PROSPECTUS

for the offer to the public in the Federal Republic of Germany and
for the admission to trading on the

regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*)
with simultaneous admission to the sub-segment of the regulated market with additional
post-admission obligations (*Prime Standard*) of the Frankfurt Stock Exchange as well as the regulated markets
of the stock exchanges in Berlin, Düsseldorf, Hamburg, Hanover, Munich and Stuttgart

of

up to 267,270,189 ordinary registered shares with no par value from a capital increase against contribution in kind

and

for the admission to the premium listing segment of the Official List of the UK Listing Authority and to trading on the main market of the London Stock Exchange

of

up to 587,331,271 ordinary registered shares with no par value (entire share capital)

—each such share with a notional value (the proportionate amount of the share capital attributable to each share) of approximately €2.56—

of

TUI AG

Berlin and Hanover

International Securities Identification Number (ISIN) for Existing Shares: DE000TUAG000
International Securities Identification Number (ISIN) for New TUI AG Shares: DE000TUAG265
German Securities Identification Number (WKN) for Existing Shares: TUAG00
German Securities Identification Number (WKN) for New TUI AG Shares: TUAG26

October 2, 2014

Listing Agent

Deutsche Bank

Summary . . . S-1
A.—Introduction and Warnings . . . S-1
B.—The Issuer . . . S-1
C.—Securities . . . S-9
D.—Risks . . . S-12
E.—Offer . . . S-17
German Translation of the Summary of the Prospectus . . . S-23
A.—Einleitung und Warnhinweise . . . S-23
B.—Emittent . . . S-23
C.—Wertpapiere . . . S-32
D.—Risiken . . . S-35
E.—Angebot . . . S-41
Risk Factors . . . 1
Risks Relating to Our Business . . . 1
Risks Relating to Our Structure . . . 16
Risks Relating to the Scheme of Arrangement . . . 17
Risks Relating to the Shares and the Listing . . . 20
General Information . . . 24
Responsibility Statement . . . 24
Purpose of this Prospectus . . . 24
Admission to Trading in Germany and the United Kingdom, Listing and Commencement of Trading . . . 24
Information on the Shares . . . 25
Costs of the Offering and Listing . . . 26
Interests of Persons involved in the Offering and Listing . . . 26
Dilution . . . 26
Designated Sponsors . . . 27
Paying and Registration Agent . . . 27
Statutory Auditors . . . 27
Inspection of Documents . . . 27
Forward-Looking Statements . . . 28
Accounting Regulations and Financial Information . . . 28
Information Derived from Third Parties . . . 29
Overseas Shareholders . . . 30
Information on the TUI Merger and Description of the Scheme of Arrangement and the Offer . . . 32
Introduction . . . 32
Summary of the Terms of the TUI Merger and the Offer . . . 32
Background to the TUI Merger . . . 33
Reasons for the TUI Merger . . . 33
Head Office Location . . . 35
Irrevocable Undertakings . . . 36
The Scheme and Implementation of the TUI Merger . . . 36
Trust Deed and Subscription Certificate . . . 40
De-Listing of TUI Travel . . . 40
Listing of the Company's Shares . . . 40
Issue of DIs Representing Entitlements to New TUI Shares and Existing Shares . . . 41
Settlement of the New TUI Shares Issued in Connection with the TUI Merger . . . 44
Rights Attaching to TUI AG DIs . . . 45
Expected Timetable of Events . . . 47
Capitalization and Indebtedness . . . 48
Working Capital Statement . . . 49
Selected Consolidated Financial Information . . . 50
Financial Information Relating to the Group . . . 51
Selected Segment Information . . . 56
Key Figures by Region . . . 60
Operating and Financial Review . . . 61
Overview . . . 61
Recent Developments . . . 62
Factors Affecting Our Results Of Operations . . . 63

Description of Key Line Items . . . 65
Results of Operation . . . 66
Segment Analysis . . . 75
TUI Travel . . . 75
TUI Hotels & Resorts Sector . . . 78
Cruises Sector . . . 80
All Other Segments . . . 83
Liquidity and Capital Resources . . . 85
Cash Management System . . . 86
Cash Flow . . . 86
Capital Expenditures . . . 91
Liabilities . . . 92
Quantitative and Qualitative Disclosure about Risks Relating to Financial Instruments . . . 96
Sensitivity Analysis—Interest Rate Risk . . . 99
Critical Accounting Policies . . . 103
Recently Adopted Accounting Principles . . . 104
Dividend Policy . . . 107
General Provisions Relating to Profit Allocation and Dividend Payments . . . 107
Dividend Policy and Dividend Payments . . . 107
Recent Developments and Outlook . . . 109
Recent Developments . . . 109
Profit Estimate . . . 109
Business Description . . . 113
Overview . . . 113
Our Strengths . . . 114
Our Strategy . . . 116
Our History and Recent Transformation . . . 117
Our Tourism Business . . . 118
All Other Segments . . . 125
Risk Management . . . 127
Employees . . . 127
Insurance . . . 128
Trademarks and Licenses . . . 128
Information Technology . . . 129
Legal Proceedings . . . 130
Industry and Competitive Environment . . . 132
Regulation . . . 138
Regulation of our Airline Operations . . . 138
Regulation Affecting our Tour Operator Business . . . 141
Regulation Affecting our Hotels and Destination Agencies . . . 142
Regulation Affecting our Entire Business . . . 142
Material Agreements . . . 144
Agreements Related to TUI Travel . . . 144
Agreements Related to Hapag-Lloyd . . . 144
Joint Venture Agreement with Respect to TUI Cruises GmbH . . . 148
Agreements Related to Europa 2 . . . 148
Joint Venture Agreement with Respect to Jaz Hotels & Resorts S.A.E. . . . 149
Shareholders . . . 149
Joint Venture Agreement with Respect to RIU Hotels, S.A. . . . 150
Joint Venture Agreement with Respect to RIUSA II, S.A. . . . 151
Certain Financing Arrangements . . . 152
Framework Agreement regarding the Costs for Aircraft, Crew, Maintenance, Insurance and Overhead with Air Berlin plc & Co. . . . 161
Boeing Contract for the Purchase of 60 Boeing 737 MAX Aircraft . . . 161
General Information about TUI AG . . . 163
Corporate History, Formation, Company Name, Registered Office, Fiscal Year and Duration of the Company . . . 163
Corporate Purpose . . . 163
Group Structure . . . 163

Material Shareholdings of TUI AG 164
Disclosure Obligations Relating to Shares with Voting Rights 165
Shareholder Structure 167
Description of the Company's Share Capital 168
Issued Share Capital and Shares 168
Form, Share Certificates and Transferability of the Shares 168
Development of the Share Capital 168
General Provisions Concerning an Increase of Share Capital 168
General Provisions Concerning Subscription Rights 169
Authorized Capital 169
Conditional Capital 170
Convertible Bonds 170
General Provisions Concerning the Exclusion of Minority Shareholders 171
Information about TUI AG's Corporate Bodies 173
Overview 173
Executive Board 174
Supervisory Board 177
Certain Information about Members of the Executive Board and the Supervisory Board 182
General Shareholders' Meetings 183
Corporate Governance 183
Additional Requirements of the UK Listing Rules 189
Related Party Transactions 190
General 190
Relationship with Members of the Management Board 191
Taxation in the Federal Republic of Germany 192
Taxation of the Company 192
(Withholding) Taxation of Dividends 193
Taxation of Capital Gains (Shareholders Tax Resident in Germany) 196
Inheritance and Gift Tax 198
Other Taxes 198
Taxation in the United Kingdom 200
Issue of New TUI Shares and Cancellation of TUI Travel Shares Pursuant to the Scheme 200
Dividends Received from the Company 200
Capital Gains on a Disposal of Shares 202
Stamp Duty and Stamp Duty Reserve Tax on CREST Depositary Systems 202
Financial Statements F-1
Audited interim consolidated financial statements (IFRS) of TUI AG as of and for the nine-month period ended June 30, 2014 .... F-2
Audited consolidated financial statements (IFRS) of TUI AG as of and for the financial year ended September 30, 2013 .... F-97
Audited consolidated financial statements (IFRS) of TUI AG as of and for the financial year ended September 30, 2012 .... F-204
Audited consolidated financial statements (IFRS) of TUI AG as of and for the financial year ended September 30, 2011 .... F-304
Audited financial statements (German Commercial Code (HGB)) of TUI AG as of and for the financial year ended September 30, 2013 .... F-404
Signature Page SIG-S-1

SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in sections A—E (A.1—E.7). This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding that Element. In this case, a short description of the Element is included in the summary with the mention of "not applicable".

A.—Introduction and Warnings

A.1	**Warnings.**	This summary should be read as an introduction to this prospectus (the "**Prospectus**"). Any decision to invest in the securities should be based on consideration of the Prospectus as a whole. If any claims are asserted before a court of law based on the information contained in this Prospectus, the investor appearing as plaintiff may have to bear the costs of translating the Prospectus prior to the commencement of any court proceedings pursuant to the national legislation of the member states of the European Economic Area. TUI AG, Berlin and Hanover, Germany ("**TUI AG**" or the "**Company**") and Deutsche Bank Aktiengesellschaft, Frankfurt am Main, Germany ("**Deutsche Bank**" or the "**Listing Agent**"), assume responsibility for the content of this summary and its German translation pursuant to Section 5 (2b) No. 4 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*). Those persons who are responsible for the summary, including the translation thereof, or for the issuing of the summary (*Veranlassung*), can be held liable for the information contained in this summary and its translation, but only insofar as the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of this Prospectus, all necessary key information. TUI AG together with its consolidated subsidiaries is referred to herein as the "**Group**", the "**TUI Group**" , "**TUI**" or "**we**".
A.2	**Information regarding the subsequent use of the prospectus.**	Not applicable. Consent regarding the use of the Prospectus for a subsequent resale or final placement of the shares by financial intermediaries has not been granted.

B.—The Issuer

B.1	**Legal and commercial name of the issuer.**	As of the date of this Prospectus, the Company's legal name is TUI AG and its commercial name is TUI AG or TUI.
B.2	**Domicile, legal form, legislation under which the issuer operates, country of incorporation.**	The Company has its registered offices in Berlin and Hanover, Germany, and is registered with the commercial register (*Handelsregister*) of the district court (*Amtsgericht*) of Berlin-Charlottenburg under HRB 321 and the commercial register of the district court (*Amtsgericht*) of Hanover under HRB 6580. The Company

		is a German stock corporation (*Aktiengesellschaft*) incorporated under the laws of Germany and governed by German law.
B.3	**The issuer's current operations, its principal business activities and principal markets in which the issuer competes.**	We believe that we are the largest integrated leisure tourism group in Europe by turnover and one of the leading leisure tourism groups in the world. As a vertically integrated leisure tourism group, our brands offer an end-to-end holiday experience for the customer. Tourism is our core business segment and comprise the TUI Travel PLC ("**TUI Travel**") and the sectors TUI Hotels & Resorts and Cruises. TUI Travel offers a broad array of holiday experiences for a wide range of travelers from popular holiday brands to an extensive collection of specialist travel providers. The TUI Hotels & Resorts sector comprises our portfolio of hotels and resorts we operate under brands which we believe are associated with high levels of quality and service as well as high environmental standards, *i.e.*, Robinson, Riu, Grecotel, Grupotel, Iberotel and Dorfhotel. Our Cruises sector offers maritime holiday experiences for different target groups through Hapag-Lloyd Kreuzfahrten and TUI Cruises. TUI Travel operates in approximately 180 countries around the world and serves over 30 million customers from over 30 source markets. We believe that we are the leading tour operator in the United Kingdom, Germany, the Nordics and France. TUI Travel offers a broad product portfolio, ranging from package holidays (*i.e.* transport and accommodation advertised and sold by one tour operator) to a wide range of more specialist offerings. TUI Travel is organized and managed through three principal business sectors: Mainstream, Accommodation & Destinations and Specialist & Activity. Mainstream is the largest business and covers all activities in the package holiday segment through its vertically integrated business model. Accommodation & Destinations sells globally-sourced hotel and apartment accommodation to wholesale customers and consumers, while also providing incoming services (such as airport transfers) for tour operators through regional agencies and wide-ranging services for the cruise sector. Specialist & Activity pools more than 90 specialist and adventure tour operators. Our TUI Hotels & Resorts sector includes majority participations in hotels, joint ventures with local partners, companies where we hold a financial stake and hotels operated under management contracts. TUI Hotels & Resorts is the link between tour operators and hotel partners and is structured into six hotel groups: Riu, Robinson, Iberotel, Grupotel, Grecotel and all other hotel companies. Our Cruises sector comprises two companies with distinct offerings and target markets. Hapag-Lloyd Kreuzfahrten holds a leading position in the German-speaking market with its fleet in the luxury and expedition cruise segments. TUI Cruises, which we operate as a joint venture with

Royal Caribbean Cruises Ltd., offers a new and differentiated cruise format targeted at the German premium market.

Competitive Strengths

We believe the following strengths set us apart from our competitors in our tourism business:

- Market-leading positions and scale;
- Customer offering of unique holidays;
- Strong brand recognition and customer loyalty;
- Focus on direct distribution, with growth driven by the online channel;
- Flexible business model focused on an end-to-end customer experience; and
- Strong and experienced management team.

Strategy:

Our business strategy includes the following key elements:

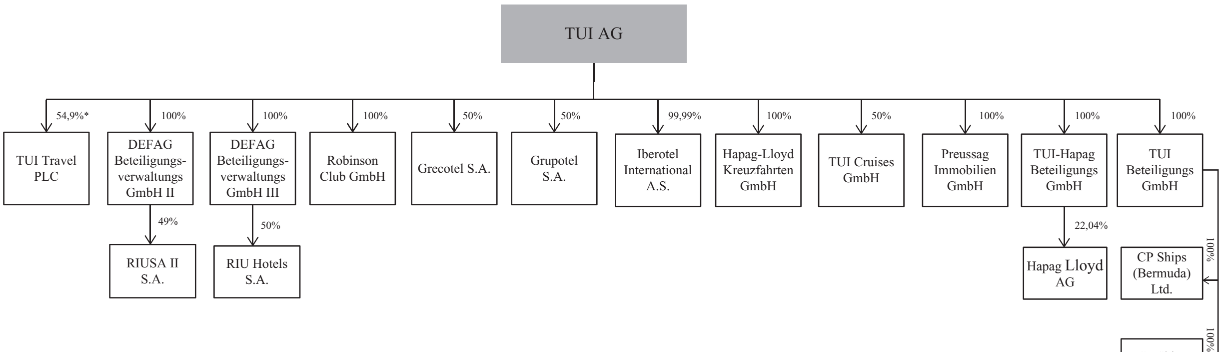
- Deliver a superior end-to-end customer experience through our fully integrated Mainstream tourism business;
- Accelerate long-term growth supported by an asset-right business model based on an optimal mix of owned and managed hotels and cruise ships with a targeted minimum required return on capital of 15% for new content;
- Deliver synergies, cost savings and commercial benefits with the potential to unlock further value;
- Maximize the growth and value of the Online Accommodation and Specialist & Activity businesses;
- Treat the TUI AG stake in Hapag-Lloyd AG as a business for disposal; and
- Focus on balance sheet strength, flexibility and strong free cash flow generation with a view to increasing shareholder returns.

B.4a	**Description of the most significant recent trends affecting the issuer and the industries in which it operates.**	We believe that the following trends will affect our markets: • Innovative lifestyle-oriented hotel concepts and brand differentiation according to customer groups; brand is likely to become a more important factor for luxury travelers as key locations become increasingly saturated; • increased use of internet sales channels, mobile distribution, location-based search as well as direct customer interaction driven by social media; customers will define the future technologies they require;

- implementation of available technology systems (such as self-service touch screens, artificial intelligence-based tools to forecast food and beverage demand and in-room entertainment technology);
- hotel formats which meet customer demands for environmental sustainability;
- demographic changes across the existing mature source markets in the United States and Europe as well as an emerging middle class in new source markets, such as India, China and Brazil;
- the right talent management plans are a key prerequisite prior to entering new markets by operators (*e.g.*, identify where to source right talents);
- continuous rising of online bookings;
- flexible and spontaneous bookings through social media usage and online bookings; and
- innovative hotel and cruise formats through increasing demand for travel products.

B.5 Description of the group and the issuer's position within the group.

TUI AG is the holding company of the Group. The following chart sets forth the significant subsidiaries/investments of the Company, as of the date of this Prospectus.



* On a fully diluted basis, TUI AG controls 50.001% of TUI Travel

B.6 Persons who, directly or indirectly, have a (notifiable) interest in the issuer's capital or voting rights or have control over the issuer.

As of the date of this Prospectus, the Company is aware of the following shareholdings in the Company's registered shares that exceed the applicable thresholds under the German Securities Trading Act (WpHG):

Name of shareholder	Share of ordinary registered shares (%)
S-Group Travel Holding GmbH (ultimately controlled by A. Mordashov)[(1) (2)]	22.89
Riu Hotels S.A., Palma de Mallorca[(2)]	6.93
Deutsche AWM Investment GmbH[(3)]	3.03

(1) In addition, Unifirm Limited (a limited liability company incorporated in Cyprus which the Company believes is also ultimately controlled by Alexey Mordashov) holds 2.66% of the issued share capital of the Company.

(2) Opening Position Disclosure under Rule 8 of the UK City Code on Takeovers and Mergers (July 10, 2014)

(3) Notification pursuant to Section 21 para. 1 of the German Securities Trading Act (WpHG) (July 8, 2014)

The Company is not aware of any other shareholders holding, directly or indirectly, more than 3% of the Company's voting rights.

Voting rights. Each share of the Company carries one vote at the Company's shareholders' meeting. There are no restrictions on voting rights. All shares of the Company carry the same voting rights.

B.7 Selected financial and business information. The financial information contained in the following tables is taken (except where adjusted as discussed below) from TUI's audited consolidated financial statements as of and for the financial years ended September 30, 2013, 2012 and 2011 and the audited interim consolidated financial statements as of and for the nine-month period ended June 30, 2014. These consolidated financial statements were prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**") and the additional requirements of German commercial law pursuant to Section 315a para 1 of the German Commercial Code (*Handelsgesetzbuch* or *HGB*).

PwC audited the consolidated financial statements for TUI AG as of and for the financial years ended September 30, 2013, 2012 and 2011, the interim consolidated financial statements as of and for the nine-month period ended June 30, 2014 and issued in each case an unqualified auditor's report.

Selected Information from the Income Statement

	Financial year ended September 30,			**Nine-month ended June 30,**	
	2011	**2012**	**2013**	**2013[3]**	**2014**
			(in € millions)		
	(audited)	**(audited)**	**(audited)**	**(audited)**	**(audited)**
Turnover	**17,480.3**	**18,330.3**	**18,477.5**	**11,518.4**	**11,384.4**
Cost of sales	15,655.2	16,285.8	16,436.3	10,818.0	10,528.6
Gross profit	**1,825.1**	**2,044.5**	**2,041.2**	**700.4**	**855.8**
Earnings (loss) before income taxes (EBT)	**206.8**	**252.7**	**325.5**	**(629.0)**	**(472.0)**
plus: Loss on Container Shipping measured at equity	2.1	49.0	22.3	25.4	38.9
less: Gain on reduction and measurement of financial investment in Container Shipping[2]	(51.2)	(61.6)	—	—	—
plus: Net Interest expense and expense from measurement of interest hedges	286.8	284.9	238.7	203.5	184.7
plus: Impairment of goodwill	—	13.8	8.3	8.3	—
EBITA[1]	**444.5**	**538.8**	**594.8**	**(391.8)**	**(248.4)**
Adjustments:	155.6	206.9	167.1	139.6	66.1
Underlying EBITA[1]	**600.1**	**745.7**	**761.9**	**(252.2)**	**(182.3)**
Earnings (loss) before income taxes (EBT)	**206.8**	**252.7**	**325.5**	**(629.0)**	**(472.0)**
Tax expenses (tax income)	88.6	110.8	139.0	(152.8)	(123.4)
Group profit (loss) for the period	**118.2**	**141.9**	**186.5**	**(476.2)**	**(348.6)**

(1) EBITA and Underlying EBITA are non-IFRS financial measures. There are no generally accepted accounting principles governing the calculation of non-IFRS measures. We define EBITA as earnings before interest, taxes, goodwill impairment, losses incurred in the Container Shipping investment measured at equity, gains and losses from the sale of investments in Container Shipping, and Net Interest expense and expense from measurement of interest hedges. Our Underlying EBITA is derived by adjusting EBITA for gains (losses) on disposal of investments, expenses in the framework of restructuring measures, effects of purchase price allocations and other one-off items. EBITA and Underlying EBITA are not measures of operating income, operating performance or liquidity under IFRS. These measures should not be considered in isolation or as substitute for Earnings (loss) before income taxes as determined by IFRS, or as an indicator of the Company's operating performance, or of cash flows from operating activities as determined in accordance with IFRS. The manner in which we measure EBITA and Underlying EBITA may not be consistent with the manner in which these measures or other measures with similar names are calculated by other companies. Accordingly, EBITA and Underlying EBITA as presented by us may not be comparable to these measures or other measures with similar names as presented by other companies.

(2) In connection with and following the sale of Hapag-Lloyd, we had entered into various financing arrangements, including the provision of a bridge loan and a vendor loan.

(3) Figures derived from the audited interim consolidated financial statements as of and for the nine-month period ended June 30, 2014.

Selected Information from the Balance Sheet

	As of September 30,			As of June 30,
	2011	**2012**	**2013**	**2014**
		(in € millions)		
	(audited)	**(audited)**	**(audited)**	**(audited)**
Non-Current Assets	9,107.6	8,668.2	8,645.8	8,593.2
Current assets	4,384.3	4,544.4	4,808.5	5,180.8
Total assets	**13,491.9**	**13,212.6**	**13,454.3**	**13,774.0**
Financial liabilities				
Convertible bonds	1,389.7	1,318.3	1,333.5	1,269.9
Other bonds	250.1	232.8	—	
Liabilities to banks	886.7	566.1	1,004.3	386.9
Liabilities from finance leases	154.8	233.2	335.6	476.3
Financial liabilities due to non-consolidated Group companies	17.6	7.1	6.0	—
Financial liabilities due to affiliates	11.2	11.6	—	0.2
Other financial liabilities	88.2	87.5	90.2	104.1
Total financial liabilities	**2,798.3**	**2,456.6**	**2,769.6**	**2,237.4**

Selected Information from the Statement of Cash Flows

	Financial year ended September 30,			Nine-month ended June 30,	
	2011	**2012**[(1)]	**2013**	**2013**[(2)]	**2014**
			(in € millions)		
	(audited)	**(audited)**	**(audited)**	**(audited)**	**(audited)**
Cash inflow from operating activities	1,085.5	841.5	875.3	426.4	385.8
Cash inflow / (outflow) from investing activities[(3)]	875.4	314.7	(444.3)	(356.9)	(156.8)
Cash outflow from financing activities	(2,249.2)	(894.2)	(620.9)	(647.3)	(388.5)
Net change in cash and cash equivalents	(288.3)	262.0	(189.9)	(577.8)	(159.5)
Development of cash and cash equivalents:					
Cash and cash equivalents at beginning of period	2,274.3	1,981.3	2,278.4	2,278.4	2,701.7
Cash and cash equivalents at end of period	1,981.3	2,278.4	2,701.7	1,706.6	1,939.3

(1) Figures derived from the audited consolidated financial statements as of and for the financial year ended September 30, 2013. Historically, dividends received from associates and joint ventures were recorded within cash flows from investing activities. During the financial year ended September 30, 2013, it was determined dividends received from associates and joint ventures would be more appropriately reflected in operating activities and the financial year ended September 30 2012 figures were adjusted accordingly. The Company is of the view that this presents more relevant information about the ability to generate cash flows from operating activities.

(2) Figures derived from the audited interim consolidated financial statements as of and for the nine-month period ended June 30, 2014.

(3) Cash inflow from investing activities includes dividends from joint ventures and associates of €11.9 million for the financial year ended September 30, 2011. For the financial years ended September 30, 2012 and September 30, 2013 dividends from joint ventures and associates are recorded under the Cash inflow from operating activities, instead.

Other Financial Data

	As of and for the financial year ended September 30,			As of and for the nine-month period ended June 30,	
	2011	**2012**	**2013**	**2013**	**2014**
			(in € millions)		
	(audited)[(1)]	**(audited)**[(1)]	**(audited)**[(1)]	**(audited)**[(1)]	**(audited)**[(1)]
Earnings before interest, taxes, and impairment of goodwill (EBITA)[(2)]	444.5	538.8	594.8	(391.8)[(5)]	(248.4)
Underlying EBITA[(2)]	600.1	745.7	761.9	(252.2)[(5)]	(182.3)
Net debt[(3)(4)]	817.0	178.2	67.9	475.3	298.1
Cash and cash equivalents	1,981.3	2,278.4	2,701.7	1,706.6[(5)]	1,939.3
EBITA as per Segment					
TUI Travel	321.4	441.0	532.8	(346,6)[(5)]	(329.5)
TUI Hotels & Resorts	144.2	177.5	170.6	79.0[(5)]	117.1
Cruises	11.2	0.8	(30.4)	(59.2)[(5)]	(1.7)
All other segments	(32.3)	(80.5)	(78.2)	(65.0)[(5)]	(34.3)

(1) Unless otherwise stated.

(2) EBITA and Underlying EBITA are non-IFRS financial measures. There are no generally accepted accounting principles governing the calculation of non-IFRS measures. We define EBITA as earnings before interest, taxes, goodwill impairment, losses incurred in the Container Shipping investment measured at equity, gains and losses from the sale of investments in Container Shipping, and Net Interest expense and expense from measurement of interest hedges. Our Underlying EBITA is derived by adjusting EBITA for gains (losses) on disposal of investments, expenses in the framework of restructuring measures, effects of purchase price allocations and other one-off items. EBITA and Underlying EBITA are not measures of operating income, operating performance or liquidity under IFRS. These measures should not be considered in isolation or as substitute for Earnings (loss) before income taxes as determined by IFRS, or as an indicator of the Company's operating performance, or of cash flows from operating activities as determined in accordance with IFRS. The manner in which we measure EBITA and Underlying EBITA may not be consistent with the manner in which these measures or other measures with similar names are calculated by other companies. Accordingly, EBITA and Underlying EBITA as presented by us may not be comparable to these measures or other measures with similar names as presented by other companies.

(3) Net debt consists of financial liabilities less cash and cash equivalents.

(4) Unaudited.

(5) Figures derived from the audited interim consolidated financial statements as of and for the nine-month period ended June 30, 2014.

Significant changes to the issuer's financial condition and operating results.	The following changes in the Company's financial condition and its operating results of operations, as shown on the basis of turnover, EBT and EBITA, occurred in the nine-month period ended June 30, 2014, and in the financial years ended September 2013, 2012 and 2011: *Nine-month period ended June 30, 2014 and 2013* Turnover decreased from €11,518.4 million in the nine-month period ended June 30, 2013, by €134 million, or 1.2%, to €11,384.4 million in the nine-month period ended June 30, 2014. The decrease primarily resulted from a slight decrease in customer numbers in the Mainstream business of TUI Travel. Underlying EBITA improved from negative €252.2 million in the nine-month period ended June 30, 2013, by €69.9 million, or 27.7%, to negative €182.3 million in the nine-month period ended June 30, 2014. This positive development was mainly attributable to the improvement in earnings of TUI Travel and the TUI Hotels & Resorts Sector and a decline in expenses by central operations.

EBT improved from negative €629.0 million in the nine-month period ended June 30, 2013, by €157.0 million, or 25.0%, to negative €472.0 million in the nine-month period ended June 30, 2014 as a result of the factors described above.

Financial years 2013 and 2012

Turnover increased from €18,330.3 million in the financial year ended September 30, 2012, by €147.2 million, or 0.8%, to €18,477.5 million in the financial year ended September 30, 2013. The increase primarily resulted from increased segment turnover from TUI Travel, which increased by €105.9 million, and Cruises, which increased by €30.0 million.

Underlying EBITA increased from €745.7 million in the financial year ended September 30, 2012, by €16.2 million, or 2.2%, to €761.9 million in the financial year ended September 30, 2013. This increase is attributable to 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.

EBT increased from €252.7 million in the financial year ended September 30, 2012, by €72.8 million, or 28.8%, to €325.5 million in the financial year ended September 30, 2013 as a result of the factors described above.

Financial years 2012 and 2011

Turnover increased from €17,480.3 million in the financial year ended September 30, 2011, by €850.0 million, or 4.9%, to €18,330.3 million in the financial year ended September 30, 2012. This increase was mainly attributable to higher average selling prices in TUI Travel and foreign exchange effects mainly resulting from the strengthening of the British pound sterling against the euro.

Underlying EBITA increased from €600.1 million in the financial year ended September 30, 2011, by €145.6 million, or 24.3%, to €745.7 million in the financial year ended September 30, 2012. In the financial year ended September 30, 2012, the positive development of underlying earnings was driven by both, TUI Travel and TUI Hotels & Resorts. Earnings were driven by the performance in Tourism, which benefited from strong demand for differentiated products in TUI Travel and higher load factors in RIUSA II, the largest hotel company, in Spain as well as in the long-haul destinations.

EBT increased from €206.8 million in the financial year ended September 30, 2011, by €45.9 million, or 22.2%, to €252.7 million in the financial year ended September 30, 2012 as a result of the factors described above.

Recent developments since June 30, 2014

While a number of indicators still show that the global economy will continue to grow, we expect that the growth

		rates in 2014 will be lower than in 2013. In view of the existing risks, in particular including political risks from the on-going conflicts in the Ukraine and Middle East, the further development of the world economy remains fragile and susceptible to external disturbances. TUI Travel's trading performance for the summer season 2014 saw higher average selling prices across the Mainstream business. Overall bookings were broadly in line with the same period in the prior year. The United Kingdom saw average selling prices slightly ahead of last year and flat bookings, whilst trading in Germany saw a significant bounce following the end of the World Cup with margins ahead of last year. A decline in bookings in the Nordics and France largely reflected capacity cuts in these regions. Accommodation & Destinations continued to deliver significant sales growth. Current trading by TUI Hotels & Resorts largely reflects the development of customer numbers within TUI Travel as a major proportion of Group-owned hotel beds are booked by TUI tour operators. In the Cruises Sector, advance bookings were up year-on-year, reflecting sound demand, in particular due to the commissioning of Europa 2 in May 2013 and the expansion of the TUI Cruises fleet to include Mein Schiff 3 as of June 2014.
B.8	**Selected key pro forma financial information.**	Not applicable; no pro forma financial information has been prepared by the Company.
B.9	**Profit forecast and estimate.**	On the basis of developments in the financial year ended September 30, 2014, the Company currently anticipates the Group's reported EBITA to increase at least at the upper end of the range of 16% to 23% of the reported EBITA for the financial year ended September 30, 2013 of €594.8 million. For the Underlying EBITA for the Group, we expect an improvement in the current financial year at least at the upper end of 6% to 12% of the Underlying EBITA for the financial Year ended September 30, 2013, of €761.9 million.
B.10	**Qualifications in the audit report on the historical information.**	Not applicable. The audit reports on the historical financial information included in this Prospectus have been issued without qualification.
B.11	**Insufficiency of the issuer's working capital for its present requirements.**	Not applicable. The TUI Group has sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this Prospectus.
C.—Securities		
C.1	**Type and the class of the securities being offered and/or admitted to trading.**	Up to 320,061,082 (maximum number of existing shares on a fully diluted basis) ordinary registered shares of the Company (the "**Existing Shares**") and up to 267,270,189 ordinary registered shares from the capital increase against contribution in kind, expected to be resolved by the Company's extraordinary shareholders' meeting on October 28, 2014 (The "**New TUI Shares**" and together with the Existing Shares, the "**Shares**"), each such Share with no par value and representing a notional

		value (the proportionate amount of the share capital attributable to each share) of approximately €2.56.
	Security identification number.	International Securities Identification Number (ISIN) for Existing Shares: DE000TUAG000 International Securities Identification Number (ISIN) for New TUI Shares: DE000TUAG265 German Securities Identification Number (*Wertpapierkennnummer*, WKN) for Existing Shares: TUAG00 German Securities Identification Number (*Wertpapierkennnummer*, WKN) for New TUI Shares: TUAG26 Ticker Symbol for Existing Shares on the Frankfurt Stock Exchange: TUI1 Ticker Symbol for Existing Shares on the London Stock Exchange: TUI Ticker Symbol for New TUI Shares on the Frankfurt Stock Exchange and the London Stock Exchange: TUIJ
C.2	**Currency.**	Euro.
C.3	**The number of shares issued and fully paid.**	As of the date of this Prospectus the registered share capital of the Company amounts to €645,443,034.42 (registration of an increase of the share capital to €726,556,592.34 has been effected on October 1, 2014 in the commercial register in Berlin-Charlottenburg but is still pending with the commercial register in Hanover) and is divided into 252,475,370 no par value ordinary registered shares. The share capital of the Company is fully paid.
	The par value per share, or that the shares have no par value.	Each of the Shares of the Company represents a notional value (the proportionate amount of the share capital attributable to each share) of approximately €2.56 in the Company's share capital.
C.4	**Description of the rights attached to the securities.**	Each Share carries one vote at the Company's shareholders' meeting. There are no restrictions on voting rights. All shareholders are entitled to dividends. The New TUI Shares will rank *pari passu* in all respects with the Existing Shares, other than in respect of dividend rights for the financial year ending September 30, 2014, as the New TUI Shares will not be entitled to a dividend for the financial year ending September 30, 2014. (For more information, see Element C.7 "*Description of dividend policy.*"). In the event of the Company's liquidation, any proceeds will be distributed to the Company's shareholders in proportion to their interest in the Company's share capital.
C.5	**Description of any restrictions on the free transferability of the securities.**	Not applicable; there are no restrictions on the transferability of the Shares.
C.6	**Application for admission to trading on a regulated market and the identity of all the regulated markets where the securities are or are to be traded.**	The Existing Shares are listed on the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the sub-segment of the regulated market of the Frankfurt Stock Exchange with additional post-admission obligations (*Prime Standard*) as well as on the regulated markets of the stock exchanges of Berlin, Düsseldorf, Hamburg, Hanover, Munich and Stuttgart.

		The Company intends to apply for admission of the New TUI Shares to trading on the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market of the Frankfurt Stock Exchange with additional post-admission obligations (*Prime Standard*) as well as to the regulated markets of the stock exchanges of Berlin, Düsseldorf, Hamburg, Hanover, Munich and Stuttgart. The Company also intends to apply for admission of all Shares to the premium listing segment of the Official List of the UK Listing Authority and to trading on the main market of the London Stock Exchange. Following the admission of the Company's Shares to the premium listing segment of the Official List of the UK Listing Authority and to trading on the main market of the London Stock Exchange, the Company intends to apply to delist its Shares from the regulated markets of the Frankfurt Stock Exchange and the stock exchanges of Berlin, Düsseldorf, Hamburg, Hanover, Munich and Stuttgart. Such delisting would be undertaken to ensure that the Company's Shares are eligible for inclusion in the FTSE UK Index Series with the aim of being included in the FTSE UK 100. In conjunction with the planned delisting described above, the Company intends to seek a secondary market quotation of the Shares on the Open Market of the Frankfurt Stock Exchange, which is neither an official market segment nor an EU regulated market. Such Open Market quotation would be effected in order to provide German investors with the opportunity to trade their Shares in the Company in Euro on a German stock exchange. Trades in the Company's Shares (being German securities), are not capable of being listed directly or settled through CREST, the electronic settlement system for United Kingdom and Irish securities operated by Euroclear UK & Ireland Ltd which allows trades in securities listed on the Official List of the UK Listing Authority to be settled. Accordingly, the Company intends to enter into depositary arrangements which will enable investors to settle the Shares in CREST in the form of depositary interests ("**DIs**"), which will be traded in British pounds sterling. DIs will represent entitlements to the Shares and each TUI AG DI will represent an entitlement to one Share.
C.7	**Description of dividend policy.**	Dividends may only be paid out of the Company's distributable profit (*Bilanzgewinn*) recorded in its unconsolidated financial statements prepared in accordance with the German Commercial Code (HGB). The German Commercial Code (HGB) accounting principles, applied in preparing the Company's separate financial statements, differ from the IFRS accounting principles, on which the Company's consolidated financial statements are based.

	The Company did not pay any dividends to its shareholders for the financial year ended September 30, 2011 or the financial year ended September 30, 2012. On February 12, 2014 the annual shareholders' meeting resolved to pay a dividend for the financial year ended September 30, 2013 amounting to €37.9 million or €0.15 per share. The dividend proposal is made anew for each financial year. The Group's corporate development and the required capital base for growth initiatives and the current business prospects are taken into account. The TUI Travel interim dividend of 4.05 pence per TUI Travel Share previously announced by TUI Travel will become payable on 3 October 2014. In addition, TUI Travel will (subject to compliance with applicable law), immediately prior to completion of the TUI Merger (as defined under E.2a below), declare and pay a second interim dividend of 20.5 pence per TUI Travel Share, to include 10.5 pence per TUI Travel Share in lieu of a final dividend for the financial year ended September 30, 2014. As a consequence TUI Travel Shareholders will not be eligible for any final dividend paid by TUI AG to existing TUI AG Shareholders for the financial year ended September 30, 2014. TUI AG anticipates that it will declare a final dividend for the financial year ended September 30, 2014 (subject to adequate balance sheet capacity, recommendations by the Executive Board of the Company and the Supervisory Board of the Company and approval at the TUI AG annual general meeting in 2015) of €0.33 per TUI AG Share. The anticipated dividend of TUI AG would represent an equivalent amount to the originally anticipated final dividend of 10.50 pence per TUI Travel Share, reflecting the agreed Exchange Ratio (which already takes account of the 4.05 pence TUI Travel interim dividend). The TUI AG dividend for the financial year ended September 30, 2014 will be paid after the TUI AG annual general meeting in 2015 to TUI AG Shareholders (other than holders of New TUI Shares). Following completion of the TUI Merger, the Group intends to adopt a dividend policy in line with TUI Travel's present progressive dividend policy under which dividends grow broadly in line with earnings. Provided the performance of the Group develops in line with expectations, the Group will target an increase in its dividend per share for the financial years ended September 30, 2015 and ended September 30, 2016 of 10% in excess of the underlying growth in the Group's earnings per share. This is subject to adequate balance sheet capacity, recommendations by the Executive Board of and the Supervisory Board and approval at the respective TUI AG annual general meeting in the relevant year.
D.—Risks	*An investment in the Company's shares is subject to risks. Shareholders and prospective investors should carefully consider the following risks together with all the other information contained in this Prospectus prior to making any decision regarding an investment in the shares of the Company. The risks below are based on information known*

		as of the date of this Prospectus which the Company considers to be material. Our business, results of operations, financial condition and cash flows could be materially adversely affected by each of these risks. If any of the risks described below were to materialize, the price of the Company's shares could decline, and investors could lose all or part of their investment. In addition, our business, financial condition, results of operations and cash flows could be materially adversely affected by risks that are currently unknown or that the Company might currently deem immaterial. The order in which the risks described below are presented is not necessarily indicative of their importance or the likelihood of their occurrence.
D.1	**Key information on the key risks that are specific to the issuer or its industry.**	**Risks relating to our Business** • A variety of macroeconomic factors may adversely affect our tourism business. • Political instability, acts or threats of terrorism, natural disasters or outbreaks of diseases or epidemics may adversely affect our business. • Accidents or incidents involving our travel products and unfavorable media coverage could harm our reputation and reduce demand for our products and services. • Significant competition in the European tourism industry could lead to reduced prices or to a loss of customers. • Our business is subject to changes in customer behavior and preferences as our success depends on products and services that meet customer demands. • We may be adversely affected by significant excess capacity in our existing aircraft, hotels and cruise ships. • Our branding strategy creates the risk that damage to our reputation in one part of our business could negatively affect other parts of our business operating under the same or a related brand. • We may not be able to protect our intellectual property completely from copying and use by others, including current or potential competitors. • Our business depends on the continuous functioning of our IT systems. • Our business and results of operations are affected by fluctuations in exchange rates and interest rates. • Our business is vulnerable to rising fuel costs. • Our business is subject to seasonal fluctuations. The level of demand for our services fluctuates over the course of a calendar year, which causes our results to fluctuate. • Our activities in foreign markets involve country-specific risks. Due to our strategy, we will be increasingly active in countries with lower levels of

political, legal and economic stability and with different cultural values compared to Western Europe.

- We are dependent on third-party service and facility providers, whose services might not be satisfactory or meet the required quality levels.
- We operate in regulated industries, which may limit our operational flexibility, and non-compliance with regulations applicable to our businesses could lead to legal or regulatory sanctions.
- European and national restrictions on airline ownership could result in the loss of the Group's airline operating and route licenses, force us to divest our airline businesses or result in other adverse effects on our Group's business.
- Restrictions on airline ownership and control in bilateral treaties could result in the loss of authorizations held by the TUI Travel group airlines to operate on certain routes to non-EU/EEA countries.
- We may be exposed to risks associated with the limitation of greenhouse gas emissions and related trading schemes for allowances.
- We may face environmental risks from both our divested businesses and the businesses we currently operate.
- We have significant liabilities in connection with under-funded pension benefit plans, particularly in the United Kingdom.
- We may need to write down goodwill from our acquisitions.
- We are exposed to risks in connection with joint ventures and other associated companies.
- Through our minority participation in Hapag-Lloyd we are indirectly exposed to risks relating to the container shipping business.
- We face risks associated with the restructuring of our business. In the course of restructuring our business to focus on our tourism activities, we assumed guarantees and other contingent obligations.
- Our success depends on our ability to retain key management and other key personnel.
- Labor disturbances could disrupt our business.
- Our processing, storage, use and disclosure of personal data could give rise to liabilities as a result of governmental regulation, conflicting legal requirements, differing views of personal privacy rights or security breaches.
- We are exposed to risks associated with online commerce security. Security breaches in the transmission of confidential information could significantly harm our business.

		• We are exposed to risks associated with payment fraud in particular as a result of increasing volumes of online payments. • We may not be fully protected against damage, losses and certain liabilities under our insurance coverage and our insurance premiums may increase. • We may incur substantial costs and losses as a result of litigation or other proceedings. • We may be significantly affected if we had to discontinue the practice of requiring full or partial pre-payment for flights or travel packages well in advance of the date of travel • The legal relationships between us and our customers are generally based on standard contracts and forms; any errors in the documentation could therefore affect a large number of customer relationships. • We may be affected by increasingly rigorous scrutiny of transactions by tax authorities and could be subject to tax risks attributable to previous tax assessment periods. • We might be exposed to tax risks regarding the loss of tax losses and tax loss carry-forwards in connection with the possible change of the shareholder structure of the Company. • We may face a risk of tax court proceedings regarding the applicability of German trade tax provisions on the deductibility of expenses for German trade tax purposes. • We are unable to fully deduct interest on our financial liabilities. • If Hapag-Lloyd or TUI Cruises should not be able to continue to participate in the tonnage tax regime in Germany, or if the tonnage tax regime as such is discontinued or amended, tax expenses may increase significantly. **Risks relating to our structure** • Our substantial leverage and debt service obligations could materially adversely affect our business, financial condition or results of operations. • Our levels of indebtedness may increase our vulnerability to general adverse economic conditions and limit our ability to make investments.
D.3	**Key information on the key risks that are specific to the securities.**	**Risks relating to the Scheme of Arrangement** • The Scheme of Arrangement may not be successfully completed. • The New TUI Shares may not be issued to the Trustee (on behalf of the Scheme Shareholders) or such issuance may be substantially delayed.

- Even if a material adverse change to the TUI Travel Group's business were to occur, it is highly unlikely that we would be able to invoke the conditions to the TUI Merger and terminate the TUI Merger, which could reduce the value of the New TUI Shares.
- The integration of the TUI Travel Group into the TUI Group may not be successful or take longer and be more expensive than anticipated.
- Expected synergies and growth opportunities from the TUI Merger may not be fully realized.
- The execution of the Scheme of Arrangement could cause the market price of the Company's Shares to decline.

Risks relating to the Shares and Listing

- As a holding company the Company and its ability to pay dividends depends on its subsidiaries' ability to generate turnover and to provide it with funds.
- The interests of our principal shareholders may be inconsistent with the interests of other shareholders.
- Future sales or anticipated sales of a substantial number of shares or similar transactions conducted by our principal shareholders or other shareholders could cause the price of the Company's shares to fall significantly.
- The price of the Company's shares has been, and may continue to be, volatile.
- Future offerings of debt or equity securities or debt securities convertible into equity by the Company could have a negative effect on the price of the Company's shares, and future capital measures could substantially dilute existing shareholders' interests in the Company.
- The Company's historical earnings, cash flows and other historical financial data are not necessarily predictive of its earnings or its other key financial figures going forward.
- The rights of shareholders in a German stock corporation may differ from the rights of shareholders in companies organized under the laws of other jurisdictions.
- The admission of the New TUI Shares to listing on the regulated market of the Frankfurt Stock Exchange and of all of the Company's shares to listing on the Official List of the UK Listing Authority and to trading on the London Stock Exchange may not occur when expected.
- There is no guarantee that the Shares will be included in market indices as a foreign admitted company trading on the main market of the London Stock Exchange.

		• There can be no assurance that an active trading market for the Shares will develop or be sustained in the United Kingdom. • Holders of TUI AG DIs will be subject to the applicable DI arrangements.
E.—Offer		
E.1	**The total net proceeds.**	Not applicable. There are no net proceeds by the Company or any shareholder of the Company. The New TUI Shares are being issued indirectly to existing TUI Travel shareholders pursuant to the TUI Merger (as defined below).
	Estimate of the total expenses of the offer and listing, including estimated expenses charged to the investor by the issuer.	The total costs of the Group in connection with the TUI Merger are expected to amount to approximately €85 million, including listing fees of €700,000 payable to the Listing Agent. Not applicable. Investors will not incur any costs in connection with the Offer (as defined below).
E.2a	**Reasons for the offer.**	On September 15, 2014, the independent directors ("**Independent Directors**") of TUI Travel and the executive board (*Vorstand*) of the Company (the "**Executive Board**") announced that they had agreed the terms of a recommended all-share nil-premium merger of TUI Travel and the Company (the "**TUI Merger**"). Peter Long is a director and Chief Executive of TUI Travel and is also a member of the Executive Board of TUI AG. As such, Peter Long is not considered to be an Independent Director of TUI Travel for the purposes of TUI Travel's discussion of, or decisions in relation to, the TUI Merger and has not been involved in or voted on such decisions. Similarly, Peter Long has not participated in decisions in relation to the TUI Merger by the Executive Board of TUI AG. Accordingly, Peter Long has not participated in the formal recommendation of the TUI Merger by the Independent Directors of TUI Travel or the Executive Board of TUI AG. Under the terms of the TUI Merger, Scheme Shareholders (as defined below) will be offered 0.399 New TUI Shares in exchange for each TUI Travel Share held.
	Use of proceeds, estimated net amount of the proceeds.	Not applicable. There are no net proceeds which will be received by the Company pursuant to this Prospectus or as a result of the TUI Merger. The TUI Merger will be effected by way of a UK court-sanctioned scheme of arrangement (the "**Scheme**") of TUI Travel under Part 26 of the UK Companies Act 2006 (as amended from time to time) (the "**UK Companies Act**") pursuant to which the Company will acquire the entire issued and to be issued ordinary share capital of TUI Travel not already beneficially owned or controlled by the Company and certain connected parties. The shares in TUI Travel not already beneficially owned or controlled by the Company and certain connected parties (the "**TUI Travel Scheme Shares**") will be

		cancelled (through a reduction of capital) and the reserve arising from such cancellation will be used to pay up in full such number of new TUI Travel Shares as is equal to the number of TUI Travel Scheme Shares cancelled, and the same shall be issued to TUI AG. In consideration, the Company will issue entitlements to the New TUI Shares indirectly to those former holders of TUI Travel Scheme Shares (the "**Scheme Shareholders**").
E.3	**Offer conditions.**	Under the terms of the TUI Merger, Scheme Shareholders will be offered 0.399 New TUI Shares in exchange for each TUI Travel Share held (the "**Offer**"). The TUI Merger is subject to certain conditions (the "**Merger Conditions**") and certain further terms, which are summarized below, and will only become effective if, among other things, the following events occur on or before 30 September 2015 or such later date as the Company and TUI Travel agree (with the consent of the Panel and, if required, the High Court of Justice in England and Wales (the "**UK Court**")): (a) a resolution to approve the Scheme being passed by a majority in number of the Scheme Shareholders who are on the register of members of TUI Travel at the time and date specified in the document to be sent to TUI Travel Shareholders, among others, containing and setting out, among other things, the full terms and conditions of the Scheme and the notices convening the TUI Travel General Meeting and the TUI Travel Court Meeting (each defined below) (the "**Scheme Document**") by reference to which entitlement to vote on the Scheme will be determined (the "**Scheme Voting Record Time**") and who are present and voting (and entitled to vote) at a general meeting of TUI Travel shareholders convened by order of the Court pursuant to the UK Companies Act (the "**TUI Travel Court Meeting**"), either in person or by proxy, and who represent not less than 75% in nominal value of the TUI Travel Scheme Shares held by those Scheme Shareholders (which, for the avoidance of doubt, does not include the Company or certain connected persons); (b) the special resolutions required to approve the proposed reduction of TUI Travel's share capital under Chapter 10 of Part 17 of the UK Companies Act (the "**Reduction of Capital**"), the alteration of TUI Travel's articles of association and such other matters as may be necessary to implement the Scheme, being duly passed by the requisite majority of TUI Travel shareholders at a general meeting of TUI Travel's shareholders (the "**TUI Travel General Meeting**"); (c) the resolutions necessary to approve the capital increase of TUI AG pursuant to Section 182 German Stock Corporation Act (*Aktiengesetz* or *AktG*) (the "**Direct Capital Increase**") and the conditional capital increase of TUI AG pursuant to Section 192 German Stock Corporation Act (*Aktiengesetz* or *AktG*)

(the "**Conditional Capital Increase**"), each requiring a majority of at least three quarters of the share capital voting on such resolution being duly passed at the extraordinary shareholders' meeting of the Company (the "**TUI AG EGM**");

(d) in the minutes of the proceedings of the TUI AG EGM in the form of a notarial deed it being recorded that the chairman of the TUI AG EGM announced at the TUI AG EGM that the shareholders of the Company had approved (in each case, with the required majority of share capital voting on such resolution):

(i) the proposed election of each of the new members of the Supervisory Board of the Company, being certain of the existing independent non-executive directors of TUI Travel, as proposed by the Supervisory Board of TUI AG to the TUI AG Shareholders at the TUI AG EGM; and

(ii) the proposed resolution regarding the amendment of the charter of the Company (the "**TUI AG Charter**") to allow the Company to appoint one or more chairmen to the Executive Board (as defined in the TUI AG Charter),

provided that the satisfaction of this condition shall not be affected by any objections or legal actions in respect of any such resolution or election which are raised or initiated or succeed before, during or after the TUI AG EGM;

(e) the resolution of the Direct Capital Increase and the resolution of the Conditional Capital Increase being registered at the commercial registers in Hanover and Berlin/Charlottenburg;

(f) the sanction of the Scheme by the UK Court with or without modification (but subject to any such modification being acceptable to the Company and TUI Travel) and the confirmation of the Reduction of Capital by the UK Court and:

(i) the delivery of an office copy of the order of the UK Court sanctioning the Scheme under Part 26 of the UK Companies Act (the "**Scheme Court Order**") and a copy of the requisite statement of capital (approved by the UK Court) showing, with respect to TUI Travel's share capital, as altered by the court order confirming the Reduction of Capital, the information required by Section 649 of the UK Companies Act (the "**Statement of Capital**"), each having been delivered to the Registrar of Companies in England and Wales (the "**Registrar of Companies**"); and

(ii) if the UK Court so orders for it to become effective, the registration of the Scheme Court Order and the Statement of Capital by the Registrar of Companies;

		(g) the UK Listing Authority having acknowledged to TUI AG or its agent (and such acknowledgement not having been withdrawn) that the application for the admission of the TUI AG Shares to listing on the premium segment of the Official List has been approved and (subject to satisfaction of any conditions to which such approval is expressed to be subject) will become effective as soon as the UK Listing Authority's decision to admit the New TUI Shares is announced in accordance with LR 3.2.7G of the FCA's Listing Rules and the London Stock Exchange having acknowledged to TUI AG or its agent (and such acknowledgement not having been withdrawn) that the Company's Shares will be admitted to trading on the London Stock Exchange's main market for listed securities; (h) an application having been made for the admission to trading of all the New TUI AG Shares on the regulated market of the Frankfurt Stock Exchange with simultaneous admission to the segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange as well as the regulated markets of the stock exchanges in Berlin, Düsseldorf, Hamburg, Hanover, Munich and Stuttgart; and (i) Deutsche Bank (as German listing agent of TUI AG) not having received any notification or other communication, in each case in writing, from the Frankfurt Stock Exchange or any of the Berlin, Düsseldorf, Hamburg, Hanover, Munich or Stuttgart stock exchanges that any such admission will not be granted. The New TUI Shares will be issued upon registration of the completion of the Direct Capital Increase at the commercial registers in Hanover and Berlin-Charlottenburg.
E.4	**Description of any interest that is material to the issue/offer including conflicting interests.**	The Company and, as the case may be, its current and future shareholders, including the current minority shareholders of TUI Travel, have an interest in the offer and listing of the Shares. The Company is not aware of any conflicting interests in this regard. Deutsche Bank as Listing Agent has a contractual relationship with the Company in connection with listing of the Shares. Deutsche Bank assists the Company in connection with the listing of the Shares and receives a listing fee.
E.5	**Name of the person or entity offering to sell the security.**	The TUI Merger will be effected by way of a UK Court-sanctioned scheme of arrangement of TUI Travel under Part 26 of the UK Companies Act pursuant to which the Company will offer to the Scheme Shareholders to acquire the entire issued and to be issued ordinary share capital of TUI Travel not already beneficially owned or controlled by the Company and certain connected parties.

	Lock-up agreement: the parties involved; and indication of the period of the lock-up.	Not applicable. Neither the Company nor any of the Company's shareholders has entered into a lock-up agreement.
E.6	**The amount and percentage of immediate dilution resulting from the offering.**	On a fully diluted basis (*i.e.*, taking into account all potential dilutions from outstanding convertible bonds), the Company has 320,061,082 shares outstanding. Subject to the TUI Merger becoming effective, it is expected that, on a fully diluted basis (i.e., taking into account all potential dilutions resulting from outstanding convertible bonds), up to 267,270,189 New TUI Shares will be issued. If the TUI Merger becomes effective and the maximum expected number of New TUI Shares is issued, the existing shareholders of the Company will therefore suffer an immediate dilution as a result of the TUI Merger, following which they will own securities representing, on a fully diluted basis, approximately 54% of the Company's issued share capital. On a consolidated IFRS basis, the equity of the Company before non-controlling interests and the book value of the Hybrid Capital (the "Net Book Value") as of June 30, 2014 amounted to €1,413.4 million or €4.42 per share (based on 320,061,082 outstanding shares on a fully diluted basis). If the Direct Capital Increase had already been implemented as of June 30, 2014, a Net Book Value of €−799.3 million would have accrued to the Company from the Direct Capital Increase, as the TUI Merger is a transaction within a fully consolidated group among equity holders under which non-controlling interests attributable to the Scheme Shareholders of €−739.8 million (portion attributable to TUI Travel of the non-controlling interest of €−303.7 million shown in the Company's consolidated financial statements as of June 30, 2014) would have been reclassified into the Net Book Value and taking into account the expected total costs in connection with the TUI Merger of approximately €59.5 million after tax (corresponding to approximately €85 million before tax). Such negative Net Book Value contribution primarily results from losses of TUI Travel in the first nine months of the financial year ended September 30, 2014 due to the seasonal nature of its business. Had the Direct Capital Increase already been implemented as of June 30, 2014, the Net Book Value would therefore have amounted to €614.1 million or €1.05 per share (based on the maximum total number of 587,331,271 shares outstanding on a fully diluted basis after the implementation of the Direct Capital Increase). This would have represented a direct decrease in the Net Book Value of €3.37 per share (difference between the Net Book Value of €4.42 per share prior to the Direct Capital Increase and the Net Book Value of €1.05 per share after the implementation of the Direct Capital Increase) or 76.3% for the Company's existing shareholders. Based on non-controlling interests attributable to the Scheme Shareholders as of June 30, 2014 of €−739.8 million or €−2.77 per share (based on the

		maximum number of 267,270,189 New TUI Shares to be issued to the Scheme Shareholders) prior to the implementation of the Direct Capital Increase, had the Direct Capital Increase already been implemented as of June 30, 2014, this would have represented a direct increase in non-controlling interests attributable to the Scheme Shareholders of €3.82 per share (difference between the non-controlling interests attributable to the Scheme Shareholders of €−2.77 per share prior to the Direct Capital Increase and the Net Book Value of €1.05 per share after the implementation of the Direct Capital Increase) for the Scheme Shareholders.
	In the case of a subscription offer to existing equity holders, the amount and percentage of immediate dilution if they do not subscribe to the new offer.	Not applicable. The TUI Merger will be effected by way of a Scheme of TUI Travel under Part 26 of the UK Companies Act. If the Merger Conditions are satisfied all Scheme Shareholders will receive New TUI Shares. If the Merger Conditions are not satisfied the TUI Merger will not take place.
E.7	**Estimated expenses charged to the investor by the issuer or the offeror.**	No expenses are charged to the investor by the issuer or the offeror.

GERMAN TRANSLATION OF THE SUMMARY OF THE PROSPECTUS
ZUSAMMENFASSUNG DES PROSPEKTS

Zusammenfassungen setzen sich aus Offenlegungspflichten zusammen, die als „Punkte“ bekannt sind. Diese „Punkte“ sind in den Abschnitten A—E (A.1—E.7) fortlaufend nummeriert. Diese Zusammenfassung enthält alle „Punkte“, die für die vorliegende Art von Wertpapieren und Emittenten in eine Zusammenfassung aufzunehmen sind. Da einige „Punkte“ nicht behandelt werden müssen, können in der Nummerierungsreihenfolge Lücken auftreten. Selbst wenn ein Punkt wegen der Art der Wertpapiere und des Emittenten in die Zusammenfassung aufgenommen werden muss, ist es möglich, dass in Bezug auf diesen Punkt keine relevante Information gegeben werden kann. In diesem Fall enthält die Zusammenfassung eine kurze Beschreibung des Punkts mit dem Hinweis „entfällt“.

A.—Einleitung und Warnhinweise

A.1	**Warnhinweise.**	Diese Zusammenfassung sollte als Einleitung zu diesem Wertpapierprospekt (der „**Prospekt**“) verstanden werden. Jede Anlageentscheidung sollte unter Berücksichtigung des gesamten Prospekts getroffen werden. Für den Fall, dass vor einem Gericht Ansprüche aufgrund der in diesem Prospekt enthaltenen Informationen geltend gemacht werden, könnte der klagende Anleger in Anwendung der einzelstaatlichen Rechtsvorschriften der Staaten des Europäischen Wirtschaftsraums die Kosten für die Übersetzung des Prospekts vor Prozessbeginn zu tragen haben. TUI AG, Berlin und Hannover, Deutschland („**TUI AG**“ oder die „**Gesellschaft**“) sowie die Deutsche Bank Aktiengesellschaft, Frankfurt am Main, Deutschland („**Deutsche Bank**“ oder der „**Listing Agent**“) übernehmen gemäß § 5 Absatz 2b Nr. 4 Wertpapierprospektgesetz die Verantwortung für den Inhalt dieser Zusammenfassung und ihrer deutschen Übersetzung. Diejenigen Personen, die für die Zusammenfassung einschließlich ihrer Übersetzung die Verantwortung übernehmen oder sie veranlasst haben, können für die in der Zusammenfassung einschließlich der Übersetzung enthaltenen Angaben haftbar gemacht werden, jedoch nur insofern, als die Zusammenfassung irreführend, unrichtig oder widersprüchlich ist, oder sie, wenn sie zusammen mit den anderen Teilen dieses Prospekts gelesen wird, nicht alle erforderlichen Schlüsselinformationen vermittelt. TUI AG zusammen mit ihren Konzerntochtergesellschaften wird in diesem Prospekt als die „**Gruppe**“, der „**Konzern**“, „**TUI**“ oder „**wir**“ bezeichnet.
A.2	**Informationen betreffend die weitere Nutzung des Prospekts.**	Entfällt. Eine Zustimmung zur Verwendung des Prospekts zu einem späteren Weiterverkauf oder einer finalen Platzierung der Aktien durch Finanzintermediäre wurde nicht erteilt.

B.—Emittent

B.1	**Juristische und kommerzielle Bezeichnung des Emittenten.**	Zum Prospektdatum ist die rechtliche Bezeichnung der Gesellschaft TUI AG und ihre kommerzielle Bezeichnung ist TUI AG oder TUI.

B.2	**Sitz und Rechtsform des Emittenten, geltendes Recht, Land der Gründung.**	Die Gesellschaft hat ihren Sitz in Berlin und Hannover, Deutschland, und ist im Handelsregister des Amtsgerichts Berlin-Charlottenburg unter HRB 321 und des Amtsgerichts Hannover unter HRB 6580 eingetragen. Die Gesellschaft ist eine deutsche Aktiengesellschaft, die in Deutschland gegründet wurde und deutschem Recht unterliegt.
B.3	**Derzeitige Geschäfts- und Haupttätigkeiten des Emittenten sowie Hauptmärkte, auf denen der Emittent vertreten ist.**	Wir sind der Auffassung, dass wir gemessen am Umsatz der größte integrierte Urlaubsreisekonzern in Europa und einer der führenden Reisekonzerne weltweit sind. Als vertikal integrierter Urlaubsreisekonzern bieten unsere Marken eine umfassende Urlaubserfahrung für den Kunden. Tourismus ist unser Kerngeschäftsfeld und umfasst die TUI Travel PLC („**TUI Travel**") sowie die Geschäftsbereiche TUI Hotels & Resorts und Kreuzfahrten. TUI Travel bietet ein breites Spektrum an Urlaubserlebnissen für eine Vielzahl von Reisenden, von weithin bekannten und beliebten Urlaubsmarken bis hin zu einer großen Auswahl an spezialisierten Reiseanbietern. Der Geschäftsbereich TUI Hotels & Resorts umfasst unser Portfolio an Hotels und Resorts, welche Hotelmarken wie z.B. Robinson, Riu, Grecotel, Grupotel, Iberotel und Dorfhotel, betreiben, die sich nach unserer Auffassung durch hohe Qualitäts- und Umweltstandards auszeichnen. Unser Geschäftsbereich Kreuzfahrten bietet maritime Urlaubserlebnisse für unterschiedliche Zielgruppen durch Hapag-Lloyd Kreuzfahrten und TUI Cruises an. TUI Travel ist weltweit in rund 180 Ländern aktiv und betreut mehr als 30 Mio. Kunden aus über 30 Quellmärkten. Unserer Einschätzung nach sind wir der führende Reiseveranstalter im Vereinigten Königreich, Deutschland, den Nordischen Ländern und Frankreich. TUI Travel bietet eine Vielzahl von Produkten an, die von Pauschalreisen (d. h. Beförderung und Unterkunft, die von einem Reiseveranstalter beworben und verkauft werden) bis zu einer großen Zahl von Spezialangeboten reicht. TUI Travel ist in folgende drei Geschäftsbereiche strukturiert und organisiert: Mainstream, Accommodation & Destinations und Specialist & Activity. Der Bereich Mainstream hat den größten Anteil am Geschäft und umfasst sämtliche Aktivitäten im Pauschalreisesegment durch das vertikal integrierte Geschäftsmodell. Der Bereich Accommodation & Destinations vermittelt weltweit eingekaufte Bettenkapazitäten in Hotels und Apartments an Großabnehmer und Verbraucher und erbringt zudem durch regional tätige Agenturen Zielgebietsleistungen (z.B. Flughafentransfer) für Reiseveranstalter sowie weitreichende Leistungen für die Kreuzfahrtindustrie. Der Bereich Specialist & Activity bündelt über 90 Spezial- und Erlebnisreiseveranstalter. Zu unserem Geschäftsbereich TUI Hotels & Resorts zählen Hotelgesellschaften, an denen Mehrheitsbeteiligungen bestehen, Joint Ventures mit lokalen Partnern, Gesellschaften, an denen wir Finanzbeteiligungen halten, und Hotels, für die Managementverträge abgeschlossen

wurden. TUI Hotels & Resorts ist das Bindeglied zwischen Reiseveranstaltern und Hotelpartnern und ist in sechs verschiedene Hotelgruppen unterteilt: Riu, Robinson, Iberotel, Grupotel, Grecotel und alle sonstigen Hotelgesellschaften.

Unser Geschäftsbereich Kreuzfahrten umfasst zwei Gesellschaften mit unterschiedlichen Angeboten und Zielmärkten. Hapag-Lloyd Kreuzfahrten nimmt mit ihrer Flotte in den Segmenten Luxus- und Expeditionskreuzfahrten eine führende Position im deutschsprachigen Markt ein. TUI Cruises, das als Joint Venture mit Royal Caribbean Cruises Ltd. betrieben wird, bietet ein neues differenziertes Kreuzfahrtformat an, das auf den gehobenen deutschen Markt abzielt.

Wettbewerbsstärken

Wir sind der Auffassung, dass wir uns durch die folgenden Stärken von unseren Mitbewerbern in der Tourismusbranche abheben:

- Führende Marktposition und Marktmaßstab;
- Angebot von einzigartigen Urlaubsreisen;
- Hohe Markenwiedererkennung und Kundenbindung;
- Fokus auf den Direktvertrieb mit Wachstum, welches vom Online-Vertrieb getragen wird;
- Flexibles Geschäftsmodell mit Fokus auf anhaltende Kundenzufriedenheit; und
- Ein starkes und erfahrenes Führungsteam.

Strategie

Unsere Geschäftsstrategie umfasst die folgenden Kernelemente:

- Bieten von herausragenden umfassenden Urlaubserlebnissen für unsere Kunden durch unseren voll integrierten Mainstream-Tourismus-Geschäftsbereich;
- Beschleunigung des langfristigen Wachstums durch ein „Asset-Right“ Geschäftsmodell—auf der Basis einer optimalen Mischung von im Eigentum befindlichen und verwalteten Hotels und Kreuzfahrtschiffen mit einer angestrebten Rentabilität auf das investierte Kapital von mindestens 15% auf neue Produkte;
- Realisierung von Synergien, Kosteneinsparungen und geschäftlichen Vorteilen mit der Möglichkeit weiterer Wertsteigerung;
- Maximierung des Wachstums sowie des Wertes der Online Accommodation und Specialist & Activity Geschäftsbereiche;
- Behandlung des TUI AG Anteils an der Hapag-Lloyd AG als zum Verkauf gehalten; und

- Fokus auf Bilanzstärke, Flexibilität und der Generierung einer starken Free Cashflow Position mit dem Ziel die Rendite für unsere Aktionäre zu steigern.

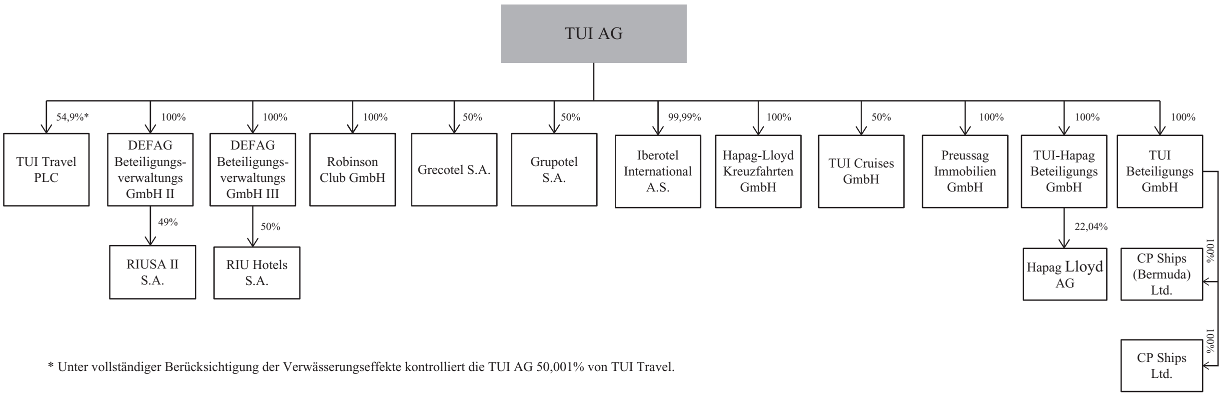
B.4a **Wichtigste jüngste Trends, die sich auf den Emittenten und die Branchen, in denen er tätig ist, auswirken.**

Wir sind überzeugt, dass die folgenden Trends Auswirkungen auf unsere Märkte haben werden:

- Innovative Lifestyle-orientierte Hotelkonzepte und Markendifferenzierung nach Kundengruppen; es ist wahrscheinlich, dass die Marke für Luxusreisende aufgrund zunehmender gesättigter Nachfrage für bestimmte Hauptziele als Kriterium an Bedeutung gewinnt;
- Zunehmende Nutzung von Vertriebskanälen über das Internet, mobilen Vertrieb, zielortbezogene Suche sowie direkte Kundeninteraktion über soziale Medien; die Kunden bestimmen die für sie zukünftig erforderlichen Technologien.
- Implementierung verfügbarer Technologien (z. B. Touchscreens zur Selbstbedienung, Tools auf der Basis künstlicher Intelligenz zur Planung des Lebensmittel- und Getränkebedarfs und Unterhaltungstechnologie auf dem Zimmer);
- Hotelformate, die die Anforderungen der Kunden nach ökologischer Nachhaltigkeit erfüllen;
- Demographischer Wandel in den bestehenden entwickelten Quellmärkten in den USA und Europa sowie eine aufstrebende Mittelschicht in neuen Quellmärkten, z. B. Indien, China und Brasilien;
- Die richtige Mitarbeiterentwicklung und -förderung als Schlüsselvoraussetzung für den Eintritt in neue Märkte (z. B. Identifizierung der erforderlichen Talente);
- Stetige Zuwächse bei Online-Buchungen;
- Flexibles und spontanes Buchen über soziale Medien und Online- Buchungsportale; und
- Innovative Hotel- und Kreuzfahrtformate durch wachsende Nachfrage nach Reiseprodukten.

B.5 **Beschreibung der Gruppe und der Stellung des Emittenten innerhalb dieser Gruppe.**

Die TUI AG ist die Dachgesellschaft der Gruppe. Die untenstehende Grafik stellt eine Übersicht über bedeutende Tochtergesellschaften der Gesellschaft zum Prospektdatum dar.



* Unter vollständiger Berücksichtigung der Verwässerungseffekte kontrolliert die TUI AG 50,001% von TUI Travel.

B.6	**Personen, die eine (meldepflichtige) direkte oder indirekte Beteiligung am Eigenkapital des Emittenten oder einen Teil der Stimmrechte halten oder einen beherrschenden Einfluss ausüben.**	Zum Datum dieses Prospekts bestanden nach Kenntnis der Gesellschaft in Form von Namensaktien die folgenden Beteiligungen der Gesellschaft, die die anwendbaren Schwellenwerte des Wertpapierhandelsgesetzes (WpHG) überschreiten:

Name des Aktionärs	Gehaltener Anteil an Namens-Stammaktien (%)
S-Group Travel Holding GmbH (letztendlich kontrolliert von A. Mordashov)(1)(2)	22,89
Riu Hotels S.A., Palma de Mallorca(2) . . .	6,93
Deutsche AWM Investment GmbH(3) . . .	3,03

(1) Daneben hält die Unifirm Limited (eine in Zypern errichtete Gesellschaft mit beschränkter Haftung, die nach Kenntnis der Gesellschaft letztendlich auch von Alexey Mordashov kontrolliert wird) 2,66 % des ausgegebenen Grundkapitals der Gesellschaft.

(2) Ausgangsbestandsmeldung (*Opening Position Disclosure*) nach *Rule 8* des britischen Übernahmekodex (*City Code on Takeovers and Mergers*) (10. Juli 2014)

(3) Stimmrechtsmitteilung gemäß § 21 Absatz 1 WpHG (8. Juli 2014)

Es bestehen nach Kenntnis der Gesellschaft keine weiteren unmittelbaren oder mittelbaren Stimmrechtsanteile von über 3 % an der Gesellschaft.

	Stimmrechte.	Jede Aktie der Gesellschaft berechtigt den Inhaber zur Abgabe einer Stimme in der Hauptversammlung der Gesellschaft. Es bestehen keine Beschränkungen des Stimmrechts. Alle Aktien der Gesellschaft berechtigen zu gleichen Stimmrechten.
B.7	**Ausgewählte Finanz- und Geschäftsinformationen.**	Die in den nachstehenden Tabellen enthaltenen Finanzinformationen sind den geprüften Konzernabschlüssen von TUI für die zum 30. September 2013, 2012 und 2011 endenden Geschäftsjahre und dem geprüften Konzernzwischenabschluss für den zum 30. Juni 2014 endenden Neunmonatszeitraum entnommen (außer nachstehend anders angegeben). Diese Konzernabschlüsse wurden nach Maßgabe der Internationalen Rechnungslegungsvorschriften erstellt, wie sie in der Europäischen Union anzuwenden sind („**IFRS**“), und der zusätzlichen Vorgaben des §315a Absatz 1 Handelsgesetzbuch (HGB). Die Konzernabschlüsse der TUI AG für die zum 30. September 2013, 2012 und 2011 endenden Geschäftsjahre und der Konzernzwischenabschluss für den zum 30. Juni 2014 endenden Neunmonatszeitraum wurden von PwC geprüft und jeweils mit einem uneingeschränkten Bestätigungsvermerk versehen.

Ausgewählte Informationen aus der Gewinn- und Verlustrechnung

	Geschäftsjahr zum 30. September			Neunmonatszeitraum zum 30. Juni	
	2011	2012	2013	2013[3]	2014
			(in Mio. EUR)		
	(geprüft)	(geprüft)	(geprüft)	(geprüft)	(geprüft)
Umsatzerlöse	**17.480,3**	**18.330,3**	**18.477,5**	**11.518,4**	**11,384,4**
Umsatzkosten	15.655,2	16.285,8	16.436,3	10.818,0	10,528,6
Bruttogewinn	**1.825,1**	**2.044,5**	**2.041,2**	**700,4**	**855,8**
Ergebnis vor Ertragsteuern (EBT)	**206,8**	**252,7**	**325,5**	**(629,0)**	**(472,0)**
zuzüglich Verlusten aus der nach der Equity-Methode bewerteten Containerschifffahrt	2,1	49,0	22,3	25,4	38,9
abzüglich Erträgen aus der Verminderung und Bewertung des Engagements in der Containerschifffahrt[2]	(51,2)	(61,6)	—	—	—
zuzüglich Nettozinsbelastung und Aufwand aus der Bewertung von Zinssicherungsinstrumenten	286,8	284,9	238,7	203,5	184,7
zuzüglich Wertminderung auf Geschäfts- oder Firmenwerte	—	13,8	8,3	8,3	—
EBITA[1]	**444,5**	**538,8**	**594,8**	**(391,8)**	**(248,4)**
Bereinigungen	155,6	206,9	167,1	139,6	66,1
Bereinigtes EBITA[1]	**600,1**	**745,7**	**761,9**	**(252,2)**	**(182,3)**
Ergebnis vor Ertragsteuern (EBT)	**206,8**	**252,7**	**325,5**	**(629,0)**	**(472,0)**
Steuern vom Einkommen und vom Ertrag	88,6	110,8	139,0	(152,8)	(123,4)
Konzerngewinn	**118,2**	**141,9**	**186,5**	**(476,2)**	**(348,6)**

(1) EBITA und Bereinigtes EBITA sind keine Finanzkennzahlen nach IFRS. Für die Berechnung solcher nicht nach IFRS ermittelter Kennzahlen gibt es keine allgemein anerkannten Rechnungslegungsgrundsätze. Wir definieren EBITA als Ergebnis vor Zinsen, Steuern, Wertminderungen auf Geschäfts- oder Firmenwerte, Verlusten aus der nach der Equity-Methode bewerteten Containerschiffahrt, Erträgen oder Verlusten aus der Verminderung und Bewertung des Engagements in der Containerschiffahrt und Nettozinsbelastung und Aufwand aus der Bewertung von Zinssicherungsinstrumenten. Unser Bereinigtes EBITA ermitteln wir durch Bereinigung des EBITA um Erträge (Verluste) aus der Veräußerung von Finanzanlagen, Restrukturierungsaufwand, Auswirkungen von Kaufpreisallokationen und sonstige Einmaleffekte. EBITA und Bereinigtes EBITA dienen nicht der Messung von betrieblichen Erträgen, operativer Geschäftsentwicklung oder Liquidität nach IFRS. Diese Kennzahlen sollten nicht isoliert oder als Ersatz für den nach IFRS ermittelten Posten „Ergebnis vor Ertragsteuern" betrachtet werden, noch als Indikator für die operative Geschäftsentwicklung der Gesellschaft oder den nach IFRS berechneten Mittelzufluss aus der laufenden Geschäftstätigkeit. Die Art und Weise, in der wir EBITA und Bereinigtes EBITA ermitteln, entspricht möglicherweise nicht der Berechnungsmethode, die andere Unternehmen zur Ermittlung dieser oder ähnlich bezeichneter Kennzahlen anwenden. Folglich sind die von uns ausgewiesenen Kennzahlen des EBITA und des Bereinigten EBITA unter Umständen nicht vergleichbar mit diesen oder ähnlich bezeichneten Kennzahlen, die von anderen Unternehmen ausgewiesen werden.

