

TUI AG FINANCIAL YEAR 2012/13

Half-Year Financial Report 1 October 2012 – 31 March 2013

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H1 2012/13

TUI Group – financial highlights

€ million	Q2 2012/13	Q2 2011/12	Var. %	H1 2012/13	H1 2011/12	Var. %
Turnover						
TUI Travel	3,137.3	3,120.1	+ 0.6	6,493.9	6,432.9	+ 0.9
TUI Hotels & Resorts	133.8	88.5	+ 51.2	218.5	172.0	+ 27.0
Cruises	69.1	62.2	+ 11.1	120.6	102.3	+ 17.9
Group	3,343.7	3,281.9	+ 1.9	6,839.4	6,730.5	+ 1.6
EBITDA						
TUI Travel	- 161.3	- 270.8	+ 40.4	- 272.4	- 363.8	+ 25.1
TUI Hotels & Resorts	51.7	58.8	- 12.1	102.7	88.6	+ 15.9
Cruises	- 46.4	4.9	n/a	- 55.2	- 1.0	n/a
Group	- 180.2	- 227.0	+ 20.6	- 265.1	- 294.9	+ 10.1
Underlying EBITDA						
TUI Travel	- 160.6	- 212.5	+ 24.4	- 257.6	- 296.5	+ 13.1
TUI Hotels & Resorts	56.4	58.8	- 4.1	107.4	88.6	+ 21.2
Cruises	2.6	4.9	- 46.9	- 6.2	- 1.0	- 520.0
Group	- 116.8	- 160.1	+ 27.0	- 187.6	- 240.9	+ 22.1
EBITA						
TUI Travel	- 237.7	- 332.7	+ 28.6	- 418.7	- 489.1	+ 14.4
TUI Hotels & Resorts	14.3	41.9	- 65.9	48.6	55.1	- 11.8
Cruises	- 48.8	2.5	n/a	- 60.0	- 5.7	- 952.6
Group	- 303.4	- 309.5	+ 2.0	- 479.0	- 460.9	- 3.9
Underlying EBITA						
TUI Travel	- 221.8	- 256.0	+ 13.4	- 368.7	- 386.4	+ 4.6
TUI Hotels & Resorts	40.2	41.9	- 4.1	74.5	55.1	+ 35.2
Cruises	0.2	2.5	- 92.0	- 11.0	- 5.7	- 93.0
Group	- 197.2	- 224.2	+ 12.0	- 338.7	- 371.5	+ 8.8
Group earnings						
Net profit for the period	- 308.1	- 265.5	- 16.0	- 491.9	- 402.5	- 22.2
Earnings per share	€ - 1.01	- 0.76	- 32.0	- 1.58	- 1.13	- 39.2
Equity ratio (31 Mar)	% 13.2	14.6	- 1.4*)	13.2	14.6	- 1.4*)
Investments in other intangible assets and property, plant and equipment	176.4	243.8	- 27.6	407.3	353.1	+ 15.3
Net debt (31 Mar)	1,432.8	2,022.7	- 29.2	1,432.8	2,022.7	- 29.2
Employees (31 Mar)	64,350	65,525	- 1.8	64,350	65,525	- 1.8

Differences may occur due to rounding

*)percentage points

- TUI Group reports strong finish to winter 2012/13 trading
- Group operating result (underlying EBITA) up by around €33m y-o-y in H1 2012/13
- Group result down €89m due to plan changes arising from the review of hotel and cruises businesses
- Outlook for underlying Group EBITA for overall year 2012/13 lifted

MANAGEMENT REPORT

ECONOMIC SITUATION IN H1 2012/13

General economic situation

Development of gross domestic product

Var. %	2013	2012
World	3.3	3.2
Europe	0.0	- 0.2
Germany	0.6	0.9
UK	0.7	0.2
France	- 0.1	0.0
US	1.9	2.2
Russia	3.4	3.4
Japan	1.6	2.0
China	8.0	7.8
India	5.7	4.0

Source: International Monetary Fund (IMF), World Economic Outlook Update, April 2013

The International Monetary Fund (IMF) has revised its forecast for global gross domestic product growth in calendar year 2013 slightly down as against January 2013 since the development of industrialised countries continues to entail downside risks. The experts currently project global GDP growth of 3.3% for 2013 (World Economic Outlook, April 2013).

Group structure and strategy



Group structure see page 52 ff Annual Report 2011/12; new reporting structure TUI Travel see page 7 Interim Report Q1 2012/13

Group structure

The TUI Group comprises the TUI Travel, TUI Hotels & Resorts and Cruises Sectors as well as Central Operations. Central Operations comprises "All other segments", which includes in particular the corporate centre functions of TUI AG and the intermediate holdings as well as the Group's real estate companies. Moreover, cross-segmental consolidation effects are also allocated to Central Operations.

A detailed presentation of the Group structure is provided in the 2011/12 Annual Report of TUI AG. The changed reporting structure of TUI Travel as from the beginning of financial year 2012/13 was outlined in TUI AG's interim report for the first quarter of 2012/13. Apart from these changes, no further essential changes in the Group structure have occurred.



Details on oneTUI see www.tui-group.com/en/ir

Launch of oneTUI strategy project

Under its new CEO Friedrich Joussen, the Executive Board has reviewed the strategic alignment of TUI AG and the Group Sectors TUI Travel, TUI Hotels & Resorts and Cruises and adopted measures for the further development of the TUI Group.



TUI Group business activity and strategy see page 57 ff Annual Report 2011/12

The aim of the measures pooled under the project name oneTUI is to optimise the vertical integration as well as to strengthen the Group's profitability and financial profile within the existing structures. In order to achieve these goals, TUI will leverage the benefits of the Group's vertical integration more strongly than before, significantly cut the costs of the head office, improve the performance of the individual sectors and focus on an increase in the cash flow in all operating areas. The purpose is to enable TUI AG to establish a continuous dividend policy.

oneTUI is based on four pillars:

- business excellence and restructuring underperforming areas
- optimising the vertical integration of the Group
- focusing on a material increase in cash flow contributions to TUI AG
- cutting the costs of the holding

Business excellence and cash flow generation

A Group-wide range of measures has been initiated in order to improve the financial performance. A programme to cut staff, material and interest costs was launched by TUI AG's head office.

TUI Hotels & Resorts will focus on capital efficiency, an increase in cash flows and enhanced, integrated brand management. At the same time, underperforming hotel projects will be restructured. TUI Hotels & Resorts will also adjust its hotel portfolio and exit non-core brands. The investment policy will be reviewed, and activities will be aligned even more closely with the TUI Travel tour operators in order to optimise distribution and product design.

In the Cruises Sector, TUI Cruises will continue the planned growth path and focus even more strongly on generating its cash flow contribution to TUI AG. A restructuring programme has been launched for Hapag-Lloyd Kreuzfahrten. The planned measures include reductions in material and staff costs. Fleet occupancy is to be improved in the short term by means of additional marketing measures. In addition, a potential adjustment of the fleet structure will be examined.

Joint performance-related targets for the markets in Germany, Russia and France and the Specialist & Activity Business have been established in cooperation with TUI Travel. In parallel, brand management will be reviewed and cooperation between the tour operators and the hotel sector will be intensified.

Transformation of the business model/optimisation of vertical integration

This approach aims to transform the business model from tour operator-dominated towards content- and brand-driven value creation. With the hotels and cruise liners, TUI AG owns the contents that characterise the holiday experience from the customers' perspective and drive differentiation. Hotel accommodation, for instance, contributes 62% to customer satisfaction with the holiday experience.

Measures agreed by TUI AG and TUI Travel in order to push vertical integration of tour operation and distribution on the one hand and content on the other further ahead include a shared CRM and IT strategy. In addition, brand management by the tour operators and hotel brands will be synchronised more strongly in future. By means of common processes and systems, investments and reporting will be managed on a uniform basis in future. In addition, a Group-wide staff and talent development concept will be implemented.

Research and development

As a tourism service provider, TUI does not engage in research and development in the narrow sense. Information on the innovation activities by the Group companies is provided in the Annual Report.



R&D see page 85 ff
Annual Report
2011/12

Special events in the six months under review and after the reporting date

Group operating result (underlying EBITA) up by €32.8m in H1 2012/13

The TUI Group has successfully completed the winter season 2012/13. The seasonal loss (underlying EBITA) of the TUI Group declined by €32.8m year-on-year to €338.7m in the first half of 2012/13.

Due to the sound performance of TUI tour operators in the UK and Nordics, in particular, underlying earnings by TUI Travel improved by €17.7m year-on-year to €-368.7m in the first half of 2012/13.

TUI Hotels & Resorts posted underlying earnings of €74.5m for the first half of 2012/13, up by €19.4m year-on-year.

At €-11.0m, underlying earnings by the Cruises Sector were down €5.3m year-on-year. While Hapag-Lloyd Kreuzfahrten remained affected by start-up costs for the market launch of the new Europa 2, TUI Cruises continued the successful development of the previous year.

At €-33.5m, underlying earnings by Central Operations improved slightly by €1.0m year-on-year in the first half of 2012/13.

Group result down €89m due to plan changes arising from the review of hotel and cruise businesses and the Group holding

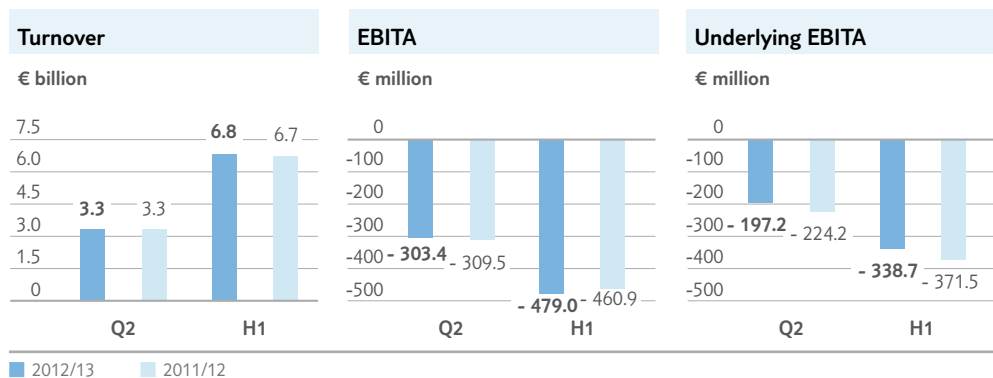
The review of the strategic alignment of TUI AG and the Group Sectors, implemented in the framework of the oneTUI project, resulted in one-off expenses for plan changes in the second quarter of 2012/13. They related to impairments of a hotel project in Italy (€26m) in TUI Hotels & Resorts and provisions for pending liabilities from charter contracts in Hapag-Lloyd Kreuzfahrten (€49m). In addition, expenses incurred to create a leaner structure for the holding (€14m) had to be carried. Due to these one-off expenses, the seasonal Group loss for the first half of 2012/13 rose by €89.4m year-on-year to €491.9m.

Friedrich Jousen takes over as CEO of TUI AG and Chairman of TUI Travel PLC

Upon the close of the ordinary Annual General Meeting of TUI AG on 13 February 2013, Friedrich Jousen took over as CEO of TUI AG from Dr Michael Frenzel (65). Friedrich Jousen has been a member of TUI AG's Executive Board since October 2012.

At the end of March 2013, Friedrich Jousen also replaced Dr Frenzel as Chairman of TUI Travel. Sebastian Ebel, Operating Performance Director of TUI AG, was appointed a further Board member.

Earnings by the Sectors



Development of turnover

Turnover

€ million	Q2 2012/13	Q2 2011/12	Var. %	H1 2012/13	H1 2011/12	Var. %
Tourism	3,340.2	3,270.8	+ 2.1	6,833.0	6,707.2	+ 1.9
TUI Travel	3,137.3	3,120.1	+ 0.6	6,493.9	6,432.9	+ 0.9
TUI Hotels & Resorts	133.8	88.5	+ 51.2	218.5	172.0	+ 27.0
Cruises	69.1	62.2	+ 11.1	120.6	102.3	+ 17.9
Central Operations	3.5	11.1	- 68.5	6.4	23.3	- 72.5
Group	3,343.7	3,281.9	+ 1.9	6,839.4	6,730.5	+ 1.6

At €3.3bn, turnover by the TUI Group rose by 1.9% year-on-year in the second quarter of 2012/13. Adjusted for foreign exchange effects, turnover grew by 2.3%.

While customer volumes were slightly down year-on-year, the accumulated turnover for the first half of 2012/13 totalled €6.8bn, up 1.6% year-on-year. Adjusted for foreign exchange effects, turnover grew by 0.6%.

