Changing course

Annual Report 2012/13
1 October 2012 – 30 September 2013

TUI
Aktiengesellschaft

TUI GROUP – FINANCIAL HIGHLIGHTS

€ million		2012/13	2011/12	Var. %
Turnover				
TUI Travel		17,796.0	17,681.5	+ 0.6
TUI Hotels & Resorts		403.1	384.7	+ 4.8
Cruises		261.0	231.0	+ 13.0
Group		**18,477.5**	**18,330.3**	**+ 0.8**
EBITDA				
TUI Travel		844.5	745.1	+ 13.3
TUI Hotels & Resorts		254.8	245.1	+ 4.0
Cruises		- 19.1	11.0	n/a
Group		**1,010.6**	**924.1**	**+ 9.4**
Underlying EBITDA				
TUI Travel		888.3	833.9	+ 6.5
TUI Hotels & Resorts		265.1	246.2	+ 7.7
Cruises		- 2.6	13.2	n/a
Group		**1,090.9**	**1,023.4**	**+ 6.6**
EBITA				
TUI Travel		532.8	441.0	+ 20.8
TUI Hotels & Resorts		170.6	177.5	- 3.9
Cruises		- 30.4	0.8	n/a
Group		**594.8**	**538.8**	**+ 10.4**
Underlying EBITA				
TUI Travel		640.5	637.4	+ 0.5
TUI Hotels & Resorts		197.2	178.6	+ 10.4
Cruises		- 13.9	3.0	n/a
Group		**761.9**	**745.7**	**+ 2.2**
Group earnings				
Net profit for the year		186.5	141.9	+ 31.4
Earnings per share	€	- 0.08	- 0.16	+ 50.0
Assets				
Non-current assets		8,645.8	8,668.2	- 0.3
Current assets		4,808.5	4,544.4	+ 5.8
Total assets		**13,454.3**	**13,212.6**	**+ 1.8**
Equity and liabilities				
Equity		2,029.4	2,067.1	- 1.8
Non-current liabilities		3,824.8	3,772.7	+ 1.4
Current liabilities		7,600.1	7,372.8	+ 3.1
Total equity and liabilities		**13,454.3**	**13,212.6**	**+ 1.8**
Key ratios				
EBITDA margin (underlying)	%	5.9	5.6	+ 0.3*
EBITA margin (underlying)	%	4.1	4.1	+ 0.1*
ROIC	%	17.14	15.98	1.16*
Equity ratio	%	15.1	15.6	- 0.6*
Cash flow from operating activities		875.3	841.5	+ 4.0
Capital expenditure		820.8	643.2	+ 27.6
Net debt	30.9.	67.9	178.2	- 61.9
Employees	30.9.	74,445	73,812	+ 0.9

Differences may occur due to rounding
* percentage points

CONTENTS

»I am aiming for a TUI which creates value and is in a position to pay dividends on a lasting basis. Discipline and a clear focus are critical success factors for reorganising and restructuring the Group. We will deliver on our promises.«

Friedrich Joussen, CEO of TUI AG, see **Interview on page 04**

* Combined Management Report of TUI AG and of the TUI Group

An online version (HTML) of this report is available at **annualreport2012-13.tui-group.com**. It offers PDF downloads of single chapters and all tables in Excel format.

For further information, follow these pictograms:

Web link

Cross-reference within the report

CHANGING COURSE

Friedrich Joussen
CEO of TUI AG
Chairman of TUI Travel PLC

»oneTUI« – clear aims, a clear course.

Increasing value and restoring the ability to pay dividends – those are the benchmarks by which we have set the TUI course. In 2012/13 financial year we are already a great deal closer to achieving the aims we set for 2014/15: with this Annual Report we want to inform you about the course we are pursuing and take you on a journey to the TUI of the future. The basis for all of this is the strategic programme »one TUI«. Under the umbrella of »one TUI« the Group has now moved significantly closer together in terms of its structure. The benefits of vertical integration, the realignment within individual business areas and the cost-cutting measures are clearly working. My primary aim was to create greater transparency in order to show shareholders and employees where TUI is currently at, where our opportunities lie, and where we have to work together to eliminate risks. After just 100 days, I announced that this financial year would be a year of transition. It is also a year in which we will leave no stone unturned and then have special effects as a result of write-downs. This approach is necessary. We are now making a clean sweep and will then turn our focus to the future.

As a result of the work that has been done in recent months, however, we are already in a position to propose to the Annual General Meeting a dividend of €0.15 per share – a result which we at TUI can look at with a certain amount of pleasure and also a little pride. Moreover, it is a result which could only have been achieved in a team with a large number of committed employees in all divisions of the TUI Group and its companies. My thanks also go to the representatives on the works councils who remained constructive throughout the process.

The first dividend since 2008 is a start. My aim is to pursue an ongoing dividend policy to prove that TUI is an outstanding investment for our shareholders. A fantastic brand and highly motivated employees, who work for TUI and our guests with a high degree of professionalism, passion and commitment, will also form the basis of our success in the future.

I wish to thank our shareholders for their confidence and also their loyalty. The aim of the entire management team is to guide this change of course to success over the long term. I am confident that we will achieve the goals we have set ourselves.

Friedrich Joussen

TARGET 1

FOCUS ON CUSTOMER EXPERIENCE REALISATION OF STRATEGIC LEADERSHIP THROUGH STRONGER VERTICAL INTEGRATION

TARGET 2

INCREASE OF CAPITAL EFFICIENCY AND RESTRUCTURING OF UNDER-PERFORMNG HOTEL AND CRUISE PROJECTS

TARGET 3

LEAN CORPORATE CENTER AND LOWER INTEREST COSTS

TARGET 4

INCREASE IN CASH FLOW TO TUI AG, IMPLEMENTATION OF STRICT FINANCIAL DISCIPLINE/PERFORMANCE MANAGEMENT IN THE GROUP

Mr Joussen, you have now been at TUI for over a year and have been CEO since February 2013. Since March you have also been chairman of the subsidiary TUI Travel in London. How do you personally assess the situation at present?

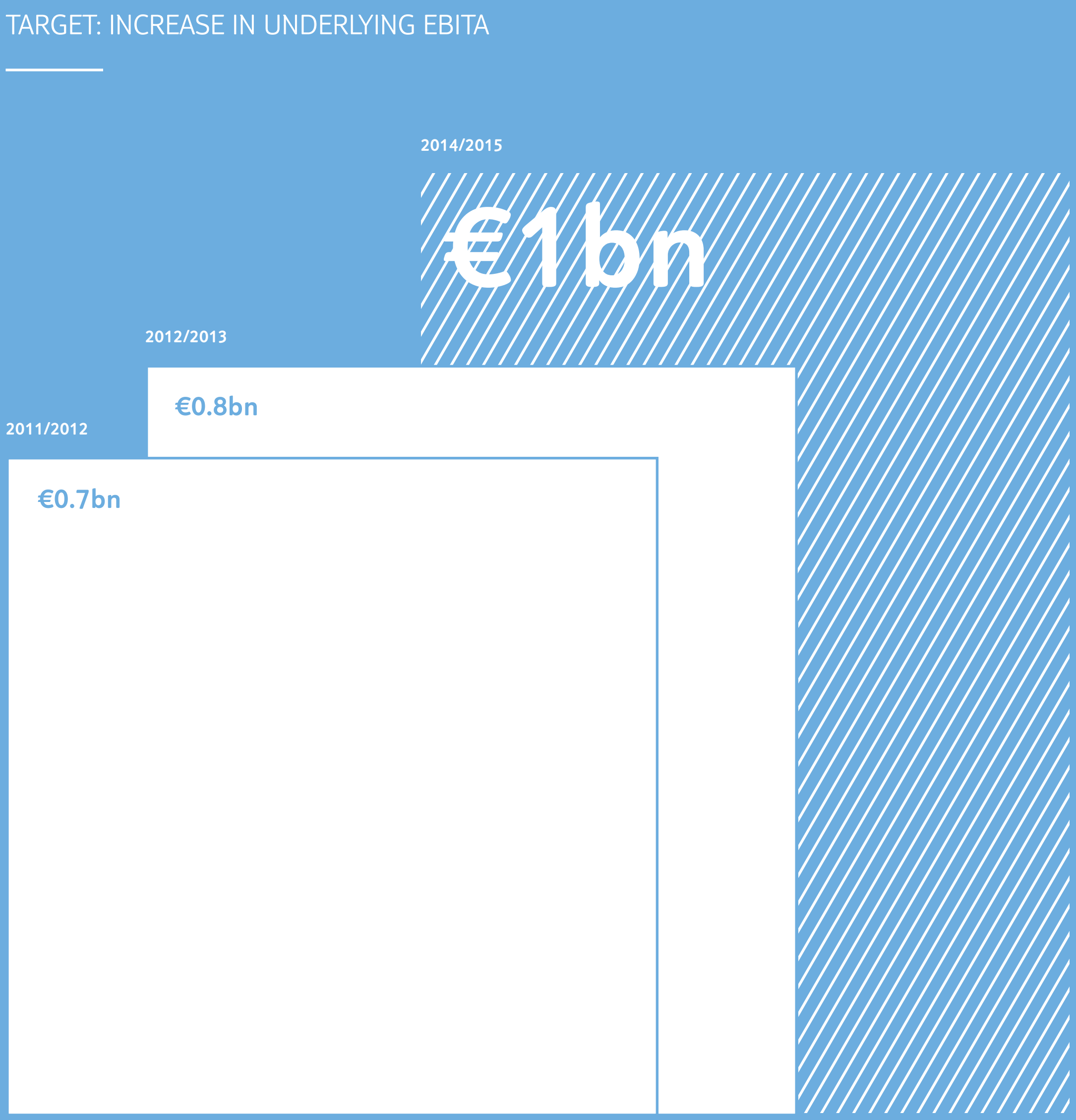
FJ: I am really pleased with the current position of TUI. We have a fantastic brand and a leading position in all of our markets. In recent years the Group has performed very solidly, largely driven by my finance colleague Horst Baier. That is why our Company now posts a debt-free balance-sheet. In addition, everyone is beginning to see that the »oneTUI« programme launched by us in the early summer is working: the Group head office has been streamlined, the sponsorship contracts have been cancelled, consultancy costs have dropped considerably and the company jet has been sold. We have evaluated every hotel – parting company with some and repositioning others – and established an efficient hotel portfolio management system. In terms of cruises, the picture is still divided down the middle: TUI Cruises is currently performing better than the previous year; at Hapag-Lloyd we are in the process of offsetting losses. Due to the advance booking times, that won't happen overnight, but we are also on the right course here: the quality is excellent. The Europa 2 was immediately named best cruise ship in the world; the Europa is not far behind. That is a resounding success. The turnaround at Hapag-Lloyd Cruises is being guided by new management. I am very happy with developments and am able to say that current booking figures reveal a significant upward trend. I am especially delighted that the essential aims for TUI Travel which I agreed with Peter Long are being achieved. As such, I am highly optimistic that we will also achieve the aim we set ourselves of recording around 100 million euros cash and one billion euros EBITA on the balance sheet in 2015, thereby winning back the confidence of the investors. We deliver on our promises – that is what TUI should stand for under my leadership.

To observers, the company appears to be considerably more transparent these days. Is that an accurate and desired impression?

FJ: Yes, because when communicating with financial markets and the general public, we have to call a spade a spade. Only by doing so are we trustworthy and able to attract new investors. Talking openly about things is in my nature. It makes a good many things easier, not least for the employees and all forms of collaboration within the company.

Is it also in your nature to work well in a team?

FJ: (laughs) I am certainly keen to ensure that there is no one-man show here at TUI. I see myself as a manager in the role of a trainer – to draw a comparison with the world of sport. We all know that it is the team that ultimately has to secure the win on the field. With our newly appointed TUI Management Board we have put together an expert team capable of implementing the necessary changes in a forceful yet prudent manner. With Horst Baier as CFO and Susanne Kohrs, who is responsible for personnel, we have leaders on the Management Board with a great deal of TUI experience. In addition, I have filled key positions in the company with new managers. These include Sebastian Ebel as Chief Operating Officer and Thomas Ellerbeck, who, as Head of Communication, oversees the policy area which is so important to us. I have worked closely with both people for a number of


TARGET: INCREASE IN UNDERLYING EBITA
2014/2015
€1bn
2012/2013
€0.8bn
2011/2012
€0.7bn

years. Together with Peter Long and me, this team of six people forms the TUI Management Board.

Another rather personal question: You worked in the telecommunications and mobile telephony sector for around 25 years. How did you find the switch to tourism? Was there a »culture shock« or did you find more things in common than you initially thought?

FJ: There really are more similarities in both sectors than you might think at first glance. It begins with the visibility of the brand. TUI is an extremely strong brand with a positive image. That is worth a great deal. One crucial difference is certainly the fact that change occurred much earlier in the telecommunications sector as a result of new technology. The tourism sector will also witness some considerable changes over the coming years. We have to take into account customers' consumer habits more quickly in relation to our products and services, but also our IT systems. We have already made good progress in some markets. In the Nordic countries, for instance, about 65% of our holidays are booked online.

Let's take a look at the figures for 2013 …

FJ: In my 100-day review I said that 2012/13 would be a year of transition leading towards TUI AG being in a position to pay dividends. As a result of one-off reassessments of ongoing projects, we have an one-off expense on our balance sheet. This has resulted in Group result being lower. However, I stand by the assertion that we had to make a clean sweep of things. The turnaround is nevertheless already evident. The aims I set for 2014/2015 are achievable. We know what we have to do and the measures have been introduced. Now it's about pressing ahead with their implementation. Accordingly, as a result of our solid balance sheet structures, we are already in a position to propose to the Annual General Meeting a dividend of €0.15 per share for the financial year 2012/13. Take it as an affirmation by the management team that we firmly believe in our strategy and the achievement of our aims. We now wish to ensure that we are in a position to pay dividends on a lasting basis and establish a dividend policy that can be planned: 50% of the free cash flow is set to be distributed in future. As such, TUI is once again an attractive investment and well positioned on the MDAX.

It sounds like you are highly satisfied with the way things have started for you?

FJ: Please don't misunderstand me, the initial steps have been taken, but we are definitely not finished yet. All the same, I naturally believe that we are heading in the right direction. Incidentally, it is clear that we are not the only ones who see things that way. If you look at the capital market, there are signs of growing confidence, because our share price has risen by 41% in the period from 1 October 2012 to 30 September 2013. We have also received plenty of encouragement from both analysts and investors. This specifically relates to our greater transparency with investors and the general public as well as our focus on value and dividends.

»THE BRAND IS OUR MOST IMPORTANT ASSET.«

Friedrich Joussen

This situation will hardly be viewed as positive among the employees who were laid off ...

FJ: No, definitely not. Nobody likes letting employees go and I am no exception, but unfortunately you have to adopt a very businesslike approach and say that it was about the bigger picture. We did things which don't belong in a head office, which are not profitable, and in the past the rules of business economics were not always followed when making investments. The reorganisation was carried out in a responsible manner and for that my thanks go to the employee representatives on the Supervisory Board and our works councils. The group head office will once again be what it should be at a public limited company: the nerve centre for the strategic development of the Group; clearly structured, lean, efficient and effective.

How will the change of course continue to proceed? Or has the focus now switched to the operative side of the business?

FJ: No, we have subjected all ongoing projects within the Group to a continuous evaluation process and are now systematically working through all the problem areas which we uncovered within the Group. A key role is played here by Sebastian Ebel, who takes care of the hotel business and our cruise companies. For instance, he devised a clear forward strategy for our Castelfalfi project in Tuscany. Here, too, the first signs of success are in evidence, with around 80% of the apartments having been sold. At the same time, it must be said that property development like the resort in Tuscany will never be a core business at TUI. Sebastian Ebel also instigated the turnaround at Hapag-Lloyd Kreuzfahrten with the new management team headed by Karl J. Pojer. A change of course also means only embarking on projects in future which are profitable and capable of financing themselves to the greatest possible extent. They should also be part of the core business and generate economies of scale within TUI. In summary, we now invest in a considerably more disciplined manner. Another important matter which remains to be tackled is that of cutting our financing costs. All of these things strengthen our position on the capital market, create confidence and give the new TUI room to manoeuvre.

Is the TUI brand – that is to say, the brand management – one of these problem areas?

FJ: The brand is our most important asset. In the TUI logo, we have one of the strongest brands on the international market. It serves as a clear beacon for our customers. It goes without saying that this also applies primarily to the Internet, which will become a very important sales channel over the medium term. To secure this strong brand, I consider clear and stringent brand management to be very important. However, we currently use a number of other tour operator brands which appear to me to be not yet clearly differentiated. This means that Peter Long and I will have to examine our brands in the near future and work out a clear brand strategy for our Mainstream business. If TUI is involved, then TUI has to feature more often.

How does this impact on the hotel brands?

FJ: In TUI Hotels & Resorts we also have strong brands in Riu and Robinson. Sebastian Ebel and I will get together with our tour operators to examine how we can make our brand presence even more incisive across our entire hotel portfolio.

TARGET: DISTRIBUTION OF DIVIDENDS

It is the subject of continual speculation in the press and often asked by the capital market: could a merger between TUI AG and TUI Travel not create even greater synergies?

FJ: This question doesn't arise at present. The Group's current structure is how it is. We are aware that simplifying our group structure would be viewed positively on the financial market, but that is ultimately also a decision for our shareholders. In the last twelve months TUI AG and TUI Travel have moved much closer together than has been the case in the past. The competition takes place outside the Group. Those who fail to understand that will get little joy from me. In my role as chairman of TUI Travel, I have agreed clear goals with the management in England. Peter Long and I are in agreement that we want to work together to achieve these goals, which should see the operating profit rise by seven to ten per cent every year. We consult with one another closely and frequently, because, irrespective of legal structures, we are one group – »one TUI«. »oneTUI« is already making a very strong impact inwardly.

What are the effects of this close cooperation?

FJ: Mostly practical. One such example is our coordinated customer relationship management and IT strategy. Another is our shared human resources development concept under the name »oneTeam«, which applies across all group companies. In short, there will be ever fewer stand-alone solutions in all areas.

Nonetheless, there are always risks in the travel business which you and TUI are unable to influence ...

FJ: That is true, of course. Among other things, tourism is also dependent on political developments in our holiday destinations, as we have seen in Egypt, for example. As a precaution, TUI Travel, for whom Egypt represents an important winter destination, has reduced its capacity, but is in a flexible position to ramp it up if demand increases. However, at present, many hotels on the Red Sea are once again well occupied, although it will take some time before previous levels are reached again.

Let's stay in the future and imagine TUI in the year 2016. »oneTUI« should be completed by then?

FJ: Yes, but the two priorities will remain, because we consider them to be crucial for the further strategic development of TUI AG: content and brand. By content we mean our strong and differentiated hotel portfolio and our growing cruise business. TUI Cruises will double its number of ships from two to four. Options for further growth are there; this business is clearly scalable. Our content business is to account for an even bigger share in Group profit, even beyond 2015. We are currently laying the foundations for growth, which will further increase the value of the group and maintain its structural ability to pay dividends. On the future of the brand, I have already said that we are working on sharpening its profile. In short, the aims of »oneTUI« will remain the same in future.

»oneTUI« AT A GLANCE

TUI Aktiengesellschaft

TUI Hotels & Resorts

PROJECT LEAN HOLDING

- ☑ Reduction of admin costs
- ☑ Cancellation of sponsoring activities
- ☑ Headcount reduction

FURTHER REDUCTION OF INTEREST COSTS

- ☑ Repayment of debt

CONTINUING EXIT STRATEGY HAPAG-LLOYD

- ☐ IPO or 3rd party sale

RESTRUCTURE UNDERPERFORMERS

- ☑ Develop going forward strategy for Castelfalfi
- ☑ Restructure Grecotel

FOCUS & CAPITAL EFFICIENCY

- ☑ Lean leadership and focus on core brands
- ☑ Active asset management
- ☑ Enhance cooperation with group tour operators

INCREASE CASH FLOW TO TUI AG

- ☑ Clear dividend policy for Riu, Iberotel and Grupotel agreed and confirmed

TUI Cruises
Hapag-Lloyd Kreuzfahrten

TUI CRUISES
FOCUS ON GROWTH AND DIVIDENDS

- [x] Growth path for 4-ship operation defined
- [x] Encouraging bookings for Mein Schiff 3
- [ ] Optimise capital efficiency & increase dividends to TUI AG

HAPAG-LLOYD KREUZFAHRTEN
FOCUS ON TURNAROUND

- [x] Implement cost efficiencies
- [x] Increase occupancy
- [ ] Adapt fleet structure

TUI Travel PLC

STRATEGIC INITIATIVES TO IMPROVE OPERATING PERFORMANCE

- [x] Germany
- [x] France
- [x] Russia
- [x] Brand Management

STRATEGIC REVIEW

- [x] Specialist & Activity
- [x] Accommodation & Destinations

FOCUS ON CASH FLOW AND DELEVERAGING

- [x] Cash flow targets agreed and measures defined

»WE ARE CURRENTLY LAYING THE FOUNDATIONS FOR GROWTH.«

Friedrich Joussen

»The aim is clear, the course has been set!«

Friedrich Joussen
CEO of TUI AG, Hanover
Chairman of TUI Travel PLC, Crawley/UK

Friedrich Joussen was born on 19 April 1963 in Duisburg, studied electrical engineering at RWTH Aachen University and was among the first group of managers of the newly formed Mannesmann Mobilfunk GmbH in the Düsseldorf-based Mannesmann Group. He was highly instrumental in establishing the German and European mobile phone industry. After the Mannesmann Group was acquired by Vodafone, he was appointed head of global product and innovation management at Vodafone Group PLC in 2001. Friedrich Joussen returned to Germany in 2003 and took up the position of Chief Operating Officer (COO) at Vodafone Germany. From 2005 until he left the company on 30 September 2012, in his role as CEO, Friedrich Joussen was responsible for the largest operating company in the global Vodafone Group. Internationally, he was on the CEO Council, the Group Strategy Board and the board of Vodafone's own venture capital company Vodafone Ventures. Friedrich Joussen has been a member of the TUI AG Management Board since October 2012 and has been CEO since 13 February 2013. He has also been Chairman of TUI Travel PLC since March 2013, a company which is listed in the FTSE 100 on the London Stock Exchange.

TUI MANAGEMENT BOARD

»›oneTUI‹ is centred around our customers and we recognise that in today's international competitive environment there are many areas where our tourism segments can achieve more together than acting individually. We have a clear focus on leveraging our scale, the strength of our brands and greater efficiency through common platforms and processes. All of which strengthens the TUI Group.«

Peter Long,
Executive Board Member responsible for Tourism, TUI AG / Chief Executive of TUI Travel PLC
joined TUI: 2007

previously: **First Choice Holidays PLC,** Chief Executive; **Sunworld Holidays,** Chief Executive; **International Leisure Group,** Head of Finance and Chief Executive of the Tour Operator Division

»To me, ›oneTUI‹ means a strong brand, shared aims and shared values within the TUI Group. We increase value, we are in a position to pay dividends on a lasting basis and – with the ›TUI of the Future‹ – we are a reliable partner to our investors. Customers, shareholders and employees will all benefit from these things.«

Friedrich Joussen,
CEO of TUI AG
Chairman of TUI Travel PLC
joined TUI: October 2012

previously: 2005 – 2012 **Vodafone Germany,** CEO/Chairman of the Board; **Vodafone Group PLC,** Group Director of Global Product and Innovation Management; **Mannesmann AG/Mannesmann Mobilfunk (D2),** most recently Director of Marketing

»With our ›oneTUI‹ strategic programme, we will pool the strengths of our hotel and cruise business, our operators and the TUI brand. Together they represent the unique customer experience at TUI and form the basis for differentiation in the market.«

Sebastian Ebel,
Member of the TUI AG Management Board/ Chief Operating Officer
joined TUI: February 2013

previously: 2011 – 2013 **Vodafone Germany,** Director of Finance; **A.T.U. Group,** Chief Operating Officer; company founder of **Eves Information Technology AG** and **Eves Unternehmensberatung; TUI AG,** Management Board

»›oneTUI‹ also means ›oneTeam‹: our 74,000 employees are our biggest asset. With new talent management programmes, we will use this asset internationally and across all our companies.«

Susanne Kohrs,
Member of the TUI AG Management Board/
Group Human Resources
joined TUI: January 2003

previously: 2000–2002 **Hannoverschen Lebensversicherung AG,** Head of HR; 1997 – 1999 **Deutsche Bahn AG,** Head of the Service Centre for Personnel Management

»We want to achieve an operating result of around one billion euros with ›oneTUI‹ in 2014/15 financial year. At the same time, we will turn the current negative cash flow balance into a positive figure of around 100 million euros. That is ambitious, but it is what we stand for as a team.«

Horst Baier,
CFO and Chief Human Resources Officer
joined TUI: 1996

previously: **TUI AG,** Divisional Head of Financial Accounting and Reporting; leading positions at the **Schickedanz Group** and **Continental AG**

»With ›oneTUI‹, we want to develop the dialogue with customers and partners, politicians, the media and the general public at home and abroad in an integrated manner. ›oneTUI‹ also stands for ›oneVoice‹ among our companies – shared aims and a shared language. The charisma of the extremely strong TUI brand stands above everything.«

Thomas Ellerbeck,
Member of the TUI AG Management Board/
Group Corporate & External Affairs
joined TUI: July 2013

previously: 2006 – 2013 **Vodafone Germany,** most recently Director of Regulation, Policy and Communication; **Vodafone Foundation,** Chairman of the Advisory Board (from 2006 – present); **Deutsche Lufthansa AG,** Director Media Relations/ Deputy Director of Group Communication; **Office of the Federal President,** Advisory Staff of Federal President Roman Herzog

Clear focus on accretion

THE TEAM BEHIND THE MANAGEMENT BOARD –
A VISIT TO THE GROUP STRATEGY DIVISION

Portrait Mathias Kiep

Mathias Kiep

… took up the position of Director of Group Strategy at TUI AG on 1 May 2013 and reports to the Chief Operating Officer Sebastian Ebel. The business management specialist had previously been the Head of Strategic Controlling at TUI AG since 2011. Before that, he held a number of leading positions in the area of corporate finance/M&A at various investment banks, including Greenhill & Co. Europe LLP and Lazard & Co.

Every other Tuesday at 1 p.m. in Hanover, at the head office of TUI AG in Karl-Wiechert-Allee 4, more precisely in the boardroom on the fourth floor, the TUI Management Board get together: Friedrich Joussen, Horst Baier, Peter Long, Sebastian Ebel, Thomas Ellerbeck and Susanne Kohrs. Being able to work in a focused manner also calls for a well-functioning and coordinated team »behind« the Management Board ...

... and that is where Mathias Kiep plays a key role. As the Director of Group Strategy, he has made a significant contribution to the development of »oneTUI«. As you can well imagine, that is no coincidence. The 38-year-old has been familiar with TUI AG for a number of years – as an insider and outsider. In his senior roles at various investment banks, he knew the figures at TUI in the truest sense of the word. Put another way: he knows exactly the investor's perspective of the Group. Moreover, the experienced manager is also no newcomer to the Group. In 2011 he first set foot in the TUI AG building in his capacity as Head of Strategic Controlling. In spring 2013 the new CEO Friedrich Joussen promoted him to the position of Director of the Strategy Division.

And what does the job of Director of Group Strategy entail at TUI? For Mathias Kiep, put simply, it's about filling a company with content. »And you can do that in various ways – the strategy division is perhaps one of the broadest and most flexible areas of corporate management,« says the business administration graduate. As he continues, he speaks in a concentrated, calm and considered manner: »My professional background is in the banking business, or more precisely the financial market. And my role is also clear here: to develop a capital market-oriented strategy which focuses on the investors and thus on increasing the value of TUI AG and making sure it is in a structural position to pay dividends. We want to create value and win back the confidence of the capital market.« That was always the aim from the start, says Kiep explaining the approach, and the four key components for the existing structure of the Group were then developed from that under the title »oneTUI«: operative excellence, optimising vertical integration, increasing cash flow contributions and cutting holding costs.

And what does his everyday work involve? »When there are ideas for projects and activities, besides the superordinate task of overseeing strategic development for TUI, it is also my job to evaluate these ideas with my team in terms of how they impact on the Group and its competitive ability. Do they create value? Do they contribute to a dividend? What financing is necessary?
If and when necessary, this evaluation is then followed by the implementation of the ideas, which the team closely monitors or drives forward itself.« Kiep explains that there are a number of outside influences which have to be considered in the process. This not only includes the operative units which bear the TUI logo, but also external factors such as market trends. In other words, everything that has an impact on the TUI Group's business activities – today, tomorrow and beyond. »In everything we do, a clear focus and discipline are both essential for reorganising and successfully restructuring TUI.«

»oneTUI« is committed to content, which means a differentiated hotel portfolio as well as the growing cruise business. In this regard, there is no question for the man who has recently moved to Hanover that the focus should not just be on pure business figures: »It goes without saying that it is currently all about the market, or more precisely the best-possible marketability, because it will ultimately be the content that will be critical to the success of TUI. We are successful if our customers appreciate this content and are able to differentiate us from other competitors.«

Mathias Kiep has enough experience to know that implementing a strategy within the individual projects doesn't always go according to plan and that is why he and his colleagues oversee matters: »If only because we have to know where any given project is currently at; whether the home straight is already in sight, or whether the markers have to be repositioned once again.«

Are there essential aspects to consider if the set aims are to be achieved? Yes, he says: »On the one hand, it's about focusing on the customer; on the other, it's about having a clear, simple and scalable offering – and this approach must extend across the entire group.« In his opinion, that is the way to convince both customers and financial markets. »There are thousands of shares on the market, which means we don't have the time to explain at length what we are all about. Everything we do and offer has to convince people in word and deed,« he adds.

When asked about possible resistance which »oneTUI« will surely prompt within the group, he answers: »The fact is that there is a surprisingly vast amount of understanding within the Group that something has to happen. And despite cutbacks, in my view there is a real willingness and determination to implement the programme and guide it to success. Before you ask, I can tell you right away that there is, of course, no way of proving this. But there is a strong indication that this is the case. In terms of making ›one TUI‹ happen, we are doing very well in all areas.«

TO OUR SHAREHOLDERS

* Part of the Management Report

From left to right:
Top row: Mikhail Noskov, Prof. Dr Edgar Ernst, Anass Houir Alami, Ortwin Strubelt, Arnd Dunse
Second row from above: Michael Pönipp, Anette Strempel, Petra Gerstenkorn (vice chairwoman), Christian Strenger
Third row from above: Angelika Gifford, Vladimir Yakushev, Prof. Dr Klaus Mangold (chairman), Frank Jakobi
Bottom row: Andreas Barczewski, Ingo Kronsfoth, Carmen Riu Güell

REPORT OF THE SUPERVISORY BOARD

Ladies and Gentlemen,

The Report of the Supervisory Board presented below informs you about our activities in financial year 2012/13. The Supervisory Board as TUI AG's oversight body continually monitored the management of the Group by the Executive Board; in doing so, we were guided by the principles of responsible and good corporate governance. This oversight was essentially effected on the basis of the lawfulness and proper conduct, pertinence and economy of the governance and management of the Group by the Executive Board.

For "oneTUI" see page 4 and 56

We performed our duties carefully in accordance with the law, the Articles of Association and our terms of reference. Our duties included in particular discussing and deciding the Group's strategic development; in the period under review, these discussions focused on our strategy programme "oneTUI", communicated to the financial market in May 2013, and the measures derived from this programme for the individual Group Sectors. We also discussed a wide range of technical issues and transactions requiring our approval. Our Supervisory Board activities also focused on monitoring compliance with the German Corporate Governance Code, reviewing the financial statements of TUI AG and the Group and deciding changes in the membership of the Company's boards.

Advising the Executive Board and monitoring management activities

Current composition of the Supervisory Board: www.tui-group.com/en/company/management

The Supervisory Board monitored and advised the Executive Board on the management of the Company and ascertained the lawfulness and proper conduct of management activities.

In written and verbal reports, the Executive Board provided us with regular, timely and comprehensive information. The reports encompassed all relevant facts about strategic development, planning, business performance and the position of the Group in the course of the year, the risk situation, risk management and compliance. The Executive Board discussed with us all key transactions of relevance to the Company and the further development of the Group. Any deviations in business performance from the approved plans were explained in detail. The Supervisory Board was involved in all decisions of fundamental relevance to the Company. We adopted the resolutions required in accordance with the law and the Articles of Association, while transactions of particular significance or requiring the approval of the Supervisory Board were comprehensively discussed with the Executive Board prior to a decision being taken. We were fully and speedily informed about specific and particularly urgent plans and projects, including those arising between the regular meetings. As chairman of the Supervisory Board, I was regularly informed about current business developments and key transactions in the Company between Supervisory Board meetings.

Deliberations in the Supervisory Board

In financial year 2012/13, five ordinary Supervisory Board meetings were held. No resolutions were passed by written circulation procedure.

Prior to Supervisory Board meetings, the shareholder representatives on the Supervisory Board met five times and the employees' representatives twelve times in separate meetings. No Supervisory Board member attended fewer than half of the Supervisory Board meetings in financial year 2012/13. Average attendance at plenary meetings was 96.3% (previous year 87.5%).

Attendance at meetings of Supervisory Board 2012/13

Name	Supervisory Board meetings	Presiding committee	Audit committee	Nomination committee
Prof. Dr Klaus Mangold (Chairman)	5 (5)	7 (7)	5 (5)	1 (1)
Petra Gerstenkorn (Deputy Chairwoman)	5 (5)	6 (7)	–	–
Anass Houir Alami	4 (5)	–	–	–
Andreas Barczewski	5 (5)	6 (7)	–	–
Arnd Dunse	5 (5)	–	5 (5)	–
Prof. Dr Edgar Ernst	5 (5)	–	5 (5)	–
Angelika Gifford	5 (5)	–	–	–
Frank Jakobi	5 (5)	7 (7)	–	–
Ingo Kronsfoth	5 (5)	–	5 (5)	–
Christian Kuhn (until 16 April 2013)	2 (3)	–	–	–
Mikhail Noskov	4 (5)	–	–	–
Michael Pönipp (since 17 April 2013)	2 (2)	–	–	–
Carmen Riu Güell	5 (5)	7 (7)	–	1 (1)
Anette Strempel	5 (5)	–	–	–
Christian Strenger	5 (5)	–	4 (5)	–
Ortwin Strubelt	5 (5)	–	5 (5)	–
Vladimir Yakushev	5 (5)	7 (7)	–	1 (1)

(in brackets: number of meetings held)

The Executive Board's reports and discussions at Supervisory Board meetings regularly focused on the latest turnover, earnings and employment in the Group as well as its financial situation and structural development. The work of the Presiding Committee, Audit Committee and Nomination Committee was regularly presented at the Supervisory Board meetings. Our deliberations and reviews also focused on the following topics:

Supervisory Board

At our meeting on 24 October 2012, our agenda included the corporate budget for financial year 2012/13 and the forecast accounts for 2013/14 and 2014/15. Deliberations also focused on corporate governance issues. The declaration of compliance with the German Corporate Governance Code for 2012 was adopted in accordance with section 161 of the German Stock Corporation Act. We also discussed an interim report by the Executive Board on the strategic development of TUI AG and adopted resolutions concerning shareholdings. The Executive Board provided an update on the ongoing Babcock Borsig litigation.

The meeting on 18 December 2012 focused on reporting and discussing the annual financial statements as per 30 September 2012, a comparison between target and actual figures for 2011/12 and the HR and social report for 2011/12. The discussions were also attended by representatives of the auditors, who were available to answer questions. The meeting established the value of the reference indicator for the annual performance bonus for 2011/12 (reported EBITA). A further item was the resolution setting an agenda for the 2013 Annual General Meeting. We adopted resolutions relating, inter alia, to the use of net profit available for distribution, ratification of the acts of management of the Executive Board and Supervisory Board, adjustment of Supervisory Board remuneration as well as capital measures.

Composition of the committees, see pages 14 and 20/21

The meeting on 12 February 2013 served, inter alia, to prepare for the ordinary Annual General Meeting, to be held the next day. In the framework of its regular reporting, the Executive Board also informed us about the first quarter of the current financial year and the status of the litigation with the Babcock Borsig administrator.

On 14 May 2013, the meeting focused on a detailed examination of the future strategic alignment of TUI AG. The Executive Board presented the "oneTUI" strategy, which was communicated to the financial market on 15 May 2013. The measures associated with "oneTUI" to enhance value creation and restore the Company's ability to pay dividends were comprehensively discussed with the Executive Board. Much of the meeting was also devoted to the report from the Executive Board on current business performance and the quarterly and half-year financial statements for 2012/13. We obtained status reports on TUI Travel's online business and the alignment of the hotel and cruise businesses. At that meeting, the Supervisory Board approved an investment plan for the procurement of additional aircraft to modernise TUI Travel's fleet. It also approved a new business allocation plan for the Executive Board of TUI AG. In addition, the Supervisory Board approved the issuance of employee shares.

The Supervisory Board came together for a two-day meeting on 4 and 5 September 2013. In the plenary, we held a detailed discussion with the Executive Board about fundamental aspects of the Group's strategic development. We were aided in our deliberations by a status report on "oneTUI" and the current strategic priorities for the project. In this context, the Executive Board presented a detailed report on the position and initiatives of the Tourism Sectors TUI Travel, TUI Hotels & Resorts and Cruises and outlined the respective medium- and long-term goals. We also discussed the Group's online strategy and various aspects of the brand architecture. Apart from regular reports from the Supervisory Board's committees, the agenda included a report from the Executive Board on the current financial year. The meeting was attended by an external consultant seeking to evaluate the work of the Supervisory Board as part of an efficiency review of this body's activities.

We met on 23 October 2013, mainly to discuss the completed financial year 2012/13, the budget for 2013/14 and the forecast accounts for 2014/15 and 2015/16. At that meeting, we discussed the declaration of compliance for 2013 pursuant to section 161 of the German Stock Corporation Act. The agenda also included, in particular, long-term succession planning for executives.

Committee meetings

See page 20/21

The Supervisory Board has set up three committees to support its work: the Presiding Committee, the Audit Committee and the Nomination Committee. The committee members are shown in a separate list in the section on the Supervisory Board. The chairman of the Supervisory Board chairs the Presiding Committee and the Nomination Committee.

Presiding Committee
The Presiding Committee prepares the resolutions and issues to be dealt with by the Supervisory Board. In the period under review, the Presiding Committee held five ordinary and two extraordinary meetings, one of which was organised as a conference call. Deliberations focused on preparing the subsequent Supervisory Board meeting. They also focused on the following topics:

At its meeting on 24 October 2012, the Presiding Committee reviewed the appropriateness of the remuneration and pensions for the Executive Board, determined the reference indicators for the annual performance bonus for 2012/13 for the Executive Board and determined the personal performance factor for the annual performance bonus for 2011/12 for the Executive Board.

The Presiding Committee met on 20 November 2012 to hear a status report on the litigation with the Babcock Borsig administrator and discuss the development of TUI AG and the Group structure.

The meeting held on 18 December 2012 focused on the annual financial statements of TUI AG and the TUI Group as at 30 September 2012.

At the extraordinary meetings held on 20 and 23 January 2013, the Presiding Committee discussed an offer from TUI AG for talks with the independent non-executive board members of TUI Travel which might have resulted in a merger of the two companies. On 23 January 2013, TUI AG confirmed that the Company had no intention of submitting a bid for TUI Travel as that would not have been in the interest of TUI shareholders.

The Presiding Committee met on 12 February 2013, the day before the ordinary Annual General Meeting for 2013, in order to discuss the agenda and remuneration issues in connection with the retirement of the former CEO Dr Frenzel.

The agenda for the meeting on 14 May 2013 included establishing appropriate measures to review the efficiency of the activities of the Supervisory Board.

The Presiding Committee met in the run-up to the Supervisory Board meeting on 4 and 5 September 2013 in order to prepare the key items on Group strategy and discuss the management structures within the Group as well as HR matters.

Audit Committee
The Audit Committee supports the Supervisory Board in exercising its monitoring function. It discusses in particular accounting and reporting issues, the effectiveness of the internal control system, the risk management system, internal audit and compliance. The half-year and quarterly financial reports are discussed by the Audit Committee with the Executive Board and the auditors prior to publication.

In the completed financial year, the Audit Committee held four ordinary and one extraordinary meetings. The work of the committee focused on the annual financial statements of TUI AG, the consolidated financial statements, the consolidated management report and the interim reports. All ordinary meetings were attended by auditor representatives, who presented detailed reports on the audits and their reviews of the three interim reports.

The Audit Committee was, moreover, kept up to date about the planning and reporting systems. The agenda regularly included reports on the development of compliance activities in the Group. In this context, the Audit Committee was informed about the status of the COSO project (establishment of an integrated control and risk management system based on the COSO model). The committee also discussed the report from Group Audit and the audit plan for financial year 2012/13. The committee was likewise informed about the risk situation, risk management and hedging transactions to protect the TUI Group against exposure to changes in exchange rates, interest rates and fuel prices. Moreover, the Audit Committee presented its recommendation to the Supervisory Board on the election of the auditors for financial year 2013/14. At an extraordinary meeting, the committee obtained a report from the Executive Board on the status of a tax risk in TUI Travel and the intended course of action.

Work of the Nomination Committee
The Nomination Committee held one meeting in the financial year under review to prepare the agenda item "Confirmation of the Supervisory Board mandate of Ms Gifford" for the 2013 Annual General Meeting.

Corporate Governance

See page 23 et seq.

The Supervisory Board regularly discusses corporate governance issues. Details are provided in the Corporate Governance Report of the present Annual Report, prepared by the Executive Board and Supervisory Board of TUI AG.

At their meeting on 23 October 2013, the Executive Board and Supervisory Board discussed the joint declaration of compliance with the German Corporate Governance Code (DCGK) pursuant to section 161 of the German Stock Corporate Act. It was made permanently accessible to the public on TUI AG's website in December 2013. With two exceptions (DCGK no 5.1.2: resolution about age limits for Board members adopted in 2013; DCGK no 4.3.2: contractual fixing of caps for total compensation and variable compensation elements will be effected in 2013) TUI AG complies with all recommendations of the German Corporate Governance Code in its version applicable at that point in time dated 13 May 2013.

The efficiency of the Supervisory Board's activities, in particular those of its committees, was reviewed in the framework of one-on-one interviews. The results of this efficiency review were discussed at the Supervisory Board meeting on 17 December 2013, after the closing date.

In the period under review, the Supervisory Board was not aware of any conflicts of interest affecting any Executive Board or Supervisory Board member requiring submission to the Annual General Meeting.

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

Audit opinion see page 261

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover, audited the annual financial statements of TUI AG prepared by the Executive Board in accordance with the provisions of the German Commercial Code (HGB), as well as the joint management report of TUI AG and the TUI Group, and the consolidated financial statements for the 2012/13 financial year prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS), and issued their unqualified audit certificate. The above documents, the Executive Board's proposal for the use of the net profit available for distribution and the audit reports by the auditors had been submitted in good time to all members of the Supervisory Board. They were discussed in detail at the Audit Committee meeting of 16 December 2013 and the Supervisory Board meeting of 17 December 2013, convened to discuss the annual financial statements, where the Executive Board provided comprehensive explanations of the financial statements. At those meetings, the chairman of the Audit Committee and the auditors reported on the audit findings, having determined the key audit areas for the financial year under review beforehand with the Audit Committee. Neither the auditors nor the Audit Committee identified any weaknesses in the early risk detection and internal control system. On the basis of our own review of the annual financial statements of TUI AG and the Group and the joint management report, we did not have any grounds for objections and therefore concur with the Executive Board's evaluation of the situation of TUI AG and the TUI Group. Upon the recommendation of the Audit Committee, we approve the annual financial statements for financial year 2012/13; the annual financial statements of TUI AG are thereby adopted. We comprehensively discussed the proposal for the appropriation of profits with the Executive Board and approved the proposal in the light of the current and expected future financial position of the Group.

Executive Board, Supervisory Board and committee membership

In financial year 2012/13, the composition of the boards of TUI AG changed as follows:

Supervisory Board
Christian Kuhn, member of the Supervisory Board of TUI AG, passed away on 16 April 2013. Our deepest condolences are extended to his family. We are grateful to Mr Kuhn for the productive cooperation and his commitment to TUI.

The district court of Hanover appointed Michael Pönipp as his successor on 17 April 2013.

Executive Board
Dr Michael Frenzel terminated his active career in the TUI Group upon the close of the Annual General Meeting on 13 February 2013. He has been succeeded by Friedrich Joussen, who joined TUI AG's Executive Board on 15 October 2012. The Supervisory Board gratefully acknowledges Dr Frenzel for his successful work and his efforts on behalf of the Group.

On behalf of the Supervisory Board

Prof. Dr Klaus Mangold
Chairman of the Supervisory Board

Hanover, 17 December 2013

SUPERVISORY BOARD AND EXECUTIVE BOARD

Annex to the Notes

Supervisory Board

Name	Function/Occupation	Location
Prof. Dr Klaus Mangold	Chairman of the Supervisory Board of TUI AG Chairman of the Supervisory Board of Rothschild GmbH	Stuttgart
Petra Gerstenkorn[1)]	Deputy Chairwoman of the Supervisory Board of TUI AG Member of the Federal Executive Board of ver.di – Vereinte Dienstleistungsgewerkschaft	Berlin
Anass Houir Alami	Chief Executive of Caisse de Dépot et de Gestion (CDG)	Rabat
Andreas Barczewski[1)]	Aircraft Captain	Hanover
Arnd Dunse[1)]	Head of Group Controlling Department of TUI AG	Bad Nenndorf
Prof. Dr Edgar Ernst	President of Deutsche Prüfstelle für Rechnungslegung	Bonn
Angelika Gifford	Senior Director der Microsoft Deutschland GmbH	Kranzberg
Frank Jakobi[1)]	Travel Agent	Hamburg
Ingo Kronsfoth[1)]	National Negotiator Aviation Sector of ver.di – Vereinte Dienstleistungsgewerkschaft	Berlin
Christian Kuhn[1)] **(until 16 Apr 2013)**	Travel Agent	Hanover
Mikhail Noskov	Chief Financial Officer of Sever Group	Moscow
Michael Pönipp[1)] **(since 26 Mar 2012)**	Hotel Clerk	Hanover
Carmen Riu Güell	Entrepreneur	Palma de Mallorca
Anette Strempel[1)]	Travel Agent	Hemmingen
Christian Strenger	Member of Supervisory Boards	Frankfurt/Main
Ortwin Strubelt[1)]	Travel Agent	Hamburg
Vladimir Yakushev	Managing Director of SGCM Ltd.	Moscow

[1)] representative of the employees

Committees			Other Board Memberships[2]		Name
Presiding Committee	Audit Committee	Nomination Committee			
• Chair	•	• Chair	a) Alstom Deutschland AG[3] Continental AG	b) Alstom S. A. Ernst & Young Rothschild GmbH[3] Swarco AG[4] Baiterek Holding JSC	**Prof. Dr Klaus Mangold**
•			a) TUI Deutschland GmbH[4]	b) KIT-Karlsruher Institut für Technologie	**Petra Gerstenkorn[1]**
			b) Atlanta BMCE Bank Ciments du Maroc-Italcementi Group Morocco Club Méditerranée Fonds d'Équipement Communal Fonds Marocain de Placement Holding Al Omrane	Inframed[4] Medi1TV MEDITEL[3] Morrocan Financial Board Poste Maroc Sanad	**Anass Houir Alami**
•					**Andreas Barczewski[1]**
	•				**Arnd Dunse[1]**
	• Chair		a) Deutsche Annington SE Deutsche Postbank AG Gildemeister AG Wincor Nixdorf AG		**Prof. Dr Edgar Ernst**
					Angelika Gifford
					Frank Jakobi[1]
	•		a) TUIfly GmbH[4]		**Ingo Kronsfoth[1]**
			a) TUI Deutschland GmbH		**Christian Kuhn[1]**
			b) ABR Management CJSC Bank "Rossiya" Mostotrest National Media Group Non-state Pension Fund Gazfond	Non-state Pension Fund Stalfond[3] Nord Gold N.V. Severstal Sveza Video International CJSC	**Mikhail Noskov**
			a) TUI Deutschland GmbH	MER-Pensionskasse V.V.a.G. TUI BKK	**Michael Pönipp[1]**
•		•	b) Hotel San Francisco S.A. Riu Hotels S.A. RIUSA II S.A.	Productores Hoteleros Reunidos, S.A.	**Carmen Riu Güell**
			a) TUI Deutschland GmbH		**Anette Strempel[1]**
	•		a) DWS Investment GmbH	b) The Germany Funds, Inc.[3]	**Christian Strenger**
	•				**Ortwin Strubelt[1]**
•		•	b) Advanced Dimond Technologies, Inc. Centice Corp. Fiberzone Networks, Inc. Nano-Optic Devices, LLC[3] OJSC Metallurgical Commercial Bank[3]	OOO Aksimed[3] OOO Innolume[3] OOO Nanooptic Devices[3] OOO Spectralus[3] Spectralus Corp.[3]	**Vladimir Yakushev**

[2] Information refers to 30 September 2013 or date of resignation from the Supervisory Board of TUI AG in financial year 2012/13.

[3] Chairman

[4] Deputy Chairman

a) membership in supervisory boards within the meaning of section 125 of the German Stock Corporation Act (AktG)

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

Annex to the Notes

Executive Board[1)]

Name	Department	Other Board Memberships	
Friedrich Joussen (Age 50) Member of the Executive Board from Oct 2012, Chairman of the Executive Board from Feb 2013, current appointment until Oct 2015	Chairman (from Feb 2013)	a) –	b) TUI Travel PLC[2)]
Horst Baier (Age 56) Member of the Executive Board from 2007, current appointment until Nov 2015	Finance Human Resources Personnel Director	a) Hapag-Lloyd AG TUIfly GmbH TUI Deutschland GmbH TUI Leisure Travel GmbH	b) RIUSA II S.A.[2)] TUI Travel PLC
Dr Michael Frenzel (Age 66) Member of the Executive Board from 1988, Chairman of the Executive Board from 1994, resigned in Feb 2013	Chairman (until Feb 2013)	a) AWD Holding AG AXA Konzern AG TUIfly GmbH [2)] TUI Deutschland GmbH[2)]	b) TUI China Travel Co. Ltd. TUI Travel PLC[2)]
Peter Long (Age 61) Member of the Executive Board from 2007, current appointment until Aug 2014	Tourism	a) TUI Deutschland GmbH	b) Peak Adventure Travel Group Limited Rentokil Initial PLC TUI Nederland N.V. TUI Nederland Holding N.V. TUI Travel Belgium N.V. TUI Travel PLC

[1)] Information refers to 30 Sep 2013 or date of resignation from the Excecutive Board in financial year 2012/13.

[2)] Chairman

a) Membership in Supervisory Boards required by law within the meaning of section 125 of the German Stock Corporation Act (AktG)

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

CORPORATE GOVERNANCE REPORT

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

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

In this chapter, the Executive Board – also acting on behalf of the Supervisory Board – provides its report on corporate governance in the Company pursuant to sub-section 3.10 of the German Corporate Governance Code and section 289a of the German Commercial Code (HGB).

Declaration of compliance pursuant to section 161 of the German Stock Corporation Act

TUI has consistently based its corporate governance on the recommendations and suggestions in the German Corporate Governance Code. The most recent version of the Code is dated 13 May 2013 (published in the Federal Gazette on 10 June 2013). The Executive Board and the Supervisory Board discussed corporate governance issues several times in financial year 2012/13 and jointly submitted the declaration of compliance for 2013 in Dezember 2013, pursuant to section 161 of the German Stock Corporation Act. The declaration was made permanently accessible to the general public on TUI AG's website.

The current and all previous declarations of compliance have been made permanently available on the web at: www.tui-group.com/en

Wording of the declaration of compliance for 2013
"In accordance with section 161 of the German Stock Corporation Act, the Executive Board and Supervisory Board of TUI AG hereby declare:

For future appointments or extensions of the contracts of Executive Board members, the Supervisory Board has decided to specify an age limit (no. 5.1.2 German Corporate Governance Code).

With the consent of the Executive Board members, the Supervisory Board decided in October 2013 that the caps for the total compensation and for the variable compensation components would also be contractually expressed in euros before the end of 2013 (no. 4.2.3 German Corporate Governance Code).

The adopted amendments on publishing the compensation for the Executive Board members in the Remuneration Report, compulsory for financial years starting after 31 December 2013, will already be applied to financial year 2012/13 (no. 4.2.5 German Corporate Governance Code).

Other than that, the recommendations of the Government Commission on the German Corporate Governance Code in its version of 13 May 2013, as published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette on 10 June 2013, have been and continue to be fully observed."

Functioning of the Executive and Supervisory Boards

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

For functions, see section on Executive Board and Supervisory Board from page 22 et seq

TUI AG's Executive Board comprised three members as at the closing date 30 September 2013. The Executive Board is responsible for managing the Company's business operations in the interests of the Company. The allocation of functions and responsibilities to individual Board members is presented in a separate section. It was resolved to introduce an age limit for appointments and extensions of contracts of Executive Board members.

For details about the activities of the Supervisory Board, see Supervisory Board Report from page 13 et seq

The Supervisory Board has 16 members. It advises and oversees the Executive Board in the management of the Company. It is involved in strategic and planning decisions and all decisions of fundamental importance to the Company. In accordance with the terms of reference, decisions taken by the Executive Board on major transactions such as the annual budget, major acquisitions or divestments require the approval of the Supervisory Board. The chairman of the Supervisory Board coordinates the work in the Supervisory Board, chairs its meetings and represents the concerns of the body externally. He also chairs the Presiding Committee and the Nomination Committee.

The Executive Board provides the Supervisory Board with comprehensive up-to-date information at regular meetings and in writing about the strategy, the budget, business performance and the situation of the Group, including risk management and compliance. An extraordinary Supervisory Board meeting may be convened if required when events of particular relevance occur. The Supervisory Board has adopted terms of reference governing its work. In the run-up to the Supervisory Board meetings, the representatives of shareholders and employees meet separately.

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

Composition of the Supervisory Board

For current composition, go to www.tui-group.com/en/company

The Supervisory Board of TUI AG consists of 16 members, whose 5-year term ends upon the close of the ordinary Annual General Meeting in 2016. Pursuant to section 8 of the Terms of Reference for the Supervisory Board of TUI AG and in line with the recommendations of the German Corporate Governance Code, the composition of the Supervisory Board should ensure that its members jointly have the knowledge, skills and technical experience required for the proper implementation of their tasks. The objectives to be reflected in the composition of the Supervisory Board include in particular a broad knowledge of the industry, internationality, diversity and an appropriate gender balance. Specific targets for the future composition of the Supervisory Board are the membership of four women, four members with international experience and at least three independent members for the shareholder representatives.

In line with the Company's own diversity objectives, the Supervisory Board of TUI AG includes four female members. Ten Supervisory Board members have considerable international experience. Due to the different career paths of its members, the composition of the Supervisory Board reflects strong diversity in terms of relevant experience, skills and industry knowledge. The Supervisory Board comprises three shareholder representatives who do not have a business or personal relationship with the Company, its Executive Board or any third parties that might give rise to a major conflict of interests.

In accordance with the recommendations of the German Corporate Governance Code, the eight shareholder representatives were individually elected for five-year terms of office in the elections to the Supervisory Board at the Annual General Meeting in 2011. The eight employee representatives were elected in January 2011. As a rule, the Supervisory Board members should not be older than 68 years of age upon election. No former Executive Board members of TUI AG are represented on the Supervisory Board.

Committees of the Supervisory Board

The Supervisory Board has established three committees from among its members: the Presiding Committee, the Audit Committee and the Nomination Committee, which prepare and complement its work. There is no plan at present to establish any further committees.

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

Executive and Supervisory Board members are obliged to act in TUI AG's best interests. In the completed financial year, there were no conflicts of interest requiring disclosure to the Supervisory Board. None of the Executive Board members of TUI AG sat on more than three supervisory boards of listed non-Group companies or supervisory bodies of companies with similar requirements.

Additional corporate governance disclosures

Shareholders and Annual General Meeting (AGM)

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

Annual General Meeting on 12 February 2014 – information at: www.tui-group.com/en/ir/agm

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

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

Risk management

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

Risk Report see page 116

More detailed information about risk management in the TUI Group is presented in the Risk Report. It also contains the report on the accounting-related internal control and risk management system required in accordance with the German Accounting Law Modernisation Act (BilMoG).

Transparency

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

Financial calendar online at: www.tui-group.com/en/ir

The scheduled dates for the main regular events and publications – such as the AGM, annual report and interim reports – are set out in a financial calendar. The calendar is published well in advance and made permanently accessible to the public on TUI AG's website.

Directors' dealings

Directors' dealings online at: www.tui-group.com/en/ir/corporate_governance/directors_dealings

The Company was informed of notifiable purchase and sale transactions of TUI AG shares or related financial instruments by directors (directors' dealings) concerning financial year 2012/13 by Teck Capital Management.

Accounting and auditing

See audit opinion by the auditors page 261

TUI AG prepares its consolidated financial statements and consolidated interim financial statements in accordance with the provisions of the International Financial Reporting Standards (IFRS) as applicable in the European Union. The statutory annual financial statements of TUI AG, which form the basis for the dividend payment, are prepared in accordance with the German Commercial Code (HGB). The consolidated financial statements are prepared by the Executive Board, audited by the auditors and reviewed by the Supervisory Board. The interim reports are discussed between the Audit Committee and the Executive Board prior to publication. The consolidated financial statements and the financial statements of TUI AG were audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover, the auditors elected by the 2013 Annual General Meeting. The audit was based on German auditing rules, taking account of the generally accepted auditing standards issued by the German Auditors' Institute as well as the International Standards on Auditing. It also covered risk management and compliance with reporting requirements concerning corporate governance pursuant to section 161 of the German Stock Corporation Act.

In addition, a contractual agreement was concluded with the auditors to the effect that the auditors will immediately inform the Supervisory Board of any grounds for disqualification or partiality as well as of all findings and events of importance arising during the performance of the audit. There was no ground to provide such information in the framework of the audit of financial year 2012/13. The condensed consolidated interim financial statements and the consolidated interim management reports as at 31 December 2012, 31 March 2013 and 30 June 2013 were examined by the auditors.

Compliance

The TUI Group's Compliance Management System forms the basis of our corporate governance activities and reflects our commitment to economic, ecological and social activities and management. It is an indispensable part of the TUI Group's corporate culture.

Compliance online at: www.tui-group.com/en/company/compliance

Code of Conduct/Supplier Code of Conduct

The Code of Conduct, applicable to the entire TUI Group, sets out guiding principles to be followed by every Group employee, i. e. the managing directors, management, executives and all Group employees. It sets minimum standards, aimed at providing orientation in everyday work and in conflict situations. Compliance with legal provisions is the cardinal principle and a key component of TUI's corporate values.

In financial year 2012/13, TUI published a Supplier Code of Conduct, which sets out guiding principles for suppliers' business relationships with TUI. The Supplier Code of Conduct specifies the ethical expectations we have of our suppliers. Sustainability has thus been firmly anchored in the supply chain as a crucial element of our corporate responsibility.

The corporate values set out in the Code of Conduct have also been formulated into policies and internal rules in accordance with legal requirements. They aim to provide all TUI executives and employees with the guiding principles they need in their everyday work.

Compliance Management System

TUI's Compliance Management System brings together a variety of internal measures and processes. TUI's Compliance Management System is focused on creating fundamental structures within the Group, in particular compliance rules, communication measures and reporting structures. In addition, the structure and staffing of the compliance organisation have been reviewed and adjusted where necessary. The development of the Compliance Management System into an integrated governance, risk and compliance management system, initiated in the prior year, continued in financial year 2012/13. The emphasis on this occasion lay with linking individual management systems with the activities of the COSO project.

For COSO, see page 127 (Risk Report ICS)

Compliance rules

TUI's Compliance Management System is based on the compliance rules, designed to establish the guiding principles and goals defined in TUI's Code of Conduct within the organisation. To this end, a Group Compliance Policy has been adopted, setting out the goals and tasks of TUI's Compliance Management System. Moreover, a separate Group Policy provides binding rules for dealing with gifts and benefits in business transactions. TUI AG has thus created a uniform framework, reflecting international practice, for Group companies and their requirements. In addition, all TUI Group Policies are regularly reviewed and optimised as necessary in order to promote effective policy management.

Compliance online at:
www.tui-group.com/en/
company/compliance

Compliance structure

The TUI Group's compliance organisation supports those responsible in communicating the values and rules to the Group structure and anchoring them firmly. It ensures that the compliance requirements are implemented throughout the Group in the various countries and cultures. Under the aegis of the Chief Compliance Officer, the Head Compliance Officers and Compliance Officers perform the following tasks within TUI AG and the Group companies, with the support of the central Compliance Office:

- raising awareness for Compliance,
- achieving the goals of the Code of Conduct and the Compliance rules,
- providing training,
- advising managers and employees,
- securing the required exchange of information,
- implementing the integrated Governance, Risk & Compliance approach,
- delivering regular reports.

Compliance training

Compliance training schemes are an essential pillar of TUI's Compliance Management System, designed to prevent misconduct. A graded approach founded on face-to-face teaching, an e-learning programme and the Compliance Compass training brochure has been devised for managers and employees alike, acquainting all employees with Compliance and the underlying corporate values regardless of their position in the company hierarchy and their location. Moreover, some TUI companies and Sectors offer training schemes with a specific focus in order to raise the participants' awareness for particular challenges as appropriate. The e-learning programme Compliance and Code of Conduct was further developed in financial year 2012/13.

Whistleblower system

Implementation of the Compliance Management System entailed a whistleblower system, the TUI SpeakUp Line, installed in agreement with various stakeholders within TUI. It offers ways to disclose any major infringements of the corporate values set out in TUI's Code of Conduct. Any incidents reported are rigorously investigated in the interest of all stakeholders and the Company. Our top priority is to ensure confidentiality and handle information discreetly. Apart from reporting compliance infringements to supervisors, Compliance Officers or the Compliance Office, employees can also report infringements anonymously. Whistleblowers are able to submit their information over the phone or using a web-based option. Any incidents reported are analysed by an evaluation committee specifically set up for that purpose, and the necessary action is then taken. In the interest of all employees and the Company, all infringements are investigated and their causes are eliminated. This includes the rigorous prosecution of misconduct in accordance with the relevant national provisions.

Remuneration Report

Executive Board of TUI AG:
www.tui-group.com/en/
company/management

Upon the proposal of the Presiding Committee, the Supervisory Board determines the remuneration of the individual Executive Board members; it regularly adopts and reviews the remuneration system for the Executive Board. The criteria governing the appropriateness of remuneration are the tasks of each individual Board member, their personal performance, the economic position, the performance and sustainable development of the Company, the benchmark remuneration customary in the peer environment, and the remuneration structure otherwise applied in German companies. Moreover, remuneration is set at a level that is competitive in the market for highly qualified managerial staff.

In accordance with the recommendations of the German Corporate Governance Code (DCGK), published in the federal gazette on 10 June 2013, caps for the total compensation and variable compensation elements for Executive Board compensation have to be agreed in fixed euro amounts. The criteria governing the appropriateness of Executive Board remuneration now also include the relationship between the compensation of the Executive Board and that of senior management and the staff overall, particularly in terms of its development over time (vertical appropriateness review).

The caps for the variable compensation elements had already been expressed in Euro terms for Mr Joussen, and had been agreed in terms of a fixed maximum relation to his individual target amounts in the service contract for Mr Baier.

With the consent of the Executive Board members, the Supervisory Board resolved in October 2013 to contractually agree the caps for the total compensation and the variable compensation elements in Euro amounts, too, before the end of 2013. The agreed amendments to publication of Executive Board pay in the Remuneration Report, compulsory for financial years starting after 31 December 2013, have already been applied to financial year 2012/13.

For Executive Board members based in Germany, a new remuneration system was drawn up in financial year 2009/10. Its purpose is to promote sustained corporate development. It applies to all new or amended service contracts. This new remuneration system was approved by TUI AG's Annual General Meeting on 17 February 2010.

The remuneration of Mr Long, based in the UK, is paid by TUI Travel PLC and fixed by its own Remuneration Committee.

Remuneration of the Executive Board in financial year 2012/13

The remuneration granted to TUI AG's Executive Board members for financial year 2012/13 comprises fixed and variable components. Executive Board members are also entitled to a company car with driver services as well as travel benefits. The variable components consist of an annual management bonus and a multi-annual bonus covering a period of four years under a long-term incentive programme.

The annual management bonus is linked to target achievement and the individual performance of the Board member concerned. Since 1 October 2010, the performance target has been reported Group earnings before interest, tax and amortisation of goodwill (reported EBITA). If less than 50% of the annual target is achieved, the management bonus for the year is not paid. If more than 50% of the target is achieved, the target amount fixed in the service contract of the Executive Board member concerned is multiplied by the degree of target achievement; however a cap of 150% applies.

The annual management bonus determined in this way is adjusted by the Supervisory Board by means of a factor ranging between 0.8 and 1.2 in order to take account of the Board member's personal performance. The annual management bonus for Mr Joussen is paid out in full upon the adoption of the annual financial statements of the Company. 50% of the annual management bonus for any financial year for Mr Baier is paid upon adoption of the annual financial statements of the Company. The remaining 50% of his annual management bonus is carried forward in equal tranches to the two subsequent years and adjusted in accordance with the degree of target achievement in those two years. The maximum amount payable for the annual performance bonus has been capped at €1,400.0 thousand for Mr Joussen and €1,147.5 thousand for Mr Baier.

For Dr Frenzel, the amount of the management bonus for financial year 2012/13 was determined on the basis of the adopted annual plan and contractually fixed in the termination agreement.

