

**TUI AG Financial Year 2013/14**  
Interim Report  
1 October 2013 – 30 June 2014

---

# CONTENTS

## INTERIM MANAGEMENT REPORT

- 1 **TUI Group – Financial highlights**
- 2 **Economic situation**
  - 2 General economic situation
  - 2 Development in the period under review
- 4 Earnings by the Sectors
- 7 TUI Travel
- 10 TUI Hotels & Resorts
- 14 Cruises
- 16 Central Operations
- 17 Consolidated earnings
- 21 Net assets and financial position
- 22 Other segment indicators
- 24 **Risk report**
- 25 **Outlook**
  - 25 Expected development of earnings
- 26 **Corporate Governance**
  - 26 Composition of the boards

## INTERIM FINANCIAL STATEMENTS

- 27 Income statement
- 28 Statement of comprehensive income
- 29 Financial Position
- 30 Statement of changes in equity
- 32 Cash Flow Statement

## NOTES

- 33 **Principles and methods underlying the consolidated financial statements**
  - 33 General
  - 33 Accounting principles
  - 37 Changes in accounting and measurement methods
  - 38 Restatement of figures from prior reporting periods
  - 41 Principles and methods of consolidation
  - 48 Accounting and measurement methods
  - 58 Key estimates and judgements
- 62 **Segment reporting**
  - 62 Notes to the segments
  - 63 Notes to the segment data
- 70 **Notes to the consolidated income statement**
- 78 **Notes to the consolidated statement of financial position**
- 125 **Notes to the cash flow statement**
- 127 **Other notes**

## INDEPENDENT AUDITORS' REPORT

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS / OTHER

**Financial calendar**  
**Imprint**

# 9 MONTHS 2013/14

## TUI Group – Financial highlights

€ million	Q3 2013/14	Q3 2012/13 restated	Var. %	9M 2013/14	9M 2012/13 restated	Var. %
<b>Turnover</b>						
TUI Travel	4,663.1	4,536.3	+ 2.8	10,865.0	11,030.2	- 1.5
TUI Hotels & Resorts	94.2	70.3	+ 34.0	294.9	288.8	+ 2.1
Cruises	63.9	67.4	- 5.2	213.1	188.0	+ 13.4
<b>Group</b>	<b>4,825.3</b>	<b>4,679.0</b>	<b>+ 3.1</b>	<b>11,384.4</b>	<b>11,518.4</b>	<b>- 1.2</b>
<b>EBITDA</b>						
TUI Travel	140.3	153.4	- 8.5	- 101.7	- 119.0	+ 14.5
TUI Hotels & Resorts	57.8	47.2	+ 22.5	164.3	149.9	+ 9.6
Cruises	5.0	3.7	+ 35.1	8.2	- 51.5	n. a.
<b>Group</b>	<b>192.1</b>	<b>189.3</b>	<b>+ 1.5</b>	<b>38.3</b>	<b>- 75.8</b>	<b>n. a.</b>
<b>Underlying EBITDA</b>						
TUI Travel	201.7	141.6	+ 42.4	- 62.7	- 116.0	+ 45.9
TUI Hotels & Resorts	57.8	47.2	+ 22.5	164.9	154.6	+ 6.7
Cruises	1.8	- 3.8	n. a.	- 7.8	- 10.0	+ 22.0
<b>Group</b>	<b>250.3</b>	<b>170.6</b>	<b>+ 46.7</b>	<b>61.9</b>	<b>- 17.0</b>	<b>n. a.</b>
<b>EBITA</b>						
TUI Travel	58.0	72.1	- 19.6	- 329.5	- 346.6	+ 4.9
TUI Hotels & Resorts	42.8	30.4	+ 40.8	117.1	79.0	+ 48.2
Cruises	1.7	0.8	+ 112.5	- 1.7	- 59.2	+ 97.1
<b>Group</b>	<b>91.0</b>	<b>87.2</b>	<b>+ 4.4</b>	<b>- 248.4</b>	<b>- 391.8</b>	<b>+ 36.6</b>
<b>Underlying EBITA</b>						
TUI Travel	133.6	78.3	+ 70.6	- 248.0	- 290.4	+ 14.6
TUI Hotels & Resorts	42.8	30.4	+ 40.8	117.7	104.9	+ 12.2
Cruises	- 1.5	- 6.7	+ 77.6	- 17.7	- 17.7	-
<b>Group</b>	<b>163.4</b>	<b>86.5</b>	<b>+ 88.9</b>	<b>- 182.3</b>	<b>- 252.2</b>	<b>+ 27.7</b>
<b>Group earnings</b>						
Net profit for the period	1.4	12.4	- 88.7	- 348.6	- 476.2	+ 26.8
Earnings per share	€ - 0.09	- 0.01	n. a.	- 1.04	- 1.56	+ 33.3
Equity ratio (30 Jun)	% 10.2	12.5	- 2.3*	10.2	12.5	- 2.3*
Investments in other intangible assets and property, plant and equipment	268.8	193.3	+ 39.1	579.5	600.6	- 3.5
Net debt (30 Jun)	298.1	475.3	- 37.3	298.1	475.3	- 37.3
Employees (30 Jun)	77,027	74,459	+ 3.4	77,027	74,459	+ 3.4

Differences may occur due to rounding

\* percentage points

- TUI Group's operating earnings (underlying EBITA) for Q3 2013/14 almost doubled
- Strong 9M performance based on TUI Travel, our strong hotel brands Riu and Robinson and central cost cuttings
- Turnaround in the Cruise sector confirmed. Growth path for TUI Cruises defined.
- Financial investment in Hapag-Lloyd AG disclosed as held for sale according to IFRS 5
- Full year underlying EBITA growth expected to be at least at upper end of our guidance of 6% to 12%

# INTERIM MANAGEMENT REPORT

## ECONOMIC SITUATION

### General economic situation

#### Development of gross domestic product

Var. %	2014	2013
<b>World</b>	<b>3.4</b>	<b>3.2</b>
Eurozone	1.1	- 0.4
Germany	1.9	0.5
France	0.7	0.3
UK	3.2	1.7
US	1.7	1.9
Russia	0.2	1.3
Japan	1.6	1.5
China	7.4	7.7
India	5.4	5.0

Source: International Monetary Fund (IMF), World Economic Outlook Update, July 2014

The International Monetary Fund (IMF) has marked its global growth projection for calendar year 2014 slightly down as against July 2014. Overall, the experts now expect global growth of 3.4% year-on-year for the current calendar year. Global recovery remained uneven: While economic expansion continued to pick up in the advanced economies, economic momentum remained more subdued in the emerging markets and developing countries (IMF, World Economic Outlook Update, July 2014).

### Development in the period under review

#### Planned merger between TUI AG and TUI Travel PLC to form the world's leading tourism group

On 27 June 2014, TUI AG and the Independent Directors of TUI Travel PLC announced they had reached an agreement in principle on the key terms of a possible all-share nil-premium merger. Details to the planned merger see [www.tui-group.com/en/ir](http://www.tui-group.com/en/ir).



Details to the planned merger see [www.tui-group.com/en/ir](http://www.tui-group.com/en/ir).

**TUI Group's operating earnings (underlying EBITA) for Q3 2013/14 nearly doubled. Improvement in earnings for full financial year 2013/14 expected at higher end of projected range**

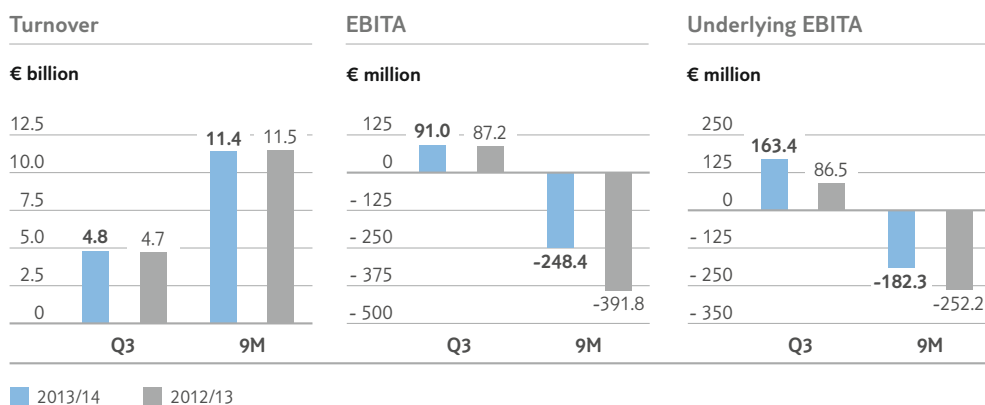
We are very pleased with the operating performance in the first nine months of 2013/14. At €163.4m, the operating result (underlying EBITA) for the third quarter almost doubled compared to the third quarter 2012/13. Our clear focus on unique holidays and our own hotel portfolio with strong brands like Riu and Robinson is delivering results. In the third quarter, TUI Cruises commissioned the first new built vessel, the 'Mein Schiff 3'; the fleet expansion is now being turned into action with the two vessels on order to be delivered until 2017. The rising demand for the luxury cruise segment of Hapag-Lloyd Kreuzfahrten in the third quarter, supports the turnaround in the Cruise Sector in the full financial year. In Central Operations we realised considerable cost reductions by streamlining the corporate center. Due to the expected dilution of our nominal stake in Hapag-Lloyd AG and the resulting loss of our significant influence, our financial investment will be disclosed as held for sale according to IFRS 5 from the third quarter 2013/14 onwards. This underlines our focus on our core business Tourism.

At €-182.3m, the seasonal Group loss (underlying EBITA) for the first nine months of 2013/14 was down by €69.9m. This positive development was mainly attributable to the improvement in earnings of TUI Travel (+15 %) and the TUI Hotels & Resorts Sector, which recorded an improvement of 31 % year-on-year, taking into account the book profit included in previous year's figures. Expenses by Central Operations also declined in the first nine months by around 30 %.

Due to the good operational performance of the Group and the decline in net one-off costs the reported Group EBITA also improved considerably by €143.4m for the first nine months of 2013/14. At €348.6m, the seasonal Group loss for the first nine months also declined year-on-year, down by €127.6m on the prior year. Earnings per share improved significantly by 33.3 % year-on-year to €-1,04 (previous year €-1.56). The Group's net debt declined by 37.3 % year-on-year to €0.3bn as at 30 June 2014.

Against the background of the strong operating performance in the first nine months, we now expect improvements at least at the upper end of the range projected in our original outlook for the full financial year 2013/14 for the underlying EBITA (+6 % to 12 %) as well as for the reported EBITA (+16 % to 23 %).

## Earnings by the Sectors



### Development of turnover

#### Turnover

€ million	Q3 2013/14	Q3 2012/13	Var. %	9M 2013/14	9M 2012/13	Var. %
Tourism	4,821.2	4,674.0	+ 3.1	11,373.0	11,507.0	- 1.2
TUI Travel	4,663.1	4,536.3	+ 2.8	10,865.0	11,030.2	- 1.5
TUI Hotels & Resorts	94.2	70.3	+ 34.0	294.9	288.8	+ 2.1
Cruises	63.9	67.4	- 5.2	213.1	188.0	+ 13.4
Central Operations	4.1	5.0	- 18.0	11.4	11.4	-
<b>Group</b>	<b>4,825.3</b>	<b>4,679.0</b>	<b>+ 3.1</b>	<b>11,384.4</b>	<b>11,518.4</b>	<b>- 1.2</b>

At €4.8bn, turnover by the TUI Group increased by 3.1 % year-on-year in the third quarter of 2013/14. Adjusted for foreign exchange effects, turnover rose by 2.3 % on the prior year.

Accumulated turnover for the first nine months of 2013/14 totalled €11.4bn, down 1.2 % year-on-year. Adjusted for foreign exchange effects, the decline amounted to 0.7 %. The decrease in turnover was attributable to deliberate capacity cuts effected by TUI Travel, in particular in source market France, which went hand in hand with a year-on-year decrease in customer numbers of 0.2 % in TUI Travel's Mainstream Business.

### Current and future trading

In Tourism, travel products are booked with different lead times. The release of bookings for individual seasons takes place at different points in time, depending on the design of the respective booking and reservation systems in the individual source markets. Moreover, tour operator capacity available for bookings is seasonally adjusted to actual and expected demand in the framework of load factor management.

In August 2014, current trading by TUI Travel for the summer season 2014 was as follows as against the prior-year levels.

#### Current trading TUI Travel Mainstream, summer 2014

Var. %	Average selling price	Total sales	Total customers
Germany	-	- 1	- 1
UK	+ 2	+ 1	- 1
Nordics	- 1	- 4	- 4
France (tour operators)	+ 3	- 10	- 13
Other	+ 1	-	-
<b>Total</b>	<b>+ 1</b>	<b>- 1</b>	<b>- 2</b>

As at 3 August 2014

In the framework of the TUI Group's quarterly reporting, trading updates by TUI Travel are regularly published on TUI's website.

Current trading by TUI Hotels & Resorts largely reflects the development of customer numbers within TUI Travel as a major proportion of Group-owned hotel beds are booked by TUI tour operators. In the Cruises Sector, advance bookings were up year-on-year as at the end of the quarter under review, reflecting sound demand, in particular due to the commissioning of Europa 2 in May 2013 and the expansion of the TUI Cruises fleet to include Mein Schiff 3 as of June 2014.

## Development of earnings

### Underlying EBITA

€ million	Q3 2013/14	Q3 2012/13	Var. %	9M 2013/14	9M 2012/13	Var. %
Tourism	174.9	102.0	+ 71.5	- 148.0	- 203.2	+ 27.2
TUI Travel	133.6	78.3	+ 70.6	- 248.0	- 290.4	+ 14.6
TUI Hotels & Resorts	42.8	30.4	+ 40.8	117.7	104.9	+ 12.2
Cruises	- 1.5	- 6.7	+ 77.6	- 17.7	- 17.7	-
Central Operations	- 11.5	- 15.5	+ 25.8	- 34.3	- 49.0	+ 30.0
<b>Group</b>	<b>163.4</b>	<b>86.5</b>	<b>+ 88.9</b>	<b>- 182.3</b>	<b>- 252.2</b>	<b>+ 27.7</b>

### EBITA

€ million	Q3 2013/14	Q3 2012/13	Var. %	9M 2013/14	9M 2012/13	Var. %
Tourism	102.5	103.3	- 0.8	- 214.1	- 326.8	+ 34.5
TUI Travel	58.0	72.1	- 19.6	- 329.5	- 346.6	+ 4.9
TUI Hotels & Resorts	42.8	30.4	+ 40.8	117.1	79.0	+ 48.2
Cruises	1.7	0.8	+ 112.5	- 1.7	- 59.2	+ 97.1
Central Operations	- 11.5	- 16.1	+ 28.6	- 34.3	- 65.0	+ 47.2
<b>Group</b>	<b>91.0</b>	<b>87.2</b>	<b>+ 4.4</b>	<b>- 248.4</b>	<b>- 391.8</b>	<b>+ 36.6</b>

In order to explain and evaluate the operating performance by the Sectors, earnings adjusted for one-off effects (underlying EBITA) are presented below. Underlying earnings have been adjusted for gains on disposal of investments, expenses in the framework of restructuring measures, essentially scheduled amortisation of intangible assets from purchase price allocations, and other expenses for and income from one-off items.

### Underlying EBITA: TUI Group

€ million	Q3 2013/14	Q3 2012/13	Var. %	9M 2013/14	9M 2012/13	Var. %
EBITA	91.0	87.2	+ 4.4	- 248.4	- 391.8	+ 36.6
Gains on disposal	- 2.9	+ 1.5		- 2.3	+ 1.5	
Restructuring	+ 16.3	+ 3.9		+ 32.0	+ 29.4	
Purchase price allocation	+ 18.0	+ 19.1		+ 52.0	+ 56.1	
Other one-off items	+ 41.0	- 25.2		- 15.6	+ 52.6	
<b>Underlying EBITA</b>	<b>163.4</b>	<b>86.5</b>	<b>+ 88.9</b>	<b>- 182.3</b>	<b>- 252.2</b>	<b>+ 27.7</b>

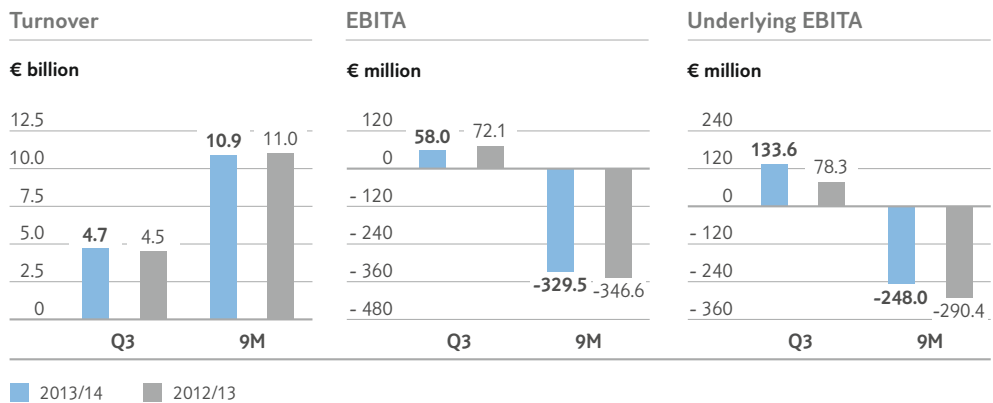
In the third quarter of 2013/14, the TUI Group's underlying EBITA improved by €76.9m year-on-year to €163.4m. The TUI Group's seasonal loss (underlying EBITA) for the first nine months of 2013/14 decreased by €69.9m year-on-year to €-182.3m.

In the first nine months of 2013/14, net expenses of €66.1m had to be carried as adjustments. They consisted in particular of expenses for purchase price allocations, restructuring costs at TUI Travel and net one-off expenses, in particular for the back payment of VAT on the margin for prior years by TUI Travel due to changes in the legal assessment, while income was obtained from the curtailment of pension obligations at TUI Travel.

In the first nine months of 2013/14, reported EBITA, which was negative for seasonal reasons, improved by €143.4m year-on-year to €-248.4m.



## TUI Travel



As before, TUI Travel's business has been grouped into three business lines: Mainstream, Accommodation & Destinations and Specialist & Activity.

### TUI Travel – key figures

€ million	Q3 2013/14	Q3 2012/13	Var. %	9M 2013/14	9M 2012/13	Var. %
Turnover	4,663.1	4,536.3	+ 2.8	10,865.0	11,030.2	- 1.5
<b>EBITA</b>	<b>58.0</b>	<b>72.1</b>	<b>- 19.6</b>	<b>- 329.5</b>	<b>- 346.6</b>	<b>+ 4.9</b>
Gains on disposal	- 2.9	+ 1.5		- 2.9	+ 1.5	
Restructuring	+ 16.3	+ 3.9		+ 32.0	+ 21.4	
Purchase price allocation	+ 18.0	+ 19.1		+ 52.0	+ 56.1	
Other one-off items	+ 44.2	- 18.3		+ 0.4	- 22.8	
<b>Underlying EBITA</b>	<b>133.6</b>	<b>78.3</b>	<b>+ 70.6</b>	<b>- 248.0</b>	<b>- 290.4</b>	<b>+ 14.6</b>
Underlying EBITDA	201.7	141.6	+ 42.4	- 62.7	- 116.0	+ 45.9
Investments in other intangible assets and property, plant and equipment	201.4	163.2	+ 23.4	478.2	535.6	- 10.7
Employees (30 Jun)	62,369	59,623	+ 4.6	62,369	59,623	+ 4.6

Turnover by TUI Travel increased by 2.8% year-on-year in the third quarter of 2013/14. Adjusted for foreign exchange effects, it was up by 1.9%. For the first nine months of 2013/14, turnover adjusted for foreign exchange effects declined by 1.1% year-on-year; this was primarily attributable to the strong reduction in capacity in TUI France.

Underlying EBITA of TUI Travel improved by €55.3m year-on-year to €133.6m in the third quarter of 2013/14. The seasonal loss (underlying EBITA) for the first nine months of 2013/14 decreased by €42.4m to €-248.0m.

The strong operating performance of TUI Travel in the first nine months of 2013/14 was driven by continued strong demand for unique holidays and growth in online share. Despite strong price competition, the Mainstream Business achieved a further increase in average selling prices. In the quarter under review, the positive development was driven, in particular, by source markets UK, France and Germany. The specialist tour operators and the B2B business in Accommodation & Destinations delivered a good business performance.

In the first nine months of 2013/14, TUI Travel reported net expenses of €81.5m (previous year net expenses of €56.2m) year-on-year, to be carried as adjustments:

- gains on disposal of €2.9m
- restructuring costs of €32.0m, in particular for the ongoing restructuring activities in Germany, France and the Specialist & Activity as well as Accommodation & Destinations Businesses
- effects of purchase price allocations worth €52.0m
- one-off expenses worth €0.4m on balance, in particular from the back payment of VAT on the margin for prior years due to changes in the legal assessment, recorded alongside income from the curtailment of pension obligations in the UK and the Nordics.

Reported earnings (EBITA) by TUI Travel in the first nine months of 2013/14 rose by €17.1m year-on-year to €-329.5m.

### Mainstream

Mainstream is the largest business line within TUI Travel and comprises sales of flights, accommodation and other tourism services.

#### TUI Travel – Mainstream volumes

'000	Q3 2013/14	Q3 2012/13	Var. %	9M 2013/14	9M 2012/13	Var. %
Germany	1,660	1,590	+ 4.4	3,542	3,753	- 5.6
UK	1,610	1,604	+ 0.4	3,046	3,076	- 1.0
Nordics	378	389	- 2.9	1,019	1,038	- 1.8
France (tour operators)	271	332	- 18.4	475	670	- 29.1
Other	1,539	1,534	+ 0.3	3,417	3,460	- 1.2
<b>Total</b>	<b>5,458</b>	<b>5,449</b>	<b>+ 0.2</b>	<b>11,499</b>	<b>11,997</b>	<b>- 4.2</b>

In the first three quarters of 2013/14, the Mainstream Business serviced a total of 11,499 thousand guests, down by 4.2% on the prior year, in line with capacity reductions in the period under review.

### Germany

In the first nine months of financial year 2013/14, TUI Deutschland delivered a positive performance, despite the year-on-year decline in customer numbers of 5.6%. The tour operators benefited from the continued trend towards unique holidays exclusively to be bought from TUI. Sales of unique product increased, not least driven by growth in online bookings. TUI Deutschland also benefited from cost savings, generated by means of efficiency enhancements in backoffice functions and lower maintenance costs within the Group's own airline TUIfly.

### UK

TUI tour operators in the UK continued their successful development in the third quarter of 2013/14, despite a less favourable market environment. In the first nine months, customer numbers decreased slightly by 1.0% versus the prior year. TUI UK recorded continued strong demand for unique product, enabling it to generate good average selling prices and achieve high load factors. Bookings made online continued to grow significantly. TUI UK also generated savings in terms of the maintenance and handling costs of its own airline Thomson Airways and in travel agency distribution.

### Nordics

In a more competitive trading environment, TUI tour operators in the Nordics recorded a decline in customers of 1.8% for the first nine months of 2013/14 year-on-year, in particular due to the substantial reduction in capacity to Egypt and the political unrest in Thailand. The impact was partially mitigated through a rigorous focus on operational efficiency.

### France

In the first three quarters of 2013/14, the French tour operators recorded declines in customer numbers of 29.1%, in line with capacity reductions. Although the market environment in France remained difficult, better margins were generated in the third quarter. This was partly due to optimised tour operator programmes, which increasingly include the Canary Islands and Balearics, i.e. new destinations for source market France, at the expense of North African destinations, and improvements, in particular in the club holiday segment. Due to restrictive capacity management and the efficiency enhancements achieved in the framework of the Convergence project, TUI France substantially reduced its losses year-on-year in the first nine months.

### Other

Overall, Other countries showed a positive development at a 2.5% decline in customer numbers, benefiting in particular from the strong performance of the Canadian and Dutch tour operators. TUI Russia saw its business impacted by the current political instability in this region and the demand situation in Egypt.

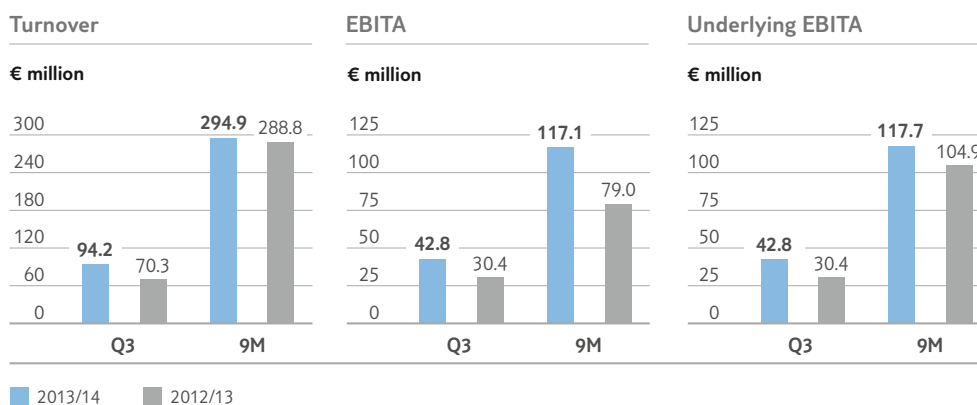
### Specialist & Activity

The Specialist & Activity Business comprises tour operators in six divisions: Adventure, North American Specialist, Education, Sport, Marine and Specialist Holiday Group. In the first nine months of 2013/14, the Business recorded a successful performance. The restructuring programme launched in the prior year generated improvements in the operating control and efficiency enhancements. The strong business development in the first nine months was also attributable to the strong performance of the Adventure, Marine and Sport Divisions.

### Accommodation & Destinations

The Accommodation & Destinations Business, which comprises the online services and incoming agencies of TUI Travel, continued its strong performance of the prior year in the first nine months of 2013/14. Online services reported volume growth in the B2B portals due to strong organic growth in America and Asia.

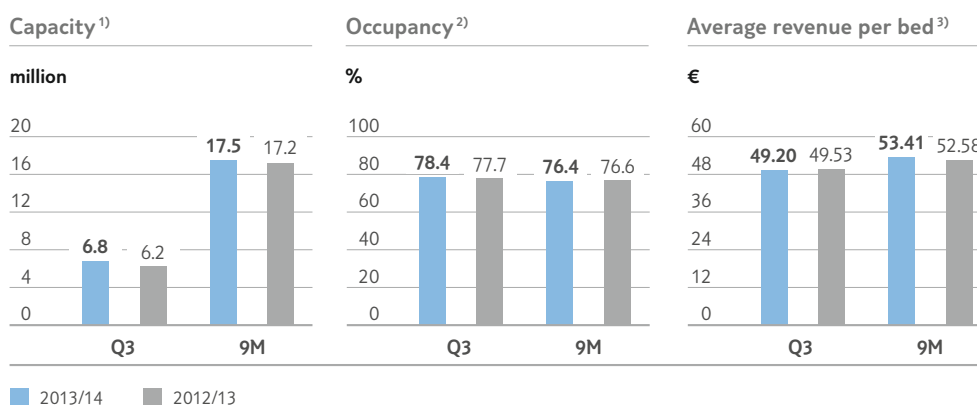
## TUI Hotels & Resorts



The TUI Hotels & Resorts Sector comprises the TUI Group's own hotels.

### TUI Hotels & Resorts – key figures

€ million	Q3 2013/14	Q3 2012/13	Var. %	9M 2013/14	9M 2012/13	Var. %
Total turnover	203.2	185.2	+ 9.7	591.1	555.9	+ 6.3
Turnover	94.2	70.3	+ 34.0	294.9	288.8	+ 2.1
<b>EBITA</b>	<b>42.8</b>	<b>30.4</b>	<b>+ 40.8</b>	<b>117.1</b>	<b>79.0</b>	<b>+ 48.2</b>
Gains on disposal	–	–		+ 0.6	–	
Restructuring	–	–		–	–	
Purchase price allocation	–	–		–	–	
Other one-off items	–	–		–	+ 25.9	
<b>Underlying EBITA</b>	<b>42.8</b>	<b>30.4</b>	<b>+ 40.8</b>	<b>117.7</b>	<b>104.9</b>	<b>+ 12.2</b>
Underlying EBITDA	57.8	47.2	+ 22.5	164.9	154.6	+ 6.7
Investments in other intangible assets and property, plant and equipment	63.7	26.5	+ 140.4	90.0	56.1	+ 60.4
Employees (30 Jun)	14.191	14.173	+ 0.1	14.191	14.173	+ 0.1



<sup>1)</sup> Group owned or leased hotel beds multiplied by number of days open per quarter

<sup>2)</sup> Occupied beds divided by capacity

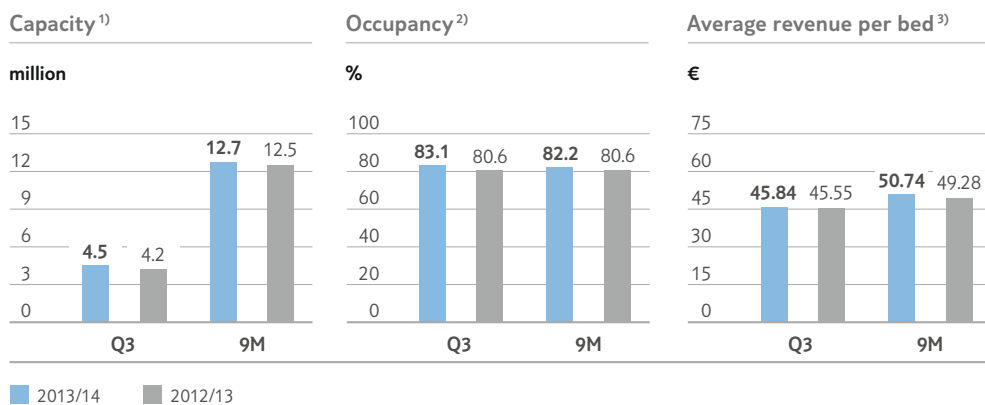
<sup>3)</sup> Arrangement turnover divided by occupied beds

Total turnover by TUI Hotels & Resorts rose by 9.7 % year-on-year to €203.2m for the third quarter and by 6.3 % year-on-year to €591.1m in the first nine months of 2013/14. Due to overall sound demand in the first nine months on slightly higher capacity year-on-year, average revenues per bed grew versus the prior year. Turnover with non-Group third parties increased by 34.0 % to €94.2m in the third quarter of 2013/14. For the first nine months, it rose by 2.1 % year-on-year to €294.9m.

In the third quarter of 2013/14, underlying earnings totalled €42.8m, up €12.4m year-on-year. Accumulated underlying earnings for the first nine months of 2013/14 amounted to €117.7m, up €12.8m on the prior year although the prior-year earnings had included a book profit of around €15m posted by the Riu Group. This increase was mainly driven by the sound operating performance of Riu and Robinson.

In the first nine months of 2013/14, TUI Hotels & Resorts had to carry adjustments for foreign exchange differences of €0.6m in connection with the capital reduction in a subsidiary of the Riu Group. In the previous year, adjustments had totalled €25.9m and related to impairments of the Castelfalfi hotel project in Tuscany.

## Riu



<sup>1)</sup> Group owned or leased hotel beds multiplied by number of days open per quarter

<sup>2)</sup> Occupied beds divided by capacity

<sup>3)</sup> Arrangement turnover divided by occupied beds

Riu, one of Spain's leading hotel chains, operated 98 hotels at the end of June 2014. Capacity increased slightly year-on-year to 12.7m hotel beds available in the first nine months of 2013/14. At 82.2 %, average occupancy of Riu hotels rose by 1.6 percentage points year-on-year. Average revenues per bed grew by 3.0 % on the prior year.

In the first nine months of financial year 2013/14, business developed as follows in the individual regions:

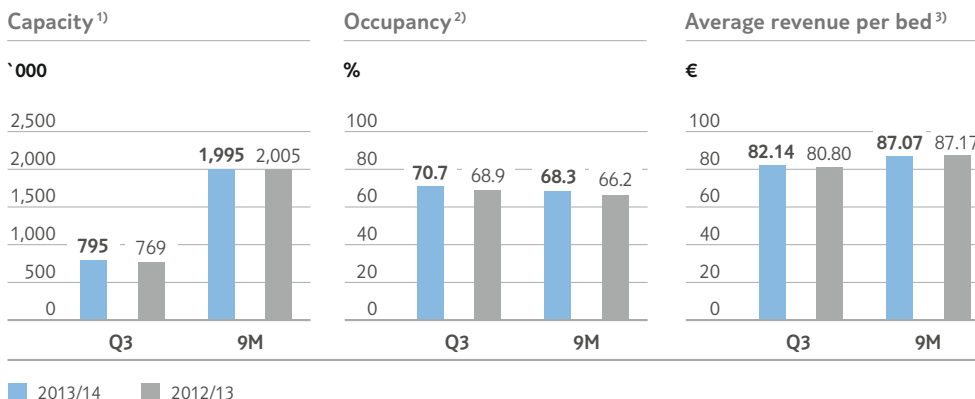
Average occupancy of Riu hotels in the Canaries rose by 4.2 percentage points year-on-year to 90.4 %. The Canaries benefited from a shift in demand from North African countries.

Riu hotels in the Balearics recorded occupancy of 66.7 %, down 1.3 percentage points year-on-year. As the economic framework in Spain remained weak, bookings from this market, in particular, declined on the prior year.

Average occupancy of Riu hotels in mainland Spain decreased by 2.0 percentage points year-on-year to 76.6%.

In the long-haul segment, Riu hotels recorded an average occupancy rate of 80.9%, down by 0.9 percentage points year-on-year, driven by lower occupancy in the Cape Verde hotels.

### Robinson



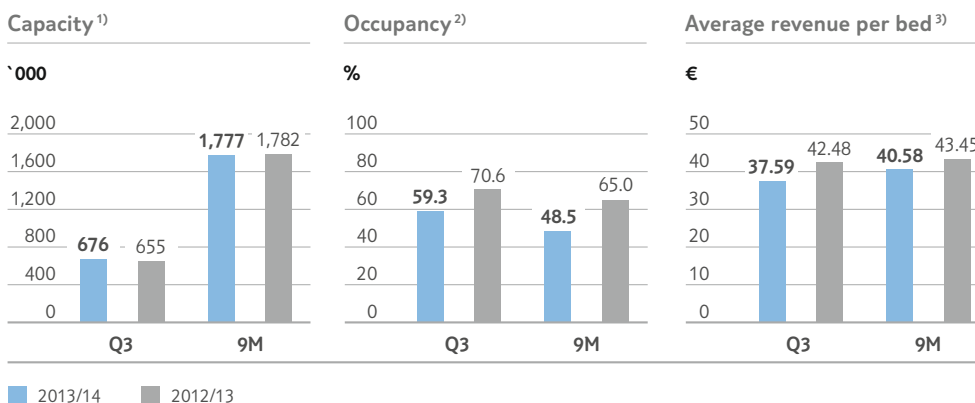
<sup>1)</sup> Group owned or leased hotel beds multiplied by number of days open per quarter

<sup>2)</sup> Occupied beds divided by capacity

<sup>3)</sup> Arrangement turnover divided by occupied beds

At the end of June 2014, all 24 club facilities operated by Robinson, market leader in the premium club holiday segment, were open. In the first month of 2013/14 capacity was flat year-on-year. Occupancy of Robinson Clubs in Morocco, Spain, Greece, Austria, Switzerland and the Maldives increased year-on-year. The club resort in Italy fell short of the prior year level. For the overall Robinson Group, this resulted in a year-on-year increase in occupancy of 2.1 percentage points. Average revenues per bed were flat year-on-year.

### Iberotel



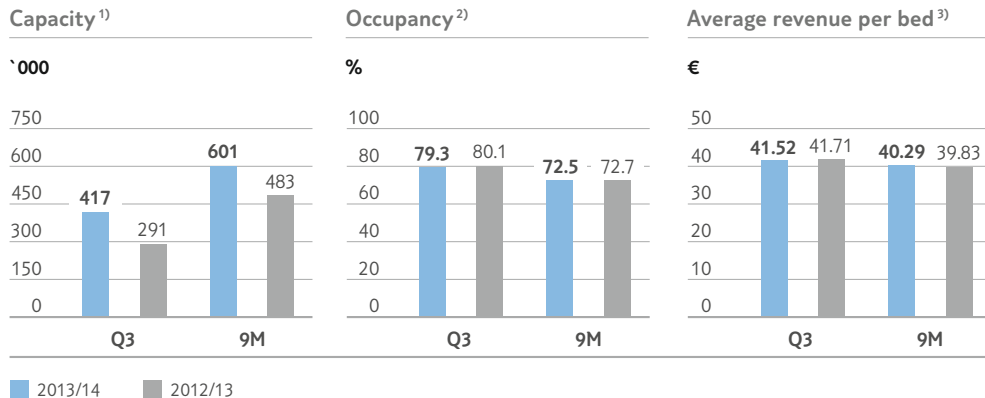
<sup>1)</sup> Group owned or leased hotel beds multiplied by number of days open per quarter

<sup>2)</sup> Occupied beds divided by capacity

<sup>3)</sup> Arrangement turnover divided by occupied beds

At the end of June 2014, 25 facilities in Egypt, Italy, the United Arab Emirates, Turkey and Germany were open. Capacity was slightly down year-on-year by 0.3 percentage points. At 48.5 %, overall occupancy of Iberotels was 16.5 percentage points down on the prior year as demand for Iberotels in Egypt remained impacted by the uncertain political situation in that destination. Average revenues per bed decreased by 6.6 % versus the prior year in the period under review.