Current and future trading

In Tourism, travel products are booked on a seasonal basis with different lead times. The release of bookings for individual seasons takes place at different points in time, depending on the design of the 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.



www.tui-group.com/en/ir/news

In April 2013, current trading by TUI Travel for the completed winter season 2012/13 and the summer season 2013 was as follows as against the prior-year levels:

Current trading TUI Travel Mainstream

Var. %	Winter season 2012/13			Summer season 2013		
	Average selling price	Total sales	Total customers	Average selling price	Total sales	Total customers
Germany	+ 9	+ 3	- 5	+ 7	+ 4	- 3
UK & Ireland	+ 6	+ 5	-	+ 5	+ 13	+ 7
Nordics	+ 5	+ 10	+ 5	+ 5	+ 14	+ 9
France (tour operators)	+ 7	- 25	- 29	+ 3	- 13	- 15
Other countries	+ 1	+ 1	-	+ 3	+ 1	- 2
Total	+ 6	+ 2	- 4	+ 6	+ 6	-

As at 5 May 2013

Development of earnings

Underlying EBITA

€ million	Q2 2012/13	Q2 2011/12	Var. %	H1 2012/13	H1 2011/12	Var. %
Tourism	- 181.4	- 211.6	+ 14.3	- 305.2	- 337.0	+ 9.4
TUI Travel	- 221.8	- 256.0	+ 13.4	- 368.7	- 386.4	+ 4.6
TUI Hotels & Resorts	40.2	41.9	- 4.1	74.5	55.1	+ 35.2
Cruises	0.2	2.5	- 92.0	- 11.0	- 5.7	- 93.0
Central Operations	- 15.8	- 12.6	- 25.4	- 33.5	- 34.5	+ 2.9
Group	- 197.2	- 224.2	+ 12.0	- 338.7	- 371.5	+ 8.8

EBITA

€ million	Q2 2012/13	Q2 2011/12	Var. %	H1 2012/13	H1 2011/12	Var. %
Tourism	- 272.2	- 288.3	+ 5.6	- 430.1	- 439.7	+ 2.2
TUI Travel	- 237.7	- 332.7	+ 28.6	- 418.7	- 489.1	+ 14.4
TUI Hotels & Resorts	14.3	41.9	- 65.9	48.6	55.1	- 11.8
Cruises	- 48.8	2.5	n/a	- 60.0	- 5.7	- 952.6
Central Operations	- 31.2	- 21.2	- 47.2	- 48.9	- 21.2	- 130.7
Group	- 303.4	- 309.5	+ 2.0	- 479.0	- 460.9	- 3.9

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	Q2 2012/13	Q2 2011/12	Var. %	H1 2012/13	H1 2011/12	Var. %
EBITA	- 303.4	- 309.5	+ 2.0	- 479.0	- 460.9	- 3.9
Gains on disposal	–	–		–	–	
Restructuring	+ 18.0	+ 49.0		+ 25.5	+ 50.0	
Purchase price allocation	+ 16.5	+ 21.2		+ 37.0	+ 40.7	
Other one-off items	+ 71.7	+ 15.1		+ 77.8	- 1.3	
Underlying EBITA	- 197.2	- 224.2	+ 12.0	- 338.7	- 371.5	+ 8.8

In the second quarter of 2012/13, the TUI Group's earnings adjusted for one-off effects (underlying EBITA) improved by €27.0m year-on-year to €-197.2m. The TUI Group's accumulated underlying earnings for the first half of 2012/13 totalled €-338.7m, up €32.8m year-on-year.

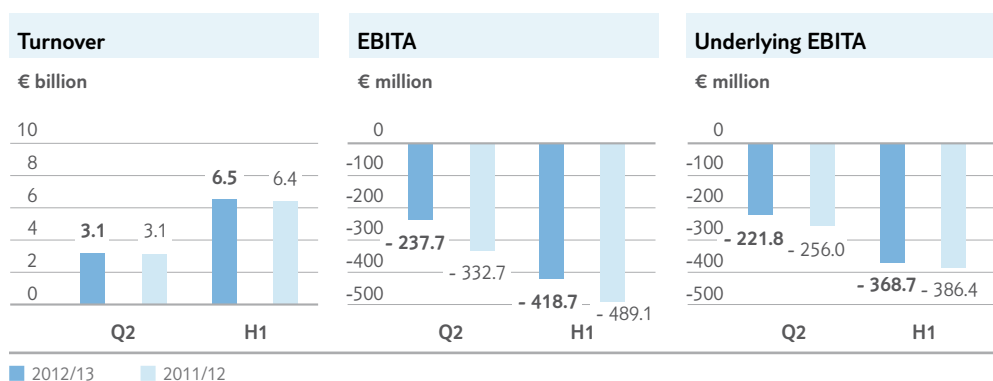
In the first half of 2012/13, net expenses of €140.3m had to be carried as adjustments. Apart from expenses for purchase price allocations, they included in particular

- restructuring costs in TUI Travel and in TUI AG for the conversion of the corporate centre, and
- net one-off expenses, resulting from e.g. the impairment of a hotel project and a provision for impending losses from onerous contracts in the Cruises Sector, partly offset by income from the curtailment of pension plans of TUI Nederland.

The net expenses of €89.4m for the first six months of the previous year were mainly associated with the restructuring of the tour operator business in France (Convergence project).

Reported EBITA totalled €-479.0m in the first half of 2012/13, down €18.1m year-on-year.

TUI Travel



Since the beginning of financial year 2012/13, TUI Travel's business has been grouped into three business lines: Mainstream, Specialist & Activity and Accommodation & Destinations.

TUI Travel – key figures

€ million	Q2 2012/13	Q2 2011/12	Var. %	H1 2012/13	H1 2011/12	Var. %
Turnover	3,137.3	3,120.1	+ 0.6	6,493.9	6,432.9	+ 0.9
EBITA	- 237.7	- 332.7	+ 28.6	- 418.7	- 489.1	+ 14.4
Gains on disposal	–	–		–	–	
Restructuring	+ 10.0	+ 49.0		+ 17.5	+ 50.0	
Purchase price allocation	+ 16.5	+ 21.2		+ 37.0	+ 40.7	
Other one-off items	- 10.6	+ 6.5		- 4.5	+ 12.0	
Underlying EBITA	- 221.8	- 256.0	+ 13.4	- 368.7	- 386.4	+ 4.6
Underlying EBITDA	- 160.6	- 212.5	+ 24.4	- 257.6	- 296.5	+ 13.1
Investments in other intangible assets and property, plant and equipment	155.1	200.1	- 22.5	372.4	294.7	+ 26.4
Employees (31 Mar)	51,923	51,434	+ 1.0	51,923	51,434	+ 1.0

Turnover by TUI Travel grew by 0.6% year-on-year in the second quarter of 2012/13. For the first half of 2012/13, turnover rose by 0.9% year-on-year. Adjusted for foreign exchange effects, it was slightly down by 0.1% on the prior year. The decrease in customer numbers of 2.5% reported for the first half of 2012/13 was offset by higher average selling prices resulting from a higher proportion of sales of unique product.

The seasonal loss (underlying EBITA) of TUI Travel decreased by €34.2m year-on-year to €221.8m in the second quarter of 2012/13. The accumulated loss for the first six months declined by €17.7m to €-368.7m.

The considerable improvement in the period under review was mainly driven by the persistently sound performance of TUI tour operators in the UK and the Nordics. Earnings in the first half of 2012/13 also improved by €12m year-on-year due to the earlier timing of Easter. The change in estimated return flight obligations resulted in an effect of €-18m versus the prior year.

In the first half of 2012/13, TUI Travel had to carry adjustments for expenses worth €50.0m on balance for the following one-off effects (previous year net expenses of €102.7m):

- restructuring costs of €17.5m, in particular for the restructuring of tour operator activities in Austria and the Specialist & Activity Business,
- effects of purchase price allocations worth €37.0m, and
- one-off income worth €4.5m on balance, including income from the curtailment of pension plans of TUI Nederland.

Due to the sound operating performance and lower net one-off expenses, reported earnings (EBITA) by TUI Travel also rose substantially year-on-year by €70.4m to €-418.7m in the period under review.

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	Q2 2012/13	Q2 2011/12	Var. %	H1 2012/13	H1 2011/12	Var. %
Germany	972	965	+ 0.7	2,163	2,219	- 2.5
UK & Ireland	590	594	- 0.6	1,472	1,460	+ 0.8
Nordics	345	327	+ 5.5	649	620	+ 4.6
France (tour operators)	140	211	- 33.7	338	491	- 31.2
Other	928	919	+ 0.9	1,926	1,925	-
Total	2,975	3,016	- 1.4	6,548	6,715	- 2.5

In the first half of 2012/13, the Mainstream Business serviced a total of 6,548 thousand guests. This represented a decline of 2.5% on the prior year, in line with the development of capacity in the period under review.

Germany

In the period under review, TUI Deutschland benefited from strong demand for long-haul holidays and from focusing on high-yield hotel offerings in the Canaries. With slightly lower capacity and customer numbers down 2.5% year-on-year, it achieved better margins, which went hand in hand with higher costs for the expansion of online distribution.

UK & Ireland

TUI tour operators in the UK continued their successful development in the period under review. With customer numbers slightly up by 0.8% versus the prior year, TUI UK generated good average selling prices and achieved high load factors thanks to the persistently strong demand for unique product.

Nordics

In the first six months of 2012/13, TUI tour operators in the Nordics recorded a considerable increase in customers of 4.6% on the prior year, which had been impacted by the floods in Thailand. They also benefited from the cost savings in aviation.

France

In the period under review, the entire French travel market remained weak and continued to be characterised by subdued demand for North Africa. TUI France partly offset the decline in customer numbers of 31.2% year-on-year with cost savings generated in the framework of the Convergence project and showed a positive development year-on-year.

Other

In the period under review, TUI tour operators in Canada, Belgium and Russia achieved improvements in their performance year-on-year. The Corsair airline benefited from a more attractive flight schedule, the modernisation of its fleet implemented in the framework of the Takeoff project and the conclusion of the new code share agreement with Air Caraïbes. Due to strong price competition in the Netherlands, TUI Nederland reported lower margins. Overall, Other countries recorded stable customer numbers.

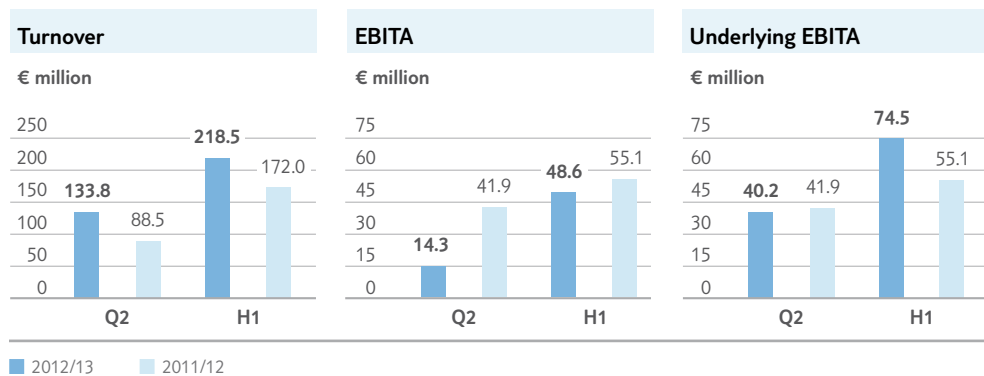
Specialist & Activity

The Specialist & Activity Business comprises tour operators in six divisions: Adventure, North American Specialist, Education, Sport, Marine and Specialist Holidays Group. In the period under review, the Specialist tour operators reported an overall gratifying performance. Substantial growth was recorded by the skiing tour operators and the Education Division. The Marine Division, by contrast, reported margin losses in boat and yacht rental.

Accommodation and Destinations (A&D)

The Accommodation and Destinations Business, which comprises the online services and incoming agencies of TUI Travel, showed an overall weaker performance in the first half of 2012/13. This was attributable, among other factors, to the first-time inclusion of the MalaPronta travel portal, acquired in the prior year. Online services reported a satisfactory development of B2B portals, while B2C portals remained impacted by the costs for the expansion of the offering. The performance of the incoming agencies was flat year-on-year.