(2) Im Zusammenhang mit dem Verkauf der Hapag-Lloyd und in dessen Folge hatten wir verschiedene Finanzierungsvereinbarungen geschlossen, darunter auch Verträge über die Bereitstellung eines Überbrückungsdarlehens und eines Verkäuferdarlehens.

(3) Die Zahlen sind dem geprüften Konzernzwischenabschluss für den Neunmonatszeitraum zum 30. Juni 2014 entnommen.

Ausgewählte Informationen aus der Bilanz

	Zum 30. September			Zum 30. Juni
	2011	2012	2013	2014
			(in Mio. EUR)	
	(geprüft)	(geprüft)	(geprüft)	(geprüft)
Langfristige Vermögenswerte	9.107,6	8.668,2	8.645,8	8.593,2
Kurzfristige Vermögenswerte	4.384,3	4.544,4	4.808,5	5.180,8
Gesamtvermögen	**13.491,9**	**13.212,6**	**13.454,3**	**13.774,0**
Finanzschulden				
Wandelschuldverschreibungen	1.389,7	1.318,3	1.333,5	1.269,9
Sonstige Schuldverschreibungen	250,1	232,8	—	
Verbindlichkeiten gegenüber Kreditinstituten	886,7	566,1	1.004,3	386,9
Verbindlichkeiten aus Finanzierungsleasingverträgen	154,8	233,2	335,6	476,3
Finanzschulden gegenüber verbundenen, nicht konsolidierten Unternehmen	17,6	7,1	6,0	—
Finanzschulden gegenüber Beteiligungsunternehmen	11,2	11,6	—	0,2
Sonstige Finanzschulden	88,2	87,5	90,2	140,1
Finanzschulden insgesamt	**2.798,3**	**2.456,6**	**2.769,6**	**2.237,4**

Ausgewählte Informationen aus der Kapitalflussrechnung

	Geschäftsjahr zum 30. September			Neunmonatszeitraum zum 30. Juni	
	2011	2012[(1)]	2013	2013[(2)]	2014
			(in Mio. EUR)		
	(geprüft)	(geprüft)	(geprüft)	(geprüft)	(geprüft)
Mittelzufluss aus der laufenden Geschäftstätigkeit	1.085,5	841,5	875,3	426,4	385,8
Mittelzufluss/(-abfluss) aus der Investitionstätigkeit[(3)]	875,4	314,7	(444,3)	(356,9)	(156,8)
Mittelabfluss aus der Finanzierungstätigkeit	(2.249,2)	(894,2)	(620,9)	(647,3)	(388,5)
Zahlungswirksame Veränderungen des Finanzmittelbestands	(288,3)	262,0	(189,9)	(577,8)	(159,5)
Entwicklung des Finanzmittelbestands:					
Finanzmittelbestand am Anfang der Periode	2.274,3	1.981,3	2.278,4	2.278,4	2.701,7
Finanzmittelbestand am Ende der Periode	1.981,3	2.278,4	2.701,7	1.706,6	1.939,3

(1) Die Zahlen sind dem geprüften Konzernabschluss für das zum 30. September 2013 abgelaufene Geschäftsjahr entnommen. In der Vergangenheit wurden von assoziierten Unternehmen und aus Gemeinschaftsunternehmen erhaltene Dividenden als Mittelzuflüsse aus der Investitionstätigkeit ausgewiesen. Im Lauf des zum 30. September 2013 abgelaufenen Geschäftsjahrs wurde beschlossen, dass von assoziierten Unternehmen und aus Gemeinschaftsunternehmen erhaltene Dividenden sinnvoller innerhalb des Mittelzuflusses aus der laufenden Geschäftstätigkeit auszuweisen wären, woraufhin die Zahlen für das zum 30. September 2012 abgelaufene Geschäftsjahr entsprechend angepasst wurden. Nach Auffassung der Gesellschaft werden dadurch relevantere Informationen über die Fähigkeit, Mittelzuflüsse aus der laufenden Geschäftstätigkeit zu erwirtschaften, vermittelt.

(2) Die Zahlen sind dem geprüften Konzernzwischenabschluss für den Neunmonatszeitraum zum 30. Juni 2014 entnommen.

(3) Im zum 30. September 2011 abgelaufenen Geschäftsjahr enthielten die Mittelzuflüsse aus der Investitionstätigkeit Dividenden aus Gemeinschaftsunternehmen und von assoziierten Unternehmen in Höhe von EUR 11,9 Mio. Für die zum 30. September 2012 und zum 30. September 2013 abgelaufenen Geschäftsjahre sind Dividenden aus Gemeinschaftsunternehmen und assoziierten Unternehmen statt dessen in den Mittelzuflüssen aus der laufenden Geschäftstätigkeit ausgewiesen.

Sonstige Finanzdaten

	Geschäftsjahr zum 30. September			Neunmonatszeitraum zum 30. Juni	
	2011	2012	2013	2013	2014
			(in Mio. EUR)		
	(geprüft)[(1)]	(geprüft)[(1)]	(geprüft)[(1)]	(geprüft)[(1)]	(geprüft)[(1)]
Ergebnis vor Zinsen, Steuern und Wertminderungen auf Geschäfts- oder Firmenwerte (EBITA)[(2)]	444,5	538,8	594,8	(391,8)[(5)]	(248,4)
Bereinigtes EBITA[(2)]	600,1	745,7	761,9	(252,2)[(5)]	(182,3)
Nettoverschuldung[(3)(4)]	817,0	178,2	67,9	475,3	298,1
Finanzmittel	1.981,3	2.278,4	2.701,7	1.706,6[(5)]	1.939,3
EBITA nach Segmenten					
TUI Travel	321,4	441,0	532,8	(346,6)[(5)]	(329,5)
TUI Hotels & Resorts	144,2	177,5	170,6	79,0[(5)]	117,1
Kreuzfahrten	11,2	0,8	(30,4)	(59,2)[(5)]	(1,7)
Alle sonstigen Segmente	(32,3)	(80,5)	(78,2)	(65,0)[(5)]	(34,3)

(1) Soweit nicht anders angegeben.

(2) EBITA und Bereinigtes EBITA sind keine Finanzkennzahlen nach IFRS. Für die Berechnung solcher nicht nach IFRS ermittelter Kennzahlen gibt es keine allgemein anerkannten Rechnungslegungsgrundsätze. Wir definieren EBITA als Ergebnis vor Zinsen, Steuern, Wertminderungen auf Geschäfts- oder Firmenwerte, Verlusten aus der nach der Equity-Methode bewerteten Containerschiffahrt, Erträgen und Verlusten aus der Verminderung und Bewertung des Engagements in der Containerschiffahrt und Nettozinsbelastung und Aufwand aus der Bewertung von Zinssicherungsinstrumenten. Unser Bereinigtes EBITA ermitteln wir durch Bereinigung des EBITA um Erträge (Verluste) aus der Veräußerung von Finanzanlagen, Restrukturierungsaufwand, Auswirkungen von Kaufpreisallokationen und sonstige Einmaleffekte. EBITA und Bereinigtes EBITA dienen nicht der Messung von betrieblichen Erträgen, operativer Geschäftsentwicklung oder Liquidität nach IFRS. Diese Kennzahlen sollten nicht isoliert oder als Ersatz für den nach IFRS ermittelten Posten „Ergebnis vor Ertragsteuern“ betrachtet werden, noch als Indikator für die operative Geschäftsentwicklung der Gesellschaft oder den nach IFRS berechneten Mittelzufluss aus der laufenden Geschäftstätigkeit. Die Art und Weise, auf die wir EBITA und Bereinigtes EBITA messen, entspricht möglicherweise nicht der Berechnungsmethode, die andere Unternehmen zur Ermittlung dieser oder ähnlich bezeichneter Kennzahlen anwenden. Folglich sind die von uns ausgewiesenen Kennzahlen des EBITA und des Bereinigten EBITA unter Umständen nicht vergleichbar mit diesen oder ähnlich bezeichneten Kennzahlen, die von anderen Unternehmen ausgewiesen werden.

(3) Der Posten „Nettoverschuldung“ ergibt sich aus den Finanzschulden abzüglich der Finanzmittel.

(4) Ungeprüft.

(5) Die Zahlen sind dem geprüften Konzernzwischenabschluss für den Neunmonatszeitraum zum 30. Juni 2014 entnommen.

Signifikante Veränderungen in Finanzlage und operativen Ergebnissen des Emittenten.

In dem Neunmonatszeitraum bis zum 30. Juni 2014 sowie in den am 30. September 2013, 2012 und 2011 abgelaufenen Geschäftsjahren ergaben sich mit Blick auf die Finanzlage und die operativen Ergebnisse, wie sie im Umsatz, dem EBT und dem bereinigten EBITA erfasst werden, die folgenden Entwicklungen:

Neunmonatszeitraum bis zum 30. Juni 2014 und 2013

Die Gesamtumsatzerlöse betrugen im Neunmonatszeitraum bis zum 30. Juni 2013 €11.518,4 Mio. und sind im Neunmonatszeitraum bis zum 30. Juni 2014 um €134 Mio., oder 1,2%, auf €11.384,4 Mio. zurückgegangen. Dieser Rückgang ist primär auf einen leichten Rückgang der Kundenzahlen im Mainstream Geschäft von TUI Travel zurückzuführen.

Das bereinigte EBITA verbesserte sich von minus €252,2 Mio. im Neunmonatszeitraum bis zum 30. Juni 2013 um €69,9 Mio., oder 27,7%, auf minus €182,3 Mio. im Neunmonatszeitraum bis zum 30. Juni 2014. Diese positive Entwicklung war wesentlich auf Ergebnisverbesserungen bei TUI Travel und TUI Hotels & Resorts und Kostenreduzierungen beim Coporate Center der TUI AG zurückzuführen.

Das EBT verbesserte sich infolge der vorgenannten Faktoren von minus €629,0 Mio. im Neunmonatszeitraum bis zum 30. Juni 2013 um €157,0 Mio., oder 25,0%, auf minus €472,0 Mio. im Neunmonatszeitraum bis zum 30. Juni 2014.

Geschäftsjahre 2013 und 2012

Die Gesamtumsatzerlöse betrugen im Geschäftsjahr zum 30. September 2012 €18.330,3 Mio. und sind im Geschäftsjahr zum 30. September 2013 um €147.2 Mio., oder 0,8%, auf €18.477,5 Mio. angestiegen. Dieser Anstieg ist primär auf den um €105.9 Mio. gesteigerten Segmentumsatz von TUI Travel und den um €30 Mio. gesteigerten Umsatz von Cruises zurückzuführen.

Das bereinigte EBITA verbesserte sich von €745,7 Mio. im Geschäftsjahr zum 30. September 2012 um €16,2 Mio., oder 2,2%, auf €761,9 Mio. im Geschäftsjahr zum 30. September 2013. Diese Zunahme war zurückzuführen auf die starke Performance von TUI Travel, insbesondere im Vereinigten Königreich und in den Nordischen Ländern, den anhaltenden operativen Erfolg der größten Hotelkette der Gruppe RIU und Erträge aus dem Verkauf eines Hotels.

Das EBT verbesserte sich infolge der vorgenannten Faktoren von €252,7 Mio. im Geschäftsjahr zum 30. September 2012 um €72,8 Mio., oder 28,8%, auf €325,5 Mio. im Geschäftsjahr zum 30. September 2013.

Geschäftsjahre 2012 und 2011

Die Gesamtumsatzerlöse betrugen im Geschäftsjahr zum 30. September 2011 €17.480,3 Mio. und sind im Geschäftsjahr zum 30. September 2012 um €850,0 Mio., oder 4,9%, auf €18.330,3 Mio. angestiegen. Dieser Anstieg ging primär auf die höheren Durchschnittsverkaufspreise bei TUI Travel sowie auf Fremdwährungseffekte bedingt durch die Stärkung des Britischen Pfund gegenüber dem Euro zurück.

Das bereinigte EBITA verbesserte sich von €600,1 Mio. im Geschäftsjahr zum 30. September 2011 um €145,6 Mio., oder 24,3%, auf €745,7 Mio. im Geschäftsjahr zum 30. September 2012. Ursächlich für die positive Entwicklung des bereinigten EBITA im Geschäftsjahr zum 30. September 2012 waren sowohl TUI Travel als auch TUI Hotel & Resorts. Maßgeblich für die Erträge war das verbesserte Ergebnis im Bereich Tourismus, welche begünstigt wurde durch die starke Nachfrage nach spezifischen TUI Travel Produkten und eine stärkere Auslastung der größten Hotelgesellschaft RIUSA II in Spanien und bei Langstreckenzielen.

Das EBT verbesserte sich infolge der vorgenannten Faktoren von €206,8 Mio. im Geschäftsjahr zum 30. September 2011 um €45,9 Mio., oder 22,2%, auf €252,7 Mio. im Geschäftsjahr zum 30. September 2012.

Relevante Entwicklungen seit dem 30. Juni 2014

Obwohl eine Reihe von Indikatoren nach wie vor auf ein fortgesetztes Wachstum der globalen Wirtschaft hinweisen, erwarten wir, dass die Wachstumsraten 2014 geringer ausfallen als 2013. In Hinblick auf die bestehenden Risiken, insbesondere politische Risiken aufgrund der bestehenden Konflikte in der Ukraine und im Nahen Osten, bleibt die weitere Entwicklung der Weltwirtschaft fragil und anfällig für äußere Störungen.

Die Geschäftslage von TUI Travel für den Sommer 2014 wurde von höheren Durchschnittsverkaufspreisen im Mainstream Geschäftsbereich beeinflusst. Die Gesamtbuchungen entsprachen dabei weitgehend denen des Vorjahreszeitraumes. Im Vereinigten Königreich stiegen die Durchschnittsverkaufspreise im Vergleich zum Vorjahr leicht an, während die Anzahl der Buchungen konstant blieb, wohingegen in Deutschland ein signifikanter Anstieg des Geschäfts nach Ende der Fußballweltmeisterschaft eintrat, wobei die Margen denen des Vorjahres entsprachen. Der Rückgang der Buchungen in den Nordischen Ländern und Frankreich entsprach weitgehend dem Abbau von Kapazitäten in diesen Regionen. Der Geschäftsbereich Specialist & Accommodation & Destinations erzielte eine fortgesetzte signifikante Umsatzsteigerung.

Die aktuellen Buchungsstände des Geschäftsbereichs TUI Hotels & Resorts spiegeln zu einem großen Teil die Entwicklung der Kundenzahlen innerhalb der TUI Travel

		wieder, da ein Großteil eigener Hotelbetten von TUI Reiseveranstaltern gebucht wird. Im Bereich Kreuzfahrten stiegen die Reservierungen im Vorjahresvergleich und spiegelten damit eine robuste Nachfrage wider, insbesondere aufgrund der Inbetriebnahme der Europa 2 im Mai 2013 und der Erweiterung der Flotte der TUI Cruises mit dem Mein Schiff 3 im Juni 2014.
B.8	**Ausgewählte wesentliche Pro-Forma-Finanzinformationen.**	Entfällt. Pro-Forma-Finanzinformationen wurden von der Gesellschaft nicht erstellt.
B.9	**Gewinnprognose und -schätzung.**	Auf der Grundlage der Entwicklung im zum 30. September 2014 abgelaufenen Geschäftsjahr geht die Gesellschaft derzeit davon aus, dass sich das EBITA mindestens um einen Betrag am oberen Ende der Spanne von 16% bis 23% des Vorjahresbetrages von €594,8 Millionen erhöhen wird. Für das Bereinigte EBITDA erwarten wir eine Erhöhung mindestens am oberen Ende der Spanne von 6% bis 12% des Betrages zum Ende des zum 30. September 2013 abgelaufenen Geschäftsjahres von €761,9 Millionen.
B.10	**Einschränkungen im Bestätigungsvermerk zu den historischen Finanzinformationen.**	Entfällt. Die in diesem Prospekt enthaltenen historischen Abschlüsse wurden mit uneingeschränkten Bestätigungsvermerken versehen.
B.11	**Unzulänglichkeit des Geschäftskapitals des Emittenten zur Erfüllung bestehender Anforderungen.**	Entfällt. Der Konzern besitzt für den gegenwärtigen Bedarf, das heißt für die kommenden zwölf Monate ab dem Datum dieses Prospekts, ausreichend Geschäftskapital.
C.—Wertpapiere		
C.1	**Art und Gattung der zum Handel anzubietenden und/oder zuzulassenden Wertpapiere.**	Bis zu 320.061.082 (maximale Anzahl von bestehenden Aktien bei vollständiger Verwässerung) Namens- Stammaktien der Gesellschaft (die „**Bestehenden Aktien**") und bis zu 267.270.189 Namens- Stammaktien aus der Kapitalerhöhung gegen Sacheinlagen, welche voraussichtlich am 28. Oktober 2014 von der außerordentlichen Hauptversammlung der Gesellschaft beschlossen wird (die „**Neuen TUI Aktien**" und zusammen mit den Bestehenden Aktien die „**Aktien**"); diese Aktien sind sämtlich nennwertlos und verbriefen jeweils einen anteiligen Betrag am Grundkapital (anteiliger Betrag des Grundkapitals, der auf jede Aktie entfällt) von rund €2,56.
	Wertpapierkennnummer.	Internationale Wertpapierkennnummer (ISIN) der Bestehenden Aktien: DE000TUAG000 Internationale Wertpapierkennnummer (ISIN) der Neuen TUI Aktien: DE000TUAG265 Wertpapierkennnummer (WKN) der Bestehenden Aktien: TUAG00 Wertpapierkennnummer (WKN) der Neuen TUI Aktien: TUAG26 Ticker-Symbol der Bestehenden Aktien an der Frankfurter Wertpapierbörse: TUI1

		Ticker-Symbol der Bestehenden Aktien an der London Stock Exchange: TUI Ticker-Symbol der Neuen TUI-Aktien an der Frankfurter Wertpapierbörse und der London Stock Exchange: TUIJ
C.2	**Währung.**	Euro.
C.3	**Anzahl der ausgegebenen und voll eingezahlten Aktien.**	Zum Datum des Prospekts beträgt das eingetragene Grundkapital der Gesellschaft €645.443.034,42 (die Eintragung einer Erhöhung des Grundkapitals auf €726.556.592,34 ist am 1. Oktober 2014 im Handelsregister des Amtsgerichts Berlin-Charlottenburg erfolgt, jedoch noch nicht im Handelsregister des Amtsgerichts Hannover) und ist eingeteilt in 252.475.370 auf den Namen lautende Stückaktien. Das Grundkapital der Gesellschaft ist vollständig eingezahlt.
	Nennwert pro Aktie bzw. Angabe, ob es sich um nennwertlose Aktien handelt.	Jede Aktie der Gesellschaft entspricht einem anteiligen Betrag am Grundkapital (anteiliger Betrag des Grundkapitals, der auf jede Aktie entfällt) der Gesellschaft von rund €2,56.
C.4	**Beschreibung der mit den Wertpapieren verbundenen Rechte.**	Jede Aktie gewährt eine Stimme auf der Hauptversammlung der Gesellschaft. Es gibt keine Stimmrechtsbeschränkungen. Alle Aktionäre haben Anspruch auf Zahlung von Dividenden. Die Neuen TUI Aktien sind in jeder Hinsicht gleichrangig mit den Bestehenden Aktien, mit Ausnahme des am 30. September 2014 ablaufenden Geschäftsjahrs für welches die Neuen TUI Aktien nicht dividendenberechtigt sind (für weitere Informationen siehe Punkt C.7 „*Beschreibung der Dividendenpolitik.*“). Im Falle der Auflösung der Gesellschaft werden sämtliche Liquidationserlöse an die Aktionäre der Gesellschaft im Verhältnis zu ihrem Anteil am Grundkapital der Gesellschaft verteilt.
C.5	**Beschreibung aller etwaigen Beschränkungen der freien Fungibilität der Wertpapiere.**	Entfällt; die Übertragbarkeit der Aktien ist nicht beschränkt.
C.6	**Antrag auf Zulassung zum Handel an einem regulierten Markt und Angabe aller regulierten Märkte, an welchen die Wertpapiere gehandelt werden oder werden sollen.**	Die Bestehenden Aktien sind am regulierten Markt der Frankfurter Wertpapierbörse und im Teilbereich des regulierten Marktes der Frankfurter Wertpapierbörse mit weiteren Zulassungsfolgepflichten (Prime Standard) sowie an den regulierten Märkten der Wertpapierbörsen in Berlin, Düsseldorf, Hamburg, Hannover, München und Stuttgart zugelassen. Die Gesellschaft beabsichtigt, die Zulassung der Neuen TUI Aktien zum Handel im regulierten Markt mit gleichzeitiger Zulassung zum Teilbereich des regulierten Marktes mit weiteren Zulassungsfolgepflichten (Prime Standard) der Frankfurter Wertpapierbörse sowie zu den regulierten Märkten der Wertpapierbörsen in Berlin, Düsseldorf, Hamburg, Hannover, München und Stuttgart zu beantragen. Die Gesellschaft beabsichtigt des Weiteren, die Zulassung aller Aktien im Premium-Segment des amtlichen Handels (*Official List*) der britischen Börsenzulassungsbehörde (*UK Listing Authority*) sowie zum Handel am Hauptmarkt

		für notierte Wertpapiere (*Main Market*) der Londoner Wertpapierbörse zu beantragen. Nach der Zulassung der Aktien der Gesellschaft im Premium-Segment der *Official List* der *UK Listing Authority* und zum Handel am *Main Market* der Londoner Wertpapierbörse beabsichtigt die Gesellschaft die Einstellung der Börsennotierung ihrer Aktien am regulierten Markt der Frankfurter Wertpapierbörse und an den Wertpapierbörsen in Berlin, Düsseldorf, Hamburg, Hannover, München und Stuttgart zu beantragen. Diese Einstellung der Börsennotierung soll die Einbeziehung der Aktien der Gesellschaft in die britische FTSE-Indexserie ermöglichen, mit dem Ziel, die Aktie in den FTSE UK 100 aufnehmen zu lassen. Im Zusammenhang mit der oben beschriebenen geplanten Einstellung der Börsennotierung beabsichtigt die Gesellschaft, eine Zweitnotierung ihrer Aktien im Freiverkehr (Open Market) der Frankfurter Wertpapierbörse anzustreben, welcher weder ein organisierter noch ein EU-regulierter Markt ist. Die Notierung im Open Market soll deutschen Investoren die Möglichkeit bieten, Aktien der Gesellschaft in Euro an einer deutschen Wertpapierbörse zu handeln. Da es sich bei den Aktien der Gesellschaft um deutsche Wertpapiere handelt, können sie nicht unmittelbar bei CREST (dem von Euroclear UK & Ireland betriebenen elektronischen Abwicklungssystem für britische und irische Wertpapiere, über das Transaktionen in Wertpapieren abgewickelt werden können, die in der *Official List* der *UK Listing Authority* notiert sind) gelistet bzw. Transaktionen darin nicht unmittelbar über CREST abgerechnet werden. Daher beabsichtigt die Gesellschaft den Abschluss von Verwahrungsvereinbarungen, mit deren Hilfe den Investoren eine Abwicklung der Aktien in Form so genannter „depositary interests" („**DIs**") über CREST in Britische Pfund Sterling ermöglicht wird. DIs verbriefen Ansprüche auf Aktien, wobei jedes DI der TUI AG einen Anspruch auf eine Aktie verbrieft.
C.7	**Beschreibung der Dividendenpolitik.**	Dividenden können nur aus dem Bilanzgewinn der Gesellschaft, welcher in dem nach dem Handelsgesetzbuch (HGB) erstellten Einzelabschluss ausgewiesen wird, gezahlt werden. Die Bilanzierungsgrundsätze des Handelsgesetzbuchs (HGB), auf denen der Einzelabschluss beruht, unterscheiden sich von denen nach IFRS, nach welchen der Konzernabschluss erstellt wurde. Für die am 30. September 2011 und am 30. September 2012 abgelaufenen Geschäftsjahre schüttete die Gesellschaft keine Dividenden aus. Am 12. Februar 2014 beschloss die ordentliche Hauptversammlung die Ausschüttung einer Dividende für das am 30. September 2013 abgelaufene Geschäftsjahr in Höhe von EUR 37,9 Mio. bzw. EUR 0,15 pro Aktie. Für jedes Geschäftsjahr wird ein neuer Gewinnverwendungsvorschlag gemacht. Die Unternehmensentwicklung der Gruppe sowie der

Kapitalbedarf für Wachstumspläne und die aktuellen Geschäftsaussichten werden dabei berücksichtigt.

Die von TUI Travel kürzlich bekanntgegebene Zwischendividende in Höhe von 4,05 Pence wird am 3. Oktober 2014 ausgeschüttet. Zudem wird TUI Travel (soweit gesetzlich zulässig) unmittelbar vor dem TUI Zusammenschluss (wie unter E.2a definiert) anstelle einer Dividendenzahlung für das am 30. September 2014 abgelaufene Geschäftsjahr eine weitere Zwischendividende in Höhe von 20,5 Pence bekanntgeben und ausschütten, welche die für das am 30. September 2014 abgelaufene Geschäftsjahr vorgesehene Ausschüttung in Höhe von 10,5 Pence pro TUI Travel Aktie bereits beinhaltet.

Folglich stehen die von der TUI AG an die bestehenden TUI AG Aktionäre für das am 30. September 2014 abgelaufene Geschäftsjahr auszuschüttenden Dividenden nicht den TUI Travel Aktionären zu. Die TUI AG beabsichtigt für das am 30. September abgelaufene Geschäftsjahr eine Dividende in Höhe von €0,33 (vorbehaltlich einer angemessenen Bilanzstruktur, Empfehlungen des Vorstands und des Aufsichtsrats sowie der Zustimmung auf der Jahreshauptversammlung in 2015) pro TUI AG Aktie auszuschütten. Die angestrebte Dividendenausschüttung der TUI AG wird der ursprünglich angestrebten Dividendenausschüttung für TUI Travel Aktionäre in Höhe von 10,5 Pence (welche bereits das Umtauschverhältnis von 4,05 Pence der TUI Travel Zwischendividende berücksichtigt) entsprechen. Die TUI AG Dividende für das am 30. September 2014 abgelaufene Geschäftsjahr wird nach der Jahreshauptversammlung der TUI AG in 2015 an die TUI AG Aktionäre (mit Ausnahme der Aktionäre der Neuen Aktien) ausgeschüttet.

Nach dem TUI Zusammenschluss beabsichtigt der Konzern eine Dividendenpolitik anzustreben, die im Einklang mit der progressiven Dividendenpolitik von TUI Travel steht, nach welcher Dividendenausschüttungen weitgehend im Einklang mit den Einnahmen steigen. Der Konzern strebt eine Erhöhung der Dividendenausschüttungen in Höhe von 10% über dem zugrundeliegenden Wachstum des Gewinns pro Aktie für die am 30. September 2015 und am 30. September 2016 ablaufenden Geschäftsjahre an, vorausgesetzt der Konzern entwickelt sich entsprechend den Erwartungen. Diese Angabe steht unter dem Vorbehalt einer angemessenen Bilanzstruktur, Empfehlungen des Vorstands und des Aufsichtsrats sowie der Zustimmung auf der jeweiligen Jahreshauptversammlung.

D.—Risiken

Eine Anlage in Aktien der Gesellschaft ist mit Risiken verbunden. Vor einer Entscheidung über eine Anlage in Aktien der Gesellschaft sollten Aktionäre und potenzielle Anleger die nachfolgend beschriebenen Risiken sowie die sonstigen in diesem Prospekt enthaltenen Angaben sorgfältig prüfen. Die nachfolgend beschriebenen Risiken basieren auf den zum Datum dieses Prospekts bekannten Informationen, die die Gesellschaft als wesentlich einstuft. Jedes der folgenden Risiken könnte unsere Geschäfts-,

		Finanz- und Ertragslage sowie unsere Kapitalflüsse erheblich beeinträchtigen. Sollte sich eines dieser Risiken verwirklichen, könnte der Marktpreis der Aktien der Gesellschaft fallen und die Anleger könnten ihre Investition ganz oder teilweise verlieren. Zusätzlich könnten unsere Geschäfts-, Vermögens- und Finanzlage sowie unsere Kapitalflüsse durch den Eintritt noch unbekannter Risiken oder Risiken, die von uns nicht als wesentlich angesehen werden, wesentlich beeinträchtigt werden. Die Reihenfolge, in der die Risikofaktoren nachfolgend dargestellt sind, stellt nicht notwendigerweise eine Aussage über ihre Bedeutung oder ihre Eintrittswahrscheinlichkeit dar.
D.1	**Wesentliche Angaben zu den wesentlichen Risiken, die dem Emittenten oder seiner Branche eigen sind.**	**Risiken in Bezug auf unsere Geschäftstätigkeit** • Eine Vielzahl von makroökonomischen Faktoren kann sich möglicherweise nachteilig auf unser Tourismusgeschäft auswirken. • Politische Instabilität, terroristische Anschläge oder Bedrohungen, Naturkatastrophen oder das Auftreten von Krankheiten oder Seuchen können sich möglicherweise nachteilig auf unsere Geschäftstätigkeit auswirken. • Unfälle und Vorfälle in Bezug auf unsere Reiseprodukte und ungünstige Medienberichterstattung können unserer Reputation schaden und zu einer geringeren Nachfrage nach unseren Produkten und Dienstleistungen führen. • Erheblicher Wettbewerb in der europäischen Tourismusbranche könnte zu Preisrückgängen oder Verlust von Kunden führen. • Da unser Erfolg von Produkten und Dienstleistungen abhängig ist, welche die Kundenerwartungen erfüllen, ist unsere Geschäftstätigkeit Änderungen im Kundenverhalten und in den Kundenwünschen ausgesetzt. • Deutliche Überkapazitäten bei unseren Flugzeugen, Hotels und Kreuzfahrtschiffen können sich möglicherweise nachteilig auf uns auswirken. • Unsere Markenstrategie birgt die Gefahr, dass sich eine Rufschädigung in einem unserer Geschäftsbereiche auch auf die anderen unter derselben oder einer verwandten Marke operierenden Geschäftsbereiche negativ auswirkt. • Wir sind möglicherweise nicht in der Lage, unser geistiges Eigentum vor Vervielfältigung und Verwendung durch Dritte zu schützen, einschließlich gegenwärtiger und zukünftiger Wettbewerber. • Im Rahmen unserer Geschäftstätigkeit sind wir auf den fortlaufenden Betrieb unserer IT-Systeme angewiesen.

- Unsere Geschäftstätigkeit und unsere Ertragslage werden durch Wechselkurs- und Zinsschwankungen beeinflusst.
- Unsere Geschäftstätigkeit ist anfällig gegenüber steigenden Treibstoffkosten.
- Unsere Geschäftstätigkeit unterliegt saisonalen Schwankungen. Die Nachfrage nach unseren Dienstleistungen im Laufe eines Kalenderjahres schwankt. Dies führt dazu, dass auch unsere Ergebnisse während des Kalenderjahres schwanken.
- Unsere Tätigkeiten in Auslandsmärkten sind mit länderspezifischen Risiken verbunden. Aufgrund unserer Strategie werden wir vermehrt in Ländern aktiv sein, die im Vergleich zu Westeuropa geringere politische, rechtliche und wirtschaftliche Stabilität sowie unterschiedliche kulturelle Werte aufweisen
- Wir sind auf Dienstleistungen und Einrichtungen Dritter angewiesen, welche nicht zufriedenstellend sein oder nicht dem erwarteten Qualitätsstandard entsprechen könnten.
- Wir sind in regulierten Märkten tätig, was möglicherweise unsere operative Flexibilität einschränken kann; und eine Nichteinhaltung von auf unsere Geschäftstätigkeit anwendbaren Vorschriften könnte zu rechtlichen oder aufsichtsrechtlichen Sanktionen führen.
- Europäische und nationale Beschränkungen in Bezug auf die Beteiligung an Fluggesellschaften könnten den Verlust der Betriebs- oder Streckengenehmigungen für die Fluggesellschaften der Gruppe nach sich ziehen, uns zur Veräußerung unserer Fluggesellschaften zwingen oder andere nachteilige Auswirkungen auf die Geschäftstätigkeit unserer Gruppe haben.
- Beschränkungen in Bezug auf die Beteiligung und Kontrolle an Fluggesellschaften in bilateralen Verträgen können für die von TUI Travel gehaltenen Fluggesellschaften der Gruppe zu einem Verlust von Streckengenehmigungen in Bezug auf nicht EU/EWR Staaten führen.
- Wir sind möglicherweise Risiken im Zusammenhang mit der Begrenzung von Treibhausgasemissionen und dem damit zusammenhängenden Handel mit Zertifikaten ausgesetzt.
- Wir sind möglicherweise Umweltrisiken im Zusammenhang mit unseren veräußerten Geschäften und unseren gegenwärtigen Geschäftsbetrieben ausgesetzt.
- Wir haben wesentliche Verbindlichkeiten in Zusammenhang mit unterfinanzierten Altersvorsorgeplänen, insbesondere im Vereinigten Königreich.

- Wir werden möglicherweise Abschreibungen auf den Firmenwert aus unseren Übernahmen vornehmen müssen.
- Wir sind Risiken im Zusammenhang mit Joint Ventures und anderen verbundenen Unternehmen ausgesetzt.
- Durch unsere Minderheitsbeteiligung an Hapag-Lloyd sind wir mittelbar Risiken in Bezug auf das Containerschifffahrtsgeschäft ausgesetzt.
- Wir sind Risiken in Zusammenhang mit der Restrukturierung unseres Geschäfts ausgesetzt. Im Zuge dieser Restrukturierung unseres Geschäfts mit dem Ziel uns mehr auf das Tourismusgeschäft zu konzentrieren haben wir Garantien und andere Eventualverbindlichkeiten aufgenommen.
- Unser Erfolg hängt davon ab, ob es uns gelingt, Mitarbeiter in Schlüsselpositionen im Management und in anderen Bereichen zu halten.
- Arbeitskämpfe könnten unsere Geschäftstätigkeit stören.
- Unsere Verarbeitung, Speicherung, Verwendung und Weitergabe personenbezogener Daten könnte Haftung aufgrund behördlicher Verordnungen, entgegenstehender gesetzlicher Anforderungen oder unterschiedlicher Auffassungen in Bezug auf den Persönlichkeitsschutz begründen oder Sicherheitsverstöße zur Folge haben.
- Wir sind Sicherheitsrisiken im Zusammenhang mit dem E-Commerce ausgesetzt. Sicherheitslücken bei der Übertragung von vertraulichen Informationen können unserem Geschäft erheblichen Schaden zufügen.
- Wir sind Risiken im Zusammenhang mit Betrug im Zahlungsverkehr ausgesetzt, insbesondere durch die steigende Anzahl von Online-Zahlungen.
- Wir sind möglicherweise im Rahmen unserer Versicherungen nicht in vollem Umfang gegen Schadensfälle, Verluste und bestimmte haftungsrechtliche Risiken abgesichert, und unsere Versicherungsprämien können möglicherweise steigen.
- Wir sind erheblichen Verlusten durch Prozessrisiken und andere Verfahren ausgesetzt.
- Sollten wir keine vollständigen oder teilweisen Vorauszahlungen für Flüge oder Reisepakete mehr verlangen dürfen, könnte unser Geschäft dadurch erheblich betroffen sein.
- Die rechtlichen Beziehungen zwischen uns und unseren Kunden beruhen in der Regel auf Standardverträgen und -formularen. Fehler in dieser Standarddokumentation könnten sich somit auf eine große Zahl von Kundenbeziehungen auswirken.

		• Zunehmend strengere Prüfungen von Transaktionen durch Finanzbehörden können möglicherweise auch uns betreffen, und wir könnten Steuerrisiken in Bezug auf frühere Veranlagungszeiträume ausgesetzt sein. • Durch eine mögliche Änderung der Aktionärsstruktur der Gesellschaft könnten Steuerrisiken im Zusammenhang mit der Nichtanrechenbarkeit steuerlicher Verluste und Verlustvorträge entstehen. • Wir sind möglicherweise einem Risiko von Finanzgerichtsverfahren in Bezug auf die Anwendbarkeit der deutschen Gewerbesteuerbestimmungen über die gewerbesteuerliche Abzugsfähigkeit von Ausgaben in Deutschland ausgesetzt. • Wir sind nicht in der Lage, Zinsen auf unsere Finanzverbindlichkeiten in vollem Umfang steuerlich zu berücksichtigen. • Erfüllen Hapag-Lloyd oder TUI Cruises nicht mehr die Voraussetzungen der Tonnagebesteuerung in Deutschland oder sollte diese abgeschafft oder geändert werden, wird unser Steueraufwand möglicherweise deutlich steigen. **Risiken in Bezug auf unsere Struktur** • Unser beträchtlicher Fremdkapitalanteil und unsere hohen Schuldendienstverpflichtungen könnten sich in wesentlicher Hinsicht nachteilig auf unsere Geschäftstätigkeit oder unsere Finanz- und Ertragslage auswirken. • Unser Verschuldungsgrad kann die Anfälligkeit gegenüber ungünstigen wirtschaftlichen Bedingungen steigern und dadurch unsere Fähigkeit zu neuen Investitionen mindern.
D.3	**Wesentliche Angaben zu den wesentlichen Risiken, die den Wertpapieren eigen sind.**	**Risiken in Bezug auf das *Scheme of Arrangement*** • Das *Scheme of Arrangement* wird möglicherweise nicht erfolgreich abgeschlossen. • Die Neuen TUI-Aktien werden möglicherweise nicht an den Treuhänder (zugunsten der von dem Verfahren betroffenen Aktionäre) ausgegeben, oder die Ausgabe könnte sich erheblich verzögern. • Selbst wenn eine wesentliche nachteilige Änderung in Bezug auf die Geschäftstätigkeit der TUI-Travel-Gruppe eintreten sollte, ist es höchst unwahrscheinlich, dass wir den TUI-Zusammenschluss unter Berufung auf die Bedingungen des TUI-Zusammenschlusses abbrechen können, wodurch der Wert der Neuen TUI-Aktien sinken könnte. • Die Integration der TUI-Travel-Gruppe in den Konzern verläuft möglicherweise nicht erfolgreich oder ist zeit- und kostenaufwändiger als erwartet.

- Möglicherweise können die erwarteten Synergien und Wachstumsmöglichkeiten aus dem TUI-Zusammenschluss nicht vollständig realisiert werden.
- Infolge der Durchführung des *Scheme of Arrangement* könnte der Börsenkurs der Aktien der Gesellschaft fallen.

Risiken in Bezug auf die Aktien und die Börsennotierung

- Als Holdinggesellschaft ist die Gesellschaft sowie ihre Fähigkeit zur Dividendenausschüttung davon abhängig, inwieweit ihre Tochtergesellschaften Erträge erwirtschaften und ihr Mittel zur Verfügung stellen können.
- Die Interessen unserer Hauptaktionäre sind möglicherweise nicht im Gleichlauf mit den Interessen der übrigen Aktionäre.
- Künftige Verkäufe oder erwartete Verkäufe einer wesentlichen Zahl von Aktien oder ähnliche Transaktionen unserer Hauptaktionäre oder anderer Aktionäre könnten dazu führen, dass der Kurs der Aktien der Gesellschaft deutlich fällt.
- Der Aktienkurs der Gesellschaft war in der Vergangenheit Schwankungen unterworfen und kann dies auch künftig sein.
- Künftige Angebote der Gesellschaft von Schuldtiteln oder Eigenkapitalinstrumenten oder von in Eigenkapital wandelbaren Schuldtiteln könnten sich nachteilig auf den Kurs der Aktien der Gesellschaft auswirken, und künftige Kapitalmaßnahmen könnten die Beteiligung der bestehenden Aktionäre an der Gesellschaft verwässern.
- Aus Angaben über frühere Erträge und Kapitalflüsse sowie sonstigen historischen Finanzdaten der Gesellschaft lässt sich nicht notwendigerweise auf ihre künftigen Erträge oder sonstigen wichtigen Finanzzahlen schließen.
- Die Rechte der Aktionäre einer deutschen Aktiengesellschaft sind möglicherweise anders ausgestaltet als diejenigen von Aktionären von Gesellschaften, die nach den Vorschriften anderer Rechtsordnungen errichtet sind.
- Die Zulassung der Neuen TUI Aktien zum regulierten Markt der Frankfurter Wertpapierbörse sowie die Zulassung aller Aktien der Gesellschaft zur *Official List* der *UK Listing Authority* und zum Handel an der Londoner Wertpapierbörse erfolgt möglicherweise nicht zum erwarteten Zeitpunkt.
- Es kann keine Gewähr dafür gegeben werden, dass die Aktien als Aktien einer ausländischen zugelassenen Gesellschaft, die im *Main Market* der Londoner Wertpapierbörse gehandelt werden, in Marktindizes aufgenommen werden.

		• Es kann keine Gewähr dafür gegeben werden, dass im Vereinigten Königreich ein aktiver Handel für die Aktien entsteht oder dauerhaft bestehen bleibt. • Inhaber von TUI AG DIs unterliegen den anwendbaren DI-Vereinbarungen.
E.—Angebot		
E.1	**Gesamtnettoemissionserlös**	Entfällt. Die Gesellschaft wird keinen Nettoerlös erzielen. Die Neuen TUI Aktien werden im Zuge des TUI-Zusammenschlusses (wie nachstehend beschrieben) mittelbar an bestehende Aktionäre der TUI Travel ausgegeben.
	Geschätzte Gesamtkosten der Börsennotierung, einschließlich der geschätzten Kosten, die dem Anleger vom Emittenten in Rechnung gestellt werden.	Die Gesamtkosten des Konzerns im Zusammenhang mit dem TUI Zusammenschluss belaufen sich insgesamt auf rund €85 Mio.. Inbegriffen sind hierin die an die Börsenzulassungsbeauftragte zu zahlenden Zulassungsgebühren von €700.000. Entfällt. Anlegern werden keine Kosten im Zusammenhang mit dem Angebot (wie unten definiert) in Rechnung gestellt.
E.2a	**Gründe für das Angebot.**	Am 15. September 2014 gaben die unabhängigen Direktoren (*Independent Directors*) („**Unabhängige Direktoren**") der TUI Travel und der Vorstand der Gesellschaft (der „**Vorstand**") ihre Einigung über die Konditionen eines empfohlenen Zusammenschlusses in Form eines „all-share nil-premium merger" zwischen der TUI Travel und der Gesellschaft bekannt (der „**TUI-Zusammenschluss**"). Peter Long ist ein Direktor und Chief Executive der TUI Travel und auch Mitglied des Vorstands der TUI AG. Angesichts dessen gilt Peter Long für die Zwecke der Besprechungen und Entscheidungen der TUI Travel in Bezug auf den TUI-Zusammenschluss nicht als Unabhängiger Direktor der TUI Travel und war an diesen Entscheidungen nicht beteiligt oder hat darüber abgestimmt. Dementsprechend war Peter Long auch nicht an Entscheidungen des Vorstands der TUI AG in Bezug auf den TUI-Zusammenschluss beteiligt. Auch an der formalen Empfehlung der Unabhängigen Direktoren der TUI Travel oder des Vorstands der TUI AG in Bezug auf den TUI-Zusammenschluss war Peter Long nicht beteiligt. Nach den Konditionen des TUI-Zusammenschlusses werden den von dem Verfahren betroffenen Aktionären (wie unten definiert) im Austausch für je eine von ihnen gehaltene TUI-Travel-Aktie 0,399 Neue TUI Aktien angeboten.
	Zweckbestimmung der Erlöse, geschätzte Nettoerlöse.	Entfällt. Die Gesellschaft wird gemäß diesem Prospekt oder infolge des TUI-Zusammenschluss keinen Nettoerlös erzielen. Der TUI-Zusammenschluss wird im Wege eines von einem Gericht im Vereinigten Königreich genehmigten Vergleichsverfahrens (*scheme of arrangement*) über TUI Travel (das „**Verfahren**") nach *Part 26* des britischen Gesetzes über die Kapitalgesellschaften von 2006 (*Companies Act 2006*) in der jeweils geltenden Fassung

		(das „**Britische Gesellschaftsgesetz**“) erfolgen, wonach die Gesellschaft das gesamte ausgegebene und auszugebende Grundkapital der TUI-Travel erwirbt, soweit es sich nicht bereits im wirtschaftlichen Eigentum oder unter der Kontrolle der Gesellschaft oder bestimmter nahestehender Personen befindet. Die Aktien der TUI-Travel, die sich nicht bereits im wirtschaftlichen Eigentum oder unter der Kontrolle der Gesellschaft oder bestimmter nahestehender Personen befinden (die „**Verfahrensgegenständlichen TUI-Travel-Aktien**“) werden im Wege einer Kapitalherabsetzung eingezogen, wobei die aus dieser Einziehung entstehende Rücklage zur vollständigen Einzahlung auf neue TUI-Travel-Aktien in einer Anzahl verwendet wird, die der Anzahl der eingezogenen Verfahrensgegenständlichen TUI-Travel-Aktien entspricht, und diese Aktien werden sodann an die TUI AG ausgegeben. Als Gegenleistung gibt die Gesellschaft Berechtigungen an Neuen TUI-Aktien mittelbar an die früheren Inhaber der Verfahrensgegenständlichen TUI-Travel-Aktien (die „**von dem Verfahren betroffenen Aktionäre**“) aus.
E.3	**Angebotsbedingungen.**	Nach den Konditionen des TUI-Zusammenschlusses werden den von dem Verfahren betroffenen Aktionären im Austausch für je eine von ihnen gehaltene TUI-Travel-Aktie 0,399 Neue TUI Aktien angeboten (das „**Angebot**“). Der TUI-Zusammenschluss steht unter dem Vorbehalt bestimmter Voraussetzungen (die „**Zusammenschlussvoraussetzungen**“) und bestimmter weiterer Bedingungen, wie nachstehend zusammenfassend dargestellt. Der Zusammenschluss wird erst wirksam, wenn unter anderem die nachstehend aufgeführten Ereignisse eingetreten sind und zwar an oder vor dem 30. September 2015 oder einem späteren, zwischen der Gesellschaft und TUI Travel (mit Zustimmung der britischen Übernahmekommission (*Takeover Panel*) und (sofern erforderlich) des *High Court of Justice in England and Wales* (das „**Gericht im Vereinigten Königreich**“)) vereinbarten Termin: (a) ein Beschluss zur Billigung des Verfahrens wurde von einer zahlenmäßigen Mehrheit der von dem Verfahren betroffenen Aktionäre gefasst, die zu dem Zeitpunkt und Datum im Verzeichnis der Anteilseigner (*register of members*) der TUI Travel, die in dem Dokument, welches unter anderem an TUI Travel Aktionäre zu senden ist und unter anderem die Bedingungen des Verfahrens sowie die Einberufung der außerordentlichen Hauptversammlung der TUI Travel und der Gerichtlich Einberufenen Hauptversammlung der TUI Travel enthält (*Scheme Document*) (das “**Verfahrensdokument**”), als maßgeblich für die Bestimmung der Berechtigung zur Stimmabgabe über das Verfahren angegeben (der „**Stichtermin für die Abstimmung über das Verfahren**“) und eingetragen sind und die bei einer nach Maßgabe des Britischen

Gesellschaftsgesetzes durch Gerichtsbeschluss einberufenen Hauptversammlung der TUI Travel Aktionäre (die „**Gerichtlich Einberufene Hauptversammlung der TUI Travel**“) persönlich anwesend oder durch einen Stimmrechtsvertreter vertreten sind sowie an der Abstimmung teilnehmen und mindestens 75% des Nennwerts der von diesen von dem Verfahren betroffenen Aktionären gehaltenen Verfahrensgegenständlichen TUI-Travel-Aktien repräsentieren (wobei zur Klarstellung festgehalten wird, dass die Gesellschaft und bestimmte nahestehende Personen hierbei nicht mit umfasst sind);

(b) die zur Genehmigung der vorgesehenen Kapitalherabsetzung der TUI Travel nach *Chapter 10* von *Part 17* des Britischen Gesellschaftsgesetzes (die „**Kapitalherabsetzung**“), der Änderung der Satzung der TUI Travel sowie der sonstigen zur Umsetzung des Verfahrens notwendigen Maßnahmen erforderlichen Sonderbeschlüsse wurden in einer Hauptversammlung der Aktionäre der TUI Travel (die „**Hauptversammlung der TUI Travel**“) mit der erforderlichen Mehrheit der TUI Travel Aktionäre ordnungsgemäß gefasst;

(c) die zur Genehmigung der Kapitalerhöhung der TUI AG nach § 182 AktG (die „**Direkte Kapitalerhöhung**“) und der bedingten Kapitalerhöhung der TUI AG nach § 192 AktG (die „**Bedingte Kapitalerhöhung**“) erforderlichen Beschlüsse, für die jeweils eine Mehrheit von mindestens drei Vierteln des bei der Beschlussfassung vertretenen Grundkapitals erforderlich ist, wurden in der außerordentlichen Hauptversammlung der Gesellschaft (die „**AHV der TUI AG**“) ordnungsgemäß gefasst;

(d) im notariell beurkundeten Protokoll der AHV der TUI AG wurde festgehalten, dass der Vorsitzende der AHV der TUI AG in der AHV der TUI AG bekannt gegeben hat, dass die Aktionäre der Gesellschaft den folgenden Maßnahmen (jeweils mit der erforderlichen Mehrheit des bei der Beschlussfassung vertretenen Grundkapitals) zugestimmt haben:

  (i) der vorgesehenen Wahl jedes neuen Aufsichtsratsmitglieds der Gesellschaft, unter denen auch bestehende unabhängige nicht geschäftsführende Direktoren von TUI Travel sind, entsprechend dem in der AHV der TUI AG vorgelegten Vorschlag des Aufsichtsrats der TUI AG an die TUI AG Aktionäre; und

  (ii) dem vorgeschlagenen Beschluss zur Änderung der Satzung der Gesellschaft (die „**Satzung der TUI AG**“), demzufolge die Gesellschaft einen oder mehrere Vorsitzende des Vorstands (wie in der Satzung der TUI AG definiert) bestellen darf, wobei die Erfüllung dieser Bedingung nicht von etwaigen Widersprüchen oder Klagen in Bezug auf die betreffenden Beschlüsse oder Wahlen berührt wird, die vor, während oder nach der AHV der TUI AG eingelegt oder angestrengt werden oder darauf folgen;

(e) der Beschluss über die Direkte Kapitalerhöhung sowie der Beschluss über die bedingte Kapitalerhöhung wurden in das Handelsregister in Hannover und Berlin-Charlottenburg eingetragen;

(f) das Verfahren wurde von dem Gericht im Vereinigten Königreich mit oder ohne Änderungsauflagen genehmigt (jedoch unter dem Vorbehalt, dass die Änderungsauflagen für die Gesellschaft und die TUI Travel annehmbar sind), und die Kapitalherabsetzung wurde von dem Gericht im Vereinigten Königreich bestätigt und;

   (i) eine mit dem Gerichtssiegel versehene Ausfertigung (*office copy*) des Beschlusses, mit dem das Gericht im Vereinigten Königreich das Verfahren gemäß *Part 26* des Britischen Gesellschaftsgesetzes genehmigt hat (der „**Verfahrensbeschluss**") und eine Ausfertigung des erforderlichen (und von dem Gericht im Vereinigten Königreich gebilligten) Kapitalausweises (*statement of capital*), dem die nach *Section 649* des Britischen Gesellschaftsgesetzes verlangten Informationen in Bezug auf das, durch ein die Kapitalherabsetzung bestätigenden Gerichtsbeschluss geänderte, Gesellschaftskapital der TUI Travel zu entnehmen sind (der „**Kapitalausweis**"), wurden dem Gesellschaftsregister von England und Wales (*Registrar of Companies in England and Wales*) (das „**Gesellschaftsregister**") übermittelt; und

   (ii) sollte das Gericht im Vereinigten Königreiches die Umsetzung anordnen, die Eintragung des Gerichtbeschlusses bezüglich des Kapitalausweises in das Gesellschaftsregister; und

(g) die *UK Listing Authority* hat der TUI AG oder ihrem Beauftragten gegenüber bestätigt (und die Bestätigung wurde nicht widerrufen), dass der Antrag auf Zulassung der Aktien der TUI AG zum Premium-Segment der *Official List* gebilligt wurde und die Zulassung (vorbehaltlich der Erfüllung etwaiger Auflagen, unter welchen die Billigung erteilt wurde) wirksam wird, sobald die Entscheidung der *UK Listing Authority* über die Zulassung der Neuen TUI Aktien nach LR 3.2.7G der Börsenzulassungsbestimmungen (*Listing Rules*) der britischen Finanzaufsichtsbehörde (*Financial Conduct Authority*) bekannt gemacht wurde und die Londoner Wertpapierbörse der TUI AG oder ihrem Beauftragten mitgeteilt hat, dass die Aktien der Gesellschaft zum Handel am *Main Market* für

		börsennotierte Wertpapiere der Londoner Wertpapierbörse zugelassen werden (und diese Mitteilung nicht widerrufen wurde); (h) die Zulassung aller Neuen TUI Aktien zum Handel im regulierten Markt der Frankfurter Wertpapierbörse mit gleichzeitiger Zulassung zum Teilbereich des regulierten Marktes mit weiteren Zulassungsfolgepflichten (Prime Standard) der Frankfurter Wertpapierbörse sowie zu den regulierten Märkten der Wertpapierbörsen Berlin, Düsseldorf, Hamburg, Hannover, München und Stuttgart wurde beantragt; und (i) die Deutsche Bank (als Listing Agent der TUI AG) hat keine Mitteilung oder sonstige Benachrichtigung (jeweils in schriftlicher Form) von der Frankfurter Wertpapierbörse oder einer der Wertpapierbörsen in Berlin, Düsseldorf, Hamburg, Hannover, München oder Stuttgart erhalten, der zufolge ein solcher Antrag zurückgewiesen wird. Die Neuen TUI Aktien werden unmittelbar nach Eintragung der Durchführung der Direkten Kapitalerhöhung in das Handelsregister in Hannover und Berlin-Charlottenburg ausgegeben.
E.4	**Wesentliche Interessen, einschließlich Interessenskonflikten, an der Ausgabe/dem Angebot.**	Die Gesellschaft bzw. die aktuellen und zukünftigen Aktionäre, inklusive der aktuellen Minderheitsaktionäre von TUI Travel, haben ein Interesse am Angebot und der Börsenzulassung der Aktien. Der Gesellschaft sind in diesem Zusammenhang keine Interessenskonflikte bekannt. Die Deutsche Bank als Listing Agent steht in einer vertraglichen Beziehung zu der Gesellschaft in Bezug auf die Börsenzulassung der Aktien. Die Deutsche Bank unterstützt die Gesellschaft in Verbindung mit der Börsenzulassung der Aktien und erhält hierfür eine Vergütung.
E.5	**Name der natürlichen oder juristischen Person, die den Verkauf der Aktien anbietet.**	Der TUI-Zusammenschluss wird im Wege eines gerichtlich genehmigten Vergleichsverfahrens (*scheme of arrangement*) über TUI Travel nach *Part 26* des Britischen Gesellschaftsgesetzes erfolgen, wonach die Gesellschaft den von dem Verfahren betroffenen Aktionären das gesamte ausgegebene und auszugebende Grundkapital der TUI Travel zum Erwerb anbietet, soweit es sich nicht bereits im wirtschaftlichen Eigentum oder unter der Kontrolle der Gesellschaft oder bestimmter nahestehender Personen befindet.
	Bei Lock-up- Vereinbarungen die beteiligten Parteien und die Lock-up-Frist.	Entfällt. Weder die Gesellschaft noch die Aktionäre der Gesellschaft haben eine Lock-up-Vereinbarung geschlossen.
E.6	**Betrag und Prozentsatz der aus dem Angebot resultierenden unmittelbaren Verwässerung.**	Auf vollständig verwässerter Basis (das heißt unter Einbeziehung aller möglichen Verwässerungen durch noch ausstehende Wandelanleihen) hat die Gesellschaft 320.061.082 ausstehende Aktien. Vorbehaltlich des Wirksamwerdens des TUI-Zusammenschlusses wird erwartet, dass auf vollständig verwässerter Basis (das heißt

unter Einbeziehung aller möglichen Verwässerungen durch ausstehende Wandelanleihen) bis zu 267.270.189 Neue TUI Aktien ausgegeben werden. Wird der TUI-Zusammenschluss wirksam und die erwartete Höchstzahl von Neuen TUI Aktien ausgegeben, werden die bestehenden Aktionäre der Gesellschaft infolge des TUI-Zusammenschlusses eine unmittelbare Verwässerung ihrer Beteiligung erleiden, und die von ihnen gehaltenen Wertpapiere entsprechen danach, auf vollständig verwässerter Basis, rund 54% des ausgegebenen Grundkapitals der Gesellschaft.

Auf konsolidierter IFRS Basis betrug das Eigenkapital der Gesellschaft ohne den Anteil der nicht beherrschenden Gesellschafter und den Buchwert des hybriden Kapitals (der „**Nettobuchwert**") zum 30. Juni 2014 €1.413,4 Mio. oder €4,42 pro Aktie (basierend auf 320.061.082 ausstehenden Aktien auf vollständig verwässerter Basis).

Wäre die Direkte Kapitalerhöhung bereits am 30. Juni 2014 umgesetzt worden, hätte sich am Nettobuchwert der Gesellschaft durch die Direkte Kapitalerhöhung eine Veränderung von €−799,3 Mio. ergeben, da der TUI-Zusammenschluss eine Transaktion innerhalb einer vollkonsolidierten Gruppe zwischen Anteilseignern ist, bei der der Anteil der vom Verfahren betroffenen Aktionäre am Anteil der nicht beherrschenden Gesellschafter in Höhe von €−739,9 Mio. (dies entspricht dem Anteil von TUI Travel am gesamten im Konzernabschluss der Gesellschaft zum 30. Juni 2014 ausgewiesenen Anteil der nicht beherrschenden Gesellschafter von €−303,7 Mio.) in den Nettobuchwert umklassifiziert worden wäre und sich zusätzlich die erwarteten Gesamtkosten im Zusammenhang mit dem TUI Zusammenschluss in Höhe von rund €59,5 Mio. nach Steuern (dies entspricht rund €85 Mio. vor Steuern) ausgewirkt hätten. Dieser negative Beitrag zum Nettobuchwert ist primär auf, durch die saisonale Natur des Geschäftes bedingte, Verluste von TUI Travel in den ersten neun Monaten des am 30. September 2014 beendeten Geschäftsjahres zu zurückzuführen. Wäre die Direkte Kapitalerhöhung bereits am 30. Juni 2014 umgesetzt worden, hätte der Nettobuchwert daher €614,1 Mio. oder €1,05 pro Aktie betragen (basierend auf einer Gesamtzahl von 587.331.271 ausstehenden Aktien auf vollständig verwässerter Basis nach Durchführung der Direkten Kapitalerhöhung).

Dies hätte eine Verringerung des Nettobuchwertes um €3,37 pro Aktie (Differenz zwischen dem Nettobuchwert von €4,42 pro Aktie vor der Direkten Kapitalerhöhung und dem Nettobuchwert von €1,05 pro Aktie nach der Umsetzung der Direkten Kapitalerhöhung) oder 76,3% für die Altaktionäre der Gesellschaft dargestellt.

Verglichen mit dem Anteil der vom Verfahren betroffenen Aktionäre am Anteil der nicht beherrschenden Gesellschafter von €−739,8 Mio. oder €−2,77 pro Aktie (basierend auf der maximalen Anzahl von 267,270,189 an

		die vom Verfahren betroffenen Aktionäre auszugebenden Neuen TUI Aktien) zum 30. Juni 2014 vor Durchführung der Direkten Kapitalerhöhung hätte sich im Falle einer Durchführung der Direkten Kapitalerhöhung bereits zum 30. Juni 2014 der Anteil der vom Verfahren betroffenen Aktionäre am Anteil der nicht beherrschenden Gesellschafter um €3,82 pro Aktie (Differenz zwischen dem Anteil der vom Verfahren betroffenen Aktionäre am Anteil der nicht beherrschenden Gesellschafter von €−2,77 vor Durchführung der Direkten Kapitalerhöhung und dem Nettobuchwert von €1,05 pro Aktie nach der Durchführung der Direkten Kapitalerhöhung) erhöht.
	Im Falle eines Zeichnungsangebots an die existierenden Anteilseigner Betrag und Prozentsatz der unmittelbaren Verwässerung, für den Fall, dass sie das neue Angebot nicht zeichnen.	Entfällt. Der TUI-Zusammenschluss wird im Wege eines Verfahrens nach Part 26 des Britischen Gesellschaftsgesetzes (*UK Companies Act*) erfolgen. Sofern die Zusammenschlussvoraussetzungen erfüllt sind, werden alle von dem Verfahren betroffenen Aktionäre Neue TUI Aktien erhalten. Sofern die Zusammenschlussvoraussetzungen nicht erfüllt sind, findet der TUI-Zusammenschluss nicht statt.
E.7	**Schätzung der Ausgaben, die dem Anleger von dem Emittenten oder dem Anbieter in Rechnung gestellt werden.**	Es werden dem Anleger vom Emittenten oder Anbieter keine Kosten in Rechnung gestellt.

RISK FACTORS

*An investment in the shares of TUI AG ("**TUI AG**" or the "**Company**" and together with its consolidated subsidiaries, the "**Group**", the "**TUI Group**", "**TUI**" or "**we**") is subject to a number of risks. Shareholders and prospective investors should carefully consider the following risks together with all the other information contained in this prospectus (the "**Prospectus**") prior to making any decision regarding an investment in the shares of the Company. The risks below are based on information known as of the date of this Prospectus which the Company considers to be material. Our business, results of operations, financial condition and cash flows could be materially adversely affected by each of these risks. If any of the risks described below were to materialize, the price of the Company's shares could decline, and investors could lose all or part of their investment. In addition, our business, financial condition, results of operations and cash flows could be materially adversely affected by risks that are currently unknown or that the Company might currently deem immaterial. The order in which the risks described below are presented is not necessarily indicative of their importance or the likelihood of their occurrence.*

Risks Relating to Our Business

A variety of macroeconomic factors may adversely affect our tourism business.

Our business is exposed to a variety of macroeconomic risks. Changing economic cycles may affect demand for holidays and the tourism industry. Such cycles may be influenced by global political events, such as terrorist acts, war and other hostilities as well as by market specific events, such as shifts in consumer confidence and consumer spending, labor or social unrest and political uncertainty.

Demand for holidays hinges in particular on the macroeconomic development in our important source markets, as spending on travel and tourism is discretionary and, as such, price sensitive. Future economic declines such as a possible incidence of a recession, high unemployment rates in our relevant source markets, an increase in interest rates, direct or indirect taxes, or the costs of living could therefore lead to lower disposable income and may therefore cause significant reductions in demand for travel and tourism as consumers reduce or eliminate their spending on travel, or opt for lower-cost offers.

The demand for travel may also be essentially affected by the development of the financial market. Although the global economy has recovered from the severe downturn in 2008 and 2009 to a certain extent, the recent volatility of the financial markets and also the slower than expected economic growth in Asia demonstrates that there can be no assurance that any recovery is sustainable or that there will be no recurrence of the global financial and economic crisis or similar adverse market conditions.

Should the current conflicts in the Ukraine or the Middle East continue, expand or intensify, this may adversely impact the demand for our travel products in these and neighboring regions. In addition, such or any other political conflicts may have a significant effect on global financial markets and economic growth, including in Europe, which in turn might have a significant adverse effect on the end markets we serve and the demand for travel in those markets, which could adversely affect our financial position and results of operations.

Further risks are associated with the potential exit of a country from the common currency. Depending on the economic situation of the respective country, its exit from the euro may result in a relative appreciation or depreciation of any new currency against the euro. A depreciation may create risks due to a loss in the value of assets held in that country. An appreciation may lead to a deterioration of the relative competitiveness of the country resulting from higher prices for exports of the products and services produced in the country. The exit of a country may also lead to the utilization of warranties under the European Stability Mechanism ("**ESM**") and the need for write downs on receivables from the country (*e.g.*, government bonds) or its national central bank (*e.g.*, target credits). This may adversely affect the development of the economies of the countries affected.

In addition, specific risks for our business may arise from changes in commodity prices, in particular oil products, or if a credit squeeze restricts access to credit for companies. These risks may, *inter alia*, result in weaker economic growth rates in countries of importance to our activities and may have an adverse effect on demand for services in tourism which in turn could have a material adverse effect on the business, results of operations and financial condition of our Group.

Political instability, acts or threats of terrorism, natural disasters or outbreaks of diseases or epidemics may adversely affect our business.

Our business is exposed to risks from political instability, accidents, terrorist attacks, acts of sabotage and natural catastrophes, climate change, outbreaks of diseases, epidemics, social unrest, civil war, international conflicts and failing governments. We operate in approximately 180 destinations and over 30 source markets worldwide, where both domestic and international geopolitical events expose our aircraft, hotels and cruise ships to the risk of losses which in turn could lead to prolonged business interruptions, claims of customers with respect to, *inter alia*, accommodation, alternative travel/evacuation or medical treatment and could directly affect customers' willingness to travel. For example, the eruption of the Icelandic volcano Eyjafjallajökull in spring 2010, the swine flu dissemination in 2009, social unrest, such as in the West Indies in 2010 and in Tunisia and Egypt in recent years and negative media coverage about the economic crisis in Greece, among others, had or may in the future have a negative impact on our tourism business. In addition, there may be work stoppages or labor unrest at airlines or airports. Furthermore, hotels, airlines and cruises have in recent years been the subject of terrorist attacks, notably cruise ship piracy in the Gulf of Aden, India, Spain, Egypt, Russia, Turkey and Sri Lanka. All these factors that are outside of our control may lead to a reduction in customer spending on holidays and leisure travel products which could adversely impact the performance of our Group.

We may not be fully insured against all expenses that may result from such events, if at all. We may also be exposed to claims for damages and be held liable for third-party losses if our insurers are unable to pay the resulting damages or refuse coverage. In addition, such losses could result in higher insurance premiums and could impose significant costs on us. Future terrorist attacks or the threat of such attacks could also result in aviation insurance or other insurance becoming unavailable or prohibitively expensive. Such increase in costs may render us unable to operate in key parts of our business in its current form. We would experience consequential losses throughout our tourism business if we were unable to fly or otherwise transport our customers to or from our destinations.

Accidents or incidents involving our travel products and unfavorable media coverage could harm our reputation and reduce demand for our products and services.

Any accident or incident involving our travel products and services (in particular in connection with our aircraft or cruise ships) or in the destinations we serve, as well as any unfavorable media coverage following such accident or incident, could give rise to a public perception that our products and services or destinations are unsafe or less safe or reliable than those of our competitors, which could harm our reputation and reduce demand for our products and services.

An aircraft accident or incident as well as an accident, incident or sinking of one of our cruise ships could involve not only repair or replacement of a damaged aircraft or cruise ship and its consequent temporary or permanent loss from service, but also claims from injured passengers and dependents of deceased passengers. Our insurance coverage might not be adequate to cover all losses suffered from an aircraft or cruise ship accident or incident. Even if our insurance coverage were adequate to cover all these losses in full, we could be forced to bear substantial losses if, for example, our insurers were unwilling or unable to pay the agreed insurance benefits. Moreover, passengers of our aircrafts or cruise ships could also lose confidence in us even if an aircraft or cruise ship other than one of ours suffers a loss or damage.

Each of these aspects could have a material adverse effect on the business, results of operations and financial condition of our Group.

Significant competition in the European tourism industry could lead to reduced prices or to a loss of customers.

We have numerous competitors in our core European tourism markets. Due to structural market changes, we and some of our competitors already have integrated, or are integrating into, pan-European tourism groups. These groups are able to utilize the synergies generated by integrating the various components of the tourism value chain and to improve their competitiveness by increasing market share. Some of our competitors are focusing on offering components (*i.e.*, that can be combined by the customer to a package), rather than integrated packages. Other competitors only offer dedicated individual components of holidays, primarily via the internet, such as flights, hotels, accommodation or leisure activities, which customers can combine themselves. While we are also marketing component packages in addition to integrated holiday packages, we could lose customers or be forced to reduce our prices due to increased price transparency and the significant competition in this area.

Low-cost airlines compete on many routes with significant success against charter airlines that offer the flight element of vacation packages, including our airlines. If we are unable to maintain a competitive cost structure for our airlines compared to these low-cost carriers, we may be unable to offer competitive prices to our customers for package holidays that involve flights on our own aircraft. Established low-cost airlines, for example, have gained significant market share on certain flight routes servicing our destinations over previous years. If we are unable to maintain a competitive cost structure for our airlines compared to low-cost carriers, utilization of our airline and hotel capacities could be reduced.

Our cruise line business is also exposed to competition. In the luxury cruise market, the customers we target have, in particular, a very wide range of travel and vacation options. Therefore, if customers were to perceive other vacation and travel options as more attractive (for example, luxury hotels), our cruise business would suffer. In our budget and premium cruise submarkets, we face intense competition from newly built ships joining the market and the resulting increased capacity of those submarkets. Increasing competition may also have a negative impact on rates in our cruise business.

We also face increasing competition from other online travel agencies, such as Expedia, Lastminute, Priceline, Ebookers, Rumbo and ETI, which in some cases may have more favourable offerings for both travelers and suppliers, including pricing, connectivity and supply breadth.

We may also increasingly face competition from large online portal and search companies, such as Google and Yahoo!, as well as online travel metasearch sites, such as Kayak, Trivago, Bing Travel and SkyScanner, which utilize their search technology to aggregate travel search results across supplier, online travel and other websites. Such metasearch companies and search engines do not directly compete with us since no bookings of our products and services are made through their websites. However, metasearch companies and search engines may redirect potential customers to competitors' websites. In addition, in certain cases, search engines charge us each time a user accesses our website through their search engine even if such users do not purchase any products or services from us. If a substantial number of users access our websites through such search engines and do not purchase our products or services, our expenses could increase and negatively impact our revenue margin.

Additionally, search engine companies have shown increasing interest in the online travel channel, as evidenced by recent technological innovations and proposed and actual acquisitions by companies such as Google or Microsoft (for example, Google's recent acquisition of ITA Software). As a result, search engine companies, which have acquired significant brand recognition from their other operations may begin selling travel products and ultimately become our direct competitors.

Increased competition may result in reduced operating margins, as well as loss of industry market share and brand recognition. Furthermore, we may not be able to compete successfully against current and future competitors.

All of these factors could have a material adverse effect on the business, results of operations and financial condition of our Group.

Our business is subject to changes in customer behavior and preferences

Our success depends on the introduction and expansion of products and services that meet customer demands and preferences. If our product and services fail to attract and/or retain customers across markets as anticipated, or if we are unable to adapt our products and services to rapidly changing customer demands and preferences, which may vary from market to market, this could have a material adverse effect on our business, results of operations and financial condition.

For example, in recent years, customers have been increasingly booking holidays nearer the time of travel than has traditionally been the case. This change in booking behavior makes it considerably more difficult for tourism companies to engage in seasonal planning and adjust capacity to react to short-term changes in customer demand. For example, bad weather at any of our destinations, or unseasonably warm weather in our source markets, could reduce demand for travel to our "sun and beach" destinations, which are very important contributors to our turnover. There is also a risk that customers may choose to travel less by aircraft if they believe that aircraft travel is harmful to the environment.

Historically, most of our business was generated through our integrated package tours allowing us to maximize the use of our aircraft, hotel and cruise line capacity efficiently. Nowadays, customers increasingly purchase component travel products, such as flights and hotel accommodation or flights and cruises, separately, particularly via online platforms. Online platforms increase price transparency and could lead to reduced margins throughout the tourism industry.

Each of these aspects could have a material adverse effect on the business, results of operations and financial condition of our Group.

We may be adversely affected by significant excess capacity in our existing aircraft, hotels and cruise ships.

Our success depends on the optimal utilization of the aircraft, hotels and cruise ships that we own, and aircraft, hotel and cruise ship capacity that we lease—or are committed to lease—on a long-term basis. Our aircraft capacity covers a substantial part of our Group's own air carriage needs. With respect to hotels, 66% of TUI Hotels & Resorts' hotel customers were provided hotel accommodation through our own tour operators in the financial year ended September 30, 2013. A decline in demand for our travel products offered by our tour operators and our multi-channel distribution network could therefore lead to excess capacity with respect to our aircraft, hotels and cruise ships. Moreover, in the cruise market new ships were put into service in 2013 which helped the market to grow by 143,000 passengers. TUI Cruises is planning to take advantage of additional growth opportunities by commissioning additional ships in 2015, 2016 and 2017. The expansion of our cruise ship fleet could lead to an overcapacity in the market and, in particular, to a cannibalization of bookings for older ships.

To the extent that we purchase additional capacity from third parties, we are able to make capacity adjustments only to the extent permitted by our contracts with those third parties. In order to maximize our Group's use of existing aircraft, hotel and cruise capacity, we must predict demand in each of our source markets and identify recent trends concerning destinations and types of holidays. The forecast periods vary between the different source markets with some forecasts being made several years in advance. There is a risk that these predictions may prove to be wrong in the future. If we are not able to achieve high occupancy rates in our aircraft, hotels and cruise ships, this may have a material adverse effect on the business, results of operations and financial condition of our Group.

Our branding strategy creates the risk that damage to our reputation in one part of our business could negatively affect other parts of our business operating under the same or a related brand.

We operate our tourism activities under a number of individual brands as well as the group-wide umbrella brand, "World of TUI". Negative events affecting individual components of the tourism value chain, such as bad publicity about individual tour operators, hotel companies, airlines or cruise lines, could damage our Group's reputation.

Our brands, image and reputation constitute a significant part of our value proposition. Our success over the years has largely depended on our ability to develop our brands and image as a leading travel group across Europe. Travelers expect that we will provide them with a large selection of high quality travel products and services at competitive prices, and this reputation has strengthened our image and brands, supporting our past expansion. Any event, such as the poor quality of products and services provided by our travel suppliers and offered by us, that may not meet our customers' expectations, or the failure to reimburse for products or services not effectively provided, could lead to customer complaints, damage our image, reputation or brands and have a material adverse effect on our business, results of operations and prospects. Our reputation could also be damaged if customer complaints or negative reviews of us or our activities were to be exchanged on social network websites. In addition, in the event of an accident occurring in connection with charter flights we have sold, our image could be materially adversely affected.

In addition, our main brands are key assets of our business. We believe that maintaining and expanding such brands are important aspects of our efforts to attract and expand customer base. Our expenditures to maintain our brands' value have been steadily increasing due to a variety of factors. These factors include increased spending from our competitors, the increasing costs of supporting multiple brands, expansion into new geographies and products where our brands are less well-known, inflation in media pricing including search engine keywords and the relative traffic share growth of search engines and metasearch engines. We have spent considerable financial and human resources to date on the establishment and maintenance of our brands, and we will continue to invest in, and devote considerable resources to, advertising and marketing, as well as other brand building efforts to preserve and enhance consumer awareness of our brands.

Hapag-Lloyd owns the trademark "Hapag-Lloyd" for the business field cargo logistics (container and cargo shipping) and any potential related future business areas, excluding air freight, whereas we own the trademark for tourism and related businesses. Our own activities that use the Hapag-Lloyd brand include Hapag-Lloyd Kreuzfahrten (cruise shipping), travel agencies and a small operation within TUIfly. Any negative publicity related to Hapag-Lloyd's container and cargo shipping business could have a negative impact on our reputation.

There is no assurance that we will be able to successfully maintain or enhance consumer awareness of our brands. Even if we are successful in our branding efforts, such efforts may not be cost-effective. If we are unable to maintain or enhance consumer awareness of our brands and generate demand in a cost-effective manner, it would negatively impact our ability to compete in the travel industry and would have a material adverse effect on our business. As new media, such as social media and smart phones, continue to be developed, we will need to expend additional funds to promote our brand awareness on such media. If we are unable to adapt to such new media forms, we may lose market share, which would have a material adverse effect on our business.

Each of these aspects could have a material adverse effect on the business, results of operations and financial condition of our Group.

We may not be able to protect our intellectual property completely from copying and use by others, including current or potential competitors.