### Grupotel



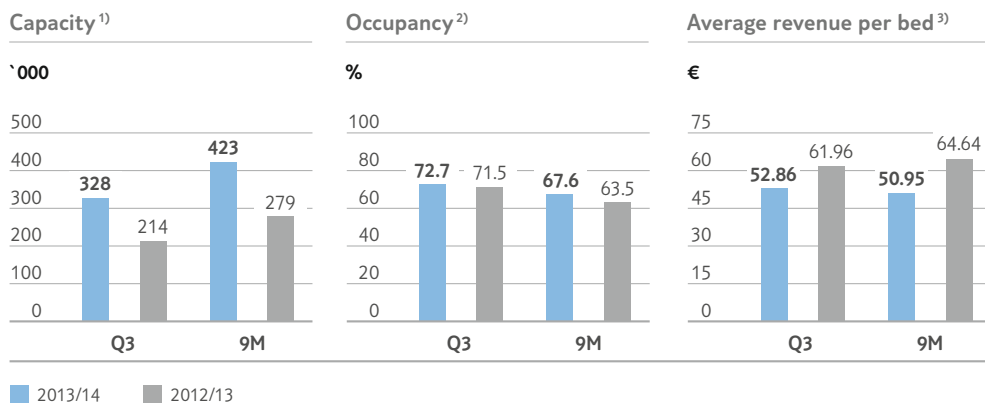
<sup>1)</sup> Group owned or leased hotel beds multiplied by number of days open per quarter

<sup>2)</sup> Occupied beds divided by capacity

<sup>3)</sup> Arrangement turnover divided by occupied beds

At the end of June 2014, 34 hotels of the Grupotel chain, represented in Majorca, Menorca and Ibiza, were open. Due to the inclusion of three hotel resorts, capacity rose by 24.4 % year-on-year; occupancy was 72.5 %, flat year-on-year in the first nine months. Average revenues per bed rose by 1.2 % versus the prior year.

### Greotel



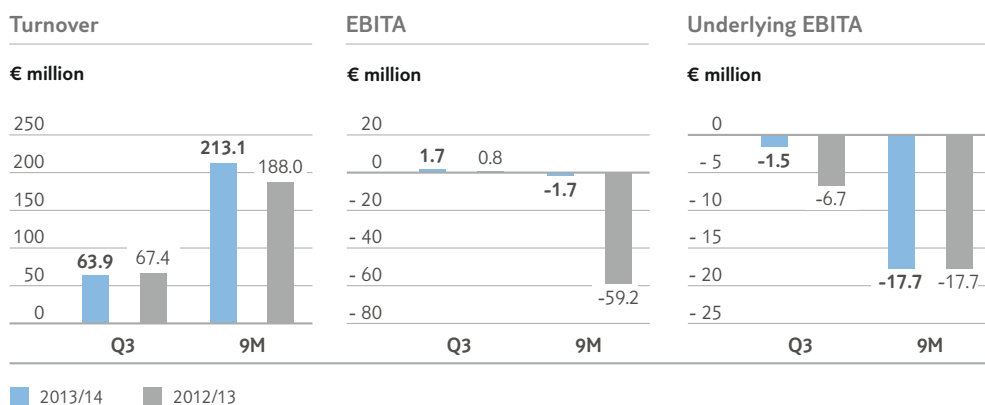
<sup>1)</sup> Group owned or leased hotel beds multiplied by number of days open per quarter

<sup>2)</sup> Occupied beds divided by capacity

<sup>3)</sup> Arrangement turnover divided by occupied beds

At the end of June 2014, 22 resorts operated by Greotel were open. Due to the first-time full-year reporting of an additional hotel resort and the earlier seasonal opening of several resorts, capacity rose by 51.7 % year-on-year in the first nine months of 2013/14. Occupancy of the significantly increased capacity was up by 4.1 percentage points year-on-year to 67.6 %.

## Cruises



The Cruises Sector comprises Hapag-Lloyd Kreuzfahrten and the joint venture TUI Cruises.

### Cruises – key figures

€ million	Q3 2013/14	Q3 2012/13	Var. %	9M 2013/14	9M 2012/13	Var. %
Turnover	63.9	67.4	- 5.2	213.1	188.0	+ 13.4
<b>EBITA</b>	<b>1.7</b>	<b>0.8</b>	<b>+ 112.5</b>	<b>- 1.7</b>	<b>- 59.2</b>	<b>+ 97.1</b>
Gains on disposal	-	-		-	-	
Restructuring	-	-		-	-	
Purchase price allocation	-	-		-	-	
Other one-off items	- 3.2	- 7.5		- 16.0	+ 41.5	
<b>Underlying EBITA</b>	<b>- 1.5</b>	<b>- 6.7</b>	<b>+ 77.6</b>	<b>- 17.7</b>	<b>- 17.7</b>	<b>-</b>
Underlying EBITDA	1.8	- 3.8	n. a.	- 7.8	- 10.0	+ 22.0
Investments in other intangible assets and property, plant and equipment	3.5	5.1	- 31.4	9.5	7.8	+ 21.8
Employees (30 Jun)	230	260	- 11.5	230	260	- 11.5

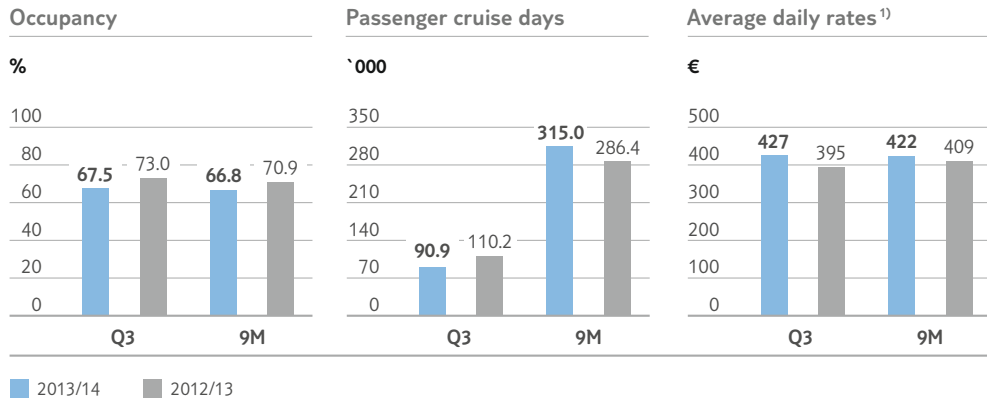
In the third quarter of 2013/14, turnover by the Cruises Sector totalled €63.9m, down 5.2% year-on-year. The decline was driven by the scheduled decommissioning of Columbus 2 from the fleet in April 2014. Accumulated turnover for the first nine months of 2013/14 rose to €213.1m, up 13.4%. This turnover growth was driven by the capacity expansion due to the commissioning of the Europa 2. As the joint venture TUI Cruises is measured at equity in the consolidated financial statements, no turnover is shown for TUI Cruises.

In the third quarter of 2013/14, underlying earnings by the Cruises Sector rose by €5.2m year-on-year to €-1.5m. Accumulated underlying earnings for the first nine months amounted to €-17.7m, flat versus the prior year. Following a weak performance in the first half of the year, additionally impacted by two dry-dock periods of Europa, Hapag-Lloyd delivered a positive development in the third quarter of 2013/14. TUI Cruises continued to record a very successful business performance, also driven by the commissioning of Mein Schiff 3 in June 2014.

In the first nine months of 2013/14, the Cruises Sector had to carry adjustments of €16.0m for the utilisation of provisions formed in the prior year for pending losses from occupancy risks at Hapag-Lloyd Kreuzfahrten. As a result, reported earnings for the first nine months of 2013/14 improved by €57.5m to €-1.7m year-on-year.



## Hapag-Lloyd Kreuzfahrten

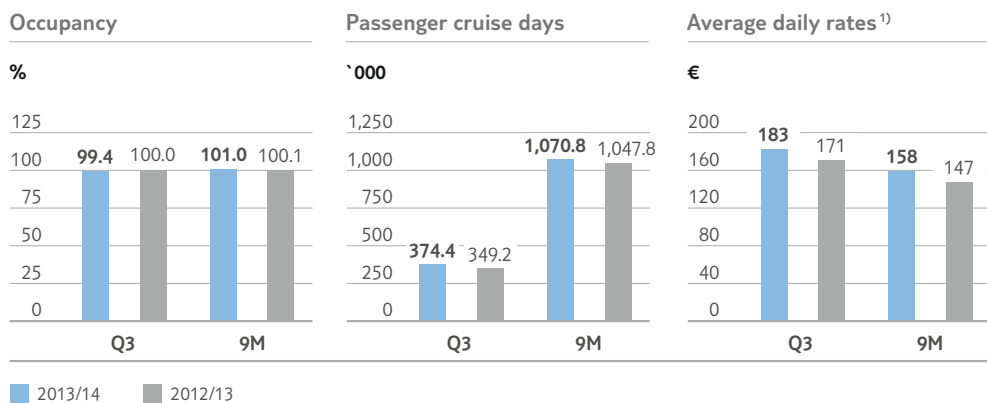


<sup>1)</sup> Per day and passenger

In the first nine months of 2013/14, occupancy of the fleet operated by Hapag-Lloyd Kreuzfahrten declined by 4.1 percentage points versus the prior year to 66.8%. A total of 314,993 passenger days were generated, up 10.0% year-on-year. This was mainly attributable to the operation of Europa 2, which had been commissioned in May 2013 and therefore not yet been fully included in the relevant prior-year reference period. The accumulated average rate per passenger per day grew by 3.2% to €422 in the first nine months.

Following the scheduled decommissioning of Columbus 2 from the fleet in the third quarter 2013/14, Hapag-Lloyd will focus on luxury and expedition cruises in future. It will engage in international marketing activities in each of the segments with Europa 2 in the luxury segment and Hanseatic in the expedition cruise segment. Europa and Bremen will only be offered in the German-speaking market in future.

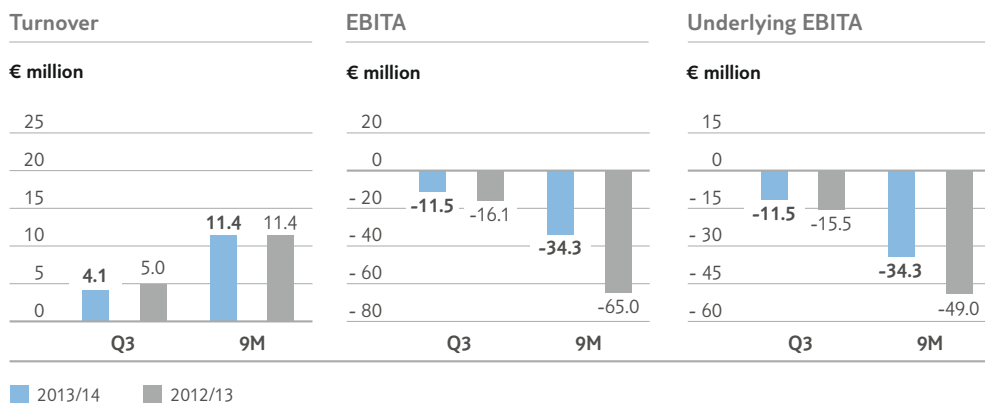
## TUI Cruises



<sup>1)</sup> Per day and passenger

In the first nine months of 2013/14, TUI Cruises continued to record a very positive development of the operating indicators of its fleet. At 101.0%, occupancy rose by 0.9 percentage points year-on-year (based on double occupancy). The continued high load factor was driven by Mein Schiff 1 and 2 with their trade lanes Caribbean and Canaries (winter season 2013/14) and Nordland/Baltic Sea (summer season 2014). Mein Schiff 3, the third ship of the fleet, started its operation towards the end of the period under review in June 2014 with its maiden voyage to Majorca. In the first nine months of 2013/14, TUI Cruises recorded a total of 1,070,835 passenger days. The average rate per passenger per day was €158, up 7.5% year-on-year.

## Central Operations



Central Operations comprise the corporate centre functions of TUI AG and the intermediate holdings as well as other operating areas, primarily including the Group's real estate companies.

### Central Operations – key figures

€ million	Q3 2013/14	Q3 2012/13	Var. %	9M 2013/14	9M 2012/13	Var. %
Turnover	4.1	5.0	- 18.0	11.4	11.4	-
<b>EBITA</b>	<b>- 11.5</b>	<b>- 16.1</b>	<b>+ 28.6</b>	<b>- 34.3</b>	<b>- 65.0</b>	<b>+ 47.2</b>
Gains on disposal	-	-		-	-	
Restructuring	-	-		-	+ 8.0	
Purchase price allocation	-	-		-	-	
Other one-off items	-	+ 0.6		-	+ 8.0	
<b>Underlying EBITA</b>	<b>- 11.5</b>	<b>- 15.5</b>	<b>+ 25.8</b>	<b>- 34.3</b>	<b>- 49.0</b>	<b>+ 30.0</b>
Underlying EBITDA	- 11.0	- 14.4	+ 23.6	- 32.5	- 45.6	+ 28.7
Investments in other intangible assets and property, plant and equipment	0.2	- 1.5	n. a.	1.8	1.1	+ 63.6
Employees (30 Jun)	237	403	- 41.2	237	403	- 41.2
of which Corporate Center (30 Jun)	115	200	- 42.5	115	200	- 42.5

In the third quarter of 2013/14, expenses (underlying EBITA) by Central Operations declined by €4.0m year-on-year to €11.5m. Accumulated underlying earnings for the first nine months of 2013/14 totalled €-34.3m, up €14.7m year-on-year. This improvement was driven by a year-on-year reduction in consultancy and travel costs due to the implementation of the Lean Center measures.

In the first nine months of 2013/14, Central Operations did not have to carry any adjustments. In the previous year, it carried adjustments of €16.0m for expenses mainly associated with the implementation of the Lean Center concept of TUI AG.

In the first nine months of 2013/14, accumulated reported earnings by Central Operations improved by €30.7m versus the prior year to €-34.3m.

## Consolidated earnings

### Income statement of the TUI Group

€ million	Q3 2013/14	Q3 2012/13 restated	Var. %	9M 2013/14	9M 2012/13 restated	Var. %
<b>Turnover</b>	<b>4,825.3</b>	<b>4,679.0</b>	<b>+ 3.1</b>	<b>11,384.4</b>	<b>11,518.4</b>	<b>- 1.2</b>
Cost of sales	4,363.9	4,226.7	+ 3.2	10,528.6	10,818.0	- 2.7
<b>Gross profit</b>	<b>461.4</b>	<b>452.3</b>	<b>+ 2.0</b>	<b>855.8</b>	<b>700.4</b>	<b>+ 22.2</b>
Administrative expenses	398.7	386.8	+ 3.1	1,152.5	1,154.4	- 0.2
Other income/other expenses	+ 6.5	+ 5.3	+ 22.6	+ 21.5	+ 22.1	- 2.7
Impairment of goodwill	-	-	-	-	8.3	n. a.
Financial income	6.0	6.2	- 3.2	19.8	27.3	- 27.5
Financial expenses	66.8	66.1	+ 1.1	207.4	233.4	- 11.1
Share of result of joint ventures and associates	+ 16.9	+ 23.4	- 27.8	- 9.2	+ 17.3	n. a.
<b>Earnings before income taxes</b>	<b>25.3</b>	<b>34.3</b>	<b>- 26.2</b>	<b>- 472.0</b>	<b>- 629.0</b>	<b>+ 25.0</b>
<b>Reconciliation to underlying earnings:</b>						
Earnings before income taxes	25.3	34.3	- 26.2	- 472.0	- 629.0	+ 25.0
plus/less: Loss/gains on Container Shipping measured at equity	2.4	- 3.9	n. a.	38.9	25.4	+ 53.1
plus: Net interest expense and expense from measurement of interest hedges	63.3	56.8	+ 11.4	184.7	203.5	- 9.2
plus: Impairment of goodwill	-	-	-	-	8.3	n. a.
<b>EBITA</b>	<b>91.0</b>	<b>87.2</b>	<b>+ 4.4</b>	<b>- 248.4</b>	<b>- 391.8</b>	<b>+ 36.6</b>
<b>Adjustments:</b>						
less/plus: Gain/loss on disposals	- 2.9	+ 1.5		- 2.3	+ 1.5	
plus: Restructuring expenses	+ 16.3	+ 3.9		+ 32.0	+ 29.4	
plus: Loss from purchase price allocation	+ 18.0	+ 19.1		+ 52.0	+ 56.1	
plus/less: Expenses/income from other one-off items	+ 41.0	- 25.2		- 15.6	+ 52.6	
<b>Underlying EBITA</b>	<b>163.4</b>	<b>86.5</b>	<b>+ 88.9</b>	<b>- 182.3</b>	<b>- 252.2</b>	<b>+ 27.7</b>
<b>Earnings before income taxes</b>	<b>25.3</b>	<b>34.3</b>	<b>- 26.2</b>	<b>- 472.0</b>	<b>- 629.0</b>	<b>+ 25.0</b>
Income taxes	23.9	21.9	+ 9.1	- 123.4	- 152.8	+ 19.2
<b>Group profit/loss for the year</b>	<b>1.4</b>	<b>12.4</b>	<b>- 88.7</b>	<b>- 348.6</b>	<b>- 476.2</b>	<b>+ 26.8</b>
Group profit / loss for the year attributable to shareholders of TUI AG	- 19.4	3.5	n. a.	- 249.2	- 376.2	+ 33.8
Group profit/loss for the year attributable to non-controlling interest	20.8	8.9	+ 133.7	- 99.4	- 100.0	+ 0.6
<b>Basic and diluted earnings per share</b>	<b>€ - 0.09</b>	<b>- 0.01</b>	<b>n. a.</b>	<b>- 1.04</b>	<b>- 1.56</b>	<b>+ 33.3</b>

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



See page 4

### **Turnover and cost of sales**

In the third quarter of 2013/14, turnover by the TUI Group increased by 3.1 % year-on-year to €4.8bn. Adjusted for foreign exchange effects, turnover grew by 2.3 % versus the prior year. For the first nine months of 2013/14, turnover totalled €11.4bn, down by 1.2 % on the prior year. Adjusted for foreign exchange effects, it decreased by 0.7 %. The decline in turnover was attributable to lower customer numbers in TUI Travel's Mainstream Business, which decreased by 4.2 % year-on-year.

Turnover is presented alongside the cost of sales. A detailed breakdown of turnover and the development of turnover are presented in the section Earnings by the Sectors.

### **Gross profit**

At €461.4m, gross profit as the balance of turnover and the cost of sales improved by 2.0 % year-on-year in the third quarter of 2013/14. For the first nine months of 2013/14, gross profit totalled €855.8m, up 22.2 % versus the prior year. This growth was driven by efficiency enhancements at TUI Travel and TUI Hotels & Resorts as well as one-off expenses included in the prior-year comparatives.

### **Administrative expenses**

Administrative expenses comprise expenses not directly allocable to the turnover transactions, such as expenses for general management functions. In the third quarter, they totalled €398.7m, up by 3.1 % on the prior year. At €1.2bn, administrative expenses for the first nine months of the year decreased by 0.2 % year-on-year.

### **Other income/Other expenses**

The balance of Other income and Other expenses totalled €6.5m in the third quarter of 2013/14. The net income of €21.5m carried for the first nine months of 2013/14 resulted in part from sales of land and property, while the prior-year comparative reflected the gain on disposal from the divestment of a hotel.

### **Impairment of goodwill**

No goodwill impairments had to be carried for the third quarter of 2013/14. The accumulated goodwill impairments of €8.3m carried for the first nine months of 2012/13 resulted from the adjustment of the business plan for the Castelfalfi project in Tuscany in TUI Hotels & Resorts.

### **Financial income and expenses/Financial result**

The financial result comprises the interest result and the net result from marketable securities. In the third quarter of 2013/14, the financial result rose by €0.9m to €-60.8m. In the first nine months of 2013/14, it comprised financial income of €19.8m (previous year €27.3m) and financial expenses of €207.4m (previous year €233.4m). The accumulated financial result for the first nine months of 2013/14 improved by a total of €18.5m year-on-year to €-187.6m due to the further reduction in Group debt.

### Share of results of joint ventures and associates

The share of results of joint ventures and associates comprises the share in net profit for the year of the associated companies and joint ventures as well as any impairments of the goodwill of these companies. The share of results of joint ventures and associates declined by €6.5m to €16.9m in the third quarter of 2013/14. It amounted to €-9.2m (previous year €17.3m) for the first nine months of 2013/14, down by €26.5m. The decline resulted from the sluggish development of business in Russia and Ukraine in the Tourism Segment, lower profit contributions from the Egyptian hotel companies measured at equity as well as start-up losses in connection with hotels newly opened in Turkey and Greece. Moreover, the proportionate loss of Hapag-Lloyd container shipping rose by €13.5m to €38.9m in the first nine months of 2013/14.



Adjustments  
see page 6

### Underlying EBITA

In the third quarter of 2013/14, underlying EBITA totalled €163.4m, up €76.9m year-on-year. Accumulated underlying EBITA for the first nine months was negative due to the seasonality of the tourism business, totalling €-182.3m, up €69.9m year-on-year. EBITA was adjusted for gains on disposal, restructuring expenses, purchase price allocations and one-off items. The adjustments are outlined in detail in the section Earnings by the Sectors.

### Income taxes

Taxes on income comprise taxes on profits from the business activities. Total tax liabilities of €23.9m (previous year €21.9m) arose in the third quarter of 2013/14. The accumulated tax assets for the first nine months amounted to €123.4m, primarily reflecting the pronounced seasonal swing in the tourism business, just as the prior-year tax assets of €152.8m.

### Impairments of goodwill

No goodwill impairments had to be carried for the third quarter, nor for the first nine months of 2013/14. The accumulated goodwill carried for the first nine months of 2012/13 resulted from the adjustment of the business plan for the Castelfalfi project in Tuscany in TUI Hotels & Resorts.

### Group result

In the third quarter of 2013/14, the Group result was €1.4m (previous year €12.4m). The accumulated Group result for the first nine months of 2013/14 totalled €-348.6m (previous year €-476.2m). The year-on-year improvement in the Group result in the first nine months was driven by the operating improvements and the considerable decline in special one-off expenses year-on-year.

### Non-controlling interests

Non-controlling interests accounted for €20.8m for the third quarter of 2013/14 and €-99.4m for the first nine months of 2013/14. They related to the external shareholders of TUI Travel PLC and the companies in the TUI Hotels & Resorts Sector.

### Earnings per share

After deduction of non-controlling interests, TUI AG shareholders accounted for €-19.4m (previous year €3.5m) of the Group result for the third quarter of 2013/14 and €-249.2m (previous year €-376.2m) for the first nine months of 2013/14. The substantial improvement in the first nine months of 2013/14 was driven by the special one-off expenses posted for the prior year, which fully related to TUI AG shareholders. Overall, basic earnings per share amounted to €-0.09 (previous year €-0.01) for the third quarter and €-1.04 (previous year €-1.56) for the first nine months of 2013/14.

### Performance indicators

#### Key figures of income statement

€ million	Q3 2013/14	Q3 2012/13 restated	Var. %	9M 2013/14	9M 2012/13 restated	Var. %
<b>Earnings before interest, income taxes, depreciation, impairment and rent (EBITDAR)</b>	<b>386.9</b>	<b>363.2</b>	<b>+ 6.5</b>	<b>632.0</b>	<b>484.2</b>	<b>+ 30.5</b>
Operating rental expenses	194.8	173.9	+ 12.0	593.7	560.0	+ 6.0
<b>Earnings before interest, income taxes, depreciation and impairment (EBITDA)</b>	<b>192.1</b>	<b>189.3</b>	<b>+ 1.5</b>	<b>38.3</b>	<b>- 75.8</b>	<b>n. a.</b>
Depreciation/amortisation less reversals of depreciation <sup>1)</sup>	- 101.1	- 102.1	+ 1.0	- 286.7	- 316.0	+ 9.3
<b>Earnings before interest, income taxes and impairment of goodwill (EBITA)</b>	<b>91.0</b>	<b>87.2</b>	<b>+ 4.4</b>	<b>- 248.4</b>	<b>- 391.8</b>	<b>+ 36.6</b>
Impairment of goodwill	-	-	-	-	8.3	n. a.
<b>Earnings before interest and income taxes (EBIT)</b>	<b>91.0</b>	<b>87.2</b>	<b>+ 4.4</b>	<b>- 248.4</b>	<b>- 400.1</b>	<b>+ 37.9</b>
Net interest expense and expense from measurement of interest hedges	- 63.3	- 56.8	- 11.4	- 184.7	- 203.5	+ 9.2
Result from Container Shipping measured at equity	- 2.4	3.9	n. a.	- 38.9	- 25.4	- 53.1
<b>Earnings before income taxes (EBT)</b>	<b>25.3</b>	<b>34.3</b>	<b>- 26.2</b>	<b>- 472.0</b>	<b>- 629.0</b>	<b>+ 25.0</b>

<sup>1)</sup> on property, plant and equipment, intangible assets, financial and other assets

## Net assets and financial position

The Group's balance sheet total increased by 2.4% to €13.8bn versus the end of financial year 2012/13. The changes in the consolidated statement of financial position as against 30 September 2013 primarily reflect the seasonality of the tourism business.

### Assets and liabilities

€ million	30 Jun 2014	30 Sep 2013 revised	Var. %
Non-current assets	8,593.2	8,645.8	- 0.6
Current assets	5,180.8	4,808.5	+ 7.7
<b>Assets</b>	<b>13,774.0</b>	<b>13,454.3</b>	<b>+ 2.4</b>
Equity	1,404.5	1,996.8	- 29.7
Provisions	2,186.7	2,160.2	+ 1.2
Financial liabilities	2,237.4	2,769.6	- 19.2
Other liabilities	7,945.4	6,527.7	+ 21.7
<b>Liabilities</b>	<b>13,774.0</b>	<b>13,454.3</b>	<b>+ 2.4</b>

### Non-current assets

As at 30 June 2014, non-current assets accounted for 62.4% of total assets, compared with 64.3% as at 30 September 2013. At €8.6bn, non-current assets as at 30 June 2014 were flat as against 30 September 2013 in absolute terms.

### Current assets

As at 30 June 2014, current assets accounted for 37.6% of total assets, following 35.7% as at 30 September 2013. Current assets increased from €4.8bn as at 30 September 2013 to €5.2bn as at 30 June 2014.

### Equity

Equity totalled €1.4bn as at 30 June 2014. The equity ratio declined from 15.1% as at 30 September 2013 to 10.2%. Further information on the changes in equity is provided in the Notes to the present Interim Report.

### Provisions

Provisions mainly comprise provisions for pension obligations, current and deferred income tax provisions and provisions for typical operating risks. As at 30 June 2014, they totalled €2.2bn, up by 1.2% as against 30 September 2013.

### Financial liabilities

As at 30 June 2014, financial liabilities consisted of non-current financial liabilities of €1.4bn and current financial liabilities of €0.8bn. As at 30 September 2013, non-current financial liabilities amounted to €1.8bn, with current financial liabilities of €0.9bn.

At the end of the third quarter (30 June 2014), the TUI Group's net debt including assets held for sale and the associated liabilities totalled €0.3bn. Net debt was thus reduced by €0.2bn year-on-year.

### Other liabilities

As at 30 June 2014, other liabilities amounted to €7.9bn, up 21.7% versus their level as at 30 September 2013 due to seasonality.

## Other segment indicators

### Underlying EBITDA

€ million	Q3 2013/14	Q3 2012/13	Var. %	9M 2013/14	9M 2012/13	Var. %
Tourism	261.3	185.0	+ 41.2	94.4	28.6	+ 230.1
TUI Travel	201.7	141.6	+ 42.4	- 62.7	- 116.0	+ 45.9
TUI Hotels & Resorts	57.8	47.2	+ 22.5	164.9	154.6	+ 6.7
Cruises	1.8	- 3.8	n. a.	- 7.8	- 10.0	+ 22.0
Central Operations	- 11.0	- 14.4	+ 23.6	- 32.5	- 45.6	+ 28.7
<b>Group</b>	<b>250.3</b>	<b>170.6</b>	<b>+ 46.7</b>	<b>61.9</b>	<b>- 17.0</b>	<b>n. a.</b>

### EBITDA

€ million	Q3 2013/14	Q3 2012/13	Var. %	9M 2013/14	9M 2012/13	Var. %
Tourism	203.1	204.3	- 0.6	70.8	- 20.6	n. a.
TUI Travel	140.3	153.4	- 8.5	- 101.7	- 119.0	+ 14.5
TUI Hotels & Resorts	57.8	47.2	+ 22.5	164.3	149.9	+ 9.6
Cruises	5.0	3.7	+ 35.1	8.2	- 51.5	n. a.
Central Operations	- 11.0	- 15.0	+ 26.7	- 32.5	- 55.2	+ 41.1
<b>Group</b>	<b>192.1</b>	<b>189.3</b>	<b>+ 1.5</b>	<b>38.3</b>	<b>- 75.8</b>	<b>n. a.</b>



### Investments in other intangible assets and property, plant and equipment

€ million	Q3 2013/14	Q3 2012/13	Var. %	9M 2013/14	9M 2012/13	Var. %
<b>Tourism</b>	<b>268.6</b>	<b>194.8</b>	<b>+ 37.9</b>	<b>577.7</b>	<b>599.5</b>	<b>- 3.6</b>
TUI Travel	201.4	163.2	+ 23.4	478.2	535.6	- 10.7
TUI Hotels & Resorts	63.7	26.5	+ 140.4	90.0	56.1	+ 60.4
Cruises	3.5	5.1	- 31.4	9.5	7.8	+ 21.8
Central Operations	0.2	- 1.5	n. a.	1.8	1.1	+ 63.6
<b>Group</b>	<b>268.8</b>	<b>193.3</b>	<b>+ 39.1</b>	<b>579.5</b>	<b>600.6</b>	<b>- 3.5</b>

### Amortisation of other intangible assets and depreciation of property, plant and equipment

€ million	Q3 2013/14	Q3 2012/13	Var. %	9M 2013/14	9M 2012/13	Var. %
<b>Tourism</b>	<b>101.3</b>	<b>102.6</b>	<b>- 1.3</b>	<b>284.8</b>	<b>307.9</b>	<b>- 7.5</b>
TUI Travel	82.4	82.9	- 0.6	227.6	229.3	- 0.7
TUI Hotels & Resorts	15.6	16.8	- 7.1	47.3	70.9	- 33.3
Cruises	3.3	2.9	+ 13.8	9.9	7.7	+ 28.6
Central Operations	0.4	1.1	- 63.6	1.8	9.8	- 81.6
<b>Group</b>	<b>101.7</b>	<b>103.7</b>	<b>- 1.9</b>	<b>286.6</b>	<b>317.7</b>	<b>- 9.8</b>

### Employees

	30 Jun 2014	30 Sep 2013	Var. %
<b>Tourism</b>	<b>76,790</b>	<b>74,040</b>	<b>+ 3.7</b>
TUI Travel	62,369	59,756	+ 4.4
TUI Hotels & Resorts	14,191	14,013	+ 1.3
Cruises	230	271	- 15.1
<b>Central Operations</b>	<b>237</b>	<b>405</b>	<b>- 41.5</b>
Corporate Center	115	198	- 41.9
Other units	122	207	- 41.1
<b>Group</b>	<b>77,027</b>	<b>74,445</b>	<b>+ 3.5</b>

# INTERIM MANAGEMENT REPORT

## RISK REPORT



Annual Report 2012/13:  
Risks see page 116 et  
seq. opportunities see  
page 141 et seq.

For a comprehensive presentation of our risk and opportunity management systems and any potential risks and opportunities, we refer to the corresponding comments in our Annual Report 2012/13. The risks and opportunities outlined in that report remained largely unchanged in the period under review.

The following change in the miscellaneous other risks occurred in the first nine months 2013/14:

In January 2014, the Italian Public Prosecutor's Office completed its investigations against a former managing director of an Italian subsidiary on allegations of complicity in the evasion of value added tax. This far, no charge has been brought against him. Criminal proceedings may be instituted in this matter against the manager concerned. Until the points of facts concerning the case have been clarified, the financial authorities have temporarily suspended the payment of input taxes worth €18.2m, which has become disputed as a result. TUI considers the allegations to be unfounded.

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

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

# INTERIM MANAGEMENT REPORT

## OUTLOOK

### Expected development of earnings

TUI Travel in the UK generates a material proportion of Group turnover and a major profit contribution. Taking account of the seasonality of the tourism business, the development of sterling against the euro in the course of the financial year therefore has a strong impact on TUI Travel's financial indicators carried in TUI AG's consolidated financial statements. The expected development of the Group in financial year 2013/14 shown below is presented at constant currency, assuming a sterling exchange rate of 0.83 £/€ (average exchange rate in 2012/13: 0.84 £/€).

#### Expected development of Group earnings

€ million	2012/13	Expected development vs. PY	
		2013/14*	
Turnover	18,477.5	2% to	4%
Underlying EBITA	761.9	6% to	12%
EBITA	594.8	16% to	23%

\* Based on a planned fx rate of 0,83 GBP/€

#### Turnover

Due to the more moderate growth in customer numbers in TUI Travel's Mainstream Business, turnover growth is likely to be at the lower end of the planned range in financial year 2013/14.

#### Underlying EBITA

The TUI Group's underlying EBITA in financial year 2013/14 was expected to rise by 6% to 12% year-on-year according to our original outlook. Against the background of the positive development we now expect an improvement at least at the upper end of this range.

#### Adjustments

On balance, one-off expenses are expected to decline in 2013/14, despite unscheduled one-off expenses for the back payment of VAT on the margin for prior years at TUI Travel which had to be carried in the third quarter. The decline will result, in particular, from further expected one-off income from the curtailment of pension obligations at TUI Travel in the fourth quarter 2013/14, to be adjusted in earnings.

#### EBITA

We also expect an increase in reported EBITA at least at the upper end of the projected range of 16% to 23% in financial year 2013/14 due to the decline in one-off effects to be carried as adjustments and the improvement in our operating result.

# INTERIM MANAGEMENT REPORT

## CORPORATE GOVERNANCE

### Executive Board (Vorstand) confirmations

The statements in the section entitled 'Expected development of earnings' constitute profit forecasts published by TUI AG. Such statements are "forward-looking statements", which are based on assumptions and estimates. Although we are convinced that these forward-looking statements are realistic, they are not guarantees of future performance since our assumptions involve risks and uncertainties that could cause actual results to differ materially from those anticipated.

The members of the Executive Board (Vorstand) of TUI AG confirm that each such profit forecast remains valid, has been properly compiled on the basis of the assumptions stated and the basis of accounting used is consistent with TUI AG's accounting policies.

Peter Long, as CEO of TUI Travel PLC is not participating in the Executive Board (Vorstand) of TUI AG for the purposes of the possible all-share nil-premium merger with TUI Travel PLC announced on 27 June 2014 or the giving of these confirmations.

### Composition of the boards

There were no changes in the composition of the boards of TUI AG in the third quarter 2013/14.