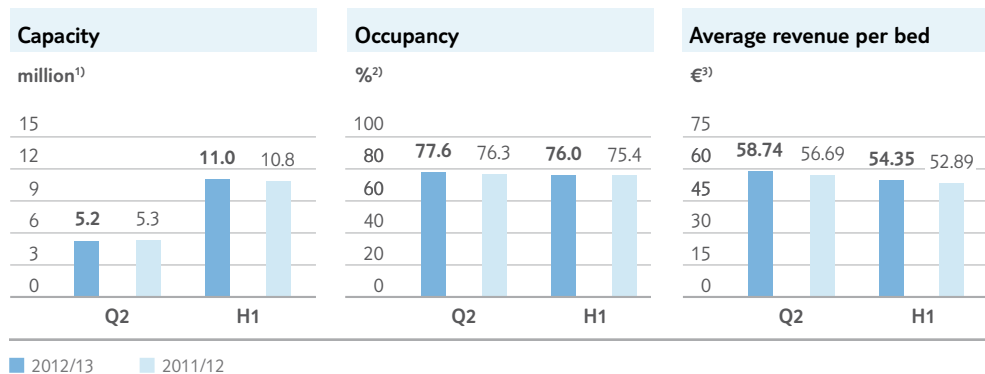
TUI Hotels & Resorts



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

TUI Hotels & Resorts – key figures

€ million	Q2 2012/13	Q2 2011/12	Var. %	H1 2012/13	H1 2011/12	Var. %
Total turnover	191.3	190.1	+ 0.6	370.7	371.0	- 0.1
Turnover	133.8	88.5	+ 51.2	218.5	172.0	+ 27.0
EBITA	14.3	41.9	- 65.9	48.6	55.1	- 11.8
Gains on disposal	–	–	–	–	–	–
Restructuring	–	–	–	–	–	–
Purchase price allocation	–	–	–	–	–	–
Other one-off items	+ 25.9	–	–	+ 25.9	–	–
Underlying EBITA	40.2	41.9	- 4.1	74.5	55.1	+ 35.2
Underlying EBITDA	56.4	58.8	- 4.1	107.4	88.6	+ 21.2
Investments in other intangible assets and property, plant and equipment	20.2	42.5	- 52.5	29.6	52.9	- 44.0
Employees (31 Mar)	11,736	13,178	- 10.9	11,736	13,178	- 10.9



- ¹⁾ Group owned or leased hotel beds multiplied by number of days open per quarter
²⁾ occupied beds divided by capacity
³⁾ arrangement turnover divided by occupied beds

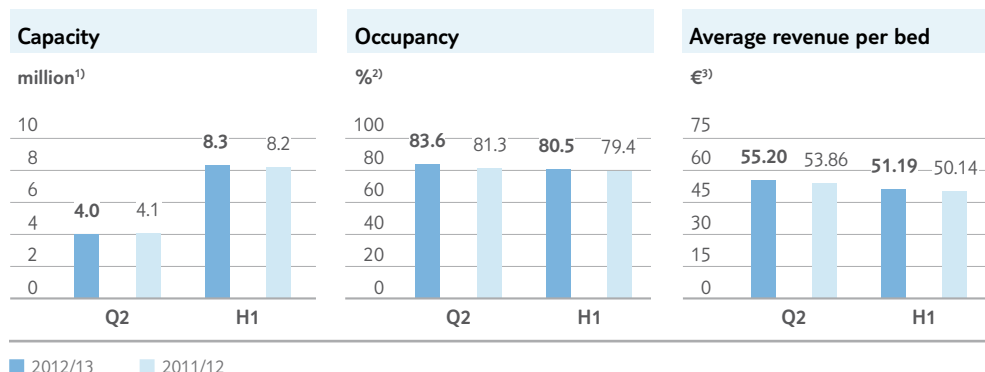
Total turnover by TUI Hotels & Resorts amounted to €191.3m for the second quarter of 2012/13 and €370.7m for the first half of 2012/13, flat on the prior year. Due to overall sound demand in the first six months on slightly higher capacity, both occupancy and average revenues per bed grew year-on-year. Turnover with non-Group third parties increased by 51.2% to €133.8m in the second quarter of 2012/13. For the first half of 2012/13, it rose by 27.0% year-on-year to €218.5m.

In the second quarter of 2012/13, underlying earnings totalled €40.2m, down €1.7m year-on-year. Accumulated underlying earnings for the first half of 2012/13 amounted to €74.5m, up €19.4m on the prior year. This increase reflected the sound operating performance posted by Riu, the largest hotel company, and the income from the sale of a Riu hotel.

In the period under review, TUI Hotels & Resorts had to carry impairments of €25.9m for the Castelfalfi hotel project in Tuscany.

At €48.6m, the accumulated reported earnings for the first six months of 2012/13 fell by 11.8% year-on-year.

Riu



- ¹⁾ Group owned or leased hotel beds multiplied by number of days open per quarter
²⁾ occupied beds divided by capacity
³⁾ arrangement turnover divided by occupied beds

Riu, one of Spain's leading hotel chains, operated 99 hotels at the end of the first half of 2012/13. Capacity rose slightly by 0.8% year-on-year to 8.3m hotel beds available. At 80.5%, average occupancy of Riu hotels in the first half of 2012/13 rose by 1.1 percentage points year-on-year. This increase reflected in particular the strong demand for hotels in the Spanish mainland. Average revenues per bed grew by 2.1% year-on-year.

In the first six months of 2012/13, business developed as follows in the individual regions:

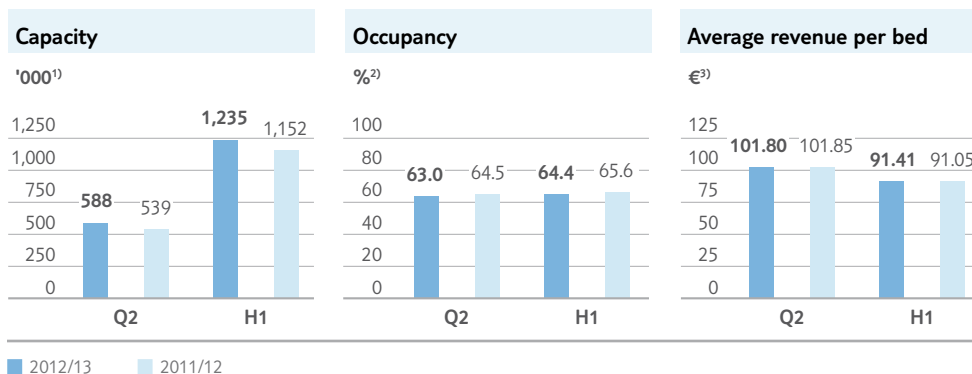
Average occupancy of Riu hotels in the Canaries declined by 3.0 percentage points year-on-year to 86.1%. In the prior year, the destination had benefited from shifts in demand from North African countries.

Riu hotels in the Balearics recorded occupancy of 61.8%, down 0.7 percentage points year-on-year. Due to the weaker economic framework, bookings from the Spanish market, in particular, declined on the prior year.

Due to capacity reductions versus the prior year, average occupancy of Riu hotels in mainland Spain grew considerably by 16.3 percentage points year-on-year to 73.6%.

In the long-haul segment, Riu hotels recorded an average occupancy rate of 83.6%, up 0.8 percentage points year-on-year. The slight increase was driven by stronger demand in the US for hotels in Mexico and the Caribbean. Average revenues per bed also grew slightly versus the prior year.

Robinson



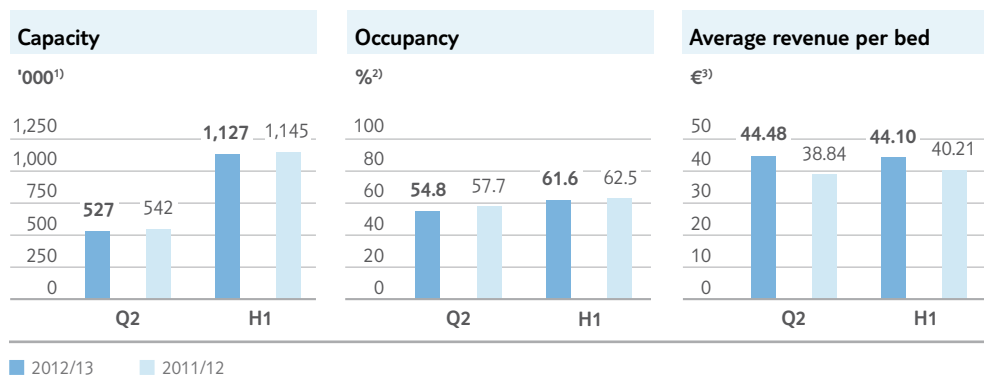
¹⁾ Group owned or leased hotel beds multiplied by number of days open per quarter

²⁾ occupied beds divided by capacity

³⁾ arrangement turnover divided by occupied beds

At the end of the 2012/13 period under review, 18 of the 24 club facilities operated by Robinson, market leader in the premium club holiday segment, were open. Capacity increased by 7.2% year-on-year in the first half of 2012/13, above all due to the reopening of a club in Turkey which had been closed for renovation purposes in the prior year reference period. Occupancy of Robinson Clubs in Morocco, Italy, Spain, Austria and Switzerland increased year-on-year. The resorts in Turkey and the Maldives recorded lower occupancy rates versus the prior year. Overall, this resulted in a year-on-year decrease in occupancy of 1.2 percentage points on considerable larger capacity in the first half of 2012/13 for the Robinson Group. Average revenues per bed grew slightly by 0.4% versus the prior year.

Iberotel



■ 2012/13 ■ 2011/12

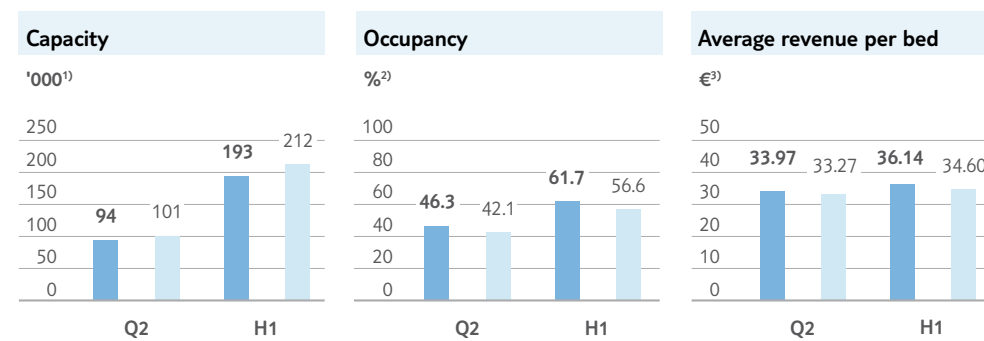
¹⁾ Group owned or leased hotel beds multiplied by number of days open per quarter

²⁾ occupied beds divided by capacity

³⁾ arrangement turnover divided by occupied beds

At the end of the first half of 2012/13, 26 facilities in Egypt, Turkey, the United Arab Emirates and Germany were open. Iberotel also operates hotels in Turkey and Italy which were closed for seasonal reasons at the end of the period under review. Capacity decreased by 1.6% year-on-year. Bookings were strongly impacted by the unclear political situation in Egypt. At 61.6%, overall occupancy of Iberotels was 0.9 percentage points down on the prior year. Average revenues per bed increased by 9.7% versus the prior year, which was characterised by price measures adopted in order to stimulate demand.

Grupotel



■ 2012/13 ■ 2011/12

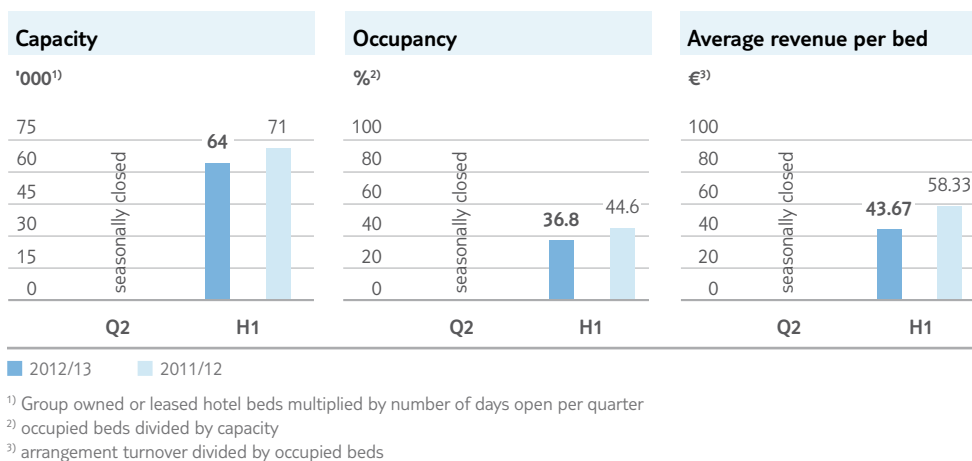
¹⁾ Group owned or leased hotel beds multiplied by number of days open per quarter

²⁾ occupied beds divided by capacity

³⁾ arrangement turnover divided by occupied beds

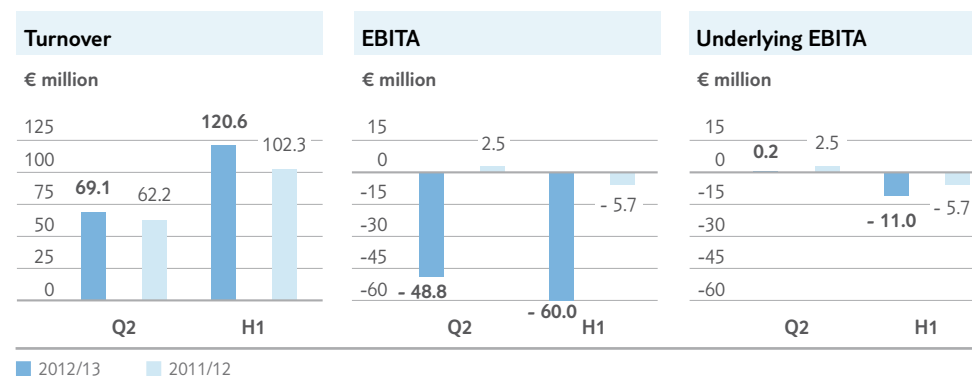
At the end of the first half of 2012/13, 13 hotels of the Grupotel chain, represented in Majorca, Menorca and Ibiza, were open. Due to changed seasonal opening times, capacity decreased by 9.3%. Occupancy of the considerably lower number of beds grew by 5.1 percentage points year-on-year to 61.7%. Average revenues per bed also improved, with an increase of 4.5% versus the prior year.