Our success and ability to compete depend, in part, on our technology and other intellectual property, including our trademarks and brands. We protect our trademarks, brand names, website domain names and our content and proprietary technologies by relying on trademarks, copyrights, trade secret laws and confidentiality agreements. However, not all of our intellectual property can be protected by registration. It is possible for someone else to copy or otherwise obtain and use our proprietary technology or content without our permission or to develop similar technologies independently. Effective trademark, copyright, patent and trade secret protection may not be available in every country in which we provide services to clients, and policing unauthorized use of the Group's proprietary information is difficult and expensive. Unauthorized use and misuse of the Group's intellectual property or disclosure of its proprietary information could have a material adverse effect on our business, financial condition and results of operations.

Our business depends on IT systems.

Our business, especially in our yield management activities and in the provision of our central administration, depends heavily on IT systems which are served to a large extent by TUI InfoTec GmbH. In our tourism business, reservation systems and administrative operations rely on the continuous functioning of our IT systems as we engage in selling through travel agents and direct selling of vacations and travel services to our customers over the internet. In addition, we are dependent on the continuous functioning of our IT systems which we use to dynamically customize holiday packages. The internet is growing in importance, not only as a distribution channel but also as basic technology for the automation of business processes between business partners. Furthermore as IT systems are vulnerable to disruptions, damage, power outages, hacking attacks, acts of terrorism or sabotage, computer viruses, fires and other events, and programming errors can never be entirely avoided, there can be no assurance of efficient and uninterrupted operation of systems used by our Group. Any disruption to these IT systems could significantly hamper or prevent operations, reduce our turnover, increase our costs or adversely affect the operation of our business.

We are also vulnerable to rapid changes in technology standards. Technology changes rapidly, especially in the customer-oriented tourism business, and our business may suffer if we are unable to keep up with the latest IT developments. We are constantly harmonizing existing and introducing new IT systems which requires us to implement the rollout of such systems across our Group. In addition, we may be required to incur expenditure on IT in order to keep up with the technological developments of our competitors.

We are in the process of implementing a common enterprise resource planning ("**ERP**") platform for parts of our mainstream business to provide a more robust, controls-based approach to transaction processing as well as to improve the consistency of reporting and financial controls, starting with our largest source markets, the United Kingdom and Germany, with completion expected in the United Kingdom in late 2015. However, the implementation of the ERP platform may not be successful, or may be significantly delayed and result in the incurrence of higher than expected costs, and we may not be able to realize the anticipated benefits of such implementation.

Each of these aspects could have a material adverse effect on the business, results of operations and financial condition of our Group.

Our business and results of operations are affected by fluctuations in exchange rates and interest rates.

Our Group faces significant financial risks due to the substantial cross-border element of our business operations, which exposes our business and results of operations to fluctuations in exchange rates. This is due to the imbalance between the currencies in which turnover is generated and costs are incurred, and also to the fact that certain of our subsidiaries operate in functional currencies other than the euro, which is our Group's reporting currency.

For example, certain of our costs for materials, including hotel accommodation, destination services and aviation jet fuel and bunker oil, are denominated in currencies other than the currencies in which our customers pay for their holidays. This transaction risk is primarily in relation to the euro/U.S. dollar, the euro/British pound sterling and the British pound sterling/U.S. dollar exchange rates.

Our risk management policy requires us to hedge these foreign currency risks. The companies within the TUI Travel Group 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 each tourism season, taking into account the different risk profiles of the Group companies operating in various source markets. The hedged volumes are changed in line with changes in planned requirements on the basis of reporting by the subsidiaries. Currency hedging in the TUI Hotels & Resorts and Cruise sector is also based on the reports submitted by the subsidiaries. The aim of the hedges is to cover 80% of the reported exposure. To the extent that we have not adequately hedged our currency exposure, a significant negative change in exchange rates could result in a mismatch between our costs and turnover that could significantly impact our results of operations.

We prepare our consolidated Group accounts in euro, while our subsidiaries outside of the Euro-Zone, particularly in the United Kingdom and the Nordic countries (except for Finland), prepare their accounts in their respective national currencies. Fluctuations in the exchange rates of the respective national currencies could have a material impact on our consolidated Group accounts after conversion of the results realized by the subsidiaries into euro amounts.

Furthermore, we are subject to risks from floating-rate primary and derivative financial instruments. An interest rate risk, *i.e.*, exposure to potential fluctuations in the value of a financial instrument resulting from changes in market interest rates (market value risk), arises primarily from medium- and long-term fixed-interest receivables and liabilities. Concerning long-term, fixed-interest financial liabilities, in particular the bonds issued by us, the fair values may deviate from recognized carrying amounts. Changes in market value interest rates primarily impact floating-rate primary financial instruments and derivative financial instruments entered into in order to reduce interest-induced cash flow fluctuations.

Each of these factors could have a material adverse effect on the business, results of operations and financial condition of our Group.

Our business is vulnerable to rising fuel costs.

Fuel costs constitute a significant proportion of the operating costs of our aircraft and cruise ships. Although we enter into hedges against movements in fuel prices with maturities that are customary in the market, increases in fuel costs usually lead to increases in holiday prices and potentially reduced demand for travel. In response to rising fuel prices, we may need to impose fuel surcharges on our short, medium and long-haul flights, which could reduce demand for our travel products. Furthermore, when using hedging instruments, we are subject to credit risk as the counterparties to the hedging transactions may default on obligations. In addition, we potentially forego the benefits of favourable movements in the price of fuel. Both the cost and availability of fuel are subject to economic and political factors that are beyond our control. Each of these aspects could have a material adverse effect on the business, results of operations and financial condition of our Group.

Our business is subject to seasonal fluctuations.

Historically, the level of demand for our services has fluctuated over the course of a calendar year, which caused our results to fluctuate. Demand has historically been highest in the summer season from May through October and lowest in the winter season from November through April (except for the days around Christmas, New Year and Easter). At the same time, a significant proportion of our expenses are incurred more evenly throughout the year. Therefore, our profitability fluctuates during the year, with the majority of our profits being generated in the summer season. As a result of this seasonal tourism swing, we build up cash reserves in spring and summer. When disruptions to our business operations occur during the summer season, they may have a particularly strong adverse effect on the business, results of operations and financial condition of our Group.

Our activities in foreign markets involve country-specific risks.

We intend to further expand our tourism operations into emerging markets, notably Russia, China, Brazil and India. Due to our strategy of further penetrating these new markets, we will be increasingly active in countries with lower levels of political, legal and economic stability and with different cultural values compared to Western Europe. In addition, operations in emerging markets may increase the difficulties we face in developing, managing and staffing global operations as a result of distance, language and cultural differences and in implementing standardized processes and quality management globally. Furthermore, we are exposed to a series of risks over which we have little influence, but which could adversely affect our business activities in these countries, including but not limited to political, social, economic, financial or market instability, insufficient anti-corruption controls, insufficiently developed and differentiated legal and administrative systems, inability to enforce contractual rights and collect receivables through foreign legal systems, foreign investment and loan restrictions, limits on the repatriation of funds, and trade restrictions, economic sanctions, or expropriations. In particular, the ongoing conflict in the Ukraine, and the imposition by the United States and the European Union of economic sanctions targeting certain Russian individuals and entities, may impact our operations in Russia. These factors could have a material adverse effect on the business, results of operations and financial condition of our Group.

We are dependent on third-party service and facility providers.

We are dependent on the provision of services by third parties, such as hotel operators, other airlines, suppliers of aircraft services, aircraft manufacturers, and third-party tour operators. There can be no assurance that the services rendered by such third-party contractors will be satisfactory and meet the required quality levels. If any third-party services or facilities on which we rely in conducting our business are restricted, temporarily halted (for example, as a result of financial difficulties, technical problems or strikes), permanently ceased or are not available on commercially acceptable terms, this could have a material adverse effect on the business, results of operations and financial condition of our Group, including a deterioration in customers' confidence in our ability to offer reliable services. These adverse effects could also occur as a result of the loss or expiration of any of our contracts with third-party service or facility providers or our inability to negotiate replacement contracts with other service providers at comparable rates or to enter into such contracts in any new markets we wish to access. In addition, the efficiency, timeliness and quality of contract performance by third-party providers will be largely beyond our direct control.

We derive part of our turnover from third-party service providers, such as hotel operators, other airlines and third-party tour operators. In the past, we have experienced attempts by such third-party contractors to reduce commissions paid to the TUI Group, which negatively impacts turnover. We may not be able to offset such reductions by increasing customer turnover, which could harm our turnover and results of operations.

We operate in regulated industries, which may limit our operational flexibility, and non-compliance with regulations applicable to our businesses could lead to legal or regulatory sanctions.

The industries in which we operate, including tourism, airlines, hotels and cruise lines, are heavily regulated at various levels, by German, European, U.S. and other national regulators. Regulated areas include (in addition to the ownership restrictions with respect to our airlines and the limitation of emission of greenhouse gases), among others, the provision of our tourism services and associated consumer protection, the requirement for our airlines to hold operating licenses, compliance with security regulations, the availability of take-off and landing slots for our airlines, air travel passenger rights, environmental regulations with respect to our airlines and our cruise ships, obtaining necessary permits for the construction and operation of hotels and resorts and the environmental impact of our airlines, cruise ships and hotels. Applicable regulations could be extended to include further environmental, consumer protection or other areas of regulation. Compliance with new or revised regulations, or new or changed interpretations or enforcement of existing regulations may impose significant costs on our business and could limit our flexibility with respect to our business practices. Should we not comply with certain regulations, a significant part of our business could be affected which could have a material adverse effect on the business, results of operations and financial condition of our Group. On the other hand, the various regulatory regimes to which we are subject because of our international operations may conflict so that compliance with the regulatory requirements in one jurisdiction may create regulatory issues in another.

In addition, regulatory authorities have relatively broad discretion to grant, renew and revoke licenses and approvals and to implement regulations. Accordingly, such regulatory authorities could prevent or temporarily suspend us from carrying on some or all of our activities or otherwise penalize us if our practices were found not to comply with applicable regulatory or licensing requirements or any interpretation of such requirements by the regulatory authority. We heavily depend on our ability to sell airline tickets for a substantial portion of our turnover, in particular in our flight-only and our package tourism business. Consequently, our failure to comply with any of these laws and regulations could have a material adverse effect on our operations.

For example, the U.S. Department of the Treasury's Office of Foreign Assets Control ("**OFAC**"), administers certain laws and regulations that impose restrictions upon U.S. companies and persons, or U.S. persons, and, in some contexts, foreign entities and persons, with respect to activities or transactions with certain countries, governments, entities and individuals that are the subject of such sanctions laws and regulations. We have undertaken, and continue to undertake, business in countries subject to U.S. sanctions laws, including limited operations in Cuba and revenues in immaterial amounts from operations in other countries which are the subject of such OFAC sanction laws and regulations.

We recently submitted, on a voluntary basis, a disclosure report to OFAC relating to conduct in 2014 that may implicate certain OFAC sanctions laws. The OFAC review is still ongoing, and we could have to bear the costs of any necessary investigative and remedial measures that may be necessary, and could be subject to fines or criminal penalties in respect of such conduct.

Furthermore, in order to carry out flight booking operations, we are required to obtain accreditation of the International Air Transport Association ("**IATA**") to sell flight tickets of airlines which are IATA members. On an annual basis and upon the occurrence of certain events, IATA reviews our financial statements and operations to determine whether we are in compliance with IATA rules, in particular with respect to our IATA financial undertakings (including undertakings pertaining to capital resources, working capital and liquidity). Financial undertakings applied by IATA vary from one jurisdiction to another and in certain jurisdictions the lack of transparency as to applicable financial undertakings may result in additional financial guarantees being required. In addition to guarantee requirements, IATA may impose penalties for non-compliance or, under certain circumstances, take suspension action, or remove us or any or all of our locations from the IATA agency list.

Each of these aspects could have a material adverse effect on our business, results of operations and financial condition.

European and national restrictions on airline ownership could result in the loss of the Group's airline operating and route licenses, force us to divest our airline businesses or result in other adverse effects on our Group's business.

European and national restrictions on airline ownership could result in the loss of the Group's airline operating and route licenses and, consequently, force divestment of the Group's airline business or result in other adverse effects on our airline business. In the European countries in which our Group's airlines operate, an air carrier is permitted to operate airline services only if it is majority owned, and effectively controlled, by member states of the European Economic Area (the "**EEA**") or their nationals. The carrier must be able to prove this at any time. Failure to do so may result in withdrawal of, or a refusal to issue, the carrier's operating license or route licenses. In addition, there may be national ownership restrictions applicable to the granting of route licenses to our airlines.

Based on the Company's share register as of June 30, 2014 and notifications to the Company pursuant to section 21 para. 1 of the German Securities Trading Act (*WpHG*), over 67% of the shares in the Company were held by nationals of EEA member states. The Company's charter does not contain provisions, such as for the disenfranchisement of non-EEA shareholders, that operate automatically to ensure compliance with the ownership requirements. No other mechanism is in place to prevent the majority of the Company's shares at any time from being held by non-EEA nationals as a result of secondary market trading.

The Company's executive board (the "**Executive Board**") has not been authorized by the Company's shareholders to request non-EEA shareholders to sell their shares, to disenfranchise non-EEA shareholders or to issue new shares to EEA-nationals for the purpose of maintaining our airline operating and route licenses. Such an authorization of the Company's Executive Board could only be given, if the Company were within the scope of the German Aviation Compliance Documenting Act (*Luftverkehrsnachweissicherungsgesetz*) ("**LuftNaSiG**"). The Company is currently not within the scope of the LuftNaSiG as this requires the Company to qualify as an air "carrier company" pursuant to the LuftNaSiG and the applicable EU law provisions, i.e. that the Company itself possesses operating and route licenses and corresponding air traffic rights. We do not currently intend to qualify as an air carrier company.

However, we may be required to put in place contingency plans which would be initiated if 40% or more of the shares in the Company became held by nationals of non-EEA member states. It is expected that these contingency plans could include the issue by the Company of additional share capital to EEA-nationals only (on a non-preemptive basis) to ensure that at least 60% of the Company's shares are held by nationals of EEA member states or the establishment of a new holding structure for the Group's airline businesses which would limit the Group's control of its airline business for so long as at least 40% of the Company's shares were held by nationals of non-EEA member states.

The loss of our airline operating and route licenses, and/or the consequential forced divestment of the Group's airline business, could have a material adverse effect on the business, results of operations and financial condition of our Group.

Restrictions on airline ownership and control in bilateral treaties could result in the loss of authorizations held by the TUI Travel group airlines to operate on certain routes to non-EU/EEA countries.

Some of the routes to non-EU/EEA countries on which the TUI Travel group's airlines operate are subject to bilateral Air Service Agreements ("**ASAs**") between those non-EU/EEA countries and the countries in which those airlines are respectively licensed (each a "**Licensing State**"). Bilateral ASAs are international treaties which allow airlines to operate commercial air transport services between the countries which are party to an ASA. A number of these bilateral ASAs allow only airlines which are substantially owned and effectively controlled by nationals of the Licensing State to be designated as airlines which are authorized to operate on routes to the relevant non-EU/EEA country (the "**Receiving State**"). There is a risk that, following the TUI Merger, one or more of the Receiving States may view one or more of the TUI Travel group's airlines as being substantially owned and effectively controlled by nationals of states other than their respective Licensing States. This could lead to one or more of the Receiving States withdrawing authorizations for any such TUI Travel group airlines to operate services on routes to that Receiving State, even if the airline in question continues to be designated by its Licensing State as a carrier with the nationality of that Licensing State.

The loss of our authorizations to operate on relevant routes could have a material adverse effect on the business, results of operations and financial condition of our Group.

We may be exposed to risks associated with the limitation of greenhouse gas emissions and related trading schemes for allowances.

Under the United Nations Framework Convention on Climate Change and the Kyoto Protocol, certain contracting states entered into obligations to control and reduce emissions of greenhouse gases. To comply with its obligations under public international law, the European Union introduced a scheme in 2003 to limit greenhouse gas emissions and for trading of allowance which applies to certain industrial installations.

Although the aviation industry is not currently facing limitations from this scheme, the European Union resolved to introduce a trading scheme for greenhouse gas emission allowances applicable to aircraft carriers starting on January 1, 2012. Businesses operating aircraft routes within, to or from the EU are required to measure their carbon dioxide emissions and account for those emissions by surrendering allowances.

Moreover, further regulations on greenhouse gas emissions might be enacted in one or more of our source markets. For example, it has been discussed for many years whether to extend the EU Emission Trading System (the "**EU-ETS**") to the shipping industry for ships exceeding 5000 gross tonnage ("**GT**"). In 2013, the EU Commission introduced a legislative proposal which does not foresee inclusion of ships exceeding 5000 GT in the EU-ETS but, rather, to implement a system for monitoring, reporting and verification ("**MRV**"). However, the legislative process for the introduction of MRV is ongoing and the outcome of the legislative process therefore remains uncertain.

All of these factors may limit operational flexibility, increase costs and therefore may have a material adverse effect on the business, results of operations and financial condition of our Group.

We may face environmental risks from both our divested businesses and the businesses we currently operate.

Our divested or abandoned business fields (logistics, trading, energy, mining and other industrial businesses) involved the use, processing, extraction, storage or transportation of substances that are harmful to health and the environment or other activities that may potentially be harmful to health or the environment. As a consequence, we may be subject to continuing environmental or health and safety liabilities that may arise from these divested or abandoned businesses, many of which are or were active in the heavy industry sector. For example, the transportation and storage of hazardous materials in tank cars and tank containers which is the core business of VTG AG, a subsidiary that we sold in 2006, involves such risks. We may also be liable for clean-up costs of contaminated sites (*Sanierung von Altlasten*) which might have been caused by our former industrial operations (for example, by metallurgical plants) and for potential restoration costs for instable mine shafts in connection with our former mining activities. Environmental, health and safety risks with respect to our current tourism business particularly arise in connection with our aircraft and cruise shipping operations, but may also occur in connection with our hotel business. Our insurance coverage may provide cover for certain liabilities resulting from environmental, health and safety risks but will not provide insurance cover for all liabilities arising from these risks. This could have a material adverse effect on the business, results of operations and financial condition of our Group.

We have significant liabilities in connection with under-funded pension benefit plans, particularly in the United Kingdom.

We have significant liabilities in the form of pension commitments arising from defined benefit pension plans that are currently under-funded. We finance our obligations under our defined benefit pension plans in Germany mainly through establishing provisions, and outside of Germany (in particular in the United Kingdom), mainly through investment in independent pension funds. The pension provision recognized for defined benefit plans corresponds to the net present value of the defined benefit obligations as of the balance sheet date less the fair value of the plan assets. Pension fund assets are determined annually on the basis of the fair values of invested funds, whereas pension obligations as reflected in the respective provisions are annually ascertained based on actuarial calculations and assumptions, including discount rate, life expectancies and projected future salary increases, among others. As of June 30, 2014, our total pension obligations from funded plans amounted to €2,344.8 million. The corresponding plan assets amounted to €1,851.1 million. Our unfunded pension obligations amounted to €675.8 million. As of June 30, 2014, the established provisions based on IFRS accounting standards overall amounted to €1,169.5 million for our Group, including €809.2 million for TUI Travel PLC ("**TUI Travel**"). The contributions to the defined benefit schemes may change as a result of changes in investment performance, mortality, inflation and interest rates and as a result of other actuarial experience factors not matching the assumptions. TUI Travel has provided guarantees to the trustees of some of its UK defined benefit schemes in which it guarantees the payment of contributions to those schemes (up to the total deficit on a buy-out basis) by its subsidiary undertakings and has given certain negative pledge commitments to those trustees. The Company has also agreed to provide such guarantees after the TUI Merger. Changes to the funding position of the pension schemes may lead to TUI Travel being required to contribute additional funding to satisfy pension obligations. Underfunded pension benefit plans could have a material adverse effect on the business, results of operations and financial condition of our Group.

We may need to write down goodwill from our acquisitions.

In the course of the restructuring of our Group, considerable goodwill has been generated by the growth related thereto and the acquisitions resulting therefrom. As of June 30, 2014, we carried goodwill of €3,062.1 million on our balance sheet, which represented 22.2% of our total assets as of that date. A prolonged economic downturn, particularly in the tourism industry, with lower than expected cash flows, as well as changes in the discount rate, could materially affect our future results by requiring us to record impairment charges with respect to some or all of this goodwill. Each of these aspects could have a material adverse effect on the business, results of operations and financial condition of our Group.

We are exposed to risks in connection with joint ventures and other associated companies.

We conduct our business in part via joint ventures and associated companies in which we hold an interest. We use joint ventures especially in our hotel business, where our participation in RIU Hotels S.A. has contributed considerably to TUI Hotels & Resorts' Underlying EBITA in the past years. Another significant joint venture is TUI Cruises. Our ability to fully exploit the strategic potential in markets in which we operate through joint ventures or associated companies would be impaired if we were unable to agree with our joint venture partners or joint shareholders, some of which are also significant shareholders of the Company, on a strategy and its implementation. The interests of our joint venture partners or joint shareholders could conflict with our interests or the interests of our shareholders. In addition, our joint venture partners or joint shareholders could under certain conditions terminate contractual relationships, exercise option rights to acquire or sell interests in our joint ventures or otherwise influence the day-to-day business of our joint ventures or other associated companies. Moreover, we could be subjected to fiduciary obligations to our joint venture partners or joint shareholders, which could prevent or impede our ability to unilaterally expand in a business area in which such a joint venture or associated company operates. In the TUI Hotels & Resorts sector, to a certain extent, we are also dependent on our local joint venture partners in successfully running the day-to-day business operations of our hotels and on their knowledge and expertise in identifying major trends and developments in the relevant local markets in which our hotels are operated. Important joint venture partners or key management personnel of our joint venture partners (in particular with respect to our hotel business) may also become restricted, temporarily or permanently unavailable or may permanently cease to operate (for example, as a result of financial difficulties, technical problems, strikes or personal incidents). While we have established comprehensive compliance policies, procedures and programs to ensure ethical and compliant joint venture business operations, if one or more of our joint ventures were found to be in violation of applicable laws or regulations, we could be required to restructure or terminate them and our reputation could suffer. These factors could have a material adverse effect on the business, results of operations and financial condition of our Group.

Through our minority participation in Hapag-Lloyd we are indirectly exposed to risks relating to the container shipping business.

As of the date of this Prospectus we hold an indirect 22.04% stake in Hapag-Lloyd (which will be diluted to approximately 14.0% following the pending merger of Hapag-Lloyd with Compañía Sud America de Vapores ("**CSAV**") into one of the world's largest container shipping operators and the planned capital increase in connection therewith), which is accounted for at equity in our consolidated financial statements. Therefore, we are indirectly exposed to various risks relating to the container shipping business, including, among others:

- the highly cyclical nature of the container shipping industry and imbalances of supply and demand;
- negative effects of current and future market conditions on transport volumes and freight rates;
- the high level of competition in the container shipping industry;
- overcapacity and congestion in, or other access restrictions to, container shipping ports;
- considerable time lags between the ordering and the delivery of vessels, leading to heightened sensitivity to intermittent changes in shipping market conditions;
- changing trading patterns and sharpening trade imbalances;
- risks inherent in the operation of ocean-going vessels, such as marine disaster, environmental accidents, grounding, fire, explosions and collisions, cargo and property losses or damage,

business interruptions caused by mechanical failure, human error, war, terrorism, political action in various countries, or adverse weather conditions, work stoppages or other labor problems with staff serving on vessels and at ports, piracy and terrorism; and

- the lack of securing sufficient sources of financing for Hapag-Lloyd's future capital needs in the capital-intensive container shipping industry.

Should any one or more of the risks relating to the container shipping industry materialize, this could have a material adverse effect on the business, results of operations and financial condition of Hapag-Lloyd and thereby, indirectly, materially adversely affect our Group.

We face risks associated with the restructuring of our business.

In the course of restructuring our business to focus on our tourism activities, we assumed guarantees and other contingent obligations. As of June 30, 2014, our Group had outstanding guarantees, indemnities (in particular tax indemnities), warranties and other contingent obligations, totaling approximately €348.6 million net of provisions. We may assume other similar guarantees in relation to businesses that we may divest in the future. The invocation of any of these obligations could have a material adverse effect on the business, results of operations and financial condition of our Group.

Our success depends on our ability to retain key management and other key personnel.

The performance and results of our business depend upon the efforts and capabilities of the senior management team and other key personnel (including joint venture and other cooperation partners). We also depend on our ability to attract and retain a highly-skilled workforce. We cannot guarantee that such employees will remain with our Group since competition for talented and qualified personnel is intense and, as such, the loss of key personnel could have a material adverse effect on the business, results of operations and financial condition of our Group.

Labor disturbances could disrupt our business.

With over 78,200 employees around the world as of August 31, 2014, our relationships with employees, European and local works councils, trade unions and other employee representatives are important to our business. While we strive to maintain good relationships with our employees and their unions, there can be no assurance that such relationships will continue to be amicable or that we will not be affected by strikes, work stoppages, unionization efforts, or other types of conflict with labor unions or our employees. Our operations also depend on stevedores and other workers employed by third parties. Industrial action or other labor unrest with respect to our own employees or outside labor providers could prevent us from carrying out our operations according to our plans or needs. This could have material adverse effects on our business, financial condition and results of operations.

Our processing, storage, use and disclosure of personal data could give rise to liabilities as a result of governmental regulation, conflicting legal requirements, differing views of personal privacy rights or security breaches.

In the processing of our traveler transactions, we receive and store a large volume of personally identifiable information. This information is increasingly subject to legislation and regulations in numerous jurisdictions. We could be adversely affected if domestic or international legislation or regulations are expanded to require changes in our business practices or if governing jurisdictions interpret or implement their legislation or regulations in ways that negatively affect our business. These initiatives may result in conflicting legal requirements with respect to data handling. Travel businesses have also been subjected to investigations, lawsuits and adverse publicity due to allegedly improper disclosure of passenger information. As privacy and data protection have become more sensitive issues, we may also become exposed to potential liabilities as a result of differing views on the privacy of travel data. These and other privacy concerns, including security breaches, could have a material adverse effect on our business, financial condition and results of operations.

We are exposed to risks associated with online commerce security.

The secure transmission of confidential information over the internet is essential in maintaining customer and supplier confidence in our internet-based online platforms and distribution channels. Security breaches, whether instigated internally or externally on our system or other internet-based systems, could significantly harm our business.

We incur substantial expense to protect against and remedy security breaches and their consequences. However, our security measures may not prevent security breaches. A party (whether internal, external, an affiliate or unrelated third party) that is able to circumvent our security systems could misappropriate proprietary information or cause significant interruptions in our operations. Security breaches also could damage our reputation and expose us to a risk of loss or litigation and possible liability. Security breaches could also cause customers and potential customers to lose confidence in our security, which would have a negative effect on the demand for our products and services.

Moreover, public perception concerning a lack of security and privacy on the internet could adversely affect customers' willingness to use our websites. This could have a material adverse effect on our business, financial condition and results of operations.

We are exposed to risks associated with payment fraud.

We may be held liable for accepting fraudulent credit or debit cards or checks as payment for transactions and are subject to other payment disputes with our customers for such sales. Although the levels of credit or debit card fraud have historically been low, we may be exposed to increased risks associated with payment fraud in the future, in particular as a result of increasing volumes of online payments, and may be unable to prevent or mitigate such risks. In instances in which we are unable to combat the use of fraudulent credit or debit cards or checks, we could be liable *vis-à-vis* suppliers and our revenue from such sales could also be subject to automatic charge backs related to fraudulent transactions from credit or debit card processing companies or demands from the relevant banks, which could have an adverse effect on our results of operations and financial condition.

We may not be fully protected against damage, losses and certain liabilities under our insurance coverage and our insurance premiums may increase.

Catastrophic loss, personal injury and loss of life, mechanical failure, fire, collision, maritime disaster, spills, stranding, sinking and loss of, or damage to, our aircraft, cruise ships or hotels caused by human error, accidents, war, terrorist attacks, piracy, political instability, business interruption, strikes or weather events could result in us experiencing direct losses and liabilities, loss of income, increased costs, damage to our reputation or litigation against or by third parties. There can be no certainty that our current insurance policies are sufficient to cover all losses and damages that may be suffered from these types of events or that we will be able to renew or expand our current insurance policies on commercially reasonable terms. This could have a material adverse effect on our business, financial condition and results of operations.

We may incur substantial costs and losses as a result of litigation or other proceedings.

We are involved in litigation in the ordinary course of business. Litigation may include, among others, claims related to commercial, labor, employment, antitrust, securities, regulatory, sanctions or environmental matters. Generally, it is not possible to anticipate the outcome of pending or potential legal proceedings with certainty. We could be ordered to make significant payments in one or more current legal proceedings as well as in potential future legal proceedings. Moreover, the process of litigating cases, even if successful, may be costly, and may approximate the cost of damages sought. These actions could also expose us to adverse publicity, which might adversely affect our tourism brands and reputation. This could have a material adverse effect on the business, results of operations and financial condition of our Group.

We may be significantly affected if we had to discontinue the practice of requiring full or partial pre-payment for flights or travel packages well in advance of the date of travel.

The Group may be significantly affected if it had to discontinue the practice of requiring, as the case may be, full or partial (25% or 40%, respectively) pre-payment or for flights or travel packages booked well in advance of the date of travel. Several consumer protection organizations have instituted action for unfair competition against TUI Deutschland and TUIfly Vermarktungs GmbH (as well as against other German tour operators and aviation companies). Furthermore, in a similar case, the plaintiffs are demanding TUI Deutschland to discontinue the practice of collecting from consumers the full payment for a flight upon booking, such payment to be forfeited in its entirety in the event of flight cancellation. Furthermore, the plaintiffs are demanding TUIfly Vermarktungs GmbH to discontinue the practice of collecting from consumers the pre-payment of, respectively, 25% or 40% (depending on the product) of the travel price well in advance before the date of travel, such pre-payment also to be forfeited in the event of travel cancellation. It is asserted by the plaintiffs that demanding payment upon booking of a flight or of a travel package, which may be months in advance of departure, is not in accordance with applicable law. The Group does not share the view taken by the consumer protection organizations and vigorously defends these matters.

No ruling has yet been made by the competent regional court in connection with the case concerning the 25% pre-payments. With regard to the 40% case the Group has lost before the courts of the first and of the second instance. The Group has appealed against the decision and the case is now pending before the Federal Court of Justice (*Bundesgerichtshof*). No date has been set yet for the Federal Court of Justice's decision. With regard to the action against TUIfly Vermarktungs GmbH regarding the pre-payment of the whole price of a flight, the competent regional court has ruled in favor of the plaintiff. TUIfly Vermarktungs GmbH is appealing the decision. The final outcome of these matters cannot be determined at this time.

In the event the aforementioned widespread practice in the German travel and aviation market would be held by a court, or become (*e.g.,* by way of legislation), unlawful, the results of any such action could have a substantial and material adverse effect on the business, results of operations and financial condition of our Group.

The legal relationships between us and our customers are generally based on standard contracts and forms; any errors in the documentation could therefore affect a large number of customer relationships.

We maintain contractual relationships with a multitude of customers. The administration of these relationships requires the use of general terms and conditions as well as various standard contracts and forms with a large number of individual customers. As a result, ambiguities or errors in the formulation or application thereof may present a significant risk due to the large number of such documents executed. In light of circumstances that are constantly changing due to new laws and judicial decisions, as well as the increasing influence of European law on national law, it is possible that not all of the Group's general terms and conditions, standard contracts and forms will comply at all times with currently applicable legislation in the European Union or in other countries. Should problems of application or errors occur, or should individual provisions or entire contracts or agreements become or be held invalid, then, because of our use of standardized contracts and forms, this could affect numerous customer relationships and lead to significant adverse consequences. Any such problems could have a material adverse effect on the reputation, business, results of operations and financial condition of our Group.

We may be affected by increasingly rigorous scrutiny of transactions by tax authorities and could be subject to tax risks attributable to previous tax assessment periods.

Tax authorities around the world are being increasingly rigorous in their scrutiny of transactions and in the pursuit of tax recoveries which may lead to an increased overall tax rate for our Group as a whole.

The last tax audit for our Group in Germany relates to assessment periods up to and including the year 2005 and is complete for most of the Company's subsidiaries but is still pending for the Company. Additional tax expenses could accrue at the level of the Company or its subsidiaries in relation to previous tax assessment periods which have not yet been subject to a tax audit. The realization of any of these risks could have a material adverse effect on our business, financial condition and results of operations.

In (ongoing or future) tax audits, the tax laws and/or relevant facts could be interpreted by the tax authorities in a manner deviating from the Company's view. As a result, the tax authorities could revise original tax assessments and substantially increase the tax burden (including interest and penalty payments) of the affected entities of our Group.

For instance, in January 2014, the Italian public prosecutor's office completed its investigations against a former managing director of an Italian subsidiary on allegations of complicity in the evasion of payment of value added tax. This far, no charge has been brought against him. Criminal proceedings may be instituted in this matter against the manager concerned. Until the facts concerning the case have been clarified, the tax authorities have temporarily suspended the payment of input taxes in the amount of €18.2 million, which have become disputed as a result.

We might be exposed to tax risks regarding the loss of tax losses and tax loss carry-forwards in connection with the possible change of the shareholder structure of the Company.

As of December 31, 2013 the Company had unaudited (by the German Tax Authorities (*Finanzamt*)) substantial current losses, loss carry-forwards and interest carry-forwards. Section 8c of the German Corporate Income Tax Act (*Körperschaftssteuergesetz*, "**KStG**") provides for a *pro rata* elimination of loss carry-forwards and current losses in cases where more than 25% and up to 50% of the shares in a corporation have been acquired while loss carry-forwards and current losses are stated to be eliminated completely where more than 50% of the shares in a corporation have been acquired within a five-year period by one individual shareholder, a group of shareholders acting in concert or if a comparable event occurs. Section 8c KStG applies *mutatis mutandis* to interest carry-forwards. Loss carry-forwards, current losses and interest carry-forwards are hereinafter also referred to as "**NOLs**".

A shareholder of the Company already obtained the permission by the Federal Cartel Office (*Bundeskartellamt*) to increase its stake in the Company to more than 25% and now (directly and indirectly) holds a total of 26.13%. However, this total shareholding comprises share transfers to the shareholder prior to 2008. For purposes of the NOL forfeiture rule, only share transfers to this shareholder (or a group of shareholders with aligned interests) occurring from January 1, 2008 are taken into account. There is a risk that in case this shareholder (directly or indirectly) acquires further shares, to the extent that the 25% (or 50%) threshold for purposes of the NOL forfeiture rule is exceeded within the relevant observation period of five years, the Company's NOLs and unused interest carry-forwards could be eliminated at a *pro rata* basis (or in total). This could have a material adverse effect on deferred taxes in the balance sheet, our financial condition and results of operations.

We may face a risk of tax court proceedings regarding the applicability of German trade tax provisions on the deductibility of expenses for German trade tax purposes.

In a letter dated May 22, 2013, the German tax authorities have informed TUI AG and the German Travel Association ("**DRV**") that a provision of the German Trade Tax Act (*Gewerbesteuergesetz*, *GewStG*), 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 characterizing 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 tax 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 current estimates, an essential risk might arise for the overall period since 2008.

We are unable to fully deduct interest on our financial liabilities.

A certain amount of the Company's substantial annual refinancing expenses (interest payments) is not deductible for tax purposes under the German interest barrier rules (*Zinsschranke*). The interest barrier rules generally provide for a limitation on the deduction of a business' net interest expenses equal to 30% of its tax-adjusted EBITDA. For purposes of the interest barrier rules, all businesses belonging to the same German fiscal unity for corporate income and trade tax purposes (*Organschaft*) are treated as one single business. Any non-deductible amount exceeding this threshold can be carried forward and, subject to various restrictions, might be deductible in future years. The interest carryforwards could, for example, be cancelled in connection with certain changes in the shareholder structure of the Company in accordance with the same principles outlined above regarding loss carryforwards.

Any limitation of the deductibility of interest expenses or loss of interest carry-forward of non-deductible amounts may have an adverse effect on our financial condition and results of operations.

If Hapag-Lloyd or TUI Cruises should not be able to continue to participate in the tonnage tax regime in Germany, or if the tonnage tax regime as such is discontinued or amended, tax expenses may increase significantly.

Hapag-Lloyd AG and TUI Cruises have elected for the tonnage tax regime in Germany. Comparable tax regimes exist in several other European countries. For example, some of the cruise ships operated by TUI Travel are also subject to the English tonnage tax regime. Under the tonnage tax regime, Hapag-Lloyd's German corporate income tax liability in respect of its container shipping activities is calculated by reference to the tonnage of its container ships, independent of the actual income earned. Hapag-Lloyd's income tax liability therefore depends primarily on the tonnage of its container fleet, rather than on the profitability of its business. The same principles apply to TUI Cruises in respect of its cruise shipping activities. Hapag-Lloyd elected to participate in the tonnage tax regime in 1999, whereas TUI Cruises started in 2009. Both expect to remain subject to this regime for the foreseeable future. In order to remain within the tonnage tax regime, a specified proportion of the vessels Hapag-Lloyd and TUI Cruises operate must be managed in Germany (*inländische Bereederung*), registered in a German register and predominantly operated on the high seas or between non-German harbors. Some of Hapag-Lloyd's older vessels do not meet the requirements to participate in the tonnage tax regime. The discontinuance of the tonnage tax regime or any inability on the part of TUI Cruises or Hapag-Lloyd to continue to participate in this regime could increase their tax expenses (particularly in profitable years) and, as such, could have a material adverse effect on Hapag-Lloyd's or TUI Cruises after tax profits.

Risks Relating to Our Structure

Our substantial leverage and debt service obligations could materially adversely affect our business, financial condition or results of operations.

We are leveraged and have significant debt service obligations. We anticipate that our substantial leverage will continue for the foreseeable future and our strategy to improve our financial risk profile, in particular by reducing our indebtedness, may be unsuccessful.

Although, in our opinion, our available working capital is sufficient for our current requirements, that is for not less than the next twelve months following the date of this Prospectus, our substantial current level of indebtedness presents the risk that we might not generate sufficient cash to service our indebtedness or that our leveraged capital structure could limit our ability to finance acquisitions, projects, operations and future business opportunities.

In particular, our leverage could have important consequences, including, but not limited to:

- making it more difficult for us to satisfy our debt obligations (including under the up to €1,550,000,000 revolving credit facility agreement the Company entered into on September 15, 2014 (the "**2014 New RCF**") and the €300,000,000 4.5% high yield notes due 2019 the Company issued on September 26, 2014 (the "**High Yield Notes**"));
- increasing our vulnerability to a downturn in our business or economic and industry conditions;
- limiting our ability to obtain additional financing to fund future operations, capital expenditures, business opportunities, acquisitions and other general corporate purposes and increasing the cost of any future borrowings;
- requiring the dedication of a substantial portion of our cash flows from operations to the payment of principal of, and interest on, our indebtedness, which means that these cash flows will not be available to fund our operations, capital expenditures, acquisitions or other corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business, the competitive environment and our industry; and
- placing us at a competitive disadvantage compared to our competitors that are not as highly leveraged.

Moreover, we, like other entities with significant debt, are subject to the risk that over the longer term (*i.e.,* following the next twelve months after the date of this Prospectus) we may be unable to generate sufficient cash flow to make scheduled payments on our debt (including incurred under the 2014 New RCF and the High Yield Notes or may be unable to obtain sufficient funding to satisfy our obligations to service or refinance our debt. A failure to make scheduled payments or otherwise satisfy our obligations under our financing arrangements could result in indebtedness of the Group being accelerated. There is also a risk that we may not, over the longer term, be able to refinance our existing borrowings or obtain additional debt financing on commercially acceptable terms, or at all. Our ability to make payments on, and to refinance, our debt and to fund future operations and capital expenditures will depend on our future operating performance and ability to generate sufficient cash. This depends, to some extent, on general economic, financial, competitive, market, legislative, regulatory and other factors, many of which are beyond our control, as well as the other factors discussed in these "Risk Factors".

Our levels of indebtedness may increase our vulnerability to general adverse economic conditions and limit our ability to make investments.

The terms and conditions of our existing debt instruments contain, and any future debt instrument we may enter into may contain, covenants that significantly restrict our ability to, among other things:

- incur or guarantee additional indebtedness or issue certain preferred stock;
- pay dividends or make other distributions or repurchase or redeem our stock;
- redeem or repurchase indebtedness junior to our existing indebtedness;
- make certain investments or other restricted payments;
- transfer, sell or lease certain assets, including subsidiary stock;
- create or permit to exist certain liens;
- enter into certain transactions with affiliates;
- create encumbrances or restrictions that restrict our restricted subsidiaries' ability to pay dividends or other distribution loans or advances;
- engage in any business other than permitted business activities; and
- consolidate, merge or sell all, or substantially all, of our assets.

Although we believe that our current financial condition, cash generation and capital reserves, are sufficient to enable us to comply with the financial covenants under our credit facilities for not less than the next twelve months from the date of this Prospectus, these covenants could limit our ability to finance our future operations and capital needs and our ability to pursue acquisitions and other business activities that may be in our interest.

Certain of our existing debt instruments also require us to maintain specified financial ratios. Our ability to meet these financial ratios may be affected by events beyond our control and, as a result, there is no assurance that we will be able to meet these ratios and tests. In the event of a default under these facilities or certain other defaults under other agreements, the lenders could terminate their commitments and declare all amounts owed to them to be due and payable. In addition, a default under any of our debt instruments could result in a cross-default or cross-acceleration under our other existing debt facilities. Borrowings under other debt instruments that contain cross-default or cross-acceleration provisions may, as a result, also be accelerated and become due and payable. Our immediately available liquid funds and short-term cash flows may then not be sufficient to fully repay these debts in such circumstances.

We may also incur substantial additional indebtedness in the future. The covenants contained in our existing financing instruments do not fully prohibit us or our subsidiaries from incurring more indebtedness. If new debt is added to our current debt levels, the related risks that we now face could intensify. The incurrence of additional indebtedness would increase the leverage-related risks described in these "*Risk Factors*".

Any of these or other consequences or events could have a material adverse effect on our business, results of operations and financial condition.

Risks Relating to the Scheme of Arrangement

The Scheme of Arrangement may not be successfully completed.

Completion of the scheme of arrangement proposed to be made under Part 26 of the UK Companies Act between the Company and the holders of shares in TUI Travel (the "**Scheme Shareholders**") other than those shares beneficially owned or controlled by the Company and certain connected parties (the "**TUI Travel Scheme Shares**") (with or subject to any modification, addition or condition approved or imposed by the court and agreed to by TUI Travel and the Company) (the "**Scheme**") is subject to the satisfaction (or waiver, where applicable) of a number of conditions precedent. These conditions include:

- approval of the Scheme and related resolutions by the Scheme Shareholders at the general meetings of the Scheme Shareholders, one of which shall be convened by order of the UK Court pursuant to the UK Companies Act 2006 (the "**TUI Travel Court Meeting**") and the general meeting of TUI Travel's shareholders (the "**TUI Travel General Meeting**");
- approval of each capital increase of TUI AG being duly passed by at least 75% of holders of TUI AG's share capital present at the time the resolution is resolved upon at the general meeting of the Company;
- the respective resolutions of the capital increase of TUI AG being registered at the commercial registers in Hanover and Berlin/Charlottenburg;
- the approval by the Company's shareholders of the proposed election of the new members of the Supervisory Board of the Company, being certain of the existing independent non-executive directors of TUI Travel (as proposed at the general meeting of the Company) and approval of the resolution to amend the charter of the Company to appoint one or more chairmen to the Executive Board;
- the sanction of the Scheme and the confirmation of the proposed reduction of TUI Travel's share capital under Chapter 10 of Part 17 of the UK Companies Act by the Court;
- the approval of the application for the admission of the TUI AG Shares to listing on the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities; and
- the approval of the application for the admission of the New TUI Shares on the regulated market of the Frankfurt Stock Exchange with simultaneous admission to the segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange as well as well as the regulated markets of the stock exchanges in Berlin, Düsseldorf, Hamburg, Hanover, Munich and Stuttgart.

There is no guarantee that these (or any other) conditions will be satisfied (or waived, if applicable). Failure to satisfy any of the conditions may result in the proposed all share nil-premium merger of the Company and TUI Travel not being completed and thus the Scheme Effective Date would not occur.

The resolutions for approving the direct capital increase and for approving the conditional capital increase must be passed at the general meeting of the Company and registered with the appropriate commercial registries before the Scheme can become effective.

However, in accordance with German law, insofar as any shareholder contestation actions (*Anfechtungsklagen*) are raised relating to those resolutions, the Company will not be able to register the resolutions for direct capital increase and the conditional capital increase until such actions have been concluded. The conclusion of any such actions could take up to approximately four to seven months from the date when the general meeting of the Company is held and therefore result in a delay before all of the conditions are satisfied and, if successful, could prevent satisfaction of all the conditions.

The New TUI Shares may not be issued to the Trustee (on behalf of the Scheme Shareholders) or such issuance may be substantially delayed.

The proposed capital increase of the Company will be made in consideration for a contribution in the form of the capitalization issue of new TUI Travel Shares to the Company. The contribution will occur on the date on which the Scheme becomes effective (the "**Scheme Effective Date**").

We will not be able to complete the resolutions necessary to approve the capital increase of TUI AG pursuant to Section 182 German Stock Corporation Act (*Aktiengesetz* or *AktG*) (the "**Direct Capital Increase**") necessary to enable the issue of the new shares offered under this Prospectus (the "**New TUI Shares**") until we have received a binding entitlement to the consideration (i.e. the new TUI Travel Shares to be issued to the Company on the Scheme Effective Date). In addition, the implementation of the Direct Capital Increase needs to be registered with both the Hannover and

Berlin/Charlottenburg commercial registers before the New TUI Shares can be issued. Those commercial registers must record the completion of the increase if the formal requirements for such registration are met. There is a risk however that if a competent registry rules that the necessary requirements are not met or challenges (*Widersprüche*) or contestation actions (*Anfechtungs-* or *Nichtigkeitsklagen*) are brought against the capital increase resolutions, a substantial delay may arise or, ultimately, the commercial registers may refuse to formally record the implementation of the capital increase. As the Scheme would have become effective before any such delay or refusal, depending on the conditions agreed regarding the Contribution in Kind this could create the possibility of a claim against the Company by the TUI Travel Shareholders if the cause of such delay or refusal is not rectified as they will no longer hold shares in TUI Travel and will not have been issued with the New TUI Shares.

Even if a material adverse change to the TUI Travel Group's business were to occur, it is highly unlikely that we would be able to invoke the conditions to the TUI Merger and terminate the TUI Merger, which could reduce the value of the New TUI Shares.

The TUI Merger is subject to certain conditions, including the condition that there have not been certain material adverse changes in the business, assets, liabilities, financial or trading position, profits or operational performance of TUI Travel or its associated undertakings or any other body corporate, partnership, joint venture or person in which TUI Travel and all such undertakings (aggregating their interest) have a direct or indirect interest of 20% or more of the total voting rights conferred by the equity share capital (the "**TUI Travel Group**"). We may invoke this "material adverse change" condition to the TUI Merger causing it not to proceed, only if the UK Panel on Takeovers and Mergers (the "**Panel**") is satisfied that the circumstances giving rise to that condition not being satisfied are of material significance to the Company in the context of the TUI Merger. In making this determination, the Panel will require there to be an adverse change of very considerable significance striking at the heart of the purpose of the transaction. In practice, it is highly unlikely that we would be able to invoke the material adverse change condition. As a result, the conditions may provide us less protection than conditions which may be customarily be received when acquiring a company not subject to the City Code on Takeovers and Mergers in the United Kingdom (the "**Code**"). If a material adverse change affecting the TUI Travel Group was to occur and the Panel did not allow us to invoke a condition that would cause the TUI Merger not to proceed, the market price of the Company's Shares could decline or our business, financial condition or results of operations could be materially adversely affected.

The integration of the TUI Travel Group into the TUI Group may not be successful or take longer and be more expensive than anticipated.

The Company's future prospects may, in part, be dependent upon the Company's ability to integrate the Group and the TUI Travel Group successfully and any other businesses that it may acquire in the future without material disruption to the existing business including as a result of the integration of IT and operational systems. In particular, TUI Travel is heavily reliant on legacy systems, processes and structures, which, in some cases, are outdated, complex and inefficient, which would need to be migrated to the combined group's system.

The integration process following the completion of the TUI Merger may be complex. Successful integration will require a significant amount of management time and thus may affect or impair the ability of the management team of the Company to run the business effectively during the period of implementation. This integration may take longer than expected, or difficulties relating to the integration, of which the Company's Executive Board is not yet aware, may arise, including if any significant TUI Travel contracts are terminated as a result of the TUI Merger. In addition, there can be no assurance that the actual cost of the expected savings program will not exceed the cost estimated by the Company. Furthermore, the Company may not be able to retain personnel with the appropriate skill set for the tasks associated with the implementation program. This could adversely affect implementation of the Company's plans. In such circumstances, the profitability of the Company could be adversely affected, which could have a negative impact on the price of the Company's shares.

Expected synergies and growth opportunities from the TUI Merger may not be fully realized.

The Company believes that the TUI Merger is justified in part by the business growth opportunities, margin benefits and other synergies. The Company expects to achieve by combining its operations with

TUI Travel potential cost savings of at least €45 million (£36 million) *per annum*. Based on the Group's tax calculation for the financial year ended September 30, 2013 a cash tax benefit of €35 million (£28 million) would have been achieved had the two businesses been combined in that year. In addition, the integration of Inbound Services into the Mainstream tourism business is expected to deliver annual net cost savings of €20 million (£16 million). If the Company's strategies and business plan following the TUI Merger fail to achieve the anticipated operational and financial synergies and other benefits or if the anticipated synergies and other benefits take longer or cost more to achieve, the profitability of the Company could be significantly impaired.

Growth opportunities are a key driver for the TUI Merger. The expected additional growth opportunities including in relation to the Mainstream tourism business, the accelerated broadening of the portfolio of unique holiday experiences, the future expansion of TUI AG's core hotel and cruise activities and integrated yield management, and growth in proportion of unique holidays may not materialize and the assumptions upon which they were based may prove to be incorrect.

Following the TUI Merger, the Company may also face challenges with: redeploying resources in different areas of operations to improve efficiency; minimizing the diversion of management attention from ongoing business concerns; and addressing possible differences between the Company's business culture, processes, controls, procedures and systems and those of TUI Travel. Additionally, the TUI Merger might affect the relationship that the Company or TUI Travel have with suppliers and business partners, and affect business performance and potential growth opportunities.

The execution of the Scheme could cause the market price of the Company's Shares to decline

The market price of the Company's Shares (including the New TUI Shares) may decline as a result of the Scheme, among other reasons, if the effect of the TUI Merger on the Company's and TUI Travel's financial results is not consistent with the expectations of analysts or investors; or the Company's shareholders or former TUI Travel shareholders sell a significant number of the Company's Shares after completion of the TUI Merger.

Risks Relating to the Shares and the Listing

As a holding company the Company and its ability to meet its obligations and to pay dividends depends on its subsidiaries' ability to generate turnover and to provide it with funds.

The Company functions as a holding company for our Group, has no material independent operations of its own and derives substantially its entire consolidated turnover from its operating subsidiaries. Consequently, the Company's cash flows and its ability to meet its obligations and to pay dividends is dependent upon the profitability and cash flow of its subsidiaries and payments by such subsidiaries to the Company in the form of loans, dividends, fees, rental payments, or otherwise. The ability of TUI Travel and our other subsidiaries, as well as Hapag-Lloyd, to make payments to the Company may be restricted by, among other things, applicable corporate and other laws and regulations and by the terms of covenants and restrictions contained in financing agreements to which TUI Travel and our other subsidiaries, as well as Hapag-Lloyd, are or will be a party. In addition to any limitations on payment to the Company contained in such agreements, any failure to comply with the covenants and restrictions contained in such agreements could trigger defaults under those agreements which could delay or preclude the distribution of dividend payments or any other similar payments to the Company.

The Company has access to the cash flows of Hapag-Lloyd only to the extent that it receives dividends. Such dividends are received in proportion to its economic interest, which is 22.04% as of the date of this Prospectus, and are limited by the financing agreements referred to above. However, following the pending merger of Hapag-Lloyd with CSAV the 22.04% stake will be diluted to approximately 14.0%.

The interests of our principal shareholder may be inconsistent with the interests of other shareholders.

According to the notices made available to the Company in accordance with the German Securities Trading Act (*Wertpapierhandelsgesetz*), our largest shareholder is S-Group Travel Holding GmbH, a company which is ultimately controlled by Alexey Mordashov, with direct or indirect holdings of 23.41% of the issued share capital of the Company as of the date of this Prospectus. In addition, Unifirm Limited, a limited liability company incorporated under the laws of Cyprus, holds approximately 2.72% of the issued share capital of TUI AG. The Company believes that Unifirm Limited is also ultimately controlled by Alexey Mordashov. As a result, companies ultimately controlled by Mr. Mordashov may have direct or indirect power, among other things, to veto certain fundamental corporate decisions and, depending on the presence levels at our shareholders' meetings, to pass other corporate resolutions regarding our legal and capital structure. Although Mr. Mordashov's indirect shareholdings in the Company will decrease as a result of the TUI Merger, he is expected to remain our principal shareholder and, as such, may also be able to exert significant influence on the Company and the Group after completion of the TUI Merger. The interests of our principal shareholder could conflict with the interests of our other shareholders. In addition, our principal shareholder may, in the future, own businesses that directly compete with ours in certain respects or do business with us.

Future sales or anticipated sales of a substantial number of shares or similar transactions conducted by our principal shareholders or other shareholders could cause the price of the Company's shares to fall significantly.

Due to the relatively high combined shareholding of our principal shareholders S-Group Travel Holding GmbH and Unifirm Limited, which are both ultimately controlled by Alexey Mordashov and RIU Hotels S.A., the share price for the Company's shares could decline significantly if our principal shareholders were to sell a substantial portion of their shares in the market following the successful completion of the scheme of arrangement or if the market expects such sales. Likewise, the price for the Company's shares could decline substantially if other shareholders sell a large number of shares in the market or investors expect such sales.

The price of the Company's shares has been, and may continue to be, volatile.

The price and the trading volume of the Company's shares is determined by supply and demand for its shares, which is influenced by a variety of factors, including, but not limited to, earnings expectations of investors and the reporting of results by the Company or its competitors, changes in earnings projections and investments recommendations by analysts, changes in macroeconomic conditions, or general market volatility. Over the past five years, the Company's shares, which are listed on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and were included in the German mid-cap index MDAX, have traded as low as €3.11 and as high as €14.16. General market conditions or a global or local downturn in equities markets could cause the price of the Company's shares to decline significantly, even if the Group's business, its prospects or earnings outlook have not changed. Certain developments, such as a significant decline in share price or a lack of trading liquidity, could also lead to an exclusion of the Company's shares from indices in which its shares are included, which could add additional selling pressure on the Company's shares with a corresponding decline of the price for the Company's shares.

Future offerings of debt or equity securities or debt securities convertible into equity of the Company could have a negative effect on the price of the Company's shares, and future capital measures could substantially dilute existing shareholders' interests in the Company.

In the future, the Company may need additional capital to finance its business operations and growth. It may therefore seek to raise capital through offerings of debt securities (potentially including convertible debt securities) or additional equity securities. The same is true for any future acquisitions of or investments in other companies made with newly issued shares of the Company or the exercise of stock options by the employees in the context of equity compensation programs. The issuance of additional equity securities or securities with a right to equity conversion would dilute the economic and voting rights of existing shareholders if and to the extent that subscription rights are not offered to and exercised by the existing shareholders. Such capital measures could also have negative effects on the price of the Company's shares.

The Company's historical earnings, cash flows and other historical financial data are not necessarily predictive of its earnings or its other key financial figures going forward.

The financial information discussed in this Prospectus and the financial statements that have been reproduced herein relate to the TUI Group's performance in past periods. The Group's future development and performance may, however, deviate significantly from past results. The historical earnings and other historical financial data are therefore not necessarily predictive of the Group's earnings or other key financial performance indicators going forward.

The rights of shareholders in a German stock corporation may differ from the rights of shareholders in companies organized under the laws of other jurisdictions.

TUI AG is a company organized under the laws of Germany. The rights of shareholders in a German company are based on its articles of association and applicable laws and regulations and may differ from the rights of shareholders of stock corporations organized under the laws of other jurisdictions. As such, it may be difficult or impossible to enforce rights against the Company that may be common in other jurisdictions.

The admission of the New TUI Shares to listing on the regulated market of the Frankfurt Stock Exchange and of all of the Company's shares to listing on the Official List of the UK Listing Authority and to trading on the London Stock Exchange may not occur when expected.

The Company intends to have the New TUI Shares admitted to trading and included in the listing of its existing shares on the regulated market with additional post-admission obligations (*Prime Standard*) of the Frankfurt Stock Exchange as well as to the regulated markets of the stock exchanges in Berlin, Düsseldorf, Hamburg, Hanover, Munich and Stuttgart. The Company also intends to have all of its Shares admitted to listing on the premium listing segment of the Official List of the UK Listing Authority and to trading on the main market of the London Stock Exchange. Following admission of its shares to listing on the premium listing segment of the Official List of the UK Listing Authority and trading on the main market of the London Stock Exchange, the Company intends to delist its shares from the regulated market with additional post-admission obligations (*Prime Standard*) of the Frankfurt Stock Exchange and from the regulated markets of the stock exchanges in Düsseldorf, Hamburg, Hanover, Munich and Stuttgart. Until the New TUI Shares to be offered hereunder are admitted to trading on the regulated market of the Frankfurt Stock Exchange, they will not be fungible with the Company's existing shares and will trade under a separate ISIN. There is no assurance that the listing on the regulated market of the Frankfurt Stock Exchange will take place when anticipated, nor is there any assurance that the admission to the premium listing segment of the Official List of the UK Listing Authority and to trading on the main market of the London Stock Exchange will take place when anticipated.

There is no guarantee that the Shares will be included in market indices as a foreign admitted company trading on the main market of the London Stock Exchange.

The Company intends to make an application for the inclusion of the Shares in the FTSE UK Index Series. As announced by FTSE on August 5, 2014, following consultation with the FTSE Nationality Advisory Committee and in conjunction with the FTSE Nationality rules and based on the terms of the TUI Merger as set out in the announcements by TUI AG and TUI Travel on June 27, 2014, FTSE would allocate the TUI Group a UK classification for FTSE index inclusion purposes. However, there can be no assurance that such formal application will be successful, or that any conditions applied by the FTSE Nationality Committee will be acceptable to the Company or capable of satisfaction, and that the Shares will be listed in the FTSE UK Index Series or any other such market index. The FTSE Nationality Committee exercises an element of discretion in determining whether a company is eligible for inclusion, and such discretion relates to matters outside of the Company's control. There is no certainty that the FTSE UK Index Series eligibility criteria will be achieved or that the benefits associated with FTSE UK Index Series inclusion will be available to the Company. Even if the Shares are ultimately included in the FTSE UK Index Series, there is no assurance that FTSE will not publish new guidance in the future regarding non-UK incorporated companies or that new laws and regulations, or amendments to existing laws and regulations, are not introduced that could result in the removal of the Shares from the FTSE UK Index Series.

There can be no assurance that an active trading market for the Shares will develop or be sustained in the United Kingdom.

Prior to the TUI Merger, there will have been no public trading market for the Company's shares in the United Kingdom. Although the Company's existing shares are listed in and traded on the regulated market of the Frankfurt Stock Exchange with additional post-admission obligations (*Prime Standard*) as well as to the regulated markets of the stock exchanges in Berlin, Düsseldorf, Hamburg, Hanover, Munich and Stuttgart, there can be no assurance that an active trading market for the shares will develop in the United Kingdom or, if it develops, will be sustained following admission to listing on the premium listing segment of the Official List of the UK Listing Authority and to trading on the main market of the London Stock Exchange. If an active trading market does not develop or is not maintained, the liquidity and price of the shares in the United Kingdom could be adversely affected and investors may have difficulties selling their shares in the United Kingdom.

Holders of TUI AG DIs will be subject to the applicable DI arrangements.

As TUI AG Shares are German securities, they are not eligible to be settled directly within CREST. CREST is the electronic settlement system for United Kingdom and Irish securities operated by Euroclear UK & Ireland Ltd which allows trades in securities listed on the Official List of the UK Listing Authority to be settled. In order to enable settlement in CREST, the Company intends to enter into depositary arrangements which will enable investors to hold and settle TUI AG Shares in CREST in the form of DIs. DIs represent entitlements to underlying non-UK shares (in this case, TUI AG Shares).

TUI AG DIs will represent entitlements to the Company's Shares. Holders of TUI AG DIs will only be able to exercise their rights attached to TUI AG DIs by instructing Capita IRG Trustees Limited (the "**Depositary**") to exercise these rights on their behalf and, therefore, the process for exercising rights (including the right to vote at general shareholders' meetings and the right to subscribe for new TUI AG Shares on a pre-emptive basis) will take longer for holders of TUI AG DIs than for holders of TUI AG Shares. Consequently, the Depositary will set a deadline for receiving instructions from all TUI AG DI holders regarding the relevant Company corporate event. The holders of TUI AG DIs may be granted shorter periods in which to exercise the rights carried by the TUI AG DIs than the TUI AG Shareholders have in which to exercise rights carried by TUI AG Shares. The Depositary will not exercise voting rights in respect of TUI AG DIs for which it has not received voting instructions within the established term.

GENERAL INFORMATION

Responsibility Statement

TUI AG, Berlin and Hanover, Germany ("**TUI AG**" or the "**Company**") and Deutsche Bank Aktiengesellschaft, Frankfurt am Main, Germany ("**Deutsche Bank**" or the "**Listing Agent**") assume responsibility for the contents of the prospectus (the "**Prospectus**") pursuant to Section 5 (4) of the German Securities Prospectus Act (*Wertpapierprospektgesetz* or WpPG) and declare that the information contained in this Prospectus is, to the best of their knowledge, correct and contains no material omissions.

TUI AG together with its consolidated subsidiaries is referred to herein as the "**Group**", the "**TUI Group**", "**TUI**" or "**we**").

If any claims are asserted before a court of law based on the information contained in this Prospectus, the investor appearing as plaintiff may have to bear the costs of translating the Prospectus prior to the commencement of the court proceedings pursuant to the national legislation of the member states of the European Economic Area.

The information in this Prospectus will not be updated subsequent to the date hereof except for any significant new event or significant error or inaccuracy relating to the information contained in this Prospectus that may affect an assessment of the securities and occurs or comes to light following the approval of the Prospectus, but before the completion of the public offering or admission of the securities to trading, whichever is later. These updates must be disclosed in a Prospectus supplement in accordance with Section 16 (1) sentence 1 of the German Securities Prospectus Act (WpPG).

Purpose of this Prospectus

This Prospectus relates to the offer to the public in the Federal Republic of Germany and the application for admission to trading on the regulated market of the Frankfurt Stock Exchange with the simultaneous admission to the sub-segment of the regulated market of the Frankfurt Stock Exchange with additional post-admission obligations (*Prime Standard*) as well as to the regulated markets of the stock exchanges in Berlin, Düsseldorf, Hamburg, Hanover, Munich and Stuttgart of up to 267,270,189 ordinary registered shares of the Company from a capital increase against contribution in kind expected to be resolved by the Company's extraordinary shareholders' meeting on October 28, 2014 (the "**New TUI Shares**"). This Prospectus also relates to the application for admission of the up to 320,061,082 (maximum number of shares on a fully diluted basis) existing ordinary registered shares of the Company and the New TUI Shares (the "**Existing Shares**" and, together with the New TUI Shares, the "**Shares**") to the premium listing segment of the Official List of the UK Listing Authority and to trading on the main market of the London Stock Exchange, each such Share with no par value and representing a notional value of approximately €2.56 and with full dividend rights.

The Company has requested that the BaFin provide the UK Listing Authority (as the competent authority under the Financial Services and Markets Act 2000, as amended ("**FSMA**")) with a certificate of approval attesting that this Prospectus has been drawn up in accordance with the German Securities Prospectus Act (WpPG) and Commission Regulation (EC) No. 809/2004 of April 29, 2004, as amended (the "**Prospectus Regulation**").

Admission to Trading in Germany and the United Kingdom, Listing and Commencement of Trading

The Company intends to apply for admission of the New TUI Shares to trading on the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market of the Frankfurt Stock Exchange with additional post-admission obligations (*Prime Standard*) as well as to the regulated markets of the stock exchanges in Berlin, Düsseldorf, Hamburg, Hanover, Munich and Stuttgart. In addition, the Company expects to apply for the admission of all Shares to the premium listing segment of the Official List of the UK Listing Authority and to trading on the main market of the London Stock Exchange. For further information on the admission of the Company's Shares to the premium listing segment of the Official List of the UK Listing Authority and to trading on the main market of the London Stock Exchange, see "*Information on the TUI Merger and Description of the Scheme Of Arrangement and the Offer—Issue of DIs representing entitlements to New TUI Shares and Existing Shares*".

Following the admission of the Company's Shares on to the premium listing segment of the Official List of the UK Listing Authority and to trading on the main market of the London Stock

Exchange, the Company intends to apply to delist its Shares from the regulated market of the Frankfurt Stock Exchange and the stock exchanges in Berlin, Düsseldorf, Hamburg, Hanover, Munich and Stuttgart. Such delisting would be undertaken to ensure that the Company's Shares are eligible for inclusion in the FTSE UK Index Series. In conjunction with the planned delisting, the Company intends to seek a secondary market quotation of its Shares on the Open Market of the Frankfurt Stock Exchange, which is neither an official market segment nor an EU regulated market. Such Open Market quotation would be effected in order to provide German investors with the opportunity to trade their Shares in the Company in euro on a German stock exchange.

It is expected that admission of the New TUI Shares to trading on the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and admission to the sub-segment of the regulated market of the Frankfurt Stock Exchange with additional post-admission obligations (*Prime Standard*) as well as to the regulated markets of the stock exchanges in Berlin, Düsseldorf, Hamburg, Hanover, Munich and Stuttgart will occur within two Business Days (as defined below) of the date the Scheme becomes effective (the "**Scheme Effective Date**") and that New TUI Shares will be included on such stock exchanges within five Business Days (as defined below) following the Scheme Effective Date. It is expected that admission to the premium listing segment of the Official List of the UK Listing Authority will become effective and that dealings for normal settlement in the TUI AG DIs (as defined below) will commence on the London Stock Exchange within two Business Days (as defined below) of the Scheme Effective Date. Further details on the issuance of TUI AG DIs (as defined below) can be found at "*Information on the TUI Merger and Description of the Scheme Of Arrangement and the Offer—Issue of DIs representing entitlements to New TUI Shares and Existing Shares*". For the purposes of this Prospectus, a "**Business Day**" means a day on which both the Frankfurt Stock Exchange and the London Stock Exchange are open for business.

Information on the Shares

Voting Rights

Each of the Shares carries one vote at the Company's shareholders' meeting. There are no restrictions on voting rights with respect to the Company's Shares.

Dividend and Liquidation Rights

The New TUI Shares will rank *pari passu* in all respects with the Existing Shares, other than in respect of dividend rights for the financial year ended September 30, 2014, as the New TUI Shares will not be entitled to a dividend for the financial year ended September 30, 2014. The TUI Travel Shareholders will receive (subject to compliance with applicable law) a second interim dividend (including a dividend in lieu of the final dividend) for the financial year ended September 30, 2014 from TUI Travel rather than the Company.

In the event of the Company's liquidation, any proceeds will be distributed to the Company's shareholders in proportion to their interest in the Company's share capital.

Form and Certification of the Shares

All Shares of the Company are ordinary registered shares with no par value. The Existing Shares are and the New TUI Shares will be represented by global share certificates with global dividend coupons, which have been, or with respect to the New TUI Shares will be, deposited with Clearstream Banking Aktiengesellschaft, Mergenthalerallee 61, 65760 Eschborn, Germany.

Trades in Shares of the Company (being German securities), are not capable of being settled within the CREST system (the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear UK & Ireland Ltd in accordance with the UK Uncertificated Securities Regulations 2001). Accordingly, in order to allow settlement within CREST, the Company intends to enter into depositary arrangements which will enable investors to hold Shares in the form DIs which are issued by Capita IRG Trustees Limited. DIs represent entitlements to underlying non-United Kingdom shares (in this case the Company's DIs ("**TUI AG DIs**") will represent entitlements to the Company's Shares) and each TUI AG DI will represent an entitlement to one Share in the Company.

ISIN/WKN/Common Code/Ticker Symbol

International Securities Identification Number (ISIN) for Existing Shares	DE000TUAG000
German Securities Identification Number (*Wertpapierkennnummer*, WKN) for Existing Shares	TUAG00
Ticker Symbol for Existing Shares on the Frankfurt Stock Exchange	TUI1
Ticker Symbol for Existing Shares on the London Stock Exchange	TUI
International Securities Identification Number (ISIN) for New TUI Shares	DE000TUAG265
German Securities Identification Number (*Wertpapierkennnummer*, WKN) for New TUI Shares	TUAG26
Ticker Symbol for New TUI Shares on the Frankfurt Stock Exchange and the London Stock Exchange	TUIJ

Transferability of the Company's Shares

The Company's Existing Shares and the New TUI Shares are, or, as the case may be, will be, freely transferable in accordance with the legal requirements for ordinary registered shares (for more information, see "*Description of the Company's Share Capital—Issued Share Capital and Shares*" and "*Description of the Company's Share Capital—Form, Share Certificates and Transferability of the Shares*"). A person holding TUI AG DIs through CREST will be able to transfer those TUI AG DIs in accordance with the relevant rules and practices of CREST (subject to any legal restrictions on any transfer in any jurisdiction) (for more information, see "*Information on the TUI Merger and Description of the Scheme Of Arrangement and the Offer—Issue of DIs representing entitlements to New TUI Shares and Existing Shares*").

Costs of the Offering and Listing

The costs related to the offering and listing of the Shares (total costs of the Group in connection with the TUI Merger) are expected to total approximately €56.3 million, including listing fees payable to the Listing Agent of €700,000.

Interests of Persons involved in the Offering and Listing

The Company and, as the case may be, its current and future shareholders, including the current minority shareholders of TUI Travel, have an interest in the Offer and listing of the Shares. The Company is not aware of any conflicting interests in this regard.

Deutsche Bank as Listing Agent has a contractual relationship with the Company in connection with the listing of the Shares. Deutsche Bank assists the Company in connection with the listing of the Shares and receives a listing fee.

Dilution

On a fully diluted basis (i.e., taking into account all potential dilutions from outstanding convertible bonds), the Company has 320,061,082 shares outstanding. Subject to the TUI Merger becoming effective, it is expected that, on a fully diluted basis (i.e., taking into account all potential dilutions resulting from outstanding convertible bonds), up to 267,270,189 New TUI Shares will be issued. If the TUI Merger becomes effective and the maximum expected number of New TUI Shares is issued, the existing shareholders of the Company will therefore suffer an immediate dilution as a result of the TUI Merger, following which they will own securities representing, on a fully diluted basis, approximately 54% of the Company's issued share capital.

On a consolidated IFRS basis, the equity of the Company before non-controlling interests and the book value of the Hybrid Capital (the "**Net Book Value**") as of June 30, 2014 amounted €1,413.4 million or €4.42 per share (based on 320,061,082 outstanding shares on a fully diluted basis).

If the Direct Capital Increase had already been implemented as of June 30, 2014, a Net Book Value of €−799.3 million would have accrued to the Company from the Direct Capital Increase, as the TUI Merger is a transaction within a fully consolidated group among equity holders under which non-controlling interests attributable to the Scheme Shareholders of €−739.8 million (portion attributable to TUI Travel of the non-controlling interest of €−303.7 million shown in the Company's consolidated financial statements as of June 30, 2014) would have been reclassified into the Net Book Value and taking into account the expected total costs in connection with the TUI Merger of approximately

€59.5 million after tax (corresponding to approximately €85 million before tax). Such negative Net Book Value contribution primarily results from losses of TUI Travel in the first nine months of the financial year ended September 30, 2014 due to the seasonal nature of its business. Had the Direct Capital Increase already been implemented as of June 30, 2014, the Net Book Value would therefore have amounted to €614.1 million or €1.05 per share (based on the maximum total number of 587,331,271 shares outstanding on a fully diluted basis after the implementation of the Direct Capital Increase).

This would have represented a direct decrease in the Net Book Value of €3.37 per share (difference between the Net Book Value of €4.42 per share prior to the Direct Capital Increase and the Net Book Value of €1.05 per share after the implementation of the Direct Capital Increase) or 76.3% for the Company's existing shareholders.

Based on non-controlling interests attributable to the Scheme Shareholders as of June 30, 2014 of €−739.8 million or €−2.77 per share (based on the maximum number of 267,270,189 New TUI Shares to be issued to the Scheme Shareholders) prior to the implementation of the Direct Capital Increase, had the Direct Capital Increase already been implemented as of June 30, 2014, this would have represented a direct increase in non-controlling interests attributable to the Scheme Shareholders of €3.82 per share (difference between the non-controlling interests attributable to the Scheme Shareholders of €−2.77 per share prior to the Direct Capital Increase and the Net Book Value of €1.05 per share after the implementation of the Direct Capital Increase) for the Scheme Shareholders.

Designated Sponsors

Deutsche Bank Aktiengesellschaft, Taunusanlage 12, 60325 Frankfurt am Main, Germany (the "**Designated Sponsor**") has agreed to assume the function of a designated sponsor of the Company's Shares traded on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) for a period of one year. Pursuant to the designated sponsor agreement, the Designated Sponsor will place limited buy and sell orders for the Company's Shares in the electronic trading system of the Frankfurt Stock Exchange during regular trading hours for purposes of achieving a certain level of liquidity in the trading of the Company's Shares.

Deutsche Bank AG, London Branch has been appointed as sponsor to the Company in connection with the application for admission of its Shares to the premium listing segment of the Official List of the UK Listing Authority and to trading on the main market of the London Stock Exchange in accordance with LR8.2.1R of the UK Financial Conduct Authority's listing rules (the "**Listing Rules**" or "**LRs**").

Paying and Registration Agent

The paying and registration agent for the Company's shares is Deutsche Bank Aktiengesellschaft, Taunusanlage 12, 60325 Frankfurt am Main, Germany.

Statutory Auditors

PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Fuhrberger Straße 5, 30625 Hanover ("**PwC**") audited the consolidated financial statements for TUI AG prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**") and the additional requirements of German commercial law pursuant to Section 315a para. 1 of the German Commercial Code (*Handelsgesetzbuch* or HGB) as of and for the financial years ended September 30, 2013, 2012 and 2011, as well as the unconsolidated financial statements of TUI AG prepared in accordance with the German Commercial Code (*Handelsgesetzbuch* or HGB) for the financial year ended September 30, 2013 and issued in each case an unqualified auditor's report. The interim consolidated financial statements as of and for the nine-month period ended June 30, 2014 were also audited by PwC. PwC is a member of the German Chamber of Public Accountants (*Wirtschaftsprüferkammer*), Rauchstraße 26, 10787 Berlin, Germany.

Inspection of Documents

The following documents will be available for inspection during regular business hours at the offices of the Company, Karl-Wiechert-Allee 4, 30625 Hanover, Germany:

- the articles of association of TUI AG, (the "**Articles of Association**");
- the audited interim consolidated financial statements of TUI AG prepared in accordance with IFRS for the nine-month period ended June 30, 2014;

- the audited consolidated financial statements of TUI AG prepared in accordance with IFRS for the financial years ended September 30, 2013, 2012 and 2011; and
- the audited unconsolidated financial statements of TUI AG prepared in accordance with the German Commercial Code (HGB) for the financial year ended September 30, 2013.

Forward-Looking Statements

This Prospectus contains certain forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts or events or to facts or events as of the date of this Prospectus. This applies, in particular, to statements in the Prospectus containing information on future financial results, plans, assumptions, estimates, opinions and expectations regarding TUI's business and management, its future growth and profitability, general economic and regulatory conditions affecting TUI, and other matters. Statements made using words such as "anticipates", "endeavors", "estimates", "expects", "forecasts", "intends", "plans" or "predicts" may be an indication of forward-looking statements.

Forward-looking statements are based on current estimates and assumptions made by the Company to the best of its present knowledge. The occurrence or non-occurrence of any number of contingencies could cause actual results, including TUI's financial condition and results of operations, to differ materially from, or disappoint expectations expressed or implied by, such forward-looking statements. TUI's business activities are subject to a number of risks and uncertainties that could also cause a forward-looking statement, assumption, estimate, expectation, opinion or prediction to become inaccurate. Accordingly, investors are strongly advised to read the sections entitled "*Risk Factors*", "*Operating and Financial Review*", "*Recent Developments and Outlook*", "*Business Description*", "*Industry and Competitive Environment*" and "*Regulation*" which include more detailed descriptions of factors that might have an impact on TUI's business development and the markets in which it operates.