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



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

TUI AG  
The Executive Board

September 2014

# INTERIM FINANCIAL STATEMENTS

## Income statement of the TUI Group for the period from 1 October 2013 to 30 June 2014

€ million	Notes	Q3 2013/14	Q3 2012/13 restated	9M 2013/14	9M 2012/13 restated
Turnover	(1)	4,825.3	4,679.0	11,384.4	11,518.4
Cost of sales	(2)	4,363.9	4,226.7	10,528.6	10,818.0
<b>Gross profit</b>		<b>461.4</b>	<b>452.3</b>	<b>855.8</b>	<b>700.4</b>
Administrative expenses	(2)	398.7	386.8	1,152.5	1,154.4
Other income/other expenses	(3)	+ 6.5	+ 5.3	+ 21.5	+ 22.1
Impairment of goodwill	(4)	-	-	-	8.3
Financial income	(5)	6.0	6.2	19.8	27.3
Financial expenses	(6)	66.8	66.1	207.4	233.4
Share of result of joint ventures and associates	(7)	16.9	23.4	- 9.2	17.3
<b>Earnings before income taxes</b>		<b>25.3</b>	<b>34.3</b>	<b>- 472.0</b>	<b>- 629.0</b>
<b>Reconciliation to underlying earnings:</b>					
Earnings before income taxes		25.3	34.3	- 472.0	- 629.0
plus: Losses/less: Gains on Container Shipping measured at equity		2.4	- 3.9	38.9	25.4
plus: Net interest expense and expense from measurement of interest hedges		63.3	56.8	184.7	203.5
plus: Impairment of goodwill		-	-	-	8.3
EBITA		91.0	87.2	- 248.4	- 391.8
<b>Adjustments:</b>					
less: Gains on disposals (prior year losses)	(8)	- 2.9	1.5	- 2.3	1.5
plus: Restructuring expense		16.3	3.9	32.0	29.4
plus: Expenses from purchase price allocation		18.0	19.1	52.0	56.1
plus: Expenses/less: Income from other one-off items		41.0	- 25.2	- 15.6	52.6
<b>Underlying EBITA</b>		<b>163.4</b>	<b>86.5</b>	<b>- 182.3</b>	<b>- 252.2</b>
<b>Earnings before income taxes</b>		<b>25.3</b>	<b>34.3</b>	<b>- 472.0</b>	<b>- 629.0</b>
Income taxes	(9)	23.9	21.9	- 123.4	- 152.8
<b>Group gain/loss for the year</b>		<b>1.4</b>	<b>12.4</b>	<b>- 348.6</b>	<b>- 476.2</b>
Group profit/loss for the year attributable to shareholders of TUI AG	(10)	- 19.4	3.5	- 249.2	- 376.2
Group profit/loss for the year attributable to non-controlling interest	(11)	20.8	8.9	- 99.4	- 100.0

## Earnings per share

€	Notes	Q3 2013/14	Q3 2012/13 restated	9M 2013/14	9M 2012/13 restated
Basic and diluted earnings per share	(12)	- 0.09	- 0.01	- 1.04	- 1.56

**Statement of comprehensive income for the period from 1 October 2013 to 30 June 2014**

€ million	Notes	Q3 2013/14	Q3 2012/13 restated	9M 2013/14	9M 2012/13 restated
<b>Group gain/loss</b>		<b>1.4</b>	<b>12.4</b>	<b>- 348.6</b>	<b>- 476.2</b>
Actuarial gains and losses from pension provisions and related fund assets		- 132.4	121.8	- 149.2	74.9
Changes in the measurement of companies measured at equity		-	- 0.2	1.4	- 4.9
Income tax related to items that will not be reclassified	(13)	31.1	- 29.7	36.7	- 17.7
<b>Items that will not be reclassified to profit or loss</b>		<b>- 101.3</b>	<b>91.9</b>	<b>- 111.1</b>	<b>52.3</b>
Foreign exchange differences		- 54.1	- 50.7	- 145.1	56.0
Foreing exchange differences		- 54.1	- 51.1	- 142.9	55.6
Reclassification/adjustments		-	0.4	- 2.2	0.4
Financial instruments available for sale		- 1.6	- 2.5	- 0.9	1.9
Changes in the fair value of financial instruments available for sale		- 1.6	- 2.5	- 0.9	1.9
Cash flow hedges		19.9	- 73.4	10.5	89.1
Changes in the fair value of cash flow hedges		22.2	- 77.6	- 0.9	83.3
Reclassification/adjustments		- 2.3	4.2	11.4	5.8
Changes in the measurement of companies measured at equity		0.9	3.0	12.4	9.7
Changes in the measurement outside profit or loss		0.9	3.0	12.4	9.7
Income tax related to items that may be reclassified	(13)	- 6.2	15.8	- 6.5	- 20.5
<b>Items that may be reclassified to profit or loss</b>		<b>- 41.1</b>	<b>- 107.8</b>	<b>- 129.6</b>	<b>136.2</b>
<b>Other comprehensive income</b>		<b>- 142.4</b>	<b>- 15.9</b>	<b>- 240.7</b>	<b>188.5</b>
<b>Total comprehensive income</b>		<b>- 141.0</b>	<b>- 3.5</b>	<b>- 589.3</b>	<b>- 287.7</b>
attributable to shareholders of TUI AG		- 94.6	- 14.0	- 380.5	- 294.0
attributable to non-controlling interest		- 46.4	10.5	- 208.8	6.3

## Financial Position of the TUI Group as at 30 June 2014

€ million	Notes	30 Jun 2014	30 Sep 2013 restated	1 Oct 2012 restated
<b>Assets</b>				
Goodwill	(14)	3,062.1	2,976.4	3,046.4
Other intangible assets	(15)	908.9	866.2	890.9
Investment property	(16)	7.8	58.0	54.9
Property, plant and equipment	(17)	2,705.4	2,682.0	2,651.3
Investments in joint ventures and associates	(18)	931.7	1,386.4	1,394.0
Financial assets available for sale	(19)	71.2	71.5	75.5
Trade receivables and other assets	(20)	394.2	342.8	358.1
Derivative financial instruments	(21)	52.4	37.9	28.4
Deferred tax asset	(22)	459.5	224.6	168.7
<b>Non-current assets</b>		<b>8,593.2</b>	<b>8,645.8</b>	<b>8,668.2</b>
Inventories	(23)	132.4	115.4	113.9
Trade receivables and other assets	(20)	2,443.4	1,876.8	1,956.0
Derivative financial instruments	(21)	83.5	49.1	131.5
Current tax asset	(22)	105.6	53.9	48.1
Cash and cash equivalents	(24)	1,939.3	2,701.7	2,278.4
Assets held for sale	(25)	476.6	11.6	16.5
<b>Current assets</b>		<b>5,180.8</b>	<b>4,808.5</b>	<b>4,544.4</b>
		<b>13,774.0</b>	<b>13,454.3</b>	<b>13,212.6</b>

€ million	Notes	30 Jun 2014	30 Sep 2013 restated	1 Oct 2012 restated
<b>Equity and liabilities</b>				
Subscribed capital	(26)	713.4	645.2	644.9
Capital reserves	(27)	1,034.4	957.7	957.4
Revenue reserves	(28)	- 334.4	118.7	162.1
Hybrid capital	(29)	294.8	294.8	294.8
<b>Equity before non-controlling interest</b>		<b>1,708.2</b>	<b>2,016.4</b>	<b>2,059.2</b>
Non-controlling interest	(30)	- 303.7	- 19.6	- 15.2
<b>Equity</b>		<b>1,404.5</b>	<b>1,996.8</b>	<b>2,044.0</b>
Pension provisions and similar obligations	(31)	1,138.8	1,102.2	1,146.9
Other provisions	(32)	556.3	575.0	537.5
<b>Non-current provisions</b>		<b>1,695.1</b>	<b>1,677.2</b>	<b>1,684.4</b>
Financial liabilities	(33)	1,417.7	1,834.1	1,810.5
Derivative financial instruments	(35)	18.9	30.7	31.8
Current tax liabilities	(36)	107.8	107.8	108.3
Deferred tax liabilities	(36)	145.1	109.2	92.6
Other liabilities	(37)	112.4	98.4	68.2
<b>Non-current liabilities</b>		<b>1,801.9</b>	<b>2,180.2</b>	<b>2,111.4</b>
<b>Non-current provisions and liabilities</b>		<b>3,497.0</b>	<b>3,857.4</b>	<b>3,795.8</b>
Pension provisions and similar obligations	(31)	30.7	33.8	39.7
Other provisions	(32)	460.9	449.2	509.8
<b>Current provisions</b>		<b>491.6</b>	<b>483.0</b>	<b>549.5</b>
Financial liabilities	(33)	819.7	935.5	646.1
Trade payables	(34)	2,490.0	3,049.2	3,260.0
Derivative financial instruments	(35)	238.9	178.8	163.1
Current tax liabilities	(36)	65.7	134.0	96.5
Other liabilities	(37)	4,766.6	2,819.6	2,657.6
<b>Current liabilities</b>		<b>8,380.9</b>	<b>7,117.1</b>	<b>6,823.3</b>
<b>Current provisions and liabilities</b>		<b>8,872.5</b>	<b>7,600.1</b>	<b>7,372.8</b>
		<b>13,774.0</b>	<b>13,454.3</b>	<b>13,212.6</b>

**Statement of changes in equity of the TUI Group  
for the period from 1 October 2013 to 30 June 2014**

<b>€ million</b>	Subscribed capital (26)	Capital reserves (27)	Other revenue reserves
<b>Balance as at 1 Oct 2013</b>	<b>645.2</b>	<b>957.7</b>	<b>897.0</b>
Dividends	–	–	- 37.8
Hybrid capital dividend	–	–	- 17.4
Share-based payment schemes of TUI Travel PLC	–	–	7.4
Issue of employee shares	0.3	0.7	–
Conversion of convertible bonds	67.9	76.0	–
Taxes on convertible bonds	–	–	–
First-time consolidation	–	–	–
Deconsolidation	–	–	–
Written option on non-controlling interests	–	–	- 2.6
Effects on the acquisition of non-controlling interests	–	–	- 22.2
<b>Group loss</b>	<b>–</b>	<b>–</b>	<b>- 249.2</b>
Foreign exchange differences	–	–	- 12.4
Financial Instruments available for sale	–	–	–
Cash flow hedges	–	–	–
Actuarial losses from pension provisions and related fund assets	–	–	- 94.6
Changes in the measurement of companies measured at equity	–	–	13.9
Taxes attributable to other comprehensive income	–	–	24.3
<b>Other comprehensive income</b>	<b>–</b>	<b>–</b>	<b>- 68.8</b>
Total comprehensive income	–	–	- 318.0
<b>Balance as at 30 June 2014</b>	<b>713.4</b>	<b>1.034.4</b>	<b>506.4</b>

**Statement of changes in equity of the TUI Group  
for the period from 1 October 2012 to 30 June 2013 (restated)**

<b>€ million</b>	Subscribed capital (26)	Capital reserves (27)	Other revenue reserves
<b>Balance as at 1 Oct 2012</b>	<b>644.9</b>	<b>957.4</b>	<b>820.5</b>
Dividends	–	–	–
Hybrid capital dividend	–	–	- 18.1
Share-based payment schemes of TUI Travel PLC	–	–	7.5
Issue of employee shares	0.3	0.2	–
Effects on the acquisition of non-controlling interests	–	–	- 17.0
Effects on the disposal of shares to non-controlling interests	–	–	102.7
<b>Group loss</b>	<b>–</b>	<b>–</b>	<b>- 376.2</b>
Foreign exchange differences	–	–	31.5
Financial Instruments available for sale	–	–	–
Cash flow hedges	–	–	–
Actuarial gains from pension provisions and related fund assets	–	–	45.8
Changes in the measurement of companies measured at equity	–	–	4.8
Taxes attributable to other comprehensive income	–	–	- 11.2
<b>Other comprehensive income</b>	<b>–</b>	<b>–</b>	<b>70.9</b>
Total comprehensive income	–	–	- 305.3
<b>Balance as at 30 June 2013</b>	<b>645.2</b>	<b>957.6</b>	<b>590.3</b>



	Foreign exchange differences	Financial instruments available for sale	Cash flow hedges	Revaluation reserve	Revenue reserves (28)	Hybrid capital (29)	Equity before non-controlling interest	Non-controlling interest (30)	Total
	- 753.0	0.5	- 47.5	21.7	118.7	294.8	2,016.4	- 19.6	1,996.8
	-	-	-	-	- 37.8	-	- 37.8	- 89.9	- 127.7
	-	-	-	-	- 17.4	-	- 17.4	-	- 17.4
	-	-	-	-	7.4	-	7.4	7.8	15.2
	-	-	-	-	-	-	1.0	-	1.0
	-	-	-	-	-	-	143.9	-	143.9
	-	-	-	-	-	-	-	27.4	27.4
	-	-	-	-	-	-	-	1.6	1.6
	-	-	-	-	-	-	-	- 1.8	- 1.8
	-	-	-	-	- 2.6	-	- 2.6	- 2.1	- 4.7
	-	-	-	-	- 22.2	-	- 22.2	- 18.3	- 40.5
	-	-	-	-	- 249.2	-	- 249.2	- 99.4	- 348.6
	- 64.2	-	- 1.3	- 1.0	- 78.9	-	- 78.9	- 66.2	- 145.1
	-	- 0.5	-	-	- 0.5	-	- 0.5	- 0.4	- 0.9
	-	-	9.2	-	9.2	-	9.2	1.3	10.5
	-	-	-	-	- 94.6	-	- 94.6	- 54.6	- 149.2
	-	-	-	-	13.9	-	13.9	- 0.1	13.8
	-	-	- 4.7	-	19.6	-	19.6	10.6	30.2
	- 64.2	- 0.5	3.2	- 1.0	- 131.3	-	- 131.3	- 109.4	- 240.7
	- 64.2	- 0.5	3.2	- 1.0	- 380.5	-	- 380.5	- 208.8	- 589.3
	- 817.2	-	- 44.3	20.7	- 334.4	294.8	1,708.2	- 303.7	1,404.5

	Foreign exchange differences	Financial instruments available for sale	Cash flow hedges	Revaluation reserve	Revenue reserves (28)	Hybrid capital (29)	Equity before non-controlling interest	Non-controlling interest (30)	Total
	- 640.9	-	- 38.4	20.9	162.1	294.8	2,059.2	- 15.2	2,044.0
	-	-	-	-	-	-	-	- 128.6	- 128.6
	-	-	-	-	- 18.1	-	- 18.1	-	- 18.1
	-	-	-	-	7.5	-	7.5	6.0	13.5
	-	-	-	-	-	-	0.5	-	0.5
	-	-	-	-	- 17.0	-	- 17.0	- 8.5	- 25.5
	- 6.8	-	1.9	-	97.8	-	97.8	- 31.5	66.3
	-	-	-	-	- 376.2	-	- 376.2	- 100.0	- 476.2
	- 39.8	-	4.2	- 1.2	- 5.3	-	- 5.3	61.3	56.0
	-	1.1	-	-	1.1	-	1.1	0.8	1.9
	-	-	63.1	-	63.1	-	63.1	26.0	89.1
	-	-	-	-	45.8	-	45.8	29.1	74.9
	-	-	-	-	4.8	-	4.8	-	4.8
	-	-	- 16.1	-	- 27.3	-	- 27.3	- 10.9	- 38.2
	- 39.8	1.1	51.2	- 1.2	82.2	-	82.2	106.3	188.5
	- 39.8	1.1	51.2	- 1.2	- 294.0	-	- 294.0	6.3	- 287.7
	- 687.5	1.1	14.7	19.7	- 61.7	294.8	1,835.9	- 171.5	1,664.4

## Cash Flow Statement

€ million	Notes	9M 2013/14	9M 2012/13 restated
Group loss		- 348.6	- 476.2
Depreciation, amortisation and impairments (+)/write-backs (-)		287.1	324.1
Other non-cash expenses (+)/income (-)		- 12.2	- 3.9
Interest expenses		201.8	226.2
Dividends from joint ventures and associates		22.5	44.9
Profit (-)/loss (+) from disposals of non-current assets		- 19.8	- 21.9
Increase (-)/decrease (+) in inventories		2.7	- 8.5
Increase (-)/decrease (+) in receivables and other assets		- 918.5	- 872.9
Increase (+)/decrease (-) in provisions		- 187.4	- 113.4
Increase (+)/decrease (-) in liabilities (excl. financial liabilities)		1,358.2	1,328.0
<b>Cash inflow from operating activities</b>	<b>(45)</b>	<b>385.8</b>	<b>426.4</b>
Payments received from disposals of property, plant and equipment, investment property and intangible assets		261.6	171.9
Payments received from disposals of consolidated companies (excl. disposals of cash and cash equivalents due to divestments)		13.9	-
Payments received from the disposals of other non-current assets		37.6	4.8
Payments made for investments in property, plant and equipment, investment property and intangible assets		- 399.9	- 419.4
Payments made for investments in consolidated companies (excl. cash and cash equivalent received due to acquisitions)		- 22.6	- 20.0
Payments made for investments in other non-current assets		- 47.4	- 94.2
<b>Cash outflow from investing activities</b>	<b>(46)</b>	<b>- 156.8</b>	<b>- 356.9</b>
Payments received from capital increases		0.6	0.7
Payments made for interest increase in consolidated companies		- 40.5	- 6.2
Dividend payments			
TUI AG		- 55.1	- 31.5
Subsidiaries to non-controlling interest		- 101.9	- 91.2
Payments received from the issue of bonds and the raising of financial liabilities		39.0	86.1
Payments made for redemption of loans and financial liabilities		- 99.1	- 474.1
Interest paid		- 131.5	- 131.1
<b>Cash outflow from financing activities</b>	<b>(47)</b>	<b>- 388.5</b>	<b>- 647.3</b>
<b>Net change in cash and cash equivalents</b>		<b>- 159.5</b>	<b>- 577.8</b>
<b>Development of cash and cash equivalents</b>	<b>(48)</b>		
<b>Cash and cash equivalents at beginning of period</b>		<b>2,701.7</b>	<b>2,278.4</b>
Change in cash and cash equivalents due to exchange rate fluctuations		- 15.4	6.0
Change in cash and cash equivalents with cash effects		- 159.5	- 577.8
Change in cash and cash equivalents without cash effects		- 587.5	-
<b>Cash and cash equivalents at end of period</b>		<b>1,939.3</b>	<b>1,706.6</b>

# NOTES

## PRINCIPLES AND METHODS UNDERLYING THE CONSOLIDATED FINANCIAL STATEMENTS

### General

The TUI Group and its key subsidiaries and shareholdings operate in the tourism business, which comprises the touristic sectors TUI Travel, TUI Hotels & Resorts and Cruises.

TUI AG, based in Hanover, Karl-Wiechert-Allee 4, is the TUI Group's parent company and a listed stock corporation under German law. The Company has been registered in the commercial registers of the district courts of Berlin-Charlottenburg (HRB 321) and Hanover (HRB 6580).

The consolidated interim financial statements for the period from 1 October 2013 to 30 June 2014 are prepared in euros. Unless stated otherwise, all amounts are indicated in million euros (€m).

The present consolidated interim financial statements were approved for publication by TUI AG's Executive Board on 9 September 2014.

### Accounting principles

In accordance with IAS 34, the Group's interim financial statements as at 30 June 2014 are published in a condensed form compared with the consolidated annual financial statements. As before, they are prepared on the historical cost basis, the only exception being the accounting method applied in measuring financial instruments.

The IFRSs are applied in the form in which they have been transposed into national legislation by means of the European Commission's endorsement procedure.

The accounting and measurement methods adopted in the preparation of these interim financial statements as at 30 June 2014 are generally consistent with those followed in the preparation of the preceding consolidated financial statements for the financial year ended 30 September 2013. Exceptions to this principle are the changes due to international financial reporting standards that have been required to be applied since 1 October 2013 and a change due to an agenda decision of the IFRS Interpretations Committee that is explained in the section changes in accounting and measurement methods.

### Newly applied standards

The following standards and interpretations revised or newly issued by the IASB and relevant for the TUI Group have been mandatory since the beginning of financial year 2013/14:

- IFRS 13: Fair Value Measurement
- Amendments to IFRS 7: Financial Instruments – Disclosures
- Annual Improvements Project (2009 - 2011)
- Amendments to IAS 19: Employee Benefits

In addition, the following standards amended by the IASB and transposed into European legislation by the European Union have been adopted ahead of the effective date as of the beginning of financial year 2013/14:

- Amendments to IAS 36: Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to IAS 39: Financial Instruments – Recognition and Measurement: Novation of Derivatives and Continuation of Hedge Accounting

With the exception of the amendments to IAS 19, the first-time adoption of the standards listed above has no significant impact on the TUI Group's net assets, financial position and results of operations in the present Interim Report. The amendments to IFRS 7 result in additional disclosures in the Notes to the offsetting of financial assets and liabilities.

#### **IFRS 13: Fair Value Measurement**

The amendments establish a uniform approach to determining fair value. According to IFRS 13, fair value is redefined as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between the market participants at the measurement date. Moreover, the disclosures in the Notes in connection with fair value measurement are expanded to cover all standards. Apart from additional disclosures in the Notes, the prospective first-time application of the standard did not have any other material effects on the consolidated interim financial statements.

#### **Amendments to IFRS 7: Financial Instruments – Disclosures**

The amendments to IFRS 7 expand the existing qualitative and quantitative disclosure requirements in the Notes to the offsetting of financial assets and financial liabilities effected. They also contain additional disclosure requirements for financial instruments subject to offsetting agreements, regardless of whether they have actually been offset according to IAS 32. The amendments give rise to additional disclosures in the Notes.

#### **Annual Improvements Project (2009-2011)**

The Annual Improvements Project (2009-2011) includes amendments to five standards (IFRS 1, IAS 1, IAS 16, IAS 32, and IAS 34). The amendments include minor changes in the contents and above all clarifications of the presentation, recognition and measurement. The amendments did not have a major impact on the consolidated interim financial statements.

#### **Amendments to IAS 36: Impairment of Assets**

The amendments clarify and extend the disclosure requirements regarding the recoverable amount for non-financial assets. They make it clear that the recoverable amount of a cash-generating unit to which substantial goodwill has been assigned only has to be disclosed if an impairment has been recorded for this unit in the period under review and if the recoverable amount is based on fair value less costs of disposal. They also introduce new disclosure requirements for non-financial assets for which the recoverable amount has been determined on the basis of fair value less costs of disposal. The amendments were endorsed by the European Union in December 2013 and are effective for annual periods beginning on or after 1 January 2014. The TUI Group has applied these amendments ahead of the effective date as of 1 October 2013. The amendments give rise to additional disclosures in the Notes to the present consolidated interim financial statements.

#### **Amendments to IAS 39: Financial Instruments – Recognition and Measurement**

As a result of the amendments to IAS 39 on the recognition and measurement of financial instruments, the novation of a hedge to a central counterparty due to legal requirements does not impose discontinuation of the hedging relationship if certain conditions are met. The amendments were transposed into European legislation by the European Union in December 2013 and are effective for annual periods beginning on or after 1 January 2014. The TUI Group has applied the amendments ahead of the effective date as of 1 October 2013. The retrospective first-time application has not had an impact on the TUI Group's net assets, financial position and results of operations.

**Amendments to IAS 19: Employee Benefits**

The mandatory application of the amendments to IAS 19 on the accounting for employee benefits has a material impact on the TUI Group's net assets, financial position and results of operations so that the prior-year numbers were restated as at 1 October 2013.

The amendments to IAS 19, published in June 2011, remove the existing option to apply the corridor method and lead to the immediate recognition of actuarial gains and losses in Other income outside profit and loss. Due to the introduction of the net interest expense on defined benefit pension plans, the return on plan assets no longer has to be estimated as an expected return but has to be determined as interest on the plan on the basis of the net interest rate used to determine the present value of the defined benefit obligations. Other amendments relate to the immediate recognition of past service cost through profit and loss in the event of future plan amendments and the presentation of the net interest result in defined benefit pension plans. Amendments also relate to the distinction between benefits provided in exchange for the termination of employment and other employer benefits. The amended standard also creates enhanced disclosure requirements regarding employee benefits.

Elimination of the so-called corridor method does not have an effect as the immediate full recognition of actuarial gains and losses reflects the accounting method already used by the TUI Group. Accordingly, the amendment does not have an impact on the presentation in the consolidated statement of financial position. Group result has changed by €-8.0m due to the changed calculation of the net interest on the defined liability, i. e. using the discount rate for the pension obligations for the calculation of the interest on pension assets instead of expected returns. Changes in the TUI Group's cash flow statement only relate to the indirect approach to derive the cash inflow from operating activities.

In line with the transition guidance, the amendments outlined above are applied with retroactive effect as of the beginning of the reference period, i.e. 1 October 2012. The section on "Re-statement of figures from prior reporting periods" presents the quantitative impact of the first-time application of the amended IAS 19 on the TUI Group's net assets, financial position and results of operations.

If the old version of IAS 19 had continued to be applied in the reporting period under review, the consolidated comprehensive income and consolidated statement of financial position for the first nine months of 2013/14 would not differ from the presentation according to the new version. The only differences from the amounts calculated according to the new version would have related to the statement of comprehensive income, as follows:

- Reduction in Group loss after tax of €13.4m with an increase in financial result of €20.2m and a reduction in tax assets of €6.8m
- Reduction in other comprehensive income within the items not to be reclassified to the income statement by the same amount of €13.4m due to lower actuarial gains on fund assets and a reduction in attributable taxes
- Increase in (basic and diluted) earnings per share of €0.02

The amendments to the recognition of past service costs do not have an impact on the results of operations in the present Interim Report. The Group has examined the impact of the changed definition of benefits provided in exchange for the termination of employment on the current and prior consolidated financial statements. For materiality reasons, provisions for part-time arrangements for employees approaching retirement were not retroactively restated.

**Standards and interpretations not yet effective**

The table below provides an overview of the new standards or amendments to existing standards not yet mandatory for the TUI Group for the present interim financial statements:

**Summary of new standards and interpretations not yet applied/applicable**

Standard/Interpretation		Applicable for financial years from	Endorsement by the EU commission
<b>Standard</b>			
IAS 32	Financial Instruments - Presentation: Offsetting Financial Assets and Financial Liabilities	1 Jan 2014	Yes
IFRS 10	Consolidated Financial Statements	1 Jan 2014	Yes
IFRS 11	Joint Arrangements	1 Jan 2014	Yes
IFRS 12	Disclosures of Interests in Other Entities	1 Jan 2014	Yes
IAS 27	Separate Financial Statements	1 Jan 2014	Yes
IAS 28	Investments in Associates and Joint Ventures	1 Jan 2014	Yes
various	Transition Guidance to IFRS 10, IFRS 11 and IFRS 12	1 Jan 2014	Yes
various	Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	1 Jan 2014	Yes
various	Annual Improvement Project (2010-2012)	1 Jul 2014	No
various	Annual Improvement Project (2011-2013)	1 Jul 2014	No
IAS 19	Employee benefits: Defined Benefit Plans – Employee Contribution	1 Jul 2014	No
IFRS 14	Regulatory Deferral Accounts	1 Jan 2016	No
IFRS 11	Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations	1 Jan 2016	No
IAS 16 & IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 Jan 2016	No
IAS 16 & IAS 41	Agriculture: Bearer Plants	1 Jan 2016	No
IAS 27	Separate Financial Statements: Equity Method in Separate Financial Statements	1 Jan 2016	No
IFRS 15	Revenue from Contracts with Customers	1 Jan 2017	No
IFRS 9	Financial Instruments	1 Jan 2018	No
<b>Interpretation</b>			
IFRIC 21	Levies	1 Jan 2014	Yes

As a matter of principle, TUI does not intend to voluntarily apply these standards and interpretations or the resulting changes prior to their effective dates.

Comments concerning the contents and potential impacts on future periods are presented under Note 51 in Other notes.

**Presentation**

As the intention to offset certain items under a cash pooling agreement on a net basis existed as at 30 June 2014, these items are now reported as a net amount in the consolidated statement of financial position in accordance with IAS 32.42. These items are now also part of the cash management. In the consolidated statement of financial position as at 30 September 2013, bank balances of €587.5m and current financial liabilities of €570.0m were shown on a gross basis. Thus, cash and cash equivalents as at 30 June 2014 (in the consolidated cash flow statement) declined non-cash by €587.5m .

**Changes in accounting and measurement methods**

Due to an agenda decision by the IFRS Interpretation Committee and starting from the third quarter of financial year 2013/14, so-called minimum taxation requirements are also being considered when accounting for deferred tax assets on unused loss carryforwards in such situations where deferred tax assets are only recognised to the extent that a surplus of suitable deferred tax liabilities exists as there is no expectation of future taxable profits. This accounting change is applied with retrospective effect as of the beginning of the reference period, i.e. 1 October 2012. The prior-year numbers and the quarterly numbers for the first and second quarter of the current financial year 2013/14 have been restated accordingly.

The restatement of figures from the prior year and prior quarter resulting from this change are presented in the section on "Restatement of figures from prior reporting periods".

In the three months of the third quarter of the current financial year 2013/14, the following changes to the income statement, financial position and statement of comprehensive income would have arisen if the recognition of deferred tax assets on loss carryforwards had not changed:

- Increase in Group loss after tax of €3.7m due to a decrease in tax income by the same amount
- Reduction in deferred tax liabilities of €27.7m
- Reduction in consolidated comprehensive income of €3.7m
- Decrease in (basic and diluted) earnings per share of €0.01.

## Restatement of figures from prior reporting periods

The tables below present the restatements due to the amended IAS 19 and the change in the accounting for deferred taxes on prior reporting periods. The prior year values were restated as follows:

### Restated items of the Income statement of the TUI Group for the period from 1 October 2012 to 30 June 2013

€ million	9M 2012/13			
	before re-statement	Restatements		restated
		IAS 19	Deferred tax	
Financial income	86.8	- 59.5	–	27.3
Financial expenses	282.3	- 48.9	–	233.4
<b>Earnings before income taxes</b>	<b>- 618.4</b>	<b>- 10.6</b>	<b>–</b>	<b>- 629.0</b>
EBITA	- 391.8	–	–	- 391.8
<b>Underlying EBITA</b>	<b>- 252.2</b>	<b>–</b>	<b>–</b>	<b>- 252.2</b>
<b>Earnings before income taxes</b>	<b>- 618.4</b>	<b>- 10.6</b>	<b>–</b>	<b>- 629.0</b>
Income taxes	- 151.9	- 2.6	1.7	- 152.8
<b>Group profit/loss for the year</b>	<b>- 466.5</b>	<b>- 8.0</b>	<b>- 1.7</b>	<b>- 476.2</b>
Group profit/loss for the year attributable to shareholders of TUI AG	- 370.1	- 4.4	- 1.7	- 376.2
Group profit/loss for the year attributable to non-controlling interest	- 96.4	- 3.6	–	- 100.0
Basic and diluted earnings per share	- 1.54	- 0.02	–	- 1.56

### Restated items in the statement of comprehensive income of the TUI Group for the period from 1 Oct 2012 to 30 Jun 2013

€ million	9M 2012/13			
	before re-statement	Restatements		restated
		IAS 19	Deferred tax	
<b>Group profit/loss</b>	<b>- 466.5</b>	<b>- 8.0</b>	<b>- 1.7</b>	<b>- 476.2</b>
Actuarial gains from pension provisions and related fund assets	64.3	10.6	–	74.9
Income tax related to items that will not be reclassified	- 15.1	- 2.6	–	- 17.7
<b>Items that will not be reclassified</b>	<b>44.3</b>	<b>8.0</b>	<b>–</b>	<b>52.3</b>
<b>Total comprehensive income</b>	<b>- 286.0</b>	<b>–</b>	<b>- 1.7</b>	<b>- 287.7</b>
attributable to shareholders of TUI AG	- 292.3	–	- 1.7	- 294.0
attributable to non-controlling interest	6.3	–	–	6.3



	Q3 2012/13				Q2 2012/13				Q1 2012/13			
	before re- statement	Restatements		restated	before re- statement	Restatements		restated	before re- statement	Restatements		restated
		IAS 19	Deferred tax			IAS 19	Deferred tax			IAS 19	Deferred tax	
	25.4	- 19.2	-	6.2	30.9	- 19.2	-	11.7	30.5	- 21.1	-	9.4
	81.8	- 15.7	-	66.1	102.1	- 15.7	-	86.4	98.4	- 17.5	-	80.9
	<b>37.8</b>	<b>- 3.5</b>	<b>-</b>	<b>34.3</b>	<b>- 405.6</b>	<b>- 3.5</b>	<b>-</b>	<b>- 409.1</b>	<b>- 250.6</b>	<b>- 3.6</b>	<b>-</b>	<b>- 254.2</b>
	87.2	-	-	87.2	- 303.4	-	-	- 303.4	- 175.6	-	-	- 175.6
	<b>86.5</b>	<b>-</b>	<b>-</b>	<b>86.5</b>	<b>- 197.2</b>	<b>-</b>	<b>-</b>	<b>- 197.2</b>	<b>- 141.5</b>	<b>-</b>	<b>-</b>	<b>- 141.5</b>
	<b>37.8</b>	<b>- 3.5</b>	<b>-</b>	<b>34.3</b>	<b>- 405.6</b>	<b>- 3.5</b>	<b>-</b>	<b>- 409.1</b>	<b>- 250.6</b>	<b>- 3.6</b>	<b>-</b>	<b>- 254.2</b>
	12.4	- 0.8	10.3	21.9	- 97.5	- 1.0	- 5.8	- 104.3	- 66.8	- 0.8	- 2.8	- 70.4
	<b>25.4</b>	<b>- 2.7</b>	<b>- 10.3</b>	<b>12.4</b>	<b>- 308.1</b>	<b>- 2.5</b>	<b>5.8</b>	<b>- 304.8</b>	<b>- 183.8</b>	<b>- 2.8</b>	<b>2.8</b>	<b>- 183.8</b>
	15.3	- 1.5	- 10.3	3.5	- 248.4	- 1.3	5.8	- 243.9	- 137.0	- 1.6	2.8	- 135.8
	10.1	- 1.2	-	8.9	- 59.7	- 1.2	-	- 60.9	- 46.8	- 1.2	-	- 48.0
	0.04	- 0.01	- 0.04	- 0.01	- 1.01	- 0.01	0.03	- 0.99	- 0.57	-	0.01	- 0.56

	Q3 2012/13				Q2 2012/13				Q1 2012/13			
	before re- statement	Restatements		restated	before re- statement	Restatements		restated	before re- statement	Restatements		restated
		IAS 19	Deferred tax			IAS 19	Deferred tax			IAS 19	Deferred tax	
	25.4	- 2.7	- 10.3	12.4	- 308.1	- 2.5	5.8	- 304.8	- 183.8	- 2.8	2.8	- 183.8
	118.3	3.5	-	121.8	17.6	3.5	-	21.1	- 71.6	3.6	-	- 68.0
	- 28.9	- 0.8	-	- 29.7	- 5.1	- 1.0	-	- 6.1	18.9	- 0.8	-	18.1
	<b>89.2</b>	<b>2.7</b>	<b>-</b>	<b>91.9</b>	<b>12.9</b>	<b>2.5</b>	<b>-</b>	<b>15.4</b>	<b>- 57.8</b>	<b>2.8</b>	<b>-</b>	<b>- 55.0</b>
	<b>6.8</b>	<b>-</b>	<b>- 10.3</b>	<b>- 3.5</b>	<b>- 22.4</b>	<b>-</b>	<b>5.8</b>	<b>- 16.6</b>	<b>- 270.4</b>	<b>-</b>	<b>2.8</b>	<b>- 267.6</b>
	- 3.7	-	- 10.3	- 14.0	- 87.7	-	5.8	- 81.9	- 200.9	-	2.8	- 198.1
	10.5	-	-	10.5	65.3	-	-	65.3	- 69.5	-	-	- 69.5

**Restated items in the balance sheet of the TUI Group  
as at 1 Oct 2012 and 30 Sep 2013**

€ million	1 Oct	1 Oct	1 Oct	30 Sep	30 Sep	30 Sep
	2012 before re- statement	2012 Restate- ment De- ferred tax	2012 restated	2013 before re- statement	2013 Restate- ment De- ferred tax	2013 restated
Revenue Reserves	185.2	- 23.1	162.1	151.3	- 32.6	118.7
<b>Equity</b>	<b>2,067.1</b>	<b>- 23.1</b>	<b>2,044.0</b>	<b>2,029.4</b>	<b>- 32.6</b>	<b>1,996.8</b>
Deferred tax liabilities	69.5	23.1	92.6	76.6	32.6	109.2
<b>Non-current provisions and liabilities</b>	<b>3,772.7</b>	<b>23.1</b>	<b>3,795.8</b>	<b>3,824.8</b>	<b>32.6</b>	<b>3,857.4</b>

The change in the recognition of deferred taxes during the financial year results in the following impact on the prior quarters of the current financial year 2013/14:

**Restated items of the Income statement of the TUI Group  
for the period from 1 October 2013 to 30 June 2014**

€ million	9M 2013/14			Q2 2013/14			Q1 2013/14		
	before re- statement	Restate- ment De- ferred tax	restated	before re- statement	Restate- ment De- ferred tax	restated	before re- statement	Restate- ment De- ferred tax	restated
<b>Earnings before income taxes</b>	<b>- 472.0</b>	<b>-</b>	<b>- 472.0</b>	<b>- 269.7</b>	<b>-</b>	<b>- 269.7</b>	<b>- 227.6</b>	<b>-</b>	<b>- 227.6</b>
Income taxes	- 118.5	- 4.9	- 123.4	- 71.9	- 1.8	- 73.7	- 74.2	0.6	- 73.6
<b>Group profit/loss for the year</b>	<b>- 353.5</b>	<b>4.9</b>	<b>- 348.6</b>	<b>- 197.8</b>	<b>1.8</b>	<b>- 196.0</b>	<b>- 153.4</b>	<b>- 0.6</b>	<b>- 154.0</b>
Group profit/loss for the year attributable to shareholders of TUI AG	- 254.1	4.9	- 249.2	- 122.3	1.8	- 120.5	- 108.7	- 0.6	- 109.3
Group profit/loss for the year attributable to non-controlling interest	- 99.4	-	- 99.4	- 75.5	-	- 75.5	- 44.7	-	- 44.7
Basic and diluted earnings per share	- 1.06	0.02	- 1.04	- 0.51	0.01	- 0.50	- 0.45	-	- 0.45

**Restated items in the statement of comprehensive income of the TUI Group  
for the period from 1 Oct 2013 to 30 Jun 2014**

€ million	9M 2013/14			Q2 2013/14			Q1 2013/14		
	before re- statement	Restate- ment De- ferred tax	restated	before re- statement	Restate- ment De- ferred tax	restated	before re- statement	Restate- ment De- ferred tax	restated
<b>Group profit/loss</b>	<b>- 353.5</b>	<b>4.9</b>	<b>- 348.6</b>	<b>- 197.8</b>	<b>1.8</b>	<b>- 196.0</b>	<b>- 153.4</b>	<b>- 0.6</b>	<b>- 154.0</b>
Income tax related to items that will not be reclassified	36.7	-	36.7	12.2	-	12.2	- 6.6	-	- 6.6
<b>Items that will not be reclassified</b>	<b>- 111.1</b>	<b>-</b>	<b>- 111.1</b>	<b>- 39.9</b>	<b>-</b>	<b>- 39.9</b>	<b>30.1</b>	<b>-</b>	<b>30.1</b>
<b>Total comprehensive income</b>	<b>- 594.2</b>	<b>4.9</b>	<b>- 589.3</b>	<b>- 280.8</b>	<b>1.8</b>	<b>- 279.0</b>	<b>- 168.7</b>	<b>- 0.6</b>	<b>- 169.3</b>

## Principles and methods of consolidation

### Principles

The consolidated financial statements include all major companies in which TUI AG is able, directly or indirectly, to govern the financial and operating policies so as to obtain benefits from the activity of these companies (subsidiaries). As a rule, the control is exercised by means of a majority of voting rights. The consolidation of the RIUSA II Group is based on de facto control, with TUI AG and the co-shareholder holding equal interests and voting rights. In the light of overall conditions and circumstances, TUI AG is able to govern the financial and operating policies so as to obtain benefits from the activity of this hotel group. In assessing control, the existence and effect of potential voting rights that are currently exercisable or convertible are taken into account. Consolidation of such companies starts as from the date at which the TUI Group gains control. When the TUI Group ceases to control the corresponding companies, they are removed from consolidation.

