In order to cover a correspondingly broad market, an index partly based on shorter-term bonds is used (e. g. iBoxx € Corporates AA 7-10 for the Eurozone). The resulting yield structure is extrapolated on the basis of the yield curves for almost risk-free bonds, taking account of an appropriate risk mark-up reflecting the term of the obligation.

Apart from the parameters described above, a further key assumption relates to life expectancy. In Germany, the Heubeck reference tables 2005 G are used to determine life expectancy, as in the prior year. In the UK, the S1NxA base tables are used, adjusted to future expected increases on the basis of the Continuous Mortality Investigation (CMI) 2015. The pension in payment escalation formulae depend primarily on the pension plan concerned. Apart from fixed rates of increase, there are also a number of inflation-linked pension adjustment mechanisms in different countries.

Changes in the key actuarial assumptions mentioned above would lead to the changes in defined benefit obligations presented below. The methodology used to determine sensitivity corresponds to the method used to calculate the defined benefit obligation. The assumptions were amended in isolation each time; actual interdependencies between the assumptions were not taken into account. The effect of the increase in life expectancy by one year is calculated by means of a reduction in mortality due to the use of the Heubeck tables 2005 G for pension plans in Germany. In the UK, an extra year is added to the life expectancy determined on the basis of the mortality tables.

SENSITIVITY OF THE DEFINED BENEFIT OBLIGATION DUE TO CHANGED ACTUARIAL ASSUMPTIONS

	30 Sep 2016		30 Sep 2015	
€ million	+50 Basis points	–50 Basis points	+50 Basis points	–50 Basis points
Discount rate	–415.5	+484.7	–292.5	+330.5
Salary increase	+32.2	–30.7	+23.8	–23.0
Pension increase	+144.8	–137.3	+110.3	–103.5
	+1 year		+1 year	
Life expectancy	+172.9	–	+114.6	–

The weighted average duration of the defined benefit obligations totalled 21.7 years (previous year 18.5 years) for the overall Group. In the UK, the weighted duration was 23.5 years (previous year 19.7 years), while it stood at 16.6 years (previous year 15.1 years) in Germany.

Fund assets are determined on the basis of the fair values of the funds invested as at 30 September 2016. The interest rate used to determine the interest income from the assets of external funds is identical with the discount rate used for the defined benefit obligation.

For the forthcoming financial year, the companies of TUI Group are expected to contribute around € 109.6 m (previous year € 128.5 m) to pension funds and pay pensions worth € 40.6 m (previous year € 32.4 m) for unfunded plans. For funded plans, payments to the recipients are fully made from fund assets so that TUI Group does not record a cash outflow as a result.

TUI Group's defined benefit plans entail various risks, some of which may have a substantial effect on the Company.

INVESTMENT RISK

The investment risk plays a major role, in particular for the large funded plans in the UK. Although shares usually outperform bonds in terms of producing higher returns, they also entail stronger volatility of balance sheet items and the risk of short-term shortfalls in coverage. In order to limit this risk, the trustees have built a balanced investment portfolio to limit the concentration of risks.

INTEREST RATE RISK

The interest rate influences in particular unfunded schemes in Germany as a decline in interest rates leads to an increase in the defined benefit obligations. Accordingly, an increase in the interest rate leads to a reduction in the defined benefit obligations. Funded plans are less strongly affected by this development as the performance of the interest-bearing assets included in plan assets regularly dampens the effects.

INFLATION RISK

An increase in the inflation rate normally increases the obligation in pension schemes linked to the final salary of beneficiaries as inflation causes an increase in the projected salary increases. At the same time, inflation-based pension increases included in the plan also rise. The inflation risk is reduced through the use of caps and collars. Moreover, the large pension funds in the UK hold inflation-linked assets, which also partly reduce the risk from a significant rise in inflation.

LONGEVITY RISK

An increasing life expectancy increases the expected benefit duration of the pension obligation. This risk is countered by using regularly updated mortality data in calculating the present values of the obligation.

CURRENCY RISK

For the TUI Group, the pension schemes entail a currency risk as most pension schemes are operated in the UK and therefore denominated in sterling. The risk is limited as the currency effects on the obligation and the assets partly offset each other. The currency risk only relates to the excess of pension obligations over scheme assets.

(32) Other provisions

DEVELOPMENT OF PROVISIONS IN THE FINANCIAL YEAR 2015/16

€ million	Balance as at 30 Sep 2015	Changes with no effect on profit and loss*	Usage	Reversal	Additions	**Balance as at 30 Sep 2016**
Maintenance provisions	563.7	– 50.0	91.9	21.2	213.0	613.6
Risks from onerous contracts	48.1	– 5.0	12.8	5.2	5.9	31.0
Restructuring provisions	41.9	– 3.7	17.4	1.7	4.9	24.0
Provisions for other personnel costs	38.1	0.3	9.9	3.3	10.4	35.6
Provisions for other taxes	27.4	5.1	1.8	4.2	6.0	32.5
Provisions for environmental protection	40.5	–	3.0	1.1	5.3	41.7
Provisions for Litigation	109.1	–18.3	13.6	12.9	15.0	79.3
Miscellaneous provisions	340.9	– 40.4	62.4	32.4	114.4	320.1
Other provisions	**1,209.7**	**–112.0**	**212.8**	**82.0**	**374.9**	**1,177.8**

* Reclassifications, transfers, exchange differences and changes in the group of consolidated companies.

Provisions for external maintenance primarily relate to contractual maintenance, overhaul and repair requirements for aircraft, engines and other specific components arising from aircraft operating lease contracts. Measurement of these provisions is based on the expected cost of the next maintenance event, estimated on the basis of current prices, expected price increases and manufacturers' data sheets. In line with the arrangements of the individual contracts and the aircraft model concerned, additions are recognised on a prorated basis in relation to flight hours, the number of flights or the length of the complete maintenance cycle.

Provisions for onerous contracts principally relate to unfavourable lease contracts. The decrease in the financial year under review is mainly driven by the utilisation of these provisions.

Restructuring provisions primarily relate to restructuring projects in Germany and the UK, for which detailed, formal restructuring plans have been drawn up and communicated to the parties concerned. The restructuring provisions included at the balance sheet date of € 24.0 m (previous year € 41.9 m) largely relate to benefits for employees in connection with the termination of employment contracts.

Provisions for personnel costs comprise provisions for jubilee benefits and provisions for share-based payment schemes with cash compensation in accordance with IFRS 2. Information on these long-term incentive programmes is presented in Note 42 in the section on Share-based payments in accordance with IFRS 2.

Provisions for environmental protection measures primarily relate to statutory obligations to remediate sites contaminated with legacy waste from former mining and metallurgical activities. Estimating the future cost of remediating contaminated sites entails many uncertainties, which may also impact the value of provisions. The measurement is based on assumptions about future costs derived from empirical values, conclusions from environmental expert reports and the legal assessment of the Group as well as the expected duration of the remediation measures. Unwinding these obligations under environmental law takes a long time and constitutes a technically complex process. Accordingly, there are considerable uncertainties about the actual timeframe and the specific amount of expenses required, so that actual costs may exceed the provisions carried.

Provisions for litigation are established in relation to existing lawsuits. Most provisions relate to demands for compensation from the container terminal at Zeebrugge and various other individual lawsuits. Taken individually, none of the lawsuits has a significant influence on TUI Group's economic position.

Changes in other provisions outside profit and loss primarily relate to changes in the group of consolidated companies, foreign exchange differences and reclassifications within other provisions.

Where the difference between the present value and the settlement value of a provision is material for the measurement of a non-current provision as at the balance sheet date, the provision is recognised at its present value in accordance with IAS 37. The discount rate to be applied should take account of the specific risks of the provision and of future price increases. This criterion applies to some items contained in TUI Group's other provisions. Additions to other provisions comprise an interest portion of € 6.7 m (previous year € 4.6 m), recognised as an interest expense.

TERMS TO MATURITY OF OTHER PROVISIONS

€ million	Remaining term more than 1 year (30 Sep 2016)	**Total (30 Sep 2016)**	Remaining term more than 1 year (30 Sep 2015)	Total (30 Sep 2015)
Maintenance provisions	534.8	613.6	455.8	563.7
Risks from onerous contracts	18.2	31.0	23.3	48.1
Restructuring provisions	–	24.0	0.2	41.9
Provisions for other personnel costs	24.3	35.6	23.6	38.1
Provisions for other taxes	24.3	32.5	22.3	27.4
Provisions for environmental protection	37.6	41.7	38.4	40.5
Provisions for litigation	51.1	79.3	50.5	109.1
Miscellaneous provisions	112.7	320.1	132.2	340.9
Other provisions	**803.0**	**1,177.8**	**746.3**	**1,209.7**

(33) Financial liabilities

FINANCIAL LIABILITIES

€ million	30 Sep 2016 up to 1 year	30 Sep 2016 1–5 years	30 Sep 2016 more than 5 years	**30 Sep 2016 Total**	30 Sep 2015 up to 1 year	30 Sep 2015 1–5 years	30 Sep 2015 more than 5 years	30 Sep 2015 Total
	Remaining term				Remaining term			
Bonds	306.5	–	–	306.5	–	293.7	–	293.7
Liabilities to banks	47.0	169.4	194.4	410.8	61.0	207.3	225.8	494.1
Liabilities from finance leases	92.2	349.0	790.5	1,231.7	68.9	280.6	632.5	982.0
Financial liabilities due to non-consolidated Group companies	6.6	–	–	6.6	5.2	–	–	5.2
Financial liabilities due to affiliates	8.0	–	–	8.0	8.0	–	–	8.0
Other financial liabilities	77.4	0.1	–	77.5	90.0	13.4	–	103.4
Total	**537.7**	**518.5**	**984.9**	**2,041.1**	**233.1**	**795.0**	**858.3**	**1,886.4**

Non-current financial liabilities decreased year-on-year by € 149.9 m to € 1,503.4 m as at the balance sheet date. The reduction resulted from the expected refinancing of bonds issued in September 2014. The carrying amount of the bond of € 306.5 m was therefore reclassified to current financial liabilities. In addition the liabilities to banks reduced by € 69.3 m. The decline is partly offset by an increase in liabilities from finance leases of € 226.4 m. The increase is mainly driven by the finance lease for cruise ship Discovery and an aircraft in Q3 2015 / 16.

Current liabilities rose by € 304.6 m to € 537.7 m year-on-year as at 30 September 2016.

FAIR VALUES AND CARRYING AMOUNTS OF THE BONDS ISSUED AT 30 SEP 2016

						30 Sep 2016		30 Sep 2015
€ million	Issuer	Nominal value initial	Nominal value outstanding	Interest rate % p.a.	Stock market value	Carrying amount	Stock market value	Carrying amount
2014/19 bond	TUI AG	300.0	300.0	4.500	308.3	306.5	314.4	293.7
Total					**308.3**	**306.5**	**314.4**	**293.7**

On 26 September 2014, TUI AG issued a fixed-interest bond with a coupon of 4.5 % p.a. with a nominal value of € 300.0 m. The bond was originally to mature on 1 October 2019. It can be redeemed ahead of maturity date from 1 October 2016. At the balance sheet date, it was expected that TUI was going to use its redemption right and redeem the bond at short notice at a redemption price of 102.25 % per bond as part of a refinancing scheme.

(34) Trade accounts payable

TRADE PAYABLES

€ million	30 Sep 2016	30 Sep 2015
To third parties	2,450.6	3,181.2
To non-consolidated Group companies	1.0	5.8
To affiliates	25.3	37.2
Total	**2,476.9**	**3,224.2**

The decrease in trade payables results primarily from the sale of Hotelbeds Group.

(35) Derivative financial instruments

DERIVATIVE FINANCIAL INSTRUMENTS

				30 Sep 2016				30 Sep 2015
	Remaining term				Remaining term			
€ million	up to 1 year	1 – 5 years	more than 5 years	Total	up to 1 year	1 – 5 years	more than 5 years	Total
Liabilities from derivative financial instruments to third parties	249.6	27.5	–	277.1	388.2	78.5	–	466.7

Derivative financial instruments are included at their fair values (market values). They mainly serve to hedge future business operations and are detailed in the explanatory information on financial instruments.

(36) Deferred and current tax liabilities

DEFERRED AND CURRENT TAX LIABLITIES

€ million	30 Sep 2016	30 Sep 2015
Deferred tax liabilities	62.9	125.7
Current tax liabilities	218.2	194.6
Total	**281.1**	**320.3**

Deferred tax liabilities include an amount of €49.2 m (previous year €105.5 m) to be realised after more than twelve months.

(37) Other liabilities

OTHER LIABILITIES

	30 Sep 2016			30 Sep 2015		
	Remaining term			Remaining term		
€ million	up to 1 year	1–5 years	**Total**	up to 1 year	1–5 years	Total
Other liabilities due to non-consolidated Group companies	7.5	–	7.5	3.6	–	3.6
Other liabilities due to affiliates	13.3	5.8	19.1	29.1	8.0	37.1
Other liabilities relating to other taxes	27.8	–	27.8	41.9	–	41.9
Other liabilities relating to social security	45.7	–	45.7	47.2	–	47.2
Other liabilities relating to employees	237.8	17.1	254.9	273.4	13.8	287.2
Other liabilities relating to members of the Boards	8.5	–	8.5	4.2	–	4.2
Advance payments received	2,301.3	–	2,301.3	2,568.3	13.5	2,581.8
Other miscellaneous liabilities	192.4	64.1	256.5	205.0	25.7	230.7
Other liabilities	**2,834.3**	**87.0**	**2,921.3**	**3,172.7**	**61.0**	**3,233.7**
Deferred income	38.1	73.1	111.2	74.6	75.2	149.8
Total	**2,872.4**	**160.1**	**3,032.5**	**3,247.3**	**136.2**	**3,383.5**

The decrease in other liabilities results primarily from the sale of Hotelbeds Group and the classification of Specialist Group as discontinued operation.

(38) Liabilities related to assets held for sale

LIABILITIES RELATED TO ASSETS HELD FOR SALE

€ million	**30 Sep 2016**	30 Sep 2015
Discontinued Operation Specialist Group	472.3	–
Discontinued Operation LateRooms Group	–	31.5
Total	**472.3**	**31.5**

For more detailed information, reference is made to the section on "Discontinued operations".

(39) Contingent liabilities

As at 30 September 2016, contingent liabilities amount to € 326.1 m (previous year € 364.4 m). Contingent liabilities are reported at an amount representing the best estimate of the potential expenditure that would be required to meet the potential obligation as at the balance sheet date. Contingent liabilities as at 30 September 2016 are principally attributable to the granting of guarantees for the benefit of Hapag-Lloyd AG and TUI Cruises GmbH for collateralised ship financing schemes. The year-on-year decline versus 30 September 2015 mainly results from the return of guarantees and from redemption payments, which more than offset the increase resulting from contingent liabilities newly entered into.

During financial year 2011 / 12, the German tax administration issued a decree on the interpretation of the trade tax act, amended with effect from financial year 2008. This decree, only binding for the tax administration, is interpreted by the German tax administration as indicating that expenses of German tour operators for the purchase of hotel beds are not fully deductible in determining the basis for the assessment of trade tax. TUI does not share that view, in particular as hotel purchasing contracts are mixed contracts also covering catering, cleaning, entertaining guests and other services characterising the purchase service.

On 4 February 2016 the Münster fiscal court agreed with the interpretation of the German tax administration in the case of a third party tour operator. To recognise the increased risk compared to 30 September 2015 income tax liabilities amounting to € 44.4 m were recognised at 30 September 2016.

(40) Litigation

Neither TUI AG nor any of its subsidiaries are involved in pending or foreseeable court or arbitration proceedings which might have a significant impact on their economic position as at 30 September 2016 or future periods. This also applies to actions claiming warranty, repayment or any other compensation in connection with the divestment of subsidiaries and business units over the past few years. As in previous years, the respective Group companies recognised adequate provisions, partly covered by expected insurance benefits, to cover all potential financial charges from court or arbitration proceedings.

In 1999, the operator of the container terminal in Zeebrugge Belgium filed an action for damages against CP Ships Ltd., part of TUI Group, and some of its subsidiaries for an alleged breach of contract in connection with switching the Belgian port of call from Zeebrugge to Antwerp. Following first oral proceedings in September 2013, the court ruled against two subsidiaries of CP Ships Ltd. in October 2013 and dismissed the action against all other defendants (including CP Ships Ltd.). Both parties have appealed so that the action is now only pending against the two subsidiaries of CP Ships Ltd. and CP Ships Ltd. itself. Moreover, the CP Ships companies would have rights of recourse against solvent third parties in the event of an adverse final judgment.