In light of the risks, uncertainties and assumptions, it is possible that the future events mentioned in this Prospectus may not occur, or that unforeseen circumstances or events occur, and, in addition, that forward-looking estimates and forecasts derived from third-party studies (see "*—Accounting Regulations and Financial Information*" and "*—Information Derived from Third Parties*") may prove to be inaccurate. Actual results, performance or events may differ materially from those in such statements due to, without limitation:

- Changes in general economic conditions, in particular economic conditions in the core markets of TUI;
- General conditions in the financial markets and the ability of TUI to secure sufficient funding at acceptable terms;
- Entry of new competitors in the markets in which TUI operates;
- Changes affecting currency exchange and interest rates;
- Changes in laws, regulations, taxation regimes and accounting principles;
- Failure to successfully execute the Company's growth strategy, and
- Failure to hire or retain key employees and/or creative talent.

As a result, neither the Company nor its Executive Board, nor the Listing Agent can give any assurance regarding the future accuracy of the opinions set forth in this Prospectus or as to the actual occurrence of any predicted developments. Neither the Company nor the Listing Agent assumes any obligation to update such forward-looking statements or to adjust them to reflect future events or developments, save as required by law (in particular, the obligation to publish supplements pursuant to Section 16 (1) of the German Securities Prospectus Act (WpPG)).

Accounting Regulations and Financial Information

Unless otherwise indicated, all financial information contained in this Prospectus has been derived from the Company's consolidated financial statements prepared in accordance with IFRS, from the Company's interim consolidated financial statements prepared in accordance with IFRS or from its accounting records. To the extent that this Prospectus contains financial information derived from the unconsolidated financial statements of TUI AG, the Group's parent company, prepared in accordance with the German Commercial Code (HGB), this has been referenced accordingly.

Financial data in thousands and millions, and percentage figures in this Prospectus have been rounded commercially. Commercially rounded total and sub-total figures in tables may differ marginally from unrounded figures indicated elsewhere in this Prospectus. Moreover, commercially rounded individual figures and percentages may not produce the exact arithmetic totals and sub-totals indicated in the tables or elsewhere in this Prospectus.

All currency figures shown in this Prospectus are in euros, unless otherwise indicated by a different currency designation or symbol preceding the relevant figure.

Parentheses around any figures in the tables indicate negative values with respect to financial data set out in the prospectus, a dash ("—") signifies that the relevant figure is not available, while a zero ("**0**") signifies that the relevant figure is available but is, or has been rounded to, zero.

Information Derived from Third Parties

This Prospectus contains a number of references to data and studies prepared by third parties on such topics as the development of the tourism industry and the markets in which the Company operates, and related matters. This information has been accurately reproduced and as far as the Company is aware and is able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Investors are nevertheless advised to consider the information derived from third parties with caution. Market studies are often based on information or assumptions that may not be accurate or appropriate or may not reflect current market conditions, and their methodology is inherently predictive and speculative. Such data is based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market. Therefore, investors should note that certain estimates of the Company are based on such third-party market studies. TUI and the Listing Agent have not independently verified the figures, market data or other information on which third parties have based their studies, and therefore accept no liability that the information derived from third parties contained in this Prospectus is correct.

Unless a different source is explicitly indicated, all information is derived from internal Company sources.

The Company believes that its estimates of market and other data and the information it has derived from such data is helpful for analyzing the industry in which the Group operates. While the Company's own estimates have not been reviewed or verified externally and no warranty is given for the accuracy of these estimates or the information derived therefrom, the Company nevertheless believes that they are reliable. The Company's estimates may differ from estimates made by competitors of the Group or from future studies conducted by market research institutes or other independent sources.

The following sources were used in the preparation of this Prospectus:

- UNWTO, PR 14034, May 2014;
- UNWTO, Tourism Highlights, 2014 Edition;
- FVW, Dossier, Deutsche Veranstalter, 2013;
- Mintel, European Leisure Travel Industry, September 2013;
- DRV/CLIA Deutschland Der Hochsee-Kreuzfahrtmarkt Deutschland 2013;
- Mintel, Cruises-International, June 2014;
- PhocusWright, German Online Travel Overview Ninth Edition, December 2013; PhocusWright European Online Travel Overview Ninth Edition, December 2013;
- UNWTO, World Tourism Barometer, April 2014;
- UNWTO, World Tourism Barometer, June 2014
- Euromonitor Data as of 24/07/2014;
- © Euromonitor International 2013;
- Global Hotel Review, STR Global, November 2013

- Deloitte, Hospitality 2015
- CLIA Europe, Statistics and Markets, 2013
- European Cruise Council 2012/2013 Report
- MDS Transmodal, July 2014
- Reader's Digest Trusted Brands 2006-2014

Overseas Shareholders

United States

The New TUI Shares have not been, and will not be, registered under the US Securities Act or under the securities laws of any state, district or other jurisdiction of the United States. Accordingly, the New TUI Shares may not be offered, sold, resold, delivered, distributed or otherwise transferred, directly or indirectly, in, into or from the United States absent registration under the US Securities Act or an exemption from registration.

The New TUI Shares will be issued in reliance upon an exemption from the registration requirements of the US Securities Act provided by Section 3(a)(10) thereof.

For the purpose of qualifying for the exemption from the registration requirements of the US Securities Act provided by Section 3(a)(10) of that Act with respect to the New TUI Shares issued pursuant to the Scheme, TUI Travel will advise the UK Court that the Company will rely on the Section 3(a)(10) exemption based on the UK Court's sanctioning of the Scheme, which will be relied upon by the Company as an approval of the Scheme following a hearing on its fairness to TUI Travel Shareholders at which hearing all such TUI Travel Shareholders are entitled to attend in person or through counsel to support or oppose the sanctioning of the Scheme and with respect to which notification has been given to all such TUI Travel Shareholders.

The New TUI Shares issued to a TUI Travel Shareholder who was not or will not be an "affiliate" (within the meaning of the US Securities Act) of TUI Travel or the Company prior to, or the Group after, the Scheme Effective Date will not be ''restricted securities'' under the US Securities Act and such New TUI Shares may be sold by such person in ordinary secondary market transactions without restriction under the US Securities Act.

Under applicable US securities laws, a person (whether or not a US person) who is or will be deemed to be an "affiliate" (within the meaning of the US Securities Act) of TUI Travel or the Company prior to, or the Group after, the Scheme Effective Date will be subject to certain US transfer restrictions relating to the New TUI Shares received in connection with the Scheme. Persons who may be deemed to be affiliates of TUI Travel or the Company include individuals who, or entities that, control, directly or indirectly, or are controlled by or are under common control with, TUI Travel or the Company and may include certain officers and directors and principal shareholders (such as, for example, a holder of more than 10 per cent. of the outstanding capital stock). TUI Travel Shareholders who are affiliates may not resell the New TUI Shares received pursuant to the Scheme without registration under the US Securities Act, except pursuant to an applicable exemption from the registration requirements of the US Securities Act, or in a transaction not subject to such requirements. TUI Travel Shareholders who believe they may be affiliates for the purposes of the US Securities Act should consult their own legal advisers prior to any sale of the New TUI Shares received.

The New TUI Shares have not been and will not be listed on a US securities exchange or quoted on any inter-dealer quotation system in the United States. The Company does not intend to take any action to facilitate a market in the New TUI Shares in the United States. Consequently, the Company believes that it is unlikely that an active trading market in the United States will develop for the New TUI Shares.

The New TUI Shares will not be registered under the securities laws of any state of the United States, and will be issued in the United States in compliance with, or in reliance on, available exemptions from such state law registration requirements. Neither the SEC nor any other US federal or state securities commission or regulatory authority has approved or disapproved the New TUI Shares or passed upon the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

TUI Travel Shareholders who are citizens or residents of the United States should consult their own legal and tax advisers with respect to the legal and tax consequences of the Scheme.

The TUI Merger will involve an exchange of securities of a company incorporated under the laws of England and Wales for the securities of another company incorporated under the laws of England and Wales and will be subject to UK disclosure requirements. The TUI Merger is proposed to be made by means of a scheme of arrangement provided for under the laws of England and Wales and is subject to the disclosure requirements and practices applicable in the UK to takeover offers effected by way of schemes of arrangement, which may differ from the disclosure and other requirements of the securities laws of jurisdictions other than the United Kingdom ("**Restricted Jurisdictions**").

Other jurisdictions

This document and any accompanying documents may not be treated as an invitation to acquire or subscribe for any New TUI Shares by any person (an "**Overseas Shareholder**") resident or located in any jurisdiction where local laws or regulations may result in significant risk of civil, regulatory or criminal exposure if information concerning the TUI Merger is sent or made available to TUI Travel Shareholders in that jurisdiction (in accordance with Rule 30.3 of the City Code) ("**Restricted Jurisdictions**") .

The New TUI Shares have not been, and will not be, registered under the applicable securities laws of any Restricted Jurisdiction or the relevant securities laws of Japan and the relevant clearances have not been, and will not be, obtained from the securities commission of any province of Canada. No prospectus in relation to the New TUI Shares has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission. Accordingly, the New TUI Shares may not be offered, sold, delivered or transferred, directly or indirectly, in or into any Restricted Jurisdiction to or for the account or benefit of any national, resident or citizen of any Restricted Jurisdiction.

It is the responsibility of Overseas Shareholders to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection with the issue of New TUI AG Shares, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

If, in respect of any Overseas Shareholder, TUI AG is advised that the issue of New TUI Shares would or might infringe the laws of any jurisdiction outside the United Kingdom, or would or might require TUI AG to obtain any governmental or other consent or effect any registration, filing or other formality with which, in the opinion of TUI AG, it would be unable to comply or which it regards as unduly onerous, TUI AG may in its sole discretion determine that no New TUI Shares shall be issued to such Overseas Shareholder, but that instead those New TUI Shares shall be issued to a nominee appointed by TUI AG, as trustee for such Overseas Shareholder, on terms that they shall be sold on behalf of such Overseas Shareholder as soon as reasonably practicable following the Scheme Effective Date, with the net proceeds of sale (after deduction of all expenses and commissions, including any amount in respect of value added tax payable thereon) being remitted to the Overseas Shareholder concerned (by sending a cheque in sterling) as soon as reasonably practicable after the sale at the risk of such Overseas Shareholder.

Overseas Shareholders should consult their own legal and tax advisers with respect to the legal and tax consequences of the Scheme in their particular circumstances.

INFORMATION ON THE TUI MERGER AND DESCRIPTION OF THE SCHEME OF ARRANGEMENT AND THE OFFER

Introduction

On September 15, 2014, the independent directors ("**Independent Directors**") of TUI Travel plc ("**TUI Travel**") and the Executive Board of the Company announced that they had agreed the terms of a recommended all-share nil-premium merger of TUI Travel and the Company (the "**TUI Merger**"). Peter Long is a director and Chief Executive of TUI Travel and is also a member of the Executive Board of TUI AG. As such, Peter Long is not considered to be an Independent Director of TUI Travel for the purposes of TUI Travel's discussion of, or decisions in relation to, the Merger and has not been involved in or voted on such decisions. Similarly, Peter Long has not participated in decisions in relation to the Merger by the Executive Board of TUI AG. Accordingly, Peter Long has not participated in the formal recommendation of the Merger by the Independent Directors of TUI Travel or the Executive Board of TUI AG. The terms of the TUI Merger will offer holders of TUI Travel Scheme Shares (as defined below) (the "**Scheme Shareholders**") 0.399 New TUI Shares in exchange for each TUI Travel Scheme Share held (the "**Offer**").

It is proposed that the TUI Merger will be effected by way of a scheme of arrangement (the "**Scheme**") of TUI Travel sanctioned by the High Court of Justice in England and Wales (the "**Court**") under Part 26 of the UK Companies Act 2006 (as amended from time to time) (the "**UK Companies Act**"), pursuant to which the Company will acquire the entire issued and to be issued ordinary share capital of TUI Travel not already beneficially owned or controlled by the Company and certain connected parties. Subject to the satisfaction or, where applicable, waiver of the Merger Conditions, including the acceptance of the Offer by a resolution to approve the Scheme being passed by a majority in number of the Scheme Shareholders present and voting (either in person or by proxy) at the TUI Travel Court Meeting representing 75% or more in value of the TUI Travel Scheme Shares held by those Scheme Shareholders, it is expected that the TUI Merger will become effective in December 2014.

As the Company is a company incorporated and registered in Germany, it will be governed by German law. In addition, once the Company's Shares are admitted to the premium listing segment of the Official List of the UK Listing Authority, the Company will need to comply with the UK Corporate Governance Code issued by the UK Financial Reporting Council from time to time (the "**UKCGC**") (or explain non-compliance) and it will also need to comply with the recommendations of the Government Commission of the German Corporate Governance Code (the "**GCGC**") published by the Federal Ministry for Justice in the official section of the German Federal Gazette (or explain non-compliance). For more information on the Company's corporate governance position following the TUI Merger, please see "*Information about TUI AG's Corporate Bodies—Corporate Governance*".

Summary of the Terms of the TUI Merger and the Offer

Under the TUI Merger, which will be subject to certain Merger Conditions and certain further terms, Scheme Shareholders at 6:00 p.m. GMT on the Business Day immediately prior to the date of hearing by the Court of the application to confirm the Reduction of Capital (as defined below) (the "**Scheme Record Time**") will receive:

0.399 New TUI Shares in exchange for each TUI Travel Scheme Share (the "**Exchange Ratio**")

Following the Scheme Effective Date, assuming that the maximum number of the New TUI Shares to be issued in accordance with this Prospectus has been issued by that time, it is expected that TUI Travel Shareholders (other than the Company and certain connected parties) will own securities representing approximately 46% of the Company's issued share capital and existing TUI AG Shareholders will own 54% of the Company, on a fully diluted basis.

Being German securities, the Shares are not capable of being listed or traded directly nor settled through CREST. Accordingly, to allow settlement within CREST, the Company will enter into arrangements with the Capita IRG Trustees Limited (the "**Depositary**") who will create and issue dematerialized depositary interests ("**DIs**") which will represent entitlements to Shares (with each TUI AG DI representing an entitlement to one Share).

For technical legal reasons, all New TUI Shares will be issued to the Capita IRG Trustees Limited (the "**Trustee**"), as trustee for the Scheme Shareholders rather than to the Scheme Shareholders directly. Immediately prior to the admission of all Company Shares to the premium listing segment of the official list of the UK Listing Authority and to the trading on the main market of the London Stock Exchange, Capita IRG Trustees Limited will cease holding the New TUI Shares issued to it in its capacity as Trustee and will, from such time, hold such New TUI Shares in its capacity as Depositary, following which the Depositary will create and issue TUI AG DIs representing entitlements to the New TUI Shares. The Scheme Shareholders will therefore be issued with (and become the registered holders of) TUI AG DIs, rather than New TUI Shares.

No fractions of TUI AG DIs be issued pursuant to the TUI Merger and fractional entitlements will be rounded down to the nearest whole number of TUI AG DIs. Such fractional entitlements will be aggregated and sold in the market by (or on behalf of) the Depositary after the Scheme Effective Date. The net proceeds of such sale will be paid in cash by way of cheque (or for those Scheme Shareholders who hold their Scheme Shares in CREST, their CREST accounts shall be accredited with the relevant sale proceeds). Any amounts of less than £5.00 (net of expenses) will be retained by the Depositary and paid to the Company and therefore the Scheme Shareholders will not receive a cheque or have their CREST account credited in respect of that entitlement due to the administrative costs incurred in doing so. This means that Scheme Shareholders who hold two or fewer Scheme Shares will have their Scheme Shares cancelled, and will not receive any TUI AG DIs pursuant to the Scheme unless they increase their holdings of Scheme Shares on or prior to the Scheme Record Time (although they may receive cash if the net proceeds from the sale of their fractional entitlements amount to £5.00 or more).

The Scheme and the Merger Conditions relating to the TUI Merger are summarized below (see "*—The Scheme and implementation of the TUI Merger*").

Background to the TUI Merger

The Company believes that it owns the most recognized travel brand in Europe. With over 230 hotels and more than 155,000 beds, it also believes that it is Europe's largest holiday hotelier. With seven ships, the Company believes that its cruise operation is one of Europe's most successful. Having rationalized its businesses in recent years, the Company has ambitious growth plans to double the size of its content.

TUI Travel is one of Europe's leading leisure tourism group operating as a single organization with a portfolio of tour operator brands servicing more than 30 million customers. Having differentiated itself from the rest of the industry, its growth is focused on the continued development of unique holidays, which are available exclusively through its brands, distributed directly through its own channels with significant numbers of its customers flying on its modern holiday airline fleet.

The TUI Merger will bring together the content portfolio of hotels and cruise ships of the Company with access to customers through the distribution capability and unique holiday concepts of TUI Travel. It will create an integrated leisure tourism group that is a global leader and capable of delivering a complete customer experience with access to unique holiday content.

Reasons for the TUI Merger

Accelerate growth and future-proof the TUI Group's vertically integrated business model

Opportunity to accelerate long-term growth of the Group by accessing high-quality content on an exclusive basis

The Company believes the TUI Merger will strengthen the TUI Group's fully vertically integrated business model by securing access to hotel and cruise ship content on an exclusive basis for Mainstream customers. Approximately 15% of TUI Travel's total existing mainstream hotel content is currently provided by the Company, with the remainder supplied through its own Hotel & Resorts division (10%) and by third parties (75%).

Enhances certainty of supply for the continued growth of unique holidays

Unique holidays, which can only be bought or are only available from TUI Travel, are fundamental to the business' current success and would remain central to the strategy of the TUI Group. The Company believes unique holidays provide a superior customer offering and competitive advantage versus the Company's competition, through an earlier booking profile and higher levels of customer satisfaction and retention. Approximately 30% of Mainstream's unique holiday content is already supplied by TUI Travel and TUI AG hotels. TUI Travel currently targets a proportion of unique holidays of 76% by the financial year 2016/17, and plans to grow its core unique holidays offering by approximately 60 hotels by the financial year 2018/19. The Company expects the TUI Merger to provide certainty of supply for the continued growth of unique holidays.

Enhances and de-risks "Mainstream" content growth as a result of integration

Further vertical integration means that the TUI Group will have a better understanding of its customers and will therefore be able to develop the right content to fulfill customer requirements. It will also be able to develop new properties more quickly in the knowledge these properties will have direct access to TUI Travel's customers as potential guests, and with potentially higher levels of utilization. The Company believes that the opportunities for de-risked growth, on a global scale, are significant.

The Company currently plans to add more than 30 new hotels and two new cruise ships to its current portfolio by the financial year 2018/19. In addition, the TUI Merger provides the potential for the Group to double the pace of existing Company content growth through further vertical integration, with more than 30 additional hotels and up to two additional new cruise ships. Historic annual performance suggests a potential contribution to EBITA of €1.4 million (£1.1 million) per hotel and a substantial contribution per ship (under the TUI Cruises business model). It is expected that the acceleration of content growth will drive customer and top-line growth for the Group.

The Company believes these developments will enable the TUI Group to attract additional unique content externally since content providers want to be associated with a successful distribution model. The Company also believes this will help to ensure an optimal mix of owned, joint venture, managed and third-party hotels.

Reinforces the Group's competitive advantage versus non-integrated leisure travel businesses through further control over the end-to-end customer experience

TUI Travel already operates as a vertically integrated tour operator, enabling interaction with the customer throughout their holiday experience. This has given the business a competitive advantage versus many of its competitors, such as online travel agents and low-cost carriers, who have a more limited relationship with their customers. Further vertical integration will strengthen this competitive advantage covering the whole holiday experience value chain for customers from research and booking, including pre-trip arrangement, to on-holiday experience and journey, as well as after holiday services.

Deliver significant synergies, increased occupancy and cost savings

Accelerated growth is the key driver for the proposed combination of the Company and TUI Travel. However significant financial benefits are expected in a number of areas as a result of combining the two businesses and focusing on the Mainstream tourism business. As a direct result of the TUI Merger, the independent directors of TUI Travel and the Executive Board (save for Peter Long, who has not participated in discussions of, or decisions in relation to, the TUI Merger) believe that the following benefits are expected to arise:

Corporate streamlining

Recurring cost savings of at least €45 million (£36 million) per annum from corporate streamlining as a result of the TUI Merger. These savings are expected to be achieved progressively following completion of the TUI Merger onwards and to be realized in full by the third full financial year following completion of the TUI Merger.

The major components of the proposed corporate streamlining are cost savings expected to arise from the consolidation of overlapping functions (which are expected to represent more than half of these corporate streamlining cost savings), and the costs that would be saved from moving from a structure with two separate regulated stock exchange listings to one. Estimated one-off cash costs for integration of approximately €45 million (£36 million) are expected to be incurred to achieve these savings.

Cash tax benefits

Recurring cash tax benefits are expected as a result of a unified ownership structure which enables the use of carried forward tax losses and a more efficient tax grouping.

Based on the Group's tax calculations for the financial year ended September 30, 2013, a cash tax benefit of €35 million (£28 million) would have been achieved had the two businesses been combined in that year. For the financial year ended September 30, 2014, this cash tax benefit would have effectively resulted in a decrease in the underlying effective tax rate of the TUI Group of around 7 percentage points from 31% to approximately 24%.

In addition to the benefits arising as a result of the TUI Merger outlined above, the following net benefits have been identified by the independent directors of TUI Travel and the Executive Board (save for Peter Long, who has not participated in discussions of, or decisions in relation to, the TUI Merger) as follows.

Integration of Inbound Services into the Mainstream tourism business

As a consequence of the strategic decision to operate the current Online Accommodation businesses and Specialist & Activity sector of TUI Travel separately from the Mainstream tourism business, additional cost savings have been identified.

Recurring net cost savings of at least €20 million (£16 million) per annum have been identified. These cost savings mainly comprise savings from the consolidation of overlapping functions, property costs and travel expenses. At least €30 million (£24 million) of cost savings are expected to arise as the Mainstream tourism business reorganizes and takes over the management of the Inbound Services business related to Mainstream. These savings are expected to be achieved progressively from completion of the TUI Merger and be realized in full at the end of the third full financial year following the completion of the TUI Merger.

As a further consequence of this proposed reorganization, over time it will become unprofitable for the remaining to continue certain third party commercial agreements with a consequential recurring loss of gross margin of €10 million (£8 million) per annum.

These cost savings could have been achieved independently of the TUI Merger, but the Company's strategy provides now an opportunity to optimize the Group's operating structure and achieve these benefits.

Estimated one-off cash costs of approximately €76 million (£61 million) are expected to be incurred to achieve these savings, which includes €19 million (£15 million) of capital gains tax from the proposed corporate restructuring and indirect taxes.

Increased occupancy from vertical integration

A significant increase in occupancy levels will be achievable following the TUI Merger through joint management of utilization by tour operators and hotels and cruise ships. This is expected to drive further profit improvement.

To illustrate the impact of vertical integration on occupancy levels, following TUI Travel's acquisition from the Company of the Magic Life clubs in July 2011, the ability for TUI Travel to secure the supply of an attractive, differentiated high-quality hotel club product helped increase occupancy across the Magic Life portfolio 77% in the financial year ended September 30, 2011 to a booking level of 85% in the current financial year ending September 30, 2014.

In the financial year ended September 30, 2013, the Company reported an average occupancy level of 80% across its hotel and resort portfolio. Based on internal TUI AG calculations, each 1 percentage point increase in occupancy levels in that year would have resulted in approximately €6.1 million (£4.9 million) of additional EBITA.

Simplification of group structure to unlock value

The Company believes that value creation for both sets of shareholders should result from the creation of a pure play integrated leisure tourism business and from the elimination of the current TUI AG structural discount.

Head Office Location

The TUI Group would be incorporated and headquartered in Germany and would retain its two-tier board structure. All of the envisaged appointments to the Executive Board would be subject to final approval by the Company's Supervisory Board. TUI Group and operational management would continue to be located in multiple locations as the TUI Group continues to draw on the expertise across its markets and the TUI Group would endeavor to optimally utilize the existing talent in both companies.

Irrevocable Undertakings

TUI AG has received irrevocable undertakings to vote in favor of the TUI Merger from the Independent Directors of TUI Travel, their families and related trusts, who hold or are beneficially entitled to TUI Travel Shares representing in aggregate approximately 0,100% of TUI Travel's ordinary share capital in issue on September 12, 2014 (being the last practicable date prior to the date of the announcement made by the Company required under Rule 2.7 of the City Code).

TUI AG has received an irrevocable undertaking to vote in favor of the TUI Merger at the relevant TUI Travel shareholder meetings from Peter Long (who is a director of TUI Travel but not one of the Independent Directors of TUI Travel), his family and related trusts, who hold or are beneficially entitled to TUI Travel Shares, representing in aggregate approximately 0,267% of TUI Travel's ordinary share capital in issue on September 12, 2014 (being the last practicable date prior to the date of the announcement made by the Company required under Rule 2.7 of the City Code).

Friedrich Joussen, Horst Baier and Sebastian Ebel, who are directors of TUI Travel but not Independent Directors of TUI Travel, do not have interests in TUI Travel Shares and neither do their respective families and related trusts.

The Scheme and Implementation of the TUI Merger

It is intended that the TUI Merger will be implemented by way of a UK Court-sanctioned scheme of arrangement between TUI Travel and the Scheme Shareholders, under Part 26 of the UK Companies Act.

The purpose of the Scheme is to provide for the Company to become the holder of the entire issued and to be issued ordinary share capital of TUI Travel not already beneficially owned or controlled by the Company and certain connected parties. This is to be achieved by the cancellation of the TUI Travel Scheme Shares held by Scheme Shareholders involving a reduction of capital, with the application of the reserve arising from such cancellation being used to pay up in full such number of new TUI Travel Shares as is equal to the number of TUI Travel Scheme Shares cancelled, which will be issued to the Company. In consideration, the Scheme Shareholders (on the register of shareholders at the Scheme Record Time) will receive consideration in the form of entitlements to 0.399 New TUI Shares in exchange for each TUI Travel Scheme Share held at the Scheme Record Time. For further details on the issue of the New TUI Shares, see "*—Issue of DIs representing entitlements to New TUI Shares and Existing Shares*".

The TUI Travel Scheme Shares are those TUI Travel Shares:

(a) in issue as of the date the Scheme Document is dispatched to TUI Travel shareholders;

(b) (if any) issued after the date of the Scheme Document and prior to the Scheme Voting Record Time (as defined below); and

(c) (if any) issued on or after the Scheme Voting Record Time and before the Scheme Record Time on terms that holder thereof shall be bound by the Scheme or in respect of which the original or any subsequent holder thereof is or shall have agreed in writing to be bound by the Scheme,

but except of any TUI Travel Shares (i) beneficially owned by the Company or any other member of the TUI Group; or (ii) held by TUI Travel in treasury; or (iii) in respect of which the Company controls the voting rights, in each case immediately prior to the Scheme Record Time.

Summary of the Merger Conditions to the TUI Merger

The TUI Merger is subject to the Merger Conditions and certain further terms, which are summarized below, and will only become effective if, among other things, the following events occur on or before 30 September 2015 or such later date as the Company and TUI Travel agree (with the consent of the Panel and (if required) the UK Court):

(a) a resolution to approve the Scheme being passed by a majority in number of the Scheme Shareholders who are on the register of members of TUI Travel at the time and date specified in the Scheme Document by reference to which entitlement to vote on the Scheme will be determined (the "**Scheme Voting Record Time**") and who are present and voting (and entitled to vote) at a general meeting of the Scheme Shareholders convened by order of the Court pursuant to the UK Companies Act (the "**TUI Travel Court Meeting**"), either in person or by proxy and who represent not less than 75% in nominal value of the TUI Travel Scheme Shares held by those Scheme Shareholders (which, for the avoidance of doubt, does not include the Company or certain connected persons);

(b) the special resolutions to approve the proposed reduction of TUI Travel's share capital under Chapter 10 of Part 17 of the UK Companies Act (the "**Reduction of Capital**"), the alteration of TUI Travel's articles of association and such other matters as may be necessary to implement the Scheme, being duly passed by the requisite majorities of TUI Travel shareholders at a general meeting of TUI Travel's shareholders (the "**TUI Travel General Meeting**");

(c) the resolutions necessary to approve the capital increase of TUI AG pursuant to Section 182 German Stock Corporation Act (*Aktiengesetz* or *AktG*) (the "**Direct Capital Increase**") and the Conditional Capital Increase of TUI AG pursuant to Section 192 German Stock Corporation Act (*Aktiengesetz* or *AktG*) (the "**Conditional Capital Increase**"), each requiring a majority of at least three quarters of the share capital voting on such resolution being passed at the general meeting of the Company (the "**TUI AG EGM**");

(d) in the minutes of the proceedings of the TUI AG EGM in the form of a notarial deed it being recorded that the chairman of the TUI AG EGM announced at the TUI AG EGM that the Company's Shareholders had approved (in each case, with the required majority of share capital voting on such resolution):

  (i) the proposed election of each of the new members of the Supervisory Board of the Company, being certain of the existing independent non-executive directors of TUI Travel, as proposed by the Supervisory Board of TUI AG to the TUI AG Shareholders at the TUI AG EGM; and

  (ii) the proposed resolution regarding the amendment of the charter of the Company (the "**TUI AG Charter**") to allow the Company to appoint one or more chairmen to the Executive Board (as defined in the TUI AG Charter),

  provided that the satisfaction of this condition shall not be affected by any objections or legal actions in respect of any such resolution or election which are raised or initiated or succeed before, during or after the TUI AG EGM;

(e) the resolution of the Direct Capital Increase and the resolution of the Conditional Capital Increase being registered at the commercial registers in Hanover and Charlottenburg/Berlin;

(f) the sanction of the Scheme by the UK Court with or without modification (but subject to any such modification being acceptable to the Company and TUI Travel) and the confirmation of the Reduction of Capital by the UK Court and:

  (i) the delivery of an office copy of the order of the UK Court sanctioning the Scheme under Part 26 of the UK Companies Act (the "**Scheme Court Order**") and a copy of the requisite statement of capital (approved by the UK Court) showing, with respect to TUI Travel's share capital, as altered by the court order confirming the Reduction of Capital, the information required by Section 649 of the UK Companies Act (the "Statement of Capital"), each having been delivered to the Registrar of Companies in England and Wales (the "**Registrar of Companies**"); and

  (ii) if the UK Court so orders for it to become effective, the registration of the Court Order and the Statement of Capital by the Registrar of Companies;

(g) the UK Listing Authority having acknowledged to TUI AG or its agent (and such acknowledgement not having been withdrawn) that the application for the admission of the TUI AG Shares to listing on the premium segment of the Official List has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject) will become effective as soon as the UK Listing Authority's decision to admit the TUI AG Shares is announced and the London Stock Exchange having acknowledged to TUI AG or its agent (and such acknowledgement not having been withdrawn) that the TUI AG Shares will be admitted to trading on the London Stock Exchange's main market for listed securities;

(h) an application having been made for the admission to trading of all the New TUI AG Shares on the regulated market of the Frankfurt Stock Exchange with simultaneous admission to the segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange as well as the regulated markets of the stock exchanges in Berlin, Düsseldorf, Hamburg, Hanover, Munich and Stuttgart;

(i) Deutsche Bank (as German listing agent of TUI AG) not having received any notification or other communication, in each case in writing, from the Frankfurt Stock Exchange or any of the Berlin, Düsseldorf, Hamburg, Hanover, Munich or Stuttgart stock exchanges that any such admission will not be granted; and

(j) the satisfaction or waiver of the other conditions which are considered customary for a transaction of this nature, including, without limitation, no material adverse change occurring in respect of the TUI Travel Group and those which are set out in full in the document to be sent to (among others) TUI Travel Shareholders containing and setting out, among other things, the full terms and conditions of the Scheme and containing the notices convening the TUI Travel General Meeting and the TUI Travel Court meeting (the "**Scheme Document**").

Upon the Scheme becoming effective it will be binding on all Scheme Shareholders, irrespective of whether they attended or voted at the TUI Travel Court Meeting or the TUI Travel General Meeting (and, if they attended and voted, whether they voted in favor). Following completion of the TUI Merger, TUI Travel will become a wholly-owned subsidiary of the Company and any share certificates in respect of TUI Travel Shares will not be valid and should be destroyed and, entitlements to TUI Travel Shares held within the CREST system will be cancelled.

TUI Travel Shares will be acquired by the Company pursuant to the Scheme fully paid and free from all liens, charges, equities, encumbrances, rights of pre-emption and any other interests of any nature whatsoever and together with all rights attaching thereto, including voting rights and the rights to receive and retain in full all dividends and other distributions declared, made or paid on or after the Scheme Effective Date, save where the record date for such dividend or other distribution falls prior to the Scheme Effective Date or otherwise where TUI Travel and the Company agree otherwise.

The New TUI Shares will rank *pari passu* in all respects with existing shares of the Company other than in respect of dividend rights for the financial year 2013/14, as the New TUI Shares will not be entitled to a dividend for the financial year ended September 30, 2014. All existing shareholders of the Company are entitled to dividends in respect of their existing shareholdings for the financial year 2013/14. The Scheme Shareholders will receive a final dividend for the financial year ended September 30, 2014 from TUI Travel rather than TUI AG. The TUI Travel Shareholders will receive (subject to compliance with applicable law) a second interim dividend (including a dividend in lieu of the final dividend) for the financial year ended September 30, 2014, from TUI Travel rather than TUI AG.

No fractions of TUI AG DIs will be issued pursuant to the TUI Merger and fractional entitlements will be rounded down to the nearest whole number of TUI AG DIs. Such fractional entitlements will be aggregated and sold in the market by (or on behalf of) the Depositary after the Scheme Effective Date. The net proceeds of such sale will be paid in cash by way of cheque (or for those Scheme Shareholders who hold their Scheme Shares in CREST, their CREST accounts shall be accredited with the relevant sale proceeds). Any amounts of less than £5.00 (net of expenses) will be retained by the Depositary and paid to the Company and therefore the Scheme Shareholders will not receive a cheque or have their CREST account credited in respect of that entitlement due to the administrative costs incurred in doing so. This means that Scheme Shareholders who hold two or fewer Scheme Shares will have their Scheme Shares cancelled, and will not receive any TUI AG DIs pursuant to the Scheme unless they increase their holdings of Scheme Shares on or prior to the Scheme Record Time (although they may receive cash if the net proceeds from the sale of their fractional entitlements amount to £5.00 or more).

Further details of the Scheme will be included in the Scheme Document to be dispatched to Scheme Shareholders, which will include the particulars required by Section 897 of the UK Companies Act, together with notices of the TUI Travel Court Meeting and the TUI Travel General Meeting and the expected timetable for the TUI Merger. The Scheme Document will specify the action to be taken by Scheme Shareholders. The Scheme Document will be sent to TUI Travel shareholders as soon as reasonably practicable.

If the Scheme does not become effective on or before 30 September 2015 or such later date as the Company and TUI Travel agree (with the consent of the Panel on Takeovers and Mergers (the "Panel") and (if required) the UK Court), it will lapse and the TUI Merger will not proceed.

It is expected that the TUI Travel Court Meeting (subject to the approval of the UK Court) will be held in late October 2014. The TUI Travel General Meeting is expected to be held immediately following the conclusion of the TUI Travel Court Meeting.

New TUI Shares

The New TUI Shares will be issued upon registration of the completion of the Direct Capital Increase at the commercial registers in Hanover and Berlin-Charlottenburg.

TUI Travel Share Plans

In respect of the TUI Travel Performance Share Plan, the TUI Travel Deferred Annual Bonus Scheme and the TUI Travel Group Reward Population Deferred Annual Bonus Long-term Incentive Scheme, awards granted in 2011 are due to vest and become exercisable in the normal course in on December 7, 2014 to the extent to which any applicable performance conditions have been met on the vesting date. Awards granted in 2012 and 2013 will remain outstanding and capable of vesting in accordance with the rules of the relevant TUI Travel Share Plan, as amended to take account of the Merger and, where applicable, subject to appropriate performance conditions continuing to apply. A small number of residual awards granted in 2009 and 2010 which are fully vested also remain outstanding, and these awards together with any 2011 awards not previously exercised will be satisfied prior to, or on, the Court sanctioning the Scheme.

Awards granted in 2009, 2010 and 2011 will be satisfied either using TUI Travel Shares or (either in whole or in part) in cash. Awards satisfied using TUI Travel Shares will be satisfied to the extent possible using TUI Travel Shares held in the TUI Travel employee benefit trust and otherwise by TUI Travel Shares being bought in the market by the TUI Travel employee benefit trust. Awards granted in 2012 and 2013 will be satisfied to the extent they vest by the issue of the requisite number of TUI Travel Shares or in cash. Any newly-issued TUI Travel Shares will, pursuant to a proposed amendment to the TUI Travel Articles, be immediately transferred to TUI AG in exchange for new TUI AG Shares on a basis equivalent to the ratio as set out in the paragraph entitled "*Summary of the Terms of the TUI Merger and the Offer*" above. Alternatively, TUI Travel may determine that any awards may be settled in cash.

TUI Travel Shares held under the TUI Travel Share Incentive Plan will be subject to the Scheme, and the resulting TUI AG Shares will continue to be held under the TUI Travel Share Incentive Plan.

Participants in the TUI Travel Share Plans will be contacted with further details of the effect of the TUI Merger on their outstanding awards in due course.

TUI Travel Convertible Bonds

TUI Travel has in issue:

- £350,000,000 convertible bonds with a coupon of 6.0% due in October 2014 (the "**TUI Travel 2014 Convertible Bonds**"). The ISIN for the TUI Travel 2014 Convertible Bonds is XS0455660216.
- £400,000,000 convertible bonds with a coupon of 4.9% due in April 2017 (the "**TUI Travel 2017 Convertible Bonds**" and together with the TUI Travel 2014 Convertible Bonds, the "**TUI Travel Convertible Bonds**"). The ISIN for the TUI Travel 2017 Convertible Bonds is XS0503743949.

The TUI Travel 2014 Convertible Bonds and the TUI Travel 2017 Convertible Bonds are convertible into TUI Travel ordinary shares.

If the conversion rights under any TUI Travel Convertible Bonds are exercised before the Scheme Record Time, the converted shares will be TUI Travel Scheme Shares and therefore will be cancelled as part of the Scheme.

If the conversion rights under any TUI Travel Convertible Bonds are exercised on or after the Scheme Record Time, the converted shares will not be TUI Travel Scheme Shares and therefore will not be cancelled as part of the Scheme. Instead, the articles of association of TUI Travel will be amended at the TUI Travel General Meeting to include a provision pursuant to which any TUI Travel shares issued after the Scheme Record Time to any person other than TUI AG (or its nominees) will be subject to a mandatory transfer to TUI AG in exchange for entitlements to shares in TUI AG at the Exchange Ratio.

The holders of TUI Travel Convertible Bonds will receive a letter from TUI Travel setting out more information in relation to the mandatory transfer of the converted shares to TUI AG.

Trust Deed and Subscription Certificate

For certain technical reasons, it is necessary for the New TUI Shares to be subscribed for by a trustee on behalf of the Scheme Shareholders entitled to them. To this end, the Company (acting on behalf of Scheme Shareholders) and Capita IRG Trustees Limited will enter into the Trust Deed. The Trust Deed, governed by English law, appoints Capita IRG Trustees Limited as Trustee for the Scheme Shareholders for the purpose of subscribing, as trustee for the Scheme Shareholders, for: (i) New TUI Shares to which Scheme Shareholders become entitled pursuant to the Scheme (which it shall subsequently transfer in accordance with the settlement procedures described in paragraph "*Settlement of the New TUI Shares issued in connection with the TUI Merger*" below; and (ii) New TUI Shares resulting from the aggregation of fractions referred to in the Scheme Document (which it shall sell or arrange to be sold for the benefit of Scheme Shareholders, as described in "*Summary of the Merger Conditions to the TUI Merger*" above.

In connection with the subscription for New TUI Shares referred to above, it is intended that the Trustee will, on or around the Scheme Effective Date, execute the Subscription Certificate as trustee for the Scheme Shareholders. The Subscription Certificate is a German legal document under which the Trustee will agree to subscribe for the New TUI Shares against a contribution in kind of the new ordinary shares to be issued by TUI Travel to the Company pursuant to the Scheme.

De-Listing of TUI Travel

Prior to the Scheme becoming effective, applications will be made to the UK Listing Authority for the suspension of the listing of the TUI Travel Shares on the Official List of the UK Listing Authority and to the London Stock Exchange for the suspension of trading of the TUI Travel Shares on the London Stock Exchange's main market for listed securities. The last day of dealings in TUI Travel Shares is expected to be the date of the Scheme Court Hearing, following which TUI Travel Shares will be suspended from listing on the Official List of the UK Listing Authority and from trading on the main market of the London Stock Exchange for listed securities. The last day for registration of transfers of TUI Travel Shares will be the Scheme Record Date (which is expected to be December 9, 2014).

On the Scheme Effective Date, share certificates in respect of TUI Travel Shares will cease to be valid and entitlements to TUI Travel Shares held within the CREST system will be cancelled.

After the Scheme has become effective and the New TUI Shares have been issued,, applications will be made to the UK Listing Authority for the cancellation of the listing of the TUI Travel Shares on the Official List of the UK Listing Authority and to the London Stock Exchange for the cancellation of trading of the TUI Travel Shares on the London Stock Exchange's main market for listed securities. It is intended that such cancellations will become effective as soon as reasonably practicable following the issuance of the New TUI Shares. It is also intended that, following the completion of the TUI Merger, TUI Travel will be reregistered as a private company under the relevant provisions of the UK Companies Act.

Listing of the Company's Shares

The Company intends to apply for admission of the New TUI Shares to trading on the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with the simultaneous admission to the sub-segment of the regulated market of the Frankfurt Stock Exchange with additional post-admission obligations (*Prime Standard*) as well as to the regulated markets of the stock exchanges in Berlin, Düsseldorf, Hamburg, Hanover, Munich and Stuttgart. In addition, the Company expects to apply for the admission of all Shares to the premium listing segment of the Official List of the UK Listing Authority and to trading on the main market of the London Stock Exchange. The decision on admission of the New TUI Shares is in the sole discretion of the Frankfurt Stock Exchange and decision on admission of the Shares to the premium listing segment of the Official List of the UK Listing Authority and to trading on the main market of the London Stock Exchange is in the sole discretion of the UK Listing Authority and the London Stock Exchange respectively.

Following the admission of the Company's Shares on to the premium listing segment of the Official List of the UK Listing Authority and to trading on the main market of the London Stock Exchange, the Company intends to apply to delist its Shares from the regulated market with additional post-admission obligations (*Prime Standard*) of the Frankfurt Stock Exchange and the stock exchanges in Berlin, Düsseldorf, Hamburg, Hanover, Munich and Stuttgart. Such delisting would be undertaken to ensure that the Company's Shares are eligible for inclusion in the FTSE UK Index Series.

As announced by FTSE on 5 August 2014, following consultation with the FTSE Nationality Advisory Committee and in conjunction with the FTSE Nationality rules and based on the terms of the Merger as set out in the announcements by the Company and TUI Travel on June 27, 2014 September 15, 2014, FTSE would allocate the TUI AG a UK classification for FTSE index inclusion purposes. As a consequence, subject to completion of the TUI Merger, it is anticipated that the TUI AG will be eligible to replace TUI Travel in the FTSE UK Index Series and be included in the FTSE Global Equity Index Series as a UK constituent.

In conjunction with the planned delisting, the Company intends to seek a secondary market quotation of its Shares on the Entry Standard of the Open Market of the Frankfurt Stock Exchange, which is neither an official market segment nor an EU regulated market. Such Open Market quotation would be effected in order to provide German investors with the opportunity to trade their Shares in the Company in euro on a German stock exchange.

It is expected that admission of the New TUI Shares to trading on the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and admission to the sub-segment of the regulated market of the Frankfurt Stock Exchange with additional post-admission obligations (*Prime Standard*) as well as to the regulated markets of the stock exchanges in Berlin, Düsseldorf, Hamburg, Hanover, Munich and Stuttgart will occur within two Business Days of the Scheme Effective Date and that New TUI Shares will be included on such stock exchanges within five Business Days following the Scheme Effective Date. It is expected that admission to the premium listing segment of the Official List of the UK Listing Authority will become effective and that dealings for normal settlement in the TUI AG DIs will commence on the London Stock Exchange within two Business Days of the Scheme Effective Date.

Issue of DIs Representing Entitlements to New TUI Shares and Existing Shares

The Shares, being German securities, are not capable of being listed directly or traded directly nor settled through CREST (the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear UK & Ireland Ltd in accordance with the UK Uncertificated Securities Regulations 2001).

Accordingly, in order to allow settlement within CREST, the Company intends to enter into depositary arrangements which will enable investors to hold Shares in the form of dematerialized depositary interests ("**DIs**"). DIs represent entitlements to underlying non-UK shares (in this case TUI AG DI's will represent entitlements to the Company's Shares and each TUI AG DI will represent an entitlement to one Share in the Company). Capita IRG Trustees Limited (the "**Depositary**") will issue and create the DIs pursuant to and on the terms of a deed poll issued and executed by the Depositary in favor of the holders of the DIs (the "**Deed Poll**"). The Company's Shares may be held from time to time by a nominated custodian (the "**Custodian**") on behalf of (and appointed by) the Depositary.

As described in more detail in paragraphs entitled "*—Settlement of the New TUI Shares issued in connection with the TUI Merger*" and "*—Rights attaching to TUI AG DIs*" below, where Scheme Shareholders hold their TUI Travel Shares in certificated form at the time and date on which the Scheme Court Order is delivered to the Registrar of Companies for registration (the "**Reclassification Record Time**") (for example because they do not have access to an account in CREST) or for persons who cannot or do not want to hold DIs directly (or through their own nominees), the Depositary will arrange for a corporate nominee, expected to be Capita IRG Trustees Limited, to hold such shareholders' TUI AG DIs in CREST on behalf of such shareholders. The terms and conditions of these arrangements will be sent to all former Scheme Shareholders who held TUI Travel Scheme Shares in certificated form together with a statement setting out their entitlement shortly after the Scheme Effective Date. Scheme Shareholders whose TUI AG DIs are held on their behalf through the corporate nominee facility may, depending on such TUI AG DI Holders' individual circumstances, be restricted in their ability to trade their TUI AG DI's within the corporate nominee facility, in which case alternative arrangements will be put in place to facilitate appropriate dealing or exit (as applicable).

For those Scheme Shareholders who hold their TUI Travel Shares in uncertificated form at the Reclassification Record Time, the Company shall procure that each such Shareholder's entitlement to TUI AG DIs is delivered through CREST to the stock account in CREST in which each such Scheme Shareholder held TUI Travel Scheme Shares as soon as reasonably practicable, and in any event no later than the fourteenth day following the Scheme Effective Date.

A holder of Existing Shares has the option to obtain a TUI AG DI in respect of each Existing Share which it holds. For those Existing Shareholders who have the ability to hold DIs in CREST, either directly or through their own nominee or custodian, in order to obtain a TUI AG DI, such holder of Existing Shares must contact the Depositary which will require the delivery of Existing Shares to the Depositary's account in Clearstream (the Existing Shareholder will also be required to arrange a transfer of shares within Clearsteam). The Existing Shareholder will also need to complete a CREST Transfer form which is produced by the Depositary. Following the Depositary's receipt of the Existing Shares in its Clearstream account, TUI AG DIs will be issued.

For those Existing Shareholders who do not have the ability to hold DIs in their own name or through a nominee or custodian, the Depositary shall make available a corporate nominee to individuals residing in the EEA. In addition to the above process, the relevant individual will also be required to accept the terms and conditions of the corporate nominee which will include provisions relating to the exclusion of liability on the part of the relevant corporate nominee from TUI AG DI Holders. Once an Existing Shareholder becomes a nominee participant, the Depositary will issue a statement of entitlement to that participant detailing their entitlement to TUI AG DIs.

If completion of the TUI merger occurs before the annual general meeting of TUI AG in respect of the financial year ended September 30, 2014, expected to be held in February 2015, the New TUI AG Shares will trade under a separate ISIN number to the Existing Shares until after that meeting. The TUI AG DIs in issue will always use the same ISIN as the TUI AG Share to which they represent.

Form of TUI AG DIs

TUI AG DI Holders (registered holders of TUI AG DIs) will not be the registered holders of the Shares. Rather, immediately following the TUI Merger, the Trustee will transfer the TUI AG Shares it holds for the benefit of the TUI Travel Shareholders to the Depositary. Such TUI AG Shares may from time to time be held by the Custodian on behalf of the Depositary. These Shares will be held for the benefit of the TUI AG DI Holders through the DI structure described in more detail below, see "*—Settlement of the New TUI Shares issued in connection with the TUI Merger*". The TUI AG DI Holders' ownership of TUI AG DIs therefore represents their entitlement to the relevant underlying Shares.

Although the Company's register of members will show the Depositary or the Custodian (as applicable) as the legal holder of the Shares, the beneficial interest in the Shares will remain with the holders of the DIs, who will have the benefit of all the rights attaching to the Shares as if they were named on the Company's register of shareholders.

Terms of the Deed Poll

The Depositary will issue and create the DIs pursuant to and on the terms of a deed poll to be issued and executed by the Depositary in favor of the holders of the DIs. The Deed Poll would contain, *inter alia*, provisions to the following effect, which would be binding upon TUI AG DI Holders.

Each TUI AG DI Holder would be deemed to warrant in respect of its own TUI AG Shares, inter alia, that TUI AG Shares transferred to the Depositary (or the Custodian on behalf of the Depositary) are free and clear of all liens, charges, encumbrances or third-party interests and that such transfers are not in contravention of the Company's constitutional documents or any contractual obligation, law or regulation.

The Depositary (and any Custodian) shall pass on to TUI AG DI Holders and, so far as they are reasonably able, exercise on behalf of TUI AG DI Holders all rights and entitlements received or to which they are entitled in respect of the underlying Shares which are capable of being passed on or exercised. Rights and entitlements to cash distributions, to information, to make choices and elections and to call for, attend and vote at meetings shall, subject to the Deed Poll, be passed on in the form in which they are received together with amendments and additional documentation necessary to effect such passing-on, or, as the case may be, exercised in accordance with the Deed Poll.

The Depositary will be entitled to cancel DIs and withdraw the underlying Shares in certain circumstances including where a TUI AG DI Holder has failed to perform any obligation under the Deed Poll or any other agreement or instrument with respect to the DIs.

The Deed Poll would contain provisions excluding and limiting the Depositary's liability. For example, the Depositary shall not be liable to any TUI AG DI Holder or any other person for liabilities in connection with the performance or non-performance of obligations under the Deed Poll or otherwise except as may result from its negligence or willful default or fraud or that of any person for whom it is vicariously liable, provided that the Depositary shall not be liable for the negligence, willful default or fraud of any Custodian or agent which is not a member of its group unless it has failed to exercise reasonable care in the appointment and continued use and supervision of such Custodian or agent. Furthermore, except in the case of personal injury or death, the Depositary's liability to each TUI AG DI Holder would be limited to the lesser of:

(a) the value of the Shares and other deposited property properly attributable to the TUI AG DIs to which the liability relates; and

(b) that proportion of £10 million which corresponds to the portion which the amount the Depositary would otherwise be liable to pay to the relevant TUI AG DI Holder bears to the aggregate of the amounts the Depositary would otherwise be liable to pay to all such holders in respect of the same act, omission or event which gave rise to such liability or, if there are no such amounts, £10 million.

The majority of costs and fees associated with the issuance of the TUI AG DIs will be for the account of TUI AG. However, the Depositary would be entitled to charge holders certain limited fees and expenses for the provision of its services under the Deed Poll.

Each TUI AG DI Holder would be deemed to warrant in respect of its own TUI AG Shares, *inter alia,* that TUI AG Shares transferred to the Custodian on behalf of the Depositary are free and clear of all liens, charges, encumbrances or third-party interests and that such transfers are not in contravention of the Company's constitutional documents or any contractual obligation, law or regulation.

The Depositary may terminate the Deed Poll by giving not less than 30 days' prior notice. During such notice period holders may cancel their TUI AG DIs and, if any TUI AG DIs remain outstanding after termination, the Depositary would be required, among other things, to deliver the deposited property in respect of the TUI AG DIs to the relevant TUI AG DI Holders or, at its discretion sell all or part of such deposited property. The Depositary shall then, as soon as reasonably practicable, deliver the net proceeds of any such sale, after deducting any sums due to the Depositary, together with any other cash held by it under the Deed Poll pro rata to TUI AG DI Holders in respect of their TUI AG DIs.

The Depositary or the Custodian may require from any holder or former or prospective holder information as to the capacity in which TUI AG DIs are owned or held by such TUI AG DI Holder and the identity of any other person with any interest of any kind in such TUI AG DIs or the underlying Shares and holders are bound to provide such information requested. Furthermore, to the extent that, *inter alia,* the Company's constitutional documents require disclosure to the Company of, or limitations in relation to, beneficial or other ownership of, or interests of any kind whatsoever, in the Shares, the holders of TUI AG DIs are to comply with such provisions and with the Company's instructions with respect thereto.

Once executed, a copy of the Deed Poll can be obtained on request in writing to the Depositary or the Company, marked for the attention of TUI Investor Relations, Karl-Wiechert-Allee 4, 30625 Hanover, Germany.

Transfer of TUI AG DIs

Cancellation of TUI AG DIs for underlying Shares

Holders of the TUI AG DIs will, at their option, be able to effect the cancellation of their TUI AG DIs in CREST in order to hold their underlying Shares directly (upon sending an instruction to the Depositary to that effect (via the corporate nominee in the case of holders of TUI AG DIs holding through the corporate nominee facility described above)) and will be entitled to arrange for the transfer of their Shares (as represented by their holding of TUI AG DIs) into a shareholding account with a depository financial institution which is a participant in Clearstream. Certain transfer fees may be payable by a holder of TUI AG DIs (including, save as set out below, those holding through the corporate nominee facility described below) who make such a transfer.

If any Scheme Shareholders who holds their TUI Travel Scheme Shares in certificated form at the Reclassification Record Time (and is therefore issued with TUI AG DIs pursuant to the Scheme) does not wish their TUI AG DIs to be held on their behalf through the corporate nominee facility described in sub-paragraph (b)(i) of the paragraph entitled "*Settlement of the New Shares Issued in Connection with the TUI Merger*" above, then they will not be charged any transfer fees as are described above (or any dealing commission) if they notify the corporate nominee in writing within six weeks of the Scheme Effective Date that they wish to effect either (i) the transfer of all of their TUI AG DIs out of the corporate nominee facility or (ii) instruct the corporate nominee to sell their TUI AG DIs on their behalf, and such transfer or sale (as applicable) is effected within 14 days after the end of such six week notification period.

Transfers of TUI AG DIs

A description of the procedures to be followed by a person on whose behalf TUI AG DIs are held by the Depositary will be set out in the Deed Poll.

DIs may be held, transferred and settled solely within CREST, in accordance with the relevant rules and practices of CREST (subject to any legal restrictions on any transfer in any jurisdiction).

Settlement of the New TUI Shares Issued in Connection with the TUI Merger

As soon as practicable after the Scheme Effective Date, and following completion of the registration of the resolutions for the Direct Capital Increase and the Conditional Capital Increase at the commercial register in Hanover and Berlin/Charlottenburg, the Company shall issue such aggregate number of New TUI Shares (rounded down to the nearest whole number) as are required to be issued by it to give effect to the Scheme to the Trustee, as trustee for the persons respectively entitled to such New TUI Shares.

Settlement of the New TUI Shares shall be effected as follows and as soon as practicable as (and in any event not later than 14 days) after the Scheme Effective Date:

a) the Company shall procure the deposit with Clearstream of a global certificate representing the New TUI Shares to which the relevant Scheme Shareholders are entitled for credit to the securities deposit account of the Trustee, as first holder of such TUI AG Shares, on trust for the relevant Scheme Shareholders. Immediately prior to the admission of all TUI AG Shares to the premium listing segment of the Official List of the UK Listing Authority and to trading on the main market of the London Stock Exchange, Capita IRG Trustees Limited will cease holding the New TUI Shares issued to it in its capacity as Trustee and will, from such time, hold such New TUI Shares in its capacity as Depositary. The Depositary (or the Custodian if the Depositary later transfers any Shares to the Custodian) will be the registered holder of such New TUI Shares and will hold such Shares on trust for the benefit of the TUI AG DI Holders. The TUI AG DI Holders' ownership of TUI AG DIs therefore represents their entitlement to the relevant underlying Shares; and

b) shortly following the aforementioned steps having been taken, the Depositary (or the Custodian) shall:

    (i) in the case of TUI Travel Scheme Shares which at the Reclassification Record Time are in certificated form, issue TUI AG DIs to a corporate nominee, (appointed by TUI Travel on behalf of the relevant Scheme Shareholder and expected to be Capita IRG Trustees Limited), and the corporate nominee shall thereupon within 14 days of the Scheme

Effective Date deliver (or procure the delivery on its behalf of) a statement of entitlement detailing the relevant Scheme Shareholder's entitlement to TUI AG DIs together with the terms and conditions of the nominee service and (where relevant) a sterling cheque in respect of the net proceeds of sale of any fractional entitlements to which the TUI Travel Shareholder is entitled pursuant to the terms of the Scheme; and

(ii) in the case of TUI Travel Scheme Shares which at the Reclassification Record Time are in uncertificated form, issue TUI AG DIs and thereupon deliver, through CREST to the stock account in CREST in which each such Scheme Shareholder held TUI Travel Scheme Shares, such Scheme Shareholder's entitlement to TUI AG DIs. The stock account concerned will be an account under the same participant ID and member account as such Scheme Shareholder has at the Reclassification Record Time. The net proceeds of sale of any fractional entitlements to which such Scheme Shareholder is entitled pursuant to the Scheme will be credited to the same stock account within 14 days of the Scheme Effective Date.

All mandates and other instructions (or deemed instructions) to TUI Travel which are in force at the Reclassification Record Time relating to the Scheme Shares shall, to the extent legally possible, unless and until revoked or amended, be deemed as from the Scheme Effective Time to be valid and effective mandates or instructions to the Depositary in relation to the corresponding TUI AG DIs issued pursuant to the Scheme.

Following completion of the TUI Merger, share certificates in respect of the Scheme Shares will cease to be valid and should be destroyed and entitlements to Scheme Shares held within the CREST system will be cancelled.

Rights Attaching to TUI AG DIs

The holders of TUI AG DIs will have an entitlement to the Shares to which they are entitled under the Scheme but will not be the registered holders thereof. Accordingly, the holders of TUI AG DIs will be able to enforce and exercise the rights relating to the Shares only in accordance with the arrangements described below and not directly against the Company.

The Company intends that, in order to allow the holders of TUI AG DIs to exercise rights relating to the Shares, prior to the Scheme Effective Date, it will enter into arrangements with the Depositary pursuant to which it will procure that, with effect from the Scheme Effective Date, all holders of TUI AG DIs (including all former TUI Travel Shareholders who held their shares in certificated form at the Reclassification Record Time, whose TUI AG DIs are to be held through a corporate nominee facility will:

- receive notices, in the English language, of all shareholders meetings of the Company;
- be able to give directions as to voting at all shareholders meetings of the Company;
- have made available to them and be sent at their request, copies of the annual report and accounts of the Company and all of the documents issued by the Company to its shareholders (in each case, in the English language); and
- so far as is reasonably practicable taking into account the nature of their rights as holders of TUI AG DIs, be treated in the same manner as registered the Company's shareholders in respect of all other rights attaching to the Company's Shares, in each case, so far as possible in accordance with the Deed Poll, applicable CREST Regulations and applicable law.

However, it should be noted that in order to vote or exercise other shareholder rights in person at a shareholders' meeting of the Company, TUI AG DI Holders will have to appoint a proxy in respect of the Shares to which that holder is entitled. TUI AG DI Holders will, however, be entitled to appoint any person (via the Depositary) including the relevant TUI AG DI Holder as proxy to attend and speak at shareholders' meetings of the Company and to vote the underlying Shares to which such holder is entitled in accordance with such holder's directions. It should also be noted that in order to be valid the proxy form will usually be required to set out how votes must be cast on each resolution contained in the relevant notice of meeting and the relevant proxy (unlike a shareholder who can make its decision at the relevant meeting) can therefore not vote in a different way to that set out in the proxy form with respect to those resolutions. It is also likely that a proxy appointment by a TUI AG DI Holder will need to be made earlier than a proxy appointment by a shareholder of the Company.

The Company intends (to the extent legally and practically permissible) to make arrangements so that TUI AG DI Holders who wish to use the voting rights attached to the Shares represented by their TUI AG DIs personally (in their capacity as a shareholder and not as proxy), are permitted to vote and attend a shareholders' meeting of the Company.

The Company intends to procure that the Depositary or Custodian will send to each person on whose behalf TUI AG DIs are held by the corporate nominee on behalf of the Depositary, a statement of such person's entitlements in TUI AG DIs on joining the corporate nominee facility and at least once a year afterwards, for so long as such person retains entitlements to some TUI AG DIs in the corporate nominee facility. The terms and conditions of the corporate nominee facility in respect of the DIs (which include, among others, a description of the procedure to be followed for cancelling TUI AG DIs and effecting the transfer of the underlying Shares) will be made available on TUI Travel's website at www.tuitravelplc.com and on TUI AG's website at www.tui-group.com. A TUI AG DI Holder whose TUI AG DIs are held on its behalf through the corporate nominee facility may, depending on such TUI AG DI Holder's individual circumstances, be restricted in its ability to trade its TUI AG DI's within the corporate nominee facility, in which case alternative arrangements will be put in place to facilitate appropriate dealing or exit (as applicable).

Scheme Shareholders who held their shares in uncertificated form at the Reclassification Record Time will, for so long as the TUI AG DIs delivered to them pursuant to sub-paragraph (b)(ii) of the paragraph entitled "*Settlement of the New Shares Issued in Connection with the TUI Merger*" above are held in CREST and CREST and/or the Depositary continues to provide such service, be able, if they so wish, to have amounts in respect of dividends paid by the Company on Shares in euro converted into, and paid to them in British pound sterling or any other CREST currency, if desired.

Scheme Shareholders who held their Shares in certificated form at the Reclassification Record Time, on whose behalf a corporate nominee holds TUI AG DIs pursuant to the arrangement described in sub-paragraph (b)(i) of the paragraph entitled "Settlement" above will, for so long as such arrangement remains in place and Capita IRG Trustees Limited continues to provide such service, have amounts in respect of dividends paid by the Company on Shares in euro converted into, and paid to them in British pound sterling, or any other currency if desired, as long as the value of such dividend is equal to £10 or more.

Scheme Shareholders who held their TUI Travel Scheme Shares in certificated form at the Reclassification Record Time will be sent within 14 days of the Scheme Effective Date, together with their initial statement of entitlement detailing the number of TUI AG DIs held on their behalf in the corporate nominee facility, a booklet containing the terms and conditions of the corporate nominee arrangements. This booklet will also include a description of the procedure to be followed for cancelling TUI AG DIs and effecting the transfer of the underlying Shares together with provisions relating to exclusion of liability on the part of the relevant corporate nominee from TUI AG DI holders. The Company also intends that the provider of the corporate nominee facility described in sub-paragraph (b)(i) of the paragraph entitled "*Settlement of the New Shares Issued in Connection with the TUI Merger*" above will send to former TUI Travel Shareholders, who held their shares in certificated form at the Reclassification Record Time, on whose behalf the corporate nominee will hold TUI AG DIs pursuant to the arrangement described in sub-paragraph (b)(i) of the paragraph entitled "*Settlement of the New Shares Issued in Connection with the TUI Merger*" above, a statement of their holdings in TUI AG DIs shortly after the Scheme Effective Date and at least once a year afterwards, for so long as such holder retains some TUI AG DIs in the corporate nominee facility.

The TUI AG DIs issued in respect of the New TUI Shares will have the same security code (ISIN) as the underlying New TUI Shares and will not have a separate listing on the Official List of the UK Listing Authority. The TUI AG DIs issued in respect of the Existing Shares will have the same security code (ISIN) as the underlying Existing Shares and will not have a separate listing on the Official List of the UK Listing Authority. TUI AG DIs are capable of being credited to the same member account as all other CREST investments of any particular investor. This means that, from a practical point of view, TUI AG DIs representing Shares will be held and transferred in the same way as other companies' shares participating in CREST. If completion of the TUI merger occurs before the annual general meeting of TUI AG in respect of the financial year ended September 30, 2014, expected to be held in February 2015, the New TUI AG Shares will trade under a separate ISIN number to the Existing Shares until after that meeting. The TUI AG DIs in issue will always use the same ISIN as the TUI AG Share to which they represent.

EXPECTED TIMETABLE OF EVENTS

Event	Time and/or date[1,2]
Approval and publication of this Prospectus	October 2, 2014
Posting of Scheme Document	October 2, 2014
Latest time for receipt of BLUE TUI Travel Forms of Proxy/CREST Proxy instructions for the TUI Travel Court Meeting	4:00pm on October 24, 2014
Latest time for receipt of WHITE TUI Travel Forms of Proxy/CREST Proxy instructions for the TUI Travel General Meeting	4:15pm on October 24, 2014
Scheme Voting Record Time	6:00pm on October 26, 2014[3]
TUI AG EGM	October 28, 2014
TUI Travel Court Meeting	October 28, 2014
TUI Travel General Meeting	October 28, 2014
Last date for registration of transfers of TUI Travel Shares	December 9, 2014 (or on the Business Day prior to the Court Hearing)
Scheme Record Time	6:00pm on December 9, 2014 (or on the Business Day prior to the Court Hearing)[4]
Hearing by the UK Court of the application to confirm the Reduction of Capital and to sanction the Scheme	December 10, 2014, at the earliest (the **"Court Hearing"**)
Last day of dealings in TUI Travel Shares	Day/Date of Court Hearing
Suspension of listing of, and dealings in, TUI Travel Shares	By 8:00am on Business Day after Court Hearing
Scheme Effective Date	Business Day after Court Hearing
Issue of the New TUI Shares (and crediting of the New TUI Shares in uncertificated form to CREST Accounts)	First or Second Business Day after the Court Hearing
Admission to trading of the New TUI Shares on the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (*Prime Standard*) of the Frankfurt Stock Exchange as well as the regulated markets of the stock exchanges in Berlin, Düsseldorf, Hamburg, Hanover, Munich and Stuttgart	Within three Business Days after the Court Hearing
Admission to premium listing segment of the Official List and to trading on the main market of the London Stock Exchange of the New TUI Shares and the Company's Existing Shares and commencement of dealings in DIs	8:00am on December 15, 2014 (or third Business Day following date of the Court Hearing)
Commencement of trading of the New TUI Shares on the regulated market of the Frankfurt Stock Exchange with additional post-admission obligations (*Prime Standard*) and to the regulated markets of the stock exchanges in Berlin, Düsseldorf, Hamburg, Hanover, Munich and Stuttgart	Within six Business Days after the Court Hearing

1 All references in this table to times are to London time.

2 Each of the above dates is subject to change at the absolute discretion of the Company and TUI Travel. Any changes will be announced via a Regulatory Information Service, an ad-hoc announcement in, in a form of a supplement to this prospectus (if applicable) or other publication, as appropriate.

3 If either of the TUI Travel Court Meeting or TUI Travel General Meeting is adjourned, then the Voting Record Time for the relevant adjourned Meeting will be 6:00pm on the date which is two days before the date set for the relevant adjourned meeting.

4 These times are indicative only and will depend, among other things, on the date on which the conditions to the TUI Merger are satisfied or waived, the date on which the UK Court sanctions the Scheme and confirms the associated Reduction of Capital and the date on which the Scheme Court Order is delivered to the Registrar of Companies. If there are any revisions to the timetable, the Company will make an appropriate announcement as soon as practicable.

CAPITALIZATION AND INDEBTEDNESS

The following tables set forth, in each case on the basis of the Company's accounting records, an overview of the consolidated capitalization, as well as the net indebtedness of the TUI Group as of July 31, 2014:

Capitalization*	As of July 31, 2014 *(in € millions)* **(unaudited)**
Current financial liabilities(1)	**796.8**
Current loans and borrowings	712.6
thereof guaranteed by third parties(2)	31.9
thereof secured by assets of the Company(3)	58.1
thereof unguaranteed/unsecured	622.6
Other current financial liabilities	84.2
thereof guaranteed by third parties	—
thereof secured by assets of the Company	—
thereof unguaranteed/unsecured	84.2
Other current liabilities	**7,429.2**
thereof guaranteed by third parties(4)	3,452.3
thereof secured by assets of the Company	—
thereof unguaranteed /unsecured	3,976.9
Total current debt	**8,226.0**
Non-current financial liabilities	**1,431.1**
Non-current loans and borrowings(9)	1,415.6
thereof guaranteed by third parties(2)	—
thereof secured by assets of the Company(3)	585.9
thereof unguaranteed/unsecured(9)	829.7
Other non-current financial liabilities	15.4
thereof guaranteed by third parties	—
thereof secured by assets of the Company	—
thereof unguaranteed/unsecured	15.4
Other non-current liabilities	**399.6**
thereof guaranteed by third parties(4)	10.0
thereof secured by assets of the Company	—
thereof unguaranteed /unsecured	389.6
Total non-current debt	**1,830.6**
Total equity	**1,684.3**
Subscribed capital(5)	718.6
Legal Reserve(6)	1,040.2
Hybrid Capital(7)	294.8
Other Reserves(8)	(174.3)
Equity before non-controlling interest	**1,879.3**
Non-controlling interest	(195.0)

* Columns and rows may not add due to rounding.

(1) Current loans and borrowings comprise the outstanding amounts as per July 31, 2014 of the €217,789,399.90 5.5% Convertible Bonds of 2009/2014 of TUI AG which is due in November 2014 and of the TUI Travel 2014 Bonds. Both bonds are described under "*Material Agreements—Certain Financing Arrangements*".

(2) TUI Travel has letters of credit in place which are used to secure finance lease liabilities.

(3) Secured by assets are financial liabilities from finance leases and bank loans. The assets pledged as securities are those assets for which the raised funds have been used, in the case of finance lease liabilities especially aircrafts and cruise ships. In the case of bank loans predominantly land and buildings and aircrafts have been pledged as security.

(4) According to the "Package Travel Directive" described in the section "*Regulation*", companies that sell package holidays in the EU are obliged to secure advanced payments for package tours. As per July 31, 2014 TUI Group had liabilities from advanced payments of 3.721,1 Mio. €, which are predominantly advanced payments to tour operators in the EU which are accordingly secured either by insurances or letter of credit.

(5) Subscribed capital of TUI AG.

(6) The legal reserve consists of the Capital Reserve (*Kapitalrücklage*) of TUI AG according to IFRS.

(7) The €300,000,000 Perpetual Subordinated Fixed to Floating Rate Bonds ("Hybrid Capital") described under "*Material Agreements—Certain Financing Arrangements*" are classified as equity under IFRS standards. The book value represents the nominal value less issuance costs.

(8) All other reserves of TUI AG and TUI Group attributable to shareholders of TUI AG, including the accumulated profit of the group for the current financial year until July 31.2014.

(9) Had the High Yield Notes issued in September 2014 (see "*Material Agreements—Certain Financing Agreements—TUI AG €300,000,000 4,5% High Yield Notes of 2014/2019*") already been issued as of July 31, 2014, unsecured non-current loans and borrowing would have increased by an amount equal to the net proceeds from the High Yield Notes of €293 million.

Net financial indebtedness*	As of July 31, 2014
	(in € millions) **(unaudited)**
Liquidity	**2,169.7**
Cash[1]	43.5
Cash equivalent (Checks and bank balances)	2,126.2
Trading securities	—
Current financial receivables	**40.8**
Current financial liabilities	**796.8**
Current loans and borrowings	165.8
Current bonds	493.3
Current portion of non-current liabilities	55.9
Other current financial liabilities	81.8
Current net financial indebtedness	**1,413.7**
Non-current financial liabilities	**1,431.1**
Non-current loans and borrowings	636.1
Bonds	779.6
Other non-current financial liabilities	15.4
Total net financial indebtedness	**(17.4)**

* Columns may not add up due to rounding.

(1) Had the High Yield Notes issued in September 2014 (see "*Material Agreements—Certain Financing Agreements—TUI AG €300,000,000 4.5% High Yield Notes of 2014/2019*") already been issued as of July 31, 2014, cash would have increased by an amount equal to the net proceeds from the High Yield Notes of €293 million.

Off-balance sheet positions*	As of July 31, 2014
	(in € millions) **(unaudited)**
Off-balance sheet positions and contingent liabilities	**7,614.8**
Financial commitments	7,266.8
Order commitments in respect of capital expenditure[1]	2,975.7
Other financial commitments	217.8
Financial commitments from operating lease, rental and charter contracts	4,073.3
Contingent liabilities	348.0

* Columns may not add up due to rounding.

(1) "Order commitments in respect of capital expenditure" represents firm commitments for future investments, in particular commitments under the Boeing Contract (see "*Material Agreements—Boeing Contract for the Purchase of 60 Boeing 737 MAX Aircraft*")

Working Capital Statement

The TUI Group has sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this Prospectus.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The financial information contained in the following tables is taken or derived from TUI's audited consolidated financial statements as of and for the financial years ended September 30, 2013, 2012 and 2011 and the audited interim consolidated financial statements as of and for the nine-month period ended June 30, 2014. These consolidated financial statements were prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). For TUI's audited consolidated financial statements as of and for the years ended September 30, 2013, 2012, and 2011 and the audited interim consolidated financial statements as of and for the nine-month period ended June 30, 2014, see "Financial Statements" included elsewhere in this Prospectus.

Where financial data in the following tables is labeled "audited", this means that it was taken from the audited financial statements mentioned above. The label "unaudited" is used in the following tables to indicate financial data that was taken from a source other than the audited financial statements mentioned above or recomputed from the audited financial statements mentioned above or sources other than these audited financial statements. All of the financial data presented in the following tables is shown in millions of euro (€million), commercially rounded to one decimal point. Unless expressly otherwise noted, the percentage changes have been commercially rounded to one decimal point. Because of this rounding, the figures shown in the tables do not in all cases add up exactly to the respective totals given, and the percentages shown do not always add up exactly to 100%. Financial information presented in parentheses denotes the negative of such number presented. In respect of financial data set out in this Prospectus, a dash ("—") signifies that the relevant figure is not available, while a zero ("0") signifies that the relevant figure is available but has been rounded to zero.

PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft audited the consolidated financial statements for TUI as of and for the financial years ended September 30, 2013, 2012, and 2011 and the interim consolidated financial statements as of and for the nine-month period ended June 30, 2014 and in each case issued an unqualified auditor's report.

The following selected financial information should be read together with the section "Operating and Financial Review", the consolidated financial statements, including the related notes, contained in the section "Financial Statements" of this Prospectus and additional financial information contained elsewhere in this Prospectus. Results for the nine-month period ended June 30, 2014 are not indicative of results that may be expected for the entire year.

Financial Information Relating to the Group

Selected Information from the Income Statement

	Financial year ended September 30,			Nine-month period ended June 30,	
	2011	2012	2013	2013[3]	2014
			(in € millions)		
	(audited)	(audited)	(audited)	(audited)	(audited)
Turnover	**17,480.3**	**18,330.3**	**18,477.5**	**11,518.4**	**11,384.4**
Cost of sales	15,655.2	16,285.8	16,436.3	10,818.0	10,528.6
Gross profit	**1,825.1**	**2,044.5**	**2,041.2**	**700.4**	**855.8**
Administrative expenses	1,508.8	1,555.7	1,557.3	1,154.4	1,152.5
Other income/other expenses	77.1	71.1	26.3	22.1	21.5
Impairment of goodwill	—	13.8	8.3	8.3	—
Financial result	(239.5)	(284.7)	(235.7)	(206.1)	(187.6)
Financial income	*254.3*	*159.9*	*124.0*	*27.3*	*19.8*
Financial expenses	*493.8*	*444.6*	*359.7*	*233.4*	*207.4*
Share of result of joint ventures and associates	52.9	(8.7)	59.3	17.3	(9.2)
Earnings (loss) before income taxes (EBT)	**206.8**	**252.7**	**325.5**	**(629.0)**	**(472.0)**
Reconciliation to underlying earnings[1]					
Earnings (loss) before income taxes	206.8	252.7	325.5	(629.0)	(472.0)
plus: Loss on Container Shipping measured at equity	2.1	49.0	22.3	25.4	38.9
less: Gain on reduction and measurement of financial investment in Container Shipping[2]	(51.2)	(61.6)	—	—	—
plus: Net Interest expense and expense from measurement of interest hedges	286.8	284.9	238.7	203.5	184.7
plus: Impairment of goodwill	—	13.8	8.3	8.3	—
EBITA[1]	444.5	538.8	594.8	(391.8)	(248.4)
Adjustments:					
plus: Losses on disposals	—	*1.8*	*1.4*	*1.5*	*(2.3)*
plus: Restructuring expense	*70.8*	*63.2*	*62.3*	*29.4*	*32.0*
plus: Expense from purchase price allocation	*96.1*	*75.1*	*75.0*	*56.1*	*52.0*
plus: Expense (income) from other one off items	*(11.3)*	*66.8*	*28.4*	*52.6*	*(15.6)*
Underlying EBITA[1]	**600.1**	**745.7**	**761.9**	**(252.2)**	**(182.3)**
Earnings (loss) before income taxes	**206.8**	**252.7**	**325.5**	**(629.0)**	**(472.0)**
Tax expense (tax income)	88.6	110.8	139.0	(152.8)	(123.4)
Group profit (loss) for the period	**118.2**	**141.9**	**186.5**	**(476.2)**	**(348.6)**
Group result for the year attributable to shareholders of TUI AG	23.9	(15.1)	4.3	(376.2)	(249.2)
Group profit (loss) for the period attributable to non-controlling interests	94.3	157.0	182.2	(100.0)	(99.4)

(1) EBITA and Underlying EBITA are non-IFRS financial measures. There are no generally accepted accounting principles governing the calculation of non-IFRS measures. We define EBITA as earnings before interest, taxes, goodwill impairment, losses incurred in the Container Shipping investment measured at equity, gains and losses from the sale of investments in Container Shipping, and Net Interest expense and expense from measurement of interest hedges. Our Underlying EBITA is derived by adjusting EBITA for gains (losses) on disposals of investments, expenses in the framework of restructuring measures, effects of purchase price allocations and other one-off items. EBITA and Underlying EBITA are not measures of operating income, operating performance or liquidity under IFRS. These measures should not be considered in isolation or as a substitute for Earnings (loss) before income taxes as determined by IFRS, or as an indicator of the Company's operating performance, or of cash flows from operating activities as determined in accordance with IFRS. The manner in which we measure EBITA and Underlying EBITA may not be consistent with the manner in which these measures or other measures with similar names are calculated by other companies. Accordingly, EBITA and Underlying EBITA as presented by us may not be comparable to these measures or other measures with similar names as presented by other companies.