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.

Shareholdings in companies in which the Group is able to exert significant influence over the financial and operating decisions within these companies (associates, shareholdings of 20% to less than 50% as a matter of principle) are carried at equity. Stakes in companies managed jointly with one or several partners (joint ventures) are also measured at equity. 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 analogy to the principles applying 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 June 2014.

### Group of consolidated companies

The interim financial statements as of 30 June 2014 included a total of 46 domestic and 583 foreign subsidiaries, besides TUI AG.

30 domestic and 59 foreign subsidiaries were not included in the consolidated interim financial statements. Even when taken together, these companies are not significant for the presentation of a true and fair view of the financial position, performance and changes in financial position of the Group.

### Development of the group consolidated companies<sup>1)</sup> and the Group companies measured at equity

	Balance 30 Sep 2013	Additions	Disposals	Balance 30 Jun 2014
<b>Consolidated subsidiaries</b>	<b>677</b>	<b>14</b>	<b>62</b>	<b>629</b>
Domestic companies	47	3	4	46
Foreign companies	630	11	58	583
<b>Associated companies</b>	<b>22</b>	<b>1</b>	<b>1</b>	<b>22</b>
Domestic companies	5	1	1	5
Foreign companies	17	-	-	17
<b>Joint ventures</b>	<b>40</b>	<b>-</b>	<b>5</b>	<b>35</b>
Domestic companies	7	-	1	6
Foreign companies	33	-	4	29

<sup>1)</sup> excl. TUI AG

Since 1 October 2013, a total of 14 companies have been newly included in consolidation, with six companies added due to acquisitions and purchase of additional stakes and four companies due to an expansion of their business operations. Moreover, four companies were newly established. All additions relate to the Tourism Segment.

Since 30 September 2013, a total of 62 companies have been removed from consolidation. Six of the companies were removed from consolidation due to mergers, 53 due to liquidation and three due to divestments. All removals relate to companies operating in the Tourism Segment.

22 associated companies and 35 joint ventures were measured at equity. The group of associated companies measured at equity remained unchanged compared to 30 September 2013 due to the acquisition of one company and the reclassification of one entity to assets held for sale.

Five companies were removed from the group of joint ventures measured at equity due to the sale of one company and the inclusion of additional companies in the group of consolidated companies. There have not been any further changes within associates and joint ventures compared to the disclosure of the shareholdings of the TUI Group in the consolidated financial statements as at 30 September 2013.

The impact on the periods under review 2013/14 and 2012/13 of these changes to the list of companies consolidated in the current financial year 2013/14 is outlined below. While balance sheet values of companies deconsolidated in the current financial year 2013/14 are shown as per the closing date for the previous period, items in the income statement are also shown for the current financial year 2013/14 and for the previous year's periods due to prorated effects.

#### Impact of changes in the group of consolidated companies on the statement of financial position

€ million	Additions 30 Jun 2014	Disposals 30 Sep 2013
Non-current assets	58.5	25.7
Current assets	26.3	9.6
Non-current provisions	1.0	–
Non-current financial liabilities	14.5	6.0
Current financial liabilities	2.6	1.7
Non-current other liabilities	4.3	–
Current other liabilities	24.9	5.0

#### Impact of changes in the group of consolidated companies on the consolidated income statement

€ million	Additions 9M 2013/14	9M 2013/14	Disposals 9M 2012/13
Turnover with third parties	35.3	6.4	11.8
Turnover with consolidated Group companies	0.3	4.5	8.1
Cost of sales and administrative expenses	36.1	11.1	20.9
Other income/other expenses	1.3	15.5	1.0
Financial expenses	- 0.1	–	0.1
<b>Earnings before income taxes</b>	<b>0.9</b>	<b>15.3</b>	<b>- 0.1</b>
Income taxes	–	- 0.3	–
<b>Group profit for the year</b>	<b>0.9</b>	<b>15.6</b>	<b>- 0.1</b>

**Acquisitions – divestments**

In the first nine months of financial year 2013/14, the cost to purchase companies and business lines totalled €19.9m.

**Summary presentation of acquisitions**

Name and headquarters of the acquired company or business	Business activity	Acquirer	Date of acquisition	Acquired share	Consideration transferred in € million
Le Passage to India Tours & Travels pvt. Ltd., New Delhi, India	Tour operator	Trina Group Limited	19.12.13	41.0%	11.9
Global Obi S.L., Palma de Mallorca, Spain	Online-Services	Hotelbeds Spain SLU	21.2.14	51.0%	4.7
6 Travel agencies in Germany	Travel agent	TUI Leisure Travel GmbH	1.10.13 – 30.6.14	n.a.	1.3
OFT REISEN GmbH, Rengsdorf, Deutschland	Tour operator	Leibniz Service GmbH	6.6.14	50%	1.2
Carlson Saint Martin SAS (Group), Anse Marcel, Saint Martin	Hotel operating company	RIUSA NED B.V.	30.5.14	100%	0.8
<b>Total</b>					<b>19.9</b>

In the first nine months of financial year 2013/14, acquisitions of travel agencies in Germany took the form of asset deals. All other acquisitions were carried out in the form of share deals.

Measurement of the companies Le Passage to India Tours & Travels pvt. Ltd. and OFT REISEN GmbH, previously measured at equity, at fair value totalling €12.2m directly before the acquisition of additional shares leading to classification as a fully consolidated subsidiary resulted in income of €10.5m. Taking account of expenses of €9.3m for the termination of business relationships with Le Passage to India Tours & Travels pvt. Ltd. that had existed prior to inclusion in consolidation, an overall profit of €1.2m arises.

The difference arising between the consideration transferred and the remeasured acquired net assets of €23.2m as at the acquisition date was carried as provisional goodwill. This goodwill essentially constitutes part of the future synergy, earnings and cost savings potential. The goodwill capitalised in the period under review includes an amount of €1.0m expected to be deductible for tax purposes.

**Fair values of considerations transferred**

€ million	
Purchase price	19.9
<b>Total</b>	<b>19.9</b>

**Summary presentation of statements of financial position as at the date of first-time consolidation**

<b>€ million, translated</b>	Fair value at date of first-time consolidation
Intangible assets	13.6
Property, plant and equipment	1.5
Investments	1.8
<b>Fixed assets</b>	<b>16.9</b>
Inventories	0.2
Trade receivables	32.9
Other assets (including prepaid expenses)	4.4
Cash and cash equivalents	4.9
Deferred income tax liabilities	4.3
Financial liabilities	19.0
Liabilities and deferred income	25.6
<b>Equity</b>	<b>10.4</b>

Based on the information available, it was not possible to finalise measurement of several components of the acquired assets and liabilities of the acquisitions by the balance sheet date. The 12-month period permitted under IFRS 3 for finalising purchase price allocations was used; it allows for provisional allocation of the purchase price to the individual assets and liabilities until the end of that period.

The acquisitions did not have a major impact on the turnover and Group result for the ongoing period.

The present financial statements reflect the purchase price allocations for the following companies and businesses acquired between 1 October 2012 and 30 June 2013, finalised within the twelve-month timeframe provided under IFRS 3:

- TUI InfoTec GmbH, Hanover
- JBS Group, Pasadena, California
- TT Services Group
- Isango! Limited, London
- Manahé Ltd, Mauritius
- Tunisie Voyages SA, Tunisia
- 7 travel agencies in Germany

Comparative information for reporting periods prior to preparation of the first-time recognition of the acquisition transaction must be presented retrospectively as if the purchase price allocation had already been finalised at the date of acquisition. The following table provides an overview of the combined final purchase price allocations:

**Final presentation of the statements of financial position as at first-time consolidation for acquisitions from 1 October 2012 to 30 June 2013**

€ million	Carrying amounts at date of acquisition	Revaluation of assets and liabilities	Carrying amounts at date of first-time consolidation
Other intangible assets	3.0	3.7	6.7
Property, plant and equipment	10.9	–	10.9
Investments	1.1	–	1.1
<b>Fixed assets</b>	<b>15.0</b>	<b>3.7</b>	<b>18.7</b>
Inventories	0.8	–	0.8
Trade receivables	25.8	–	25.8
Other assets (including prepaid expenses)	9.3	–	9.3
Cash and cash equivalents	4.8	–	4.8
Deferred tax provisions	1.0	–	1.0
Other provisions	28.6	–	28.6
Financial liabilities	2.7	–	2.7
Liabilities and deferred income	23.8	–	23.8
<b>Equity</b>	<b>- 0.4</b>	<b>3.7</b>	<b>3.3</b>

The purchase price allocation has remained unchanged against the date of first-time consolidation. As a result, the goodwill arising on eliminating the consideration transferred against the acquirer's interest in the remeasured equity totals €30.9m, as before. The capitalised goodwill essentially represents a part of the expected synergy and earnings potentials.

The effects of the divestments on the TUI Group's net assets, financial position and results of operations were immaterial.

**Foreign exchange translation**

Transactions in foreign currencies are translated into the functional currency at the foreign exchange rates pertaining 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 pertaining 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 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 in the Tourism Segment, 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, i.e. the Group's reporting currency, the assets, liabilities and Notes to the statement of financial position are translated at the mean rate of exchange applicable at the balance sheet date (closing rate). Goodwill allocated to these companies and adjustments to 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 mean rate of exchange applicable at the balance sheet date. Items in the income statement and hence the profit for the year shown in the income statement are always 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 carried 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 carried 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 carried 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 carried 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, form 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, i.e. in equity outside profit and loss.

#### Exchange rates of currencies of relevance to the TUI Group

1 € equivalent	Closing rate		Annual average rate	
	30 Jun 2014	30 Sep 2013	9M 2013/14	9M 2012/13
Sterling	0.80	0.84	0.83	0.84
US dollar	1.37	1.35	1.37	1.31
Swiss franc	1.22	1.22	1.22	1.22
Swedish krona	9.18	8.66	8.93	8.56

#### Consolidation methods

The recognition of the net assets of acquired subsidiaries is based on the purchase method of accounting. Accordingly, irrespective of existing non-controlling interests, a complete fair value measurement of all identifiable assets, liabilities and contingent liabilities is initially effected as at the acquisition date. Subsequently, the consideration for the acquisition of the stake is measured at fair value and eliminated against the acquiree's revalued equity attributable to the acquired share. 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 immediately reversed through profit and loss as at the date on which it arises, with the reversal effect carried under Other income.

Changes in the fair value of contingent consideration are carried in the income statement through profit and loss.

Goodwill is not amortised. Goodwill is regularly tested for impairment, at least annually, following the completion of the annual planning process. Additional impairment tests are effected if there are any events or indications suggesting potential impairments in goodwill.



When additional shares are purchased after obtaining control (follow-up share purchases), 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 on an analogous basis. By contrast, when control is obtained or lost, the difference is recognised through profit and loss. This gain or loss effect results from step acquisitions (transactions involving a change of control), with the equity stake previously held in the acquired company revalued at the fair value applicable at the acquisition date. For transactions involving a loss of control, the profit or loss comprises not only the difference between the carrying amounts of the disposed stakes and the consideration received but also the effect of a revaluation of the remaining shares.

In the event of step acquisitions carried out before 31 December 2008, still treated in accordance with the old IAS 27 provisions, a complete fair value measurement of assets and liabilities of the acquired company was carried out at every acquisition date. The goodwill to be recognised arose from the elimination of the cost to purchase against the acquiree's revalued equity attributable to the acquired share at the respective acquisition date. Any changes in the fair values of assets and liabilities arising in between the acquisition dates were recognised in equity outside profit and loss in the consolidated statement of financial position in relation to the stake not yet resulting in consolidation of the company and were carried in the revaluation reserve. In the framework of the removal of a company from consolidation, this revaluation reserve is eliminated against Other revenue reserves.

The difference between the income from the disposal of the subsidiary and Group equity attributable to the stake, including any foreign exchange differences previously carried outside profit and loss, differences from the revaluation reserve, the reserve for changes in the value of financial instruments as well as eliminated intercompany results, is carried in the income statement as at the disposal date. This principle does not apply to remeasurements (especially actuarial gains or losses) carried in Group equity outside profit and loss in the framework of the recognition of pension obligations in accordance with IAS 19. If any subsidiaries are sold, the goodwill attributable to these subsidiaries is included in the determination of the gain or loss on disposal.

The Group's major associates and joint ventures are measured at equity and carried 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 transaction.

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 (Result from joint ventures and associates), while the Group's share in changes in reserves is shown in its revenue reserves. Accumulated changes arising after the acquisition are shown in the carrying amount of the participation. Where 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 where obligations have been assumed or payments have been made for the associated company or joint venture.

Intercompany profits from transactions between subsidiaries are eliminated in full. Intercompany profits from transactions with companies measured at equity are eliminated in relation to the Group's stake in the company. Intercompany losses are also eliminated if the transaction does not suggest an impairment in the transferred asset.

Where the accounting and measurement methods applied by associates and joint ventures differ from the uniform accounting rules applied in the Group and the differences are sufficiently known and accessible, adjustments are consistently made.

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 understood as suggesting that an impairment test is required for the transferred assets. Intercompany deliveries and services are provided in conformity with the arm's length principle.

## Accounting and measurement methods

The financial statements of the subsidiaries included in the Group are prepared in accordance with uniform accounting and measurement principles. The amounts recognised in the consolidated interim 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 framework of ordinary business activities. Turnover is carried excluding value-added tax, returns, discounts and price rebates and after elimination of intra-Group sales.

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

The commission fees received by travel agencies for package tours are recognised 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 package tours is therefore recognised in full when the customer departs. Turnover from individual travel modules booked directly by customers from 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 carried on a prorated basis according to the effective interest method. Dividends are recognised when the legal claim 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 limited service life are amortised on a straight-line basis over the expected useful life.

Intangible assets acquired in the framework of business combinations, such as order book, customer base or trademark rights, are carried at their fair value as at the date of acquisition and are also 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 acquisition 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 impairment losses.

Depending on the functional area of the intangible asset, depreciation, amortisation and impairments are carried under Cost of sales or Administrative expenses. Where the original causes for impairments effected in previous years no longer apply, the impairment is written back to Other income.

Intangible assets with indefinite useful lives are not amortised but have to be 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 (CGU). 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. In the Tourism Segment, the TUI Travel Sector as a whole represents a cash generating unit. Allocation in the TUI Hotels & Resorts Sector is based on the individual hotel groups.

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

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

**Property, plant and equipment**

Property, plant and equipment are measured at amortised cost. The costs to purchase comprise the considerations spent to purchase an asset and to place it in a working condition. The costs to produce are determined on the basis of direct costs and appropriate allocations of overheads and depreciation.

Borrowing costs directly associated with the acquisition, construction or production of qualified 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 6.25 % for the financial year under review, and 6.75 % for the previous year. In the first nine months of financial year 2013/14, borrowing costs worth €7.8m (previous year €7.7m) 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 qualified 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 over customary useful lives. Use-related depreciation and amortisation is based on the following useful lives:

**Useful lives of property, plant and equipment**

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

Moreover, the level of depreciation is determined by the residual amounts recoverable at the end of the useful life of an asset. The residual value assumed in first-time recognition for cruise ships and their 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 costs of acquisition.

Both the useful lives and assumed 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 effected as a correction of depreciation over the remaining useful life of the asset. The adjustment of depreciation is effected 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 fair value less costs to sell and the present value of future payment flows of the tested entity based on continued use within the company (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 carried 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 carries all essential risks and rewards incident to ownership of the assets are 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 carried as liabilities with no consideration of 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 carried 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 carried for the lease. 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 made 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 leaseback transactions

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

If a sale and leaseback 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 to be deferred and amortised over the term of the lease agreement. If the agreed purchase price exceeds fair value, the gain from the difference between these two values also has to be 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 comprise any assets held to maturity.

In the first nine months of financial year 2013/14, no significant reclassifications were effected within the individual measurement categories (no reclassifications in the previous year).

### Primary financial assets and financial liabilities

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

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

In the framework of follow-up measurement, loans and receivables are measured at amortised cost based on the effective interest method. Value adjustments are made to account for identifiable individual risks. Where objective information indicates that the value of some item is impaired, e.g. considerable financial difficulties of the counterparty, payment defaults or adverse changes in the regional industry environment impacting the Group's creditor based on empirical experience, impairments are effected at an amount corresponding to the expected loss. Impairments and reversals of impairments are carried under Cost of sales, Administrative expenses or Financial expenses, depending on the technical nature of the transaction.

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

Financial assets available for sale are measured at their fair value upon initial measurement. Changes in fair values are carried in equity outside profit and loss until the disposal of the assets. A permanent reduction in fair value gives rise to impairments recognised through profit or loss. In the event of subsequent reversal of the impairment, the impairment carried through profit or loss is not reversed for equity instruments but eliminated against equity outside profit and loss. Where a listed market price in an active market is not available for shares held and other methods to determine an objective market value are not applicable, the shares are measured at cost.

A derecognition of assets is primarily effected 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 carried 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 effected at its fair value. For loans raised, the nominal amount received is reduced by discounts retained and borrowing costs paid. In the framework of subsequent measurement, primary financial liabilities are measured at amortised cost based on the effective interest method.

#### **Derivative financial instruments and hedging**

In the framework of initial measurement, derivative financial instruments are measured at the fair value attributable to them on the day of the conclusion of the agreement. The subsequent measurement is also effected 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 carry 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 immediately carried through profit and loss unless they are classified as a hedge in accordance with IAS 39. If, by contrast, 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 fair value of recognised assets or liabilities are carried 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 in the income statement through profit and loss. Amounts taken to equity are re-classified to the income statement and carried 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 carried 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 outside profit and loss 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 account credits. Used credits in 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 measurement is effected at the lower of carrying amount and fair value less costs to sell. Depreciation and at equity measurements have to be suspended. Impairments to fair value less costs to sell must be carried through 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.

**Hybrid capital**

In accordance with IAS 32, the hybrid capital issued at the end of financial year 2005 has to be recognised as one of the Group's equity components due to the bond terms. Accordingly, the tax-deductible interest payments are not shown under Interest expenses but treated in analogy to dividend obligations to TUI AG shareholders. Any borrowing costs incurred were directly deducted from the hybrid capital, taking account of deferred income taxes.

**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 measures comprise payments for the early termination of rental agreements and severance payments to employees. Provisions for environmental protection measures, in particular the disposal of legacy industry waste, are carried 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 potential losses are recognised 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 carried for future operating losses.

Where a large number of similar obligations exists, the probability of a charge over assets is determined on the basis of this group of obligations. A provision is also carried as a liability 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 accrued interest are carried as Interest expenses through profit or loss.

The pension provision recognised for defined benefit plans corresponds to the net present value of the defined benefit obligations (DBOs) as at the balance sheet date less the fair value of the plan assets. Measurement of these assets is limited to the net present value of the value in use in the form of reimbursements from the plan or reductions in future contribution payments. The DBOs are calculated annually by independent actuaries using the projected unit credit method. The net present value of the DBOs is calculated by discounting the expected future outflows of cash with the interest rate of top-rated corporate bonds.

Past service cost is immediately recognised through profit or loss. Remeasurements (especially 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 carried under Personnel costs when they fall due.

### **Liabilities**

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

When issuing bonds comprising a debt component and a second component in the form of conversion options or warrants, the funds obtained for the respective components are recognised in accordance with their character. At the issuing date, the debt component is carried as a bond at a value that would have been generated for the issue of this debt instrument without corresponding conversion options or warrants on the basis of current market terms. If the conversion options or warrants have to be classified as equity instruments, the difference over the issuing proceeds generated is transferred to the capital reserve with deferred taxes taken into account.

The foreign exchange differences resulting from the translation of trade accounts payable are consistently reported as a correction of the cost of sales. Foreign exchange differences from the translation of liabilities not resulting from normal performance processes are carried under Other income/Other expenses, Financial expenses/income or Administrative expenses, depending on the nature of the underlying liability.

### **Income taxes**

The determination of income taxes for interim reporting purposes is based on the use of the best estimate of the planned tax rate, according to IAS 34.

Based on that approach, the consolidated income statement does not distinguish between deferred and current income taxes. Moreover, the determination method of IAS 34 limits the possibility of presenting detailed disclosures in the Notes under IAS 12 for the interim financial statements as at 30 June 2014. Instead, in the cases concerned the only figures disclosed are the prior-year figures as at 30 September 2013.

In determining the planned tax rate according to IAS 34, the future recoverability of deferred tax assets, in particular for loss carryforwards, was taken into account.

The TUI Group has to pay income tax in various countries. The German companies of the TUI Group have to pay trade income tax of 15.2% or 15.7% (previous year 15.2% or 15.7%), depending on the applicable rate. As in the prior year, the corporation tax rate is 15.0%, plus a 5.5% solidarity surcharge on corporation tax. The income tax rates applied to companies abroad used in determining the planned tax rate vary from 0% to 39%.

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.

#### **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 carried through profit and loss.

In the Tourism Segment, share-based payment schemes exist in the form of share award programmes granted by TUI Travel PLC. Under these payment schemes, directors and employees are entitled to acquire shares in TUI Travel PLC. The fair value of the options granted is carried under Personnel costs with a corresponding direct increase in equity. The fair value is determined at the point when the options are granted and spread over the vesting period during which the employees become entitled to the options.

The fair value of the options granted is measured using option valuation models, taking into account the terms and conditions upon which the options were granted. The amount to be carried under Personnel 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.

Transactions to acquire shares in TUI Travel PLC to perform the share option plans are taken directly to revenue reserves in equity.

**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 methods**

<b>Item in the statement of financial position</b>	<b>Measurement method</b>
<b>Assets</b>	
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
<b>Financial assets</b>	
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
<b>Liabilities and Provisions</b>	
Loans and borrowings	At amortised cost
Provisions for pensions	Projected unit credit method
Other provisions	Present value of the settlement amount
<b>Financial liabilities</b>	
Non-derivative financial liabilities	At amortised cost
Derivative financial liabilities	At fair value
Trade payables and other liabilities	At amortised cost

**Key estimates and judgements**

The presentation of the assets, liabilities, provisions and contingent liabilities shown in the interim 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, account was taken of the future economic environment in the business areas and regions in which the Group operates that was assumed to be realistic at that point in time.

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

- establishment of assumptions in the framework of impairment tests, in particular for goodwill,
- determination of the fair values in the framework of acquisitions of companies and determination of the useful lives of acquired intangible assets,
- determination of useful lives and residual carrying amounts of property, plant and equipment,
- determination of parameters to measure pension obligations,
- recognition and measurement of other provisions,
- recoverability of future tax savings from tax loss carryforwards and tax-deductible temporary differences, and
- measurement of tax risks.

Other estimates and judgements relate, in particular, to the determination of the fair value of financial instruments and the determination of the recoverable amount in the framework of impairment tests for companies measured at equity.

Despite careful preparation of the estimates, actual developments may deviate from these. In such cases, the assumptions and the carrying amounts of the assets and liabilities concerned are adjusted as necessary. Changes in estimates are always taken into account in the financial year in which the changes occurred and in subsequent periods.

### **Goodwill**

The goodwill reported as at 30 June 2014 was carried as €3,062.1m (as at 30 September 2013 €2,976.4m). As goodwill is not amortised, its carrying amount is compared with the recoverable amounts at the level of cash generating units in order to establish its value. The TUI Group carries out this impairment test at least once a year towards the end of the financial year. Unless the valuation based on a fair value is relevant, the determination of the recoverable amount of a CGU test requires periodic 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 of 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.

Details concerning the implementation of goodwill impairment tests and the methods and assumptions used are presented in the section on Goodwill in the chapter on Notes to the consolidated statement of financial position and in the section on Goodwill and Other intangible assets in the chapter Accounting and measurement methods.

### **Acquisition of companies and intangible assets**

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

Details concerning acquisitions of companies and useful lives of intangible assets are outlined in the section on Acquisitions – divestments in the chapter Principles and methods of consolidation and in the section on Goodwill and other intangible assets in the chapter Accounting and measurement methods.

**Property, plant and equipment**

The measurement of wear-and-tear for property, plant and equipment items entails estimates. The carrying amount of property, plant and equipment as at 30 June 2014 totals €2,705.4m (as at 30 September 2013 €2,682.0m). 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 numerous 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 payment flows and appropriate interest rates. Moreover, essential estimates and judgements relate to the definition of economic useful lives as well as the recoverable residual amounts of items of property, plant and equipment.

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

**Pension provisions**

As at 30 June 2014, the carrying amount of the provisions for pensions and similar liabilities totals €1,169.5m (as at 30 September 2013 €1,136.0m).

In order to determine the obligations under defined benefit pension schemes, actuarial calculations are used which depend among others on underlying assumptions about life expectancy and the discount rate. The discount rate used is the interest rate for first-class corporate bonds with a fixed interest rate denominated in the currencies in which the benefits are paid and with maturities corresponding to those of the pension obligations.

At the 30 June 2014, plan assets total €1,851.0m (as at 30 September 2013 €1,616.6m). As assets classified as plan assets are never held for short-term sale, the fair values of these plan assets may change significantly by 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 the Notes to balance sheet pension provisions under Note 31.

**Other provisions**

As at 30 June 2014, other provisions of €1,017.2m (as at 30 September 2013 €1,024.2m) are shown. When recognising and measuring provisions, considerable assumptions are required about probability of occurrence, maturity and level of risk. Provisions are recognised if a past event has resulted in a present legal or constructive obligation, if an outflow of resources is probable in order to meet that obligation, and if a reliable estimate can be made of the amount of the obligation.

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

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

**Deferred tax assets**

The assessment of the usability of deferred tax assets is based on assumptions regarding the ability of the Group company concerned to generate sufficient taxable profits. TUI therefore assesses as at every balance sheet date whether the recoverability of expected future tax savings is sufficiently probable for the recognition of deferred tax assets. The assessment is based on various factors including internal forecasts regarding the Group company's future tax asset situation. If the assessment of the recoverability of future deferred tax assets changes, impairments may be effected, if necessary, for the deferred tax assets.

**Current income taxes**

The TUI Group is liable to pay income taxes in various countries. Key estimates are required when determining income tax liabilities. For certain business transactions and calculations the final tax charge cannot be determined during the ordinary course of business. 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.

# NOTES

## SEGMENT REPORTING

### Notes to the segments

The identification of operating segments is based on the internal organisational and reporting structure, built, inter alia, around the different products and services 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. For the presentation of reportable segments in accordance with IFRS 8, both operating segments with comparable economic features and operating segments not meeting the quantitative thresholds are aggregated with other operating segments.

Tourism accounts for the Group's core business. The Tourism Segment consists of TUI Travel, TUI Hotels & Resorts and the Cruises Sector. The Sectors constitute the reportable segments according to IFRS 8.

TUI Travel comprises all distribution, tour operator, airline and incoming activities of the TUI Group. Operational management of the Mainstream, Specialist & Activity and Accommodation & Destinations Businesses is exercised by the management of TUI Travel PLC. TUI Hotels & Resorts comprises all hotel companies of the Group outside the TUI Travel Group.

The Cruises Sector consists of Hapag-Lloyd Kreuzfahrten and the TUI Cruises activities, a joint venture measured at equity.

The segment entitled "All other segments" carries the Group's real estate companies, all non-allocable business activities (in particular holding companies) and the result from the measurement of the stake in Container Shipping.

Expenses for and income from TUI AG's management tasks are allocated to the individual segments they are associated with.



## Notes to the segment data

As a rule, inter-segment business transactions are based on the arm's length principle, as applied in transactions with third parties.

The operating segment assets and liabilities comprise assets and liabilities, excluding financial assets, financial liabilities, pension provisions and income taxes. Goodwill is also shown as segment assets.

Non-current assets comprise goodwill, other intangible assets, property, plant and equipment, and the non-current components of other assets.

Investments are additions of property, plant and equipment as well as intangible assets. Depreciation and amortisation relate to segment fixed assets and do not include goodwill impairments.

Non-cash expenses do not include depreciation or reversals of depreciation.

Proceeds from the disposal of subsidiaries are allocated to the individual segment revenues.

Financial assets as well as cash and cash equivalents are used to generate the financial result. Financial liabilities and pension provisions are carried as interest-bearing liabilities and are used to finance the operating and investing activities.

Reconciliation of segment assets and liabilities to the Group's assets or liabilities has to take account of income tax assets or income tax provisions and liabilities.

Segment reporting discloses in particular performance indicators such as EBITA, underlying EBITA, EBITDA and EBITDAR since these indicators are used as the control basis for value-oriented corporate management. EBITA represents the consolidated performance indicator within the meaning of IFRS 8. As the investment in Hapag-Lloyd Holding AG constitutes a financial investment from TUI AG's perspective, the at equity result from Container Shipping is not taken into account in calculating earnings by the segments.