(41) Other financial commitments

NOMINAL AND FAIR VALUES OF OTHER FINANCIAL COMMITMENTS

€ million	30 Sep 2016 Remaining term up to 1 year	1–5 years	more than 5 years	Total	30 Sep 2015 Remaining term up to 1 year	1–5 years	more than 5 years	Total
Order commitments in respect of capital expenditure	657.1	2,929.7	1,199.9	4,786.7	275.1	1,969.8	1,682.8	3,927.7
Other financial commitments	68.1	45.9	–	114.0	39.2	75.2	–	114.4
Total	**725.2**	**2,975.6**	**1,199.9**	**4,900.7**	**314.3**	**2,045.0**	**1,682.8**	**4,042.1**
Fair value	**718.0**	**2,888.1**	**1,105.1**	**4,711.2**	**307.5**	**1,912.9**	**1,399.5**	**3,619.9**

The fair value of other financial commitments was determined by means of discounting future expenses using a customary market interest rate of 1.00 % p. a. (previous year 2.25 % p. a.). If the previous year's interest rate of 2.25 % had been applied, the fair value would have been € 220.3 m lower.

Order commitments in respect of capital expenditure relate almost exclusively to Tourism and increased by € 859.0 m year-on-year as at 30 September 2016. This was primarily due to new order commitments for aircrafts and aircraft equipment. Other significant increases include new orders for cruise ships and higher levels of hotel construction projects. The increase was partly offset by foreign exchange effects for liabilities denominated in non-functional currencies.

FINANCIAL COMMITMENTS FROM OPERATING LEASE, RENTAL AND CHARTER CONTRACTS

€ million	30 Sep 2016 Remaining term up to 1 year	1–5 years	5–10 years	more than 10 years	Total	30 Sep 2015 Remaining term up to 1 year	1–5 years	5–10 years	more than 10 years	Total
Aircraft	391.7	1,125.7	368.9	–	1,886.3	401.4	1,219.5	508.6	15.2	2,144.7
Hotel complexes	242.3	411.9	67.7	10.0	731.9	231.9	462.4	90.9	8.4	793.6
Travel agencies	67.9	124.8	30.4	6.0	229.1	74.1	143.1	38.7	7.8	263.7
Administrative buildings	43.4	108.7	64.7	54.4	271.2	54.6	129.7	76.1	67.1	327.5
Ships, yachts and motor boats	99.6	104.7	0.3	–	204.6	96.9	97.6	0.5	–	195.0
Other	22.5	26.1	8.9	56.8	114.3	26.8	26.9	8.8	56.3	118.8
Total	**867.4**	**1,901.9**	**540.9**	**127.2**	**3,437.4**	**885.7**	**2,079.2**	**723.6**	**154.8**	**3,843.3**
Fair value	**858.7**	**1,846.1**	**499.6**	**115.2**	**3,319.6**	**866.1**	**1,944.9**	**605.7**	**123.9**	**3,540.6**

The fair value of financial commitments from lease, rental and charter agreements was determined by means of discounting future expenses using a standard market interest rate of 1.00 % p. a. (previous year 2.25 % p. a.). If the previous year's interest rate of 2.25 % p. a. had been applied, the fair value would have been € 137.6 m lower.

The commitments from lease, rental and charter agreements exclusively relate to leases that do not transfer all the risks and rewards of ownership of the assets to the companies of the TUI Group in accordance with IFRS rules (operating leases).

Operating leases for aircraft generally do not include a purchase option. Current lease payments usually do not include any maintenance costs. The basic lease term is usually around 8 years on average.

The decrease in commitments compared to 30 September 2015 can largely be explained by a reduction of lease obligations for aircraft. Increases resulting from the commission of several aircraft were off-set significantly by decreases caused by low levels of lease extensions. Commitments for hotel leases reduced as several contracts were re-negotiated during the year and obligations for administrative buildings decreased as commitments for the prior year included amounts from Hotelbeds Group, which are no longer included in the current year. A further decline was caused by foreign exchange effects for liabilities denominated in non-functional currencies.

(42) Share-based payments in accordance with IFRS 2

MULTI-ANNUAL BONUS PAYMENT

The long-term incentive programme for Board members is based on phantom shares. In each financial year, a new period of performance measurements commences, spanning the current plus the following three financial years. As a result, each performance measurement period has a general term of four years. All Board members have their individual target amount defined in their service contract. This is translated at the beginning of each performance measurement period into phantom shares based on the average price of TUI AG shares ('preliminary number of phantom shares'). The average share price is calculated based on the share prices during the 20 days prior to the beginning of any financial year. The entitlement under the long-term incentive programme arises upon completion of the four-year performance period.

Upon the completion of the four-year performance period, the preliminary number of phantom shares is multiplied by the degree of target achievement. This degree is determined by the rank achieved by TUI AG when comparing the total shareholder return (TSR) of companies listed in the "Dow Jones Stoxx 600 Travel & Leisure" index. The rank is subsequently translated into a percentage, which is the degree of target achievement. If the degree of target achievement is less than 25 %, no preliminary phantom shares are remunerated. If the degree of target achievement exceeds 25 %, it is multiplied by the number of preliminary phantom shares granted, subject to a cap of 175 %. At the end of the four-year performance period, the number of phantom shares determined in this way is multiplied by the average price (20 trading days) of TUI AG shares, and the resulting amount is automatically paid out in cash. The maximum amount payable under the long-term incentive programme has been capped for each individual.

If the condition mentioned above is met, upon expiry of the performance period, the awards are automatically exercised. If the conditions are not met, the awards are forfeited. The service period will be restricted to the end of the employment period if plan participants leave the Company, as long as employment is not terminated due to a significant reason within the sphere of responsibility of the participant or by the participant without cause.

STOCK OPTION PLAN

The stock option plan was closed during financial year 2015 / 16. The last tranche was granted in February 2016. Stock options already granted under the plan are exercisable in accordance with the plan rules described below.

Bonuses were granted to Group executives entitled to receive a bonus; the bonuses were translated into phantom shares in TUI AG on the basis of an average share price. The phantom shares were calculated on the basis of Group earnings before interest, taxes and amortisation of goodwill (EBITA). The translation into phantom shares was based on the average share price of the TUI share on the 20 trading days following the Supervisory Board meeting at which the annual financial statements were approved. The number of phantom shares granted in a financial year was therefore only determined in the subsequent year. Following a lock-up period of two years, the individual beneficiaries are free to exercise their right to cash payment from this bonus within three years. Following significant corporate news, the entitlements have to be exercised within defined timeframes. The lock-up period is not applicable if a beneficiary leaves the Company; in that case, the entitlements have to be exercised in the next time window. The level of the cash payment depends on the average share price of the TUI share over a period of 20 trading days after the exercise date. There are no absolute or relative return or share price targets. A cap has been agreed for exceptional, unforeseen developments. Since the strike price is € 0.00 and the incentive programme does not entail a vesting period, the fair value corresponds to the intrinsic value and hence the market price at the balance sheet date. Accordingly, the fair value of the obligation is determined by multiplying the number of phantom shares with the share price at the respective reporting date.

PERFORMANCE SHARE PLAN (PSP)

After the termination of the Stock option plan, a new scheme was introduced for applicable Group executives. The scheme conditions are harmonised with the multi-annual bonus plan of the Board Members with the notable exception of a three year performance period instead of four years.

The multi-annual bonus, stock option plan and PSP schemes are recognised as payments with cash compensation and are granted with an exercise price of € 0.00. The personnel expense is recognized upon actual delivery of service according to IFRS 2 and is therefore split over a period of time. According to IFRS 2, all contractually granted entitlements from the PSP have to be accounted for, irrespective of whether and when they are actually awarded. The phantom shares granted during financial year 2015 / 16 are awarded pro rata upon actual delivery of service. Phantom shares developed as follows for the above remuneration schemes.

DEVELOPMENT OF PHANTOM SHARES

	Number of shares	Present value € million
Balance as at 30 Sep 2014	**1,181,042**	**14.0**
Phantom shares granted	779,616	9.7
Phantom shares exercised	497,970	8.3
Phantom shares forfeited	69,116	0.8
Measurement results	–	8.2
Balance as at 30 Sep 2015	**1,393,572**	**22.8**
Phantom shares granted	4,301,851	59.1
Phantom shares exercised	451,455	5.9
Phantom shares forfeited	–	–
Measurement results	–	– 9.4
Balance as at 30 Sep 2016	**5,243,968**	**66.6**

From all granted phantom shares, during financial year 2015 / 16 394,363 phantom shares have been awarded.

In financial year 2015 / 16, personnel expenses due to share-based payment schemes with cash compensation of € 4.5 m (2014 / 15: € 8.0 m) were recognised through profit and loss.

As at 30 September 2016 provisions relating to entitlements under these long-term incentive programmes totaled € 13.4 m and further € 1.9 m were included as liabilities (previous year provisions of € 15.2 m and € 1.5 m liabilities). Within the stock option plan 216,698 phantom shares (value equivalent to € 2.8 m) vested as at 30 September 2016.

The fair value of services received in return for phantom shares granted was measured by reference to the fair value of the underlying equity instruments. The fair value at the date the share awards were granted is usually estimated using a binominal methodology, except where there is a market-based performance condition attached to vesting. In that case a Monte Carlo simulation is used for the estimate.

INFORMATION RELATING TO FAIR VALUES OF PHANTOM SHARES GRANTED

		2015/16
Fair values at measurement date (scaled to € 1)	€	0.75 to 1.73
Share price	€	12.69
Expected volatility	%	31.11 to 46.40
Award life	years	1 to 16.75
Risk free interest rate	%	– 0.72 to – 0.69

EMPLOYEE SHARES

TUI AG offers shares at preferential conditions for purchase by eligible employees in Germany and some European countries. The purchase entails a lock-up period of two years. In financial year 2015 / 16, a total of 181,280 employee shares that employees had subscribed to in the prior year were issued. The subscription period for employee shares in financial year 2015 / 16 expired on 30 June 2016. Employees subscribed to 253,690 employee shares which were issued in September 2016. Personnel costs recognised through profit and loss, i.e. the difference between the current share price as at the balance sheet date and the reduced purchase price, amount to € 0.8 m.

SHARE-BASED PAYMENT SCHEMES IN TUI AG SUBSIDIARIES

The three principal schemes below are all closed to new participants. Eligible participants are now included in the TUI AG phantom schemes, details of which are provided above.

Certain beneficiaries (except for the Executive Board members) were eligible to receive awards under the three remuneration schemes described below. Prior to the merger between TUI Travel PLC and TUI AG, the schemes operated by TUI Travel PLC businesses were equity-settled and all outstanding awards remain equity-settled. All awards granted under the schemes after the merger will be settled in cash.

The three principal share-based payment schemes linked executive remuneration to the future performance of the company are: a Performance Share Plan (PSP), a Deferred Annual Bonus Scheme (DABS) and a Deferred Annual Bonus Long-Term Incentive Scheme (DABLIS). These incentive schemes were offered to participants free of charge and entail both lock-up periods and performance conditions.

The share awards of all remuneration schemes will only vest if the average annual return on invested capital (ROIC) is at least equal to the average weighted average cost of capital (WACC) over a period of three years. If this condition is fulfilled, the number of vesting awards are determined as a function of the fulfilment of the following performance conditions.

PERFORMANCE SHARE PLAN (PSP)

Up to 50 % of these awards granted will vest based on growth in the Group’s reported earnings per share (EPS) in excess of growth in the UK Retail Price Index. Up to 25 % of the awards will vest based on the Group’s total shareholder return (TSR) performance relative to an average of the TSR performance of an index of other capital market-orientated travel and tourism companies. Likewise, up to 25 % of the awards vest if the Group’s average return on invested capital (ROIC) meets predefined targets.

DEFERRED ANNUAL BONUS SCHEME (DABS)

The awards granted under this scheme vest upon completion of a three-year period at the earliest.

Up to 50 % of the granted awards will vest based on growth in earnings per share (EPS) relative to the UK Retail Price Index (RPI). 25 % of the awards will vest based on total shareholder return (TSR) performance relative to the TSR performance of other capital market-oriented travel and tourism companies. Likewise, up to 25 % of the awards will vest if the average return on invested capital (ROIC) meets certain targets.

DEFERRED ANNUAL BONUS LONG-TERM INCENTIVE SCHEME (DABLIS)

The Deferred Annual Bonus Long-Term Incentive Scheme (DABLIS), for executive staff (except for the Executive Board) required a 25 % conversion of any annual variable compensation into shares. Some eligible staff have been awarded further (matching) share awards as additional bonuses. Matching shares are limited to four times the converted amount. The earliest point for the shares to be eligible for release is similarly at the end of a three-year period.

Up to 50 % of the awards will vest based on achievement of certain EBITA targets. Up to 25 % of awards will vest based on the earnings per share (EPS) performance relative to the UK Retail Price Index and up to 25 % based on the total shareholder return (TSR) performance in relation to the TSR performance of other capital market-oriented travel and tourism companies.

The following schedules relate to the outstanding awards under the TUI Travel equity-settled schemes and show the number of TUI Travel Limited shares which remain outstanding following conversion into TUI AG shares at the conversion rate of 0.399 new TUI AG shares for each TUI Travel share as agreed in the merger documentation.

The vesting schedule for the awards was as follows as at 30 September 2016:

SHARE AWARD SCHEMES AND ORDINARY SHARES OUTSTANDING

	30 Sep 2016 Number of shares	30 Sep 2015 Number of shares	Date due to vest / date vested
Performance Share Plan (PSP)	–	732,594	6 December 2015
	227,129	486,203	12 December 2016
	–	–	
Deferred Annual Bonus Scheme (DABS)	–	1,393,129	6 December 2015
	343,215	925,025	12 December 2016
	–	–	
Deferred Annual Bonus Long-Term Incentive Scheme (DABLIS)	–	808,039	6 December 2015
	570,732	681,508	12 December 2016
Total	**1,141,076**	**5,026,498**	

The development of awards already granted is as follows:

DEVELOPMENT OF THE NUMBER OF SHARE OPTIONS

	Number
Outstanding at 1 Oct 2015	5,026,498
Forfeited during the year	–677,243
Exercised during the financial year	–3,208,179
Granted during the financial year	–
Balance as at 30 Sep 2016	**1,141,076**

The weighted average TUI AG share price was € 14.76 at exercise date (previous year € 14.56). The weighted average remaining contractual life of options not exercised is 0.19 years at 30 September 2016 (previous year 0.61 years). In addition to the above shares, the deferral of variable compensation into share awards means that 75,462 shares (previous year 558,154 shares) are still outstanding under DABS and 306,396 (previous year 799,354) under DABLIS. The awards will vest on 12 December 2016.

Participants are not entitled to dividends prior to vesting. Expected volatility is based on historic volatility adjusted for changes to future volatility indicated by publicly available information.

In financial year 2015 / 16, personnel costs of € 6.2 m (previous year € 20.1 m) relating to share-based payment schemes involving compensation by equity instruments were carried through profit and loss.

After the merger, eligible beneficiaries were included in a cash-settled (Phantom) scheme. Calculation of the cash settlement is based on the same criteria as those used for settlement by equity instruments. In the financial year 2015 / 16, this gave rise to staff costs of € 9.6 m (previous year € 10.9 m). As at 30 September 2016 provisions relating to entitlements under these long-term incentive programmes totalled € 12.5 m (previous year € 11.2 m) and were classified as accruals.

The schedule below shows the development of outstanding cash-settled phantom shares as at 30 September 2016:

DEVELOPMENT OF PHANTOM SHARES GRANTED AT SUB-GROUP LEVEL

	Number of shares	Present value € million
Balance as at 30 Sep 2015	**1,604,386**	**26.7**
Phantom shares granted	829,786	13.5
Phantom shares exercised	– 402,039	– 6.5
Phantom shares forfeited	– 292,200	– 4.8
Measurement results	–	– 6.7
Balance as at 30 Sep 2016	**1,739,933**	**22.2**

(43) Financial instruments

RISKS AND RISK MANAGEMENT

RISK MANAGEMENT PRINCIPLES

Due to the nature of its business operations, the TUI Group is exposed to various financial risks, including market risks (consisting of currency risks, interest rate risks and market price risks), credit risks and liquidity risks.

In accordance with the Group's financial goals, financial risks have to be mitigated. In order to achieve this, policies and procedures have been developed to manage risk associated with financial transactions undertaken.

The rules, responsibilities and processes as well as limits for transactions and risk positions have been defined in policies. The trading, processing and control have been segregated in functional and organisational terms. Compliance with the policies and limits is continually monitored. All hedges by the TUI Group are consistently based on recognised or forecasted underlying transactions. Standard software is used for assessing, monitoring, reporting, documenting and reviewing the effectiveness of the hedging relationships for the hedges entered into. In this context, the fair values of all derivative financial instruments determined on the basis of the Group's own systems are regularly compared with the fair value confirmations from the external counterparties. The processes, the methods applied and the organisation of risk management are reviewed for compliance with the relevant regulations on at least an annual basis by the internal audit department and external auditors.