(2) In connection with and following the sale of Hapag-Lloyd, we had entered into various financing arrangements, including the provision of a bridge loan and a vendor loan. See "Material *Agreements—Agreements Related to Hapag-Lloyd*".

(3) Figures taken from the audited interim consolidated financial statements as of and for the nine-month period ended June 30, 2014.

Selected Information from the Balance Sheet

	As of September 30,			As of June 30,
	2011	2012	2013	2014
	(in € millions)			
	(audited)	(audited)	(audited)	(audited)
Non-Current Assets	**9,107.6**	**8,668.2**	**8,645.8**	**8,593.2**
Thereof:				
Goodwill	2,907.2	3,046.4	2,976.4	3,062.1
Other intangible assets	856.6	890.9	866.2	908.9
Property, plant and equipment	2,445.1	2,651.3	2,682.0	2,705.4
Investments in joint venture and associates	1,735.5	1,394.0	1,386.4	931.7
Current assets	**4,384.3**	**4,544.4**	**4,808.5**	**5,180.8**
Thereof:				
Assets held for sale	24.2	16.5	11.6	476.6
Cash and cash equivalents	1,981.3	2,278.4	2,701.7	1,939.3
Financial liabilities				
Convertible bonds	1,389.7	1,318.3	1,333.5	1,269.9
Other bonds	250.1	232.8	—	—
Liabilities to banks	886.7	566.1	1,004.3	386.9
Liabilities from finance leases	154.8	233.2	335.6	476.3
Financial liabilities due to non-consolidated Group companies	17.6	7.1	6.0	—
Financial liabilities due to affiliates	11.2	11.6	—	0.2
Other financial liabilities	88.2	87.5	90.2	104.1
Total financial liabilities	**2,798.3**	**2,456.6**	**2,769.6**	**2,237.4**

Selected Information from the Statement of Cash Flows

	Financial year ended September 30,			Nine-month period ended June 30,	
	2011	2012[1]	2013	2013[2]	2014
	(in € millions)				
	(audited)	(audited)	(audited)	(audited)	(audited)
Cash inflow from operating activities	**1,085.5**	**841.5**	**875.3**	**426.4**	**385.8**
Cash inflow / (outflow) from investing activities[3]	**875.4**	**314.7**	**(444.3)**	**(356.9)**	**(156.8)**
Cash outflow from financing activities	**(2,249.2)**	**(894.2)**	**(620.9)**	**(647.3)**	**(388.5)**
Net change in cash and cash equivalents	**(288.3)**	**262.0**	**(189.9)**	**(577.8)**	**(159.5)**
Development of cash and cash equivalents:					
Cash and cash equivalents at beginning of period	**2,274.3**	**1,981.3**	**2.278.4**	**2,278.4**	**2,701.7**
Change in cash and cash equivalents due to exchange rate fluctuation	(4.7)	35.1	25.7	6.0	(15.4)
Change in cash and cash equivalents with cash effects	(288.3)	262.0	(189.9)	(577.8)	(159.5)
Change in cash and cash equivalents without cash effect	—	—	587.5	—	(587.5)
Cash and cash equivalents at end of period	**1,981.3**	**2,278.4**	**2,701.7**	**1,706.6**	**1,939.3**

(1) Figures derived from the audited consolidated financial statements as of and for the financial year ended September 30, 2013. Historically, dividends received from associates and joint ventures were recorded within cash flows from investing activities. During the financial year ended September 30, 2013, it was determined dividends received from associates and joint ventures would be more appropriately reflected in cash inflow from operating activities and the figures for the financial year ended September 30, 2012 were adjusted accordingly.

(2) Figures taken from the audited interim consolidated financial statements as of and for the nine-month period ended June 30, 2014.

(3) Cash inflow from investing activities for the financial year ended September 30, 2011 includes dividends from joint ventures and associates of €11.9 million. For the financial years ended September 30, 2012 and September 30, 2013, dividends from joint ventures and associates are recorded under the Cash inflow from operating activities.

Other Financial Data

	As and for the Financial year ended September 30,			As and for the Nine-month period ended June 30,	
	2011	2012	2013	2013	2014
	(in € millions)				
	(audited)[1]	(audited)[1]	(audited)[1]	(audited)[1]	(audited)[1]
Earnings before interest, taxes, and impairment of goodwill (EBITA)[2]	444.5	538.8	594.8	(391.8)[5]	(248.4)
Underlying EBITA[2]	600.1	745.7	761.9	(252.2)[5]	(182.3)
Net debt[3][4]	817.0	178.2	67.9	475.3	298.1
Cash and cash equivalents at end of period	1,981.3	2,278.4	2,701.7	1,706.6[5]	1,939.3
EBITA as per Segment					
TUI Travel	321.4	441.0	532.8	(346,6)[5]	(329.5)
TUI Hotels & Resorts	144.2	177.5	170.6	79.0[5]	117.1
Cruises	11.2	0.8	(30.4)	(59.2)[5]	(1.7)
All other segments	(32.3)	(80.5)	(78.2)	(65.0)[5]	(34.3)

(1) Unless otherwise stated.

(2) EBITA and Underlying EBITA are non-IFRS financial measures. There are no generally accepted accounting principles governing the calculation of non-IFRS measures. We define EBITA as earnings before interest, taxes, goodwill impairment, losses incurred in the Container Shipping investment measured at equity, gains and losses from the sale of investments in Container Shipping, and Net Interest expense and expense from measurement of interest hedges. Our Underlying EBITA is derived by adjusting EBITA for gains (losses) on disposal of investments, expenses in the framework of restructuring measures, effects of purchase price allocations and other one-off items. EBITA and Underlying EBITA are not measures of operating income, operating performance or liquidity under IFRS. These measures should not be considered in isolation or as substitute for Earnings (loss) before income taxes as determined by IFRS, or as an indicator of the Company's operating performance, or of cash flows from operating activities as determined in accordance with IFRS. The manner in which we measure EBITA and Underlying EBITA may not be consistent with the manner in which these measures or other measures with similar names are calculated by other companies. Accordingly, EBITA and Underlying EBITA as presented by us may not be comparable to these measures or other measures with similar names as presented by other companies.

(3) Net debt consists of financial liabilities less cash and cash equivalents.

(4) Unaudited.

(5) Figure taken from the audited interim consolidated financial statements as of and for the nine-month period ended June 30, 2014.

The following table shows the reconciliation of net debt for the periods indicated.

	As of September 30,			As of June 30,	
	2011	2012	2013	2013	2014
	(in € millions)				
	(audited)[1]	(audited)[1]	(audited)[1]	(audited)[1]	(audited)[1]
Financial liabilities	2,798.3	2,456.6	2,769.6	2,181.9	2,237.4
less: Cash and cash equivalents at end of period	1,981.3	2,278.4	2,701.7	1,706.6[3]	1,939.3
Net debt[2]	**817.0**	**178.2**	**67.9**	**475.3**	**298.1**

(1) Unless otherwise stated.

(2) Unaudited.

(3) Figure taken from the audited interim consolidated financial statements as of and for the nine-month period ended June 30, 2014.

The following table reconciles EBT to EBITA for the periods indicated.

	Financial year ended September 30,			Nine-month period ended June 30,	
	2011	2012	2013	2013(1)	2014
			(in € millions)		
	(audited)	(audited)	(audited)	(audited)	(audited)
Earnings (loss) before income taxes	206.8	252.7	325.5	(629.0)	(472.0)
Result from Container Shipping measured at equity	2.1	49.0	22.3	25.4	38.9
Gain on reduction and measurement of financial investment in with Container Shipping(2)	(51.2)	(61.6)	—	—	—
Net Interest expense and expense from the measurement of interest hedges	286.8	284.9	238.7	203.5	184.7
Impairment of goodwill	—	13.8	8.3	8.3	—
EBITA(3)	**444.5**	**538.8**	**594.8**	**(391.8)**	**(248.4)**

(1) Figures taken from the audited interim consolidated financial statements as of and for the nine-month period ended June 30, 2014.

(2) In connection with and following the sale of Hapag-Lloyd, we had entered into various financing arrangements, including the provision of a bridge loan and a vendor loan. See "*Material Agreements—Agreements Related to Hapag-Lloyd*".

(3) EBITA is a non-IFRS financial measure. There are no generally accepted accounting principles governing the calculation of non-IFRS measures. We define EBITA as earnings before interest, taxes, goodwill impairment, losses incurred in the Container Shipping investment measured at equity, gains and losses from the sale of investments in Container Shipping, and Net Interest expense and expense from measurement of interest hedges. EBITA is not a measure of operating income, operating performance or liquidity under IFRS. This measure should not be considered in isolation or as substitute for Earnings (loss) before income taxes as determined by IFRS, or as an indicator of the Company's operating performance, or of cash flows from operating activities as determined in accordance with IFRS. The manner in which we measure EBITA may not be consistent with the manner in which this measure or other measures with similar names are calculated by other companies. Accordingly, EBITA as presented by us may not be comparable to this measure or other measures with similar names as presented by other companies.

The following table reconciles EBITA to Underlying EBITA for the periods indicated.

	Financial year ended September 30,			Nine-month period ended June 30,	
	2011	2012	2013	2013(1)	2014
			(in € millions)		
	(audited)	(audited)	(audited)	(audited)	(audited)
EBITA(2)	444.5	538.8	594.8	(391.8)	(248.4)
Adjustments	155.6	206.9	167.1	139.6	66.1
Underlying EBITA(3)	**600.1**	**745.7**	**761.9**	**(252.2)**	**(182.3)**

(1) Figures taken from the audited interim consolidated financial statements as of and for the nine-month period ended June 30, 2014.

(2) EBITA is a non-IFRS financial measure. There are no generally accepted accounting principles governing the calculation of non-IFRS measures. We define EBITA as earnings before interest, taxes, goodwill impairment, losses incurred in the Container Shipping investment measured at equity, gains and losses from the sale of investments in Container Shipping, and Net Interest expense and expense from measurement of interest hedges. EBITA is not a measure of operating income, operating performance or liquidity under IFRS. This measure should not be considered in isolation or as substitute for Earnings (loss) before income taxes as determined by IFRS, or as an indicator of the Company's operating performance, or of cash flows from operating activities as determined in accordance with IFRS. The manner in which we measure EBITA may not be consistent with the manner in which this measure or other measures with similar names are calculated by other companies. Accordingly, EBITA as presented by us may not be comparable to this measure or other measures with similar names as presented by other companies.

(3) Underlying EBITA is a non a-IFRS financial measure. There are no generally accepted accounting principles governing the calculation of non-IFRS measures. Our Underlying EBITA is derived by adjusting EBITA for gains (losses) on disposal of investments, expenses in the framework of restructuring measures, effects of purchase price allocations and other one-off items. Underlying EBITA is not a measure of operating income, operating performance or liquidity under IFRS. This measures should not be considered in isolation or as substitute for Earnings (loss) before income taxes as determined by IFRS, or as an indicator of the Company's operating performance, or of cash flows from operating activities as determined in accordance with IFRS. The manner in which we measure Underlying EBITA may not be consistent with the manner in which this measure or other measures with similar names are calculated by other companies. Accordingly, Underlying EBITA as presented by us may not be comparable to this measure or other measures with similar names as presented by other companies.

The following table reconciles EBITA to EBITDA for the periods indicated.

	Financial year ended September 30,			Nine-month period ended June 30,	
	2011	**2012**	**2013**	**2013[(3)]**	**2014**
			(in € millions)		
	(audited)	**(audited)**	**(audited)**	**(audited)**	**(audited)**
EBITA[(1)]	444.5	538.8	594.8	(391.8)	(248.4)
Amortization of other intangible assets and depreciations of property, plant, and equipment	405.6	385.3	421.2	316.0	286.7
EBITDA[(2)]	**850.1**	**924.1**	**1,010.6**	**(75.8)**	**38.3**

(1) EBITA is a non-IFRS financial measures. There are no generally accepted accounting principles governing the calculation of non-IFRS measures. We define EBITA as earnings before interest, taxes, goodwill impairment, losses incurred in the Container Shipping investment measured at equity, gains and losses from the sale of investments in Container Shipping, and Net Interest expense and expense from measurement of interest hedges. EBITA is not a measure of operating income, operating performance or liquidity under IFRS. This measure should not be considered in isolation or as substitute for Earnings (loss) before income taxes as determined by IFRS, or as an indicator of the Company's operating performance, or of cash flows from operating activities as determined in accordance with IFRS. The manner in which we measure EBITA may not be consistent with the manner in which this measure or other measures with similar names are calculated by other companies. Accordingly, EBITA as presented by us may not be comparable to these measures or other measures with similar names as presented by other companies.

(2) EBITDA is a non-IFRS financial measure. There are no generally accepted accounting principles governing the calculation of non-IFRS measures. We have calculated EBITDA by adjusting EBITA for amortization of intangible assets and depreciation of property, plant and equipment. EBITDA is not a measure of operating income, operating performance or liquidity under IFRS. EBITDA should not be considered in isolation or as substitute for earnings (loss) before income taxes as determined by IFRS, or as an indicator of the Company's operating performance, or of cash flows from operating activities as determined in accordance with IFRS. The manner in which we measure EBITDA may not be consistent with the manner in which these measures or other measures with similar names are calculated by other companies. Accordingly, EBITDA as presented by us may not be comparable to these measures or other measures with similar names as presented by other companies.

(3) Figures taken from the audited interim consolidated financial statements as of and for the nine-month period ended June 30, 2014.

Selected Segment Information

TUI Travel

	Financial year ended September 30,			Nine-month period ended June 30,	
	2011	2012	2013	2013[3]	2014
			(in € millions)		
	(audited)[5]	(audited)[5]	(audited)[5]	(audited)[5]	(audited)[5]
Turnover	**16,867.0**	**17,681.5**	**17,796.0**	**11,030.2**	**10,865.0**
Inter-segment turnover	26.0	36.0	27.4	20.5	19.4
Segment turnover	**16,893.0**	**17,717.5**	**17,823.4**	**11,050.7**	**10,884.4**
Earnings (loss) before income taxes (EBT)	**193.2**	**314.1**	**400.1**	**(459.9)**	**(451.4)**
of which share of result of joint ventures and associates	*24.4*	*6.9*	*21.3*	*16.5*	*4.1*
Net interest expense and expense from the measurement of interest hedges	128.2	126.9	132.7	113.3	121.9
Earnings before interest, taxes and impairment of goodwill (EBITA)[1]	**321.4**	**441.0**	**532.8**	**(346.6)**	**(329.5)**
Adjustments:	178.7	196.4	107.7	56.2	81.5
Losses on disposals[4]	—	—	1.4	1.5	(2.9)
Restructuring[4]	70.8	61.0	51.4	21.4	32.0
Purchase price allocation[2][4]	96.1	75.1	75.0	56.1	52.0
Other one-off items	11.8	60.3	(20.1)	(22.8)	0.4
Underlying EBITA[1]	**500.1**	**637.4**	**640.5**	**(290.4)**	**(248.0)**

(1) EBITA and Underlying EBITA are non-IFRS financial measures. There are no generally accepted accounting principles governing the calculation of non-IFRS measures. We define EBITA as earnings before interest, taxes, goodwill impairment, losses incurred in the Container Shipping investment measured at equity, gains and losses from the sale of investments in Container Shipping, and Net Interest expense and expense from measurement of interest hedges. Our Underlying EBITA is derived by adjusting EBITA for gains on disposal of investments, expenses in the framework of restructuring measures, effects of purchase price allocations and other one-off items. EBITA and Underlying EBITA are not measures of operating income, operating performance or liquidity under IFRS. These measures should not be considered in isolation or as substitute for Earnings (loss) before income taxes as determined by IFRS, or as an indicator of the Company's operating performance, or of cash flows from operating activities as determined in accordance with IFRS. The manner in which we measure EBITA and Underlying EBITA may not be consistent with the manner in which these measures or other measures with similar names are calculated by other companies. Accordingly, EBITA and Underlying EBITA as presented by us may not be comparable to these measures or other measures with similar names as presented by other companies.

(2) Purchase price allocations primarily relate to TUI Travel and include amortization of intangible assets from acquisitions under IFRS 3.

(3) Figures taken from the audited interim consolidated financial statements as of and for the nine-month period ended June 30, 2014.

(4) Unaudited.

(5) Unless otherwise stated.

TUI Hotels & Resorts sector

	Financial year ended September 30,			Nine-month period ended June 30,	
	2011	2012	2013	2013[2]	2014
			(in € millions)		
	(audited)[4]	(audited)[4]	(audited)[4]	(audited)[4]	(audited)[4]
Turnover	**362.6**	**384.7**	**403.1**	**288.8**	**294.9**
Inter-segment turnover	418.2	441.3	423.5	267.1	296.3
Segment turnover	**780.8**	**826.0**	**826.6**	**555.9**	**591.2**
Earnings (loss) before income taxes (EBT)	**116.5**	**138.8**	**141.4**	**55.6**	**102.0**
of which share of result of joint ventures and associates	*26.0*	*20.8*	*42.9*	*19.3*	*16.1*
Net interest expense and expense from the measurement of interest hedges	27.7	24.9	20.9	15.1	15.1
Impairment of goodwill	—	13.8	8.3	8.3	—
Earnings before interest, taxes and impairment of goodwill (EBITA)[1]	**144.2**	**177.5**	**170.6**	**79.0**	**117.1**
Adjustments:	1.1	1.1	26.6	25.9	(0.6)
Restructuring expense[3]	—	—	2.5	—	—
Losses(gains) on disposals[3]	—	—	—	—	(0.6)
Other one-off items	1.1	1.1	24.1	25.9	—
Underlying EBITA[1]	**145.3**	**178.6**	**197.2**	**104.9**	**117.7**

(1) EBITA and Underlying EBITA are non-IFRS financial measures. There are no generally accepted accounting principles governing the calculation of non-IFRS measures. We define EBITA as earnings before interest, taxes, including goodwill impairment, losses incurred in the Container Shipping investment measured at equity, gains and losses from the sale of investments in Container Shipping, and Net Interest expense and expense from measurement of interest hedges. Our Underlying EBITA is derived by adjusting EBITA for gains (losses) on disposal of investments, expenses in the framework of restructuring measures, effects of purchase price allocations and other one-off items. EBITA and Underlying EBITA are not measures of operating income, operating performance or liquidity under IFRS. These measures should not be considered in isolation or as substitute for Earnings (loss) before income taxes as determined by IFRS, or as an indicator of the Company's operating performance, or of cash flows from operating activities as determined in accordance with IFRS. The manner in which we measure EBITA and Underlying EBITA may not be consistent with the manner in which these measures or other measures with similar names are calculated by other companies. Accordingly, EBITA and Underlying EBITA as presented by us may not be comparable to these measures or other measures with similar names as presented by other companies.

(2) Figures taken from the audited interim consolidated financial statements as of and for the nine-month period ended June 30, 2014.

(3) Unaudited.

(4) Unless otherwise stated.

Cruises sector

	Financial year ended September 30,			Nine-month period ended June 30,	
	2011	2012	2013	2013[2]	2014
			(in € millions)		
	(audited)[4]	(audited)[4]	(audited)[4]	(audited)[4]	(audited)[4]
Turnover	**200.8**	**231.0**	**261.0**	**188.0**	**213.1**
Inter-segment turnover	—	—	—	—	1.0
Segment turnover	**200.8**	**231.0**	**261.0**	**188.0**	**214.1**
Earnings (loss) before income taxes (EBT)	**11.1**	**0.7**	**(30.6)**	**(59.1)**	**(1.6)**
of which share of result of joint ventures and associates	*4.6*	*12.6*	*17.4*	*6.9*	*9.5*
Net interest expense (income) and expense (income) from the measurement of interest hedges	0.1	0.1	0.2	(0.1)	(0.1)
Earnings before interest, taxes and impairment of goodwill (EBITA)[1]	**11.2**	**0.8**	**(30.4)**	**(59.2)**	**(1.7)**
Adjustments:	—	2.2	16.5	41.5	(16.0)
Restructuring expense[3]	—	2.2	0.5	—	—
Other one-off items	—	—	16.0	41.5	(16.0)
Underlying EBITA[1]	**11.2**	**3.0**	**(13.9)**	**(17.7)**	**(17.7)**

(1) EBITA and Underlying EBITA are non-IFRS financial measures. There are no generally accepted accounting principles governing the calculation of non-IFRS measures. We define EBITA as earnings before interest, taxes, goodwill impairment, losses incurred in the Container Shipping investment measured at equity, gains and losses from the sale of investments in Container Shipping, and Net Interest expense and expense from measurement of interest hedges. Our Underlying EBITA is derived by adjusting EBITA for gains (losses) on disposal of investments, expenses in the framework of restructuring measures, effects of purchase price allocations and other one-off items. EBITA and Underlying EBITA are not measures of operating income, operating performance or liquidity under IFRS. These measures should not be considered in isolation or as substitute for Earnings (loss) before income taxes as determined by IFRS, or as an indicator of the Company's operating performance, or of cash flows from operating activities as determined in accordance with IFRS. The manner in which we measure EBITA and Underlying EBITA may not be consistent with the manner in which these measures or other measures with similar names are calculated by other companies. Accordingly, EBITA and Underlying EBITA as presented by us may not be comparable to these measures or other measures with similar names as presented by other companies.

(2) Figures taken from the audited interim consolidated financial statements as of and for the nine-month period ended June 30, 2014.

(3) Unaudited.

(4) Unless otherwise stated.

All Other Segments

	Financial year ended September 30,			Nine-month period ended June 30,	
	2011	2012	2013	2013[2]	2014
			(in € millions)		
	(audited)[4]	(audited)[4]	(audited)[4]	(audited)[4]	(audited)[4]
Turnover	**49.9**	**33.1**	**17.4**	**11.4**	**11.4**
Inter-segment turnover	31.9	8.5	22.5	17.2	14.8
Segment turnover	**81.8**	**41.6**	**39.9**	**28.6**	**26.2**
Earnings (loss) before income taxes (EBT)	**(114.0)**	**(200.9)**	**(185.4)**	**(165.6)**	**(121.0)**
of which share of result of joint ventures and associates	*(2.1)*	*(49.0)*	*(22.3)*	*(25.4)*	*(38.9)*
Net interest expense and expense from the measurement of interest hedges	130.8	133.0	84.9	75.2	47.8
Impairment of goodwill	—	—	—	—	—
Result from Container Shipping measured at equity	2.1	49.0	22.3	25.4	38.9
Effect the measurement of loans to Container Shipping	51.2	61.6	—	—	—
Earnings before interest, taxes and impairment of goodwill (EBITA)[1]	**(32.3)**	**(80.5)**	**(78.2)**	**(65.0)**	**(34.3)**
Adjustments:	(24.2)	7.2	16.3	16.0	—
Losses on disposals[3]	—	1.8	—	—	—
Restructuring expense[3]	—	—	7.9	8.0	—
Other one-off items	(24.2)	5.4	8.4	8.0	—
Underlying EBITA[1]	**(56.5)**	**(73.3)**	**(61.9)**	**(49.0)**	**(34.3)**

(1) EBITA and Underlying EBITA are non-IFRS financial measures. There are no generally accepted accounting principles governing the calculation of non-IFRS measures. We define EBITA as earnings before interest, taxes, goodwill impairment, losses incurred in the Container Shipping investment measured at equity, gains and losses from the sale of investments in Container Shipping, and Net Interest expense and expense from measurement of interest hedges. Our Underlying EBITA is derived by adjusting EBITA for gains (losses) on disposal of investments, expenses in the framework of restructuring measures, effects of purchase price allocations and other one-off items. EBITA and Underlying EBITA are not measures of operating income, operating performance or liquidity under IFRS. These measures should not be considered in isolation or as substitute for Earnings (loss) before income taxes as determined by IFRS, or as an indicator of the Company's operating performance, or of cash flows from operating activities as determined in accordance with IFRS. The manner in which we measure EBITA and Underlying EBITA may not be consistent with the manner in which these measures or other measures with similar names are calculated by other companies. Accordingly, EBITA and Underlying EBITA as presented by us may not be comparable to these measures or other measures with similar names as presented by other companies.

(2) Figures taken from the audited interim consolidated financial statements as of and for the nine-month period ended June 30, 2014.

(3) Unaudited.

(4) Unless otherwise stated.

Key Figures by Region

	Germany				Great Britain			
	Financial year ended September 30,			Nine-month period ended June 30,	Financial year ended September 30,			Nine-month period ended June 30,
	2011	2012	2013	2014	2011	2012	2013	2014
	(in € millions)							
	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)
External turnover by region(1)	4,710.4	5,026.3	5,200.4	3,197.4	5,182.7	5,522.2	5,578.0	3,347.3

	Spain				Other EU			
	Financial year ended September 30,			Nine-month period ended June 30,	Financial year ended September 30,			Nine-month period ended June 30,
	2011	2012	2013	2014	2011	2012	2013	2014
	(in € millions)							
	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)
External turnover by region(1)	582.5	524.1	570.8	391.9	5,330.6	5,591.7	5,396.5	3,250.3

	Rest of Europe				North and South America			
	Financial year ended September 30,			Nine-month period ended June 30,	Financial year ended September 30,			Nine-month period ended June 30,
	2011	2012	2013	2014	2011	2012	2013	2014
	(in € millions)							
	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)
External turnover by region(1)	466.7	565.2	577.7	303.4	629.2	682.8	715.4	559.7

	Other Regions				Group			
	Financial year ended September 30,			Nine-month period ended June 30,	Financial year ended September 30,			Nine-month period ended June 30,
	2011	2012	2013	2014	2011	2012	2013	2014
	(in € millions)							
	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)
External turnover by region(1)	578.2	418.0	438.7	334.4	17,480.3	18,330.3	18,477.5	11,384.4

(1) The external turnover by region represents the aggregated and consolidated turnover of the TUI Companies domiciled in the respective country or region.

OPERATING AND FINANCIAL REVIEW

The financial information contained in the following operating and financial review is taken or derived from TUI's audited consolidated financial statements as of and for the financial years ended September 30, 2013, 2012 and 2011 and the audited interim consolidated financial statements as of and for the nine-month period ended June 30, 2014. These consolidated financial statements were prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and the additional requirements of German commercial law pursuant to Section 315a para 1 of the German Commercial Code (HGB). For TUI's audited consolidated financial statements as of and for the financial years ended September 30, 2013, 2012, and 2011 and the audited interim consolidated financial statements as of and for the nine-month period ended June 30, 2014, see "Financial Statements" included elsewhere in this Prospectus.

Investors should read the following discussion of our financial condition and results of operations in conjunction with our consolidated financial statements including the related notes, and the other financial information included elsewhere in this Prospectus.

Where financial data in the following tables is labeled "audited", this means that it was taken from the audited financial statements mentioned above. The label "unaudited" is used in the following tables to indicate financial data that was taken from a source other than the audited financial statements mentioned above or recomputed from the audited financial statements mentioned above or sources other than these audited financial statements. All of the financial data presented in the following tables is shown in millions of euro (€ million), commercially rounded to one decimal point. Unless expressly otherwise noted, the percentage changes have been commercially rounded to one decimal point. Because of this rounding, the figures shown in the tables do not in all cases add up exactly to the respective totals given, and the percentages shown do not always add up exactly to 100%. Financial information presented in parentheses denotes the negative of such number presented. In respect of financial data set out in this Prospectus, a dash ("—") signifies that the relevant figure is not available, while a zero ("0") signifies that the relevant figure is available but has been rounded to zero.

Overview

We believe that we are the largest integrated leisure tourism group in Europe by turnover and one of the leading leisure tourism groups in the world. As a vertically integrated leisure tourism group, our brands offer an end-to-end holiday experience for the customer.

Tourism is our core business segment, comprising TUI Travel and the sectors TUI Hotels & Resorts and Cruises. TUI Travel offers a broad array of holiday experiences for a wide range of travelers, from popular holiday brands to an extensive collection of specialist travel providers. The TUI Hotels & Resorts sector comprises our portfolio of hotels and resorts which we operate under brands associated with high levels of quality and service as well as high environmental standards, *i.e.* Robinson, Riu, Grecotel, Grupotel, Iberotel and Dorfhotel. Our Cruises sector offers the maritime holiday experience for different target groups through Hapag-Lloyd Kreuzfahrten and TUI Cruises. In the financial year ended September 30, 2013, we reported a turnover in our Tourism segment of €18,460.1 million and in the nine-month period ended June 30, 2014, of €11,373.0 million, in both instances accounting for over 99.9% of turnover of all our segments combined. In the same periods, our Tourism segment reported an Underlying EBITA of €823.8 million and negative €148.0 million, respectively.

All Other Segments comprises our other and non-tourism businesses, such as our real estate companies and our 22.04% indirect at-equity financial stake in Hapag-Lloyd AG, a container shipping company. All Other Segments reported a negative Underlying EBITA of €61.9 million in the financial year ended September 30, 2013 and negative €34.3 million in the nine-month period ended June 30, 2014, respectively.

As of August 31, 2014 we had 78,244 employees.

TUI Travel operates in approximately 180 countries around the world and serves over 30 million customers from over 30 source markets annually. We believe that we are also the leading tour operator in the United Kingdom, Germany, the Nordics region and France. TUI Travel offers a broad product portfolio, ranging from package holidays (*e.g.*, transport and accommodation advertised and sold by one tour operator) to a wide range of more specialist offerings. TUI Travel is organized and managed through three principal business sectors: (1) Mainstream, which is the largest business and covers all activities in the package through its vertically integrated business model; (2) Accommodation & Destinations, which sells globally sourced hotel and apartment accommodation to wholesale customers and consumers, while also providing incoming services (such as airport transfers) for tour operators through regional agencies and a wide range of services for the cruise sector; and (3) Specialist & Activity, which pools more than 90 specialist and adventure tour operators. In the financial year ended September 30, 2013, TUI Travel reported turnover of €17,796.0 million and an Underlying EBITA of €640.5 million. In the nine-month period ended June 30, 2014, TUI Travel reported turnover of €10,865.0 million, a negative Underlying EBITA of €248.0 million and as of August 31, 2014 had 63,043 employees.

Our TUI Hotels & Resorts sector includes majority participations in hotels, joint ventures with local partners, companies in which we hold a financial stake and hotels operated under management contracts. TUI Hotels & Resorts is the link between tour operators and hotel partners. We have structured this sector into six different hotel groups: Riu, Robinson, Iberotel, Grupotel, Grecotel and all other hotel companies. In the financial year ended September 30, 2013, TUI Hotels & Resorts reported turnover of €403.1 million and an Underlying EBITA of €197.2 million. In the nine-month period ended June 30, 2014, TUI Hotels & Resorts reported turnover of €294.9 million, Underlying EBITA of €117.7 million and as of August 31, 2014 had 14,747 employees.

Our Cruises sector comprises two companies with distinct offerings and target markets. Hapag-Lloyd Kreuzfahrten holds a leading position in the German-speaking market with its fleet in the luxury and expedition cruise segments. In addition, TUI Cruises, which we operate as a joint venture with Royal Caribbean Cruises Ltd., offers a new and differentiated cruise format targeted at the German premium market. In the financial year ended September 30, 2013, our Cruises sector reported turnover of €261.0 million and negative Underlying EBITA of €13.9 million. In the nine-month period ended June 30, 2014, our Cruises sector reported turnover of €213.2 million, negative Underlying EBITA of €17.7 million and had as of August 31, 2014 had 228 employees.

All Other Segments comprises the corporate center functions of TUI and interim holdings, as well as other operative units, such as our real estate companies. As of the date of this Prospectus we also hold our 22.04% stake in the container shipping company Hapag-Lloyd AG at-equity in this segment. In the financial year ended September 30, 2013, All Other Segments reported turnover of €17.4 million and negative Underlying EBITA of €61.9 million. In the nine-month period ended June 30, 2014, All Other Segments reported turnover of €11.4 million, negative Underlying EBITA of €34.3 million and as of August 31, 2014 had 226 employees.

Our business segmentation is subject to review post completion of the TUI Merger.

Recent Developments

Proposed Merger between TUI AG and TUI Travel

On September, 15 2014, the Independent Directors of TUI Travel and the Executive Board of the Company announced that they had agreed the terms of the TUI Merger. Peter Long has not participated in discussions of, or decisions in relation to, the TUI Merger by the Company's Executive Board (see "*Information on the TUI Merger and Description of the Scheme of Arrangement and the Offer—Introduction*"). The terms of the TUI Merger will offer holders of TUI Travel Scheme Shares 0.399 New TUI Shares for each TUI Travel Scheme Share held.

The TUI Merger will be effected by way of the Scheme sanctioned by the Court under Part 26 of the UK Companies Act, pursuant to which the Company will acquire the entire issued and to be issued ordinary share capital of TUI Travel not already beneficially owned or controlled by the Company and certain connected parties. Subject to the satisfaction or, where applicable, waiver of the Merger Conditions, it is expected that the TUI Merger will become effective in December 2014. See "*Information on the TUI Merger and Description of the Scheme of Arrangement and the Offer*".

Stake in the Container Shipping business of Hapag-Lloyd

TUI owns a 22.04% stake in Hapag-Lloyd, the remaining shares are currently held by a Hamburg-based consortium. As for TUI, the remaining stake is considered as a financial investment which is to be monetized; hence the at-equity result is not included in the performance indicator EBITA of the group.

On April 16, 2014, Hapag-Lloyd and its Chilean competitor CSAV signed a business combination agreement, initiating a merger between the two shipping lines. Following the merger, TUI AG's stake in Hapag-Lloyd will decline from 22.04% to approximately 15.0% in the new company. It will decrease further to approximately 14.0% following a planned capital increase in the framework of the merger that TUI AG will not participate in. The rights of the TUI shareholders have been secured in this context. The shareholders of Hapag-Lloyd have come to a binding agreement to float the newly-formed company in the stock market in 2015. In the event of an IPO of the new company, TUI may benefit from priority placement of its shares over all other shareholders. Moreover, TUI will also be entitled in the run-up to the IPO to sell its shares in the form of a private placement or to sell them to individual investors. Overall, the Executive Board of TUI AG (save for Peter Long, who has not participated in discussions of, or decisions in relation to, the TUI Merger) assesses the merger between Hapag-Lloyd and CSAV as very positive.

In the light of the completion of the merger, TUI accounts for its stake in Hapag-Lloyds being held for sale under IFRS 5, starting 29 April, 2014. At that time, equity accounting was also ceased for this investment.

Factors Affecting Our Results of Operations

Our results of operations, financial position and liquidity have been affected by the following factors and developments:

Capacity Management. One of the primary factors impacting our profitability in the sale of travel packages is our ability to match supply with demand in our key markets. Capacity is determined predominantly by the number of available seats on aircraft and the number of hotel rooms at each holiday destination. Because of the "perishable" nature of holiday packages, the supply and demand for each product and market must be precisely monitored on a daily basis. When industry capacity for a holiday season exceeds available demand, the proportion of holidays sold at a discount as "late-bookings" is typically higher, thereby, reducing profit margins. We seek to ensure that we maximize the use of our own capacity at each stage of the value chain, especially our own aircraft, hotels and ships for cost degression purposes, including through tour operator yield management systems. We carefully and continuously review capacity and seek to maximize our flexibility through short-term leases and agreements with hotels for allotments of rooms (so-called allotment contracts) to be able to reduce capacity without significant financial penalty should the need arise.

General economic conditions and macroeconomic environment. Changing economic cycles affect demand for tourism products. Such cycles are influenced by global political events, such as terrorist acts, war and other hostilities as well as by market specific events, such as increases or decreases in customer confidence and customer spending, labor or social unrest and political uncertainty. Demand for our tourism products depends in particular, on the macroeconomic development in our source markets, as spending on travel is discretionary and, consequently, price sensitive.

Our source markets have experienced varying levels of economic growth, fiscal austerity and consumer sentiment in recent years. The introduction of budget cuts and tax increases in an attempt to reduce public debt has in some countries indirectly negatively impacted economic growth and consumer consumption. Many of our source markets have experienced declines in consumer confidence and spending power, in some source markets this has also led to a decline in the demand for leisure travel. As a result of this reduced consumer spending in certain economies the financial results of our operating segments have been impacted to a varying degree. For example, the discussion about a potential exit of Greece from the Eurozone led to a temporary decline in demand for travel to Greece, predominantly among German customers in the financial year ended September 30, 2011. Whereas customers may have selected other products of the Group, this reluctance has affected the business of Grecotel, our Greek hotel group. In the financial year ended September 30, 2013 the demand of German customers for travel to Greece returned to normal levels. Changing economic cycles and general economic conditions are also likely to affect demand for holiday tours in the future. Accordingly, the results of our Group's operating segments are likely to continue to vary depending on the prevailing economic conditions, such as unemployment, interest rates, level of taxation or the cost of living in the relevant source markets.

Political instability, accidents, terrorism or the threat of terrorism, natural disasters or outbreaks of diseases or epidemics. Airlines and package holiday providers are exposed to the risk of losses from political instability, accidents, terrorist attacks, acts of sabotage and natural catastrophes, climate change, outbreaks of diseases, epidemics, social unrest, civil war and international conflicts. We operate in approximately 180 destinations worldwide in over 30 source markets, where our operations are at risk of both domestic and international geopolitical events. As such, events could directly affect customers' propensity to travel and lead to a reduction in customer spending, which could adversely impact our business performance. However, as long as such negative events are only limited to certain countries or regions our high level of diversification often allows us to compensate an impact on our operations by increasing business elsewhere.

For example, the political and civil unrest in the Middle East and North Africa known as the "Arab Spring" has significantly negatively affected our operations in these regions. Before the events of the "Arab Spring," destinations such as Egypt or Tunisia provided attractive warm weather options for many of our Group's customers, particularly in winter. Our mainstream tour operating business, predominantly in the United Kingdom, Germany and France as well as a number of Iberotel hotels and one Robinson club located in Egypt were adversely effected by the Arab Spring. In turn, our tour operating and Hotels & Resorts businesses benefited from the fact that customer demand shifted to the Canaries in the winter season and also to the Balearics, Greece and Turkey for the summer season.

Seasonality. Our business operations are highly seasonal. Demand for our products and services fluctuate over the course of the calendar year, which causes our results of operation to fluctuate from quarter to quarter. Demand has historically been highest in the summer season from May through October and lowest in the winter season from November through April (except for the days around Christmas, the New Year and Easter). Approximately two-thirds of our turnover in the Tourism segment is generated in the summer season. However, our fixed expenses are typically incurred more evenly throughout the year, generally resulting in higher gross profits during the summer season. The first and fourth quarters of the calendar year are affected by a decrease in consumer spending in our primary source markets after the holidays.

Our liquidity position is also at its strongest during the summer season due to payments received from the greater number of customers that are travelling at that time, while payments to hotels for accommodation are typically made after the customer has travelled and therefore reduce our liquidity position to a low point during the winter season. Our working capital is also subject to significant seasonal fluctuations. As with similar businesses in the travel sector, we operate with negative working capital, which means that our current funding from customer deposits exceeds our working capital funding needs. Customer payments typically accumulate from January to a peak in June, in advance of the summer holiday season, when we typically have our greatest levels of negative working capital. Payments to hotels and flight costs typically occur during and after the peak season in summer. For this reasons our negative working capital decreases through to November and December before increasing as a result of inflows in respect of the following calendar year.

Exchange rate and currency fluctuations. Our business and results of operations may be affected by fluctuations in exchange rates, mainly in two ways:

First, there is a mismatch between the currencies in which turnover is received and those in which costs are incurred. For example, certain costs of materials, including hotel accommodations, destination services and airplane jet fuel, are denominated in currencies (frequently U.S. dollar and other local currencies) other than the currencies in which our customers pay for their holidays (primarily euro and British pound sterling). Specific businesses have generally produced certain types of currency mismatches. For instance, TUI Travel UK tour operators have typically produced a short position in euro because of the receipt of payments from customers in non-euro currencies, primarily British pound sterling, and being invoiced in euro for hotel accommodation.

Our risk management policy requires us to hedge these foreign currency risks. The companies of TUI Travel 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 volumes are changed in line with changes in planned requirements on the basis of reporting by the subsidiaries. Currency hedging in the TUI Hotels & Resorts and Cruises sectors is also based on the reports submitted by the subsidiaries. The aim is for the hedges to cover 80% of the reported exposure. Further, we use currency hedges for significant capital expenditure projects. As of June 30, 2014 the nominal amounts of our currency hedges amounted to €10,078.2 million (€10,776.6 million as of September 30, 2013 and €12,244.7 million as of September 2012).

Second, we prepare our consolidated financial statements in euro, whereas our subsidiaries located outside the Eurozone who prepare their financial statements in their respective functional currencies. Foreign exchange translation risks from the consolidation of Group companies not reporting in euros are not hedged. Fluctuations in the exchange rates of the functional currencies of our subsidiaries not using the euro have in the past impacted on our consolidated financial statements when converting these subsidiaries' turnover and results. TUI Travel has the highest exposure to this translation risk, predominantly due to its significant Mainstream businesses in the UK and the Nordics.

Fuel costs fluctuations. The costs of airplane jet fuel or ship bunker fuel vary significantly over time. Our risk management policy requires us to hedge these fuel price risks. In our Tourism segment, prior to the publication of a holiday catalogue, we aim to hedge our fuel price exposure to at least 80% of the expected fuel consumption. Therefore, in a sensitivity scenario, a rise in the fuel price for aircraft and ships by 10% as of September 30, 2013 would have increased the hedging reserve by €77.5 million (by €94.9 million as of September 30, 2012 and by €80.5 million as of June 30, 2014) with a small positive effect on profits from the portion of derivatives not accounted for as hedging instruments under IAS 39 of less than €1 million in periods mentioned.

To the extent that we do not adequately or successfully hedge our fuel price exposure, a significant change in fuel prices could significantly affect our results of operations. To the extent that we are unable to pass on jet fuel cost increases to customers or, where such increases occur subsequent to the fixing of a selling price to a customer, we do not hedge this exposure effectively, an increase in costs will have a negative impact on our results of operations.

Description of Key Line Items

Turnover. Turnover consists of income derived from the sale of tourism-related products and services as well as turnover from All Other Segments which includes income from the sale of and leasing from real estate. Turnover is carried excluding value-added tax, returns, discounts and price rebates and after elimination of intra-Group sales. Turnover and other income is recognized upon rendering of the service or transfer of the asset and hence upon transfer of the risk. The commission fees received by travel agencies for package tours are recognized upon payment by the customers or, at the latest, at the date of departure. The services of tour operators mainly consist in organizing and coordinating package tours. Turnover from the organization of tours is therefore fully recognized when the customer departs. Turnover from individual travel modules booked directly from airlines, hotel companies or incoming agencies by customers is recognized when the customers use the respective services on a day-by-day basis. Turnover in our TUI Hotels & Resorts sector as well as in our Cruise sector is recognized according to the proportion of contract performance as of the balance sheet date.

Cost of sales. Expenses directly related to the Group's turnover are shown as cost of sales. This includes costs for tourism services received, third-party flights and hotel accommodation as well as corresponding staff costs.

Administrative expenses. Administrative expenses comprise expenses not directly attributable to turnover transactions, in particular expenses for general management or administrative functions.

Other income/other expenses. Other income and other expenses primarily comprise profits or losses from the sale of fixed assets.

Impairment of goodwill. Impairment of goodwill is recognized when the carrying amount of a cash generating unit exceeds its 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).

Financial income. Financial income comprises income from investments, interest income and income from the measurement of interest hedges. Further, this line item holds income in relation to the reduction and measurement of the investment in container shipping.

Financial expenses. Financial expenses comprise interest expenses, expenses relating to the measurement of other financial instruments as well as write-downs of available-for-sale financial instruments and loans. In the financial year ended September 30, 2011 and the financial year ended September 30, 2012, this line item includes expenses in relation to the reduction and measurement of the investment in container shipping.

Share of result of joint ventures and associates. The share of result of joint ventures and associates comprises the proportionate net profit for the period of the associated companies and joint ventures.

Reconciliation to EBITA, Underlying EBITA. In addition to the disclosures required under IFRS, reconciliations to EBITA and Underlying EBITA are presented separately in a box on the face of the consolidated income statement. EBITA and Underlying EBITA are non-IFRS financial measures. There are no generally accepted accounting principles governing the calculation of non-IFRS measures. We define EBITA as earnings before interest, taxes, goodwill impairment, losses incurred in the Container Shipping investment measured at equity, gains and losses from the sale of investments in Container Shipping, and Net Interest expense and expense from measurement of interest hedges. Underlying EBITA is derived by adjusting EBITA for gains (losses) on disposal of investments, expenses in the framework of restructuring measures, effects of purchase price allocations and other one-off items.

Income taxes. Income taxes consist of taxes that relate to the profit of ordinary activities, after deduction of other taxes, and are subdivided into current taxes and deferred taxes.

Group profit (loss) for the period attributable to shareholders of TUI AG. Group profit/loss for the period attributable to shareholders of the Company comprises Group profits/losses for the period after the deduction of minority interests.

Group profit (loss) for the period attributable to non-controlling interests. Results attributable to minority interests relate to profits that are attributable to any third-party shareholder in a consolidated subsidiary in which we hold less than 100% of the equity interests.

Results of Operation

Group income-statement. The table below sets forth our consolidated income statement for the financial year ended September 30, 2011, the financial year ended September 30, 2012 and the financial year ended September 30, 2013, the nine-month period ended June 30, 2013 and the nine-month period ended June 30, 2014.

Group Profit and Loss Statement

	Financial year ended September 30, 2011	2012	2013	Nine-month period ended June 30, 2013[3]	2014
			(in € millions)		
	(audited)	(audited)	(audited)	(audited)	(audited)
Turnover	**17,480.3**	**18,330.3**	**18,477.5**	**11,518.4**	**11,384.4**
Cost of sales	15,655.2	16,285.8	16,436.3	10,818.0	10,528.6
Gross profit	**1,825.1**	**2,044.5**	**2,041.2**	**700.4**	**855.8**
Administrative expenses	1,508.8	1,555.7	1,557.3	1,154.4	1,152.5
Other income/other expenses	77.1	71.1	26.3	22.1	21.5
Impairment of goodwill	—	13.8	8.3	8.3	—
Financial result	(239.5)	(284.7)	(235.7)	(206.1)	(187.6)
Financial income	*254.3*	*159.9*	*124.0*	*27.3*	*19.8*
Financial expenses	*493.8*	*444.6*	*359.7*	*233.4*	*207.4*
Share of result of joint ventures and associates	52.9	(8.7)	59.3	17.3	(9.2)
Earnings (loss) before income taxes (EBT)	**206.8**	**252.7**	**325.5**	**(629.0)**	**(472.0)**
Reconciliation to underlying earnings[1]					
Earnings (loss) before income taxes	206.8	252.7	325.5	(629.0)	(472.0)
plus: Loss on Container Shipping measured at equity	2.1	49.0	22.3	25.4	38.9
less: Gain on reduction and measurement of financial investment in Container Shipping[2]	(51.2)	(61.6)	—	—	—
plus: Net Interest expense and expense from measurement of interest hedges	286.8	284.9	238.7	203.5	184.7
plus: Impairment of goodwill	—	13.8	8.3	8.3	—
EBITA[1]	444.5	538.8	594.8	(391.8)	(248.4)
Adjustments:					
plus: Losses (gains) on disposals	—	*1.8*	*1.4*	*1.5*	*(2.3)*
plus: Restructuring expense	*70.8*	*63.2*	*62.3*	*29.4*	*32.0*
plus: Expense from purchase price allocation	*96.1*	*75.1*	*75.0*	*56.1*	*52.0*
plus: Expense (income) from other one off items	*(11.3)*	*66.8*	*28.4*	*52.6*	*(15.6)*
Underlying EBITA[1]	**600.1**	**745.7**	**761.9**	**(252.2)**	**(182.3)**
Earnings (loss) before income taxes	**206.8**	**252.7**	**325.5**	**(629.0)**	**(472.0)**
Tax expense (tax income)	88.6	110.8	139.0	(152.8)	(123.4)
Group profit (loss) for the period	**118.2**	**141.9**	**186.5**	**(476.2)**	**(348.6)**
Group profit (loss) for the period attributable to shareholders of TUI AG	23.9	(15.1)	4.3	(376.2)	(249.2)
Group profit (loss) for the period attributable to non-controlling interests	94.3	157.0	182.2	(100.0)	(99.4)

(1) EBITA and Underlying EBITA are non-IFRS financial measures. There are no generally accepted accounting principles governing the calculation of non-IFRS measures. We define EBITA as earnings before interest, taxes, goodwill impairment, losses incurred in the Container Shipping investment measured at equity, gains and losses from the sale of investments in Container Shipping, and Net Interest expense and expense from measurement of interest hedges. Our Underlying EBITA is derived by adjusting EBITA for gains (losses) on disposal of investments, expenses in the framework of restructuring measures, effects of purchase price allocations and other one-off items. EBITA and Underlying EBITA are not measures of operating income, operating performance or liquidity under IFRS. These measures should not be considered in isolation or as substitute for Earnings (loss) before income taxes as determined by IFRS, or as an indicator of the Company's operating performance, or of cash flows from operating activities as determined in accordance with IFRS. The manner in which we measure EBITA and Underlying EBITA may not be consistent with the manner in which these measures or other measures with similar names are calculated by other companies. Accordingly, EBITA and Underlying EBITA as presented by us may not be comparable to these measures or other measures with similar names as presented by other companies.

(2) In connection with and following the sale of Hapag-Lloyd, we had entered into various financing arrangements, including the provision of a bridge loan and a vendor loan. See "*Material Agreements—Agreements related to Hapag-Lloyd*".

(3) Figures taken from the audited interim consolidated financial statements as of and for the nine-month period ended June 30, 2014.

The following table shows segment turnover of our Group for the periods indicated:

Segment Turnover

	Financial year ended September 30,			Nine-month period ended June 30,	
	2011	**2012**	**2013**	**2013**[(1)]	**2014**
			(in € millions)		
	(audited)	**(audited)**	**(audited)**	**(audited)**	**(audited)**
TUI Travel	16,893.0	17,717.5	17,823.4	11,050.7	10,884.4
TUI Hotels & Resorts	780.8	826.0	826.6	555.9	591.2
Cruises	200.8	231.0	261.0	188.0	214.1
Consolidation	(427.5)	(459.3)	(432.9)	(274.1)	(306.7)
Tourism Segment	**17,447.1**	**18,315.2**	**18,478.1**	**11,520.5**	**11,383.0**
All Other Segments	81.8	41.6	39.9	28.6	26.2
Consolidation	(48.6)	(26.5)	(40.5)	(30.7)	(24.8)
Group	**17,480.3**	**18,330.3**	**18,477.5**	**11,518.4**	**11,384.4**

(1) Figures taken from the audited interim consolidated financial statements as of and for the nine-month period ended June 30, 2014.

The following table shows EBITA for the periods indicated:

EBITA[(1)]

	Financial year ended September 30,			Nine-month period ended June 30,	
	2011	**2012**	**2013**	**2013**[(2)]	**2014**
			(in € millions)		
	(audited)	**(audited)**	**(audited)**	**(audited)**	**(audited)**
TUI Travel	321.4	441.0	532.8	(346.6)	(329.5)
TUI Hotels & Resorts	144.2	177.5	170.6	79.0	117.1
Cruises	11.2	0.8	(30.4)	(59.2)	(1.7)
Consolidation	0.0	—	—	—	—
Tourism Segment	**476.8**	**619.3**	**673.0**	**(326.8)**	**(214.1)**
All Other Segments	(32.3)	(80.5)	(78.2)	(65.0)	(34.3)
Consolidation	—	—	—	—	—
Group	**444.5**	**538.8**	**594.8**	**(391.8)**	**(248.4)**

(1) EBITA is a non-IFRS financial measure. There are no generally accepted accounting principles governing the calculation of non-IFRS measures. We define EBITA as earnings before interest, taxes, impairment of goodwill and other non-recurring gains and losses, including goodwill impairment, losses incurred in the Container Shipping investment measured at equity, gains and losses from the sale of investments in Container Shipping, and Net Interest expense and expense from measurement of interest hedges. EBITA is not a measure of operating income, operating performance or liquidity under IFRS. These measures should not be considered in isolation or as substitute for Earnings (loss) before income taxes as determined by IFRS, or as an indicator of the Company's operating performance, or of cash flows from operating activities as determined in accordance with IFRS. The manner in which we measure EBITA may not be consistent with the manner in which these measures or other measures with similar names are calculated by other companies. Accordingly, EBITA as presented by us may not be comparable to this measure or other measures with similar names as presented by other companies.

(2) Figures taken from the audited interim consolidated financial statements as of and for the nine-month period ended June 30, 2014.

The following table shows Underlying EBITA for the periods indicated:

Underlying EBITA(1)

	Financial year ended September 30,			Nine-month period ended June 30,	
	2011	**2012**	**2013**	**2013**(2)	**2014**
			(in € millions)		
	(audited)	**(audited)**	**(audited)**	**(audited)**	**(audited)**
TUI Travel	500.1	637.4	640.5	(290.4)	(248.0)
TUI Hotels & Resorts	145.3	178.6	197.2	104.9	117.7
Cruises	11.2	3.0	(13.9)	(17.7)	(17.7)
Consolidation	—	—	—	—	—
Tourism Segment	**656.6**	**819.0**	**823.8**	**(203.2)**	**(148.0)**
All Other Segments	(56.5)	(73.3)	(61.9)	(49.0)	(34.3)
Consolidation	—	—	—	—	—
Group	**600.1**	**745.7**	**761.9**	**(252.2)**	**(182.3)**

(1) Underlying EBITA is a non-IFRS financial measure. There are no generally accepted accounting principles governing the calculation of non-IFRS measures. Our Underlying EBITA is derived by adjusting EBITA for gains (losses) on disposal of investments, expenses in the framework of restructuring measures, effects of purchase price allocations and other one-off items. Underlying EBITA is not a measure of operating income, operating performance or liquidity under IFRS. These measures should not be considered in isolation or as substitute for Earnings (loss) before income taxes as determined by IFRS, or as an indicator of the Company's operating performance, or of cash flows from operating activities as determined in accordance with IFRS. The manner in which we measure Underlying EBITA may not be consistent with the manner in which these measures or other measures with similar names are calculated by other companies. Accordingly, Underlying EBITA as presented by us may not be comparable to this measure or other measures with similar names as presented by other companies.

(2) Figures taken from the audited interim consolidated financial statements as of and for the nine-month period ended June 30, 2014.

Comparison of the nine-month period ended June 30, 2013 and nine-month period ended June 30, 2014

Turnover. Turnover decreased from €11,518.4 million in the nine-month period ended June 30, 2013, by €134.0 million, or 1.2%, to €11,384.4 million in the nine-month period ended June 30, 2014. The decrease primarily resulted from a slight decrease in customer numbers in the Mainstream business of TUI Travel.

Cost of sales. Cost of sales decreased from €10,818.0 million in the nine-month period ended June 30, 2013, by €289.4 million, or 2.7%, to €10,528.6 million in the nine-month period ended June 30, 2014. This decrease results mainly from capacity cuts as well as efficiency improvements in the tour operator, airline and in distribution at TUI Travel.

Gross profit. Gross profit increased from €700.4 million in the nine-month period ended June 30, 2013, by €155.4 million, or 22.2%, to €855.8 million in the nine-month period ended June 30, 2014. This increase is mainly caused by the factors described above.

Administrative expenses. Administrative expenses decreased from €1,154.4 million in the nine-month period ended June 30, 2013, by €1.9 million, or 0.2%, to €1,152.5 million in the nine-month period ended June 30, 2014.

Other income/other expenses. Other income/other expenses decreased from €22.1 million in the nine-month period ended June 30, 2013, by €0.6 million, or 2.7%, to €21.5 million in the nine-month period ended June 30, 2014. This line item primarily relates to one-off items. Within the nine-month period ended June 30, 2014, other income primarily relates to the book profits from the sale of the science park in Kiel and the industrial park in Berlin-Tempelhof and the sale of a hotel company in Switzerland. Furthermore profits were generated in the framework of sale-and-lease-back transactions for Boeing 787 aircraft.

Impairment of goodwill. In the nine-month period ended June 30, 2014 we incurred no impairment of goodwill. In the nine-month period ended June 30, 2013 impairment of goodwill of €8.3 million related to the remaining goodwill of the Tenuta di Castelfalfi project in TUI Hotels & Resorts.

Financial result. The Financial result comprises financial income and financial expenses. The financial result improved from negative €206.1 million in the nine-month period ended June 30, 2013, by €18.5 million, or 9.0%, to negative €187.6 million in the nine-month period ended June 30, 2014.

Financial income decreased from €27.3 million in the nine-month period ended June 30, 2013, by €7.5 million, or 27.5%, to €19.8 million in the nine-month period ended June 30, 2014, primarily due to lower returns on bank deposits as a result of lower interest rates. Financial expenses decreased from €233.4 million in the nine-month period ended June 30, 2013, by €26.0 million, or 11.1%, to €207.4 million in the nine-month period ended June 30, 2014 due to repayments and the reduction of liabilities. The TUI Travel sector redeemed further loans in the amount of €42.7 million and liabilities from finance leases in the amount of €22.3 million. The TUI Hotels & Resorts Sector took out loans in the amount of €52.3 million, while repaying loans in the amount of €34.1 million. Furthermore the financial expenses in the nine month period ended June 30, 2014 were positively affected by the reduction of convertible bonds.

Result from joint ventures and associates. Result from joint ventures and associates changed from positive €17.3 million in the nine-month period ended June 30, 2013, by €26.5 million, or 153.2%, to negative €9.2 million in the nine-month period ended June 30, 2014. The decrease primarily resulted from an increase in the proportionate loss from the investment in Hapag-Lloyd from negative €25.4 million in the nine-month period ended June 30, 2013 by €13.5 million, or 53.1%, to negative €38.9 million in nine-month period ended June 30, 2014 and from a decline in earnings due to the unstable political situation in Egypt and the Ukraine.

Earnings (loss) before income taxes (EBT). Earnings (loss) before income taxes improved from negative €629.0 million in the nine-month period ended June 30, 2013, by €157 million, or 25.0%, to negative €472.0 million in the nine-month period ended June 30, 2014 as a result of the factors described above.

Earnings (loss) before interest, taxes and impairment of goodwill (EBITA). EBITA improved from negative €391.8 million in the nine-month period ended June 30, 2013, by €143.4 million, or 36.6%, to negative €248.4 million in the nine-month period ended June 30, 2014 as a result of the factors described above.

Underlying EBITA. Underlying EBITA improved from negative €252.2 million in the nine-month period ended June 30, 2013, by €69.9 million, or 27.7%, to negative €182.3 million in the nine-month period ended June 30, 2014. This positive development was mainly attributable to the improvement in earnings of TUI Travel and the TUI Hotels & Resorts Sector and a decline in expenses by central operations.

Adjustments. To ensure a transparent presentation of how operating earnings developed in the sectors, Underlying EBITA was derived by adjusting EBITA for gains on disposal of investments, expenses in the framework of restructuring measures, effects of purchase price allocations and one-off items by sector. The adjustments are outlined as follows:

Adjustments decreased from €139.6 million in the nine-month period ended June 30, 2013, by €73.5 million, or 52.7%, to €66.1 million in the nine-month period ended June 30, 2014.

Adjustments for TUI Travel increased from €56.2 million in the nine-month period ended June 30, 2013, by €25.3 million, or 45.0%, to €81.5 million in the nine-month period ended June 30, 2014 for the following one-off effects: gains on the disposal of assets in the amount of €2.9 million, restructuring costs in Germany and France, and in Specialist & Activity and Accommodation & Destinations in the amount of €32.0 million as well as effects of purchase price allocations.

TUI Hotels & Resorts recorded total adjustments of €0.6 million in the nine-month period ended June 30, 2014 compared to €25.9 million in the nine-month period ended June 30, 2013. The adjustments of €0.6 million for the nine-month period ended June 30, 2014 are primarily attributable to differences arising from the currency translation related to a capital decrease in a RIU group company. The adjustments in the nine-month period ended June 30, 2013 mainly related to impairment on properties of the hotel project Tenuta di Castelfalfi.

Cruises recorded negative €16 million of adjustments in the nine-month period ended June 30, 2014 resulting from the utilization of a provision for expected losses from onerous contracts established during the previous year by Hapag-Lloyd Kreuzfahrten. In the nine-month period ended June 30, 2013 Cruises recorded €41.5 million of adjustments, related to a provision for onerous contracts due to occupancy risk especially for Europa 2.

In the nine-month period ended June 30, 2014, All Other Segments recorded no further adjustments, whereas in the nine-month period ended June 30, 2013 All Other Segments combined recorded adjustments of €16.0 million, mainly resulting from the implementation of the TUI AG Lean Holding concept.

Tax expense. Tax expense (tax income) decreased from negative €152.8 million in the nine-month period ended June 30, 2013, by €29.4 million, or 19.2%, to negative €123.4 million in the nine-month period ended June 30, 2014. The current tax income is largely attributable due to seasonality in tourism. The decrease in income taxes is mainly attributable to the development in earnings (loss) before income taxes (EBT), which decreased from negative €629.0 million in the nine-month period ended June 30, 2013 by €157 million to negative €472.0 million in the nine-month period ended June 30, 2014.

Group profit. Group profit (loss) improved from negative €476.2 million in the nine-month period ended June 30, 2013 by €127.6 million, or 26.8%, to negative €348.6 million in the nine-month period ended June 30, 2014. This is mainly attributable to operative improvements as well as the decrease in onetime expenses as described in the factors above.

Comparison of the financial year ended September 30, 2012 with the financial year ended September 30, 2013

Turnover. Turnover increased from €18,330.3 million in the financial year ended September 30, 2012, by €147.2 million, or 0.8%, to €18,477.5 million in the financial year ended September 30, 2013. The increase primarily resulted from increased segment turnover from TUI Travel, which increased by €105.9 million, and Cruises, which increased by €30.0 million. Within TUI Travel, whereas customer volumes in the Mainstream business decreased by 3.0% in the financial year ended September 30, 2013 compared to the financial year ended September 30, 2012, the increase was primarily attributable to higher average selling prices, mainly driven by a higher proportion of unique product.

Cost of sales. Cost of sales increased from €16,285.8 million in the financial year ended September 30, 2012, by €150.5 million, or 0.9%, to €16,436.3 million in the financial year ended September 30, 2013. This increase was in line with the increase of turnover.

Gross profit. Gross profit decreased by €3.3 million, or 0.2%, from €2,044.5 million in the financial year ended September 30, 2012 to €2,041.2 million in the financial year ended September 30, 2013.

Administrative expenses. Administrative expenses increased from €1,555.7 million in the financial year ended September 30, 2012, by €1.6 million, or 0.1%, to €1,557.3 million in the financial year ended September 30, 2013.

Other income/other expenses. Other income/other expenses decreased from €71.1 million in the financial year ended September 30, 2012, by €44.8 million, or 63.0%, to €26.3 million in the financial year ended September 30, 2013. This line item predominantly relates to one-off effects. In the financial year ended September 30, 2013, other income primarily related to the book profit from a RIU group hotel sold in December 2012 and profits generated from sale-and-lease-back transactions for Boeing 787 aircraft. In the financial year ended September 30, 2012 other income related primarily to the disposal of a hybrid loan granted to Hapag-Lloyd and the measurement of the stake in container shipping. In the financial year ended September 30, 2013 other expenses mainly related to losses from sale-and-lease-back transactions in connection with the delivery of aircraft and losses from the disposal of various shareholdings.

Impairment of goodwill. In the financial year ended September 30, 2013, impairment of goodwill of €8.3 million related to the remaining goodwill of the Tenuta di Castelfalfi project in TUI Hotels & Resorts. In the financial year ended September 30, 2012, goodwill impairments of €13.8 million were incurred for the Tenuta di Castelfalfi project.

Financial result. Financial result comprises financial income and financial expenses. Financial result improved from negative €284.7 million in the financial year ended September 30, 2012, by €49.0 million, or 17.2%, to negative €235.7 million in the financial year ended September 30, 2013 due to the reduction in the TUI Group's net debt and lower interest paid on bank balances on account of a decline in interest rate levels. Financial income decreased from €159.9 million in the financial year ended September 30, 2012, by €35.9 million, or 22.5%, to €124.0 million in the financial year ended September 30, 2013 due to reduced income from securities and loans and decreased interest on pension scheme assets. In the financial year ended September 30, 2012, there was financial income from loans granted to Hapag-Lloyd, which were redeemed in full in the financial year ended September 30, 2012.

The financial expenses decreased from €444.6 million in the financial year ended September 30, 2012, by €84.9 million, or 19.1%, to €359.7 million, in the financial year ended September 30, 2013 due to the reduction in interest expenses in the financial year ended September 30, 2013. The decline in interest expenses mainly results from the reduction in financial liabilities in the financial year ended September 30, 2013. The financial year ended September 30, 2012 included interest of €25.0 million in connection with the litigation with the Babcock Borsig AG administrator.

Result from joint ventures and associates. Result from joint ventures and associates increased from a loss of €8.7 million in the financial year ended September 30, 2012, by €68.0 million, to income of €59.3 million in the financial year ended September 30, 2013. The improvement 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 from negative €49.0 million in the financial year ended September 30, 2012 by €26.7 million, or 54.5%, to negative €22.3 million in the financial year ended September 30, 2013 due to the reduction in the Groups ownership stake in Hapag-Lloyd from 38.4% to 22.04% effected in the prior year.

Earnings (loss) before income taxes (EBT). Earnings (loss) before income taxes improved from €252.7 million in the financial year ended September 30, 2012, by €72.8 million, or 28.8%, to €325.5 million in the financial year ended September 30, 2013 as a result of the factors described above.

Earnings before interest, taxes and impairment of goodwill (EBITA). EBITA increased from €538.8 million in the financial year ended September 30, 2012, by €56.0 million, or 10.4%, to €594.8 million in the financial year ended September 30, 2013.

Underlying EBITA. Underlying EBITA increased from €745.7 million in the financial year ended September 30, 2012, by €16.2 million, or 2.2%, to €761.9 million in the financial year ended September 30, 2013. This increase is attributable to 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.

Adjustments. To ensure a transparent presentation of how operating earnings developed in the sectors, Underlying EBITA was derived by adjusting EBITA for losses on disposal of investments, expenses in the framework of restructuring measures, effects of purchase price allocations and one-off items by sector. The adjustments are outlined as follows:

Adjustments decreased from €206.9 million in the financial year ended September 30, 2012, by €39.8 million, or 19.2%, to €167.1 million in the financial year ended September 30, 2013, mainly due to an overall reduction of net expenses from one-off items, which was partly offset by increased one-off expenses in TUI Hotels & Resorts and Cruises.

Adjustments for TUI Travel decreased from €196.4 million in the financial year ended September 30, 2012, by €88.7 million, or 45.2%, to €107.7 million in the financial year ended September 30, 2013. Adjustments in the financial year ended September 30, 2013 included expense from purchase price allocations of €75.0 million and one-off expenses in the amount of €51.4 million for the restructuring of the tour operator business and airline activities in France, the reorganization of the Specialist & Activity sector and the implementation of a reduction in administration costs, the cancellation of sponsor activities and a headcount reduction (the "**Lean Holding**"). Expenses were partly offset by one-off income from the curtailment and settlement of pension plans in TUI Nederland and income from sale-and-lease-back agreements for aircraft.

TUI Hotels & Resorts recorded total adjustments of €26.6 million in the financial year ended September 30, 2013 compared to €1.1 million in the financial year ended September 30, 2012. This increase was mainly attributable to additional impairment of €25.8 million on properties of the hotel project Tenuta di Castelfalfi and, to a lesser extent, restructuring expenses for the Robinson holding functions.

Cruises recorded €16.5 million of adjustments in the financial year ended September 30, 2013, in particular relating to provisions for losses from load factor risks for the new Europa 2 cruise ship under long-term charter contracts in the amount of €16.0 million and, to a lesser extent, provisions for restructuring costs for Hapag-Lloyd Kreuzfahrten in the amount of €0.5 million.

In the financial year ended September 30, 2013, All Other Segments recorded adjustments totaling €16.3 million for restructuring measures in connection with the Lean Holding headcount reduction, whereas the prior year adjustments of €7.2 million had related primarily to the early retirement of two executive board members.

Tax expense. Tax expense of €110.8 million increased in the financial year ended September 30, 2012, by €28.2 million, or 25.5%, to €139.0 million in the financial year ended September 30, 2013. The expenses in the financial year ended September 30, 2013 comprised effective tax charges of €191.0 million, offset in part by deferred tax income of €52.0 million. The increase in current tax expenses was largely attributable to TUI Travel. The deferred tax assets in the period under review were mainly driven by the capitalization of tax loss carry-forwards. Effective income taxes related to prior periods amounted to €42.4 million in financial year ended September 30, 2013 (compared to income of €63.2 million in the prior financial year).

Group profit. Group profit increased from €141.9 million in the financial year ended September 30, 2012, by €44.6 million, or 31.4%, to €186.5 million in the financial year ended September 30, 2013.

Comparison of the financial year ended September 30, 2011 with the financial year ended September 30, 2012

Turnover. Turnover increased from €17,480.3 million in the financial year ended September 30, 2011, by €850.0 million, or 4.9%, to €18,330.3 million in the financial year ended September 30, 2012. This increase was mainly attributable to higher average selling prices in TUI Travel and foreign exchange effects mainly resulting from the strengthening of the British pound sterling against the euro.

Cost of sales. Cost of sales increased from €15,655.2 million in the financial year ended September 30, 2011, by €630.6 million, or 4.0%, to €16,285.8 million in the financial year ended September 30, 2012. The increase is slightly lower than the increase in turnover over the same period, which was primarily due to better margins within TUI Travel in the financial year ended September 30, 2012.

Gross profit. Gross profit increased from €1,825.1 million in the financial year ended September 30, 2011, by €219.4 million, or 12.0%, to €2,044.5 million in the financial year ended September 30, 2012.

Administrative expenses. Administrative expenses increased from €1,508.8 million in the financial year ended September 30, 2011, by €46.9 million, or 3.1%, to €1,555.7 million in the financial year ended September 30, 2012. This increase was mainly driven by expenses incurred in connection with the restructuring of the French tour operator business, and was partly offset by income from the reduction in pension obligations in the United Kingdom. The turnaround and cost savings programs in France and Germany generated the expected initial profit contributions and cost savings.

Other income/other expenses. Other income/other expenses decreased from €77.1 million in the financial year ended September 30, 2011, by €6.0 million, or 7.8%, to €71.1 million in the financial year ended September 30, 2012. In the financial year ended September 30, 2012, the net amount was mainly attributable to other income totaling €56.6 million from the repayment of a loan granted to Hapag-Lloyd and the remeasurement of the investment in container shipping, taking account of an estimated discount in connection with an IPO. In the financial year ended September 30, 2012, the net number was mainly affected by currency gains in connection with capital reductions in foreign subsidiaries, income from the sale of the Hapag-Lloyd administrative buildings and the gain on disposal from the sale of 11.3% of the stake in Hapag-Lloyd to Hamburg based shipping consortium Albert Ballin GmbH & Co. KG.

Impairment of goodwill. In the financial year ended September 30, 2012, based on the adjusted business plan a goodwill impairment charge of €13.8 million was required for the goodwill relating to Tenuta di Castelfalfi (TUI Hotels & Resorts sector). In the financial year ended September 30, 2011, no impairments of goodwill were recorded.

Financial result. Financial result comprises financial income and financial expenses. Financial result decreased from negative €239.5 million in the financial year ended September 30, 2011, by €45.2 million, or 18.9%, to negative €284.7 million in the financial year ended September 30, 2012 and comprised financial income which decreased from €254.3 million in the financial year ended September 30, 2011, by €94.4 million, or 37.1%, to €159.9 million in the financial year ended

September 30, 2012 and financial expenses which decreased from €493.8 million in the financial year ended September 30, 2011, by €49.2 million, or 10.0%, to €444.6 million in the financial year ended September 30, 2012.

The financial income includes income of €5.1 million from the reduction and remeasurement of the loans granted to Hapag-Lloyd. This item also includes interest income of €11.9 million in connection with such loans. The loans were fully redeemed in the financial year ended September 30, 2012. The decline in interest expenses results from a reduction in debt in the financial year ended September 30, 2012.

Result from joint ventures and associates. The result from joint ventures and associates comprised the proportionate net profit for the period of the associated companies and joint ventures and impairments of goodwill for these companies. The result from joint ventures and associates decreased from €52.9 million in the financial year ended September 30, 2011, by €61.6 million, or 116.5%, to negative €8.7 million in the financial year ended September 30, 2012. This decrease was primarily attributable to the decline in the at equity result from the investment in Hapag-Lloyd to negative €49.0 million.

Earnings (loss) before income taxes (EBT). Earnings (loss) before income taxes improved from €206.8 million in the financial year ended September 30, 2011, by €45.9 million, or 22.2%, to €252.7 million in the financial year ended September 30, 2012 as a result of the factors described above.

Earnings before interest, taxes and impairment of goodwill (EBITA). EBITA increased from €444.5 million in the financial year ended September 30, 2011, by €94.3 million, or 21.2%, to €538.8 million in the financial year ended September 30, 2012.

Underlying EBITA. Underlying EBITA increased from €600.1 million in the financial year ended September 30, 2011, by €145.6 million, or 24.3%, to €745.7 million in the financial year ended September 30, 2012.

In the financial year ended September 30, 2012, the positive development of underlying earnings was driven by both, TUI Travel and TUI Hotels & Resorts. Earnings were driven by the performance in Tourism, which benefited from strong demand for differentiated products in TUI Travel and higher load factors in RIUSA II, the largest hotel company, in Spain as well as in the long-haul destinations.

Adjustments. To ensure a transparent presentation of how operating earnings developed in the sectors, Underlying EBITA was adjusted for gains on disposal of investments, expenses in the framework of restructuring measures, effects of purchase price allocations and one-off items. The adjustments are outlined as follows:

Adjustments increased from €155.6 million in the financial year ended September 30, 2011, by €51.3 million, or 33.0%, to €206.9 million in the financial year ended September 30, 2012, for the following one-off effects: losses on disposals of €1.8 million, restructuring costs of €63.2 million, the effect of purchase price allocations in the amount of €75.1 million and one-off effects of €66.8 million. The increase in net adjustments was mainly attributable to the one-off income from the reduction of pension obligations in TUI Travel included in the financial year ended September 30, 2011.

Adjustments for TUI Travel increased from €178.7 million in the financial year ended September 30, 2011, by €17.7 million, or 9.9%, to €196.4 million in the financial year ended September 30, 2012 for the following one-off effects: restructuring costs of €61.0 million, the effect of purchase price allocations in the amount of €75.1 million and one-off effects of €60.3 million, attributable to the restructuring of the tour operator business in France (Convergence project) and the reorganization of the Specialist & Activity sector. The increase in adjustments mainly resulted from the one-off income from the reduction in pension obligations in the UK included in the financial year ended September 30, 2011.

TUI Hotels & Resorts had to carry adjustments in the amount of €1.1 million in the financial year ended September 30, 2012 for one-off effects, which were in line with the financial year ended September 30, 2011.