## Key Figures by Segment and Sector

### € million

#### Statement of results

Turnover

Inter-segment turnover

#### Segment turnover

#### Group profit for the year

Income taxes

#### Earnings before taxes (EBT)

of which share of results of joint ventures and associates

Net interest result and result from the measurement of interest hedges

Impairment of goodwill

Result from Container Shipping measured at equity

#### Earnings before interest, taxes and amortisation of goodwill (EBITA)

Adjustments

#### Underlying EBITA

Amortisation of other intangible assets and depreciation of property, plant and equipment

of which impairments

Other depreciation/amortisation and write-backs

of which write-backs

#### Earnings before interest, taxes, depreciation and amortisation (EBITDA)

Rental expenses

#### Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)

#### Assets and liabilities

Segment assets

of which goodwill

Carrying amounts of joint ventures and associates

Interest-bearing Group receivables

Cash and cash equivalents

Other financial assets

Non-allocable taxes

#### Total assets

Segment liabilities

Third-party financial liabilities

Group financial liabilities

Other financial liability items

Non-allocable taxes

#### Total liabilities and provisions

#### Additional disclosures

Non-cash expenses

Non-cash income

Return on sales (on EBITA)

%

Investments

Investments in goodwill

Investments in other intangible assets and property, plant and equipment

Financing ratio

%

Employees at year-end

	Tourism		All other Segments		Consolidation		Group	
	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013
	11,373.0	11,507.0	11.4	11.4	–	–	11,384.4	11,518.4
	10.0	13.5	14.8	17.2	- 24.8	- 30.7	–	–
	<b>11,383.0</b>	<b>11,520.5</b>	<b>26.2</b>	<b>28.6</b>	<b>- 24.8</b>	<b>- 30.7</b>	<b>11,384.4</b>	<b>11,518.4</b>
	–	–	–	–	–	–	<b>- 348.6</b>	<b>- 476.2</b>
	–	–	–	–	–	–	- 123.4	- 152.8
	<b>- 351.0</b>	<b>- 463.4</b>	<b>- 121.0</b>	<b>- 165.6</b>	–	–	<b>- 472.0</b>	<b>- 629.0</b>
	29.7	42.7	- 38.9	- 25.4	–	–	- 9.2	17.3
	136.9	128.3	47.8	75.2	–	–	184.7	203.5
	–	8.3	–	–	–	–	–	8.3
	–	–	38.9	25.4	–	–	38.9	25.4
	<b>- 214.1</b>	<b>- 326.8</b>	<b>- 34.3</b>	<b>- 65.0</b>	–	–	<b>- 248.4</b>	<b>- 391.8</b>
	66.1	123.6	–	16.0	–	–	66.1	139.6
	<b>- 148.0</b>	<b>- 203.2</b>	<b>- 34.3</b>	<b>- 49.0</b>	–	–	<b>- 182.3</b>	<b>- 252.2</b>
	284.8	307.8	1.8	9.9	–	–	286.6	317.7
	8.3	35.1	–	6.6	–	–	8.3	41.7
	- 0.1	1.6	–	0.1	–	–	- 0.1	1.7
	0.4	1.8	–	0.1	–	–	0.4	1.9
	<b>70.8</b>	<b>- 20.6</b>	<b>- 32.5</b>	<b>- 55.2</b>	–	–	<b>38.3</b>	<b>- 75.8</b>
	590.9	558.3	2.8	4.5	–	<b>- 2.7</b>	593.7	560.1
	<b>661.7</b>	<b>537.7</b>	<b>- 29.7</b>	<b>- 50.7</b>	–	<b>- 2.7</b>	<b>632.0</b>	<b>484.3</b>
	9,329.2	8,573.6	627.0	214.0	1.7	0.8	9,957.9	8,788.4
	3,062.1	2,976.4	–	–	–	–	3,062.1	2,976.4
	931.7	864.5	–	521.9	–	–	931.7	1,386.4
	45.2	57.5	871.3	989.3	- 916.5	- 1,046.8	–	–
	1,428.1	2,194.7	511.2	507.0	–	–	1,939.3	2,701.7
	310.7	236.3	2,509.9	2,451.7	- 2,440.6	- 2,388.7	380.0	299.3
	–	–	–	–	–	–	565.1	278.5
	–	–	–	–	–	–	<b>13,774.0</b>	<b>13,454.3</b>
	8,131.8	6,733.2	257.0	263.1	- 2.6	- 4.5	8,386.2	6,991.8
	1,735.6	2,145.9	501.8	623.7	–	–	2,237.4	2,769.6
	872.1	987.7	42.6	58.1	- 914.7	- 1,045.8	–	–
	1,079.5	1,008.4	347.8	336.8	–	–	1,427.3	1,345.2
	–	–	–	–	–	–	318.6	351.0
	–	–	–	–	–	–	<b>12,369.5</b>	<b>11,457.6</b>
	49.2	36.9	48.2	25.4	–	–	97.4	62.3
	109.6	66.2	–	–	–	–	109.6	66.2
	- 1.9	- 2.8	–	–	–	–	- 2.2	- 3.4
	602.1	631.9	1.8	1.1	–	–	603.9	633.0
	24.4	32.4	–	–	–	–	24.4	32.4
	577.7	599.5	1.8	1.1	–	–	579.5	600.6
	47.3	50.0	100.0	900.0	–	–	47.5	51.5
	76,790	74,040	237	405	–	–	77,027	74,445

## Key Figures Tourism Segment

	TUI Travel	
€ million	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013
<b>Statement of results</b>		
Turnover	10,865.0	11,030.2
Inter-segment turnover	19.4	20.5
<b>Segment turnover</b>	<b>10,884.4</b>	<b>11,050.7</b>
<b>Group profit for the year</b>		
Income taxes	–	–
<b>Earnings before taxes (EBT)</b>	<b>- 451.4</b>	<b>- 459.9</b>
of which share of result of joint ventures and associates	4.1	16.5
Net interest result and result from the measurement of interest hedges	121.9	113.3
Impairment of goodwill	–	–
<b>Earnings before interest, taxes and amortisation of goodwill (EBITA)</b>	<b>- 329.5</b>	<b>- 346.6</b>
Adjustments	81.5	56.2
<b>Underlying EBITA</b>	<b>- 248.0</b>	<b>- 290.4</b>
Amortisation of other intangible assets and depreciation of property, plant and equipment	227.6	229.3
of which impairments	8.3	13.9
Other depreciation/amortisation and write-backs	- 0.2	1.7
of which write-backs	0.1	1.8
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>- 101.7</b>	<b>- 119.0</b>
Rental expenses	535.9	514.8
<b>Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)</b>	<b>434.2</b>	<b>395.8</b>
<b>Assets and liabilities</b>		
Segment assets	7,578.8	6,844.6
of which goodwill	2,693.4	2,607.3
Carrying amounts of joint ventures and associates	297.4	281.8
Interest-bearing Group receivables	4.6	4.0
Cash and cash equivalents	1,271.7	2,096.9
Other financial assets	238.2	158.7
Non-allocable taxes		
<b>Total assets</b>		
Segment liabilities	7,932.6	6,555.1
Third-party financial liabilities	1,496.1	1,923.1
Group financial liabilities	6.9	8.8
Other financial liability items	1,065.1	994.6
Non-allocable taxes		
<b>Total liabilities and provisions</b>		
<b>Additional disclosures</b>		
Non-cash expenses	39.0	29.7
Non-cash income	71.0	32.8
Return on sales (on EBITA) %	- 3.0	- 3.1
Investments	502.6	568.0
Investments in goodwill	24.4	32.4
Investments in other intangible assets and property, plant and equipment	478.2	535.6
Financing ration %	45.3	40.4
Employees at year-end	62,369	59,756

	TUI Hotels & Resorts		Cruises		Consolidation		Tourism	
	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013
	294.9	288.8	213.1	188.0	–	–	11,373.0	11,507.0
	296.3	267.1	1.0	–	- 306.7	- 274.1	10.0	13.5
	<b>591.2</b>	<b>555.9</b>	<b>214.1</b>	<b>188.0</b>	<b>- 306.7</b>	<b>- 274.1</b>	<b>11,383.0</b>	<b>11,520.5</b>
	–	–	–	–	–	–	–	–
	<b>102.0</b>	<b>55.6</b>	<b>- 1.6</b>	<b>- 59.1</b>	<b>–</b>	<b>–</b>	<b>- 351.0</b>	<b>- 463.4</b>
	16.1	19.3	9.5	6.9	–	–	29.7	42.7
	15.1	15.1	- 0.1	- 0.1	–	–	136.9	128.3
	–	8.3	–	–	–	–	–	8.3
	<b>117.1</b>	<b>79.0</b>	<b>- 1.7</b>	<b>- 59.2</b>	<b>–</b>	<b>–</b>	<b>- 214.1</b>	<b>- 326.8</b>
	0.6	25.9	- 16.0	41.5	–	–	66.1	123.6
	<b>117.7</b>	<b>104.9</b>	<b>- 17.7</b>	<b>- 17.7</b>	<b>–</b>	<b>–</b>	<b>- 148.0</b>	<b>- 203.2</b>
	47.3	70.9	9.9	7.6	–	–	284.8	307.8
	–	21.2	–	–	–	–	8.3	35.1
	0.1	–	–	- 0.1	–	–	- 0.1	1.6
	0.3	–	–	–	–	–	0.4	1.8
	<b>164.3</b>	<b>149.9</b>	<b>8.2</b>	<b>- 51.5</b>	<b>–</b>	<b>–</b>	<b>70.8</b>	<b>- 20.6</b>
	24.0	24.7	31.0	18.8	–	–	590.9	558.3
	<b>188.3</b>	<b>174.6</b>	<b>39.2</b>	<b>- 32.7</b>	<b>–</b>	<b>–</b>	<b>661.7</b>	<b>537.7</b>
	1,616.9	1,599.8	179.8	187.6	- 46.3	- 58.4	9,329.2	8,573.6
	368.7	369.1	–	–	–	–	3,062.1	2,976.4
	415.6	385.3	218.7	197.4	–	–	931.7	864.5
	4.3	1.8	36.3	51.7	–	–	45.2	57.5
	152.5	93.4	3.9	4.4	–	–	1,428.1	2,194.7
	71.5	76.6	1.0	1.0	–	–	310.7	236.3
	142.2	119.4	103.9	116.9	- 46.9	- 58.2	8,131.8	6,733.2
	239.5	222.8	–	–	–	–	1,735.6	2,145.9
	678.5	802.2	186.7	176.7	–	–	872.1	987.7
	1.8	2.3	12.6	11.5	–	–	1,079.5	1,008.4
	10.2	7.2	–	–	–	–	49.2	36.9
	29.1	26.5	9.5	6.9	–	–	109.6	66.2
	19.8	14.2	- 0.8	- 31.5	–	–	- 1.9	- 2.8
	90.0	56.1	9.5	7.8	–	–	602.1	631.9
	–	–	–	–	–	–	24.4	32.4
	90.0	56.1	9.5	7.8	–	–	577.7	599.5
	52.6	141.2	104.2	97.4	–	–	47.3	50.0
	14,191	14,013	230	271	–	–	76,790	74,040

## Key Figures by Region

€ million	Germany		Great Britain		Spain	
	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013
<b>Consolidated turnover by customer</b>	3,047.0	3,101.7	3,455.7	3,450.4	169.2	116.5
<b>Consolidated turnover by domicile of companies</b>	3,197.4	3,272.6	3,347.3	3,365.6	391.9	369.9
<b>Long-term segment assets</b>	762.6	848.9	3,394.2	3,201.8	864.6	857.2
Non-allocable taxes	–	–	–	–	–	–
<b>Segment liabilities</b>	1,844.2	1,847.7	3,270.1	2,303.4	454.0	443.0
Non-allocable taxes	–	–	–	–	–	–
<b>Additional disclosures</b>						
Depreciation/amortisation	39.7	43.9	104.5	103.0	37.7	39.2
Investments	43.1	93.8	359.2	329.6	40.4	29.3
Investments in goodwill	3.3	16.9	1.2	6.7	3.2	–
Investments in other tangible assets and property, plant and equipment	39.8	76.9	358.0	322.9	37.2	29.3
Employees at year-end	9,886	10,157	16,681	17,156	9,946	9,395

## Turnover by divisions and sectors for the period from 1 October 2013 to 30 June 2014

€ million	External	Group	Q3 2013/14		9M 2013/14	
			Total	External	Group	Total
<b>Tourism</b>	4,821.2	2.8	4,824.0	11,373.0	10.0	11,383.0
TUI Travel	4,663.1	5.9	4,669.0	10,865.0	19.4	10,884.4
TUI Hotels & Resorts	94.2	109.0	203.2	294.9	296.2	591.1
Cruises	63.9	0.1	64.0	213.1	1.1	214.2
Consolidation	–	- 112.2	- 112.2	–	- 306.7	- 306.7
<b>All other segments</b>	4.1	2.5	6.6	11.4	14.8	26.2
Consolidation	–	- 5.3	- 5.3	–	- 24.8	- 24.8
<b>Total</b>	<b>4,825.3</b>	<b>0.0</b>	<b>4,825.3</b>	<b>11,384.4</b>	<b>–</b>	<b>11,384.4</b>

## Turnover by divisions and sectors for the period from 1 October 2012 to 30 June 2013

€ million	External	Group	Q3 2012/13		9M 2012/13	
			Total	External	Group	Total
<b>Tourism</b>	4,674.0	3.4	4,677.4	11,507.0	13.5	11,520.5
TUI Travel	4,536.3	2.2	4,538.5	11,030.2	20.5	11,050.7
TUI Hotels & Resorts	70.3	114.9	185.2	288.8	267.1	555.9
Cruises	67.4	–	67.4	188.0	–	188.0
Consolidation	–	- 113.7	- 113.7	–	- 274.1	- 274.1
<b>All other segments</b>	5.0	10.2	15.2	11.4	17.2	28.6
Consolidation	–	- 13.6	- 13.6	–	- 30.7	- 30.7
<b>Total</b>	<b>4,679.0</b>	<b>0.0</b>	<b>4,679.0</b>	<b>11,518.4</b>	<b>–</b>	<b>11,518.4</b>

	Other EU		Rest of Europe		North and South America		Other regions		Consolidation		Group	
	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013
	3,296.1	3,564.1	425.5	472.8	669.9	596.7	321.0	216.2	-	-	11,384.4	11,518.4
	3,250.3	3,308.8	303.4	352.4	559.7	538.3	334.4	310.8	-	-	11,384.4	11,518.4
	543.4	612.0	48.6	78.7	900.4	833.4	590.0	511.4	- 11.0	- 12.4	7,092.8	6,931.0
	-	-	-	-	-	-	-	-	-	-	565.1	278.5
	2,351.1	1,987.1	123.7	112.1	335.4	332.0	390.7	302.0	- 383.0	- 335.5	8,386.2	6,991.8
	-	-	-	-	-	-	-	-	-	-	318.6	351.0
	56.3	77.9	1.5	2.9	21.4	22.2	25.5	28.6	-	-	286.6	317.7
	45.5	80.7	1.3	1.8	25.9	59.1	88.5	38.7	-	-	603.9	633.0
	-	0.2	-	-	-	0.6	16.7	8.0	-	-	24.4	32.4
	45.5	80.5	1.3	1.8	25.9	58.5	71.8	30.7	-	-	579.5	600.6
	12,498	12,438	7,989	8,078	8,908	8,361	11,119	8,860	-	-	77,027	74,445

#### Earnings before taxes, interest and amortisation of goodwill by divisions and sectors

€ million	Q3 2013/14	Q3 2012/13	9M 2013/14	9M 2012/13
Tourism	102.5	103.3	- 214.1	- 326.8
TUI Travel	58.0	72.1	- 329.5	- 346.6
TUI Hotels & Resorts	42.8	30.4	117.1	79.0
Cruises	1.7	0.8	- 1.7	- 59.2
All other segments	- 11.5	- 16.1	- 34.3	- 65.0
<b>Total</b>	<b>91.0</b>	<b>87.2</b>	<b>- 248.4</b>	<b>- 391.8</b>

#### Adjusted earnings before taxes, interest and amortisation of goodwill by divisions and sectors

€ million	Q3 2013/14	Q3 2012/13	9M 2013/14	9M 2012/13
Tourism	174.9	102.0	- 148.0	- 203.2
TUI Travel	133.6	78.3	- 248.0	- 290.4
TUI Hotels & Resorts	42.8	30.4	117.7	104.9
Cruises	- 1.5	- 6.7	- 17.7	- 17.7
All other segments	- 11.5	- 15.5	- 34.3	- 49.0
<b>Total</b>	<b>163.4</b>	<b>86.5</b>	<b>- 182.3</b>	<b>- 252.2</b>

# NOTES

## NOTES TO THE CONSOLIDATED INCOME STATEMENT

The Group's earnings position continued to show a positive performance in the current financial year 2013/14. Both operating earnings and consolidated after-tax profits rose significantly in the first nine months of financial year 2013/14 versus the prior year reference period. This positive development is due to lower expenses by TUI AG's corporate centre and, in particular, the earnings improvements by TUI Travel and a successful operating performance by the hotel companies Riu and Robinson and the cruise business. The sound operating performance by TUI Travel in the period under review was mainly driven by the persistently strong demand for differentiated products, a growing share of online sales and higher average selling prices in the Mainstream Business.

### (1) Turnover

Group turnover is mainly generated from tourism services. A breakdown of turnover within the Tourism Segment into TUI Travel, TUI Hotels & Resorts and the Cruises Sector is provided by segment reporting.

### (2) Cost of sales and administrative expenses

The cost of sales include the expenses incurred to provide the tourism services. Apart from the expenses for personnel, depreciation/amortisation and rental and lease expenses, they include in particular all costs incurred by the Group in connection with the provision and delivery of airline services, hotel accommodation and 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	Q3 2013/14	Q3 2012/13	9M 2013/14	9M 2012/13
Staff cost	229.6	205.9	651.9	614.4
Lease, rental and leasing expenses	18.3	15.5	53.5	49.4
Depreciation, amortisation and impairments	23.9	26.8	70.6	84.6
Others	126.9	138.6	376.5	406.0
<b>Total</b>	<b>398.7</b>	<b>386.8</b>	<b>1.152.5</b>	<b>1.154.4</b>

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	Q3 2013/14	Q3 2012/13	9M 2013/14	9M 2012/13
<b>Lease, rental and leasing expenses</b>	<b>214.6</b>	<b>196.6</b>	<b>628.4</b>	<b>589.3</b>
thereof cost of sales	196.3	181.1	574.9	539.9
thereof administrative expenses	18.3	15.5	53.5	49.4

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



The increase in rental and lease expenses versus the nine-month reference period in the prior year mainly results from the commissioning of additional aircraft by TUI Travel and the fleet expansion in Hapag-Lloyd Kreuzfahrten to include Europa 2.

#### Staff cost

€ million	Q3 2013/14	Q3 2012/13	9M 2013/14	9M 2012/13
Wages and salaries	536.9	506.0	1,514.7	1,480.8
thereof cost of sales	349.0	309.6	972.1	938.6
thereof administrative expenses	187.9	196.4	542.6	542.2
Social security contributions, pension costs and benefits	119.8	91.0	285.7	274.5
thereof cost of sales	78.1	81.5	176.4	202.3
thereof administrative expenses	41.7	9.5	109.3	72.2
<b>Total</b>	<b>656.7</b>	<b>597.0</b>	<b>1,800.4</b>	<b>1,755.3</b>

Pension costs include expenses for service costs for defined benefit pension obligations. The net interest on the net defined benefit liability is carried under financial expenses due to its financing character. A detailed presentation of pension obligations is provided in Note 31.

Personnel costs rose versus the comparative nine-month period in the prior year, in particular due to an increase in the headcount in the period under review. In the period under review, this item also included personnel expenses for companies included in consolidation for the first time in the current financial year 2013/14.

Social security contributions and pension costs and other benefits rose in the first nine months of financial year 2013/14, in particular due to an increase in the headcount and additional expenses for companies included in consolidation for the first time in the current financial year. Moreover, expenses in connection with restructuring measures within TUI Travel arose in the period under review.

On the other hand, social security contributions and pension costs and other benefits declined in the period under review due to further measures to optimise pension schemes within the Group. Recipients of pension schemes in the UK were offered the option to immediately receive a higher pension in return for lower pension increases in future by giving up some of their future pension increases. Furthermore, a defined benefit pension plan in Norway was transformed into a defined contribution plan. These measures generated income from the curtailment of pension plans of €45.2m. In the first nine months of the prior year, social security contributions and expenses for pensions and other benefits had already been reduced by income from the curtailment of pension plans in a Dutch subsidiary, which, however, was lower at €28.8m.

The development of the cost of sales and administrative expenses included in wages and salaries and of social security contributions and pension costs and other benefits reflects changes in the nature of this income compared with the prior year reference period as a result of the change and conversion of pension plans. The income from the curtailment of pension plans in the Netherlands included in the first nine months of the previous year mainly related to central functions and was therefore included in administrative expenses for the most part. The income from the change in pension plans in the UK in the current financial year mainly relates to operating functions. That is why the income for the current financial year 2013/14 is primarily carried under cost of sales.

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

**Average annual headcount in the financial year (excl. apprentices)**

	9M 2013/14	9M 2012/13
Average annual – TUI Group	68,728	66,553

**Amortisation/depreciation/write-downs**

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.

**Depreciation/amortisation/impairments**

€ million	Q3 2013/14	Q3 2012/13	9M 2013/14	9M 2012/13
Depreciation and amortisation	93.9	92.7	278.6	276.1
thereof cost of sales	70.0	71.3	208.1	205.5
thereof administrative expenses	23.9	21.4	70.5	70.6
Impairments of property, plant and equipment	7.7	11.0	7.9	41.6
thereof cost of sales	7.7	5.6	7.8	27.6
thereof administrative expenses	–	5.4	0.1	14.0
<b>Total</b>	<b>101.6</b>	<b>103.7</b>	<b>286.5</b>	<b>317.7</b>

An essential component of impairments of property, plant and equipment is an impairment of €7.7m on the cruise ship Island Escape.

The impairments carried for the prior-year reference period mainly related to impairments of €21.2m on property, plant and equipment in Tenuta di Castelfalfi S.p.A. and impairments of €6.6m in connection with the fair value measurement of an aircraft available for sale. A further €7.6m result from impairments of intangible assets and €1.8m from impairments of two spare engines.

### (3) Other income/other expenses

#### Other income/other expenses

€ million	Q3 2013/14	Q3 2012/13	9M 2013/14	9M 2012/13
Other income	6.9	10.5	23.4	28.5
Other expenses	0.4	5.2	1.9	6.4
<b>Total</b>	<b>6.5</b>	<b>5.3</b>	<b>21.5</b>	<b>22.1</b>

In the current financial year 2013/14, other income mainly results from book profits from the sale of the science park in Kiel and the industrial park in Berlin-Tempelhof and the sale of a hotel company in Switzerland. Other income also includes gains from sale and leaseback transactions with aircraft and gains on disposal from the sale of an investment and a subsidiary.

Other income carried in the nine-month reference period of the prior year mainly included book profits from the disposal of a hotel of the Riu Group and profits from sale and leaseback transactions with aircraft.

### (4) Goodwill impairment

In the first nine months of financial year 2013/14, the implementation of impairment tests according to IAS 36 did not result in impairment requirements for the TUI Group's cash generating units.

The impairments carried in the prior-year reference period in TUI Hotels & Resorts resulted from the adjustment of the business plan of the Castelfalfi project.

### (5) Financial income

#### Financial income

€ million	9M 2013/14	9M 2012/13 restated
Income from non-consolidated Group companies including income from profit transfer agreements	2.5	1.3
Income from other investments	0.2	0.2
<b>Income from investments</b>	<b>2.7</b>	<b>1.5</b>
Other income from securities and loans	0.1	–
Other interest and similar income	17.0	22.7
<b>Interest income</b>	<b>17.1</b>	<b>22.7</b>
Income from the measurement of other financial instruments	–	0.2
Foreign exchange gains on financial items	–	2.9
<b>Total</b>	<b>19.8</b>	<b>27.3</b>

The decline in other interest income mainly results from lower interest received on bank balances due to lower interest rate levels.

**(6) Financial expenses****Financial expenses**

<b>€ million</b>	<b>9M 2013/14</b>	9M 2012/13 restated
Interest expenses from the measurement of pension obligations	28.7	31.7
Other interest and similar expenses	169.9	194.0
Expenses relating to the measurement of interest hedges	3.2	0.5
<b>Interest expenses</b>	<b>201.8</b>	<b>226.2</b>
Expenses relating to the measurement of other financial instruments	1.6	0.5
Foreign exchange losses on financial items	4.0	6.7
<b>Total</b>	<b>207.4</b>	<b>233.4</b>

The year-on-year decline in interest expenses in the period under review mainly results from redemptions and reductions in financial liabilities in the first nine months of financial year 2012/13.

**(7) Share of result of joint ventures and associates****Share of result of joint ventures and associates**

<b>€ million</b>	<b>9M 2013/14</b>	9M 2012/13
Income from associated companies measured at equity	29.6	24.0
Expenses for associated companies measured at equity	43.3	25.2
<b>Share of result of associates</b>	<b>- 13.7</b>	<b>- 1.2</b>
Income from joint ventures measured at equity	41.9	38.5
Expenses for joint ventures measured at equity	37.4	20.0
<b>Share of result of joint ventures</b>	<b>4.5</b>	<b>18.5</b>
<b>Total</b>	<b>- 9.2</b>	<b>17.3</b>

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

The decrease in the share of results of joint ventures and associates is attributable above all to the increase in the loss from Container Shipping attributable to TUI to €-38.9m (previous year reference period €-25.4m). Earnings also declined due to the uncertain political situation in Egypt and Ukraine, partly offset by higher profit contributions by TUI Cruises, measured at equity.

**Group share in individual items of income statement of associated companies**

<b>€ million</b>	<b>9M 2013/14</b>	9M 2012/13
Operating income	1,504.3	1,739.1
Operating expenses	1,489.2	1,706.3
<b>Operating result</b>	<b>15.1</b>	<b>32.8</b>
Financial result	- 16.8	- 22.9
<b>Profit on ordinary activities</b>	<b>- 1.7</b>	<b>9.9</b>
Income taxes	12.0	11.1
<b>Profit/loss for the year</b>	<b>- 13.7</b>	<b>- 1.2</b>
<b>Share of result of associates</b>	<b>- 13.7</b>	<b>- 1.2</b>

### Group share in individual items of income statements of joint ventures

€ million	9M 2013/14	9M 2012/13
Operating income	483.9	581.3
Operating expenses	458.8	545.9
<b>Operating result</b>	<b>25.1</b>	<b>35.4</b>
Financial result	- 7.5	- 8.3
<b>Profit on ordinary activities</b>	<b>17.6</b>	<b>27.1</b>
Income taxes	13.1	8.6
<b>Profit/loss for the year</b>	<b>4.5</b>	<b>18.5</b>
<b>Share of result of joint ventures</b>	<b>4.5</b>	<b>18.5</b>

### (8) Adjustments

On top of the disclosures required under IFRS, the consolidated income statement comprises a reconciliation to underlying earnings. The one-off items show final consolidation profits under gains on disposal, events according to IAS 37 under restructuring, and all effects from purchase price allocations, ancillary acquisition costs and conditional purchase price payments on EBITA under purchase price allocations.

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

### One-off items by sector

€ million	Q3 2013/14	Q3 2012/13	9M 2013/14	9M 2012/13
Tourism	41.0	- 25.8	- 15.6	44.6
TUI Travel	44.2	- 18.3	0.4	- 22.8
TUI Hotels & Resorts	-	-	-	25.9
Cruises	- 3.2	- 7.5	- 16.0	41.5
All other segments	-	0.6	-	8.0
<b>Total</b>	<b>41.0</b>	<b>- 25.2</b>	<b>- 15.6</b>	<b>52.6</b>

The one-off items carried by TUI Travel for the first nine months of financial year 2013/14 relate above all to the income from the curtailment of pension plans in the UK and the Netherlands, outlined in the Notes to the personnel costs. An opposite effect mainly results from adjustments amounting to 50.4m € for expenses for the back payment of VAT on the margin for prior years in a subsidiary in Spain due to a changes in the legal assessment in the third quarter of the current financial year.

In the prior-year reference period, one-off items within TUI Travel had mainly related to income from the curtailment and settlement of pension plans in the Netherlands and income from sale and leaseback transactions with aircraft.

In the first nine months of the prior year, the Hotels & Resorts Sector recognised one-off impairments for the Castelfalfi hotel project.

In the prior year reference period, the one-off items carried as adjustments in the Cruises Sector related to expenses for risk provisioning at Hapag-Lloyd Kreuzfahrten for impending losses from occupancy risks of Europa 2. The income carried as adjustments in the current financial year 2013/14 mainly results from the use of the provision for onerous losses formed in the prior year.

The one-off items relating to other segments in the first nine months of the previous year comprised in particular one-off expenses for the fair value measurement of an aircraft held for sale.

#### (9) Income taxes

The tax asset arising for the first nine months of the current financial year is primarily attributable to the seasonality of the tourism business. Moreover, the reversal of tax provisions for tax risks creates additional tax assets in Germany. An opposite effect results from the revaluation of deferred tax assets at the TUI Travel sector.

#### (10) Group profit/loss attributable to shareholders of TUI AG

The Group loss attributable to TUI AG shareholders declined from €376.2m in the prior year reference period to €249.2m in the current financial year. The increase is largely attributable to the improvement in earnings by the holding companies and the Cruises and TUI Travel & Resorts segments.

#### (11) Group profit/loss attributable to non-controlling interest

##### Group profit/loss attributable to non-controlling interest

€ million	Q3 2013/14	Q3 2012/13 restated	9M 2013/14	9M 2012/13 restated
TUI Travel	9.1	0.7	- 144.5	- 138.2
TUI Hotels & Resorts	11.7	8.2	45.1	38.2
<b>Total</b>	<b>20.8</b>	<b>8.9</b>	<b>- 99.4</b>	<b>- 100.0</b>

The Group result attributable to non-controlling interests in the TUI Hotels & Resorts Sector mainly relates to the RIUSA II Group.

#### (12) Earnings per share

In accordance with IAS 33, basic earnings per share are calculated by dividing the Group's net 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 current financial year (252,375,570 shares), the prorated employee shares issued (78,152 new shares for 213 days) and the conversion of bonds into new shares (3,000,481 on a prorated basis).

In analogy to IAS 33.12, the dividend on the hybrid capital is deducted from the Group result for the year attributable to shareholders of TUI AG since the hybrid capital represents equity but does not constitute Group profit attributable to TUI AG shareholders. For the hybrid capital, accrued dividend obligations totalling €3.9m at the balance sheet date (as at 30 September 2013 €3.8m) are included in financial liabilities and will be paid in July 2014.

## Earnings per share

		9M 2013/14	9M 2012/13
Group profit for the year attributable to shareholders of TUI AG	€ million	- 249.2	- 376.2
Dividend effect on hybrid capital	€ million	- 17.1	- 18.0
= Adjusted Group profit for the year attributable to shareholders of TUI AG	€ million	- 266.3	- 394.2
Weighted average number of shares		255,454,203	252,358,169
<b>Basic earnings per share</b>	€	<b>- 1.04</b>	<b>- 1.56</b>
Adjusted Group profit for the year attributable to shareholders of TUI AG	€ million	- 266.3	- 394.2
Interests savings from convertible bonds	€ million	+ 36.0	35.9
Diluted and adjusted share in Group profit for the year attributable to shareholders of TUI AG	€ million	- 230.3	- 358.3
Weighted average number of shares		255,454,203	252,358,169
Diluting effect from assumed exercise of conversion inputs		+ 64,201,579	+ 66,813,600
Weighted average number of shares (diluted)		319,655,782	319,171,769
<b>Diluted earnings per share</b>	€	<b>- 1.04</b>	<b>- 1.56</b>

As a rule, a dilution of earnings per share occurs when the average number of shares increases by adding the issue of potential shares from conversion options, and thus the earnings per share increase. Since the convertible bonds do not have a dilution effect in the current financial year 2013/14, basic and diluted earnings per share are identical.

The result derives exclusively from continuing operations.

## (13) Taxes attributable to other results

### Tax effects relating to other comprehensive income

€ million	9M 2013/14			9M 2012/13		
	Gross	Tax effect	Net	Gross	Tax effect	Net
Foreign exchange differences	- 145.1	-	- 145.1	56.0	-	56.0
Available for sale financial instruments	- 0.9	-	- 0.9	1.9	-	1.9
Cash flow hedges	10.5	- 6.5	4.0	89.1	- 20.5	68.6
Actuarial losses from pension provisions and related fund assets	- 149.2	36.7	- 112.5	74.9	- 17.7	57.2
Changes in the measurement of companies measured at equity outside profit or loss	13.8	-	13.8	4.8	-	4.8
<b>Other comprehensive income</b>	<b>- 270.9</b>	<b>30.2</b>	<b>- 240.7</b>	<b>226.7</b>	<b>- 38.2</b>	<b>188.5</b>

# NOTES

## NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### (14) Goodwill

#### Goodwill

€ million	9M 2013/14	9M 2012/13
<b>Historical cost</b>		
<b>Balance as at 1 Oct</b>	<b>3,421.6</b>	<b>3,490.0</b>
Exchange differences	69.1	- 130.7
Additions	24.4	30.9
Disposals <sup>1)</sup>	2.5	-
<b>Balance as at 30 Jun</b>	<b>3,512.6</b>	<b>3,390.2</b>
<b>Impairment</b>		
<b>Balance as at 1 Oct</b>	<b>445.2</b>	<b>443.6</b>
Exchange differences	5.3	- 12.6
Impairments for the current year	-	8.3
<b>Balance as at 30 Jun</b>	<b>450.5</b>	<b>439.3</b>
<b>Carrying amounts as at 30 Jun</b>	<b>3,062.1</b>	<b>2,950.9</b>

<sup>1)</sup> of which disposals due to changes in the group of consolidated companies of €2.5m

The increase in the carrying amount is mainly attributable to the translation of goodwill not carried in the TUI Group's functional currency into euros.

The additions are mainly attributable to acquisitions in the TUI Travel Sector. Details concerning the acquisitions are presented under Principles and methods of consolidation.

In accordance with the rules of IAS 21, goodwill allocated to individual segments and Sectors was recognised in the functional currency of the subsidiaries and subsequently translated when preparing the consolidated financial statements. In analogy to the treatment of other differences from the translation of annual financial statements of foreign subsidiaries, differences due to exchange rate fluctuations 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 disclosed as a separate item. In the first nine months of financial year 2013/14, the carrying amount of goodwill increased by €63.8m (9M 2012/13 decrease of €118.1m) due to foreign exchange differences.

At €2,693.4m (as at 30 September 2013 €2,607.3m,) the largest portion of goodwill shown relates to the TUI Travel Sector.



Goodwill breaks down as follows for the individual cash generating units (CGUs).

#### Goodwill per cash generating unit

€ million	30 Jun 2014	30 Sep 2013
CGU TUI Travel	2,693.4	2,607.3
<b>TUI Travel</b>	<b>2,693.4</b>	<b>2,607.3</b>
CGU RIU	351.7	351.7
CGU Robinson	9.8	9.8
CGU Iberotel	7.2	7.6
<b>TUI Hotels &amp; Resorts</b>	<b>368.7</b>	<b>369.1</b>
<b>Segment Tourism</b>	<b>3,062.1</b>	<b>2,976.4</b>

Impairments are effected if the carrying amount of the tested units plus allocable goodwill exceeds the future recoverable amounts. As at 30 June 2014 a voluntary impairment test for goodwill is carried out on the basis of cash generating units (CGUs).

The recoverable amounts of all cash generating units were determined on the basis of fair value less costs of disposal. The fair value of the CGU TUI Travel was determined on the basis of the closing price of the TUI Travel share in the main market, the London Stock Exchange. If the closing price had been 10% lower, this would not have led to an impairment, either.

Since a fair value was not available in an active market for the other entities to be tested, it was determined by discounting the expected cash inflows. This was based on the medium-term plan for the entity under review, prepared at the balance sheet date 30 September 2013 and amended as at 30 June 2014, following deduction of income tax payments. Budgeted turnover and EBITA margins are based on empirical values from prior financial years and expectations with regard to the future development of the market. Future cash inflows beyond the planning period are determined using individual growth rates based on long-term business expectations.

The discount rates are calculated on the basis of external capital market information as the weighted average cost of capital, taking account of the risks associated with the cash generating unit. The cost of equity used in determining the rates reflects the shareholders' yield expectations. The cost of borrowing is derived from the terms and conditions governing the long-term financing of peer companies.

The table below provides an overview of the parameters used to determine the fair values per CGU. This concerns the period for the cash flow projections, the growth rates used to extrapolate the cash flow projections, the discount rates applied and the relevant measurement hierarchy according to IFRS 13. The table shows the main cash generating units to which goodwill is allocated.

#### Parameter for calculation of fair value

	Planning period in years	Growth rate revenues in %	EBITA-Margin in %	Growth rate after planning period in %	WACC in % <sup>1)</sup>	Level
CGU TUI Travel						1
CGU RIU	3	1.2	23.8	1.0	8.00	3
CGU Robinson	3	4.2	13.8	1.0	8.00	3
CGU Iberotel	3	3.6	17.9	1.0	8.00	3

<sup>1)</sup> As at 30 September 2013 the WACC for the sector TUI Hotels & Resorts was 8.25 %

The voluntary review of the amortised goodwill at the balance sheet date did not give rise to any impairments (9M 2012/13: €8.3m). Neither an increase in WACC by 50 base points nor a reduction in the growth rate of perpetuity of 50 base points would have resulted in an impairment of goodwill.

### (15) Other intangible assets

#### Other intangible assets

€ million	Concessions, industrial property rights and similar rights and values	Self generated software	Transport and leasing contracts	Customer base	Total
<b>Historical cost</b>					
<b>Balance as at 1 Oct 2012</b>	<b>1,221.7</b>	<b>159.8</b>	<b>104.3</b>	<b>244.6</b>	<b>1,730.4</b>
Exchange differences	- 40.1	- 7.5	- 7.3	- 4.1	- 59.0
Additions due to changes in the group of consolidated companies	3.5	–	–	3.2	6.7
Additions	71.6	10.3	–	–	81.9
Disposals	158.0	71.9	–	4.6	234.5 <sup>1)</sup>
Reclassifications	- 1.8	1.8	–	–	–
<b>Balance as at 30 Jun 2013</b>	<b>1,096.9</b>	<b>92.5</b>	<b>97.0</b>	<b>239.1</b>	<b>1,525.5</b>
<b>Amortisation</b>					
<b>Balance as at 1 Oct 2012</b>	<b>600.1</b>	<b>119.0</b>	<b>30.3</b>	<b>90.1</b>	<b>839.5</b>
Exchange differences	- 15.6	- 5.8	- 2.2	- 1.6	- 25.2
Amortisation for the current year	65.8	6.0	–	11.7	83.5
Impairments for the current year	8.1	2.2	–	–	10.3
Disposals	152.4	71.9	–	4.5	228.8 <sup>1)</sup>
<b>Balance as at 30 Jun 2013</b>	<b>506.0</b>	<b>49.5</b>	<b>28.1</b>	<b>95.7</b>	<b>679.3</b>
<b>Carrying amounts as at 30 Jun 2013</b>					
	<b>590.9</b>	<b>43.0</b>	<b>68.9</b>	<b>143.4</b>	<b>846.2</b>
<b>Historical cost</b>					
<b>Balance as at 1 Oct 2013</b>	<b>1,116.1</b>	<b>117.4</b>	<b>99.5</b>	<b>242.3</b>	<b>1,575.3</b>
Exchange differences	23.2	- 0.1	4.3	1.7	29.1
Additions due to changes in the group of consolidated companies	9.4	–	–	4.2	13.6
Additions	89.4	16.3	–	–	105.7
Disposals	10.1	0.1	–	0.1	10.3 <sup>2)</sup>
Reclassification as assets held for sale	- 0.4	–	–	–	- 0.4
Reclassifications	- 25.3	25.3	–	–	–
<b>Balance as at 30 Jun 2014</b>	<b>1,202.3</b>	<b>158.8</b>	<b>103.8</b>	<b>248.1</b>	<b>1,713.0</b>
<b>Amortisation</b>					
<b>Balance as at 1 Oct 2013</b>	<b>516.4</b>	<b>57.9</b>	<b>31.7</b>	<b>103.1</b>	<b>709.1</b>
Exchange differences	13.2	- 1.7	1.3	0.8	13.6
Amortisation for the current year	59.7	15.6	2.7	12.6	90.6
Disposals	8.8	–	–	0.1	8.9 <sup>2)</sup>
Reclassification as assets held for sale	- 0.3	–	–	–	- 0.3
Reclassifications	- 0.3	0.3	–	–	–
<b>Balance as at 30 Jun 2014</b>	<b>579.9</b>	<b>72.1</b>	<b>35.7</b>	<b>116.4</b>	<b>804.1</b>
<b>Carrying amounts as at 30 Jun 2014</b>					
	<b>622.4</b>	<b>86.7</b>	<b>68.1</b>	<b>131.7</b>	<b>908.9</b>

<sup>1)</sup> of which no disposals due to changes in the group of consolidated companies

<sup>2)</sup> of which disposals due to changes in the group of consolidated companies of 0,6 € million (historical cost) and 0,5 € million (amortisation) respectively

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

Other intangible assets, consisting in particular of trademarks and customer relationships, are amortised over the economic useful life.

As at 30 June 2014, the carrying amount of intangible assets with restrictions on title or being pledged as security totals €111.0m (as at 30 September 2013 €112.4m).