Within the TUI Group, financial risks primarily arise from cash flows in foreign currencies, fuel requirements (jet fuel and bunker oil) and financing via the money and capital markets. In order to limit the risks from changes in exchange rates, market prices and interest rates for underlying transactions, the TUI Group uses over-the-counter derivative financial instruments. These are primarily fixed-price transactions. In addition, the TUI Group also uses options and structured products. Use of derivative financial instruments is confined to internally fixed limits and other policies. The transactions are concluded on an arm's length basis with counterparties operating in the financial sector, whose counterparty risk is regularly monitored. Foreign exchange translation risks from the consolidation of Group companies not preparing their accounts in euros are not hedged.

Accounting and measurement of financial instruments is in line with IAS 39.

MARKET RISK

Market risks result in fluctuations in earnings, equity and cash flows. In order to limit or eliminate these risks, the TUI Group has developed various hedging strategies, including the use of derivative financial instruments.

IFRS 7 requires the presentation of a sensitivity analysis showing the effects of hypothetical changes in relevant market risk variables on profit or loss and equity. The effects for the period are determined by relating the hypothetical changes in risk variables to the portfolio of primary and derivative financial instruments as at the balance sheet date. It is ensured that the portfolio of financial instruments as at the balance sheet date is representative for the entire financial year.

The analyses of the TUI Group's risk reduction activities outlined below and the amounts determined using sensitivity analyses represent hypothetical and thus uncertain risks. Due to unforeseeable developments in the global financial markets, actual results may deviate substantially from the disclosures provided. The risk analysis methods used must not be considered a projection of future events or losses, since the TUI Group is also exposed to risks of a non-financial or non-quantifiable nature. These risks primarily include sovereign, business and legal risks not covered by the following presentation of risks.

CURRENCY RISK

The business operations of the TUI Group's companies generate payments or receipts denominated in foreign currencies, which are not always matched by payments or receipts with equivalent terms in the same currency. Using potential netting effects (netting of payments made and received in the same currency with identical or similar terms), the TUI Group enters into appropriate hedges with external counterparties in order to protect its profit margin from exchange rate-related fluctuations.

Within the TUI Group, risks from exchange rate fluctuations are hedged, with the largest hedging volumes relating to US dollars, euros and pound sterling. The Eurozone limits the currency risk from transactions in the key tourist destinations to Group companies whose functional currency is not the euro. The tourism business operations are mainly affected by changes in the value of the US dollar and the euro, the latter predominantly affecting the TUI tour operators in the UK and the Nordic countries. In tourism operations, payments in US dollars primarily relate to the procurement of services in non-European destinations, purchases of jet and ship fuel and aircraft and cruise ship purchases or charter.

The tourism companies use financial derivatives to hedge their planned foreign exchange requirements. They aim to cover 80 % to 100 % of the planned currency requirements at the beginning of the tourism season. In this regard, account is taken of the different risk profiles of the TUI Group companies. The hedged currency volumes are adjusted in line with changes in planned requirements based on reporting by business units.

Currency risks within the meaning of IFRS 7 arise from primary and derivative monetary financial instruments issued in a currency other than the functional currency of a company. Exchange rate-related differences from the translation of financial statements into the Group's presentation currency are not taken into account. Taking account of the different functional currencies within the TUI Group, the sensitivity analyses of the currencies identified as relevant risk variables are presented below. A 10 % strengthening or weakening of the respective functional currencies, primarily euro and pound sterling, against the other currencies would cause the following effects on the revaluation reserve and earnings after tax:

SENSITIVITY ANALYSIS – CURRENCY RISK

€ million	30 Sep 2016		30 Sep 2015	
Variable: Foreign exchange rate	**+10%**	**–10%**	+10%	–10%
Exchange rates of key currencies				
€/US dollar				
Revaluation reserve	–123.4	+124.0	–102.3	+102.4
Earnings after income taxes	–6.5	+6.7	–8.0	+9.8
€/Pound sterling				
Revaluation reserve	–176.0	+176.0	–203.8	+203.8
Earnings after income taxes	+17.3	–22.2	–150.5	+152.4
Pound sterling/US dollar				
Revaluation reserve	–114.3	+114.3	–97.9	+97.9
Earnings after income taxes	+10.0	–10.0	–13.5	+13.5
€/Swedish krona				
Revaluation reserve	–0.7	+0.7	+21.0	–21.0
Earnings after income taxes	–	–	–	–

INTEREST RATE RISK

The TUI Group is exposed to interest rate risks from floating-rate primary and derivative financial instruments. Where interest-driven cash flows of floating-rate primary financial instruments are converted into fixed cash flows using derivative hedges, they are not exposed to an interest rate risk. No interest rate risk exists for fixed-interest financial instruments carried at amortised cost.

Changes in market interest rates mainly impact floating-rate primary financial instruments and derivative financial instruments entered into in order to reduce interest-induced cashflow fluctuations.

The table below presents the equity and earnings effects of an assumed increase or decrease in the market interest rate of 50 base points as at the balance sheet date.

SENSITIVITY ANALYSIS – INTEREST RATE RISK

€ million	30 Sep 2016		30 Sep 2015	
Variable: Interest rate level for floating interest-bearing debt	**+50 basis points**	**–50 basis points**	+50 basis points	–50 basis points
Revaluation reserve	–	–	–	–
Earnings after income taxes	+2.6	–2.6	+0.3	–

FUEL PRICE RISK

Due to the nature of its business operations, the TUI Group is exposed to market price risks from the purchase of fuel, both for the aircraft fleet and the cruise ships.

The tourism companies use financial derivatives to hedge their exposure to market price risks for the planned consumption of fuel. At the beginning of the touristic season the target hedging ratio is at least 80%. The different risk profiles of the Group companies operating in different source markets are taken into account, including the possibility of levying fuel surcharges. The hedging volumes are adjusted for changes in planned consumption as identified by the Group companies.

If the commodity prices, which underlie the fuel price hedges, increase or decrease by 10 % on the balance sheet date, the impact on equity and on earnings after income taxes would be as shown in the table below.

SENSITIVITY ANALYSIS – FUEL PRICE RISK

€ million	30 Sep 2016		30 Sep 2015	
Variable: Fuel prices for aircraft and ships	**+10 %**	**–10 %**	+10 %	–10 %
Revaluation reserve	+ 81.2	– 80.8	+ 62.4	– 61.6
Earnings after income taxes	– 0.3	–	– 0.1	– 0.3

OTHER PRICE RISKS

Apart from the financial risks that may result from changes in exchange rates, commodity prices and interest rates, the TUI Group is not exposed to significant price risks at the balance sheet date, except for the share price risk related to Hapag-Lloyd AG.

A hypothetical change of +10 % / –10 % in the Hapag-Lloyd AG share price would result in a € 26.6 m increase or -€ 26.6 m decrease in the fair value of the shares held by the Group and would be recognised in other comprehensive income. In the prior year the sensitivity analysis relating to the stake in Hapag-Lloyd was based on the effect of changes to non-observable input factors on the fair value (level 3 measurement). An assumed increase or decrease in the non-observable input factors of 0.25 % would have resulted in the following favourable or unfavourable impacts on profit or loss: (Forecasted) EBITA-margin € 71.5 m / € –71.4 m, WACC € – 43.0 m / € 47.2 m, terminal growth rate € 40.4 m / € – 36.8 m.

CREDIT RISK

The credit risk in non-derivative financial instruments results from the risk of counterparties defaulting on their contractual payment obligations.

Maximum credit risk exposure corresponds to the total of the recognised carrying amounts of the financial assets (including derivative financial instruments with positive market values). It also relates to the granting of financial guarantees for the discharge of liabilities. Details concerning the guarantees at the balance sheet date are presented in Note 39. Where legally enforceable, financial assets and liabilities are netted. Credit risks are reviewed closely on conclusion of the contract and continually monitored thereafter in order to swiftly respond to potential impairments in a counterparty's solvency. Responsibility for handling the credit risk is held by the Group company holding the receivable.

Since the TUI Group operates in many different business areas and regions, significant credit risk concentrations of receivables from and loans to specific debtors or groups of debtors are not to be expected. A significant concentration of credit risks related to specific countries is not to be expected either. As of the balance sheet date, there is no collateral held, or other credit enhancements that reduce the maximum credit risk (previous year € 1.1 m). Collateral held in the prior period relates exclusively to financial assets of the category "Trade receivable and other assets". The collateral mainly comprises collateral for financial receivables granted and maturing in more than one year and / or with a volume of more than € 1 m. Rights in rem, directly enforceable guarantees, bank guarantees and comfort letters are used as collateral.

Identifiable credit risks of individual receivables are subject to provisions for bad debts. In addition, portfolios are impaired based on observed values. An analysis of the aging structure of the category Trade receivables and other assets is presented in Note 19.

At the balance sheet date, there were no financial assets that would be overdue or impaired unless the terms and conditions of the contract had been renegotiated, neither in financial year 2015 / 16 nor in 2014 / 15.

Credit management also covers the TUI Group's derivative financial instruments. The maximum credit risk for derivative financial instruments entered into is limited to the total of all positive market values of these instruments since in the event of counterparty default asset losses would only be incurred up to that amount. Since derivative financial instruments are concluded with different debtors, credit risk exposure is reduced. The specific credit risks of individual counterparties are taken into account in determining the fair values of derivative financial instruments. In addition, the counterparty risk is continually monitored and controlled using internal bank limits.

LIQUIDITY RISK

The liquidity risks arises from the TUI Group being unable to meet its short term financial obligations and the resulting increases in funding costs. For this reason, the key objectives of TUI's internal liquidity management system are to secure the TUI Group's liquidity at all times and consistently comply with contractual payment obligations. Assets of € 0.5 m (previous year € 0.3 m) were deposited as collateral for liabilities. The participating Group companies are also jointly and severally liable for financial liabilities from cash pooling agreements.

The tables provided below list the contractually agreed (undiscounted) cash flows of all primary financial liabilities and derivative financial instruments as at the balance sheet date. Planned payments for future new liabilities were not taken into account. Where financial liabilities have a floating interest rate, the forward interest rates fixed at the balance sheet date were used to determine future interest payments. Financial liabilities cancellable at any time are allocated to the earliest maturity band.

CASH FLOW OF FINANCIAL INSTRUMENTS – FINANCIAL LIABILITIES (30 SEP 2016)

	Cash outflow until 30 Sep							
	up to 1 year		1 – 2 years		2 – 5 years		more than 5 years	
€ million	**repayment**	**interest**	repayment	interest	repayment	interest	repayment	interest
Financial liabilities								
Bonds*	–	– 13.5	–	– 13.5	– 300.0	– 20.3	–	–
Liabilities to banks	– 47.0	– 12.0	– 47.6	– 12.4	– 121.8	– 32.2	– 194.4	– 31.6
Liabilities from finance leases	– 92.2	– 33.5	– 91.2	– 31.6	– 257.8	– 81.8	– 790.5	– 71.5
Financial liabilities due to non-consolidated Group companies	– 6.6	–	–	–	–	–	–	–
Financial liabilities due to affiliates	– 8.0	– 0.1	–	–	–	–	–	–
Other financial liabilities	– 77.4	–	– 0.1	–	–	–	–	–
Trade payables	– 2,476.9	–	–	–	–	–	–	–
Other liabilities	– 175.7	– 19.8	– 8.4	–	–	–	–	–

* The bond was early redeemed in November 2016. For further details please refer to the section 49 "Significant transactions after the balance sheet date".

CASH FLOW OF FINANCIAL INSTRUMENTS – FINANCIAL LIABILITIES (30 SEP 2015)

	Cash outflow until 30 Sep							
	up to 1 year		1–2 years		2–5 years		more than 5 years	
€ million	**repayment**	**interest**	repayment	interest	repayment	interest	repayment	interest
Financial liabilities								
Bonds	–	–13.5	–	–13.5	–300.0	–33.8	–	–
Liabilities to banks	–61.0	–4.3	–55.6	–3.5	–151.7	–8.6	–225.8	–7.3
Liabilities from finance leases	–68.8	–34.4	–68.2	–32.2	–212.5	–83.6	–632.5	–84.4
Financial liabilities due to non-consolidated Group companies	–5.2	–	–	–	–	–	–	–
Financial liabilities due to affiliates	–8.0	–	–	–	–	–	–	–
Other financial liabilities	–90.0	–	–13.4	–	–	–	–	–
Trade payables	–3,224.2	–	–	–	–	–	–	–
Other liabilities	–66.2	–12.2	–7.5	–	–2.7	–	–	–

CASH FLOW OF DERIVATIVE FINANCIAL INSTRUMENTS (30 SEP 2016)

	Cash in-/outflow until 30 Sep			
€ million	**up to 1 year**	1–2 years	2–5 years	more than 5 years
Derivative financial instruments				
Hedging transactions – inflows	+7,362.3	+1,587.1	+345.3	–
Hedging transactions – outflows	–7,062.0	–1,531.3	–316.0	–
Other derivative financial instruments – inflows	+1,688.0	+44.4	+0.7	–
Other derivative financial instruments – outflows	–1,714.5	–43.0	–0.8	–

CASH FLOW OF DERIVATIVE FINANCIAL INSTRUMENTS (30 SEP 2015)

	Cash in-/outflow until 30 Sep			
€ million	**up to 1 year**	1–2 years	2–5 years	more than 5 years
Derivative financial instruments				
Hedging transactions – inflows	+6,865.3	+1,620.3	+412.1	+0.7
Hedging transactions – outflows	–7,016.7	–1,660.1	–423.0	–0.7
Other derivative financial instruments – inflows	+4,090.9	+153.1	+23.2	–
Other derivative financial instruments – outflows	–3,576.0	–150.1	–22.4	–

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGES

STRATEGY AND GOALS

In accordance with the TUI Group's policy, derivatives are allowed to be used if they are based on underlying recognised assets or liabilities, firm commitments or forecasted transactions. Hedge accounting based on the rules of IAS 39 is applied to forecasted transactions. In the financial year under review, hedges primarily consisted of cash flow hedges.

Derivative financial instruments in the form of fixed-price transactions and options as well as structured products are used to limit currency, interest rate and fuel risks.

CASH FLOW HEDGES

As at 30 September 2016, hedges existed to manage cash flows in foreign currencies with maturities of up to five years (2015: up to six years). The fuel price hedges had terms of up to four years (2015: up to four years). There were no longer any hedges of TUI AG's floating-rate interest payment obligations.

In accounting for cash flow hedges, the effective portion of the cumulative change in market value is carried in the revaluation reserve outside profit and loss until the hedged item occurs. It is carried in the income statement through profit and loss when the hedged item is executed. In the financial year under review, income of € 40.4 m (previous year expenses of € 580.8 m) for currency hedges and derivative financial instruments used as price hedges were carried in the cost of sales. There was no result from interest hedges (previous year expenses of € 0.3 m). Income of € 1.6 m (previous year income of € 0.7 m) was carried for the ineffective portion of the cash flow hedges.

NOMINAL AMOUNTS OF DERIVATIVE FINANCIAL INSTRUMENTS USED

			30 Sep 2016			30 Sep 2015
	Remaining term			Remaining term		
€ million	up to 1 year	more than 1 year	**Total**	up to 1 year	more than 1 year	Total
Interest rate hedges						
Caps	–	150.0	150.0	67.7	160.4	228.1
Swaps	–	25.2	25.2	–	25.2	25.2
Currency hedges						
Forwards	8,924.1	2,006.3	10,930.4	10,261.1	2,109.5	12,370.6
Options	–	–	–	2.1	–	2.1
Structured instruments	63.0	10.9	73.9	114.5	113.6	228.1
Commodity hedges						
Swaps	779.9	476.6	1,256.5	977.2	313.5	1,290.7
Options	20.7	–	20.7	37.4	–	37.4

The nominal amounts correspond to the total of all purchase or sale amounts or the contract values of the transactions.

FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

The fair values of derivative financial instruments correspond to the market values. The market price determined for all derivative financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A description of the determination of the fair values of derivative financial instruments is provided with the classification of financial instruments measured at fair value.

POSITIVE AND NEGATIVE FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS SHOWN AS RECEIVABLES OR LIABILITIES

	30 Sep 2016		30 Sep 2015	
€ million	**Receivables**	**Liabilities**	Receivables	Liabilities
Cash flow hedges for				
currency risks	480.7	104.0	257.5	96.7
other market price risks	59.0	115.0	4.9	347.1
interest rate risks	–	–	–	–
Fair value hedges for				
currency risks	–	–	–	–
Hedging	**539.7**	**219.0**	**262.4**	**443.8**
Other derivative financial instruments	**131.7**	**58.1**	**66.7**	**22.9**
Total	**671.4**	**277.1**	**329.1**	**466.7**

Financial instruments which are entered into in order to hedge a risk position according to operational criteria but do not meet the strict criteria of IAS 39 to qualify for hedge accounting are shown as other derivative financial instruments. They include foreign currency transactions entered into in order to hedge against foreign exchange-exposure to changes in the value of balance sheet items and foreign exchange fluctuations from future expenses in Tourism.