Greotel



At the end of the first half of 2012/13, none of the 20 resorts operated by the leading Greek hotel company Greotel were open for seasonal reasons. Capacity declined by 9.7% year-on-year as several hotel complexes closed earlier at the end of the 2012 summer season. Occupancy decreased by 7.8 percentage points to 36.8%. Average revenues declined by 25.1% year-on-year, having benefited from special events in the prior year.

Cruises



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

Cruises – key Figures

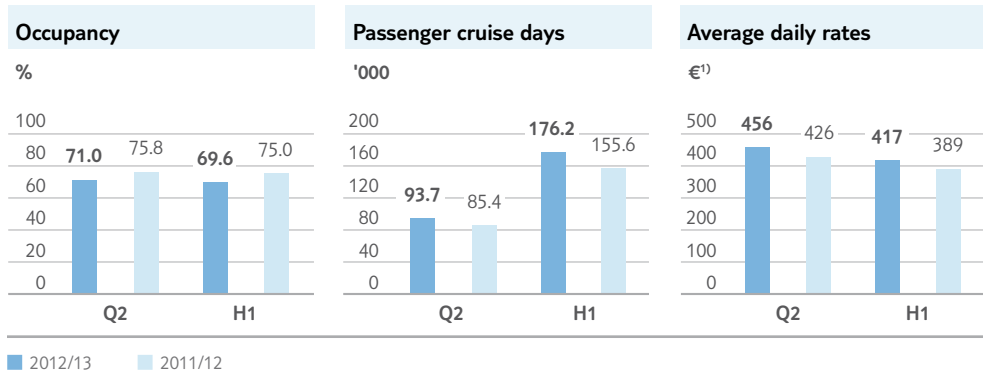
€ million	Q2 2012/13	Q2 2011/12	Var. %	H1 2012/13	H1 2011/12	Var. %
Turnover	69.1	62.2	+ 11.1	120.6	102.3	+ 17.9
EBITA	- 48.8	2.5	n/a	- 60.0	- 5.7	- 952.6
Gains on disposal	–	–		–	–	
Restructuring	–	–		–	–	
Purchase price allocation	–	–		–	–	
Other one-off items	+ 49.0	–		+ 49.0	–	
Underlying EBITA	0.2	2.5	- 92.0	- 11.0	- 5.7	- 93.0
Underlying EBITDA	2.6	4.9	- 46.9	- 6.2	- 1.0	- 520.0
Investments in other intangible assets and property, plant and equipment	0.1	0.8	- 87.5	2.7	4.9	- 44.9
Employees (31 Mar)	277	283	- 2.1	277	283	- 2.1

In the second quarter of 2012/13, turnover by the Cruises Sector totalled €69.1m, up 11.1% year-on-year. Turnover for the first half of 2012/13 rose to €120.6m, up 17.9%. As the joint venture TUI Cruises is measured at equity in the consolidated financial statements, no turnover is shown for TUI Cruises.

In the second quarter of 2012/13, underlying earnings by the Cruises Sector stood at €0.2m, down €2.3m year-on-year. Accumulated underlying earnings for the first half of 2012/13 amounted to €-11.0m, down €5.3m versus the prior year. While Hapag-Lloyd Kreuzfahrten was impacted by start-up costs for the market launch of the new Europa 2 in the first half of 2012/13, TUI Cruises completed the winter season with a very successful performance.

In the period under review, Hapag-Lloyd Kreuzfahrten had to carry an adjustment of €49.0m: As current trading fell short of the planned levels, above all for Europa 2, the resulting occupancy risks caused charter shortfalls, which led to the formation of a provision for pending losses from onerous contracts. At €-60.0m, accumulated reported earnings for the first half of 2012/13 declined considerably due to this one-off expense carried in the second quarter of 2012/13.

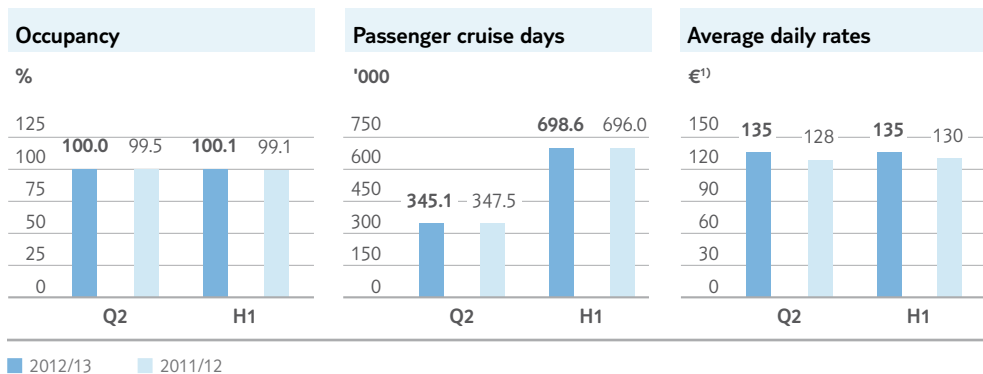
Hapag-Lloyd Kreuzfahrten



¹⁾ per day and passenger

In the first half of 2012/13, occupancy of the fleet operated by Hapag-Lloyd Kreuzfahrten declined by 7.2 percentage points versus the prior year to 69.6%. In the period under review, 176,194 passenger days were generated, up 13.2% year-on-year. The development of these indicators was impacted by the operation of Columbus 2 in the period under review, while the substantially smaller Columbus had still been operated one year earlier. Due to the renewal of the fleet, passenger days rose in the period under review, while occupancy declined due to the capacity increase associated with Columbus 2. The average rate per passenger per day benefited from the fleet renewal, growing by around 7.2% to €417.

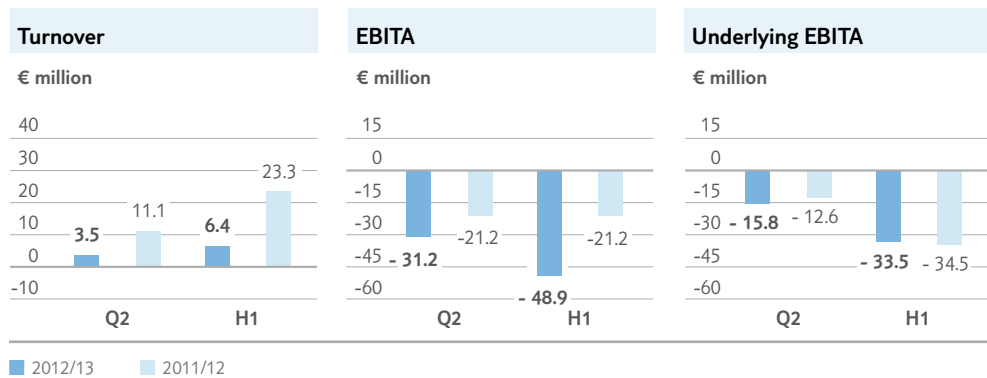
TUI Cruises



¹⁾ per day and passenger

In the first half of 2012/13, TUI Cruises operated two ships, as in the prior year. At 698,636 passenger days, capacity was flat on the prior year. At 100.1%, occupancy continued on the successful development of the prior year. Both ships contributed to this high load factor with the respective winter trade lanes Caribbean and Arabian Gulf. The average rate per passenger per day was €135, up 3.8% 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	Q2 2012/13	Q2 2011/12	Var. %	H1 2012/13	H1 2011/12	Var. %
Turnover	3.5	11.1	- 68.5	6.4	23.3	- 72.5
EBITA	- 31.2	- 21.2	- 47.2	- 48.9	- 21.2	- 130.7
Gains on disposal	-	-		-	-	
Restructuring	+ 8.0	-		+ 8.0	-	
Purchase price allocation	-	-		-	-	
Other one-off items	+ 7.4	+ 8.6		+ 7.4	- 13.3	
Underlying EBITA	- 15.8	- 12.6	- 25.4	- 33.5	- 34.5	+ 2.9
Underlying EBITDA	- 15.2	- 11.3	- 34.5	- 31.2	- 32.0	+ 2.5
Investments in other intangible assets and property, plant and equipment	1.0	0.4	+ 150.0	2.6	0.6	+ 333.3
Employees (31 Mar)	414	630	- 34.3	414	630	- 34.3
of which Corporate Center (31 Mar)	208	204	+ 2.0	208	204	+ 2.0

In the second quarter of 2012/13, underlying earnings by Central Operations totalled €-15.8m, down €3.2m year-on-year due to higher staff and consultancy costs. Accumulated underlying earnings for the first half of 2012/13 totalled €-33.5m, up €1.0m. In the period under review, Central Operations had to carry adjustments of €15.4m for expenses mainly associated with the implementation of the Lean Holding concept of TUI AG. In the prior year reference period, adjustments primarily related to income from the reversal of a provision. In the first half of 2012/13, reported earnings by Central Operations declined by €27.7m to €-48.9m versus the prior year.

Consolidated earnings

Income statement of the TUI Group

€ million	Q2 2012/13	Q2 2011/12	Var. %	H1 2012/13	H1 2011/12	Var. %
Turnover	3,343.7	3,281.9	+ 1.9	6,839.4	6,730.5	+ 1.6
Cost of sales	3,289.7	3,189.4	+ 3.1	6,591.3	6,455.5	+ 2.1
Gross profit	54.0	92.5	- 41.6	248.1	275.0	- 9.8
Administrative expenses	375.2	409.6	- 8.4	767.6	744.6	+ 3.1
Other income/other expenses	+ 0.5	+ 13.0	- 96.2	+ 16.8	+ 14.6	+ 15.1
Impairment of goodwill	8.3	–	n/a	8.3	–	n/a
Financial income	30.9	39.0	- 20.8	61.4	91.2	- 32.7
Financial expenses	102.1	95.8	+ 6.6	200.5	192.3	+ 4.3
Share of result of joint ventures and associates	- 5.4	- 45.6	+ 88.2	- 6.1	- 57.2	+ 89.3
Earnings before income taxes	- 405.6	- 406.5	+ 0.2	- 656.2	- 613.3	- 7.0
Reconciliation to underlying earnings:						
Earnings before income taxes	- 405.6	- 406.5	+ 0.2	- 656.2	- 613.3	- 7.0
plus: Losses on Container Shipping measured at equity	21.2	50.0	- 57.6	29.3	58.7	- 50.1
less: Gains on reduction and measurement of financial investment in Container Shipping	–	- 12.0	n/a	–	- 17.1	n/a
plus: Net interest expense and expense from measurement of interest hedges	72.7	59.0	+ 23.2	139.6	110.8	+ 26.0
plus: Impairment of goodwill	8.3	–	n/a	8.3	–	n/a
EBITA	- 303.4	- 309.5	+ 2.0	- 479.0	- 460.9	- 3.9
Adjustments:						
plus: Restructuring expense	+ 18.0	+ 49.0		+ 25.5	+ 50.0	
plus: Expense from purchase price allocation	+ 16.5	+ 21.2		+ 37.0	+ 40.7	
plus: Expense/less: Income from other one-off items	+ 71.7	+ 15.1		+ 77.8	- 1.3	
Underlying EBITA	- 197.2	- 224.2	+ 12.0	- 338.7	- 371.5	+ 8.8
Earnings before income taxes	- 405.6	- 406.5	+ 0.2	- 656.2	- 613.3	- 7.0
Income taxes	- 97.5	- 141.0	+ 30.9	- 164.3	- 210.8	+ 22.1
Group loss for the year	- 308.1	- 265.5	- 16.0	- 491.9	- 402.5	- 22.2
Group loss for the year attributable to shareholders of TUI AG	- 248.4	- 185.2	- 34.1	- 385.4	- 272.8	- 41.3
Group loss for the year attributable to non-controlling interest	- 59.7	- 80.3	+ 25.7	- 106.5	- 129.7	+ 17.9
Basic and diluted earnings per share	€ - 1.01	- 0.76	- 32.0	- 1.58	- 1.13	- 39.2

The consolidated income statement reflects the seasonality of the tourism business, with positive results primarily generated in the second and third calendar quarters due to the seasonality of the business.



See page 5

Turnover and cost of sales

Turnover comprises the turnover generated by Tourism and Central Operations. In the second quarter of 2012/13, turnover grew by 1.9% year-on-year to €3.3bn. For the first half of 2012/13, turnover totalled €6.8bn, up 1.6% on the prior year. This growth was mainly driven by higher average selling prices by TUI Travel. Turnover is presented alongside the cost of sales, which also rose in line with the increase in the business volume. A detailed breakdown of turnover and the development of turnover are presented in the section Earnings by the Sectors.

Gross profit

At €54.0m, gross profit as the balance of turnover and the cost of sales was down €38.5m year-on-year in the second quarter of 2012/13. For the first half of 2012/13, gross profit amounted to €248.1m, down €26.9m versus the prior year.

Administrative expenses

Administrative expenses comprise expenses not directly allocable to the turnover transactions, such as expenses for general management functions. In the second quarter, they totalled €375.2m, down €34.4m on the prior year. At €767.6m, administrative expenses for the first half of the year increased by €23.0m year-on-year.

Other income/other expenses

The balance of income and expenses totalled €0.5m in the second quarter of 2012/13, almost evening out. The net income carried for the first half of 2012/13 mainly resulted from the sale of a Riu hotel, while income in the prior year had arisen from the partial disposal of the hybrid instruments granted to Hapag-Lloyd Holding AG and the measurement of the investment in Container Shipping.