## (16) Investment property

### Investment property

€ million	9M 2013/14	9M 2012/13
<b>Historical cost</b>		
<b>Balance as at 1 Oct</b>	<b>95.1</b>	<b>94.1</b>
Additions	1.6	2.5
Disposals	0.7	0.4
Reclassifications	- 73.2	7.9
<b>Balance as at 30 Jun</b>	<b>22.8</b>	<b>104.1</b>
<b>Depreciation</b>		
<b>Balance as at 1 Oct</b>	<b>37.1</b>	<b>39.2</b>
Depreciation for the current year	0.8	1.7
Disposals	0.5	0.2
Reclassifications	- 22.4	-
<b>Balance as at 30 Jun</b>	<b>15.0</b>	<b>40.7</b>
<b>Carrying amounts as at 30 Jun</b>	<b>7.8</b>	<b>63.4</b>

Real estate owned by the Group is consistently occupied for use in the framework of the Group's ordinary business activities. In addition, the Group owns commercial property which meets the definition of investment property under IAS 40. The carrying amount of this property shown in fixed assets totals €7.8m (prior year reference period € 63.4m). The fair values totalling €8.3m (prior year reference period €64.0m) were calculated by the Group's own real estate company, without consulting an external expert, on the basis of comparable market rents. Investment property generated total income of €6.7m (prior year reference period €9.4m) in the current financial year. The generation of this income was associated with expenses of €4.6m (prior year reference period €5.9m) in the first nine months of financial year 2013/14. In the current financial year, the reclassifications relate to the science park in Kiel and an industrial park in Berlin-Tempelhof, which were reclassified to assets held for sale and sold in the course of the year.

**(17) Property, plant and equipment****Property, plant and equipment**

<b>€ million</b>	Real estate with hotels	Other real estate, land rights and buildings incl. buildings on third-party properties	Aircraft
<b>Historical cost</b>			
<b>Balance as at 1 Oct 2012</b>	<b>1,356.9</b>	<b>225.0</b>	<b>885.3</b>
Exchange differences	- 19.3	- 5.7	- 18.6
Additions due to changes in the group of consolidated companies	-	-	-
Additions	13.5	2.3	180.4
Disposals	15.7	5.7	96.0
Reclassification as assets held for sale	-	-	14.2
Reclassifications	- 7.7	9.3	83.6
<b>Balance as at 30 Jun 2013</b>	<b>1,327.7</b>	<b>225.2</b>	<b>1,048.9</b>
<b>Depreciation</b>			
<b>Balance as at 1 Oct 2012</b>	<b>401.3</b>	<b>65.6</b>	<b>560.0</b>
Exchange differences	- 3.8	- 1.3	- 11.3
Depreciation for the current year	28.7	1.5	50.0
Impairments for the current year	-	22.7	8.6
Disposals	11.5	3.7	82.5
Reclassification as assets held for sale	-	-	13.9
Reclassifications	-	1.1	-
<b>Balance as at 30 Jun 2013</b>	<b>414.7</b>	<b>85.9</b>	<b>538.7</b>
<b>Carrying amounts as at 30 Jun 2013</b>	<b>913.0</b>	<b>139.3</b>	<b>510.2</b>
<b>Historical cost</b>			
<b>Balance as at 1 Oct 2013</b>	<b>1,315.2</b>	<b>189.3</b>	<b>968.6</b>
Exchange differences	0.3	- 0.1	2.8
Additions due to changes in the group of consolidated companies	-	-	-
Additions	44.0	10.5	172.0
Disposals	1.2	3.0	18.1
Reclassification as assets held for sale	- 53.7	- 17.5	-
Reclassifications	5.3	42.6	2.6
<b>Balance as at 30 Jun 2014</b>	<b>1,309.9</b>	<b>221.8</b>	<b>1,127.9</b>
<b>Depreciation</b>			
<b>Balance as at 1 Oct 2013</b>	<b>407.7</b>	<b>56.8</b>	<b>477.1</b>
Exchange differences	8.3	0.2	5.0
Depreciation for the current year	24.4	2.6	54.0
Impairments for the current year	-	-	0.1
Disposals	0.5	2.9	13.6
Reclassification as assets held for sale	- 40.0	- 10.6	-
Reclassifications	- 9.4	26.0	-
<b>Balance as at 30 Jun 2014</b>	<b>390.5</b>	<b>72.1</b>	<b>522.6</b>
<b>Carrying amounts as at 30 Jun 2014</b>	<b>919.4</b>	<b>149.7</b>	<b>605.3</b>

<sup>1)</sup> Of which no disposals due to changes in the group of consolidated companies

<sup>2)</sup> Of which additions due to first-time consolidation of non-consolidated companies

<sup>3)</sup> Of which disposals due to changes in the group of consolidated companies of €0,3m (historical cost) and €0,2m (depreciation), respectively

	Ships	Machinery and fixtures	Other plants, operating and office equipment revised	Assets under construction	Payments on account	Total
	<b>743.5</b>	<b>239.8</b>	<b>1,303.4</b>	<b>80.0</b>	<b>271.8</b>	<b>5,105.7</b>
	- 33.6	- 1.1	- 25.7	- 1.5	- 9.0	- 114.5
	-	-	13.3	-	-	13.3
	36.2	3.9	47.7	62.4	152.7	499.1
	10.5	11.9	375.6	8.9	106.2	630.5 <sup>1)</sup>
	- 1.2	-	-	0.4	- 9.0	4.4
	- 1.0	3.8	0.7	- 28.4	- 67.4	- 7.1
	<b>733.4</b>	<b>234.5</b>	<b>963.8</b>	<b>104.0</b>	<b>232.9</b>	<b>4,870.4</b>
	<b>281.0</b>	<b>160.4</b>	<b>986.1</b>	<b>-</b>	<b>-</b>	<b>2,454.4</b>
	- 12.4	- 1.1	- 15.0	-	-	- 44.9
	27.6	7.8	75.3	-	-	190.9
	-	-	-	-	-	31.3
	6.2	12.3	373.5	-	-	489.7 <sup>1)</sup>
	- 0.7	-	-	-	-	13.2
	- 4.1	2.2	- 1.3	-	-	- 2.1
	<b>285.2</b>	<b>157.0</b>	<b>671.6</b>	<b>-</b>	<b>-</b>	<b>2,153.1</b>
	<b>448.2</b>	<b>77.5</b>	<b>292.2</b>	<b>104.0</b>	<b>232.9</b>	<b>2,717.3</b>
	<b>747.9</b>	<b>238.4</b>	<b>955.8</b>	<b>100.3</b>	<b>229.0</b>	<b>4,744.5</b>
	18.6	- 0.8	- 0.7	- 0.1	4.1	24.1
	-	-	1.7	-	-	1.7 <sup>2)</sup>
	27.1	7.9	56.0	7.2	131.8	456.5
	20.7	-	24.9	1.7	188.4	258.0 <sup>3)</sup>
	-	- 2.0	- 12.6	-	-	- 85.8
	- 7.3	7.2	10.8	- 58.4	-	2.8
	<b>765.6</b>	<b>250.7</b>	<b>986.1</b>	<b>47.3</b>	<b>176.5</b>	<b>4,885.8</b>
	<b>298.8</b>	<b>165.3</b>	<b>656.8</b>	<b>-</b>	<b>-</b>	<b>2,062.5</b>
	6.7	- 0.5	0.1	-	-	19.8
	33.3	10.9	62.0	-	-	187.2
	7.8	-	-	-	-	7.9
	15.3	-	19.8	-	-	52.1 <sup>3)</sup>
	-	- 1.8	- 11.2	-	-	- 63.6
	- 3.3	4.4	1.0	-	-	18.7
	<b>328.0</b>	<b>178.3</b>	<b>688.9</b>	<b>-</b>	<b>-</b>	<b>2,180.4</b>
	<b>437.6</b>	<b>72.4</b>	<b>297.2</b>	<b>47.3</b>	<b>176.5</b>	<b>2,705.4</b>

As at 30 June 2014, the carrying amount of property, plant and equipment with restrictions on title or being pledged as security amounts to €314.9m (as at 30 September 2013 €298.3m).

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

#### Composition of leased assets

€ million	Net carrying amounts	
	30 Jun 2014	30 Sep 2013
Other real estate, land rights and buildings incl. buildings on third-party properties	14.6	14.5
Aircraft	393.8	250.9
Ships, yachts and boats	103.4	106.1
Machinery and fixtures	1.3	0.4
Other plants, operating and office equipment	17.5	11.6
<b>Total</b>	<b>530.6</b>	<b>383.5</b>

The payment obligations resulting from future lease payments are carried as liabilities without taking account of future interest expenses for the carrying amount of the financial liabilities. Total payments due in future under finance leases amount to €585.7m (as at 30 September 2013 €435.0m). 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

€ million	up to 1 year	1-5 years	Remaining term more than 5 years	30 Jun 2014	30 Sep 2013
				Total	Total
Total future lease payments	62.7	209.4	313.6	585.7	435.1
Interest portion	17.3	57.1	35.0	109.4	99.5
Liabilities from finance leases	45.4	152.3	278.6	476.3	335.6

**(18) Investments in joint ventures and associates****Investments in joint ventures and associates**

€ million	Joint ventures	Associates	Total
<b>Historical cost</b>			
<b>Balance as at 1 Oct 2012</b>	<b>649.7</b>	<b>758.9</b>	<b>1,408.6</b>
Exchange differences	- 4.8	- 17.4	- 22.2
Additions	92.7	55.0	147.7
Disposals	33.9	90.1	124.0
<b>Balance as at 30 Jun 2013</b>	<b>703.7</b>	<b>706.4</b>	<b>1,410.1</b>
<b>Impairments</b>			
<b>Balance as at 1 Oct 2012</b>	<b>14.6</b>	–	<b>14.6</b>
<b>Balance as at 30 Jun 2013</b>	<b>14.6</b>	–	<b>14.6</b>
<b>Carrying amounts as at 30 Jun 2013</b>	<b>689.1</b>	<b>706.4</b>	<b>1,395.5</b>
<b>Historical cost</b>			
<b>Balance as at 1 Oct 2013</b>	<b>685.1</b>	<b>714.1</b>	<b>1,399.2</b>
Exchange differences	- 2.4	- 19.3	- 21.7
Additions	98.8	34.1	132.9
Disposals	43.6	54.9	98.5
Reclassifications	–	- 467.4	- 467.4
<b>Balance as at 30 Jun 2014</b>	<b>737.9</b>	<b>206.6</b>	<b>944.5</b>
<b>Impairments</b>			
<b>Balance as at 1 Oct 2013</b>	<b>12.8</b>	–	<b>12.8</b>
<b>Balance as at 30 Jun 2014</b>	<b>12.8</b>	–	<b>12.8</b>
<b>Carrying amounts as at 30 Jun 2014</b>	<b>725.1</b>	<b>206.6</b>	<b>931.7</b>

For associated companies and joint ventures measured at equity, proportionate profits for the year are shown under additions and disposals, while impairments of these investments are carried under impairments. Dividends worth €14.3m (previous year €69.5m) are included in disposals.

The expected merger between Hapag-Lloyd AG and Compania Sud Americana de Vapore will lead to a reduction in the stake in Hapag-Lloyd AG held by the Group. It is expected that the merger will be finalised in calendar year 2014. After the merger TUI will no longer have significant influence on Hapag-Lloyd AG. Accordingly, the investment will be classified as available-for-sale financial asset. As the nature of the investment changes, the investment amounting to €467.4m has been reclassified to non-current assets held for sale.

For joint ventures and associates, the stake held by the Group corresponds to its share in the individual assets and liabilities of the joint ventures.

### Group share of assets and liabilities of joint ventures

€ million	30 Jun 2014	30 Sep 2013
Goodwill from investment in joint ventures	79.1	75.5
Non-current assets	1,209.1	874.5
Current assets	270.3	261.2
Non-current provisions and liabilities	- 478.8	- 271.4
Current provisions and liabilities	- 354.6	- 267.5
<b>Investment in joint ventures</b>	<b>725.1</b>	<b>672.3</b>

### Group share of assets and liabilities of associates

€ million	30 Jun 2014	30 Sep 2013
Goodwill from investment in associates	53.9	209.4
Non-current assets	267.5	1,174.3
Current assets	199.9	514.3
Non-current provisions and liabilities	- 123.8	- 425.2
Current provisions and liabilities	- 190.9	- 758.7
<b>Investment in associates</b>	<b>206.6</b>	<b>714.1</b>

### (19) Financial assets available for sale

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

#### Financial assets available for sale

€ million	30 Jun 2014	30 Sep 2013
Shares in non-consolidated Group companies	17.5	18.5
Shares in affiliated companies	35.9	35.6
Other securities	17.8	17.4
<b>Total</b>	<b>71.2</b>	<b>71.5</b>

Where a listed market price in an active market is not available for shares held and other methods to determine an objective market value do not produce any reliable results, the shares are measured at cost. In the current financial year 2013/14, financial assets that had to be classified as available for sale under IFRS 39 of €1.1m (prior year €1.1m) were impaired.

### (20) Trade receivables and other assets

#### Trade receivables and other assets

€ million	30 Jun 2014		30 Sep 2013	
	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
Trade receivables	–	666.1	–	616.1
Advances and loans	238.9	1,575.3	213.3	1,078.3
Other receivables and assets	155.3	596.2	129.5	525.2
<b>Total</b>	<b>394.2</b>	<b>2,837.6</b>	<b>342.8</b>	<b>2,219.6</b>



## Ageing structure of the financial instruments included in trade receivables and other assets

€ million	Carrying amount of financial instruments	of which not overdue and not impaired	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
<b>Balance as at 30 Jun 2014</b>						
Trade receivables	666.1	525.0	75.2	48.4	15.9	1.6
Advances and loans	170.5	163.9	–	0.3	–	6.3
Other receivables and assets	72.5	72.5	–	–	–	–
<b>Total</b>	<b>909.1</b>	<b>761.4</b>	<b>75.2</b>	<b>48.7</b>	<b>15.9</b>	<b>7.9</b>
<b>Balance as at 30 Sep 2013</b>						
Trade receivables	616.1	439.4	95.9	55.6	13.7	11.5
Advances and loans	93.5	93.5	–	–	–	–
Other receivables and assets	64.0	64.0	–	–	–	–
<b>Total</b>	<b>773.6</b>	<b>596.9</b>	<b>95.9</b>	<b>55.6</b>	<b>13.7</b>	<b>11.5</b>

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

## Impairments on assets of the trade receivables and other assets category according to IFRS 7

€ million	9M 2013/14	2012/13
<b>Balance at the beginning of period</b>	<b>135.9</b>	<b>214.0</b>
Additions	11.4	60.6
Disposals	11.5	77.8
Other changes	12.9	- 60.9
<b>Balance at the end of period</b>	<b>148.7</b>	<b>135.9</b>

In the current financial year, as in the prior year reference period, no cash inflow was recorded from impaired interest-bearing trade accounts receivable and other receivables.

## Trade receivables

€ million	30 Jun 2014	30 Sep 2013
From third parties	628.7	563.9
From non-consolidated Group companies	3.9	3.2
From affiliates	33.5	49.0
<b>Total</b>	<b>666.1</b>	<b>616.1</b>

**Advances and loans**

€ million	30 Jun 2014		30 Sep 2013	
	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
Advances to non-consolidated Group companies	0.5	24.2	2.7	25.6
Loans to non-consolidated Group companies	–	–	–	0.9
Advances to affiliates	0.1	2.5	1.7	23.0
Loans to affiliates	47.8	61.8	26.7	27.4
Advances to third parties	7.4	20.2	7.2	25.6
Loans to third parties	16.0	18.3	10.7	16.8
Payments on account to affiliates	–	44.8	–	20.0
Payments on account to third-parties	167.1	1,403.5	164.3	939.0
<b>Total</b>	<b>238.9</b>	<b>1,575.3</b>	<b>213.3</b>	<b>1,078.3</b>

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

**Other receivables and assets**

€ million	30 Jun 2014		30 Sep 2013	
	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
Other receivables from non-consolidated Group companies	2.1	2.1	2.3	2.3
Other receivables from affiliates	37.9	69.1	32.1	35.3
Interest deferral	–	1.1	–	1.5
Other tax refund claims	35.5	106.9	28.1	83.6
Other assets	79.8	417.0	67.0	402.5
<b>Total</b>	<b>155.3</b>	<b>596.2</b>	<b>129.5</b>	<b>525.2</b>

**(21) Derivative financial instruments****Derivative financial instruments**

€ million	30 Jun 2014		30 Sep 2013	
	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
Receivables from derivative financial instruments from third parties	52.4	135.9	37.9	87.0

Derivative financial instruments are carried at their fair values (market values). They mainly serve as hedges for future business operations and are detailed in the Notes to financial instruments.

**(22) Deferred and current tax assets****Income tax assets**

<b>€ million</b>	<b>30 Jun 2014</b>	30 Sep 2013
Deferred tax assets	459.5	224.6
Current tax assets	105.6	53.9
<b>Total</b>	<b>565.1</b>	<b>278.5</b>

Due to the seasonality of the tourism business, the determination method according to IAS 34 leads to an increase in deferred tax assets for the operating losses generated in the first nine months of the current financial year. The increase in current income tax assets is mainly based on prepayments made in the current financial year.

**Individual items of deferred tax assets and liabilities recognised in the financial position**

<b>€ million</b>	30 Sep 2013 restated	
	Asset	Liability
Finance lease transactions	–	2.4
Recognition and measurement differences for property, plant and equipment and other non-current assets	125.1	330.8
Recognition differences for receivables and other assets	17.1	27.6
Measurement of financial instruments	34.9	67.6
Measurement of pension provisions	138.0	–
Recognition and measurement differences for other provisions	85.5	9.4
Other transactions	73.4	81.6
Capitalised tax savings from recoverable loss carryforwards	160.8	–
Netting of deferred tax assets and liabilities	- 410.2	- 410.2
<b>Balance sheet amount</b>	<b>224.6</b>	<b>109.2</b>

**Capitalised loss carryforwards and time limits for non-capitalised loss carryforwards**

<b>€ million</b>	30 Sep 2013 restated
<b>Capitalised loss carryforwards</b>	<b>798.9</b>
<b>Non-capitalised loss carryforwards</b>	<b>4,807.9</b>
of which loss carryforwards forfeitable within one year	–
of which loss carryforwards forfeitable within 2 to 5 years	26.2
of which loss carryforwards forfeitable within more than 5 years (excluding non-forfeitable loss carryforwards)	–
Non-forfeitable loss carryforwards	4,781.7
<b>Total unused loss carryforwards</b>	<b>5,606.8</b>

Loss carryforwards for German companies comprise the cumulative amount of trade tax and corporation tax as well as interest carryforwards from the German earnings stripping rule. As at 30 September 2013, potential tax savings totalling €923.6m were not capitalised since use of the underlying loss carryforwards was not considered probable within the planning period.

The amount of the loss carryforwards capitalised as at 30 September 2013 was changed with retroactive effect due to an agenda decision by the IFRS Interpretations Committee. The associated agenda decision is outlined in detail in the section on Changes in accounting and measurement methods.

As income taxes are determined according to IAS 34, it is not possible to present the disclosures on loss carryforwards and the breakdown of deferred taxes by fact and circumstance for the interim financial statements ended 30 June 2014.

### (23) Inventories

#### Inventories

€ million	30 Jun 2014	30 Sep 2013
Marine inventory	30.1	26.1
Airline spares and operating equipment	32.3	27.7
Real estate for sale	28.8	20.0
Other inventories	41.2	41.6
<b>Total</b>	<b>132.4</b>	<b>115.4</b>

Other inventories included an amount of €18.8m for consumables used in hotels.

No major write-backs of inventories were effected in the current financial year, nor in the prior year reference period.

### (24) Cash and cash equivalents

#### Cash and cash equivalents

€ million	30 Jun 2014	30 Sep 2013
Bank deposits	1,902.4	2,670.8
Cash in hand and cheques	36.9	30.9
<b>Total</b>	<b>1,939.3</b>	<b>2,701.7</b>

The decrease in cash and cash equivalents is mainly attributable to the net presentation of certain bank balances resulting from a cash pool, which were not netted against short-term current account credits of this cash pool in the prior-year statement of financial position. This balance sheet reduction, detailed in the chapter on Accounting principles, does not affect the Group's net financial position.

At 30 June 2014, cash and cash equivalents of €169.7m (as at 30 September 2013 €175.4m) were subject to restrictions on disposal. They included an amount of €116.3m for cash collateral received, deposited in a Belgian subsidiary by Belgian tax authorities in the prior financial year in the framework of long-standing litigation over VAT refunds for the years 2001 to 2011 without inference of guilt, the purpose being to prevent 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.

### (25) Assets held for sale

#### Assets held for sale

€ million	30 Jun 2014	30 Sep 2013
Investment	467.4	–
Property and hotel facilities	6.3	6.6
Other assets	2.9	5.0
<b>Total</b>	<b>476.6</b>	<b>11.6</b>

In the current financial year, various properties and hotel complexes were reclassified to assets held for sale and sold in the course of the year. They include in particular an industrial park in Berlin-Tempelhof, the science park in Kiel and two hotel companies in Switzerland and Austria.

Property and hotel complexes mainly include a hotel facility in Bulgaria held for sale, as at 30 September 2013.

The expected merger between Hapag-Lloyd AG and Compania Sud Americana de Vapores will lead to a reduction in the stake in Hapag-Lloyd AG held by the Group. It is expected that the merger will be finalised in calendar year 2014. After the merger TUI will no longer have significant influence on Hapag-Lloyd AG. Accordingly, the investment will be classified as available-for-sale financial asset. As the nature of the investment changes, the investment included within other segments and amounting to €467.4m has been reclassified to non-current assets held for sale.

Other assets also include hotel assets, aircraft spare parts, yachts and boats. The changes mainly comprise the sale of various asset items of a French hotel group and sales of aircraft spare parts.

The cumulative income and expenses in connection with assets held for sale that are taken directly to equity amount to €-45.7m.

#### **(26) 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 the switch in July 2005, the shares have been registered shares, whose owners have been listed by name in the share register.

In the first nine months of the financial year, the subscribed capital of TUI AG rose by a total of €68.2m to around €713.4m due to the issue of 99,800 shares resulting from the issue of employee shares and due to conversions into 26,586,030 shares under the 2009/14 and 2011/16 convertible bonds. It thus consisted of 279,061,400 shares at the end of the third quarter of the financial year.

The Annual General Meeting on 12 February 2014 authorised the Executive Board of TUI AG to acquire own shares of up to 10% of the capital stock. The authorisation will expire on 11 August 2015. The authorisation to acquire own shares has not been used to date.

#### **Conditional capital**

The Annual General Meetings of 7 May 2008 and 13 May 2009 had created conditional capital of €100.0m each and authorised the Company to issue bonds. These two authorisations to issue bonds with conversion options and warrants as well as profit-sharing rights and income bonds (with and without fixed terms) were limited to a total nominal amount of €1.0bn and expired on 6 May 2013 and 12 May 2014.

Further conditional capital for the issue of bonds of €120.0m was resolved at the Annual General Meeting on 15 February 2012. The authorisation to issue bonds with conversion options and warrants as well as profit-sharing rights and income bonds (with and without fixed terms) has been limited to a total nominal amount of €1.0bn and will expire on 14 February 2017.

Using the conditional capital of 13 May 2009, TUI AG issued unsecured non-subordinate convertible bonds worth €217.8m on 17 November 2009, maturing on 17 November 2014. The bonds were issued in denominations with nominal values of €56.30. Due to the cash dividend paid on 13 February 2014, the current conversion price is €5.5645 per no-par value share. The convertible bonds can hence be converted into a maximum of 39,116,600 shares. The bonds, which carry an interest coupon of 5.50% p.a., were issued at par. The bonds are traded on five German stock exchanges. By 30 June 2014, 2,674,596 bonds were converted into 27,055,166 new shares in TUI AG (including 26,584,436 in the current financial year).

Using the conditional capital of 7 May 2008, TUI AG issued unsecured non-subordinate convertible bonds worth €339.0m on 24 March 2011, maturing on 24 March 2016. The bonds were issued in denominations with nominal values of €59.26. Due to the cash dividend paid on 13 February 2014, the conversion price is €11.7127 per no-par value share. The convertible bonds can hence be converted into a maximum of 28,939,860 shares. The bonds, which carry an interest coupon of 2.75%, were issued at par. The bonds are traded on five German stock exchanges. By 30 June 2014, 321 bonds had been converted into 1,609 new shares in TUI AG (including 1,594 shares in the current financial year).

Overall, TUI AG held conditional capital of around €250.8m as at 30 June 2014, taking account of the conversions effected.

#### **Authorised capital**

The Annual General Meeting of 9 February 2011 resolved to create authorised capital for the issue of new shares against cash contribution totalling €246.0m. The authorisation to use this authorised capital will expire on 8 February 2016.

The Annual General Meeting of 13 February 2013 resolved to issue new registered shares against cash contribution for up to a maximum of €64.5m. This authorisation will expire on 12 February 2018.

The Annual General Meeting of 13 February 2013 also resolved to create new authorised capital for the issue of employee shares worth €10.0m. The Executive Board of TUI AG has been authorised to use this authorised capital in one or several tranches by 12 February 2018 by issuing employee shares against cash contribution. In the current financial year 99,800 new employee shares were issued so that authorised capital now stands at €9.7m.

Accordingly, unused authorised capital totalled €320.2m as at 30 June 2014 (around €320.5m as at 30 September 2013).

#### **(27) Capital reserves**

The capital reserves comprise transfers of premiums. In addition, amounts entitling the holders to acquire shares in TUI AG in the framework of bonds issued for conversion options and warrants have to be transferred to the capital reserves if the conversion options and warrants have to be classified as equity instruments in accordance with IAS 32. Premiums from the issue of shares due to the exercise of conversion options and warrants are also transferred to the capital reserves.

Borrowing costs for the issue of conversion options and for the capital increase by means of the issue of new shares against cash contribution are eliminated against the transfers to the capital reserves resulting from these transactions.

The capital reserves rose by a total of €76.7m to €1,034.4m due to the issue of employee shares and the conversion of bonds into shares.

### (28) Revenue reserves

Equity declined due to the payment of dividends to TUI AG shareholders. The interest paid on the hybrid capital issued by TUI AG also has to be shown as a dividend in accordance with IFRS rules.

In the framework of long-term incentive programmes, TUI Travel PLC operates stock option plans serviced with shares for its employees. Disclosures on these long-term incentive programmes are outlined under Note 42 in the chapter on Share-based payments in accordance with IFRS 2. In the current financial year, these stock option plans resulted in an increase in equity of €15.2m.

Transactions with non-controlling interests in the current financial year primarily include the acquisition of own shares by TUI Travel PLC in order to use them for its stock option programme. As the amounts of €39.4m used for this purpose have been eliminated against revenue reserves due to the acquisition of remaining interests in two subsidiaries by TUI Travel PLC, equity declined by €40.5m.

The Group loss in the first nine months of the current financial year is attributable to the seasonality of the tourism business.

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

The proportion of gains and losses from hedges used as effective hedges of future cash flows is carried in equity in other comprehensive income outside profit and loss. 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 after-tax result to be eliminated directly against equity totalled €4.0m.

The remeasurement (in particular actuarial gains and losses) is also carried in equity in other comprehensive income outside profit and loss. The after-tax results to be eliminated directly against equity totalled €-112.5m.

The revaluation reserve formed in accordance with IAS 27 (old version) in the framework of step acquisitions of companies is retained until the date of deconsolidation of the company concerned. In accordance with revised IAS 27, requiring prospective application, no new revaluation reserves are formed for step acquisitions since the changes in the fair values of the assets and liabilities of an acquired company arising in between the individual acquisition dates are taken through profit and loss based on the stake which had not yet triggered consolidation of the company concerned.

### (29) Hybrid capital

In accordance with IAS 32, the subordinated hybrid capital issued by TUI AG in December of financial year 2005, worth a nominal volume of €300.0m, constitutes Group equity. The borrowing costs of €8.5m were deducted from the hybrid capital outside profit and loss, taking account of deferred taxes. Dividend entitlements of the hybrid capital investors are deferred as other financial liabilities until the payment date.

### (30) Non-controlling interests

Non-controlling interests mainly relate to companies of the TUI Travel Sector and TUI Hotels & Resorts, in particular the RIUSA II Group. Non-controlling interests declined due to dividends, which mainly relate to TUI Travel PLC and RIUSA II S.A.

### Other comprehensive income of non-controlling interests

€ million	9M 2013/14	9M 2012/13
Foreign exchange differences	- 66.2	61.3
Financial Instruments available for sale	- 0.4	0.8
Cash flow hedges	- 0.5	21.6
Actuarial losses from pension provisions and related fund assets	- 42.2	22.6
Changes in the measurement of companies measured at equity	- 0.1	–
<b>Total</b>	<b>- 109.4</b>	<b>106.3</b>

### (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, whilst defined benefit plans entail the formation of provisions within the Company or investments in funds outside the Company.

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. The main private pension insurance organisations are the MER-Pensionskasse VVaG for German tourism companies and the Aegon Levensverzekering N.V. operating the defined contribution plans for the Dutch companies of the TUI Group. Current contribution payments are expensed for the respective period. For the reporting period, the pension costs for all defined contribution plans totalled €38.7m (previous year reference period €28.4m).

Apart from these defined contribution pension plans, the TUI Group also operates some defined benefit pension plans, in particular in Germany and the UK. The Group's tour operators in the UK operate by far the largest pension schemes. At the balance sheet date these schemes account for 74.3% (as at 30 September 2013 74.1%) of the Group's total pension obligations. German plans account for a further 21.5% (as at 30 September 2013 20.0%) of the obligations.

The defined benefit schemes in the UK are almost exclusively funded via external funds. These pension funds are managed by independent trustees. The trustees comprise independent members as well as beneficiaries of the scheme and employer representatives. The responsibilities of the trustees include investing fund assets, upholding the interests of the plan members, but also negotiating the level of contributions to the fund to be paid by the employer. The agreed contributions represent a minimum funding requirement to the funds. Apart from the regular payments, the contributions also comprise compensation payments in the event of a shortfall between the assets and the defined benefit pension obligation.

### Material defined benefit plans in Great Britain

Scheme name	Status
Britannia Airways Limited Superannuation and Life Assurance Scheme	closed
TUI Pension Scheme (UK)	closed
Thomson Airways Pension Scheme	closed



By contrast, the defined benefit schemes in Germany are funded by the formation of provisions. The pension obligations entail the payment of a company pension once the recipient reaches the legal retirement age. The amount paid is usually linked to the employee's pay level at the retirement date. The pension entitlements regularly also comprise surviving dependants' 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, the Group carried a total expense of €15.7m for defined benefit pension plans, reflecting, in particular, measures to optimise pension schemes within the Group. Members of pension schemes in the UK were offered the option to immediately receive a higher pension in exchange for lower pension increases in future by giving up some of the future increases in their pension. This measure resulted in gains of € 40.1 m representing the major part of the total negative past service cost of €39.9m. Furthermore, a defined benefit pension plan in Norway was transformed into a defined contribution plan resulting in a settlement gain of €5.1m.

#### Pension costs for defined benefit obligations

€ million	9M 2013/14	9M 2012/13
Current service cost for employee service in the period	32.0	33.9
Curtailment gains	5.1	29.9
Interest cost	82.9	80.5
Expected return on external plan assets	54.2	48.8
Past service cost	- 39.9	0.2
<b>Total</b>	<b>15.7</b>	<b>35.9</b>

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

#### Defined benefit obligation recognised on the balance sheet

€ million	30 Jun 2014	30 Sep 2013
<b>Defined benefit obligation recognised on the balance sheet</b>	<b>1,169.2</b>	<b>1,135.7</b>
<b>Overfunded plans in Other assets</b>	<b>0.3</b>	<b>0.3</b>
<b>Provisions for pensions and similar obligations</b>	<b>1,169.5</b>	<b>1,136.0</b>
of which current	30.7	33.8
of which non-current	1,138.8	1,102.2

Due to the provision of the amended IAS 19 of immediately offsetting the remeasurements (especially actuarial gains and losses) against equity outside profit and loss in the year in which they arose, the TUI Group's total pension obligations were fully shown in the statement of financial position, netted against existing fund assets, as in prior years.

Where the defined benefit pension obligations are not financed via provisions, they are funded by external funds. This type of funding of pension obligations prevails to a considerable extent in the UK. The provision recognised for funded pension schemes only covers the shortfall between plan assets and the projected benefit obligation of the pension scheme.

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 contribution payments to the fund, the excess is capitalised in conformity with the upper limit defined by IAS 19.

#### Development of defined benefit obligations

€ million	Present value of obligation	Fair value of plan assets	Total
<b>Balance as at 1 Oct 2013</b>	<b>2,752.3</b>	<b>- 1,616.6</b>	<b>1,135.7</b>
Current service cost	32.0	–	32.0
Past service cost	- 39.9	–	- 39.9
Curtailements and settlements	- 10.3	5.2	- 5.1
Interest expense (+)/interest income (-)	82.9	- 54.2	28.7
Pensions paid	- 88.2	60.8	- 27.4
Contributions paid by employer	–	- 122.2	- 122.2
Contributions paid by employees	0.8	- 0.8	–
Remeasurements	199.8	- 50.6	149.2
due to changes in financial assumptions	149.1	–	149.1
due to changes in demographic assumptions	13.7	–	13.7
due to experience adjustments	37.0	–	37.0
due to return on plan assets not included in group profit for the year	–	- 50.6	- 50.6
Exchange differences	90.0	- 72.6	17.4
Changes in the group of consolidated companies	0.8	–	0.8
<b>Balance as at 30 Jun 2014</b>	<b>3,020.2</b>	<b>- 1,851.0</b>	<b>1,169.2</b>

€ million	Present value of obligation	Fair value of plan assets	Total
<b>Balance as at 1 Oct 2012</b>	<b>2,900.3</b>	<b>- 1,713.8</b>	<b>1,186.5</b>
Current service cost	33.9	–	33.9
Past service cost	0.2	–	0.2
Curtailements and settlements	- 160.9	131.0	- 29.9
Interest expense (+)/interest income (-)	80.5	- 48.8	31.7
Pensions paid	- 99.0	83.4	- 15.6
Contributions paid by employer	–	- 57.8	- 57.8
Contributions paid by employees	1.4	- 1.4	–
Remeasurements	- 4.3	- 79.2	- 83.5
due to changes in financial assumptions	- 4.3	–	- 4.3
due to changes in demographic assumptions	–	–	–
due to experience adjustments	–	–	–
due to return on plan assets not included in group profit for the year	–	- 79.2	- 79.2
Exchange differences	- 144.1	101.7	- 42.4
Changes in the group of consolidated companies	19.5	–	19.5
<b>Balance as at 30 Jun 2013</b>	<b>2,627.5</b>	<b>- 1,584.9</b>	<b>1,042.6</b>

In the financial year under review, pension obligations rose considerably by €267.9m to €3,020.2m. This was mainly due to the development of the discount rate, which continued to decline both in the Eurozone and in the UK. Mainly due to this decline, total remeasurements of €199.8m occurred which were recognised in equity outside profit and loss. Due to foreign exchange effects, pension obligations rose by a further €90.0m. An opposite effect resulted from the optimisation of pension schemes in the Group outlined above.

Due to various effects, also the TUI Group's fund assets rose substantially by €234.4m in the current financial year. The considerable increase was driven by payments made by a UK subsidiary to reduce the existing underfunding, foreign exchange effects and the sound development of the prices of fund assets.

#### Composition of pension assets at the balance sheet date

€ million	Quoted market price in an active market	30 Jun 2014
<b>Fair value of fund assets at end of period</b>		<b>1.851,0</b>
of which equities	yes	653,7
of which bonds	yes	762,2
of which bonds	no	106,4
of which investment funds	yes	89,1
of which property, plant and equipment	no	108,6
of which cash	no	11,3
of which other	no	119,7

As per 30 September 2013 the fair value of plan assets totalled €1,616.6m. This value mainly comprises equity instruments of €651.5m and bonds of €589.7m.

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

#### Actuarial assumptions

Percentage p.a.	30 Jun 2014		
	Germany	Great Britain	Other countries
Discount rate	2.8	4.2	2.3
Projected future salary increases	2.5	2.5	2.4
Projected future pension increases	2.0	3.4	2.3

Percentage p.a.	30 Jun 2013		
	Germany	Great Britain	Other countries
Discount rate	3.5	4.6	3.0
Projected future salary increases	2.5	2.5	2.7
Projected future pension increases	2.2	2.7	2.2

Determination of the interest rate applicable in discounting the provision for pensions is based on an index for corporate bonds adjusted for securities already downgraded and under observation by rating agencies as well as subordinate bonds in order to meet the criterion for first-rate bonds required under IAS 19(i. e. bonds with a rating of AA and higher). In order to cover a correspondingly broad market, an index based on shorter-terms bonds is used (e.g. iBoxx € Corporates AA 7-10 for the Eurozone). The resulting interest rate 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.

Actuarial calculations for companies abroad are based on specific parameters for each country concerned.