FINANCIAL INSTRUMENTS – ADDITIONAL DISCLOSURES

CARRYING AMOUNTS AND FAIR VALUES

Where financial instruments are listed in an active market, e. g. shares held and bonds issued, the fair value or market value is the respective quotation in this market at the balance sheet date. For over-the-counter bonds, liabilities to banks, promissory notes and other non-current financial liabilities, the fair value is determined as the present value of future cash flows, taking account of yield curves and the respective credit spread, which depends on the credit rating.

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

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

CARRYING AMOUNTS AND FAIR VALUES ACCORDING TO CLASSES AND MEASUREMENT CATEGORIES AS AT 30 SEP 2016

		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	316.2	–	44.4	271.8	–	–	316.2	316.2
Trade receivables and other assets	1,635.4	689.7	–	–	–	–	689.7	689.7
Derivative financial instruments								
Hedging	539.7	–	–	539.7	–	–	539.7	539.7
Other derivative financial instruments	131.7	–	–	–	131.7	–	131.7	131.7
Cash and cash equivalents	2,072.9	2,072.9	–	–	–	–	2,072.9	2,072.9
Liabilities								
Financial liabilities	2,041.1	809.4	–	–	–	1,231.8	809.4	818.0
Trade payables	2,476.9	2,476.4	–	–	–	–	2,476.4	2,476.4
Derivative financial instruments								
Hedging	219.0	–	–	219.0	–	–	219.0	219.0
Other derivative financial instruments	58.1	–	–	–	58.1	–	58.1	58.1
Other liabilities	3,032.5	134.2	–	–	–	–	134.2	134.2

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

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

The financial investments classified as financial assets available for sale include an amount of € 44.4 m (previous year € 50.4 m) for stakes in partnerships and corporations for which an active market does not exist. The fair value of these non-listed stakes is not determined using a measurement model since the future cash flows cannot be reliably determined. The stakes are carried at acquisition cost. In the period under review and in the previous year, there were no major disposals of stakes in partnerships and corporations measured at acquisition cost. The TUI Group does not intend to sell or derecognise the stakes in these partnerships and corporations in the near future.

AGGREGATION ACCORDING TO MEASUREMENT CATEGORIES UNDER IAS 39 AS AT 30 SEP 2016

€ 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	2,762.6	–	–	–	2,762.6	2,762.6
Financial assets						
available for sale	–	44.4	271.8	–	316.2	316.2
held for trading	–	–	–	131.7	131.7	131.7
Financial liabilities						
at amortised cost	3,420.0	–	–	–	3 420.0	3,428.6
held for trading	–	–	–	58.1	58.1	58.1

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

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

FAIR VALUE MEASUREMENT

The table below presents the fair values of recurring, non-recurring and other financial instruments measured at fair value in line with the underlying measurement level. The individual measurement levels have been defined as follows in line with the inputs:

- Level 1: (unadjusted) quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs for the measurement other than quoted market prices included within Level 1 that are observable in the market for the asset or liability, either directly (as quoted prices) or indirectly (derivable from quoted prices).
- Level 3: inputs for the measurement of the asset or liability not based on observable market data.

CLASSIFICATION OF FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS AS OF 30 SEPTEMBER 2016

€ million	**Total**	Fair value hierarchy Level 1	Level 2	Level 3
Assets				
Available for sale financial assets	271.8	265.8	–	6.0
Derivative financial instruments				
Hedging transactions	539.7	–	539.7	–
Other derivative financial instruments	131.7	–	131.7	–
Liabilities				
Derivative financial instruments				
Hedging transactions	219.0	–	219.0	–
Other derivative financial instruments	58.1	–	58.1	–
At amortised cost				
Financial liabilities	818.0	308.3	509.7	–

CLASSIFICATION OF FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS AS OF 30 SEPTEMBER 2015

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

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

Reclassifications from Level 3 to Level 2 or Level 1 are effected if observable market price quotations become available for the asset or liability concerned. TUI Group records transfers to and out of Level 3 as at the date of the obligating event or occasion triggering the transfer. The review as at 31 December 2015 due to the initial public offering of Hapag-Lloyd AG resulted in the transfer of the valuation of the stake in Hapag-Lloyd AG from Level 3 into Level 1. Other than that, there were no transfers into or out of Level 3.

LEVEL 1 FINANCIAL INSTRUMENTS:

The fair value of financial instruments for which an active market exists is based on quoted prices at the reporting date. An active market exists if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service or regulatory agency and these prices represent actual and regularly occurring market transactions on an arm's length basis. These financial instruments are classified as Level 1. The fair values correspond to the nominal amounts multiplied by the quoted prices at the reporting date. Level 1 financial instruments primarily comprise shares in listed companies classified as available for sale and bonds issued classified as financial liabilities at amortised cost.

LEVEL 2 FINANCIAL INSTRUMENTS:

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

If one or several key inputs are not based on observable market data, the instrument is classified as Level 3.

The following specific valuation techniques are used to measure financial instruments:

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

- The fair value of over-the-counter derivatives is determined by means of appropriate calculation methods, e. g. by discounting the expected future cash flows. The forward prices of forward transactions are based on the spot or cash prices, taking account of forward premiums and discounts. The calculation of the fair values of options concluded for currency options is based on the Black & Scholes model and the Turnbull & Wakeman model for optional fuel hedges. The fair values determined on the basis of the Group's own systems are periodically compared with fair value confirmations of the external counterparties.
- Other valuation techniques, e. g. discounting future cash flows, are used to determine the fair values of other financial instruments.

LEVEL 3 FINANCIAL INSTRUMENTS:
The table below presents the fair values of the financial instruments measured at fair value on a recurring basis, classified as Level 3:

FINANCIAL ASSETS MEASURED AT FAIR VALUE IN LEVEL 3

€ million	Available for sale financial assets
Balance as at 1 October 2014	**5.5**
Additions (incl. Transfers)	481.9
Total gains or losses for the period	–146.7
recognised throug profit or loss	–147.1
recognised in other comprehensive income	0.4
Balance as at 30 September 2015	**340.7**
Change in unrealised gains or losses for the period for financial assets held at the balance sheet date	**–147.1**
Balance as at 1 October 2015	**340.7**
Additions (incl. Transfers)	–
Disposals	–
repayment / sale	–
conversion / rebooking	334.9
Total gains or losses for the period	0.2
recognised throug profit or loss	0.2
recognised in other comprehensive income	–
Balance as at 30 September 2016	**6.0**
Change in unrealised gains or losses for the period for financial assets held at the balance sheet date	**–**

The disposals caused by reclassification into Level 1 of the measurement hierarchy relate to the investment in Hapag-Lloyd AG, for which observable input parameters have existed since the IPO on 6 November 2015. Detailed information is provided in Note 18 "Financial assets available for sale".

EFFECTS ON RESULTS

The effects of the measurement of financial assets available for sale outside profit and loss and the effective portions of changes in fair values of derivatives designated as cash flow hedges are listed in the statement of changes in equity.

The net results of the financial instruments by measurement category according to IAS 39 are as follows:

NET RESULTS OF FINANCIAL INSTRUMENTS

	2015/16			2014/15		
€ million	**from interest**	**other net results**	**net result**	from interest	other net results	net result
Loans and receivables	–6.4	263.1	256.7	–13.0	80.1	67.1
Available for sale financial assets	–	–99.2	–99.2	–	–141.3	–141.3
Financial assets and liabilities held for trading	–0.6	–9.2	–9.8	–142.0	98.6	–43.4
Financial liabilities at amortised cost	–44.2	–25.5	–69.7	–49.5	–82.6	–132.1
Total	**–51.2**	**129.2**	**78.0**	**–204.5**	**–45.2**	**–249.7**

Other net result of available for sale financial assets comprises the impairment of the stake in Hapag-Lloyd AG of € 100.3 m.

In addition, it includes results from participations, gains and losses on disposal, effects of fair value measurements and impairments as well as interest income and interest expenses.

Financial instruments measured at fair value outside profit and loss did not give rise to any commission expenses in financial year 2015/16, just as in the previous year.

NETTING

The following financial assets and liabilities are subject to contractual netting arrangements:

OFFSETTING – FINANCIAL ASSETS

				Related amounts not set off in the balance sheet		
€ million	Gross Amounts of financial assets	Gross amounts of recognised financial liabilities set off	**Net amounts of financial assets presented in the balance sheet**	Financial liabilities	Cash Collateral received	Net Amount
Financial assets as at 30 Sep 16						
Derivative financial assets	671.4	–	671.4	277.1	–	394.3
Cash and cash equivalents	4,917.8	2,844.9	2,072.9	–	–	2,072.9
Financial assets as at 30 Sep 15						
Derivative financial assets	329.1	–	329.1	56.5	–	272.6
Cash and cash equivalents	5,556.3	3,883.6	1,672.7	–	–	1,672.7

OFFSETTING – FINANCIAL LIABILITIES

€ million	Gross Amounts of financial liabilities	Gross amounts of recognised financial assets set off	**Net amounts of financial liabilities presented in the balance sheet**	Related amounts not set off in the balance sheet: Financial assets	Related amounts not set off in the balance sheet: Cash Collateral granted	Net Amount
Financial liabilities as at 30 Sep 16						
Derivative financial liabilities	277.1	–	277.1	277.1	–	–
Financial liabilities	4 886.0	2,844.9	2,041.1	–	–	2,041.1
Financial liabilities as at 30 Sep 15						
Derivative financial liabilities	466.7	–	466.7	56.5	–	410.2
Financial liabilities	5,770.0	3,883.6	1,886.4	–	–	1,886.4

Financial assets and financial liabilities are only netted in the balance sheet if a legally enforceable right to netting exists and the company intends to settle on a net basis.

The contracts for financial instruments are based on standardised master agreements for financial derivatives (including ISDA Master Agreement, German master agreement for financial derivatives), creating a conditional right to netting contingent on defined future events. Under the contractual agreements all derivatives contracted with the corresponding counterparty with positive or negative fair values are netted in that case, resulting in a net receivable or payable in the amount of the balance. As this conditional right to netting is not enforceable in the course of ordinary business transactions, the derivative financial assets and liabilities are carried at their gross amounts in the balance sheet date at the reporting date.

Financial assets and liabilities in the framework of the cash pooling scheme are shown on a net basis if there is a right to netting in ordinary business transactions and the Group intends to settle on a net basis.

(44) Capital risk management

One of the key performance indicators in the framework of capital risk management is the IFRS-based gearing, i. e. the relationship between the Group's net debt and Group equity. From a risk perspective, a balanced relation between net debt and equity is sought. TUI Group therefore strives for an appropriate ratio between net debt and equity.

In order to exert active control over the capital structure, the TUI Group's management may change dividend payments to the shareholders, repay capital to the shareholders, issue new shares or issue hybrid capital. The management may also sell assets in order to reduce Group debt.

GEARING CALCULATION

€ million		**2015/16**	2014/15
Average financial debt		2,396.3	2,308.5
Average cash and cash equivalent		1,425.8	1,346.7
Average Group net debt		**970.5**	**961.8**
Average Group equity		2,314.8	1,976.0
Gearing	%	**41.9**	**48.7**

Notes on the cash flow statement

The cash flow statement shows the flow of cash and cash equivalents separately for cash inflows and outflows from operating, investing and financing activities. The effects of changes in the group of consolidated companies are eliminated. The cash flows are shown for the continuing operations and the discontinued operation.

In the reporting period, cash and cash equivalents rose by € 721.4 m to € 2,403.6 m, including an amount of € 330.7 m carried as assets held for sale.

(45) Cash inflow / outflow from operating activities

Based on the Group result after tax, the cash flow from operating activities is derived using the indirect method. In the financial year under review, the cash inflow from operating activities amounted to € 1,034.7 m (previous year € 790.5 m).

In the period under review, the cash inflow included interest of € 21.1 m and dividends of € 84.7 m. Income tax payments resulted in a cash outflow of € 186.4 m. In contrast, tax payments of € 94.9 relating to the sale of Hotelbeds Group, were carried under cash outflows from investing activities.

(46) Cash inflow / outflow from investing activities

In financial year 2015 / 16, the cash inflow from investing activities totalled € 239.0 m (previous year outflow of € 216.8 m).

The cash flow from investing activities includes a cash outflow for capital expenditure related to property, plant and equipment and intangible assets of € 605.6 m, including € 243.1 m for tour operators and airlines and € 262.3 m for Hotels & Resorts. The Group also recorded a cash inflow of € 72.2 m from the sale of property, plant and equipment, primarily a British cruise ship, a hotel in Majorca, several properties in Germany and a French tour operator brand. The cash outflow for investments in property, plant and equipment and intangible assets and the cash inflow from corresponding divestments do not match the additions and disposals shown in the development of fixed assets, which also include non-cash investments and disposals.

In the financial year under review, the sale of Hotelbeds Group generated a cash inflow of € 867.9 m after deduction of income tax and consultancy costs and cash and cash equivalents of the consolidated companies sold (€ 254.1 m). A further € 19.3 m for consultancy services were only payable after the balance sheet date and will therefore be shown in the cash outflow from investing activities for the next financial year.

A net cash inflow of € 20.3 m after deducting cash and cash equivalents of the sold companies of € 0.8 m resulted from the sale of other subsidiaries and joint ventures. In the prior year, the sale of shares in the money market fund had caused an inflow of € 300.0 m.

In financial year 2015 / 16, a cash outflow of € 8.2 m resulted from acquisitions of consolidated companies. This amount includes payments of € 4.0 for acquisitions made in prior years. Cash and cash equivalents acquired through the acquisitions total € 1.2 m so that the total cash outflow amounted to € 7.0 m.

The cash outflow for other assets includes an amount of € 56.2 m for capital increases in joint ventures.

(47) Cash inflow / outflow from financing activities

The cash outflow from financing activities totals € 662.1 m (previous year € 1,116.7 m).

The segment Hotels & Resorts has taken out financial liabilities worth € 47.8 m, while other tourism companies have taken out € 11.0 m. A further € 43.7 m have been taken out to refinance an aircraft. The Group repaid finance lease liabilities worth € 78.1 m and other financial liabilities worth € 197.3 m. Interest payments were a cash outflow of € 92.3 m. Further outflows relate to the dividends for TUI AG shareholders (€ 327.0 m) and minority shareholders (€ 14.1 m). The employee benefit trust of TUI Travel Ltd. has purchased shares in TUI AG worth € 56.3 m in order to use them for stock option plans. A cash outflow of € 8.0 m resulted from the increase in stakes in consolidated companies.

The amounts drawn from the external revolving credit facility to manage the seasonality of the Group's cash flows and liquidity in the financial year under review have meanwhile been fully repaid. The significantly higher cash outflow shown for the previous year primarily resulted from the redemption of TUI AG's perpetual subordinated bond of € 300.0 m and the repayment of a bank liability of € 195.3 m in connection with the merger between TUI AG and TUI Travel PLC.

(48) Development of cash and cash equivalents

Cash and cash equivalents comprise all liquid funds, i.e. cash in hand, bank balances and cheques.

The change in cash and cash equivalents driven by changes in the group of consolidated companies shows the increase in the Group's cash and cash equivalents caused by the merger of a previously non-consolidated company with a consolidated company.

At 30 September 2016, cash and cash equivalents of € 128.6 m were subject to restrictions. They included an amount of € 116.3 m for cash collateral received, which was deposited in a Belgian subsidiary by Belgian tax authorities in financial year 2012 / 13 in the framework of long-standing litigation over VAT refunds for the years 2001 to 2011 without admission of guilt, the purpose being to suspend the accrual of interest for both parties. In order to collateralise a potential repayment, the Belgian government was granted a bank guarantee. Due to the bank guarantee, TUI's ability to dispose of the cash and cash equivalents has been restricted. The remaining restrictions relate to cash and cash equivalents deposited to meet legal or regulatory requirements.

Other notes

(49) Significant transactions after the balance sheet date

On 26 October 2016, TUI AG issued a fixed-interest bond with a coupon of 2.125 % p.a. and a nominal volume of € 300.0 m. The bond was issued at a price of 99.415 % in denominations with nominal values of € 100,000. It will mature on 26 October 2021.

On 18 November 2016, TUI AG redeemed the fixed-interest bond with a nominal volume of € 300.0 m issued on 26 September 2014, originally maturing on 1 October 2019, ahead of maturity. The bond was redeemed at a price of 102.25 % plus accrued interest. The cash inflow of € 298.2 m received by TUI AG from issuing the bond on 26 October 2016 was used to redeem the bond.

On 21 June 2016, TUI had concluded an agreement with Transat A. T. Inc. to acquire the tour operator Transat France S. A., France, and its subsidiaries for a purchase price of € 64.9 m. Following regulatory approvals, the acquisition was completed on 31 October 2016. For further details on the acquisition, please refer to the section "Acquisitions – Divestments – Discontinued Operations".