The long-term incentive programme is based on phantom stocks and covers a period of four years. For Executive Board members, an individual target amount has been fixed in their service contracts. This amount is translated annually into phantom stocks based on the average price of TUI AG shares over a period of twenty days prior to the beginning of any financial year. Entitlements for the beneficiary arise upon completion of the four-year service period. An advance payment worth €1,280.0 thousand payable upon adoption of the annual financial statements has been contractually agreed with Mr Joussen.

Upon the completion of the four-year period, the degree of target achievement is determined by comparing the change in total shareholder return (TSR) at TUI AG with the change in the Dow Jones Stoxx 600 Travel & Leisure index. If the degree of target achievement is less than 25% of the reference value, no phantom shares are granted. If the degree of target achievement exceeds 25%, it is multiplied by the number of phantom stocks granted; however, a cap of 175% applies. At the end of the four-year service period, the number of phantom stocks determined in this way is multiplied by the average price of TUI AG shares (20 trading days), and the resulting amount is paid out in cash. The maximum amount payable under the long-term incentive programme has been capped at €2,100.0 thousand for Mr Joussen and €1,530.0 thousand for Mr Baier.

The table shows the fair value of the phantom stocks granted this year as per 30 September 2013 as remuneration for the ongoing financial year on the basis of an assumed target achievement of 100%. However, an entitlement to a cash payment only arises upon the termination of the four-year performance period in the month following the adoption of the annual financial statements of TUI AG as per 30 September 2016 and depends solely on future target achievement for the period from 1 October 2012 to 30 September 2016. The advance payment granted to Mr Joussen for financial year 2012/13 will be offset against the actual entitlement that will have arisen at the end of the four-year period.

The long-term incentive programme for Mr Long entails the granting of shares in TUI Travel PLC based on personal assessment factors established by the Remuneration Committee of TUI Travel PLC. As per 1 October 2012, Mr Long held awards for 7.40 million shares in TUI Travel PLC. In financial year 2012/13, 1.13 million shares worth 351 pence/share were allocated to Mr Long on account of having achieved the performance targets defined by the Remuneration Committee of TUI Travel PLC. Awards for 0.61 million shares were forefeited. New awards for 1.88 million shares were granted to Mr Long for the financial year. As per 30 September 2013, awards for shares in TUI Travel PLC totalled 7.54 million.

As per 1 October 2012, Mr Long also held 3.77 million shares in TUI Travel PLC awarded to him. Following the sale of 0.75 million shares at a price of 277 pence/share, the stock of awarded shares declined to 3.02 million shares as per 30 September 2013.

Provisions totalling €6,617.0 thousand (previous year €7,928.0 thousand) were formed to cover entitlements under the long-term incentive programme. Liabilities of €2,047.6 thousand (previous year €0.0 thousand) existed for the amounts payable upon the adoption of the annual financial statements. The total expense for share-based payments and the amount attributable to each individual Executive Board member are shown in the table "Remuneration of individual Executive Board members".

The following entitlements of active and former Executive Board members from a stock option plan terminated with the introduction of the long-term incentive programme remain in place:

Development of aggregate phantom stocks of Executive Board members of TUI AG (incl. four-year model)

	Units
Balance as at 30 Sep 2012	**739,407**
Phantom stocks granted for the financial year 2012/13	285,498
Phantom stocks exercised	–
Decrease of phantom stocks	- 403,613
Balance as at 30 Sep 2013	**621,292**

On 30 September 2013, former Executive Board members held 450,025 phantom stocks in TUI AG (previous year 436,927 shares).

Remuneration of individual Executive Board members granted by TUI AG

Remuneration of individual Executive Board members granted by TUI AG for the financial year 2012/13

€ '000	Fixed remuneration	Annual performance-based remuneration	Long-term incentive programme	Supervisory Board mandates in the Group	**Total 2012/13**	Total 2011/12
Friedrich Joussen (since Oct 2012)	989.2	986.0	1,899.1	–	3,874.3	–
Horst Baier	692.8	563.1	701.8	–	1,957.7	2,176.4
Dr Peter Engelen (until 31 Aug 2012)	–	–	–	–	–	2,751.1
Dr Michael Frenzel (until Feb 2013)	471.1	1,466.4	–	–	1,937.5	4,169.6
Total	**2,153.1**	**3,015.5**	**2,600.9**	**–**	**7,769.5**	**9,097.1**
Previous year	2,609.2	3,741.8	2,491.0	255.1	9,097.1	

The remuneration of Peter Long determined by the Remuneration Commitee for the financial year 2012/13 of TUI Travel PLC amounted to €1,011.4 thousand for fixed remuneration (previous year €1,036.5 thousand), €4,938.1 thousand for the annual performance-based remuneration (previous year €2,675.2 thousand), €1,450.7 thousand for the long-term incentive programme (previous year €836.8 thousand) and totalled to €7,400.2 thousand (previous year €4,548.5 thousand).

In financial year 2012/13, the level of remuneration paid under the annual performance bonus and the long-term incentive programme is partly driven by the increase in the value of the TUI Travel PLC share price, accounting for more than 22%.

As in the prior year, the members of the Executive Board did not receive any loans or advances in financial year 2012/13.

The two tables below show the benefits already granted by TUI AG and payments received by the individual members of the Executive Board for financial year 2012/13.

Remuneration of individual Executive Board members in financial year 2012/13

	Friedrich Joussen (since 15 Oct 2012)			Horst Baier		
€ '000	**2012/13**	(Min. p.a.)	(Max. p.a.)	**2012/13**	(Min. p.a.)	(Max. p.a.)
Fixed remuneration	963.8	963.8	963.8	680.0	680.0	680.0
Perquisites	25.4	25.4	25.4	12.8	12.8	12.8
Total	989.2	989.2	989.2	692.8	692.8	692.8
Annual perfomance-based remuneration	920.0	613.0	1,400.0	255.0	–	459.0
Cash deferral	–	–	–	273.3	–	410.0
Total	920.0	613.0	1,400.0	528.3	–	869.0
Long-term incentive programme	1,899.1	–	2,100.0	701.8	–	1,530.0
Total	2,819.1	613.0	3,500.0	1,230.1	–	2,399.0
Pension	189.4	189.4	189.4	267.7	267.7	267.7
Total numeration	**3,997.7**	**1,791.6**	**4,678.6**	**2,190.6**	**960.5**	**3,359.5**

Remuneration of individual Executive Board members in financial year 2012/13

€ '000	Friedrich Joussen (since 15 Oct 2012)	Horst Baier
Fixed remuneration	963.8	680.0
Perquisites	25.4	12.8
Total	989.2	692.8
Annual perfomance-based remuneration	986.0	273.3
Cash deferral	–	289.8
Total	986.0	563.1
Long-term incentive programme	1,280.0	767.4
Total	2,266.0	1,330.5
Pension	189.4	276.7
Total numeration	**3,444.6**	**2,291.0**

Exit payments

1. Pension entitlements

Pensions are paid to former Executive Board members if they reach the predefined age limit or are permanently incapacitated. Members leaving the Executive Board are not entitled to receive transition payments.

Mr Joussen receives an annual amount of €196.5 thousand, paid into an existing pension plan for Mr Joussen. The Company has not assumed any additional obligations in the framework of the company pension plan for the first service period.

Mr Baier, whose service contract was amended in 2010, receives an annual contribution to the company pension plan agreed in his service contract. The pension contribution amounts to 22.5% of the target cash remuneration per year. The entitlements under the pension scheme operating until 2009 were redeemed by a one-off initial contribution to the company pension plan. The contributions to the company pension plan carry an interest rate established in the pension obligation; the interest rate currently stands at 5% p.a. Board members become eligible for payment of the pension upon reaching the age of 60. The beneficiary may choose between a one-off payment, payment by instalments or pension payments.

Contributions to the company pension scheme in financial year 2012/13

€ '000	Pension contribution
Friedrich Joussen (since 15 Oct 2013)	189.4
Horst Baier	267.7

Mr Long does not have a pension entitlement from TUI AG. Instead of granting a pension entitlement, TUI Travel PLC pays an amount of 50% of his fixed remuneration into a pension fund (translated into euros at €503.5 thousand; previous year €516.1 thousand).

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

2. Change of control agreement

In the event of a loss of Board membership through a change of control or by executing the right granted to Board members, specifically accorded for this case, to resign their position and terminate their contract of employment as a Board member, every Board member is entitled to receive compensation for the financial entitlements that he or she would have derived from the remainder of the agreed contract term, a maximum of two or three years.

The annual performance bonus and the entitlements from the long-term incentive programme granted for the remainder of the contract term are based on the average remuneration received in the last two financial years for Mr Joussen and the average remuneration received in the last three financial years for Mr Baier.

3. Benefits promised to Dr Frenzel in connection with the termination of his service and granted in the course of financial year 2012/13

At the end of July 2012, the Supervisory Board had approved the early termination of Dr Frenzel's appointment as Executive Board member and CEO and termination of his service contract, expiring on 31 March 2014, upon the close of TUI AG's ordinary Annual General Meeting 2013.

On 14 February 2013, by way of compensation for early termination of the service contract, the Company paid Dr Frenzel a one-off severance payment of €1,411.5 thousand equivalent to his fixed compensation from 14 February 2013 until the regular end of his service contract on 31 March 2014.

On 14 February 2013, the prorated annual management bonus for financial year 2012/13 for the period from 14 February to 30 September 2013 of €2,440.3 thousand (taking account of a 4.0% p.a. discount) was also paid to Dr Frenzel.

At the end of December 2014, Dr Frenzel shall receive a prorated annual management bonus (until 31 March 2014 on a pro rata basis) for financial year 2013/14 fixed on the basis of the budget for financial years 2012/13 and 2013/14 of €1,590.0 thousand.

Dr Frenzel is subject to a non-competition clause under which he must not work in any way for nor invest in a company competing with TUI AG or associated with a competitor for a period of two years. The severance payment to compensate for early termination of the service relationship and the prorated annual management bonuses for financial years 2012/13 and 2013/14 are considered as compensation for this non-competition clause.

Dr Frenzel has acquired a vested right to a company pension subject to the proviso that Dr Frenzel may claim pension benefits and his surviving dependents may claim survivors' benefits as of 1 April 2014 at the earliest. Dr Frenzel's pension entitlement amounts to €800.0 thousand per annum.

Upon completion of his Executive Board mandate, TUI AG shall provide Dr Frenzel with an appropriate office and company car for use under the conditions applicable to date until 30 September 2017 for the performance of his duties as chairman of the World Travel & Tourism Council (WTTC) and as Director of the German Tourism Association (BTW). TUI AG shall provide Dr Frenzel with a set annual budget to reimburse the confirmed costs incurred.

TUI AG shall grant Dr Frenzel the contractual travel benefits derived from his service contract for any trips and flights taken during the regular term of his service contract until 31 March 2014.

Dr Frenzel shall not obtain separate compensation or reimbursement of expenses from TUI AG for mandates in internal Group bodies at TUI Travel PLC (until 24 March 2013), TUI Deutschland GmbH, TUIfly GmbH and TUI Cruises GmbH (until 30 May 2014 each), continued upon the completion of his service contract. Dr Frenzel shall transfer any compensation from these mandates to TUI AG.

4. Provisions upon termination of an Executive Board position and severance payments

The service contracts of Dr Joussen and Mr Baier limit potential severance payments upon early termination of their service contracts by the Company without good cause to an amount corresponding to two annual remuneration payments.

The service contract of Mr Long can be terminated without a severance payment with twelve months' notice.

5. Pension obligations

At 30 September 2013, pension obligations for active members of the Executive Board totalled €20,253.6 thousand (previous year balance sheet date: €28,132.4 thousand) according to IAS 19 and €17,830.2 thousand (previous year balance sheet date €23,967.2 thousand) according to commercial law. In the period under review, the provision declined by an amount of €7,878.9 thousand according to IAS 19 (previous year transfer of €4,026.3 thousand), with a decline of €6,137.0 thousand (previous year transfer of €677.9 thousand) according to commercial law provisions.

Pension of current Executive Board members

	Addition to/reversal from pension provisions		Net present value	
€ '000	**2012/13**	2011/12	**30 Sep 2013**	30 Sep 2012
Friedrich Joussen (since 15 Oct 2012)	–	–	–	–
Horst Baier	321.0	909.5	5,919.2	5,598.2
Dr Peter Engelen (until 31 Aug 2012)	–	986.4	–	7,037.9
Dr Michael Frenzel (until 13 Feb 2013)	- 1,161.9	2,130.4	14,334.4	15,496.3
Total	**- 840.9**	**4,026.3**	**20,253.6**	**28,132.4**

The pension obligations for German beneficiaries were funded via the conclusion of pledged reinsurance policies. As the reinsurance policy fully covers the pension obligations for former and active Executive Board members, the insurance was deducted as an asset from the pension obligations.

Pension provisions for former members of the Executive Board and their dependents amounted to €49,587.7 thousand (previous year €43,118.9 thousand) as measured according to IAS 19 at the balance sheet date, and €51,633.7 thousand (previous year €44,698.4 thousand) as measured according to commercial law provisions. In financial year 2012/13, obligations for this group of persons increased by €6,468.8 thousand (in 2011/12 decrease of €2,231.9 thousand) according to IAS 19 and €6,935.3 thousand (in 2011/12 decrease of €1,012.9 thousand) according to commercial law provisions.

In financial year 2012/13, the remuneration paid to former Executive Board members and their surviving dependents totalled €3,963.8 thousand (previous year €3,992.6 thousand).

Remuneration of the Supervisory Board

Articles of Association of TUI AG at: www.tui-group.com/de/ir/corporate_governance

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

The members of the Supervisory Board receive a fixed remuneration of €50.0 thousand for a full financial year, payable upon completion of the financial year, besides reimbursement of their expenses. The fixed compensation was increased by €10.0 thousand with effect from 1 October 2012 based on an amendment of the Articles of Association resolved by the Annual General Meeting in February 2013.

The Supervisory Board members also receive remuneration related to the Company's long-term performance. This long-term variable remuneration was redefined at the beginning of financial year 2012/13 based on an amendment of the Articles of Association. Accordingly, it amounts to €400 per €0.01 of the average undiluted earnings per share (earnings per share) carried in the consolidated financial statements for the respective last three financial years. The new long-term variable compensation is payable for the first time upon the close of the Annual General Meeting in February 2016, which will vote on the ratification of the acts of management of the Supervisory Board for the third completed financial year. The amount payable has been capped at €50 thousand.

The awards payable upon the revision of the system of Supervisory Board remuneration, derived under the previous arrangement for long-term variable remuneration from a base sum of €20.0 thousand variable as a function of earnings per share, totalled €848.5 thousand. The entitlements were paid to the Supervisory Board members upon registration of the amendment of the Articles of Association of TUI AG in Berlin and Hanover.

The chairman of the Supervisory Board receives three times the fixed and long-term variable remuneration of a regular member, the deputy chairwoman one and a half times. An additional fixed remuneration of €40.0 thousand is paid for membership of committees (with the exception of the Nomination Committee). Prior to the amendment of the Articles of Association, the members of the Presiding Committee and Audit Committee received a fixed compensation of €20.0 thousand. As before, the chairman of the Audit Committee receives three times the additional fixed remuneration.

Following the amendment of the Articles of Association, the members of the Supervisory Board and the committees receive a meeting fee of €1,000 per meeting for participating in meetings as of financial year 2012/13.

The remuneration of the Supervisory Board for financial year 2012/13, in comparison with the prior year, broke down as follows:

Remuneration of the Supervisory Board

€ '000	**2012/13**	2011/12
Fixed remuneration	875.0	793.6
Long-term variable remuneration	93.1	348.4
Remuneration for committee memberships	560.0	160.0
Attendance fee	135.0	–
Remuneration for TUI AG Supervisory Board mandate	**1,663.1**	**1,302.0**
Remuneration for Supervisory Board mandates in the Group	56.2	54.6
Total	**1,719.3**	**1,356.6**

In addition, travel and other expenses totalling €413.9 thousand (previous year €443.2 thousand) were reimbursed. Total payments to the Supervisory Board members thus amounted to €2,133.2 thousand (previous year €1,799.8 thousand), including the reimbursement of travel and other expenses.

Remuneration of individual Supervisory Board members for the financial year 2012/13

€ '000	Fixed	Long-term variable	Committee membership	Attandance fee	Supervisory Board mandates in the Group	Total
Prof Dr Klaus Mangold (Chairman)	150.0	16.4	80.0	15.0	–	261.4
Petra Gerstenkorn (Deputy Chairwoman)	75.0	8.2	40.0	11.0	15.0	149.2
Anass Houir Alami	50.0	5.5	n/a	4.0	–	59.5
Andreas Barczewski	50.0	5.5	40.0	11.0	–	106.5
Arnd Dunse	50.0	5.5	40.0	9.0	–	104.5
Prof Dr Edgar Ernst	50.0	5.5	120.0	9.0	–	184.5
Angelika Gifford	–	–	n/a	5.0	–	5.0
Frank Jakobi	50.0	5.5	40.0	11.0	–	106.5
Ingo Kronsfoth	50.0	5.5	40.0	9.0	13.8	118.3
Christian Kuhn (until 16 April 2013)	27.2	–	n/a	2.0	–	29.2
Mikhail Noskov	50.0	5.5	n/a	4.0	–	59.5
Michael Pönipp (since 17 April 2013)	22.8	2.5	n/a	2.0	14.9	42.2
Carmen Riu Güell	50.0	5.5	40.0	10.0	–	105.5
Anette Strempel	50.0	5.5	n/a	5.0	12.5	73.0
Christian Strenger	50.0	5.5	40.0	9.0	–	104.5
Ortwin Strubelt	50.0	5.5	40.0	9.0	–	104.5
Vladimir Yakushev	50.0	5.5	40.0	10.0	–	105.5
Total	**875.0**	**93.1**	**560.0**	**135.0**	**56.2**	**1,719.3**

In keeping with agreements with her employer, Ms Gifford refrained from claiming remuneration for her Supervisory Board mandate pursuant to section 18 of TUI AG's Articles of Association. Ms Gifford's travel and other expenses were reimbursed in financial year 2012/13.

The entitlements of the Supervisory Board members under the long-term remuneration arrangement are covered by a prorated provision.

Apart from the work performed by the employees' representatives pursuant to their contracts, the members of the Supervisory Board did not provide any personal services such as consultation or agency services for TUI AG or its subsidiaries in financial year 2012/13 and thus did not receive any remuneration.

TUI SHARE

Share price rises by 41%, outperforming the MDAX

Market environment

In financial year 2012/13, the global indexes showed an overall positive development. The German share index (DAX) rose by 19%, with the British FTSE 100 and the American Dow Jones Industrial growing by 13% each.

At the beginning of the reporting period, the market environment was characterised by the persistent European debt crisis and a subdued economic outlook. However, this only had a minor impact on the robust upward trend of the stock markets as they were outweighed by the positive stimuli caused by the expansive monetary policies of central banks. The global indexes thus gained momentum, in particular in the first half of 2013 during which expansive monetary policy was further reinforced. The European Central Bank (ECB) lowered its interest rate by 0.25percentage points to 0.50% in May 2013, when the US Fed and the Bank of Japan had already taken additional measures.

This overall positive trend on the stock markets was only interrupted by brief phases of uncertainty: nerves were temporarily frayed by fears of political stagnation following the Italian elections, the difficulties of agreeing an aid package for Cyprus and concern about tighter monetary policy in the United States. Despite these events, the leading global indexes continued to rise, profiting additionally as the fourth quarter of 2012/2013 began from more encouraging economic data.

At the end of August 2013, global stock prices came under temporary pressure when the conflict in Syria threatened to escalate. The parties involved were concerned about a potential military attack in response to the suspected use of chemical weapons. It was only when prospects of a peaceful solution to the conflict emerged and the Federal Reserve System (Fed) assured a continued loose monetary policy that the situation eased towards the end of the reporting period, allowing indexes to climb again.

The MDAX index, where the TUI share has been listed, showed an overall positive development in the period under review. Starting into financial year 2012/13 at 10,978 points, the MDAX closed at 15,034 points as at the end of the reporting period. This was an increase of around 37%.

TUI share data

30 Sep 2013		
WKN		TUAG00
ISIN		DE000TUAG000
Reuters/Bloomberg		TUIGn.DE/TUI1.GR
Stock category		Registered ordinary shares
Capital stock	€	645,187,900
Number of shares		252,375,570
Market capitalisation	bn €	2.4

The TUI share price in financial year 2012/13

In financial year 2012/13, the TUI share rose significantly by 41%, having already outperformed the market in the previous reporting period. Supported by sound current trading and a positive business performance, the TUI share rose by around 20% from mid-November to mid-December 2012 alone. It thus substantially outperformed the MDAX.

In the next few months, the TUI share was slightly more volatile but overall drifted sideways. In March and April 2013, the sovereign debt crisis again attracted the attention of market participants. During the difficult process of agreeing an aid package for Cyprus, the TUI share moved in line with the market. In the following weeks, the price of the TUI share then grew substantially by 28% until mid-May 2013. This was driven by the positive data for business in the tour operator segment and presentation of the "oneTUI" programme by the new CEO Friedrich Joussen.

Following his 100-day review, the CEO presented his package for boosting value creation in the individual sectors and restoring TUI's ability to pay dividends. The "oneTUI" programme delivered convincing cornerstones: business excellence and restructuring of underperforming areas as well as an optimisation of vertical integration within the Group with a view to considerably increasing the cash flow contributions to TUI AG. The initial success of the newly launched programme as well as sound current trading volumes continued to determine the performance of the TUI share in the course of financial year 2012/13. On 6 August 2013, the share thus closed at its high of €9.85 for the period under review.

Due to the emerging unrest in Egypt and the conflict in Syria, the TUI share again came under temporary pressure as of mid-August 2013. Based on the recommendations of foreign offices, the TUI Group cancelled tours to Egypt in almost all source markets for a period of several weeks. However, the TUI share recovered in a sound market environment at the end of the financial year 2012/13; its price also benefited from a sound earnings outlook, rapprochement in the conflict in Syria and the resumption of tours to Egypt. The share thus closed at a price of €9.44 as at the balance sheet date.

TUI Share price with MDAX (financial year 2011/12)

Long-term development of the TUI share

€	SFY 2009	2009/10	2010/11	2011/12	**2012/13**
High	8.39	9.05	10.86	6.97	9.85
Low	3.37	4.69	3.68	3.14	6.70
Year-end share price	7.05	8.98	3.88	6.70	9.44

Quotations, indexes and trading

The TUI share is traded on all German trading floors and in the Xetra electronic trading system. No other company with similar operations in tourism is listed in the German stock market. Several European competitors in the tourism sector such as Thomas Cook, Kuoni and Club Méditerranée are traded on stock markets in the UK, Switzerland and France.

TUI Travel PLC share

TUI Travel PLC shares have been traded on the London Stock Exchange for listed securities since 3 September 2007 and are quoted on the FTSE 100 index.

TUI Travel PLC share data

30 Sep 2013		
ISIN		GB00B1Z7RQ77
Reuters/Bloomberg		TT.L/TT/:LN
Stock category		Registered ordinary shares
Number of shares		1,118,010,670
Market capitalisation	bn £	4.1

TUI share in the MDAX and Prime Standard

The TUI share has been included in the German share index MDAX 50. The crucial criteria for admission to the index are trading volume and market capitalisation. The TUI share ranked 23rd and 34th on these points in September 2013. TUI has also been listed in the Prime Standard of the Frankfurt Stock Exchange and thus meets the high international transparency standards of this segment, over and above legal requirements. Furthermore, the TUI share is included in several industry indexes in the German stock market, including DAXsupersector Industrials and DAXsector All Transportation & Logistics.

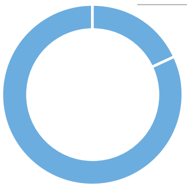
Among the sustainability indexes, the TUI share has been listed as industry leader in the Hotels, Resorts & Cruise Lines sector of the Dow Jones Sustainability Indexes (DJSI) World and Europe since 23 September 2013. At the annual review of the sustainability ranking, the Group scored particularly well in the categories Risk and Crisis Management and Stakeholder Dialogue. It also considerably improved its position in the Operational Eco-Efficiency category. Moreover, TUI's listing in the FTSE4Good was confirmed, and TUI is also listed in the DAXglobal Sarasin Sustainability Germany, Ethibel Excellence Index and ECPI Ethical Index €uro.

Trading in TUI shares declined year-on-year in the period under review. The average daily trading volume was 850 thousand no-par value shares. The total annual trading volume was around 215m no-par value shares.

Analysts' recommendations

%

	2012/13
Buy	82
Hold	18



Date: September 2013

For institutional and private investors, analyses and recommendations by financial analysts are a key decision-making factor. In the financial year under review, around 20 analysts regularly published studies on TUI. In September 2013, 82% of analysts recommended buying the TUI share, with 18% recommending "hold". None of the analysts recommended "sell".

Capital stock and number of shares

Employee shares

In financial year 2012/13 a total of 99,860 employee shares were issued. At the balance sheet date, the capital stock totalled €645,187,900, consisting of 252,375,570 no-par value shares certificated by global certificates. The proportionate share capital attributable to each individual share is around €2.56. Apart from subscribed capital, there is also authorised and conditional capital, as outlined in greater detail in the Notes to the consolidated financial statements.

Convertible bonds

In November 2009, TUI AG had issued a convertible bond with a total volume of around €218m. The bond had a five-year time to maturity and a coupon of 5.50%. In the period under review, 199 bonds were converted into ten shares each. As a result, the total volume outstanding from this convertible bond decreased to around €215m at the end of the reporting period.

In March 2011, TUI AG again issued convertible bonds with subscription rights with a total value of around €339m, maturing in 2016, with a coupon of 2.75%. From these bonds, two bonds were converted into ten shares in financial year 2012/13.

At the balance sheet date, the bondholders held conversion rights for a total of 66,812,720 TUI shares from convertible bonds.

Resolutions of the 2013 Annual General Meeting

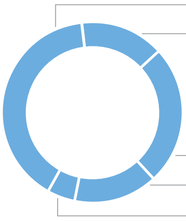
Details about the 2013 AGM are available online at: www.tui-group.com/en/ir/agm

The 54th ordinary Annual General Meeting was held in Hanover on 13 February 2013. Approx. 1,700 shareholders and shareholder representatives, representing around 50% of the voting capital, participated in the AGM. The acts of the Executive and Supervisory Boards of the Company were ratified by a large majority of votes. The AGM also adopted resolutions concerning new authorised capital and the appointment of the auditors.

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

Shareholder structure

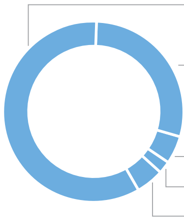
Shareholder structure*
as at 30 Sept 2013



%	2012/13
Institutional investors**	~ 40
Private investors**	~ 15
S-Group Travel Holding	25
Monteray Enterprises Ltd.	15
Riu Hotels S. A.	5

* Securities Trading Act disclosures
** Free float according to the definition by Deutsche Börse

Geographical shareholder structure
as at 30 Sept 2013



%	2012/13
Germany	59
EU exclusive Germany	29
USA	5
Switzerland	2
Other countries	5

At the end of financial year 2012/13, around 55% of TUI shares were in free float.

Around 15% of all TUI shares were held by private shareholders, around 40% by institutional investors and financial institutes and around 45% by strategic investors. According to an analysis of the share register, most shares were held by investors from Germany and other EU countries.

Dividend

Development of dividends and earnings of the TUI share

€	RGJ 2009	2009/10	2010/11	2011/12	**2012/13**
Earnings per share	+ 1.32	+ 0.30	- 0.01	- 0.16	- 0.08
Dividend	–	–	–	–	0.15

Group profit for the year totals €383.0m. Following transfers to other revenue reserves and taking account of the profit carried forward of €116.6m, net profit available for distribution amounted to 308.6m. A proposal will be submitted to the Annual General Meeting to use the profit from the financial year available for distribution to pay a dividend of €0.15 per no-par value share and, after deduction of the total dividend of €37.9m, to carry the remainder of €270.7m forward on new account.

Rating

Rating

TUI's financial strength is subject to regular ratings by the international agencies Standard & Poor's and Moody's. In August 2013, Standard & Poor's lifted TUI's corporate rating from B- to B. The reasons given by the rating agency for this increase included above all the improvement in the operating performance and the debt ratios. According to Standard & Poor's, TUI has also addressed upcoming maturities and thus further reinforced its liquidity position at the level of TUI AG.

Rating agencies

	Corporate Rating	Outlook
Standard & Poor's	B	stable
Moody's	B3	positive

For details, see the chapter "Financial position" from page 82

More details about the bonds online at: www.tui-group.com/en/ir/bonds_ratings/bonds

More details about investor relations online at: www.tui-group.com/en/ir

Bonds
The respective ratings and further details about the three TUI AG bonds traded in the capital market with an outstanding volume of around €0.9bn are provided in the chapter Financial position.

Investor Relations

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

Apart from the development of business operations in Tourism, Investor Relations activities in the period under review focused in particular on the "oneTUI" programme to improve value creation and resume dividend payments. Under the leadership of the new CEO, Friedrich Joussen, the TUI management presented its programme at road shows in Frankfurt, London, Paris, New York and Boston.

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

Investor Relations also makes every effort to engage in direct contact with private investors. The IR team sought dialogue with this target group on many occasions, such as events organised by shareholder associations. Another key platform for exchanges with private shareholders was the IR stall at TUI's Annual General Meeting. TUI also uses its website to address its private investors. Apart from the comprehensive information that is made available, all IR conference calls and the analysts' meeting were transmitted live and in full on the website in financial year 2012/13.

TUI also offered comprehensive online services for the 2013 Annual General Meeting. In the completed financial year, shareholders were again offered the opportunity to register to receive the documents for the AGM in electronic format. This option contributes to environmental protection and helps to save costs. As usual, shareholders were also able to use an internet tool on the Investor Relations website to register for the Annual General Meeting, order a guest card or instruct one of the proxies provided by the Company. This service was again well received, with approx. 30% of shareholders ordering their admission tickets via the web.

MANAGEMENT REPORT*

Remuneration Report see page 28; Corporate Governance Report see page 23

* The present combined Management Report has been drawn up for both the TUI Group and TUI AG. It was prepared in accordance with sections 289, 315 and 315 (a) of the German Commercial Code (HGB) and German Accounting Standards (DRS) numbers 17 and 20. With its current full application of DRS 20, the TUI Group is following the recommendation by the German Accounting Standards Committee (DRSC). The combined Management Report also includes the Remuneration Report and the Corporate Governance Report.

2012/13 – AN OVERVIEW

Launch of the "oneTUI" programme to enhance value creation and restore the TUI Group's ability to pay dividends. Group operating result rises to €761.9m. Group net debt cut further to €67.9m.

Friedrich Joussen new CEO of TUI AG

Upon the close of the ordinary Annual General Meeting of TUI AG on 13 February 2013, Friedrich Joussen took over as CEO of TUI AG from Dr Michael Frenzel. Mr Joussen has also been chairman of the Board of TUI Travel PLC since the end of March 2013.

Launch of "oneTUI" strategy project

In May 2013, the Executive Board of TUI AG initiated a programme to enhance value creation and restore the TUI Group's ability to pay dividends. The measures pooled under the "oneTUI" project are to strengthen the Group's profitability and sharpen its financial profile within the existing structures. The overall aim of "oneTUI" is to enable TUI AG to establish a continuous dividend distribution.

In order to achieve the objectives, TUI will reap the benefits of vertical integration within the Group more strongly than before, improve the performance of the individual Sectors and focus on increasing cash flow contributions in all operative areas.

The tasks of corporate headquarters have also been redefined. In the period under review, a reconciliation of interests was adopted, which includes a reduction in the number of employees working for head office by half to around 90 by mid-2014. In addition, administrative costs at head office are to be cut substantially, e. g. by selling the company jet and terminating all major sport sponsorship activities.

Rise in underlying earnings despite adverse impact from weakening sterling

TUI Group
In financial year 2012/13, underlying Group EBITA was €16.2m up year-on-year to €761.9m, with turnover growing by 0.8% to €18.5bn. Reported EBITA also rose by €56.0m to €594.8m due to lower net one-off expenses. In financial year 2012/13, Group profit available for distribution (before non-controlling interests) improved to €186.5m (previous year €141.9m). The TUI Group's net debt decreased by around €110.3m to €67.9m as against the last balance sheet date.

TUI Travel
The improvement in earnings by TUI Travel of €3.1m to €640.5m was primarily driven by the sound performance of TUI UK tour operators. An opposite effect was caused by the weakening of sterling, which impacted TUI Travel's earnings, carried in euros in TUI's consolidated financial statements.

TUI Hotels & Resorts
Underlying earnings by TUI Hotels & Resorts grew by €18.6m to €197.2m. This was mainly driven by the ongoing sound operating development of the Riu Group and income of around €15m from the sale of a hotel.

Cruises
Underlying earnings by the Cruises Sector declined by €16.9m year-on-year to €-13.9m. This was attributable to the weaker business performance of Hapag-Lloyd Kreuzfahrten, mainly characterised by higher start-up costs for the expansion of the luxury cruises segment. By contrast, TUI Cruises developed better than planned in the completed financial year.

Central Operations
The cost of Central Operations (underlying EBITA) declined by €11.4m to €-61.9m.

Rise in Group profit – Further reduction in net debt

Group profit
The Group profit (before non-controlling interests) improved by €44.6m to €186.5m in financial year 2012/13.

Net debt
The TUI Group's net debt declined by €110.3m to €67.9m as against the last balance sheet date.

TUI GROUP FUNDAMENTALS

STRUCTURE, BUSINESS MODEL AND MARKET ENVIRONMENT

TUI Group

TUI Aktiengesellschaft

Tourism			Financial stake
Tour operator	Hotels	Cruises	Container Shipping
TUI Travel PLC	TUI Hotels & Resorts	TUI Cruises Hapag-Lloyd Kreuzfahrten	Hapag-Lloyd

The TUI Group and its key subsidiaries and shareholdings operate in tourism. As before, the Group structure comprises 3 Sectors: TUI Travel, TUI Hotels & Resorts and Cruises. The financial investment of around 22% (as per 30 September 2013) in Hapag-Lloyd AG is measured at equity and carried under Central Operations in the consolidated financial statements.

TUI AG structure

TUI AG is the Group's parent company headquartered in Hanover. It holds direct or via its affiliates indirect interests in the principal Group companies conducting the Group's operative business in individual countries. Overall, TUI AG's group of consolidated companies comprised 677 direct and indirect subsidiaries at the balance sheet date, of which 47 were based in Germany and 630 abroad. A further 22 affiliated companies and 40 joint ventures were included in TUI AG's consolidated financial statements on the basis of at equity measurement.

Organisation and management

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

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

Executive Board structure

As at the balance sheet date, the Executive Board of TUI AG consisted of three members: the CEO and two other Board members in charge of Finance/Human Resources and Tourism.

TUI Travel

TUI Travel structure

TUI Travel PLC is domiciled in the UK and has been listed on the London Stock Exchange since 3 September 2007. At the balance sheet date, TUI AG held around 54.5%, i.e. the majority, of the voting rights in this subsidiary.

TUI Travel operates in around 180 countries in the world, servicing around 30 million customers from 31 source markets. TUI Travel offers a broad product portfolio, ranging from package tours all the way to a large range of specialist offerings.

As of the beginning of financial year 2012/13, TUI Travel has changed its reporting structure. Its activities are now structured into three Businesses: Mainstream, Specialist & Activity and Accommodation & Destinations.

TUI Aktiengesellschaft

TUI Travel PLC

Mainstream	Accommodation & Destinations	Specialist & Activity
Germany	Accomodation Wholesalers/B2B	Adventure
UK & Ireland	Accommodation Online Travel Agents/B2C	Education
Nordic Countries	Destination Services	Marine
France	Cruise Handling	North American Specialist
Other		Sport
		Specialist Holidays Group

TUI Travel business model

Mainstream

The Mainstream Business is the largest business unit within TUI Travel. It covers all activities in the package tour segment from sales of tours via tour operating all the way to flight operations. The tour operators have leading market positions in Europe. Their portfolio comprises the sale of flights, accommodation and other tourism services, both as separate components and as package tours. Apart from the tour operators, it also comprises a fleet of over 140 aircraft and around 1,800 travel agencies. It is made up of several integrated tourism groups, each with a focus on a specific source market. The strong market position in the respective source markets and product segments creates economies of scale, and to a large extent advantage is taken of these. Thanks to its extensive presence in the market and its strong brands, TUI Travel achieves high customer loyalty. As it modernises the Mainstream business model, TUI Travel is focusing on increasing the share of unique product offering value added for customers beyond pure travel and accommodation services. At the same time, it intends to successively increase the proportion of controlled distribution, i.e. the sale of Group-owned tour operator products through channels owned by the tour operators.

Due to its broad customer base, TUI Travel is able to balance out uneven development in individual markets or product groups. Moreover, TUI Travel pursues flexible capacity management in its Mainstream Business, with only a small proportion of its airline and hotel commitments subject to fixed contracts. The flight capacity of its own airlines is primarily geared to the needs of the tour operators.

TUI Travel has reorganised the structure of its Mainstream Business. As of the beginning of financial year 2012/13, the regional breakdown into Central Europe, Northern Region and Western Europe has been abandoned, and a central Mainstream Board has been introduced to cover all source markets.

Accommodation & Destinations

The Accommodation & Destinations Business comprises activities in Europe, North America and Asia and is structured into four divisions, as before. The Business Customer Division (B2B hotel portals) sells globally sourced hotel and apartment accommodation online to wholesale customers such as travel agencies and tour operators via various internet portals. In the Final Customer Division (B2C hotel portals), accommodation is supplied online to individual customers via the hotel portals Laterooms and Asiarooms. In addition, regional incoming agencies managed in the Destination Services Division provide incoming services for tour operators, such as transfers and liaison with holiday-makers. The fourth Division, Cruise Handling, provides wide-ranging services for the cruises sector.

Specialist & Activity

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

TUI Hotels & Resorts

TUI Hotels & Resorts structure

As before, TUI Hotels & Resorts includes majority participations in hotels, joint ventures with local partners, companies where TUI holds a financial stake enabling it to exert a strong influence, and hotels operated under management contracts. TUI Hotels & Resorts is the link between tour operators and hotel partners, thus ensuring the strong positioning of the hotel brands within the Group and among the competition. Apart from strategic planning, pioneering new hotel formats and providing operative support, it also coordinates the marketing and distribution activities and the environmental and social measures undertaken by the hotel companies.

TUI Hotels & Resorts has its hotel capacity in existing and potential growth destinations. It will selectively expand this capacity. Asset-light management contracts and joint ventures are given preference in this regard. At the same time, the unique selling propositions of the individual hotel brands are to be emphasised more strongly, and offerings for clearly defined target groups are to be developed within the existing portfolio. Besides distribution via tour operators, the selective establishment and expansion of web-based sales will optimise occupancy of Group-owned hotels.

TUI Aktiengesellschaft

TUI Hotels & Resorts

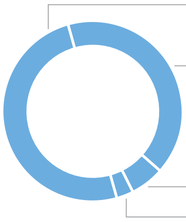
Riu | Robinson | Iberotel | Grupotel | Grecotel | Other

TUI Hotels & Resorts business model

In financial year 2012/13, TUI Hotels & Resorts comprised a total of 232 hotels with 155,341 beds. At 207 hotels, most hotels are in the four- or five-star categories. 50% were operated in the framework of management contracts, 41% were owned by the respective hotel company, 6% were leased and 3% of the hotels were managed under franchise agreements.

Financing structure TUI Hotels & Resorts

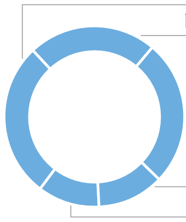
%



	2012/13	2011/12
Management	50	52
Ownership	41	40
Lease	6	6
Franchise	3	2

Owned hotel beds according to regions

%



	2012/13	2011/12
Western Mediterranean	28	29
North Africa/Egypt	23	25
Caribbean	26	24
Eastern Mediterranean	12	12
Other countries	11	10

TUI Hotels & Resorts

Hotel brand	3 stars	4 stars	5 stars	Total hotels	Beds	Main sites
Riu	7	59	34	100	87,373	Spain, Mexico, Carribean, Tunisia, Cape Verdes,
Robinson	–	20	4	24	13,585	Spain, Greece, Turkey, Switzerland, Austria
Iberotel	–	15	9	24	13,285	Egypt, Turkey, Germany
Grupotel	15	16	2	33	13,182	Spain
Grecotel	–	10	9	19	10,079	Greece
Other hotel companies	3	19	10	32	17,837	Egypt, Germany, Spain
Total	**25**	**139**	**68**	**232**	**155,341**	

as at 30 September 2013

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

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

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

Grupotel
Majorca-based Grupotel is one of the major hotel chains in the Balearics, offering apartments, aparthotels and luxury resorts. Most hotels are in the comfort segment.

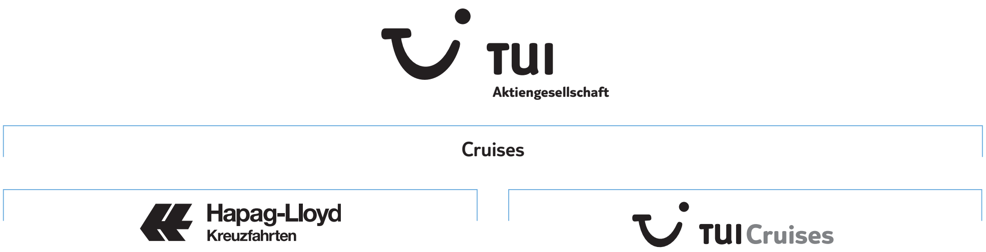
Grecotel
Grecotel is a leading Greek hotel company. Its concept is based on traditional hotel management and focuses on cultural and environmental features. Grecotel resorts are characterised by their beach location, modern architecture and premium restaurants.

Other hotel companies
Other hotel companies include Dorfhotels in Germany and other brands such as Jaz or Sol Y Mar Hotels & Resorts, operating premium 4- and 5-star resorts in Egypt.

Cruises

Structure and business model

The Cruises Sector comprises Hapag-Lloyd Kreuzfahrten and the joint venture TUI Cruises. Hapag-Lloyd Kreuzfahrten holds a leading position in the German-speaking market with its fleet in the luxury and expedition cruise segments. TUI Cruises has successfully positioned itself in the German market segment for premium cruises.



Hapag-Lloyd Kreuzfahrten

Hamburg-based Hapag-Lloyd Kreuzfahrten GmbH operates five cruise ships in the market for luxury and expedition cruises for the German-speaking market. In May 2013, its portfolio in the luxury cruise segment was further expanded with the commissioning of the new Europa 2.

Its flagships are the five-star-plus vessels Europa and Europa 2. They were awarded this category by the Berlitz Cruise Guide and are the world's only ships awarded this category, in the case of Europa for the fourteenth time in succession. The Europa primarily cruises on world tours, while her sister ship Europa 2 takes shorter but combinable routes. The Columbus 2, a four-star-plus vessel that will remain in the fleet until April 2014, cruises Europe in the summer season and the world's seven seas in the winter. The Hanseatic is used, among other things, for expedition cruises to the Arctic and Antarctic. It is the world's only five-star passenger vessel with the highest Arctic class. The Bremen, a four-star vessel – also awarded the highest Arctic class – is another expedition ship travelling to similar destinations. Two of the ships were owned, the other three were chartered.

TUI Cruises

TUI Cruises is a joint venture formed in 2008 between TUI AG and the US shipping company Royal Caribbean Cruises Ltd., in which each partner holds a 50% stake. The Hamburg-based company offers cruises to the German-speaking premium market. TUI Cruises follows a concept primarily aimed at couples and families who attach particular importance to personal choice, generosity, quality and service on a cruise. TUI Cruises has served this market with two ships this far, Mein Schiff 1 and Mein Schiff 2. TUI Cruises is planning to take advantage of additional growth opportunities by commissioning two newbuilds in 2014 and 2015, thereby further strengthening its position.

Financial investment in Container Shipping

At the balance sheet date, TUI AG held a 22.0% stake in Hapag-Lloyd AG, which was merged with Hapag-Lloyd Holding AG in the period under review. The shareholdings in Hapag-Lloyd AG are listed below:

Shareholdings Hapag-Lloyd AG

%	
TUI AG (via its 100% shareholding TUI-Hapag-Beteiligungs GmbH)	**22.0**
HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH	36.9
Kühne Martime GmbH	28.2
SIGNAL IDUNA Gruppe	5.3
HSH Nordbank AG	2.9
HanseMerkur Versicherungsgruppe	1.8
Group of investors managed by M. M. Warburg & CO Gruppe KGaA	2.9
Total	**100.0**

as at 30 September 2013

Market environment and competition in the tourism businesses

TUI AG's business portfolio comprises shareholdings in tour operators, travel agents, airlines, hotel companies, cruise companies, incoming agencies and other businesses related to tourism. In this context, TUI AG competes with other tour operators pursuing integrated or non-integrated business models, hotel companies, airlines and online agents in carrying out its business transactions.

Tour operator travel market
In a highly competitive environment, TUI Travel benefits from its strong market position and flexible business model, enabling it to respond to fluctuations in demand by means of adjustments and capacity reallocation.

The last year witnessed not only a rise in demand for premium travel but also a further boost to the role of the internet in choosing and booking holidays. The largest online travel markets are the United States and Europe, followed by the Asia Pacific region. In 2012, the expected booking volume in the European online travel market amounted to €98bn, of which about two thirds were generated in Germany, the UK and France. As in the past few years, the online market is expected to outpace the overall market for travel (source: PhocusWright, December 2012).

With its Modern Mainstream approach, TUI Travel aims to increase the share of exclusive and differentiated product in all source markets and further expand the share of controlled distribution, in particular via web-based sales.

Market for business and holiday hotels
Like international arrivals, the market for business and holiday hotels in Europe also showed a positive development. While hotel occupancy in Europe rose by 2.4% year-on-year in the period from January to August 2013, average room rates fell by 1.8%. As a result, average revenues per available room increased by 0.5%. The Southern Europe region showed above-average growth. Despite the tight economic situation in many southern European countries, hoteliers in these countries achieved year-on-year increases in occupancy and average room rates so that revenues per available room rose by 4.3%. Northern Africa seemed to experience an ongoing recovery in the demand for accommodation in the first six months of calendar year 2013, reporting higher occupancy rates and higher revenues per available room. However, due to the renewed unrest in North Africa, this positive development did not continue; in the first eight months of 2013, occupancy was flat year-on-year, while average rates per room were down by -1.7% and revenues per available room decreased by -1.4% (Global Hotel Review, STR Global, June and August 2013).

The competitive environment in the holiday hotel market continued to reflect the rising popularity of the all-inclusive approach and an ongoing trend towards golf, spa, wellness and health products. In this context, the orientation of hotels to the needs of special target groups such as couples or families also plays an increasing role. Customer sensitivity to environmental issues remains high. As the leading provider of holiday hotels in Europe, TUI Hotels & Resorts takes account of these trends in developing its attractive portfolios.

Cruises

The European market for cruises remains a growth market. The German market for ocean cruises posted above-average growth and again achieved record numbers in terms of passengers and turnover figures for 2012. Passenger volumes grew by 11% year-on-year to more than 1.5m as against 2011. This growth was mainly attributable to the commissioning of new, larger ships in the premium segment. For the future, the German ocean cruise market also shows strong growth potential: at 1.9%, market penetration is low in relation to the overall population compared with more mature cruise markets such as the UK, where this value is significantly higher at 2.8%. Due to the commissioning of new ships in the next few years, the ocean cruises market will continue to grow in future years (DRV, Der Kreuzfahrtenmarkt Deutschland 2012, March 2013).

The international ocean cruises market is dominated by a few large cruise companies. The German-speaking ocean cruise market comprises national and international providers. The proportion of passengers travelling with German cruise companies rose by 3 percentage points year-on-year to 63%. The key cruise lanes in the German cruise market are the western Mediterranean, followed by Nordland routes and the eastern Mediterranean (DRV: Der Kreuzfahrtenmarkt Deutschland 2012, March 2013). In 2012/13, Hapag-Lloyd Kreuzfahrten managed to confirm its position as the leading provider in the German luxury segment for classical and expedition cruises. With Europa 2, an additional ship in the luxury segment was launched in the market in the period under review. In her first year of operation, she was already honoured as the world's best cruise ship by the Berlitz Cruise Guide. Her sister ship Europa remained in the five-star-plus category alongside Europa 2. TUI Cruises is the first national provider to offer a premium all-inclusive approach in the premium volume segment of the German-speaking cruises market. Its fleet, which will comprise four ships (as of 2015), continues to stand out from its peers in terms of individuality, diversity and enjoyment.

Brand

The TUI Group offers strong brands in all its Sectors. In our view, the strength of our brands in all tourism source markets in Europe and in the destinations provides us with a significant competitive edge over our peers. In a survey carried out in 2013, TUI was again rated as the most trusted travel brand in Germany (source: Reader's Digest Trusted Brands 2013). With our regional and international brands in the source markets and our master brand World of TUI, our customers perceive us as a quality provider offering superior services. This strength, combined with the stability of our regional brands, ensures strong customer acceptance. The constant quality of our product portfolio, in particular our hotels, promotes customer trust and loyalty for our products in the local markets.

TUI GROUP FUNDAMENTALS

GOALS AND STRATEGIES

"oneTUI" strategy programme

TUI AG aims to increase the value of the individual Sectors and resume dividend payments. In order to achieve this goal, the "oneTUI" strategy programme was launched in the period under review. It has been designed with a view to strengthening the Group's profitability and financial profile within existing structures. "oneTUI" has two main goals:

- business excellence & cash flow orientation
- transformation & optimisation of vertical integration

Business excellence & cash flow orientation
A Group-wide programme has been initiated to enhance business excellence. It includes restructuring underperforming areas and turning them into profitable operations, further debt reduction, financial discipline and a substantial increase in the cash flow contributions of the Group companies to TUI AG. The TUI AG headquarters has launched measures to reduce personnel, administrative and interest costs.

In TUI Hotels & Resorts, the focus is on increasing capital efficiency and cash flows and achieving an improved and integrated brand management. In parallel, underperforming hotel projects are restructured. The measures implemented by TUI Hotels & Resorts will include streamlining the hotel portfolio and exiting brands not forming part of the core activities. Investment policies will be reviewed, and activities will be even more closely dovetailed with those of 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 cash flow contributions to TUI AG. A restructuring programme was launched for Hapag-Lloyd Kreuzfahrten. Measures include cutting personnel and administrative costs. The load factor of the fleet is to be improved in the short term by means of additional marketing measures. In addition, an adjustment of the fleet structure is being reviewed.

In cooperation with TUI Travel, performance targets have been defined for Germany, Russia and France and for the Specialist & Activity Business. In parallel, brand management will be reviewed and cooperation between tour operators and TUI Hotels & Resorts will be intensified. The Accommodation & Destinations and Specialist & Activity Businesses will be undergoing strategic review. Under the "oneTUI" programme, TUI Travel's financing strategy is on increasing cash conversion and pursuing active management of investments and working capital. The expected stronger cash flow is designed to further reduce Group debt.

Transformation & optimisation of vertical integration
This approach is aimed at transforming the business model from tour operator-dominated towards content- and brand-driven value creation. The focus is on improved customer orientation. With its hotels and cruise ships, TUI AG owns content that is crucial for the holiday experience from a customer perspective and hence contributes essentially towards customer satisfaction, differentiating TUI from its competition. The strategic focus on content and brand is designed to drive forward the differentiation and target-group alignment of our products.

In order to drive vertical integration between tour operators and distribution on the one hand and content businesses on the other, TUI AG and TUI Travel have also adopted a joint CRM and IT strategy. In addition, brand management by the tour operators and the hotel brands is to be synchronised more closely. Shared systems will be used for the uniform management of investments and reporting. Moreover, a Group-wide staff and talent development concept will be implemented.

First "oneTUI" measures already implemented in financial year 2012/13
Following presentation of the "oneTUI" strategy programme in May 2013, a number of key measures were implemented in the period under review. Corporate Centre sold the company jet. Notice has been given on the Group's sponsorship contracts, which will end upon expiry of term. A social plan and reconciliation of interests was agreed with the employee representatives; it will result in a socially responsible reduction in the headcount at headquarters from around 200 to around 90 as of the summer of 2014.

Working with TUI Travel, a project was launched to promote more efficient brand management and improve better cooperation between the tour operators and Group hotels. In TUI Hotels & Resorts, the partners have confirmed the cash flow and dividend objectives, and the organisation of TUI Hotels & Resorts is now leaner. In the framework of active asset management, two hotels were sold and resolutions were approved for investments in two new hotel facilities. In Hapag-Lloyd Kreuzfahrten, a turnaround programme was implemented together with the newly appointed CEO.

Goals of "oneTUI"
With "oneTUI", the Group aims to achieve operating results (underlying EBITA) of around €1bn in financial year 2014/15. TUI AG's cash flow balance is to grow to around €100m in financial year 2014/15, with the cash flow contributions from hotels and cruises, the content businesses, rising significantly. In the future, almost half the cash flow contributions to TUI AG are to be generated by TUI Hotels & Resorts and Cruises activities.

Strategic priorities of the Sectors

Complementing the Group-wide "oneTUI" programme, the medium-term planning for our Sectors has set the following key strategic goals:

TUI Travel
- Implementing the Modern Mainstream approach in all source markets by increasing the share of differentiated holiday product and expanding controlled distribution, above all web-based sales
- Continuing the existing projects to profitable growth, to optimise production processes and systems, above all in France and Germany
- Streamlining and enhancing the profitability of the specialist tour operator offering by TUI Travel
- Tapping growth markets by balancing out opportunities and risks, in particular by expanding TUI Russia and our online business models in the Accommodation Business

TUI Hotels & Resorts
- Further differentiation and optimisation of its own hotel portfolio
- A more focused and defined brand profile

Cruises
- Increasing the profitability of Hapag-Lloyd with a focus on luxury and expedition cruises
- Expanding the market position of TUI Cruises in the German-speaking market for premium cruises

Research and development

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

TUI GROUP FUNDAMENTALS

VALUE-ORIENTED GROUP MANAGEMENT

Management system

The financial objective pursued by TUI AG as a capital market-oriented holding company is to secure a sustainable increase in the value of the TUI Group. A standardised management system has been created to implement value-driven management across the Group as a whole and in its individual business Sectors. The value-oriented Group management system is an integral part of consistent Group-wide planning and controlling processes.

Information on operational performance Indicators see chapters Business development by Sectors, The environment and Report on expected developments

Key management variables used for regular value analysis are Return On Invested Capital (ROIC) and absolute value added. ROIC is compared with the Sector-specific cost of capital.

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

Cost of capital

Cost of capital (WACC)

	TUI Travel		TUI Hotels & Resorts		Cruises		Group	
%	**2012/13**	2011/12	**2012/13**	2011/12	**2012/13**	2011/12	**2012/13**	2011/12
Risk-free interes rate	2.75	2.25	2.75	2.25	2.75	2.25	2.75	2.25
Risk adjustement	9.40	8.76	7.47	7.47	11.03	9.35	8.99	8.50
Market risk premium	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Beta factor[1]	1.5665	1.4604	1.2455	1.2444	1.8390	1.5583	1.4986	1.4170
Cost of equity after taxes	**12.15**	**11.01**	**10.22**	**9.72**	**13.78**	**11.60**	**11.74**	**10,75**
Cost of debt capital before taxes	6.64	6.50	6.64	6.50	6.64	6.50	6.64	6.50
Taxes shield	1.96	1.91	1.96	1.91	1.96	1.91	1.96	1.91
Cost of debt capital after taxes	**4.68**	**4.59**	**4.68**	**4.59**	**4.68**	**4.59**	**4.68**	**4.59**
Share of equity[2]	51.23	59.35	66.49	70.05	56.57	55.57	54.64	61.52
Share of debt capital[2]	48.77	40.65	33.51	29.95	43.43	44.43	45.36	38.48
WACC after taxes[3]	**8.50**	**8.50**	**8.25**	**8.25**	**9.75**	**8.50**	**8.50**	**8.50**
Taxes rate	29.48	29.37	29.48	29.37	29.48	29.37	29.48	29.37
Cost of equity before taxes	**16.41**	**14.90**	**13.86**	**13.17**	**18.80**	**15.68**	**15.88**	**14.54**
Cost of debt capital before taxes	**6.64**	**6.50**	**6.64**	**6.50**	**6.64**	**6.50**	**6.64**	**6.50**
Share of equity[2]	51.23	59.35	66.49	70.05	56.57	55.57	54.64	61.52
Share of debt capital[2]	48.77	40.65	33.51	29.95	43.43	44.43	45.36	38.48
WACC before taxes[3]	**11.50**	**11.50**	**11.25**	**11.25**	**13.50**	**11.50**	**11.50**	**11.50**

[1] segment beta based on peer group, group beta based on weighted segment betas
[2] segment share based on peer group, group share based on weighted segment shares
[3] rounded to 1/4 percentage points

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

Due to the reduction in the stake held in Container Shipping, it has no longer been reflected in the Group's capital cost since financial year 2011/12.

ROIC and economic value added

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

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

Value-oriented key figures

		TUI Travel		TUI Hotels & Resorts		Cruises		Group	
€m		**2012/13**	2011/12	**2012/13**	2011/12	**2012/13**	2011/12	**2012/13**	2011/12
Equity[1]		1,784.2	1,935.2	1,003.8	1,228.8	138.1	139.3	2,841.5	2,928.8
Interest bearing financial liability items		2,926.5	1,990.3	1,027.3	808.8	188.2	149.1	4,114.8	3,643.2
Financial assets		2,259.6	1,193.1	171.8	173.1	57.0	63.2	3,001.0	2,518.8
Purchase price allocation		477.2	402.2	–	–	–	–	477.2	402.2
Invested capital		2,928.3	3,134.6	1,859.3	1,864.5	269.2	225.2	4,432.6	4,455.4
Underlying EBITA		**640.5**	**637.4**	**197.2**	**178.6**	**- 13.9**	**3.0**	**761.9**	**745.7**
Ø Invested capital[2]		3,031.5	3,092.0	1,861.9	1,854.9	247.2	222.2	4,444.0	4,665.9
ROIC	%	**21.13**	**20.61**	**10.59**	**9.63**	**- 5.62**	**1.35**	**17.14**	**15.98**
Weighted average cost of capital (WACC)	%	11.50	11.50	11.25	11.25	13.50	11.50	11.50	11.50
Value added		**291.9**	**281.8**	**- 12.3**	**- 30.1**	**- 47.3**	**- 22.5**	**250.8**	**209.1**

[1] adjusted for stakes of non-controlling interest
[2] average value based on balance at beginning and year-end

For the TUI Group, ROIC rose by 1.16 percentage points on the previous year to 17.14%. With the cost of capital at 11.50%, this meant positive value added of €250.8m (previous year €209.1m).

This improvement was driven by the sound operating performance of TUI Travel and TUI Hotels & Resorts in the financial year under review.

REPORT ON ECONOMIC POSITION

MACROECONOMIC AND INDUSTRY FRAMEWORK

Moderate growth of the global economy in 2013. International arrivals in 2012 exceed the 1 billion mark for the first time.

Macroeconomic development

Development of gross domestic product

Var. %	2013	2012
World	**2.9**	**3.2**
Eurozone	–	- 0.3
Germany	0.5	0.9
UK	1.4	0.2
France	0.2	–
US	1.6	2.8
Russia	1.5	3.4
Japan	2.0	2.0
China	7.6	7.7
India	3.8	3.2

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

In calendar year 2013, the global economy grew moderately. Overall, the International Monetary Fund (IMF, World Economic Outlook, October 2013) forecasts growth of 2.9% for 2012/13, slightly down year-on-year. The Eurozone saw a stabilisation of the economic climate, with growth rates in the southern European countries still low due to the continued structural adjustments.

Development of tourism market

Change of international tourist arrivals vs. prior year in %

Var. %	2013*	2012
World	**+ 5.3**	**+ 4.1**
Europe	+ 5.4	+ 3.4
Asia and the Pacific	+ 6.3	+ 7.3
Americas	+ 3.2	+ 3.6
Afrika	+ 5.0	+ 6.1
Middle East	+ 6.8	- 1.4

Source: UNWTO World Tourism Barometer, October 2013
* from January to August

Information on the business environment in the individual Sectors, see page 65 et seq..

In 2012, international arrivals exceeded the one billion mark for the first time. This positive trend in global demand in the travel market continued for the first eight months of calendar year 2013. Within that period, international arrivals grew by 5.3% year-on-year. Arrivals in Europe also grew by around 5.4% within that timeframe, with travel to southern Europe and the European countries in the Mediterranean showing particularly positive trends. For the full year 2013, the UNWTO expects the global travel and tourism market to grow by 3 to 4%. The stable growth trend observed in tourism in the past few years has thus held up (UNWTO, World Tourism Barometer, October 2013).

Business development of TUI Travel, see page 65

Customer numbers in TUI Travel's Mainstream Business declined by a total of 3.0% in financial year 2012/13 versus the prior year. The decrease was mainly attributable to a significant capacity reduction in France, while TUI Travel recorded growth in airborne package tours in all other source markets in line with the market trend.

Key exchange rates and raw material prices

Exchange rate USD

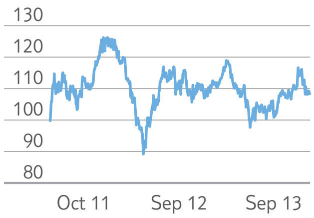
USD/EUR

Exchange rate GBP

GBP/EUR

Oil price

Brent (USD/Barrel)



The exchange rate charts are presented on the basis of the indirect quotation format customary in the foreign exchange market. If the exchange rate falls, the value of presented currency rises against the euro. By contrast, if the exchange rate rises, the value of the currency falls against the euro.

The TUI Group companies operate on a worldwide scale. This presents financial risks for the TUI Group, arising from changes in exchange rates and commodity prices.

The essential financial transaction risks from operations relate to euros and US dollars. They mainly result from foreign exchange items in the individual Group companies, for instance aircraft fuel and bunker oil invoices, ship handling costs or products and services sourced by hotels. The parity of sterling against the euro is of relevance for the translation of results generated by TUI Travel in the UK market in TUI AG's consolidated financial statements.

In the period under review, the average exchange rate of the US dollar against the euro fell by around 5.0% from 1.39 USD/€ to 1.32 USD/€. The average exchange rate of sterling against the euro decreased by around 4.6% from 0.87 GBP/€ to 0.83 GBP/€ in the period under review. Both currencies thus appreciated against the euro.

Changes in commodity prices affect the TUI Group, in particular in procuring fuels such as aircraft fuel and bunker oil. Despite substantial fluctuations, the price of Brent oil remained high in the period under review.

See pages 82, 116 et seq. and page 223

In Tourism, most risks related to changes in exchange rates and price risks from fuel sourcing are hedged by derivatives. Information on hedging strategies and risk management as well as financial transactions and the scope of such transactions at the balance sheet date is provided in the sections "Financial Position" and "Risk Report" in the Management Report and the section "Financial Instruments" in the Notes to the consolidated financial statements.

Changes in the legal framework

In financial year 2012/13, there were no changes in the legal framework with material impacts on the TUI Group's business performance.

REPORT ON ECONOMIC POSITION

GROUP EARNINGS

Income Statement of the TUI Group

€ million	2012/13	2011/12	Var. %
Turnover	**18,477.5**	**18,330.3**	**+ 0.8**
Cost of sales	16,436.3	16,285.8	+ 0.9
Gross profit	**2,041.2**	**2,044.5**	**- 0.2**
Administrative expenses	1,557.3	1,555.7	+ 0.1
Other income/other expenses	+ 26.3	+ 71.1	- 63.0
Impairment of goodwill	8.3	13.8	- 39.9
Financial result	- 235.7	- 284.7	+ 17.2
Financial income	124.0	159.9	- 22.5
Financial expenses	359.7	444.6	- 19.1
Share of result of joint ventures and associates	59.3	- 8.7	n/a
Earnings before income taxes	**325.5**	**252.7**	**+ 28.8**
Reconciliation to underlying earnings:			
Earnings before income taxes	325.5	252.7	+ 28.8
plus: Loss on Container Shipping measured at equity	22.3	49.0	- 54.5
less: Gains on reduction and measurement of financial instruments with Container Shipping	–	- 61.6	n/a
plus: Net interest expense and expense from measurement of interest hedges	238.7	284.9	- 16.2
plus: Impairment of goodwill	8.3	13.8	- 39.9
EBITA	594.8	538.8	+ 10.4
Adjustments			
plus: Losses from disposals	+ 1.4	+ 1.8	
plus: Restructuring expense	+ 62.3	+ 63.2	
plus: Expense from purchase price allocation	+ 75.0	+ 75.1	
plus: Expense from other one-off items	+ 28.4	+ 66.8	
Underlying EBITA	**761.9**	745.7	**+ 2.2**
Earnings before income taxes	**325.5**	**252.7**	**+ 28.8**
Income taxes	139.0	110.8	+ 25.5
Group profit for the year	**186.5**	**141.9**	**+ 31.4**
Group profit for the year attributable to shareholders of TUI AG	4.3	- 15.1	n/a
Group profit for the year attributable to non-controlling interest	182.2	157.0	+ 16.1

Earnings per share

€	2012/13	2011/12	Var. %
Basic and diluted earnings per share	- 0.08	- 0.16	+ 50.0

Comments on the consolidated income statement

Turnover and cost of sales

At €18.5bn, Group turnover grew by 0.8% year-on-year; adjusted for foreign exchange effects, it rose by 2.1%. While customer volumes in TUI Travel's Mainstream Business were 3.0% down year-on-year, the increase was primarily attributable to higher average selling prices, mainly driven by a higher proportion of differentiated product in TUI Travel. Turnover is presented alongside the cost of sales, which rose by 0.9%. A detailed breakdown of turnover showing how it has developed is presented in the section Group turnover and earnings.