Cruises carried €2.2 million of adjustments for restructuring costs in the financial year ended September 30, 2012. These adjustments were mainly attributable to the reorganization of Hapag-Lloyd Kreuzfahrten following the ceasing of the premium business segment. No one-off effects were accounted in the financial year ended September 30, 2011.

In the financial year ended September 30, 2012, the all other segments had to carry one-off effects for losses on disposals of €7.2 million, mainly attributable to provisioning in connection with the early retirement of two Executive Board members.

Tax expense. Tax expense of €88.6 million increased in the financial year ended September 30, 2011, by €22.2 million, or 25.1%, to €110.8 million in the financial year ended September 30, 2012. The expenses in the financial year ended September 30, 2012 comprised current tax expenses of €68.4 million and expenses from deferred taxes of €42.4 million.

Group profit. Group profit increased from €118.2 million in the financial year ended September 30, 2011, by €23.7 million, or 20.1%, to €141.9 million in the financial year ended September 30, 2012.

Segment Analysis

Overview

Our segment and sector reporting reflects our internal control and reporting structure. We apportion companies into divisions, sectors and business lines based on the relevant company's operational and functional role in the Group and not based on the Group's ownership structure.

Sectors

The current business activities of the Group are divided into TUI Travel and the sectors TUI Hotels & Resorts, Cruises (together, the "**Tourism Segment**"), and "All Other Segments". The "All Other Segments" sector consists of our Group's real estate companies, all non-allocable business activities (in particular, holding companies outside of TUI Travel) and includes the investment in container shipping. Expenses and income from TUI AG management tasks are allocated to the individual sector and segment with which they are associated with.

Sector accounting

The financial information we report for each sector reflects the performance measures that we have determined are appropriate. For purposes of our sector accounting, inter-sector transactions are executed on terms that we believe to be substantially equivalent to those that would be obtained between unrelated parties contracting on an arm's-length basis.

TUI Travel

	Financial year ended September 30,			Nine-month period ended June 30,	
	2011	2012	2013	2013[3]	2014
			(in € millions)		
	(audited)[5]	(audited)[5]	(audited)[5]	(audited)[5]	(audited)[5]
Turnover	**16,867.0**	**17,681.5**	**17,796.0**	**11,030.2**	**10,865.0**
Inter-segment turnover	26.0	36.0	27.4	20.5	19.4
Segment turnover	**16,893.0**	**17,717.5**	**17,823.4**	**11,050.7**	**10,884.4**
Earnings (loss) before income taxes (EBT)	**193.2**	**314.1**	**400.1**	**(459.9)**	**(451.4)**
of which share of result of joint ventures and associates	*24.4*	*6.9*	*21.3*	*16.5*	*4.1*
Net interest expense and expense from the measurement of interest hedges	128.2	126.9	132.7	113.3	121.9
Earnings before interest, taxes and impairment of goodwill (EBITA)[1]	**321.4**	**441.0**	**532.8**	**(346.6)**	**(329.5)**
Adjustments:	178.7	196.4	107.7	56.2	81.5
Losses on disposals[4]	—	—	1.4	1.5	(2.9)
Restructuring[4]	70.8	61.0	51.4	21.4	32.0
Purchase price allocation[2][4]	96.1	75.1	75.0	56.1	52.0
Other one-off items	11.8	60.3	(20.1)	(22.8)	0.4
Underlying EBITA[1]	**500.1**	**637.4**	**640.5**	**(290.4)**	**(248.0)**

(1) EBITA and Underlying EBITA are non-IFRS financial measures. There are no generally accepted accounting principles governing the calculation of non-IFRS measures. We define EBITA as earnings before interest, taxes, goodwill impairment, losses incurred in the Container Shipping investment measured at equity, gains and losses from the sale of investments in

Container Shipping, and Net Interest expense and expense from measurement of interest hedges. Our Underlying EBITA is derived by adjusting EBITA for gains (losses) on disposal of investments, expenses in the framework of restructuring measures, effects of purchase price allocations and other one-off items. EBITA and Underlying EBITA are not measures of operating income, operating performance or liquidity under IFRS. These measures should not be considered in isolation or as substitute for Earnings (loss) before income taxes as determined by IFRS, or as an indicator of the Company's operating performance, or of cash flows from operating activities as determined in accordance with IFRS. The manner in which we measure EBITA and Underlying EBITA may not be consistent with the manner in which these measures or other measures with similar names are calculated by other companies. Accordingly, EBITA and Underlying EBITA as presented by us may not be comparable to these measures or other measures with similar names as presented by other companies.

(2) Purchase price allocations primarily fall into TUI Travel and include amortization of intangible assets from acquisitions under IFRS 3.

(3) Figures taken from the audited interim consolidated financial statements as of and for the nine-month period ended June 30, 2014.

(4) Unaudited.

(5) Unless otherwise stated.

Comparison of the nine-month period ended June 30, 2013 and nine-month period ended June 30, 2014

Segment turnover. Segment turnover generated by TUI Travel decreased from €11,050.7 million in the nine-month period ended June 30, 2013, by €166.3 million, or 1.5%, to €10,884.4 million in the nine-month period ended June 30, 2014. The decrease is primarily a result of substantially reduced capacities of TUI France.

Earnings (loss) before income taxes (EBT). Earnings (loss) before income taxes improved from negative €459.9 million in the nine-month period ended June 30, 2013, by €8.5million, or 1.8%, to negative €451.4 million in the nine-month period ended June 30, 2014. The increase is mainly due to continued strong demand for unique holidays and growth in online share.

Net interest expense and expense from the measurement of interest hedges. Net interest expense and expense from the measurement of interest hedges increased from €113.3 million in the nine-month period ended June 30, 2013, by €8.6 million, or 7.6%, to €121.9 million in the nine-month period ended June 30, 2014. The increase was mainly due to lower interest received on bank balances due to lower interest rate levels.

Earnings before interest, taxes and impairment of goodwill (EBITA). EBITA improved from negative €346.6 million in the nine-month period ended June 30, 2013, by €17.1 million, or 4.9%, to negative €329.5 million in the nine-month period ended June 30, 2014, as a result of the factors described above.

Adjustments. Adjustments increased from €56.2 million in the nine-month period ended June 30, 2013, by €25.3 million, or 45.0%, to €81.5 million in the nine-month period ended June 30, 2014. This increase was primarily attributable to restructuring costs in Germany and France, and in the Specialist & Activity and Accommodation & Destinations division in the amount of €32.0 million. The one-off expenses in the nine-month period ended June 30, 2013 included income from the curtailment and settlement of pension plans in the Netherlands.

Underlying EBITA. Underlying EBITA increased from negative €290.4 million in the nine-month period ended June 30, 2013, by €42.4 million, or 14.6%, to negative €248.0 million in the nine-month period ended June 30, 2014. This increase was primarily due to the factors described above.

Comparison of the financial year ended September 30, 2012 with the financial year ended September 30, 2013

Segment turnover. Segment turnover generated by TUI Travel increased from €17,717.5 million in the financial year ended September 30, 2012, by €105.9 million, or 0.6% to €17,823.4 million in the financial year ended September 30, 2013. While customer numbers in the Mainstream business declined by 3.0% in the financial year ended September 30, 2013 compared to the financial year ended September 30, 2012, the growth in underlying turnover was above all attributable to a higher proportion of differentiated product. In the financial year ended September 30, 2013, TUI Deutschland successfully continued to focus on differentiated and exclusive product. Following a sound winter season, considerable growth was achieved in the summer of 2013, primarily in Spain and Greece. In addition, TUI Deutschland benefited from high load factors on its own airline TUIfly. On the other hand, demand for self-drive tours was particularly weak, and there was a decrease in the performance of the Egypt business. Overall customer numbers therefore decreased by 6.6% on the previous year. In terms of costs, TUI Deutschland achieved the expected savings from the ongoing business improvement program.

Earnings (loss) before income taxes (EBT). Earnings (loss) before income taxes increased from €314.1 million in the financial year ended September 30, 2012, by €86.0 million, or 27.4%, to €400.1 million in the financial year ended September 30, 2013. The increase was mainly due to the continuing performance of the sector and lower net one-off expenses in the financial year ended September 30, 2013.

Net interest expense and expense from the measurement of interest hedges. The net interest expense and expense from the measurement of interest hedges increased from €126.9 million in the financial year ended September 30, 2012, by €5.8 million, or 4.6%, to €132.7 million in the financial year ended September 30, 2013. The increase was mainly due to increased finance lease liabilities relating primarily to the leasing of aircraft, boats, cruise ships and equipment mainly resulting from the acquisitions of four aircraft in the financial year ended September 30, 2013 compared to three aircraft in the financial year ended September 30, 2012. These are treated as finance leases based on the terms of the leases, which include purchase options.

Earnings before interest, taxes and impairment of goodwill (EBITA). EBITA increased from €441.0 million in the financial year ended September 30, 2012, by €91.8 million, or 20.8%, to €532.8 million in the financial year ended September 30, 2013 as a result of the factors described above.

Adjustments. Adjustments decreased from €196.4 million in the financial year ended September 30, 2012, by €88.7 million, or 45.2%, to €107.7 million in the financial year ended September 30, 2013. This decrease was primarily attributable to one-off gains of €28.7 million in the financial year ended September 30, 2012 from the conversion of a defined benefit pension plan in the Netherlands to a defined contribution pension plan as well as income from sale and operate leaseback transactions with aircraft and compensation from Boeing for costs associated with the introduction of the Boeing 787 model.

Underlying EBITA. Underlying EBITA increased from €637.4 million in the financial year ended September 30, 2012, by €3.1 million, or 0.5%, to €640.5 million in the financial year ended September 30, 2013. This increase was primarily attributable to strong performance by the United Kingdom and the Nordic countries as well as cost savings and operational improvements from the business improvement programs implemented in France and Germany in the financial year ended September 30, 2013. The increase was partly offset by the weakening of the British pound sterling versus the euro, which caused an adverse foreign exchange effect on earnings in the summer months and impacted the TUI Travel results reported in euros in TUI Group's consolidated financial statements.

Comparison of the financial year ended September 30, 2011 with the financial year ended September 30, 2012

Segment turnover. Segment turnover generated by TUI Travel increased from €16,893.0 million in the financial year ended September 30, 2011, by €824.5 million, or 4.9% (adjusted for foreign exchange effects, it rose by 2.1%), to €17,717.5 million in the financial year ended September 30, 2012. While customer numbers in the Mainstream Business remained flat, the growth in underlying turnover was above all attributable to a higher proportion of differentiated product and higher average prices to compensate for the rise in input costs.

Earnings (loss) before income taxes (EBT). Earnings (loss) before income taxes increased from €193.2 million in the financial year ended September 30, 2011, by €121.9 million, or 63.1%, to €314.1 million in the financial year ended September 30, 2012. This increase was mainly due to strong demand and improved pricing in the summer season. The ongoing restructuring projects in France and Germany also generated initial savings.

Net interest expense and expense from the measurement of interest hedges. The net interest expense and expense from the measurement of interest hedges decreased from €128.2 million in the financial year ended September 30, 2011, by €1.3 million, or 1.0%, to €126.9 million in the financial year ended September 30, 2012.

Earnings before interest, taxes and impairment of goodwill (EBITA). EBITA increased from €321.4 million in the financial year ended September 30, 2011, by €119.6 million, or 37.2%, to €441.0 million in the financial year ended September 30, 2012. This increase was a result of the factors described above.

Adjustments. Adjustments increased from €178.7 million in the financial year ended September 30, 2011, by €17.7 million, or 9.9%, to €196.4 million in the financial year ended September 30, 2012. This increase includes effects from purchase price allocations in the amount of €75.1 million and one-off expenses for the restructuring of the tour operator business in France and the reorganization of the Specialist & Activity Division in the financial year ended September 30, 2012. The increase in adjustments mainly resulted from the one-off expenses mostly in connection with the restructuring of the French tour operator and airline, whereas the prior year's number included income from the reduction in pension obligations in the United Kingdom.

Underlying EBITA. Underlying EBITA increased from €500.1 million in the financial year ended September 30, 2011, by €137.3 million, or 27.5%, to €637.4 million in the financial year ended September 30, 2012. This increase was primarily attributable to the increase in the share of exclusive and differentiated product, sought in all source markets, and stronger sales of holiday tours via TUI Travel's own travel shops and internet portals. The TUI tour operators in the United Kingdom benefited most strongly from this trend, considerably outperforming the overall UK market. The increase in the exchange rate of the British pound sterling against the euro in the summer months also resulted in higher reported earnings by the British TUI tour operators in TUI AG's consolidated financial statements. The restructuring projects in France and Germany generated initial savings in the financial year ended September 30, 2012.

TUI Hotels & Resorts Sector

	Financial year ended September 30,			Nine-month period ended June 30,	
	2011	2012	2013	2013[2]	2014
			(in € millions)		
	(audited)[4]	(audited)[4]	(audited)[4]	(audited)[4]	(audited)[4]
Turnover	**362.6**	**384.7**	**403.1**	**288.8**	**294.9**
Inter-segment turnover	418.2	441.3	423.5	267.1	296.3
Segment turnover	**780.8**	**826.0**	**826.6**	**555.9**	**591.2**
Earnings (loss) before income taxes (EBT)	**116.5**	**138.8**	**141.4**	**55.6**	**102.0**
of which share of result of joint ventures and associates	*26.0*	*20.8*	*42.9*	*19.3*	*16.1*
Net interest expense and expense from the measurement of interest hedges	(27.7)	(24.9)	(20.9)	15.1	15.1
Impairment of goodwill	—	13.8	8.3	8.3	—
Earnings before interest, taxes and impairment of goodwill (EBITA)[1]	**144.2**	**177.5**	**170.6**	**79.0**	**117.1**
Adjustments:	1.1	1.1	26.6	25.9	0.6
Restructuring expense[3]	—	—	2.5	—	—
Losses (gains) on disposals[3]	—	—	—	—	0.6
Other one-off items	1.1	1.1	24.1	25.9	—
Underlying EBITA[1]	**145.3**	**178.6**	**197.2**	**104.9**	**117.7**

(1) EBITA and Underlying EBITA are non-IFRS financial measures. There are no generally accepted accounting principles governing the calculation of non-IFRS measures. We define EBITA as earnings before interest, taxes, goodwill impairment, losses incurred in the Container Shipping investment measured at equity, gains and losses from the sale of investments in Container Shipping, and Net Interest expense and expense from measurement of interest hedges. Our Underlying EBITA is derived by adjusting EBITA for gains (losses) on disposal of investments, expenses in the framework of restructuring measures, effects of purchase price allocations and other one-off items. EBITA and Underlying EBITA are not measures of operating income, operating performance or liquidity under IFRS. These measures should not be considered in isolation or as substitute for Earnings (loss) before income taxes as determined by IFRS, or as an indicator of the Company's operating performance, or of cash flows from operating activities as determined in accordance with IFRS. The manner in which we measure EBITA and Underlying EBITA may not be consistent with the manner in which these measures or other measures with similar names are calculated by other companies. Accordingly, EBITA and Underlying EBITA as presented by us may not be comparable to these measures or other measures with similar names as presented by other companies.

(2) Figures taken from the audited interim consolidated financial statements as of and for the nine-month period ended June 30, 2014.

(3) Unaudited.

(4) Unless otherwise stated.

Comparison of the nine-month period ended June 30, 2013 and nine-month period ended June 30, 2014

Segment turnover. TUI Hotels & Resorts' segment turnover increased from €555.9 million in the nine-month period ended June 30, 2013, by €35.2 million, or 6.3%, to €591.2 million in the nine-month period ended June 30, 2014. The increase was primarily attributable to increased capacity and higher average revenues per bed. In the nine-month period ended June 30, 2014, turnover with non-Group third parties grew by 2.1% to €294.9 million.

Earnings (loss) before income taxes (EBT). Earnings (loss) before income taxes increased from €55.6 million in the nine-month period ended June 30, 2013, by €46.4 million, or 83.5%, to €102.0 million in the nine-month period ended June 30, 2014. This increase was mainly driven by the strong operating performance of Riu and Robinson. Furthermore the nine-month period ended June 30, 2013 includes impairments related to the Tenuta di Castelfalfi hotel in amount of €34.2 million in total.

Net interest expense and expense from the measurement of interest hedges. Net interest expense and expense from the measurement of interest hedges remained unchanged at €15.1 million.

Impairment of goodwill. In the nine-month period ended June 30, 2014, we incurred no impairment of goodwill. In the nine-month period ended June 30, 2013 impairment of goodwill amounted to €8.3 million. These impairments related solely to the hotel project Tenuta di Castelfalfi.

Earnings before interest, taxes and impairment of goodwill (EBITA). EBITA increased from €79.0 million in the nine-month period ended June 30, 2013, by €38.1 million, or 48.2%, to €117.1 million in the nine-month period ended June 30, 2014. This increase was mainly driven by the factors described above.

Adjustments. Adjustments decreased from €25.9 million in the nine-month period ended June 30, 2013, by €25.3 million, or 97.7%, to €0.6 million in the nine-month period ended June 30, 2014. The adjustment in the nine-month period ended June 30, 2014 relates to a capital reduction in a subsidiary of RIU, which was operating in a functional currency other than EUR, the accumulated foreign exchange translation rate differences in this subsidiary had to be taken to "profit and loss".

Underlying EBITA. Underlying EBITA increased from €104.9 million in the nine-month period ended June 30, 2013, by €12.8 million, or 12.2%, to €117.7 million in the nine-month period ended June 30, 2014. The increase was mainly due to factors described above.

Comparison of the financial year ended September 30, 2012 with the financial year ended September 30, 2013

Segment turnover. TUI Hotels & Resorts' segment turnover increased from €826.0 million in the financial year ended September 30, 2012, by €0.6 million, or 0.1%, to €826.6 million in the financial year ended September 30, 2013. Occupancy and average turnover per bed improved overall against the financial year ended September 30, 2012, with generally sound demand on slightly reduced capacity. In the financial year ended September 30, 2013, turnover with non-group third parties grew by 4.8% to €403.1 million.

Earnings (loss) before income taxes (EBT). Earnings (loss) before income taxes increased from €138.8 million in the financial year ended September 30, 2012, by €2.6 million, or 1.9%, to €141.4 million in the financial year ended September 30, 2013. This increase resulted mainly from a sound operating performance by RIUSA II.

Net interest expense and expense from the measurement of interest hedges. The net interest expense and the expense from the measurement of interest hedges decreased from €24.9 million in the financial year ended September 30, 2012, by €4.0 million, or 16.1%, to €20.9 million in the financial year ended September 30, 2013. The improvement was due to lower interest paid to RIUSA II.

Impairment of goodwill. Impairment of goodwill decreased from €13.8 million in the financial year ended September 30, 2012, by €5.5 million, or 39.9%, to €8.3 million in the financial year ended September 30, 2013. These impairments solely resulted from the hotel project Tenuta di Castelfalfi. With the impairment in the financial year ended September 30, 2013, the goodwill of Tenuta di Castelfalfi had been fully written off.

Earnings before interest, taxes and impairment of goodwill (EBITA). EBITA decreased from €177.5 million in the financial year ended September 30, 2012, by €6.9 million, or 3.9%, to €170.6 million in the financial year ended September 30, 2013. EBITA in the financial year ended September 30, 2013 included a book profit of €14.6 million from the sale of the RIU Hotel Cala Millor as well as impairment of fixed assets of €16.3 million relating to the hotel project Tenuta di Castelfalfi.

Adjustments. Adjustments increased from €1.1 million in the financial year ended September 30, 2012, by €25.5 million, to €26.6 million in the financial year ended September 30, 2013. These adjustments in the financial year ended September 30, 2013 related to impairments for the Tenuta di Castelfalfi hotel project in the amount of €25.8 million and, to a lesser extent, to restructuring expenses for the Robinson holding company.

Underlying EBITA. Underlying EBITA increased from €178.6 million in the financial year ended September 30, 2012, by €18.6 million, or 10.4%, to €197.2 million in the financial year ended September 30, 2013. The increase was mainly due to increased adjustments described above.

Comparison of the financial year ended September 30, 2011 with the financial year ended September 30, 2012

Segment turnover. TUI Hotels & Resorts' segment turnover increased from €780.8 million in the financial year ended September 30, 2011, by €45.2 million, or 5.8%, to €826.0 million in the financial year ended September 30, 2012. While capacity was only slightly up by 1.6%, the turnover growth was primarily driven by the 3.5% increase in average turnover per bed and the 2.1% improvement in occupancy. Turnover with non-group third parties grew by 6.1% to €384.7 million in financial year ended September 30, 2012.

Earnings (loss) before income taxes (EBT). Earnings (loss) before income taxes increased from €116.5 million in the financial year ended September 30, 2011, by €22.3 million, or 19.1%, to €138.8 million in the financial year ended September 30, 2012. TUI Hotels & Resorts benefited from the very positive development in RIU hotels.

Net interest expense and expense from the measurement of interest hedges. The net interest expense and expense from the measurement of interest hedges decreased from €27.7 million in the financial year ended September 30, 2011, by €2.8 million, or 10.1%, to €24.9 million in the financial year ended September 30, 2012.

Impairment of goodwill. Impairment of goodwill was €13.8 million in the financial year ended September 30, 2012. The impairment solely resulted from the hotel project Tenuta di Castelfalfi. In the financial year ended September 30, 2011, no impairments of goodwill were recorded.

Earnings before interest, taxes and impairment of goodwill (EBITA). EBITA increased from €144.2 million the financial year ended September 30, 2011, by €33.3 million, or 23.1%, to €177.5 million in the financial year ended September 30, 2012.

Adjustments. Adjustments in the financial year ended September 30, 2011 and in the financial year ended September 30, 2012 amounted to €1.1 million. The €1.1 million is a net position of several one-off effects.

Underlying EBITA. Underlying EBITA increased from €145.3 million in the financial year ended September 30, 2011, by €33.3 million, or 22.9%, to €178.6 million in the financial year ended September 30, 2012. The increase was due to higher pricing levels and successful cost management in RIU.

Cruises Sector

	Financial year ended September 30,			Nine-month period ended June 30,	
	2011	2012	2013	2013(2)	2014
			(in € millions)		
	(audited)(4)	(audited)(4)	(audited)(4)	(audited)(4)	(audited)(4)
Turnover	**200.8**	**231.0**	**261.0**	**188.0**	**213.1**
Inter-segment turnover	—	—	—	—	1.0
Segment Turnover	**200.8**	**231.0**	**261.0**	**188.0**	**214.1**
Earnings (loss) before income taxes (EBT)	**11.1**	**0.7**	**(30.6)**	**(59.1)**	**(1.6)**
of which share of result of joint ventures and associates	*4.6*	*12.6*	*17.4*	*6.9*	*9.5*
Net interest expense (income) and expense (income) from the measurement of interest hedges	0.1	0.1	0.2	(0.1)	(0.1)
Impairment of goodwill	—	—	—	—	—
Earnings before interest, taxes and impairment of goodwill (EBITA)(1)	**11.2**	**0.8**	**(30.4)**	**(59.2)**	**(1.7)**
Adjustments:	—	2.2	16.5	41.5	(16.0)
Restructuring expense(3)	—	2.2	0.5	—	—
Other one-off items	—	—	16.0	41.5	(16.0)
Underlying EBITA(1)	**11.2**	**3.0**	**(13.9)**	**(17.7)**	**(17.7)**

(1) EBITA and Underlying EBITA are non-IFRS financial measures. There are no generally accepted accounting principles governing the calculation of non-IFRS measures. We define EBITA as earnings before interest, taxes, goodwill impairment, losses incurred in the Container Shipping investment measured at equity, gains and losses from the sale of investments in Container Shipping, and Net Interest expense and expense from measurement of interest hedges. Our Underlying EBITA is derived by adjusting EBITA for gains (losses) on disposal of investments, expenses in the framework of restructuring measures, effects of purchase price allocations and other one-off items. EBITA and Underlying EBITA are not measures of operating income, operating performance or liquidity under IFRS. These measures should not be considered in isolation or as substitute for Earnings (loss) before income taxes as determined by IFRS, or as an indicator of the Company's operating performance, or of cash flows from operating activities as determined in accordance with IFRS. The manner in which we measure EBITA and Underlying EBITA may not be consistent with the manner in which these measures or other measures with similar names are calculated by other companies. Accordingly, EBITA and Underlying EBITA as presented by us may not be comparable to these measures or other measures with similar names as presented by other companies.

(2) Figures taken from the audited interim consolidated financial statements as of and for the nine-month period ended June 30, 2014.

(3) Unaudited.

(4) Unless otherwise stated.

Comparison of the nine-month period ended June 30, 2013 and nine-month period ended June 30, 2014

Segment turnover. Cruises segment turnover increased from €188.0 million in the nine-month period ended June 30, 2013, by €26.2 million, or 13.9%, to €214.1 million in the nine-month period ended June 30, 2014. This increase was mainly attributable to the capacity expansion due to the commissioning of the Europa 2. As the joint venture TUI Cruises is measured at equity in the consolidated financial statements, no turnover is recorded for TUI Cruises.

Earnings (loss) before income taxes (EBT). Earnings (loss) before income taxes increased from negative €59.1 million in the nine-month period ended June 30, 2013, by €57.5 million, or 97.3%, to negative €1.6 million in the nine-month period ended June 30, 2014. The change was primarily due to significant start-up costs for the market launch of the new Europa 2 in the previous year and, to a lesser extent, damages caused by a fire on board the Hanseatic during a scheduled dry-dock period, also in the previous year.

Net interest expense (income) and expense (income) from the measurement of interest hedges. The net interest income and income from the measurement of interest hedges remained unchanged at €0.1 million.

Earnings before interest, taxes and impairment of goodwill (EBITA). EBITA improved from negative €59.2 million in the nine-month period ended June 30, 2013, by €57.5 million, or 97.1%, to negative €1.7 million in the nine-month period ended June 30, 2014. This increase was primarily a result of the factors described above.

Adjustments. Adjustments decreased from €41.5 million in the nine-month period ended June 30, 2013, by €57.5 million, or 138.6%, to negative €16.0 million in the nine-month period ended June 30, 2014. The decrease of adjustments was related primarily to the set up of provisions formed in the prior year for pending losses from occupancy risks at Hapag-Lloyd Kreuzfahrten.

Underlying EBITA. Underlying EBITA remained unchanged at negative €17.7 million.

Comparison of the financial year ended September 30, 2012 with the financial year ended September 30, 2013

Segment turnover. Cruises' segment turnover increased from €231.0 million in the financial year ended September 30, 2012, by €30.0 million, or 13.0%, to €261.0 million in the financial year ended September 30, 2013. This increase was mainly attributable to the expansion of the Hapag-Lloyd fleet to include Europa 2 in May 2013. Moreover, the cruise vessel Columbus was replaced by Columbus 2, which has significantly greater capacity, in April 2012.

Earnings (loss) before income taxes (EBT). Earnings (loss) before income taxes decreased from €0.7 million in the financial year ended September 30, 2012, by €31.3 million, to negative €30.6 million in the financial year ended September 30, 2013 mainly due to Hapag-Lloyd Kreuzfahrten having been impacted by start-up costs for the launch of Europa 2 in the first half of the financial year ended September 30, 2013. As current trading fell short of the planned levels, above all for Europa 2, the resulting lower occupancy rates caused charter shortfalls, which led to the formation of a provision for pending losses from onerous contracts.

Net interest expense and expense from the measurement of interest hedges. The net interest expense and expense from the measurement of interest hedges increased from €0.1 million in the financial year ended September 30, 2012, by €0.1 million, to €0.2 million in the financial year ended September 30, 2013.

Earnings before interest, taxes and impairment of goodwill (EBITA). EBITA decreased from €0.8 million in the financial year ended September 30, 2012, by €31.2 million, to negative €30.4 million in the financial year ended September 30, 2013. This loss was mainly attributable to the factors described above.

Adjustments. Adjustments increased from €2.2 million in the financial year ended September 30, 2012, by €14.3 million to €16.5 million in the financial year ended September 30, 2013. These adjustments in the financial year ended September 30, 2013 were related primarily to provisions for onerous contracts from load factor risks for the new Europa 2.

Underlying EBITA. Underlying EBITA decreased from €3.0 million in the financial year ended September 30, 2012, by €16.9 million, to negative €13.9 million in the financial year ended September 30, 2013. While TUI Cruises sustained its positive performance in the financial year ended September 30, 2013 and increased its profit contribution by €4.8 million, this increase was entirely offset by Hapag-Lloyd Kreuzfahrten's decline in earnings, caused above all by startup costs for the market launch of the new Europa 2 and expenses related to damages caused by fire on board the Hanseatic during a scheduled dry-dock stay.

Comparison of the financial year ended September 30, 2011 with the financial year ended September 30, 2012

Segment turnover. Cruises' segment turnover increased from €200.8 million in the financial year ended September 30, 2011, by €30.2 million, or 15.0%, to €231.0 million in the financial year ended September 30, 2012. This increase was mainly attributable to the increased capacity of the Hapag-Lloyd Kreuzfahrten fleet, resulting from the replacement of the Columbus cruise vessel with the substantially larger Columbus 2.

Earnings (loss) before income taxes (EBT). Earnings (loss) before income taxes decreased from €11.1 million in the financial year ended September 30, 2011, by €10.4 million, or 93.7%, to €0.7 million in the financial year ended September 30, 2012. The financial year ended September 30, 2012 reflected start-up costs and price measures related to the fleet expansion in Hapag-Lloyd Kreuzfahrten. TUI Cruises recorded a high occupancy rate and again showed a positive performance.

Net interest expense and expense from the measurement of interest hedges. The net interest expense and expense from the measurement of interest hedges remained unchanged at €0.1 million.

Earnings before interest, taxes and impairment of goodwill (EBITA). EBITA decreased from €11.2 million in the financial year ended September 30, 2011, by €10.4 million, or 92.9%, to €0.8 million in the financial year ended September 30, 2012 as a result of the factors described above.

Adjustments. In the financial year ended September 30, 2012, adjustments were €2.2 million. In the financial year ended September 30, 2011 no adjustments were made. These adjustments were due to exit from the premium business of Hapag-Lloyd Kreuzfahrten.

Underlying EBITA. Underlying EBITA decreased from €11.2 million in the financial year ended September 30, 2011, by €8.2 million, or 73.2%, to €3.0 million in the financial year ended September 30, 2012. Whereas Hapag-Lloyd Kreuzfahrten incurred costs in connection with the introduction of the Columbus 2 and the Europa 2 and restructuring expenses in order to exit the premium business, TUI Cruises substantially increased its profit proportion for the Group. This increase was due to a capacity increase resulting from the operation of two ships for the whole financial year.

All Other Segments

	Financial year ended September 30,			Nine-month ended June 30,	
	2011	2012	2013	2013[(2)]	2014
			(in € millions)		
	(audited)[(4)]	(audited)[(4)]	(audited)[(4)]	(audited)[(4)]	(audited)[(4)]
Turnover	**49.9**	**33.1**	**17.4**	**11.4**	**11.4**
Inter-segment turnover	31.9	8.5	22.5	17.2	14.8
Segment turnover	**81.8**	**41.6**	**39.9**	**28.6**	**26.2**
Earnings (loss) before income taxes (EBT)	**(114.0)**	**(200.9)**	**(185.4)**	**(165.6)**	**(121.0)**
of which share of result of joint ventures and associates	*(2.1)*	*(49.0)*	*(22.3)*	*(25.4)*	*(38.9)*
Net interest expense and expense from the measurement of interest hedges	130.8	133.0	84.9	75.2	47.8
Result from Container Shipping measured at equity	2.1	49.0	22.3	25.4	38.9
Effect the measurement of loans to Container Shipping	51.2	61.6	—	—	—
Earnings before interest, taxes and impairment of goodwill (EBITA)[(1)]	**(32.3)**	**(80.5)**	**(78.2)**	**(65.0)**	**(34.3)**
Adjustments:	(24.2)	7.2	16.3	16.0	—
Losses on disposals[(3)]	—	1.8	—	—	—
Restructuring expense[(3)]	—	—	7.9	8.0	—
Other one-off items	(24.2)	5.4	8.4	8.0	—
Underlying EBITA[(1)]	**(56.5)**	**(73.3)**	**(61.9)**	**(49.0)**	**(34.3)**

(1) EBITA and Underlying EBITA are non-IFRS financial measures. There are no generally accepted accounting principles governing the calculation of non-IFRS measures. We define EBITA as earnings before interest, taxes, goodwill impairment, losses incurred in the Container Shipping investment measured at equity, gains and losses from the sale of investments in Container Shipping, and Net Interest expense and expense from measurement of interest hedges. Our Underlying EBITA is derived by adjusting EBITA for gains (losses) on disposal of investments, expenses in the framework of restructuring measures, effects of purchase price allocations and other one-off items. EBITA and Underlying EBITA are not measures of operating income, operating performance or liquidity under IFRS. These measures should not be considered in isolation or as substitute for Earnings (loss) before income taxes as determined by IFRS, or as an indicator of the Company's operating performance, or of cash flows from operating activities as determined in accordance with IFRS. The manner in which we measure EBITA and Underlying EBITA may not be consistent with the manner in which these measures or other measures with similar names are calculated by other companies. Accordingly, EBITA and Underlying EBITA as presented by us may not be comparable to these measures or other measures with similar names as presented by other companies.

(2) Figures taken from the audited interim consolidated financial statements as of and for the nine-month period ended June 30, 2014.

(3) Unaudited.

(4) Unless otherwise stated.

Comparison of the nine-month period ended June 30, 2013 and nine-month period ended June 30, 2014

Turnover. All Other Segments turnover remained unchanged at €11.4 million.

Inter-segment turnover. Inter-segment turnover decreased from €17.2 million in the nine-month period ended June 30, 2013, by €2.3 million, or 13.5%, to €14.8 million in the nine-month period ended June 30, 2014. This decrease is mainly attributable to reduced inter-segment services offered by central functions.

Earnings (loss) before income taxes (EBT). Earnings (loss) before income taxes increased from negative €165.6 million in the nine-month period ended June 30, 2013, by €44.6 million, or 26.9%, to negative €121.0 million in the nine-month period ended June 30, 2014. This increase was mainly a result of the introduction of the Lean Holding concept.

Net interest expense and expense from the measurement of interest hedges. Net interest expense and expense from the measurement of interest hedges decreased from €75.2 million in the nine-month period ended June 30, 2013, by €27.4 million, or 36.4%, to €47.8 million in the nine-month period ended June 30, 2014. The improvement was primarily attributable to further reduction in Group debt.

Earnings before interest, taxes and impairment of goodwill (EBITA). EBITA improved from negative €65.0 million in the nine-month period ended June 30, 2013, by €30.7 million, or 47.2%, to negative €34.3 million in the nine-month period ended June 30, 2014.

Adjustments. No adjustments were recorded for the nine-month period ended June 30, 2014, whereas in the nine-month period ended June 30, 2013 we recorded adjustments of €16.0 million, related to expenses mainly associated with the implementation of the Lean Holding concept of TUI AG.

Underlying EBITA. Underlying EBITA improved from negative €49.0 million in the nine-month period ended June 30, 2013, by €14.7 million, or 30.0%, to negative €34.3 million in the nine-month period ended June 30, 2014.

Comparison of the financial year ended September 30, 2012 with the financial year ended September 30, 2013

Turnover. All Other Segments turnover decreased from €33.1 million in the financial year ended September 30, 2012, by €15.7 million, or 47.4%, to €17.4 million in the financial year ended September 30, 2013. Turnover in the financial year ended September 30, 2013 was limited to rental and sale of real estate property following the sale of the remaining logistics business in the financial year ended September 30, 2012.

Inter-segment turnover. Inter-segment turnover increased from €8.5 million in the financial year ended September 30, 2012, by €14.0 million to €22.5 million in the financial year ended September 30, 2013, resulting from a release of bad debt provisions.

Earnings (loss) before income taxes (EBT). Earnings (loss) before income taxes decreased from negative €200.9 million in the financial year ended September 30, 2012, by €15.5 million, or 7.7%, to negative €185.4 million in the financial year ended September 30, 2013. This decrease was mainly due to higher expenses for consulting services and expert reports incurred in the financial year ended September 30, 2012.

Net interest expense and expense from the measurement of interest hedges. Net interest expense and expense from the measurement of interest hedges improved from €133.0 million in the financial year ended September 30, 2012, by €48.1 million, or 36.2%, to €84.9 million in the financial year ended September 30, 2013. The year-on-year decline in interest expenses mainly resulted from the reduction in financial liabilities in the financial year ended September 30, 2013. In the prior year, this item had included interest of €25.0 million in connection with the litigation against the Babcock Borsig AG administrator.

Earnings before interest, taxes and impairment of goodwill (EBITA). EBITA increased from negative €80.5 million in the financial year ended September 30, 2012, by €2.3 million, or 2.9%, to negative €78.2 million in the financial year ended September 30, 2013 as a result of the factors described above.

Adjustments. Adjustments increased from €7.2 million in the financial year ended September 30, 2012, by €9.1 million to €16.3 million in the financial year ended September 30, 2013. These adjustments related mainly to the implementation of the Lean Holding concept of TUI.

Underlying EBITA. Underlying EBITA increased from negative €73.3 million in financial year ended September 30, 2012, by €11.4 million, or 15.6%, to negative €61.9 million in financial year ended September 30, 2013. This increase was mainly a result of the factors described above.

Comparison of the financial year ended September 30, 2011 with the financial year ended September 30, 2012

Turnover. Turnover decreased from €49.9 million in the financial year ended September 30, 2011, by €16.8 million, or 33.7%, to €33.1 million in the financial year ended September 30, 2012. Turnover in the financial year ended September 30, 2012 was generated from the remaining logistics business as well as the rental and sale of real estate property. The year-over-year decrease resulted from the sale of a forwarding company during the financial year ended September 30, 2011.

Inter-segment turnover. Inter-segment turnover decreased from €31.9 million in the financial year ended September 30, 2011, by €23.4 million, or 73.4%, to €8.5 million in the financial year ended September 30, 2012. This decrease was due to a reduction of the number of aircraft leased from TUI AG to the Group’s airlines.

Earnings (loss) before income taxes (EBT). Earnings (loss) before income taxes decreased from negative €114.0 million in the financial year ended September 30, 2011, by €86.9 million, or 76.2%, to negative €200.9 million in the financial year ended September 30, 2012.

Net interest expense and expense from the measurement of interest hedges. The net interest result and result from the measurement of interest hedges decreased from negative €130.8 million for the financial year ended September 30, 2011, by €2.2 million, or 1.7%, to €133.0 million in the financial year ended September 30, 2012.

Earnings before interest, taxes and impairment of goodwill (EBITA). EBITA decreased from negative €32.3 million in the financial year ended September 30, 2011, by €48.2 million, or 149.2%, to negative €80.5 million in the financial year ended September 30, 2012.

Adjustments. Adjustments increased from negative €24.2 million in the financial year ended September 30, 2011, by €31.4 million, or 129.8%, to €7.2 million in the financial year ended September 30, 2012. Whereas the one-off expenses in the financial year ended September 30, 2012 were in connection with the early retirement of two Executive Board members, the prior year number was affected by profits from the sale of administrative buildings of Hapag-Lloyd in the financial year ended September 30, 2011.

Underlying EBITA. Underlying EBITA decreased from negative €56.5 million in the financial year ended September 30, 2011, by €16.8 million, or 29.7%, to negative €73.3 million in financial year ended September 30, 2012.

Liquidity and Capital Resources

Our funding strategies and cash flow in the periods under review were primarily driven by our operating cash flow generation as well as our ability to borrow money in the bank and capital markets. Furthermore, we continued our strategy of monetization of our investment in container shipping. Parts of the proceeds were used to repay scheduled maturities or the early redemption of our financial liabilities. Factors relevant to understanding the development of our cash flow include:

- We derive cash flow from operating activities primarily through our activities in the Tourism segment. Cash flow from operating activities reflects the seasonal nature of the tourism business, particularly the payment cycles in the tourism industry. The tourism industry in principle consists of a summer season and a winter season, whereas the summer season is by far the more important season since most customers prefer to travel during the summer months. The bulk of our cash inflows occur in the months leading up to the summer months, since customers are required to make a prepayment on the cost of their holiday at the time of booking and make full payment three to four weeks prior to their departure date. This period is followed by increased cash outflow during the peak season and towards the end of the tourism season relating to variable expenses as we pay third-party service providers for their services. Late in the year, during the seasonal contraction of the travel business, we experience substantial cash outflow as we make initial payments for the forthcoming summer season. Significant cash generating activities resume again early in the year as early booking customers make prepayments on booked holidays for the forthcoming tourism season. As a result of this seasonal cash flow pattern, we build up cash reserves in spring and summer and use credit lines to fund our working capital needs to a much greater extent during the months of November through April. Cash received between February and August is usually used to repay amounts borrowed under our credit lines and to build up cash reserves.
- Regarding the investment in container shipping, TUI AG and the other shareholders of Hapag-Lloyd entered into an agreement for the reduction of TUI AG's stake in Hapag-Lloyd to 22.04% (which will be diluted to approximately 14.0% following the pending merger of Hapag-Lloyd with CSAV). Such agreement included a partial repayment and a partial disposal of a loan granted to Hapag-Lloyd in the aggregate amount of €225 million (the proceeds of which were received in the months of February through April 2012) as well as the disposal of shares in Hapag-Lloyd for €475 million in June 2012.
- The Company and TUI Travel issued convertible bonds in March 2011 and April 2010, respectively. During the periods under review, the Company has repaid some of its maturing capital market and bank indebtedness. Furthermore, TUI Travel renewed its revolving credit facility in March 2014.
- 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 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.
- As of June 30, 2014, we had cash and cash equivalents in the amount of €1,939.3 million. As of June 30, 2014, we had €1,528 million available for draw-down under our credit facilities.

• In addition, in connection with the planned TUI Merger we have entered or will enter into certain refinancing agreements, (See "*Material Agreements—Certain Financing Arrangements*").

Cash Management System

Our Group's cash management system is designed to ensure that the Company and its subsidiaries can meet their payment obligations. Our cash management system monitors and manages the short-, medium- and long-term liquidity of the Company and its subsidiaries. The companies of our Group can move excess liquidity into the system and borrow money when liquid funds are needed.

Our cash management system provides a rolling twelve-month liquidity plan and current and projected analyses, based on the business plan and current forecasts for the Company and its subsidiaries.

Cash Flow

The following table sets forth our cash flow statements for the financial years ended September 30, 2011, 2012 and 2013 and the nine-month periods ended June 30, 2013 and 2014. In accordance with IFRS, cash flows from operating activities are determined indirectly from a reconciliation of Group profit to cash from operating activities. Consequently, the effects on operating cash flow caused by the initial recognition of changes to the group of consolidated companies are eliminated in the table.

	Financial year ended September 30,			Nine-month period ended June 30,	
	2011	2012(1)	2013	2013(2)	2014
			(in € millions)		
	(audited)	(audited)	(audited)	(audited)	(audited)
Group profit (loss)	118.2	141.9	186.5	(476.2)	(348.6)
Depreciation, amortization and impairments (write-back)	412.2	398.7	429.4	324.1	287.1
Other non-cash expenses (income)	(112.7)	33.8	(40.9)	(3.9)	(12.2)
Interest expenses (excl. interest relating to pension obligations)	367.7	262.9	284.0	226.2	201.8
Dividends from joint ventures and associates	—	22.4	58.5	44.9	22.5
(Profit) loss from disposals of non-current assets	(47.0)	(66.1)	(24.1)	(21.9)	(19.8)
Change in non-financial assets/liabilities	347.1	47.9	(18.1)	333.2	255.0
Cash inflow from operating activities	**1,085.5**	**841.5**	**875.3**	**426.4**	**385.8**
Payments received from disposals of property, plant and equipment, investment property and intangible assets	456.6	171.7	270.5	171.9	261.6
Payments received from disposals of consolidated companies (excluding disposals of cash and cash equivalents due to divestments)	—	2.1	—	—	13.9
Payments received from disposals of other non-current assets	951.5(3)	679.2	8.7	4.8	37.6
Payments made for investments in property, plant and equipment, investment property and intangible assets	(444.8)	(480.1)	(597.7)	(419.4)	(399.9)
Payments made for investments in consolidated companies (excluding cash and cash equivalents received due to acquisition)	(50.7)	(27.5)	(14.4)	(20.0)	(22.6)
Payments made for investments in other non-current assets	(37.2)	(30.7)	(111.4)	(94.2)	(47.4)
Cash inflow / (outflow) from investing activities	**875.4**	**314.7**	**(444.3)**	**(356.9)**	**(156.8)**
Payments received from capital increases	0.6	0.4	0.4	0.7	0.6
Payments made for interest increase in consolidated companies	(34.8)	(23.7)	(25.4)	(6.2)	(40.5)
Dividend payment by TUI AG	(25.9)	(25.9)	(37.2)	(31.5)	(55.1)
Dividend payment by subsidiaries to other shareholders	(141.1)	(102.4)	(111.9)	(91.2)	(101.9)
Payments received from the issue of bonds and the raising of financial liabilities	524.1	18.3	228.5	86.1	39.0
Payments made for redemption of loans and financial liabilities	(2,304.1)	(560.8)	(573.1)	(474.1)	(99.1)
Interest paid	(268.0)	(200.1)	(102.2)	(131.1)	(131.5)
Cash outflow from financing activities	**(2,249.2)**	**(894.2)**	**(620.9)**	**(647.3)**	**(388.5)**
Net change in cash and cash equivalents	**(288.3)**	**262.0**	**(189.9)**	**(577.8)**	**(159.5)**
Cash and cash equivalents at beginning of period	**2,274.3**	**1,981.3**	**2,278.4**	**2,278.4**	**2,701.7**
Change in cash and cash equivalents due to exchange rate fluctuations	(4.7)	35.1	25.7	6.0	(15.4)
Change in cash and cash equivalents with cash effects	(288.3)	262.0	(189.9)	(577.8)	(159.5)
Change in cash and cash equivalents without cash effects	—	—	587.5	—	(587.5)
Cash and cash equivalents at end of period	**1,981.3**	**2,278.4**	**2,701.7**	**1,706.6**	**1,939.3**

(1) Figures derived from the audited consolidated financial statements as of and for the year ended September 30, 2013. Historically, dividends received from associates and joint ventures were recorded within cash flows from investing activities. During the year ended September 30, 2013, it was determined dividends received from associates and joint ventures would be more appropriately reflected in operating activities and the financial year 2012 figures were adjusted accordingly. The Company is of the view that this change presents more relevant information about the ability to generate cash flows from operating activities.

(2) Figures taken from the audited interim consolidated financial statements as of and for the nine-month period ended June 30, 2014.

(3) The payments received from disposals of other non-current assets for the financial year ended September 30, 2011 includes dividends from joint ventures and associates of €11.9 million. For the financial years ended September 30, 2012 and September 30, 2013, dividends from joint ventures and associates are recorded as a separate line item under the cash inflow from operating activities, instead.

Comparison of the nine-month period ended June 30, 2013 and the nine-month period ended June 30, 2014

Cash inflow from operating activities

The cash inflow from operating activities decreased from €426.4 million in the nine-month period ended June 30, 2013, by €40.6 million, or 9.5%, to €385.8 million in the nine-month period ended June 30, 2014. The reconciliation from Group profit to cash inflow from operating activities included amortization and impairments as of June 30, 2014 in the amount of €287.1 million, while in the nine-month period ended June 30, 2013, this position amounted to €324.1 million. Furthermore, €22.5 million dividends from joint ventures and associates were included in the nine-month period ended June 30, 2014, while in the nine-month period ended June 30, 2013 dividends from joint ventures and associates in the amount of €44.5 million were included.

Cash inflow from investing activities

The cash flows from investing activities changed from a cash outflow of €356.9 million in the nine-month period ended June 30, 2013, by €200.1 million, or 56.4%, to a cash outflow of €156.8 million in the nine-month period ended June 30, 2014. The cash flow from investing activities includes a cash outflow for capital expenditure related to property, plant and equipment and intangible assets of €300.8 million for the TUI Travel sector and €89.3 million for the TUI Hotels & Resorts sector but also a cash inflow from the sale of fixed assets of €202.9 million for the TUI Travel sector (in particular related to aircraft assets), and €56.2 million for central operations from the sale of real property.

The cash outflow from investing activities included cash payments of €27.4 million for the acquisition of companies to be included in consolidation. This amount includes payments of €7.4 million for acquisitions related to prior years. The cash and cash equivalents acquired through acquisitions total €4.9 million so that the total cash outflow amounts to €22.6 million. The cash outflow for investments in other non-current assets of €47.4 million relates to capital increases in companies measured at equity. The sale of a part of an investment and the sale of three consolidated companies generated an inflow of €37.6 million and €13.9 million, respectively.

Cash outflow from financing activities

Cash flows from financing activities improved from a cash outflow of €647.3 million in the nine-month period ended June 30, 2013, by €258.8 million, or 40.0%, to a cash outflow of €388.5 million in the nine-month period ended June 30, 2014. The credit facility drawn by TUI Travel to finance the tourism season at the beginning of the reporting period has now been fully redeemed. Moreover, the companies of the TUI Travel Sector redeemed further loans in the amount of €42.7 million and liabilities from finance leases in the amount of €22.3 million. The TUI Hotels & Resorts Sector took out loans in the amount of €52.3 million, while repaying loans in the amount of €34.1 million. Conversions of convertible bonds of TUI AG in the current financial year do not have an impact on the cash outflow from financing activities.

Additional outflows of €55.1 million relate to the interest on the hybrid capital issued by TUI AG, to be carried as a dividend according to the IFRSs, and dividends paid to TUI AG shareholders. In addition, dividends in the amount of €101.9 million were paid to non-controlling interests, in particular in TUI Travel and RIUSA II SA. The cash outflow for increases in stakes in consolidated companies includes an amount of €39.4 million spent by TUI Travel to acquire own shares to be passed on to employees under long-term incentive programmes. The cash outflow for interest payments totalled €131.5 million.

Development of cash and cash equivalents

Cash and cash equivalents increased from €1,706.6 million in the nine-month period ended June 30, 2013, by €232.7 million, or 13.6%, to €1,939.3 million in the nine-month period ended June 30, 2014. Certain amounts from a cash pooling agreement are presented on a net basis in the statement of financial position as at June 30, 2014, whereas a gross presentation of cash and cash equivalents in the statement of financial position in the nine-month period ended June 30, 2013 is shown. Within the cash flow statement a reconciliation is provided showing this non-cash change in cash and cash equivalents totalling €587.5 million.

As at June 30, 2014, cash and cash equivalents of €169.7 million were subject to restrictions on disposal. They included an amount of €116.3 million for cash collateral received, deposited in a Belgian subsidiary by Belgian tax authorities in the prior financial year in the framework of a longstanding litigation regarding VAT refunds for the years 2001 to 2011 without acknowledging guilt in order to stop the accrual of interest for both parties. In order to collateralise a potential repayment, the Belgian government was granted a bank guarantee. Due to the bank guarantee, TUI's ability to dispose of the cash and cash equivalents has been restricted. The other restrictions relate to cash and cash equivalents to be held due to legal or regulatory requirements.

Comparison of the financial year ended September 30, 2012 with the financial year ended September 30, 2013

Cash inflow from operating activities

The cash inflow from operating activities increased from €841.5 million in the financial year ended September 30, 2012, by €33.8 million, or 4.0%, to €875.3 million in the financial year ended September 30, 2013. The cash inflow from operating activities in the financial year ended September 30, 2013 included dividends from joint ventures and associates of €58.5 million and payments of the Belgium state of €116.3 million in connection with VAT payments made in the financial year ended September 30, 2013. The increase was partly offset by lower customer prepayments in TUI Travel and payments of TUI AG to settle the Babcock Borsig litigation. Cash inflows also included €30.9 million from interest payments and €61.8 million from dividends. Operating cash outflows included income tax payments of €158.0 million in the financial year ended September 30, 2013.

Cash inflow from investing activities

Cash flows from investing activities changed from a net inflow of €314.7 million in the financial year ended September 30, 2012, by €759.0 million, to a net outflow of €444.3 million in the financial year ended September 30, 2013. A net inflow from investing activities had been recorded in the financial year ended September 30, 2012 due to the reduction in the investment in container shipping. In the financial year ended September 30, 2012, 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 financial year ended September 30, 2013, the cash outflow from investing activities also included payments of €103.8 million made for capital increases in TUI Cruises, hotel companies and shareholdings of TUI Travel.

In the financial year ended September 30, 2013, the cash flow from investing activities included a cash outflow for capital expenditures related to property, plant and equipment and intangible assets of €501.2 million for TUI Travel and €80.7 million for the TUI Hotels & Resorts sector. This cash inflow was partly offset by a cash inflow from the sale of fixed assets of €220.1 million for the TUI Travel Group (in particular related to aircraft assets), and €19.9 million for the TUI Hotels & Resorts sector. A further inflow of cash of €10.1 million 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) and asset deals resulted in net cash payments of €14.4 million in the financial year ended September 30, 2013 compared to €27.5 million in the financial year ended September 30, 2012. Cash and cash equivalents acquired through these acquisitions totaled €8.5 million in the financial year ended September 30, 2013 compared to €3.4 million in the financial year ended September 30, 2012.

Cash payments made in the financial year ended September 30, 2013 for investments in consolidated companies (less cash and cash equivalents received) included payments for the acquisition of tourism shareholdings as well as payments of €4.8 million relating to acquisitions in the financial year ended September 30, 2012.

Cash outflow from financing activities

Cash flows from financing activities improved from a cash outflow of €894.2 million in the financial year ended September 30, 2012, by €273.3 million, or 30.6%, to a cash outflow of €620.9 million in the financial year ended September 30, 2013. The financial year ended September 30, 2013 was characterized by the reduction in net debt.

TUI AG paid €233.0 million for the scheduled redemption of bonds in December 2012 and €160.3 million to banks for liabilities due in April 2013. The non-current credit lines drawn in the financial year ended September 30, 2013 in order to cover the payments due in the tourism season were fully repaid so that they did not have a significant effect on the cash flow from financing activities.

The companies of the TUI Travel Group also repaid other financial indebtedness in the amount of €113.8 million and liabilities from finance leases of €30.6 million.

The hotel companies reported a cash outflow of €35.4 million for the repayment of loans. The cash outflow from financing activities included an amount of €19.2 million spent by TUI Travel to acquire own shares to be passed on to employees under long-term incentive programs. The cash outflow from financing activities also included the acquisition of additional shares in TUI Travel by TUI AG for €6.2 million. An amount of €102.2 million was used for interest payments. Additional outflows related to the remuneration for TUI AG's hybrid bond in the amount of €37.2 million and the dividends for non-controlling interests of €111.9 million, in particular TUI Travel and RIUSA II.

Development of cash and cash equivalents

Cash and cash equivalents increased from €2,278.4 million in the financial year ended September 30, 2012, by €423.3 million, or 18.6%, to €2,701.7 million in the financial year ended September 30, 2013. This increase primarily resulted from non-cash changes 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 does not affect the Group's net financial position.

Cash and cash equivalents in an amount of €175.4 million were subject to restraints on disposal as of September 30, 2013. This amount included €116.3 million for cash collateral received, which was deposited in a Belgian subsidiary by Belgian tax authorities in the financial year ended September 30, 2013 in connection with long-standing litigation over VAT refunds for the years 2001 to 2011, the purpose being to prevent the accrual of interest for both parties. In order to collateralize 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 was restricted. The remaining restraints on disposal related to cash and cash equivalents to be deposited due to legal or regulatory requirements.

Comparison of the financial year ended September 30, 2011 with the financial year ended September 30, 2012

Cash inflow from operating activities

The cash inflow from operating activities decreased from €1,085.5 million in the financial year ended September 30, 2011, by €244.0 million, or 22.5%, to €841.5 million in the financial year ended September 30, 2012. This decline was mainly due to a change in the terms and conditions for customer prepayments in TUI UK, which had generated a positive one-off effect in the financial year ended September 30, 2011, and lower interest received for the commitment in container shipping (€36.9 million in the financial year ended September 30, 2012 against €91.4 million in the financial year ended September 30, 2011). Furthermore, the cash inflow included a total of €87.7 million from interest payments and €25.7 million from dividends. Due to income tax payments, a cash outflow of €117.8 million occurred in the financial year ended September 30, 2012.

Cash inflow from investing activities

The inflow of cash from investing activities improved from an inflow of €875.4 million in the financial year ended September 30, 2011, by €560.7 million, or 64.1%, to an inflow of €314.7 million in the financial year ended September 30, 2012.

From February to April 2012, a loan in the amount of €225.0 million granted to Hapag-Lloyd was partly repaid and disposed with proceeds amounting €225.0 million in the aggregate. The divestment of

17.4% of the stake in container shipping caused an inflow of €469.8 million after deduction of transaction costs. The cash flow from investing activities included a cash outflow for capital expenditures related to property, plant and equipment of €414.9 million for the TUI Travel Group and €49.6 million for the TUI Hotels & Resorts sector hotel companies. This was offset by a cash inflow from one-off payments from the sale of fixed assets of €132.3 million for the TUI Travel Group sector, €10.5 million for the TUI Hotels & Resorts sector and €6.6 million for property sold by central operations.

The cash outflow from investing activities also 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. Total acquisitions of shares in subsidiaries to be included in consolidation (excluding shares in TUI Travel) and asset deals resulted in net cash payments of €27.5 million in the financial year ended September 30, 2012. Cash and cash equivalents acquired through these acquisitions totaled around €3.4 million. Cash payments made in the financial year ended September 30, 2012 for investments in consolidated companies (less cash and cash equivalents received) also included payments for the acquisition of Tourism shareholdings as well as payments relating to prior-year acquisitions in the financial year ended September 30, 2012. In the financial year ended September 30, 2012, the TUI Travel Group reported a cash outflow of €30.7 million for joint ventures.

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 included non-cash investments and disposals.

Cash outflow from financing activities

Cash outflow from financing activities improved from a cash outflow of €2,249.2 million in the financial year ended September 30, 2011, by €1,355.0 million, or 60.2%, to a cash outflow of €894.2 million in the financial year ended September 30, 2012.

The Company paid €211.4 million for the early redemption of bonds maturing in 2012 and a further €226.1 million for liabilities to banks due in 2013. The non-current credit lines drawn in the financial year ended September 30, 2012 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 hotel companies reported a cash outflow of €80.0 million for the repayment of loans.

The cash outflow from financing activities included the acquisition of additional shares in TUI Travel by the Company for €18.8 million. An amount of €200.1 million was used for interest payments. Additional outflows related to the remuneration for the Company's hybrid bond in the amount of €25.9 million and the dividends for non-controlling interests of €102.4 million, in particular TUI Travel and RIUSA II.

Development of cash and cash equivalents

Cash and cash equivalents increased from €1,981.3 million in the financial year ended September 30, 2011, by €297.1 million, or 15.0%, to €2,278.4 million at the end of the financial year ended September 30, 2012. This improvement was mainly caused by lower cash outflows from financing activities.

Changes in cash and cash equivalents due to exchange rate fluctuations amounted to an inflow of €35.1 million in the financial year ended September 30, 2012.

Capital Expenditures

Investments made by the individual segments and sectors in intangible and tangible assets for the financial years ended September 30, 2011, 2012 and 2013 and the nine-month periods ended June 30, 2013 and 2014 are set forth below:

	Financial year ended September 30,			Nine-month period ended June 30,	
	2011	2012	2013	2013[(1)]	2014
	(in € millions)				
	(audited)	(audited)	(audited)	(audited)	(audited)
Tourism	469.0	630.6	787.9	599.5	577.7
TUI Travel	380.6	568.6	695.7	535.6	478.2
TUI Hotels & Resorts	79.9	53.1	80.7	56.1	90.0
Cruises	8.5	8.9	11.5	7.8	9.5
Other	2.7	2.5	3.5	1.1	1.8
Total	**471.7**	**633.1**	**791.4**	**600.6**	**579.5**

(1) Figures taken from the audited interim consolidated financial statements as of and for the nine-month period ended June 30, 2014.

Our capital expenditures increased from €633.1 million in the financial year ended September 30, 2012, by €158.3 million, or 25.0%, to €791.4 million in the financial year ended September 30, 2013, following an increase of €161.4 million, or 34.2%, from €471.7 million in the financial year ended September 30, 2011. Capital expenditures in the Tourism segment increased from €630.6 million in the financial year ended September 30, 2012, by €157.3 million, or 25.0%, to €787.9 million in the financial year ended September 30, 2013, following an increase of €161.6 million, or 34.5%, from €469.0 million in the financial year ended September 30, 2011. In the nine-month period ended June, 30, 2014 our capital expenditures decreased from €600.6 million in the nine-month period ended June 30, 2013, by €21.1 million, or 3.5% to €579.5 million.

The expenditures of TUI Travel increased from €568.6 million in the financial year ended September 30, 2012, by €127.1 million, or 22.4%, to €695.7 million in the financial year ended September 30, 2013, following an increase of €188 million, or 49.4%, from €380.6 million in the financial year ended September 30, 2011. The increase in the financial year ended September 30, 2012 was mainly attributable to new aircraft deliveries or prepayments made for aircraft. Further, substantial investment had been made into the reservation system for Mainstream UK as well as the joint new financial accounting software SAP in the mainstream markets UK and Germany in the financial years ended September 30, 2012 and 2013. The expenditures of TUI Travel decreased from €535.6 million in the nine-month period ended June 30, 2013, by €57.4 million, or 10.7% to €478.2 million in the nine-month period ended June 30, 2014. The capital expenditures in the nine-month period ended June 30, 2014 of TUI Travel related to principal investments in two Boeing 787 aircrafts with a total amount of €158.2 million. These aircrafts, of which one is operated in Belgium and the other in the United Kingdom, are financed through finance leases. Moreover TUI Travel spent €33 million for pre-delivery payments of Boeing 737 Max aircrafts, which will be delivered in 2018 and later. TUI Travel expects to spend a further €31.5 million for pre-delivery payments for five Boeing 737 aircrafts, which are expected to be delivered in 2015. We plan to use these aircraft in Germany. Two of the aircraft will be financed through finance leases and three of them will be financed through operating leases.

The remaining expenditures of TUI Travel related to a large number of smaller investments.

In our TUI Hotels & Resorts sector, capital expenditures increased from €53.1 million in the financial year ended September 30, 2012, by €27.6 million, or 52.0%, to €80.7 million in the financial year ended September 30, 2013, following a decrease of €26.8 million, or 33.5%, from €79.9 million in the financial year ended September 30, 2011. This was mainly due to the phasing of renovations which had been limited in the financial year ended September 30, 2012.

Capital expenditures in the TUI Hotel & Resorts sector increased from €56.1 million in the nine-month period ended June 30, 2013, by €33.9 million, or 60.4% to €90.0 million in the nine-month period ended June 30, 2014. This increase was mainly attributable to the principal investment in a new RIU resort in Mauritius with an overall amount of €45.8 million. The opening of this resort is planned for February 2015. The remaining expenditures in the TUI Hotel & Resorts sector related to a larger number of smaller investments.

In our Cruises sector, capital expenditures increased from €8.9 million in the financial year ended September 30, 2012, by €2.6 million, or 29.2%, to €11.5 million in the financial year ended

September 30, 2013, following an increase of €0.4 million, or 4.7%, from €8.5 million in the financial year ended September 30, 2011. Capital expenditures in the Cruises sector increased from €7.8 million in the nine-month period ended June 30, 2013, by €1.7 million, or 21.8% to €9.5 million in the nine-month period ended June 30, 2014.

In addition, as of July 31, 2014, the Group had order commitments in respect of capital expenditure, i.e firm commitments for future investments, of €2,975.7 million. Such order commitments primarily relate to the purchase of new aircraft under the Boeing Contract (see "*Material Agreements—Boeing Contract for the Purchase of 60 Boeing 737 MAX Aircraft*").

Liabilities

We finance a significant portion of our funding through bank borrowings and the issuance of debt instruments, as well as through finance leases, primarily for aircraft.

Financial Liabilities

The tables below set out our financial liabilities as of September 30, 2011, 2012 and 2013 as well as June 30, 2014, as well as our maturity profile.

	As of September 30,			As of June 30,
	2011	2012	2013	2014
		(in € millions)		
	(audited)	(audited)	(audited)	(audited)
Bonds	1,639.8	1,551.1	1,333.5	1,269.9
Convertible bonds	1,389.7	1,318.3	1,333.5	1,269.9
Other bonds	250.1	232.8	—	—
Liabilities to banks	886.7	566.1	1,004.3	386.9
Liabilities from finance leases	154.8	233.2	335.6	476.3
Financial liabilities due to non-consolidated Group companies	17.6	7.1	6.0	—
Financial liabilities due to affiliates[(1)]	11.2	11.6	—	0.2
Other financial liabilities	88.2	87.5	90.2	104.1
Total	**2,798.3**	**2,456.6**	**2,769.6**	**2,237.4**

(1) Consists of financial liabilities owed to companies in which we have a shareholding interest or which have a shareholding interest in any Group company.

	As of June 30			As of September 30,						
	2014			2013			2012		2011	
	Up to 1 year	1-5 years	Total	Up to 1 year	1-5 years	Total	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
					(in € millions)					
	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)
Other liabilities due to non-consolidated Group companies	5.2	—	5.2	4.7	1.4	6.1	0.8	15.2	—	1.1
Other liabilities due to affiliates	27.6	—	27.6	33.6	—	33.6	—	12.2	—	10.6
Other miscellaneous liabilities	213.3	46.4	259.7	223.9	49.7	273.6	41.1	208.7	57.2	200.00
Other liabilities relating to other taxes	63.7	—	63.7	33.3	—	33.3	—	52.8	1.0	40.7
Other liabilities relating to social security	45.5	—	45.5	42.3	—	42.3	—	50.8	0.1	49.2
Other liabilities relating to employees	234.6	11.8	246.4	246.6	12.1	258.7	8.5	138.8	2.9	137.3
Other liabilities relating to members of the Boards	0.2	—	0.2	1.1	—	1.1	—	2.9	2.8	7.3
Advance payments received	4,100.7	10.6	4,111.3	2,179.8	9.1	2,188.9	2.1	2,149.1	—	2,013.7
Other liabilities	**4,690.8**	**68.8**	**4,759.6**	**2,765.3**	**72.3**	**2,837.6**	**52.5**	**2,630.5**	**64.0**	**2,459.9**
Deferred income	75.8	43.6	119.4	54.3	26.1	80.4	15.7	95.3	41.1	108.0
Total	**4,766.6**	**112.4**	**4,879.0**	**2,819.6**	**98.4**	**2,918.0**	**68.2**	**2,725.8**	**105.1**	**2,567.9**

In total, other liabilities increased from €2,918.0 million as of September 30, 2013, by €1,961 million to €4,879.0 million as of June 30, 2014. Such increase was due primarily to increases in customer deposits, which due to the seasonal nature of the Group's business primarily accrue prior to the summer season.

In total, other liabilities increased from €2,725.8 million as of September 30, 2012, by €192.2 million to €2,918.0 million as of September 30, 2013, following an increase of €157.9 million, from €2,567.9 million as of September 30, 2011.

Long-term financial liabilities

To fund our financing needs on a long-term basis, we have issued bonds in the past, with the table below showing our outstanding issuances as of June 30, 2014.

	Issuer	Nominal amount	Interest rate	Book value as per June 30, 2013[2]	Book value as per June 30, 2014
		(millions of €/£)	*% p.a.*	*(millions €/£)* **(unaudited)**	**(audited)**
2009/14 convertible bond	TUI AG	€217.8	5.500	€192.4	€65.0
2011/16 convertible bond	TUI AG	€339.0	2.750	€300.5	€313.7
2009/14 convertible bond	TUI Travel	£ 350.0	6.000	€391.0	€432.6
2010/17 convertible bond	TUI Travel	£ 400.0	4.900	€415.7	€458.6
2005/—hybrid capital[1]	TUI AG	€300.0	Until Jan 2013 8.625, subsequently 3M EURIBOR plus 7.300	€305.4	€294.6
Total				**€1,605.0**	**€1,564.8**

(1) In accordance with IAS 32, this bond constitutes equity. Accordingly, the interest paid on this bond is reported as dividends.

(2) Figures taken from the audited interim consolidated financial statements as of and for the nine-month period ended June 30, 2014.

We also rely on loans from banks for a significant portion of our financing needs. As of June 30, 2014, total bank liabilities amounted to €386.9 million, of which €199.1 million had a remaining term of more than one year. As of December 31, 2013, we had €2,028.6 million liabilities to banks, of which €1,896.7 million were long-term liabilities.

Reconciliation of future lease payments to liabilities from finance leases

In addition to loans from banks and affiliates, a key part of our financing strategy involves the use of financial leases, primarily for aircraft and buildings. We also make use of these types of assets through operating leases, which are described under "*—Liabilities—Other financial commitments*".

We recognize liabilities from finance leases without consideration of future interest expenses. The following table reconciles our total future leasing payments to the carrying value of our liabilities from finance leases shown in the table above under "*Financial Liabilities*":

	As of September 30, 2011	As of September 30, 2012	As of September 30, 2013			
	Total	Total	Up to 1 year	1 to 5 years	More than 5 years	Total
			(in € millions)			
	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)
Total future lease payments	191.8	294.7	43.2	177.4	214.5	435.1
Interest portion	37.0	61.5	14.0	45.5	40.0	99.5
Liabilities from finance leases	154.8	233.2	29.2	131.9	174.5	335.6

The following table shows the development of property, plant and equipment held under finance leases, broken down by the type of asset financed:

Development of leased assets

	September 30, 2011	September 30, 2012	September 30, 2013	June 30, 2014
		(in € millions)		
	(audited)	**(audited)**	**(audited)**	**(audited)**
Other real estate, land rights and buildings including buildings on third-party properties	9.8	7.8	14.5	14.6
Aircraft	30.1	144.5	250.9	393.8
Ships, yachts and boats	119.0	117.8	106.1	103.4
Machinery and fixtures	0.7	0.1	0.4	1.3
Other plants, operating and office equipment	8.9	10.8	11.6	17.5
Total	**168.5**	**281.0**	**383.5**	**530.6**

As of June 30, 2014, we recognized leased assets in the amount of €530.6 million measured at amortized cost.

As of September 30, 2013, we recognized leased assets in the amount of €383.5 million measured at amortized cost.

Information relating to development of leased assets is only calculated at the end of each respective financial year.

Other financial commitments

In addition to liabilities to banks and affiliates and under finance leases, we have significant financial commitments with respect to order commitments for capital expenditures, other financial commitments and tenancy contracts relating to hotel complexes, travel agencies, administrative buildings, aircraft, yachts and motor boats.

The fair value of other financial commitments as of June 30, 2014 has been determined by discounting future expenses on the basis of a customary market interest rate of 2.75% (as at September 30, 2013: 3.5%, as at September 30, 2012: 3.3%).

	Financial year ended September 30,						**Nine-month period ended June 30,**			
	2011	**2012**	**2013**				**2014**			
			Remaining term							
			Up to 1 year	**1 to 5 years**	**More than 5 years**	**Total**	**Up to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
					(in € million)					
	(audited)	**(audited)**	**(audited)**	**(audited)**	**(audited)**	**(audited)**	**(audited)**	**(audited)**	**(audited)**	**(audited)**
Nominal values of other financial commitments										
Order commitments in respect of capital expenditure	2,258.9	1,945.8	541.5	1,333.6	1,359.3	3,234.4	642.1	1,479.6	905.6	3,027.3
Other financial commitments	201.7[(1)]	166.8	114.7	61.8	—	176.5	73.4	94.6	—	168.0
Commitments from lease, rental and leasing contracts	3,288.1	3,089.6	852.9	1,763.6	1,024.3	3,640.8	859.5	2,109.8	1,061.6	4,030.9
of which:										
Aircraft	1,377.7	1,391.3	352.3	861.1	508.8	1,722.2	336.6	966.3	526.9	1,829.8
Hotel complexes	859.6	688.9	217.6	420.1	97.9	735.6	248.5	545.6	120.8	914.9
Travel agencies	365.1	354.1	76.3	160.1	70.9	307.3	77.3	156.1	60.9	294.3
Administrative buildings	351.1	326.5	52.9	136.2	141.3	330.4	59.0	143.2	170.2	372.4
Ships, yachts and motor boats	269.3	216.2	116.4	147.0	177.4	440.8	108.3	266.1	157.3	531.7
Other	65.3	112.6	37.4	39.1	28.0	104.5	29.8	32.5	25.5	87.8
Total	**5,748.7**	**5,202.2**	**1,509.1**	**3,159.0**	**2,383.6**	**7,051.7**	**1,575.0**	**3,684.0**	**1,967.2**	**7,226.2**
Fair value	**4,938.7**	**4,738.9**	**1,486.9**	**2,849.3**	**1,799.2**	**6,135.4**	**1,532.8**	**3,403.5**	**1,638.6**	**6,511.9**

(1) Figures taken from the audited consolidated financial statements as of and for the year ended September 30, 2012.

As at 30 June 2014, order commitments in respect of capital expenditure relating almost exclusively to Tourism declined by €207.1 million as against September 30, 2013. This was due to various factors including the commissioning of new aircraft and aircraft equipment in the framework of TUI Travel's modernization strategy as well as current down payments. The increase in financial commitments from lease, rental and leasing contracts as against September 30, 2013 results above all from the commissioning of several aircraft and contract extensions for hotels and cruise ships in the TUI Travel sector.

The decrease in total commitments in the financial year ended September 30, 2012 compared to the prior year resulted mainly from reduced order commitments, primarily from prepayments made alongside the construction of the cruise ship Europa 2 and was due to current down payments and the delivery of two Boeing 737-800s.

The increase of €1,849.5 million of total commitments (+35.6%) in the financial year ended September 30, 2013 was due to a long-term order commitment, agreed to in July 2013, to purchase 60 narrow-body Boeing 737 MAX aircraft, to be delivered between January 2018 and March 2023. The existing option and right with Boeing to purchase up to a further 90 Boeing 737 MAX aircraft was not yet a commitment as of September 30, 2013 and hence not included in the figures above. The delivery and commissioning of the cruise ship Europa 2 in May 2013 caused a reduction in the order commitments. However, as the ship has been sold and leased back on a long-term basis, the lease commitments for cruise ships increased.

Pension obligations

We offer various types of retirement benefits to many of our employees worldwide, including both defined contribution pension plans and defined benefit pension plans. All defined contribution plans are funded by the payment of contributions to external insurance companies or funds, while defined benefit plans entail the formation of provisions within the Group or investment in funds outside the Group.

German employees enjoy benefits from a statutory defined contribution plan. Pension payments under this plan depend on the employees' income and paid contributions. Several additional pension organizations exist for companies of our Group. Once the contributions to state-run pension plans and defined contribution plans provided by private pension insurance organizations have been paid, our Group does not have further payment obligations. Current contribution payments are recognized as an expense. The pension costs for all defined contribution plans for the continuing operations increased from €34.9 million in the financial year ended September 30, 2012, by €3.0 million, to €37.9 million in the financial year ended September 30, 2013.

The pension costs for defined benefit obligations developed as follows:

	For the financial year ended September 30,		
	2011	2012	2013
		(in € million)	
	(audited)	(audited)	(audited)
Current service cost for employees service in the period	39.9	35.5	45.2
Curtailment gain	74.2	—	30.1
Interest cost	115.4	122.2	108.6
Expected return on external plan assets	85.5	89.5	81.3
Past service cost	0.4	(0.5)	5.9
Total	**(4.0)**	**67.7**	**48.3**

Information relating to pension costs for defined benefit obligations is only calculated at the end of each respective financial year.

The amount of €48.3 million includes a curtailment gain of €30.1 million, resulting mainly from a €28.8 million change in the pension arrangements in a Dutch subsidiary which resulted in a profit from a plan amendment and settlement. The increase in the past service cost was mainly attributable to an adjustment of the pension obligations in a German subsidiary following a decision of the European Court of Justice regarding the inadmissibility of the automatic termination of employment contracts for pilots when they reach the age of 60.

Other liabilities and derivatives

In addition to the liabilities described above, we reported €5,136.8 million in derivatives, other liabilities and deferred income at June 30, 2014. Other liabilities include mainly advance payments received, liabilities to related parties, liabilities to affiliates and, as well as general tax, social security, employee and other liabilities. The following table shows our other liabilities and derivatives.

	September 30,			June 30,
	2011	2012	2013	2014
		(in € millions)		
	(audited)	(audited)	(audited)	(audited)
Derivative financial instruments	231.4	194.9	209.5	257.8
Advance payments received	2,013.7	2,149.1	2,188.9	4,111.3
Other liabilities relating to other taxes	40.7	52.8	33.3	63.7
Other liabilities due to non-consolidated Group companies	1.1	15.2	6.1	5.2
Other liabilities due to affiliates	10.6	12.2	33.6	27.6
Other liabilities(1)	393.8	401.2	575.7	551.8
Deferred income	108.0	95.3	80.4	119.4
Total	**2,799.3**	**2,920.7**	**3,127.5**	**5,136.8**

(1) Includes other liabilities relating to social security, relating to employees, relating to members of the Boards and other miscellaneous liabilities.