On 23 November 2016, the supervisory board of TUI AG approved the agreement of a term sheet with Etihad Aviation Group. This agreement is the basis for the acquisition of a minority share in a company through the contribution of the shares in TUIfly GmbH. The Etihad Aviation Group will also invest in this company. It is assumed that the minority share will be accounted for at equity. It is expected that the contractual negotiations will be finalised within the next few weeks. The transaction is subject to approval by the relevant aviation and competition authorities.

(50) Services of the auditors of the consolidated financial statements

TUI AG's consolidated financial statements are audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft. Since 30 September 2013 they have been signed by Thomas Stieve, the auditor in charge. Total expenses for the services provided by the auditors of the consolidated financial statements in financial year 2015 / 16 break down as follows:

SERVICES OF THE AUDITORS OF THE CONSOLIDATED FINANCIAL STATEMENTS

€ million	**2015 / 16**	2014 / 15
Audit fees for TUI AG and subsidiaries in Germany	3.0	2.9
Audit fees	**3.0**	**2.9**
Review of interim financial statements	1.1	1.0
Other audit related services	0.1	0.3
Other certification and measurement services	**1.2**	**1.3**
Consulting fees	0.7	2.3
Tax advisor services	0.2	0.1
Other services	**0.9**	**2.4**
Total	**5.1**	**6.6**

(51) Remuneration of Executive and Supervisory Board members

In the financial year under review, the remuneration paid to Executive Board members totalled €4,720.6 thousand (previous year €2,829.0 thousand).

Remuneration for former Executive Board members or their surviving dependants totalled €4,933.2 thousand (previous year €4,891.1 thousand) in the financial year under review. Pension obligations for former Executive Board members and their surviving dependants amounted to €84,294.2 thousand (previous year €79,754.3 thousand) at the balance sheet date.

Disclosures of the relevant amounts for individual Board members and further details on the remuneration system are provided in the Remuneration Report included in the Management Report.

(52) Exemption from disclosure and preparation of a management report in accordance with section 264 (3) of the German Commercial Code (HGB)

The following German subsidiaries fully included in consolidation have met the condition required under section 264 (3) of the German Commercial Code and were therefore exempted from the requirement to disclose their annual financial statements and prepare a management report:

- Atraveo GmbH, Düsseldorf
- Berge & Meer Touristik GmbH, Rengsdorf
- DEFAG Beteiligungsverwaltungs GmbH I, Hanover
- DEFAG Beteiligungsverwaltungs GmbH III, Hanover
- FOX-TOURS Reisen GmbH, Rengsdorf
- Hapag-Lloyd Executive GmbH, Langenhagen
- Hapag-Lloyd Cruises GmbH, Hamburg
- Last-Minute-Restplatzreisen GmbH, Baden-Baden
- Leibniz Service GmbH, Hanover
- L'tur tourismus Aktiengesellschaft, Baden-Baden
- Master-Yachting GmbH, Eibelstadt
- MEDICO Flugreisen GmbH, Baden-Baden
- MSN 1359 GmbH, Hanover
- Preussag Beteiligungsverwaltungs GmbH IX, Hanover
- Preussag Immobilien GmbH, Salzgitter
- ProTel Gesellschaft für Kommunikation mbH, Rengsdorf
- Robinson Club GmbH, Hanover
- TCV Touristik-Computerverwaltungs GmbH, Baden-Baden
- TICS GmbH Touristische Internet und Call Center Services, Baden-Baden
- TUI 4 U GmbH, Bremen
- TUI aqtiv GmbH, Hanover
- TUI Aviation GmbH, Hanover
- TUI Beteiligungs GmbH, Hanover
- TUI Business Services GmbH, Hanover
- TUI Connect GmbH, Hanover
- TUI Customer Operations GmbH, Hanover
- TUI Group Services GmbH, Hanover
- TUI-Hapag Beteiligungs GmbH, Hanover
- TUI Hotel Betriebsgesellschaft mbH, Hanover
- TUI InfoTec GmbH, Hanover
- TUI Leisure Travel Service GmbH, Neuss
- TUI Magic Life GmbH, Hanover
- TUIfly Vermarktungs GmbH, Hanover
- Wolters Reisen GmbH, Stuhr

(53) Related parties

Apart from the subsidiaries included in the consolidated financial statements, TUI AG, in carrying out its ordinary business activities, maintains indirect or direct relationships with related parties. Related parties controlled by the TUI Group or over which the TUI Group is able to exercise a significant influence are listed in the list of shareholdings published in the electronic Federal Gazette (www.ebanz.de). Apart from pure equity investments, related parties also include companies that supply goods or provide services for TUI Group companies.

Financial obligations from order commitments vis-à-vis related parties primarily relate to the purchasing of hotel services. TUI Group also has obligations of € 613.2 m (previous year € 877.2 m) from order commitments vis-à-vis the related company TUI Cruises, resulting from finance leases for cruise ships.

In addition, there are obligations of € 8.4 m (previous year € 15.1 m) from rental and lease agreements.

TRANSACTIONS WITH RELATED PARTIES

€ million	2015/16	2014/15 restated
Services provided by the Group		
Management and consultancy services	93.2	84.6
Sales of tourism services	62.2	92.7
Other services	1.3	0.6
Total	**156.7**	**177.9**
Services received by the Group		
In the framework of lease, rental and leasing agreements	33.2	31.6
Purchase of hotel services	224.8	254.0
Distribution services	8.8	8.7
Other services	9.0	20.8
Total	**275.8**	**315.1**

TRANSACTIONS WITH RELATED PARTIES

€ million	2015/16	2014/15 restated
Services provided by the Group to		
non-consolidated Group companies	0.5	1.5
joint ventures	72.9	96.9
associates	29.7	34.6
other related parties	53.6	44.9
Total	**156.7**	**177.9**
Services received by the Group from		
non-consolidated Group companies	6.1	7.0
joint ventures	224.1	249.9
associates	34.3	46.4
other related parties	11.3	11.8
Total	**275.8**	**315.1**

Transactions with joint ventures and associates are recognised in the tourism business. They relate mainly to the tourism services of the hotel companies used by the Group's tour operators.

All transactions with related parties are executed on an arm's length basis, based on international comparable uncontrolled price methods in accordance with IAS 24.

RECEIVABLES AGAINST RELATED PARTIES

€ million	**30 Sep 2016**	30 Sep 2015
Trade receivables from		
non-consolidated Group companies	1.7	1.5
joint ventures	10.4	20.6
associates	3.9	4.7
other related parties	0.5	0.9
Total	**16.5**	**27.7**
Advances and loans to		
non-consolidated Group companies	17.8	17.4
joint ventures	3.2	34.0
associates	5.6	7.6
Total	**26.6**	**59.0**
Payments on account to		
joint ventures	0.4	11.7
Total	**0.4**	**11.7**
Other receivables from		
non-consolidated Group companies	1.6	1.7
joint ventures	3.3	10.7
associates	2.9	7.3
Total	**7.8**	**19.7**

PAYABLES DUE TO RELATED PARTIES

€ million	**30 Sep 2016**	30 Sep 2015
Trade payables due to		
non-consolidated Group companies	1.0	5.8
joint ventures	23.0	32.3
associates	2.5	4.9
other related parties	0.1	–
Total	**26.6**	**43.0**
Financial liabilities due to		
non-consolidated Group companies	6.6	5.2
joint ventures	192.1	8.0
Total	**198.7**	**13.2**
Other liabilities due to		
non-consolidated Group companies	7.5	3.6
joint ventures	13.5	28.8
associates	5.6	8.3
other related parties	8.5	4.2
Total	**35.1**	**44.9**

Liabilities to related parties included liabilities from finance leases of € 184.1 m (previous year none).

The share of result of associates and joint ventures is shown separately by segment in segment reporting.

The Russian entrepreneur Alexey Mordashov, chief operating officer of ZAO Sever Group, member of the supervisory board of TUI AG since February 2016, holds 19.3 % of the shares in TUI AG at the balance sheet date.

For details on the change of TUI's interest in TUI Russia please refer to Note 17.

The joint venture Riu Hotels S. A. holds 3.4 % of the shares in TUI AG at the balance sheet date. Luis Riu Güell and Carmen Riu Güell (member of the Supervisory Board of TUI AG) hold a stake of 51 % in Riu Hotels S. A.

A family member of a member of the supervisory board is employed by TUI. The remuneration corresponds to the remuneration of other employees in a similar position and is based on the internal remuneration guidelines of the TUI Group.

In accordance with IAS 24, key management functions within the Group, the Executive Board and the Supervisory Board are related parties whose remuneration has to be listed separately.

REMUNERATION OF EXECUTIVE AND SUPERVISORY BOARD

€ million	**2015 / 16**	2014 / 15
Short-term benefits	14.4	13.8
Post-employment benefits	3.0	3.9
Other long-term benefits (share-based payments)	7.9	8.3
Termination benefits	6.6	2.3
Total	**31.9**	**28.3**

Post-employment benefits are transfers to or reversals of pension provisions for Executive Board members active in the period under review. The expenses mentioned do not meet the definition of remuneration for Executive and Supervisory Board members under German accounting rules.

Pension provisions for active Executive Board members total € 13.7 m (previous year € 10.7 m) as at the balance sheet date.

In addition, accruals and liabilities of € 8.6 m (previous year € 6.9 m) are recognised relating to the long-term incentive programme.

(54) International Financial Reporting Standards (IFRS) not yet applied

NEW STANDARDS ENDORSED BY THE EU, BUT APPLICABLE AFTER 30 SEP 2016

Standard	Applicable from	Expected amendments	Expected impact on financial statements
IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 Jan 2016	The amendments specify how to account for the acquisition of an interest in a Joint Operation that constitutes a 'business' (as defined in IFRS 3). Accordingly, the acquirer has to measure identifiable assets and liabilities at fair value, recognise acquisition-related costs as expenses, recognise deferred tax assets and liabilities and capitalise any residual amounts as goodwill. Furthermore, the disclosure requirements of IFRS 3 apply. The amendments are to be applied prospectively.	Not material
IAS 16 & IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	1 Jan 2016	The amendment clarifies when a method of depreciation or amortisation based on revenue may be appropriate. According to it, depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate, amortisation based on revenue for intangible assets only in exceptional cases. The amendments are to be applied prospectively.	None
IAS 16 & IAS 41 Agriculture: Bearer Plants	1 Jan 2016	Bearer plants that bear biological assets for more than one period without being an agricultural product themselves, such as grape vines or olive trees, have this far been measured at fair value. In future, bearer plants will be treated as property, plant and equipment in scope of IAS 16 and are to be measured at amortised cost. By contrast, the produce growing on bearer plants will continue to be measured at fair value in accordance with IAS 41.	None
IAS 27 Equity Method in separate Financial Statements	1 Jan 2016	Application of the equity method in separate financial statements to account for investments in subsidiaries, joint ventures and associates is permitted again. The option to account for such interests in accordance with IAS 39 or at cost remains intact.	Not relevant to TUI AG as no separate IFRS financial statements are prepared.
Various Improvements to IFRS (2012 – 2014)	1 Jan 2016	The amendments from the Annual Improvements Project comprise changes to four standards: IAS 19, IAS 34, IFRS 5 and IFRS 7. The amendments introduce minor changes to the content as well as clarifications regarding recognition, presentation and measurement.	Not material
IAS 1 Disclosure Initiative	1 Jan 2016	The amendments address the application of materiality when presenting the components of financial statements. The standard no longer prescribes a particular order of the notes so that the order of the notes may reflect the individual relevance for the company. The amendments clarify that immaterial disclosures are not required. This also applies if disclosure is required by another standard. Furthermore, the presentation of an entity's share of other comprehensive income of equity-accounted associates and joint ventures in the statement of comprehensive income is clarified.	Not material
IAS 28, IFRS 10 & IFRS 12 Investment entities: Applying the Consolidation Exception	1 Jan 2016	The amendments clarify which subsidiaries of investment entities have to be consolidated and which subsidiaries are to be carried at fair value. The amendments are to be applied prospectively.	Not relevant
IFRS 15 Revenue from Contracts with Customers	1 Jan 2018	IFRS 15 combines and supersedes the guidance on revenue recognition comprised in various standards and interpretations so far. It establishes a single, comprehensive framework for revenue recognition, to be applied across industries and for all categories of revenue transactions, specifying which amount of revenue and at which point in time or over which time period revenue is to be recognised. IFRS 15 replaces, amongst others, IAS 18 Revenue and IAS 11 Construction Contracts.	TUI has not yet completed the analysis and implementation of IFRS 15. IFRS 15 can have a material effect on the Group's financial statements. The possible effects are explained below.
IFRS 9 Financial Instruments	1 Jan 2018	The new standard replaces current the IAS 39 guidance on classification and measurement of financial assets and introduces new rules for hedge accounting. The existing impairment rules are being superseded by a new model based on expected credit losses.	TUI is currently assessing the effects on the Group's financial statements. The likely effects are explained below.

Management is currently assessing the effects of IFRS 15 Revenue from Contracts with Customers in a Group-wide project to implement the new requirements. The areas likely to be principally affected by the new rules are:

- Multiple element arrangements: Depending on whether various performance obligations towards a customer represent distinct separate performance obligations or a single performance obligation in the context of the contract, there is the possibility that the revenue recognition pattern for some business models in the tour operating business (package holiday, modular travel offerings, dynamic packaging) may be required to change. Currently a sizeable part of revenues in the tour operating business is being recognised at tour start date. For some business models the new requirements may lead to revenues being recognised at different points in time or for different amounts.
- Travel agency commissions: The point at which travel agencies in the tour operator business are to recognise the agency commission receivable from the arrangement of touristic service contracts is to be re-evaluated.
- Principal versus agent: In the evaluation whether TUI renders some services acting as a principal (gross revenue) or as an agent (net revenue), there is the possibility that more business models in the tour operating business will result in a net revenue presentation in the future.
- Disclosures: The new requirements demand a significant extension of qualitative and quantitative information to be disclosed in the notes.

At this stage, a reliable estimate of the effects of the new rules is not yet possible. TUI intends to make a more detailed assessment of the effects over the next 12 months. The Group will not adopt the new standard before 1 October 2018.

NEW STANDARDS NOT YET ENDORSED BY THE EU AND APPLICABLE AFTER 30 SEP 2016

Standard	Applicable from	Expected amendments	Expected impact on financial statements
Amendments to IAS 7 Disclosure Initiative	1 Jan 2017	The amendments will enable users of financial statements to better evaluate changes in liabilities arising from financing activities. An entity is required to disclose additional information about cash flows and non-cash changes in liabilities, for which cashflows are classified as financing activities in the statement of cashflows.	TUI expects the amendments to result in additional disclosures.
Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses	1 Jan 2017	The amendments address the recognition of deferred tax assets for unrealised losses on available for sale financial instruments. The amendments clarify that an entity recognises deferred tax assets for deductible temporary differences resulting from unrealised losses on debt instruments measured at fair value if it has the ability and the intent to hold these instruments to maturity. Furthermore, it is clarified, that when assessing the recoverability of deferred tax assets, the tax deduction from the reversal of those deferred tax assets is excluded from estimated future taxable profit used in that evaluation, unless there are sufficient adequate deferred tax liabilities available.	Not material
Amendments to IFRS 2 Classification and Measurement of Share-Based Payments	1 Jan 2018	The amendments clarify that the measurement of cash-settled, share-based payments which include vesting and non-vesting conditions should follow an approach consistent with that used for the measurement for equity-settled share-based payments. In addition, they set out guidance how to account for modifications that change the transaction from a cash-settled to an equity-settled share-based payment. The amendments also introduce an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where a company is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.	Not material
Clarifications to IFRS 15 Revenue from Contracts with Customers	1 Jan 2018	The amendments comprise clarifications of the guidance on identifying performance obligations, the principal versus agent assessment (i.e., gross vs. net revenue presentation) as well as the accounting for revenue from licences at a 'point in time' or 'over time'. In addition, it introduces practical expedients to simplify first-time adoption.	IFRS 15 and the clarifications to IFRS 15 may significantly affect the Group's financial statements. The possible effects are explained above.
IFRS 4 Applying IFRS 9 jointly with IFRS 4	1 Jan 2019	The amendments to IFRS 4 affect the first time adoption of IFRS 9 for insurance companies.	The amendments are not relevant for TUI.
IFRS 16 Leases	1 Jan 2019	IFRS 16 replaces the current IAS 17 and its interpretations. For lessees, there is no longer the requirement to classify into finance and operating leases. Instead all leases are accounted for according to the so-called 'Rights of Use' approach. In the statement of financial position a lessee is to recognise an asset for the right to use the leased item and a liability for the future lease payments. There is a optional exemption for short-term leases (< 12 months) and small-ticket leases. For lessors, the accounting stays largely unchanged. Lessors will continue to classify leases in accordance with the criteria transfered from IAS 17. Early application is permitted, but only in conjunction with IFRS 15.	The new standard will have significant effects on the Group's financial statements. The likely effects are explained below.