Gross profit

Gross profit, i. e. the difference between turnover and the cost of sales, stood at €2.0bn in financial year 2012/13, as in the prior year.

Administrative expenses

Administrative expenses comprise rental and lease expenses, personnel expenses and depreciation and amortisation associated with administrative functions. In financial year 2012/13, they were flat year-on-year, totalling €1.6bn.

Other income/other expenses

Other income and other expenses primarily comprise profits or losses from the sale of fixed assets. At €26.3m, the balance of income and expenses decreased by €44.8m year-on-year. In the period under review, other income mainly resulted from the book profit from a Riu Group hotel sold in December 2012 and profits generated in the framework of sale-and-lease-back transactions for aircraft, while in the prior year this item had included income from the disposal of a part of the hybrid instrument granted to Hapag-Lloyd AG and the measurement of the stake in Container Shipping. In the financial year under review, other expenses mainly relate to losses from sale-and-lease-back transactions in connection with the delivery of aircraft and losses from the disposal of shareholdings.

Impairments of goodwill

In the period under review, impairments of €8.3m related to the Castelfalfi project in TUI Hotels & Resorts. In the previous year, goodwill impairments of €13.8m had been incurred for the Castelfalfi project.

Financial income and expenses/Financial result

The financial result includes the interest result and net income from marketable securities as well as the effect of the reduction and measurement of the investment in Container Shipping. On balance, the financial result rose by €49.0m to € -235.7m; it reflects the reduction in the TUI Group's net debt.

Financial income of €124.0m (previous year €159.9m) was generated in the period under review. In financial year 2012/13, the year-on-year decline in financial income resulted above all from interest income from the hybrid instruments granted to Hapag-Lloyd, which were redeemed in full in financial year 2011/12. The decrease in financial expenses to 359.7m (previous year €444.6m) mainly resulted from the reduction in debt in the period under review.

Result from joint ventures and associates

The result from joint ventures and associates comprises the proportionate net profit for the year of the associated companies and joint ventures and impairments of goodwill for these companies. The result from joint ventures and associates rose by €68.0m year-on-year to €59.3m in financial year 2012/13. The improvement posted in the period under review resulted from higher profit contributions from the Canadian tour operator Sunwing, the hotel companies Riu, Iberotel and Grecotel measured at equity, and TUI Cruises. In addition, the proportionate loss from the investment in Hapag-Lloyd declined to €-22.0m (previous year €-49.0m) due to the reduction in the stake from 38.4% to 22.0%, effected in the prior year.

Underlying earnings (EBITA)

At €761.9m, underlying earnings by the TUI Group were €16.2m up year-on-year in the period under review. Underlying EBITA was adjusted for gains on disposal of investments, expenses in the framework of restructuring measures, amortisation of intangible assets from purchase price allocations and other expenses for one-off items. The development of earnings and the adjustments are outlined in detail in the chapters "Group earnings" and "Business developments in the Sectors".

See page 62
and page 68

Income taxes

Income taxes are taxes on the profits from ordinary business activities. In the period under review, they increased by €28.2m to €139.0m and comprised effective tax liabilities of €191.0m and deferred tax assets of €52.0m.

Group profit

Group profit increased by €44.6m year-on-year to €186.5m.

Non-controlling interests

Non-controlling interests in Group profit for the year totalled €182.2m, including €119.0m related to external shareholders of TUI Travel PLC (previous year €100.8m) and €63.2m related to TUI Hotels & Resorts companies (previous year €56.2m).

Earnings per share

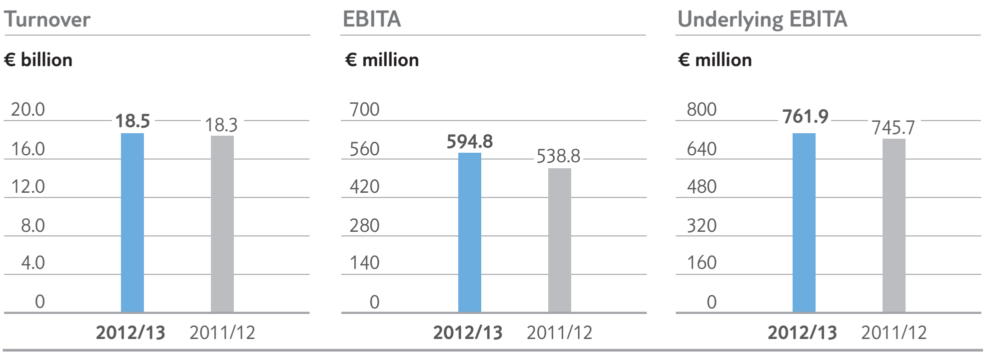
The interest in Group profit for the year attributable to TUI AG shareholders (after deduction of non-controlling interests) totalled €4.3m. In relation to the weighted average number of shares of 252,362,552 units, basic earnings per share stood at €-0.08 (previous year €-0.16), taking account of the interest on the hybrid financing. A dilution effect did not have to be taken into account, either in the period under review or in the prior-year reference period. Diluted earnings per share therefore also amounted to €-0.08 (previous year €-0.16).

In line with IAS 33.12, the dividend on the hybrid capital is deducted from the interest in Group profit for the year attributable to TUI AG shareholders as the hybrid capital constitutes equity but does not represent an interest in Group profit attributable to TUI AG shareholders.

REPORT ON ECONOMIC POSITION

EARNINGS BY SECTORS

Very gratifying business performance in Tourism. Weakness of sterling impacts reported earnings by TUI Travel.



The TUI Group comprises the Tourism Segment and Central Operations. Tourism consists of three Sectors: TUI Travel, TUI Hotels & Resorts and Cruises. Central Operations comprises "All other segments" including in particular TUI AG's Corporate Centre functions and the interim holdings along with the Group's real estate companies. Central Operations also includes inter-segment consolidation effects.

Development of turnover

Development of turnover

€ million	2012/13	2011/12	Var. %
Tourism	18,460.1	18,297.2	+ 0.9
TUI Travel	17,796.0	17,681.5	+ 0.6
TUI Hotels & Resorts	403.1	384.7	+ 4.8
Cruises	261.0	231.0	+ 13.0
Central Operations	17.4	33.1	- 47.4
Group	**18,477.5**	**18,330.3**	**+ 0.8**

In financial year 2012/13, turnover by the TUI Group grew by 0.8% year-on-year; adjusted for foreign exchange effects, it grew by 2.1%. The turnover growth was driven by higher average selling prices in TUI Travel, attributable to a higher proportion of differentiated product, and price increases due to higher input costs.

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 booking and reservation systems in each source market. Moreover, load factor management ensures that the tour operator capacity available for bookings is seasonally adjusted to actual and expected demand.

At the end of financial year 2012/13, current trading by TUI Travel for the summer season 2013, available for bookings at that point in time, and for the winter season 2013/14 was as follows as compared with the prior year:

Current trading TUI Travel Mainstream

	Summer season 2013			Winter season 2013/14		
Var. %	Average selling price	Total sales	Total customers	Average selling price	Total sales	Total customers
Germany	+ 7	–	- 6	+ 7	+ 2	- 5
UK & Ireland	+ 6	+ 8	+ 2	+ 7	+ 11	+ 4
Nordics	+ 2	+ 10	+ 7	–	+ 3	+ 3
France (tour operators)	+ 3	- 22	- 24	+ 9	- 19	- 26
Other	+ 1	–	- 1	+ 6	+ 6	–
Total	**+ 5**	**+ 2**	**- 3**	**+ 6**	**+ 4**	**- 2**

as at 15 September 2013

For the 2014 summer season, already available for bookings in the UK, current trading was flat year-on-year at the end of financial year 2012/13. Average selling prices rose by 6%.

Trading by the TUI Hotels & Resorts Sector largely mirrors customer numbers in TUI Travel, as a high proportion of the Group-owned hotel beds are taken up by TUI tour operators. In the Cruises Sector, advance bookings were up year-on-year at the balance sheet date with sound demand levels, primarily due to the fleet expansion effected in the period under review.

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

Disclosures on current trading in TUI Travel are regularly published on TUI's website in the framework of the TUI Group's quarterly reporting.

Development of earnings

Development of underlying EBITA

€ million	2012/13	2011/12	Underlying EBITA Var. %
Tourism	823.8	819.0	+ 0.6
TUI Travel	640.5	637.4	+ 0.5
TUI Hotels & Resorts	197.2	178.6	+ 10.4
Cruises	- 13.9	3.0	n/a
Central Operations	- 61.9	- 73.3	+ 15.6
Group	**761.9**	**745.7**	**+ 2.2**

€ million	2012/13	2011/12	EBITA Var. %
Tourism	673.0	619.3	+ 8.7
TUI Travel	532.8	441.0	+ 20.8
TUI Hotels & Resorts	170.6	177.5	- 3.9
Cruises	- 30.4	0.8	n/a
Central Operations	- 78.2	- 80.5	+ 2.9
Group	**594.8**	**538.8**	**+ 10.4**

In the following section, the operating performance by the Sectors is explained and evaluated in terms of underlying earnings (underlying EBITA) adjusted for special one-off effects. Underlying earnings were adjusted for gains on disposal of investments, expenses incurred during restructuring measures, largely expected amortisation of intangible assets from purchase price allocations and other expenses for and income from one-off items.

Underlying EBITA: Group

€ million	2012/13	2011/12	Var. %
EBITA	**594.8**	**538.8**	**+ 10.4**
Gains on disposal	+ 1.4	+ 1.8	
Restructuring	+ 62.3	+ 63.2	
Purchase price allocation	+ 75.0	+ 75.1	
Other one-off items	+ 28.4	+ 66.8	
Underlying EBITA	**761.9**	**745.7**	**+ 2.2**

In financial year 2012/13, the TUI Group's operating result adjusted for one-off effects (underlying EBITA) rose by €16.2m year-on-year to €761.9m. It reflected in particular the sound performance of TUI Travel, especially in the UK and the Nordic countries, the persistent operating success of the largest hotel company Riu and income from the sale of a hotel.

In financial year 2012/13, adjustments for one-off effects totalled around €167.1m (previous year €206.9m). The decrease in net adjustments was mainly attributable to the one-off income from the curtailment and settlement of pension plans in TUI Nederland, included in the period under review.

Due to the sound business performance in financial year 2012/13, reported earnings (EBITA) rose by €56.0m to €594.8m.

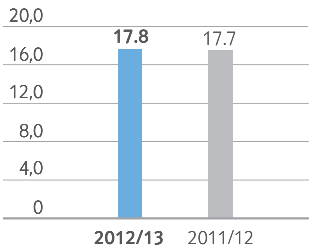
REPORT ON ECONOMIC POSITION

BUSINESS DEVELOPMENT IN THE SECTORS

TUI Travel

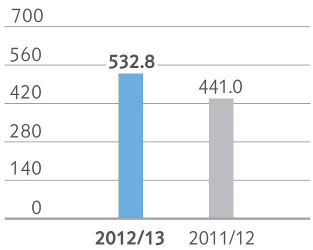
Turnover

€ billion



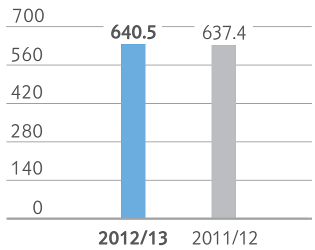
EBITA

€ million



Underlying EBITA

€ million



TUI Travel structure see page 48

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

TUI Travel – key figures

€ million	2012/13	2011/12	Var. %
Turnover	17,796.0	17,681.5	+ 0.6
EBITA	**532.8**	**441.0**	**+ 20.8**
Gains on disposal	+ 1.4	–	
Restructuring	+ 51.4	+ 61.0	
Purchase price allocation	+ 75.0	+ 75.1	
Other one-off items	- 20.1	+ 60.3	
Underlying EBITA	**640.5**	**637.4**	**+ 0.5**
Underlying EBITDA	888.3	833.9	+ 6.5
Investments	695.7	568.6	+ 22.4
Headcount (30 Sep)	59,756	57,961	+ 3.1

In financial year 2012/13, turnover by TUI Travel grew by 0.6% year-on-year to €17.8bn. Adjusted for foreign exchange effects, it rose by 2.0%. While customer numbers in the Mainstream Business declined by 3.0% year-on-year, the growth in underlying turnover was above all attributable to a higher proportion of differentiated product.

Underlying earnings by TUI Travel improved slightly by €3.1m to €640.5m in financial year 2012/13. This increase was primarily attributable to the sound business development in the UK and the Nordics as well as cost savings and operational improvements from the business improvement programmes implemented in France and Germany. On the other hand, the weakening of sterling caused an adverse foreign exchange effect in the summer months, which impacted the TUI Travel result carried in euros in TUI's consolidated financial statements.

In financial year 2012/13, TUI Travel had to carry net adjustments of €107.7m (previous year €196.4m). In the period under review, adjustments included purchase price allocations worth €75.0m and above all one-off expenses for the restructuring of the tour operator business and airline activities in France and the reorganisation of the Specialist & Activity Division. Expenses were netted against one-off income from the curtailment and settlement of pension plans in TUI Nederland and income from sale-and-lease-back agreements for aircraft.

Reported earnings by TUI Travel rose by €91.8m on the previous year to €532.8m due to sound business development and lower net one-off expenses in financial year 2012/13.

Mainstream

The Mainstream Business is the largest sector within TUI Travel, selling flight, accommodation and other tourism services.

TUI Travel – Mainstream volumes

'000	2012/13	2011/12	Var. %
Germany	6,001	6,425	- 6.6
UK & Ireland	5,232	5,158	+ 1.4
Nordic countries	1,600	1,502	+ 6.5
France (tour operators)	1,027	1,403	- 26.8
Other	5,651	5,621	+ 0.5
Total	**19,511**	**20,109**	**- 3.0**

Germany

In the period under review, TUI Deutschland successfully continued to focus on differentiated and exclusive product. Following a sound winter season, considerable growth was achieved in summer 2013, above all in Spain and Greece. Demand was particularly strong for Group-owned TUI hotels and TUI travel worlds. The sound development was also supported by the luxury business under the intern brand. In addition, TUI Deutschland benefited from high load factors on its own airline TUIfly. On the other hand, demand for self-drive tours was very weak due to the cold spring, and there was a slump in the Egypt business. Overall customer numbers therefore fell by 6.6% on the previous year. In terms of costs, TUI Deutschland achieved the expected savings from the ongoing business improvement programme GET.

UK & Ireland

TUI tour operators in the UK continued the very sound performance of the prior year and again showed a positive development. With customer numbers up by 1.4% year-on-year, TUI UK generated good average selling prices and achieved high load factors thanks to growing demand for differentiated and exclusive product. It also benefited from stronger sales via Group-owned travel agencies and internet portals.

Nordic countries

In 2012/13, TUI tour operators in the Nordics recorded a significant increase in customer numbers of 6.5% versus the prior year reference period which, however, had still been impacted by the floods in Thailand. The cost savings achieved in aviation also had a positive effect.

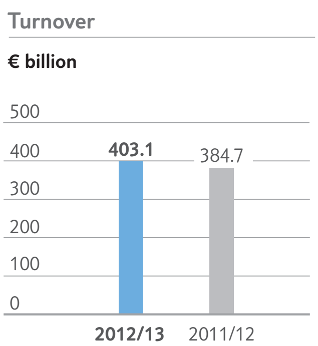
France
Against the backdrop of persistent weakness in the French travel market and the ongoing subdued demand for North Africa, TUI France substantially reduced its capacity in 2012/13, cancelling unprofitable routes and destinations. Although customer numbers dropped by 26.8% year-on-year, TUI France managed to cut losses versus the prior year due to the capacity reduction and the cost savings generated in the framework of the Convergence project.

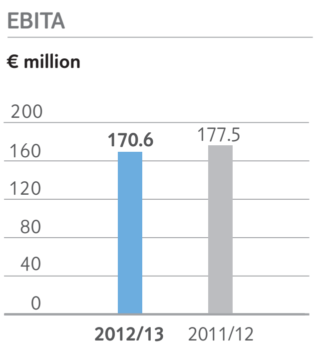
Other countries
In Other countries, the Canadian tour operator Sunwing continued its successful performance in the period under review. TUI Belgium also recorded a very gratifying development of business. In 2012/13, TUI Russia also performed better than in the prior year. The Corsair airline benefited from a more attractive flight schedule, the modernisation of its fleet in the framework of the Takeoff project and the new code share agreement with Air Caraïbes. TUI Nederland recorded margin losses due to fierce price competition in the Netherlands. Overall, the number of customers rose slightly in Other countries.

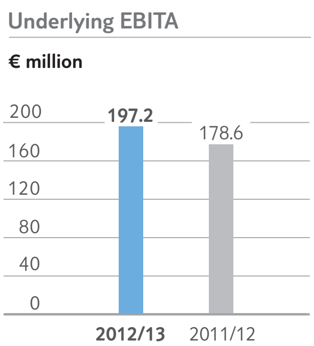
Accommodation & Destinations (A&D)
The Accommodation & Destinations (A&D) Business, which comprises TUI Travel's online services and incoming agencies, recorded a weaker performance in 2012/13. Costs for the expansion of the B2C portals in Asia and South America were only partly offset by volume growth in the B2B portals, in particular in Latin America and Asia. The business volume of the incoming agencies was flat overall year-on-year.

Specialist & Activity
The Specialist & Activity Business comprises tour operators in the Adventure, North American Specialist, Education, Sport and Marine Divisions and the Specialist Holidays Group. The overall performance of the Business Line declined year-on-year. Positive effects were achieved by the sound demand for skiing tours in the winter season and stronger business volumes recorded by the tour operators in the Adventure Division in 2012/13. By contrast, the Sport and Marine Divisions, in particular, fell short of the prior year's levels.

TUI Hotels & Resorts







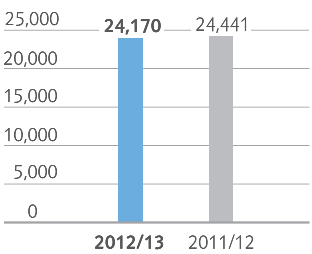
TUI Hotels & Resorts is constituted by the Group's own hotel companies. Its portfolio includes subsidiaries, joint ventures with local partners, stakes held in companies that enable the shareholders to exert significant influence, and hotels operated under management agreements.

Turnover and earnings

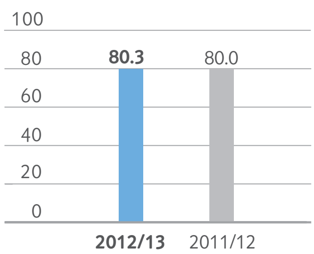
TUI Hotels & Resorts – key figures

€ million	2012/13	2011/12	Var. %
Total turnover	826.6	826.0	+ 0.1
Turnover	403.1	384.7	+ 4.8
EBITA	**170.6**	**177.5**	**- 3.9**
Gains on disposal	–	–	
Restructuring	+ 2.5	–	
Purchase price allocation	–	–	
Other one-off items	+ 24.1	+ 1.1	
Underlying EBITA	**197.2**	**178.6**	**+ 10.4**
Underlying EBITDA	265.1	246.2	+ 7.7
Investments	80.7	53.1	+ 52.0
Headcount (30 Sep)	14,013	15,141	- 7.4

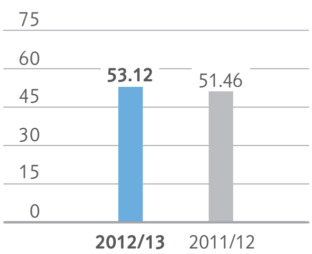
Capacity[1)]
'000



Occupancy[2)]
%



Average revenue per bed[3)]
€



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

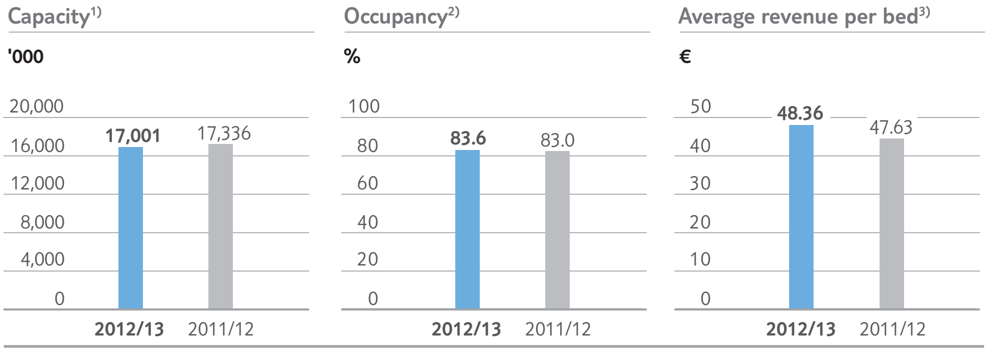
Total turnover by TUI Hotels & Resorts was flat year-on-year at €826.6m. Occupancy and average revenues per bed improved overall against the prior year, with generally sound demand on slightly reduced capacity. In financial year 2012/13, turnover with non-Group third parties grew by 4.8% to €403.1m.

In the period under review, underlying earnings by TUI Hotels & Resorts improved by €18.6m to €197.2m year-on-year. This growth reflected a sound operating performance by Riu, the largest hotel company, and the income from the sale of a Riu hotel.

In financial year 2012/13, net expenses of €26.6m had to be adjusted in TUI Hotels & Resorts. They related above all to restructuring expenses for the Robinson hotel company and impairments for the Castelfalfi hotel project.

Reported earnings by TUI Hotels & Resorts decreased by €6.9m year-on-year to €170.6m in financial year 2012/13.

Riu



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

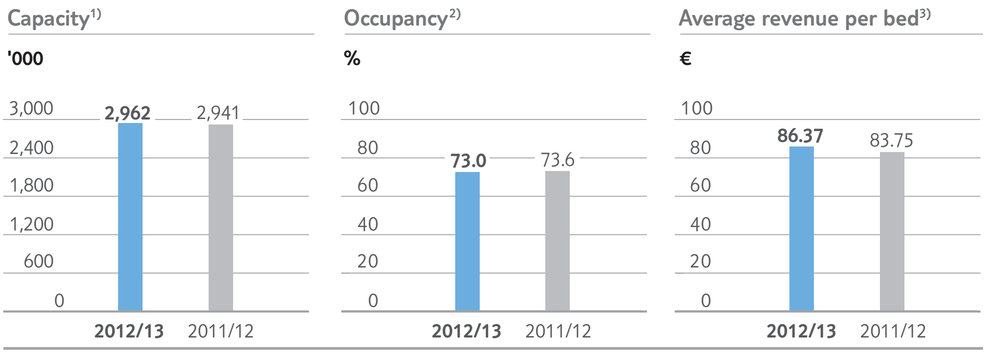
Riu, one of the leading Spanish hotel chains, operated 100 (previous year 104) hotels in the period under review. Capacity declined by 1.9% year-on-year to 17,001m available hotel beds in financial year 2012/13. Average occupancy rates in Riu hotels grew by 0.6 percentage points on the previous year to 83.6%. Average revenues per bed likewise grew by 1.5%.

Average occupancy of Riu hotels in the Canaries decreased by 2.1 percentage points to 89.9% year-on-year. The decline was driven by various factors, including the temporary recovery of destinations in North Africa and the shift in demand towards the Spanish mainland. Average revenues per bed declined by 1.8%.

At 78.9%, Riu hotels in the Balearics recorded a decrease in occupancy of 0.5 percentage points year-on-year. Average revenues per bed were up 3.0% on the previous year. In mainland Spain, average occupancy of Riu hotels grew by 10.0 percentage points year-on-year to 82.4%. Average revenues per bed were 1.0% up year-on-year.

For long-haul destinations, Riu hotels achieved an average occupancy of 81.7%, matching the high level generated in the previous year. Riu hotels in Mexico and Jamaica, in particular, continued to record strong demand from the United States.

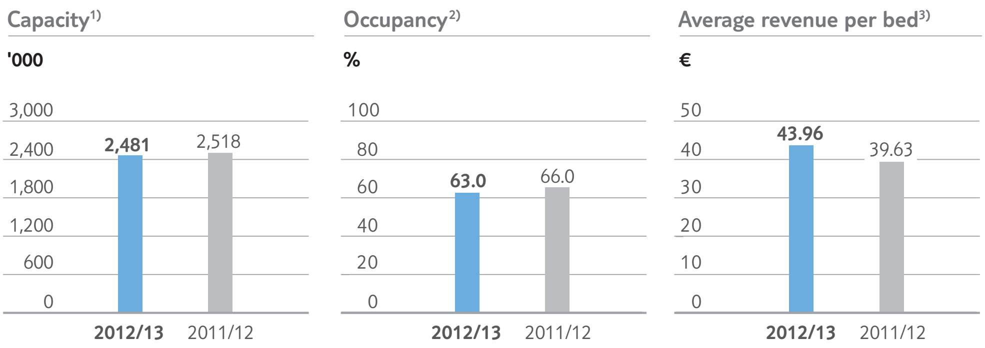
Robinson



[1] Group owned or leased hotel beds multiplied by number of days open per year
[2] occupied beds divided by capacity
[3] arrangement turnover divided by occupied beds

In financial year 2012/13, Robinson, the market leader in the premium segment for club holidays, operated a total of 24 (previous year 25) club facilities with 13,585 beds in eleven countries. Capacity was slightly up year-on-year, partly due to the closure of the Robinson Club Nobilis (Turkey) for renovation purposes in the prior year. In the period under review, the Robinson Club in the Maldives was temporarily closed for major renovation work. While individual Robinson Clubs in Italy, Austria, Spain and Turkey achieved higher occupancy rates, overall occupancy for all clubs declined slightly by 0.6 percentage points against the prior year. Average revenues per bed were 3.1% up year-on-year to €86.37.

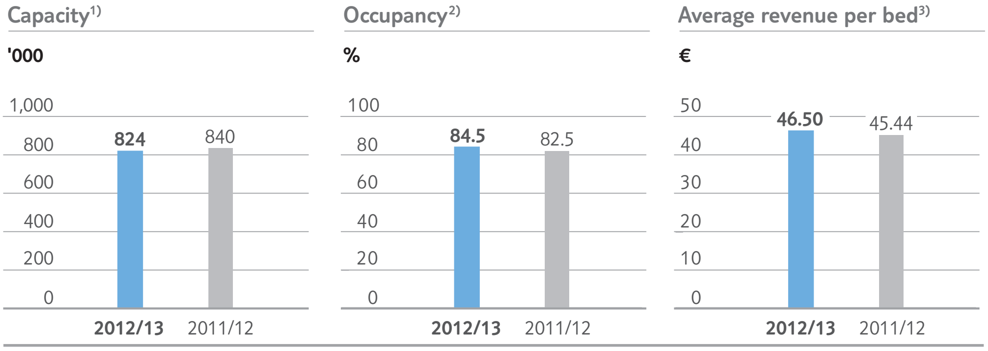
Iberotel



[1] Group owned or leased hotel beds multiplied by number of days open per year
[2] occupied beds divided by capacity
[3] arrangement turnover divided by occupied beds

In financial year 2012/13, Iberotel had 24 hotels with 13,285 hotel beds, located in Egypt, the United Arab Emirates, Turkey, Italy and Germany. At 63.0%, occupancy of Iberotels was 3.0 percentage points down year-on-year. In the period under review, bookings declined strongly towards the end of the financial year due to the unrest in Egypt. The hotels in Turkey achieved an occupancy rate of 99.2%. Average revenues per bed grew by 10.9% in the period under review, after selective price discounts had been granted in the previous year in order to stabilise occupancy of Iberotels in Egypt.

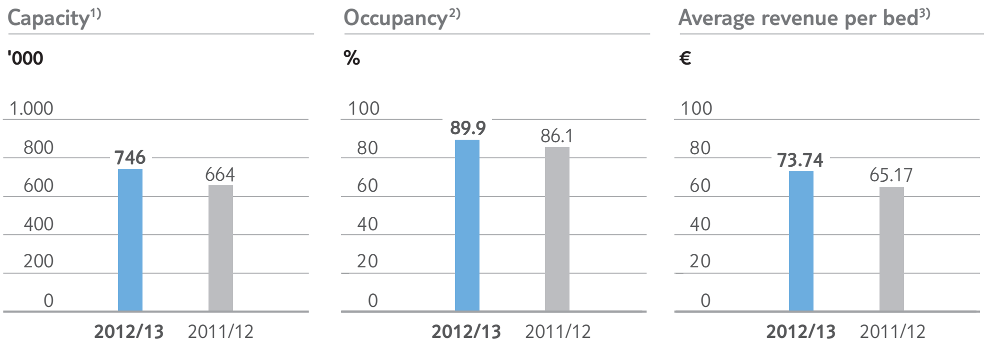
Grupotel



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

In the period under review, the Grupotel chain operated 33 facilities on Majorca, Menorca and Ibiza with 13,182 beds, as before. On slightly reduced capacity, occupancy of Grupotel hotels was 84.5%, up 2.0 percentage points year-on-year. Grupotels on Majorca, in particular, benefited from strong demand for destinations in the western Mediterranean. Average revenues per bed were up 2.3% year-on-year.

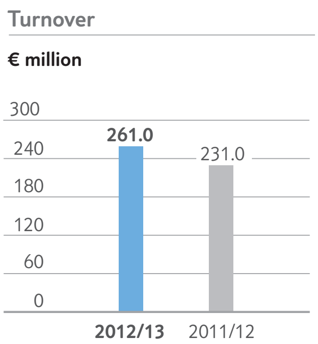
Grecotel

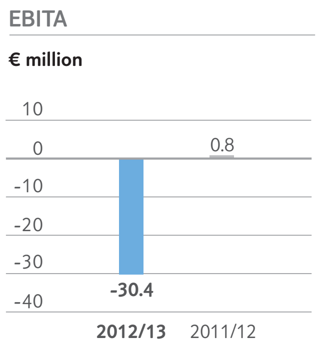


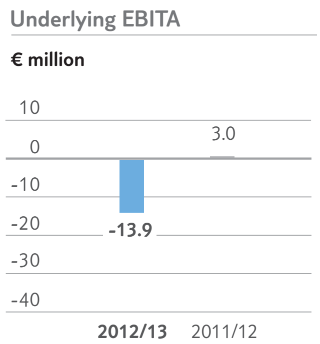
1) Group owned or leased hotel beds multiplied by number of days open per year
2) occupied beds divided by capacity
3) arrangement turnover divided by occupied beds

Grecotel, the leading hotel company in Greece, operated 19 holiday complexes with a total of 10,079 beds in the period under review. Capacity increased considerably year-on-year due to the purchase of a hotel on Crete. As demand for Greece picked up again, occupancy grew by 3.8 percentage points to 89.9% in spite of the considerable increase in capacity. Average revenues per bed also grew considerably by 13.2% year-on-year due to the new 5-star hotel on Crete. Demand for Greece, in particular from German holidaymakers, returned to normal levels again in the completed financial year.

Cruises







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

Cruises – key figures

€ million	**2012/13**	2011/12	Var. %
Turnover	261.0	231.0	+ 13.0
EBITA	**- 30.4**	**0.8**	**n/a**
Gains on disposal	–	–	
Restructuring	+ 0.5	+ 2.2	
Purchase price allocation	–	–	
Other one-off items	+ 16.0	–	
Underlying EBITA	**- 13.9**	**3.0**	**n/a**
Underlying EBITDA	- 2.6	13.2	n/a
Investments	11.5	8.9	+ 29.2
Headcount (30 Sep)	271	289	- 6.2

Turnover and earnings

In financial year 2012/13, turnover by Hapag-Lloyd Kreuzfahrten totalled €261.0m, up 13.0% year-on-year. The turnover growth was mainly driven by the expansion of the Hapag-Lloyd fleet to include Europa 2 in May 2013. Moreover, the smaller cruise vessel Columbus had initially still been operated in the prior year but had been replaced by a ship with a larger capacity when Columbus 2 was commissioned in April 2012.

In TUI's consolidated financial statements, no turnover is shown for TUI Cruises, as the joint venture is measured at equity.

Underlying earnings by the Cruises Sector decreased by €16.9m to €-13.9m in financial year 2012/13. While TUI Cruises sustained its distinctly positive performance in the period under review, Hapag-Lloyd Kreuzfahrten recorded a decline in earnings, caused above all by start-up costs for the market launch of the new Europa 2 and damage caused by fire on board the Hanseatic during a scheduled dry-dock stay.

In financial year 2012/13, the Cruises Sector had to carry adjustments worth €16.5m, related in particular to provisions for onerous losses from load factor risks for the new Europa 2. Reported earnings amounted to €-30.4m in the period under review, down by €31.2m year-on-year.

Hapag-Lloyd Kreuzfahrten

1) per day and passenger

In financial year 2012/13, the fleet of Hapag-Lloyd Kreuzfahrten comprised the cruise ships Europa, Columbus 2, Hanseatic and Bremen. In May 2013, the fleet was expanded to include Europa 2. Occupancy declined by 6.8 percentage points as against the prior year's level to 70.6%. Passenger cruise days grew by 10.3% to a total of 406,973 due to the fleet expansion. The average daily rate was €420, up by 5.3%, benefiting from the expansion and renewal of the fleet.

TUI Cruises

1) per day and passenger

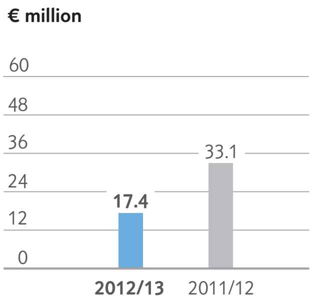
In financial year 2012/13, TUI Cruises continued its very positive development and further consolidated its market position in the market segment of premium cruises. Occupancy rose by almost one percentage point year-on-year to 101.8% (calculated on the basis of 2-bed occupancy). Both ships contributed to the high occupancy rate with their cruise lanes Caribbean and Dubai (winter season 2012/13) and Nordland/Baltic Sea and Mediterranean (summer season 2013). In 2012/13, a total of 1,425,395 passenger days were recorded, up 1.9%. The average daily rate per passenger was €157, up 4.0% year-on-year.

May 2013 saw the laying of the keel of Mein Schiff 3 (to be commissioned in May 2014) and the start of production of Mein Schiff 4 (to be commissioned in the early summer of 2015). With these new vessels, TUI Cruises intends to continue its growth path.

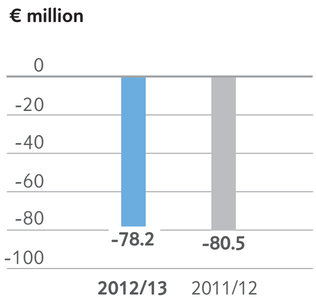
Central Operations

Central Operations comprise the corporate centre functions of TUI AG and the interim holdings as well as the other operative units, above all the Group's real estate companies.

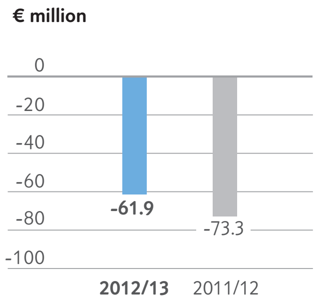
Turnover



EBITA



Underlying EBITA



Central Operations – key figures

€ million	2012/13	2011/12	Var. %
Turnover	17.4	33.1	- 47.4
EBITA	**- 78.2**	**- 80.5**	**+ 2.9**
Gains on disposal	–	+ 1.8	
Restructuring	+ 7.9	–	
Purchase price allocation	–	–	
Other one-off items	+ 8.4	+ 5.4	
Underlying EBITA	**- 61.9**	**- 73.3**	**+ 15.6**
Underlying EBITDA	- 59.9	- 69.8	+ 14.2
Investments	3.5	2.5	+ 40.0
Headcount (30 Sep)	405	421	- 3.8
of which Corporate Center (30 Sep)	198	212	- 6.6

At €-61.9m, underlying earnings by Central Operations were €11.4m up year-on-year. The improvement was mainly attributable to higher expenses for consultation services and expert reports incurred in the prior year.

In the period under review, net expenses of €16.3m had to be adjusted by Central Operations, above all in connection with the implementation of the Lean Holding concept of TUI AG. In the previous year, adjustments mainly related to income from the reversal of a provision.

At €-78.2m, reported earnings by Central Operations grew by €2.3m on the previous year.

REPORT ON ECONOMIC POSITION

NET ASSETS

The Group's balance sheet total increased by 1.8% as against 30 September 2012 to €13.5bn.

Development of the Group's asset structure

€ million	30 Sep 2013	30 Sep 2012	Var. %
Fixed assets	8,040.5	8,113.0	- 0.9
Non-current receivables	605.3	555.2	+ 9.0
Non-current assets	8,645.8	8,668.2	- 0.3
Inventories	115.4	113.9	+ 1.3
Current receivables	1,979.8	2,135.6	- 7.3
Cash and cash equivalents	2,701.7	2,278.4	+ 18.6
Assets held for sale	11.6	16.5	- 29.7
Current assets	4,808.5	4,544.4	+ 5.8
Assets	**13,454.3**	**13,212.6**	**+ 1.8**
Equity	2,029.4	2,067.1	- 1.8
Liabilities	11,424.9	11,145.5	+ 2.5
Equity and liabilities	**13,454.3**	**13,212.6**	**+ 1.8**

Vertical structural indicators

Non-current assets accounted for 64.3% of total assets, compared with 65.6% in the previous year. The capitalisation ratio (ratio of fixed assets to total assets) decreased from 61.4% to 59.8%.

Current assets accounted for 35.7% of total assets, compared with 34.4% in the previous year. The Group's cash and cash equivalents rose by €423.3m year-on-year to €2,701.7m. They thus accounted for 20.1% of total assets, as against 17.2% in the previous year.

Horizontal structural indicators

At the balance sheet date, the ratio of equity to non-current assets was 23.5%, as against 23.8% in the previous year. The ratio of equity to fixed assets was 25.2% (previous year 25.5%). The ratio of equity plus non-current financial liabilities to fixed assets was 102.1%, compared with 101.6% in the previous year.

Structure of the Group's non-current assets

€ million	30 Sep 2013	30 Sep 2012	Var. %
Goodwill	2,976.4	3,046.4	- 2.3
Other intangible assets	866.2	890.9	- 2.8
Investment property	58.0	54.9	+ 5.6
Property, plant and equipment	2,682.0	2,651.3	+ 1.2
Companies measured at equity	1,386.4	1,394.0	- 0.5
Financial assets available for sale	71.5	75.5	- 5.3
Fixed assets	8,040.5	8,113.0	- 0.9
Receivables and assets	380.7	386.5	- 1.5
Deferred tax claims	224.6	168.7	+ 33.1
Non-current receivables	605.3	555.2	+ 9.0
Non-current assets	**8,645.8**	**8,668.2**	**- 0.3**

Development of the Group's non-current assets

Goodwill

Goodwill declined by €70.0m to €2,976.4m. The decrease in the carrying amount is essentially due to the translation of goodwill not managed in the TUI Group's functional currency into euros. In the period under review, an impairment of €8.3m was required in TUI Hotels & Resorts in the framework of the impairment tests.

At €2,607.3m or 87.6%, goodwill mostly related to TUI Travel. TUI Hotels & Resorts accounted for €369.1m or 12.4%.

Property, plant and equipment

Property, plant and equipment totalled €2,682.0m and also comprised leased assets in which Group companies held economic ownership. At the balance sheet date, these finance leases had a carrying amount of €383.5m, down 36.5% year-on-year.

Development of property, plant and equipment

€ million	30 Sep 2013	30 Sep 2012	Var. %
Real estate with hotels	907.5	955.6	- 5.0
Other land	132.5	159.4	- 16.9
Aircraft	491.5	325.3	+ 51.1
Ships	449.1	462.5	- 2.9
Machinery and fixtures	372.1	396.7	- 6.2
Assets under construction, payments on accounts	329.3	351.8	- 6.4
Total	**2,682.0**	**2,651.3**	**+ 1.2**

Companies measured at equity

A total of 62 companies were measured at equity. This figure consisted of 22 associated companies and 40 joint ventures. At €1,386.4m, their value decreased by 0.5% year-on-year as at the balance sheet date.

Financial assets available for sale

Financial assets available for sale decreased by 5.3% to €71.5m. They comprised shares in non-consolidated Group subsidiaries, investments and other securities.

Structure of the Group's current assets

€ million	30 Sep 2013	30 Sep 2012	Var. %
Inventories	115.4	113.9	+ 1.3
Trade accounts receivable and other assets[1]	1,925.9	2,087.5	- 7.7
Current tax assets	53.9	48.1	+ 12.1
Current receivables	1,979.8	2,135.6	- 7.3
Cash and cash equivalents	2,701.7	2,278.4	+ 18.6
Assets held for sale	11.6	16.5	- 29.7
Current assets	**4,808.5**	**4,544.4**	**+ 5.8**

[1] incl. receivables from derivative financial instruments

Development of the Group's current assets

Inventories

At €115.4m, inventories increased by 1.3% year-on-year. In financial year 2012/13, impairments worth €13.2m (previous year €4.9m) were effected in order to carry them at the lower net realisable value.

These impairs included an amount of €9.5m related to property held for sale in connection with the Castelfalfi project.

Current receivables

Current receivables comprise trade accounts receivable and other receivables, effective income tax assets and claims from derivative financial instruments. At €1,979.8m, current receivables decreased by 7.3% year-on-year.

Cash and cash equivalents

At €2,701.7m, cash and cash equivalents rose by 18.6% year-on-year. This increase is primarily attributable to the fact that cash and cash equivalents as well as current financial liabilities of a cash pooling agreement were eliminated and carried on a net basis in the previous year. By contrast, cash and cash equivalents as well as current financial liabilities of this cash pooling agreements were reported on a gross basis in financial year 2012/13. As a result, cash and cash equivalents as well rose by €570,0m and current financial liabilities rose by €587.5m in the consolidated statement of financial position as at 30 September 2013. The recognition difference does not affect the Group's net financial position.

Assets held for sale

Assets held for sale declined by 29.7% to €11.6m.

Unrecognised assets

In carrying out their business operations, Group companies used assets of which they were not the economic owner in accordance with the IASB rules. Most of these assets were aircraft, hotel complexes or ships for which operating leases, i.e. rental, lease or charter agreements, were concluded at the terms and conditions customary in the sector.

Operating rental, lease and charter contracts

€ million	30 Sep 2013	30 Sep 2012	Var. %
Aircraft	1,722.2	1,391.3	+ 23.8
Hotel complexes	735.6	688.9	+ 6.8
Travel agencies	307.3	354.1	- 13.2
Administrative buildings	330.4	326.5	+ 1.2
Ships, Yachts and motor boats	440.8	216.2	+ 103.9
Other	104.5	112.6	- 7.2
Total	**3,640.8**	**3,089.6**	**+ 17.8**
Fair value	**3,181.7**	**2,770.3**	**+ 14.9**

The financial liabilities from operating rental, lease and charter agreements rose by 17.8% to €3,640.8m. At 47.3%, aircraft accounted for the largest portion, with hotel complexes accounting for 20.2%.

Further explanations as well as the structure of the remaining terms of the financial liabilities from operating rental, lease and charter agreements are provided in the section "Other financial liabilities" in the Notes to the consolidated financial statements.

The TUI Group see page 48; The TUI Share from page 38

Information on other intangible, non-recognised assets in terms of brands, customer and supplier relationships and organisational and process benefits is provided in the section on the TUI Group; relationships with investors and capital markets are outlined in the section on the TUI Share.

REPORT ON ECONOMIC POSITION

FINANCIAL POSITION OF THE GROUP

Principles and goals of financial management

Principles

As a matter of principle, the TUI Group's financial management is centrally operated by TUI AG, which acts as the Group's internal bank. Financial management covers all Group companies in which TUI AG directly or indirectly holds an interest of more than 50%. It is based on policies covering all cash flow-oriented aspects of the Group's business activities. A division of tasks between TUI AG and TUI Travel PLC, launched when TUI and First Choice merged their tourism businesses, continues to apply. TUI Travel PLC performs the financial management functions for the TUI Travel Group, while TUI AG retains this function for all other business activities of the Group.

Goals

TUI's financial management goals include ensuring sufficient liquidity for TUI AG and its subsidiaries and limiting financial risks from fluctuations in currencies, commodity prices and interest rates.

Liquidity safeguards

The Group's liquidity safeguards consist of two components:

- Through intra-Group cash pooling, the cash surpluses of individual Group companies are used to finance the cash requirements of other Group companies.
- TUI uses syndicated credit facilities and bilateral bank loans as well as its liquid funds to secure sufficient cash reserves. Planning of bank transactions is based on a monthly rolling liquidity planning system.

Limiting financial risks

The Group companies operate on a worldwide scale. This gives rise to financial risks for the TUI Group, mainly from changes in exchange rates, interest rates and commodity prices.

The key operating financial transaction risks relate to the euro and US dollar. They mainly result from cost items in foreign currencies held by individual Group companies, e. g. hotel sourcing, aircraft fuel and bunker oil invoices or ship handling costs.

The Group has entered into derivative hedges in more than 20 foreign currencies in order to limit its exposure to risks from changes in exchange rates for the hedged items. Changes in commodity prices affect the TUI Group, in particular in procuring fuels such as aircraft fuel and bunker oil. In Tourism, these price risks related to fuel procurement are largely hedged with the aid of derivative instruments. Where price increases can be passed on to customers due to contractual agreements, this is also reflected in our hedging behaviour. In order to control risks related to changes in interest rates arising on liquidity procurement in the international money and capital markets and investments of liquid funds, the Group uses derivative interest hedges on a case-by-case basis as part of its interest management system.

The use of derivative hedges is based on underlying transactions; the derivatives are not used for speculation purposes.

See pages 116 and 223 onwards

More detailed information on hedging strategies and risk management as well as financial transactions and the scope of such transactions at the balance sheet date is provided in the Risk Report within the Management Report and the section "Financial instruments" in the Notes to the consolidated financial statements.

Capital structure

Capital structure of the Group

€ million	30 Sep 2013	30 Sep 2012	Var. %
Non-current assets	8,645.8	8,668.2	- 0.3
Current assets	4,808.5	4,544.4	+ 5.8
Assets	**13,454.3**	**13,212.6**	**+ 1.8**
Subscribed capital	645.2	644.9	+ 0.0
Reserves including net profit available for distribution	1,109.0	1,142.6	- 2.9
Hybrid capital	294.8	294.8	–
Non-controlling interest	- 19.6	- 15.2	- 28.9
Equity	2,029.4	2,067.1	- 1.8
Non-current financial liabilities	1,677.2	1,684.4	- 0.4
Current provisions	483.0	549.5	- 12.1
Provisions	2,160.2	2,233.9	- 3.3
Non-current liabilities	1,834.1	1,810.5	+ 1.3
Current financial liabilities	935.5	646.1	+ 44.8
Financial liabilities	2,769.6	2,456.6	+ 12.7
Other non-current financial liabilities	313.5	277.8	+ 12.9
Other current financial liabilities	6,181.6	6,177.2	+ 0.1
Other financial liabilities	6,495.1	6,455.0	+ 0.6
Debt related to assets held for sale	–	–	–
Liabilities	**13,454.3**	**13,212.6**	**+ 1.8**

Capital ratios

€ million		30 Sep 2013	30 Sep 2012	Var. %
Non-current capital		5,854.2	5,839.8	+ 0.2
Non-current capital in relation to balance sheet total	%	43.5	44.2	- 0.7*
Equity ratio	%	15.1	15.6	- 0.5*
Equity and non-current financial liabilities		3,863.5	3,877.6	- 0.4
Equity and non-current financial liabilities in relation to balance sheet total	%	28.7	29.3	- 0.6*
Gearing	%	54.4	68.0	- 13.6*

* percentage points

Overall, non-current capital increased by 0.2% to €5,854.2m. It accounted for 43.5% (previous year 44.2%) of the balance sheet total.

The equity ratio was 15.1% (previous year 15.6%). Equity and non-current financial liabilities accounted for 28.7% (previous year 29.3%) of the balance sheet total at the balance sheet date.

The gearing, i.e. the ratio of average net debt to average equity, decreased to 54.4% from 68.0% in the previous year.

Equity

Composition of equity

€ million	30 Sep 2013	30 Sep 2012	Var. %
Subscribed capital	645.2	644.9	+ 0.0
Capital reserves	957.7	957.4	+ 0.0
Revenue reserves	151.3	185.2	- 18.3
Hybrid capital	294.8	294.8	–
Non-controlling interest	- 19.6	- 15.2	- 28.9
Equity	**2,029.4**	**2,067.1**	**- 1.8**

Subscribed capital amounted to €645.2m, almost flat on the previous year. The capital reserve, which only comprises transfers from premiums, increased by a total of €0.3m to €957.7m due to the issue of employee shares and the conversion of bonds into shares. The revenue reserves declined by €33.9m to €151.3m, in particular due to foreign currency translation. Equity included the hybrid bond of €294.8m issued in December 2005. Non-controlling interests accounted for €-19.6m of equity.

Provisions

Provisions mainly comprised provisions for pension obligations, current and deferred tax provisions and provisions for typical operating risks classified as current or non-current, depending on expected occurrence. At the balance sheet date, they accounted for a total of €2,160.2m and were thus €73.7m or 3.3% down year-on-year.

Financial liabilities

Composition of liabilities

€ million	30 Sep 2013	30 Sep 2012	Var. %
Bonds	1,333.5	1,551.1	- 14.0
Liabilites to banks	1,004.3	566.1	+ 77.4
Liabilites from finance leases	335.5	233.2	+ 43.9
Other financial liabilities	96.3	106.2	- 9.3
Financial liabilities	**2,769.6**	**2,456.6**	**+ 12.7**

The Group's financial liabilities rose by a total of €313.0m to €2,769.6m. This increase is primarily attributable to the fact that cash and cash equivalents as well as current financial liabilities of a cash pooling agreement were eliminated and carried on a net basis in the previous year. By contrast, cash and cash equivalents as well as current financial liabilities of these cash pooling agreements were reported on a gross basis in financial year 2012/13. As a result, cash and cash equivalents rose by €570.0 and current financial liabilities rose by €587,5m each in the consolidated statement of financial position as at 30 September 2013. The recognition difference does not affect the Group's net financial position.

Financial liabilities consisted of bonds totalling €1,333.5m, liabilities to banks of €1,004.3m, liabilities from finance leases of €335.5m and other financial liabilities of €96.3m. In the completed financial year, the remaining outstanding amount of €233.0m of TUI AG's bonds maturing in December 2012 was redeemed. Moreover, in November 2012 TUI AG acquired parts of an exchangeable bond of Nero Finance Ltd, maturing in April 2013, with a nominal amount of €63.9m in order to reduce its liabilities to banks in connection with this exchangeable bond. The remaining liabilities to banks in connection with the Nero Finance Ltd. exchangeable bond with a nominal amount of €142.4m were redeemed as at the maturity date by means of repayments and transfer of a small number of shares in TUI Travel PLC to holders of the exchangeable bond. The volume of finance leases increased as four new aircraft were refinanced through this type of funding. Other loans newly taken out and other loan redemptions only accounted for minor amounts. The allocation of financial liabilities to the non-current and current categories is based on the respective maturities.

See Notes, page 214

More detailed information, in particular on the remaining terms, is provided under "Financial liabilities" in the Notes to the consolidated financial statements.

Other liabilities

At €6.495.1m, other liabilities increased by €40.1m or 0.6% year-on-year.

Ratings by Standard & Poor's and Moody's

TUI AG ratings

	SFY 2009	2009/10	2010/11	2011/12	**2012/13**	Outlook
Standard & Poor's	B-	B-	B-	B-	B	stable
Moody's	Caa1	Caa1	B3	B3	B3	positive

In financial year 2012/13, an improved earnings position, the reduction in financial debt and the extension of a funding scheme had a positive impact on debt indicators and TUI's liquidity situation. After the rating agency Standard & Poor's had lifted the outlook for the corporate rating for TUI from 'stable' to 'positive' in November 2012, the rating was increased from 'B-' to 'B' in August 2013.

Ratings of capital market instruments

		Standard & Poor's		Moody's	
		30 Sep 2013	30 Sep 2012	**30 Sep 2013**	30 Sep 2012
Promissory notes	Sep 2010	B	B-	n/a	n/a
Convertible bond	Nov 2009	B	B-	Caa1	Caa1
Convertible bond	Mar 2011	B	B-	n/a	n/a
Hybrid bond	Dec 2006	CCC+	CCC	Caa2	Caa2

The convertible bonds issued in November 2009 were assigned a 'B' rating by Standard & Poor's and a 'Caa1' rating by Moody's as per the balance sheet date. Moreover, the promissory notes issued in September 2010 and the convertible bonds issued in March 2011 were rated 'B' by Standard & Poor's.

The hybrid bond issued in December 2005 was assigned a lower rating by the rating agencies as it was subordinated to other liabilities and did not have a fixed maturity. It was rated 'CCC+' by Standard & Poor's and 'Caa2' by Moody's.

Key measures to optimise the financial debt structure

Liabilities from bonds and liabilities to banks were reduced in financial year 2012/13. The reduction was financed from existing liquid funds. On the other hand, the volume of finance leases rose due to the funding of four new aircraft.

Repayment of senior notes
Following repurchases of senior notes effected in previous financial years, TUI AG repaid the remaining amount of €233.0 of a senior note due in December 2012 as scheduled.

Reduction in liabilities to banks in connection with an exchangeable bond
In November 2012, TUI AG acquired partial amounts nominally valued at €63.9m of an exchangeable bond issued by Nero Finance Ltd., maturing in April 2013, in order to reduce its liabilities to banks in connection with this exchangeable bond to a nominal amount of €142.4m. Since the issue of this bond, which holders can exchange for shares in TUI Travel PLC, TUI AG has had contractual commitments to Deutsche Bank AG, carried as liabilities in the statement of financial position. Liabilities to banks therefore declined as partial amounts of the bond were acquired.

The remaining liability to banks in connection with the exchangeable bond was redeemed at the maturity date by means of repayments of €90.7m and transfers of a small portion of shares in TUI Travel PLC to bondholders.

New finance leases
Acquisitions in the completed financial year included four new Boeing 737-800 aircraft. These aircraft were refinanced by means of finance leases based on sale-and-lease-back agreements.

Interest rates and terms

Interest and financing environment

The completed financial year was characterised by ongoing debate about measures to stimulate the economy in the aftermath of initiatives to counter the global financial crisis. Liquidity provision by the central banks was a key issue. The capital market responded sensitively to comments from central bank circles which could have been interpreted as a potential exit from the support packages.

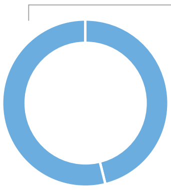
In the period under review, short-term interest rates remained at an extremely low level by historical standards. In the Eurozone, central banks decreased already low interest rates a little more in the early summer of 2013.

Listed credit margins (CDS levels) for companies in the high-yield area fluctuated only moderately at a fairly low level compared with the prior year. Refinancing options were available in this receptive capital market environment.

In financial year 2012/13, TUI AG continued to optimise its financial structure by reducing debt and redeemed, in particular, two funding schemes worth a total of €439.3m. The repayments were made from existing bank balances. At the end of the financial year, TUI AG's bank balances totalled €506.1m. Due to the extension of a funding facility of £200.0m ahead of date, TUI AG has a solid funding structure until 2016. TUI Travel PLC took advantage of the receptive funding environment in order to broaden its lenders base and signed three bilateral credit facilities, each worth £50m. Moreover, TUI Travel PLC signed a syndicated credit line worth £300m in the event that its convertible bond issued in 2009 and maturing in October 2014 is redeemed or investors exercise their call option on a convertible bond issued in 2010 in October 2015. With the two convertible bonds and its revolving credit facilities, TUI Travel has a stable funding structure until 2015.

Structure of interest payments

%



	2012/13	2011/12
Financial liabilities with fixed-rate agreement	54	80
Financial liabilities with variable interest rate	46	20

The structural composition of debt changed in particular due to repayments effected by TUI AG. As a result, the proportion of debt subject to fixed interest rates has decreased considerably. The proportion of financial liabilities with fixed-rate agreements was around 54% as at the balance sheet date. The lower interest rate level resulted in lower interest payments in relation to the variable-rate financial liabilities but also lower investment interest rates in the money market.

The remaining terms of the financial liabilities are outlined under "Liabilities" (Financial liabilities and liabilities to banks) in the Notes to the consolidated financial statements.

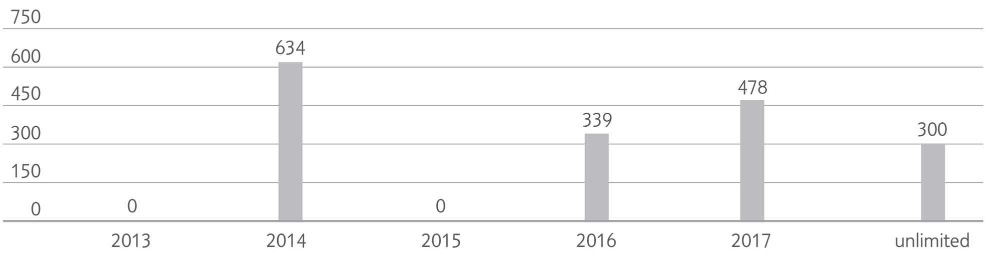
Listed bonds

Capital measures	Issuance	Maturity	Volume initial € million	Volume outstanding million	Interest rate % p.a.
Senior fixed rate notes	December 2005	December 2012	450.0	–	5.125
Hybrid bond	December 2005	Perpetual	300.0	€ 300.0	7.526*
Convertible bond	November 2009	November 2014	217.8	€ 215.1	5.500
Convertible bond	March 2011	March 2016	339.0	€ 339.0	2.750
Convertible bond TUI Travel PLC	October 2009	October 2014	GBP 350.0	GBP 350.0	6.000
Convertible bond TUI Travel PLC	April 2010	April 2017	GBP 400.0	GBP 400.0	4.900

* as of 30 September 2013; since end of January 2013 3Months Euribor plus 730 Basepoints (prior to this 8.625%)

Maturity profile of listed bonds

€ million



TUI Travel PLC's convertible bond worth £400m will finally mature in April 2017. Nevertheless, bondholders have the unconditional right to demand repayment of their convertible bonds at nominal value from October 2015.

Moreover, under a financing agreement with Deutsche Bank, TUI AG is entitled to acquire an asset item of Deutsche Bank in July 2016 in return for payment of a remaining purchase price of £150m. This asset item includes bonds of TUI Travel PLC's convertible bond, maturing in April 2017, with a nominal value of £200m.

Off-balance sheet financial instruments

Operating leases

See page 78

The development of operating rental, leasing and charter contracts is presented in the section "Net assets" in the Management Report.

See page 218

More detailed explanations and information on the structure of the remaining terms of the associated financial liabilities are provided in the section "Other financial commitments" in the Notes to the consolidated financial statements. There were no contingent liabilities related to special-purpose vehicles.

Liquidity analysis

Liquidity reserve

In the completed financial year, the TUI Group's solvency was secured at all times by means of cash inflows from operating activities, liquid funds, and bilateral and syndicated credit agreements with banks.

At the balance sheet date, the liquidity reserve of TUI AG as the Group's parent company totalled €506.1m.

Restrictions on the transfer of liquid funds

At the balance sheet date, there were restrictions worth €0.2bn on the transfer of liquid funds within the Group that might significantly impact the Group's liquidity, such as restrictions on capital movements and restrictions due to credit agreements concluded.

Change of control

See page 131

Significant agreements taking effect in the event of a change of control of the Company following a takeover bid are outlined in the chapter "Information required under takeover law".

Cash flow statement

Summary cash flow statement

€ million	2012/13	2011/12 revised
Net cash inflow from operating activities	+ 875,3	+ 841,5
Net cash out-/inflow from investing activities	- 444,3	+ 314,7
Net cash outflow from financing activities	- 620,9	- 894,2
Change in cash and cash equivalents with cash effects	**- 189,9**	**+ 262,0**

Net cash inflow from operating activities

In the period under review, the cash inflow from operating activities totalled €875.3m. This amount includes the dividends from joint ventures and associates of €58.5m. In the prior year, the comparable amount totalled €22.4m. The net cash inflow from operating activities also included payments of the Belgium state of €116.3 in connection with VAT payments made in previous years. In the period under review, a negative effect was mainly caused by lower customer down payments in TUI Travel and payments of TUI AG to settle the Babcock Borsig litigation.

Net cash outflow/inflow from investing activities

In the completed financial year, the cash outflow from investing activities totalled €444.3m, while a net inflow from investing activities had been recorded in the prior year due to the reduction in the investment in Container Shipping. In the period under review, the cash outflow from investing activities mainly included payments made by TUI Travel in connection with the ordering and delivery of new aircraft; on the other hand, a cash inflow was recorded from the sale of delivered aircraft for refinancing purposes. In the period under review, the cash outflow from investing activities also included payments of €114.4m made for capital increases in TUI Cruises, hotel companies and shareholdings of the TUI Travel Group.

Net cash outflow from financing activities

In the period under review, the net cash outflow from financing activities declined by €273.3m to €620.9m. Just as the prior year reference period, the financial year 2012/13 was characterised by the reduction in net debt. The lower net debt of the Group also resulted in a lower cash outflow for interest payments.

Change in cash and cash equivalents

€ million	2012/13	2011/12
Cash and cash equivalents at the beginning of period	**+ 2,278.4**	**+ 1,981.3**
Changes due to changes in exchange rates	+ 25.7	+ 35.1
Cash changes	- 189.9	+ 262.0
Non cash changes	+ 587.5	–
Cash and cash equivalents at the end of period	**+ 2,701.7**	**+ 2,278.4**

See pages 147 and 236

Cash and cash equivalents rose by 18.6% year-on-year to €2,701.7m, primarily as a result of non-cash changes in the gross recognition of cash and cash equivalents as well as current financial liabilities of a cash pooling agreement in the period under review.

The detailed cash flow statement and further explanations will be found in the consolidated financial statements and the section on Notes to the cash flow statement in the Notes to the consolidated financial statements.

Analysis of investments

The development of fixed assets, including property, plant and equipment and intangible assets, as well as shareholdings and other investments is presented in the section Net assets in the Management Report. Additional explanatory information is provided in the Notes to the consolidated financial statements.

Additions to property, plant and equipment by Sector

Investments in other intangible assets and property, plant and equipment by sector

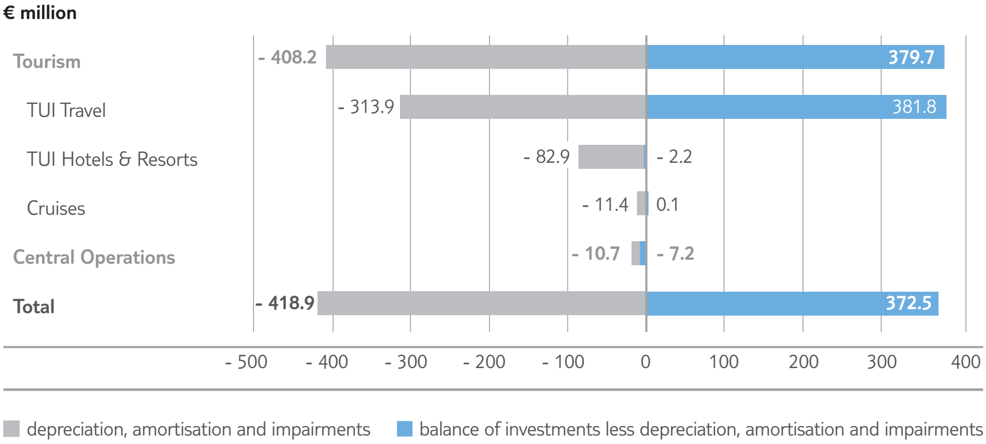
€ million	2012/13	2011/12	Var. %
Tourism	787.9	630.6	+ 24.9
TUI Travel	695.7	568.6	+ 22.4
TUI Hotels & Resorts	80.7	53.1	+ 52.0
Cruises	11.5	8.9	+ 29.2
Central Operations	3.5	2.5	+ 40.0
All other segments	3.5	2.5	+ 40.0
Total	**791.4**	**633.1**	**+ 25.0**

Investments in other intangible assets and property, plant and equipment totalled €791.4m in the period under review, up 25.0% year-on-year.

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

€ million	2012/13	2011/12	Var. %
Tourism	408.2	369.5	+ 10.5
TUI Travel	313.9	291.8	+ 7.6
TUI Hotels & Resorts	82.9	67.6	+ 22.6
Cruises	11.4	10.2	+ 11.8
Central Operations	10.7	4.1	+ 161.0
All other segments	10.7	4.1	+ 161.0
Total	**418.9**	**373.6**	**+ 12.1**

Investments vs. depreciation, amortisation and impairments by Sector



Additions of other intangible assets and property, plant and equipment in Tourism totalled €787.9m, up 24.9% versus the prior year.

In the completed financial year, investments in TUI Travel related in particular to the development and introduction of new booking and reservation systems, down payments on ordered aircraft, maintenance measures for aircraft and cruise ships which had to be capitalised, and the acquisition of yachts.

Essential investments in TUI Hotels & Resorts related in particular to the construction of a hotel in Jamaica, investments in the property held for sale in Tuscany and the renovation and maintenance of existing hotel facilities. Investments serve to create the basis for achieving plan targets.

Investment obligations

Order commitments

Due to agreements concluded in financial year 2012/13 or in prior years, order commitments for investments totalled €3,234.4m at the balance sheet date; this total included an amount of €541.5m for scheduled deliveries in financial year 2013/14.