Impairment of goodwill

In the second quarter of 2012/13, TUI Hotels & Resorts carried goodwill impairments of €8.3m in connection with adjustments of the business plan for the Tuscan project Castelfalfi. The accumulated value for the first half of 2012/13 also stood at €8.3m. No goodwill impairment charges were carried for the previous year.

Financial income and expenses/financial result

The financial result comprises the interest result and the net result from marketable securities as well as in the previous year the effect of the measurement of the loans granted to Container Shipping. In the second quarter of 2012/13, the financial result decreased by €14.4m. In the first half of 2012/13, it comprised financial income of €61.4m (previous year €91.2m) and financial expenses of €200.5m (previous year €192.3m). The accumulated financial result for the first six months of 2012/13 declined by a total of €38.0m year-on-year. The year-on-year decrease in financial income in the second quarter and the first half of 2012/13 was driven, among other factors, by measurement effects included in the prior year and interest income from the hybrid instruments granted to Hapag-Lloyd AG, fully redeemed in financial year 2011/12.

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 accounted for €-5.4m (previous year €-45.6m) in the second quarter of 2012/13 and €-6.1m (previous year €-57.2m) for the first half of 2012/13. The improvement was essentially driven by the reduction in the stake in Hapag-Lloyd and the resulting lower proportional loss from Container Shipping.



Adjustments see
page 7

Underlying Group EBITA

In the first six months of 2012/13, underlying Group EBITA was negative due to the seasonality of the tourism business. It totalled €-197.2m for the second quarter of 2012/13, an improvement of €27.0m year-on-year. On an accumulated basis, it improved by €32.8m for the first six months to €-338.7m. 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. In the second quarter of 2012/13, tax assets of €97.5m arose, as against €141.0m in the prior year, primarily reflecting the strong seasonal swing in the tourism business. The accumulated tax assets for the first half of the year amounted to €164.3m, following €210.8m in the prior year.

Group loss

In the second quarter of 2012/13, the Group result was negative at €-308.1m (previous year €-265.5m) due to the seasonality of the tourism business. The accumulated Group loss for the first half of 2012/13 was €491.9m (previous year €402.5m).

Non-controlling interests

Non-controlling interests accounted for €-59.7m for the second quarter of 2012/13 and €-106.5m for the first half of the year. They related to the external shareholders of TUI Travel PLC and companies in the TUI Hotels & Resorts Sector.

Earnings per share

After deduction of non-controlling interests, TUI AG shareholders accounted for €-248.4m (previous year €-185.2m) of the Group result for the second quarter of 2012/13 and €-385.4m (previous year €-272.8m) for the first half of 2012/13. As a result, basic earnings per share amounted to €-1.01 (previous year €-0.76) for the second quarter and €-1.58 (previous year €-1.13) for the first half of 2012/13.

Performance indicators

Key figures of income statement

€ million	Q2 2012/13	Q2 2011/12 revised	Var. %	H1 2012/13	H1 2011/12 revised	Var. %
Earnings before interest, income taxes, depreciation, impairment and rent (EBITDAR)	9.7	- 42.5	n/a	121.0	70.4	+ 71.9
Operating rental expenses	189.9	184.5	+ 2.9	386.1	365.3	+ 5.7
Earnings before interest, income taxes, depreciation and impairment (EBITDA)	- 180.2	- 227.0	+ 20.6	- 265.1	- 294.9	+ 10.1
Depreciation/amortisation less reversals of depreciation ¹⁾	- 123.2	- 82.5	- 49.3	- 213.9	- 166.0	- 28.9
Earnings before interest, income taxes and impairment of goodwill (EBITA)	- 303.4	- 309.5	+ 2.0	- 479.0	- 460.9	- 3.9
Impairment of goodwill	8.3	–	n/a	8.3	–	n/a
Earnings before interest and income taxes (EBIT)	- 311.7	- 309.5	- 0.7	- 487.3	- 460.9	- 5.7
Interest result and earnings from the measurement of interest hedges	- 72.7	- 59.0	- 23.2	- 139.6	- 110.8	- 26.0
Effect of reduction and measurement of financial commitment to Container Shipping	–	12.0	n/a	–	17.1	n/a
Result from Container Shipping measured at equity	- 21.2	- 50.0	+ 57.6	- 29.3	- 58.7	+ 50.1
Earnings before income taxes (EBT)	- 405.6	- 406.5	+ 0.2	- 656.2	- 613.3	- 7.0

¹⁾ on property, plant and equipment, intangible assets, financial and other assets

Net assets and financial position

The Group's balance sheet total decreased by 1.1% to €13.1bn versus the end of financial year 2011/12. The changes in the consolidated statement of financial position as against 30 September 2012 primarily reflect the seasonality of the tourism business.

Assets and liabilities

€ million	31 Mar 2013	30 Sep 2012	Var. %
Non-current assets	8,992.9	8,668.2	+ 3.7
Current assets	4,073.4	4,544.4	- 10.4
Assets	13,066.3	13,212.6	- 1.1
Equity	1,729.0	2,067.1	- 16.4
Provisions	2,269.5	2,233.9	+ 1.6
Financial liabilities	2,800.2	2,456.6	+ 14.0
Other liabilities	6,267.6	6,455.0	- 2.9
Liabilities	13,066.3	13,212.6	- 1.1

Non-current assets

As at 31 March 2013, non-current assets accounted for 68.8% of total assets, compared with 65.6% as at 30 September 2012. At €9.0bn, non-current assets rose year-on-year.

Current assets

As at 31 March 2013, current assets accounted for 31.2% of total assets, following 34.4% as at 30 September 2012. Current assets decreased from €4.5bn as at 30 September 2012 to €4.1bn as at 31 March 2013, primarily due to the seasonality of the tourism business.

Equity

Equity totalled €1.7bn as at 31 March 2013. The equity ratio declined from 15.6% as at 30 September 2012 to 13.2%. Further information on the changes in equity is provided in the Notes to the present Half-Year Financial Report.

Provisions

Provisions mainly comprise provisions for pension obligations, effective and deferred income tax provisions and provisions for typical operating risks. As at 31 March 2013, they totalled €2.3bn, up 1.6% as against 30 September 2012.

Financial liabilities

As at 31 March 2013, financial liabilities consisted of non-current financial liabilities of €2.4bn and current financial liabilities of €0.4bn. As at 30 September 2012, non-current financial liabilities amounted to €1.8bn, with current financial liabilities of €0.6bn.

At the end of the second quarter (31 March 2013), the TUI Group's net debt including the TUI Group's assets held for sale and the associated liabilities totalled €1.4bn. Net debt was thus reduced by €589.9m year-on-year. The decline was mainly due to the inflow of funds resulting from the reduction in the investment in Container Shipping in calendar year 2012.

Other liabilities

As at 31 March 2013, other liabilities amounted to €6.3bn, down versus their level as at 30 September 2012.

Other segment indicators

Underlying EBITDA

€ million	Q2 2012/13	Q2 2011/12	Var. %	H1 2012/13	H1 2011/12	Var. %
Tourism	- 101.6	- 148.8	+ 31.7	- 156.4	- 208.9	+ 25.1
TUI Travel	- 160.6	- 212.5	+ 24.4	- 257.6	- 296.5	+ 13.1
TUI Hotels & Resorts	56.4	58.8	- 4.1	107.4	88.6	+ 21.2
Cruises	2.6	4.9	- 46.9	- 6.2	- 1.0	- 520.0
Central Operations	- 15.2	- 11.3	- 34.5	- 31.2	- 32.0	+ 2.5
Group	- 116.8	- 160.1	+ 27.0	- 187.6	- 240.9	+ 22.1



See page 42

EBITDA

€ million	Q2 2012/13	Q2 2011/12	Var. %	H1 2012/13	H1 2011/12	Var. %
Tourism	- 156.0	- 207.1	+ 24.7	- 224.9	- 276.2	+ 18.6
TUI Travel	- 161.3	- 270.8	+ 40.4	- 272.4	- 363.8	+ 25.1
TUI Hotels & Resorts	51.7	58.8	- 12.1	102.7	88.6	+ 15.9
Cruises	- 46.4	4.9	n/a	- 55.2	- 1.0	n/a
Central Operations	- 24.2	- 19.9	- 21.6	- 40.2	- 18.7	- 115.0
Group	- 180.2	- 227.0	+ 20.6	- 265.1	- 294.9	+ 10.1

Investments in other intangible assets and property, plant and equipment

€ million	Q2 2012/13	Q2 2011/12	Var. %	H1 2012/13	H1 2011/12	Var. %
Tourism	175.4	243.4	- 27.9	404.7	352.5	+ 14.8
TUI Travel	155.1	200.1	- 22.5	372.4	294.7	+ 26.4
TUI Hotels & Resorts	20.2	42.5	- 52.5	29.6	52.9	- 44.0
Cruises	0.1	0.8	- 87.5	2.7	4.9	- 44.9
Central Operations	1.0	0.4	+ 150.0	2.6	0.6	+ 333.3
Group	176.4	243.8	- 27.6	407.3	353.1	+ 15.3

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

€ million	Q2 2012/13	Q2 2011/12	Var. %	H1 2012/13	H1 2011/12	Var. %
Tourism	116.2	81.1	+ 43.3	205.3	163.5	+ 25.6
TUI Travel	76.4	61.9	+ 23.4	146.4	125.3	+ 16.8
TUI Hotels & Resorts	37.4	16.8	+ 122.6	54.1	33.5	+ 61.5
Cruises	2.4	2.4	-	4.8	4.7	+ 2.1
Central Operations	7.0	1.2	+ 483.3	8.7	2.4	+ 262.5
Group	123.2	82.3	+ 49.7	214.0	165.9	+ 29.0

Employees

	31 Mar 2013	30 Sep 2012	Var. %
Tourism	63,936	73,391	- 12.9
TUI Travel	51,923	57,961	- 10.4
TUI Hotels & Resorts	11,736	15,141	- 22.5
Cruises	277	289	- 4.2
Central Operations	414	421	- 1.7
Corporate Center	208	212	- 1.9
Other units	206	209	- 1.4
Group	64,350	73,812	- 12.8

MANAGEMENT REPORT

RISK AND OPPORTUNITY REPORT



Annual Report 2011/12: Risks
see page 118 ff, opportunities
see page 149

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 2011/12. The risks and opportunities outlined in that report remained largely unchanged in the period under review.

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

MANAGEMENT REPORT

PROSPECTS

Economic framework

Expected development of gross domestic product

Var. %	2014	2013
World	4.0	3.3
Europe	1.3	0.0
Germany	1.5	0.6
UK	1.5	0.7
France	0.9	- 0.1
US	3.0	1.9
Russia	3.8	3.4
Japan	1.4	1.6
China	8.2	8.0
India	6.2	5.7

Source: International Monetary Fund, World Economic Outlook, April 2013

Macroeconomic situation

The International Monetary Fund (IMF, World Economic Outlook Update, April 2013) has revised its forecast for global gross domestic product growth slightly down as against January 2013. The IMF currently expects moderate global economic growth of 3.3% (previously 3.5%) for 2013 and 4.0% (previously 4.1%) for 2014. As before, this forecast is based on the assumption that the countries of the Eurozone will successfully continue their crisis management and that the turmoil caused by the sovereign debt crisis in the Eurozone will continue to decline. However, the development of the Eurozone continues to constitute one of the biggest downside risks from the IMF's perspective.

Market development in tourism

According to the current forecast by the European Travel Commission, outbound visitors in Europe are expected to grow by around 2.7% in 2013 (European Travel Commission, European Tourism 2012, February 2013). For 2014, growth of 4.4% is predicted.

The UNWTO expects international tourism to continue to grow worldwide in this decade, albeit at a more moderate pace than before. For the next few years, it expects average weighted growth of around 3% per year (UNWTO, Tourism towards 2030, October 2011).

For calendar year 2013, the UNWTO (UNWTO, November 2012) expects international arrivals to grow by 2 to 4%.

Expected development of earnings

Compared with our interim report for the first quarter of 2012/13, we have adjusted our outlook with regard to the following points:

Due to the sound operating performance achieved in the second quarter of 2012/13 and current trading for the 2013 summer season, which is ahead of our expectations, we now expect TUI Travel to also achieve year-on-year growth on a euro basis.

We now also expect the overall TUI Group to achieve a year-on-year improvement in operating results.

TUI Group

Expected development of Group earnings

€ million	2011/12	2012/13
Turnover	18,330.3	↗
Underlying EBITA	745.7	↗
EBITA	538.8	↗

Turnover

In financial year 2012/13, we expect turnover to grow moderately, in particular due to a higher proportion of sales of unique product in TUI Travel's volume business.

Underlying EBITA

The TUI Group's underlying EBITA in financial year 2012/13 is expected to improve year-on-year due to the expected business performance of TUI Travel and TUI Hotels & Resorts.

EBITA

Although net one-off expenses exceed our original guidance, we continue to expect a slight increase in reported EBITA in financial year 2012/13 due to the expected operational improvements.

Group profit for the year (before non-controlling interests)

Overall, we continue to expect a positive Group result for the year for financial year 2012/13.