TUI is currently assessing the effects of applying IFRS 9 Financial Instruments on the Group's financial statements. In principle, TUI expects the following effects:

- There will be no significant impact resulting from the reclassification of financial assets based on the business model for managing those financial assets and the related contractual cash flows. The financial assets currently carried at amortised cost satisfy the conditions for classification at amortised cost under IFRS 9. For the instruments currently classified as available for sale an election to classify as at fair value through other comprehensive income (FVOCI) is available.
- The transition of impairments from the Incurred-loss model to the new Expected-loss model is expected to result in an impact of first-time application. For the majority of financial assets TUI will be able to make use of a simplification offered by the standard, the so-called Full-Lifetime-Expected-Loss Model, in which all expected impairment losses are considered at first recognition. For touristic loans the Expected-Loss model will be applicable.
- There will be no impact on the accounting of financial liabilities. The new requirements only affect the accounting for such financial liabilities which were designated at fair value through profit or loss. The Group does not currently make use of this so-called fair value option.
- The new hedge accounting requirements will give TUI the opportunity to align the accounting for hedge relationships more closely with the Group's economic risk management. While the Group is yet to undertake a detailed evaluation of the hedge relationships, it appears as if the current hedge relationship would qualify as continuing hedge relationships upon the first-time application of IFRS 9. Therefore, TUI does not currently expect an impact on the accounting for its hedge relationships.

A reliable estimate of the quantitative impact is not yet possible at this stage. TUI intends to complete the detailed evaluation of the effects over the next twelve months. The Group does not expect to adopt IFRS 9 early at this point in time.

IFRS 16 Leases will have a significant impact on the Group's financial statement as well as the presentation of the net assets, financial position and earnings of the Group:

- Statement of financial position: Obligations from operating leases currently require disclosure in the notes to the financial statements. In future the rights and obligations will be recognised as right-of-use assets and lease liabilities in the statement of financial position. In view of the existing obligations from operating leases shown in section 41 TUI expects a significant increase in lease liabilities and in items of property, plant and equipment when it adopts the new standard. Due to this increase in total assets the equity ratio will decline. Due to the increase in lease liabilities the net financial liabilities will increase correspondingly.
- Income statement: For operating leases a lessee will recognise depreciation or amortisation and interest expenses instead of lease rental expenses in the future. This change will result in a significant improvement of the key financial measures EBITDA and EBITA as well as an improvement of the key financial measure EBIT.
- Statement of cash flows: The change in presentation of the lease expenses from operating leases will result in an improvement of the cash flows from operating activities and a decrease of the cash flows from financing activities.

TUI has set up a Group-wide project to evaluate the impact of applying the new requirements. Before completion of this project a reliable estimate of the quantitative effects is not possible. TUI does not intend to apply the new standard before 1 October 2019.

(55) TUI Group Shareholdings

Disclosure of the TUI Group's shareholdings ist required under section 313 of the German Commercial Trading Act. Comparative information for the prior-year reference period is therefore not provided.

COMPANY	COUNTRY	CAPITAL SHARE IN %
Consolidated companies		
Tourism		
"MAGIC LIFE" Assets AG, Vienna	Austria	100
Abbey International Insurance PCC Limited, Qormi	Malta	100
Absolut Holding Limited, Luqa	Malta	99.9
Adehy Limited, Dublin	Ireland	100
Aeolos Malta Ltd., Pieta	Malta	100
Aeolos Travel LLP, Nicosia	Cyprus	100
AMP Management Ltd., Crawley	United Kingdom	100
Anse Marcel Riusa II SNC, Paris	France	100
Apart Hotel Zarevo EOOD, Varna	Bulgaria	100
aQi Hotel Schladming GmbH, Bad Erlach	Austria	100
Arccac Eurl, Bourg St. Maurice	France	100
atraveo GmbH, Düsseldorf	Germany	100
Berge & Meer Touristik GmbH, Rengsdorf	Germany	100
Boomerang-Reisen GmbH, Trier	Germany	100
Boomerang-Reisen Vermögensverwaltungs GmbH, Trier	Germany	75
Brunalp SARL, Venosc	France	100
BU RIUSA II EOOD, Sofia	Bulgaria	100
Cabotel-Hoteleria e Turismo Lda., Santiago	Cape Verde	100
Callers-Pegasus Pension Trustee Ltd., Crawley	United Kingdom	100
Club Hôtel Management Tunisia SARL, Djerba	Tunisia	100
Corsair S.A., Rungis	France	100
Crystal Holidays Ltd., Crawley	United Kingdom	100
Crystal Holidays, Inc, Wilmington (Delaware)	United States of America	100
Crystal International Travel Group Ltd., Crawley	United Kingdom	100
Daidalos Hotel- und Touristikunternehmen A.E., Athens	Greece	89.8
Dominicanotel S.A., Puerto Plata	Dominican Republic	100
Egyptian Germany Co. for Hotels (L.T.D), Cairo	Egypt	66.6
Elena SL, Palma de Mallorca	Spain	100
Entreprises Hotelières et Touristiques PALADIEN Lena Mary S.A., Argolis	Greece	100
Europa 2 Ltd, Valletta	Malta	100
Explorers Travel Club Limited, Crawley	United Kingdom	100
Falcon Leisure Group (Overseas) Limited, Crawley	United Kingdom	100
First Choice (Turkey) Limited, Crawley	United Kingdom	100
First Choice Airways Limited, Crawley	United Kingdom	100
First Choice Holiday Hypermarkets Limited, Crawley	United Kingdom	100
First Choice Holidays & Flights Limited, Crawley	United Kingdom	100
First Choice Land (Ireland) Limited, Dublin	Ireland	100
First Choice Travel Shops (SW) Limited, Crawley	United Kingdom	100
First Choice Travel Shops Limited, Crawley	United Kingdom	100
Follow Coordinate Hotels Portugal Unipessoal Lda, Albufeira Freguesia	Portugal	100
FOX-TOURS Reisen GmbH, Rengsdorf	Germany	100
Fritidsresor AB, Stockholm	Sweden	100
Fritidsresor Tours & Travels India Pvt Ltd, Bardez, Goa	India	100
GEAFOND Número Dos Fuerteventura S.A., Las Palmas, Gran Canaria	Spain	100
GEAFOND Número Uno Lanzarote S.A., Las Palmas, Gran Canaria	Spain	100
Groupement Touristique International S.A.S., Lille	France	100

COMPANY	COUNTRY	CAPITAL SHARE IN %
Hannibal Tour SA, Tunis	Tunisia	100
Hapag-Lloyd (Bahamas) Ltd., Nassau	Bahamas	100
Hapag-Lloyd Cruises GmbH, Hamburg	Germany	100
Hellenic EFS Hotel Management E.P.E., Athens	Greece	100
Holiday Center S.A., Cala Serena / Cala d'Or	Spain	100
Holidays Services S.A., Agadir	Morocco	100
Horizon Holidays Ltd., Crawley	United Kingdom	100
Horizon Midlands (Properties) Ltd., Crawley	United Kingdom	100
Iberotel International A.S., Antalya	Turkey	100
Iberotel Otelcilik A.S., Istanbul	Turkey	100
Imperial Cruising Company SARL, Heliopolis-Cairo	Egypt	90
Inter Hotel SARL, Tunis	Tunisia	100
Itaria Limited, Nicosia	Cyprus	100
Jandia Playa S.A.U., Morro Jable / Fuerteventura	Spain	100
Jetair Real Estate N.V., Brussels	Belgium	100
Jetair Travel Distribution N.V., Oostende	Belgium	100
Jetaircenter N.V., Mechelen	Belgium	100
JNB (Bristol) Limited, Crawley	United Kingdom	100
Kras B.V., Ammerzoden	Netherlands	100
Label Tour EURL, Montreuil	France	100
Lapter Eurl, Macot La Plagne	France	100
Last-Minute-Restplatzreisen GmbH, Baden-Baden	Germany	100
Lodges & Mountain Hotels SARL, Notre Dame de Bellecombe, Savoie	France	100
L'TUR Suisse AG, Dübendorf / ZH	Switzerland	99.5
l'tur tourismus Aktiengesellschaft, Baden-Baden	Germany	80
Lunn Poly (Jersey) Ltd., St. Helier	Jersey	100
Lunn Poly Ltd., Crawley	United Kingdom	100
Magic Hotels SA, Tunis	Tunisia	100
Magic Life Egypt for Hotels LLC, Sharm el Sheikh	Egypt	100
Magic Life GmbH & Co KG, Vienna	Austria	100
Magic Life Greece S.A., Athens	Greece	100
Magic Tourism International S.A., Tunis	Tunisia	100
Mainstream DS Dominicana S.A.S., Higuey	Dominican Republic	100
Medico Flugreisen GmbH, Baden-Baden	Germany	100
Morvik EURL, Bourg Saint Maurice	France	100
MX RIUSA II S.A. de C.V., Cabo San Lucas	Mexico	100
Nazar Nordic AB, Malmö	Sweden	100
Nordotel S.A.U., San Bartolomé de Tirajana	Spain	100
Nouvelles Frontières Senegal S.R.L., Dakar	Senegal	100
Ocean College LLC, Sharm el Sheikh	Egypt	100
Ocean Ventures for Hotels and Tourism Services SAE, Sharm el Sheikh	Egypt	98
Orion Airways Ltd., Crawley	United Kingdom	100
Oy Finnmatkat AB, Helsinki	Finland	100
PATS N.V., Oostende	Belgium	100
Petit Palais Srl, Valtournenche	Italy	100
Preussag Beteiligungsverwaltungs GmbH IX, Hanover	Germany	100
Professor Kohts Vei 108 AS, Stabekk	Norway	100
Promociones y Edificaciones Chiclana S.A., Palma de Mallorca	Spain	100
ProTel Gesellschaft für Kommunikation mbH, Rengsdorf	Germany	100
Puerto Plata Caribe Beach S.A., Puerto Plata	Dominican Republic	100
RC Clubhotel Cyprus Limited, Limassol	Cyprus	100
RCHM S.A.S., Agadir	Morocco	100
Rideway Investment Ltd., London	United Kingdom	100
Riu Jamaicotel Ltd., Negril	Jamaica	100

COMPANY	COUNTRY	CAPITAL SHARE IN %
Riu Le Morne Ltd, Port Louis	Mauritius	100
RIUSA II S.A., Palma de Mallorca	Spain	50*
RIUSA NED B.V., Amsterdam	Netherlands	100
ROBINSON AUSTRIA Clubhotel GmbH, Villach-Landskron	Austria	100
Robinson Club GmbH, Hanover	Germany	100
Robinson Club Italia S.p.A., Marina di Ugento	Italy	100
Robinson Club Maldives Private Limited, Malé	Maldives	100
Robinson Clubhotel Turizm Ltd. Sti., Istanbul	Turkey	100
Robinson Hoteles España S.A., Cala d'Or	Spain	100
Robinson Hotels Portugal S.A., Vila Nova de Cacela	Portugal	67
Robinson Otelcilik A.S., Istanbul	Turkey	100
Saint Martin RIUSA II SAS, Basse Terre	France	100
SERAC Travel GmbH, Zermatt	Switzerland	100
Simply Travel Holdings Ltd., Crawley	United Kingdom	100
Skymead Leasing Ltd., Crawley	United Kingdom	100
Société d'Exploitation du Paladien Marrakech SA, Marrakech	Morocco	100
Société d'Investissement Aérien S.A., Casablanca	Morocco	100
Société d'Investissement et d'Exploration du Paladien de Calcatoggio (SIEPAC), Montreuil	France	100
Société d'investissement hotelier Almoravides S.A., Marrakech	Morocco	100
Société Marocaine pour le Developpement des Transports Touristiques S.A., Agadir	Morocco	100
Sons of South Sinai for Tourism Services and Supplies SAE, Sharm el Sheikh	Egypt	84.1
Specialist Holidays Group Ltd., Crawley	United Kingdom	100
Specialist Holidays, Inc., Mississauga, Ontario	Canada	100
Star Tour A/S, Copenhagen	Denmark	100
Star Tour Holding A/S, Copenhagen	Denmark	100
Startour-Stjernereiser AS, Stabekk	Norway	100
STIVA RII Ltd., Dublin	Ireland	100
Sunshine Cruises Limited, Crawley	United Kingdom	100
Tantur Turizm Seyahat A.S., Istanbul	Turkey	100
TCV Touristik-Computerverwaltungs GmbH, Baden-Baden	Germany	100
TdC Agricoltura Società agricola a r.l., Florence	Italy	100
TdC Amministrazione S.r.l., Florence	Italy	100
Tec4Jets B.V., Rijswijk ZH	Netherlands	100
Tec4Jets NV, Oostende	Belgium	100
Tenuta di Castelfalfi S.p.A., Florence	Italy	100
Thomson Airways Limited, Crawley	United Kingdom	100
Thomson Reisen GmbH, St. Johann	Austria	100
Thomson Services Ltd., St. Peter Port	Guernsey	100
Thomson Travel Group (Holdings) Ltd., Crawley	United Kingdom	100
TICS GmbH Touristische Internet und Call Center Services, Baden-Baden	Germany	100
Tigdiv Eurl, Tignes	France	100
TLT Reisebüro GmbH, Hanover	Germany	100
Transfar – Agencia de Viagens e Turismo Lda., Faro	Portugal	100
Travel Choice Limited, Crawley	United Kingdom	100
travel-Ba.Sys GmbH & Co KG, Mülheim an der Ruhr	Germany	83.5
Tropical Places Ltd., Crawley	United Kingdom	100
TT Hotels Italia S.R.L., Rome	Italy	100
TT Hotels Turkey Otel Hizmetleri Turizm ve ticaret AS, Antalya	Turkey	100
TUI (Cyprus) Limited, Nicosia	Cyprus	100
TUI (Suisse) AG, Zurich	Switzerland	100

* Controlling influence

COMPANY	COUNTRY	CAPITAL SHARE IN %
TUI (Suisse) Holding AG, Zurich	Switzerland	100
TUI 4 U GmbH, Bremen	Germany	100
TUI Airlines Belgium N.V., Oostende	Belgium	100
TUI Airlines Nederland B.V., Rijswijk	Netherlands	100
TUI aqtiv GmbH, Hanover	Germany	100
TUI Austria Holding GmbH, Vienna	Austria	100
TUI Belgium NV, Oostende	Belgium	100
TUI Bulgaria EOOD, Varna	Bulgaria	100
TUI Curaçao N.V., Curaçao	Country Curacao	100
TUI Customer Operations GmbH, Hanover	Germany	100
TUI Denmark Holding A/S, Copenhagen	Denmark	100
TUI Deutschland GmbH, Hanover	Germany	100
TUI DS USA, Inc, Wilmington (Delaware)	United States of America	100
TUI España Turismo S.A., Barcelona	Spain	100
TUI France SAS, Nanterre	France	100
TUI Hellas Travel Tourism and Airline SA, Athens	Greece	100
TUI Holding Spain S.L., Barcelona	Spain	100
TUI Hotel Betriebsgesellschaft mbH, Hanover	Germany	100
TUI InfoTec GmbH, Hanover	Germany	100
TUI Leisure Travel Special Tours GmbH, Hanover	Germany	100
TUI Magic Life GmbH, Hanover	Germany	100
TUI Mexicana SA de CV, Mexico	Mexico	100
TUI Nederland Holding N.V., Rijswijk	Netherlands	100
TUI Nederland N.V., Rijswijk	Netherlands	100
TUI Nordic Holding AB, Stockholm	Sweden	100
TUI Northern Europe Ltd., Crawley	United Kingdom	100
TUI Norway Holding AS, Stabekk	Norway	100
TUI Österreich GmbH, Vienna	Austria	100
TUI Pension Scheme (UK) Ltd., Crawley	United Kingdom	100
TUI Poland Dystrybucja Sp. z o.o., Warsaw	Poland	100
TUI Poland Sp. z o.o., Warsaw	Poland	100
TUI PORTUGAL – Agencia de Viagens e Turismo S.A., Faro	Portugal	100
TUI Reisecenter Austria Business Travel GmbH, Vienna	Austria	74.9
TUI Service AG, Altendorf	Switzerland	100
TUI Suisse Retail AG, Zurich	Switzerland	100
TUI Travel (Ireland) Limited, Dublin	Ireland	100
TUI Travel Group Solutions Limited, Crawley	United Kingdom	100
TUI Travel Holdings Sweden AB, Stockholm	Sweden	100
TUI UK Italia S.r.L., Turin	Italy	100
TUI UK Ltd., Crawley	United Kingdom	100
TUI UK Retail Limited, Crawley	United Kingdom	100
TUI UK Transport Ltd., Crawley	United Kingdom	100
TUIfly GmbH, Langenhagen	Germany	100
TUIfly Nordic AB, Stockholm	Sweden	100
TUIfly Vermarktungs GmbH, Hanover	Germany	100
Tunisie Investment Services Holding S.A., Tunis	Tunisia	100
Tunisie Voyages S.A., Tunis	Tunisia	100
Tunisotel S.A.R.L., Tunis	Tunisia	100
Turcotel Turizm A.S., Istanbul	Turkey	100
Turkuaz Insaat Turizm A.S., Ankara	Turkey	100
Ultramar Express Transport S.A., Palma de Mallorca	Spain	100
Voukouvalides Tours Tourism S.A., Kos	Greece	100
Wolters Reisen GmbH, Stuhr	Germany	100
WonderCruises AB, Stockholm	Sweden	100