The Liabilities from derivative financial instruments include negative fair values of instruments that we use predominantly to hedge the operating businesses. Risk strategies are outlined in detail in "*—Quantitative and Qualitative Disclosure about Risks Relating to Financial Instruments*".

Contingent liabilities

In connection with the operation of our business, we incur liabilities with respect to bills, guarantees, bill and check guarantees and warranties.

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

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

	September 30,			June 30,
	2011	2012	2013	2014
		(in € millions)		
	(audited)	(audited)	(audited)	(audited)
Liabilities under guarantees, bill and check guarantees due to non-consolidated Group companies	0.4	0.4	0.4	0.4
Other liabilities under guarantee, bill and check guarantees	497.1	478.1	382.6	347.8
Other liabilities under warranties	0.9	2.3	1.2	0.4
Total	**498.4**	**480.8**	**384.2**	**348.6**

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

Contingent liabilities as of September 30, 2013 mainly related to the granting of guarantees for the benefit of Hapag-Lloyd and TUI Cruises from the payment of collateralized ship financing schemes. Due to the cancellation of guarantees and ongoing redemptions in the financial year ended September 30, 2013, contingent liabilities declined as of September 30, 2013 as compared with September 30, 2012.

Quantitative and Qualitative Disclosure about Risks Relating to Financial Instruments

One of the Company's goals is to control financial risk. In order to achieve this goal, universal policies and rules applicable throughout our Group have been implemented. These rules are applicable to all decisions in relation to financial transactions.

Upon the formation of TUI Travel in 2007 (by way of merger of our Tourism segment with First Choice Holidays PLC), responsibilities in relation to central cash management and central financial risk management were split between TUI Travel and the Company. TUI Travel now performs these tasks for TUI Travel, while the Company continues to be responsible for these functions for all other business operations of our Group.

Group internal policies and guidelines have been drawn up to define the individual financing units, rules, competencies and workflows as well as limits for transactions and risk positions. The trading, settlement and controlling functions have been segregated. Compliance with the policies and limits is regularly monitored.

All Group hedging activities are based on correspondingly recognized or future underlying transactions. Approved standard software is used for assessing, monitoring and reporting the hedges entered into. On an annual basis, the processes, the methods applied and the organization of risk management are reviewed for compliance with the relevant regulations by the internal audit department and external auditors.

Within our Group, financial risks primarily arose from cash flows in foreign currencies, fuel requirements (aircraft fuel and bunker oil) and financing via the bank and capital markets. In order to limit the risks from exchange rate fluctuations, market prices and interest rates for underlying transactions, the Company utilizes derivative over-the-counter financial instruments. These are primarily fixed-price transactions (*e.g.*, forward transactions and swaps). In addition, our Group also trades in options to a minor extent. Use of derivative financial instruments is confined to internally fixed limits and other regulations. As a matter of principle, the instruments used have to be controllable with the respective entity's own (organizational and systems) resources. The transactions are concluded on an arm's-length basis with counterparties with investment grade credit ratings operating in the financial sector whose counterparty risk is regularly monitored. Currency translation risks from the consolidation of Group companies not preparing their account in euros are not hedged.

Financial instruments

Financial instruments entail contractual claims or obligations that will lead to an outflow or inflow of financial assets or to the issue of equity rights. They also comprise derivative claims or obligations derived from primary financial instruments. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of a financial instrument is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's-length transaction.

Due to their monetary nature, financial instruments are subject to certain financial risks, including market risks (consisting of currency risks, interest rate risks and market price risks), credit risks and liquidity risks, that we seek to eliminate or limit by means of appropriate risk strategies and hedging methods.

Market risk

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

In accordance with 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 of the balance sheet date. Care is taken to ensure that the respective portfolio as of the balance sheet date was representative for the financial year.

The amounts determined using sensitivity analyses represent hypothetical, and thus uncertain, disclosures entailing risks. Due to unforeseeable developments in the global finance markets, actual results may deviate substantially from the disclosures provided.

Currency risk

The operations of companies within the Group generated payments denominated in foreign currencies, which were not always matched by payments with equivalent terms in the same currency.

Using potential netting effects (netting of payments made and received in the same currency with identical or similar terms), the Company entered into hedges with external counterparties in order to limit the currency risk.

Hedges of currency transactions of TUI Travel were entered into when the calculated brochure prices had been fixed and generally covered 80% to 100% of the planned currency requirements for the respective tourism season, depending on the respective company's risk profile. The hedged volumes were changed in line with changes in planned requirements on the basis of monthly reporting by the subsidiaries.

Hedges of currency transactions in TUI Hotels & Resorts and Cruises sectors were also based on the planned exposure indicated in the monthly reports submitted by the companies. The aim is for the hedges to cover 80% of the reported exposure.

Risks from exchange rate fluctuations of more than 20 currencies were hedged within the Group, with the largest hedging volumes relating to U.S. dollar, euro and British pound sterling.

In the operational business the largest hedging volume related to U.S. dollars. In the Tourism segment, payments in U.S. dollars primarily related to the procurement of services in non-European destinations, purchases of aircraft fuel and purchases or rental of aircraft.

The Eurozone limited the currency risk from transactions in the key tourist destinations to Group companies whose functional currency was not the euro. The Tourism segment and primarily the Northern Region division were mainly affected by changes in the value of the U.S. dollar and the euro.

Currency risks 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 were not taken into account. Taking account of the different functional currencies within the 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 British pound sterling, against the other currencies would create the following effects on the revaluation reserve and earnings after income tax:

Sensitivity analysis—currency risk

Variable: Exchange rate	September 30, 2011		September 30, 2012		September 30, 2013		June 30, 2014	
	+10%	-10%	+10%	-10%	+10%	-10%	+10%	-10%
	(in € millions)							
	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)
Exchange rates of key currencies								
€/U.S. dollar								
Revaluation reserve	(90.2)	90.2	(99.0)	98.6	(87.7)	86.8	(105.5)	105.7
Earnings (loss) after income taxes	(2.7)	2.7	3.3	(2.7)	(5.2)	5.4	(1.2)	1.5
€/British pound sterling								
Revaluation reserve	97.5	(97.5)	105.2	(105.2)	(91.7)	91.7	(116.7)	116.7
Earnings (loss) after income taxes	108.7	(108.7)	123.8	(123.8)	(35.3)	35.3	(90.6)	90.3
British pound sterling/U.S. dollar								
Revaluation reserve	(102.3)	102.3	1.4	(1.4)	(71.7)	71.7	(93.1)	93.1
Earnings (loss) after income taxes	(45.3)	45.3	11.1	(11.1)	(14.8)	14.8	(1.5)	1.5
€/Swiss franc								
Revaluation reserve	3.2	(3.2)	(2.5)	2.6	(3.0)	3.0	5.1	(5.6)
Earnings (loss) after income taxes	4.0	(4.0)	(11.6)	11.6	(0.2)	0.2	0.1	(0.1)
€/Swedish krona								
Revaluation reserve	16.7	(16.7)	20.8	(20.8)	25.2	(25.2)	16.7	(16.7)
Earnings (loss) after income taxes	(3.6)	3.6	(10.1)	10.1	(5.0)	5.0	—	—

Interest rate risk

Market value interest rate risks, or potential fluctuations in the fair value of a financial instrument due to movements in market interest rates, arose primarily from medium- and long-term fixed-interest receivables and liabilities. For bonds issued, the fair values deviated from recognized carrying amounts. However, these financial instruments were carried at amortized cost rather than at fair value. As a result, neither equity nor profit and loss were directly affected.

In the financial year ended September 30, 2013, the Group was exposed to earnings-related risks (cash flow interest rate risks) for balance sheet items and financial derivatives.

Sensitivity Analysis—Interest Rate Risk

Variable: Interest rate level for floating interest-bearing debt	September 30, 2011		September 30, 2012		September 30, 2013	
	+100 basis points	-100 basis points	+100 basis points	-100 basis points	+100 basis points	-100 basis points
			(in € millions)			
	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)
Hedging reserve	1.5	(1.1)	0.2	—	1.0	(0.7)
Earnings after income taxes	2.8	(2.2)	(0.8)	1.6	(4.4)	3.4

Fuel price risk

Due to the nature of our business operations, the Group was 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 a season, 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 of the balance sheet date would have had the following impact on equity and earnings.

Sensitivity analysis—fuel price risk

Variable: Fuel prices for aircraft and ships	September 30, 2011		September 30, 2012		September 30, 2013	
	+10%	-10%	+10%	-10%	+10%	-10%
			(in € millions)			
	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)
Revaluation reserve	80.8	(84.2)	94.9	(94.9)	77.5	(79.1)
Earnings after income taxes	3.5	(3.8)	0.5	(0.3)	0.1	0.2

Other price risk

In the financial year ended September 30, 2011, TUI Travel issued a convertible bond for which the TUI Group entered into a buyback obligation. It is treated separately in the form of a forward transaction and included as a hedge in the framework of hedge accounting. A 10% increase or decrease in the bond price compared with the measurement as of September 30, 2013 would change the revaluation reserve by €+14.3/€-14.3 million (previous year €+12.6/€-12.6 million).

Moreover, an assumed change in the underlying price of +/-10% for the equity investment in AirBerlin would have an effect of €+0.6/€-0.6 million (previous year €+0.5 million revaluation reserve/ €-0.5 million earnings after tax) on the revaluation reserve as of September 30, 2013.

Credit risk

Credit risk in non-derivative financial instruments results from the risk of non-performance of contractual payment obligations by counterparties.

The maximum credit risk exposure was defined by the total of the recognized carrying amounts of the financial assets (including derivative financial instruments with positive market values) on the one hand and the granting of financial guarantees on the other. Legally enforceable possibilities of netting financial assets and liabilities were taken into account, whereas existing collateral was not considered. The credit risk was minimized due to the strict requirements placed on the counterparties' credit rating. Credit risks were reviewed closely on conclusion of the contract and regularly monitored thereafter so as to be able to swiftly respond to a potential downgrading of counterparty's credit rating. Responsibility for handling the credit risk relating to the operative business was held by the individual Group companies. Depending on the type of business activity and level of the credit limit, additional monitoring and control activities were effected at the Group level.

Since the TUI Group operated in many different business areas and regions, significant credit risk concentrations of receivables from and loans to specific debtors or groups of debtors were not to be expected. A significant concentration of credit risks related to specific countries was not to be expected either. The maximum credit risk is reduced by collateral held and other credit enhancements of €1.1 million in the financial year ended September 30, 2013 (compared to €2.6 million in the financial year ended September 30, 2012). 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 €1 million. Rights in rem, directly enforceable guarantees, bank guarantees and comfort letters are used as collateral.

Identifiable credit risks of individual receivables were covered by means of corresponding bad debt allowances. In addition, portfolios were impaired based on empirical values.

As of the balance sheet dates for the financial year ended September 30, 2011, the financial year ended September 30, 2012 and the financial year ended September 30, 2013, there were no financial assets that would be overdue or impaired unless the terms and conditions of the contract had been renegotiated.

Credit management also covered the TUI Group's derivative financial instruments. The maximum credit risk for derivative financial instruments entered into was limited to the total of all positive market values of these instruments, the rationale being that in the event of counterparty default asset losses would only be incurred up to that amount. Since derivative financial instruments were concluded with different debtors with good credit ratings, no credit risk exposure was to be expected. Nevertheless, the counterparty risk was frequently monitored and controlled.

Liquidity Risk

Liquidity risks consisted of potential financial bottlenecks and resulting increases in refinancing costs. For this reason, the key objectives of our Group's internal liquidity management system were to secure the Group's liquidity at all times, to consistently comply with contractual payment obligations and optimize cash management costs for the overall Group. The Group's liquidity requirements were determined by means of liquidity planning and were covered by committed credit lines and liquid funds so that the Group's liquidity is guaranteed at all times.

The tables provided below list the contractually agreed (non-discounted) cash flows of primary financial liabilities and derivative financial instruments.

Cash flow of financial instruments (September 30, 2013)

	Cash inflow/(outflow) until September 30,			
	2014	**2015**	**2016-2018**	**as of 2018**
	(in € millions)			
	(audited)	**(audited)**	**(audited)**	**(audited)**
Financial liabilities				
Bonds	(21.2)	(1,070.7)	(343.7)	—
Liabilities to banks	(845.4)	(33.9)	(77.4)	(75.8)
Liabilities from finance leases	(29.3)	(35.5)	(96.4)	(174.5)
Financial liabilities due to non-consolidated Group companies	—	—	—	—
Financial liabilities due to affiliates	—	—	—	—
Other financial liabilities	(128.0)	—	—	—
Trade payables	(3,049.2)	—	—	—
Other liabilities	(218.9)	(6.3)	(13.5)	(11.8)
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 financial instruments (September 30, 2012)

	Cash inflow/(outflow) until September 30,			
	2013	2014	2015-2017	as of 2017
		(in € millions)		
	(audited)	(audited)	(audited)	(audited)
Financial liabilities				
Bonds	(260.1)	(21.2)	(1,419.7)	—
Liabilities to banks	(398.0)(1)	(213.1)	(54.9)	(41.3)
Liabilities from finance leases	(28.5)	(18.7)	(65.1)	(114.2)
Financial liabilities due to non-consolidated Group companies	—	—	—	—
Financial liabilities due to affiliates	(1.4)	—	(11.6)	—
Other financial liabilities	(124.4)	(12.7)	(1.3)	(0.2)
Trade payables	(3,260.0)(1)	—	—	—
Other liabilities	(58.5)	(2.2)	(13.2)	(1.4)
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)	—	—

(1) Figures taken from TUI's audited consolidated financial statements as of and for the year ended September 30, 2013.

Cash flow of financial instruments (September 30, 2011)

	Cash inflow/(outflow) until September 30,			
	2012	2013	2014-2016	as of 2016
		(in € millions)		
	(audited)	(audited)	(audited)	(audited)
Financial liabilities				
Bonds	(232.3)	(278.7)	(1,351.4)	(483.5)
Liabilities to banks	(138.2)	(590.3)	(202.5)	(62.0)
Liabilities from finance leases	(47.7)	(17.5)	(54.3)	(66.5)
Financial liabilities due to non-consolidated Group companies	(17.4)	—	(0.2)	—
Financial liabilities due to affiliates	(11.2)	—	—	—
Other financial liabilities	(81.2)	—	(0.5)	(6.5)
Trade payables	(2,973.5)	—	—	—
Other liabilities	(1.1)	—	—	—
Derivative financial instruments				
Hedging transactions—inflows	6,457.2	942.5	17.5	—
Hedging transactions—outflows	(6,330.8)	(906.6)	(15.4)	—
Other derivative financial instruments—inflows	3,722.7	90.2	—	—
Other derivative financial instruments—outflows	(3,718.5)	(89.2)	—	—

The cash flow analysis covered all primary and derivative financial instruments as of the balance sheet date. Planned payments for new future liabilities were not taken into account. Where financial liabilities had a floating interest rate, the interest rates fixed as of the balance sheet date were also applied to subsequent periods in determining future interest payments. Such interest rates do not necessarily reflect the actual applicable interest rates in the future. Financial liabilities cancellable at any time were allocated to the earliest maturity band.

Derivative financial instruments and hedges

According to the implementing regulations of the TUI Group, derivatives may be used if they are based on underlying recognized assets or liabilities, firm commitments or forecasted transactions. Hedge accounting was based on the rules of IAS 39, in particular in the framework of hedging against exposure to fluctuations in future cash flows. In the financial year ended September 30, 2013, hedges exclusively consisted of cash flow hedges.

Cash flow hedges

As of September 30, 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 variable interest payment obligations from the convertible bond issued by TUI Travel, interest hedges with a term of up to two years (previous year up to three years) were concluded in the financial year ended September 30, 2011 and in the financial year ended September 30, 2013.

In accounting for derivatives of cash flow hedges, the effective portion of the cumulative changes in market values is carried in the revaluation reserve outside profit and loss until the underlying transaction occurs. It is carried in the income statement through profit and loss when the hedged item is executed. In the financial year ended September 30, 2013, income of €11.0 million (compared to expenses of €21.7 million in the financial year ended September 30, 2012) for currency hedges and derivative financial instruments used as price hedges as well as for interest hedges was carried in the cost of sales and administrative expenses. Expense of €2.4 million in the financial year ended September 30, 2013 compared to income of €1.3 million in the financial year ended September 30, 2012 was carried from the ineffective portion of the cash flow hedges.

Nominal amounts of the derivative financial instruments used

	September 30, 2011		September 30, 2012[1]		September 30, 2013		
	Remaining term		Remaining term		Remaining term		
	More than 1 year	Total	More than 1 year	Total	Up to 1 year	More than 1 year	Total
				(in € millions)			
	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)
Interest rate hedges							
Caps	207.7	207.7	212.7	212.7	59.8	222.0	281.8
Swaps	57.7	57.7	62.7	62.7	59.8	90.9	150.7
Currency hedges							
Forward	1,317.2	11,899.8	1,079.3	11,496.7	9,387.2	1,060.2	10,447.4
Options	—	—	77.6	100.4	39.2	—	39.2
Structured instruments	66.0	310.4	70.8	647.6	179.1	110.9	290.0
Commodity hedges							
Swaps	218.2	1,134.1	259.2	1,486.1	1,011.2	212.5	1,223.7
Options	137.5	137.5	19.8	129.5	31.1	—	31.1
Other financial instruments	173.1	173.1	188.0	188.0	—	179.4	179.4

(1) Figures taken from TUI's audited consolidated financial statements as of and for the year ended September 30, 2013.

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

In principle, the fair values of derivative financial instruments corresponded to the market values. The market price determined for all derivative financial instruments was the price at which a contracting party would assume the rights and/or obligations of the respective counterparty. The fair value of over-the-counter derivatives was determined by means of appropriate calculation methods, *e.g.,* by discounting the expected future cash flows. The forward prices of forward transactions were based on the spot or cash prices, taking account of forward premiums and discounts. The calculation of the fair values of currency options was 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 were regularly compared with fair value confirmations of external counterparties.

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

	September 30, 2011		September 30, 2012		September 30, 2013	
	Receivables	Liabilities	Receivables	Liabilities	Receivables	Liabilities
			(in € millions)			
	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)
Cash flow hedges for currency risks	139.4	48.3	79.0	137.3	40.4	147.4
Cash flow hedges for market price risks	64.3	110.5	56.6	23.1	43.3	28.4
Cash flow hedges for interest risks	0.4	0.2	0.2	1.7	0.1	0.6
Hedges	**204.1**	**159.0**	**135.8**	**162.1**	**83.8**	**176.4**
Other derivative financial instruments	70.7	72.4	24.1	32.8	3.2	33.1
Total	**274.8**	**231.4**	**159.9**	**194.9**	**87.0**	**209.5**

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

Critical Accounting Policies

Our accounting policies are in accordance with IFRS, which have been incorporated into domestic legislation by the endorsement process of the European Commission. The policies are applied on a consistent basis in all material respects. Management exercises its best judgment in selecting accounting policies for which alternative methods exist under IFRS. We have selected the accounting policies and topics below as those that, in our opinion, are critical to our consolidated financial statements in the present economic environment. In evaluating our present and future financial condition and results of operations, these influences and judgments, as well as the uncertainties to which they are subject, are likewise important factors to be considered.

Recognition of income

Turnover comprises the fair value of the consideration received or to be received for the sale of products and services during the course 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 accounted for 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 recognized upon payment by the customers or, at the latest, at the date of departure. Tour operator services mainly consist of organizing and coordinating package tours. Turnover from the organization of tours is therefore fully recognized when the customer departs. Turnover from individual travel modules booked directly from airlines, hotel companies or incoming agencies by customers is recognized when the customers use the respective services. Income from non-completed shipping tours is recognized according to the proportion of contract that has been performed at the balance sheet date. For cruises, the percentage of completion is determined as the ratio between travel days completed as of the balance sheet date and total travel days.

Interest income and interest expenses are reported on an accrual basis according to the effective interest method unless they are capitalized under IAS 23. Dividends are reported when the legal claim has arisen.

Goodwill and consolidation

The growth of the Group and our strategic realignment through acquisitions has created a significant amount of goodwill. As of September 30, 2013 (June 30, 2014), we carried goodwill of €2,976.4 million (€3,062.1 million), which represented 22.1% (22.2%) of our total assets.

Goodwill is not amortized. We regularly, and at least every twelve months, undertake a goodwill impairment analysis following the completion of the annual planning process. Additional impairment tests are undertaken if there are any indications of potential goodwill impairment. We conduct impairment tests in conjunction with the allocation of goodwill at the level of cash-generating units, which are the smallest identifiable groups of assets that generate cash inflows from continuing use and are largely independent of cash flows from other assets. We compare the carrying amounts plus the allocated goodwill of each unit with its recoverable amount. When the carrying amounts exceed the recoverable amount, we recognize an impairment of goodwill. The recoverable amount is the higher value of its fair value less costs of disposal and its value in use. In the Tourism segment, TUI Travel as a whole represents a cash generating unit. Goodwill in the TUI Hotels & Resorts sector is allocated to the individual hotel groups. In the periods under review, the goodwill impairment charges were limited to the hotel project Tenuta di Castelfalfi in response to reduced expectations regarding its marketability.

Property, Plant and Equipment

With a carrying value as of September 30, 2013 (June 30, 2014) of €2,682.0 million (€2,705.4 million), Property, Plant and Equipment represent a significant portion of total assets. Property, Plant and Equipment are measured at amortized cost.

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. Other borrowing costs are recognized as current expenses.

Depreciation of property, plant and equipment is largely based on the straight-line method over customary useful lives. Use-related depreciation for our primary assets are based on the following useful lives:

Hotel buildings	30 to 40 years
Cruise ships	20 to 30 years
Yachts and boats	5 to 24 years

Aircraft:

Fuselages and engines up to 18 years

Major overhauls up to 5 years

Spare parts 12 years

Pension funding

We operate several defined contribution pension plans and defined benefit pension plans for employees. Benefit obligations depend on the legal, fiscal and economic situation in each individual country and are usually based on the employee's length of service and pay level. All defined contribution plans are funded externally, whereas defined benefit plans are financed either through provisioning or investments in funds outside the relevant company.

While fund assets are determined on the basis of the fair values of invested funds as of year-end, pension obligations are measured by actuarial calculations based on assumptions. These assumptions, which vary from country to country, include estimates of discount rates, life expectancies, salary and pension trends, and, in the case of funded pension obligations, projected returns on plan assets.

In addition to the critical accounting policies noted above, the preparation of our consolidated financial statements is based on a number of assumptions and estimates, which have an effect on the value and presentation of reported assets, liabilities, income and expenses as well as contingent liabilities. These assumptions and estimates mainly relate to the determination of fair values in relation to business combinations, the classification of lease accounting, the classification of non-current assets held for sale and discontinued operations, the accounting and measurement of provisions, the reliability of future tax savings and the effectiveness of hedge accounting. The actual values may vary from the assumptions and estimates made in individual cases. Changes in such values are reflected in the financial statements as soon as new information becomes available.

Recently Adopted Accounting Principles

The following standards revised or newly issued by the IASB and relevant for the TUI Group have been mandatory since the beginning of financial year ended September 30, 2014:

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

In addition, the following standards amended by the IASB and transposed into European legislation by the European Union have been adopted ahead of the effective date as of the beginning of financial year ended September 30, 2014:

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

With the exception of the amendments to IAS 19, the first-time adoption of the standards listed above does not have any or has no significant impact on the Group's net assets, financial position and results of operations in the present audited interim consolidated financial statements as of and for the nine-month period ended June 30, 2014. The amendments to IFRS 1 are not relevant for the Group.

Amendments to IAS 19: Employee Benefits

The mandatory application of the amendments to IAS 19 on the accounting for employee benefits had a material impact on the Group's other financial income and results of operations so that the prior year numbers were restated as of October 1, 2013.

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

In line with the transition guidance, the amendments were applied with retroactive effect as of the beginning of the reference period, *i.e.*, October 1, 2012. The tables below present the quantitative impact of the first-time application of the amended IAS 19 on the Group's net assets, financial position and results of operations:

Restated items of the income statement of the Group for the period from October 1, 2012 to June 30, 2013:

	Before Restatements	Restatements	Restated
	(in € millions)		
	(audited)	(audited)	(audited)
Financial income	86.8	(59.5)	27.3
Financial expenses	282.3	(48.9)	233.4
Earnings (loss) before income taxes	(618.4)	(10.6)	(629.0)
EBITA	(391.8)		(391.8)
Underlying EBITA	(252.2)		(252.2)
Earnings (loss) before income taxes	(618.4)	(10.6)	(629.0)
Income taxes	(151.9)	(2.6)	(154.5)(1)
Group loss for the period	(466.5)	(8.0)	(474.5)(2)
Group loss for the period attributable to shareholders of TUI AG	(370.1)	(4.4)	(374.5)(3)
Group loss for the period attributable to non-controlling interest	(96.4)	(3.6)	(100.0)
Basic and diluted earnings per share (in €)	(1.54)	(0.02)	(1.56)

(1) Income taxes does not reconcile to income statement as of June 30, 2013. There is an additional adjustment resulting from deferred taxes of €1.7 million.

(2) Group loss for the year does not reconcile to income statement as of June 30, 2013. There is an additional adjustment resulting from deferred taxes of negative €1.7 million.

(3) Group loss for the year attributable to shareholders of TUI AG does not reconcile to income statement as of June 30, 2013. There is an additional adjustment resulting from deferred taxes of negative €1.7 million.

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 amendment therefore does not have an impact on the presentation of the consolidated statement of financial position. Changes in the TUI Group's cash flow statement only relate to the indirect approach to derive the cash inflow from operating activities.

If the previous version of IAS 19 had continued to be applied, the consolidated comprehensive income and Group financial position for the first half of the financial year ended September 30, 2014 would not differ from the presentation according to the new version. The only differences from the amounts calculated according to the new version would have related to the statement of comprehensive income, as follows:

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

The amendments to the recognition of past service costs do not have an impact on the results of operations in the audited interim consolidated financial statements as of and for the nine-month period ended June 30, 2014. The Group has examined the impact of the changed definition of benefits provided in exchange for the termination of employment on the current and prior consolidated financial statements. For materiality reasons, provisions for part-time arrangements for employees approaching retirement were not retroactively restated.

IFRS 13: Fair Value Measurement

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

Amendments to IFRS 7: Financial Instruments—Disclosures

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

Annual Improvements Project (2009—2011)

In the framework of the Annual Improvements Project (2009—2011), amendments to five standards (IFRS 1, IAS 1, IAS 16, IAS 32, and IAS 34) were decided. The amendments include minor changes in the contents and clarifications of the presentation, recognition and measurement. The Group does not expect the first-time application to have a material effect on the consolidated financial statements.

Amendments to IAS 36: Impairment of Assets

The amendments clarify and extend the disclosure requirements regarding the recoverable amount for non-financial assets. They make it clear that the recoverable amount of a cash generating unit to which substantial goodwill has been assigned only has to be disclosed if an impairment has been recorded for this unit in the period under review and if the recoverable amount is based on fair value less costs of disposal. It also introduces new disclosure requirements for impaired non-financial assets. The amendments were endorsed by the European Union in December 2013 and are effective for financial years beginning on or after January 1, 2014. The Group has applied these amendments ahead of the effective date as of October 1, 2013. The amendments give rise to additional disclosures in the notes to the audited interim consolidated financial statements as of and for the nine-month period ended June 30, 2014.

Amendments to IAS 39: Financial Instruments—Recognition and Measurement

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

As of today, TUI does not expect material effect on its financial statements from the application of new standards, already been issued and with a mandatory application from the beginning of the following financial year ended September 30, 2015 or later.

DIVIDEND POLICY

General Provisions Relating to Profit Allocation and Dividend Payments

The shareholders' share of the Company's profits is determined based on their respective interests in the Company's share capital. In a German stock corporation (*Aktiengesellschaft*), the distribution of dividends for a given financial year, and the amount and payment date thereof, are resolved by the general shareholders' meeting in the subsequent financial year either upon a joint proposal by the Executive Board and the Company's supervisory board (the "**Supervisory Board**") or upon the Executive Board's or the Supervisory Board's proposal. The general shareholders' meeting must be held within the first eight months of each financial year.

Dividends may only be distributed from the distributable profit (*Bilanzgewinn*) of the Company. The distributable profit is calculated based on the Company's unconsolidated financial statements prepared in accordance with the German Commercial Code (HGB). Accounting principles set forth in the German Commercial Code (HGB) differ from IFRS in material respects.

When determining the distributable profit, net income or loss for the financial year (*Jahresüberschuss/-fehlbetrag*) must be adjusted for profit/loss carry-forwards (*Gewinn-/ Verlustvorträge*) from the prior financial year and releases of or allocations to reserves. Certain reserves are required to be set up by law, and amounts mandatorily allocated to these reserves in the given financial year must be deducted when calculating the distributable profit. The Executive Board must prepare financial statements (balance sheet, income statement and notes to the financial statements) and a management report (*Lagebericht*) for the previous financial year by the statutory deadline and present these to the Supervisory Board and the auditors immediately after preparation. At the same time, the Executive Board must present to the Supervisory Board a proposal for the allocation of the Company's distributable profit pursuant to Section 170 of the German Stock Corporation Act (*Aktiengesetz* or AktG). Pursuant to Section 171 of the German Stock Corporation Act, the Supervisory Board must review the financial statements, the Executive Board's management report and the proposal for the allocation of the distributable profit and report to the general shareholders' meeting in writing on the results.

The resolution of the general shareholders' meeting on the allocation of the distributable profit requires a simple majority of votes to be passed. The general shareholders' meeting may also resolve that the dividends be distributed partially or entirely in kind, for example as a distribution of treasury shares if held by the Company at that time. Dividends resolved by the general shareholders' meeting are due and payable immediately after the relevant general shareholders' meeting, unless otherwise provided in the dividend resolution, in compliance with the rules of the respective clearing system. Any dividends not claimed within the past three years become time-barred. Once the statute of limitations applies, the dividend payment claim passes to the Company. Since all of the Company's dividend entitlements are evidenced by one global dividend coupons deposited with Clearstream Banking Aktiengesellschaft, dividends are transferred by Clearstream Banking Aktiengesellschaft to the shareholders' custodian banks for crediting to their accounts. German custodian banks are under the same obligation to distribute the funds to their customers. Shareholders using a custodian bank located outside Germany must inquire at their respective bank regarding the terms and conditions applicable in their case. Notifications of any distribution of dividends resolved upon are published in the German Federal Gazette (*Bundesanzeiger*) immediately after the general shareholders' meeting. To the extent that dividends can be distributed by the Company in accordance with the German Commercial Code (HGB) and corresponding decisions are taken, there are no restrictions on shareholder rights to receive dividends. Generally, withholding tax (*Kapitalertragsteuer*) is withheld from dividends paid. For more information on the taxation of dividends, see "*Taxation in the Federal Republic of Germany—(Withholding) Taxation of Dividends*".

Dividend Policy and Dividend Payments

The Company did not pay any dividends to their shareholders for the financial year ended September 30, 2011 or the financial year ended September 30, 2012. On February 12, 2014 the annual shareholders' meeting resolved to pay a dividend for the financial year ended September 30, 2013 amounting to €37.9 million or €0.15 per share. The dividend proposal is made anew for each financial year. The Group's corporate development and the required capital base for growth initiatives and the current business prospects are taken into account.

TUI AG anticipates that it will declare a final dividend for the financial year ended September 30, 2014 (subject to adequate balance sheet capacity, recommendations by the Executive Board of the Company and the Supervisory Board of the Company and approval at the TUI AG annual general meeting in 2015) of €0.33 per TUI AG Share. The anticipated dividend of TUI AG would represent an equivalent amount to the originally anticipated final dividend of 10.50 pence per TUI Travel Share, reflecting the agreed Exchange Ratio (which already takes account of the 4.05 pence TUI Travel interim dividend). The TUI AG dividend for the financial year ended September 30, 2014 will be paid after the TUI AG annual general meeting in 2015 to TUI AG Shareholders (other than holders of New TUI Shares).

Following completion of the TUI Merger, the Group intends to adopt a dividend policy in line with TUI Travel's present progressive dividend policy under which dividends grow broadly in line with earnings. Provided the performance of the Group develops in line with expectations, the Group will target an increase in its dividend per share for the financial years ended September 30, 2015 and ended September 30, 2016 of 10% in excess of the underlying growth in the Group's earnings per share. This is subject to adequate balance sheet capacity, recommendations by the Executive Board of and the Supervisory Board and approval at the respective TUI AG annual general meeting in the relevant year.

The following table shows for the financial years ended September 30, 2013, 2012 and 2011 (i) the distributable profit (*Bilanzgewinn*), (ii) total amount of dividends paid and (iii) the per Share amount of dividends paid:

	Financial Year as of September 30,		
	2011	**2012**	**2013**
	(in € millions, except as otherwise noted)		
Group profit for the year attributable to shareholders of TUI AG(1)	23.9	(15.1)	4.3
Distributable profit (*Bilanzgewinn*) (from the Company's financial statements prepared in accordance with the German Commercial Code (HGB))(2)	107.1	116.6	308.6
Total amount of dividends proposed and paid(3)	—	—	37.9
Distribution of dividend per Share (in €)(3)	—	—	0.15
Earnings per share (in €)(4)	(0.01)	(0.16)	(0.08)
Adjusted earnings per share (in €)(5)	(0.01)	(0.16)	(0.08)

(1) From the Company's audited consolidated income statements prepared in accordance with IFRS. See also "*Selected Financial and Operational Data—Consolidated Income Statement Data*".

(2) The unconsolidated financial statements for the financial year ended September 30, 2013 prepared in accordance with the German Commercial Code (HGB) are included in the section "*Financial Statements*" (page F-405 *et seq.*) of this Prospectus.

(3) The distribution of the dividend for any financial year occurs in the course of the following financial year. As such, distribution of dividends for the financial year ended September, 30, 2013 occurred in 2014. The figures for 2013 relate to the respective dividends as resolved upon by the ordinary general shareholders' meeting on February 12, 2014. In the financial year ended September, 30, 2013, 252,375,570 shares were entitled to receive a dividend.

(4) Basic earnings per share are calculated by dividing the Group's net profit for the year attributable to TUI AG shareholders (deducted by the dividend on the hybrid capital) by the weighted average number of registered shares outstanding during the financial year under review. In the financial year ended September 30, 2013 the weighted average number of registered shares outstanding was 252,362,552 compared to 251,953,439 in the financial year ended September 30. 2012 and 251,683,128 in the financial year ended September 30, 2011.

(5) Adjusted earnings per share is calculated by assuming an average number of registered outstanding shares of 252,362,552 for all financial years. The Group's net profit for the year attributable to TUI AG shareholders (deducted by the dividend on the hybrid capital) is then divided by this figure.

RECENT DEVELOPMENTS AND OUTLOOK

Recent Developments

While a number of indicators still show that the global economy will continue to grow, we expect that the growth rates in 2014 will be lower than in 2013. In view of the existing risks, in particular including political risks from the on-going conflicts in the Ukraine and Middle East, the further development of the world economy remains fragile and susceptible to external disturbances.

TUI Travel's trading performance for the summer season 2014 saw higher average selling prices across the Mainstream business. Overall bookings were broadly in line with the same period in the prior year. The United Kingdom saw average selling prices slightly ahead of last year and flat bookings, whilst trading in Germany saw a significant bounce following the end of the World Cup with margins ahead of last year. A decline in bookings in the Nordics and France largely reflected capacity cuts in these regions. Accommodation & Destinations continued to deliver significant sales growth.

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

In September 2014, TUI AG entered into a €1,550,000,000 revolving credit facility and issued €300,000,000 4.5% high yield notes due in October 2019. For further information see "*Material Agreements—Certain Financing Arrangements—TUI AG up to €1,550,000,000 revolving credit facility*" and "*TUI AG €300,000,000 4.5% High Yield Notes of 2014/2019*".

Except as mentioned above, no significant change in our financial or trading position has occurred since June 30, 2014.

Profit Estimate

EBITA and Underlying EBITA estimate by TUI AG for TUI AG and its subsidiaries for the financial year ended September 30, 2014

As the profit estimate is prepared on the basis of assumptions about past events and actions, it naturally entails substantial uncertainties. Because of these uncertainties it is possible that the actual profit of the company may differ materially from the estimated profit.

The profit estimate expressed in this section relates to the EBITA and Underlying EBITA of TUI AG for the Group and is not a statement about facts and should not be interpreted as such by potential investors. Rather, it is a statement about the expectations of the Company's management in respect of the EBITA and Underlying EBITA of the Group. Except for the assumption on foreign currency rates, the assumptions used in this profit estimate relate to factors which can, even if only to a limited extent, be influenced by the Company. Even if the Company believes that these assumptions are reasonable at the time of the estimate of the EBITA and Underlying EBITA by the Company's management, they may prove erroneous or unfounded. If one or more of these assumption(s) prove(s) to be erroneous or unfounded, the actual result could deviate materially from the Company's current EBITA and Underlying EBITA estimate. Potential investors should not place unreasonable reliance on this EBITA and Underlying EBITA estimate.

The members of the Executive Board of TUI AG confirm that the following profit estimate is valid, has been properly compiled on the basis of assumptions stated and the basis of accounting used is consistent with TUI AG's accounting policies. Peter Long, as CEO of TUI Travel is not participating in the Executive Board of TUI AG for the purposes of the possible TUI Merger and in giving these confirmations.

Within the Group, EBITA and Underlying EBITA are calculated as follows:

	Earnings before income taxes
−/+	Profit/Loss on Container Shipping measured at equity
+	Net interest expense and expense from measurement of interest hedges
+	Impairment of goodwill
=	**EBITA**
	Separately disclosed items / Adjustments
−/+	*Gain/Loss on disposals*
−	*Restructuring expense*
−	*Amortisation from purchase price allocation*
−/+	*Income/expense from other one-off items*
=	**Underlying EBITA**

While EBITA/Underlying EBITA is not recognized as a GAAP measure under IFRS which should not be considered as substitute for earnings (loss) before income taxes, cash flows from operating activities or any other performance indicator as determined/defined by IFRS, the management considers EBITA/Underlying EBITA as a useful indication for the profit or loss of the Company.

The manner in which we measure EBITA and Underlying EBITA may not be consistent with the manner in which these measures or other measures with similar names are calculated by other companies. Accordingly, EBITA and Underlying EBITA as presented by us may not be comparable to these measures or other measures with similar names as presented by other companies.

EBITA and Underlying EBITA estimate for the Group for the financial year ended September 30, 2014

€ million	2012/13	Expected development 2013/14 vs. PY
EBITA	594.8	At least at upper end of 16% to 23% growth range
Underlying EBITA	761.9	At least at upper end of 6% to 12% growth range

On the basis of developments in the financial year ended September 30, 2014, the Company currently anticipates the reported EBITA to increase at least at the upper end of the range of 16% to 23% of the reported EBITA for the financial year ended September 30, 2013 of €594.8 million. For the Underlying EBITA for the Group we expect for the financial year ended September 30, 2014 an improvement at least at the upper end of the range of 6% to 12% of the Underlying EBITA for the financial year ended September 30, 2013 of €761,9 million.

Explanatory notes to the EBITA and Underlying EBITA estimate

Principles

The EBITA and Underlying EBITA estimate for the financial year ended September 30, 2014 was prepared in accordance with the principles of the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland e.V.*,"IDW") Accounting Practice Statement: Preparation of Profit Estimates and Estimates in accordance with the Special Requirements of the Regulation on Prospectuses IDWAcPS AAB 2.003 (IDW RH HFA 2.003).

Although not being an IFRS measurement of operating income, operating performance or liquidity, the EBITA and Underlying EBITA estimate for the financial year ended September 30, 2014 was derived using accounting principles of the International Financial Reporting Standards as adopted by the European Union ("IFRS"). In respect of the accounting policies applied, please refer to the notes to the audited consolidated financial statements of the Company for the financial year ended September 30, 2013.

The EBITA and Underlying EBITA estimate for the financial year ended September 30, 2014 is influenced by a number of factors and is based on certain assumptions on past events not yet accounted for by the Company's management which are listed below.

Factors and Assumptions

As the period to which this profit estimate relates closed only two days ago, not all transactions relating to this period—especially these during the last days of the period—are recorded in our accounting system yet. Therefore, to meet these remaining uncertainties, we need to make assumptions about the factors which still influenced the EBITA / Underlying EBITA during the last days of the financial year ended September 30, 2014 and these respective transactions which are not yet recorded in our accounting system.

Except for the assumption on foreign currency rates, we did not identify any factors or assumptions outside our control.

Factor: Customer decline in TUI Travel's Mainstream Business

For the purpose of the EBITA and Underlying EBITA estimate, we estimate the volume in TUI Travel's Mainstream Business to be slightly below last year's level.

Factor: TUI Hotels & Resorts capacity, occupancy and revenues per bed

For the purpose of the EBITA and Underlying EBITA estimate, we estimate for the TUI Hotels & Resorts sector a slight increase in capacity (financial year ended September 30, 2013: 24.3 million hotel beds available). On stable occupancy of the hotels (financial year ended September 30, 2013: 80.3%), our profit estimate is based on a slight improvement in average revenues per bed (financial year ended September 30, 2013: €53.1/day).

Factor: Cruises passenger days, average rates and occupancy

For the purpose of the EBITA and Underlying EBITA estimate, we estimate that passenger days at Hapag-Lloyd Cruises have come out slightly below last year (financial year ended September 30, 2013: 407 thousand) while average rates (financial year ended September 30, 2013: €420/day) are estimated to be above last year. Occupancy of the Hapag-Lloyd fleet (financial year ended September 30, 2013: 70,6%) is estimated to decline slightly. TUI Cruises is expected to post a considerable increase in passenger days (financial year ended September 30, 2013: 1,4 million) and in the average daily rate (financial year ended September 30, 2013: €157/day), while the budgeted load factor (financial year ended September 30, 2013: 101,8%) is expected to be slightly above last year.

Factor: Cost of sales margin in TUI Group

For the purpose of the EBITA and Underlying EBITA estimate, we estimate our cost of sales margin in relation to revenues to improve compared to last year.

Factor: TUI AG corporate center expenses

For the purpose of the EBITA and Underlying EBITA estimate, we estimate a decline in TUI AG corporate center expenses and hence an improvement in Underlying EBITA vs. last year, mainly driven by lower consultancy and travel costs due to the implementation of the Lean Holding measures at TUI AG.

Factor: Foreign currency rates for September 2014

For the purpose of the EBITA and Underlying EBITA estimate, we estimate the foreign currency rates in relation to Euro to be the August 2014 average monthly rates.

Factor: Merger related transaction costs

In addition, we assume a closing of the intended merger between TUI AG and TUI Travel plc with respect to the accounting treatment of merger related costs.

Factor: Separately disclosed items / Adjustments

For the purpose of the EBITA and Underlying EBITA estimate, we estimate separately disclosed net expenses to decline in the financial year ended September 30, 2014 vs. the prior year. The estimated decline is mainly due to lower restructuring costs and higher one-off income from the curtailment of pension obligations at TUI Travel to be adjusted in Underlying EBITA.

Other explanatory notes

The EBITA and Underlying EBITA estimate does not include material extraordinary results or results from non-recurring activities within the meaning of the IDW accounting practice statement (IDW RH HFA 2.003).

This EBITA and Underlying EBITA estimate was issued on October 2, 2014.

Auditor's Report

To TUI AG, Berlin und Hannover

We have audited whether the profit estimate prepared by TUI AG, Hanover, for the period from October 1, 2013, to September 30, 2014, of TUI AG and its subsidiaries (together the "TUI AG Group") has been properly compiled on the basis stated in the explanatory notes to the profit estimate and whether this basis is consistent with the accounting policies of the TUI AG Group. The profit estimate comprises the estimated EBITA and the estimated Underlying EBITA for the period from October 1, 2013, to September 30, 2014, of the TUI AG Group and explanatory notes to the profit estimate.

The preparation of the profit estimate including the factors and assumptions presented in the explanatory notes to the profit estimate is the responsibility of TUI AG's management.

Our responsibility is to express an opinion based on our audit on whether the profit estimate has been properly compiled on the basis stated in the explanatory notes to the profit estimate and whether this basis is consistent with the accounting policies of the TUI AG Group. Our engagement does not include an audit of the assumptions identified by TUI AG and underlying the profit estimate or an audit of the historical financial information contained in the explanatory notes to the profit estimate.

We conducted our audit in accordance with IDW Prüfungshinweis: Prüfung von Gewinnprognosen und—schätzungen i.S.v. IDW RH HFA 2.003 (IDW PH 9.960.3) (IDW Auditing Practice Statement: The Audit of Profit Forecasts and Estimates in accordance with IDW AcPS AAB 2.003 (IDW AuPS 9.960.3)) issued by the Institut der Wirtschaftsprüfer in Deutschland e.V. (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that material errors in the compilation of the profit estimate on the basis stated in the explanatory notes to the profit estimate and in the compilation of this basis in accordance with the accounting policies of the TUI AG Group are detected with reasonable assurance.

As the profit estimate is prepared on the basis of assumptions about past events and actions, it naturally entails substantial uncertainties. Because of these uncertainties it is possible that the actual EBITA and Underlying EBITA of the TUI AG Group for the period from October 1, 2013, to September 30, 2014, may differ materially from the estimated profit.

We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on the findings of our audit, the profit estimate has been properly compiled on the basis stated in the explanatory notes to the profit estimate. This basis is consistent with the accounting policies of the TUI AG Group.

October 2, 2014

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Thomas Stieve	Nadja Picard
Wirtschaftsprüfer (German Public Auditor)	Wirtschaftsprüferin (German Public Auditor)

BUSINESS DESCRIPTION

Overview

We believe that we are the largest integrated leisure tourism group in Europe by turnover and one of the leading leisure tourism groups in the world. As a vertically integrated leisure tourism group, our brands offer an end-to-end holiday experience for the customer.

Tourism is our core business segment, comprising TUI Travel and the sectors TUI Hotels & Resorts and Cruises. TUI Travel offers a broad array of holiday experiences for a wide range of travelers, from popular holiday brands to an extensive collection of specialist travel providers. The TUI Hotels & Resorts sector comprises our portfolio of hotels and resorts which we operate under brands associated with high levels of quality and service as well as high environmental standards, *i.e.* Robinson, Riu, Grecotel, Grupotel, Iberotel and Dorfhotel. Our Cruises sector offers the maritime holiday experience for different target groups through Hapag-Lloyd Kreuzfahrten and TUI Cruises. In the financial year ended September 30, 2013, we reported a turnover in our Tourism segment of €18,460.1 million and in the nine-month period ended June 30, 2014, of €11,373.0 million, in both instances accounting for over 99.9% of turnover of all our segments combined. In the same periods, our Tourism segment reported an Underlying EBITA of €823.8 million and negative €148.0 million, respectively.

All Other Segments comprises our other non-tourism businesses, such as our real estate companies and our 22.04% indirect at-equity financial stake in Hapag-Lloyd AG, a container shipping company. All Other Segments reported negative Underlying EBITA of €61.9 million in the financial year ended September 30, 2013 and negative €34.3 million in the nine-month period ended June 30, 2014, respectively.

As of August 31, 2014 we had 78,244 employees.

TUI Travel operates in approximately 180 countries around the world and serves over 30 million customers from over 30 source markets. We believe that we are also the leading tour operator in the United Kingdom, Germany, the Nordics region and France. TUI Travel offers a broad product portfolio, ranging from package holidays (*e.g.*, transport and accommodation advertised and sold by one tour operator) to a wide range of more specialist offerings. TUI Travel is organized and managed through three principal business sectors: (1) Mainstream, which is the largest business and covers all activities in the package through its vertically integrated business model; (2) Accommodation & Destinations, which sells globally sourced hotel and apartment accommodation to wholesale customers and consumers, while also providing incoming services (such as airport transfers) for tour operators through regional agencies and a wide range of services for the cruise sector; and (3) Specialist & Activity, which pools more than 90 specialist and adventure tour operators. In the financial year ended September 30, 2013, TUI Travel reported turnover of €17,796.0 million and Underlying EBITA of €640.5 million. In the nine-month period ended June 30, 2014, TUI Travel reported turnover of €10,865.0 million, Underlying EBITA of €-248.0 million and as of August 31, 2014 had 63,043 employees.

Our TUI Hotels & Resorts sector includes majority participations in hotels, joint ventures with local partners, companies in which we hold a financial stake and hotels operated under management contracts. TUI Hotels & Resorts is the link between tour operators and hotel partners. We have structured this sector into six different hotel groups: Riu, Robinson, Iberotel, Grupotel, Grecotel and all other hotel companies. In the financial year ended September 30, 2013, TUI Hotels & Resorts reported turnover of €403.1 million and Underlying EBITA of €197.2 million. In the nine-month period ended June 30, 2014, TUI Hotels & Resorts reported turnover of €294.9 million, Underlying EBITA of €117.7 million and as of August 31, 2014 had 14,747 employees.

Our Cruises sector comprises two companies with distinct offerings and target markets. Hapag-Lloyd Kreuzfahrten holds a leading position in the German-speaking market with its fleet in the luxury and expedition cruise segments. In addition, TUI Cruises, which we operate as a joint venture with Royal Caribbean Cruises Ltd., offers a new and differentiated cruise format targeted at the German premium market. In the financial year ended September 30, 2013, our Cruises sector reported turnover of €261.0 million and negative Underlying EBITA of €13.9 million. In the nine-month period ended June 30, 2014, our Cruises sector reported turnover of €213.1 million, a negative Underlying EBITA of €17.7 million and as of August 31, 2014, had 228 employees.

All Other Segments comprises the corporate center functions of TUI and interim holdings, as well as other operative units, such as our real estate companies. As of the date of this Prospectus we also hold our 22.04% stake in the container shipping company Hapag-Lloyd AG at-equity in this segment. In the financial year ended September 30, 2013, All Other Segments reported turnover of €17.4 million and negative Underlying EBITA of €61.9 million. In the nine-month period ended June 30, 2014, All Other Segments reported turnover of €11.4 million, negative Underlying EBITA of €34.3 million and as of August 31, 2014 had 226 employees.

Our business segmentation is subject to review post completion of the TUI Merger.

Our Strengths

We believe the following strengths set us apart from our competitors in our tourism business:

Market-leading positions and scale. Based on turnover of €18,460.1 million generated in our Tourism segment in the financial year ended September 30, 2013 and €11,373.0 million generated in our Tourism segment in the nine-month period ended June 30, 2014, we are the largest integrated leisure tourism group in Europe by turnover, serving around 30 million customers in over 30 source markets, *i.e.,* in the markets in which we sell our travel products to our customers. Each of our sectors has leading market shares in its individual lines of business. We believe that we are the leading tour operator in the United Kingdom, Germany, the Nordics and France, as well as several other source markets. We also believe that our TUI Hotels & Resorts sector is the world's largest leisure hotelier based on capacity. Finally, our Cruise sector, through Hapag-Lloyd Kreuzfahrten, includes a leading luxury and premium cruise operator in the German market (*source*: Mintel, Cruises International, June 2008) with its flagships (the Europa and Europa 2) being rated as the world's best cruise ships, in the case of the Europa, for the fourteenth consecutive year (*source*: Berlitz Cruise Guide 2013).

We believe our market-leading position and associated purchasing power enable us to secure attractive terms from airlines, hotels and destination service providers, as well as suppliers. Combined with our presence in a broad range of geographical markets, our differentiated product portfolio and our strong multi-channel distribution network, as well as our market position, give us greater insight into customer behavior and enable us to detect new market trends and customer preferences as they occur, meaning we are able to rapidly respond to them by adjusting our product range.

In addition, we believe that through our strong market position we have been able to establish an extensive multi-channel distribution network, which is comprised of our tour operators, our own and third-party travel agencies, and our direct sales activities. Our distribution channels include the internet, mobile applications, call centers and television. This network contributes to our brand recognition and enables us to reach a large number of potential customers in our Mainstream, Accommodation & Destinations and Specialist & Activity business lines.

Customer offering of unique holidays. Our unique holidays form the backbone of our Mainstream businesses and are exclusive to us. In the nine-month period ended June 30, 2014, 71% of Mainstream holidays were unique, up three percentage points. Unique holidays provide value added services and features which command a margin premium over commodity products. This in turn leads to higher customer loyalty and an increase in repeat bookings. Unique holidays are also booked earlier, enabling us to manage our capacity and yield more effectively. Due to our experience in designing and operating new concepts, it is very difficult for our competitors to replicate these holidays.

A key part of our unique holiday offering is also the flight experience and we intend to continue to reshape the composition of our airline fleet to drive customer satisfaction and simplify the fleet to one short-haul and one long-haul aircraft type. It is strategically important to the Group to have a modern, cost-efficient and reliable fleet. We believe that we are strongly positioned with a young aircraft fleet compared to other leisure airlines. The average age of our fleet is eight years, however a significant portion of our narrow body fleet consists of Boeing 737-800 aircraft which have an average age of five and a half years.

Strong brand recognition and customer loyalty. We believe the strength of our brands throughout our Tourism segment's source markets and in our destination markets provides us with an important advantage over our competitors. We believe customers perceive us to be a quality provider of superior services. Based on our yearly brand performance study, we believe that our tour operator brands show very high brand awareness levels compared with the relevant competitor brands in our key European source markets of United Kingdom, Germany, the Nordics and France and a high brand awareness level in the Nordic countries. In surveys carried out between 2006 and 2014, TUI was rated the most trusted travel brand in Germany (*source*: Reader's Digest Trusted Brands 2006-2014). In the TUI Hotels & Resorts sector, based on our own analysis, compared with the relevant competitor brands, the Robinson Club hotel brand shows the highest unaided brand awareness level since 2007. In the German cruise market we believe that Hapag-Lloyd Kreuzfahrten is one of the best known cruise brands. This strength, coupled with the stability of our local brands, ensures, in our view, a high rate of customer recognition and customer loyalty. We also believe that the consistent quality of our product offering, in particular our hotels and cruises, promotes customer confidence and loyalty.

Focus on direct distribution, with growth driven by the online channel. Our direct distribution channels are a key strength. By increasing the direct distribution of our holidays we lower distribution costs, reduce the reliance on third-party distributors and can build on our customer relationships. Our direct distribution mix improved by two percentage points over the nine-month period ended June 30, 2014 to 67% of Mainstream sales. The improvement in direct distribution was driven by the online channel which also increased by three percentage points in the nine-month period ended June 30, 2014 to 36% of Mainstream sales.

As an online-driven business, we focus on the online customer experience. We are in the process of moving to one core online platform across Mainstream, which has already resulted in significant improvements in conversion, and the websites in our core online markets are now tablet and mobile optimized as our customers increasingly use their tablets and mobile devices to search and book with us.

Flexible business model focused on an end-to-end customer experience. Our Tourism business model follows an "asset-right" strategy at each stage of the value chain. Through this strategy, we control (*i.e.* own, lease or manage on a long-term basis and franchise) flight capacity, hotel and cruise ship assets and distribution channels that are fundamental to our tourism business. As of June 30, 2014, we owned, leased or managed (independently or through third parties) 238 hotels and 158,333 beds and 217 of the hotels were in the four and five star category, some of which our tour operators have access to. As of September 30, 2013, we operated five tour operator led airlines comprised of 138 aircraft (six owned, 123 leased on operating leases, nine leased on financing leases, and zero held for sale). Our tour operators have exclusive access to those aircraft, enabling us to fulfill customer demand. Any excess capacity is marketed on a standalone basis as individual seats or as component travel products. Our Cruises sector has successfully positioned itself in the German market segment for premium cruises. In our Cruises sector, as of June 30, 2014, we operated four cruise ships through Hapag-Lloyd Kreuzfahrten and three cruise ships through our joint venture, TUI Cruises. In June 2014 the Mein Schiff 3 was introduced. In 2015-2017, TUI Cruises is expected to expand its fleet by three ships adding the Mein Schiff 4, 5 and 6. In addition, TUI Travel operates five Thomson cruise ships and five Quark Expeditions cruises. As of September 30, 2013, our retail network consisted of 3,246 travel agencies, of which 1,807 were owned and 1,439 were franchised.

We selectively invest in our own or joint venture hotels and cruise ships where this generates an appropriate return and allows us to enhance our unique holiday offering. Accommodation commitments with third parties are entered into only according to the level of exclusivity and differentiation. Even for a very highly differentiated and exclusive hotel, we would not enter into a 100% commitment. Where accommodation commitments are entered into, the associated contracts include force majeure clauses.

Having a portfolio of businesses means we are not reliant on any single source market. This means that strong performances in some source markets will mitigate performances in other markets. In addition, given the number of destinations we cater to and our long-established relationships with suppliers in these destinations, we have the flexibility to reduce capacity as needed and remix to alternative, more profitable destinations.

Our business model provides flexibility and enables us to adapt to short term market developments, to exploit synergies at each stage of the value chain, ensure the overall quality of our product offering and to realize economies of scale arising from the collective management of certain aspects of our airlines, hotels and cruise ships. It also allows us to use dynamic production and product pricing tools as well as yield and capacity management techniques to maximize the passenger load factor of our airlines and the occupancy rates of our hotels and cruise ships.

We believe that this “asset-right” strategy together with our market-leading position, gives us a competitive advantage by allowing us to effectively monitor the utilization of our airline, hotel and cruise ship capacities and, among other things, providing our tour operator customers with access to our hotels.

Strong and experienced management team. We have a strong management team which has experienced many periods of change, evident in our successful transformation from an industrial conglomerate to a group focused on tourism. Our senior management has successfully built up a leading European tourism group both through organic growth and a number of well-integrated acquisitions and structural changes, including the successful merger of our distribution, tour operator, and airline and destination services operations with the First Choice Group in 2007. Our senior executives have spent many years in the leisure tourism market and are highly experienced in all aspects of the tourism business. Friedrich Joussen was appointed TUI AG’s Chairman of the Executive Board in February 2012. Peter Long, CEO of TUI Travel, has extensive experience in the tourism industry and was appointed managing director of the First Choice Holidays & Flights Limited in November 1996 before taking over as chief executive of First Choice Holidays PLC in 1999 and becoming appointed CEO of TUI Travel in 2007.

Our Strategy

Our business strategy includes the following key elements:

Strategy of the business following the TUI Merger

The TUI Group is expected to utilize the scale of its fully integrated Mainstream model—content, differentiated holiday experiences and distribution, while driving growth and value from its non-Mainstream businesses—to enhance its growth and margin profile, “future-proofing” its long-term sustainable competitive position.

Deliver a superior end-to-end customer experience through our fully integrated Mainstream tourism business. Our Mainstream business will focus on broadening its customer offerings, exploiting its brands and implementing its unique proposition across a majority of the hotel portfolio, providing a superior experience for its customers. The resources available to the TUI Group are anticipated to enable an acceleration of the development of new content, driving and increasing the range of unique holiday experiences that TUI Travel can deliver to new customers, thereby enhancing the TUI Group’s top line growth.

A complete end-to-end customer approach is expected to be developed by offering unique, high quality content from the strongest brands in tourism covering the whole vacation experience value chain for customers. Our customers will be able to book anything, anytime, anywhere, any way—driving further expected growth through repeat customer business, building loyalty, retention and increased, long-term sustainable profit growth.

Key to implementing this strategy is operating effectively in a digital age. Single solutions developed and deployed to many customers will reduce long-term infrastructure costs. As a result, the Group expects to be able to focus cash utilization to accelerate the development of TUI Travel’s existing digital platforms across the whole holiday cycle. For this purpose the Group anticipates to use two-way interaction—from suggestion, to research, to booking, travelling to the holiday, then while on holiday, sharing it with friends and family and returning home to a suggestion for the next leisure tourism experience from the Group. In doing this, personal interaction on the ground at home, in the air and in the resort will provide considerable value-added expertise.

Accelerate long-term growth supported by an asset-right business model based on an optimal mix of owned and managed hotels and cruise ships with a targeted minimum return on capital of 15% for new content. The Combined Group intends to support long-term growth through the operation of a flexible, asset-right business model. In order to operate more efficiently and maximize the value of its assets, the Combined Group will continue to optimize the ownership structure of existing and new hotels and cruise ships, targeting a minimum return on capital (calculated as the ratio of underlying net operating profit after tax (being underlying EBITA after tax charged at the effective annual rate) to the average capital) of 15% for all new content.

It will aim to optimize the investment and refinancing needs, if any, of such new assets and it may also decide to operate them through existing or new joint venture structures. In this context, it is expected that less than 50% of the accelerated growth hotels mentioned in the section "*Information on the TUI Merger and Description of the Scheme of Arrangement and the Offer—Reasons for the TUI Merger—Enhances and de-risks 'Mainstream' content growth as a result of integration*" would be owned (either via a subsidiary or joint venture) and that the additional two cruise ships mentioned in the same section would be owned by TUI Cruises with approximately 80% debt, 20% equity finance.

As of financial year ended September 30, 2013, approximately 50% of the more than 230 hotels and resorts within TUI AG Hotels & Resorts were operated under management contracts, approximately 9% were leased of franchised and the remainder were owned. In total, this represented an invested capital of €1,859.3 million (£1.5 billion) for the Hotels & Resorts segment (TUI AG's return on capital for the financial year ended September 30, 2013, was 10.6% for TUI Hotels & Resorts).

Deliver synergies, cost savings and commercial benefits with the potential to unlock further value. The TUI Merger is expected to deliver €45 million (£36 million) of synergies through corporate streamlining recurring cash tax benefits which based on the Combined Group's tax calculations for the financial year ended September 30, 2013 would have achieved a benefit of €35 million (£28 million) in that financial year had the two businesses been combined.

In addition, the integration of Inbound Services into the Mainstream Tourism business is expected to deliver annual net savings of €20 million (£16 million).

It is also expected that the TUI Merger will result in material commercial benefits from increased occupancy, vertical integration and additional growth opportunities from an accelerated and broadened content portfolio.

Maximize the growth and value of the Online Accommodation and Specialist & Activity businesses. Following the TUI Merger, the current Online Accommodation businesses and Specialist & Activity sector of TUI Travel will operate separately from the core tourism business, under the direct dedicated leadership of William Waggott. These businesses operate on a different business model to Mainstream, therefore managing them separately will enable the TUI Group to focus more effectively on maximizing their growth and value.

Treat the TUI AG stake in Hapag-Lloyd AG as a business for disposal. The stake in Hapag-Lloyd AG is currently held by the Company, and following completion of the TUI Merger will continue to be held by the Combined Group, as a business for disposal, in order to finalize the Combined Group's exit from Container Shipping. This does not include Hapag-Lloyd Kreuzfahrten, which will be retained within the Combined Group.

Focus on balance sheet strength, flexibility and strong free cash flow generation with a view to increasing shareholder returns. TUI Travel and the Company already have clearly stated strategic goals to improve free cash flow and therefore deliver superior returns on investment. The TUI Merger will align these goals, resulting in a strong, flexible balance sheet and enhanced cash flow generation.

The TUI Merger is expected to be earnings per share ("**EPS**") accretive for both TUI Travel Shareholders and the Company's Shareholders from the first full financial year post-TUI Merger (with strong EPS accretion for TUI Travel Shareholders). Strong EPS accretion for both sets of shareholders is expected thereafter. In parallel, a strong cash flow/dividend benefit for the Company's Shareholders will be delivered from the first full financial year post-Merger.

Our History and Recent Transformation

We were originally founded as a state-owned entity by the Prussian state government in 1923 under the name "Preussische Bergwerks- und Hütten-Aktiengesellschaft" to own and operate the Prussian state's coal and non-ferrous metal mines, smelters and salt works. We were partially privatized in 1959 and fully privatized in 1969. In 1964, we changed our name to PREUSSAG Aktiengesellschaft. Until the mid-1990s, we were active predominantly in the areas of industry, transport and natural resources

In the early 1990s, prospects for our traditional activities became less attractive. For this reason we made the strategic decision to concentrate on new growth sectors and dispose of most of our industrial activities. Accordingly, we implemented our strategy to reorient our focus on tourism and logistics from the mid-1990s on. In 2002, we changed our name to TUI AG. In 2006, we sold our last industrial holding. In 2007, we established TUI Travel by merging our distribution, tour operator and airline destination services operations with those of First Choice Holidays PLC. After selling a majority shareholding in our Hapag-Lloyd container shipping business in March 2009, we now focus fully on our core tourism business.

The recent major steps of our transformation to our current structure were:

2006	Establishment of the new airline TUIfly
2007	Establishment of TUI Travel by merging our distribution, tour operator, airline and destination services operations with those of First Choice Holidays PLC
2008	Establishment of TUI Cruises GmbH, a joint venture of TUI AG and Royal Caribbean Cruises Ltd.
2009	Sale of 56.7% indirect stake in Hapag-Lloyd AG
2009	Divestment of the city route network of TUIfly, which was taken over by Air Berlin plc
2010	Increase of our indirect stake in Hapag-Lloyd AG to 49.8% through conversion of Hybrid Capital I into equity
2011	Sale of 11.3% indirect stake in Hapag-Lloyd AG reducing our holding in Hapag-Lloyd to 38.4%
2012	Sale of indirect stake in Hapag-Lloyd AG reducing our holding in Hapag-Lloyd to 22.04%
2014	Announcement of intention to merge TUI AG and TUI Travel.

As a result of the implementation of our reorientation strategy, we have transformed our Group from an industrial conglomerate to a tourism group with a strong focus on tour operating, hotels and resorts and cruises.

Our Tourism Business

As a vertically integrated leisure tourism group, we offer a truly end-to-end holiday experience to the customer, from the inspiration and planning stage, through to booking, flights, accommodation (often on an all-inclusive basis), transfers and activities during stay.

Our tourism business comprises the TUI Travel business and the sectors TUI Hotels & Resorts and Cruises. The following table sets out the structure of our Tourism segment (including TUI Travel business lines, TUI Hotels & Resorts brands, and the companies of the Cruises sector).

TUI Travel	TUI Hotels & Resorts	Cruises
• Mainstream	• Riu	• Hapag-Lloyd Kreuzfahrten
• Accommodation & Destinations	• Robinson	• TUI Cruises
• Specialist & Activity	• Iberotel	
	• Grecotel	
	• Grupotel	
	• Other hotel brands	

TUI Travel

In 2007, the strategic merger of TUI AG's tour operating business with First Choice Holidays PLC created TUI Travel. Through its global brand portfolio and travel expertise TUI Travel is focused on delivering a wide variety of leisure tourism experiences designed for its customers' ever-changing needs. In response to an increasing demand for more differentiated travel products, TUI Travel developed its unique holiday packages that include hotels and products that have been tailored to offer additional services and facilities to our customers.

TUI Travel is domiciled in the United Kingdom and has been listed on the London Stock Exchange since September 3, 2007 and is a constituent of the FTSE 100 index. As of the date of this Prospectus, TUI AG holds or controls the voting rights of approximately 53% of the shares in TUI Travel. On a fully diluted basis, TUI holds or controls the voting rights of 50.001% of the shares in TUI Travel. By way of the TUI Merger, the Company intends to acquire the remaining shares in TUI Travel. Following the successful completion of the TUI Merger, the Company will own the entire issued share capital of TUI Travel.

In the financial year ended September 30, 2013, TUI Travel had turnover of €17,796.0 million and Underlying EBITA of €640.5 million. In the nine-month period ended June 30, 2014, TUI Travel had turnover of €10,860.0 million and Underlying EBITA of negative €248.0 million and, as of August 31, 2014, had 63,043 employees. TUI Travel operates in approximately 180 countries and serves over 30 million customers in over 30 source markets annually, with a portfolio of 220 brands of tour operators and destination agencies as of June 30, 2014.

TUI Travel is organized and managed through the following principal business units:

- Mainstream;
- Accommodation & Destinations; and
- Specialist & Activity.

Mainstream

Overview

The Mainstream business makes up the largest part of TUI Travel in terms of financial performance, scale, scope and number of employees, taking around 20 million customers on holiday each year. It includes TUI Travel's familiar tour operator "power" brands, such as TUI, Thomson and Fritidsresor. Mainstream operates as a vertically integrated tour operator, covering all activities in the package holidays segment from sales of holidays through to flight operations. The tour operators included in this business unit have market leading positions within their individual source markets, the largest of which are the UK & Ireland, Germany, the Nordics and France.

Main Markets

The Mainstream business reports through its source markets, with the largest four reporting separately: UK & Ireland, Germany, the Nordics and France.

Germany

TUI Travel provides its services mainly through its key tour operator brands, which include TUI (rated the most trusted travel brand in Germany since 2006), 1-2-FLY, L'tur and Berge & Meer. By turnover, TUI Travel was the largest tour operator in the German market in 2012 and 2013 (until October 31) (*source*: FVW dossier Deutsche Veranstalter, 2013).

The market in Germany is relatively fragmented, with a large number of smaller tour operators and travel retailers. As well as package holidays involving air travel, the German business also sells a significant volume of overland holidays. The German business is characterized by its growing volumes of unique holidays and relatively low levels of direct distribution and online penetration, with a large proportion of holidays sold by third party retailers.

TUI Travel believes, that approximately two-thirds of Germany's customers going on overseas holidays are flown on TUI Travel's airline, TUIfly, with the remainder (in particular long-haul) flown by non-group chartered and scheduled airlines.

In the financial year ended September 30, 2013, TUIfly sold approximately 66% of its seats through its tour operators, with the remaining capacity sold to Air Berlin on a long term basis for use in scheduled operations.

Key Performance Indicators (%)	2013	2012	Change %
Unique mix (percentage of holidays only available from TUI Travel of entire holidays offered by TUI Travel)	51	47	+4pp
Direct distribution mix (percentage of holidays directly distributed to the customer of entire holidays offered by TUI Travel)	36	34	+2pp
Online mix (percentage of holidays distributed by online channels of entire holidays offered by TUI Travel)	8	4	+4pp

The business is focused on growing unique product through its core TUI "Reisewelten" labels (launched in 2013), increasing direct distribution through both the retail and online network, and on operational efficiency improvements. Significant progress has been made in the latter, with the delivery of all efficiencies from TUI Travel's business improvement program. TUI Travel also relaunched its TUI.com website during 2013, providing an enhanced search and booking experience for the customer and delivering significant growth in online bookings.

The key destinations that TUI Travel offers in Germany are the Balearic Islands, Turkey and the Canary Islands. In the financial year ended September 30, 2013, TUI Travel served 6.0 million customers in Germany compared to 6.4 million customers in the previous financial year as well as in the financial year ended September 30, 2011.

UK and Ireland

TUI Travel believes it has a number one market position in the highly-consolidated UK market, through its well-known and trusted tour operator brands Thomson and First Choice. The UK business is characterized by high levels of unique content and direct distribution, in particular through the online channel—the Thomson website is the second most visited travel website in the UK.

Key Performance Indicators (%)	2013	2012	Change %
Unique mix (percentage of holidays only available from TUI Travel of entire holidays offered by TUI Travel)	83	79	+4pp
Direct distribution mix (percentage of holidays directly distributed to the customer of entire holidays offered by TUI Travel)	89	87	+2pp
Online mix (percentage of holidays distributed by online channels of entire holidays offered by TUI Travel)	47	44	+3pp

TUI Travel's most successful unique brands include Sensatori and Holiday Villages. Over 90% of the UK's package holiday customers are flown on its own airline, Thomson Airways.

TUI Travel's key destinations offered in the UK and Ireland are the Canary Islands, the Balearic Islands and Greece. In the financial year ended September 30, 2013, TUI Travel served 5.2 million customers in the UK and Ireland compared to 5.2 million customers in the previous financial year and 5.4 million customers in the financial year ended September 30, 2011.

Nordics

TUI Travel believes that it has a number one market position in the Nordics (Norway, Finland, Sweden and Denmark) through its key brands Fritidsresor, StarTour, and Finnmatkat. The Nordics business is characterized by high levels of unique content and online distribution, with a small number of retail shops and no printed brochures for the core brands, which has helped to reduce distribution costs significantly. In the Nordics, TUI Travel flies approximately 50% of its customers with its own airline, TUIfly Nordic, and uses third parties to fulfill other flight capacity requirements.

Key Performance Indicators (%)	2013	2012	Change %
Unique mix (percentage of holidays only available from TUI Travel of entire holidays offered by TUI Travel)	93	92	+1pp
Direct distribution mix (percentage of holidays directly distributed to the customer of entire holidays offered by TUI Travel)	89	87	+2pp
Online mix (percentage of holidays distributed by online channels of entire holidays offered by TUI Travel)	67	65	+2pp

The key destinations that TUI Travel offers in the Nordics are the Canary Islands, Greece, and Turkey. In the financial year ended September 30, 2013, TUI Travel served 1.6 million customers in the Nordics compared to 1.5 million customers in the previous financial year and 1.4 million customers in the financial year ended September 30, 2011.

France

TUI Travel believes that it has a number one market position in the French tour operator market, through its key brands Nouvelles Frontières and Marmara. Based on own estimates and competitor benchmarks, TUI Travel believes Nouvelles Frontières is the largest tour operator in France by turnover. The French tour operator market is relatively fragmented. France is characterized by relatively high levels of unique product and reasonably high levels of direct distribution, but with low online penetration. In addition, customer demand has been weak for several years as a result of the poor consumer environment, and subdued demand for North African destinations following recent political unrest. TUI Travel has therefore significantly reduced capacity to the region, as well as refocusing the portfolio on more profitable products and destinations. TUI Travel has also undertaken a wide-ranging restructuring program to rationalize the distribution network and reduce back-office overheads.

The tour operator does not have an in-house airline (and therefore sources capacity from third parties); however TUI Travel operates a small scheduled airline, Corsair, which mainly flies to destinations in the Caribbean, in Africa and in the Indian Ocean.

Key Performance Indicators (Tour operator) %	2013	2012	Change %
Unique mix (percentage of holidays only available from TUI Travel of entire holidays offered by TUI Travel)	81	74	+7pp
Direct distribution mix (percentage of holidays directly distributed to the customer of entire holidays offered by TUI Travel)	56	59	-3pp
Online mix (percentage of holidays distributed by online channels of entire holidays offered by TUI Travel)	18	21	-3pp

TUI Travel is focused on bringing France back to profitability by adjusting its mix towards more unique holidays (albeit in line with its rigorous capacity management), growth in direct distribution driven by the online channel, and delivering further operational efficiency improvements through the latest phase of the Convergence program.

The key destinations that TUI Travel offers in France are Morocco, Tunisia and Turkey. In the financial year ended September 30, 2013, TUI Travel served 1.6 million customers in France compared to 2.0 million in the previous financial year and 2.1 million in the financial year ended September 30, 2011.

Other

TUI Travel believes that it has market-leading positions through its tour operators in its other smaller source markets—Belgium, Netherlands, Canada, Austria, Switzerland, Poland and several countries in Southern Europe—and operates airlines in two of these (Belgium and Netherlands). In the financial year ended September 30, 2013 as well as in the previous financial year, TUI Travel served 5.1 million customers in other countries compared to 4.9 million customers in the financial year ended September 30, 2011.

TUI Travel also has an Emerging Markets business, which consists of its share in a tour operator joint venture in Russia and Ukraine (approximately 500,000 customers per annum), and a New Markets division which focuses on growth in fast growing emerging markets Brazil, India and China.

Accommodation & Destinations

The Accommodation & Destinations business consists of the Accommodation Wholesaler, Accommodation OTA (Online Travel Agent) and Inbound Services.

Accommodation Wholesaler (main brands Hotelbeds and Bedsonline) sells globally sourced hotel and apartment accommodation online to wholesale customers such as travel agencies and tour operators via various internet portals. TUI Travel is the global leader in this sector by total transactional value (TTV). The business is focused on growth through existing destinations while accelerating expansion into new markets with particular focus on Asia, Latin America and Africa.

Accommodation OTA is focused on building on the strong brand positioning of LateRooms.com, the UK's second largest accommodation only OTA, and expansion in the emerging markets through AsiaRooms.com across Asia and in Brazil with MalaPronta, Brazil's fourth largest accommodation only OTA.

The Inbound Services business provides incoming services for tour operators, such as transfers and excursions, as well as operating a cruise handling business.

Specialist & Activity

Specialist & Activity pools more than 90 specialist and adventure tour operators in Europe, North America and Australia. Its key divisions are Marine, Adventure, 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.

In the financial year ended September 30, 2013, Specialist & Activity served approximately 1.4 million customers compared to 1.6 million in the previous year and 1.5 million in the financial year ended September 30, 2011.

TUI Hotels & Resorts Sector

With 238 hotels and 158,333 beds managed in the TUI Hotels & Resorts sector as of June 30, 2014, we believe we are globally the largest leisure hotelier based on capacity. We operate eleven hotel brands (including Robinson and RIU) covering a wide range of hotel concepts. 217 of our hotels are in the four- or five-star categories. As of September 2013, 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.

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.

The TUI Hotels & Resorts sector primarily provides hotel capacity for our Group's tour operators in strategically important destinations. The occupancy rate of the hotels managed in our TUI Hotels & Resorts sector is therefore largely driven by our own tour operators. The quality level provided by our hotels also plays an important role in driving occupancy rates. In our experience, the overall customer satisfaction with respect to their holiday package depends to a large extent on the level of customer satisfaction with our hotels.