Expected development of the Sectors

Expected development of earnings

€ million	2011/12	Turnover 2012/13	Underlying EBITA	
			2011/12	2012/13
Tourism	18,297.2	↗	819.0	↗
TUI Travel	17,681.5	↗	637.4	↗
TUI Hotels & Resorts	384.7	↗	178.6	↗
Cruises	231.0	↗	3.0	↘
Central Operations	33.1	↘	- 73.3	↗
Group	18,330.3	↗	745.7	↗

TUI Travel

Expected development of TUI Travel earnings

	Underlying EBITA 2012/13
Underlying EBITA (sterling)	↗
Effect from exchange rate GBP/EUR	↘
Underlying EBITA (Euro)	↗

TUI Travel anticipate full year underlying operating profit growth in sterling of at least 10% on a constant currency basis. The main earnings drivers in TUI Travel are positive effects of the turnaround and cost efficiency programmes launched in Germany and France as well as margin improvements resulting from increased sales of unique products, in particular in the UK and the Nordics.

Apart from the operating performance, the result of TUI Travel carried in TUI AG's consolidated financial statements is also strongly affected by the further development of the exchange rate of sterling against the euro. Should the exchange rate of sterling fall substantially below the prior-year level in the high-volume summer months of the third and fourth quarters of 2012/13, the result of TUI Travel carried in TUI AG's consolidated financial statements would decline accordingly year-on-year.

TUI Hotels & Resorts

Against the background of the sound operating development and the income from the sale of a Riu hotel carried in the first quarter, we expect TUI Hotels & Resorts to achieve an increase in results for the overall year 2012/13.

Cruises

In financial year 2012/13, earnings by the Cruises Sector will remain impacted by start-up costs for the fleet expansion programmes in Hapag-Lloyd Kreuzfahrten and TUI Cruises. Hapag-Lloyd Kreuzfahrten will focus on luxury and expedition cruises, a process that will only be completed upon the decommissioning of Columbus 2 in financial year 2013/14. Despite a positive development in TUI Cruises, we expect the operating result of Cruises to fall below the prior year's level due to the ongoing restructuring of Hapag-Lloyd Kreuzfahrten and the start-up costs for the expansion of the luxury cruise segment as well as the trading performance, which falls short of expectations, in financial year 2012/13.

Central Operations

For Central Operations we continue to expect a slight decline in expenses and hence a slight improvement in underlying earnings year-on-year.

Group

Due to the expected improvements in earnings by TUI Travel and TUI Hotels & Resorts we have lifted our guidance for the expected development of the TUI Group as against our outlook in the Annual Report 2011/12 and now expect to achieve a year-on-year improvement in our operating result.

Expected development of the financial position

Expected development of Group financial position

€ million	2011/12	2012/13
Investments in other intangible assets and property, plant and equipment	643.2	↘
Net debt	178.2	→

Capital expenditure

We expect the TUI Group's financing requirements to total around €500m in financial year 2012/13, 75% of which relate to TUI Travel. The largest portion has been earmarked for capital expenditure on property, plant and equipment. The planned investments by TUI Travel include the introduction of new production and booking systems and the purchase of aircraft spare parts and yachts. Additional investments have been planned for the maintenance and expansion of the cruise and hotel portfolio.

Net debt

At the end of the past financial year (30 September 2012), the Group's net debt totalled €0.2bn. Taking account of the expected cash flow from business operations, the TUI Group's net debt is expected to show a stable development in financial year 2012/13.

Overall assessment of the Group's expected development

On the basis of the expected moderate economic growth, we confirm our positive outlook for the TUI Group for financial year 2012/13. The TUI Group is well positioned in the market with its financial profile and services portfolio.

Should the economic framework show the expected positive development, the business volumes and operating results of the Tourism entities are expected to grow in financial year 2013/14.

MANAGEMENT REPORT

CORPORATE GOVERNANCE

Composition of the boards

The composition of the boards of TUI AG changed as follows in the second quarter of 2012/13:

Upon the close of the Annual General Meeting on 13 February 2013, Dr Michael Frenzel finished his active career and resigned from TUI AG's Executive Board. Friedrich Jousen has succeeded him as CEO.

The Annual General Meeting on 13 February 2013 confirmed Angelika Gifford's mandate as shareholder representative for the remaining term of office of the Supervisory Board until the close of the ordinary Annual General Meeting 2016. She had already been appointed as a member of the Supervisory Board by the district court of Hanover on 26 March 2012 upon a resolution adopted by the Executive Board.

Christian Kuhn, member of the Supervisory Board TUI AG, passed away on 16 April 2013. Michael Pönipp was appointed as his successor by the district court of Hanover on 17 April 2013.

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

INTERIM FINANCIAL STATEMENTS

Income statement of the TUI Group for the period from 1 October 2012 to 31 March 2013

€ million	Notes	Q2 2012/13	Q2 2011/12	H1 2012/13	H1 2011/12
Turnover		3,343.7	3,281.9	6,839.4	6,730.5
Cost of sales	(1)	3,289.7	3,189.4	6,591.3	6,455.5
Gross profit		54.0	92.5	248.1	275.0
Administrative expenses	(1)	375.2	409.6	767.6	744.6
Other income/other expenses	(2)	+ 0.5	+ 13.0	+ 16.8	+ 14.6
Impairment of goodwill	(3)	8.3	–	8.3	–
Financial income	(4)	30.9	39.0	61.4	91.2
Financial expenses	(4)	102.1	95.8	200.5	192.3
Share of result of joint ventures and associates	(5)	- 5.4	- 45.6	- 6.1	- 57.2
Earnings before income taxes		- 405.6	- 406.5	- 656.2	- 613.3
Reconciliation to underlying earnings:					
Earnings before income taxes		- 405.6	- 406.5	- 656.2	- 613.3
plus: Losses on Container Shipping measured at equity		21.2	50.0	29.3	58.7
less: Gains on reduction and measurement of financial investment in Container Shipping		–	- 12.0	–	- 17.1
plus: Net interest expense and expense from measurement of interest hedges		72.7	59.0	139.6	110.8
plus: Impairment of goodwill		8.3	–	8.3	–
EBITA		- 303.4	- 309.5	- 479.0	- 460.9
Adjustments:	(6)				
plus: Restructuring expense		18.0	49.0	25.5	50.0
plus: Expense from purchase price allocation		16.5	21.2	37.0	40.7
plus: Expense/less: Income from other one-off items		71.7	15.1	77.8	- 1.3
Underlying EBITA		- 197.2	- 224.2	- 338.7	- 371.5
Earnings before income taxes		- 405.6	- 406.5	- 656.2	- 613.3
Income taxes	(7)	- 97.5	- 141.0	- 164.3	- 210.8
Group loss for the year		- 308.1	- 265.5	- 491.9	- 402.5
Group loss for the year attributable to shareholders of TUI AG		- 248.4	- 185.2	- 385.4	- 272.8
Group loss for the year attributable to non-controlling interest	(8)	- 59.7	- 80.3	- 106.5	- 129.7

Earnings per share

€	Q2 2012/13	Q2 2011/12	H1 2012/13	H1 2011/12
Basic and diluted earnings per share	- 1.01	- 0.76	- 1.58	- 1.13

Condensed statement of comprehensive income of the TUI Group for the period from 1 October 2012 to 31 March 2013

€ million	Q2 2012/13	Q2 2011/12	H1 2012/13	H1 2011/12
Group loss	- 308.1	- 265.5	- 491.9	- 402.5
Actuarial losses from pension provisions and related fund assets	17.6	49.5	- 54.0	- 47.1
Changes in the measurement of companies measured at equity	0.4	- 0.3	- 4.7	- 3.7
Income tax related to items that will not be reclassified	- 5.1	- 11.6	13.8	13.9
Items that will not be reclassified to profit or loss	12.9	37.6	- 44.9	- 36.9
Foreign exchange differences	120.8	- 30.4	106.7	- 23.5
Financial instruments available for sale	4.4	- 101.7	4.4	- 131.9
Cash flow hedges	188.9	31.9	162.5	65.5
Changes in the measurement of companies measured at equity	1.7	18.9	6.7	14.0
Income tax related to items that may be reclassified	- 43.0	- 9.3	- 36.3	- 23.0
Items that may be reclassified to profit or loss	272.8	- 90.6	244.0	- 98.9
Other comprehensive income	285.7	- 53.0	199.1	- 135.8
Total comprehensive income	- 22.4	- 318.5	- 292.8	- 538.3
attributable to shareholders of TUI AG	- 87.7	- 135.5	- 288.6	- 278.5
attributable to non-controlling interest	65.3	- 183.0	- 4.2	- 259.8

Financial position of the TUI Group as at 31 March 2013

€ million	31 Mar 2013	31 Mar 2012	30 Sep 2012
Assets			
Goodwill	2,979.2	3,033.5	3,046.4
Other intangible assets	864.7	812.5	890.9
Investment property	63.5	55.7	54.9
Property, plant and equipment	2,729.6	2,586.5	2,651.3
Investments in joint ventures and associates	1,410.9	1,657.7	1,394.0
Financial assets available for sale	79.1	208.2	75.5
Trade receivables and other assets	407.0	434.9	358.1
Derivative financial instruments	56.4	30.6	28.4
Deferred tax asset	402.5	380.4	168.7
Non-current assets	8,992.9	9,200.0	8,668.2
Inventories	118.8	121.6	113.9
Trade receivables and other assets	2,272.2	2,419.6	1,956.0
Derivative financial instruments	214.9	205.5	131.5
Current tax asset	73.9	19.2	48.1
Cash and cash equivalents	1,367.4	1,285.9	2,278.4
Assets held for sale	26.2	16.2	16.5
Current assets	4,073.4	4,068.0	4,544.4
	13,066.3	13,268.0	13,212.6
€ million	31 Mar 2013	31 Mar 2012	30 Sep 2012
Equity and liabilities			
Subscribed capital	645.2	643.9	644.9
Capital reserves	957.6	956.3	957.4
Revenue reserves	- 19.6	281.9	185.2
Hybrid capital	294.8	294.8	294.8
Equity before non-controlling interest	1,878.0	2,176.9	2,082.3
Non-controlling interest	- 149.0	- 246.3	- 15.2
Equity	1,729.0	1,930.6	2,067.1
Pension provisions and similar obligations	1,144.5	907.9	1,146.9
Other provisions	561.6	553.0	537.5
Non-current provisions	1,706.1	1,460.9	1,684.4
Financial liabilities	2,408.9	2,861.5	1,810.5
Derivative financial instruments	15.7	24.1	31.8
Current tax liabilities	107.8	105.7	108.3
Deferred tax liabilities	107.3	109.1	69.5
Other liabilities	81.8	120.5	68.2
Non-current liabilities	2,721.5	3,220.9	2,088.3
Non-current provisions and liabilities	4,427.6	4,681.8	3,772.7
Pension provisions and similar obligations	38.5	39.8	39.7
Other provisions	524.9	490.3	509.8
Current provisions	563.4	530.1	549.5
Financial liabilities	391.3	447.5	646.1
Trade payables	2,139.1	1,974.2	3,260.0
Derivative financial instruments	121.5	109.0	163.1
Current tax liabilities	73.0	190.3	96.5
Other liabilities	3,621.4	3,402.0	2,657.6
Current liabilities	6,346.3	6,123.0	6,823.3
Liabilities related to assets held for sale	-	2.5	-
Current provisions and liabilities	6,909.7	6,655.6	7,372.8
	13,066.3	13,268.0	13,212.6

Condensed statement of changes in equity of the TUI Group for the period from 1 October 2012 to 31 March 2013

€ million	Subscribed capital	Capital reserves	Revenue reserves	Hybrid capital	Equity before non-controlling interest	Non-controlling interest	Total
Balance as at 1 October 2012	644.9	957.4	185.2	294.8	2,082.3	- 15.2	2,067.1
Dividends	-	-	-	-	-	- 90.1	- 90.1
Hybrid capital dividend	-	-	- 12.4	-	- 12.4	-	- 12.4
Share-based payment schemes of TUI Travel PLC	-	-	3.7	-	3.7	2.7	6.4
Issue of employee shares	0.3	0.2	-	-	0.5	-	0.5
Effects on the acquisition of non-controlling interests	-	-	- 14.9	-	- 14.9	- 1.1	- 16.0
Effects on the disposal of shares to non-controlling interests	-	-	107.4	-	107.4	- 41.1	66.3
Group loss	-	-	- 385.4	-	- 385.4	- 106.5	- 491.9
Foreign exchange differences	-	-	38.8	-	38.8	67.9	106.7
Financial instruments available for sale	-	-	2.5	-	2.5	1.9	4.4
Cash flow hedges	-	-	103.9	-	103.9	58.6	162.5
Actuarial losses from pension provisions and related fund assets	-	-	- 35.2	-	- 35.2	- 18.8	- 54.0
Changes in the measurement of companies measured at equity	-	-	2.0	-	2.0	-	2.0
Taxes attributable to other comprehensive income	-	-	- 15.2	-	- 15.2	- 7.3	- 22.5
Other comprehensive income	-	-	96.8	-	96.8	102.3	199.1
Total comprehensive income	-	-	- 288.6	-	- 288.6	- 4.2	- 292.8
Balance as at 31 March 2013	645.2	957.6	- 19.6	294.8	1,878.0	- 149.0	1,729.0