See pages 218

At the balance sheet date, order commitments for aircraft in TUI Travel comprised 79 aircraft (9 B787s and 70 B737s), to be delivered by the end of financial year 2022/23. Delivery of nine aircraft has been scheduled for financial year 2013/14. More detailed information is provided in the section "Other financial commitments" in the Notes to the consolidated financial statements.

REPORT ON ECONOMIC POSITION

SUSTAINABLE DEVELOPMENT

Commitment to sustainability: Responsibility for the environment, society and employees.

For the TUI Group, economic, ecological and social sustainability is a fundamental management principle and a cornerstone of our strategy for continually enhancing the value of our Company. This is the way we create the conditions for long-term economic success and assume responsibility for future generations.

Our goal is to carry on making a positive contribution to sustainable development in both environmental and social respects, both in the host countries and at our own locations. At the same time, we consistently aim to avoid or reduce any negative impacts our business operations might have on our natural and social environment.

TUI's sustainability strategy is based on a precise analysis of the key sustainability factors relevant to our business areas and the resulting opportunities and risks. Corresponding fields for action have been defined for the overall Group and provide the framework for TUI's sustainability activities.

Our priorities

Environment	Employees	Society	Product
Climate protection	Staff development	Social commitment in the holiday destinations	Sustainable product development
Preserving biodiversity	Diversity in our corporate culture	Supporting human and children´s rights	Consumer information and safety
Efficiency of resources	Work-life balance	Fair working conditions	
Certification of environmental management systems			

TUI Sustainability Report "Destination Sustainability" at: www.tui-sustainability.com

In its Sustainability Report, TUI AG provides detailed information about targets, activities, milestones and indicators in line with the internationally acknowledged Guidelines of the Global Reporting Initiative (GRI). The report sets out key sustainability activities and principal objectives under the headlines environment, society and employees. The Sustainability Report of TUI AG meets GRI Application Level B+, as confirmed by independent, external auditors.

Current projects and initiatives are also regularly published on our website at www.tui-sustainability.com. In addition, the TUI Group companies offer detailed information about their sustainability activities on their local websites. A list of links will be found on our sustainability website.

www.tuitravelplc.com/sustainability

In August 2013, TUI Travel published its sustainability report under the title Sustainable Holidays Report. The report presents an overview of the work being done by tour operators, distribution, airlines and incoming agencies in the World of TUI. The differentiated sustainability programme known as the Sustainable Holidays Plan also sets out TUI Travel's 3-year targets. The strategic development and definition of environmental and social goals and measures were carried out together with TUI AG. Operationally, they are implemented in nine Group-wide project groups.

MEMBER OF
Dow Jones
Sustainability Indices
In Collaboration with RobecoSAM

Since 23 September 2013, TUI AG has been listed as an industry leader in the Dow Jones Sustainability Indexes (DJSI) World and Europe in the Hotels, Resorts & Cruise Lines section. TUI AG achieved particularly high scores in the categories Risk and Crisis Management and Stakeholder Dialogue. The company considerably improved its ranking in the category Operational Eco-Efficiency.

The Dow Jones Sustainability Indexes pursue a best-in-class approach. Companies from all sectors can qualify to join the index. Admission is granted to the best-in-class who outperform their competitors on numerous sustainability criteria. Every year, more than 3,000 listed companies are invited to take part in the assessment of their sustainability activities. This year, 333 companies were admitted to the DJSI World, with 177 companies admitted to the DJSI Europe.

TUI AG had already been credited with a Gold Class award as Sector Leader and Sector Mover for its sustainability management in June 2013.

FTSE4Good

ECPI Sense in sustainability

TUI AG's position in the sustainability index FTSE4Good was confirmed in September 2013. TUI is also represented in the indexes DAXglobal Sarasin Sustainability Germany, Ethibel Excellence Index and ECPI Ethical Index €uro.

The environment

Ensuring that our products, services and processes respect the environment is part and parcel of our quality standards. Saving natural resources and reducing adverse environmental impacts secure TUI's success. We place particular priority on climate protection, efficient use of resources and biodiversity.

Group-wide environmental monitoring

Group-wide processes to monitor environmental performance and determine meaningful indicators were further pursued in financial year 2012/13. These are based on internationally acknowledged standards such as the Greenhouse Gas Protocol and the current Guidelines of the Global Reporting Initiative (GRI). Group-wide monitoring focuses environmental activities and is used as a control parameter to improve environmental performance.

In order to determine the relevant indicators, the shareholdings use an internal system to report their consumption and activities on an annual basis. The quantitative data is then consolidated at Group level and aggregated into metrics. Special attention is paid to emission trends in the TUI Group's airlines.

Climate protection and emissions

According to estimates by experts, around 5% of global CO_2 emissions are attributable to tourism (UNWTO, Climate Change and Tourism – Responding to Global Challenges, 2008). Greenhouse gas emissions and their impact on climate change thus constitute one of the biggest global challenges for the tourism sector. As a global player, TUI's commitment to climate protection has been firmly anchored in its Code of Conduct with the aim of gradually reducing operational impacts. To this end, TUI engages in close dialogue with academic and political representatives with a view to designing and implementing effective measures.

Carbon Disclosure Project

TUI AG again participated in the Carbon Disclosure Project (CDP) in 2013, an initiative to record the carbon footprint of companies. The Group's carbon footprint and the strategic aspects of TUI AG's climate policy were described in the Carbon Disclosure Project and made available to international analysts and investors. In the assessment of its climate reporting, TUI AG positioned itself in the DACH Carbon Disclosure Leadership Index (Germany, Austria, Switzerland).

Carbon dioxide emissions (CO_2)

tons	2012/13	2011/12	Var. %
TUI Travel	6,293,366	6,389,867	- 1.5
TUI Airlines	5,101,532	5,248,262	- 2.8
TUI Hotels & Resorts	339,906	357,123	- 4.8
Cruises	294,741	282,894	+ 4.2
Other units	2,078	2,239	- 7.2
Group	**6,930,091**	**7,032,123**	**- 1.5**

In financial year 2012/13, the TUI Group's total emissions declined slightly year-on-year in absolute terms. TUI Airlines recorded a decline in CO_2 emissions mainly due to a decline in fuel consumption and the ongoing fleet renewal programme. In TUI Hotels & Resorts absolute CO_2 emissions were cut by 4.8% to 339,906 tonnes thanks to a more efficient use of resources and a greater take-up of renewable sources of energy. The increase of 4.2% in absolute CO_2 emissions from cruise operations mainly resulted from the comissioning of Europa 2 cruise ship by Hapag-Lloyd Kreuzfahrten.

Energy input (direct and indirect)

TJ*	2012/13	2011/12	Var. %
TUI Travel**	82,755	92,441	- 10.5
TUI Airlines	74,803	76,955	- 2.8
TUI Hotels & Resorts	3,632	3,737	- 2.8
Cruises	4,187	4,018	+ 4.2
Other units	28	29	- 1.4
TUI Group	**90,602**	**100,225**	**- 9.6**

* TJ = Terajoule
** Besides airline, hotel and cruises activities of TUI Travel are included.
Furthermore, office buildings and activities in destinations are covered.

In financial year 2012/13, the TUI Group's total energy consumption decreased by 9.6% to 90,602 TJ. Cruises recorded a rise in energy consumption due to the expansion of the segment.

Climate protection measures

TUI has developed a climate strategy aimed at avoiding and reducing greenhouse gases along the entire value chain. Thanks to the use of efficiency-enhancing technologies and resource conservation, TUI contributes to a reduction in emissions. In addition, adjustment measures are identified and implemented.

TUI airlines

TUI airlines have launched more than 30 measures to steadily enhance the efficiency of aircraft and cut emissions. They include ongoing fleet renewal, regularly washing engines and mounting winglets. In the period under review, the decision was taken to equip the aircraft operated by TUI airlines with split scimitar winglets, generating further improvements in the aircraft aerodynamics and saving 2% more jet fuel than the winglets previously used.

Reducing the weight of the aircraft in the TUI fleet also helps to cut fuel consumption and thus reduce carbon emissions. The commissioning of the first Boeing 787 Dreamliners by Thomson Airways, which are more lightweight and aerodynamic due to the use of carbon fibre reinforced plastic for the aircraft skin, has cut fuel consumption. The use of lightweight trolleys for food and drinks also helps to reduce the aircraft weight, cutting jet fuel consumption and hence emissions.

By August 2013 TUI airlines had achieved their objective of reducing absolute and specific CO_2 emissions by 6% versus the 2007/08 baseline by the end of financial year 2013/14 – well ahead of schedule. The climate target was subsequently adjusted: specific CO_2 emissions are to be reduced by a further 3 percentage points by 2015 thanks to new technologies.

TUI Airlines

		2012/13	2011/12	Var. %
Specific fuel consumption	l/100 pkm*	2.79	2.89	- 3.6
Carbon dioxide (CO_2) – absolute	t	5,101,532	5,248,262	- 2.8
Carbon dioxide (CO_2) – specific	kg/100 pkm*	7.02	7.31	- 4.0
Nitrogen oxide (NOX) – absolute	t	34,159	34,302	- 0.4
Nitrogen oxide (NOX) – specific	kg/100 pkm*	47.00	47.78	- 1.6
Carbon monoxide (CO) – absolute	t	1,398	1,444	- 3.2
Carbon monoxide (CO) – specific	kg/100 pkm*	1.92	2.01	- 4.4
Hydrocarbon (HC) – absolute	t	160	152	+ 5.2
Hydrocarbon (HC) – specific	kg/100 pkm*	0.22	0.21	+ 4.0

* pkm = passenger kilometer

Due to a variety of technical measures, a continued high capacity utilisation and reduction in capacity on almost constant flight performance, specific fuel consumption declined, as did absolute and specific CO_2 emissions. This factor, combined with the continual replacement of aircraft and the resultant gain in fleet efficiency, also resulted in a fall in other emissions.

Specific CO_2 emissions TUI Airlines

		2012/13	2011/12	Var. %	g CO_2e / rpk
TUI Airline fleet	g CO_2 / rpk*	70.7	73.0	-3.2	71.4
ArkeFly	g CO_2 / rpk*	73.6	75.2	-2.1	74.3
Corsair International	g CO_2 / rpk*	80.5	90.8	-11.3	81.4
Jetairfly	g CO_2 / rpk*	73.9	75.2	-1.7	74.7
Thomson Airways	g CO_2 / rpk*	69.5	70.6	-1.6	70.2
TUIfly	g CO_2 / rpk*	65.5	66.5	-1.5	66.2
TUIfly Nordic	g CO_2 / rpk*	63.1	65.4	-3.5	63.7

* pkm = revenue passenger kilometre

For the first time, specific emissions are also shown in the from of CO_2 equivalents (CO_2e). Apart from carbon dioxide (CO_2), they also include the other five greenhouse gas emissions that impact the climate as listed in the Kyoto Protocol: methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulphur hexafluoride (SF_6).

Cruises

Apart from greenhouse gas emissions, TUI Cruise companies also seek to reduce harmful airborne pollutants such as sulphur oxides, nitrogen oxides and particles (soot). To this end, both operational and technical measures were taken in the period under review.

In order to cut fuel consumption – and hence emissions – TUI Cruises has applied silicone antifouling paint to the hulls of all its vessels. This TBT-free coating enhances flow dynamics, as do the ducktails installed on the aft ship. Thanks to intelligent route planning, voyages are continually optimised; in addition, the use of low-sulphur fuel reduces sulphur and particle emissions.

The TUI Cruises fleet will be extended by one newbuild in 2014. The use of state-of-the-art technologies, such as a combined exhaust gas after-treatment system, will achieve a substantial improvement in its environmental footprint. Advanced exhaust gas purification and selective catalytic reduction work together to cut sulphur emissions by up to 99%, and particle emissions by 60%. The catalyst reduces tier II nitrogen oxide emissions by 75% to the tier III value. This will put Mein Schiff 3 ahead of the game, as these requirements which will not be binding for cruise ship newbuilds until 2016.

The newbuild Europa 2, operated by Hapag-Lloyd Kreuzfahrten and commissioned in the period under review, has been fitted with a catalyst that reduces nitrogen oxide emissions by almost 95% and also filters out soot emissions.

As a member of the International Association of Antarctica Tour Operators (IAATO) and the Association of Arctic Expedition Cruise Operators (AECO), Hapag-Lloyd Kreuzfahrten also observes their environment guidelines on all Arctic and Antarctic voyages. In order to protect the sensitive polar waters, TUI's cruise ships use diesel rather than heavy oil and have been encouraged to give preference to diesel in other waters, too. Sensitising customers and crews and using efficient on-board technologies, the TUI Group is working to enhance the environmental compatibility of cruises.

In all European harbours, TUI cruise ships use fuel with a maximum sulphur content of 0.1% during idle periods. On routes across the North Sea and Baltic Sea, fuel with a maximum sulphur content of 1% is used.

For unavoidable emissions, Hapag-Lloyd Kreuzfahrten offers its customers the opportunity to offset carbon emissions from the cruise. A climate calculator has been devised in cooperation with the German organisation atmosfair. It checks various parameters, e. g. cabin category and length of stay on board, and subsequently determines the climate footprint of the cruise.

Cruises

		2012/13	2011/12	Var. %
Specific fuel consumption	l/pnm*	0.29	0.25	+ 17.3
Carbon dioxide (CO_2) - specific	kg/100 pnm*	87.52	74.68	+ 17.2

* pnm = passenger nautic mile

TUI AG's Cruises Sector has recorded an increase in specific fuel consumption and specific CO_2 emissions, driven by lower load factors on some ships.

TUI Hotels & Resorts

The hotel brands of TUI Hotels & Resorts are among the environmental leaders at their locations and are committed to climate protection.

Since the beginning of 2012, German Dorfhotels and Iberotels have offered their customers climate-neutral holidays and climate-neutral meetings. By taking a range of different measures to avoid and reduce emissions, the hotels have considerably diminished their carbon footprint. Unavoidable emissions are offset through certified climate protection projects run by cooperation partner myclimate.

Numerous clubs and hotels in the portfolio of TUI Hotels & Resorts obtain their energy from renewable sources. The Robinson Clubs in Spain and Portugal annually generate more than 1,500 megawatt hours with their solar collectors and photovoltaic arrays, generating up to 85% of the hot water consumed. The Greek Robinson Club Daidalos in Kos also meets a large part of its power demand with a photovoltaic system. The Robinson Club Agadir uses a solar system with a total area of 900 m² to produce hot water and keep the pool complex warm. It thus operates Morocco's largest solar system for hotel facilities.

Since November 2012, heat production in the Robinson Club Cala Serena in Majorca has been entirely CO_2-neutral. Three newly installed 200-kW biomass boilers secure the environmentally-friendly generation of hot water, heating and pool heating. Thanks to the installation of a wood pellet system, around 220,000 litres of conventional heating oil are saved every year.

TUI Hotels & Resorts

		2012/13	2011/12	Var. %
Power consumption – specific	kWh/bednight	16.21	17.16	- 5.6
Carbon dioxide (CO_2) – specific	kg/bednight	8.7	9.6	- 9.6*

* Due to a change in the methodology and the integration of national conversion factors for electricity in financial year 2011/12, this variation is only meaningful to a limited extent.

TUI Hotels & Resorts reduced their power consumption by 5.6% per overnight stay to 16.21 kWh. CO_2 emissions per bednight decreased to 8.7 kg due to a more efficient use of resources and a higher share of renewable energies.

Voluntary CO_2 offsetting within the Group

In cooperation with the myclimate foundation, customers flying with TUIfly have the opportunity to voluntarily offset the greenhouse gas emissions caused by their flight. TUI Deutschland customers are also offered the chance to offset the carbon emissions of their entire trip when booking in a retail shop or on the internet. The brochures contain data for customers about the CO_2 emissions for each route. The scheme supports a climate protection project to provide efficient cookers for the rural population in the Siaya area (Kenya). Other TUI Group tour operators likewise offer their customers the opportunity to offset their CO_2 emissions. The British tour operators Thomson Travel and First Choice manage emissions offsetting through the World Care Fund.

Resource efficiency

TUI's resource management seeks to continually and consistently reduce consumption of increasingly scarce resources and energy sources.

Water

Water is one of the most precious resources on the planet. In some countries of the world, including many holiday destinations, demand for water exceeds natural reserves. Numerous measures have been instituted, in particular in TUI Hotels & Resorts, to save water and steadily cut water consumption per guest and bednight. Hotel guests are informed about ways of saving water.

Many hotels use typical endemic plants when planting their gardens as they are ideally adjusted to the environmental conditions and the local water situation. Drip irrigation at times of the day when the sun is less intense helps save precious water. Some Riu hotels also use xeriscaping, which means investigating factors such as climate conditions, light and soil conditions before selecting suitable plants. Protective vegetal layers prevent soil dehydration and erosion and help to reduce the need for irrigation.

On board the cruise ships of Hapag-Lloyd Kreuzfahrten and TUI Cruises seawater is purified, desalinated and processed so that it can subsequently be used as drinking water. The service water is also treated and used for toilet flush.

Waste

Controlled waste management aims to conserve resources, reduce environmental impacts and costs and recycle waste into a recovery loop. TUI Hotels & Resorts again implemented many measures to cut waste volumes. The focus was on sorting materials, increasing the reutilisation rate and disposing of unavoidable residual waste in a due and proper manner.

Certified environmental management system

TUI strives to achieve continual improvements in the Group's environmental performance by introducing and steadily developing environmental management systems in the individual Group companies, in particular in hotel operations.

In financial year 2012/2013, the number of hotels and clubs belonging to TUI Hotels & Resorts certified in accordance with the international environmental standard ISO 14001 rose to 60. The hotels in the TUI Hotels & Resorts portfolio were certified according to ISO 14001, confirmed by independent experts.

ISO 14001 certified TUI Hotels & Resorts

	2012/13	2011/12
Robinson Club	16	16
Iberotel	14	15
Grupotel	13	9
Sol Y Mar	5	6
Jaz Hotels & Resorts	6	3
Dorfhotel	3	3
Grecotel	2	3
Riu	1	1
Total	**60**	**56**

In addition, other hotel companies had their environmental management systems reviewed under other recognised environmental standards, such as the Austrian Environmental Label, Green Star Hotel or Travelife.

The environmental management systems operated at the headquarters of TUI AG, tour operator TUI Deutschland GmbH and TUI Dienstleistungsgesellschaft mbH in Hanover were again successfully certified under ISO 14001 in financial year 2012/13. TUI airlines Thomson Airways, TUIfly Nordic and also TUIfly in Germany similarly operate environmental management systems in accordance with ISO 14001.

Environmental quality in TUI Hotels & Resorts

EcoResort quality label

The EcoResort quality label, developed by TUI Hotels & Resorts in cooperation with TUI AG's sustainability management, is currently one of the most demanding quality standards for sustainable development in holiday hotels.

www.ecoresort-tui.com

Following an audit carried out by accredited external experts, 36 hotel resorts and clubs belonging to the Group's own hotel brands in TUI Hotels & Resorts were awarded the label in the completed financial year. TUI Hotels & Resorts provide comprehensive information about responsible stewardship for nature and the environment by TUI's hotel brands on the EcoResort website. Apart from clearly defined core criteria, this also reports fully on the many different ecological and socio-cultural sustainability projects that are being implemented by individual EcoResort hotels. The EcoResort website is not only a central information vehicle accessible to the public, but also supplies many internal benchmarks for the Group-owned hotel brands and their environmental and sustainability managers.

TUI Environment Champion

The 160 most environmentally-friendly hotels from TUI Deutschland's product portfolio again received the TUI Environment Champion award in 2013. The ecological commitment and the social initiatives of the contract hotels were assessed with the aid of an online checklist and the results of a TUI customer survey.

Green Star Hotel Initiative

TUI and its Egyptian partner Travco Group is one of the key participants in the Green Star Hotel Initiative, actively promoting the protection of resources in the Red Sea. The initiative is run in partnership with the German international cooperation agency GIZ, the Egyptian Ministry for Tourism and the German Ministry for Economic Cooperation and Development. In the autumn of 2013, the initiative was transferred to the Egyptian organisation.

As part of this project, an environment label was developed for Egyptian hotels in cooperation with hotel facilities in the El Gouna region according to international standards (Global Sustainable Tourism Criteria). The criteria for a Green Star hotel have been tailored to the extreme geographical and climatic conditions in Egypt. A particular focus is on resource protection in the Red Sea. The Green Star hotels have committed to reducing water consumption in the rooms by 15% by 2014. At the same time, power consumption is to be cut by 20% per bednight (baseline 2010).

In financial year 2012/13, additional hotels including many TUI Hotels & Resorts and contract hotels were certified under the Green Star label. More than 50 hotels in Egypt have already obtained a Green Star award.

Biodiversity

As a global player, we are aware that our business activities have an impact on biodiversity at the local, regional and global levels.

TUI has defined biodiversity quality and action targets, which are implemented throughout the Group in the form of programmes. Target achievement is reviewed on a regular basis, and comprehensive internal and external communication is provided, e. g. in the Annual Report and Sustainability Report and on the Group's website. This approach serves to secure the impact of conservation measures and to create awareness and trust among our customers, employees and partners.

In the completed financial year, TUI participated in many different Group-wide projects and initiatives to preserve biodiversity.

Innovation and sustainability

The significance of sustainable development and the responsible management of natural resources have been expanding steadily in recent years. Consumers increasingly take the perceived ecological and social responsibility of companies into account in their purchasing decisions. Aligning product development to sustainability, resource efficiency and long-term viability is therefore a key priority. In the completed financial year, a special focus was placed on technological innovation and climate protection.

TUI Cruises: Emissions monitoring and external power supply

Air-borne pollutants constitute another major emissions issue. In order to create a sound basis for current and future operational measures, TUI Cruises has introduced a comprehensive emissions monitoring system for air-borne pollutants, documenting not only CO_2 but also sulphur, sulphur oxide and particle emissions. As harbours are often located close to cities, air pollution directly affects the inhabitants. That makes it an urgent challenge, which the cruise company has actively embraced.

TUI Cruises is taking part in the e-power barge project for external power supply in harbours. Through a pilot project in Hamburg, several companies are currently developing a floating power station, used during idle periods by container and cruise ships as a flexible and cost-efficient alternative to land-based power supply. The power is generated by means of modern, environmentally friendly, highly efficient gas engines. Their heat can additionally be used to provide heat for the ships during lay times. The concept, to be used as a model for other harbours, draws on natural gas and hence ensures significant cuts in emissions: it does not generate any sulphur, particle or soot emissions. Nitrogen oxide emissions are cut by 90%, while CO_2 emissions are reduced by 15 to 30%, depending on the fuel used.

Biofuels

TUIfly is a founding member of aireg (Aviation Initiative for Renewable Energy in Germany e.V.) and chairs the working group on "Fuel use". aireg was founded in September 2011 as a joint initiative by companies and organisations from research and science. aireg aims to promote the development and usability of alternative renewable liquid fuels such as biofuels and hence support the achievement of the ambitious CO_2 reduction targets for aviation.

In financial year 2012/13, TUI Travel PLC continued its membership in SAFUG (Sustainable Aviation Fuel Users Group) and took part in discussions about the use of sustainable biofuels in aviation.

Corporate citizenship

As a global player, TUI considers social responsibility to be one of the key factors in lasting corporate success.

Drinking water for Africa

The "Drinking water for Africa" campaign, jointly initiated by the Global Nature Fund, the football club Hannover 96 and TUI, continued successfully in 2012/13. The donations collected at home matches were used to sponsor the installation or repair of drinking water processing systems and wells in communities in Kenya and Ivory Coast. So far, access to clean drinking water was provided to more than 20,000 people.

Tunisian sponsorship scheme

Since 2012, TUI Deutschland has run a cooperation project for the tourism sector, in particular the promotion of women, in Tunisia with the Federal Ministry for Economic Cooperation and Development (BMZ). TUI Deutschland and the BMZ co-sponsor the project worth one million euros with a duration of five years. The period under review saw seminars on CSR issues, focusing on social responsibility with regard to the integration of women in the hotel sector. The goal is to train women to deliver greater service quality and customer satisfaction, thereby preparing them for better jobs. There are plans to roll out the scheme in other hotels. Successful project implementation is secured by means of systematic monitoring.

Boa Vista health centre

In the Cape Verde island of Boa Vista, Riu is committed to improving medical care. The Centro de Saude Boa Vista health centre received medical equipment to facilitate and improve medical work. The centre, run by the Ministry of Health for Cape Verde, is the main health centre on the island, treating both the island's local population and tourists.

Support for disadvantaged children and teenagers

Aid for Haiti

www.tui-group.com/en/sustainability/social_commitment/nest_for_life_for_haiti

Following the earthquake in Haiti in 2010, TUI set up the five-year aid project "Life Nests for Haiti", aiming to contribute to reconstruction. The project, providing a home, school education and employment prospects for children and teenagers in Haiti, was successfully continued in the period under review. Construction of a primary and secondary school in the Gressier community has been completed and the first training courses have been offered. In the autumn of 2012, a pre-school was opened for 35 children. The Group-wide aid project, a partnership with the sustainability campaign group Futouris e. V., is sponsored by TUI AG, TUI Deutschland, TUI Suisse and TUI Österreich.

ECPAT

In financial year 2012/13, TUI Group companies maintained their worldwide commitment to protecting children from sexual abuse. TUI tour reps were offered training programmes on the protection of children as part of their continuous development.

TUI Nederland initiated a project in Brazil in cooperation with Plan Nederland and ECPAT Nederland. The project focuses on providing education and training for girls in the north-east of Brazil, who often end up as prostitutes due to dire poverty, widespread unemployment and a lack of prospects. The three-year project will provide training for a total of 240 girls, offering them the opportunity to work in the tourism sector.

TUI sponsorship

In 2013, the sponsorship scheme run by TUI employees in Hanover supported "bed by night", an initiative offering street children a place to sleep in Hanover and helping them to come off the streets.

Activities by the TUI Foundation

More details at: www.tui-stiftung.de

The TUI Foundation was established in 2000 to mark the 75th anniversary of Preussag AG, now TUI AG. TUI's social and public commitments in the German state of Lower Saxony are carried out through this charitable body. Since its inception, the Foundation has sponsored projects with a total volume of almost €5m and has endowment capital of €12.5m. The TUI Foundation sponsored 27 selected projects in the three main target areas: science and research, education and training for children and young people, and culture and arts. It also awarded two prizes.

REPORT ON ECONOMIC POSITION

HUMAN RESOURCES

HR strategy

We are a successful player operating in a dynamic international environment, where we meet a wide variety of challenges with our global headcount of around 75,000 employees. In order to secure this success in the long term, a holistic and future-oriented HR strategy has been firmly anchored as part of our corporate goals. Working jointly as "oneTeam" to tackle challenges and tasks related to HR policies is the essential goal of our strategic concept. The activities are steered by the HR Board, comprised of representatives from TUI AG and TUI Travel. The Board members work together on defining measures for Group-wide talent management, e. g. joint succession planning, the identification and development of high potentials and a cross-functional and Group-wide exchange of employees and executives. A joint talent pool will ensure we always have a first-rate leadership team to tackle global competition.

Changes in headcount

At the balance sheet date, the TUI Group's worldwide headcount was 74,445, 0.9% up year-on-year.

Personnel by sector

	30 Sep 2013	30 Sep 2012	Var. %
Tourism	74,040	73,391	+ 0.9
TUI Travel	59,756	57,961	+ 3.1
TUI Hotels & Resorts	14,013	15,141	- 7.4
Cruises	271	289	- 6.2
Central Operations	405	421	- 3.8
Corporate Center	198	212	- 6.6
Other units	207	209	- 1.0
Group	**74,445**	**73,812**	**+ 0.9**

In the period under review, the headcount strongly reflected the seasonal employment structures in tourism, in particular in incoming agencies and hotel companies.

Tourism

At the end of the financial year under review, the headcount in Tourism totalled 74,040, up 0.9% year-on-year. The individual Sectors recorded different trends.

The headcount in TUI Travel increased by around 3.1% year-on-year to 59,756. This was driven by the increase in headcount in travel agencies in Germany, capacity increases in Mainstream, expansion projects in Accommodation & Destinations and the reconsolidation of the IT service provider. On the other hand, due to the realignment of the tour operator and airline businesses and the effect of restructuring measures, the headcount was reduced in the UK, France and the Specialist & Activity Business.

The headcount in TUI Hotels & Resorts declined by 7.4% year-on-year to 14,013. This headcount reduction was mainly attributable to terminating leases and the sale of hotel complexes.

The Cruises Sector reported a decrease in headcount of 6.2% to 271, primarily due to ongoing restructuring measures with a view to exiting the premium segment of Hapag-Lloyd Kreuzfahrten.

Central Operations

Central Operations recorded a year-on-year decline in headcount of 3.8% to 405. In the Corporate Centre, the headcount declined by 6.6%, in particular as the Lean Centre project began taking effect, to 198. The remaining Central Operations entities, comprised of real estate companies and the company health insurance scheme, recorded a decline in their headcount of 1.0% to 207 employees. In the next financial year, the headcount will decline significantly in Central Operations due to the sale of a part of the real estate company, the transfer of the company health scheme to an external party and HR measures related to the realignment of the Corporate Centre.

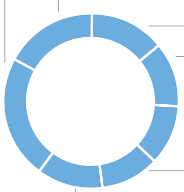
Global headcount

Personnel by region

	30 Sep 2013	30 Sep 2012	Var. %
Germany	10,157	9,882	+ 2.8
Great Britain	17,156	17,318	- 0.9
Spain	9,395	9,226	+ 1.8
Other EU	12,438	12,830	- 3.1
Rest of Europe	8,078	8,480	- 4.7
North and South America	8,361	8,199	+ 2.0
Other regions	8,860	7,877	+ 12.5
Total	**74,445**	**73,812**	**+ 0.9**

by domicile of company

Personnel by region
%



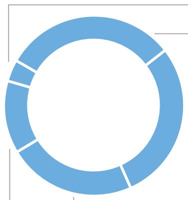
	30 Sep 2013
Great Britain	23
EU	17
Germany	14
Spain	12
Other EU	11
North and South America	11
Other regions	12

The number of employees working in Germany increased by 2.8% to 10,157. The Group's headcount in Europe declined by 0.9% year-on-year to 57,224 or 76.9% of the Group's overall headcount. Due to the rise in the number of employees working for Group companies in North and South America and the Other regions, the proportion of staff working outside Europe increased by 7.1% to 17,221 or around 23.1% of the overall headcount. This increase was driven by new acquisitions, in particular in Australia and Asia.

Other HR key figures

Age structure of Group employees

%

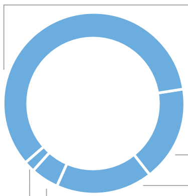


	30 Sep 2013
up to 20 years	4
21 – 30 years	31
31 – 40 years	29
41 – 50 years	23
more than 50 years	13

Almost two thirds of Group employees are aged between 212 and 40. At Group level 31% of employees are aged 21 to 30, whereas in Germany only about 20% fall within this age group. By contrast, 23% of Group employees are aged 41-50 compared with about 32% of the headcount in Germany. A steady increase in employees aged 50+ has been observed in Germany over recent years, not least in the light of demographic change.

Average company affiliation

%



	30 Sep 2013
up to 5 years	59
6 – 10 years	17
11 – 20 years	17
21 – 30 years	5
more than 30 years	2

A majority of Group employees - around 59% - have been with the company for up to five years. In Germany, the proportion of employees in this category is significantly lower at 33%. By contrast, around 17% of Group employees have a company affiliation of 11 to 20 years, compared with around 33% of employees in Germany.

Personnel costs

In the period under review, the TUI Group's personnel cost rose by 0.7% to €2,433.3m. The Increase in the cost of wages and salaries year-on-year mainly results from expenses incurred in connection with restructuring measures within TUI Travel and expenses in connection with the conversion of TUI AG's Corporate Centre. In the period under review, this item also included personnel expenses of companies included in consolidation for the first time in financial year 2012/13.

The decline in social security contributions and expenses for pensions and other benefits mainly results from income of €28.8m from the curtailment and settlement of pension plans in a subsidiary in the Netherlands.

Personnel costs

€ million	2012/13	2011/12	Var. %
Wages and salaries	2,041.6	1,987.0	+ 2.7
Social security contributions	397.7	429.0	- 8.7
Total	**2,433.2**	**2,416.0**	**+ 0.7**

TUI operates many different compensation systems to promote employee alignment to strategic and long-term corporate objectives. The key components include honouring performance and offering employees an opportunity to participate in corporate success in a lasting manner. Senior management also have share options and are thus able to directly participate in the valorisation of the Company.

Pension schemes

The companies in the TUI Group offer their employees benefits from the company-based pension schemes funded by the employer. Options for the employees include pension schemes, direct insurance contracts and individual or direct commitments to build up a private pension. These schemes were devised so as to take advantage of fiscal and social security co-sponsorship opportunities. In order to enable their employees to convert their gross pay into pension contributions, TUI AG has concluded advantageous collective contracts with an established insurance undertaking, and all our German employees can sign up to these.

TUI Travel has also acknowledged the importance of pension schemes for its employees, offering a number of systems that reflect the local legal requirements. Due to major legal changes in the UK, more than 4,700 employees were included in the company pension scheme for the first time in the period under review. Both the Company and the employees contribute to the scheme.

Part-time early retirement

In order to further increase the flexibility of their company HR and succession planning, Group companies in Germany are able to use of the opportunities provided under the German Part-Time Early Retirement Act to shift gradually from employment to retirement. At the balance sheet date, €10.8m was provided through a capital investment model for the 211 employees working under part-time early retirement contracts in order to hedge their accrued assets against employer insolvency.

Junior staff development and recruiting talent

www.tui-group.com/en/jobcareer
www.tui-azubiblog.de

Recruiting talent – Employer branding

In the light of increasing competition for qualified staff, TUI has embraced new ways of recruiting employees. Aiming to strengthen the employer brand "One Day at Work – 3,036 Smiles" and win new employees for the Company, TUI increasingly relies on social media apart from the classical channels. The Career Fan Page on Facebook and the TUI AzubiBlog blog for trainees address in particular a younger target group. Business networks are used to reach out above all to experienced technical and managerial staff, and they are pro-actively contacted to propose new challenges within the Company. Communication aims to provide an authentic impression of TUI as an employer and hence winning over potential candidates as new staff members. To the same end and in order to promote science, we also work in partnership with selected universities.

Promoting talent

TUI does not see HR development merely as a tool to close the skills gap, but rather as a strategic tool to identify and develop potential executives and prepare them for the expectations they will be faced with.

In the year under review, activities to introduce the Group-wide talent management system continued apace in building cross-functional and Group-wide exchange. In addition, there are specific talent management programmes in individual companies. The learning conferences launched by TUI Deutschland have how been taken up across the Mainstream Business.

At the international level, TUI Travel continues to run the Global High Performance Leadership, Horizons and Perspectives programmes as key components of its leadership development efforts. While the first of these focuses on top management and seeks to promote strategic thinking and build leadership skills, the second drives the effective, outcome-oriented implementation of changes. Perspectives focuses on talents at the start of their leadership careers, forging an international talent pipeline to fill strategically relevant leadership positions and expanding the international network.

Training

The development of junior staff in the TUI Group makes a key contribution to the creation of excellence among the workforce. In Germany, young people can choose between traineeships for thirteen different job profiles and two university sandwich courses – with new opportunities in the period under review to study Maritime Management with TUI Cruises and to train as a sports and fitness assistant with Robinson. As at the 2013 balance sheet date, 589 young employees in consolidated companies were taking part in these training schemes. 56.0% of the trainees who finished their course in 2013 were taken on by the company. At 5.8%, the training ratio rose again on the previous year's level.

Recruiting talent

The competition is on for young talent, whether as skilled workers or as executives, and so TUI undertakes a range of activities to showcase its credentials as an attractive employer. Apart from offering classical traineeships, TUI works, for example, in partnership with universities to interest undergraduates acquiring appropriate qualifications in a future career with the company. The internship programme operated by TUI Travel Mainstream offers up to ten students a year the opportunity to spend a year in various divisions as part of their university degree course. Since its inception, 48 students have completed the programme, with twelve joining TUI Travel upon graduation.

http://tuitraveljobs.co.uk/content/43/student-placements.aspx
http://www.tuitravel-graduates.com/people.html
http://www.tuitravel-ukgraduates.co.uk/index.php

A further crucial element in the development of junior management staff is the TUI Group's International Graduate Leadership Programme for those with a university degree. The international programme takes 18 months to complete and offers participants a comprehensive overview of the tourism business backed by a mentoring scheme. At the balance sheet date, 18 participants from different backgrounds were taking part in the programme. In addition, individual Group companies such as TUI Deutschland, TUIfly and TUI UK & Ireland run trainee programmes of their own.

Ongoing training and qualification

Promoting life-long learning and development as well as diversity and staff motivation are fundamental principles of our corporate culture. Our employees and divisions can draw on a broad range of training opportunities: HR development programmes, technical courses and seminars, and specific schemes designed to meet the needs of particular operations. Apart from acquiring, refreshing and retaining professional know-how and expertise, improving distribution and communication skills is an essential focus of the training programme. TUI's alignment and strategy are being sustainably reinforced by a series of customised courses, each with their own focus, on distribution and sales issues. Other training priorities include wide-ranging formats devoted to digital media, communication, specialised data processing or accident prevention and health promotion. The central TUI learning portal pools globally available online training options, reflecting a training concept committed to independence, speed and efficiency.

Quality is a vital hallmark of the sustainable effectiveness and efficiency of programmes to upgrade the skills of our employees. In a repeat of last year's achievement, the AZWV quality label (based on the German regulations for the accreditation and licensing of continuing education and training) was once again awarded for our training and HR development activities.

In April 2013, TUI Travel launched its Finance Academy, an online learning platform bringing Finance staff together across the Group to enable them to exchange experience and access training options. The Finance Academy is now operated in 37 countries, has more than 1,300 members and offers around 80 e-learning courses.

Work-life balance

More details: www.tui-group.com/en/jobcareer/why_tui/work_and_life

Family responsibilities may arise from the need to take care of children or other relatives but also from other commitments, such as voluntary office. As a family-friendly provider of tourism services, we help our employees to reconcile their private and working lives. Men and women, junior employees and executives can all take up these offers. The support framework in Germany for example includes flexible working hours, different part-time models and the option to take unpaid leave.

In December 2012 TUI AG won second prize in the Work Life Balance category of the HR Excellence Awards for its integrated Modern Family concept.

Mixed leadership

TUI's mixed leadership approach includes the commitment to equal opportunities for women and men, the formation of mixed leadership teams and a modern leadership culture. The sustainable talent management system that we are currently expanding and TUI's mentoring programme play a prominent role in this regard. In July 2013, TUI completed its successful Mentoring pilot, which was operated under the aegis of the HR director. Mentees and mentors from different TUI companies had set up pairs working in tandem to promote the careers of female junior staff with lasting effect. Positive experience gained from the pilot will feed into the future design of the scheme.

At the end of the financial year, women accounted for around 68.1% of the total Group workforce, slightly down by 1.6% year-on-year. Around 45% of female employees work on a part time basis. The proportion of women in senior management positions was 34.5% in Germany, while the figure for the Group reached 35.1%. Woman already account for 25.0% of members in German Supervisory Board committees. Our long-term aim is to further increase the female management ratio, in particular in top management.

Health management

In 2013, TUI AG's modern and innovative health management system was again placed in the Excellence Category of the Corporate Health Benchmark for Germany. The health management system essentially rests on behavioural and relational prevention.

Health and safety

Health and safety within the TUI Group extends beyond the legal requirements. Activities include briefings, hazard assessments, hazardous substance registers and training schemes for health and safety officers, first aid and evacuation assistants and fire protection officers. The corresponding health and safety management system has been certified according to OHSAS 18001 as well as VBG, the German employers' liability insurance association. In both cases, it was successfully recertified in 2013.

At TUI Travel the health and safety systems operated by the various Businesses are based on the Successful Health & Safety Management guidelines (HSG65) and the OHSAS 18001 protocol. These standards are applied at TUI Travel to minimise risks to health and safety with the aid, for example, of an in-house e-learning programme.

To prevent accidents on board ship, TUI Cruises has further developed its Safety First programme for the crews. The aim of this scheme is to involve crew members directly in resolving health and safety issues. Among their ideas for improvement, several are selected for implementation on all vessels. In addition, all health and safety policies and instructions were reviewed and adjusted during ISO certification.

Health promotion

"Fit with TUI" is a diverse package of measures to emphasise the importance of health and wellbeing at work. It includes the seminar on Healthy Training for all first-year trainees, held in Hanover every year. The health team includes experts such as physicians, chiropractors, dieticians and psychologists, who offer advice, medical attendance and check-ups to employees. Staff can also choose from a wide range of company sports opportunities. A decentralised network of health coordinators functions both within Germany and at global level. The health promotion activities regularly involve other institutions, such as the employers' liability insurance associations and TUI BKK, the health insurance scheme.

Health

Behavioural prevention	**F**eedback **I**nformation **T**alks	**W**ellness **I**ntegration **T**raining **H**ealth Activities	**TUI**	**Based on** Scientific findings, legislation, company agreements
Condition prevention	Corporate culture	Mental well-being	Health and safety	

In December 2012, TUI AG received the HR Excellence Award in the category "Company Health Management" for its approach to mental well-being.

Diversity management

In the world of employment, diversity is about maintaining a broad mix in a company workforce. Differences can result as much from skin colour as from cultural and social values. By signing the Diversity Charter in 2008, TUI gave a fundamental pledge to promote people diversity inside and outside the company. For TUI as a global player in tourism, diversity and globalisation are key to corporate success. The company has launched a wide range of activities to promote a culture of inclusion, each with their own special theme. Equal participation inspires both the job application training scheme for young people with disabilities and the TOTAL E-quality label awarded to TUI AG in 2011 for a period of three years in recognition of HR's exemplary equal opportunity policies. Other measures take their cue from a focus on different worlds: a day spent in an unfamiliar environment for a change of perspective, a chance to coach children with poor reading skills, the Culture Cuisine, or the Open Door international exchange programme for children of employees.

Employee engagement

Robinson employee survey
In July 2013, Robinson carried out a corporate employee survey for the sixth time. More than 4,600 employees from 23 clubs and the head office in Hanover took part in the survey – a response rate of 91%. At 4.38 (out of 5), the engagement index was considerably better than external benchmarks. The outcome of the survey is included in the target agreement for top management functions.

Your Voice
In the previous year, TUI Travel launched the web-based employee survey “Your Voice”. In financial year 2012/13 the findings were analysed and measures defined, some of which have already been implemented. The three action fields related to Opportunities, Trust and Pride.

Big Picture
Another result of the Your Voice survey is the “Big Picture”: a visual presentation of the entire TUI Travel Group, its brand personality and future alignment. The Big Picture visualises the business strategy and long-term vision for all employees in a clear, graphic manner. It is thus an excellent tool to enter into dialogue with colleagues and managers and explain fundamental ideas. This clear and comprehensible vision helps employees to feel they are part of the picture and to motivate them.

Co-determination

Employee representatives within the Group
There are many information and consultation bodies for employees in the TUI Group, representing individual companies or groups of companies in a national and international context. They discuss, take decisions and support essential operational and commercial measures. In this way they serve the interests of employees and companies in the Group, contributing to the stability and sustainability of corporate decisions and processes.

TUI European Forum
This body is made up of representatives from the business sectors and the countries of the European Economic Area within which TUI operates. The TUI European Forum is kept abreast by Group management of corporate decisions affecting more than one country or company. Following the consultation process, Forum members then inform the employees in the countries concerned and remain involved in the implementation of the economic, social and environmental measures previously discussed with Group management. The TUI European Forum thus assumes a great responsibility for promoting and integrating our international workforce. In financial year 2012/13, 50 representatives from 14 countries were delegated to the Forum.

TUI AG Group Works Council
The Group Works Council represents the top level of co-determination within the Group for employees in the German Group companies. It currently has 25 members from 16 companies. By sending delegates to the Group Works Council, the local and general works councils and other joint bodies who nominate delegates receive regular, up-to-date information about the operational challenges facing the Group. Thanks to co-determination and their subsequent involvement in implementing requirements and issues, these delegates ensure a high level of penetration within the Group workforce.

ANNUAL FINANCIAL STATEMENTS OF TUI AG

CONDENSED VERSION ACCORDING TO GERMAN COMMERCIAL CODE (HGB)

Earnings position of TUI AG

Annual financial statements of TUI AG 2012/13 online at: www.tui-group.com/en/ir

The annual financial statements of TUI AG were prepared in accordance with the provisions of the German Commercial Code (HGB), taking account of the complementary provisions of the German Stock Corporation Act (AktG), and audited by the auditors PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover. They are published in the electronic federal gazette. The annual financial statements have been made permanently available on the internet at www.tui-group.com and can be requested in print from TUI AG.

In the present Annual Report, the Management Report of TUI AG has been combined with the Management Report of the TUI Group.

Income statement of TUI AG

€ million	2012/13	2011/12	Var. %
Turnover	1.6	4.8	- 66.7
Other operating income	581.2	243.4	+ 138.8
Cost of materials	1.3	4.5	- 71.1
Personnel costs	55.9	55.1	+ 1.5
Depreciation	0.7	0.5	+ 40.0
Other operating expenses	172.2	196.3	- 12.3
Net income from investments	154.6	270.3	- 42.8
Write-downs of investments	33.5	27.2	+ 23.2
Net interest	- 90.1	- 113.0	+ 20.3
Profit on ordinary activities	**383.7**	**121.9**	**+ 214.8**
Taxes	0.7	- 6.0	n/a
Net profit/loss for the year	**383.0**	**127.9**	**+ 199.5**

The earnings position of TUI AG, the Group's parent company, is basically and mainly determined by the appropriation of profits by its Group companies, either directly associated with TUI AG via profit and loss transfer agreements or distributing their profits to TUI AG based on appropriate resolutions. In the completed financial year, the intercompany transfer of shares in Group companies gave rise to one-off effects carried under other operating income.

Turnover and other operating income

In the financial year under review, turnover almost completely resulted from renting out leased aircraft to Group-owned airlines. It declined due to transfers of contracts to the TUI Travel Group.

Other operating income mainly comprised intra-Group gains on disposal of the transfer of shareholdings, which caused a corresponding year-on-year increase. It also reflected gains on exchange and, to a lesser extent, income from the reversal of provisions no longer required.

Expenses
The cost of materials mainly included expenses for aircraft rental agreements with third parties, which declined in line with turnover due to transfers of contracts. In the period under review, personnel costs decreased year-on-year, primarily due to lower transfers to pension provisions. An opposite effect was caused by increases in salaries as set out in collective agreements, as well as restructuring provisions in connection with planned staff reductions in TUI AG. Other operating expenses include above all expenses for exchange losses, with exchange gains carried under Other operating income, the cost of financial and monetary transactions, charges, fees, services and other administrative costs.

Net income from investments
In the period under review and in the prior year, investments mainly included dividend payments from TUI Travel PLC and companies of the TUI Hotels & Resorts Sector. Income from profit and loss transfer agreements included transfers of results from subsidiaries and the related rebilled tax portions.

Write-downs of investments
In the period under review, write-downs of investments related to a hotel project company and other hotel investments.

Interest result
The year-on-year improvement in the interest result primarily derived from lower interest expenses due to the redemption and buyback of financial debt to banks and bondholders. The reduction in liabilities resulted in a year-on-year decline in liquid funds. Accordingly, interest income declined year-on-year.

Taxes
In the period under review, the tax expenses related to current income taxes and other taxes. They did not include deferred taxes.

Net profit for the year
For the financial year under review, TUI AG posted a net profit for the year of €383.0m.

Net assets and financial position of TUI AG

TUI AG's net assets and financial position as well as its balance sheet structure reflect its function as the TUI Group's parent company. The balance sheet total declined by 9.1% to €5.1bn.

Abbreviated balance sheet of TUI AG
(Financial statement according to German Commercial Code)

€ million	30 Sep 2013	30 Sep 2012	Var. %
Intangible assets/property, plant and equipment	18.1	18.4	- 1.6
Investments	4,121.2	4,095.1	+ 0.6
Fixed assets	4,139.3	4,113.5	+ 0.6
Inventories/Receivables	407.6	313.1	+ 30.2
Cash and cash equivalents	506.1	1,128.9	- 55.2
Current assets	913.7	1,442.0	- 36.6
Prepaid expenses	0.7	2.0	- 65.0
Assets	**5,053.7**	**5,557.5**	**- 9.1**
Equity	2,748.6	2,365.2	+ 16.2
Special non-taxed items	0.6	0.6	–
Provisions	420.3	448.7	- 6.3
Bonds	854.1	1,087.1	- 21.4
Financial liabilities	282.3	502.9	- 43.9
Other liabilities	747.7	1,152.8	- 35.1
Liabilities	1,884.1	2,742.8	- 31.3
Deferred income	0.1	0.2	- 50.0
Liabilities	**5,053.7**	**5,557.5**	**- 9.1**

Fixed assets

At the balance sheet date, fixed assets almost exclusively consisted of investments. The increase in investments was mainly attributable to intra-Group transfers of shares in hotel companies in the form of investments in kind in subsidiary companies with which profit or loss transfer agreements were held. Additions also related to purchases of TUI Travel PLC shares. An opposite effect was caused by disposals of Group companies due to a capital repayment.

Current assets

The decrease in receivables in the period under review mainly resulted from a receivable that arose in the framework of the disposal of assets to a Group company.

In the completed financial year, TUI AG repaid bonds worth €233.0m. In addition, it redeemed a liability to banks with a nominal amount of €206.3m. The decline in bank balances of €622.8m to €506.1m is primarily attributable to these two effects.

TUI AG's capital structure

Equity

TUI AG's equity increased by €383.4m to €2,748.6m. The subscribed capital of TUI AG consists of no-par value shares, each representing an equal portion in the capital stock. The proportionate share in the capital stock per share is around €2.56. At the end of the financial year under review, the subscribed capital of TUI AG rose by a total of €0.3m to around €645.2m and comprised 252,375,570 shares due to the issue of employee shares and conversions from the 2009/2014 and 2011/2016 convertible bonds.

The capital reserve rose by a total of €0.2m due to the conversion of bonds into shares and the issue of employee shares. Revenue reserves exclusively consisted of other revenue reserves. The Articles of Association do not contain any provisions concerning the formation of reserves. In the financial year under review, an amount of €191.0m was transferred to the revenue reserves from the Group profit for the year in accordance with section 58 (2) of the German Stock Corporation Act.

The profit for the year amounts to €383.0m. Following transfers to other revenue reserves and taking account of the profit carried forward of €116.6m, net profit available for distribution totalled €308.6m. A proposal will be submitted to the Annual General Meeting to use the net profit available for distribution for the financial year under review to distribute a dividend of €0.15 per no-par value share and to carry the amount of €270.7m, remaining after deduction of the dividend total of €37.9m, forward on new account. The equity ratio rose to 54.4% (previous year 42.6%).

The special non-taxed item of €0.6m, retained in the previous year when the German Accounting Reform Act was applied for the first time in accordance with section 67 (3) of the Act Introducing the German Commercial Code (EGHGB), comprised tax write-downs from earlier years, effected on the fixed assets in accordance with section 6b of the German Income Tax Act (EStG).

Provisions

Provisions declined by €28.4m to €420.3m. They consisted of pension provisions worth €137.7m (previous year €140.0m) and other provisions worth €282.6m (previous year €308.8m). Other provisions decreased year-on-year, in particular due to a reduction in provisions for litigation risks effected upon the conclusion of a settlement.

Liabilities

TUI AG's liabilities totalled €1,884.1m, a decline of €858.7m or 31.3%.

In the period under review, on 10 December 2012, TUI AG repaid the nominal amount of €233.0m still outstanding from the bonds issued in September 2005 as scheduled so that the volume of liabilities from bonds declined accordingly year-on-year.

Liabilities to banks included financing in connection with the issue of an exchangeable bond for TUI Travel PLC shares. Due to the acquisitions of partial amounts of the exchangeable bond effected in prior financial years, TUI AG had already reduced its financial liabilities to a nominal amount of €206.3m as per 30 September 2012. In the financial year under review, TUI AG then bought back additional partial amounts of the exchangeable bond worth a nominal amount of €63.9m. The remaining amount was repaid as scheduled.

Liabilities to Group companies declined in particular due to capital repayments by Group companies.

TUI AG's net debt rose by 36.7%, amounting to €630.3m at the balance sheet date.

Capital authorisation resolutions

Information on new or existing resolutions concerning capital authorisation, adopted by Annual General Meetings, is provided in the next chapter on Information required under takeover law.

REPORT ON SUBSEQUENT EVENTS

MAJOR TRANSACTIONS AFTER THE BALANCE SHEET DATE

After the balance sheet date, sales negotiations about the shareholding in the British air traffic control organisation NATS were completed. According to the agreement, TUI will sell 87.4% of its 6% stake in NATS to a British pension fund and will retain a stake of 0.8%. The implementation of the sale is still subject to a condition precedent of the British antitrust authorities.

RISK REPORT

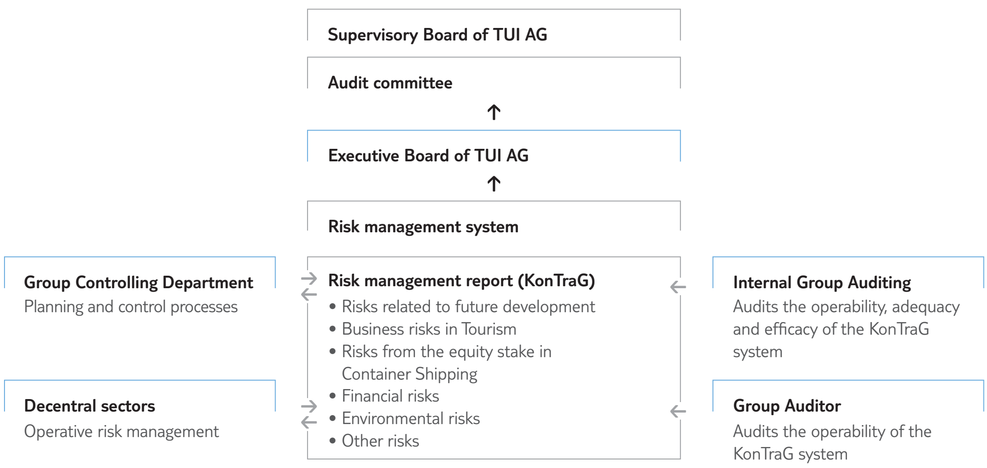
The main shareholdings of the TUI Group operate in the tourism sector. TUI AG also holds a financial stake of around 22% in Hapag-Lloyd AG, operating in container shipping.

Depending on the type of business, the tourism operations and financial commitment in Container Shipping entail various inherent risks. Risks can arise from the Group's own entrepreneurial action or from external factors. In order to identify and actively control these risks, the Group has introduced Group-wide risk management systems.

Risk policy

In terms of turnover, TUI is Europe's market leader in tourism, above all via its stake in TUI Travel PLC. In order to seize market opportunities and leverage the potential for success, risk must be accepted to a reasonable degree. TUI's risk policy is designed to steadily and persistently increase the Group's corporate value, achieve its medium-term financial goals and secure the Company's ongoing existence in the long term. It is thus an integral component of the Group's corporate policy.

Risk management



The purpose and goal of the risk management system is to identify risks of any kind early on, assess them and contain them so that the economic benefit outweighs the threats. The TUI Group's risk management comprises clearly defined systems and methods incorporated in the organisational and workflow structure in order to observe them as a start. The methodological basis and the frequency of controls are tailored to reflect different types of risk. The controls set out in Group-wide policies are continually monitored, developed and adjusted to changing business environments.

Major risks selected from the internal risk report to TUI AG's Executive Board are presented in the form of an overview of key risks. The risks listed in the overview are allocated as far as possible to the risk categories contained in the Risk Report that forms part of the Management Report. The item "Miscellaneous other risks" in the Management Report comprises a number of unrelated individual risks that cannot be allocated to any other risk category.

The COSO Framework, developed by the "Committee of Sponsoring Organizations of the Treadway Commission" (COSO), forms the conceptual basis for the Group-wide establishment of an integrated control and risk management system. The existing internal Control System (ICS) is thus to be more closely dovetailed with the risk management system throughout the entire TUI Group.

As a matter of principle, risk reporting includes all fully consolidated companies of the TUI Group. Due to its stake of around 22% in Hapag-Lloyd AG, TUI AG is not able to directly or indirectly determine the financial and business policies of Hapag-Lloyd AG. De jure, Hapag-Lloyd AG therefore is no longer included in KonTraG (German Act on Control and Transparency in Business) reporting. However, the KonTraG working group regularly deals with the economic development of Hapag-Lloyd AG at its meetings.

The risk management system comprises independently organised reporting for the early identification of risks threatening the existence of the Company (German Act on Control and Transparency in Business, KonTraG), which is initiated, coordinated and monitored by the KonTraG working group as the competent body. The Governance, Risk & Compliance (GRC) department of TUI AG provides the staff and technical capacity to implement the risk management approach in all processes.

Early risk identification aims to provide reports, both regular and case-by-case, in order to identify potential risks within the Group companies, assess these risks with the aid of uniform parameters and summarise them in an overall Group-wide system. The risk management measures to be taken are implemented within the operative entities and mapped and supported by means of operational systems. Nevertheless, there is a feedback loop between early risk identification and operational risk management. There is also interaction with the planning and control process.

The Supervisory Board, in particular the Audit Committee of TUI AG, oversees the effectiveness of the risk management system in accordance with stock legislation provisions. The Supervisory Board is involved in this process by means of regular quarterly reports from the Executive Board and, where necessary, ad hoc reports.

Risk management is supported by the Group-wide auditing departments. It focuses on risk reporting in accordance with KonTraG, both regularly and on a case-by-case basis. In preparing the annual financial statements as at 30 September 2013, the system for the early detection of risks threatening the existence of the Company was reviewed by the auditors and was found to be fully operational.

Risk transfer

Risk management includes making provision for cover. Potential damages and liability risks from day-to-day business operations are covered as far as economically reasonable by insurance policies. The Group has concluded, inter alia, liability and property insurance policies customary in the industry, and insurance policies for its airlines and maritime operations. These insurance policies are regularly reviewed and adjusted where necessary.

Characterisation of risks

The sections below outline the key risks for the TUI Group. In each case, the potential occurrence and impact of risks are assessed on the basis of counteracting measures under current conditions; this is based on a Group perspective and relates to the two financial years following this balance sheet date.

The assessment of the probability of occurrence of a risk is based on the following criteria:

- improbable (odds: < 25%)
- possible (odds: 25 – 50%)
- probable (odds: > 50%)

The assessment of the potential financial impact is based on defined quantitative factors and may be:

- low
- moderate
- essential

basically in the light of Group EBITA. The table below outlines the respective bandwiths:

Risk classification based on potential financial impact

Risk classification	Potential financial impact		
low	Nil	to	< €30 million
moderate	€30 million	to	< €60 million
essential			> €60 million

Any change in the overall framework against our budget assumptions can lead to a revaluation of our estimates over time, which are then communicated accordingly in our interim report.

The table below outlines the total risk situation of the TUI Group at the time of reporting along with year-on-year shifts. If the risk designation does not suggest otherwise, the risks shown below relate to all sectors of the Group.

Group risks

Description	Likelihood of occurance	Possible financial effects	Risk situation compared to previous year
Business risks in Tourism	possible	moderate	→
Environmental and industry risks	possible	moderate	→
Risks from information technology	possible	moderate	→
Risks from Containershipping	possible	moderate	→
Environmental risks	possible	low	→
Financial risks			
Risk from unhedged exposures	improbable	essential	→
Liquidity management	improbable	moderate	→
Covenants	improbable	essential	→
Risks from acquisitions and divestments	improbable	low	→
Risks from pension provisions	improbable	low	→
Personnel risks	improbable	low	→
Tax risks	improbable	essential	→
Other risks			
Contingent liabilities and litigation	possible	low	↘
Miscellaneous other risks	possible	essential	→

The comments below provide more detailed information on the risk presented in the table.

Business risks in Tourism

In the Tourism Segment, customers' booking behaviour is essentially affected by the general economic climate and external factors. Political events, natural disasters, epidemics or terrorist attacks affect holidaymakers' decisions and thus the course of business in individual markets. This may adversely affect demand in individual source markets or demand for certain destinations. Moreover, unscheduled costs may arise for the repatriation of customers from destinations affected by external events.

In financial year 2011/12, demand for Tunisia and Egypt had already picked up, but in the present financial year under review after an initial phase of continued recovery, demand dropped again, in particular for Egypt, in the wake of events surrounding the military coup.

In the light of the political unrest, foreign offices around Europe issued such critical assessments of the safety situation in Egypt that many European tour operators cancelled all Egypt holidays for several weeks in the summer season, rebooking customers to other destinations. The civil war in Syria also exacerbated the risk in the region, and this might have an adverse impact on demand for travel to neighbouring countries, including Egypt, for some time to come.

Market risks increase with tougher competition and the emergence of new market participants operating new business models. Factors that may adversely affect sales by retail shops are web-based distribution of travel services and low-cost airlines. The past few years have seen the emergence of business models that generally allow end users to combine the individual elements of a holiday trip on their own and book them separately. Web-based hotel portals, in particular, do not only offer business hotels any longer but have strongly expanded their holiday hotel portfolio. As a result, there is no longer always a need to book package tours, which currently still account for much of our business. The TUI Group is thus faced with the challenge of taking this modularisation trend among customers adequately into account and underpinning the price and quality advantages of package tours. A change in the competitive structure in tourism and hence our market position might also result from successful substitute business models such as web-based travel and hotel portals and mobile applications. These internet platforms increase price transparency and may therefore lead to lower profit margins in the entire tourism sector.

A substantial business risk in Tourism relates to the seasonal planning of flight and hotel capacity. In order to plan ahead, tour operators must forecast demand and anticipate trends in holiday types and preferred destinations. The TUI business model underlying tourism operations in TUI Travel, TUI Hotels & Resorts and Cruises Sector is well suited to countering the ensuing capacity utilisation risks and compensating for developments in individual markets or product groups:

- Committed flight capacity is only partially contracted on a fixed basis. The flight capacity of the Group-owned airlines is largely oriented to meeting the needs of the Group tour operator concerned.
- Staggered lease agreements are used to adjust the fleet size of the Group-owned airlines to changes in demand in the short to medium term.
- The Group's own hotel capacity is considerably lower than the number of customers handled by its tour operators. This enables the Group to keep its product portfolio flexible by sourcing third-hotel beds and concluding contractual agreements accordingly.
- Some of the tours offered are designed on a just-in-time basis with simultaneous price setting. This approach reduces the risk of unfavourable pricing.
- The Group's presence in all major European countries allows it to limit the impact of regional fluctuations in demand on the take-up of capacity in the destinations.
- The Group's presence in all key tourism regions allows it to limit fluctuations in demand for individual destinations. Falling demand for tours to a specific destination can be offset by an expansion of offerings for other destinations.
- Increasing the proportion of unique product can benefit hotel occupancy, customer satisfaction and booking procedures. At the same time, it reduces comparability of the Group's own products with those of its peers, potentially reducing the need for unilaterally price-driven competition.
- Increasing controlled distribution of Group-owned product can enhance manageability.
- Additional opportunities are offered by multi-channel distribution and direct and modular online marketing of capacity.

Environment and industry risks
Tourism – the TUI Group's core business – is exposed to a number of macroeconomic risks. Since travel spending is discretionary and therefore price-sensitive, demand for tourism products hinges in particular on macroeconomic developments in the key source markets. Future economic declines such as high unemployment rates in relevant source markets, unexpected rises in interest rates, direct or indirect tax or the cost of living may therefore lead to a decline in disposable income and thus substantial falls in demand for travel and other tourism products. These factors are not confined to the real developments that people experience, but also include expectations of macroeconomic developments and their impact on individual lives. Changes in economic cycles, in particular, may affect demand for tourism products. These macroeconomic cycles may be reinforced by global political events such as terrorist attacks, wars, social unrest and political instability.

In addition, specific risks to business performance may arise from increases in commodity prices, in particular oil products, which may be driven directly by a rise in oil prices or indirectly by the exchange rate between the US dollar and the euro or sterling. These risks may, for instance, lead to weaker economic growth in countries of relevance to the TUI Group's activities, and this can indirectly dampen demand for tourism services, adversely affecting the Group's financial and earnings position. Rising oil prices also directly drive up a key cost factor in holiday tours. If the cost increases are factored into prices, this may have an adverse effect on demand for these products. If, by contrast, the costs associated with higher oil prices are not or only partly passed on to customers in the form of price increases, this may also adversely affect the Group's earnings position.

The demand for travel may also be affected by what happens next in the financial markets and debate about high sovereign debt in individual countries. Firstly, changes in exchange parities may result in exchange rate-driven changes in the cost situation in Tourism. Secondly, efforts by countries to consolidate their budgets may impact on the disposable income of private households in these countries. Budget cuts and tax increases undertaken in order to reduce public debt and the interest burden it incurs may indirectly exert a negative influence on the financial resources available for macroeconomic consumption. This might also cause demand for travel to decline. The continuing euro and sovereign debt crisis in some European countries and the associated uncertainty among consumers may lead to general consumer restraint, even in countries not directly affected by the debt crisis, and thus adversely affect demand for holiday tours.

The potential exit of a country from the single currency would entail additional risks. Depending on the economic situation of the country concerned, its exit from the euro might lead to a relative increase or decrease in the value of the new currency against the euro. A devaluation might trigger risks due to a loss in the value of assets held in that country. A revaluation might lead to a deterioration in the relative competitiveness of a country, resulting from the rise in export prices for products and services supplied by this country. The exit of a country might also result in the calling of guarantees from the European Stability Mechanism (ESM) and the need to write off receivables from the government (e. g. in the event of government bonds) or its national central bank (e. g. Target loans). This might have an adverse effect on economic development in the countries assuming liability.