Apart from the parameters mentioned above, other essential assumptions relate to life expectancy and the pension trend. In Germany, the life expectancy is taken from the Heubeck Tafeln 2005G. For Great Britain, life expectancy is based on the S1NxA base tables improved by expected future increases based on the CMI 2013. The pension adjustment formulas strongly depend on the pension systems concerned. Apart from fixed rates of increase, various countries also operate different inflation-linked pension adjustment mechanisms. German plans were consistently based on an assumed pension trend of 2.0%, while the rate of increase in Great Britain was 3.4%. The average rate for all other countries was 2.3%.

Changes in the key actuarial assumptions mentioned above would lead to the changes in total pension obligations presented below. The methodology used to calculate the defined benefit obligation is also used to determine sensitivity. The assumptions were altered in isolation, without taking account of any interdependencies existing in reality. Due to the use of the Heubeck Tafeln 2005G, the effect from the increased life expectancy is calculated by lowering the mortality risk. In Great Britain the effect is calculated by increasing the life expectancy derived from the used mortality tables by one year.

#### Sensitivity of the defined benefit obligation due to changed actuarial assumptions

€ million	30 Jun 2014	
	+ 50 Basis points	- 50 Basis points
Discount rate	- 262.4	+ 300.4
Salary increase	+ 18.3	- 17.0
Pension increase	+ 87.0	- 83.4
	+ 1 year	
Life expectancy	+ 100.2	

The weighted average duration of defined benefit obligations was 18.8 years for the overall Group. In the UK, the weighted average duration was 20.6 years, whilst it only accounted for 15.1 years in Germany.

Fund assets are determined on the basis of the fair values of the assets invested as at 30 June 2014. The interest rate used to discount the defined benefit obligation is also used in order to determine the interest income on external fund assets.

For the forthcoming financial year, the companies of the TUI Group are expected to contribute around €160.9m to the pension funds and pay pensions worth €30.7m in the framework of unfunded plans. The TUI Group is not suffering any outflow of liquid funds from pension payments from funded obligations as all amounts are paid out of the plan assets.

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

#### Investment risk

The investment risk plays a particularly important role, in particular for the large funded schemes in the UK. Although shares usually produce higher returns than bonds, they also cause greater balance sheet volatility and create the risk of short-term underfunding. In order to limit that risk, the trustees are required to build a balanced investment portfolio and limit the concentration of risks.

**Interest rate risk**

The interest rate influences, in particular, unfunded plans in Germany as a decline in the interest rate leads to an increase in the pension obligation. Conversely, an increase in the interest rate leads to a decrease in the pension obligation. Funded schemes are less strongly affected by this development as the interest-bearing assets included in the plan assets regularly dampen the effects due to the development of their value.

**Inflation risk**

An increase in the inflation rate regularly causes higher benefit obligations for pension plans linked to employees' final pay as inflation leads to pay rises which form the basis for assessment. It also causes higher inflation-linked pension increases provided for in the plan. Inflation risk is considered less significant due to the use of the caps and collars. Additionally, the major schemes in Great Britain collectively hold some inflation-linked assets, which provide a partial hedge against higher than expected increases in inflation.

**Longevity risk**

Increasing life expectancy leads to a longer-than-expected duration of the payments due under the pension obligation. This risk is met by using regularly updated mortality data in calculating the present values of the obligation.

**Currency risk**

For the TUI Group, the pension plans entail a currency risk as most pension schemes are operated in the UK and are therefore nominated in pounds sterling. The risk is limited as currency effects on the obligation and assets largely offset each other. The only currency risk that remains relates to the existing underfunding.

**(32) Other provisions****Development of provisions in the financial year 2013/14**

€ million	Balance as at 1 Oct 2013	Changes with no effect on profit and loss <sup>1)</sup>	Usage	Reversal	Additions	Balance as at 30 Jun 2014
Personnel costs	91.8	0.3	37.3	1.6	15.5	68.7
Typical operating risks	23.9	–	5.5	6.1	8.7	21.0
Maintenance provisions	437.3	3.4	91.0	6.9	94.1	436.9
Risks from onerous contracts	61.7	2.1	24.2	0.9	1.9	40.6
Guarantee and liability risks	7.1	–	3.3	0.1	1.7	5.4
Provisions for other taxes	60.1	–	0.5	–	9.2	68.8
Provisions for environmental protection	42.0	0.7	1.7	1.0	2.3	42.3
Miscellaneous provisions	300.3	4.8	43.6	17.9	89.9	333.5
<b>Other provisions</b>	<b>1,024.2</b>	<b>11.3</b>	<b>207.1</b>	<b>34.5</b>	<b>223.3</b>	<b>1,017.2</b>

<sup>1)</sup> reclassifications, transfers, exchange differences and changes in the group of consolidated companies.

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

Restructuring provisions mainly comprise restructuring projects with the TUI Travel sector at subsidiaries in France and Germany, for which detailed, formal restructuring plans had been agreed and communicated to the parties affected by it. At the balance sheet date, provisions for restructuring measures totalled €41.7m (as at 30 September 2013 €62.8m), which primarily included amounts for termination benefits.

Provisions for external maintenance primarily relate to contractual maintenance, overhaul and repair requirements for aircraft, engines and certain components from aircraft charter contracts. The measurement of these provisions is based on the expected cost of the next maintenance event, estimated on the basis of current prices, expected price increases and manufacturers' data sheets. In line with the arrangements of the individual contracts and the aircraft model, transfers are made on a prorated basis in relation to flight hours, the number of flights or the length of the complete maintenance cycle.

In the current financial year, the provisions for onerous losses declined by €21.1m due to the use of these provisions for the intended purpose.

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

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 has to be recognised at its present value in accordance with IAS 37. Transfers to other provisions comprise an interest portion of €5.7m (9M 2012/13 €5.2m), recognised as interest expenses.

#### Terms to maturity of income tax provisions and other provisions

€ million	30 Jun 2014		30 Sep 2013	
	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
Personnel costs	23.0	68.7	27.8	91.8
Typical operating risks	0.4	21.0	0.4	23.9
Maintenance provisions	323.7	436.9	318.1	437.3
Risks from onerous contracts	23.1	40.6	36.9	61.7
Guarantee and liability risks	2.0	5.4	2.0	7.1
Provisions for other taxes	21.9	68.8	21.5	60.1
Provisions for environmental protection	39.5	42.3	36.9	42.0
Miscellaneous provisions	122.7	333.5	131.4	300.3
<b>Other provisions</b>	<b>556.3</b>	<b>1,017.2</b>	<b>575.0</b>	<b>1,024.2</b>

**(33) Financial liabilities****Financial liabilities**

€ million	30 Jun 2014			30 Sep 2013		
	up to 1 year	1–5 years	Remaining term more than 5 years	Total	Total	Remaining term of more than 1 year
Convertible bonds	497.6	772.3	-	1,269.9	1,333.5	1,333.5
Liabilities to banks	187.8	135.4	63.7	386.9	1,004.3	180.7
Liabilities from finance leases	45.4	152.3	278.6	476.3	335.6	306.4
Financial liabilities due to non-consolidated Group companies	-	-	-	-	6.0	-
Financial liabilities due to affiliates	-	0.2	-	0.2	-	-
Other financial liabilities	88.9	15.2	-	104.1	90.2	13.5
<b>Total</b>	<b>819.7</b>	<b>1,075.4</b>	<b>342.3</b>	<b>2,237.4</b>	<b>2,769.6</b>	<b>1,834.1</b>

The decrease in financial liabilities is mainly attributable to the net presentation of certain bank balances and current liabilities to banks under a cash pool, which were not offset in the prior year and thus shown on a gross basis. This effect, outlined in the chapter on Accounting principles, does not have an impact on the Group's net financial position.

**Fair values and carrying amounts of the bonds issued (30 Jun 2014)**

€ million	Issuer	Volume initial	Volume outstanding	Interest rate % p.a.	Debt component	Stock market value		Carrying amount
						Conversion options	Total	
2009/14 convertible bond	TUI AG	217.8	67.2	5.500	68.9	79.7	148.6	65.0
2011/16 convertible bond	TUI AG	339.0	338.9	2.750	348.4	61.0	409.4	313.7
2009/14 convertible bond	TUI Travel PLC	GBP 350.0	GBP 350.0	6.000	GBP 354.6	GBP 42.4	GBP 397.0	432.6
2010/17 convertible bond	TUI Travel PLC	GBP 400.0	GBP 400.0	4.900	GBP 418.4	GBP 63.2	GBP 481.6	458.6
<b>Total</b>								<b>1,269.9</b>
2005/-- hybrid capital	TUI AG	300.0	300.0	3M EURIBOR plus 7.300	312.0	-	312.0	294.6

On 17 November 2009, TUI AG issued a five-year convertible bond worth €217.8m. This bond carries a fixed-interest coupon of 5.5% per annum. It was issued in denominations of €56.30. The conversion price is €5.5645 per no-par value share. The volume outstanding as per 30 June 2014 for this bond totals €67.2m, taking account of conversions into shares.

A second convertible bond was issued on 24 March 2011 by TUI AG with a nominal value of €339.0m. The bond carries a fixed-interest coupon of 2.75% per annum and will mature on 24 March 2016. It was issued in denominations of €59.26. The conversion price is €11.7127 per share.

On 1 October 2009, TUI Travel PLC issued a convertible bond with a nominal value of £350m with a fixed-interest coupon of 6.0% per annum and a conversion price of £3.493 per no-par value share. It will mature in October 2014. The bond was issued in denominations of £100,000.

On 22 April 2010, TUI Travel PLC issued another convertible bond. It has a nominal volume of £400.0m and denominations of £100,000. At a fixed-interest coupon of 4.9% p.a., it will mature in April 2017. The conversion price is £3.8234 per share.

The debt component of the convertible bonds was carried at present value upon issuance, taking account of an interest rate in line with market rates, and is increased by the interest portion for the period at every balance sheet date in accordance with the internationally customary effective interest method.

In accordance with the rules of IAS 32, the subordinated hybrid capital issued in December 2005 without a fixed term to maturity is not carried as a bond but shown as a separate Group equity item.

### (34) Trade payables

#### Trade payables

€ million	30 Jun 2014	30 Sep 2013
To third parties	2,452.4	3,025.6
To non-consolidated Group companies	5.6	4.8
To affiliates	32.0	18.8
<b>Total</b>	<b>2,490.0</b>	<b>3,049.2</b>

### (35) Derivative financial instruments

#### Derivative financial instruments

€ million	30 Jun 2014			30 Sep 2013	
	up to 1 year	1–5 years	Total	Remaining term of more than 1 year	Total
Liabilities from derivative financial instruments to third parties	238.9	18.9	257.8	30.7	209.5

Derivative financial instruments are carried at their fair value (market value). They primarily serve to hedge future business operations and are outlined in detail in the Notes to the financial instruments.

### (36) Deferred and current tax liabilities

#### Deferred and current tax liabilities

€ million	30 Jun 2014	30 Sep 2013 restated
Deferred tax liabilities	145.1	109.2
Current tax liabilities	173.5	241.8
<b>Total</b>	<b>318.6</b>	<b>351.0</b>



During an ongoing tax audit of TUI Travel's Accommodation & Destination Business, the Spanish tax authorities objected in 2010 to the tax treatment of two transactions by the former First Choice Holidays PLC Group, undertaken in the period from 2000 to 2003, in determining Spanish income taxes. In the course of financial year 2012, a formal investigation procedure was initiated in order to examine potential tax offences.

Following the final hearing on 31 March 2014, the investigation procedure was closed. According to the settlement already reached in October 2013, a final payment of €20.6m in interest and fines was paid in March. This led to a decline in other provisions of €15.3m and other liabilities of €5.3m.

### (37) Other liabilities

#### Other liabilities

€ million	30 Jun 2014			30 Sep 2013	
	up to 1 year	1–5 years	Total	Remaining term of more than 1 year	Total
Other liabilities due to non-consolidated Group companies	5.2	–	5.2	1.4	6.1
Other liabilities due to affiliates	27.6	–	27.6	–	33.6
Other miscellaneous liabilities	213.3	46.4	259.7	49.7	273.6
Other liabilities relating to other taxes	63.7	–	63.7	–	33.3
Other liabilities relating to social security	45.5	–	45.5	–	42.3
Other liabilities relating to employees	234.6	11.8	246.4	12.1	258.7
Other liabilities relating to members of the Boards	0.2	–	0.2	–	1.1
Advance payments received	4,100.7	10.6	4,111.3	9.1	2,188.9
<b>Other liabilities</b>	<b>4,690.8</b>	<b>68.8</b>	<b>4,759.6</b>	<b>72.3</b>	<b>2,837.6</b>
Deferred income	75.8	43.6	119.4	26.1	80.4
<b>Total</b>	<b>4,766.6</b>	<b>112.4</b>	<b>4,879.0</b>	<b>98.4</b>	<b>2,918.0</b>

### (38) Liabilities related to assets held for sale

In the financial year under review, the Group did not carry any liabilities related to assets held for sale, as at 30 September 2013.

### (39) Contingent liabilities

#### Contingent liabilities

€ million	30 Jun 2014	30 Sep 2013
Liabilities under guarantees, bill and cheque guarantees due to non-consolidated Group companies	0.4	0.4
Other liabilities under guarantee, bill and cheque guarantees	347.8	382.6
Other liabilities under warranties	0.4	1.2
<b>Total</b>	<b>348.6</b>	<b>384.2</b>

Contingent liabilities are carried at an amount representing the best estimate of the expenditure that would be required to meet the present obligation as at the balance sheet date.

Liabilities under warranties are all contractual liabilities to third parties not to be classified as guarantees and going beyond the typical scope of the business and the industry.

Contingent liabilities as at 30 June 2014 are above all attributable to the granting of guarantees for the benefit of Hapag-Lloyd AG and TUI Cruises GmbH from the payment of collateralised ship financing schemes. Due to the cancellation of guarantees and ongoing redemptions, contingent liabilities declined as against 30 September 2013.

In the course of financial year 2011/12, the German tax administration issued a decree on the interpretation of the trade tax rate, changed with effect from financial year 2008. This decree, only binding on the tax administration, may be interpreted 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. In 2013 the tax administration clarified its view, informing TUI of its opinion that the rules of the decree are applicable to tourism activities of tour operators in Germany. TUI does not share that view, in particular as hotel purchasing contracts are mixed contracts also covering catering, cleaning, animation and other services characterising the purchased service.

The probability of fiscal court proceedings in Germany, which might take several years, has therefore risen.

As the Group has concluded many different contracts to purchase the same service, quantifying this risk in the event the tax administration enforces its view entails a strong element of uncertainty. As a result, there is a broad range of potential outcomes. Should TUI enforce its own legal interpretation, there is no risk.

Should TUI fail to do so, the risk might account for around €107m (as at 30 September 2013 around €96m) for the overall period since 2008.

#### (40) Litigation

Neither TUI AG nor any of its subsidiaries are or have been involved in pending or foreseeable court or arbitration proceedings which might have a significant impact on their economic position as at June 30, 2014. This also applies to actions claiming warranty, repayment or any other compensation brought forward in connection with the divestment of subsidiaries and businesses over the past few years.

In 1999, the operator of the container terminal in Zeebrugge in Belgium filed an action before a court in Bruges for damages against CP Ships Ltd. – still part of TUI AG - and several of its subsidiaries due to an alleged breach of agreement in connection with the change of the Belgian port of call from Zeebrugge to Antwerp. Following the date of oral proceedings in September 2013, the court passed down a ruling in October 2013, allowing the substance of the action, and dismissed the action against all other defendants (including CP Ships Ltd.). Both parties have filed an appeal against this ruling 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 a final judgment upholding the action.

As in previous years, the respective Group company formed adequate provisions, partly covered by expected insurance benefits, to cover all potential financial charges from court or arbitration proceedings. Overall, the future financial position is therefore unlikely to be substantially affected by such charges.

**(41) Other financial commitments****Nominal values of other financial commitments**

€ million	30 Jun 2014				30 Sep 2013	
	up to 1 year	1–5 years	Remaining term of more than 5 years	Total	Remaining term of more than 1 year	Total
Order commitments in respect of capital expenditure	642.1	1,479.6	905.6	3,027.3	2,692.9	3,234.4
Other financial commitments	73.4	94.6	–	168.0	61.8	176.5
<b>Total</b>	<b>715.5</b>	<b>1,574.2</b>	<b>905.6</b>	<b>3,195.3</b>	<b>2,754.7</b>	<b>3,410.9</b>
<b>Fair value</b>	<b>696.3</b>	<b>1,458.6</b>	<b>729.2</b>	<b>2,884.1</b>	<b>2,290.8</b>	<b>2,924.8</b>

The fair value of other financial commitments was determined by means of discounting future expenses using a customary market interest rate of 2.75 % per annum (as at 30 September 2013 3.5 % p.a.). If the previous year's interest rate of 3.5 % p.a. had been applied, the fair value would have been €75.6m lower.

As at 30 June 2014, order commitments in respect of capital expenditure relating almost exclusively to Tourism declined by €207.1m as against 30 September 2013. This was due to various factors including the commissioning of new aircraft and aircraft equipment in the framework of TUI Travel's modernisation strategy as well as current down payments.

**Financial commitments from operating lease, rental and charter contracts**

€ million	30 Jun 2014					30 Sep 2013	
	up to 1 year	1–5 years	5–10 years	Remaining term of more than 10 years	Total	Remain- ing term of more than 1 year	Total
Aircraft	336.6	966.3	467.4	59.5	1,829.8	1,369.9	1,722.2
Hotel complexes	248.5	545.6	112.9	7.9	914.9	518.0	735.6
Travel agencies	77.3	156.1	51.0	9.9	294.3	231.0	307.3
Administrative buildings	59.0	143.2	100.2	70.0	372.4	277.5	330.4
Yachts and motor boats	108.3	266.1	135.2	22.1	531.7	324.4	440.8
Other	29.8	32.5	4.1	21.4	87.8	67.1	104.5
<b>Total</b>	<b>859.5</b>	<b>2,109.8</b>	<b>870.8</b>	<b>190.8</b>	<b>4,030.9</b>	<b>2,787.9</b>	<b>3,640.8</b>
<b>Fair value</b>	<b>836.5</b>	<b>1,944.9</b>	<b>701.0</b>	<b>145.4</b>	<b>3,627.8</b>	<b>2,357.7</b>	<b>3,181.7</b>

The fair value of other financial commitments from rental, lease and charter contracts was determined by means of discounting future expenses using a customary market interest rate of 2.75 % per annum (as at 30 September 2013 3.50 % p.a.). If the previous year's interest rate of 3.50 % p.a. had been applied, the fair value would have been €97.9m lower.

The commitments from lease, rental and leasing 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 IASB rules (operating leases).

As a rule, operating leases for aircraft do not include a purchase option. Current lease payments usually do not include any maintenance costs. The basic lease term is usually around 5 years.

The increase in liabilities as against 30 September 2013 results above all from the commissioning of several aircraft and contract extensions for hotels and cruise ships in the TUI Travel sector.

## (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 and has a general term of four years. Each of the Board members have their individual target amount fixed in their service contract; it is translated annually into phantom shares on the basis of the average price of TUI AG shares. The average share price is determined on the basis of the twenty days prior to the beginning of any financial year. The entitlement under the long-term incentive programme arises upon completion of the four-year service period, following the completion of financial year 2012/13 for the first time.

Upon the completion of the four-year period, the degree of target achievement is determined by comparing the change in total shareholder return (TSR) at TUI AG with the change in the Dow Jones Stoxx 600 Travel & Leisure index. If the degree of target achievement is less than 25% of the reference value, no phantom shares are granted. If the degree of target achievement exceeds 25%, it is multiplied by the number of phantom stocks granted; however, a cap of 175% applies. At the end of the four-year service period, the number of phantom stocks determined in this way is multiplied by the average price of TUI AG shares (20 trading days), and the resulting amount is paid out in cash. The maximum amounts payable under the long-term incentive programme have been capped for each individual.

Upon completion of the condition mentioned above and expiry of the service period, the awards are automatically exercised. If the conditions are not met, the awards are forfeited. For individual plan participants, the lock-up period will be restricted to the period until the end of the service relationship if they leave the Company.

The fair value of the phantom stocks granted in the current financial year is carried as remuneration for the current financial year based on a degree of target achievement of 100%.

### Stock option plan

Bonuses are granted to executive staff of the Group who are entitled to receiving a bonus; the bonuses are also translated into phantom shares in TUI AG on the basis of an average share price. For Executive Board members, the stock option plan was terminated upon the introduction of the multi-annual bonus. However, active and former Executive Board members still have entitlements under that bonus model.

The phantom shares are calculated on the basis of Group earnings before taxes and amortisation of goodwill (EBTA). The translation into phantom stocks is based on the average stock price of the TUI share on the 20 trading days following the Supervisory Board meeting at which the annual financial statements are approved. The number of phantom stocks granted in a financial year is therefore only determined in the subsequent year. Following a lock-up period of two years, the individual beneficiaries are free to exercise their right to cash payment from this bonus within predetermined timeframes. This lock-up period is not applicable if a beneficiary leaves the Company. The payment level depends on the average stock price of the TUI share over a period of 20 trading days after the exercise date. There are no absolute or relative return or stock price targets. A cap has been agreed for exceptional, unforeseen developments. Since the strike price is €0 and the incentive programme does not entail a vesting period, the fair value corresponds to the intrinsic value and hence the market price at the balance sheet date. Accordingly, the fair value of the obligation is determined by multiplying the number of phantom shares with the stock price at the respective closing date.

Phantom shares developed as follows for the two bonus schemes:

#### Development of phantom shares

€ million	Number of shares	Present value € million
<b>Balance as at 1 Oct 2012</b>	<b>1,476,111</b>	<b>9.2</b>
Phantom shares granted	209,710	1.6
Phantom shares exercised	200,258	1.5
Measurement results	–	4.0
<b>Balance as at 30 Jun 2013</b>	<b>1,485,563</b>	<b>13.3</b>
<b>Balance as at 1 Oct 2013</b>	<b>1,724,055</b>	<b>15.1</b>
Phantom shares granted	150,020	1.8
Phantom shares exercised	891,695	8.7
Measurement results	–	2.6
<b>Balance as at 30 Jun 2014</b>	<b>982,380</b>	<b>10.8</b>

The multi-annual bonus and the stock option plan are recognised as compensation with cash compensation. Provisions regarding entitlements under these long-term incentive programmes as at 30 June 2014 totalled €12.1m, with no liabilities (30 September 2013 €14.6m and €2.0m, respectively).

As at 30 June 2014, personnel costs due to share-based payment schemes with cash compensation of €3.8m (as at 30 September 2013 €3.1m) were recognised through profit and loss.

#### Employee shares

TUI AG offers shares at favourable preferential terms for acquisition by eligible employees or former staff members (pensioners) in Germany and some European countries. The purchase entails a lock-up period of two years. In financial year 2013/14, a total of 99,800 employee shares subscribed to in the prior year were issued.

#### Share-based payment schemes in subsidiaries of TUI AG

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

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

#### Performance Share Plan (PSP)

In the framework of the Performance Share Plan (PSP), the Remuneration Committee of the Board of TUI Travel PLC can grant share awards of up to a maximum of four times the participant's basic remuneration. Up to 50% of these awards granted to the Executive Board will vest based on the development of earnings per share (EPS) versus the UK Retail Price Index. Up to 25% of the awards (prior to 1 October 2011 up to 50%) will vest based on the Company's total shareholder return (TSR) performance relative to the return of other capital market-oriented travel and tourism companies. Moreover, up to 25% of the share awards will vest if the average return on invested capital (ROIC) reaches certain defined targets.

### Deferred Annual Bonus Scheme (DABS)

In the framework of the Deferred Annual Bonus Scheme (DABS), half the annual variable compensation of the Executive Board members is deferred into share-based awards. Matching awards may be offered as additional bonuses by the Remuneration Committee of the Board of TUI Travel PLC. The maximum number of additional shares is four times the share awards converted from the annual bonus. The awards granted under this scheme vest upon completion of a three-year period at the earliest.

Up to 50 % of the granted awards (prior to 1 October 2011 up to 75 %) 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. More-over, up to 25 % of the awards will vest if the average return on invested capital (ROIC) meets certain predefined targets.

### Deferred Annual Bonus long-term Incentive Scheme (DABLIS)

The Deferred Annual Bonus Long-Term Incentive Scheme (DABLIS) is for executive staff (except for the Executive Board) and requires a deferral of 25 % of any annual variable compensation into share awards. Matching shares may also be awarded by the Remuneration Committee of the Board of TUI Travel PLC. The maximum number of additional shares is four times the share awards converted from the annual bonus. The earliest exercise date for the share awards granted in this way is 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 each based on the earnings per share (EPS) performance relative to the UK Retail Price Index and the Total Shareholder Return (TSR) performance in relation to the TSR performance of other capital market-oriented travel and tourism companies.

The vesting schedule awards in TUI Travel PLC was as follows as at 30 June 2014:

#### Share award schemes and ordinary shares outstanding

	30 Jun 2014 Number of shares	30 Sep 2013 Number of shares	Date due to vest/date vested
Performance Share Plan (PSP)	–	1,851,300	6 Dec 2013
	3,042,857	3,042,857	7 Dec 2014
	193,242	193,242	1 Jun 2015
	1,851,734	1,851,734	6 Dec 2015
	1,281,570	–	6 Dec 2016
Deferred Annual Bonus Scheme (DABS)	–	3,535,905	6 Dec 2013
	5,200,660	5,200,660	7 Dec 2014
	3,604,844	3,604,844	6 Dec 2015
	2,448,328	–	6 Dec 2016
Deferred Annual Bonus Long Term Incentive Scheme (DABLIS)	–	2,032,726	6 Dec 2013
	3,608,273	3,601,638	7 Dec 2014
	2,179,340	2,211,179	6 Dec 2015
	1,951,360	–	6 Dec 2016
<b>Total</b>	<b>25,362,208</b>	<b>27,126,085</b>	

The development of awards granted is as follows:

#### Development of the number of share options

	Number
Outstanding at beginning of the financial year	27,126,085
Forfeited during the year	- 163,018
Exercised during the financial year	- 7,295,337
Granted during the financial year	5,694,478
<b>Balance as at 30 Jun 2014</b>	<b>25,362,208</b>

On top of the shares mentioned above, the deferral of variable compensation into share awards means that 2,813,458 shares (30 September 2013 3,118,873 shares) are still outstanding under DABS and 4,505,495 shares (30 September 2013 4,465,568) still outstanding under DABLIS. The awards will vest between 6 December 2014 and 6 December 2016.

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

#### Information relating to fair values of shares awarded

		30 Jun 2014	30 Sep 2013
Fair values at measurement date	£	1.65 – 3.28	1.45 – 2.45
Share price	£	3.77	2.84
Expected volatility	%	30.6	35.5
Award life		3 years	3 years
Expected dividends	%	4.67	4.94
Risk free interest rate	%	0.78	0.42

Beneficiaries 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.

By 30 June of the current financial year, personnel costs of €18.0m (previous year reference period €13.4m) relating to share-based payment schemes involving compensation by equity instruments were carried through profit and loss.

Certain beneficiaries (except for the Executive Board members) may also decide to have their awards settled in cash. Calculation of the cash settlement is based on the same criteria as those used for settlement by equity instruments. By 30 June of the current financial year, this gave rise to personnel costs of €2.1m (previous year reference period €0.3m).

### (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 goal, financial risks have to be limited. In order to achieve that goal, policies and rules applicable throughout the Group have been defined, fixing binding decision bases, competencies and responsibilities for all financial transactions.

In the framework of the merger of TUI's tourism activities with First Choice to form TUI Travel PLC, responsibilities were divided up differently for central cash management, which was previously managed by TUI AG alone, and central financial risk management. TUI Travel PLC performs these tasks for the Group's TUI Travel Sector, while TUI AG continues to be responsible for these functions for all other business operations of the Group.

The individual financing units, rules, competencies and workflows as well as limits for transactions and risk positions have been defined in policies. The trading, settlement and controlling functions have been segregated in functional and organisational terms. Compliance with the policies and limits is continually monitored. All hedges by the Group are consistently based on correspondingly recognised or future underlying transactions. Recognised standard software is used for assessing, monitoring and reporting as well as documenting and reviewing the efficiency of the hedging relationships for the hedges entered into. 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 departments and external auditors.

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

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

### **Market risk**

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

According to IFRS 7, market risks have to be presented using sensitivity analyses showing the effects of hypothetical changes in relevant risk variables on profit or loss and equity. The effects for the period are determined by relating the hypothetical changes in risk variables to the portfolio of primary and derivative financial instruments as at the reporting date. Care is taken to ensure that the respective portfolio as at the reporting date is representative for the financial year.

The analyses of the TUI Group's risk reduction activities outlined below and the amounts determined using sensitivity analyses represent hypothetical and thus uncertain disclosures entailing risks. Due to unforeseeable developments in the global financial markets, actual results may deviate substantially from the disclosures provided. The risk analysis methods used must not be considered a projection of future events or losses, since the TUI Group is also exposed to risks of a non-financial or non-quantifiable nature. These risks primarily include country, 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 denominated in foreign currencies, which are not always matched by congruent payments 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 the profit margin from the currency risk.

Within the TUI Group, risks from exchange rate fluctuations of more than 20 currencies are hedged, with the largest hedging volumes relating to US dollars, euros and pounds 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 Segment is mainly affected by changes in the value of the US dollar and euro, the latter predominantly affecting the TUI tour operators in the UK and the Nordic countries. In the operating business in tourism, payments in US dollars primarily relate to the procurement of services in non-European destinations, purchases of aircraft fuel and ship bunker and aircraft purchases or respective charter rates.

The companies of the TUI Travel Sector use financial derivatives to hedge their planned currency requirements. The goal is hedge between 80% and 100% of the planned currency requirements at the beginning of the respective tourism season concerned, depending on the risk profile of the companies concerned operating in the individual source markets. The hedged currency volumes are changed in line with changes in the planned requirements on the basis of reporting by the subsidiaries. Currency hedging in the TUI Hotels & Resorts and Cruises Sectors is also based on the reports submitted by the companies. The target hedge cover is for 80% of the reported exposure.

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 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 sterling, against the other currencies would create the following effects on the revaluation reserve and earnings after tax:

#### Sensitivity analysis – currency risk

€ million	30 Jun 2014		30 Sep 2013	
Variable: Foreign exchange rate	+ 10%	- 10%	+ 10%	- 10%
<b>Exchange rates of key currencies</b>				
<b>€/US dollar</b>				
Revaluation reserve	- 105.5	+ 105.7	- 87.7	+ 86.8
Earnings after income taxes	- 1.2	+ 1.5	- 5.2	+ 5.4
<b>€/Pound sterling</b>				
Revaluation reserve	- 116.7	+ 116.7	- 91.7	+ 91.7
Earnings after income taxes	- 90.6	+ 90.3	- 35.3	+ 35.3
<b>Pound sterling/US dollar</b>				
Revaluation reserve	- 93.1	+ 93.1	- 71.7	+ 71.7
Earnings after income taxes	- 1.5	+ 1.5	- 14.8	+ 14.8
<b>€/Swiss franc</b>				
Revaluation reserve	+ 5.1	- 5.6	- 3.0	+ 3.0
Earnings after income taxes	+ 0.1	- 0.1	- 0.2	+ 0.2
<b>€/Swedish krona</b>				
Revaluation reserve	+ 16.7	- 16.7	+ 25.2	- 25.2
Earnings after income taxes	-	-	- 5.0	+ 5.0

### Interest rate risk

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

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

The table below presents the equity and earnings effects of an assumed increase or decrease in the market interest rate by 100 base points as at the reporting date:

#### Sensitivity analysis – interest rate risk

€ million	30 Jun 2014		30 Sep 2013	
	+ 100 basis points	- 100 basis points	+ 100 basis points	- 100 basis points
Variable: Interest rate level for floating interest-bearing debt and fixed-interest bearing loans				
Revaluation reserve	+ 1.0	- 0.4	+ 1.0	- 0.7
Earnings after income taxes	- 4.9	+ 4.4	- 4.4	+ 3.4

### Fuel price risk

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

The tourism companies use financial derivatives to hedge their exposure to market price risks for the planned purchase of fuel. When calculating the exposure at the beginning of the tourism season concerned, the goal is to hedge at least 80% of the relevant exposure. The different risk profiles of the Group companies operating in different source markets are taken into account, including possibilities of levying fuel surcharges. The hedging volumes are adjusted to changes in planned consumption on the basis of the reports from the Group companies.

A 10% increase or decrease in the raw material prices underlying the fuel price hedges as at the reporting date would have the following impact on equity and earnings, shown in the table below.

#### Sensitivity analysis – fuel price risk

€ million	30 Jun 2014		30 Sep 2013	
	+ 10%	- 10%	+ 10%	- 10%
Variable: Fuel prices for aircraft and ships				
Revaluation reserve	+ 80.5	- 80.6	+ 77.5	- 79.1
Earnings after income taxes	- 0.1	+ 0.1	+ 0.1	+ 0.2

### Other price risks

Apart from the financial risks that may result from changes in exchange rates, raw material prices and interest rates, the TUI Group is exposed to other price risks due to one-off items.

In financial year 2009/10, TUI Travel PLC issued, inter alia, a convertible bond worth £400.0m; the TUI Group entered into a buyback obligation for a partial amount of £200.0m. It is treated separately in the form of a forward transaction and included in a hedge in the framework of hedge accounting. The table below shows the impact of a 10 % increase or decrease in the bond price on the revaluation reserve and earnings after tax.

The table also presents the impact of an assumed change in the underlying price of +/-10 % on the equity investment in AirBerlin.

#### Sensitivity analysis – other price risks

€ million	30 Jun 2014		30 Sep 2013	
	+ 10%	- 10%	+ 10%	- 10%
Variable: Other market values, cash flows	+ 15.2	- 15.2	+ 14.3	- 14.3
Revaluation reserve	–	–	–	–
Earnings after income taxes	+ 0.5	- 0.5	+ 0.6	- 0.6
Equity – Available for sale financial instruments				

For the sensitivity analysis of the indirect shareholding in National Air Traffic Services (NATS) we refer to the comments on the development of the value of Level 3 financial instruments.

#### Credit risk

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

Maximum credit risk exposure corresponds in particular to the total of the recognised carrying amounts of the financial assets (including derivative financial instruments with positive market values). Credit risks also relate 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. Legally enforceable possibilities of netting financial assets and liabilities are taken into account. Credit risks are reviewed closely on conclusion of the contract and continually monitored thereafter so as to be able to swiftly respond to potential impairments in a counterparty's solvency. Responsibility for handling the credit risk is always held by the respective companies of the TUI Group.

Since the TUI Group operates in many different business areas and regions, significant credit risk concentrations of receivables from and loans to specific debtors or groups of debtors are not to be expected. A significant concentration of credit risks related to specific countries is not to be expected either. The maximum credit risk is reduced by collateral held and other credit enhancements of 0.0m (previous year €1.1m). Collateral held relates exclusively to financial assets of the category trade accounts receivable and other receivables. The collateral mainly constitutes collateral for financial receivables granted and maturing in more than one year and/or with a volume of more than €1m. Rights in rem, directly enforceable guarantees, bank guarantees and comfort letters are used as collateral.

Identifiable credit risks of individual receivables are covered by means of corresponding bad debt allowances. In addition, portfolios are impaired based on empirical values. An analysis of the aging structure of the category trade receivables and other assets is presented in Note 20.

At the reporting 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 2013/14 nor in 2012/13.

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. Nevertheless, the counterparty risk is continually monitored and controlled using internal bank limits.

### Liquidity risk

Liquidity risks consist of potential financial shortages and resulting increases in refinancing costs. For this reason, the key objectives of TUI's internal liquidity management system are to secure the Group's liquidity at all times and consistently comply with contractual payment obligations. In accordance with IFRS 7.14, assets of €2.4m (previous year €41.0m) were deposited as collateral for liabilities. The participating Group companies are also jointly and severally liable for financial liabilities from a cash pooling agreement.