COMPANY	COUNTRY	CAPITAL SHARE IN %
WonderHolding AB, Stockholm	Sweden	100
Xidias Coaches Limited, Larnaca	Cyprus	51
Specialist Travel		
Adventure Transport Limited, Crawley	United Kingdom	100
Adventure Travels USA, Inc., Wilmington (Delaware)	United States of America	100
Alcor Yachting SA, Geneva	Switzerland	100
Alkor Yat Turizm Isletmacileri A.S., Izmir	Turkey	100
American Adventures Travel, Inc, Wilmington (Delaware)	United States of America	100
Antigua Charter Services, St. John's	Antigua and Barbuda	100
Brightspark Travel Inc, State of Delaware	United States of America	100
CBQ No. 2 (UK) Limited, Crawley	United Kingdom	100
CBQ No. 2 (US) Limited, State of Delaware	United States of America	100
CBQ No. 2 International Projects Limited, Crawley	United Kingdom	100
CBQ No. 2 (Australia) Pty Ltd, Sydney	Australia	100
CHS Tour Services Ltd, Crawley	United Kingdom	100
Connoisseur Belgium BVBA, Nieuwpoort	Belgium	100
Crown Blue Line France SA, Castelnaudary	France	100
Crown Blue Line GmbH, Kleinzerlang	Germany	100
Crown Blue Line Limited, Crawley	United Kingdom	100
Crown Holidays Limited, Crawley	United Kingdom	100
Crown Travel Limited, Crawley	United Kingdom	100
Educatours Limited, Mississauga, Ontario	Canada	100
EEFC, Inc., State of Delaware	United States of America	100
Emerald Star Limited, Dublin	Ireland	100
Events International (Sports Travel) Limited, Crawley	United Kingdom	100
Events International Limited, Crawley	United Kingdom	100
Exodus Travels Australia Pty Ltd, Melbourne	Australia	100
Exodus Travels Canada Inc, Toronto	Canada	100
Exodus Travels Limited, Crawley	United Kingdom	100
Exodus Travels USA, Inc., Emeryville, CA	United States of America	100
Fanatics Sports & Party Tours UK Limited, Crawley	United Kingdom	100
Fanatics Sports and Party Tours PTY Limited, Banksia	Australia	100
FanFirm Pty Ltd, Banksia	Australia	100
Fantravel.com, Inc., Wilmington (Delaware)	United States of America	100
FCM (BVI) Ltd, British Virgin Islands	British Virgin Islands	100
First Choice Expeditions, Inc., State of Delaware	United States of America	100
First Choice Marine (Malaysia) Snd Bhd, Malaysia	Malaysia	100
First Choice Marine Limited, Crawley	United Kingdom	100
First Choice Sailing, Inc. (USA) (also known as Sunsail, Inc.), State of Delaware	United States of America	100
Francotel Limited, Crawley	United Kingdom	100
GEI-Moorings, LLC, State of Delaware	United States of America	100
Gullivers Group Limited, Crawley	United Kingdom	100
Gullivers Sports Travel Limited, Crawley	United Kingdom	100
Hayes & Jarvis (Travel) Limited, Crawley	United Kingdom	100
Headwater Holidays Limited, Crawley	United Kingdom	100
Hellenic Sailing Holidays SA, Athens	Greece	100
Hellenic Sailing SA, Athens	Greece	100
International Expeditions, Inc., State of Delaware	United States of America	100
Intrav, Inc., State of Delaware	United States of America	100
Le Boat Netherlands B.V., Rotterdam	Netherlands	100
Le Piolet SCI, St Martin de Belleville, Savoie	France	100
Les Tours Jumpstreet Tours, Inc., Montreal	Canada	100

COMPANY	COUNTRY	CAPITAL SHARE IN %
Mariner International Asia Limited, Hongkong	Hong Kong	100
Mariner International Travel (UK) Limited, Crawley	United Kingdom	100
Mariner International Travel, Inc., State of Delaware	United States of America	100
Mariner Operations USA Inc, State of Delaware	United States of America	100
Mariner Travel GmbH, Bad Vilbel	Germany	100
Mariner Travel SARL, Paris	France	100
Mariner Yacht Services SA, Le Marin (Martinique)	France	100
Mariner Yachts (Proprietary) Limited, Illovo	South Africa	100
Master-Yachting GmbH, Eibelstadt	Germany	100
Maxi Yen SL, Palma de Mallorca	Spain	100
Molay Travel SARL, Molay-Littry, Calvados	France	100
Molay Travel SCI, Molay-Littry, Calvados	France	100
Mont Charvin Ski SARL, Paris	France	100
Moorings Grenadines Ltd., St. Vincent and Grenadines	St. Vincent and the Grenadines	100
Moorings Yachting SAS, Paris	France	100
Moorings Yat Isletmecilgi Turizm Ve Tic Ltd, Mugla	Turkey	100
MyPlanet Holding A/S, Holstebro	Denmark	100
MyPlanet International A/S, Aarhus	Denmark	100
MyPlanet Sweden AB, Göteborg	Sweden	100
Platinum Event Travel Limited, Crawley	United Kingdom	100
Porter and Haylett Limited, Crawley	United Kingdom	100
Premier Holidays Afloat Limited, Dublin	Ireland	100
Premiere International Corp, Gardena	United States of America	100
Prestige Boating Holidays Limited, Dublin	Ireland	100
Quark Expeditions, Inc., State of Delaware	United States of America	100
Real Travel Ltd, Crawley	United Kingdom	100
Sawadee Amsterdam BV, Amsterdam	Netherlands	100
Ski Bound Limited, Crawley	United Kingdom	100
Skibound France SARL, Notre Dame de Bellecombe	France	100
Specialist Holiday Group Ireland Ltd., Dublin	Ireland	100
Specialist Holidays (Travel) Limited, Crawley	United Kingdom	100
Specialist Holidays Contracting Ltd., Crawley	United Kingdom	100
Specialist Holidays Ltd., Crawley	United Kingdom	100
Sports Executive Travel Limited, Crawley	United Kingdom	100
Sportsworld (Beijing) Sports Management Consulting Limited Company, Peking	China	100
Sportsworld Eventos Ltda, São Paulo	Brazil	100
Sportsworld Group Limited, Crawley	United Kingdom	100
Sportsworld Holdings Limited, Crawley	United Kingdom	100
Student City S.a.r.l., Paris	France	100
Student City Travel Limited, Crawley	United Kingdom	100
Student Skiing Limited, Crawley	United Kingdom	100
Studentcity.com, Inc., State of Delaware	United States of America	100
Sunsail (Antigua) Limited, Antigua	Antigua and Barbuda	100
Sunsail (Australia) Pty Ltd, Hamilton Island, Queensland	Australia	100
Sunsail (Seychelles) Limited, Mahé	Seychelles	100
Sunsail (Thailand) Company Ltd, Phuket	Thailand	30*
Sunsail Adriatic d.o.o., Split	Croatia	100
Sunsail Hellas MEPE, Athens	Greece	100
Sunsail International B.V., Rotterdam	Netherlands	100
Sunsail SAS, Castelnaudary	France	100
Sunsail Worldwide Sailing Limited, Crawley	United Kingdom	100
Sunsail Worldwide Sailing St. Vincent Limited, St. Vincent and Grenadines	St. Vincent and the Grenadines	100

* Controlling influence

COMPANY	COUNTRY	CAPITAL SHARE IN %
TCS & Starquest Expeditions, Inc., Seattle	United States of America	100
TCS Expeditions, Inc., State of Delaware	United States of America	100
Teamlink Travel Limited, Crawley	United Kingdom	100
The Moorings (Bahamas) Ltd, Nassau	Bahamas	100
The Moorings (Seychelles) Limited, Mahé	Seychelles	100
The Moorings (St. Lucia) LTD, St. Lucia	Saint Lucia	100
The Moorings Belize Limited, Belize City	Belize	100
The Moorings d.o.o., Split	Croatia	100
The Moorings Limited, British Virgin Islands	British Virgin Islands	100
The Moorings Sailing Holidays Limited, Crawley	United Kingdom	100
The Moorings SARL, Utoroa, Raiatea	French Polynesia	100
Thomson Sport (UK) Limited, Crawley	United Kingdom	100
TRAVCOA Corporation, State of Delaware	United States of America	100
Travel Class Limited, Crawley	United Kingdom	100
Travel Services Europe Spain SL, Barcelona	Spain	100
Travel Turf, Inc., Allentown	United States of America	100
Travelbound European Tours Limited, Crawley	United Kingdom	100
Travelmood Limited, Crawley	United Kingdom	100
Travelopia Contract Services Limited, Crawley	United Kingdom	100
Travelopia Holdings Limited, Crawley	United Kingdom	100
Travelopia USA, Inc., State of Delaware	United States of America	100
Trek America Travel Limited, Crawley	United Kingdom	100
Trek Investco Limited, Crawley	United Kingdom	100
TTSS Limited, Crawley	United Kingdom	100
TTSS Transportation Limited, Crawley	United Kingdom	100
TUI Holdings (Australia) PTY Limited, Queensland	Australia	100
TUI Marine Grenada Limited, St. George's	Grenada	100
TUI Travel SAS Adventure Limited, Crawley	United Kingdom	100
Versun Yachts NSA, Athens	Greece	100
We Love Rugby Pty Ltd, Banksia	Australia	100
Williment Travel Group Limited, Wellington	New Zealand	100
World Challenge Expeditions Limited, Crawley	United Kingdom	100
World Challenge Expeditions Pty Ltd, Victoria	Australia	100
World Challenge Expeditions, Inc., Cambridge, MA	United States of America	100
World Challenge NZ Limited, Wellington	New Zealand	100
Yachts International Limited, British Virgin Islands	British Virgin Islands	100
YIL, LLC, State of Delaware	United States of America	100
Your Man Tours, Inc., El Segundo, CA	United States of America	100
Zegrahm Expeditions, Inc., Seattle	United States of America	100
All other segments		
Absolut Insurance Limited, St. Peter Port	Guernsey	100
Amber Nominee GP Limited, Crawley	United Kingdom	100
Asiarooms Pte Ltd, Singapur	Singapur	100
B.D.S Destination Services Tours, Cairo	Egypt	100
Canada Maritime Services Limited, Crawley	United Kingdom	100
Canadian Pacific (UK) Limited, Crawley	United Kingdom	100
Cast Agencies Europe Limited, Crawley	United Kingdom	100
Cast Group Services Limited, Southamton	United Kingdom	100
Cheqqer B.V., Rijswijk	Netherlands	100
Contship Holdings Limited, Southampton	United Kingdom	100
CP Ships (Bermuda) Ltd., Hamilton	Bermuda	100
CP Ships (UK) Limited, Crawley	United Kingdom	100
CP Ships Ltd., Saint John	Canada	100

COMPANY	COUNTRY	CAPITAL SHARE IN %
CPS Holdings (No. 2) Limited, Southampton	United Kingdom	100
CPS Number 4 Limited, Southampton	United Kingdom	100
DEFAG Beteiligungsverwaltungs GmbH I, Hanover	Germany	100
DEFAG Beteiligungsverwaltungs GmbH III, Hanover	Germany	100
First Choice Holidays Finance Limited, Crawley	United Kingdom	100
First Choice Holidays Limited, Crawley	United Kingdom	100
First Choice Leisure Limited, Crawley	United Kingdom	100
First Choice Olympic Limited, Crawley	United Kingdom	100
First Choice Overseas Holdings Limited, Crawley	United Kingdom	100
First Choice USA Limited, Crawley	United Kingdom	100
Hapag-Lloyd Executive GmbH, Langenhagen	Germany	100
I Viaggi del Turchese S.r.l., Fidenza	Italy	100
Jetset Group Holding (Brazil) Limited, Crawley	United Kingdom	100
Jetset Group Holding (UK) Limited, Crawley	United Kingdom	100
Jetset Group Holding Limited, Crawley	United Kingdom	100
Leibniz-Service GmbH, Hanover	Germany	100
Mala Pronta Viagens e Turismo Ltda., Curitiba	Brazil	100
Manufacturer's Serialnumber 852 Limited, Dublin	Ireland	100
MSN 1359 GmbH, Hanover	Germany	100
Paradise Hotels Management Company LLC, Cairo	Egypt	100
PM Peiner Maschinen GmbH, Hanover	Germany	100
Preussag Immobilien GmbH, Salzgitter	Germany	100
Preussag UK Ltd., Crawley	United Kingdom	100
Sovereign Tour Operations Limited, Crawley	United Kingdom	100
Thomson Airways Trustee Limited, Crawley	United Kingdom	100
TTG (Jersey) Limited, Jersey	Jersey	100
TUI Ambassador Tours Unipessoal Lda, Lissabon	Portugal	100
TUI Aviation GmbH, Hanover	Germany	100
TUI Beteiligungs GmbH, Hanover	Germany	100
TUI Brasil Operadora e Agencia de Viagens LTDA, Curitiba	Brazil	100
TUI Business Services GmbH, Hanover	Germany	100
TUI Canada Holdings, Inc, Toronto	Canada	100
TUI Chile Operador y Agencia de Viajes SpA, Santiago	Chile	100
TUI China Travel CO. Ltd., Peking	China	75
TUI Colombia Operadora y Agencia de Viajes SAS, Bogota	Colombia	100
TUI Connect GmbH, Hanover	Germany	100
TUI Group Services GmbH, Hanover	Germany	100
TUI Group UK Trustee Limited, Crawley	United Kingdom	100
TUI India Private Limited, New Delhi	India	100
TUI Leisure Travel Service GmbH, Neuss	Germany	100
TUI LTE Viajes S.A de C.V, Mexico City	Mexico	100
TUI Spain, SLU, Madrid	Spain	100
TUI Travel Amber E&W LLP, Crawley	United Kingdom	100
TUI Travel Amber Limited, Edinburgh	United Kingdom	100
TUI Travel Amber Scot LP, Edinburgh	United Kingdom	100
TUI Travel Aviation Finance Limited, Crawley	United Kingdom	100
TUI Travel Common Investment Fund Trustee Limited, Crawley	United Kingdom	100
TUI Travel Group Management Services Limited, Crawley	United Kingdom	100
TUI Travel Healthcare Limited, Crawley	United Kingdom	100
TUI Travel Holdings Limited, Crawley	United Kingdom	100
TUI Travel Limited, Crawley	United Kingdom	100
TUI Travel Nominee Limited, Crawley	United Kingdom	100
TUI Travel Overseas Holdings Limited, Crawley	United Kingdom	100
TUI-Hapag Beteiligungs GmbH, Hanover	Germany	100

COMPANY	COUNTRY	CAPITAL SHARE IN %
Joint Ventures and associated companies		
Tourism		
.BOSYS SOFTWARE GMBH, Hamburg	Germany	25.2
Ahungalla Resorts Limited, Colombo	Sri Lanka	40
Aitken Spence Travels Ltd, Colombo	Sri Lanka	50
alps & cities 4ever GmbH, Vienna	Austria	50
Atlantica Hellas S.A., Rhodos	Greece	50
Atlantica Hotels and Resorts Limited, Lemesos	Cyprus	49.9
Bartu Turizm Yatirimlari Anonim Sirketi, Istanbul	Turkey	50
Bonitos GmbH & Co KG, Frankfurt am Main	Germany	50
Daktari Travel & Tours Ltd., Limassol	Cyprus	33.3
DER Reisecenter TUI GmbH, Berlin	Germany	50
ENC for touristic Projects Company S.A.E., Sharm el Sheikh	Egypt	50
Etapex, S.A., Agadir	Morocco	35
Fanara Residence for Hotels S.A.E., Sharm el Sheikh	Egypt	50
GBH Turizm Sanayi Isletmecilik ve Ticaret A.S., Istanbul	Turkey	50
Gebeco Gesellschaft für internationale Begegnung und Cooperation mbH & Co. KG, Kiel	Germany	50.1
GRUPOTEL DOS S.A., Can Picafort	Spain	50
Holiday Travel (Israel) Limited, Airport City	Israel	50
Hydrant Refuelling System NV, Brussels	Belgium	25
InteRes Gesellschaft für Informationstechnologie mbH, Darmstadt	Germany	25.2
Interyachting Limited, Limassol	Cyprus	45
Jaz Hotels & Resorts S.A.E., Cairo	Egypt	51
Kamarayat Nabq Company for Hotels S.A.E., Sharm el Sheikh	Egypt	50
Karisma Hotels Adriatic d.o.o., Zagreb	Croatia	33.3
Karisma Hotels Caribbean S.A., Panama	Panama	50
Nakheel Riu Deira Islands Hotel FZ CO, Dubai	United Arab Emirates	40
Raiffeisen-Tours RT-Reisen GmbH, Burghausen	Germany	25.1
Riu Hotels S.A., Palma de Mallorca	Spain	49
Sharm El Maya Touristic Hotels Co. S.A.E., Cairo	Egypt	50
Sun Oasis for Hotels Company S.A.E., Hurghada	Egypt	50
Sunwing Travel Group, Inc, Toronto	Canada	49
Teckcenter Reisebüro GmbH, Kirchheim unter Teck	Germany	50
Tikida Bay S.A., Agadir	Morocco	34
TIKIDA DUNES S.A., Agadir	Morocco	30
Tikida Palmeraie S.A., Marrakech	Morocco	33.3
Togebi Holdings Limited, Nicosia	Cyprus	25
Travco Group Holding S.A.E., Cairo	Egypt	50
TRAVELStar GmbH, Hanover	Germany	50
TUI Cruises GmbH, Hamburg	Germany	50
UK Hotel Holdings FZC L.L.C., Fujairah	United Arab Emirates	50
All other segments		
ACCON-RVS Accounting & Consulting GmbH, Berlin	Germany	50