Business operations may also be affected by market-specific events such as changes in consumer behaviour or cutbacks in consumer spending.

Report on Expected Developments, see page 137

An assessment of the macroeconomic prospects for the medium term is presented in the Report on Expected Developments.

Risks from information technology
Digital technology and how our customers use it, is dramatically changing the travel marketplace in which TUI operates. Therefore, the internet and the related Digital Solutions that we provide to our customers are critical to our success and competitive advantage. As a consequence, IT within TUI is under constant review. Recently TUI agreed a strategy centered on Digital transformation and alignment of technology solutions and platforms to drive an improved digital experience for our customers and organisation, maintain competitive advantage, provide relevant and intuitive technology and drive efficiency and scale benefit through the delivery of common technology solutions through shared capability and strategic partnering.

Risks from the financial investment in Container Shipping
At the balance sheet date, TUI's financial investment in Container Shipping consisted of a stake of around 22% in Hapag-Lloyd Holding AG.

A persistent deterioration in the container shipping business could lead to a decline in the carrying amount of the investment. In its medium-term planning, TUI continues to expect Hapag-Lloyd to show an overall positive development of business operations so that there are currently no indications to suggest that the recognised value of the financial investment might need to be impaired.

Environmental risks
Both current TUI Group companies and those already divested are or have been involved in the use, processing, extraction, storage or transport of materials classified as harmful to the environment or human health. TUI takes preventive measures to counter environmental risks arising from current business transactions and has taken out insurance policies to cover certain environmental risks, where necessary. Where environmental risks have not passed to the purchaser in divestment transactions, TUI has built appropriate provisions in the balance sheet to cover any potential claims.

The legacy risks that have arisen for the TUI Group from liabilities under public law from former mining and metallurgical activities were covered by provisions or financial resources at the reporting date. The development of environmental awareness and priorities of environmental policy may give rise to additional liabilities associated with the remediation of legacy risks that are not quantifiable at the present point in time.

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

Market risks result in fluctuations in earnings, equity and cash flows. Currency risks result from the business operations of companies in the TUI Group when payments denominated in foreign currencies are generated which are not always matched by congruent payments with equivalent terms in the same currency. Market value interest rate risks, i. e. exposure to potential fluctuations in the fair value of a financial instrument resulting from changes in market interest rates, arise primarily from medium- and long-term fixed-interest receivables and liabilities. The credit risk in non-derivative financial instruments results from the risk of counterparties defaulting on their contractual payment obligations. Liquidity risks result from potential financial shortages and resulting increases in refinancing costs.

The TUI Group operates a central finance management system that performs all essential transactions with the financial markets.

In the wake of the merger of TUI's tourism activities with First Choice to form TUI Travel PLC, a division of labour was introduced for the central cash management system previously managed exclusively by TUI AG, central corporate finance and the central financial risk management system. TUI Travel PLC performs these functions for the TUI Travel Group.

Policies exist to define financing categories, rules, competences and workflows as well as limits on transactions and risk items. Trading, controlling and settlement functions are segregated in both functional and organisational terms. Compliance with the policies and limits is constantly monitored. As a matter of principle, all hedges entered into by the Group must be supported by underlying recognised or future transactions. Recognised standard software is used for recording, evaluating and reporting on these hedges.

Risks from unhedged exposures

In the TUI Group, financial risks mainly arise from payment transactions in foreign currencies, the need for fuel (aircraft fuel and bunker oil), financing via the money and capital markets and the investment of liquid funds. In order to limit risks arising on changes in exchange rates, market prices and interest rates for underlying transactions, TUI uses derivative financial instruments not traded on stock markets. These are primarily fixed-price transactions (e. g. forward transactions and swaps) and, to a lesser extent, options. These transactions are concluded at arm's length with first-rate companies operating in the financial sector whose counterparty risk is regularly monitored. Foreign exchange translation risks from the consolidation of Group companies not reporting in euros are not hedged.

Financial instruments, see page 223

Detailed information about hedging strategies, risk management, financial transactions and the scope of such financial transactions at the balance sheet date is provided in the section on Financial instruments in the Notes to the consolidated financial statements.

Liquidity management

In the course of the annual Group planning process, TUI draws up a multi-annual finance budget. In addition, TUI produces a monthly rolling liquidity plan covering a period of one year. The liquidity plan covers all financing categories within the Group.

Liquid funds, money and capital market instruments as well as bilateral bank loans and syndicated credit facilities are used to meet the Group's funding requirements. Besides TUI AG, TUI Travel PLC in particular has separate access to banks and the capital market and an independent ability to secure the liquidity of the tourism companies allocated to it. TUI Hotels & Resorts also takes out separate bank loans, primarily in order to finance investment activities carried out by its companies.

In order to meet its long-term financing requirements, the TUI Group has issued five bonds in the capital market, including a hybrid bond carried as equity in the IFRS-based consolidated financial statements. Nominal liabilities under these bonds totalled €1.7bn at the balance sheet date. The bonds had different structures and maturities, limiting future repayment or refinancing risks.

In order to continue optimising its debt structure, TUI AG redeemed in particular two financing schemes worth a total of €0.4bn. The redemptions were paid from existing bank balances.

In the framework of the issuance of a convertible bond by TUI Travel PLC worth £0.4bn, TUI AG entered into a funding structure in April 2010. It allows TUI AG to purchase, inter alia, convertible bonds worth £0.2bn (in nominal terms) as at the maturity date in return for payment of a defined purchase price. In August 2013, TUI AG extended the maturity of this funding scheme by two years until July 2016. An amount of £150m was called from the funding structure, which comprises a funding framework of £200m, during financial year 2012/13. The maturity extension improved TUI AG's medium-term liquidity situation.

In financial year 2012/13, TUI Travel PLC signed three bilateral credit facilities with banks, each worth £50m, in order to place its lender base on a broader footing. Including the syndicated bank facility from 2011, TUI Travel PLC now has credit facilities worth a total of £1.4bn. All credit facilities mature in June 2015. At the balance sheet date, an amount of £0.1bn had been drawn under these facilities.

In the completed financial year, TUI Travel PLC also signed a syndicated credit facility worth £0.3bn. This credit line will ensure TUI Travel PLC will be in a position to redeem the convertible bond issued in 2009 that matures in October 2014; in this event, it will be redeemed by May 2015 at the latest. This credit facility can also be used to refinance the convertible bond issued in 2010, if the investors of this convertible bond exercise their call option in October 2015; in that case, the credit line will be available to TUI Travel PLC until its final maturity (April 2016). This syndicated credit line provides TUI Travel PLC with additional refinancing options, which contribute to the significant improvement in TUI Travel's liquidity situation.

As at 31 January 2013, TUI AG was entitled, for the first time, to call and redeem its hybrid loan worth €0.3bn. This entitlement to call the bonds applies every three months. For TUI AG, the hybrid bond is part and parcel of its long-term financing strategy. Calling the bonds shall only be taken into consideration with yield and liquidity aspects, in particular, in mind. The holders of the hybrid bond do not have a termination entitlement.

Financial debt, see page 214

More detailed information, in particular on the maturities, is provided in the item Financial debt in the Notes to the consolidated financial statements.

The existing financing instruments of TUI AG, TUI Travel and various hotel companies secure the medium-term liquidity reserve for the respective financing categories. Current cash flows provide further financing options. Moreover, the scope for using additional capital market options or the assets still invested in Container Shipping is being examined.

Compliance with contractual regulations (covenants)

TUI AG's financial liabilities taken up via the capital market and TUI Travel PLC's syndicated and bilateral credit facilities comprise a number of obligations:

In the case of TUI AG's financing structure to purchase convertible bonds worth £200m (in nominal terms) from the convertible bonds issued by TUI Travel PLC in April 2010, for instance, there is a duty to comply with a covenant whereby the market value of defined reference assets of the lender has to have coverage of at least 1.675 times the outstanding amount of the funding scheme. The reference assets consist of bonds worth £200m (in nominal terms) from the convertible bonds issued by TUI Travel PLC in April 2010 and 87 million shares of TUI Travel PLC. If the coverage ratio is not met, TUI AG will have to reduce the outstanding amount of the funding scheme to such an extent that the remaining amount of the funding scheme meets at least a contractually agreed coverage ratio.

TUI Travel PLC has a duty to comply with certain financial covenants (as defined in the respective contracts) from its syndicated and bilateral credit facilities and the refinancing facility regarding the convertible bonds issued in 2009 and 2010, requiring (a) compliance with an EBITDAR-to-net interest expense ratio measuring the Group's relative charge from the interest result and the lease and rental expenses; and (b) compliance with a net debt-to-EBITDA ratio, calculating the TUI Travel sub-group's relative charge from financial liabilities. The EBITDAR-to-net interest expense ratio has to have a coverage ratio of at least 1.5 times; net debt must not exceed 3.0 times EBITDA. The financial covenants are determined every six months. They restrict, inter alia, TUI Travel PLC's scope for encumbering or selling assets, acquiring other companies or shareholdings and effecting mergers.

The capital market instruments and the bilateral and syndicated credit facilities also contain additional contractual clauses typical of financing instruments of this type. Non-compliance with these obligations awards the lenders the right to call in the facilities or terminate the financing schemes for immediate repayment.

TUI's and TUI Travel PLC's business transactions and expected business developments are continually checked for compliance with contractual provisions.

Financial situation of the Group, see page 82;

Notes on Liabilities, see page 214

More detailed information on financing and financial debt is provided in the section on "Financial situation of the Group" and under "Liabilities" in the Notes to the consolidated financial statements.

Risks from acquisitions and divestments

Acquisitions effected in the past have created goodwill for the TUI Group. Should future cash flows fall below expected levels due to a business downturn, impairments (in particular impairment of goodwill) might be required and would thus impact Group profits.

TUI remains committed to monetising all assets invested in Container Shipping. TUI currently has no indication that the values recognised for the financial investment in Hapag-Lloyd might be at risk.

Risks from pension provisions

Pension funds have been set up to finance pension obligations, in particular in the UK. These funds are managed by independent fund managers who invest part of the fund assets in securities. The performance of these funds may thus be adversely affected and impaired by developments on the financial markets.

The present value of fully or partly funded pension obligations totalled €2.1bn, while the fair value of external plan assets amounted to €1.6bn. The funded pension obligations exceeded plan assets by €0.5bn. Combined with the present value of pension obligations not covered by funds of €0.6bn, this resulted in pension obligations with a net present value of €1.1bn, fully covered by pension provisions. Detailed information on the pension obligations is provided under the heading "Provisions for pensions and similar obligations" in the Notes to the consolidated financial statements.

See page 208

Personnel risks

The loss of highly skilled staff and executives or bottlenecks in staff recruitment also pose potential risks for TUI. In order to counter these risks, Human Resources management mainly focuses on holistic talent management, integrated health and diversity management and ongoing efforts to create a motivating, family-friendly working environment. These measures and the ongoing strategic personnel projects such as Mixed Leadership and Employer Branding are aimed at qualifying and motivating TUI employees and retaining them in the long term.

Tax risks

In a letter dated 22 May 2013, the German tax authorities have informed TUI AG and the German Travel Association (DRV) that a provision of the German Trade Tax Act, amended with effect from financial year 2008, has to be interpreted such that the proportion of rentals, which may need to be estimated, from "Hotel expenses" is not fully deductible in determining the tax base for trade tax payments. TUI does not share that view, in particular as hotel contracting agreements are mixed contracts also covering catering, cleaning, animation and other services characterising the purchased service. Such mixed contracts are fully deductible according to judicial rulings and even according to the interpretation by the German tax authorities issued in 2012 (rental of manned ships). Should the tax authorities uphold their view, it is probable that fiscal court proceedings will take place in Germany over several years. As the Group has concluded many different contracts, quantifying this risk entails a substantial element of uncertainty. According to our estimates, an essential risk might arise for the overall period since 2008.

More detailed information is provided in the section on "Contingent liabilities" in the Notes to the consolidated financial statements.

See page 217

Other risks

Contingent liabilities and litigation

Contingent liabilities are potential liabilities not recognised in the balance sheet. At the balance sheet date, they amounted to €384.2m (following €480.8m in the previous year). They mainly related to the granting of guarantees to secure the financial debt of Hapag-Lloyd AG and of TUI Cruises.

Neither TUI AG nor any of its subsidiaries are involved in pending or foreseeable court or arbitration proceedings which might have a significant impact on the Group's business position. This also applies to actions claiming warranty, repayment or any other remuneration brought forward in connection with the divestment of subsidiaries implemented over the last few years. As in previous years, the respective Group companies formed appropriate provisions to cover any potential financial charges from court or arbitration proceedings.

See pages 217 and 218

Information on contingent liabilities and litigation is also provided in the corresponding sections in the Notes to the consolidated financial statements.

Miscellaneous other risks

Miscellaneous other risks comprise various individual risks allocated to this risk category. Taken together, these individual risks may potentially have moderate financial effects although they do not depend on one another.

Overall statement on the TUI Group's risk situation

The overall risk situation of the TUI Group remained unchanged compared to the previous year. Currently there are no material risks other than those described in the Risk Report.

In the framework of regular risk reporting, no special risks jeopardising the continued existence of individual subsidiaries or the Group were identified, neither during nor at the end of financial year 2012/13.

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

1. Definition and elements of the internal control and risk management system in the TUI Group

The TUI Group's internal control system comprises all the principles, processes and measures that are applied to secure effective, economical and proper accounting and compliance with the pertinent legal provisions.

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

The TUI Group's internal control system consists of internal controls and the internal monitoring system. The Executive Board of TUI AG, in exercising its function of managing business operations, has entrusted responsibility for the internal control system in the TUI Group in particular to the Group Controlling, Group Accounting & Financial Reporting, Group Finance and Group HR units managed within TUI AG.

The elements of the internal monitoring system in the TUI Group comprise both measures integrated in the processes and performed independently. Besides manual process controls, e. g. the "four-eyes principle", another key element of process-related measures are the automated IT process controls. Process-related monitoring is also secured by bodies such as the working group on the German Act on Control and Transparency in Business (KonTraG), and by specific Group functions such as Group Controlling, Group Tax, Group Legal and Governance, Risk & Compliance.

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

The Group auditors and other auditing bodies such as the tax auditor are involved in the TUI Group's control environment through their non-process-related activities. The audit of consolidated financial statements by the Group auditor and the audit of the individual financial statements from Group companies included in the consolidated financial statements, in particular, constitute a key non-process-related monitoring measure with regard to Group accounting.

With an eye to Group accounting, the risk management system as a component of the internal control system addresses the risk of misstatements in Group bookkeeping and external reporting. Apart from operational risk management, which includes the transfer of risks to insurance companies by creating cover for damage and liability risks and also hedging transactions to limit foreign currency and fuel price risks, the TUI Group's risk management system also embraces the systematic early detection, management and monitoring of risks across the Group. In order to ensure systematic early risk detection throughout the Group, the TUI Group has installed a monitoring system for the early detection of risks threatening the existence of the Company in accordance with section 91 (2) of the German Stock Corporation Act, permitting the prompt identification and monitoring of both risks threatening the existence of the Company and other risks, over and above the requirements of this legislation. The Group auditors assess the proper functioning of the early risk detection system in accordance with section 317 (4) of the German Commercial Code. The TUI Group adjusts this system swiftly to any changes in the respective environment. Group Auditing also performs regular system checks as part of its monitoring activities to ensure that the system is functional and effective. More detailed explanations of the risk management system are provided in the section "Risk management" in the Risk Report.

See page 116

2. Use of IT systems

Bookkeeping transactions are captured in the individual financial statements of the subsidiaries of TUI AG, mainly through local SAP or Oracle accounting systems. In preparing the consolidated financial statements for TUI AG, the subsidiaries complement their respective individual financial statements to form standardised reporting packages that are subsequently posted by all Group companies in the Oracle Hyperion Financial Management 11.1.1.3 (HFM) reporting system. HFM is used as the uniform reporting and consolidation system throughout the Group so that no additional interfaces exist for the preparation of the consolidated financial statements.

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

TUI AG's Group auditors regularly check the accuracy of the HFM reporting and consolidation system and its authorisations and did not have any ground for objections in the financial year under review.

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

3. Specific risks related to Group accounting

See page 168

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

4. Key regulation and control activities to ensure proper and reliable Group accounting

The internal control measures aimed at securing proper and reliable Group accounting ensure that business transactions are fully recorded in a timely manner in accordance with the legal provisions and the Articles of Association. This also ensures that inventory stocktaking is properly implemented and that assets and liabilities are properly recognised, measured and carried in the consolidated financial statements. The control operations also ensure that booking records provide reliable and comprehensible information.

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

The TUI Group's accounting provisions, including the provisions on accounting in accordance with the International Financial Reporting Standards (IFRS), govern the uniform accounting and measurement principles for the German and foreign companies included in TUI's consolidated financial statements. Specific provisions must, in addition, be observed when preparing sub-group financial statements. Besides general accounting principles and methods, provisions concerning the statement of financial position, income statement, notes, management report, cash flow statement and segment reporting have been established in compliance with EU legislation.

TUI's accounting provisions also govern specific formal requirements for the consolidated financial statements. Besides defining the group of consolidated companies, they include detailed stipulations for the components of the reporting packages to be prepared by Group companies. Formal requirements govern, inter alia, the mandatory use of a standardised and complete set of schedules. TUI's accounting provisions also include, for instance, specific provisions on the reporting and settlement of intercompany pricing and the associated transactions for balance reconciliation or determination of the fair value of shareholdings.

At Group level, specific controls to ensure proper and reliable Group accounting include the analysis and, where necessary, correction of the individual financial statements submitted by the Group companies, taking account of the reports prepared by the auditors or any meetings to discuss the financial statements held for that purpose.

The control mechanisms already established in the HFM consolidation system rule out the processing of formally erroneous financial statements. Any further content that requires adjusting can be isolated and processed downstream.

The central implementation of impairment tests for the specific cash-generating units from a Group perspective secures the application of uniform and standardised evaluation criteria. The scope of regulations also extends to the central definition of the parameters applicable in the measurement of pension provisions or other provisions at Group level. The preparation and aggregation of additional data for the presentation of external information in the Notes and Management Report (including subsequent events) is also effected at Group level.

5. Disclaimer

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

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

Any statements made relate exclusively to those subsidiaries included in TUI AG's consolidated financial statements where TUI AG is able to directly or indirectly determine their financial and business policies such as to obtain benefits from the activities of these companies.

INFORMATION REQUIRED

PURSUANT TO SECTIONS 289 (4) AND 315 (4) OF THE GERMAN COMMERCIAL CODE (HGB) AND EXPLANATORY REPORT

Composition of subscribed capital

The subscribed capital of TUI AG consists of no-par value shares, each representing an equal share of the capital stock. The proportionate share in the capital stock per share is around €2.56.

The subscribed capital of TUI AG, registered in the commercial registers of the district courts of Berlin-Charlottenburg and Hanover, consisted of 252,375,570 shares at the end of financial year 2012/13 (previous year 252,273,710 shares) and totalled €645,187,900. Each share confers one vote at the Annual General Meeting.

Restrictions on voting rights or the transfer of shares
The Executive Board of TUI AG is not aware of any restrictions on voting rights or the transfer of shares.

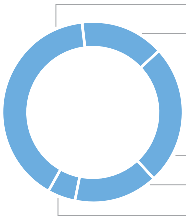
Equity interests exceeding 10% of the voting rights
The Executive Board of TUI AG has been notified of the following direct or indirect equity interests reaching or exceeding 10% of the voting rights:

The voting shares in TUI AG attributable to Alexei Mordashov, Russia, exceeded the 25% threshold on 5 March 2012. As per that date, voting shares totalling 25.29% were attributable to him via Sungrebe Investments Ltd., Tortola, British Virgin Islands, Artcone Ltd., Limassol, Cyprus and S-Group Travel Holding GmbH, Frankfurt, Germany.

The voting shares in TUI AG attributable to John Fredriksen, Cyprus, exceeded the 15% threshold on 30 June 2008. As per that date, voting shares totalling 15.01% were attributable to him via Monteray Enterprises Ltd., Limassol, Cyprus and Geveran Holdings S.A., Monrovia, Liberia.

Shareholder structure* as of 30 Sep 2013

%



	2012/13
Institutional investors**	~ 40
Private investors**	~ 15
S-Group Travel Holding	25
Monteray Enterprises Ltd.	15
Riu Hotels S.A.	5

* Securities Trading Act dislosures
** free float according to the definition by Deutsche Börse

At the end of financial year 2012/13, around 55% of the TUI shares were in free float. Around 15% of all TUI shares were held by private shareholders, around 40% by institutional investors, and around 45% by strategic investors. According to an analysis of the share register these were mainly investors from Germany and other EU countries.

Shares with special control rights

There have not been any shares, nor are there any shares, with special control rights.

System of voting right control of any employee share scheme where the control rights are not exercised directly by the employees

Where TUI AG grants shares to employees under its employee share programme, the shares are directly transferred to the employees with a lock-up period. Beneficiaries are free to directly exercise the control rights to which employee shares entitle them, in just the same way as other shareholders, in line with legal requirements and the provisions of the Articles of Association.

Appointment and removal of Executive Board members and amendments to the Articles of Association

The appointment and removal of Executive Board members is based on sections 84 et seq. of the German Stock Corporation Act in combination with section 31 of the German Codetermination Act. Amendments to the Articles of Association are based on the provisions of sections 179 et seq. of the German Stock Corporation Act in combination with section 24 of the Articles of Association of TUI AG.

Powers of the Executive Board to issue or buy back shares

The Annual General Meeting of 13 February 2013 authorised TUI AG's Executive Board to acquire own shares of up to 10% of the capital stock existing as at the date of the resolution. The authorisation will expire on 12 August 2014. To date, the option to acquire own shares has not been used.

In addition, two authorisations to increase the capital stock by a total of €74.5m by 12 February 2018 were resolved in 2013. This includes authorised capital for the issue of new shares with the option to exclude the shareholders' subscription rights worth €64.5m and authorised capital to issue employee shares worth €10m.

Conditional capital of €120m was resolved by the Annual General Meeting of 15 February 2012. Accordingly, bonds with conversion options or warrants as well as profit-sharing rights and income bonds of up to a nominal amount of €1.0bn may be issued up to 14 February 2017. This authorisation has not yet been used.

The Annual General Meeting of 9 February 2011 adopted a resolution to create authorised capital for the issue of new shares against cash contribution worth €246m by 8 February 2016.

Conditional capital of €100m had already been authorised at the Annual General Meeting on 13 May 2009. Accordingly, bonds with conversion options or warrants as well as profit-sharing rights and income bonds of up to a nominal amount of €1.0bn may be issued up to 12 May 2014. TUI AG partly used this authorisation, issuing a convertible bond worth around €218m in November 2009.

Conditional capital of €100m was also resolved by the Annual General Meeting of 7 May 2008. Accordingly, bonds with conversion options or warrants as well as profit-sharing rights and income bonds of up to a nominal amount of €1.0bn were able to be issued up to 6 May 2013. This authorisation was also partly used by TUI AG, which issued a convertible bond worth around €339m in March 2011.

The issuance of bonds and profit-sharing rights in accordance with the two authorisations mentioned above has been limited to a total nominal amount of €1.0bn.

Significant agreements taking effect in the event of a change of control of the Company following a takeover bid and the resulting effects

TUI AG's existing listed bonds and the private placement issued in 2010 include change of control clauses. A change of control occurs in particular if a third partly directly or indirectly acquires control over at least 30% or the majority of the voting shares in TUI AG, depending on the respective agreement.

For the hybrid bond, an interest step-up has been agreed to take effect should the rating be downgraded. For the convertible bond, a call option or reduction of the conversion price has been agreed.

In the case of the private placement, lenders have a termination entitlement in the event of a change of control.

The total volume of obligations under financing instruments with corresponding change of control clauses currently amounts to around €1.0bn. On top of that, there are no agreements in guarantee, leasing, option or other financial contracts that might cause material early redemption obligations that would be of significant relevance for the Group's liquidity.

Apart from the financing instruments mentioned above, a framework agreement between the Riu family and TUI AG includes a change of control clause. A change of control occurs if a shareholder group represents a predefined majority of AGM attendees or if one third of the shareholder representatives on the Supervisory Board are attributable to a shareholder group. In the event of a change of control, the Riu family is entitled to acquire at least 20% and at most all shares held by TUI in RIUSA II S.A.

A similar agreement concerning a change of control in TUI AG was concluded with the El Chiaty Group. Here, too, a change of control occurs if a shareholder group represents a predefined majority of AGM attendees or if one third of the shareholder representatives on the Supervisory Board are attributable to a shareholder group. In that case, the El Chiaty Group is entitled to acquire at least 15% and at most all shares held by TUI in the joint hotel companies in Egypt and the United Arab Emirates.

Under the license agreement concluded with the combined tourism business under TUI Travel PLC, the licensee, TUI Travel PLC, is entitled to acquire TUI AG's total tourism brand portfolio in the event of a change of control. A change of control agreement was also concluded for the joint venture TUI Cruises between Royal Caribbean Cruises Ltd and TUI AG for the event that a change of control occurs in TUI AG. The agreement gives the partner the right to demand termination of the joint venture and to purchase the share held by TUI AG at a price which is lower than the selling price of their own share.

Compensation agreements by the Company with Executive Board members or employees in the event of a takeover bid

Change of control agreement

In the event of loss of Board membership through a change of control or by executing the right granted to Board members, specifically accorded for this event, of resigning from their office and terminating their service contract as a Board member, every Board member is entitled to receive remuneration for his or her financial entitlements for the remaining period of the service contract up to a maximum period of two or three years, respectively.

The annual management bonus and the entitlements from the long-term incentive programme for the remaining term of the service contract are based on the average for the past two financial years for the remuneration for Mr Joussen and the average for the past three financial years for Mr Baier.

OVERALL ASSESSMENT BY THE EXECUTIVE BOARD

ASSESSMENT OF THE ECONOMIC SITUATION OF THE TUI GROUP

Comparison of the actual business performance in 2012/13 with the forecast

Comparison of the actual with the expected development 2012/13

€ million	Actual 2011/12	Outlook 2012/13 AR[1]	Outlook 2012/13 adjusted[2]	Actual 2012/13
Turnover	18,330.3	↗	↗	18,477.5
Underlying EBITA	745.7	→	↗	761.9
TUI Travel	637.4	→	↗	640.5
TUI Hotels & Resorts	178.6	→	↗	197.2
Cruises	3.0	↗	↘	- 13.9
Central Operations	- 73.3	↗	↗	- 61.9
EBITA	538.8	↗	↗	594.8
Net profit for the year	141.9	positive	positive	186.5
Cash investments	643.2	↘	↘	597.7
Net debt	178.2	→	→	67.9

[1] Outlook Annual Report 2011/12
[2] adjusted outlook Interim Report Q3 2012/13

In the Report on Expected Developments for 2011/12, we forecasted moderate growth in consolidated turnover for financial year 2012/13. We expected underlying EBITA by the TUI Group in financial year 2012/13 to match the level achieved in financial year 2011/12. Due to the expected decline in special one-off factors to be adjusted, we expected reported EBITA to grow year-on-year. The Group net result for the year (before non-controlling interests) was expected to be positive. We expected financial requirements for investments in other intangible assets and property, plant and equipment to amount to around €500m for financial year 2012/13. The TUI Group's net debt was expected to remain stable in financial year 2012/13.

In our Interim Report for the first quarter of 2012/13, we lifted our forecast for underlying EBITA in TUI Hotels & Resorts. At the same time, we reduced our outlook for the Cruises Sector due to higher start-up costs for the expansion of the luxury cruise segment. In our Interim Report for the second quarter of 2012/13, we also lifted the outlook for TUI Travel and the TUI Group due to the sound development of business operations in TUI Travel.

The actual development of the TUI Group in financial year 2012/13 largely met our expectations. Consolidated turnover rose by 0.8% year-on-year; adjusted for foreign exchange effects, it grew by 2.1%.

The TUI Group's underlying EBITA grew slightly by €16.2m to €761.9m in financial year 2012/13. Due to lower net special one-off costs, reported earnings (EBITA) showed stronger growth of €56.0m to €594.8m.

TUI Travel and TUI Hotels & Resorts met our revised forecast, reporting a year-on-year increase in their underlying earnings. The improvement in earnings of €3.1m to €640.5m in TUI Travel was mainly driven by the sound performance of TUI tour operators in the UK, an opposite effect worth €48m including due to the development of the sterling exchange rate in the summer months. TUI Hotels & Resorts reported an improvement in underlying earnings of €18.6m to €197.2m, driven by a sound operating performance and the gain from the sale of a hotel of around €15m realised in the first quarter of 2012/13. In line with our revised forecast, underlying earnings by the Cruises Sector declined by €16.9m year-on-year to €-13.9m. This was caused by the weaker business performance of Hapag-Lloyd Kreuzfahrten, which was characterised above all by higher start-up costs for the expansion of the luxury cruise segment. By contrast, TUI Cruises performed better than expected in the completed financial year. At €-61.9m, a gain of €11.4m, underlying earnings by Central Operations were in line with our expectations.

Overall, the TUI Group posted a positive Group net result for the year (before non-controlling interests) of €186.5m. At €597.7m, the financial requirements for investments in other intangible assets and property, plant and equipment was slightly higher than expected. The TUI Group's net debt developed slightly better than planned and amounted to €67.9m at the end of financial year 2012/13.

Executive Board assessment of the TUI Group's current economic situation

At the date of the preparation of the Management Report (9 December 2013), the Executive Board assesses the economic situation of the TUI Group as positive. With its services portfolio and finance profile, the TUI Group is well positioned in the market. In the first few weeks of the new financial year 2013/14, business performance has matched expectations.

REPORT ON EXPECTED DEVELOPMENTS

Economic environment

Expected development of gross domestic product

Var. %	2014	2013
World	**3.6**	**2.9**
Europe	1.3	–
Germany	1.4	0.5
UK	1.9	1.4
France	1.0	0.2
US	2.6	1.6
Russia	3.0	1.5
Japan	1.2	2.0
China	7.3	7.6
India	5.1	3.8

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

Macroeconomic situation
The International Monetary Fund (IMF, World Economic Outlook, October 2013) expects GDP growth of 2.9% for calendar year 2013. For 2014, the IMF expects the global economy to grow by 3.6%, with a shift in the pattern between the advanced industrialised countries and the newly developing countries and emerging economies which have been so dynamic in recent years. While the latter are expected to lose momentum, the industrialised countries have shown signs of further recovery. However, the emerging economies and developing countries continue to record considerably higher growth rates. The IMF assumes that the central banks will press ahead with quantitative easing for the time being. Basic interest rates are therefore expected to remain at their low levels throughout 2014 and 2015.

Market trend in tourism
UNWTO expects international tourism to continue growing globally in this decade, albeit at a more moderate pace than before. Average weighted growth of around 3% per annum has been forecast for the next few years.

For calendar year 2014, UNWTO expects international arrivals to grow by approx. 4% (Source: UNWTO, Tourism towards 2030, October 2011).

Effects on the TUI Group
As a leading tourism provider, the TUI Group depends on consumer demand in the large source markets in which we operate with our tour operator and hotel brands. Our budget is based on IMF assumptions about the future of the global economy. The TUI Group would benefit from the recovery which the IMF expects to see in the industrialised countries of Europe and North America and the resulting boost to consumer sentiment in our big source markets. By contrast, if the growth regions were to lose steam, this might curb the further expansion of our business in these markets in the medium term.

Apart from consumer sentiment, political stability in the destinations is a further crucial factor affecting demand for holiday products. Following the temporary suspension of travel to Egypt, a key winter destination, in September 2013, we reduced our capacity for this region in the 2013/14 winter season. The reduced flight capacity can be flexibly increased if necessary. At the same time, we expanded our portfolio of alternative destinations such as the Canaries. Thanks to these measures, we expect that we can largely offset any potential earnings impacts in the 2013/14 winter season.

The assumption underlying our budget for financial year 2013/14, that volume in TUI Travel's Mainstream Business will grow by 2.8% over the year bearing in mind our planned capacity cuts in the source market France, is in line with the forecast by the UNWTO. With the exception of the French travel market, we expect an increase in customer numbers in our key source markets for the forthcoming financial year. Our strategic focus continues to lie with increasing the proportion of exclusive and differentiated product in TUI Travel's Mainstream Business, further enhancing the attractiveness of our Group-owned hotel portfolio and expanding our cruise business in Germany, in particular under the TUI Cruises brand.

Forecast for operating earnings

TUI Group

The TUI Travel Sector in the UK generates a large portion of consolidated turnover and a high profit contribution. Taking account of the seasonal nature of the tourism business, the development of sterling against the euro in the course of the year therefore strongly impacts TUI Travel's financial indicators as carried in TUI AG's consolidated financial statements. The comments below on the expected development of our Group in financial year 2013/14 are based on the constant sterling exchange rate of 0.83 GBP/€ assumed in our budget (average rate in 2012/13: 0.84 GBP/€}.

Expected development of Group earnings

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

*based on a planned fx rate of 0.83 GBP/€

Turnover

We expect turnover to rise moderately by 2% to 4% in financial year 2013/14, above all due to a higher number of guests in TUI Travel's mainstream business.

Underlying EBITA

In financial year 2013/14, underlying EBITA for the TUI Group is expected to grow by 6% – 12% as a consequence of the forecast business performance in the Sectors presented below. Risks relate to the resilience of customer numbers against a backdrop of continued economic volatility in the key source markets.

Adjustments
Net one-off expenses are expected to decline in 2013/14. Our budget is based on the assumption that in Belgium, assuming a positive conclusion to the legal proceedings, we will carry expected VAT reimbursements of €116m from prior years in accounting profit and adjust them in our operating result. TUI Travel had already recorded an inflow of these refunds in 2012/13 and they were carried in full as a liability at the balance sheet date.

EBITA
Due to the expected decline in special one-off factors to be adjusted and the improvement in operating earnings, we expect reported EBITA to grow by 16% – 23% in financial year 2013/14.

ROIC and economic value added
Due to the improved operating result, we expect ROIC to improve further in financial year 2013/14; depending on the TUI Group's capital costs, this is also expected to result in an increase in economic value added.

Development by the Sectors

Expected development of earnings

Underlying EBITA		Expected development vs. PY		
€ million	2012/13			**2013/14***
TUI Travel	640,5	7%	to	10%
TUI Hotels & Resorts	197,2			
TUI Hotels & Resorts (without book profit Cala Millor)	182,2	2%		7%
Cruises	- 13,9	Turnaround		
Central Operations	- 61,9	3%	to	11%
Group	**761,9**	**6%**	**to**	**12%**

*based on a planned fx rate of 0.83 GBP/€

TUI Travel
TUI Travel projects an average annual underlying operating profit growth until 2017 of between 7% and 10% based on constant exchange rates. Given current trading, we expect TUI Travel to deliver a minimum growth of underlying operating profit of 7% in the financial year 2013/14. Achieving stronger growth of up to 10% is very much dependent on the development of the Summer 2014 season. This forecast is based on a constant sterling exchange rate of 0.83 GBP/€ (average rate 2012/13: 0.84 GBP/€). Should the sterling exchange rate against the Euro differ considerably from this forecast, this could have a significant effect on the TUI Travel result shown in TUI AG´s Consolidated Financial Statement. The main earnings drivers for TUI Travel are increased sales of unique holidays sold through channels that it directly controls in the Mainstream Sector, building on the re-based Specialist & Activity Sector, continuing to grow its´ number one position in Accommodation Wholesaling and operational efficiencies across all Sectors in the Group. On the other hand, there are risks resulting from poorer economic development in the principal volume markets, which might dampen demand in the travel market.

TUI Hotels & Resorts

For TUI Hotels & Resorts, we expect underlying earnings to improve by 2% – 7% in financial year 2013/14, excluding the income of around €15m from the sale of a hotel, which was included in the result for financial year 2012/13. Capacity in TUI Hotels & Resorts is to rise slightly in financial year 2013/14 (2012/13: 24.3m available beds). With stable hotel occupancy (2012/13: 80.3%), we are planning for slightly improved average revenues per bed (2012/13: €53.1/day). Risks are related to customer numbers from the major source markets, which might fall below expectations.

Cruises

For the Cruises Sector, we expect our operating result to at least break even in financial year 2013/14. The main driver for the improvement in the operating performance of Hapag-Lloyd Kreuzfahrten is the non-recurrence of the start-up costs for the launch of Europa 2, included in the result for 2012/13. In addition, the shift in focus at Hapag-Lloyd Kreuzfahrten to luxury and expedition cruises will be completed with the removal of Columbus 2 in April 2014. Passenger days (2012/13: 407 thousand), average rates (2012/13: €420/day) are expected to rise significant on the previous year, mainly because Europa 2 will have been in operation all year for the first time. Occupancy (2012/13: 70.6%) is expected to increase sightly. In June 2014, TUI Cruises will commission its third ship and expect it to generate additional profit contributions. TUI Cruises is also expected to record a significant increase in passenger days (2012/13: 1.4m) and average daily rates (2012/13: €157/day), while planned occupancy is expected to decline year-on-year to 99.2% (101.8%).

Central Operations

For Central Operations, we expect underlying earnings to improve slightly year-on-year due to a slight decline in expenses.

Financial position

Expected development of Group financial position

		Expected Development vs. PY
€ million	2012/13	**2013/14***
Cash investments	597.7	stable
Net debt	67.9	stable

*based on a planned fx rate of 0.83 GBP/€

Investments

In the light of investment decisions already taken and projects in the pipeline, the TUI Group expects financial requirements to be stable in financial year 2013/14. Around 80% of investments relate to TUI Travel. Most of these funds will be used for investments in property, plant and equipment. The planned investments by TUI Travel include the introduction of new production and booking systems and the purchase of aircraft spares and yachts. Further funds are earmarked for the upkeep and expansion of the cruise and hotel portfolios.

Net debt

At the balance sheet date, the Group's net debt amounted to €0.1bn. Taking account of expected operating cash flow, expected cash investments and planned finance leases for aircraft in TUI Travel, the TUI Group's net debt is expected to remain stable in financial year 2013/14.

Sustainable development

Climate protection and emissions

Greenhouse gas emissions and the impact of these emissions on climate change pose one of the greatest global challenges for the tourism sector. Our goal of reducing absolute and specific CO_2 emissions from our aircraft fleet by 6% against baseline 2007/08 by the end of financial year 2013/14 was achieved ahead of schedule in August 2013. We have therefore planned to cut the specific CO_2 emissions per passenger kilometre of our airlines by an additional 3 percentage points by the end of 2015 with the aid of new technologies.

Expected overall development

On the basis of the expected moderate economic growth, we continue to assess the TUI Group's outlook for financial year 2013/14 as positive. The TUI Group is well positioned in the market with its finance profile and its portfolio of products and services.

As against the prior year reference period, we expect operating earnings by Tourism to grow year-on-year due to the improved operating performance of our Sectors. The TUI Group's underlying earnings are expected to rise by 6% - 12% year-on-year, based on assumed exchange rates.

Should the economic framework show the expected positive development, the business volumes and operating result of the Group are expected to rise further in financial year 2014/15. In the framework of our strategy programme oneTUI, we aim to achieve an operating result (underlying EBITA) of around €1bn for the TUI Group in financial year 2014/15 on a constant currency basis.

Opportunity Report

The TUI Group's opportunity management follows the Group strategy for core business Tourism. Responsibility for the systematic identification and exploitation of opportunities rests with the operative management of the Tourism Sectors TUI Travel, TUI Hotels & Resorts and Cruises. Market scenarios and critical success factors for the individual Sectors are analysed and assessed as part of the Group-wide planning and control process. The core task of the Group Board is to secure profitable growth for the TUI Group by optimising the shareholding portfolio and developing the Group structure over the long term.

Overall, the TUI Group is well positioned to benefit from opportunities resulting from the main trends in its markets.

Opportunities from changing conditions
Should the economic climate prove better than expected, the TUI Group and its Sectors would benefit from the resulting increase in demand in the travel market. In addition, changes in the competitive environment in individual markets might give rise to opportunities for the TUI Group.

Strategic corporate opportunities
We see opportunities for further organic growth in particular by expanding our activities in growth markets Russia and Brazil. As market leader, we also intend to benefit long-term from demographic change and the resulting expected increase in demand for high-quality travel at an attractive price/performance ratio.

Operational opportunities
We intend to improve our competitive position further by continuing the restructuring and cost reduction programmes, offering differentiated product and further expanding controlled distribution in TUI Travel, in particular online distribution.

Other opportunities
Moreover, we consider the potential sale of our remaining stake in Container Shipping as an opportunity to further improve the TUI Group's key financial ratios.

TUI Group – Financial highlights

€ million		SFY 2009	2009/10	2010/11	2011/12	2012/13
Turnover						
TUI Travel		12,622	15,755	16,867	17,682	17,796
TUI Hotels & Resorts		318	353	363	385	403
Cruises		142	179	201	231	261
Discontinued operation		1,119	–	–	–	–
Others		49	63	50	33	17
Group		**14,250**	**16,350**	**17,480**	**18,330**	**18,478**
EBITDA						
TUI Travel		486	438	640	745	845
TUI Hotels & Resorts		153	211	216	245	255
Cruises		7	15	20	11	- 19
Discontinued operation		968	–	–	–	–
Others		- 31	- 14	- 25	- 77	- 70
Group		**1,582**	**650**	**850**	**924**	**1,011**
Underlying EBITDA						
TUI Travel		695	711	718	834	888
TUI Hotels & Resorts		153	213	235	246	265
Cruises		7	16	20	13	- 3
Discontinued operation		- 148	–	–	–	–
Others		- 31	- 35	- 50	- 70	- 60
Group		**676**	**905**	**924**	**1,023**	**1,091**
EBITA						
TUI Travel		104	102	321	441	533
TUI Hotels & Resorts		52	137	144	178	171
Cruises		1	7	11	1	- 30
Discontinued operation		894	–	–	–	–
Others		- 39	- 30	- 32	- 81	- 78
Group		**1,013**	**216**	**445**	**539**	**595**
Underlying EBITA						
TUI Travel		526	485	500	637	641
TUI Hotels & Resorts		96	148	145	179	197
Cruises		1	8	11	3	- 14
Discontinued operation		- 222	–	–	–	–
Others		- 39	- 51	- 57	- 73	- 62
Group		**362**	**589**	**600**	**746**	**762**
Group earnings						
Net profit for the year		395	114	118	142	187
Earnings per share	€	+ 1.32	+ 0.30	- 0.01	- 0.16	- 0.08
Dividend	€	–	–	–	–	0.15
Assets						
Non-current assets		9,093	9,357	9,108	8,668	8,646
Current assets		4,367	5,259	4,384	4,544	4,809
Total assets		**13,460**	**14,616**	**13,492**	**13,213**	**13,454**
Equity and liabilities						
Equity		2,241	2,434	2,548	2,067	2,029
Non-current liabilities		5,027	4,555	4,168	3,773	3,825
Current liabilities		6,192	7,626	6,776	7,373	7,600
Total equity and liabilities		**13,460**	**14,616**	**13,492**	**13,213**	**13,454**
Key ratios						
EBITDA margin (underlying)	%	4.7	5.5	5.3	5.6	5.9
EBITA margin (underlying)	%	2.5	3.6	3.4	4.1	4.1
ROIC	%	–	10.49	11.44	15.98	17.14
Equity ratio	%	16.6	16.7	18.9	15.6	15.1
Cash flow from operating activities		1,135	818	1,086	842	875
Capital expenditure		364	516	474	643	821
Net debt		2,330	2,287	817	178	68
Employees	30 Sep	69,536	71,398	73,707	73,812	74,445

Differences may occur due to rounding.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

Income statement of the TUI Group for the period from 1 October 2012 to 30 September 2013

€ million	Notes	2012/13	2011/12
Turnover	(1)	18,477.5	18,330.3
Cost of sales	(2)	16,436.3	16,285.8
Gross profit		**2,041.2**	**2,044.5**
Administrative expenses	(2)	1,557.3	1,555.7
Other income/other expenses	(3)	+ 26.3	+ 71.1
Impairment of goodwill	(4)	8.3	13.8
Financial income	(5)	124.0	159.9
Financial expenses	(6)	359.7	444.6
Share of result of joint ventures and associates	(7)	+ 59.3	- 8.7
Earnings before income taxes		**325.5**	**252.7**
Reconciliation to underlying earnings:			
Earnings before income taxes		325.5	252.7
plus: Loss on Container Shipping measured at equity		22.3	49.0
less: Gain on reduction and measurement of financial investment in with Container Shipping		–	- 61.6
plus: Net Interest expense and expense from the measurement of interest hedges		238.7	284.9
plus: Impairment of goodwill		8.3	13.8
EBITA		594.8	538.8
Adjustments:	(8)		
plus: Loss on disposals		1.4	1.8
plus: Restructuring expense		62.3	63.2
plus: Expense from purchase price allocation		75.0	75.1
plus: Expense from other one-off items		28.4	66.8
Underlying EBITA		**761.9**	**745.7**
Earnings before income taxes		**325.5**	**252.7**
Income taxes	(9)	139.0	110.8
Group profit for the year		**186.5**	**141.9**
Group profit for the year attributable to shareholders of TUI AG	(10)	4.3	- 15.1
Group profit for the year attributable to non-controlling interest	(11)	182.2	157.0

Earning per share

€	Notes	2012/13	2011/12
Basic and diluted earnings per share	(12)	- 0.08	- 0.16

Statement of comprehensive income of the TUI Group for the period from 1 October 2012 to 30 September 2013

€ million	Notes	2012/13	2011/12
Group profit		**186.5**	**141.9**
Actuarial losses from pension provisions and related fund assets		- 19.5	- 284.4
Changes in the measurement of companies measured at equity		- 4.9	- 8.0
Income tax related to items that will not be reclassified	(13)	- 12.8	68.8
Items that will not be reclassified to profit or loss		**- 37.2**	**- 223.6**
Foreign exchange differences		- 66.2	- 27.4
Foreing exhange differences		- 67.4	- 4.3
Reclassification adjustments		1.2	- 23.1
Financial instruments available for sale		0.9	- 178.6
Changes in the fair value of financial instruments available for sale		0.9	- 34.4
Reclassification adjustments		–	- 144.2
Cash flow hedges		- 54.3	- 67.9
Changes in the fair value of cash flow hedges		- 59.7	- 46.2
Reclassification adjustments		5.4	- 21.7
Changes in the measurement of companies measured at equity		11.7	5.8
Changes in the measurement outside profit or loss		11.7	3.8
Reclassification adjustments		–	2.0
Income tax related to items that may be reclassified	(13)	10.6	6.1
Items that may be reclassified to profit or loss		**- 97.3**	**- 262.0**
Other comprehensive income		**- 134.5**	**- 485.6**
Total comprehensive income		**52.0**	**- 343.7**
attributable to shareholders of TUI AG		- 105.1	- 334.2
attributable to non-controlling interest		157.1	- 9.5

Financial position of the TUI Group as at 30 Sep 2013

€ million	Notes	30 Sep 2013	30 Sep 2012
Assets			
Goodwill	(14)	2,976.4	3,046.4
Other intangible assets	(15)	866.2	890.9
Investment property	(16)	58.0	54.9
Property, plant and equipment	(17)	2,682.0	2,651.3
Investments in joint ventures and associates	(18)	1,386.4	1,394.0
Financial assets available for sale	(19)	71.5	75.5
Trade receivables and other assets	(20)	342.8	358.1
Derivative financial instruments	(21)	37.9	28.4
Deferred tax asset	(22)	224.6	168.7
Non-current assets		**8,645.8**	**8,668.2**
Inventories	(23)	115.4	113.9
Trade receivables and other assets	(20)	1,876.8	1,956.0
Derivative financial instruments	(21)	49.1	131.5
Current tax asset	(22)	53.9	48.1
Cash and cash equivalents	(24)	2,701.7	2,278.4
Assets held for sale	(25)	11.6	16.5
Current assets		**4,808.5**	**4,544.4**
		13,454.3	**13,212.6**

€ million	Notes	30 Sep 2013	30 Sep 2012
Equity and liabilities			
Subscribed capital	(26)	645.2	644.9
Capital reserves	(27)	957.7	957.4
Revenue reserves	(28)	151.3	185.2
Hybrid capital	(30)	294.8	294.8
Equity before non-controlling interest		**2,049.0**	**2,082.3**
Non-controlling interest	(31)	- 19.6	- 15.2
Equity		**2,029.4**	**2,067.1**
Pension provisions and similar obligations	(32)	1,102.2	1,146.9
Other provisions	(33)	575.0	537.5
Non-current provisions		**1,677.2**	**1,684.4**
Financial liabilities	(34)	1,834.1	1,810.5
Derivative financial instruments	(36)	30.7	31.8
Current tax liabilities	(37)	107.8	108.3
Deferred tax liabilities	(37)	76.6	69.5
Other liabilities	(38)	98.4	68.2
Non-current liabilities		**2,147.6**	**2,088.3**
Non-current provisions and liabilities		**3,824.8**	**3,772.7**
Pension provisions and similar obligations	(32)	33.8	39.7
Other provisions	(33)	449.2	509.8
Current provisions		**483.0**	**549.5**
Financial liabilities	(34)	935.5	646.1
Trade payables	(35)	3,049.2	3,260.0
Derivative financial instruments	(36)	178.8	163.1
Current tax liabilities	(37)	134.0	96.5
Other liabilities	(38)	2,819.6	2,657.6
Current liabilities		**7,117.1**	**6,823.3**
Current provisions and liabilities		**7,600.1**	**7,372.8**
		13,454.3	**13,212.6**

Statement of changes in Group equity of the TUI Group for the period from 1 October 2012 to 30 September 2013

€ million	Subscribed capital (26)	Capital reserves (27)	Other revenue reserves	Foreign exchange differences	Financial instruments available for sale
Balance as at 1 October 2011	**643.5**	**956.1**	**1,085.6**	**- 690.2**	**181.6**
Dividends	–	–	–	–	–
Hybrid capital dividend	–	–	- 25.6	–	–
Share based payment schemes of TUI Travel PLC	–	–	9.3	–	–
Issue of employee shares and conversion of convertible bonds	1.4	1.3	–	–	–
Effects on the acquisition of non-controlling interests	–	–	- 41.3	1.7	–
Group profit for the year	**–**	**–**	**- 15.1**	**–**	**–**
Foreign exchange differences	–	–	- 26.8	47.6	–
Financial Instruments available for sale	–	–	–	–	- 181.6
Cash flow hedges	–	–	–	–	–
Actuarial losses from pension provisions and related fund assets	–	–	- 191.9	–	–
Changes in the measurement of companies measured at equity	–	–	- 1.6	–	–
Income tax attributable to other comprehensive income	–	–	51.0	–	–
Other comprehensive income	**–**	**–**	**- 169.3**	**47.6**	**- 181.6**
Total comprehensive income	–	–	- 184.4	47.6	- 181.6
Balance as at 30 September 2012	**644.9**	**957.4**	**843.6**	**- 640.9**	**–**
Dividends	–	–	–	–	–
Hybrid capital dividend	–	–	- 23.9	–	–
Share based payment schemes of TUI Travel PLC	–	–	10.1	–	–
Change of taxation of the equity component of convertible bonds	–	–	–	–	–
Issue of employee shares and conversion of convertible bonds	0.3	0.3	–	–	–
Deconsolidation	–	–	- 2.5	–	–
Effects on the acquisition of non-controlling interests	–	–	- 12.6	–	–
Effects on the disposal of shares to non-controlling interests	–	–	102.5	- 6.8	–
Group profit for the year	**–**	**–**	**4.3**	**–**	**–**
Foreign exchange differences	–	–	16.6	- 105.3	–
Financial Instruments available for sale	–	–	–	–	0.5
Cash flow hedges	–	–	–	–	–
Actuarial losses from pension provisions and related fund assets	–	–	- 6.3	–	–
Changes in the measurement of companies measured at equity	–	–	6.8	–	–
Income tax attributable to other comprehensive income	–	–	- 9.0	–	–
Other comprehensive income	**–**	**–**	**8.1**	**- 105.3**	**0.5**
Total comprehensive income	–	–	12.4	- 105.3	0.5
Balance as at 30 September 2013	**645.2**	**957.7**	**929.6**	**- 753.0**	**0.5**

Cash flow hedges	Revaluation reserve	Revenue reserves	Hybrid capital	Equity before non-controlling interest	Non-controlling interest	**Total**
		(28)	(30)		(31)	
- 21.0	**19.6**	**575.6**	**294.8**	**2,470.0**	**77.8**	**2,547.8**
–	–	–	–	–	- 100.6	- 100.6
–	–	- 25.6	–	- 25.6	–	- 25.6
–	–	9.3	–	9.3	7.1	16.4
–	–	–	–	2.7	–	2.7
- 0.3	–	- 39.9	–	- 39.9	10.0	- 29.9
–	**–**	**- 15.1**	**–**	**- 15.1**	**157.0**	**141.9**
- 0.2	1.3	21.9	–	21.9	- 49.3	- 27.4
–	–	- 181.6	–	- 181.6	3.0	- 178.6
- 12.8	–	- 12.8	–	- 12.8	- 55.1	- 67.9
–	–	- 191.9	–	- 191.9	- 92.5	- 284.4
–	–	- 1.6	–	- 1.6	- 0.6	- 2.2
- 4.1	–	46.9	–	46.9	28.0	74.9
- 17.1	**1.3**	**- 319.1**	**–**	**- 319.1**	**- 166.5**	**- 485.6**
- 17.1	1.3	- 334.2	–	- 334.2	- 9.5	- 343.7
- 38.4	**20.9**	**185.2**	**294.8**	**2,082.3**	**- 15.2**	**2,067.1**
–	–	–	–	–	- 129.7	- 129.7
–	–	- 23.9	–	- 23.9	–	- 23.9
–	–	10.1	–	10.1	8.3	18.4
–	–	–	–	–	4.0	4.0
–	–	–	–	0.6	–	0.6
–	2.5	–	–	–	–	–
–	–	- 12.6	–	- 12.6	- 12.8	- 25.4
1.9	–	97.6	–	97.6	- 31.3	66.3
–	**–**	**4.3**	**–**	**4.3**	**182.2**	**186.5**
3.4	- 1.7	- 87.0	–	- 87.0	20.8	- 66.2
–	–	0.5	–	0.5	0.4	0.9
- 15.7	–	- 15.7	–	- 15.7	- 38.6	- 54.3
–	–	- 6.3	–	- 6.3	- 13.2	- 19.5
–	–	6.8	–	6.8	–	6.8
1.3	–	- 7.7	–	- 7.7	5.5	- 2.2
- 11.0	**- 1.7**	**- 109.4**	**–**	**- 109.4**	**- 25.1**	**- 134.5**
- 11.0	- 1.7	- 105.1	–	- 105.1	157.1	52.0
- 47.5	**21.7**	**151.3**	**294.8**	**2,049.0**	**- 19.6**	**2,029.4**

Cash flow statement

€ million	Notes	2012/13	2011/12 revised	Var.
Group profit for the year		186.5	141.9	44.6
Depreciation, amortisation and impairments (+) / write-backs (-)		429.4	398.7	30.7
Other non-cash expenses (+) / income (-)		- 40.9	33.8	- 74.7
Interest expenses (excl. interest relating to pension obligations)		284.0	262.9	21.1
Dividends from joint ventures and associates		58.5	22.4	36.1
Profit (-) / loss (+) from disposals of non-current assets		- 24.1	- 66.1	42.0
Increase (-) / decrease (+) in inventories		7.2	- 0.1	7.3
Increase (-) / decrease (+) in receivables and other assets		53.9	73.1	- 19.2
Increase (+) / decrease (-) in provisions		- 204.8	22.2	- 265.7
Increase (+) / decrease (-) in liabilities (excl. financial liabilities)		125.6	- 47.3	211.6
Cash inflow from operating activities	**(46)**	**875.3**	**841.5**	**33.8**
Payments received from disposals of property, plant and equipment, investment property and intangible assets		270.5	171.7	98.8
Payments received from disposals of consolidated companies (excl. disposals of cash and cash equivalents due to divestments)		–	2.1	- 2.1
Payments received from the disposals of other non-current assets		8.7	679.2	- 670.5
Payments made for investments in property, plant and equipment, investment property and intangible assets		- 597.7	- 480.1	- 117.6
Payments made for investments in consolidated companies (excl. cash and cash equivalent received due to acquisitions)		- 14.4	- 27.5	13.1
Payments made for investments in other non-current assets		- 111.4	- 30.7	- 80.7
Cash inflow from investing activities	**(47)**	**- 444.3**	**314.7**	**- 759.0**
Payments received from capital increases		0.4	0.4	–
Payments made for interest increase in consolidated companies		- 25.4	- 23.7	- 1.7
Dividend payments				
TUI AG		- 37.2	- 25.9	- 11.3
subsidiaries to non-controlling interest		- 111.9	- 102.4	- 9.5
Payments received from the issue of bonds and the raising of financial liabilities		228.5	18.3	210.2
Payments made for redemption of loans and financial liabilities		- 573.1	- 560.8	- 12.3
Interest paid		- 102.2	- 200.1	97.9
Cash outflow from financing activities	**(48)**	**- 620.9**	**- 894.2**	**273.3**
Net change in cash and cash equivalents		**- 189.9**	**262.0**	**- 451.9**
Development of cash and cash equivalents	**(49)**			
Cash and cash equivalents at beginning of period		**2,278.4**	**1,981.3**	**297.1**
Change in cash and cash equivalents due to exchange rate fluctuations		25.7	35.1	- 9.4
Change in cash and cash equivalents with cash effects		- 189.9	262.0	- 451.9
Change in cash and cash equivalents without cash effects		587.5	–	587.5
Cash and cash equivalents at end of period		**2,701.7**	**2,278.4**	**423.3**

NOTES

NOTES

PRINCIPLES AND METHODS UNDERLYING THE CONSOLIDATED FINANCIAL STATEMENTS

General

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

The members of the Executive Board and the Supervisory Board as well as other board mandates held by them are listed separately in the management report in the section Corporate Governance.

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

The financial year of the TUI Group and its major subsidiaries included in consolidation covers the period from 1 October of any one year to 30 September of the following year. Where any of TUI's subsidiaries (in particular those of the Riu Group) use financial years with other closing dates, interim financial statements were prepared in order to include these subsidiaries in TUI AG's consolidated financial statements.

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

The present consolidated financial statements were approved for publication by TUI AG's Executive Board on 9 December 2013.

Accounting principles

Pursuant to section 315a (1) of the German Commercial Code (HGB), in combination with Regulation EEC No. 1606/2002 of the European Union, TUI AG is legally obliged, as a listed company, to prepare consolidated financial statements in accordance with the rules of the International Accounting Standards Board (IASB), the International Financial Reporting Standards (IFRSs).

The IFRSs are applied in the form in which they are transposed into national legislation by means of the European Commission's endorsement procedure. Moreover, the commercial-law provisions listed in section 315a (1) of the German Commercial Code are also observed.

The following standards revised by the IASB have been mandatory since the beginning of financial year 2012/13:

- Amendments to IAS 1: Presentation of Financial Statements – Other Comprehensive Income
- Amendments to IAS 12: Deferred Tax – Recovery of Underlying Assets

The first-time application of these provisions does not have any material effects on the TUI Group's net assets, financial position and results of operations or the disclosures in the Notes to the present consolidated financial statements.

The amendments to IAS 1 relate to the presentation of items in other comprehensive income. Accordingly, separate subtotals are required for those elements which will have to be reclassified profit and loss in the framework of future derecognition from other comprehensive income (recycling) and those elements that will not be reclassified profit and loss. Tax associated with the items presented before tax is shown separately for each of these two groups.

The amendments to IAS 12 concerning deferred tax relating to investment property, measured using the fair value model in IAS 40, do not have an effect on the TUI Group's consolidated financial statements as such property is recognised at amortised cost by TUI.

Summary of new standards and interpretations not yet applied/applicable

Standard/ Interpretation		Applicable for financial years from	Endorsement by the EU commission
Standard			
IAS 19	Employee benefits	1 Jan 2013	Yes
IFRS 13	Fair Value Measurement	1 Jan 2013	Yes
IFRS 7	Financial Instruments - Disclosures: Offsetting Financial Assets and Financial Liabilites	1 Jan 2013	Yes
IAS 32	Financial Instruments - Presentation: Offsetting Financial Assets and Financial Liabilities	1 Jan 2014	Yes
IFRS 10	Consolidated Financial Statements	1 Jan 2014	Yes
IFRS 11	Joint Arrangements	1 Jan 2014	Yes
IFRS 12	Disclosures of Interests in Other Entities	1 Jan 2014	Yes
IAS 27	Separate Financial Statements	1 Jan 2014	Yes
IAS 28	Investments in Associates and Joint Ventures	1 Jan 2014	Yes
various	Transition Guidance to IFRS 10, IFRS 11 and IFRS 12	1 Jan 2014	Yes
various	Annual Improvements Project (2009-2011)	1 Jan 2013	Yes
IAS 36	Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets	1 Jan 2014	No
IAS 39	Financial Instruments - Recognition and Measurement: Novation of Derivatives and Continuation of Hedge Accounting	1 Jan 2014	No
IAS 19	Employee benefits: Defined Benefit Plans - Employee Contribution	1 Jul 2014	No
various	Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	1 Jan 2014	Yes
IFRS 9	Financial Instruments (will replace IAS 39: Financial Instruments: recognition and measurement) and subsequent amendments	not yet announced	No
Interpretation			
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1 Jan 2013	Yes
IFRIC 21	Levies	1 Jan 2014	No

With the exception of amendments to IAS 36, TUI does not generally intend to voluntarily apply these standards and interpretations or the resulting amendments before their effective date.

Detailed contents and potential effects on future periods, in particular the effects of the first-time application of IAS 19, are presented under Other disclosures in note 55.

The accounting and measurement methods and the explanatory information and Notes to these annual financial statements for financial year 2012/13 are basically consistent with those followed in preparing the previous consolidated financial statements for financial year 2011/12.

As the intention to offset certain items under a cash pooling agreement on a net basis had ceased at the balance sheet date, these items are no longer netted with a balance of 17.5 Mio. € in the consolidated statement of financial position in accordance with IAS 32.42, but are shown on a gross basis with a balance of 587.5 Mio. € in cash and cash equivalents and 570.0 Mio. € in current financial liabilities. This presentation change does not affect Group equity. As the intention did not change until September 2013 – so that the conditions for netting had been met up to that point – Group equity and the consolidated cash flow statement for the previous year were not affected, either. Due to gross recognition, the non-cash changes in cash and cash equivalent (in the consolidated cash flow statement) and cash and cash equivalents in the statement of financial position as at 30 September 2013 rose each by 587.5 Mio. €.

In order to improve comparability with companies already applying IAS 19 (2011) and in anticipation of the application of this standard by TUI in the forthcoming financial year, actuarial gains and losses from pension obligations are no longer shown in a separate column but are carried under other revenue reserves. The prior year disclosures were adjusted to reflect the new presentation.

Changes in accounting and measurement methods

In the interest of enhanced presentation of cash flows from operating activities and in order to increase comparability, dividends received from associates and joint ventures are shown in a separate line under cash inflows from operating activities in financial year 2012/13, in accordance with industry practice. The previous year's numbers were adjusted accordingly.

As most of the dividends received result from shareholdings in Tourism, TUI is of the view that this change in the method ensures that the cash flow statement presents more relevant information about the ability to generate cash flows from operating activities.

The change has resulted in the following reclassifications in the consolidated cash flow statement:

Impact on the cash flow statement

€ million	**2012/13**	2011/12
Dividends from joint ventures and associates	+ 58.5	+ 22.4
Cash from operating activities	**+ 58.5**	**+ 22.4**
Payments received from the disposal of other non-current assets	- 58.5	- 22.4
Cash flow from investing activities	**- 58.5**	**- 22.4**
Net change in cash and cash equivalents	–	–

Principles and methods of consolidation

Principles

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

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

Shareholdings in companies in which the Group is able to exert significant influence over the financial and operating decisions within these companies (associates, shareholdings of 20% to less than 50% as a matter of principle) are carried at equity. Stakes in companies managed jointly with one or several partners (joint ventures) are also measured at equity. The dates as of which associates and joint ventures are included in or removed from the group of companies measured at equity are determined in analogy to the principles applying to subsidiaries. At equity measurement in each case is based on the last annual financial statements available or the interim financial statements as at 30 September if the balance sheet dates differ from TUI AG's balance sheet date. This approach affects 36 companies with a financial year from 1 January to 31 December, six companies with a financial year from 1 November to 31 October and two companies with a financial year from 1 April to 31 March of the subsequent year.

Group of consolidated companies

In financial year 2012/13, the consolidated financial statements included a total of 47 domestic and 630 foreign subsidiaries, besides TUI AG.

32 domestic and 64 foreign subsidiaries were not included in the consolidated financial statements. Even when taken together, these companies were not significant for the presentation of a true and fair view of the net assets, financial position and results of operations of the Group.

Development of the group consolidated companies[1] and the companies measured at equity

	Balance 30 Sep 2012	Additions	Disposals	**Balance 30 Sep 2013**
Consolidated subsidiaries	**725**	**33**	**81**	**677**
Domestic companies	43	6	2	47
Foreign companies	682	27	79	630
Associated companies	**20**	**6**	**4**	**22**
Domestic companies	5	3	3	5
Foreign companies	15	3	1	17
Joint ventures	**42**	**1**	**3**	**40**
Domestic companies	7	–	–	7
Foreign companies	35	1	3	33

[1] excl. TUI AG

Since 1 October 2012, a total of 33 companies have been newly included in consolidation, with 20 companies added due to acquisitions and purchase of additional stakes and five companies due to an expansion of their business operations. Moreover, eight companies were newly established. With the exception of two companies, all these additions relate to the Tourism Segment.