Condensed statement of changes in equity of the TUI Group for the period from 1 October 2011 to 31 March 2012

€ million	Subscribed capital	Capital reserves	Revenue reserves	Hybrid capital	Equity before non-controlling interest	Non-controlling interest	Total
Balance as at 1 October 2011	643.5	956.1	575.6	294.8	2,470.0	77.8	2,547.8
Dividends	-	-	-	-	-	- 66.7	- 66.7
Hybrid capital dividend	-	-	- 12.9	-	- 12.9	-	- 12.9
Share-based payment schemes of TUI Travel PLC	-	-	4.1	-	4.1	3.2	7.3
Issue of employee shares	0.4	0.2	-	-	0.6	-	0.6
Issue of convertible bonds	-	-	- 6.4	-	- 6.4	- 0.8	- 7.2
Group loss	-	-	- 272.8	-	- 272.8	- 129.7	- 402.5
Foreign exchange differences	-	-	99.8	-	99.8	- 123.3	- 23.5
Financial instruments available for sale	-	-	- 131.2	-	- 131.2	- 0.7	- 131.9
Cash flow hedges	-	-	57.8	-	57.8	7.7	65.5
Actuarial losses from pension provisions and related fund assets	-	-	- 33.5	-	- 33.5	- 13.6	- 47.1
Changes in the measurement of companies measured at equity	-	-	10.3	-	10.3	-	10.3
Taxes attributable to other comprehensive income	-	-	- 8.9	-	- 8.9	- 0.2	- 9.1
Other comprehensive income	-	-	- 5.7	-	- 5.7	- 130.1	- 135.8
Total comprehensive income	-	-	- 278.5	-	- 278.5	- 259.8	- 538.3
Balance as at 31 March 2012	643.9	956.3	281.9	294.8	2,176.9	- 246.3	1,930.6

**Condensed cash flow statement of the TUI Group for the period
from 1 October 2012 to 31 March 2013**

€ million	H1 2012/13	H1 2011/12
Cash outflow from operating activities	- 783.7	- 942.7
Cash outflow/inflow from investing activities	- 237.7	19.3
Cash inflow from financing activities	148.2	236.7
Net change in cash and cash equivalents	- 873.2	- 686.7
Change in cash and cash equivalents due to exchange rate fluctuation	- 37.8	- 8.7
Cash and cash equivalents at beginning of period	2,278.4	1,981.3
Cash and cash equivalents at end of period	1,367.4	1,285.9

NOTES

Accounting principles

In accordance with IAS 34, the Group's interim financial statements as at 31 March 2013 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.

As a matter of principle, the accounting and measurement methods adopted in the preparation of these interim financial statements as at 31 March 2013 are consistent with those followed in the preparation of the preceding consolidated financial statements for the year ended 30 September 2012.

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

Compared with the prior year reference period, TUI Travel updated the parameters for the measurement of return flight obligations for inbound customers. As a consequence, the reported results for the first and third quarters are down year-on-year due to the seasonal swing in tourism, while the results for the second and fourth quarters of 2012/13 are up. For the full year 2012/13, the effects of this change in estimate balance out.

In addition, the following standards and interpretations revised or newly published by the IASB have been mandatory since the beginning of financial year 2012/13:

- Amendments to IAS 1: Presentation of Financial Statements – Presentation of other Comprehensive Income (OCI) Items
- Amendments to IAS 12: Income Taxes – Deferred Tax: Recovery of Underlying Assets

The present interim financial statements reflect the amendments to IAS 1 concerning the presentation of other comprehensive income. Accordingly, the items of other comprehensive income are classified into two groups, depending on whether or not the items will be recycled later. Tax associated with items presented before tax is shown separately for each of these two groups.

The amendments to IAS 12 regarding deferred tax on investment property measured using the fair value model according to IAS 40 do not impact the TUI Group's net assets, financial position and financial performance as this property is carried at amortised cost by the TUI Group.

The mandatory application of these provisions has no significant impact on the TUI Group's net assets, financial position and financial performance and disclosures in the notes to the these interim financial statements.

Group of consolidated companies

The consolidated financial statements include all major subsidiaries in which TUI AG is able to directly or indirectly govern the financial or operating policies such that the Group obtains benefits from the activities of these companies.

The interim financial statements as at 31 March 2013 included a total of 47 domestic and 662 foreign subsidiaries, besides TUI AG.

Since 1 October 2012, 24 companies have been newly included in consolidation. 19 of these companies have been newly included due to acquisitions and purchases of additional interests, and two companies due to an expansion of their business activities. Three additional companies have been newly established. On the other hand, 38 companies have been deconsolidated due to liquidation and two companies due to mergers since 1 October 2012.

The number of companies measured at equity rose by one as against the financial statements for the previous year.

Acquisitions - divestments

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
TUI InfoTec GmbH, Hannover	IT Services	Leibniz Service GmbH	1.10.12	50.1%	9.5
JBS Group, Inc., California	Accommodation Services	First Choice Holding, Inc.	21.12.12	100%	4.5
TT Services Group	Visa Service	Trina Group	21.12.12	100%	2.0
7 Travel agents in Germany	Travel agent	TUI Leisure Travel GmbH	1.10.12-31.3.13	n/a	1.5
Isango! Limited, London	Online Service Provider	Trina Group	22.2.13	100%	3.6
Manahé Ltd, Mauritius	Destination Management Company	Leibniz Service GmbH	28.3.13	1%	–
Total					21.1

The acquisitions of the travel shops in the first half of the year were carried out in the form of asset deals. All other acquisitions in the first half year were carried out in the form of share deals.

The considerations transferred for the acquisitions by the TUI Group consist of purchase price payments and liabilities amounting to €3.5m taken over from the former owner of the acquired company. Incidental acquisition costs and the remuneration for post-acquisition services by the employees of the acquired companies are expensed in the income statement.

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

€ million	Fair value at date of first-time consolidation
Intangible assets	6.7
Property, plant and equipment	9.6
Investments	0.1
Fixed assets	16.4
Inventories	0.6
Trade receivables	22.1
Other assets (including prepaid expenses)	9.3
Cash and cash equivalents	4.3
Deferred tax provisions	1.0
Other provisions	28.4
Financial liabilities	2.7
Liabilities and deferred income	11.2
Equity	9.4

The difference arising between the consideration transferred and the remeasured acquired net assets of €23.3m as at the acquisition date was carried as provisional goodwill. This goodwill essentially constitutes part of the future earnings potential. The goodwill capitalised in the period under review includes an amount of €1.3m expected to be deductible for tax purposes.

Based on the information available, it was not possible to finalise measurement of the acquired assets and liabilities by the balance sheet date. The twelve-months 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 had no significant impact on turnover and the Group result for the period under review.

No major acquisitions were effected after the balance sheet date.

In the present interim financial statements, the purchase price allocations of the following companies and businesses acquired in financial year 2011/12 were finalised within the twelve-months period stipulated by IFRS 3:

- Eurolink Viagens e Turismo Ltda, Jundiaí, São Paulo
- 15 travel agencies in Germany
- 2 travel agencies in Poland

Comparative information for reporting periods prior to the completion of the first-time accounting for an acquisition transaction has to be presented retrospectively as if the purchase price allocation had already been finalised as at the acquisition date. The table below 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 2011 to 31 March 2012

€ million	Carrying amounts at date of acquisition	Revaluation of assets and liabilities	Fair values at date of first-time consolidation
Other intangible assets	0.3	0.3	0.6
Property, plant and equipment	0.1	–	0.1
Fixed assets	0.4	0.3	0.7
Liabilities and deferred income	0.1	–	0.1
Equity	0.3	0.3	0.6

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 remains at €2.8m, as before. The capitalised goodwill essentially represents a part of the expected synergy and earnings potentials.

The divestments did not have a significant impact on the TUI Group's net assets, financial position and financial performance.

Notes to the TUI Group's income statement

The consolidated income statement reflects the seasonality of the tourism business, as a result of which the result generated in the period from October to March is negative.

The year-on-year growth in turnover is mainly attributable to higher average selling prices in the TUI Travel Sector.

(1) Cost of sales and administrative expenses

The cost of sales and administrative expenses comprise the following items:

Lease, rental and leasing expenses

€ million	Q2 2012/13	Q2 2011/12 revised	H1 2012/13	H1 2011/12 revised
Lease, rental and leasing expenses	194.9	185.4	392.7	376.1

Staff cost

€ million	Q2 2012/13	Q2 2011/12	H1 2012/13	H1 2011/12
Wages and salaries	490.1	456.3	974.8	904.7
Social security contributions, pension costs and benefits	83.5	93.9	183.5	194.8
Staff cost	573.6	550.2	1,158.3	1,099.5

Staff costs rose by €58.8m as against the first half of 2011/12. One of the reasons for the increase were the staff costs for InfoTec, included in Group staff costs for the first time in the period under review due to the inclusion of the company in the group of consolidated companies as at 1 October 2012. Moreover, expenses arose in the period under review in connection with restructuring measures within TUI Travel and planned personnel measures associated with the transformation of TUI AG's corporate centre. An additional effect resulted from the development of the exchange rate of the Euro against Sterling.

The decline in social security contributions and pension costs and benefits was mainly attributable to income of €16.7m from the curtailment of pension plans in a subsidiary in the Netherlands.

Depreciation/amortisation/impairments

€ million	Q2 2012/13	Q2 2011/12	H1 2012/13	H1 2011/12
Depreciation and amortisation	92.6	82.3	183.4	165.9
Impairments of property, plant and equipment	30.6	–	30.6	–
Total	123.2	82.3	214.0	165.9

The impairments recognised for the second quarter of the financial year under review mainly included impairments of property, plant and equipment in Tenuta Castelfalfi S.p.A. worth €21.2m and impairments in connection with the fair value measurement of an aircraft held for sale of €6.4m.

(2) Other income/other expenses

Other income/other expenses

€ million	Q2 2012/13	Q2 2011/12	H1 2012/13	H1 2011/12
Other income	1.5	13.8	18.0	15.4
Other expenses	1.0	0.8	1.2	0.8
Total	0.5	13.0	16.8	14.6

Other income for the first half of financial year 2012/13 mainly results from the book profit from the sale of a hotel of the Riu Group in December 2012.

The other income carried for the first half of the prior year primarily resulted from the disposal of a part of the hybrid instrument granted to Hapag-Lloyd Holding AG and the measurement of the investment in Container Shipping.

(3) Goodwill impairments

A strategic review completed in the second quarter of 2012/13 resulted in an adjustment of the medium-term sales and investment planning forming part of the business plan of the Castelfalfi project. The main reasons for the adjustment of the medium-term sales planning were adjustments of the concept and a reassessment of the marketability of individual high-quality properties. The investment planning was updated to reflect the sales ratios now sought and optimise planned infrastructure investments.

Based on the adjusted business plan, an impairment charge of €34.1m arises in the TUI Hotels & Resorts Segment in the second quarter of 2012/13. It includes €8.3m for goodwill impairments. The remaining impairment relates to impairments of land and buildings worth €21.2m and an impairment of current assets of €4.6m.

(4) Financial result

The financial result for the first half of the prior year had included measurement effects of €5.1m from hybrid instruments granted to Hapag-Lloyd Holding AG and interest income of €11.9m associated with these hybrid instruments. The hybrid instruments were fully redeemed in financial year 2011/12 so that the financial income declined in the period under review.

The increase in financial expenses mainly results from the follow-up measurement of liabilities to banks.

(5) Share of result of joint ventures and associates

Share of result of joint ventures and associates

€ million	Q2 2012/13	Q2 2011/12	H1 2012/13	H1 2011/12
Tourism	15.8	4.4	23.2	1.5
Container Shipping	- 21.2	- 50.0	- 29.3	- 58.7
Total	- 5.4	- 45.6	- 6.1	- 57.2

The improvement in the result by Tourism in the first half of 2012/13 was driven in particular by the positive development of the Russian market. Moreover, the result posted for the prior year reference period was impacted by the write-down of a shareholding in a Greek hotel property company.

The year-on-year improvement in the share of result of Container Shipping mainly resulted from a reduction in the stake in Hapag-Lloyd Holding AG from 38.4% to 22.0% in June 2012.

(6) Adjustments

In addition to the disclosures required under IFRS, the consolidated income statement comprises a reconciliation to underlying earnings. The adjustments show events according to IAS 37 as restructuring measures and all effects of purchase price allocations, incidental acquisition costs and contingent considerations on EBITA as purchase price allocations.

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

One-off items by sector

€ million	Q2 2012/13	Q2 2011/12	H1 2012/13	H1 2011/12
Tourism	64.3	6.5	70.4	12.0
TUI Travel	- 10.6	6.5	- 4.5	12.0
TUI Hotels & Resorts	25.9	-	25.9	-
Cruises	49.0	-	49.0	-
All other segments	7.4	8.6	7.4	- 13.3
Total	71.7	15.1	77.8	- 1.3

The one-off items carried by TUI Travel mainly include income from the curtailment of pension plans in the Netherlands. This income is carried alongside expenses incurred, inter alia, in connection with the restructuring of tour operator and airline activities in France.

In the first half of the prior year, the adjustments carried by TUI Travel included in particular expenses in connection with the restructuring of the tour operator business in France (Convergence project).