RESPONSIBILITY STATEMENT BY MANAGEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Hanover, 6 December 2016

The Executive Board

Friedrich Joussen	Horst Baier	David Burling
Sebastian Ebel	Dr Elke Eller	

INDEPENDENT AUDITOR'S REPORT

To TUI AG, Berlin and Hanover

Report on the Audit of the Consolidated Financial Statements

Audit Opinion on the Consolidated Financial Statements

We have audited the consolidated financial statements of TUI AG, Berlin and Hanover, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at September 30, 2016, and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from October 1, 2015, to September 30, 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

According to § (Article) 322 Abs. (paragraph) 3 Satz (sentence) 1 zweiter Halbsatz (second half sentence) HGB („Handelsgesetzbuch": German Commercial Code), we state that, in our opinion, based on the findings of our audit, the accompanying consolidated financial statements comply, in all material respects, with IFRS, as adopted by the EU, and the additional German legal requirements applicable under § 315a Abs. 1 HGB and give a true and fair view of the net assets and financial position of the Group as at September 30, 2016, as well as the results of operations for the financial year from October 1, 2015, to September 30, 2016, in accordance with these requirements.

According to § 322 Abs. 3 Satz 1 erster Halbsatz (first half sentence) HGB, we state that our audit has not lead to any reservations with respect to the propriety of the consolidated financial statements.

Basis for Audit Opinion on the Consolidated Financial Statements

We conducted our audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW), and additionally considered of the International Standards on Auditing (ISA). Our responsibilities under those provisions and standards, as well as supplementary standards, are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the provisions under German commercial law and professional standards, and we have fulfilled our other German ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from October 1, 2015, to September 30, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the key audit matters were as follows:

❶ Recoverability of goodwill
❷ Disposal of shares in Hotelbeds Group companies and planned sale of shares in Specialist Group companies
❸ Provisions and other areas requiring judgment
❹ Deferred taxes on loss carryforwards and trade tax risks
❺ EBITA adjustments

Our presentation of these key audit matters has been structured as follows:

① Matter and issue
② Audit approach and findings
③ Reference to further information

❶ Recoverability of goodwill

① Goodwill amounting to € 2,854 million in total has been reported under the goodwill line item in the statement of financial position in the consolidated financial statements of TUI AG. Goodwill is tested by the Company for impairment as of June 30 in the financial year (impairment test). It is measured using a discounted cash flow valuation technique. The result of this measurement depends to a large extent on Management's assessment of future cash inflows and the discount rate used, and is therefore subject to considerable uncertainty, particularly as a result of the United Kingdom's announcement to leave the European Union (so-called "Brexit") and the assumptions on the development of tourism in Turkey which are relevant to the determination of cash inflows. Against this background this matter was in our view of particular importance during our audit,

② With respect to the appropriateness of the future cash inflows used in the calculation we satisfied ourselves, amongst other procedures, by agreeing this information with the current budgets in the three-year plan adopted by Management and approved by the supervisory board, as well as by comparison with general and sector-specific market expectations. With the knowledge that even relatively small changes in the discount rate applied can have material effects on the value of goodwill calculated in this way, we also focused our testing on the parameters used to determine the discount rate applied, including the weighted average cost of capital, and reperformed the calculations. Due to the materiality of goodwill (representing approximately 20 % of consolidated total assets) and the fact that its measurement also depends on economic conditions which are outside of the company's sphere of influence, we also assessed the sensitivity analyses prepared by the Company for cash-generating units with little headroom (Net book value compared to present value) and found that the respective goodwill was sufficiently covered by discounted future cash surpluses. Overall we considered, the measurement inputs and assumptions used by Management to be in line with our expectations.

③ The Company's goodwill disclosures are contained in section 14 of the notes to the consolidated financial statements.

❷ Disposal of shares in Hotelbeds Group companies and planned sale of shares in Specialist Group companies

① During the financial year shares in the companies belonging to the Hotelbeds Group were sold as part of the focusing on the core tourism business. For this reason, the Hotelbeds Group was designated as a disposal group (IFRS 5) as of March 31, 2016, and classified as a discontinued operation. Effective September 12, 2016 the Hotelbeds Group was sold and deconsolidated. Overall, the gain on disposal at group level was €681 million. Furthermore, the TUI Group is planning to sell its shares in the Specialist Group. In this context the Specialist Group segment was designated as a disposal group (IFRS 5) as of September 30, 2016, and classified as a discontinued operation. From our point of view, these matters were of particular importance due to the complexity of the underlying contractual agreements and the material effects on the Group.

② To test whether the accounting treatment of the disposal of the shares in the companies belonging to the Hotelbeds Group was appropriate we examined, inter alia, as part of our audit, the company law principles as well as the terms of the underlying sale agreement. In this regard, we examined whether the conditions for the designation during the financial year as a disposal group (IFRS 5) had been met; we examined the resulting effects on the measurement of assets and liabilities and the conditions for the classification as a discontinued operation, as well as the deconsolidation of the Hotelbeds Group (IFRS 10). Regarding the designation as a discontinued operation of the Specialist Group, we also examined whether the conditions for a disposal group (IFRS 5) had been met; we examined the resulting effects on the measurement of assets and liabilities and the conditions for the classification as a discontinued operation. We were able to satisfy ourselves that the accounting for the sale of the shares in the companies belonging to the Hotelbeds Group and the associated measurement were suitable and that the total gain on disposal recognized had been determined appropriately. There are no reservations concerning the designation of the Specialist Group as a disposal group or the classification and measurement as a discontinued operation.

③ The Company's disclosures on the disposal of the shares in the Hotelbeds Group and the planned disposal of the Specialist Group are contained in section "discontinued operations" of the notes to the consolidated financial statements.

❸ Provisions and other areas of judgment

① In TUI AG's consolidated financial statements, tourism prepayments in the amount of € 724 million have been reported under the balance sheet item "Trade receivables and other assets"; provisions for aircraft maintenance in the amount of € 614 million and provisions for risks from executory contracts in the amount of €31 million have been reported under the balance sheet line item "Other provisions" . In addition, provisions for pensions and similar obligations of € 1,451 million have been reported. From our point of view, this matter was of particular importance, as recognition and measurement of these material items are based on Management's estimates and assumptions.

② With the knowledge that estimated values result in an increased risk of material misstatements within the consolidated financial statements and that Management's measurement decisions have a direct and significant effect on consolidated profit, we assessed the appropriateness of the carrying amounts inter alia by comparing these amounts with historical data and by referring to the underlying contracts provided to us. Amongst other tests, we

- assessed the recoverability of tourism prepayments in the hotel industry, particularly against the background of current political developments in Turkey, based on the repayment plans agreed with the respective hoteliers, the possibilities for offset payments with future overnight accommodation services and the framework agreements entered into with them;
- evaluated the measurement of the provision for onerous contracts from hotel leases, particularly for hotels in Turkey, based on the leases entered into and the Company's earnings projections for the individual hotels;

- reperformed the calculation of the costs expected for maintenance expenses for aircraft maintenance based on group-wide maintenance agreements, the price increases expected based on external market forecasts and the discount rates applied and
- assessed the appropriateness of the inputs used to calculate pension provisions by involving the expertise of our internal pension valuation specialists.

In doing so, we were able to satisfy ourselves that the estimates applied and the assumptions made by Management were sufficiently documented and supported to justify the recognition and measurement of the material provisions and other areas where judgment was involved.

③ The Company's disclosures about trade receivables and other assets as well as provisions are contained in sections 19 as well as 31 and 32 of the notes to the consolidated financial statements.

❹ Deferred taxes on loss carryforwards and German trade tax risks

① Deferred tax assets of €345 million (of which € 212 million for loss carryforwards) have been reported in the consolidated statement of financial position in the consolidated financial statements of TUI AG. The recoverability of capitalized deferred tax assets on loss carryforwards is measured using future earnings position forecasts. Furthermore, there are tax risks, as any possibly estimated proportion of rentals from hotel expenses is not fully deductible when determining the tax base for German trade tax. In the financial year, the finance court issued a judgment (which is not yet final) on a similar case involving another tour operator that add backs must be applied for certain structures. Against the background of this finance court judgment, the Company changed its estimate of the probability of this risk to over 50% and set up a provision for trade tax risks including interest in the total amount of €44 million. From our point of view, these matters were of particular importance as they depend to a large extent on estimates and assumptions made by Management and are subject to uncertainties.

② Within our audit of these tax matters, we included internal tax accounting specialists in our audit team. With their support, we assessed the internal processes and controls implemented for the recording of tax matters. We assessed the recoverability of deferred tax assets relating to loss carryforwards and deductible temporary differences based on the Company's internal forecasts for the future taxable income position of TUI AG and its material controlled entities for income tax purposes using Management's planning, and evaluated the appropriateness of the basis used for the planning. Working together with our internal tax accounting specialists, we evaluated Management's assessment and gained an understanding about taking the tax risks from the German trade tax add-backs of certain hotel expenses into account, and evaluated the appropriateness of the recognition in the accounting. We were able to retrace the assumptions made by Management concerning the recognition and measurement of deferred taxes and the trade tax risks, and agree with the assessments taken by Management.

③ The Company's disclosures about deferred taxes are contained in the notes to the consolidated financial statements in the section "Accounting policies" as well as in sections 8, 21 and 36 and, for tax disputes, in section 39.

❺ EBITA adjustments

① For the TUI Group's management and analysis purposes, operating profit (earnings before interest, taxes and amortization – EBITA) is used and adjusted for extraordinary effects and non-operating effects on profit. Adjustments to EBITA in the amount of € 181 million have been reported in the consolidated financial statements of TUI AG. Underlying EBITA is used for capital market communication as a core financial performance indicator. The adjustments to EBITA were of particular importance during our audit, because the applied adjustments are based on TUI AG's applicable internal accounting provisions and there is a risk of bias in Management's judgment.

② We reperformed the calculation of underlying EBITA and assessed the identification of one off effects on profit and non-operating effects on profit. Based on the knowledge obtained during the audit and the information provided to us by Management, we examined whether the adjustments made are in accordance with the definition and the procedural method stated in the segment reporting disclosures. We were able to satisfy ourselves that the adjustments applied to EBITA by Management were consistent with the segment reporting disclosures and had been applied consistently.

③ The Company's disclosures about the adjustments to EBITA as well as their determination are presented under "Segment data disclosures" in the segment reporting of the notes to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises

- the Corporate Governance Report under no. 3.10 of the German Corporate Governance Code,
- the Corporate Governance Statement pursuant to § 289a HGB,
- the report concerning the UK Corporate Governance Code according to no. 9.8.6 R (5) of the listing rules in the United Kingdom and
- the report to the shareholders according to no. 9.8.8 R of the listing rules in the United Kingdom, as well as
- other parts of the annual report of TUI AG, Berlin and Hanover, for the financial year ended on September 30, 2016, which did not require to be audited.

Our audit opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements, which comply with IFRS, as adopted by the EU, and the additional German legal requirements applicable under § 315a Abs. 1 HGB, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. Furthermore, Management is responsible for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our audit opinion on the consolidated financial statements. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW), with additional consideration of the ISAs, will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW), with additional consideration of the ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or the Group management report or, if such disclosures are inadequate, to modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the net assets and financial position as well as the results of operations of the Group in accordance with IFRS, as adopted by the EU, and the additional German legal requirements applicable under § 315a Abs. 1 HGB.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an audit opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report on the audit of the consolidated financial statements unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory Requirements

Report on the Audit of the Group Management Report

AUDIT OPINION ON THE GROUP MANAGEMENT REPORT

We have audited the group management report of TUI AG, Berlin and Hanover, which is combined with the Company's management report, for the financial year from October 1, 2015, to September 30, 2016.

In our opinion, based on the findings of our audit, the accompanying group management report as a whole provides a suitable view of the Group's position. In all material respects, the group management report is consistent with the consolidated financial statements and suitably presents the opportunities and risks of future development.

Our audit has not led to any reservations with respect to the propriety of the group management report.

BASIS FOR AUDIT OPINION ON THE GROUP MANAGEMENT REPORT

We conducted our audit of the group management report in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of management reports promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE GROUP MANAGEMENT REPORT

Management is responsible for the preparation of the group management report, which as a whole provides a suitable view of the Group's position, is consistent with the consolidated financial statements and suitably presents the opportunities and risks of future development. Furthermore, Management is responsible for such arrangements and measures (systems) as Management determines as necessary to enable the preparation of a group management report in accordance with the German legal requirements applicable under § 315 Abs. 1 HGB and to provide sufficient and appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the group management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE GROUP MANAGEMENT REPORT

Our objective is to obtain reasonable assurance about whether the group management report as a whole provides a suitable view of the Group's position as well as, in all material respects, is consistent with the consolidated financial statements, and suitably presents the opportunities and risks of future development, and to issue an auditor's report that includes our audit opinion on the group management report.

As part of an audit, we examine the group management report in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of management reports promulgated by the IDW. In this connection, we draw attention to the following:

- The audit of the group management report is integrated into the audit of the consolidated financial statements.
- We obtain an understanding of the arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these arrangements and measures (systems).
- We perform audit procedures on the prospective information presented by Management in the group management report. Based on appropriate and sufficient audit evidence, we hereby, in particular, retrace the material assumptions used by Management as a basis for the prospective information and assess the reasonableness of these assumptions as well as the appropriate derivation of the prospective information from these assumptions. We are not issuing a separate audit opinion on the prospective information or the underlying assumptions. There is a significant, unavoidable risk that future events will deviate significantly from the prospective information.
- We are also not issuing a separate audit opinion on individual disclosures in the group management report; our audit opinion covers the group management report as a whole.

REVIEW OF MANAGEMENT'S STATEMENT REGARDING THE UK CORPORATE GOVERNANCE CODE

Under no. 9.8.10 R (2) of the Listing Rules in the United Kingdom, we are required to review Management's statement pursuant to 9.8.6 R (6) of the Listing Rules in the United Kingdom contained in the report on the UK Corporate Governance Code, on compliance with the provisions in C.1.1, C.2.1 and C.2.3 as well as C.3.1 to C.3.8 of the UK Corporate Governance Code in the financial year or respectively Company's explanation in case of discrepancies. We have nothing to report having performed our review.

Engagement Partner

The engagement partner on the audit resulting in this independent auditor's report is Thomas Stieve.

Hanover, 6 December 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

sgd. Thomas Stieve	sgd. Prof. Dr Mathias Schellhorn
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

FORWARD-LOOKING STATEMENTS

The annual report, in particular the report on expected developments included in the management report, includes various forecasts and expectations as well as statements relating to the future development of the TUI Group and TUI AG. These statements are based on assumptions and estimates and may entail known and unknown risks and uncertainties. Actual development and results as well as the financial and asset situation may therefore differ substantially from the expectations and assumptions made. This may be due to market fluctuations, the development of world market prices for commodities, of financial markets and exchange rates, amendments to national and international legislation and provision or fundamental changes in the economic and political environment. TUI does not intend to and does not undertake an obligation to update or revise any forward-looking statements to adapt them to events or developments after the publication of this annual report.

Financial calender

8 DECEMBER 2016
Annual Report 2015/16

14 FEBRUARY 2017
Annual General Meeting 2017

14 FEBRUARY 2017
Q1 2016/17

29 MARCH 2017
Pre-Close Trading Update

MAY 2017
H1 2016/17

AUGUST 2017
9M 2016/17

DECEMBER 2017
Annual Report 2016/17