Since 30 September 2012, a total of 81 companies have been removed from consolidation. 17 of the companies were removed from consolidation due to mergers, 62 to liquidation and two due to divestments. 79 of the removals relate to the companies operating in the Tourism Segment, with two companies related in the other segments.

22 associated companies and 40 joint ventures were measured at equity. The group of companies measured at equity rose by a total of two year-on-year. Five companies were newly included in at equity measurement due to acquisitions and expansion of business operations. One company was newly established. Meanwhile two companies were removed from the group of companies measured at equity due to sales or mergers, and two companies were included in the group of consolidated companies due to acquisitions of additional interests; they therefore were no longer measured at equity.

The number of joint ventures measured at equity declined by a total of two. Two companies were removed from at equity measurement due to sale and liquidation, and one company was no longer measured at equity as it was included in the group of consolidated companies. The number of joint ventures rose due to the foundation of one company.

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

The impact on financial years 2012/13 and 2011/12 of these changes to the list of companies consolidated in financial year 2012/13 is outlined below. While balance sheet values of companies deconsolidated in financial year 2012/13 are shown as per the closing date for the previous period, items in the income statement are also shown for financial year 2012/13 due to prorated effects.

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

€ million	**Additions 30 Sep 2013**	Disposals 30 Sep 2012
Non-current assets	65.5	2.5
Current assets	23.2	5.9
Non-current financial liabilities	1.7	–
Current financial liabilities	2.3	–
Non-current other liabilities	30.8	0.4
Current other liabilities	32.9	–

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

€ million	**Additions 2012/13**	**2012/13**	Disposals 2011/12
Turnover with third parties	34.4	–	–
Turnover with consolidated Group companies	59.2	–	–
Cost of sales and administrative expenses	91.0	0.9	1.7
Financial expenses	1.5	–	–
Earnings before income taxes	**1.1**	**- 0.9**	**- 1.7**
Income taxes	0.5	–	- 0.1
Group profit for the year	**0.6**	**- 0.9**	**- 1.6**

Acquisitions – divestments

In financial year 2012/13, the cost to purchase companies and business lines converted into Euro totalled €22.9m.

Summary presentation of acquisitions

Name and headquarters of the acquired company or business	Business activity	Acquirer	Date of acquisition	Acquired share	Consideration transferred in € million
TUI InfoTec GmbH, Hanover, Germany	IT Provider	Leibniz Service GmbH	5 Nov 2012	50%	9.5
JBS Group, Pasadena California	Accommodation Service	First Choice Holding, Inc.	21 Dec 2012	100%	4.5
TT Services Group	Visa Service	Trina Group	21 Dec 2012	100%	2.0
9 Travel agents in Germany	Travel agent	TUI Leisure Travel GmbH	1 Oct 2012- 31 Mar 2013	n/a	2.1
Isango! Limited, London, Great Britain	Online Service Provider	Trina Group	22 Feb 2013	100%	3.6
Manahé Ltd, Quatre Bornes, Mauritius	Destination Management	Leibniz Service GmbH	28 Mar 2013	1%	0.0
Tunisie Voyages SA, Tunis, Tunisia	Destination Management	Trina Group	6 May 2013	50%	1.2
Total					**22.9**

In financial year 2012/13 acquisitions of travel agencies in Germany took form of asset deals. All other acquisitions were carried out in the form of share deals.

Following acquisition of the stakes mentioned above, TUI AG now holds 100% of the shares in InfoTec GmbH, Hanover. In the framework of the acquisition, TUI AG also acquired a majority stake in travel-BA.Sys GmbH & Co. KG, Mülheim/Ruhr, and two other shareholdings. The consideration transferred for the acquisition by the TUI Group includes paid purchase prices as well as liabilities of €3.5m taken over from the former owner of the acquired company.

Where companies had previously been measured at equity, the fair value of €12.6m measured directly before the acquisition of additional shares triggering their classification as fully consolidated subsidiaries led to a loss of €2.0m.

The difference arising between the consideration transferred and the remeasured acquired net assets of €29.4m as at the acquisition date was temporarily carried as goodwill. This goodwill essentially constitutes part of the future synergy, earnings and cost savings potential. The goodwill capitalised in the period under review includes an amount of €1.7m expected to be tax-deductible.

Fair values of considerations transferred

€ million	
Purchase price	19.4
Liabilities taken over	3.5
Total	**22.9**

In accordance with the rules of IFRS 3, incidental acquisition costs and the remuneration for future services of employees (up to €5.2m) of the acquired companies are carried as administrative expenses in the income statement.

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

€ million, translated	Fair value at date of first-time consolidation
Intangible assets	10.6
Property, plant and equipment	12.6
Fixed assets	**23.2**
Inventories	0.8
Trade receivables	26.1
Deferred tax assets	6.3
Other assets (including prepaid expenses)	4.7
Cash and cash equivalents	8.5
Deferred income tax liabilities	1.0
Pension provisions and similar obligations	20.0
Financial liabilities	2.7
Liabilities and deferred income	38.1
Equity	**7.8**

Based on the information available, it was not possible to finalise measurement by the balance sheet date of several components of the acquired assets and liabilities under the acquisitions, in particular the acquisition of TT Services Group. The twelve-month period permitted under IFRS 3 for finalising purchase price allocations was taken up; this allows for provisional allocation of purchase price to individual assets and liabilities until the end of that period.

The acquisitions contributed around €27.1m to consolidated turnover in the period under review as from the individual acquisition dates. Their effect on the Group result is €0.3m. If these companies had been included in the consolidated financial statements since 1 October 2012, additional turnover of €8.3m would have been generated (with an immaterial additional effect on the Group result).

The present annual financial statements reflect purchase price allocations for the following companies and groups acquired between 1 October 2011 and 30 September 2012, finalised within the twelve-month timeframe provided under IFRS 3:

- Eurolink Viagens e Turismo Ltda, Jundiai, São Paulo, Brazil
- Intrepid Connections Pty Ltd. Winnellie, Australia
- Boomerang-Reisen Vermögensverwaltungsgesellschaft mbH, Trier
- Mala Pronta Viagens e Turismo Ltda, Curitiba, Brazil
- Travel agencies in Germany and Poland

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

Final presentation of the statements of financial position as at first-time consolidation for acquisitions of the financial year 2011/12

€ million	Carrying amounts at date of acquisition	Revaluation of assets and liabilities	Carrying amounts at date of first-time consolidation
Other intangible assets	0.5	9.8	10.3
Property, plant and equipment	3.0	0.5	3.5
Fixed assets	**3.5**	**10.3**	**13.8**
Receivables and other assets including deferred tax receivables	2.3	–	2.3
Cash and cash equivalents	3.4	–	3.4
Deferred tax liabilities	0.4	–	0.4
Other provisions	0.4	–	0.4
Financial liabilities	2.3	–	2.3
Liabilities and deferred income	5.8	0.3	6.1
Equity	**0.3**	**10.0**	**10.3**

No material changes in purchase price allocation have exerted an effect on the consolidated statement of financial position as at 30 September 2012.

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

Foreign exchange translation

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

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

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

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

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

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

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

Net investment in a foreign operation

Monetary items receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, essentially form part of a net investment in this foreign operation. Foreign exchange differences from the translation of these monetary items are recognised in Other comprehensive income, i.e. in equity outside profit and loss.

Exchange rates of currencies of relevance to the TUI Group

	Closing rate		Annual average rate	
1 € equivalent	**30 Sep 2013**	30 Sep 2012	**2012/13**	2011/12
Sterling	0.84	0.80	0.84	0.83
US dollar	1.35	1.29	1.31	1.32
Swiss franc	1.22	1.21	1.23	1.21
Swedish krona	8.66	8.45	8.59	8.85

Consolidation methods

The recognition of the net assets of acquired subsidiaries is based on the purchase method of accounting. Accordingly, irrespective of existing non-controlling interests, a complete fair value measurement of all identifiable assets, liabilities and contingent liabilities is initially effected as at the acquisition date. Subsequently, the consideration for the acquisition of the stake is measured at fair value and eliminated against the acquiree's revalued equity attributable to the acquired share. Any excess of acquisition costs over net assets acquired is capitalised as goodwill and recognised as an asset for the acquired subsidiary in accordance with the provisions of IFRS 3. Any negative goodwill is immediately reversed through profit and loss as at the date on which it arises, with the reversal effect carried under Other income.

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

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

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

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

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

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

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

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

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

Intercompany receivables and payables or provisions are eliminated. Where the conditions for the consolidation of third-party debt are met, this option is used. Intercompany turnover and other income as well as the corresponding expenses are eliminated. Intercompany results from intercompany deliveries and services are reversed through profit and loss, taking account of deferred taxes. However, intercompany losses are understood as suggesting that an impairment test is required for the transferred assets. Intercompany deliveries and services are provided in conformity with the arm's length principle.

Accounting and measurement methods

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

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

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

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

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

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

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

Useful lives of intangible assets

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

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

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

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

Impairment tests for goodwill are conducted on the basis of cash generating units (CGUs). According to the IASB rules, cash generating units are the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets. In the Tourism Segment, the TUI Travel sector as a whole represents a cash generating unit. Allocation in the TUI Hotels & Resorts sector is based on the individual hotel groups.

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

Since a fair value was not available in an active market for the entities to be tested, with the exception of TUI Travel, it was determined by discounting the expected cash surpluses. This was based on the medium-term plan for the entity under review, prepared at the balance sheet date, following deduction of income tax payments. Budgeted turnover and EBITA margins are based on empirical values from the prior financial year and expectations with regard to the future development of the market. Average turnover growth of 5% is expected for the TUI Travel Sector. The expected EBITA margin is between 4% and 5%. The budget for TUI Hotels & Resorts is based on average turnover growth of 5%. The expected EBITA margin will be 20% to 22%. Cash surpluses after the detailed planning period of three to five years are extrapolated at a growth rate of 1%.

For the detailed planning periods from 2013/14 to 2015/16, the weighted average cost of capital after income taxes used as the discounting basis is 8.5% p.a. for TUI Travel and 8.25% per annum for TUI Hotels & Resorts; taking account of a growth markdown, the corresponding figures are 7.5% p.a. and 7.25% p.a., respectively, for the longer-term period. The fair values determined were tested against analysts' estimates for TUI AG at segment level (sum-of-the-parts measurements). They were also tested against multiples customary in the market. The tests did not give rise to any material deviations between the fair values determined and the market assessment. The costs to sell to be taken into account were determined on the basis of empirical values related to past transactions.

If the fair value of TUI Travel had been determined on the basis of the closing price of the TUI Travel share in the main market, the London Stock Exchange, no impairment would have arisen either. If this closing price were to decline by 10%, this would not have led to an impairment either.

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

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

Borrowing costs directly associated with the acquisition, construction or production of qualified assets are included in the costs to acquire or produce these assets until the assets are ready for their intended use. The capitalisation rate is 6.75% for the financial year under review, and 6.5% for the previous year. In financial year 2012/13, borrowing costs worth €9.6m (previous year €10.7m) were capitalised as part of the costs to purchase and costs to produce. Other borrowing costs are recognised as current expenses.

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

Depreciation of property, plant and equipment is largely based on the straight-line method over customary useful lives. Use-related depreciation and amortisation is based on the following useful lives:

Useful lives of property, plant and equipment

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

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

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

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

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

Leases

Finance leases

In accordance with IAS 17, leased property, plant and equipment in which the TUI Group carries all essential risks and rewards incident to ownership of the assets are capitalised. Capitalisation is based on the fair value of the asset or the present value of the minimum lease payments, if lower. Depreciation is charged over the useful life or the lease term, if shorter, on the basis of the depreciation method applicable to comparable purchased or manufactured assets. Payment obligations arising from future lease payments are carried as liabilities with no consideration of future interest expenses. Every lease payment is broken down into an interest portion and a redemption portion so as to produce a constant periodic rate of interest on the remaining balance of the liability. The interest portion is carried in the income statement through profit or loss.

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

Operating Leases

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

Sale and Leaseback transactions

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

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

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

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

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

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

In financial year 2012/13 and in the previous financial year, no reclassifications were effected within the individual measurement categories.

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

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

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

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

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

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

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

Derivative financial instruments and hedging
In the framework of initial measurement, derivative financial instruments are measured at the fair value attributable to them on the day of the conclusion of the agreement. The follow-up measurement is also effected at the fair value applicable at the respective balance sheet date. Where derivative financial instruments are not part of a hedge in connection with hedge accounting, they have to be classified as held for trading in accordance with IAS 39.

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

The TUI Group applies the hedge accounting provisions relating to hedging of balance sheet items and future cash flows. Depending on the nature of the underlying transaction, the Group classifies derivative financial instruments either as fair value hedges against exposure to changes in the fair value of assets or liabilities or as cash flow hedges against variability in cash flows from highly probable future transactions. The present consolidated financial statements do not include any fair value hedges of assets and liabilities.

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

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

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

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

Inventories

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

Cash and cash equivalents

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

Non-current assets held for sale

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

The measurement is effected at the lower of carrying amount and fair value less costs to sell. Depreciation and at equity measurements have to be suspended. Impairments to fair value less costs to sell must be carried through profit and loss, with any gains on subsequent remeasurement resulting in the recognition of profits of up to the amount of the cumulative impairment cost.

Hybrid capital

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

Provisions

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

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

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

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

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

Past service cost is immediately recognised through profit or loss if the changes in the pension plan do not depend on the employee remaining in the company for a defined period of time (vesting period). In this case, the past service cost is recognised through profit or loss on a straight-line basis over the vesting period.

The option to carry actuarial gains and losses arising from the regular adjustment of actuarial parameters is exercised by eliminating these gains and losses against equity outside profit and loss in full when they occur. This method is preferred by TUI as it avoids earnings volatilities and provides a higher information content compared with the alternative corridor method.

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

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

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

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

Deferred taxes

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

Expected tax savings from the use of loss carryforwards assessed as recoverable in the future are capitalised. Although there is still no time limit for German loss carryforwards, the annual use of such carryforwards is restricted by means of minimum taxation. Foreign loss carryforwards frequently had to be used within a given country-specific time limit and were subject to restrictions on the use of these loss carryforwards for profits on ordinary activities, which were taken into account accordingly in the measurement.

Deferred taxes are directly charged or credited to equity if the tax relates to items directly credited or charged to equity in the same or some other period.

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

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

Current income taxes

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

The calculation of foreign income taxes is based on the laws and provisions applicable in the individual countries. The income tax rates applied to foreign companies vary from 10.0% to 40.0%.

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

Share-based payments

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

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

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

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

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

Summary of selected accounting and measurement methods
The table below lists the key accounting and measurement methods used by the TUI Group:

Summary of selected measurement bases

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

Key estimates and judgements

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

All estimates and judgements are based on the conditions and assessments as at the balance sheet date. In evaluating the future development of business, account was taken of the future economic environment in the business areas and regions in which the Group operates that was assumed to be realistic as at that point in time.

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

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

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

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

Goodwill

The goodwill reported as at 30 September 2013 was carried as €2,976.4m (previous year €3,046.4m). As goodwill is not amortised, its carrying amount is compared with the recoverable amounts at the level of cash generating units in order to establish its value. The TUI Group carries out this impairment test at least once a year towards the end of the financial year. The determination of the recoverable amount of a CGU for the implementation of the impairment test requires estimates and judgement with regard to the methodology used and the assumptions, which may have a considerable effect on the recoverable amount and the level of a potential impairment. They relate, in particular, to the weighted average cost of capital (WACC) after income taxes, used as the discounting basis, the growth rate of perpetuity and the forecasts for future cash flows including the underlying budget assumptions based on corporate planning. Changes in these assumptions may have a substantial impact on the recoverable amount and the level of a potential impairment.

In the course of the year, the goodwill of the Castelfalfi CGU (in TUI Hotels & Resorts) was written off in full due to an impairment. The annual review of the amortised goodwill at the end of the financial year did not give rise to any further impairments. Neither an increase in WACC by 50 base points nor a reduction in the growth rate of perpetuity of 50 base points would have resulted in an impairment of goodwill.

Detailed disclosures about the implementation of the impairment test and the methods and assumptions used are provided in the section on Goodwill and other intangible assets in the chapter on accounting and measurement methods.

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

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

Property, plant and equipment
The measurement of wear-and-tear for property, plant and equipment items entails estimates. The carrying amount of property, plant and equipment as at 30 September 2013 totals €2,682.0m (previous year €2,651.3m). In order to review the amounts carried, an evaluation is carried out on an annual basis to assess whether there are any indications of a potential impairment. These indications relate to numerous areas and factors, e.g. the market-related or technical environment but also physical condition. If any such indication exists, management must estimate the recoverable amount on the basis of expected payment flows and appropriate interest rates. Moreover, essential estimates and judgements relate to the definition of economic useful life as well as the recoverable residual amounts of items of property, plant and equipment.

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

Pension provisions
As at 30 September 2013, the carrying amount of the provisions for pensions and similar obligation totals €1,136.0m (previous year €1,186.6m).

In order to determine the obligations under defined benefit pension schemes, actuarial calculations are used which depend heavily on underlying assumptions about life expectancy and the discount rate. The discount rate used is the interest rate for first-class corporate bonds denominated in the currencies in which the benefits are paid and with maturities corresponding to those of the pension obligations. If the discount rate were increased by 25 base points, pension obligations would decrease by €114.6m. A reduction in the discount rate by 25 base points would result in an increase in liabilities of €122.3m. An increase in life expectancy by one year would result in an increase in pension obligations of €87.3m, based on otherwise identical assumptions.

At the balance sheet date, plan assets total €1,616.6m (previous year €1,713.8m). As assets classified as plan assets are never available for short-term sale, the market values of these plan assets may change significantly by the realisation date. Current market expectations of yields are used to determine expected income from plan assets, taking account of the current fund structure and observable long-term yields.

Detailed information on actuarial assumptions is provided in the Notes to balance sheet pension provisions under Note 32.

Other provisions

As at 30 September 2013, other provisions of €1,024.2m (previous year €1,047.3m) are shown. When recognising and measuring provisions, considerable assumptions are required about probability of occurrence, maturity and level of risk. Provisions are formed if a past event has resulted in a current legal or factual obligation, if an outflow of assets is probable in order to meet that obligation, and if a reliable estimate can be made of the amount of liability.

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

More detailed information on other provisions is offered in the Notes to the statement of financial position under Note 33.

Deferred tax claims

As at 30 September 2013, a total of €224.6m (previous year €168.7m) deferred tax assets were carried. Prior to offsetting against deferred tax liabilities, deferred tax assets total €667.4m, including an amount of €193.4m (previous year €154.9m) for capitalised loss carryforwards. The assessment of the usability of deferred tax assets is based on the ability of the respective Group company to generate sufficient taxable income. TUI therefore assesses as at every balance sheet date whether the recoverability of expected future tax savings is sufficiently probable for the recognition of deferred tax assets. The assessment is based on various factors including internal forecasts regarding the future tax asset situation of the Group. If the assessment of the recoverability of future deferred tax assets changes, impairment may be effected, if necessary, for the capitalised deferred taxes.

More detailed information on deferred tax assets is available in the Notes to the Statement of financial position under Note 22.

Current income taxes

The Group is liable to pay income taxes in various countries. Key estimates are required when determining income tax liabilities. For certain transactions and calculations the final tax charge cannot be determined during the ordinary course of business. The level of obligations for expected tax audits is based on an estimation of whether and to what extent additional income taxes will be due. Judgements are corrected, if necessary, in the period in which the final tax charge is determined.

NOTES

SEGMENT REPORTING

Notes to the segments

The identification of operating segments is based on the internal organisational and reporting structure, built around the different products and services within the TUI Group. Allocation of individual organisational entities to operating segments is exclusively based on economic criteria, irrespective of the participation structure under company law. For the presentation of reportable segments in accordance with IFRS 8, both operating segments with comparable economic features and operating segments not meeting the quantitative thresholds are aggregated with other operating segments.

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

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

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

The segment entitled "All other segment" carries the Group's real estate companies, all non-allocable business activities (in particular holding companies) and the result from the measurement of the stake in Container Shipping. The Holdings Sector also carries turnover from and expenses for the intra-group aircraft charter business.

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

Notes to the segment data

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

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

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

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

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

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

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

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

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

Key figures by segment and sector

€ million
Statement of results
Turnover
Inter-segment turnover
Segment turnover
Group profit for the year
Income taxes
Earnings before taxes (EBT)
of which share of results of joint ventures and associates
Loss on Container Shipping measured at equity
Gain on the reduction and measurement of financial investment in Container Shipping
Net interest expense and expense from the measurement of interest hedges
Impairment of goodwill
Earnings before interest, taxes and amortisation of goodwill (EBITA)
Adjustments
Underlying EBITA
Amortisation of other intangible assets and depreciation of property, plant and equipment
of which impairments
Other depreciation/amortisation and write-backs
of which write-backs
Earnings before interest, taxes, depreciation and amortisation (EBITDA)
Rental expenses
Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)
Assets and liabilities
Segment assets
of which goodwill
Carrying amounts of joint ventures and associates
Interest-bearing Group receivables
Cash and cash equivalents
Other financial assets
Non-allocable taxes
Total assets
Segment liabilities
Third-party financial liabilities
Group financial liabilities
Other financial liability items
Non-allocable taxes
Total liabilities and provisions
Additional disclosures
Non-cash expenses
Non-cash income
Return on sales (on EBITA)
Investments
Investments in goodwill
Investments in other intangible assets and property, plant and equipment
Financing ratio
Employees at year-end

	Tourism		All other Segments		Consolidation		Group	
	2012/13	2011/12	**2012/13**	2011/12	**2012/13**	2011/12	**2012/13**	2011/12
	18,460.1	18,297.2	17.4	33.1	–	–	18,477.5	18,330.3
	18.0	18.0	22.5	8.5	- 40.5	- 26.5	–	–
	18,478.1	**18,315.2**	**39.9**	**41.6**	**- 40.5**	**- 26.5**	**18,477.5**	**18,330.3**
							186.5	**141.9**
							139.0	110.8
	510.9	**453.6**	**- 185.4**	**- 200.9**	**–**	**–**	**325.5**	**252.7**
	81.6	40.3	- 22.3	- 49.0	–	–	59.3	- 8.7
	–	–	–	- 61.6	–	–	–	- 61.6
	153.8	151.9	84.9	133.0	–	–	238.7	284.9
	8.3	13.8	–	–	–	–	8.3	13.8
	–	–	22.3	49.0	–	–	22.3	49.0
	673.0	**619.3**	**- 78.2**	**- 80.5**	**–**	**–**	**594.8**	**538.8**
	150.8	199.7	16.3	7.2	–	–	167.1	206.9
	823.8	**819.0**	**- 61.9**	**- 73.3**	**–**	**–**	**761.9**	**745.7**
	408.2	369.5	10.7	4.1	–	–	418.9	373.6
	36.3	26.3	6.6	0.1	–	–	42.9	26.4
	1.0	- 12.3	2.1	–	–	0.6	3.1	- 11.7
	3.3	–	2.1	–	–	–	5.4	–
	1,080.2	**1,001.1**	**- 69.6**	**- 76.4**	**–**	**- 0.6**	**1,010.6**	**924.1**
	795.4	766.8	5.5	12.2	- 3.1	- 4.4	797.8	774.6
	1,875.6	**1,767.9**	**- 64.1**	**- 64.2**	**- 3.1**	**- 5.0**	**1,808.4**	**1,698.7**
	8,573.6	8,870.5	214.0	231.5	0.8	- 19.0	8,788.4	9,083.0
	2,976.4	3,046.4	–	–	–	–	2,976.4	3,046.4
	864.5	820.1	521.9	573.9	–	–	1,386.4	1,394.0
	57.5	72.8	989.3	736.3	- 1,046.8	- 809.1	–	–
	2,194.7	1,148.3	507.0	1,130.1	–	–	2,701.7	2,278.4
	236.3	208.1	2,451.7	2,215.0	- 2,388.7	- 2,182.7	299.3	240.4
							278.5	216.8
							13,454.3	**13,212.6**
	6,733.2	6,936.9	263.1	332.6	- 4.5	- 41.4	6,991.8	7,228.1
	2,145.9	1,405.0	623.7	1,051.6	–	–	2,769.6	2,456.6
	987.7	719.6	58.1	67.6	- 1,045.8	- 787.2	–	–
	1,008.4	823.5	336.8	363.1	–	–	1,345.2	1,186.6
							318.4	274,3
							11,425.0	**11,145.6**
	38.4	52.2	22.3	49.0			60.7	101.2
	101.6	67.5	–	–			101.6	67.5
%	3.6	3.4	–	–			3.2	2.9
	817.3	640.7	3.5	2.5			820.8	643.2
	29.4	10.1	–	–			29.4	10.1
	787.9	630.6	3.5	2.5			791.4	633.1
%	51.0	59.8	305.7	164.0			52.0	60.2
	74,040	73,391	405	421			74,445	73,812

Key figures Tourism Segment

	TUI Travel		TUI Hotels & Resorts	
€ million	**2012/13**	2011/12	**2012/13**	2011/12
Statement of results				
Turnover	17,796.0	17,681.5	403.1	384.7
Inter-segment turnover	27.4	36.0	423.5	441.3
Segment turnover	**17,823.4**	**17,717.5**	**826.6**	**826.0**
Group profit for the year				
Income taxes	–	–	–	–
Earnings before taxes (EBT)	**400.1**	**314.1**	**141.4**	**138.8**
of which share of result of joint ventures and associates	21.3	6.9	42.9	20.8
plus: Net interest expense and expense from the measurement of interest hedges	132.7	126.9	20.9	24.9
plus: Impairment of goodwill	–	–	8.3	13.8
Earnings before interest, taxes and amortisation of goodwill (EBITA)	**532.8**	**441.0**	**170.6**	**177.5**
Adjustments	107.7	196.4	26.6	1.1
Underlying EBITA	**640.5**	**637.4**	**197.2**	**178.6**
Amortisation of other intangible assets and depreciation of property, plant and equipment	313.9	291.8	82.9	67.6
of which impairments	20.0	26.3	16.3	–
Other depreciation/amortisation and write-backs	2.2	- 12.3	- 1.3	–
of which write-backs	2.7	–	0.5	–
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**844.5**	**745.1**	**254.8**	**245.1**
Rental expenses	730.2	713,7	33.5	38.5
Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)	**1,574.7**	**1,458.8**	**288.3**	**283.6**
Assets and liabilities				
Segment assets	6,844.6	7,054.2	1,599.8	1,661.5
of which goodwill	2,607.3	2,667.6	369.1	378.8
Carrying amounts of joint ventures and associates	281.8	314.2	385.3	360.1
Interest-bearing Group receivables	4.0	–	1.8	12.8
Cash and cash equivalents	2,096.9	1,039.9	93.4	105.3
Other financial assets	158.7	153.2	76.6	55.0
Non-allocable taxes				
Total assets				
Segment liabilities	6,555.1	6,708.6	119.4	151.8
Third-party financial liabilities	1,923.1	1,177.7	222.8	227.3
Group financial liabilities	8.8	–	802.2	580.5
Other financial liability items	994.6	812.6	2.3	1.0
Non-allocable taxes				
Total liabilities and provisions				
Additional disclosures				
Non-cash expenses	37.5	51.4	0.9	0.8
Non-cash income	40.4	33.3	43.8	21.6
Return on sales (on EBITA) %	3.0	2.5	20.6	21.5
Investments	725.1	578.7	80.7	53.1
Investments in goodwill	29.4	10.1	–	–
Investments in other intangible assets and property, plant and equipment	695.7	568.6	80.7	53.1
Financing ratio %	43.3	50.4	113.0	153.3
Employees at year-end	59,756	57,961	14,013	15,141

Cruises		Consolidation		Tourism		
2012/13	2011/12	**2012/13**	2011/12	**2012/13**	2011/12	
						Statement of results
261.0	231.0	–	–	18,460.1	18,297.2	Turnover
–	–	- 432.9	- 459.3	18.0	18.0	Inter-segment turnover
261.0	**231.0**	**- 432.9**	**- 459.3**	**18,478.1**	**18,315.2**	**Segment turnover**
						Group profit for the year
						Income taxes
- 30.6	**0.7**	**0.0**	**0.0**	**510.9**	**453.6**	**Earnings before taxes (EBT)**
17.4	12.6	–	–	81.6	40.3	of which share of result of joint ventures and associates
0.2	0.1	–	–	153.8	151.9	plus: Net interest expense and expense from the measurement of interest hedges
–	–	–	–	8.3	13.8	plus: Impairment of goodwill
- 30.4	**0.8**	**–**	**–**	**673.0**	**619.3**	**Earnings before interest, taxes and amortisation of goodwill (EBITA)**
16.5	2.2	–	–	150.8	199.7	Adjustments
- 13.9	**3.0**	**–**	**–**	**823.8**	**819.0**	**Underlying EBITA**
11.4	10.2	–	- 0.1	408.2	369.5	Amortisation of other intangible assets and depreciation of property, plant and equipment
–	–	–	–	36.3	26.3	of which impairments
0.1	–	–	–	1.0	- 12.3	Other depreciation/amortisation and write-backs
0.1	–	–	–	3.3	–	of which write-backs
- 19.1	**11.0**	**–**	**- 0.1**	**1,080.2**	**1,001.1**	**Earnings before interest, taxes, depreciation and amortisation (EBITDA)**
31.7	14.6	–	–	795.4	766.8	Rental expenses
12.6	**25.6**	**–**	**- 0.1**	**1,875.6**	**1,767.9**	**Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)**
						Assets and liabilities
187.6	217.6	- 58.4	- 62.8	8,573.6	8,870.5	Segment assets
–	–	–	–	2,976.4	3,046.4	of which goodwill
197.4	145.8	–	–	864.5	820.1	Carrying amounts of joint ventures and associates
51.7	60.0	–	–	57.5	72.8	Interest-bearing Group receivables
4.4	3.1	–	–	2,194.7	1,148.3	Cash and cash equivalents
1.0	0.1	–	- 0.2	236.3	208.1	Other financial assets
						Non-allocable taxes
						Total assets
116.9	139.2	- 58.2	- 62.7	6,733.2	6,936.9	Segment liabilities
–	–	–	–	2,145.9	1,405.0	Third-party financial liabilities
176.7	139.2	–	- 0.1	987.7	719.6	Group financial liabilities
11.5	9.9	–	–	1,008.4	823.5	Other financial liability items
						Non-allocable taxes
						Total liabilities and provisions
						Additional disclosures
–	–	–	–	38.4	52.2	Non-cash expenses
17.4	12.6	–	–	101.6	67.5	Non-cash income
- 11.6	0.3			3.6	3.4	Return on sales (on EBITA)
11.5	8.9			817.3	640.7	Investments
–	–			29.4	10.1	Investments in goodwill
11.5	8.9			787.9	630.6	Investments in other intangible assets and property, plant and equipment
99.1	114.6			51.0	59.8	Financing ratio
271	289			74,040	73,391	Employees at year-end

Key figures by region

	Germany		Great Britain		Spain		Other EU	
€ million	**2012/13**	2011/12	**2012/13**	2011/12	**2012/13**	2011/12	**2012/13**	2011/12
Consolidated turnover by customer	**4,847.3**	**4,815.3**	**5,763.6**	**5,661.2**	**266.2**	**226.9**	**5,669.7**	**5,777.7**
Consolidated turnover by domicile of companies	**5,200.4**	**5,026.3**	**5,578.0**	**5,522.2**	**570.8**	**524.1**	**5,396.5**	**5,591.7**
Long-term segment assets	**848.9**	**793.4**	**3,201.8**	**2,929.9**	**857.2**	**1,001.6**	**612.0**	**751.4**
Non-allocable taxes	–	–	–	–	–	–	–	–
Segment liabilities	**1,847.7**	**1,865.7**	**2,303.4**	**2,609.5**	**443.0**	**445.8**	**1,987.1**	**1,917.6**
Non-allocable taxes	–	–	–	–	–	–	–	–
Additional disclosures								
Depreciation/amortisation	62.9	40.3	141.8	141.8	51.9	51.8	94.9	69.4
Investments	147.1	129.3	429.5	305.2	50.3	24.6	103.4	101.4
Investments in goodwill	18.2	4.8	1.3	3.5	–	0.6	–	–
Investments in other tangible assets and property, plant and equipment	128.9	124.5	428.2	301.7	50.3	24.0	103.4	101.4
Employees at year-end	10,157	9,882	17,156	17,318	9,395	9,226	12,438	12,830

Rest of Europe		North and South America		Other regions		Consolidation		Group		
2012/13	2011/12	**2012/13**	2011/12	**2012/13**	2011/12	**2012/13**	2011/12	**2012/13**	2011/12	
724.3	**736.2**	**748.9**	**741.9**	**457.5**	**371.1**	**–**	**–**	**18,477.5**	**18,330.3**	**Consolidated turnover by customer**
577.7	**565.2**	**715.4**	**682.8**	**438.7**	**418.0**	**–**	**–**	**18,477.5**	**18,330.3**	**Consolidated turnover by domicile of companies**
78.7	**104.0**	**833.4**	**747.7**	**511.4**	**483.3**	**- 12.4**	**1.1**	**6,931.0**	**6,812.4**	**Long-term segment assets**
								278.5	216.8	Non-allocable taxes
112.1	**111.2**	**332.0**	**292.3**	**302.0**	**332.3**	**- 335.5**	**- 346.3**	**6,991.8**	**7,228.1**	**Segment liabilities**
								318.4	274.3	Non-allocable taxes
										Additional disclosures
4.3	4.1	28.8	31.2	36.6	46.7	–	–	421.2	385.3	Depreciation/amortisation
3.2	16.4	38.1	34.5	49.2	31.8	–	–	820.8	643.2	Investments
–	–	0.6	–	9.3	1.2	–	–	29.4	10.1	Investments in goodwill
3.2	16.4	37.5	34.5	39.9	30.6	–	–	791.4	633.1	Investments in other tangible assets and property, plant and equipment
8,078	8,480	8,361	8,199	8,860	7,877	–	–	74,445	73,812	Employees at year-end

NOTES

NOTES TO THE CONSOLIDATED INCOME STATEMENT

The Group earnings position showed a positive development in financial year 2012/13. Earnings rose above all due to a sound business performance in TUI Travel and the continued successful operating performance of Riu, the largest hotel company. In financial year 2012/13, earnings also benefited from income from the sale of a hotel. These positive developments went hand in hand with adverse earnings impacts in the Cruises Sector caused above all by start-up costs for the fleet expansion in Hapag-Lloyd Kreuzfahrten and damage caused by fire on board a vessel during a scheduled dry-dock stay.

(1) Turnover

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

(2) Cost of sales and administrative expenses

The cost of sales and administrative expenses includes the expenses incurred to provide the tourism services. Apart from the expenses for personnel, depreciation/amortisation and lease rental and leasing expenses, they include in particular all costs incurred by the Group in connection with the provision and delivery of airline services, hotel accommodation and distribution costs.

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

Administrative expenes

€ million	2012/13	2011/12
Staff cost	860.2	893.5
Lease, rental and leasing expenses	68.1	71.9
Depreciation, amortisation and impairments	110.0	83.9
Others	519.0	506.4
Total	**1,557.3**	**1,555.7**

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

Lease, rental and leasing expenses

€ million	2012/13	2011/12
Lease, rental and leasing expenses	**850.5**	**850.1**
thereof cost of sales	782.4	778.2
thereof administrative expenses	68.1	71.9

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

Staff costs

€ million	2012/13	2011/12
Wages and salaries	2,041.6	1,987.0
thereof cost of sales	1,308.6	1,250.8
thereof administrative expenses	733.0	736.2
Social security contributions, pension costs and benefits	391.7	429.0
thereof cost of sales	264.5	271.7
thereof administrative expenses	127.2	157.3
Total	**2,433.3**	**2,416.0**

Pension costs include expenses for defined benefit pension obligations. The interest portion of the measurement of pension obligations is carried under financial expenses due to its financing character. The expected income from the associated fund assets is carried under financial income. A detailed presentation of pension obligations is provided in Note 32.

Staff costs rose year-on-year, in particular due to restructuring measures in TUI Travel and expenses in connection with the conversion of the Corporate Centre of TUI AG. In the period under review, this item also included personnel expenses for companies included in consolidation for the first time in financial year 2012/13.

The decline in social security contributions and pension costs and other benefits mainly results from an income of €28.8m from the curtailment and settlement of pension plans in a subsidiary in the Netherlands.

The changes in administrative expenses included in both wages and salaries and social security contributions, pension costs and other benefits, reflect changes in the nature of restructuring expenses compared with the prior year. In the prior year, the expenses for restructuring measures mainly related to central functions; most of them were therefore included in administrative expenses. The restructuring measures in TUI Travel in financial year 2012/13 mainly relate to operational functions. The restructuring expenses for financial year 2012/13 are therefore largely carried under cost of sales.

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

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

	2012/13	2011/12
Average annual – TUI Group	**68,580**	68,388

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

Depreciation/amortisation/impairments

€ million	2012/13	2011/12
Depreciation and amortisation	376.0	347.2
thereof cost of sales	282.2	267.3
thereof administrative expenses	93.8	79.9
Impairment of other intangible assets, property, plant and equipment and investment property	42.9	26.4
thereof cost of sales	26.7	22.4
thereof administrative expenses	16.2	4.0
Total	**418.9**	**373.6**

Essential components of impairments of property, plant and equipment are impairments of €16.3m on property, plant and equipment in Tenuta di Castelfalfi S.p.a. and impairments of €6.6m in connection with the fair value measurement of an aircraft available for sale. A further €2.4m result from impairments of two spare engines.

Essential impairments of other intangible assets include an amount of €9.5m for software and €2.8m for impairments of brand names.

(3) Other income/other expenses

Other income/other expenses

€ million	2012/13	2011/12
Other income	37.1	77.8
Other expenses	10.8	6.7
Total	**26.3**	**71.1**

In financial year 2012/13, other income mainly resulted from the book profit from a Riu Group hotel sold in December 2012 and profits in connection with sale and leaseback transactions with aircraft.

Other income carried in the prior year mainly included income from the disposal of the hybrid instrument granted to Hapag-Lloyd AG and the measurement of the investment in Container Shipping.

Other expenses in financial year 2012/13 mainly relate to losses from sale and leaseback transactions in connection with the delivery of aircraft and losses from the disposal of shareholdings.

(4) Goodwill impairment

In financial year 2012/13, the implementation of impairment tests according to IAS 36 only resulted in goodwill impairments of €8.3m in TUI Hotels & Resorts for Tenuta di Castelfalfi S.p.a. Due to this impairment, the goodwill of Tenuta di Castelfalfi was written off in full as at the balance sheet date.

The background to the impairment is an adjustment to the medium-term sales and investment planning in the business plan for the Castelfalfi project as a result of a strategic review completed in the second quarter of 2012/13. The main reasons for the adjustment to the medium-term sales planning were changes in the concept and a reassessment of the marketability of high-quality properties. The investment plan was adjusted to reflect the sales ratios now envisaged, and to optimise planned infrastructure investments.

Based on the adjusted business plan, impairments of €34.1m arose for financial year 2012/13. They include an amount of €8.3m for goodwill. The other impairments comprise €16.3m for property, plant and equipment and €9.5m for current assets. In the prior year, impairments of €13.8m were carried for Tenuta di Castelfalfi S.p.a.

In financial year 2012/13, no impairments had to be recognised by the TUI Group for any other cash generating units, as in the previous financial year.

(5) Financial income

Financial income

€ million	2012/13	2011/12
Income from non-consolidated Group companies including income from profit transfer agreements	3.2	3.3
Income from other investments	0.6	0.2
Income from investments	**3.8**	**3.5**
Other income from securities and loans	–	17.2
Interest on pension scheme assets	81.3	89.5
Other interest and similar income	34.5	43.5
Interest income	**115.8**	**150.2**
Income from the measurement of other financial instruments	4.4	6.2
Total	**124.0**	**159.9**

In the previous year, other income from securities and loans had included measurement effects of €5.1m from the hybrid instruments granted to Hapag-Lloyd AG and interest income worth €11.9m in connection with these hybrid instruments. The hybrid instruments were fully redeemed in financial year 2011/12.

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

The income from the measurement of other financial instruments includes income from the reversal of write-downs of a shareholding held for trading.

(6) Financial expenses

Financial expenses

€ million	2012/13	2011/12
Impairments of available-for-sale financial instruments and loans	**1.1**	**12.1**
Interest expenses from the measurement of pension obligations	108.6	122.2
Other interest and similar expenses	244.6	303.9
Expenses relating to the measurement of interest hedges	1.3	3.9
Interest expenses	**354.5**	**430.0**
Expenses relating to the measurement of other financial instruments	4.1	2.5
Total	359.7	444.6

The impairments of financial instruments and loans available for sale comprise the changes in value shown in fixed assets and the changes in value carried in revenue reserves outside profit and loss until the disposal of the assets.

The year-on-year decline in interest expenses mainly results from the reduction in financial liabilities in financial year 2012/13. In the prior year, this item had included interest of €25.0m in connection with the litigation with the Babcock Borsig AG administrator.

(7) Share of results of joint ventures and associates

Share of result of joint ventures and associates

€ million	2012/13	2011/12
Income from associated companies measured at equity	32.8	21.7
Expenses for associated companies measured at equity	25.1	52.1
Share of result of associates	**7.7**	**- 30.4**
Income from joint ventures measured at equity	68.7	42.4
Expenses for joint ventures measured at equity	17.1	20.7
Share of result of joint ventures	**51.6**	**21.7**
Total	59.3	- 8.7

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

The considerable increase in the share of results of joint ventures and associates was driven above all by the reduction of the loss from Container Shipping attributable to TUI to €-22.3m (previous year €-49.0m). A further rise in earnings results from higher profit contributions by the canadian tour operator sunwing, the RIU hotel companies measured at equity and TUI Cruises.

In the completed financial year, no impairments had to be recognised under share of results of joint ventures and associates (previous year €7.0m). An impairment recognised in prior years was reversed in the financial year under review at an amount of €1.8m.

Group share in individual items of income statement of associated companies

€ million	2012/13	2011/12
Operating income	2,216.9	2,145.4
Operating expenses	2,165.4	2,149.1
Operating result	**51.5**	**- 3.7**
Financial result	- 33.0	- 22.6
Profit on ordinary activities	**18.5**	**- 26.3**
Income taxes	10.8	4.1
Profit/loss for the year	**7.7**	**- 30.4**
Share of result of associates	**7.7**	**- 30.4**

Group share in individual items of income statements of joint ventures

€ million	2012/13	2011/12
Operating income	879.6	859.3
Operating expenses	796.3	812.7
Operating result	**83.3**	**46.6**
Financial result	- 15.0	- 14.9
Profit on ordinary activities	**68.3**	**31.7**
Income taxes	16.7	10.0
Profit for the year	**51.6**	**21.7**
Share of result of joint ventures	**51.6**	**21.7**

(8) Adjustments

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

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

Other one-off items by Sector

€ million	2012/13	2011/12
Tourism	**20.0**	**61.4**
TUI Travel	- 20.1	60.3
TUI Hotels & Resorts	24.1	1.1
Cruises	16.0	–
All other segments	**8.4**	**5.4**
Total	**28.4**	**66.8**

The one-off items carried by TUI Travel for financial year 2012/13 relate above all to the income from the curtailment and settlement of pension plans in the Netherlands and income from sale and leaseback transactions with aircraft. An opposite effect mainly results from expenses in connection with the restructuring of the flight operations in France and the Specialist & Activity Business.

In the prior year, TUI Travel had mainly carried adjustments for expenses in connection with the restructuring of the tour operator business in France and the reorganisation of the Specialist & Activity Business.

The TUI Hotels & Resorts sector recognised one-off impairments for the Castelfalfi project.

In financial year 2012/13, the one-off adjusted impairments in Cruises mainly relate to expenses for risk provisioning at Hapag-Lloyd Kreuzfahrten for an impending excess of obligations under long-term charter contracts.

One-off items carried for other segments in financial year 2012/13 comprise in particular one-off expenses for the fair value measurement of an aircraft held for sale.

In the prior year, one-off items carried for other segments had comprised adjustments of expenses for the formation of provisions, in particular in connection with the early retirement of two Executive Board members.

(9) Income taxes

Breakdown of income taxes

€ million	2012/13	2011/12
Current tax expense		
in Germany	44.2	31.9
abroad	146.8	36.5
Deferred tax income (previous year tax expense)	- 52.0	42.4
Total	**139.0**	**110.8**

The increase in current tax expenses was largely attributable to the TUI Travel sector. The deferred tax assets in the period under review was mainly driven by the capitalisation of tax loss carryforwards. Effective income taxes related to prior periods amounted to €42.4m in financial year 2012/13 (previous year income of €63.2m).

In financial year 2012/13, total income taxes of €139.0m (previous year €110.8m) were derived as follows from an "expected" income tax expense that would have arisen if the statutory income tax rate of TUI AG as the parent company (aggregate income tax rate) had been applied to earnings before tax:

Reconciliation of expected to actual income taxes

€ million	2012/13	2011/12
Earnings before income taxes	+ 325.5	+ 252.7
Expected income tax (current year 31.5%, previous year 31.5%)	**102.5**	**79.6**
Variation from the difference between actual and expected tax rates	- 27.8	- 23.5
Changes in tax rates and tax law	11.3	14.2
Income not taxable	- 73.4	- 96.1
Expenses not deductible	120.1	103.5
Effects from loss carryforwards	- 7.1	92.8
Temporary differences for which no deferred taxes were recognised	0.7	1.1
Deferred and current tax relating to other periods (net)	12.8	- 59.0
Other differences	- 0.1	- 1.8
Income taxes	**139.0**	**110.8**

In the prior year, the effects of loss carryforwards mainly resulted from current impaired losses. In the period under review, this item also includes opposite amounts from the capitalisation of loss carryforwards previously considered as non-realisable.

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

The Group profit for the year attributable to TUI AG shareholders improved from €-15.1m in the prior year to €4.3m in financial year 2012/13. The increase is largely attributable to the improvement in earnings by TUI Travel and the holding companies.

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

Group profit for the year attributable to non-controlling interest

€ million	2012/13	2011/12
TUI Travel	119.0	100.8
TUI Hotels & Resorts	63.2	56.2
Total	**182.2**	**157.0**

Group profit for the year attributable to non-controlling interest in the TUI Hotels & Resorts sector mainly relates to the RIUSA II Group.

(12) Earnings per share

In accordance with IAS 33, basic earnings per share are calculated by dividing the Group's net profit for the year attributable to TUI AG shareholders by the weighted average number of registered shares outstanding during the financial year under review. The average number of shares is derived from the total number of shares at the beginning of the financial year (252,273,710 shares), the prorated employee shares issued (87,515 new shares for 319 days) and the conversion of bonds into new shares (1,328 on a prorated basis).

In analogy to IAS 33.12, the dividend on the hybrid capital is deducted from Group profit for the year attributable to shareholders of TUI AG since the hybrid capital represents equity but does not constitute Group profit attributable to TUI AG shareholders. For the hybrid capital, accrued dividend obligations totalling €3.8m at the balance sheet date (previous year €17.2m) are included in financial liabilities and will be paid in October 2013 (the mechanism was changed from annual to quarterly payments as of January 2013).

Earnings per share

		2012/13	2011/12
Group profit for the year attributable to shareholders of TUI AG	€ million	4.3	- 15.1
Dividend effect on hybrid capital	€ million	- 23.5	- 25.4
= Adjusted Group profit for the year attributable to shareholders of TUI AG	€ million	- 19.2	- 40.5
Weighted average number of shares		252,362,552	251,953,439
Basic earnings per share	**€**	**- 0.08**	**- 0.16**
Adjusted Group profit for the year attributable to shareholders of TUI AG	€ million	- 19.2	- 40.5
Interests savings from convertible bonds	€ million	47.6	53.2
Diluted and adjusted share in Group profit for the year attributable to shareholders of TUI AG	€ million	28.4	12.7
Weighted average number of shares		252,362,552	251,953,439
Diluting effect from assumed exercise of conversion inputs		+ 66,813,392	+ 68,158,250
Weighted average number of shares (diluted)		319,175,944	320,111,689
Diluted earnings per share	**€**	**- 0.08**	**- 0.16**

As a rule, a dilution of earnings per share occurs when the average number of shares increases by adding the issue of potential shares from conversion options. Since the convertible bonds do not have a dilution effect in financial year 2012/13, basic and diluted earnings per share are identical.

The result derives exclusively from continuing operations.

(13) Taxes attributable to other results

Tax effects relating to other comprehensive income

			2012/13			2011/12
€ million	**Gross**	**Tax effect**	**Net**	Gross	Tax effect	Net
Foreign exchange differences	- 66.2	–	- 66.2	- 27.4	–	- 27.4
Available for sale financial instruments	0.9	–	0.9	- 178.6	–	- 178.6
Cash flow hedges	- 54.3	10.6	- 43.7	- 67.9	6.1	- 61.8
Actuarial losses from pension provisions and related fund assets	- 19.5	- 12.8	- 32.3	- 284.4	68.8	- 215.6
Changes in the measurement of companies measured at equity outside profit or loss	6.8	–	6.8	- 2.2	–	- 2.2
Other comprehensive income	**- 132.3**	**- 2.2**	**- 134.5**	**- 560.5**	**74.9**	**- 485.6**

In addition, income tax of €4.0m outside profit and loss arose in the period under review; it is allocable to the equity component of a convertible bond and was therefore directly charged to equity.

NOTES

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(14) Goodwill

Goodwill

€ million	2012/13	2011/12
Historical cost		
Balance as at 1 Oct	**3,490.0**	**3,321.5**
Exchange differences	- 97.8	157.5
Additions	29.4	10.1
Disposals [1]	–	1.0
Reclassifications	–	1.9
Balance as at 30 Sep	**3,421.6**	**3,490.0**
Impairment		
Balance as at 1 Oct	**443.6**	**414.3**
Exchange differences	- 6.7	15.5
Impairments for the current year	8.3	13.8
Balance as at 30 Sep	**445.2**	**443.6**
Carrying amounts as at 30 Sep	**2,976.4**	**3,046.4**

[1] of which no disposals from changes in the group of consolidated companies

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

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

Disclosures relating to impairments in the period under review are presented in the Notes to the consolidated income statement.

In accordance with the rules of IAS 21, goodwill allocated to individual Segments and Sectors was recognised in the functional currency of the subsidiaries and subsequently translated when preparing the consolidated financial statements. In analogy to the treatment of other differences from the translation of annual financial statements of foreign subsidiaries, differences due to exchange rate fluctuations between the exchange rate at the date of acquisition of the subsidiary and the exchange rate at the balance sheet date are taken directly to equity outside profit and loss and disclosed as a separate item. In financial year 2012/13, the carrying amount of goodwill declined by €91.1m (previous year increase of €142.0m) due to exchange differences.

At €2,607.3m (previous year €2,667.6m) the largest portion of goodwill shown relates to the TUI Travel Sector.

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

Goodwill per cash generating unit

€ million	30 Sep 2013	30 Sep 2012
CGU TUI Travel	2,607.3	2,667.6
TUI Travel	**2,607.3**	**2,667.6**
CGU Riu	351.7	351.7
CGU Robinson	9.8	9.8
CGU Iberotel	7.6	9.0
CGU Castelfalfi	–	8.3
TUI Hotels & Resorts	**369.1**	**378.8**
Segment Tourism	**2,976.4**	**3,046.4**

(15) Other intangible assets

Other intangible assets

€ million	Concessions, industrial property rights and similar rights and values	Self-generated software	Transport and leasing contracts	Customer base	Payments on account	Total
Historical cost						
Balance as at 1 Oct 2011	**1,058.0**	**176.8**	**96.0**	**237.0**	**1.2**	**1,569.0**
Exchange differences	63.4	12.3	8.3	5.7	–	89.7
Additions due to changes in the group of consolidated companies	9.3	–	–	0.3	–	9.6
Additions	101.7	6.6	–	1.6	0.7	110.6
Disposals	36.2	1.8	–	–	–	38.0[1]
Reclassifications	25.5	- 34.1	–	–	- 1.9	- 10.5
Balance as at 30 Sep 2012	**1,221.7**	**159.8**	**104.3**	**244.6**	**–**	**1,730.4**
Exchange differences	- 38.3	- 3.9	- 4.8	- 4.2	–	- 51.2
Additions due to changes in the group of consolidated companies	8.4	–	–	2.2	–	10.6
Additions	104.3	18.4	–	1.8	–	124.5
Disposals	163.9	73.2	–	1.9	–	239.0[2]
Reclassifications	- 16.1	16.3	–	- 0.2	–	0.0
Balance as at 30 Sep 2013	**1,116.1**	**117.4**	**99.5**	**242.3**	**–**	**1,575.3**
Amortisation						
Balance as at 1 Oct 2011	**496.4**	**121.3**	**23.4**	**71.3**	**–**	**712.4**
Exchange differences	30.0	8.5	6.9	2.0	–	47.4
Amortisation for the current year	86.6	8.6	–	16.8	–	112.0
Impairments for the current year	11.9	–	–	–	–	11.9
Disposals	33.8	1.8	–	–	–	35.6[1]
Reclassifications	9.0	- 17.6	–	–	–	- 8.6
Balance as at 30 Sep 2012	**600.1**	**119.0**	**30.3**	**90.1**	**–**	**839.5**
Exchange differences	- 16.3	- 3.8	- 1.4	- 1.7	–	- 23.2
Amortisation for the current year	77.2	12.8	2.8	16.8	–	109.6
Impairments for the current year	11.7	2.1	–	–	–	13.8
Disposals	155.9	72.9	–	1.8	–	230.6[2]
Reclassifications	- 0.4	0.7	–	- 0.3	–	–
Balance as at 30 Sep 2013	**516.4**	**57.9**	**31.7**	**103.1**	**–**	**709.1**
Carrying amounts as at 30 Sep 2012	**621.6**	**40.8**	**74.0**	**154.5**	**–**	**890.9**
Carrying amounts as at 30 Sep 2013	**599.7**	**59.5**	**67.8**	**139.2**	**–**	**866.2**

[1] of which disposals due to changes in the group of consolidated companies of €0.2m (historical cost) and €0.2m (amortisation), respectively
[2] of which no disposals due to changes in the group of consolidated companies

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

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

As at the balance sheet date, the carrying amount of intangible assets subject to ownership restrictions or pledged as security totals €112.4m (previous year €126.3m).

As in the previous year, immaterial write-backs to other intangible assets were effected in the period under review.

(16) Investment property

Investment property

€ million	2012/13	2011/12
Historical cost		
Balance as at 1 Oct	**94.1**	**102.2**
Additions	3.0	0.7
Disposals	9.9	8.8
Reclassifications	7.9	–
Balance as at 30 Sep	**95.1**	**94.1**
Depreciation		
Balance as at 1 Oct	**39.2**	**43.0**
Depreciation for the current year	2.4	2.6
Disposals	4.5	6.4
Balance as at 30 Sep	**37.1**	**39.2**
Carrying amounts as at 30 Sep	**58.0**	**54.9**

Real estate owned by the Group is usually occupied for use in the framework of the Group's ordinary business activities. In addition, the Group owns commercial property and apartments which meet the definition of investment property under IAS 40. The carrying amount of this investment property shown in fixed assets totals €58.0m (previous year € 54.9m). The fair values totalling €62.0m (previous year €64.7m) were calculated by the Group's own real estate company, without consulting an external expert, on the basis of comparable market rents. Investment property generated total external income of €11.4m (previous year €10.3m). The generation of this income was associated with external expenses of €7.4m (previous year: €7.5m) in financial year 2012/13.

(17) Property, plant and equipment

Property, plant and equipment

€ million	Real estate with hotels	Other real estate, land rights and buildings incl. buildings on third-party properties	Aircraft
Historical cost			
Balance as at 1 Oct 2011	**1,294.8**	**258.8**	**864.9**
Exchange differences	21.3	4.0	31.7
Additions due to changes in the group of consolidated companies	–	0.1	–
Additions	35.2	4.4	131.6
Disposals	20.3	10.2	115.1
Reclassifications	25.9	- 32.1	- 27.8
Balance as at 30 Sep 2012	**1,356.9**	**225.0**	**885.3**
Exchange differences	- 42.1	- 8.6	- 22.9
Additions due to changes in the group of consolidated companies	–	1.5	–
Additions	26.6	6.4	225.7
Disposals	19.6	7.3	186.5
Reclassification as assets held for sale	- 6.9	- 0.4	12.6
Reclassifications	0.3	- 27.3	54.4
Balance as at 30 Sep 2013	**1,315.2**	**189.3**	**968.6**
Depreciation			
Balance as at 1 Oct 2011	**386.7**	**56.5**	**623.8**
Exchange differences	4.6	–	21.0
Depreciation for the current year	35.2	4.8	54.1
Impairments for the current year	0.6	–	6.4
Disposals	14.8	4.0	112.7
Reclassifications	- 11.0	8.3	- 32.6
Balance as at 30 Sep 2012	**401.3**	**65.6**	**560.0**
Exchange differences	- 12.4	- 0.9	- 8.1
Depreciation for the current year	34.7	2.4	70.2
Impairments for the current year	–	15.9	9.1
Disposals	14.6	3.9	164.5
Reclassification as assets held for sale	- 1.3	–	12.9
Reclassifications	–	- 22.3	- 2.5
Balance as at 30 Sep 2013	**407.7**	**56.8**	**477.1**
Carrying amounts as at 30 Sep 2012	**955.6**	**159.4**	**325.3**
Carrying amounts as at 30 Sep 2013	**907.5**	**132.5**	**491.5**

[1)] of which disposals due to changes in the group of consolidated companies of €1.3m and €1.0m, respectively
[2)] of which no disposals due to changes in the group of consolidated companies

Ships, yachts and boats	Machinery and fixtures	Other plants, operating and office equipment	Assets under construction	Payments on account	**Total**
681.8	**239.0**	**1,251.2**	**44.6**	**197.1**	**4,832.2**
37.2	- 0.4	54.4	0.9	8.4	157.5
–	–	3.1	–	–	3.2
45.5	1.8	77.0	52.0	162.7	510.2
28.5	2.1	80.6	0.6	96.4	353.8[1)]
7.5	1.5	- 1.7	- 16.9	–	- 43.6
743.5	**239.8**	**1,303.4**	**80.0**	**271.8**	**5,105.7**
- 24.5	- 2.2	- 34.2	- 1.9	- 8.6	- 145.0
–	–	11.1	–	–	12.6
43.8	6.4	89.8	74.0	170.4	643.1
12.2	10.1	414.7	10.6	162.0	823.0[2)]
- 1.2	–	- 1.9	–	- 9.0	- 6.8
- 1.5	4.5	2.3	- 41.2	- 33.6	- 42.1
747.9	**238.4**	**955.8**	**100.3**	**229.0**	**4,744.5**
251.0	**147.2**	**921.9**	**–**	**–**	**2,387.1**
13.1	1.4	37.6	–	–	77.7
34.9	12.5	91.0	–	–	232.5
–	–	7.6	–	–	14.6
17.3	1.1	65.1	–	–	215.0[1)]
- 0.7	0.4	- 6.9	–	–	- 42.5
281.0	**160.4**	**986.1**	**–**	**–**	**2,454.4**
- 8.9	- 1.6	- 22.6	–	–	- 54.5
38.5	14.2	104.0	–	–	264.0
–	0.6	3.5	–	–	29.1
6.9	10.4	410.9	–	–	611.2[2)]
- 0.7	–	- 1.3	–	–	9.6
- 4.2	2.1	- 2.0	–	–	- 28.9
298.8	**165.3**	**656.8**	**–**	**–**	**2,062.5**
462.5	**79.4**	**317.3**	**80.0**	**271.8**	**2,651.3**
449.1	**73.1**	**299.0**	**100.3**	**229.0**	**2,682.0**

At the balance sheet date, the carrying amount of property, plant and equipment subject to restraints on ownership or pledged as security amounted to €298.3m (previous year €113.9m).

The Group effected immaterial reversals of depreciation of property, plant and equipment, as in the previous year.

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

Development of leased assets

	Net carrying amounts	
€ million	**30 Sep 2013**	30 Sep 2012
Real estate, land rights and buildings incl. buildings on third-party properties	14.5	7.8
Aircraft	250.9	144.5
Ships, yachts and boats	106.1	117.8
Machinery and fixtures	0.4	0.1
Other plants, operating and office equipment	11.6	10.8
Total	**383.5**	**281.0**

The payment obligations resulting from future lease payments are carried as liabilities without taking account of future interest expenses for the carrying amount of the financial liabilities. Total payments due in future under finance leases amount to €435.0m (previous year €294.7m). Group companies have not accepted any guarantees for the residual values of the leased assets (previous year €2.7m).

Reconciliation of future lease payments to liabilities from finance leases

				30 Sep 2013	30 Sep 2012
	Remaining term				
€ million	up to 1 year	1 – 5 years	more than 5 years	**Total**	Total
Total future lease payments	43.2	177.4	214.5	435.1	294.7
Interest portion	14.0	45.5	40.0	99.5	61.5
Liabilities from finance leases	29.2	131.9	174.5	335.6	233.2

(18) Investments in joint ventures and associates

Investments in joint ventures and associates

€ million	Joint ventures	Associates	Total
Historical cost			
Balance as at 1 Oct 2011	**558.5**	**1,184.6**	**1,743.1**
Exchange differences	7.4	18.8	26.2
Additions	104.5	26.0	130.5
Disposals	20.7	470.5	491.2
Balance as at 30 Sep 2012	**649.7**	**758.9**	**1,408.6**
Exchange differences	- 36.4	- 41.5	- 77.9
Additions	151.9	75.1	227.0
Disposals	80.1	78.4	158.5
Balance as at 30 Sep 2013	**685.1**	**714.1**	**1,399.2**
Impairments			
Balance as at 1 Oct 2011	**7.6**	**–**	**7.6**
Impairments for the current year	7.0	–	7.0
Balance as at 30 Sep 2012	**14.6**	**–**	**14.6**
Reversal of Impairments	- 1.8	–	**- 1.8**
Balance as at 30 Sep 2013	**12.8**	**–**	**12.8**
Carrying amounts as at 30 Sep 2012	**635.1**	**758.9**	**1,394.0**
Carrying amounts as at 30 Sep 2013	**672.3**	**714.1**	**1,386.4**

For associated companies and joint ventures measured at equity, proportionate profits for the year are shown under additions and disposals, while impairments of these investments are carried under impairments. Dividends worth €69.5m (previous year €11.7m) are included in disposals.

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

Group share of assets and liabilities of joint ventures

€ million	30 Sep 2013	30 Sep 2012
Goodwill from investment in joint ventures	75.5	68.8
Non-current assets	874.5	839.8
Current assets	261.2	281.6
Non-current provisions and liabilities	- 271.4	- 311.0
Current provisions and liabilities	- 267.5	- 244.1
Investment in joint ventures	**672.3**	**635.1**

Group share of assets and liabilities of associates

€ million	30 Sep 2013	30 Sep 2012
Goodwill from investment in associates	209.4	218.4
Non-current assets	1,174.3	1,045.8
Current assets	514.3	472.0
Non-current provisions and liabilities	- 425.2	- 640.6
Current provisions and liabilities	- 758.7	- 336.7
Investment in associates	**714.1**	**758.9**

(19) Financial assets available for sale

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

Financial assets available for sale

€ million	30 Sep 2013	30 Sep 2012
Shares in non-consolidated Group companies	18.5	28.9
Shares in affiliated companies	35.6	31.9
Other securities	17.4	14.7
Total	**71.5**	**75.5**

Where a listed market price in an active market is not available and other methods to determine an objective market value do not produce any reliable results, the shares are measured at cost. In financial year 2012/13, financial assets classified as available for sale under IAS 39 of €1.1m (previous year €3.9m) were impaired.

(20) Trade accounts receivable and other receivables

Trade receivables and other assets

	30 Sep 2013		30 Sep 2012	
€ million	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
Trade receivables	–	616.1	–	688.6
Advances and loans	213.3	1,078.3	242.7	1,047.9
Other receivables and assets	129.5	525.2	115.4	577.6
Total	**342.8**	**2,219.6**	**358.1**	**2,314.1**

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

€ million	Carrying amount of financial instruments	of which not overdue and not impaired	of which not impaired and overdue in the following periods: less than 30 days	between 30 and 90 days	between 91 and 180 days	more than 180 days
Balance as at 30 Sep 2013						
Trade receivables	616.1	439.4	95.9	55.6	13.7	11.5
Advances and loans	93.5	93.5	–	–	–	–
Other receivables and assets	64.0	64.0	–	–	–	–
Total	**773.6**	**596.9**	**95.9**	**55.6**	**13.7**	**11.5**
Balance as at 30 Sep 2012						
Trade receivables	688.6	424.3	164.3	79.6	9.5	10.9
Advances and loans	158.2	157.9	0.3	–	–	–
Other receivables and assets	50.3	50.0	0.3	–	–	–
Total	**897.1**	**632.2**	**164.9**	**79.6**	**9.5**	**10.9**

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

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

€ million	**2012/13**	2011/12
Impairments at the beginning of period	**214.0**	**268.1**
Additions	60.6	66.7
Disposals	77.8	66.0
Other changes	- 60.9	- 54.8
Impairments at the end of period	**135.9**	**214.0**

In financial year 2012/13, as in the prior year, no cash inflow was recorded from impaired interest-bearing trade accounts receivable and other receivables.