The tables provided below list the contractually agreed (undiscounted) cash flows of all primary financial liabilities and derivative financial instruments as at the reporting 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 reporting rate 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 Jun 2014)

€ million	Cash outflow until 30 Jun							
	up to 1 year		1–2 years		2–5 years		more than 5 years	
	repay- ment	interest	repay- ment	interest	repay- ment	interest	repay- ment	interest
<b>Financial liabilities</b>								
Bonds	- 500.3	- 42.2	- 338.9	- 33.8	- 462.3	- 24.5	–	–
Liabilities to banks	- 187.8	- 4.0	- 35.9	- 0.2	- 99.5	- 0.6	- 63.7	- 0.5
Liabilities from finance leases	- 45.4	- 0.3	- 36.4	- 0.3	- 115.9	- 0.5	- 278.6	- 6.7
Financial liabilities due to affiliates	–	–	–	–	- 0.2	–	–	–
Other financial liabilities	- 88.9	–	- 15.2	–	–	–	–	–
Trade payables	- 2.490.0	–	–	–	–	–	–	–
Other liabilities	- 237.2	- 11.5	- 11.5	–	- 13.0	–	–	–

**Cash flow of financial instruments – financial liabilities (30 Sep 2013)**

€ million	Cash outflow until 30 Sep							
	up to 1 year		1–2 years		2–5 years		more than 5 years	
	repay- ment	interest	repay- ment	interest	repay- ment	interest	repay- ment	interest
<b>Financial liabilities</b>								
Bonds	–	- 69.8	- 577.1	- 63.8	- 817.4	- 51.6	–	–
Liabilities to banks	- 828.5	- 16.9	- 32.0	- 1.9	- 73.2	- 4.2	- 70.7	- 5.1
Liabilities from finance leases	- 29.2	- 0.1	- 35.5	–	- 96.4	–	- 174.5	–
Other financial liabilities	- 102.4	- 25.6	–	–	–	–	–	–
Trade payables	- 3,049.2	–	–	–	–	–	–	–
Other liabilities	- 218.9	–	- 6.3	–	- 12.1	- 1.4	- 11.8	–

**Cash flow of derivative financial instruments (30 Jun 2014)**

€ million	Cash in-/outflow until 30 Jun			
	up to 1 year	1–2 years	2–5 years	more than 5 years
<b>Derivative financial instruments</b>				
Hedging transactions – inflows	+ 5,740.9	+ 1,221.7	+ 37.9	–
Hedging transactions – outflows	- 5,892.8	- 1,232.7	- 37.3	–
Other derivative financial instruments – inflows	+ 3,292.7	+ 11.0	+ 0.1	–
Other derivative financial instruments – outflows	- 3,338.7	- 9.6	- 0.9	–

**Cash flow of derivative financial instruments (30 Sep 2013)**

€ million	Cash in-/outflow until 30 Sep			
	up to 1 year	1–2 years	2–5 years	more than 5 years
<b>Derivative financial instruments</b>				
Hedging transactions – inflows	+ 6,172.5	+ 1,102.4	+ 29.1	–
Hedging transactions – outflows	- 6,275.8	- 1,128.9	- 29.7	–
Other derivative financial instruments – inflows	+ 3,363.2	+ 206.4	–	–
Other derivative financial instruments – outflows	- 3,407.7	- 209.4	- 0.2	–

**Derivative financial instruments and hedges****Strategy and goals**

In accordance with the TUI Group's implementing regulations, derivatives are allowed to be used if they are based on underlying recognised assets or liabilities, firm commitments or forecasted transactions. Hedge accounting is based on the rules of IAS 39, in particular in the framework of hedging planned transactions. In the period under review, hedges exclusively consist of cash flow hedges.

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

### Cash flow hedges

As at 30 June 2014, underlying transactions existed to hedge cash flows in foreign currencies with maturities of up to three years (previous year up to three years). The planned underlying transactions of fuel price hedges had terms of up to four years (previous year up to three years). In order to hedge TUI AG's floating-rate interest payment obligations in connection with the funding to purchase part of a convertible bond issued by TUI Travel PLC, interest hedges with a term of up to two years (previous year up to three years) were concluded in financial years 2010/11 and 2012/13.

In accounting for derivatives of cash flow hedges, the effective portion of the cumulative changes in market values is carried in the revaluation reserve outside profit and loss until the underlying transaction occurs. It is carried in the income statement through profit and loss when the hedged item is executed. In the period under review, expenses of €8.8m (previous year expenses of €11.0m) for currency hedges and derivative financial instruments to hedge against exposure to price risks as well as for interest hedges was carried in the cost of sales. Income of €0.9m (previous year expenses of €2.4m) were carried for the ineffective portion of the cash flow hedges.

### Nominal amounts of derivative financial instruments used

€ million	30 Jun 2014			30 Sep 2013	
	Remaining term up to 1 year	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
<b>Interest rate hedges</b>					
Caps	62.4	223.3	285.7	222.0	281.8
Swaps	87.4	88.0	175.4	90.9	150.7
<b>Currency hedges</b>					
Forwards	8,550.9	1,285.1	9,836.0	1,060.2	10,447.4
Options	3.7	–	3.7	–	39.2
Collected forwards	238.5	–	238.5	110.9	290.0
<b>Commodity hedges</b>					
Swaps	1,001.9	298.1	1,300.0	212.5	1,223.7
Options	6.9	–	6.9	–	31.1
<b>Other financial instruments</b>	–	187.1	187.1	179.4	179.4

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 at which a contracting party would take over the rights and/or obligations of the respective counterparty. 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 regularly compared with fair value confirmations of the external counterparties.

**Positive and negative fair values of derivative financial instruments shown as receivables or liabilities**

€ million	30 Jun 2014		30 Sep 2013	
	Receivables	Liabilities	Receivables	Liabilities
Cash flow hedges for				
currency risks	45.6	207.2	40.4	147.4
other market price risks	68.3	1.8	43.3	28.4
interest rate risks	0.1	0.2	0.1	0.6
<b>Hedging</b>	<b>114.0</b>	<b>209.2</b>	<b>83.8</b>	<b>176.4</b>
<b>Other derivative financial instruments</b>	<b>21.9</b>	<b>48.6</b>	<b>3.2</b>	<b>33.1</b>
<b>Total</b>	<b>135.9</b>	<b>257.8</b>	<b>87.0</b>	<b>209.5</b>

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 as hedges are shown as other derivative financial instruments. They include in particular foreign currency transactions entered into in order to hedge against exchange rate-induced exposure to changes in the value of balance sheet items and foreign exchange fluctuations from future expenses in tourism.

**Financial instruments – Additional disclosures**
**Carrying amounts and fair values**

Where financial instruments are listed in an active market, e.g. above all shares held and bonds issued, the fair value or market value is the respective quotation in this market at the reporting 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 counter-party-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 Jun 2014**

€ million	Carrying amount	At amortised cost	Category under IAS 39				Carrying amount of financial instruments	Fair value of financial instruments
			At cost	Fair value with no effect on profit and loss	Fair value through profit and loss	Values according to IAS 17 (leases)		
<b>Assets</b>								
Available for sale financial assets	71.2	–	53.4	17.8	–	–	71.2	71.2
Trade receivables and other assets	2,837.6	1,194.7	–	–	–	–	1,194.7	1,194.7
Derivative financial instruments								
Hedging	114.0	–	–	114.0	–	–	114.0	114.0
Other derivative financial instruments	21.9	–	–	–	21.9	–	21.9	21.9
Cash and cash equivalents	1,939.3	1,939.3	–	–	–	–	1,939.3	1,939.3
<b>Liabilities</b>								
Financial liabilities	2,237.4	1,761.1	–	–	–	476.3	2,237.4	2,621.6
Trade payables	2,490.0	2,489.9	–	–	–	–	2,489.9	2,489.9
Derivative financial instruments								
Hedging	209.2	–	–	209.2	–	–	209.2	209.2
Other derivative financial instruments	48.6	–	–	–	48.6	–	48.6	48.6
Other liabilities	4,879.0	174.8	–	–	54.6	–	229.4	229.4

**Carrying amounts and fair values according to classes and measurement categories as at 30 Sep 2013**

€ million	Carrying amount	At amortised cost	Category under IAS 39				Carrying amount of financial instruments	Fair value of financial instruments
			At cost	Fair value with no effect on profit and loss	Fair value through profit and loss	Values according to IAS 17 (leases)		
<b>Assets</b>								
Available for sale financial assets	71.5	–	54.1	17.4	–	–	71.5	71.5
Trade receivables and other assets	2,219.6	1,090.2	–	–	40.6	–	1,130.8	1,130.8
Derivative financial instruments								
Hedging	83.8	–	–	83.8	–	–	83.8	83.8
Other derivative financial instruments	3.2	–	–	–	3.2	–	3.2	3.2
Cash and cash equivalents	2,701.7	2,701.7	–	–	–	–	2,701.7	2,701.7
<b>Liabilities</b>								
Financial liabilities	2,769.6	2,434.1	–	–	–	335.5	2,769.6	3,239.6
Trade payables	3,049.2	3,049.2	–	–	–	–	3,049.2	3,049.2
Derivative financial instruments								
Hedging	176.4	–	–	176.4	–	–	176.4	176.4
Other derivative financial instruments	33.1	–	–	–	33.1	–	33.1	33.1
Other liabilities	2,918.0	212.0	–	–	–	–	212.0	212.0



The financial investments classified as financial instruments available for sale include an amount of €53.4m (as at 30 September 2013 € 54.1m) for stakes in partnerships and corporations for which no active market exists. The fair value of these non-listed stakes cannot be determined using a measurement model since the future cash flows cannot be reliably determined. The stakes are shown at cost. In the period under review, there were no major disposals of stakes in partnerships and corporations measured at acquisition cost (as at 30 September 2013 no major disposals). TUI 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 Jun 2014

€ million	At amortised cost	At cost	with no effect on profit and loss	Fair value	Carrying amount <b>Total</b>	Fair value
				through profit and loss		
Loans and receivables	3,134.0	–	–	–	3,134.0	3,134.0
Financial assets						
available for sale	–	53.4	17.8	–	71.2	71.2
held for trading	–	–	–	21.9	21.9	21.9
Financial liabilities						
at amortised cost	4,425.8	–	–	–	4,425.8	5,340.9
held for trading	–	–	–	103.2	103.2	103.2

#### Aggregation according to measurement categories under IAS 39 as at 30 Sep 2013

€ million	At amortised cost	At cost	with no effect on profit and loss	Fair value	Carrying amount <b>Total</b>	Fair value
				through profit and loss		
Loans and receivables	3,791.9	–	–	–	3,791.9	3,791.9
Financial assets						
available for sale	–	54.1	17.4	–	71.5	71.5
held for trading	–	–	–	43.8	43.8	43.8
Financial liabilities						
at amortised cost	5,695.3	–	–	–	5,695.3	6,500.8
held for trading	–	–	–	33.1	33.1	33.1

#### Fair value measurement

The following table presents the fair values of the recurring and non-recurring accounted financial instruments corresponding to the underlying measurement level.

The individual levels have been defined as follows in accordance with the inputs:

- Level 1: quoted (non-adjusted) prices in active markets for similar assets or liabilities.
- Level 2: inputs for the measurement are quoted prices in markets other than those mentioned in Level 1 that are directly (as market price quotation) or indirectly (derived from market price quotations) observable in the market for the asset or liability.
- Level 3: inputs for the measurement of the asset or liability are not based on observable market data.

**Classification of fair value measurement of financial instruments as of 30 Jun 2014**

€ million	Total	Fair value hierarchy		
		Level 1	Level 2	Level 3
<b>Assets</b>				
Available for sale financial assets	17.8	12.5	–	5.3
Derivative financial instruments				
Hedging transactions	114.0	–	114.0	–
Other derivative financial instruments	21.9	–	21.9	–
At amortized cost				
Trade receivables and other assets	1,194.7	–	1,194.7	–
Cash and cash equivalents	1,939.3	1,939.3	–	–
<b>Liabilities</b>				
Derivative financial instruments				
Hedging transactions	209.2	–	209.2	–
Other derivative financial instruments	48.6	–	48.6	–
At amortized cost				
Financial liabilities	2,149.0	1,654.2	494.8	–
Trade payables	2,489.9	–	2,489.9	–
Other liabilities	229.4	–	229.4	–

**Classification of fair value measurement of financial instruments as of 30 Sep 2013**

€ million	Total	Fair value hierarchy		
		Level 1	Level 2	Level 3
<b>Assets</b>				
Other assets held for trading	40.6	–	–	40.6
Available for sale financial assets	17.4	17.4	–	–
Derivative financial instruments				
Hedging transactions	83.8	–	83.8	–
Other derivative financial instruments	3.2	–	3.2	–
At amortized cost				
Trade receivables and other assets	1,090.2	–	1,090.2	–
Cash and cash equivalents	2,701.7	2,701.7	–	–
<b>Liabilities</b>				
Derivative financial instruments				
Hedging transactions	176.4	–	176.4	–
Other derivative financial instruments	33.1	–	33.1	–
At amortized cost				
Financial liabilities	2,898.1	1,783.5	1,114.6	–
Trade payables	3,049.2	–	3,049.2	–
Other liabilities	212.0	–	212.0	–

At the end of every reporting period, TUI examines whether there are any reasons for a transfer to or from a measurement level. Financial assets and financial liabilities are consistently reclassified from Level 1 to Level 2 if the liquidity and trading activity no longer indicate the existence of an active market. The same approach applies, vice versa, to potential reclassifications from Level 2 to Level 1. In the period under review, no reclassifications were effected between Levels 1 and 2.

No reclassifications to or from measurement Level 3 were effected, either. Reclassifications from Level 3 to Level 2 or Level 1 are effected if any observable market price quotations become available for the asset or liability concerned. TUI records reclassifications to and from Level 3 on the day of the event or incident triggering the reclassification.

**Level 1 financial instruments:**

The fair value of financial instruments for which an active market is available is based on the market price quotation as 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 if those prices represent actual and regularly occurring market transactions on an arm's length basis. These financial instruments are allocated to Level 1. The fair values correspond to the nominal amounts multiplied by the quoted prices as at the reporting date. Financial instruments in Level 1 primarily comprise shares in listed companies classified as available for sale and bonds issued classified as financial liabilities measured at amortised cost.

**Level 2 financial instruments:**

The fair values of financial instruments not traded in an active market, such as over-the-counter derivatives (OTC), are determined using a valuation technique. These valuation techniques maximise the use of observable market data and minimise the use of Group-specific inputs. If all major inputs to determine the fair value of an instrument are observable, the instrument is classified as Level 2.

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

Specific valuation techniques to measure financial instruments are:

- For over-the-counter bonds, liabilities to banks, promissory notes and other non-current financial liabilities, the fair value is determined as the present value of future cash flows, taking account of observable yield curves and the respective credit spread, which depends on the respective 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 price hedges. The fair values determined on the basis of the Group's own systems are regularly compared with fair value confirmations of the external counterparties.
- Other valuation techniques, e.g. discounting future cash flows, are used for other financial instruments.

With the exception of the stakes in NATS outlined below, the fair values resulting from the use of the valuation assumptions are fully allocated to Level 2.

**Level 3 financial instruments:**

The table below shows the development of the values of Level 3 financial instruments measured at fair value on a recurring basis.

### Financial assets measured at fair value in level 3

€ million	Other assets held for trading	Available for sale financial assets
<b>Balance as at 1 October 2012</b>	<b>37.6</b>	–
Total comprehensive income	- 3.2	–
recognised in income statement	- 0.7	–
recognised in other comprehensive income	- 2.5	–
<b>Balance as at 30 June 2013</b>	<b>34.4</b>	–
<b>Net gains for financial instruments on the balance sheet as at the balance sheet date</b>	<b>- 0.7</b>	–
<b>Balance as at 1 October 2013</b>	<b>40.6</b>	–
Additions	–	5.2
Disposals	40.6	–
repayment/sale	35.5	–
conversion	5.2	–
Total comprehensive income	0.1	0.1
recognised in other comprehensive income	0.1	0.1
<b>Balance as at 30 June 2014</b>	<b>0.0</b>	<b>5.3</b>
<b>Net gains for financial instruments on the balance sheet as at the balance sheet date</b>	<b>–</b>	<b>–</b>

The gains and losses from the measurement of other assets held for trading are shown in the financial result.

The changes in Level 3 financial instruments result from the sale of shares from the stake in National Air Traffic Services (NATS). The remaining stake in the company was measured at the transaction price of the shares sold. In the period under review the stake in NATS which is still in stock was reclassified in the category Available for Sale.

An increase or decrease of +10/-10% in the determined value of the stake in NATS results in a €0.4m increase/€0.4m decrease in the value recognised for the asset in the TUI Group, taken directly in equity (as at 30 September 2013 through profit and loss and affecting earnings after tax €+2.8m/€-2.8m). Changes in unobservable parameters do not have a material effect on earnings.

#### Effects on results

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

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

#### Net results of financial instruments

€ million	9M 2013/14			9M 2012/13		
	from interest	other net results	net result	from interest	other net results	net result
Loans and receivables	- 7.4	38.9	31.5	- 31.0	50.1	19.1
Available for sale financial assets	- 1.1	1.6	0.5	–	0.4	0.4
Financial assets and liabilities held for trading	1.4	- 4.7	- 3.3	- 0.1	- 4.5	- 4.6
Financial liabilities at amortised cost	- 75.5	- 51.3	- 126.8	- 101.4	29.9	- 71.5
<b>Total</b>	<b>- 82.6</b>	<b>- 15.5</b>	<b>- 98.1</b>	<b>- 132.5</b>	<b>75.9</b>	<b>- 56.6</b>

Besides interest income and interest expenses, net results primarily include results from participations, gains/losses on disposal, effects of fair value measurements and impairments.

Financial instruments measured at fair value outside profit and loss did not give rise to any commission expenses in the reporting period in financial year 2013/14, nor in the previous year.

### Netting

The financial assets and liabilities shown below are subject to contractual netting agreements:

#### Offsetting – financial assets

€ million	Gross Amounts of financial assets	Gross amounts of recognised financial liabilities set off	Net amounts of financial assets presented in the balance sheet	Related amounts not set off in the balance sheet		Net Amount
				Financial Instruments	Cash Collateral received	
<b>Financial assets as at 30 Jun 14</b>						
Derivative financial assets	135.9	–	135.9	91.6	–	44.3
Cash and cash equivalents	4,951.5	- 3,012.1	1,939.3	–	–	1,939.3
<b>Financial assets as at 30 Sep 13</b>						
Derivative financial assets	87.0	–	87.0	53.4	–	33.6
Cash and cash equivalents	5,481.9	- 2,780.2	2,701.7	570.0	–	2,131.7

#### 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		Net Amount
				Financial Instruments	Cash Collateral received	
<b>Financial liabilities as at 30 Jun 14</b>						
Derivative financial liabilities	257.8	–	257.8	91.6	–	166.2
Financial liabilities	2,237.4	–	2,237.4	–	–	2,237.4
<b>Financial liabilities as at 30 Sep 13</b>						
Derivative financial liabilities	209.5	–	209.5	53.4	–	156.1
Financial liabilities	2,769.6	–	2,769.6	587.5	–	2,182.1

Financial assets and financial liabilities are only offset in the statement of financial position if a legally enforceable right to set-off exists at the reporting date and there is an intention to settle on a net basis.

The contracts for derivative financial instruments are based on standardised framework agreements for financial futures (including ISDA Master Agreement, German framework agreement for financial futures) creating a right of set-off only if certain specified future events occur. Depending on the contractual agreements, all derivatives with positive or negative fair values contracted with the corresponding counterparty are offset in that case so that the balance is retained as net receivable or payable. As this conditional right to set-off is not enforceable in ordinary business transactions, the derivative financial assets and liabilities are shown on a gross basis in the statement of financial position at the reporting date.

Financial assets and liabilities from a cash pooling agreement in a UK subsidiary are shown on a net basis if a right to set-off exists in ordinary business transactions and the Group has the intention 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 to be sought.

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	2012/13	2011/12
Average financial debt	2,767.6	2,989.6
Average cash and cash equivalent	1,788.8	1,655.6
<b>Average Group net debt</b>	<b>978.8</b>	<b>1,334.0</b>
Average Group equity	1,798.5	1,961.7
<b>Gearing</b>	<b>54.4%</b>	<b>68.0%</b>

Due to the seasonality in the tourism business the gearing for nine months does not have an informative value. Therefore the gearing for the nine-months period is not determined and instead the gearing for the two previous business years is shown.

# NOTES

## NOTES TO THE CASH FLOW STATEMENT

### Notes to the cash flow statement

The cash flow statement shows the flow of cash and cash equivalents on the basis of a separate presentation of cash inflows and outflows from operating, investing and financing activities. The effects of changes in the group of consolidated companies are eliminated.

#### (45) Cash inflow/outflow from operating activities

Based on Group earnings after tax, the cash flow from operating activities is derived using the indirect method. In the first nine months of the current financial year, the cash inflow from operating activities amounted to €385.8m (previous year reference period €426.4m).

In the period under review, the cash inflow included a total of €12.8m from interest payments and €25.2m from dividends. Income tax payments resulted in a cash outflow of €124.5m.

#### (46) Cash inflow/outflow from investing activities

In the financial year under review, the cash outflow from investing activities totalled €156.8m.

The cash flow from investing activities includes a cash outflow for capital expenditure related to property, plant and equipment and intangible assets of €300.8m for the TUI Travel Sector and €89.3m for the TUI Hotels & Resorts Sector but also a cash inflow from the sale of fixed assets of €202.9m for the TUI Travel Sector (in particular related to aircraft assets), and €56.2m for Central Operations from the sale of land.

The cash outflow for capital expenditure related to property, plant and equipment and intangible assets or the cash inflow from corresponding sales do not match the additions and disposals shown in the development of fixed assets, which also include non-cash investments and disposals.

The cash outflow from investing activities included cash payments of €27.4m for the acquisition of companies to be included in consolidation. This amount includes payments of €7.4m for acquisitions related to prior years. The cash and cash equivalents acquired through acquisitions total €4.9m so that the total cash outflow amounts to €22.6m.

The cash outflow for investments in other non-current assets of €47.4m relates to capital increases in companies measured at equity. The sale of a part of an investment and the sale of three consolidated companies generated an inflow of €37.6m and €13.9m, respectively.

#### (47) Cash inflow/outflow from financing activities

The cash outflow from financing activities totals €388.5m.

The credit facility drawn by TUI Travel PLC to finance the tourism season at the beginning of the reporting period has now been fully redeemed. Moreover, the companies of the TUI Travel Sector redeemed further loans worth €42.7m and liabilities from finance leases worth €22.3m. The TUI Hotels & Resorts Sector took out loans worth €52.3m, while repaying loans worth €34.1m. Conversions of convertible bonds of TUI AG in the current financial year do not have an impact on the cash outflow from financing activities.

Additional outflows worth €55.1m relate to the interest on the hybrid capital issued by TUI AG, to be carried as a dividend according to the IFRSs, and dividends paid to TUI AG shareholders. In addition, dividends worth €101.9m were paid to non-controlling interests, in particular in TUI Travel PLC and RIUSA II SA.

The cash outflow for increases in stakes in consolidated companies includes an amount of €39.4m spent by TUI Travel PLC to acquire own shares to be passed on to employees under long-term incentive programmes. The cash outflow for interest payments totalled €131.5m.

#### **(48) Development of cash and cash equivalents**

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

As certain amounts from a cash pooling agreement are now also part of the cash management, a reconciliation of cash and cash equivalents in the cash flow statement is provided accordingly. The effect totalling €587.5m is shown as a non-cash change in cash and cash equivalents.

As at 30 June 2014, cash and cash equivalents of €169.7m were subject to restrictions on disposal. They included an amount of €116.3m for cash collateral received, deposited in a Belgian subsidiary by Belgian tax authorities in the prior financial year in the framework of a long-standing litigation regarding VAT refunds for the years 2001 to 2011 without acknowledging guilt in order to stop 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 other restrictions relate to cash and cash equivalents to be held due to legal or regulatory requirements.



# NOTES

## OTHER NOTES

### (49) 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 as at 30 September 2013, published in the electronic Federal Gazette ([www.ebanz.de](http://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 exclusively relate to the purchasing of hotel services.

In addition, there are obligations of €46.1m (as at 30 September 2013 €114.7m) from rental and lease agreements.

#### Transactions with related parties

€ million	9M 2013/14	9M 2012/13
<b>Services provided by the Group</b>		
Management and consultancy services	45.0	46.7
Sales of tourism services	38.1	26.0
<b>Total</b>	<b>83.1</b>	<b>72.7</b>
<b>Services received by the Group</b>		
In the framework of lease, rental and leasing agreements	15.1	9.4
Purchase of hotel services	200.6	151.0
Incoming services	5.3	7.0
Distribution services	–	0.1
Other services	29.9	27.2
<b>Total</b>	<b>250.9</b>	<b>194.7</b>

#### Transactions with related parties

€ million	9M 2013/14	9M 2012/13
<b>Services provided by the Group to</b>		
non-consolidated Group companies	1.7	1.6
joint ventures	28.0	27.9
associates	30.8	20.1
other related parties	22.6	23.1
<b>Total</b>	<b>83.1</b>	<b>72.7</b>
<b>Services received by the Group from</b>		
non-consolidated Group companies	7.5	11.0
joint ventures	194.7	130.6
associates	43.1	47.6
other related parties	5.6	5.5
<b>Total</b>	<b>250.9</b>	<b>194.7</b>

Transactions with joint ventures and associates are effected in the Tourism Segment. They relate in particular to the tourism services of the hotel companies used by the Group's tour operators.

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

As at 30 June 2014, receivables from related parties amounted to €242.5m (as at 30 September 2013 restated €186.1m). They are carried alongside liabilities worth €78.5m (as at 30 September 2013 €69.3m). As in the prior year, liabilities to related parties do not comprise any liabilities from finance leases. The receivables and payables as at the reporting date are comprised in the receivables from and liabilities to non-consolidated Group companies and investment companies.

The income and expenses resulting from equity investments and financing are carried under the financial result for all consolidated companies and presented in the segment report for the individual Sectors, alongside a separate presentation of the earnings by joint ventures and associates by Sector.

As at the balance sheet date, the joint venture Riu Hotels S.A. held at least 5 % but less than 10 % of the shares in TUI AG. Luis Riu Güell and Carmen Riu Güell (a member of TUI AG's Supervisory Board) hold 51 % of the shares in Riu Hotels S.A.

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

#### Remuneration of Management, Executive and Supervisory Board

€ million	9M 2013/14	9M 2012/13
<b>Short-term benefits</b>	6.2	10.0
Post-employment benefits	0.5	- 0.9
Other long-term benefits (share-based payments)	3.7	3.1
Termination benefits	-	3.9
<b>Total</b>	<b>10.4</b>	<b>16.1</b>

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 totalled €6.4m as at the balance sheet date (as at 30 September 2013 €20.3m).

#### (50) International Financial Reporting Standards (IFRS) and Interpretations (IFRIC)

The following standards and interpretations have already been transposed into EU legislation but are only mandatory for the TUI Group for annual financial statements after 30 September 2014:

##### Amendments to IAS 32: Financial Instruments – Presentation

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

eliminate credit and liquidity risk, and process receivables and payables in a single settlement process. TUI does not expect any material effects on its consolidated financial statements.

In 2011 and 2012, the IASB issued a total of five new or revised standards (IFRS 10, IFRS 11, IFRS 12, IAS 27, IAS 28) on group accounting and transition guidance for the first-time application of the new IFRSs. The key contents of these provisions are outlined below:

#### **IFRS 10: Consolidated Financial Statements**

IFRS 10 supersedes the provisions of IAS 27 Consolidated Financial Statements and Accounting for Investments in Subsidiaries, relevant for consolidated financial statements, and SIC-12 Consolidation – Special Purpose Entities with a uniform model to consolidate entities based on the concept of control of a parent company over a subsidiary. According to IFRS 10, control requires power over an investee, exposure to variable returns and the ability to affect those variable returns through power over an investee.

#### **IFRS 11: Joint Arrangements**

IFRS 11 supersedes SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers and the previous IAS 31 Interests in Joint Ventures. The standard governs the classification and accounting for joint operations and joint ventures. The classification as a joint arrangement is effected based on subsidiarity in relation to control under IFRS 10. In the event of a joint arrangement, further classification as either a joint operation or a joint venture depends on the rights and obligations of the partners. Accounting for jointly controlled assets is subject to the rules for joint operations, which thus continue to be recognised on a proportionate basis. By contrast, proportionate consolidation, which was admissible in the past, will now no longer apply to joint ventures under IFRS 11; they must henceforth be consolidated on the basis of the equity method alone.

#### **IFRS 12: Disclosure of Interests in Other Entities**

This new standard pools the disclosure requirements regarding an entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. Some of the disclosures required under IFRS 12 go far beyond prior disclosure requirements. In particular, the type of interest, the risks associated with the interest and their impact on the Group's net assets, financial position and results of operations must be made evident.

#### **Amendments to IAS 27: Separate Financial Statements**

The revised IAS 27 exclusively governs accounting for interests in subsidiaries, associates and joint ventures and the associated disclosures in the notes to the separate financial statements of the parent or investor. The consolidation provisions included in the previous version are now included in the newly issued IFRS 10.

#### **Amendment to IAS 28: Investments in Associates and Joint Ventures**

The amendments to IAS 28 were issued in June 2011 and require application of the equity method in accounting for investments in associates and joint ventures. The rules on accounting for investments in joint ventures were included in IAS 31 before the adoption of IFRS 11.

#### **Transition guidance for IFRS 10, IFRS 11 and IFRS 12**

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

The European Commission transposed IFRS 10, IFRS 11 and IFRS 12 as well as the revised IAS 27 and IAS 28 and the transition guidance into European legislation on 28 December 2012. Within the European Union, entities are required to apply the rules for the first time for finan-

cial years beginning on or after 1 January 2014. TUI is currently investigating the effects of these rules and presumes that the application of the new and amended standards will not have a material impact on the TUI Group's net assets, financial position and results of operations. It is too early at this point in time to quantify the expected effects. IFRS 12 will lead to increased disclosure requirements in the Notes. The revised IAS 27 will not have an impact on TUI as TUI does not prepare single-entity financial statements based on IFRS in accordance with section 325 (2a) of the German Commercial Code (HGB); nor will the elimination of proportionate consolidation for joint ventures have an effect, as these joint ventures are already included in TUI's consolidated financial statements based on the equity method.

#### **Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities**

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

#### **IFRIC 21: Levies**

This interpretation, issued by IFRIC in May 2013, sets out how and when to recognise a liability for a levy imposed by a government other than income taxes under IAS 12. It clarifies that an obligation to pay a levy is to be recognised as soon as the obligating event that triggers the payment of the levy occurs. TUI is investigating the potential effects of this interpretation on its net assets, financial position and results of operations and currently does not expect it to have a material effect.

Amendments, standards or interpretations issued by the International Accounting Standards Board (IASB) but not yet transposed into European legislation:

#### **IFRS 9: Financial Instruments**

Publication of the fourth and final version of this new standard in July 2014 marks the completion of the project for the accounting for financial instruments, launched by the IASB in 2008 in response to the financial crisis. The new standard replaces the provisions for the classification and measurement of financial assets previously included in IAS 39 Financial Instruments: Recognition and Measurement and comprises new rules on hedge accounting. The provisions to determine impairments are replaced by the expected loss model. The standard will be effective for annual periods beginning on or after 1 January 2018 as announced by the IASB. The process of transposing the provisions into European legislation is currently still suspended. TUI is investigating the potential impact of the first-time application of the standard on the Group's net assets, financial position and results of operations.

#### **Amendments to IAS 19: Defined Benefit Plans – Employee Contributions**

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

#### **Annual Improvements Project 2010-2012**

In December 2013, provisions from the annual improvements project were published; they contain amendments to the following seven standards: IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38. The rules include minor changes to the contents and above all clarifications of the presentation, recognition and measurement. TUI does not expect the first-time application to have a material impact.

**Annual Improvements Project 2011-2013**

In December 2013, provisions from the annual improvements project were published; they contain amendments to four standards, including IFRS 3, IFRS 13 and IAS 40. The rules include minor changes to the contents and above all clarifications of the presentation, recognition and measurement. TUI does not expect the first-time application to have a material impact on its consolidated financial statements.

**IFRS 14: Regulatory Deferral Accounts**

This standard, issued in January 2014, allows first-time adopters of IFRSs to continue to use their current accounting for regulatory deferral accounts. The standard is of no relevance to the TUI Group.

**Amendments to IFRS 11: Joint Arrangements**

The provisions, issued in May 2014, specify how to account for the acquisition of an interest in a joint operation that constitutes a business operation within the meaning of IFRS 3. Accordingly, the acquirer has to measure identifiable assets and liabilities at fair value, recognise acquisition-related costs as expenses, recognise deferred tax assets and liabilities and capitalise any residual amounts as goodwill. The acquirer also has to observe the disclosure requirements of IFRS 3. The amendments apply prospectively. They are not expected to have a material impact on TUI's financial statements.

**Amendments to IAS 16: Property, Plant and Equipment and IAS 38: Intangible Assets**

The amendments, issued in May 2014, clarify the conditions under which the use of revenue-based methods to calculate the depreciation of property, plant and equipment or amortisation of intangible assets is acceptable. The amendments are of no relevance to TUI as revenue-based depreciation and amortisation methods are not used.

**Amendments to IAS 16: Property, Plant and Equipment and IAS 41: Agriculture**

Bearer plants that bear biological assets for more than one period without serving as an agricultural produce themselves, such as grape vines or olive trees, have this far been measured at fair value. The amendments, issued in June 2014, clarify that bearer plants will be treated as property, plant and equipment in the scope of IAS 16 in future and are to be measured at amortised cost. By contrast, the produce growing on the bearer plant will continue to be measured at fair value in accordance with IAS 41. The amendments will not have an impact on TUI's consolidated financial statements.

**Amendments to IAS 27: Separate Financial Statements – Equity Method in Separate Financial Statements**

The amendments, published in August 2014, allow the use of the equity method to account for investments in subsidiaries, joint ventures and associated companies in separate financial statements. The options to account for such investments according to IAS 39 or at cost remain intact. The amendments are of no relevance for TUI as no separate financial statements according to IFRS are prepared in accordance with section 325(2a) HGB.

**IFRS 15: Revenue from Contracts with Customers**

The standard, issued in May 2014, creates convergence of the provisions on revenue recognition comprised in various standards and interpretations this far. It also establishes a single, comprehensive framework for revenue recognition, to be applied consistently across transactions and industries, specifying the amount and point in time or period over which revenue has to be recognised. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts as well as Interpretations IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services. TUI will investigate the impact of this standard on its net assets, financial position and results of operations in due time.

A decision about endorsement of these amendments or these new standards by the EU is currently still pending.

# INDEPENDENT AUDITORS' REPORT

To TUI AG, Hanover

## **Report on the Consolidated Interim Financial Statements**

We have audited the accompanying consolidated interim financial statements of TUI AG and its subsidiaries, which comprise the consolidated statement of financial position as at 30 June 2014 and the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows for the period from 1 October 2013 to 30 June 2014, and notes, comprising a summary of significant accounting policies and other explanatory information. These consolidated interim financial statements are part of the quarterly financial report pursuant to § (Article) 37x Abs. (paragraph) 3 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act).

## **Management's Responsibility for the Consolidated Interim Financial Statements**

Management of TUI AG is responsible for the preparation of the consolidated interim financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("IFRS") for interim financial reporting, as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated interim financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated interim financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated interim financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated interim financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated interim financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated interim financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated interim financial statements give a true and fair view of the financial position of TUI AG and its subsidiaries as at 30 June 2014 and of their financial performance and cash flows for the period from 1 October 2013 to 30 June 2014 in accordance with IFRS for interim financial reporting, as adopted by the EU.

## Report on the Interim Group Management Report

We have audited the accompanying interim group management report of TUI AG for the period from 1 October 2013 to 30 June 2014, which is part of the quarterly financial report pursuant to § (Article) 37x Abs. (paragraph) 3 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). Management of TUI AG is responsible for the preparation of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. We conducted our audit in accordance with German generally accepted standards for the audit of the group management report promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Accordingly, we are required to plan and perform the audit of the interim group management report to obtain reasonable assurance about whether the interim group management report has been prepared in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Our audit of the interim group management report has not led to any reservations.

In our opinion, based on the findings of our audit, the interim group management report has been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Hanover, 9 September 2014

PricewaterhouseCoopers  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Thomas Stieve  
Auditor

Prof. Dr Mathias Schellhorn  
Auditor

# CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS / OTHER

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

The German version of this Interim Report is legally binding. The Company cannot be held responsible for any misunderstanding or misinterpretation arising from this translation.



## Financial Calendar

	<b>Date</b>
Interim Report Q3 2013/14	15 September 2014
Annual Report 2013/14, Press Conference & Analysts' Meeting	10 December 2014
Annual General Meeting 2015	10 February 2015

## Imprint

TUI AG  
Karl-Wiechert-Allee 4  
30625 Hanover  
Tel. +49 (0)511 566-00  
Fax +49 (0)511 566-1901  
Email [investor.relations@tui.com](mailto:investor.relations@tui.com)  
Internet [www.tui-group.com](http://www.tui-group.com)

**The German version of this Intirim Report is legally binding. The Company cannot be held responsible for any misunderstanding or misinterpretation arising from this translation.**

**Both versions are available on the web: [www.tui-group.com/en/ir/financial\\_reports](http://www.tui-group.com/en/ir/financial_reports)**