In the TUI Hotels & Resorts Sector, adjustments in the second quarter relate to impairments relating to the hotel project Castelfalfi, carried as a one-off item.

The one-off items carried as adjustments in the Cruises Sector in the second quarter of 2012/13 mainly relate to expenses for risk provisioning in Hapag-Lloyd Kreuzfahrten for a pending liability from the long-term charter contract for the Europa 2.

One-off items carried under Other segments in the second quarter of 2012/13 above all relate to one-off expenses for the fair value measurement of an aircraft held for sale.

In the first half of the prior year, the one-off items carried under other segments mainly related to income from the reversal of a provision and a subsequent reduction in acquisition costs for shares which have meanwhile been sold. This income was partly offset by expenses incurred in connection with safeguarding measures for former industrial and mining activities in the Harz Mountains in the second quarter of 2011/12.

(7) Income taxes

The tax income posted for the first half of the year is attributable to the seasonality of the tourism business.

(8) Group loss attributable to non-controlling interests

Group loss attributable to non-controlling interest

€ million	Q2 2012/13	Q2 2011/12	H1 2012/13	H1 2011/12
TUI Travel	- 76.9	- 98.8	- 136.5	- 153.7
TUI Hotels & Resorts	17.2	18.5	30.0	24.0
Total	- 59.7	- 80.3	- 106.5	- 129.7

Notes to the financial position of the TUI Group

The changes in the consolidated statement of financial position as against 30 September 2012 primarily reflect the seasonality of the tourism business.

Assets held for sale of €26.2m (previous year €16.5m) mainly include aircraft and aircraft engines. The increase of €9.7m is mainly driven by two additional aircraft engines held for sale.

At €1,183.0m, pension provisions are almost flat as against the end of the prior financial year. The increase in the provision caused by lower interest rates levels in Germany and the UK was offset above all by a rise in the value of the associated pension fund assets in the UK, a plan curtailment in the Netherlands as well as foreign exchange effects.

Bookings of Europa 2 fell short of expectations. For the basic charter period, the resulting occupancy risks give rise to a charter shortfall so that a provision for impending losses from onerous contracts of €45.2m was built.

Non-current financial liabilities rose by a total of €598.4m to €2,408.9m compared to 30 September 2012. The increase mainly results from the use of long-term credit lines of TUI Travel to cover the payments due in the first half of 2012/13 on account of the seasonality of the tourism business.

The decline in current financial liabilities compared to 30 September 2012 results primarily from a reduction in liabilities to banks of €66.3m in connection with an exchangeable bond issued by Nero Finance. In addition, a bond with a carrying amount of €232.8m maturing in December 2012 was repaid in full as scheduled in December 2012. An opposite effect was caused by liabilities amounting to €49.0m from dividends to non-controlling interests of TUI Travel PLC.

Other liabilities rose in line with the seasonal swing in tourism due to advance payments received from customers.

Changes in equity

Since 30 September 2012, equity decreased by €338.1m overall to €1,729.0m.

Equity declined due to the payment of dividends to non-Group shareholders, primarily non-controlling shareholders of TUI Travel PLC. Moreover, the interest on the hybrid capital issued by TUI AG also has to be carried as a dividend in accordance with IFRS rules.

In the framework of long-term incentive programmes, TUI Travel PLC compensates its employees in the form of stock option plans serviced with shares. These stock option plans resulted in an increase in pre-tax equity of €6.4m outside profit and loss in the period under review.

TUI AG opted to receive a part of the interim dividend paid by TUI Travel PLC in October in shares, thus acquiring additional shares in TUI Travel PLC. The statutory elimination of these costs and other acquisition costs against revenue reserves led to a decline in equity of €15.9m.

In the second quarter, TUI AG redeemed liabilities to banks in connection with an exchangeable bond worth €66.3m by means of disposing of shares in TUI Travel PLC. The resulting reduction in the stake in TUI Travel PLC had to be eliminated against revenue reserves.

The Group result for the first half of the year is negative due to the seasonality of the tourism business.

The (after-tax) results directly to be eliminated against equity from lower fair values of cash flow hedges totalled €126.2m.

In the period under review, pension obligations rose, primarily due to the decrease in the long-term interest rate levels in Germany and the UK. This increase was only partly offset by a rise in the value of the associated assets in the UK. This resulted in an after-tax decrease in the reserves in accordance with IAS 19 included in equity of €40.2m.

Contingent liabilities

As at 31 March 2013, contingent liabilities totalled around €425.9m (as at 30 September 2012 around €480.8m). Contingent liabilities are carried at the level of estimated settlement as at the balance sheet date. They mainly relate to the assumption of liability for the benefit of Hapag-Lloyd AG for collateralised ship financing schemes and the assumption of liability for the benefit of TUI Cruises GmbH.

Other financial liabilities

Financial commitments from operating lease, rental and charter contracts

€ million	31 Mar 2013	30 Sep 2012
Nominal value	3,094.1	3,089.6
Fair value	2,806.9	2,770.3

Nominal values of other financial commitments

€ million	31 Mar 2013	30 Sep 2012
Order commitments in respect of capital expenditure	1,712.7	1,945.8
Other financial commitments	121.9	222.7
Total	1,834.6	2,168.5
Fair value	1,723.4	1,968.6

Notes to the cash flow statement of the TUI Group

Based on the after-tax Group result, the cash flow from operating activities is determined using the indirect method. In the period under review, cash and cash equivalents declined by €911.0m to €1,367.4m.

In the period under review, the outflow of cash from operating activities was €783.7m (previous year €942.7m). As every year, the high cash outflow is due to the payment of liabilities to suppliers upon the end of the tourism season.

The outflow of cash from investing activities totalling €237.7m includes a cash outflow for investments in property, plant and equipment and intangible assets of €197.0m by the TUI Travel Group and of €29.6m by the hotel companies as well as an inflow of cash of €87.6m from the disposal of aircraft assets of the TUI Travel Group and the sale of a hotel of the Riu Group in Majorca. A further outflow of cash of €96.3m related to the acquisition of consolidated companies and capital increases in joint ventures and associates.

The inflow of cash from financing activities totalled €148.2m. While TUI AG paid €233.0m for the scheduled redemption of bonds maturing in December 2012 and €69.4m for the early repayment of liabilities to banks due in April 2013, TUI Travel drew bank loan worth €536.1m under an existing long-term credit facility and took out an additional loan of €58.6m for aircraft financing schemes. The hotel companies repaid financial liabilities worth €16.5m. An outflow of cash of €89.5m related to interest payments. Further outflows of cash related to the dividend for TUI AG's hybrid bond (€25.9m) and the dividend for the minority shareholders of TUI Travel PLC and RIUSA II S.A. (€41.6m).

Cash and cash equivalents decreased by €37.8m due to changes in exchange rates.

Segment indicators

Turnover by divisions and sectors for the period from 1 October 2012 to 31 March 2013

€ million			Q2 2012/13		H1 2012/13	
	External	Group	Total	External	Group	Total
Tourism	3,340.2	5.2	3,345.4	6,833.0	10.1	6,843.1
TUI Travel	3,137.3	9.4	3,146.7	6,493.9	18.3	6,512.2
TUI Hotels & Resorts	133.8	57.5	191.3	218.5	152.2	370.7
Cruises	69.1	–	69.1	120.6	–	120.6
Consolidation	–	- 61.7	- 61.7	–	- 160.4	- 160.4
All other segments	3.5	6.6	10.1	6.4	7.0	13.4
Consolidation	–	- 11.8	- 11.8	–	- 17.1	- 17.1
Total	3,343.7	–	3,343.7	6,839.4	–	6,839.4

Turnover by divisions and sectors for the period from 1 October 2011 to 31 March 2012

€ million			Q2 2011/12		H1 2011/12	
	External	Group	Total	External	Group	Total
Tourism	3,270.8	4.6	3,275.4	6,707.2	8.5	6,715.7
TUI Travel	3,120.1	6.2	3,126.3	6,432.9	11.2	6,444.1
TUI Hotels & Resorts	88.5	101.6	190.1	172.0	199.0	371.0
Cruises	62.2	–	62.2	102.3	–	102.3
Consolidation	–	- 103.2	- 103.2	–	- 201.7	- 201.7
All other segments	11.1	6.4	17.5	23.3	9.6	32.9
Consolidation	–	- 11.0	- 11.0	–	- 18.1	- 18.1
Total	3,281.9	–	3,281.9	6,730.5	–	6,730.5

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

€ million	Q2 2012/13	Q2 2011/12	H1 2012/13	H1 2011/12
Tourism	- 272.2	- 288.3	- 430.1	- 439.7
TUI Travel	- 237.7	- 332.7	- 418.7	- 489.1
TUI Hotels & Resorts	14.3	41.9	48.6	55.1
Cruises	- 48.8	2.5	- 60.0	- 5.7
All other segments	- 31.2	- 21.2	- 48.9	- 21.2
Total	- 303.4	- 309.5	- 479.0	- 460.9

For the first half of financial year 2012/13, earnings before interest, taxes and amortisation of goodwill (EBITA) include results of €23.2m (previous year €1.5m) from joint ventures and associates, fully generated in Tourism.

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

€ million	Q2 2012/13	Q2 2011/12	H1 2012/13	H1 2011/12
Tourism	- 181.4	- 211.6	- 305.2	- 337.0
TUI Travel	- 221.8	- 256.0	- 368.7	- 386.4
TUI Hotels & Resorts	40.2	41.9	74.5	55.1
Cruises	0.2	2.5	- 11.0	- 5.7
All other segments	- 15.8	- 12.6	- 33.5	- 34.5
Total	- 197.2	- 224.2	- 338.7	- 371.5

Reconciliation to earnings before taxes of the TUI Group

€ million	Q2 2012/13	Q2 2011/12	H1 2012/13	H1 2011/12
Group EBITA	- 303.4	- 309.5	- 479.0	- 460.9
Losses on Container Shipping measured at equity	- 21.2	- 50.0	- 29.3	- 58.7
Gains on reduction and measurement of financial investment in Container Shipping	-	12.0	-	17.1
Net interest expense and expense from measurement of interest hedges	- 72.7	- 59.0	- 139.6	- 110.8
Impairment of goodwill	- 8.3	-	- 8.3	-
Total	- 405.6	- 406.5	- 656.2	- 613.3



See page 242 ff,
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Related parties

Apart from the subsidiaries included in the consolidated financial statements, TUI AG, in carrying out its ordinary business activities, maintains direct and indirect relationships with related parties. All transactions with related parties are executed on an arm's length basis on the basis of international comparable uncontrolled price methods in accordance with IAS 24, as before. The equity stake held by Riu Hotels S.A., listed in the notes to the consolidated financial statements as at 30 September 2012, was retained unamended at the reporting date for the interim financial statements. More detailed information on related parties is provided under Other notes in the notes to the consolidated financial statements for 2011/12.

Major transactions after the balance sheet date

In April 2013, the remaining liabilities to banks in connection with an exchangeable bond issued by Nero Finance maturing on 15 April 2013 were redeemed in full by means of payment of the residual amount of €90.7m.

On 11 April 2013, the competent supervisory authority approved the transfer of the pension plans of TUI Nederland N.V. to a Dutch insurance company. The transfer settles all obligations of TUI Nederland N.V. from the pension plans. Due to the settlement of the plan, income of around €16m will arise in the third quarter of 2012/13.

In the lawsuit with the insolvency administrator of Babcock Borsig AG i.L., the higher regional court of Frankfurt/Main handed down a ruling on 8 April 2013, establishing that a settlement previously approved by the two parties had been reached. In the framework of the settlement, TUI AG undertook to pay an amount of €50m and withdraw its claims against Babcock Borsig i.L. and other former Group companies. TUI AG executed the settlement on 22 April 2013 by payment. All claims of the lawsuit have thus been settled. The corresponding expense was already completely taken into account in the previous financial year in the form of a provision.

RESPONSIBILITY STATEMENT

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

The Executive Board

Hanover, 13 May 2013

Joussen

Baier

Long

REVIEW REPORT

To TUI AG, Berlin and Hanover

We have reviewed the condensed interim consolidated financial statements – comprising the statement of financial position, condensed statement of comprehensive income, income statement, condensed statement of cash flows, condensed statement of changes in equity and selected explanatory notes – and the interim Group management report of TUI AG for the period from 1 October 2012 to 31 March 2013, which are part of the half-year financial report according to Section 37w of the German Securities Trading Act (WpHG). The preparation of the condensed interim consolidated financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and of the interim Group management report which has been prepared in accordance with the requirements of the German Securities Trading Act applicable to interim Group management reports is the responsibility of the Company's management. Our responsibility is to issue a review report of the condensed interim consolidated financial statements and on the interim Group management report based on our review.

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

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

Hanover, 13 May 2013

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

Sven Rosorius,
Auditor

ppa. Thomas Berger,
Auditor

Financial Calendar

	Date
Half-Year Report 2012/13	15 May 2013
Interim Report Q3 2012/13	August 2013
Annual Report 2012/13, Press Conference & Analysts' Meeting	December 2013
Annual General Meeting 2013	12 February 2014

Cautionary statement regarding forward-looking statements

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

Imprint


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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.

Both versions are available on the web:
<http://interimreport2-2012-13.tui-group.com/>



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