Trade receivables

€ million	**30 Sep 2013**	30 Sep 2012
From third parties	563.9	657.2
From non-consolidated Group companies	3.2	1.1
From affiliates	49.0	30.3
Total	**616.1**	**688.6**

Advances and loans

€ million	30 Sep 2013		30 Sep 2012	
	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
Advances to non-consolidated Group companies	2.7	25.6	1.7	25.0
Loans to non-consolidated Group companies	–	0.9	–	–
Advances to affiliates	1.7	23.0	1.2	15.7
Loans to affiliates	26.7	27.4	21.0	21.5
Advances to third parties	7.2	25.6	48.0	74.7
Loans to third parties	10.7	16.8	17.4	21.3
Payments on account	164.3	959.0	153.4	889.7
Total	**213.3**	**1,078.3**	**242.7**	**1,047.9**

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

Other receivables and assets

€ million	30 Sep 2013		30 Sep 2012	
	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
Other receivables from non-consolidated Group companies	2.3	2.3	–	0.4
Other receivables from affiliates	32.1	35.3	35.3	47.1
Interest deferral	–	1.5	–	2.8
Other tax refund claims	28.1	83.6	22.8	106.8
Other assets	67.0	402.5	57.3	420.5
Total	**129.5**	**525.2**	**115.4**	**577.6**

(21) Derivative financial instruments

Derivative financial instruments

€ million	30 Sep 2013		30 Sep 2012	
	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
Receivables from derivative financial instruments from third parties	37.9	87.0	28.4	159.9

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

(22) Deferred and current tax assets

The determination of deferred and current taxes is outlined in detail in the section "Accounting and measurement methods".

Income tax assets

€ million	30 Sep 2013	30 Sep 2012
Deferred tax assets	224.6	168.7
Current tax assets	53.9	48.1
Total	**278.5**	**216.8**

Deferred income tax assets include an amount of €173.8m (previous year €124.9m) to be realised in more than twelve months.

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

	30 Sep 2013		30 Sep 2012	
€ million	Asset	Liability	Asset	Liability
Finance lease transactions	–	2.4	–	2.4
Recognition and measurement differences for property, plant and equipment and other non-current assets	125.1	330.8	116.1	353.5
Recognition differences for receivables and other assets	17.1	27.6	35.6	–
Measurement of financial instruments	34.9	67.6	33.2	86.1
Measurement of pension provisions	138.0	–	167.8	–
Recognition and measurement differences for other provisions	85.5	9.4	107.4	7.8
Other transactions	73.4	81.6	104.4	170.4
Capitalised tax savings from recoverable loss carryforwards	193.4	–	154.9	–
Netting of deferred tax assets and liabilities	- 442.8	- 442.8	- 550.7	- 550.7
Balance sheet amount	**224.6**	**76.6**	**168.7**	**69.5**

No deferred tax liabilities were carried for temporary differences of €37.4m (previous year €65.2m) between the net assets of subsidiaries and the respective carrying amounts carried in the tax balance sheet since these temporary differences are not expected to be reversed in the near future.

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

€ million	30 Sep 2013	30 Sep 2012
Capitalised loss carryforwards	**1,006.0**	**736.8**
Non-capitalised loss carryforwards	**4,600.8**	**4,526.5**
of which loss carryforwards forfeitable within one year	–	–
of which loss carryforwards forfeitable within two to five years	26.2	57.3
of which loss carryforwards forfeitable within more than five years (excluding non-forfeitable loss carryforwards)	–	–
Non-forfeitable loss carryforwards	4,574.6	4,469.2
Total unused loss carryforwards	**5,606.8**	**5,263.3**

Loss carryforwards for Geman companies comprise the cumulative amount of trade tax and corporation tax as well as interest carryforwards from the German earnings stripping rule. Potential tax savings totalling €891.0m (previous year €852.9m) were not capitalised since use of the underlying loss carryforwards was not considered probable within the planning period.

In financial year 2012/13, the use of loss carryforwards previously assessed as non-realisable and for which therefore no asset had been carried for the resulting potential tax savings as at 30 September 2012 did not lead to any tax savings (previous year €0.1m). In financial year 2012/13, no tax reductions (previous year €0.9m) were realised by means of loss carrybacks.

Development of deferred tax assets from loss carryforwards

€ million	2012/13	2011/12
Capitalised tax savings at the beginning of the year	**154.9**	**168.1**
Exchange adjustments	- 13.3	- 1.1
Use of loss carryforwards	- 14.4	- 2.5
Capitalisation of tax savings from tax loss carryforwards	+ 66.2	+ 4.1
Write-down of capitalised tax savings from tax loss carryforwards	–	- 13.7
Capitalised tax savings at financial year-end	**193.4**	**154.9**

The capitalised deferred tax asset from temporary differences and loss carryforwards assessed as recoverable of €7.3m (previous year €107.6m), which arose in the TUI Travel Sector, is covered by expected future taxable income even for companies that generated losses in the period under review (or the prior year).

(23) Inventories

Inventories

€ million	30 Sep 2013	30 Sep 2012
Marine inventory	26.1	35.6
Airline spares and operating equipment	27.7	27.3
Real estate for sale	20.0	12.4
Other inventories	41.6	38.6
Total	**115.4**	**113.9**

Other inventories included an amount of €14.1m for consumables used in hotels.

In financial year 2012/13, impairments worth €13.2m (previous year €4.9m) were effected in order to carry them at the lower net realisable value. These impairments included an amount of €9.5m related to property held for sale in connection with the Castelfalfi project, as outlined under Note 4.

No major write-backs of inventories were effected in 2012/13, nor in the prior year.

(24) Cash and cash equivalents

Cash and cash equivalents

€ million	30 Sep 2013	30 Sep 2012
Bank deposits	2,670.8	2,229.1
Cash in hand and cheques	30.9	49.3
Total	**2,701.7**	**2,278.4**

The increase in cash and cash equivalents is attributable to the gross presentation of certain balances in banks resulting from a cash pool, which were carried on a netted basis against short-term current account credit of this cash pool in the prior year. This extension in the balance sheet, detailed in the chapter on "Accounting principles", does not affect the Group's net financial position.

At 30 September 2013, cash and cash equivalents of €175.4m (previous year €45.4m) were subject to restraints on disposal. They included an amount of €116.3m for cash collateral received, which was deposited in a Belgian subsidiary by Belgian tax authorities in the period under review in the framework of long-standing litigation over VAT refunds for the years 2001 to 2011 without inference of guilt, the purpose being to prevent the accrual of interest for both parties. In order to collateralise a potential repayment, the Belgian government was granted a bank guarantee. Due to the bank guarantee, TUI's ability to dispose of the cash and cash equivalents has been restricted.

(25) Assets held for sale

Assets held for sale

€ million	30 Sep 2013	30 Sep 2012
Aircrafts and engines	–	6.1
Property and hotel facilities	6.6	–
Other assets	5.0	10.4
Total	**11.6**	**16.5**

In the period under review, a plane and two engines were reclassified to the category held for sale and were sold in the course of the year. The change in the aircraft and engines category results from the reclassification of an aircraft back to property, plant and equipment. In March 2013, the aircraft no longer met the criteria for assets held for sale.

The increase in property and hotel complexes is largely due to the reclassification of the Bulgarian hotel "Serenity Bay Beach Resort".

Other assets held for sale largely consist of hotel complexes, aircraft spare parts, yachts and boats. The change mainly comprises the sale of various asset items of a French hotel group, as well as sales of yachts and boats.

In the period under review, material measurement effects worth €6.6m arose from the fair value measurement of an aircraft held for sale in connection with the reclassification of assets held for sale. These measurement losses are carried as impairments under administrative expenses in the consolidated income statement.

(26) Subscribed capital

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

The subscribed capital of TUI AG, registered in the commercial registers of the district courts of Berlin-Charlottenburg and Hanover, rose by a total of €0.3m to around €645.2m due to the issue of 99,860 shares resulting from the issue of employee shares and due to conversions into 2,000 shares under the 2009/2014 and 2011/2016 convertible bonds. It thus consist of 252,375,570 shares at the end of the financial year.

The Annual General Meeting on 13 February 2013 authorised the Executive Board of TUI AG to acquire own shares of up to 10% of the capital stock. The authorisation will expire on 12 August 2014. The authorisation to acquire own shares has not been used to date.

Conditional capital
The Annual General Meetings of 7 May 2008 and 13 May 2009 had created conditional capital for the issue of bonds of €100.0m each and authorised the group to issue bonds. The two above mentioned authorisations for the issue of bonds with conversion options and warrants as well as profit-sharing rights and income bonds (with and without fixed terms) have been limited to a total nominal amount of €1.0bn and they will expire on 6 May 2013 and on 12 May 2014, respectively.

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

Using the conditional capital of 13 May 2009, TUI AG issued unsecured non-subordinate convertible bonds worth €217.8m on 17 November 2009, maturing on 17 November 2014. The bonds were issued in denominations with nominal values of €56.30. The conversion price is €5.63 per no-par value share. The convertible bonds can hence be converted into a maximum of 38,683,730 shares. The bonds, which carry an interest coupon of 5.50% p. a., were issued at par. The bonds are traded at five German stock exchanges. By 30 September 2013, 47,073 bonds were converted into 470,730 new shares in TUI AG (including 1,990 in the period under review).

Using the conditional capital of 7 May 2008, TUI AG issued unsecured non-subordinate convertible bonds worth €339.0m on 24 March 2011, maturing on 24 March 2016. The bonds were issued in denominations with nominal values of €59.26. The conversion price is €11.8506 per no-par value share. The convertible bonds can hence be converted into a maximum of 28,599,735 shares. The bonds, which carry an interest coupon of 2.75%, were issued at par. The bonds are traded at five German stock exchanges. By 30 September 2013, three bonds had been converted into 15 new shares in TUI AG (including ten shares in financial year 2012/13).

Overall, TUI AG held conditional capital of €318.8m as at 30 September 2013, taking account of the conversions effected.

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

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

The Annual General Meeting of 13 February 2013 also resolved to create new conditional capital for the issue of employee shares worth €10.0m. The Executive Board of TUI AG is authorised to use this conditional capital in one or several tranches by 12 February 2018 by issuing employee shares against cash contribution. Taking account of the conditional capital from 2008, 99,860 new employee shares were issued in the completed financial year.

Accordingly, total unused authorised capital was around €320.5m at the balance sheet date (around €318.6m as at 30 September 2012).

(27) Capital reserves

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

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

The capital reserves also rose by a total of €0.3m due to the issue of employee shares and the conversion of bonds into shares.

(28) Revenue reserves

Equity declined due to the payment of dividends to non-Group shareholders. Most of these dividends relate to the dividends paid by TUI Travel PLC and RIUSA II S.A. The interest paid on the hybrid capital issued by TUI AG also has to be shown as a dividend in accordance with IFRS rules.

In the framework of long-term incentive programmes, TUI Travel PLC operates stock option plans serviced with shares for its employees. Disclosures on these long-term incentive programmes are outlined under Note 43 in the chapter on share-based payments in accordance with IFRS 2. In financial year 2012/13, these stock option plans resulted in an increase in equity of €18.4m.

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

TUI AG has had a part of the interim dividend paid by TUI Travel PLC in October paid out in the form of shares and has thus acquired additional shares in TUI Travel PLC. TUI Travel PLC itself has acquired own shares in order to use them for its stock option programme. As the amounts used for this purpose have to be eliminated against revenue reserves, equity declined by €25.4m.

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

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

The proportion of gains and losses from hedges used as effective hedges of future cash flows is carried in equity in other comprehensive income outside profit and loss. A reversal of this provision through profit and loss takes place in the same period in which the hedged item has an effect on profit and loss or is no longer assessed as probable. The after-tax result to be eliminated directly against equity totalled €-43.7m.

The gains and losses from changes in actuarial parameters in connection with the measurement of pension obligations and related fund assets, if applicable, are also carried in equity in other comprehensive income outside profit and loss. The after-tax results to be eliminated directly against equity totalled €-32.3m.

(29) Use of Group profit available for distribution

In accordance with the Stock Corporation Act, the Annual General Meeting decides on the appropriation of the Group profit available for distribution carried in TUI AG's commercial-law annual financial statements. A proposal will be submitted to the Annual General Meeting to use the profit available for distribution for the financial year under review of €308.6m to pay a dividend of €0.15 per no-par value share and carry the amount of €270.7m remaining after deduction of the dividend total of €37.9m forward on new account. The final dividend total will depend on the number of dividend-bearing no-par value shares at the date on which the resolution regarding the use of Group profit available for distribution is taken by the Annual General Meeting.

(30) Hybrid capital

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

(31) Non-controlling interests

Non-controlling interests mainly relate to companies of TUI Travel PLC and TUI Hotels & Resorts, in particular the RIUSA II Group.

Negative non-controlling interests which arose before the balance sheet date of 31 December 2008 were eliminated against other revenue reserves. Interests that have newly arisen since 1 January 2009 are directly carried in the balance sheet item Non-controlling interests.

Other comprehensive income of non-controlling interests

€ million	2012/13	2011/12
Foreign exchange differences	20.8	- 49.3
Financial Instruments available for sale	0.4	3.0
Cash flow hedges	- 29.3	- 44.9
Actuarial losses from pension provisions and related fund assets	- 17.0	- 74.7
Changes in the measurement of companies measured at equity	–	- 0.6
Total	**- 25.1**	**- 166.5**

(32) Pension provisions and similar obligations

A number of defined contribution plans and defined benefit pension plans are operated for Group employees. Pension obligations vary, reflecting the different legal, fiscal and economic conditions in each country of operation, and usually depend on employees' length of service and pay levels. All defined contribution plans are funded by the payment of contributions to external insurance companies or funds, whilst defined benefit plans entail the formation of provisions within the company or investments in funds outside the company.

German employees enjoy benefits from a statutory defined contribution plan paying pensions as a function of employees' income and the contributions paid in. Several additional industry pension organisations exist for companies of the TUI Group. Once the contributions to the state-run pension plans and private pension insurance organisations have been paid, the company has no further payment obligations. Current contribution payments are expensed for the respective period. In financial year 2012/13, the pension costs for all defined contribution plans totalled €37.9m (previous year €34.9m).

In the period under review, a total expense of €48.3m arose for the Group for defined benefit pension plans. This amount includes income of €28.8m, resulting from a change in the pension arrangements in a Dutch subsidiary. The increase in the past service cost is mainly attributable to an adjustment of the pension obligations in a German subisidary against the backdrop of the ruling passed down by the European Court of Justice regarding the inadmissibility of the automatic termination of employment contracts for pilots when they reach the age of 60.

Pension costs for defined benefit obligations

€ million	2012/13	2011/12
Current service cost for employee service in the period	45.2	35.5
Curtailment gains	30.1	–
Interest cost	108.6	122.2
Expected return on external plan assets	81.3	89.5
Past service cost	5.9	- 0.5
Total	**48.3**	**67.7**

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

Development of pension provisions and similar obligations

€ million	Balance as at 30 Sep 2012	Changes with no effect on profit and loss[1)]	Actuarial gains and losses	Utilisation	Addition	Balance as at 30 Sep 2013
Development of pension provisions and similar obligations	1,186.6	- 8.2	19.5	135.0	73.1	**1,136.0**

[1)] reclassifications, transfers, exchange differences and changes in group of consolidated companies

The actuarial gains and losses which arose in financial year 2012/13 were taken to or eliminated against equity outside profit and loss, causing the indicated movement in pension provisions outside profit and loss.

Where the defined benefit pension obligations are not financed by provisions, they are funded externally. This type of funding of pension obligations prevails to a considerable extent in the UK and in Switzerland.

While the fund assets are determined on the basis of the fair values of invested funds as at 30 September 2013, pension obligations are measured on the basis of actuarial calculations and assumptions. The obligations under defined benefit plans are calculated on the basis of the internationally accepted projected unit credit method, taking account of expected future increases in salaries and pensions.

Actuarial parameters for German companies

Percentage p. a.	**2012/13**	2011/12
Discount rate	3.5	3.25
Projected future salary increases	2.0 – 2.5	2.0 – 2.5
Projected future pension increases	2.0	2.0 – 2.17

Determination of the interest rate applicable in discounting the provision for pensions is based on an index for corporate bonds adjusted for securities already downgraded and under observation by rating agencies as well as subordinate bonds in order to meet the criterion for first-rate bonds required under IAS 19. In order to cover a correspondingly broad market, an index based on shorter-terms bonds is used. The resulting interest rate structure is extrapolated on the basis of the yield curves for almost risk-free bonds, taking account of an appropriate risk mark-up reflecting the term of the obligation.

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

Actuarial assumptions for foreign companies

			2012/13			2011/12
Percentage p. a.	**Discount rate**	**Expected return on plan assets**	**Projected future salary increases**	Discount rate	Expected return on plan assets	Projected future salary increases
Eurozone	3.5	5.9	2.0 – 3.0	3.25	2.6	2.0 – 3.0
UK	4.4	6.1	2.5	4.5	5.6	2.5
Rest of Europe	2.5	2.4	1.0 – 3.8	2.0	2.0	1.0 – 2.0
North America	4.3	4.3	3.5	3.5	3.5	3.5

Development of projected benefit obligations

€ million	**2012/13**	2011/12
Net present value of actual pension obligations at beginning of year	**2,900.3**	**2,350.9**
Current pension obligations	45.2	35.5
Past service cost	5.9	- 0.5
Curtailments and settlements	- 160.9	–
Interest cost	108.6	122.2
Pensions paid	- 132.0	- 130.6
Contributions paid by pension beneficiaries	1.9	2.6
Actuarial losses (+)	61.3	377.5
Exchange differences	- 98.0	143.3
Other	20.0	- 0.6
Net present value of actual pension obligations at year-end	**2,752.3**	**2,900.3**

In the financial year under review, pension obligations declined considerably by €148.0m to €2,752.3m. This was mainly due to the change in the pension arrangements in a Dutch subsidiary, which entailed conversion of the previously funded pension plan into a defined contribution plan.

Development of the fair value of fund assets

€ million	2012/13	2011/12
Fair value of fund assets at beginning of period	**1,713.8**	**1,437.1**
Expected return on external plan assets (-)	- 81.3	- 89.5
Actuarial gains (-)/losses (+) of the current year	- 41.8	- 93.1
Effects from curtailments & settlements	- 131.0	–
Exchange differences	- 70.0	113.6
Employer's contributions paid in	78.5	73.0
Contributions paid by the beneficiaries of the plan	1.9	2.6
Pensions paid	- 99.7	- 95.1
Fair value of fund assets at end of period	**1,616.6**	**1,713.8**
of which dividend-carrying securities	651.5	625.0
of which bonds	589.7	713.7
of which property, plant and equipment	89.4	87.5
of which cash	5.2	18.8
of which other	280.8	268.8

In connection with the restructuring of pension plans in the Netherlands, the TUI Group's fund assets dropped substantially by €131.0m. By contrast, assets rose due to the sound development of fund asset prices. The funds generated actual returns of €123.1m (previous year €182.6m). Actuarial gains of €41.8m arose on an expected income of €81.3m (previous year €89.5m).

The assumptions used in determining the expected return on external fund assets are based on the actual fund structure and are oriented to the future long-term returns for the individual fund categories. Further factors taken into account are the current interest rate level and the inflation trend.

For the forthcoming financial year, the companies of the TUI Group are expected to contribute around €140.8m to the pension funds and pay pensions worth €33.8m in the framework of non-funded plans.

Reconciliation of projected benefit obligations to pension obligations recognised in the statement of financial position

			30 Sep 2013			30 Sep 2012
€ million	Plans with obligation in excess of assets	Plans with assets in excess of obligation	**Total**	Plans with obligation in excess of assets	Plans with assets in excess of obligation	Total
Actual projected benefit of fully or partly funded pension obligations	2,132.9	15.4	2,148.3	2,286.6	10.7	2,297.3
Fair value of external plan assets	1,600.9	15.7	1,616.6	1,703.0	10.8	1,713.8
Deficit respectively excess	**532.0**	**- 0.3**	**531.7**	**583.6**	**- 0.1**	**583.5**
Actual net present value of non-funded pension obligations			604.0			603.0
Net projected benefit obligation			**1,135.7**			**1,186.5**
Adjustment for past service cost			–			–
Net recognised liability			**1,135.7**			**1,186.5**
of which capitalised assets			0.3			0.1
Provisions for pensions and similar obligations			**1,136.0**			**1,186.6**
of which provisions for pensions for non-funded obligations			604.0			603.0
of which provisions for pensions for funded obligations			532.0			583.6

Since the TUI Group used the option of immediately offsetting the actuarial gains and losses against equity in the year in which they arose, the TUI Group's total pension obligations were fully shown in the statement of financial position, netted against existing fund assets.

Where plan assets exceed funded pension obligations, taking account of a difference due to past service cost, and where at the same time there is an entitlement to reimbursement or reduction of future contribution payments to the fund, the excess is capitalised in conformity with the upper limit defined by IAS 19.

Year-on-year comparison of the principal amounts related to pension obligations

€ million	2012/13	2011/12	2009/10	SFJ 2009	2009
Projected benefit obligations at year-end	2,752.3	2,900.3	2,350.9	2,349.6	2,071.7
Fund assets at year-end	1,616.6	1,713.8	1,437.1	1,437.7	1,202.8
Excess (-)/deficit (+) at year-end	1,135.7	1,186.5	913.8	911.9	868.9
Actuarial gains (-)/losses (+) of the current year from the obligations	61.3	377.5	22.7	122.1	296.2
of which experience adjustments	50.7	15.3	26.5	- 3.8	4.0
Actuarial gains (-)/losses (+) of the current year from fund assets	- 41.8	- 93.1	72.9	- 46.1	- 93.6

At 30 September 2013, the net actuarial losses before deferred taxes carried and eliminated against equity outside profit and loss by that date totalled €1,011.8m (previous year €1,091.8m).

(33) Other provisions

Development of provisions in the financial year 2012/13

€ million	Balance as at 30 Sep 2012	Changes with no effect on profit and loss[1)]	Usage	Reversal	Additions	Balance as at 30 Sep 2013
Personnel costs	112.9	2.5	66.9	3.8	47.1	91.8
Typical operating risks	13.5	- 1.5	4.0	1.9	17.8	23.9
Maintenance provisions	500.1	- 17.6	200.8	17.0	172.6	437.3
Risks from onerous contracts	25.3	- 1.4	6.9	1.3	46.0	61.7
Guarantee and liability risks	8.4	–	2.6	0.6	1.9	7.1
Provisions for other taxes	53.2	- 0.3	1.6	0.5	9.3	60.1
Provisions for environmental protection	43.5	–	2.4	5.9	6.8	42.0
Miscellaneous provisions	290.4	- 1.6	99.3	16.5	127.3	300.3
Other provisions	**1,047.3**	**- 19.9**	**384.5**	**47.5**	**428.8**	**1,024.2**

1) reclassifications, transfers, exchange differences and changes in the group of consolidated companies

Other provisions

Provisions for personnel costs comprise provisions for social plans and jubilee benefits as well as provisions for share-based payment schemes with cash compensation in accordance with IFRS 2. Information on these long-term incentive programmes is presented under Note 43 in the chapter on "Share-based payments" in accordance with IFRS 2.

Restructuring provisions were formed where individual measures were sufficiently concrete and where a factual restructuring obligation existed. In financial year 2012/13, restructuring measures mainly implemented in the TUI Travel Sector resulted in expenses of €62.3m (previous year €63.2m). At the balance sheet date, provisions for restructuring measures totalled €62.8m, primarily for HR measures.

Provisions for external maintenance primarily relate to contractual maintenance, overhaul and repair requirements for aircraft, engines and specific components from aircraft charter contracts. The measurement of these provisions is based on the expected cost of the next maintenance event, estimated on the basis of current prices, expected price increases and manufacturers' data sheets. In line with the arrangements of the individual contracts and the aircraft model, transfers are made on a prorated basis in relation to flight hours, the number of flights or the length of the complete maintenance cycle. The provision declined by €62.8m, primarily due to the replacement of older aircraft by newer planes as well as foreign exchange effects.

In the current financial year, the provisions for onerous losses rose by €36.4m. Onerous losses from long-term purchase commitments to North African hoteliers resulted in an increase in the provision of €14.3m. In addition, provisions of €16.0m were formed for onerous losses from leasing contracts for two cruise ships.

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

In the period under review, other provisions rose above all due to the formation of provisions for litigation risks from compensation entitlements in the event of delays in flight operations, which affected several subsidiaries following the latest case law on air passenger rights from the Court of Justice of the European Union.

Where the difference between the present value and the settlement value of a provision is material for the measurement of a non-current provision as at the balance sheet date, the provision has to be recognised at its present value in accordance with IAS 37. The discount rate to be applied should take account of the specific risks of the provision and of future price increases. This criterion applies to some items contained in the TUI Group's other provisions. Transfers to other provisions comprise an interest portion of €8.3m (previous year €16.5m), recognised as interest expenses.

Terms to maturity of income tax provisions and other provisions

		30 Sep 2013		30 Sep 2012
€ million	Remaining term of more than 1 year	**Total**	Remaining term of more than 1 year	Total
Personnel costs	27.8	91.8	19.3	112.9
Typical operating risks	0.4	23.9	1.6	13.5
Maintenance provisions	318.1	437.3	294.7	500.1
Risks from onerous contracts	36.9	61.7	15.2	25.3
Guarantee and liability risks	2.0	7.1	3.8	8.4
Provisions for other taxes	21.5	60.1	20.5	53.2
Provisions for environmental protection	36.9	42.0	38.4	43.5
Miscellaneous provisions	131.4	300.3	144.0	290.4
Other provisions	**575.0**	**1,024.2**	**537.5**	**1,047.3**

(34) Financial liabilities

Financial liabilities

€ million				**30 Sep 2013**	30 Sep 2012	
	Remaining term				Remaining term	
	up to 1 year	1–5 years	more than 5 years	**Total**	Total	more than 1 year
Convertible bonds	–	1,333.5	–	1,333.5	1,318.3	1,318.3
Other bonds	–	–	–	–	232.8	–
Liabilities to banks	823.6	110.0	70.7	1,004.3	566.1	260.0
Liabilities from finance leases	29.2	131.9	174.5	335.6	233.2	204.6
Financial liabilities due to non-consolidated Group companies	6.0	–	–	6.0	7.1	0.3
Financial liabilities due to affiliates	–	–	–	–	11.6	11.6
Other financial liabilities	76.7	13.5	–	90.2	87.5	15.7
Total	**935.5**	**1,588.9**	**245.2**	**2,769.6**	**2,456.6**	**1,810.5**

The increase in financial liabilities in financial year 2012/13 is solely attributable to the gross presentation of short-term liabilities to banks from a cash pool, which were eliminated against certain assets within the cash pool in the prior year and thus shown on a net basis. This effect, outlined in detail in the chapter on "Accounting principles" does not have an impact on the Group's net financial position.

Fair values and carrying amounts of the bonds issued (30 Sep 2013)

€ million	Issuer	Volume initial	Volume outstanding	Interest rate % p.a.	Stock market value: Debt component	Stock market value: Conversion options	Stock market value: Total	Carrying amount
2009/14 convertible bond	TUI AG	217.8	215.1	5.500	229.8	141.7	371.5	196.0
2011/16 convertible bond	TUI AG	339.0	339.0	2.750	339.9	20.5	360.4	303.6
2009/14 convertible bond	TUI Travel PLC	GBP 350.0	GBP 350.0	6.000	GBP 364.6	GBP 39.6	GBP 404.2	402.2
2010/17 convertible bond	TUI Travel PLC	GBP 400.0	GBP 400.0	4.900	GBP 421.0	GBP 54.0	GBP 475.0	431.7
Total								**1,333.5**
2005/-- hybrid capital	TUI AG	300.0	300.0	3M EURIBOR plus 7.300	303.8	–	303.8	294.8

On 17 November 2009, TUI AG issued a five-year convertible bond worth €217.8m. This bond carries a fixed-interest coupon of 5.5% p.a. It was issued in denominations of €56.30. The conversion price is €5.63 per no-par value share. The volume outstanding as per 30 September 2013 for this bond totals €215.1m, taking account of conversions into shares.

A second convertible bond was issued on 24 March 2011 by TUI AG with a nominal value of €339.0m. The bond carries a fixed-interest coupon of 2.75% p.a. and will mature on 24 March 2016. It was issued in denominations of €59.26. The conversion price is €11.85 per share.

On 1 October 2009, TUI Travel PLC issued a convertible bond with a nominal value of £350.0m with a fixed-interest coupon of 6.0% p.a. and a conversion price of £3.493 per no-par value share. It will mature in October 2014. The bond was issued in denominations of £100,000.

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

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

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

The remaining amount of the senior fixed rate notes issued in December 2005 worth €233.0m was redeemed in December 2012, as scheduled.

(35) Trade payables

Trade payables

€ million	30 Sep 2013	30 Sep 2012
To third parties	3,025.6	3,216.9
To non-consolidated Group companies	4.8	4.9
To affiliates	18.8	38.2
Total	**3,049.2**	**3,260.0**

(36) Derivative financial instruments

Derivative financial instruments

			30 Sep 2013		30 Sep 2012
€ million	up to 1 year	1–5 years	**Total**	Remaining term of more than 1 year	Total
To third parties	178.8	30.7	209.5	31.8	194.9

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

(37) Deferred and current tax liabilities

Deferred and current tax liablities

€ million	30 Sep 2013	30 Sep 2012
Deferred tax liabilities	76.6	69.5
Current tax liabilities	241.8	204.8
Total	**318.4**	**274.3**

The deferred tax liabilities include an amount of €61.9m (previous year €56.5m) to be realised in more than twelve months.

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

On 11 October 2013, TUI Travel agreed on the terms of a settlement with the Spanish tax authorities. The total of tax, interest and penalties totals €50m. The disputed tax of €30m has been lodged with the authorities in earlier financial years whilst the case was progressing, meaning that that the settlement involves a further payment of interest and penalties totalling €20m. The tax (€30m) and interest (€5m) amounts have been provided in previous years within the taxation charge and financial expenses respectively, whilst the penalties of €15m have been accrued within administrative expenses in the year ended 30 September 2013 and included within separately disclosed items (note 8).

(38) Other liabilities

Other liabilities

			30 Sep 2013		30 Sep 2012
€ million	up to 1 year	1–5 years	Total	Remaining term of more than 1 year	Total
Other liabilities due to non-consolidated Group companies	4.7	1.4	6.1	0.8	15.2
Other liabilities due to affiliates	33.6	–	33.6	–	12.2
Other miscellaneous liabilities	223.9	49.7	273.6	41.1	208.7
Other liabilities relating to other taxes	33.3	–	33.3	–	52.8
Other liabilities relating to social security	42.3	–	42.3	–	50.8
Other liabilities relating to employees	246.6	12.1	258.7	8.5	138.8
Other liabilities relating to members of the Boards	1.1	–	1.1	–	2.9
Advance payments received	2,179.8	9.1	2,188.9	2.1	2,149.1
Other liabilities	**2,765.3**	**72.3**	**2,837.6**	**52.5**	**2,630.5**
Deferred income	54.3	26.1	80.4	15.7	95.3
Total	**2,819.6**	**98.4**	**2,918.0**	**68.2**	**2,725.8**

(39) Liabilities related to assets held for sale

In the period under review, the Group did not carry any liabilities related to assets held for sale, as in the previous year.

(40) Contingent liabilities

Contingent liabilities

€ million	30 Sep 2013	30 Sep 2012
Liabilities under guarantees, bill and cheque guarantees due to non-consolidated Group companies	0.4	0.4
Other liabilities under guarantee, bill and cheque guarantees	382.6	478.1
Other liabilities under warranties	1.2	2.3
Total	**384.2**	**480.8**

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

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

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

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

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

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

Should TUI fail to do so, a risk of around €96m (previous year €80m) might arise for the period since 2008.

(41) Litigation

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

In the litigation with the insolvency administrator of Babcock Borsig AG, which has been pending since 2004, relating to the transfers of various shareholdings in 1999, the parties have meanwhile settled as suggested by the higher regional court of Frankfurt/Main. The settlement has not caused any charges beyond the provision formed in the previous year.

In 1999, the operator of the container terminal in Zeebrugge in Belgium filed an action for damages against CP Ships Ltd. – still part of TUI Group – and several of its subsidiaries due to an alleged breach of contract in connection with switching the Belgian port of call from Zeebrugge to Antwerp. Following the oral proceedings in September 2013, the court ruled against two subsidiaries of CP Ships Ltd in October 2013 and dismissed the action against all other defendants (including CP Ships Ltd.). Both parties have the option to appeal. Moreover, the CP Ships companies would have rights of recourse against solvent third parties in the event of a final judgment.

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

(42) Other financial commitments

Nominal values of other financial commitments

				30 Sep 2013		30 Sep 2012
	Remaining term				Remaining term	
€ million	up to 1 year	1–5 years	of more than 5 years	**Total**	of more than 1 year	Total
Order commitments in respect of capital expenditure	541.5	1,333.6	1,359.3	3,234.4	1,000.3	1,945.8
Other financial commitments	114.7	61.8	–	176.5	96.5	166.8
Total	**656.2**	**1,395.4**	**1,359.3**	**3,410.9**	**1,096.8**	**2,112.6**
Fair value	**634.0**	**1,258.5**	**1,032.3**	**2,924.8**	**984.9**	**1,968.6**

The fair value of other financial commitments was determined by means of discounting future expenses using a customary market interest rate of 3.5% p.a. (previous year 3.25% p. a.). If the previous year's interest rate of 3.25% p. a. had been applied, the fair value would have been €30.8m higher.

Order commitments in respect of capital expenditure relating almost exclusively to Tourism rose by €1,288.6m year-on-year as at 30 September 2013. This was due to various factors including orders for new aircraft and aircraft equipment in the framework of TUI Travel's modernisation strategy. Current down payments and the scheduled delivery of aircraft had an opposite effect.

Financial commitments from operating lease, rental and charter contracts

					30 Sep 2013		30 Sep 2012
				Remaining term		Remaining term	
€ million	up to 1 year	1 – 5 years	5 – 10 years	of more than 10 years	**Total**	of more than 1 year	Total
Aircraft	352.3	861.1	445.8	63.0	1,722.2	1,033.6	1,391.3
Hotel complexes	217.6	420.1	97.4	0.5	735.6	485.2	688.9
Travel agencies	76.3	160.1	54.5	16.4	307.3	270.9	354.1
Administrative buildings	52.9	136.2	71.2	70.1	330.4	277.0	326.5
Ships, yachts and motor boats	116.4	147.0	135.0	42.4	440.8	120.8	216.2
Other	37.4	39.1	6.0	22.0	104.5	74.9	112.6
Total	**852.9**	**1,763.6**	**809.9**	**214.4**	**3,640.8**	**2,262.4**	**3,089.6**
Fair value	**824.0**	**1,590.8**	**615.0**	**151.9**	**3,181.7**	**1,969.2**	**2,770.3**

The fair value of financial commitments from lease, rental and leasing agreements was determined by means of discounting future expenses using a customary market interest rate of 3.5% p. a. (previous year 3.25% p. a.). If the previous year's interest rate of 3.25% p. a. had been applied, the fair value would have been €29.4m higher.

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

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

The increase as against 30 September 2012 results above all from the commissioning of several aircraft and the Europa 2 in the completed financial year. An opposite effect was driven above all by the scheduled redemption of rental and lease obligations for hotel and club facilities as well as aircraft.

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

Multi-annual bonus payment

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

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

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

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

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

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

Phantom shares developed as follows for the two bonus schemes:

Development of phantom shares

	Number of shares	Present value € million
Balance as at 30 Sep 2011	**1,310,475**	**4.7**
Phantom shares granted	475,479	2.7
Phantom shares exercised	309,843	1.6
Measurement results	–	3.4
Balance as at 30 Sep 2012	**1,476,111**	**9.2**
Phantom shares granted	495,208	4.2
Phantom shares exercised	247,264	2.3
Measurement results	–	4.0
Balance as at 30 Sep 2013	**1,724,055**	**15.1**

The multi-annual bonus and the stock option plan are recognised as payments with cash compensation. As at 30 September 2013 provisions and liabilities relating to entitlements under these long-term incentive programmes totalled €14.6m and €2.0m respectively (previous year €13.6m and no liability).

In financial year 2012/13, total provisions for share-based payment schemes with cash compensation of €8.2m (previous year €4.2m) were recognised through profit and loss.

Employee shares
TUI AG offers shares at favourable preferential conditions for purchase by eligible employees or former staff members (pensioners) in Germany and some European countries. The purchase entails a lock-up period of two years. In financial year 2012/13, a total of 99,860 employee shares

were sold (previous year 159,490). Personnel costs recognised through profit and loss, i. e. the difference between the current share price as at the balance sheet date and the reduced purchase price, amount to €0.3m.

Share-based payment schemes in subsidiaries of TUI AG

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

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

Performance Share Plan (PSP)

Up to 50% of these awards granted to the Executive Board will vest based on growth in the company’s reported earnings per share (EPS) in excess of growth in the UK Retail Price Index. Up to 25% of the awards (prior to 1 October 2011 up to 50%) will vest based on the company's total shareholder return (TSR) performance relative to an average of the TSR performance of an index of other capital market-oriented companies. Since 1 October 2011, calculation of the benchmark has exclusively been based on the TRS values of travel and tourism companies.

Likewise since 1 October 2011, up to 25% of the awards vest if the company’s average return on invested capital (ROIC) meets predefined targets.

Deferred Annual Bonus Scheme (DABS)

Under the Deferred Annual Bonus Scheme (DABS), half the annual variable compensation of the Executive Board members is deferred into share-based awards. Matching awards may be offered as additional bonuses. Matching awards are limited to four times the deferred amount. The awards granted under this scheme vest upon completion of a three-year period at the earliest.

If the ROIC/WACC hurdle is met, up to 50% of the granted awards (prior to 1 October 2011 up to 75%) will vest based on growth in earnings per share (EPS) relative to the UK Retail Price Index (RPI). 25% of the awards will vest based on total shareholder return (TSR) performance relative to the TSR performance of other capital market-oriented companies. Since 1 October 2011, the benchmark has been calculated exclusively on the basis of the TSR of travel and tourism companies.

Likewise since 1 October 2011, up to 25% of the awards will vest if the average return on invested capital (ROIC) meets certain targets.

Deferred Annual Bonus long-term Incentive Scheme (DABLIS)

The Deferred Annual Bonus Long-Term Incentive Scheme (DABLIS) is for executive staff (except for the Executive Board) and requires a 25% deferral of any annual variable compensation into shares. Matching shares are limited to four times the deferred amount. The earliest point for the shares to be eligible for release is similarly at the end of a three-year period.

Up to 50% of the awards will vest based on achievement of certain EBITA targets. Up to 25% of awards will vest based on the earnings per share (EPS) performance relative to the UK Retail Price Index and up to 25% based on the Total Shareholder Return (TSR) performance in relation to the TSR performance of other capital market-oriented companies. Since 1 October 2011, the benchmark has exclusively been calculated on the basis of the TSR performance of travel and tourism companies.

The vesting schedule for awards in TUI Travel PLC was as follows as at 30 September 2013:

Share award schemes and ordinary shares outstanding

	30 Sep 2013 Number of shares	30 Sep 2012 Number of shares	Date due to vest/date vested
Performance Share Plan (PSP)	–	1,864,433	4 Dec 2012
	–	695,082	19 Mar 2013
	1,851,300	1,988,854	6 Dec 2013
	3,042,857	3,234,113	7 Dec 2014
	193,242	193,242	1 June 2015
	1,851,734	–	6 Dec 2015
Deferred Annual Bonus Scheme (DABS)	–	3,148,956	4 Dec 2012
	3,535,905	3,825,685	6 Dec 2013
	5,200,660	5,376,936	7 Dec 2014
	3,604,844	–	6 Dec 2015
Deferred Annual Bonus Long Term Incentive Scheme (DABLIS)	–	1,924,199	4 Dec 2012
	2,032,726	2,131,122	6 Dec 2013
	3,601,638	3,866,944	7 Dec 2014
	2,211,179	–	6 Dec 2015
Total	**27,126,085**	**28,249,566**	

The development of awards granted is as follows:

Development of the number of share options

	Number
Outstanding at beginning of the financial year	28,249,566
Forfeited during the year	- 3,846,931
Reclassified as share appreciation rights	–
Exercised during the financial year	- 5,076,118
Granted during the financial year	7,799,568
Balance as at 30 Sep 2013	**27,126,085**

On top of the shares mentioned above, the deferral of variable compensation into share awards means that 3,118,873 shares (previous year 2,491,300 shares) are still outstanding under DABS and 4,465,568 (previous year 4,406,287) under DABLIS. The awards will vest between 6 December 2013 and 6 December 2015.

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

Information relating to fair values of shares awarded

		2012/13	2011/12
Fair values at measurement date	GBP	1.45 – 2.45	0.85 – 1.46
Share price	GBP	2.84	1.66
Expected volatility	%	35.5	36.10
Award life		3 years	3 years
Expected dividends	%	4.94	4.47
Risk free interest rate	%	0.42	0.54

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

In financial year 2012/13, personnel costs of €18.2m (previous year €19.0m) relating to share-based payment schemes involving compensation by equity instruments were carried through profit and loss.

Certain beneficiaries (except for the Executive Board members) may also decide to have their awards settled in cash. Calculation of the cash settlement is based on the same criteria as those used for settlement by equity instruments. In financial year 2012/13, this gave rise to personnel costs of €2.9m (previous year €0.4m).

(44) Financial instruments

Risks and risk management

Risk management principles

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

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

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

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

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

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

Market risk

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

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

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

Currency risk

The business operations of the TUI Group's companies generate cash flows denominated in foreign currencies, which are not always matched by congruent cash flows with equivalent terms in the same currency. Using potential netting effects (netting of payments made and received in the same currency with identical or similar terms), the TUI Group enters into appropriate hedges with external counterparties in order to limit the currency risk on the result margin.

Within the TUI Group, risks from exchange rate fluctuations of more than 20 currencies are hedged, with the largest hedging volumes relating to US dollars, euros and sterling. The Eurozone limits the currency risk from transactions in the key tourist destinations to Group companies whose functional currency is not the euro. The Tourism Segment is mainly affected by changes in the value of the US dollar and the euro, the latter predominantly affecting the TUI tour operators in the UK and the Nordic countries. In the Tourism business, payments in US dollars primarily relate to the procurement of services in non-European destinations, purchases of aircraft fuel and ship bunker and aircraft purchases or respective charter rates.

The companies of the TUI Travel Sector use financial derivatives to hedge their planned foreign exchange requirements. They aim to cover 80% to 100% of the planned currency requirements at the beginning of the tourism season concerned. In this regard, account is taken of the different risk profiles of the Group companies operating in various source markets. The hedged currency volumes are changed in line with changes in planned requirements on the basis of reporting by subsidiaries. Currency hedging in the TUI Hotels & Resorts and Cruises Sectors is also based on the reports submitted by the companies. The aim is for the hedges to cover 80% of the reported exposure.

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

Sensitivity analysis – currency risk

€ million		**30 Sep 2013**		30 Sep 2012
Variable: Foreign exchange rate	+ 10%	- 10%	+ 10%	- 10%
Exchange rates of key currencies				
€/US dollar				
Hedging reserve	- 87.7	+ 86.8	- 99.0	+ 98.6
Earnings after income taxes	- 5.2	+ 5.4	+ 3.3	- 2.7
€/Pound sterling				
Hedging reserve	- 91.7	+ 91.7	+ 105.2	- 105.2
Earnings after income taxes	- 35.3	+ 35.3	+ 123.8	- 123.8
Pound sterling/US dollar				
Hedging reserve	- 71.7	+ 71.7	+ 1.4	- 1.4
Earnings after income taxes	- 14.8	+ 14.8	+ 11.1	- 11.1
€/Swiss franc				
Hedging reserve	- 3.0	+ 3.0	- 2.5	+ 2.6
Earnings after income taxes	- 0.2	+ 0.2	- 11.6	+ 11.6
€/Swedish krona				
Hedging reserve	+ 25.2	- 25.2	+ 20.8	- 20.8
Earnings after income taxes	- 5.0	+ 5.0	- 10.1	+ 10.1

Interest rate risk

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

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

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

Sensitivity analysis – interest rate risk

€ million		**30 Sep 2013**		30 Sep 2012
Variable: Interest rate level for floating interest-bearing debt and fixed-interest bearing loans	+ 100 basis points	- 100 basis points	+ 100 basis points	- 100 basis points
Hedging reserve	+ 1.0	- 0.7	+ 0.2	–
Earnings after income taxes	- 4.4	+ 3.4	- 0.8	+ 1.6

Fuel price risk

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

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

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

Sensitivity analysis – fuel price risk

€ million		**30 Sep 2013**		30 Sep 2012
Variable: Fuel prices for aircraft and ships	+ 10%	- 10%	+ 10%	- 10%
Hedging reserve	+ 77.5	- 79.1	+ 94.9	- 94.9
Earnings after income taxes	+ 0.1	+ 0.2	+ 0.5	- 0.3

Other price risks

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

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

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

Sensitivity analysis – other price risks

€ million		**30 Sep 2013**		30 Sep 2012
Variable: Other market values, cash flows	+ 10%	- 10%	+ 10%	- 10%
Hedging reserve	+ 14.3	- 14.3	+ 12.6	- 12.6
Earnings after income taxes	–	–	–	- 0.5
Equity – Available for sale financial instruments	+ 0.6	- 0.6	+ 0.5	–

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

Credit risk

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

Maximum credit risk exposure corresponds in particular to the total of the recognised carrying amounts of the financial assets (including derivative financial instruments with positive market values). It also relates to the granting of financial guarantees for the discharge of liabilities. Details concerning the guarantees at the balance sheet date are presented in Note 40. Legally enforceable possibilities of netting financial assets and liabilities are taken into account. Credit risks are reviewed closely on conclusion of the contract and continually monitored thereafter so as to be able to swiftly respond to potential impairments in a counterparty's solvency. Responsibility for handling the credit risk is always held by the respective Group companies of the TUI Group.

Since the TUI Group operates in many different business areas and regions, significant credit risk concentrations of receivables from and loans to specific debtors or groups of debtors are not to be expected. A significant concentration of credit risks related to specific countries is not to be expected either. The maximum credit risk is reduced by collateral held and other credit enhancements of 1.1m (previous year €2.6m). Collateral held relates exclusively to financial assets of the category Trade accounts receivable and other receivables. The collateral mainly constitutes collateral for financial receivables granted and maturing in more than one year and/or with a volume of more than €1m. Rights in rem, directly enforceable guarantees, bank guarantees and comfort letters are used as collateral.

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

At the balance sheet date, there were no financial assets that would be overdue or impaired unless the terms and conditions of the contract had been renegotiated, neither in financial year 2012/13 nor in 2011/12.

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

Liquidity risk

Liquidity risks consist of potential financial shortages and resulting increases in refinancing costs. For this reason, the key objectives of TUI's internal liquidity management system are to secure the Group's liquidity at all times and consistently comply with contractual payment obligations. In accordance with IFRS 7.14, assets of €41.0m (previous year €0.0m) were deposited as collateral for liabilities. The participating Group companies are also jointly and severally liable for financial liabilities from a cash pooling agreement. At the balance sheet date, net liabilities of €570.0m and bank balances of €587.5m existed under this cash pool. More detailed information on the liquidity risk is provided in the section on Liquidity safeguarding in the Risk Report of the Management Report.

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

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

	Cash in-/outflow until 30 Sep							
	2014		2015		2016 – 2018		as of 2018	
€ million	repayment	interest	repayment	interest	repayment	interest	repayment	interest
Financial liabilities								
Bonds	–	- 21.2	- 1.055.5	- 15.2	- 339.0	- 4.7	–	–
Liabilities to banks	- 828.5	- 16.9	- 32.0	- 1.9	- 73.2	- 4.2	- 70.7	- 5.1
Liabilities from finance leases	- 29.2	- 0.1	- 35.5	–	- 96.4	–	- 174.5	–
Financial liabilities due to non-consolidated Group companies	–	–	–	–	–	–	–	–
Financial liabilities due to affiliates	–	–	–	–	–	–	–	–
Other financial liabilities	- 102.4	- 25.6	–	–	–	–	–	–
Trade payables	- 3,049.2	–	–	–	–	–	–	–
Other liabilities	- 218.9	–	- 6.3	–	- 12.1	- 1.4	- 11.8	–

Cash flow of financial instruments – financial liabilities (30 Sep 2012)

	Cash in-/outflow until 30 Sep							
	2013		2014		2015 – 2017		as of 2017	
€ million	**repayment**	**interest**	repayment	interest	repayment	interest	repayment	interest
Financial liabilities								
Bonds	- 233.0	- 27.1	–	- 21.2	- 1,399.8	- 19.9	–	–
Liabilities to banks	- 369.6	- 28.4	- 195.7	- 17.4	- 49.9	- 5.0	- 35.9	- 5.4
Liabilities from finance leases	- 26.6	- 1.9	- 18.6	- 0.1	- 64.4	- 0.7	- 114.2	–
Financial liabilities due to non-consolidated Group companies	–	–	–	–	–	–	–	–
Financial liabilities due to affiliates	- 1.4	–	–	–	- 11.6	–	–	–
Other financial liabilities	- 98.4	- 26.0	- 12.7	–	- 1.3	–	- 0.2	–
Trade payables	- 3,260.0	–	–	–	–	–	–	–
Other liabilities	- 58.5	–	- 2.2	–	- 13.2	–	- 1.4	–

Cash flow of derivative financial instruments (30 Sep 2013)

	Cash in-/outflow until 30 Sep			
€ million	2014	2015	2016 – 2018	as of 2018
Derivative financial instruments				
Hedging transactions – inflows	+ 6,172.5	+ 1,102.4	+ 29.1	–
Hedging transactions – outflows	- 6,275.8	- 1,128.9	- 29.7	–
Other derivative financial instruments – inflows	+ 3,363.2	+ 206.4	–	–
Other derivative financial instruments – outflows	- 3,407.7	- 209.4	- 0.2	–

Cash flow of derivative financial instruments (30 Sep 2012)

	Cash in-/outflow until 30 Sep			
€ million	**2013**	2014	2015 – 2017	as of 2017
Derivative financial instruments				
Hedging transactions - inflows	+ 6,001.4	+ 1,064.2	+ 7.3	–
Hedging transactions - outflows	- 6,068.0	- 1,075.6	- 7.2	–
Other derivative financial instruments – inflows	+ 4,675.8	+ 34.4	–	–
Other derivative financial instruments – outflows	- 4,689.6	- 34.8	–	–

Derivative financial instruments and hedges

Strategy and goals

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

In order to limit currency, interest rate and fuel risks, derivative financial instruments in the form of fixed-price transactions and options are used.

Cash flow hedges

As at 30 September 2013, underlying transactions existed to hedge cash flows in foreign currencies with maturities of up to three years (previous year up to three years). The planned underlying transactions of fuel price hedges had terms of up to three years (previous year up to three years). In order to hedge TUI AG's floating-rate interest payment obligations in connection with the funding to purchase part of a convertible bond issued by TUI Travel PLC, interest hedges with a term of up to three years (previous year up to three two) were concluded in financial years 2010/11 and 2012/13.

In accounting for derivatives of cash flow hedges, the effective portion of the cumulative changes in market values is carried in the hedging reserve outside profit and loss until the underlying transaction occurs. It is carried in the income statement through profit and loss when the hedged item is executed. In the financial year under review, expenses of €11.0m (previous year income of €21.7m) for currency hedges and derivative financial instruments used as price hedges as well as for interest hedges was carried in the cost of sales. Expenses of €2.4m (previous year income of €1.3m) were carried for the ineffective portion of the cash flow hedges.

Nominal amounts of derivative financial instruments used

			30 Sep 2013		30 Sep 2012
	Remaining term			Remaining term	
€ million	up to 1 year	of more than 1 year	**Total**	of more than 1 year	Total
Interest rate hedges					
Caps	59.8	222.0	281.8	212.7	212.7
Swaps	59.8	90.9	150.7	62.7	62.7
Currency hedges					
Forwards	9,387.2	1,060.2	10,447.4	1,079.3	11,496.7
Options	39.2	–	39.2	77.6	100.4
Collected forwards	179.1	110.9	290.0	70.8	647.6
Commodity hedges					
Swaps	1,011.2	212.5	1,223.7	259.2	1,486.1
Options	31.1	–	31.1	19.8	129.5
Other financial instruments	**–**	**179.4**	**179.4**	**188.0**	**188.0**

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

Fair values of derivative financial instruments

The fair values of derivative financial instruments correspond to the market values. The market price determined for all derivative financial instruments is the price at which a contracting party would take over the rights and/or obligations of the respective counterparty. The fair value of over-the-counter derivatives is determined by means of appropriate calculation methods, e. g. by discounting the expected future cash flows. The forward prices of forward transactions are based on the spot or cash prices, taking account of forward premiums and discounts. The calculation of the fair values of options concluded for currency options is based on the Black & Scholes model and the Turnbull & Wakeman model for optional fuel hedges. The fair values determined on the basis of the Group's own systems are regularly compared with fair value confirmations of the external counterparties.

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

		30 Sep 2013		30 Sep 2012
€ million	**Receivables**	**Liabilities**	Receivables	Liabilities
Cash flow hedges for				
currency risks	40.4	147.4	79.0	137.3
other market price risks	43.3	28.4	56.6	23.1
interest rate risks	0.1	0.6	0.2	1.7
Hedging transactions	**83.8**	**176.4**	**135.8**	**162.1**
Other derivative financial instruments	**3.2**	**33.1**	**24.1**	**32.8**
Total	**87.0**	**209.5**	**159.9**	**194.9**

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

Financial instruments – Additional disclosures

Carrying amounts and fair values

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

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

The fair values of Non-current trade receivables and other assets correspond to the present values of the cash flows associated with the assets, taking account of current interest parameters which reflect market- and counterparty-related changes in terms and expectations.

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

€ million	Carrying amount	Category under IAS 39				Values according to IAS 17 (leases)	Carrying amount of financial instruments	Fair value of financial instruments
		At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss			
Assets								
Available for sale financial assets	71.5	–	54.1	17.4	–	–	71.5	71.5
Trade receivables and other assets	2,219.6	1,090.2	–	–	40.6	–	1,130.8	1,130.8
Derivative financial instruments								
Hedging transactions	83.8	–	–	83.8	–	–	83.8	83.8
Other derivative financial instruments	3.2	–	–	–	3.2	–	3.2	3.2
Cash and cash equivalents	2,701.7	2,701.7	–	–	–	–	2,701.7	2,701.7
Assets held for sale	11.6	–	–	–	–	–	–	–
Liabilities								
Financial liabilities	2,769.6	2,434.1	–	–	–	335.5	2,769.6	3,239.6
Trade payables	3,049.2	3,049.2	–	–	–	–	3,049.2	3,049.2
Derivative financial instruments								
Hedging transactions	176.4	–	–	176.4	–	–	176.4	176.4
Other derivative financial instruments	33.1	–	–	–	33.1	–	33.1	33.1
Other liabilities	2,918.0	212.0	–	–	–	–	212.0	212.0

Carrying amounts and fair values according to classes and measurement categories as at 30 Sep 2012

€ million	Carrying amount	Category under IAS 39				Values according to IAS 17 (leases)	Carrying amount of financial instruments	Fair value of financial instruments
		At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss			
Assets								
Available for sale financial assets	75.5	–	60.9	14.6	–	–	75.5	75.5
Trade receivables and other assets	2,314.1	1,142.4	–	–	37.6	–	1,180.0	1,180.0
Derivative financial instruments								
Hedging transactions	135.8	–	–	135.8	–	–	135.8	135.8
Other derivative financial instruments	24.1	–	–	–	24.1	–	24.1	24.1
Cash and cash equivalents	2,278.4	2,278.4	–	–	–	–	2,278.4	2,278.4
Assets held for sale	16.5	–	–	–	–	–	–	–
Liabilities								
Financial liabilities	2,456.6	2,223.4	–	–	–	233.2	2,456.6	2,527.2
Trade payables	3,260.0	3,256.5	–	–	–	–	3,256.5	3,256.5
Derivative financial instruments								
Hedging transactions	162.1	–	–	162.1	–	–	162.1	162.1
Other derivative financial instruments	32.8	–	–	–	32.8	–	32.8	32.8
Other liabilities	2,725.8	223.3	–	–	–	–	223.3	223.3

The financial investments classified as Financial instruments available for sale include an amount of €54.1m (previous year € 60.9m) for stakes in partnerships and corporations. The fair value of these non-listed stakes was not determined since the cash flows could not be reliably determined. It was not possible, either, to determine reliable fair values on the basis of comparable transactions.

In the period under review, there were no major disposals of shares classified as Financial assets available for sale, measured at acquisition cost (previous year no major disposals).

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

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

Aggregation according to measurement categories under IAS 39 as at 30 Sep 2012

€ million	At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss	**Carrying amount Total**	Fair value
Loans and receivables	3,420.8	–	–	–	3,420.8	3,420.8
Financial assets						
available for sale	–	60.9	14.6	–	75.5	75.4
held for trading	–	–	–	61.7	61.7	61.7
Financial liabilities						
at amortised cost	5,703.2	–	–	–	5,703.2	6,007.0
held for trading	–	–	–	32.8	32.8	32.8

The following table presents the key measurement parameters for the financial instruments recognised at fair value. The individual levels have been defined as follows in accordance with IFRS 7:

- Level 1: quoted (non-adjusted) prices in active markets for similar assets or liabilities.
- Level 2: processes in which all inputs significant to recognised fair values are directly or indirectly observable in the market.
- Level 3: processes in which the inputs significant to the recognised fair value are not based on observable market data.

Hierarchy of financial instruments measured at fair value as of 30 Sep 2013

		Fair value hierarchy		
€ million	**Total**	Level 1	Level 2	Level 3
Assets				
Other assets held for trading	40.6	–	–	40.6
Available for sale financial assets	17.4	17.4	–	–
Derivative financial instruments				
Hedging transactions	83.8	–	83.8	–
Other derivative financial instruments	3.2	–	3.2	–
Liabilities				
Derivative financial instruments				
Hedging transactions	176.4	–	176.4	–
Other derivative financial instruments	33.1	–	33.1	–

Hierarchy of financial instruments measured at fair value as of 30 Sep 2012

		Fair value hierarchy		
€ million	**Total**	Level 1	Level 2	Level 3
Assets				
Other assets held for trading	37.6	–	–	37.6
Available for sale financial assets	14.6	14.6	–	–
Derivative financial instruments				
Hedging transactions	135.8	–	135.8	–
Other derivative financial instruments	24.1	–	24.1	–
Liabilities				
Derivative financial instruments				
Hedging transactions	162.1	–	162.1	–
Other derivative financial instruments	32.8	–	32.8	–

The following table indicates the development of the values of Level 3 financial instruments:

Financial assets measured at fair value in level 3

€ million	Other assets held for trading	Available for sale financial assets
Balance as at 30 Sep 2011	**33.9**	**411.6**
Additions	–	–
Disposals	–	–
repayment/sale	–	249.0
conversion	–	138.3
Total comprehensive income	3.7	- 24.3
recognised in income statement	0.7	5.1
recognised in other comprehensive income	3.0	- 29.4
Balance as at 30 Sep 2012	**37.6**	**–**
Additions	–	–
Disposals	–	–
repayment/sale	–	–
conversion	–	–
Total comprehensive income	3.0	–
recognised in income statement	4.9	–
recognised in other comprehensive income	- 1.9	–
Balance as at 30 Sep 2013	**40.6**	**–**

The change in Level 3 assets measured at fair value results from a higher value recognised for the stake in National Air Traffic Services (NATS).

A change of +10/-10% in the determined corporate value of NATS results in a €2.8m increase/ €2.8m decrease in the value recognised for the asset in the TUI Group, taken though profit and loss and affecting earnings after tax (previous year €+2.6m/€-2.6m).

Effects on results

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

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

Net results of financial instruments

€ million	from interest	other net results	net result 2012/13	from interest	other net results	net result 2011/12
Loans and receivables	- 20.2	33.0	12.8	- 1.4	18.2	16.8
Available for sale financial assets	- 0.9	1.4	0.5	17.0	68.4	85.4
Financial assets and liabilities held for trading	4.9	- 5.6	- 0.7	- 6.1	31.3	25.2
Financial liabilities at amortised cost	- 113.5	20.1	- 93.4	- 215.4	- 6.7	- 222.1
Total	**- 129.7**	**48.9**	**- 80.8**	**- 205.9**	**111.2**	**- 94.7**

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

Financial instruments measured at fair value outside profit and loss did not give rise to any commission expenses in financial year 2012/13, just as in the previous year.

(45) Capital risk management

One of the key performance indicators in the framework of capital risk management is the relationship between the Group's net debt and Group equity under IFRS (gearing). From a risk perspective, a balanced relation between net debt and equity is to be sought.

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

Gearing calculation

€ million		2012/13	2011/12
Average financial debt		2,767.6	2,989.6
Average cash and cash equivalents		1,788.8	1,655.6
Average Group net debt		**978.8**	**1,334.0**
Average Group equity		1,798.5	1,961.7
Gearing	%	**54.4**	**68.0**

NOTES

NOTES TO THE CASH FLOW STATEMENT

Notes to the cash flow statement

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

(46) Cash inflow/outflow from operating activities

Based on Group earnings after tax, the cash flow from operating activities is derived using the indirect method. In the financial year under review, the cash inflow from operating activities amounted to €875.3m (previous year €841.5m). It includes the dividends from joint ventures and associates of €58.5m. In the prior year, this amount totalled €22.4m.

In the period under review, the cash inflow included a total of €30.9m from interest payments and €61.8m from dividends. Due to income tax payments, a cash outflow of €158.0m was carried in financial year 2012/13.

(47) Cash inflow/outflow from investing activities

In the financial year under review, the cash outflow from investing activities totalled €444.3m.

The cash flow from investing activities includes a cash outflow for capital expenditure related to property, plant and equipment and intangible assets of €501.2m for the TUI Travel Group and €80.7m for the hotel companies but also a cash inflow from the sale of fixed assets of €220.1m for the TUI Travel Group (in particular related to aircraft assets), and €19.9m for the hotel companies. A further inflow of cash of €10.1m was received for property sold by central operations.

The cash outflow from investing activities included cash payments – offset against acquired cash and cash equivalents – for the acquisition of shares in subsidiaries to be included in consolidation by the TUI Travel Group. The consolidated statement of financial position comprises additions of goodwill, assets and liabilities due to the acquisition of shares in subsidiaries to be included in consolidation. Total acquisitions of shares in subsidiaries to be included in consolidation (excluding shares in TUI Travel PLC) and asset deals resulted in net cash payments of €14.4m (previous year €27.5m) in financial year 2012/13. Cash and cash equivalents acquired through these acquisitions totalled around €8.5m (previous year €3.4m). Cash payments made in the financial year under review for investments in consolidated companies (less cash and cash equivalents received) also include payments for the acquisition of Tourism shareholdings as well as payments of €4.8m relating to prior-year acquisitions. In the period under review, TUI Group reported a cash outflow of €103.8m for capital increases in TUI Cruises, hotel companies and shareholdings of the TUI Travel Group.

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

(48) Cash inflow/outflow from financing activities

The cash outflow from financing activities totalled €620.9m.

TUI AG paid €233.0m for the scheduled redemption of bonds maturing in December 2012 and a further €160.3m to repay liabilities to banks due in April 2013. The non-current credit lines drawn in the period under review in order to cover the payments due in the tourism season were fully repaid so that they did not have a noteworthy effect on the cash flow from financing activities. The companies of the TUI Travel Group also repaid other credits worth €113.8m and liabilities from finance leases of €30.6m. The hotel companies reported a cash outflow of €35.4m for the repayment of loans.

The cash outflow from financing activities includes an amount of €19.2m spent by TUI Travel PLC to acquire own shares to be passed on to employees under long-term incentive programmes. The cash outflow from financing activities also includes acquisition of additional shares in TUI Travel PLC by TUI AG (€6.2m). An amount of €102.2m was used for interest payments. Additional outflows relate to the dividend for TUI AG's hybrid bond (€37.2m) and the dividends for non-controlling interests (€111.9m), in particular TUI Travel PLC and RIUSA II SA.

(49) Development of cash and cash equivalents

Cash and cash equivalents comprise all liquid funds, i.e. cash in hand, bank balances and cheques. As certain amounts from a cash pool agreement are now presented on a gross basis in the statement of financial provision, a reconciliation is shown from cash and cash equivalents in the cash flow statements to cash and cash equivalents as presented in the statement of financial position. The effect of gross presentation worth €587.5m is carried as a non-cash change in cash and cash equivalents.

As at 30 September 2013, cash and cash equivalents of €175.4m were subject to restraints on disposal. This amount includes €116.3m for cash collateral received, which was deposited in a Belgian subsidiary by Belgian tax authorities in the period under review in the framework of long-standing litigation over VAT refunds for the years 2001 to 2011 without inference of guilt, the purpose being to prevent the accrual of interest for both parties. In order to collateralise a potential repayment, the Belgian government was granted a bank guarantee. Due to the bank guarantee, TUI´s ability to dispose of the cash and cash equivalents has been restricted. The remaining restraints on disposal relate to cash and cash equivalents to be deposited due to legal or regulatory requirements.

NOTES

OTHER NOTES

(50) Significant transactions after the balance sheet date

After the balance sheet date, sales negotiations about the shareholding in the British air traffic control organisation NATS were completed. According to the agreement, TUI will sell 87.4% of its 6% stake in NATS to a British pension fund. TUI will retain a 0.8% stake in NATS after the transaction. The implementation of the sale is still subject to a condition precedent of the British antitrust authorities.

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

Total expenses for the services provided by the auditors of the consolidated financial statements in financial year 2012/13, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, can be broken down as follows:

Services of the auditors of the consolidated financial statements

€ million	2012/13	2011/12
Audit fees for TUI AG and subsidiaries in Germany	2.0	1.9
Audit fees	**2.0**	**1.9**
Review of interim financial statements	1.0	1.0
Other audit related services	0.6	0.8
Other certification and diligence services	**1.6**	**1.8**
Consulting fees	1.3	0.1
Tax advisor services	0.1	0.1
Other services	**1.4**	**0.2**
Total	**5.0**	**3.9**

(52) Remuneration of Executive and Supervisory Board members

In the financial year under review, total remuneration paid to Executive Board members totalled €15,169.7 thousand (previous year €13,645.6 thousand).

In the framework of the long-term incentive programme, the Executive Board members received compensation of €4,051.6 thousand (previous year €3,327.8 thousand) for the financial year under review.

Pension provisions for active Executive Board members totalled €20,253.6 thousand as at the balance sheet date (previous year €28,132.4 thousand).

Total remuneration for Supervisory Board members in the financial year under review amounted to €1,719.3 thousand (previous year €1,356.6 thousand).

Remuneration for former Executive Board members or their surviving dependants totalled €3,963.8 thousand (previous year €3,992.6 thousand) in the financial year under review. Pension obligations for former Executive Board members and their surviving dependants amounted to €49,587.7 thousand (previous year €43,118.9 thousand) at the balance sheet date.

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

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

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

- DEFAG Beteiligungsverwaltungs GmbH I, Hanover
- DEFAG Beteiligungsverwaltungs GmbH III, Hanover
- Hapag-Lloyd Kreuzfahrten GmbH, Hamburg
- Preussag Beteiligungsverwaltungs GmbH IX, Hanover
- Preussag Immobilien GmbH, Salzgitter
- Robinson Club GmbH, Hanover
- TUI Beteiligungs GmbH, Hanover
- TUI Group Services GmbH, Hanover
- TUI-Hapag Beteiligungs GmbH, Hanover

(54) Related parties

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

Financial obligations from order commitments vis-à-vis related parties exclusively relate to the purchasing of hotel services.

In addition, there are obligations of €114.7m (previous year €76.5m) from rental and lease agreements.

Transactions with related parties

€ million	2012/13	2011/12
Services provided by the Group		
Management and consultancy services	68.4	68.2
Sales of tourism services	53.1	54.8
Total	**121.5**	**123.0**
Services received by the Group		
In the framework of lease, rental and leasing agreements	18.8	21.7
Purchase of hotel services	253.3	177.2
Incoming services	7.7	13.0
Distribution services	0.1	–
Other services	42.2	43.2
Total	**322.1**	**255.1**

Transactions with related parties

€ million	2012/13	2011/12
Services provided by the Group to		
non-consolidated Group companies	2.5	–
joint ventures	67.1	88.6
associates	18.4	3.0
other related parties	33.5	31.4
Total	**121.5**	**123.0**
Services received by the Group from		
non-consolidated Group companies	12.0	0.0
joint ventures	239.7	241.2
associates	60.4	4.0
other related parties	10.0	9.9
Total	**322.1**	**255.1**

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

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

Receivables from related parties amount to €165.8m as at 30 September 2013 (as at September 2012 €141.1m). This compares to liabilities sold to related parties totalling €69.3m (as at 30 September 2012 € 89.3m). Liabilities to related parties did not comprise any liabilities from finance leases, as in the prior year. Receivables and liabilities existing as at the balance sheet date are comprised in receivables from and liabilities to non-consolidated Group companies and associated companies.

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

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

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

Remuneration of Management, Executive and Supervisory Board

€ million	2012/13	2011/12
Short-term benefits	12.7	11.8
Post-employment benefits	- 0.8	4.0
Other long-term benefits	4.1	3.8
Termination benefits	3.9	6.7
Total	**19.9**	**26.3**

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

(55) International Financial Reporting Standards (IFRS) and Interpretations (IFRIC)

The following standards have already been transposed into EU legislation but are only mandatory for annual financial statements after 30 September 2013:

Amendments to IAS 19: Employee Benefits
The amendments to the standard published in June 2011 have eliminated the existing option to use the corridor approach and have led to the immediate recognition of actuarial gains and losses in other comprehensive income outside profit and loss. In determining the net interest expense for defined benefit pension plans, income from plan assets will no longer have to be estimated as the expected return but will have to be determined as the interest on the plan based on the rate of interest used to determine the present value. Other amendments relate to the immediate recognition through profit and loss of past service costs in the event of future changes to plan arrangements or the presentation of the net interest on defined benefit pension plans. Amendments have furthermore been made to the distinction between termination benefits and other benefits provided by the employer. The revised standard also includes an extension of disclosure requirements in connection with employee benefits.

TUI will apply the revised IAS 19 as of the financial year beginning on 1 October 2013. The amendments are applicable with retroactive effect. First-time application of the provisions is expected to have the following effects on the Group net assets, financial position and results of operations:

Elimination of the so-called corridor method does not have an impact as the immediate and full recognition of actuarial gains and losses reflects the method already used by TUI.

The amendments related to the recognition of past service costs are not expected to have a material effect on the Group's earnings position in the forthcoming financial year.

If the revised provisions to determine the net interest expense for defined benefit pension plans had already been applied in financial year 2012/13, the financial result would have declined by approx. €14.9m. This would have led to deferred tax assets of approx. €4.6m. Compared with the reported expected income from plan assets of around €81.3m, an assumed use of the current discount rates for the projected benefit obligation to determine the return from plan assets would only lead to an expected income of €66.4m. At the same time, the actuarial gains for the year would have risen by €14.9m. Equity would not change. For financial year 2013/14, the revised provisions will lead to a reduction in the financial result of €26.9m in the income statement. At the same time, they will probably result in a deferred tax asset of €8.5m through profit and loss. Overall the revised provisions do not affect consolidated other comprehensive income or Group equity.

Due to the amended definition of termination benefits, bonus payments in part-time arrangements concluded with employees approaching retirement will have to be collected on a prorated basis in future over the entire vesting period. To date, the present value of bonus payments had been fully expensed upon conclusion of these pre-retirement part-time agreements. This amendment will lead an adjustment outside profit and loss of the provision for obligations towards pre-retirement part-timers as at 1 October 2012 by about €5.4m. This reduction goes hand in hand with an increase in deferred tax liabilities of around €1.7m and equity of around €3.7m. Due to the retransfer of the bonus payments to the provision for these old-age part-time arrangements on a prorated basis through profit and loss, the operating result/EBITA for financial year 2012/13 will decrease by around €1.2m retrospectively. The result for financial year 2013/14 will also be around €2.5m lower. To a lesser extent, there will be effects on the financial result and deferred taxes as well as earnings per share.

In addition, application of the amendments will lead to extended disclosures, e.g. on the nature and risks of defined-benefit pension plans, in the Notes to TUI's consolidated financial statements.

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

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

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

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

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

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

Transition guidance for IFRS 10, IFRS 11 and IFRS 12
The transition guidance published in June 2012 includes relief for first-time adopters of the new standards. Adjusted comparative information now only has to be provided for the immediately preceding comparative period. The requirement to disclose comparative information for disclosures relating to unconsolidated structured entities for periods prior to first-time application of IFRS 12 has been removed.

The European Commission transposed IFRS 10, IFRS 11 and IFRS 12 as well as the revised IAS 27 and IAS 28 and the transition guidance into European legislation on 28 December 2012. Within the European Union, entities are required to apply the rules for the first time for financial years beginning on or after 1 January 2014. TUI is currently investigating the effects of these rules and presumes that the application of the new and amended structures will have an impact on the TUI Group's net assets, financial position and results of operations. It is too early at this point in time to quantify the expected effects. The revised IAS 27 will not have an impact on TUI as TUI does not prepare single-entity financial statements based on IFRS in accordance with section 325 (2a) of the German Commercial Code (HGB); nor will the elimination of proportionate consolidation for joint ventures have an effect, as these joint ventures are already included in TUI's consolidated financial statements based on the equity method.

Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities
The amendments, issued in October 2012, free many investment entities from the future requirement to consolidate the subsidiaries they control in their financial statements. Instead, they measure the interests held for investing at fair value. Moreover, new disclosure requirements have been introduced for investment entities. These changes are of no relevance to TUI.

IFRS 13: Fair Value Measurement
The standard, issued in May 2011, establishes a uniform approach to determining fair value, which had hitherto been subject to different methods in different standards. According to IFRS 13, fair value is redefined as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between the market participants at the measurement date. Moreover, the disclosures in the Notes in connection with fair value measurement are expanded to cover all standards. Apart from expanded disclosures in the Notes, TUI does not expect the first-time application of this standard to have any material effect on the Group's net assets, financial position or results of operations.

Annual Improvements Project 2009 – 2011
In May 2012, provisions from the annual improvements project were published; they contain amendments to five standards, including IAS 1, IAS 16, IAS 32 and IAS 34. The rules include minor changes in the contents and above all clarifications of the presentation, recognition and measurements. TUI does not expect the first-time application to have a material impact on the consolidated financial statements.

Amendments to IAS 32: Financial Instruments – Presentation
The amendments to IAS 32, issued in December 2011, make it clear that financial assets and financial liabilities can only be offset in the statement of financial position if the current right to offsetting does not depend on a future event and is enforceable both in ordinary business operations but also in the event of a default, insolvency or bankruptcy of a contracting party. It is also established that gross offsetting mechanisms are to be considered equivalent to net offsetting as long as no exposure to credit or liquidity risks remains and receivables and payables are processed in a settlement system. TUI is investigating the impact on its consolidated financial statements and currently does not expect any major effects.

Amendments to IFRS 7: Financial Instruments – Disclosures
The amendments, issued in December 2011, expand the existing quantitative disclosure requirements in the Notes on the offsetting of financial assets and financial liabilities effected. They also contain additional disclosure requirements for financial instruments subject to offsetting agreements, regardless of whether they have actually been offset according to IAS 32. TUI does not expect an impact on its consolidated financial statements, apart from the expanded disclosure requirements.

IFRIC 20: Stripping Costs in the Production Phase of a Surface Mine
The interpretation, issued in October 2011, sets out the conditions under which stripping costs in the production phase of a surface mine represent an asset and how this asset is to be measured. The interpretation is not relevant for the TUI Group.

Amendments, standards or interpretations issued by the IASB but not yet transposed into European legislation:

IFRS 9: Financial Instruments – Classification and Measurement
The standard, issued in November 2009 and expanded in November 2013 to include hedge accounting provisions, pursues the medium-term goal of replacing IAS 39 following further revisions. In future, financial assets will only be classified in two rather than four categories, based on the individual business model (amortised cost and fair value). The new standard also provides that embedded derivatives must no longer be accounted for separately from the host but jointly with it, and it does not allow reclassification unless the entity's business model changes. Moreover, there has been discussion of new requirements for impairment of financial assets based on a three-step approach. There have also been numerous other amendments, mainly with a view to simplification. The effective date, previously published as 1 January 2015, was cancelled by the IASB in November 2013 and will only be fixed once the standard has been completed. TUI is observing developments around IFRS 9 and will analyse the impact of the standard on the Group's net assets, financial position and results of operations in due time.

Amendment to IAS 36: Impairment of Assets
With IFRS 13, applicable by TUI as of 1 October 2013, IAS 36 introduces a requirement, for every cash generating unit to which substantial goodwill or major intangible assets with an unlimited useful life have been assigned, to disclose the recoverable amount in the notes. This disclosure requirement exists regardless of whether an impairment or reversal of impairment was effected in the period under review. The amendments issued in May 2013 make it clear that this disclosure requirement only applies to cash generating units for which an impairment or reversal of impairment has been recorded for the period under review and whose recoverable amount is based on fair value less costs of disposal. In the event of an impairment or reversal of impairment there are also additional disclosure requirements for non-financial assets for which the recoverable amount has been determined on the basis of fair value less costs to sell. As soon as these amendments have been transposed into European legislation, TUI intends to apply these ahead of the effective date. With the exception of expanded disclosure requirements for impairments and reversals of impairments of non-financial assets falling under the scope of this standard, TUI does not expect the standard to impact its consolidated financial statements.

Amendments to IAS 39: Financial Instruments – Recognition and Measurement
As a result of these amendments, issued in June 2013, a novation of a hedge to a central counterparty due to legal requirements does not impose discontinuation of a hedging relationship if the novation is required under a new law or the introduction of a law, a central counterparty becomes a contracting partner to each of the parties to the derivative due to the novation, and – apart from any amendments that are a necessary consequence of the novation – there are no amendments to the original contract terms of the derivative. The TUI Group currently does not expect any material effects on the presentation of the Group's net assets, financial position and results of operations.

Amendments to IAS 19: Defined Benefit Plans – Employee Contributions
These amendments, published in November 2013, make it clear that contributions paid by employees (or third parties) themselves for defined benefit pension plans and therefore not linked to the length of service may be recognised as a reduction in the service cost in the period in which the related service was rendered. They include, for instance, contributions determined as a fixed percentage of the annual remuneration. TUI will investigate the impact of the changes on its net assets, financial position and results of operations in due time, but currently does not expect it to have any effect.

IFRIC 21: Levies
This interpretation, issued by IFRIC in May 2013, sets out how and when to recognise a liability for a levy imposed by a government other than income taxes under IAS 12. It clarifies that an obligation to pay a levy is to be recognised as soon as the obligating event that triggers the payment of the levy occurs. TUI is investigating the potential effects of this interpretation on its net assets, financial position and results of operations and currently does not expect it to have a material effect.

No decision about endorsement of these amendments or new standards and interpretations has yet been taken by the EU.

(56) TUI Group Shareholdings

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

Company	Country	Capital share in%
Consolidated companies		
Tourism – TUI Travel		
AB Caller & Sons Ltd., Crawley	UK	100.0
Abbey International Insurance PCC Limited (Absolut Cell), Malta	Malta	100.0
Absolut Holding Limited, Malta	Malta	99.9
Absolut Insurance Limited, Guernsey	Guernsey	100.0
Acampora Travel S.r.l., Sorrento	Italy	51.0
Active Safari Pty Ltd, West Leederville	Australia	100.0
Adehy Limited, Dublin	Ireland	100.0
Adventure Center (First Choice) Inc, Emeryville, CA	US	100.0
Adventure Tours Australia Group Pty Ltd, Wayville, SA	Australia	100.0
Adventures Worldwide Limited, Crawley	UK	100.0
Africa Focus Tours Namibia Pty. Ltd., Windhoek	Namibia	100.0
Air Two Thousand (Ireland) Limited, Dublin	Ireland	100.0
Alcor Yachting SA, Geneva	Switzerland	100.0
Alkor Yat Turizm Isletmacileri A.S., Izmir	Turkey	99.7
Ambassador Tours S.A., Barcelona	Spain	100.0
Amber Nominee GP Limited, Crawley	UK	100.0
American Holidays (NI) Limited, Belfast	UK	100.0
Americas Rooms Holding Participacoes Ltda., Curitiba	Brazil	100.0
AMP Management Ltd., Crawley	UK	100.0
Antigua Charter Services, St. John's	Antigua	100.0
Apart Hotel Zarevo EOOD, Varna	Bulgaria	100.0
Aragon Tours Limited, Crawley	UK	100.0
Aran Travel International Limited, Dublin	Ireland	100.0
Arccac Eurl, Bourg St. Maurice	France	100.0
AsiaRooms Business Services (Thailand) Co., Ltd, Bangkok	Thailand	100.0
AsiaRooms Pte Ltd, Singapore	Singapore	100.0
ATC African Travel Concept Pty. Ltd., Cape Town	South Africa	100.0
ATC Namibian Reflections Pty. Ltd., Cape Town	South Africa	100.0
Audio Tours and Travel Hong Kong Limited, Kowloon	Hong Kong	99.0
Australian Adventure Tours Pty Ltd, Sydney	Australia	100.0
Australian Sports Tours Pty Ltd, Ballarat, Victoria	Australia	100.0
BAL Trustee Limited, Crawley	UK	100.0
BDS Destination Services Company, Cairo	Egypt	67.0
Beds on line SL, Palma de Mallorca	Spain	100.0
Berge & Meer Touristik GmbH, Rengsdorf	Germany	100.0
Blue Scandinavia Holding AB, Stockholm	Sweden	100.0
Blue Travel Partner Services S.A., Santo Domingo	Dominican Republic	99.0
Boomerang Reisen GmbH, Trier	Germany	100.0
Boomerang Reisen Vermögensverwaltungs GmbH, Trier	Germany	75.0
Brightspark Travel Inc, State of Delaware	US	100.0
Britannia Airways Limited, Crawley	UK	100.0
Britannia Sweden AB, Stockholm	Sweden	100.0
C & C Yacht Management Limited, Cayman Islands	Grand Cayman Islands	100.0
Callers-Pegasus Pension Trustee Ltd., Crawley	UK	100.0

Company	Country	Capital share in%
Callers-Pegasus Travel Service Ltd., Crawley	UK	100.0
Cassata Travel s.r.l., Cefaú (Palermo)	Italy	66.0
Cel Obert SL, Sant Joan de Caselles	Andorra	33.0
Cheqqer B.V., Rijswijk	Netherlands	100.0
CHS Tour Services GmbH, Innsbruck	Austria	100.0
CHS Tour Services Ltd, Crawley	UK	100.0
Citirama Ltd., Quatre Bornes	Mauritius	100.0
Club Turavia SA de CV, Cancún	Mexico	100.0
Connoisseur Belgium BVBA, Nieuwpoort	Belgium	100.0
Corsair S.A., Rungis	France	100.0
Country Walkers, Inc., State of Delaware	US	100.0
Crown Blue Line France SA, Castelnaudary	France	100.0
Crown Blue Line GmbH, Kleinzerlang	Germany	100.0
Crown Blue Line Limited, Crawley	UK	100.0
Crown Holidays Limited, Crawley	UK	100.0
Crown Travel Limited, Crawley	UK	100.0
Crystal Holidays, Inc., Breckenridge	US	100.0
Crystal Holidays Ltd., Crawley	UK	100.0
Crystal International Travel Group Ltd., Crawley	UK	100.0
Discover Australian Adventures Pty Ltd, Wayville, SA	Australia	100.0
EAC Activity Camps Limited, Edinburgh	UK	100.0
EAC Language Centres (UK) Limited, Edinburgh	UK	100.0
EAC Language Centres (US) Limited, Delaware	US	100.0
Easy Market S.p.A., Rimini	Italy	100.0
Educatours Limited, Mississauga, Ontario	Canada	100.0
Edwin Doran (UK) Limited, Crawley	UK	100.0
EEFC, Inc., State of Delaware	US	100.0
ELC English Limited, Crawley	UK	100.0
Elena SA, Palma de Mallorca	Spain	100.0
Emerald Star Limited, Dublin	Ireland	100.0
Entreprises Hotelières et Touristique PALADIEN Lena Mary S.A., Argolis	Greece	100.0
Event Logistics International Limited, Crawley	UK	100.0
Event Logistics (UK) Limited, Crawley	UK	100.0
Events International Limited, Crawley	UK	100.0
Events International (Sports Travel) Limited, Crawley	UK	100.0
Exodus Travels Limited, Crawley	UK	100.0
Expediciones Amazonicas, S.A.C., Iquitos	Peru	100.0
Explorers Travel Club Ltd, Crawley	UK	100.0
Falcon Leisure Group (Overseas) Limited, Crawley	UK	100.0
Fanatics Sports & Party Tours UK Limited, Crawley	UK	100.0
Fanatics Sports & Party Tours PTY Limited, Banksia	Australia	100.0
FanFirm Pty Ltd, Banksia	Australia	100.0
Fantravel.com, Inc., Wilmington	US	100.0
FC Expeditions Canada, Inc., British Columbia	Canada	100.0
First Choice Airways Limited, Crawley	UK	100.0
First Choice Aviation Limited, Crawley	UK	100.0

Company	Country	Capital share in%
First Choice (Euro) Limited, Crawley	UK	100.0
First Choice Expedition Cruising Limited, Crawley	UK	100.0
First Choice Expeditions, Inc., State of Delaware	US	100.0
First Choice Holdings Australia Pty Ltd, Melbourne	Australia	100.0
First Choice Holdings, Inc., Delaware	US	100.0
First Choice Holiday Hypermarkets Limited, Crawley	UK	100.0
First Choice Holidays & Flights Limited, Crawley	UK	100.0
First Choice Holidays Finance Limited, Crawley	UK	100.0
First Choice Holidays Limited, Crawley	UK	100.0
First Choice Holidays Quest Limited, Crawley	UK	100.0
First Choice Investments LLC, Wilmington	US	100.0
First Choice Land (Ireland) Limited, Dublin	Ireland	100.0
First Choice Leisure Limited, Crawley	UK	100.0
First Choice Marine (BVI) Ltd, British Virgin Islands	British Virgin Islands	100.0
First Choice Marine Limited, Crawley	UK	100.0
First Choice Marine (Malaysia) Snd Bhd, Malaysia	Malaysia	100.0
First Choice Office Services Limited, Crawley	UK	100.0
First Choice Olympic Limited, Crawley	UK	100.0
First Choice Orlando, Inc., State of Delaware	US	100.0
First Choice Overseas Holding BV, Amsterdam	Netherlands	100.0
First Choice Overseas Holdings Limited, Crawley	UK	100.0
First Choice Overseas Limited, Limassol	Cyprus (Greek part)	100.0
First Choice Retail Limited, Crawley	UK	100.0
First Choice Sailing, Inc. (USA) (also known as Sunsail, Inc.), State of Delaware	US	100.0
First Choice Spain Limited, Crawley	UK	100.0
First Choice Travel Shops Limited, Crawley	UK	100.0
First Choice Travel Shops (SW) Limited, Crawley	UK	100.0
First Choice (Turkey) Limited, Crawley	UK	100.0
First Choice, Unijet & Air 2000 Limited, Crawley	UK	100.0
First Choice USA, Crawley	UK	100.0
FOX-TOURS Reisen GmbH, Rengsdorf	Germany	100.0
Francotel Limited, Crawley	UK	100.0
Fritidsresor AB, Stockholm	Sweden	100.0
Fritidsresor Holding Spain S.A.U., San Bartolomé de Tirajana	Spain	100.0
Fritidsresor Ltd., Crawley	UK	100.0
Fritidsresor Tours & Travels India Pvt Ltd, Bardez, Goa	India	100.0
GeBeCo Gesellschaft für internationale Begegnung und Cooperation mbH & Co. KG, Kiel	Germany	50.1
GEI/Moorings, LLC, State of Delaware	US	100.0
Germanair Flugzeug Leasing GmbH, Hamburg	Germany	100.0
Great Atlantic Travel and Tour, Inc., Virginia Beach	US	75.0
Groupement Touristique International S.A.S., Lille	France	100.0
Gulliver Rent-A-Car d.o.o., Cavtat	Croatia	100.0
Gulliver Travel d.o.o., Dubrovnik	Croatia	70.0
Gullivers Group Limited, Crawley	UK	100.0
Gullivers Sports Travel Limited, Crawley	UK	100.0
Hannibal Tour SA, Tunis	Tunisia	100.0
Hapag-Lloyd Executive GmbH, Hanover	Germany	100.0
Hayes & Jarvis (Travel) Limited, Crawley	UK	100.0
Headwater Holidays Limited, Crawley	UK	100.0
Hellenic Sailing Holidays SA, Athens	Greece	100.0
Hellenic Sailing SA, Athens	Greece	100.0
Holiday Hypermarkets (2000) Limited, Crawley	UK	100.0
Holidays Services S.A., Agadir	Morocco	100.0

Company	Country	Capital share in%
Horizon Holidays Ltd., Crawley	UK	100.0
Horizon Midlands (Properties) Ltd., Crawley	UK	100.0
Hotel Restaurant Les Trois Vallées SAS, Courchevel 1850, Savoie	France	100.0
Hotelbeds Accommodation & Destination Services – Hawaii & Pacific Islands, Inc, State of Delaware	US	100.0
Hotelbeds Costa Rica SA, San José	Costa Rica	100.0
Hotelbeds Dominicana SA, Santo Domingo	Dominican Republic	100.0
Hotelbeds Hong Kong Limited, Kowloon	Hong Kong	100.0
Hotelbeds Product SLU, Puerto de la Cruz, Teneriffe	Spain	100.0
Hotelbeds (Shanghai) Commercial Services Co., Limited, Shanghai	China	100.0
Hotelbeds, S.L.U., Palma de Mallorca	Spain	100.0
Hotelbeds Spain, S.L.U., Palma de Mallorca	Spain	100.0
Hotelbeds Technology SLU, Palma de Mallorca	Spain	100.0
Hotelbeds (Thailand) Limited, Bangkok	Thailand	100.0
Hotelbeds UK Limited, Crawley	UK	100.0
Hotelbeds USA Inc, Orlando	US	100.0
Hotelopia SL, Palma de Mallorca	Spain	100.0
Hotels London Ltd, Crawley	UK	100.0
Hurricane Hole Hotel Ltd, St. Lucia	Windward Islands St. Lucia	100.0
I TO I INTERNATIONAL PROJECTS LTD, Crawley	UK	100.0
I Viaggi del Turchese S.r.l., Fidenza	Italy	100.0
iExplore, Inc., Chicago	US	100.0
iExplore Limited, Crawley	UK	100.0
Imperial Cruising Company SARL, Heliopolis-Cairo	Egypt	90.0
Inter Hotel SARL, Tunis	Tunisia	100.0
Intercruises Shoreside & Port Services Canada Inc., Quebec	Canada	100.0
Intercruises Shoreside & Port Services, Inc., State of Delaware	US	100.0
Intercruises Shoreside & Port Services PTY LTD, Stanmoree NSW	Australia	100.0
Intercruises Shoreside & Port Services Sam, Monaco	Monaco	100.0
Intercruises Shoreside & Port Services S.a.r.l., Paris	France	100.0
Intercruises Shoreside & Port Services, SLU, Barcelona	Spain	100.0
International Expeditions, Inc., State of Delaware	US	100.0
Interspecialists, SLU, Palma de Mallorca	Spain	100.0
Intrav, Inc., State of Delaware	US	100.0
Intrepid Adventures Limited, Wiltshire	UK	100.0
Intrepid Andes S.A.C., Cusco	Peru	100.0
Intrepid Bundu (Pty) Ltd, Roodeport	South Africa	72.0
Intrepid (Cambodia) CO. LTD, Siem Reap	Cambodia	100.0
Intrepid Connections PTY LTD, Winnellie	Australia	100.0
Intrepid Guerba Tanzania Limited, Arusha	Tanzania	100.0
Intrepid HK Limited, Hong Kong	Hong Kong	100.0
Intrepid Holdings (Thailand) Limited, Bangkok	Thailand	49.0
Intrepid Marrakech SARL, Marrakesh	Morocco	100.0
Intrepid Tours and Travel India Private Ltd, New Delhi	India	100.0
Intrepid Travel Australia Pty Ltd, Fitzroy, VIC	Australia	100.0
Intrepid Travel Beijing Co. Ltd, Beijing	China	100.0
Intrepid Travel Cairo, Cairo	Egypt	100.0
Intrepid Travel GmbH, Holzkirchen	Germany	100.0
Intrepid Travel Inc, Vancouver	Canada	95.0
Intrepid Travel Incorporated, Venice, CA	US	100.0
Intrepid Travel New Zealand Limited, Auckland	New Zealand	100.0
Intrepid Travel Pty Ltd, Fitzroy, VIC	Australia	100.0
Intrepid Travel SA (Pty) Ltd, Summerveld	South Africa	100.0
Intrepid Travel UK Limited, Crawley	UK	100.0
Intrepid US, Inc., Wilmington	US	99.2

Company	Country	Capital share in%
Isango India Private Limited, New Delhi	India	99.9
Isango! Limited, Crawley	UK	100.0
Itaria Limited, Nicosia	Cyprus (Greek part)	100.0
i-To-i, Inc., Los Angeles	US	100.0
i-To-i Placements Limited, Carrick-on-Suir	Ireland	100.0
i-To-i PTY Ltd., Sydney	Australia	100.0
i-To-i UK Limited, Crawley	UK	100.0
JBS Group, Inc., Pasadena	US	100.0
JetAir N.V., Oostende	Belgium	100.0
Jetair Real Estate N.V., Brussels	Belgium	100.0
Jetair Travel Distribution N.V., Oostende	Belgium	100.0
Jetaircenter N.V., Mechelen	Belgium	100.0
Jetsave International Ltd., Crawley	UK	100.0
JNB (Bristol) Limited, Crawley	UK	100.0
Journeys Adventure Travel Limited, Rangun	Myanmar	60.0
JWT Holidays Limited, Crawley	UK	100.0
Kilquade Limited, Dublin	Ireland	100.0
Kras B.V., Ammerzoden	Netherlands	100.0
Label Tour EURL, Montreuil	France	100.0
Lapter Eurl, Macot La Plagne	France	100.0
LateRooms Limited, Crawley	UK	100.0
LateRooms Services Australia PTY LTD, Dawes Point	Australia	100.0
LateRooms Group Holding (Brazil) Limited, Crawley	UK	100.0
LateRooms Group Holding Limited, Crawley	UK	100.0
LateRooms Group Holding (UK) Limited, Crawley	UK	100.0
Le Boat Netherlands B.V., Rotterdam	Netherlands	100.0
Le Piolet SCI, St Martin de Belleville, Savoie	France	100.0
Leibniz-Service GmbH, Hanover	Germany	100.0
Leisure International Airways Limited, Crawley	UK	100.0
Les Tours Jumpstreet Tours, Inc., Montreal	Canada	100.0
Liberate SLU, Palma de Mallorca	Spain	100.0
Lima Tours S.A.C., Lima	Peru	100.0
Lincoln Travel Ltd., Crawley	UK	100.0
Lirotel SARL, Turin	Italy	100.0
Lodges & Mountain Hotels SARL, Notre Dame de Bellecombe, Savoie	France	100.0
l'tur tourismus Aktiengesellschaft, Baden-Baden	Germany	70.0
Lunn Poly (Jersey) Ltd., St. Helier	UK	100.0
Lunn Poly Ltd., Crawley	UK	100.0
Lusomice, Unipessoal Lda., Lisbon	Portugal	100.0
Magic Life Egypt for Hotels LLC, South Nabq	Egypt	100.0
Magic Life Greece S.A., Athens	Greece	100.0
Magic Life Tunisie S.A., Tunis	Tunisia	100.0
Magic Tourism International S.A., Tunis	Tunisia	100.0
Mala Pronta Viagens e Turismo Ltda., Curitiba	Brazil	93.3
Manahe Ltd., Quatre Bornes	Mauritius	51.0
Manchester Academy Holdings Limited, Crawley	UK	100.0
Manchester Academy Teacher Training (UK) Limited, Crawley	UK	100.0
Manchester Academy Tours Limited, Crawley	UK	100.0
Mango Event Management Limited, Crawley	UK	100.0
Manufacturer's Serialnumber 852 Limited, Dublin	Ireland	100.0
Marina Travel Limited, Dublin	Ireland	100.0
Mariner International Asia Limited, Hong Kong	Hong Kong	100.0
Mariner International Travel, Inc., State of Delaware	US	100.0
Mariner Operations USA Inc, State of Delaware	US	100.0

Company	Country	Capital share in%
Mariner Travel GmbH, Bad Vilbel	Germany	100.0
Mariner Travel SARL, Paris	France	100.0
Mariner Yacht Services SA, Le Marin	Morocco	100.0
Master-Yachting GmbH, Eibelstadt	Germany	100.0
Maxi Yen SL, Palma de Mallorca	Spain	100.0
Medico Flugreisen GmbH, Baden-Baden	Germany	100.0
Meetings & Events International Limited, Crawley	UK	100.0
Meetings & Events Spain S.L.U., Palma de Mallorca	Spain	100.0
Meetings & Events UK Limited, Crawley	UK	100.0
Meon (Holdings) Limited, Crawley	UK	100.0
Meon Travel Limited, Crawley	UK	100.0
MicronNexus GmbH, Hamburg	Germany	100.0
Molay Travel SARL, Molay-Littry, Calvados	France	100.0
Molay Travel SCI, Molay-Littry, Calvados	France	100.0
Mont Charvin Ski SARL, Paris	France	100.0
Moorings Grenadines Ltd., St. Vincent and Grenadines	Windward Islands St. Vincent	100.0
Moorings Mexico SA de CV, La Paz	Mexico	100.0
Moorings (Seychelles) Limited, Mahé	Seychelles	100.0
Moorings Yachting SAS, Paris	France	100.0
Moorings Yat Isletmecilgi Turizm Ve Tic Ltd, Mugla	Turkey	100.0
MyPlanet Holding A/S, Holstebro	Denmark	100.0
MyPlanet International A/S, Holstebro	Denmark	90.0
MyPlanet Sweden AB, Gothenburg	Sweden	100.0
Nazar Nordic AB, Malmö	Sweden	100.0
Nordotel S.A.U., San Bartolomé de Tirajana	Spain	100.0
Nouvelles Frontières Senegal S.R.L., Dakar	Senegal	95.0
Ocean College LLC, Sharm el Sheikh	Egypt	90.0
Ocean Technical LLC, Cairo	Egypt	100.0
Ocean Ventures for Hotels and Tourism Services SAE, Sharm el Sheikh	Egypt	98.0
Olympic Holidays Limited, Crawley	UK	100.0
Olympic Vacations Limited, Crawley	UK	100.0
Orion Airways Ltd., Crawley	UK	100.0
Orion Airways Pension Trustees Ltd., Crawley	UK	100.0
Owners Abroad España, S.A., Las Palmas	Spain	100.0
Oy Finnmatkat AB, Helsinki	Finland	100.0
Pacific World (Beijing) Travel Agency Co., Ltd., Beijing	China	100.0
Pacific World Destination East Sdn. Bhd., Penang	Malaysia	30.0
Pacific World Meetings & Events Hellas Travel Limited, Athens	Greece	100.0
Pacific World Meetings & Events Hong Kong, Limited, Hong Kong	China	100.0
Pacific World Meetings & Events Singapore Pte. Ltd, Singapore	Singapore	100.0
Pacific World Meetings & Events (Thailand) Limited, Bangkok	Thailand	49.0
Pacific World (Shanghai) Travel Agency Co. Limited, Shanghai	China	100.0
Pacific World Singapore Pte Limited, Singapore	Singapore	100.0
Paradise Hotels Management Company, Cairo	Egypt	100.0
Pasion, Excelencia, Aventura, Y Konocimiento Ecuador Travelpasion S.A. (Trading as PEAK Ecuador), Quito	Ecuador	100.0
PATS N.V., Oostende	Belgium	100.0
Peak Adventure Financing Pty Ltd, Melbourne	Australia	100.0
Peak Adventure Travel Group Limited, Fitzroy Victoria	Australia	60.0
PEAK Adventure Travel (Malaysia) SDN BHD, Kota Kinabalu	Malaysia	100.0
Peak Adventure Travel Turizm ve Seyahat Anonim Sirketi, Istanbul	Turkey	100.0
PEAK Adventure Travel (UK) Limited, Crawley	UK	100.0
Peak Adventure Travel USA Inc, Wilmington	US	100.0
PEAK DMC North America Inc, Santa Rosa, CA	US	100.0

Company	Country	Capital share in%
PEAK (East Africa) Limited, Nairobi	Kenya	100.0
PEAK South America S.A.C., Lima	Peru	100.0
Peregrine Adventures Pty Ltd, Melbourne	Australia	100.0
Peregrine Tours Ltd, Crawley	UK	100.0
Petit Palais Srl, Valtournenche	Italy	100.0
Platinum Event Travel Limited, Crawley	UK	100.0
Port Philip Group Ltd., Crawley	UK	100.0
Porter and Haylett Limited, Crawley	UK	100.0
Portland Holidays Direct Ltd., Crawley	UK	100.0
Portland Holidays Ltd., Crawley	UK	100.0
Portland Travel Ltd., Crawley	UK	100.0
Premier Holidays Afloat Limited, Dublin	Ireland	100.0
Premiere International Corp, Gardena	US	100.0
Prestige Boating Holidays Limited, Dublin	Ireland	100.0
Professor Kohts Vei 108 AS, Stabekk	Norway	100.0
ProTel Gesellschaft für Kommunikation mbH, Rengsdorf	Germany	100.0
PT. Pacific World Nusantara, Bali	Indonesia	100.0
Quark Expeditions, Inc., State of Delaware	US	100.0
Real Travel Ltd, Crawley	UK	100.0
Real Travel Pty Ltd, Melbourne	Australia	100.0
Revoli Star SA, San Bartolomé de Tirajana	Spain	100.0
Royal Tours Travel Center Luxembourg S.A., Oostende	Belgium	100.0
Sawadee Amsterdam BV, Amsterdam	Netherlands	100.0
SERAC Travel GmbH, Zermatt	Switzerland	100.0
Simply Travel Holdings Ltd., Crawley	UK	100.0
Sir Henry Lunn Ltd., Crawley	UK	100.0
Ski Bound Limited, Crawley	UK	100.0
Skibound France SARL, Notre Dame de Bellecombe	France	100.0
Skibound Holidays Limited, Crawley	UK	100.0
Sky Tours Ltd., Crawley	UK	100.0
Skylerphonic Ltd., George Town	Grand Cayman Islands	0.0 [1]
Skymead Leasing Ltd., Crawley	UK	100.0
Société d'Exploitation du Paladien Marrakech SA, Marrakesh	Morocco	100.0
Société d'Investissement Aérien S.A., Casablanca	Morocco	100.0
Société d'Investissement et d'Exploration du Paladien de Calcatoggio (SIEPAC), Montreuil	France	100.0
Société d'investissement hotelier Almoravides S.A., Marrakesh	Morocco	100.0
Société Marocaine pour le Developpement des Transports Touristiques S.A., Agadir	Morocco	100.0
Something Special Holidays Ltd., Crawley	UK	100.0
Sons of South Sinai for Tourism Services and Supplies SAE, Sharm el Sheikh	Egypt	84.1
Sovereign Tour Operations Limited, Crawley	UK	100.0
Specialist Holidays Group Ireland Ltd., Dublin	Ireland	100.0
Specialist Holidays Contracting Ltd., Crawley	UK	100.0
Specialist Holidays Group Ltd., Crawley	UK	100.0
Specialist Holidays, Inc., Mississauga, Ontario	Canada	100.0
Specialist Holidays Ltd., Crawley	UK	100.0
Specialist Holidays (Travel) Limited, Crawley	UK	100.0
SplashLine Event und Vermarktungs GmbH, Vienna	Austria	100.0
Sport Abroad (UK) Limited, Crawley	UK	100.0
Sports Events Travel Limited, Crawley	UK	100.0
Sports Executive Travel Limited, Crawley	UK	100.0
Sportsworld (Beijing) Sports Management Consulting Limited Company, Beijing	China	70.0
Sportsworld Group Limited, Crawley	UK	100.0

[1] Special Purpose Entity

Company	Country	Capital share in%
Sportsworld Holdings Limited, Crawley	UK	100.0
Sportsworld Pacific PTY Limited, North Sydney	Australia	100.0
Star Club SA, San Bartolomé de Tirajana	Spain	100.0
Star Tour A/S, Copenhagen	Denmark	100.0
Star Tour Holding A/S, Copenhagen	Denmark	100.0
Star Tour of Scandinavia Ltd., Crawley	UK	100.0
Startour-Stjernereiser AS, Stabekk	Norway	100.0
Student City S.a.r.l., Paris	France	100.0
Student City Travel Limited, Crawley	UK	100.0
Student Skiing Limited, Crawley	UK	100.0
Student Skiing Transport Limited, Crawley	UK	100.0
Studentcity.com, Inc., State of Delaware	US	100.0
Summer Times International Ltd., Quatre Bornes	Mauritius	100.0
Summer Times Ltd., Quatre Bornes	Mauritius	100.0
Summit Professional Services (Private) Limited, Nugegoda	Sri Lanka	100.0
Suncars Limited, Crawley	UK	100.0
Sunquest Holidays (UK) Limited, Crawley	UK	100.0
Sunsail Adriatic d.o.o., Split	Croatia	100.0
Sunsail (Antigua) Limited, Antigua	Antigua	100.0
Sunsail (Australia) Pty Ltd, Hamilton Island, Queensland	Australia	100.0
Sunsail Hellas MEPE, Athens	Greece	100.0
Sunsail International B.V., Rotterdam	Netherlands	100.0
Sunsail Limited, Crawley	UK	100.0
Sunsail SAS, Castelnaudary	France	100.0
Sunsail (Seychelles) Limited, Mahé	Seychelles	100.0
Sunsail (Thailand) Company Ltd, Phuket	Thailand	30.0
Sunsail Worldwide Sailing Limited, Crawley	UK	100.0
Sunsail Worldwide Sailing St. Vincent Limited, St. Vincent and Grenadines	Windward Islands St. Vincent	100.0
Sunshine Cruises Limited, Crawley	UK	100.0
Tantur Turizm Seyahat A.S., Istanbul	Turkey	100.0
TCS & Starquest Expeditions, Inc., Seattle	US	100.0
TCS Expeditions, Inc., State of Delaware	US	100.0
TCV Touristik-Computerverwaltungs GmbH, Baden-Baden	Germany	100.0
Team Lincoln Ltd., Crawley	UK	100.0
Team Travel Ltd., Crawley	UK	100.0
Teamlink Travel Limited, Crawley	UK	100.0
Tec4Jets B.V., Rijswijk ZH	Netherlands	100.0
Tec4Jets NV, Oostende	Belgium	100.0
The English Language Centre York Limited, York	UK	100.0
The Imaginative Traveller Australia Pty Limited, Melbourne	UK	100.0
The Imaginative Traveller Limited, Crawley	UK	100.0
The International Academy Ltd., Crawley	UK	100.0
The Magic of Travel Ltd., Crawley	UK	100.0
The Magic Travel Group (Holidays) Ltd., Crawley	UK	100.0
The Magic Travel Group Ltd., Crawley	UK	100.0
The Moorings (Bahamas) Ltd, Nassau	Bahamas	100.0
The Moorings Belize Limited, Belize City	Belize	100.0
The Moorings d.o.o., Split	Croatia	100.0
The Moorings Limited, British Virgin Islands	British Virgin Islands	100.0
The Moorings Sailing Holidays Ltd, Crawley	US	100.0
The Moorings SAS, Utoroa, Raiatea	UK	100.0
The Moorings (St. Lucia) LTD, St. Lucia	Windward Islands St. Lucia	100.0
TheFirstResort Limited, Crawley	UK	100.0
TheFirstResort Operations Limited, Crawley	UK	100.0

Company	Country	Capital share in%
THG Holidays Limited, Crawley	UK	100.0
Thomson Air Limited, Crawley	UK	100.0
Thomson Airways Limited, Crawley	UK	100.0
Thomson Airways (Services) Limited, Crawley	UK	100.0
Thomson Airways Trustee Limited, Crawley	UK	100.0
Thomson Holidays Ltd., Crawley	UK	100.0
Thomson Holidays Ltd. (Ireland), Dublin	Ireland	100.0
Thomson Holidays Services, Inc., Orlando	US	100.0
Thomson Overseas Services Ltd., Crawley	UK	100.0
Thomson Reisen GmbH, St. Johann	Austria	100.0
Thomson Services Ltd., St. Peter Port/Guernsey	UK	100.0
Thomson Sport (UK) Limited, Crawley	UK	100.0
Thomson Travel Group (Holdings) Ltd., Crawley	UK	100.0
Thomson Travel Holdings SA, Luxembourg	Luxembourg	100.0
Thomson Travel International Ltd., Crawley	UK	100.0
Thomson Travel International SA, Luxembourg	Luxembourg	100.0
Thomson Viagens e Turismo Lda., Lisbon	Portugal	100.0
Thomsonfly Limited, Crawley	UK	100.0
TICS GmbH Touristische Internet und Call Center Services, Baden-Baden	Germany	100.0
Tigdiv Eurl, Tignes	France	100.0
TKJ Pty Limited, Perth	Australia	100.0
TLT Reisebüro GmbH, Hanover	Germany	100.0
Tolkien Limited, British Virgin Islands	British Virgin Islands	100.0
Transfar – Agencia de Viagens e Turismo Lda., Faro	Portugal	99.9
TRAVCOA Corporation, State of Delaware	US	100.0
Travel Choice Limited, Crawley	UK	100.0
Travel Class Holdings Limited, Crawley	UK	100.0
Travel Class Limited, Crawley	UK	100.0
Travel Class Transport Limited, Crawley	UK	100.0
Travel Contracting Limited, Crawley	UK	100.0
Travel Partner Bulgaria EOOD, Varna	Bulgaria	100.0
Travel Scot World Limited, Crawley	UK	100.0
Travel Sense A/S, Copenhagen	Denmark	100.0
Travel Services Europe Spain SL, Barcelona	Spain	100.0
Travel Turf, Inc., Allentown	US	100.0
travel-Ba.Sys GmbH & Co KG, Mülheim an der Ruhr	Germany	83.5
Travelbound European Tours Limited, Crawley	UK	100.0
Travelmood Limited, Crawley	UK	100.0
Treasure Isle Yacht Charter Ltd, British Virgin Islands	British Virgin Islands	100.0
Trek America Travel Limited, Crawley	UK	100.0
Trek Investco Limited, Crawley	UK	100.0
Trina Group Limited, Crawley	UK	100.0
Tropical Places Ltd., Crawley	UK	100.0
TT Enterprises Private Ltd, Chennai	India	100.0
TT Hotels Turkey Otel Hizmetleri Turizm ve ticaret Anonim Sirketi, Istanbul	Turkey	100.0
TT International Software Services LLC, Abu Dhabi	United Arab Emirates	49.0
TT Services AB, Stockholm	Sweden	90.0
TT Services Kiribati Ltd, South Tarawa	Kiribati	100.0
TT Services Nauru Ltd, Yaren	Nauru	100.0
TT Services New Zealand Ltd, Auckland	New Zealand	100.0
TT Services Samoa Ltd, Apia	Samoa	100.0
TT Services Vanuatu Ltd, Port Vila	Vanuatu	100.0
TT Visa Outsourcing Limited, Crawley	UK	100.0

Company	Country	Capital share in%
TT Visa Services, Inc., Wilmington DE	US	100.0
TT Visa Services Limited, Crawley	UK	100.0
TT Visa Services Pte Limited, Singapore	Singapore	100.0
TTG (No. 14), Dublin	Ireland	100.0
TTG (No. 2) Ltd. Crawley	UK	100.0
TTS Consultancy Services Private Ltd., Chennai	India	76.0
TTSS Limited, Crawley	UK	100.0
TTSS Transportation Limited, Crawley	UK	100.0
TUI Airlines Belgium N.V., Oostende	Belgium	100.0
TUI Airlines Nederland B.V., Rijswijk	Netherlands	100.0
TUI aqtiv GmbH, Hanover	Germany	100.0
TUI Austria Holding GmbH, Vienna	Austria	100.0
TUI Aviation GmbH, Hanover	Germany	100.0
TUI Canada Holdings Inc, Toronto	Canada	100.0
TUI China Travel CO. Ltd., Beijing	China	75.0
TUI Consulting & Services GmbH, Hanover	Germany	100.0
TUI Curaçao N.V., Curaçao	Dutch Antilles	100.0
TUI Denmark Holding A/S, Copenhagen	Denmark	100.0
TUI Deutschland GmbH, Hanover	Germany	100.0
TUI Dienstleistungsgesellschaft mbH, Hanover	Germany	100.0
TUI España Turismo S.A., Barcelona	Spain	100.0
TUI France SAS, Montreuil	France	100.0
TUI Hellas Travel and Tourism SA, Athens	Greece	100.0
TUI HOLDING SPAIN S.L., Barcelona	Spain	100.0
TUI Holdings (Australia) PTY Limited, Queensland	Australia	100.0
TUI InfoTec GmbH, Hanover	Germany	100.0
TUI (IP) Ltd., Crawley	UK	100.0
TUI Italia S.R.L., Milano	Italy	100.0
TUI Leisure airport sales GmbH, Hanover	Germany	90.0
TUI Leisure Travel GmbH, Hanover	Germany	100.0
TUI Leisure Travel Service GmbH, Neuss	Germany	100.0
TUI Leisure Travel Special Tours GmbH, Hanover	Germany	100.0
TUI Marine Grenada Limited, St. George's	Grenada	100.0
TUI Nederland Holding N.V., Rijswijk	Netherlands	100.0
TUI Nederland N.V., Rijswijk	Netherlands	100.0
TUI Nordic Administration AB, Stockholm	Sweden	100.0
TUI Nordic Holding AB, Stockholm	Sweden	100.0
TUI Northern Europe Ltd., Crawley	UK	100.0
TUI Norway Holding AS, Stabekk	Norway	100.0
TUI Österreich GmbH, Vienna	Austria	100.0
TUI Pension Scheme (UK) Ltd., Crawley	UK	100.0
TUI Poland Dystrybucja Sp. z o.o., Warsaw	Poland	100.0
TUI Poland Sp. z o.o., Warsaw	Poland	100.0
TUI PORTUGAL – Agencia de Viagens e Turismo S.A., Faro	Portugal	100.0
TUI Reisebüro GmbH, Hanover	Germany	100.0
TUI Reisecenter Austria Business Travel GmbH, Vienna	Austria	74.9
TUI Service AG, Altendorf	Switzerland	100.0
TUI (Suisse) AG, Zurich	Switzerland	100.0
TUI (Suisse) Holding AG, Zurich	Switzerland	100.0
TUI Suisse Retail AG, Zurich	Switzerland	100.0
TUI Travel Accommodation & Destinations SL, Palma de Mallorca	Spain	100.0
TUI Travel Amber E&W LLP, Crawley	UK	100.0
TUI Travel Amber Limited, Edinburgh	UK	100.0
TUI Travel Amber Scot LP, Edinburgh	UK	100.0

Company	Country	Capital share in%
TUI Travel Aviation Finance Limited, Crawley	UK	100.0
TUI Travel Belgium N.V., Oostende	Belgium	100.0
TUI Travel Common Investment Fund Trustee Limited, Crawley	UK	100.0
TUI Travel Group Management Services Limited, Crawley	UK	100.0
TUI Travel Group Solutions Limited, Crawley	UK	100.0
TUI Travel Healthcare Limited, Crawley	UK	100.0
TUI Travel Holdings Limited, Crawley	UK	100.0
TUI Travel Holdings Sweden AB, Stockholm	Sweden	100.0
TUI Travel (Ireland), Dublin	Ireland	100.0
TUI Travel Nominee Limited, Crawley	UK	100.0
TUI Travel Overseas Holdings Limited, Crawley	UK	100.0
TUI Travel Partner Services Japan KK, Tokyo	Japan	100.0
TUI TRAVEL PLC, Crawley	UK	54.9
TUI Travel SAS Adventure Limited, Crawley	UK	100.0
TUI Travel SAS Benelux B.V., Rotterdam	Netherlands	100.0
TUI Travel SAS Holdings Limited, Tring, Hertfordshire	UK	100.0
TUI Travel SAS Services Limited, Crawley	UK	100.0
TUI TRAVEL SAS Transport Limited, Crawley	UK	100.0
TUI UK Italia S.r.L., Turin	Italy	100.0
TUI UK Ltd., Crawley	UK	100.0
TUI UK Retail Limited, Crawley	UK	100.0
TUI UK Transport Ltd., Crawley	UK	100.0
TUI Vertrieb & Service GmbH, Hanover	Germany	100.0
TUI 4 U GmbH, Bremen	Germany	100.0
TUI.com GmbH, Berlin	Germany	100.0
TUIfly GmbH, Langenhagen	Germany	100.0
TUIfly Nordic AB, Stockholm	Sweden	100.0
TUIfly Vermarktungs GmbH, Langenhagen	Germany	100.0
Tunisie Investment Services Holding S.A., Tunis	Tunisia	100.0
Tunisie Voyages S.A., Tunis	Tunisia	100.0
Turismo Asia Company Ltd., Bangkok	Thailand	100.0
Ultramar Express Transport S.A., Palma de Mallorca	Spain	100.0
Unijet Group Limited, Crawley	UK	100.0
Unijet Leisure Limited, Crawley	UK	100.0
Unijet Travel Limited, Crawley	UK	100.0
Versun Yachts NSA, Athens	Greece	100.0
Viagens Aurora Limitada, Albufeira	Portugal	95.0
Viagens Elena Limitada, Albufeira	Portugal	100.0
Viking Aviation Limited, Crawley	UK	100.0
We Love Rugby Pty Ltd, Banksia	Australia	100.0
Williment Travel Group Limited, Wellington	New Zealand	100.0
Wolters Reisen GmbH, Stuhr/Brinkum	Germany	100.0
Wonder Cruises AB, Stockholm	Sweden	100.0
Wonder Holding AB, Stockholm	Sweden	51.0
World Challenge Expeditions, Inc., Cambridge, MA	US	100.0
World Challenge Expeditions Limited, Crawley	UK	100.0
World Challenge Expeditions Pty Ltd, Victoria	Australia	100.0
World Challenge Holdings Limited, Crawley	UK	100.0
World Challenge NZ Limited, Wellington	New Zealand	100.0
World of TUI Ltd., Crawley	UK	100.0
Yachts International Limited, British Virgin Islands	British Virgin Islands	100.0
YIL, LLC, State of Delaware	US	100.0
Your Man Tours, Inc., El Segundo, CA	US	100.0

Company	Country	Capital share in%
Zegrahm Expeditions, Inc., Seattle	US	100.0
100% Adventure Pty Ltd, Wayville, SA	Australia	100.0
600035 B.C. LTD, Canada	UK	100.0
Tourism – TUI Hotels & Resorts		
BU RIUSA II EOOD, Sofia	Bulgaria	100.0
Cabotel-Hoteleria e Turismo Lda., Santiago/Cape Verde	Spain	100.0
CLUBHOTEL GESELLSCHAFT MBH., Hermagor	Austria	77.5
Daidalos Hotel- und Touristikunternehmen A.E., Athens	Greece	89.8
Dominicanotel S.A., Puerto Plata	Dominican Republic	100.0
Egyptian Germany Co. for Hotels (L.T.D), Cairo	Egypt	66.6
GEAFOND Número Dos Fuerteventura S.A., Las Palmas, Gran Canaria	Spain	100.0
GEAFOND Número Uno Lanzarote S.A., Las Palmas, Gran Canaria	Spain	100.0
Holiday Center S.A., Cala Serena/Cala d'Or	Spain	100.0
Iberotel International A.S., Antalya	Turkey	100.0
Iberotel Otelcilik A.S., Istanbul	Turkey	100.0
Jandia Playa S.A., Morro Jable/Fuerteventura	Spain	100.0
Jaz Hotels & Resorts S.A.E., Cairo	Egypt	50.9
MAGIC LIFE Assets AG, Vienna	Austria	100.0
Magic Life GmbH & Co KG, Vienna	Austria	100.0
MX RIUSA II S.A. de C.V., Cabo San Lucas	Mexiko	100.0
Promociones y Edificaciones Chiclana S.A., Palma de Mallorca	Spain	100.0
Puerto Plata Caribe Beach S.A., Puerto Plata	Dominican Republic	100.0
RCHM S.A.S., Agadir	Morocco	100.0
Rideway Investment Ltd., London	UK	100.0
Riu Jamaicotel Ltd., Negril	Jamaica	100.0
RIUSA II S.A., Palma de Mallorca	Spain	50.0
RIUSA NED B.V., Amsterdam	Netherlands	100.0
ROBINSON AUSTRIA Clubhotel GmbH, Hermagor	Austria	100.0
Robinson Club GmbH, Hanover	Germany	100.0
Robinson Club Italia S.p.A., Marina di Ugento	Italy	100.0
Robinson Club Maldives Private Limited, Malé	Maldives	100.0
Robinson Club (Schweiz) AG, Vulpera	Switzerland	100.0
Robinson Clubhotel Turizm Ltd. Sti., Istanbul	Turkey	100.0
Robinson Hoteles España S.A., Cala d'Or	Spain	100.0
Robinson Hotels Portugal S.A., Vila Nova de Cacela	Portugal	67.0
Robinson Otelcilik A.S., Istanbul	Turkey	100.0
STIVA RII Ltd., Dublin	Ireland	100.0
TdC Agricoltura Società Agricola a r.l., Florence	Italy	100.0
TdC Amministrazione S.r.l., Florence	Italy	100.0
Tenuta di Castelfalfi S.p.A., Florence	Italy	100.0
Tunisotel S.A.R.L., Tunis	Tunisia	100.0
Turcotel Turizm A.S., Istanbul	Turkey	100.0
Turkuaz Insaat Turizm A.S., Ankara	Turkey	100.0
Tourism – Cruises		
Hapag-Lloyd (Bahamas) Ltd., Nassau	Bahamas	100.0
Hapag-Lloyd Kreuzfahrten GmbH, Hamburg	Germany	100.0
Preussag Beteiligungsverwaltungs GmbH IX, Hanover	Germany	100.0
Central Operations		
Canada Maritime Services Limited, Crawley	UK	100.0
Canadian Pacific (UK) Limited, Crawley	UK	100.0
Cast Agencies Europe Limited, Crawley	UK	100.0

Company	Country	Capital share in%
Cast Group Services Limited, Crawley	UK	100.0
Cast Terminal Europe N.V., Antwerpen	Belgium	100.0
Contship Holdings Limited, Crawley	UK	100.0
CP Ships (Bermuda) Ltd., Hamilton	Bermudas	100.0
CP Ships Ltd., Saint John	Canada	100.0
CP Ships (UK) Limited, Crawley	UK	100.0
CPS Holdings (No. 2) Limited, Crawley	UK	100.0
CPS Number 4 Limited, Crawley	UK	100.0
DEFAG Beteiligungsverwaltungs GmbH I, Hanover	Germany	100.0
DEFAG Beteiligungsverwaltungs GmbH III, Hanover	Germany	100.0
PM Peiner Maschinen GmbH, Hanover	Germany	100.0
Preussag Immobilien GmbH, Salzgitter	Germany	100.0
Preussag UK Ltd., Crawley	UK	100.0
TUI Beteiligungs GmbH, Hanover	Germany	100.0
TUI Group Services GmbH, Hanover	Germany	100.0
TUI-Hapag Beteiligungs GmbH, Hanover	Germany	100.0
Joint Ventures and associated companies		
Tourism – TUI Travel		
ACCON-RVS Accounting & Consulting GmbH, Berlin	Germany	50.0
Aeolos Travel LLP, Nicosia	Cyprus (Greek part)	50.1
Aitken Spence Travels Ltd, Colombo	Sri Lanka	50.0
Alpha Tourism and Marketing Services Ltd., Port Louis	Mauritius	25.0
Alpha Travel (U.K.) Limited, Harrow	UK	25.0
alps & cities 4ever GmbH, Vienna	Austria	50.0
Atlantica Hellas S.A., Rhodos	Greece	50.0
Atlantica Hotels and Resorts S.A., Lemesos	Cyprus (Greek part)	50.0
Bartu Turizm Yatirimlari Anonim Sirketi, Istanbul	Turkey	50.0
Belgium Travel Network cvba, Sint-Martens-Latem	Belgium	50.0
Blue Diamond Hotels and Resorts Inc., St Michael	Barbados	49.0
Bonitos GmbH & Co KG, Frankfurt	Germany	50.0
.BOSYS SOFTWARE GMBH, Hamburg	Germany	25.2
DER Reisecenter TUI GmbH, Berlin	Germany	50.0
Himalayan Encounters PVT LTD, Kathmandu	Nepal	33.0
Holiday Travel (Israel) Limited, Airport City	Israel	50.0
InteRes Gesellschaft für Informationstechnologie mbH, Darmstadt	Germany	25.2
Intrepid Connections Investments PTY LTD, South Melbourne	Australia	50.0
Intrepid Vietnam Travel Company Ltd, Hanoi	Vietnam	49.0
Karisma Hotels Adriatic d.o.o., Zagreb	Croatien	33.3
Le Passage to India Tours and Travels Pvt Ltd, New Delhi	India	50.0
OFT REISEN GmbH, Ditzingen	Germany	50.0
Pollman's Tours and Safaris Limited, Nairobi	Kenya	25.0
Raiffeisen-Tours RT-Reisen GmbH, Burghausen	Germany	25.1
Ranger Safaris Ltd., Arusha	Tanzania	25.0
Safeharbour Investments S.L., Barcelona	Spain	50.0
Sunwing Travel Group Inc, Toronto	Canada	49.0
Teckcenter Reisebüro GmbH, Kirchheim/T.	Germany	50.0
Togebi Holdings Ltd, Cyprus	Cyprus (Greek part)	49.0
Travco Group Holding S.A.E., Cairo	Egypt	50.0
TRAVELStar GmbH, Hanover	Germany	50.0
TT Services Lanka Private Ltd., Colombo	Sri Lanka	50.0
Urban Adventures Limited, Hong Kong	Hong Kong	50.0

Company	Country	Capital share in%
Vacation Express USA Corp., Atlanta	US	49.0
Voukouvalides Travel & Tourism S.A., Kos	Greece	50.0
2332491 Ontario Inc, Toronto	Canada	49.0
Tourism – TUI Hotels & Resorts		
aQi Hotel Schladming GmbH, Bad Erlach	Austria	49.0
aQi Hotelmanagement GmbH, Bad Erlach	Austria	51.0
ENC for touristic Projects Company S.A.E., Sharm el Sheikh	Egypt	50.0
Etapex, S.A., Agadir	Morocco	35.0
Fanara Residence for Hotels S.A.E., Sharm el Sheikh	Egypt	50.0
First Om El Gorayfat Company for Hotels S.A.E., Mersa Allam	Egypt	50.0
GBH Turizm Sanayi Isletmecilik ve Ticaret A.S., Istanbul	Turkey	50.0
Golden Lotus Hotel Company S.A.E., Luxor	Egypt	50.0
Grecotel S.A., Rethymnon	Greece	50.0
GRUPOTEL DOS S.A., Can Picafort	Spain	50.0
Kamarayat Nabq Company for Hotels S.A.E., Sharm el Sheikh	Egypt	50.0
Makadi Club for Hotels S.A.E., Hurghada	Egypt	50.0
Mirage Resorts Company S.A.E., Hurghada	Egypt	50.0
Oasis Company for Hotels S.A.E., Hurghada	Egypt	50.0
Phaiax A.E.T.A., Corfu	Greece	50.0
Quinta da Ria Empreendimentos do Algarve, S.A., Vila Nova de Cacela	Portugal	33.0
Riu Hotels S.A., Palma de Mallorca	Spain	49.0
Sharm El Maya Touristic Hotels Co. S.A.E., Cairo	Egypt	50.0
Sun Oasis for Hotels Company S.A.E., Hurghada	Egypt	50.0
Tikida Bay S.A., Agadir	Morocco	34.0
TIKIDA DUNES S.A., Agadir	Morocco	30.0
Tikida Palmeraie S.A., Marrakesh	Morocco	33.3
UK Hotel Holdings FZC L.L.C., Fujairah	United Arab Emirates	50.0
Tourism – Cruises		
TUI Cruises GmbH, Hamburg	Germany	50.0
Central Operations		
Hapag-Lloyd Holding AG, Hamburg	Germany	22.0

RESPONSIBILITY STATEMENT BY MANAGEMENT

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

Hanover, 9 December 2013

The Executive Board

Joussen Baier Long

INDEPENDENT AUDITORS' REPORT

To TUI AG, Berlin and Hanover

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of TUI AG, Berlin and Hanover, and its subsidiaries, which comprise the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the consolidated financial statements for the business year from 1 October 2012 to 30 September 2013.

Board of Managing Directors' Responsibility for the Consolidated Financial Statements

The Board of Managing Directors of TUI AG, Berlin and Hanover, is responsible for the preparation of these consolidated financial statements. This responsibility includes that these consolidated financial statements are prepared in accordance with International Financial Reporting Standards, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) and that these consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The Board of Managing Directors is also responsible for the internal controls as the Board of Managing Directors determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standards on Auditing (ISA). Accordingly, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of audit procedures depends on the auditor's professional judgment. This includes the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system relevant to the entity's preparation of consolidated financial statements that give a true and fair view. The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

According to § 322 Abs. 3 Satz (sentence) 1 HGB, we state that our audit of the consolidated financial statements has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply, in all material respects, with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets and financial position of the Group as at 30 September 2013 as well as the results of operations for the business year then ended, in accordance with these requirements.

Report on the Group Management Report

We have audited the accompanying group management report, which is combined with the management report of the company, of TUI AG, Berlin and Hanover, for the business year from 1 October 2012 to 30 September 2013. The Board of Managing Directors is of TUI AG, Berlin and Hanover, is responsible for the preparation of the combined management report in accordance with the requirements of German commercial law applicable pursuant to § 315a Abs. 1 HGB. We conducted our audit in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of the combined management report promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Accordingly, we are required to plan and perform the audit of the combined management report to obtain reasonable assurance about whether the combined management report is consistent with the consolidated financial statements and the audit findings, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

According to § 322 Abs. 3 Satz 1 HGB we state, that our audit of the combined management report has not led to any reservations.

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

Hanover, 11 December 2013

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Thomas Stieve Wirtschaftsprüfer (German Public Auditor)	Thomas Berger Wirtschaftsprüfer (German Public Auditor)

FORWARD-LOOKING STATEMENTS

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

Imprint

Design and production
Kirchhoff Consult AG, Hamburg, Germany

Photography
Picture: Christian Wyrwa

PrimaKlima WELTWEIT
klimaneutral gedruckt
PK-DE-00440

FSC www.fsc.org
MIX
Paper from responsible sources
FSC® C106313

Printing
omb2 Print GmbH / BluePrint AG, Germany

The German version of this report is legally binding. The Company cannot be held responsible for any misunderstandings or misinterpretations arising from this translation.

Both versions are available on the web: **annualreport2012-13.tui-group.com**
This report was published on 18 December 2013.

TUI AG
Karl-Wiechert-Allee 4
30625 Hanover
Germany
Phone +49 (0)511 566-00
Fax +49 (0)511 566-1901
www.tui-group.com

World of TUI