The conditions under which our hotels provide room capacity to our own and third-party tour operators (for example, in terms of pricing, level of exclusivity, capacity guarantees, quality levels etc.) are negotiated independently by our hotels and the tour operators. Pricing, exclusivity levels and capacity guarantees agreed between our hotels and the tour operators depend on the categories and the level of product differentiation the relevant hotels offer.

In the financial year ended September 30, 2013, TUI Hotels & Resorts generated turnover of €403.1 million and Underlying EBITA of €197.2 million. In the nine-month period ended June 30, 2014, TUI Hotels & Resorts generated turnover of €294.9 million and Underlying EBITA of €117.1 million and as of August 31, 2014 had 14,747 employees.

Overview TUI Hotels & Resorts as of June 30, 2014:

Hotel brand	Primary Countries	Total Hotels/Clubs	4 or 5 Star Hotels	Total Beds
Riu	Cape Verde, Caribbean, Mexico, Spain and Tunisia	102	97	88,286
Grupotel	Spain	34	20	13,533
Other hotel companies	Austria, Germany, Egypt, Greece, and Switzerland	33	31	18,902
Robinson	Spain and Turkey	23	23	13,557
Iberotel	Egypt, Germany and Turkey	24	24	13,329
Grecotel	Greece	22	22	10,726
Total		**238**	**217**	**158,333**

Riu

Most of the RIU hotels (which means all hotels mentioned under the Riu hotel brand in the table above) are in the premium and comfort market segments, located in Spain, Mexico and the Caribbean and have a high proportion of repeat customers. RIU hotels are marketed under several hotel product lines (RIU classic, RIU Clubhotel, RIU Palace, RIU Plaza and Luca Hotels & Resorts).

Both in terms of capacity and turnover, RIU branded hotels account for the largest part in the portfolio of TUI Hotels & Resorts. We have operated the RIU branded hotels through RIUSA II, S.A., in which we hold a 50% interest, since 1993 and our hotel development and investment firm RIU Hotels S.A., in which we hold a 49% interest, since 1976. All of our RIU branded hotels are managed through RIUSA II, S.A. The Mallorca-based RIU group is a family-owned hotels and resorts group founded in 1953.

In the financial year ended September 30, 2013, the RIU group operated 100 hotels with 87,373 beds. Capacity, defined as Group-owned or leased hotel beds multiplied by the number of days open per year, was 17.0 million in the financial year ended September 30, 2013 (17.3 million in the financial year ended September 30, 2012). Average occupancy rates in Riu hotels were 83.6% (83.0% in the financial year ended September 30, 2012) and average turnover per bed amounted to €48.4 in the respective year (€48.0 in the financial year ended September 30, 2012).

In the nine-month period ended June 30, 2014, the RIU group operated 102 hotels with 88,286 beds. Capacity, defined as Group-owned or leased hotel beds multiplied by the number of days open per year, was 12.7 million in the nine-month period ended June 30, 2014 (12.5 million in the nine-month period ended June 30, 2013). Average occupancy rates in Riu hotels were 82.2% (80.6% in the nine-month period ended June 30, 2013) and average turnover per bed amounted to €50.7 in the respective year (€49.3 in the nine-month period ended June 30, 2013).

Robinson

Robinson operates in the premium club holiday market segment for club holidays. The Robinson clubs offer a differentiated product portfolio targeting a variety of customer groups and is characterized by its professional sport, entertainment, and event portfolio. Most of the clubs are located in Spain, Greece, Turkey, Switzerland and Austria. The clubs also promote sustainability development activities and meet specific environmental standards.

The Robinson-branded club hotels are mainly operated through our wholly owned subsidiary Robinson Club GmbH, which in turn holds majority and minority participations in the various subsidiaries which own Robinson club hotels. As of June 30, 2014 we do not hold any participation with respect to seven club hotels which are operated by us on the basis of management contracts.

In the financial year ended September 30, 2013, Robinson, operated a total of 24 (previous year: 25) club facilities with 13,585 beds in eleven countries. Capacity (as defined above) was 2.96 million in the financial year ended September 30, 2013 (2.94 million in the financial year ended September 30, 2012). Average occupancy rates in Robinson hotels were 73.0% (74.0% in the financial year ended September 30, 2012) and average turnover per bed amounted to €86 in the financial year ended September 30, 2013 (€84 in the financial year ended September 30, 2012).

In the nine-month period ended June 30, 2014, Robinson, operated a total of 23 club facilities with 13,557 beds in eleven countries. Capacity (as defined above) was 1.995 million in the nine-month period ended June 30, 2014 (2.01 million in the nine-month period ended June 30, 2013). Average occupancy rates in Robinson hotels were 68.3% (66.2% in the nine-month period ended June 30, 2013) and average turnover per bed amounted to €87.07 in the nine-month period ended June 30, 2014 (€87.17 in the nine months period ended June 30, 2013).

Iberotel

Iberotel hotels are premium hotels located in Egypt, the United Arab Emirates, Turkey, Italy and Germany. We believe that Iberotel hotels offer a comprehensive level of comfort and excellent dining options. These hotels comply with the highest quality, safety and environmental standards.

In the financial year ended September 30, 2013, Iberotel had 24 hotels with 13,285 hotel beds, located in Egypt, the United Arab Emirates, Turkey, Italy and Germany. Capacity (as defined above) was 2.48 million in the financial year ended September 30, 2013 (2.52 million in the financial year ended September 30, 2012). Average occupancy rates in Iberotel hotels were 63.0% (66.0% in the financial year ended September 30, 2012) and average turnover per bed amounted to €44 in the financial year ended September 30, 2013 (€40 in the financial year ended September 30, 2012).

In the nine-month period ended June 30, 2014, Iberotel had 24 hotels with 13,329 hotel beds, located in Egypt, the United Arab Emirates, Turkey, Italy and Germany. Capacity (as defined above) was 1.78 million in the nine-month period ended June 30, 2014 (1.78 million in the nine-month period ended June 30, 2013). Average occupancy rates in Iberotel hotels were 48.5% (65.0% in the nine-month period ended June 30, 2013) and average turnover per bed amounted to €40.6 in the nine-month period ended June 30, 2014 (€43.5 in the nine-month period ended June 30, 2013).

Grupotel

Grupotel is a large hotel chain in the Balearic Islands, offering apartments, aparthotels and luxury resorts in Mallorca, Menorca and Ibiza. Most of its hotels are in the comfort quality level offering economic rates to its customers. We operate the Grupotel branded hotels through a 50% interest in the joint venture company GRUPOTEL DOS S.A. Our joint venture partner is a Mallorca-based, family-owned hotel group.

In the financial year ended September 30, 2013, the Grupotel chain operated 33 facilities on Mallorca, Menorca and Ibiza with 13,182 beds. Capacity (as defined above) was 824,000 in the financial year ended September 30, 2013 (840,000 in the financial year ended September 30, 2012). Average occupancy rates in Grupotel hotels were 85.0% (83.0% in the financial year ended September 30, 2012) and average turnover per bed amounted to €47 in the financial year ended September 30, 2013 (€45 in the financial year ended September 30, 2012).

In the nine-month period ended June 30, 2014, the Grupotel chain operated 34 facilities on Mallorca, Menorca and Ibiza with 13,533 beds. Capacity (as defined above) was 601,000 in the nine-month period ended June 30, 2014 (483,000 in the nine-month period ended June 30, 2013). Average occupancy rates in Grupotel hotels were 72.5% (72.7% in the nine-month period ended June 30, 2013) and average turnover per bed amounted to €40.3 in the nine-month period ended June 30, 2014 (€39.8 in the nine-month period ended June 30, 2013).

Grecotel

Grecotel offers premium hotel products in the Greek market. Its concept is based on traditional hotel management and focuses on cultural and environmental features. The Grecotel branded hotels are operated through a 50% interest in the joint venture company Grecotel S.A. Our joint venture partner is the N. Daskalantonakis Group, a Greek resort hotel management company.

In the financial year ended September 30, 2013, the Grecotel chain operated 19 holiday complexes with a total of 10,079 beds. Capacity (as defined above) was 746,000 in the financial year ended September 30, 2013 (664 thousand in the financial year ended September 30, 2012). Average occupancy rates in Grecotel hotels were 90.0% (86.0% in the financial year ended September 30, 2012) and average turnover per bed amounted to €74 in the financial year ended September 30, 2013 (€65 in the financial year ended September 30, 2012).

In the nine-month period ended June 30, 2014, the Grecotel chain operated 22 holiday complexes with a total of 10,726 beds. Capacity (as defined above) was 423,000 in the nine-month period ended June 30, 2014 (279,000 in the nine-month period ended June 30, 2013). Average occupancy rates in Grecotel hotels were 67.6% (63.5% in the nine-month period ended June 30, 2013) and average turnover per bed amounted to €51.0 in the nine-month period ended June 30, 2014 (€64.6 in the nine-month period ended June 30, 2013).

Other hotels

Other hotel companies include Dorfhotels in Germany and other brands such as Jaz or Sol Y Mar Hotels & Resorts, operating premium four-and five star resorts in Egypt. In the nine-month period ended June 30, 2014, other hotel companies operated 33 hotels with a total of 18,902 beds compared to 32 hotels with a total of 17,837 beds in the financial year ended September 30, 2013.

Cruises

The Cruises sector comprises Hapag-Lloyd Kreuzfahrten and the joint venture TUI Cruises. In the financial year ended September 30, 2013, the Cruises sector generated turnover of €261.0 million and a negative Underlying EBITA of €13.9 million. In the nine-month period ended June 30, 2014, the Cruises sector generated turnover of €213.1 million, negative Underlying EBITA of €17.7 million and as of August 31, 2014 had 228 employees.

Hapag-Lloyd Kreuzfahrten

Hamburg-based Hapag-Lloyd Kreuzfahrten GmbH is one of the leading cruise operators in the luxury and expedition cruises market in Germany (*source*: European Cruise Council 2012/2013 Report) and as of June 30, 2014 operates four cruise ships. In the nine-month period ended June 30, 2014 Hapag-Lloyd Kreuzfahrten had an occupancy rate for its ships of 66.8% and 315.0 thousand passenger cruise days (70.9% respectively 286.4 thousand for the nine month period ended June 30, 2013).

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 worlds 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 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 are owned, the other two are chartered.

Hapag-Lloyd Kreuzfahrten is primarily targeted at wealthy customers in their mid-50s and older. The target group of the vessel Europa 2 is a younger and more international upscale clientele, including families. The main distribution channels for cruises offered by Hapag-Lloyd Kreuzfahrten are travel agencies, with direct bookings by customers also accounting for an important share.

TUI Cruises

TUI Cruises is a joint venture formed in 2008 between TUI AG and the U.S. shipping company Royal Caribbean Cruises Ltd., in which each partner holds a 50% stake (see "*Material Agreements—Joint Venture Agreement with respect to TUI Cruises GmbH*"). 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. As of June 30, 2014, TUI Cruises served this market with three ships, Mein Schiff 1 and Mein Schiff 2, with a third ship, Mein Schiff 3, commissioned in June 2014. TUI Cruises is planning to take advantage of additional growth opportunities by commissioning additional ships in 2015, 2016 and 2017, thereby further strengthening its position. In the nine-month period ended June 30, 2014 TUI Cruises had an occupancy rate for its ships of 101.0% and 1,070.8 thousand passenger cruise days (100.1% respectively 1,047.8 thousand for the nine month period ended June 30, 2013).

The Hamburg-based company has offered cruises to the German-speaking premium cruise submarket since May 2009 offering German as the main language on board. TUI Cruises mainly targets the German speaking premium cruise submarket, combining the service of a traditional cruise with the more relaxed feeling and individual freedom of a club ship (for example no dress code). TUI Cruises follows a concept primarily aimed at couples and families who attach particular importance to personal choice, quality and service on a cruise. In general, TUI Cruises targets younger passengers than Hapag-Lloyd Kreuzfahrten (*i.e.* 35 years and older). TUI Cruises uses our multi-channel distribution network and shares IT Services with Hapag-Lloyd Kreuzfahrten.

All Other Segments

All Other Segments comprises all other segments, including in particular TUI AG's head office functions and the interim holdings along with the Group's real estate companies. In addition, our 22.04% indirect stake in Hapag-Lloyd AG, a container shipping company we intend to hold for sale, is held at-equity in this segment. All Other Segments also includes intersegment consolidation effects. In the financial year ended September 30, 2013, All Other Segment generated turnover of €17.4 million, negative Underlying EBITA of €61.9 million and had 405 employees as of September 30, 2013. In the nine-month period ended June 30, 2014, All Other Segments generated turnover of €11.4 million, negative Underlying EBITA of €-34.3 million and had 226 employees as of August 31, 2014.

Hapag-Lloyd AG

Hapag-Lloyd AG is a leading global container liner shipping company. Measured by the capacity of its fleet, it is the largest container shipping company based in Germany and one of the largest in the world (*source*: MDS Transmodal, July 2014). Hapag-Lloyd AG offers its customers a comprehensive range of services through an extensive network of 334 offices in 112 countries, as of June 30, 2014. It offers complete worldwide door-to-door container shipment services and port-to-port services, as well as a variety of possible combinations which are tailored to meet its customers' transport service requirements.

Hapag-Lloyd AG maintains a well-balanced portfolio of trades distributed among its main markets, including the high-volume East-West trades. In 2013, these trades contributed to its total transport volumes as follows: Transatlantic (21.9%), Far East (22.7%), Transpacific (22.7%), Latin America (21.3%) and Australasia (11.4%).

As of June 30, 2014, Hapag-Lloyd AG had a fleet of 154 container ships with a total capacity of 777,469 Twenty-foot equivalent container units ("**TEU**"), of which it owned 61, chartered 87 and leased six. Therefore, its entire fleet has a capacity of 777,469 TEU, as of June 30, 2014, representing one of the largest container ship fleets globally. As of June 30, 2014, Hapag-Lloyd AG also managed a fleet of 708,619 containers with a total capacity of 1,104,463 TEU.

Hapag-Lloyd is headquartered in Hamburg, Germany.

On April 16, 2014, Hapag-Lloyd AG and Compañía Sud America de Vapores ("**CSAV**") entered into a business combination agreement to merge CSAV's container shipping activities with Hapag-Lloyd AG. Following the integration, the new Hapag-Lloyd will rank among the four largest liner shipping companies in the world, with some 200 vessels with total transport capacity of approximately one million TEU and an annual transport volume of approximately 7.5 million TEU. The company's head office will remain in Hamburg, Germany. In addition, Hapag-Lloyd will have a regional office in Chile for its Latin America business. Following a planned capital increase after the transaction has been concluded, CSAV's share of Hapag-Lloyd will increase to 34.01% and our shareholding in Hapag-Lloyd will decrease to approximately 14.0%. The relevant corporate bodies of CSAV and Hapag-Lloyd have approved the merger. The closing of the transaction is subject to the approval of competition authorities.

Real Estate

We own or lease a number of administrative buildings. The carrying amount of real estate properties, other than hotels, amounted to €132.5 million as of September 30, 2013.

The following most important administrative buildings as of September 30, 2013 were the head offices of TUI Travel and TUI AG as well as the buildings of our largest tour operators in Germany and the United Kingdom:

Head Office of	Address	Description
TUI AG	Karl-Wiechert-Allee 4, Hanover	55,000 square meters of real estate, space suitable for lease: 44,000 square meters, leased by Preussag Immobilien GmbH, 99% occupied by TUI AG
German Tour Operator	Karl-Wiechert-Allee 23, Hanover	39,129 square meters of real estate, 44,496 square meters leased by Preussag Immobilien GmbH, 100% occupied by TUI Deutschland GmbH
TUI Travel	TUI Travel House, Crawley Business Quarter, Fleming Way Crawley West Sussex, United Kingdom	2,397 square meters leased by First Choice Holidays Ltd, fully occupied by TUI UK
UK Tour Operator	Wigmore House, Wigmore Lane, Luton, Bedfordshire	15,831 square meters leased by TUI Northern Europe Ltd, fully occupied by TUI UK

All real estate mentioned above is leased.

Our real estate companies that are part of All Other Segments own agricultural land and numerous commercial properties in Germany. As of June 30, 2014, TUI's real estate portfolio comprised a total of approximately 1.55 million square meters.

There are no major encumbrances on properties we own, and we are not aware of any encumbrances on properties we lease that could materially affect our business.

Other Property

As of September 30, 2013, we operated 138 aircrafts, of which six are owned and 132 are leased. As of June 30, 2014 we also operated 14 cruise ships and three additional cruise ships were operated through our joint venture, TUI Cruises.

Risk Management

Our risk policy is designed to steadily and persistently increase the Group's corporate value, achieve its medium-term financial goals and secure our ongoing existence in the long term. It is thus an integral component of our corporate policy.

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 benefits outweigh the threats. The TUI Group's risk management comprises clearly defined systems and methods incorporated in the organizational 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.

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 summarize 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 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 of September 30, 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.

Employees

The headcount in our Group and in each of our segments and sectors for the periods indicated was as follows:

	As of September 30,			As of June 30,	
	2011	2012	2013	2013	2014
Tourism	73,079	73,391	74,040	74,056	76,790
TUI Travel	58,378	57,961	59,756	59,623	62,369
TUI Hotels & Resorts	14,424	15,141	14,013	14,173	14,191
Cruises	277	289	271	260	230
All Other Segments	628	421	405	403	237
Total	73,707	73,812	74,445	74,459	77,027

As of June 30, 2014, we had 77,027 employees engaged in our operations around the world, compared to 74,445 as of September 30, 2013. Over 99% of our employees were employed in our Tourism segment, in particular TUI Travel, which alone employed approximately 80% of all of our employees, in both cases as of June 30, 2014.

At the end of the financial year ended September 30, 2013, the headcount in our Tourism segment totaled 74,040, which represents an increase of 0.9% year-on-year. The individual sectors recorded different trends. The headcount in TUI Travel increased by 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 United Kingdom, 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.

All Other Segments recorded a year-on-year decline in headcount of 3.8% to 405 as of September 30, 2013. In our head office, the headcount declined by 6.6%, in particular as the result of a cost-reduction program, to 198. The remaining Other Segments 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 All Other Segments 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.

As of August 31, 2014 we had 78,244 employees. Except for normal fluctuations due to the seasonal nature of our business there have been no material changes to such number of employees as of the date of this Prospectus.

We believe relations with our employees and labor unions Group-wide are positive, and we have not experienced significant issues in the past. Most of our companies have workers councils or union representation.

Insurance

TUI AG and TUI Travel have concluded, *inter alia*, liability and property insurance policies customary in the industry with a total coverage of:

- Sums insured of €1.5 billion for TUI AG and £3.8 billion for TUI Travel for Property Damage and Business Interruption—with an Indemnity Limit €150 million per claim and partly in the aggregate; and
- €100 million for TUI AG and £101 million for Third-Party Liability, combined bodily injury and property damage.

In addition, TUI Travel has also concluded insurance policies for its airlines covering a hull value of $6.9 billion and limit of liability for damages to passenger and third parties of $2.25 billion. Further TUI AG and TUI Travel have concluded insurances for its maritime operations covering a hull value of $2.3 billion for TUI AG for eight cruises and $540 million and £76 million for TUI Travel and a limit of liability of $3 billion for passengers and crew with a sublimit of $1.0 million for oil pollution.

We also maintain insurance policies to cover certain environmental risks, where necessary. Our insurance policies are regularly reviewed and adjusted where necessary. We believe that we are, on an overall industry basis, adequately insured.

The above mentioned coverage and limit amounts are subject to full policy wording which include, amongst others, further sublimits, deductibles and customary exclusions.

Trademarks and Licenses

We have introduced the "World of TUI" umbrella brand across our Tourism segment's source markets to help us guarantee and further develop a clear and consistent brand identity for many of our travel products. We also operate over 200 brands of local and international tour operators and destination agencies in our source markets many of which have high rates of customer recognition and brand loyalty within their national markets. All trademarks of our master brand concept and other relevant trademarks for the European market are owned by TUI AG. Based on our annual brand performance study, we believe that our tour operator brands show the highest brand awareness levels compared with the relevant competitor brands in our key European source markets Germany, the United Kingdom, France, Belgium and the Netherlands and a high brand awareness level in the Nordic countries. Our tour operator brand "TUI" in Germany has been rated as the most trusted travel brands since 2006 (*source*: Reader's Digest Trusted Brands 2006-2014). In the TUI Hotels & Resorts sector, the Robinson Club hotel brands show the highest unaided brand awareness level compared with the relevant competitor brands since 2007 based on our own analysis. In the Cruise sector, we also believe that Hapag-Lloyd Kreuzfahrten is the best known German brand, after AIDA, in the German market.

We own the trademark "Hapag-Lloyd" for tourism and related businesses whereas Hapag-Lloyd AG owns this trademark for the business field cargo logistics (container and cargo shipping) and any potential related future business areas, excluding air freight. Our activities that use the Hapag-Lloyd brand include Hapag-Lloyd Kreuzfahrten and travel agencies.

We have also entered into a trademark license agreement under which we have granted to TUI Travel an exclusive right to use the registered trademark, "TUI Travel" (both in word and logo form), in TUI Travel's corporate holding business, as well as the right to use "TUI Travel" as its company name. See "*Material Agreements—Agreements related to TUI Travel—Trademark License Agreement*.

We have a multi-level branding strategy where we align our individual brands more or less closely with our umbrella brand, depending on the strength of the individual brand in its local market and the nature of the target customer segments. Thus, while we have linked the "World of TUI" umbrella brand to many of our individual local brands, in some cases our niche brands continue to operate independently. We believe that our multi-level approach to branding permits us to exploit the strong brands that we have acquired while also providing us with flexibility in offering differentiated products that appeal to the tastes of different customers.

As is common in the tourism industry, we or our licensees license and/or franchise to third parties the use of some of our travel agency brands. We believe this is a cost efficient way to increase our marketing impact and sales without incurring significant fixed costs.

We protect our major brands in the manner we believe is appropriate to best protect and advance our business interests in each jurisdiction, including the prolongation of our trademarks. We also monitor the unauthorized registration of our trademark and internet domain names (domain grabbing). From time to time we use third parties' services to monitor the internet for activity concerning our major trademarks. While our internet domain names are an important aspect of our market appearance and the online distribution of our products, we consider the maintenance and protection of our trademark portfolio as key elements of our business. We applied for the registry by ICANN for the new generic TOP Level Domain ".tui". We monitor TUI as well as Hapag-Lloyd as domain names. The monitoring refers to the essential generic TLDs, ccTLDs and new TLDs.

Apart from occasional trademark oppositions, similarities with existing trademarks in local markets and domain grabbing which we consider as part of our daily business given the size of our trademark and internet domain name portfolio, there have not been significant violations, disputes or litigation in relation to any of our intellectual property rights, including our master brands, in recent years.

Information Technology

Information technology is a major factor in the tourism industry, allowing operators to offer multiple tourism products and services economically and efficiently. Reservation systems and, to a lesser extent, financial accounting systems, need to be capable of securely handling large volumes of data, including holiday offers, all types of bookings and payments and cost numbers for touristic services. TUI InfoTec GmbH, a wholly-owned subsidiary, is the tourism IT service provider for the Group with responsibility for the development and maintenance of the software used by our companies as well as the operation of associated computers and networks. Approximately half of our IT infrastructure cost is incurred by TUI InfoTec GmbH. Its subsidiary travel-BA.Sys GmbH & Co. KG deals primarily with data management and process optimization by collecting, processing and evaluating business data, primarily for retail shops.

By linking the management of the various operating IT companies within the Group, we intend to ensure the efficient development of IT systems under Group-wide coordination. 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 organization, maintain a competitive advantage, provide relevant and intuitive technology and drive efficiency and scale benefit through the delivery of common technology solutions through shared capabilities and strategic partners. We also intend to continue to harmonize our IT systems across our Group to produce an efficient group-wide system and to facilitate the rollout of new technologies. For example, we have integrated our airline fleet management systems and our hotel databases and reservations systems to optimize capacity management across our source markets. We have also developed an internet-backed marketing system that allows us to sell different product lines to different segments of our markets on different websites, while using the same underlying computer infrastructure and databases. We are currently in the process of harmonizing our reservation and financial accounting systems within the mainstream business sector, starting with our largest source markets of the United Kingdom and Germany, with an expected first completion in the United Kingdom in late 2015.

Legal Proceedings

During the ordinary course of its business activities, the Group is regularly involved in legal proceedings, both as a plaintiff and as a defendant.

Apart from the proceedings described below, our Group companies are not and have not been party to any governmental, legal or arbitration proceedings (including any pending or threatened proceedings) during the previous twelve months, which may have, or have had in the recent past, significant effects on the Company or the Group's financial position or profitability.

In 1999, the operator of the container terminal in Zeebrugge in Belgium filed an action for damages amounting to €65 million 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 oral proceedings in September 2013, the court of first instance ruled against two subsidiaries of CP Ships Ltd in October 2013 and dismissed the action against the other defendants (including the United Kingdom based CP Ships Ltd.). Following the first instance ruling, the only defendants further concerned by the proceedings will be the entities having lost in the first instance as well as the Canadian-based CP Ships Ltd. Moreover, the CP Ships companies would have rights of recourse against solvent third parties in the event of a final adverse judgment (including the benefit of an indemnity agreement).

Several consumer protection organizations have instituted action for unfair competition against TUI Deutschland and TUIfly Vermarktungs GmbH (as well as against other German tour operators and aviation companies). The plaintiffs are demanding that TUI Deutschland discontinue the practice of collecting from consumers the full payment for a flight upon booking, such payment to be forfeited in its entirety in the event of flight cancellation. Furthermore, in a similar case, the plaintiffs are demanding from TUIfly Vermarktungs GmbH to discontinue the practice of collecting from consumers the pre-payment of, respectively, 25% or 40% (depending on the product) of the travel price well in advance before the date of travel, such pre-payment also to be forfeited in the event of travel cancellation. It is alleged by the plaintiffs that demanding payment upon booking of a flight or of a travel package, which may be months in advance of departure, is not in accordance with applicable law. The Group does not share the view taken by the consumer protection organizations and vigorously defends these matters.

No ruling has yet been made by the competent regional court in connection with the case concerning the 25% pre-payments. With regard to the 40% case, the Group has lost before the courts of the first and second instance. The Group has appealed against the decision and the case is now pending before the Federal Court of Justice (*Bundesgerichtshof*). No date has been set yet for the Federal Court of Justice's decision. With regard to the action against TUIfly Vermarktungs GmbH regarding the pre-payment of the whole price of a flight, the competent regional court has ruled in favor of the plaintiff. TUIfly Vermarktungs GmbH is appealing the decision. The final outcome of these matters cannot be conclusively determined at this time.

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.

In TUI Travel's group financial statements for 2010, 2011 and 2012, it was disclosed that the Spanish tax authorities were contesting the Spanish corporate income tax treatment of two transactions undertaken by two of TUI Travel's Spanish subsidiaries during the period from 2002 to 2006. Throughout the tax audit process, TUI Travel has engaged fully and openly with the Spanish tax authorities and has supplied considerable documentary support and Spanish technical tax analysis to explain the commercial and economic rationale and Spanish corporate income tax treatment for the transactions. These transactions were implemented after TUI Travel had taken specialist external advice.

On October 11, 2013, an agreement was reached on the terms of a settlement with the Spanish tax authorities. The total of tax, interest and penalties was €50 million. This figure resulted from a disputed tax of €30 million that was lodged with the authorities in earlier financial years while the case was progressing. As a result of the settlement, the TUI Travel group was required to make a further payment of interest and penalties totaling €20 million (€5 million in interest and €15 million in penalties). This settlement was concluded in March, 2014.

In December 2008, TUI France entered into a lease for a yet to be constructed hotel complex in Marrakech, Morocco. The complex was due to be completed by the summer of 2011 with the lease then to run for thirteen years. The opening of the hotel complex was delayed on a number of occasions due to a failure to complete the construction within the timeframe envisaged under the lease agreement. As a result of the delay, TUI France's Moroccan subsidiary Societé de Gestion du Resort Al Baraka, or SGRAB, terminated the lease and brought an arbitration claim for recovery of a €8 million deposit and prepayment previously made. In response to the claim, the contractual counterparty brought a counterclaim in an amount of €80 million for wrongful termination of the lease agreement. The matter is being arbitrated with a hearing scheduled for January 2015. TUI Travel has made provisions in respect of this claim that it believes to be materially adequate.

In April 2009, TUI France entered into allotment agreements with a hotel company in respect of a hotel complex located in Mauritius. TUI France agreed to purchase a certain number of bed-nights at the hotels and paid a deposit to the hotel company. The owner of the hotel company personally guaranteed performance of the hotel company's obligations. In 2011 and 2012, TUI France terminated the agreements on the basis of the hotel company's material breach. Following termination, TUI France brought an action before a French court against the guarantor personally for recovery of its deposit in an amount of approximately €3.5 million and a judgment was issued in favor of TUI France. In response, the hotel company brought an arbitration claim for €60 million against TUI France on the grounds of wrongful termination of the allotment agreements and TUI France brought a counterclaim for €13.8 million. Subsequently, the hotel company entered into judicial receivership. TUI France informed the arbitration panel of this fact and petitioned for the claim to be dismissed on the basis that the hotel company had no standing to issue, or maintain, the claim. On July 7, 2014, the arbitration panel ordered the suspension of the arbitration proceeding for the time being. The suspension of the arbitration proceedings may be lifted if the hotel company exits judicial receivership.

Two Belgian TUI Travel subsidiaries have been accused of participating in unlawful anti-competitive agreements in 2002 and 2003, together with various other members of the Belgian professional association of travel agents. It is alleged that the anti-competitive agreements were entered into at the travel agent level and relate to (i) discounts offered in connection with the sale of leisure travel and (ii) the charges levied for the delivery of tickets to customers. TUI Travel is contesting the validity of these allegations both on a procedural and a substantive basis.

INDUSTRY AND COMPETITIVE ENVIRONMENT

Tourism is our core business. By turnover, we believe we are Europe's largest tourism group and the leading tour operator in United Kingdom, Germany, the Nordics and France. We believe we are Europe's largest leisure hotelier based on capacity. Within our Tourism segment, we also operate two cruise line businesses (Hapag-Lloyd Kreuzfahrten and TUI Cruises).

Tourism Market

According to the World Tourism Organization ("**UNWTO**"), tourism comprises the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes. The key tourism indicators to measure market size are the number of international tourist arrivals, and international tourism receipts. With international tourism receipts reaching $1.2 trillion in 2013, the tourism industry is one of the most important sectors in the world economy. International tourism (travel and passenger transport) accounts for 29% of the world's exports of services and 6% of overall exports of goods and services. As a worldwide export category, tourism ranks fifth after fuels, chemicals, food and automotive products, while ranking first in many developing countries. (*source*: UNWTO, PR 14034, May 2014).

Travel for leisure, recreation and holidays accounts for just over half of all international tourist arrivals (52%). Some 14% travel for business and professional purposes and another 27% travel for specific purposes, such as visiting friends and relatives, with the remaining 7% travelling for unspecified reasons (*source*: UNWTO, Tourism Highlights, 2014 Edition).

Europe is the largest and most mature tourism market in the world, accounting for 52% of international tourist arrivals and 42% of receipts in 2013. Five European countries (France, Spain, Italy, the United Kingdom and Germany) were part of the top ten international tourism destinations in 2013. Our three main source markets were in the top six of all source markets worldwide measured by international tourism expenditure.

Germany. Germany is the third largest source market in the world, with international tourism expenditure of approximately $85.9 billion in 2013, after China (approximately $128.6 billion) and the United States (approximately $86.2 billion). In terms of expenditure *per capita*, Germany ranks second globally, with approximately $1,063 spent per German on average in 2013. Australia takes first place with approximately $1,223 spent *per capita* on tourism activities (*source*: UNWTO, Tourism Highlights, 2014 Edition). Key operators in the German tourism market are TUI Deutschland, Thomas Cook, DER Touristik, FTI and Alltours (*source*: FVW, Dossier, Deutsche Veranstalter, 2013).

United Kingdom. The United Kingdom is the fifth largest source market in the world, with approximately $52.6 billion spent on tourism activities in 2013 and on average $821 spent *per capita* over the same period (*source*: UNWTO, Tourism Highlights, 2014 Edition). The British tourism market is characterized by a high degree of concentration, with two key operators: TUI Travel and Thomas Cook (*source*: Mintel, European Leisure Travel Industry, September 2013).

France. France is the largest destination market in the world, with over 83 million tourists in 2012 (2013 still to be reported). However, it was only the sixth largest source market in that period, with international tourism expenditure of approximately $42.4 billion in 2013 (after the fifth-placed United Kingdom (approximately $52.6 billion) and the fourth-placed Russian Federation (approximately $53.5 billion)) (*source*: UNWTO, Tourism Highlights, 2014 Edition). TUI is the market leader in France with its two main tour-operator brands, Nouvelles Frontières and Marmara. Thomas Cook is second-ranked in the French tour-operator market following its acquisition of Jet Tours in 2008 (*source*: Mintel, European Leisure Travel Industry, September 2013).

Leisure Hotel Market

The hotel market is divided between business and leisure travel. A number of characteristics differentiate leisure travel hotels from business hotels, including longer average lengths of stay for guests in leisure hotels, varying location of hotels (*e.g.* cities or leisure resorts) as well as hotel amenities and service requirements. From a demand perspective, the leisure hotel market in Europe is divided into several smaller submarkets which cater to the individual needs and demands of tourists. These submarkets include premium, comfort, budget, family/apartment, and club or resort style hotels. Hotel companies can offer a variety of hotels across different submarkets because they are often defined by price range, star ratings, exclusivity, or available facilities.

Consumers in our three main source markets prefer the following destinations:

Germany. The most popular leisure hotel destinations for consumers in the German source market are Spain, Italy, Turkey, Austria, Croatia, France, Poland and Greece (*source*: Mintel, European Leisure Travel Industry, September 2013).

United Kingdom. The most popular leisure hotel destinations for consumers in the United Kingdom source market are Spain, France, the United States, Italy, Greece, Portugal and Turkey (*source*: Mintel, European Leisure Travel Industry, September 2013).

France. The most popular leisure hotel destinations for consumers in the French source market are Spain, Tunisia, Morocco, Greece and Turkey (*source*: Mintel, European Leisure Travel Industry, September 2013).

Hotel operations can generally be divided into (i) asset owners, whose primary business is to own real estate assets, (ii) brand owners and operators who typically manage hotel assets themselves or enter into franchising arrangements with independent operators who, in turn manage the hotel property assets and (iii) independent operators combining the operations of asset owners and brand owners and operators by managing diverse assets under different brands, often through franchise agreements. The upper end of the leisure hotel market is characterized by a high degree of sophistication and specialization among large, international companies and investors. There are also a large number of small, often family-run businesses, particularly in Europe, with less sophistication and fewer financial resources. Most family-owned and operated businesses are not branded and customers cannot typically access these hotels through global distribution systems.

Given the variety of models under which leisure hotels are owned and operated and the fragmented competitive landscape which, at least in Europe, is not dominated by large hotel chains, the competitive landscape differs greatly in each location.

Cruise Market

The global cruise industry is expected to generate approximately $37.1 billion of revenue in 2014 (*source*: Cruise Market Watch website, http://www.cruisemarketwatch.com/market-share/). The North American market is by far the largest and most mature cruise market in the world, with approximately 11.7 million guests in 2013 and a strong penetration rate of 3.4% of the total population taking a cruise in 2013. By contrast, the European cruise markets showed approximately 6.4 million Europeans booking cruises and, on average, a penetration rate of only 1.3% in 2013, with penetration rates varying significantly from country to country. (*source:* DRV/CLIA Deutschland Der Hochsee-Kreuzfahrtmarkt Deutschland 2013).

The United Kingdom and Ireland, France and Germany are among the five largest cruise markets in Europe (*source*: Mintel, Cruises—International, June 2014).

The United Kingdom and Ireland is the largest cruise market in Europe, with approximately 1.7 million cruise passengers in 2013 and the strongest penetration rate (2.8% of the British population took a cruise in 2013, well above the European average) (*source*: Mintel, Cruises—International, June 2014).

Germany, the second largest cruise market in Europe, reached 1.7 million passengers in 2013 and, with 2.1%, showed a substantially lower penetration rate than the United Kingdom and Ireland (*source*: Mintel, Cruises—International, June 2014).

France, the fifth largest cruise market in Europe, had approximately 522,000 cruise passengers in 2013. The French cruise market is characterized by an extremely low penetration rate, with only 0.8% of the population boarding a cruise in 2013 (*source*: Mintel, Cruises—International, June 2014).

The European cruise market is divided into submarkets that cater to a variety of customers: budget, discovery, premium and luxury. Cruise operators utilize different cruise formats to target these submarkets and the unique demands of their customers. For example, Hapag-Lloyd Kreuzfahrten, Deilmann and Phoenix are all active in the premium cruise submarket, Compagnie du Ponant Cruises is active in the French luxury cruise submarket, and Hapag-Lloyd Kreuzfahrten is the exclusive operator in the German luxury submarket. In addition to traditional formats, operators offer club ship cruises (such as AIDA) or more contemporary oriented cruises (such as TUI Cruises) in the premium cruise submarket. As a cruise ship is often perceived as a destination in itself, cruise companies compete, in particular within the luxury and premium cruise submarkets, with other destinations such as leading hotels and resorts.

Tourism Value Chain

The following sets out the primary elements of the "tourism value chain", through which a tourism group markets, distributes, assembles and provides tourism products and services.

Multi-channel Distribution. Most tourism companies sell a majority of their travel products and services through travel agencies, online distribution channels, or call centers. Travel agencies may be owned or franchised by the tourism company or by a third party. Travel agencies typically display brochures that provide details and pricing relating to the various travel offerings. They are geographically close to the customer and can assist them by doing much of the searching on their behalf. They are able to cater to the individual requirements of each tourist and can customize a holiday to suit each client. In addition to travel agencies, alternative means of distribution, including direct sales through online platforms, call centers and television advertising, are becoming increasingly important as customers tend to search for and book travel products through a variety of distribution channels.

Online Distribution Platforms. The internet has fueled a demand for an uncomplicated, reliable and accessible commercial marketplace where customers may easily compare prices and services and make informed choices when booking travel arrangements. Online distribution platforms include both proprietary and third-party websites. Online travel agencies focus on online distribution channels and predominantly follow a merchant business model. Based upon contracts negotiated with direct suppliers such as hotel companies, airlines, car rental companies and tour operators, they provide travel products, especially in the mainstream market, to customer groups driven by a price-oriented approach.

Tour Operators. Tour operators develop travel products ranging from package holidays to single seat flight bookings and other component products or services in order to meet the differing demands of customers. While certain component products such as flights or accommodation may be sold under their original brand names, whether provided by a tour operator or by a third party, more commonly a tour operator sells such products under its own brand name. Therefore, brand identity and a consistent branding strategy are crucial to the tour operators' success. We believe that in most European source markets, customers closely associate tour operators' brand names with the quality of the products booked with the tour operator.

Air Travel. The air travel stage in the value chain is comprised of the transportation of customers to their destinations via charter or scheduled air services. Integrated tourism companies own and/or lease aircraft and operate them in selected source markets. Along with tour operators, they may contract with charter and scheduled airlines for the air travel component of holiday packages to the extent that they require additional aircraft capacity. Air travel is increasingly booked on a single seat, component basis.

Destination Services. This stage of the value chain encompasses all of the services offered by destination agencies and hotels at the destination, including, in addition to hotel accommodation (and the related food and beverage services), transfers between the airport and hotels, local excursions and events, car hire and other services. While some integrated tourism companies own substantial portions of these service providers, the market is generally characterized by numerous local entities operating under contract with tour operators, *i.e.* tour operators cooperate with local service providers which then operate under the established tour operator's name. Also, given the commoditized nature of destination services, offering differentiated services provides tour operators with a competitive advantage. As with air travel, accommodation is increasingly booked as a single component.

Hotels. As the hotel experience has the highest influence on the customer's satisfaction and recommendation rate on the overall holiday experience, the hotel is a very important element in the tourism value chain. In addition to the accommodation itself, hotel services include entertainment, food and beverages in restaurants and bars, spa and wellness services, fitness centers and many further ancillary services. Hotels can be offered to the customer in direct sales as well as through intermediaries and tour operators. Integrated tourism companies have the advantage to offer hotel and resort packages including flights and airport transfers.

Cruises. Cruises are a unique product in the value chain as they offer travel between destinations as well as accommodation for the duration of the cruise. Onboard entertainment, meals, spa services, fitness centers and shopping outlets provide opportunities for additional turnover. In addition, cruise packages are often bundled with excursions at various ports of call and transfer services to and from the departure and arrival ports. An integrated tourism company has the ability to offer customers cruise packages including round-trip transportation to the cruise ship and accommodation in the city of departure or arrival. Cruises can also be offered on a stand-alone basis, allowing customers to combine a cruise with their own broader travel itinerary.

Services at each stage of the value chain may be provided by separate companies as well as by integrated tourism companies as a holiday package or on a component basis.

Industry Trends

Internet. The internet has had a significant effect on the travel industry, allowing existing industry participants, including us, to sell directly online. The emergence of online platforms has enabled customers to shop online for flights, hotels and other travel services, and has made it easier for them to book last minute, to take advantage of special offers, to compare prices and to buy component products (such as flight- and accommodation-only) instead of packaged holidays. In addition, the internet has fostered online travel communities which enable customers to access reviews of travel holiday experiences from other customers in order to better compare travel products offered by tour operators and direct suppliers from both price and service perspectives. The largest online travel markets are the United States and Europe, followed by the Asian Pacific economic region ("**APAC**"). For 2013, the expected booking volume in the European online travel market was estimated at €107.3 billion, of which about two thirds were generated in Germany, the United Kingdom and France. For the future, the online market is expected to outgrow the overall market for travel. Germany will likely overtake the United Kingdom as Europe's largest online travel market within the next five years. Online booking growth expectations for 2014-2015 are the same for the APAC region and Europe, while the booking volume in the United States is expected to remain the same. (*source*: PhocusWright, German Online Travel Overview Ninth Edition, December 2013; PhocusWright European Online Travel Overview Ninth Edition, December 2013).

Disaggregation of Bookings. Customers choose to purchase packaged holidays for various reasons, such as convenience, access to particular hotels and resorts and the perception that package holidays are priced at a discount compared to the aggregate price of single component products. However, an increasing number of customers prefer to buy single component products rather than buying a prearranged holiday package. The rapid growth of low-cost airlines, online travel agencies, and direct supplier portals in the hotel market, as well as the continuous improvement of dynamic packaging systems implemented by tour operators, has accelerated this trend.

Late Bookings. Customers have traditionally booked their holidays four to six months in advance of the time of travel. In some source markets, such as the United Kingdom, some customers have traditionally booked even further in advance. However, in recent years, customers have increasingly booked their travel closer to the time of departure in pursuit of cheaper deals. Political and other events such as terrorist attacks, flu outbreaks, the Icelandic volcanic ash, civil unrest in Bangkok, the West Indies, and the Middle East, as well as general economic uncertainty have, in our opinion, furthered this trend; given more stable conditions, however, this trend may slow somewhat. In addition to the general trend of the shift to continuous rising of online bookings and social media usage leads to a power shift to the consumer and therefore to more flexible and spontaneous bookings by travelers as they have more information than ever about travel products and destinations (*source*: © Euromonitor International 2013).

Low-cost Airlines. Low-cost airlines have attracted a growing number of customers in Europe. By reducing the overall cost of some types of travel, they have contributed to the creation of incremental demand through, for instance, the emergence of short, city-break holidays. Low-cost airlines represented the fastest-growing segment of the airline industry in recent years.

Differentiation of Travel Products. Customers increasingly request differentiated travel products that provide a special, and in some cases unique, travel experience. This leads to the development of new and innovative hotel and cruise formats addressing such customer needs.

Vertical Integration. In recent years, a trend towards integration has become apparent in the European tourism industry, with tourism companies expanding into the retail sales sector (travel agencies, alternative distribution channels) as well as into airlines and hotels.

Industry Consolidation. Traditionally, several integrated tourism companies have competed in key source markets. However, numerous business combinations, such as Thomas Cook's merger with

MyTravel and Carlson Wagonlit Travel's acquisition of Executive Travel Group as well as the merger of TUI AG with First Choice, have, especially in Germany and the United Kingdom, led to a high level of industry consolidation.

New Markets. Europe remains the largest source market and is still expected to grow its volume as a source market as well as a destination. Europe is expected to grow as a source market at a CAGR of 2.5% and about 2.2% as a destination. However, growth rates in Asia and the Pacific region are expected to grow even more with a CAGR of 5.0% as a source market and by 4.9% as a destination between 2010 and 2039. Especially the emerging markets show high rates in terms of outbound flows (*source*: UNWTO—Tourism towards 2030—Global Overview).

Industry Outlook

Tourism Market

Global

Global demand in the travel market showed a positive development in the first four months of the calendar year 2014. In the first four months of 2014, international arrivals increased by approximately 5% compared to the same period last year, based on comparatively scarce data reported so far. In 2013, the worldwide travel and tourism market grew by 5% (*source*: UNWTO, World Tourism Barometer, June 2014). This means that tourism is continuing to experience the growth trend of recent years.

International tourist arrivals are estimated to grow by 4% to 4.5% in 2014, led by a robust performance of Asia and the Pacific, which is estimated to be the fastest-growing region in relative terms (plus 5% to 6%), followed by Africa (4% to 6%), Europe and the Americas (both 3% to 4%). In the past, emerging market destinations experienced faster growth than more developed economy destinations such as Europe and this trend is expected to continue. Between 2020 and 2030, arrivals to emerging market economies are expected to increase more than twice as fast (plus 4.4% a year) as developed economies (plus 2.2% a year) (*source*: UNWTO, Tourism Highlights, 2014 Edition).

In the long term, the number of tourists and worldwide tourism revenue (personal travel and tourism) are expected to exceed 3.3% per annum until 2030. This represents 43 million more international tourist arrivals every year, from only 677 million arrivals in the year 2000 to expected 1.8 billion arrivals by 2030 (*source*: UNWTO, Tourism Highlights, 2014 Edition).

Europe

The European tourism market has experienced a recovery. After recording a decline of 5% for outbound travel from Europe in 2009, the European outbound travel market grew at a pace of 5.3% in 2012/13, and is expected to grow by 2.7% per annum from 2010 to 2020 and 1.8% per annum from 2020 to 2030 (*source*: UNWTO, Tourism Highlights, 2014 Edition). Despite persistent economic difficulties, 563 million international tourists arrived in Europe in 2013 and Europe received $489 billion in international tourism receipts which represent 42% of the worldwide earnings from international arrivals. However, a part of the growth in Southern Mediterranean Europe was a benefit of a shifting of tourism away from the Middle East and North Africa. (*source*: UNWTO, World Tourism Barometer, June 2014).

Germany, the United Kingdom and France

The number of leisure trips from Germany in 2013 is expected to grow at a CAGR of 0.7% until 2017 to 83.0 million trips from 80.1 million trips in 2013. Leisure trips refer to all international trips by national residents for leisure purposes including recreational trips/holidays, visiting friends and relatives and other purposes (such as sports, education, medical, shopping, religion etc.).

The number of leisure trips from the United Kingdom in 2013 is expected to grow at a CAGR of 1.2% until 2017 to 52.0 million trips from 49.2 million trips in 2013.

The number of leisure trips from France in 2013 is expected to grow at a CAGR of 0.6% until 2017 to 25.0 million trips from 24.2 million trips in 2013 (source: Euromonitor Data as of 24/07/2014).

In addition to the economic environment, other key drivers will continue to have an impact on the industry, such as the evolution of disposable income, demographic trends, fuel prices and employment rates.

Leisure Hotel Market

The market for business and holiday hotels in Europe also showed a positive development, in line with international arrivals. Average hotel occupancy in Europe grew by 2.3% in the period from January to November 2013. As a result, average turnover per available room increased by 4.5% (based on data in U.S. dollars). The Northern and Eastern Europe regions showed above-average growth. However, despite the tight economic situation in many Southern European countries, hoteliers in these countries also reported growth in key indicators versus the prior year. The Southern European region recorded a decent growth in occupancy of almost 2% and the average rate per room increased by 5.8% in the period from January 2013 to November 2013. Turnover per available room rose above average by 7.9%. Northern Africa recorded a slump in the demand for accommodation, which had decreased due to the political unrest. At a 10.7% decrease in average prices, occupancy and turnover per available room decreased by 27.7% and 35.5%, respectively, in the period from November 2012 to November 2013 (*source*: Global Hotel Review, STR Global, November 2013).

Future hospitality trends are particularly influenced by increasing consumer brand awareness in the hospitality industry. Key trends will especially be driven by:

- Innovative life-style oriented hotel concepts and brand differentiation according to customer groups; brand is likely to become a more important choice factor for luxury travelers as key locations become increasingly saturated;
- increased use of internet sales channels, mobile distribution, location-based search as well as direct customer interaction driven by social media; customers will define the future technologies they require;
- implementation of available technology systems (*e.g.*, self-service touch screens, artificial intelligence-based tools to forecast food and beverage demand, in-room entertainment technology);
- hotel formats which meet customer demands for environmental sustainability;
- demographic changes across the existing mature source markets in the United States and Europe as well as an emerging middle class in new source markets, *e.g.*, India, China and Brazil. India is forecasted to have 50 million outbound tourists by 2020; and
- the right talent management plans are a key prerequisite prior to entering new markets by operators (*e.g.*, identify where to source the right talent) (*source*: Deloitte, Hospitality 2015).

Cruise Market

The European market for cruises remained a growth market. The number of European passengers on ocean cruises grew by 4% from 6.1 million in 2012 to 6.4 million in 2013. The German ocean cruises market grew significantly in this respect and again achieved strong results in terms of passenger and turnover figures for 2013. Passenger volumes grew by 9% from the 2012 volume to almost 1.7 million as against 2013 (*source*: CLIA Europe, Statistics and Markets, 2013). This growth was mainly attributable to the commissioning of new, larger ships in the volume market. For the future, the German ocean cruises market also shows strong growth potential: at 2.1%, market penetration is very low in relation to the overall population compared with more mature cruise markets such as the United Kingdom, where market penetration is 2.8% (*source*: Mintel, Cruises—International, June 2014). New ships were put into service in 2013 which helped the market to grow by 143,000 to almost 1.7 million passengers. Due to the commissioning of new ships in the next few years, the ocean cruises market is expected to continue to grow.

REGULATION

Our business operations are subject to government regulation in the form of national, local and European Union laws and regulations and international conventions. Because government regulation is subject to continuous revision, we cannot predict the continuing cost of regulatory compliance or the future impact of government regulation on our business operations. New laws and regulations may be adopted, which could further increase the Group's compliance costs or affect our business. See "Risk Factors".

Regulation of our Airline Operations

Traffic Rights

The regulatory system for international air transport is based on principles established by the Convention on International Civil Aviation of 1944 ("**Chicago Convention**"). The Chicago Convention, which has been adopted by virtually every country worldwide, sets forth the general principle that each country has sovereignty over its airspace and therefore has the right to control the operation of air services over or into its territory. As a result, traffic rights between countries are governed by a large number of bilateral and multilateral air traffic agreements.

These agreements usually designate the airlines, the airports, authorized routes, the capacity to be offered by airlines and procedures for the agreement of tariffs. International air transport has been liberalized to a large extent within the European Union. Since 1997, there is a single European airspace and all European airlines have been allowed to operate on all routes within the European Union member states. Tariff restrictions have also been relaxed. Certain EU member states have also entered into so-called "open sky agreements" with non-EU countries, reducing restrictions contained in the Chicago Convention on flight routes and airline and airport designations. The European Court of Justice ("**ECJ**") decided in 2002 that certain provisions of these open sky agreements violate EU law. As a consequence, the EU and its member states have concluded a comprehensive Air Transport Agreement ("**ATA**") with the United States, the EU-US Open Skies Agreement, which became effective in 2008. The European Unions' ultimate objective is to create a transatlantic Open Aviation Area, *i.e.* a single air transport market between the EU and the US with free flows of investment and no restrictions on air services, including access to the domestic markets of both partie**s.** The ATA was amended in 2010. Norway and Iceland joined the ATA in June 2011.

The International Civil Aviation Organization ("**ICAO**"), a specialized agency of the United Nations, has developed standards and recommended practices covering a wide range of matters, including aircraft operations, personnel licensing, security, accident investigations, navigation services, airport design and operation and environmental protection. Germany is a member of the ICAO.

The International Air Transport Association ("**IATA**") is a global trade organization of the air transport industry and it represents 240 airlines, covering 84% of scheduled traffic. IATA provides a forum for the coordination of tariffs on international routes. IATA also facilitates international cooperation on areas of technical safety, security, navigation and flight operations and the development of communication standards and administrative procedures. IATA regulations are applicable to our airline business on two levels.

First, we must obtain IATA accreditation in order to act as an intermediary and sell tickets for and on behalf of an IATA airline. Second, our flight booking operations are required to continuously comply with the IATA Passenger Agency Rules and the terms of the Passenger Sales Agency Agreement.

In order to receive IATA accreditation, the IATA examines the applicant to determine whether it has the necessary qualifications (mainly qualified staff) and financial standing to become an "accredited" intermediary and maintain such status as "accredited" intermediary. Continued reporting obligations mainly involve the reporting of annual audited financial statements and the prior notification of certain changes affecting the IATA-accredited intermediary, some of which may require the entering into of a new Passenger Sales Agency Agreement, such as the acquisition of such IATA-accredited intermediary by a person who is not itself accredited or any change in the legal nature of the IATA-accredited intermediary. IATA-accredited intermediaries may also be subject to reviews initiated by IATA administrators, usually this occurs if the IATA administrator considers that it is likely that the IATA-accredited intermediary no longer has the necessary qualifications for accreditation or fails to meet certain financial requirements. In June 2012, IATA issued a new version of the Passenger Sales and Agency Rules, which resulted in certain countries modifying IATA accreditation criteria. We will be required to comply with such changes in the different jurisdictions where we operate, which may include changes to our capital structure or guarantees.

Additionally, under certain circumstances, namely, when operating under the merchant model, IATA may require us to post guarantees in order to minimize our airlines' credit risk. Parameters adopted by IATA to assess intermediaries' credit-worthiness may vary from one jurisdiction to another and based on its annual review of our financial statements, IATA may modify guarantee requirements applicable to us. The Group entities are materially compliant with IATA requirements in this respect. Upon the occurrence of certain events such as an acquisition, IATA may monitor compliance by intermediaries with its regulations, particularly the financial undertakings, in which case the guarantees posted may be amended or IATA may require additional guarantees.

IATA also regulates the frequency on which settlement (remittance) is due by accredited intermediaries. Such frequency varies between jurisdictions and is subject to amendment. IATA regulations currently provide that frequency of payment may vary from one jurisdiction to another and occurs at least once a month.

Licenses and Certificates

Our airlines are regulated by, and must hold operating licenses that are issued by, the aviation authorities in their home countries. For example, TUIfly is regulated and licensed by the German Federal Aviation Authority (*Luftfahrt-Bundesamt, LBA*) and Thomson Airways is regulated and licensed by the British Civil Aviation Authority. National airline licensing rules have been harmonized across the European Union. As a result, operating licenses are now valid throughout the European Union on the basis of Regulation (EC) No. 1008/2008. In order to receive an operating license, EU airlines must, *inter alia*, have their principal place of business and registered office in an EU member state, must have air transport as their principal activity and must effectively be controlled by EU member states or nationals of EU member states. Violations of these rules, in particular majority ownership or effective control by non-EU persons, may result in the withdrawal of the airline's operating license. According to Regulation (EC) No. 1008/2008 member states may restrict capacity on air traffic routes to distribute traffic more evenly between airports, to respond to sudden unavoidable and unforeseeable problems or for environmental reasons. In addition, airlines require further licenses, for example for the operation of routes outside the European Union and for the use of certain rights set forth in international aviation agreements. In 1995, by virtue of the European Economic Area Agreement, Norway, Iceland and Liechtenstein, although not members of the European Union, became subject to the air traffic regulation regime set up by the European Union, thus extending this regime to the European Economic Area (EEA).

The national aviation authorities are also responsible for enforcing technical standards and safety rules concerning the operation and maintenance of aircraft. Aircraft may only be flown if they have a certificate of airworthiness and their engines, equipment and maintenance procedures must also be certified. All flight crew and certain maintenance staff must be licensed.

Security

According to Article 13 of Regulation (EC) No. 300/2008 and Section 9 of the German Air Security Act (*Luftsicherheitsgesetz*), an air carrier is required to demonstrate specific security measures as set out in and in compliance with a security program (*Luftsicherheitsplan*) approved by the German air traffic authority.

Slots

Access to the main international airports is allocated by the allotment of slots. At heavily used and congested airports, slots are a scarce commodity. Within the EU, slots at major airports are allocated according to Council Regulation (EEC) No. 95/93, as amended, among other things, by Regulation (EC) No. 545/2009, while at smaller airports, national law determines slot allocation. Under the EU regulations, slots are allocated twice a year, with priority given to the airline that held the equivalent slot in the preceding period. Airlines may exchange slots among themselves under certain circumstances, but under current EU practice, the pure trading of slots for payment (*i.e.*, without a corresponding exchange) is not permitted. The European Commission is currently exploring the possibilities of market oriented slot allocation schemes and to what extent potential mechanisms could be included in draft legislation.

Rights of Passengers

Passenger rights are regulated by national and EU law; in addition, international agreements may apply with regard to, for example, liability for accidents. At the European level, Regulation (EC) No. 261/2004 repealed Regulation (EC) No. 295/91 and broadened the rights of air travel passengers in case of the cancellation or substantial delay of flights in terms of compensation, support payments and other benefits. The Sturgeon judgment of the ECJ of November 19, 2009 reinterpreted Regulation (EC) No. 261/2004 so as to read into it an obligation on airlines to pay compensation of between €250 and €600 for flight delays exceeding three hours. Moreover, by judgment of October 23, 2012, for example, the ECJ ruled that Art. 5 to 7 of Regulation (EC) No. 261/2004 must be interpreted as meaning that passengers whose flights are delayed are entitled to compensation under that regulation where they suffer, on account of such flights, a loss of time equal to or in excess of three hours, that is, where they reach their final destination three hours or more after the arrival time originally scheduled by the air carrier. Such a delay does not, however, entitle passengers to compensation if the air carrier can prove that the long delay was caused by extraordinary circumstances which could not have been avoided even if all reasonable measures had been taken, namely circumstances beyond the actual control of the air carrier. The ECJ's jurisdiction, the EU Charter of Fundamental Rights that enshrines certain political, social and economic rights for EU citizens and factual changes were taken into consideration when issuing a proposal to amend Regulation (EC) No. 261/2004. The proposed regulation aims to eliminate grey zones and gaps in the current law and to ensure a better compliance and enforcement of the law. However, the legislative procedure has not been completed yet. The first reading in the EU parliament took place in February 2014; the EU Council discussed that proposal in June 2014.

Moreover, as regards the liability of an airline the Montreal Convention on the Unification of Certain Rules for International Air Carriage was adopted in May 1999. The convention consolidated, updated and replaced all previous agreements on air carrier liability, including the 1929 Warsaw Convention. The Montreal Convention came into force in all EU member states on June 28, 2004, and was implemented into German law in 2004. Passengers may claim up to 1,000 Special Drawing Rights ("**SDRs**") (currently approximately €1,135 as of July 15, 2014) for lost, damaged or delayed luggage. This compares with the previous weight-based compensation system under the 1929 Warsaw Convention, which continues to apply to cargo. Finally, in case of a passenger's death or bodily injury the Montreal Convention establishes strict carrier liability for damages of up to 100,000 SDRs (currently approximately €114,737 as of August 22, 2014) for each passenger while the carrier's liability for damages caused by delay in the carriage of persons is limited to 4,150 SDRs (currently approximately €4,762 as of August 22, 2014) for each passenger.

Ownership Structure and Compliance Documentation

The granting and maintenance of an operating license for a German air carrier is primarily governed by Regulation (EC) No. 1008/2008 and Section 20 of the German Air Traffic Act (*Luftverkehrsgesetz*). Regulation (EC) No. 1008/2008 requires that an air carrier must be owned and continue to be owned directly or through majority ownership by EU member states and/or nationals of EU member states and must at all times be effectively controlled by such EU member states or such nationals. It also provides that any entity, which directly or indirectly participates in the controlling shareholding of an air carrier, must meet the requirements set out above. The air carrier must at all times be able to demonstrate to the EU member state responsible for the operating license that it meets these requirements.

In addition to the national and EU regulations, bilateral air traffic agreements entered into between the Federal Republic of Germany and other countries also require a certain ownership structure. These agreements grant air traffic rights (for example the right for scheduled flights over the territory and the right to land) to the Federal Republic of Germany, which are then passed on, to the German air carriers by way of designation. These bilateral agreements typically provide that the air carriers designated by the Federal Republic of Germany must be owned in a substantial part (*i.e.*, usually majority-owned) by German nationals or companies and effectively be controlled by German nationals. Some air traffic agreements do not require a certain ownership structure or refer to EU nationality rather than to German nationality.

Evidence of a compliant ownership structure has to be provided *e.g.*, in accordance with the German Aviation Compliance Documenting Act (Luftverkehrsnachweissicherungsgesetz) ("**LuftNaSiG**") which requires German airlines to be joint stock corporations with registered shares.

Environmental Regulation

Our airlines are subject to international, national and, in some cases, local environmental regulation standards. Since April 1, 2002, our aircraft must comply with the noise requirements set forth in Chapter 3 of Annex 16 to the Chicago Convention. Certain airports in Europe have established local noise restrictions, including limits on the number of hourly or daily operations or the time of such operations. These restrictions may cause curtailment of service or increases in operating costs and could limit our ability to expand our operations at affected airports. Directive 2002/49/EC sets a general framework for the assessment and management of noise. More recently, the European Commission has tabled a proposal for a regulation aimed at revising the rules on restricting operations at an EU airport because of noise.

Environmental regulation could be tightened further in the future. Pursuant to Directive 2008/101/EC, from January 1, 2012 all flights that arrive or depart from an airport situated in the territory of an EU member state have been included in the EU emissions trading scheme. The emissions trading scheme is a cap and trade system for carbon emissions to encourage industries to reduce their CO_2 emissions. Under the legislation, airlines are granted initial credits based on historical emissions and their shares of the total aviation market. Any shortage of credits will have to be purchased in the open market. The cost and amount of such credits that our airlines had to buy in 2012 and 2013 amounted to €4.6 million. This legislation continues to have a substantial negative impact on the European airline industry, including TUIfly.

In February 2013, the ICAO Committee on Aviation Environmental Protection (CAEP) agreed on a new CO2 certification requirement, as well as new global noise standards that will result in quieter skies and airports. The CO2 certification requirement will form the basis of future work to complete an Aircraft CO2 Standard.

It has been discussed for many years within the European Union whether to extend the EU Emission Trading System (EU-ETS) to the shipping industry. In 2013, the EU Commission introduced a legislative proposal with the objective not to include the shipping industry in the EU-ETS but to implement a system for monitoring, reporting and verification (MRV). However, the legislative process for the introduction of MRV is ongoing. The European Parliament's first reading took place in April 2014. Depending on the outcome of the legislative process, the European Union may take further measures.

Since January 2011 an air travel tax, known as "air traffic surcharge", applies to all flights departing from Germany. The current tax of either €7,50, €23,43 or €42,18 depends on the flight duration. For airlines, the new tax means considerably higher costs to the extent that such "air traffic surcharge" can be passed on to passengers.

In addition, some EU member states are considering abolishing the tax exemption for aviation gasoline. Directive 2003/96/EC allows EU member states to tax aviation fuel for domestic flights and, by means of bilateral agreements, fuel used for intra-member state flights.

Regulation Affecting our Tour Operator Business

ATOL Regulations

An Air Travel Organizer's License ("**ATOL**") granted by the Civil Aviation Authority is required by law in the United Kingdom in certain circumstances, including when a firm sells a flight package which it has organized itself or a flight from the United Kingdom plus overseas accommodation or overseas car hire (or both). ATOL holders generally must post a bond that covers all components of the package holidays they sell, in order to provide security if the tour operator goes out of business. A number of our businesses operating in the United Kingdom, including Thomson Holidays, hold ATOLs.

Package Travel Directive

Council Directive 90/314/EEC of June 13, 1990 on package travel, package holidays and package tours (the "**Package Travel Directive**") imposes liability on companies that sell package holidays for all components of the package holiday, including services to be provided by third parties such as airlines, hotel companies and local tour companies. This directive contains provisions that, *inter alia*, regulate claims of travel customers regarding the remedy of defects, damages and the withdrawal of customers from package holidays. The scope of the Package Travel Directive is limited to the non-occasional sale of package tours by an "organizer" (person who organizes packages and sells or offers them for sale, whether directly or through a retailer) or a "retailer" (person who sells or offers for sale packages put together by an organizer) to a consumer, to the exclusion of individually organized tours or to the delivery of single travel services, such as a scheduled flight or hotel accommodation.

For purposes of the Package Travel Directive, "package" means a combination previously put together by an organizer or a combination of elements tailored by the travel agent at the request of the consumer including not fewer than two of the following elements: transportation, accommodation or other tourist services not ancillary to transportation or accommodation but which account for a significant part of the package. Additionally, in order to be covered under the "package" definition, such combinations are required to be sold or offered for sale at an inclusive price and the services must cover a period of more than 24 hours or include overnight accommodation.

Insofar as we act as organizers or retailers, our activities are impacted by the Package Travel Directive and implementing national legislations, primarily with respect to (i) minimum standards concerning the information to be provided to consumers, (ii) formal requirements for package travel contracts, including mandatory rules concerning cancellation, modification and the civil liability of package tour organizers or retailers, and (iii) providing effective protection to consumers in the event of the package tour organizer's insolvency, namely repayment of the price and repatriation of consumers. Under the Travel Package Directive, members states were allowed to choose between mandatory joint liability of the organizer and the retailer or to split liabilities in consideration of organizers and retailer's traditional roles and responsibilities; therefore, we may be subject to different standards of liability depending on the jurisdictions in which we operate.

The Package Travel Directive is currently under review by the European Commission. The modernization of the Package Travel Directive will notably broaden the definition of package holidays to encompass most types of travel arrangements made up of various elements, such as flights, hotel accommodation and car hire, so as to protect holidaymakers in the event of problems. This revision of the Package Travel Directive may result in additional and more stringent regulatory requirements applicable to our operations.

Regulation Affecting our Hotels and Destination Agencies

Our hotels and destination agencies are subject to a variety of laws and regulations in the countries in which they operate and, on a periodic basis, must obtain licenses and permits, for example those required for the construction and design of buildings and to sell alcoholic beverages. We are subject to a broad range of labor, environmental and health and safety regulations in each jurisdiction in which we operate. We believe that we have obtained all required licenses and permits and that our businesses are conducted in substantial compliance with applicable laws.

Regulation Affecting our Entire Business

National-Level Regulation

The laws of certain jurisdictions set forth additional license or other requirements for the operation of our travel agency business. For instance, French law requires our travel agencies to be listed in a specific registry, whereas Italian law provides for local permit requirements.

In particular, we could become subject to the Cuban Assets Control Regulations ("**CACR**"). Travel service providers who are, or are owned or controlled by, U.S. citizens, U.S. residents, or U.S. corporations or their foreign branches or subsidiaries, are subject to the U.S. embargo against Cuba, expressed principally through CACR and administered by the U.S. Department of the Treasury's Office of Foreign Assets Control ("**OFAC**"). The CACR also extend to all persons physically located in the United States as well as all persons engaging in transactions that involve property in or otherwise subject to the jurisdiction of the United States. Currently, we are not subject to the CACR, but we could become subject to the CACR if U.S. citizens or residents or a U.S. company or its foreign subsidiary obtained control of the Company. The CACR provide that companies subject to the CACR must obtain authorization from OFAC before providing travel-related services in connection with authorized travel to or from Cuba. Criminal penalties for violating the CACR range up to ten years in prison, $1,000,000 in corporate fines, and $250,000 in individual fines. Civil penalties up to $65,000 per violation may also be imposed. The CACR require those dealing with Cuba (including traveling to Cuba) to maintain records for five years and, upon request from OFAC, to furnish information regarding such dealings.

Data Protection and E-commerce Regulations

We, like other companies subject to European Union regulations, are subject to increasing regulation relating to customer privacy and data protection. In general terms, applicable data protection regulations limit the uses of data that we collect about customers, including the circumstances in which we may communicate with them. In addition, we are generally required to take reasonable steps to protect customer data while it is in our possession. Currently, it is being discussed on the European Union level whether to replace Directive 95/46/EC on the protection of individuals with regard to the processing of personal data and on the free movement of such data by a regulation on the protection of individuals with regard to the processing of personal data and on the free movement of such data (General Data Protection Regulation; COM(2011) 11 final) which aims, in particular, at harmonizing the data protection level within the European Union.

Additionally, the online nature of our business requires us to comply with European Union regulations and implementing national legislation on electronic commerce, primarily relating to (i) pre-contractual information to be provided to consumers on our activities, (ii) the regulation of commercial communications we send to consumers, (iii) formal rules for entering into electronic contracts and (iv) the liability of intermediary service providers.

MATERIAL AGREEMENTS

The following is a summary of our material agreements other than those entered into in the ordinary course of business.

Agreements Related to TUI Travel

Trademark License Agreement

The Company and TUI Travel entered into a trademark license agreement dated August 14, 2007 (the "**Trademark License Agreement**"), under which the Company has granted to TUI Travel an exclusive right to use the registered trademark "TUI Travel" (both in word and logo form) solely in TUI Travel's corporate holding business (excluding the use of the trademarks in connection with the sale of any products or services), as well as the right to use "TUI Travel" as its company name. The Company's right to grant licenses to third parties other than members of TUI Travel to use the "TUI" name and logo and other trademarks from within the Company's portfolio of trademarks used in TUI Travel's business in the tourism field (with the exception of cruises and certain hotel assets) is subject to TUI Travel's consent. TUI Travel has a call option to acquire such trademark portfolio at fair value in case the Company is subject to a change of control (meaning ownership, directly or indirectly, of 30% of or more of the voting securities of the Company), provided that the Company retains the right to use "TUI" in its company name and to use the name and logo "TUI" for its corporate holding business.

The annual license fee payable by TUI Travel is €200,000. The Trademark License Agreement was entered into for an initial term of five years. As agreed the license term has been extended for a further five years. The Company's termination rights are limited to the right to terminate for TUI Travel's material breach or insolvency. On expiry of the additional five year term, the parties shall consider (without any obligation on either party) a further extension of the Trademark License Agreement on comparable terms.

In addition to the grant of the license relating to TUI Travel's corporate holding business, the Trademark License Agreement provides for the replacement of certain existing trademark licenses granted from the Company to members of TUI Travel in relation to use of the "TUI" name and logo and other trademarks from within the Company's portfolio of trademarks used in TUI Travel's business. These replacement licenses are based on the standard terms and conditions of a *pro forma* license agreement (to be entered into by the Company and the respective licensee) annexed to the Trademark License Agreement. It provides for a non-exclusive license to use such trademarks in connection with the offer for sale, the sale, promotion and/or advertising of specific contractual products by and on business documents and communication of the respective licensee. In addition, the *pro forma* license agreement standardizes the duration of the licenses (to a term of five years, with an option for the relevant licensee to extend once for a further five years) and the license fees payable under each license (to an annual fee equal to 0.02% of the average annual gross revenue of the relevant licensee under the relevant trademarks license measured over a three year period). Total license fees charged for the ended September 30, 2013 were €2.8 million.

The Trademark License Agreement also established a framework whereby members of TUI Travel can request rights from the Company under the "TUI" name and logo and other trademarks from within the Company's portfolio of trademarks used in TUI Travel's business based on the *pro forma* license agreement, including requests for additional licenses and requests for an extension of the territory of existing licenses. The Company must give its consent to such requests except in limited circumstances.

Agreements Related to Hapag-Lloyd

Shareholders' agreement regarding shareholding in Hapag-Lloyd AG

On July 30, 2013, the Company, TUI-Hapag Beteiligungs GmbH ("**THB**") and Hamburgische Seefahrtsbeteiligung "Albert Ballin" GmbH & Co. KG ("**Albert Ballin KG**") entered into an agreement (the "**Hapag-Lloyd Shareholder Agreement**") with the (former) shareholders of Albert Ballin KG, being: Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH ("**HGV**"), Kühne Maritime GmbH ("**Kühne**"), HanseMerkur Krankenversicherung AG, HanseMerkur Lebensversicherung AG, HanseMerkur Holding AG, Iduna Vereinigte Lebensversicherung a.G. für Handwerk, Handel und Gewerbe, Deutscher Ring Krankenversicherungsverein auf Gegenseitigkeit, HSH Nordbank AG, M.M. Warburg & CO Gruppe KGaA, Mr. Friedhelm Behn and Mr. Detlev Meyer (the "**Former AB Shareholders**"). The Hapag-Lloyd Shareholder Agreement governs the parties' cooperation with regard to their shareholding in Hapag-Lloyd AG. The Hapag-Lloyd Shareholder Agreement replaces the shareholder agreement dated March 20/21, 2009.

Albert Ballin KG has since been dissolved, and the shares in Hapag-Lloyd AG previously held by it have been transferred to the Former AB Shareholders. The Hapag-Lloyd Shareholder Agreement was, consequently, automatically terminated; however, the following provisions of the Hapag-Lloyd Shareholder Agreement survive such termination and continue to apply:

THB enjoys the following rights, among others, for as long as it continues to hold at least 12.5% in Hapag-Lloyd AG's share capital (the "**Continuing Rights**"):

(i) THB is entitled to demand that all measures required for the preparation and implementation of an IPO of Hapag-Lloyd AG are taken. The Former AB Shareholders are obliged to facilitate a primary offering (*i.e.* by placing new shares issued by way of a capital increase) aiming at a placement volume amounting to up to 10% of Hapag-Lloyd AG's share capital (the "**Primary Placement Component**"). New equity raised in connection with the Primary Placement Component shall, as far as legally admissible, be used in order to enable the release of the Company and its subsidiaries from certain guarantees provided for the benefit of Hapag-Lloyd AG. The Former AB Shareholders shall enter into market standard lock-up arrangements (whereas THB is under no obligation to enter into such lock-up arrangements).

(ii) in the event of an IPO of Hapag-Lloyd AG prior to December 31, 2014, THB shall have the preferential right to place its shareholding in Hapag-Lloyd AG (in whole or in part) and THB is entitled to demand that—except for the Primary Placement Component—no further Hapag-Lloyd AG shares are placed in connection with the IPO ("**THB Placement Preference**").

(iii) no decision of Hapag-Lloyd's general shareholders' meeting shall be taken counter to THB's vote to the extent that there is a predominant degree of probability that such decision would either thwart an IPO of Hapag-Lloyd AG or delay it by more than twelve months. The following measures are automatically deemed to represent such thwarting or delaying decision: (a) a change of legal form of Hapag-Lloyd AG, (b) a split-up or spin-off to the extent that Hapag-Lloyd AG's container shipping business, in part or as a whole, is subject to such slit-up or spin-off, (c) an undertaking of Hapag-Lloyd AG to transfer its assets in their entirety, (d) a divestment of Hapag-Lloyd AG's container shipping business or (e) the conclusion of an inter-company agreement (*Unternehmensvertrag*) between Hapag-Lloyd AG and one of its shareholders. Furthermore, to the extent a thwarting or delaying decision is taken by Hapag-Lloyd's supervisory board the parties undertake to procure that no such decision is taken without the consent of the supervisory board member nominated by THB.

(iv) any annual profit of Hapag-Lloyd AG shall, as far as legally permissible, be distributed to its shareholders (subject to dividend payments restrictions etc. provided for in Hapag-Lloyd's relevant financing arrangements and credit facilities).

(v) THB may nominate one individual to Hapag-Lloyd AG's supervisory board, the actual election of which by Hapag-Lloyd AG's general meeting shall, as far as legally permissible, be procured by THB and the Former AB Shareholders.

In the event THB ceases to (i) hold at least 12.5% in Hapag-Lloyd AG's share capital or (ii) be an affiliate of the Company pursuant to Section 17 of the German Stock Corporation Act, THB's Continuing Rights shall be removed from Hapag-Lloyd AG's articles of incorporation.

The remaining valid provisions of the Hapag-Lloyd Shareholder Agreement, including THB's foregoing Continuing Rights, terminate upon the earlier of the implementation of Hapag-Lloyd AG's IPO or December 31, 2014.

Agreement regarding the Extension of Continuing Rights

On April 15, 2014, in light of ongoing negotiations concerning a potential contribution of the container business of Compania Sud Americana de Vapores S.A. ("**CSAV**") to Hapag-Lloyd AG ("**Hapag-CSAV Transaction**"), the Company, THB and the Former AB Shareholders entered into an agreement extending the Continuing Rights enjoyed by THB under the Hapag-Lloyd Shareholder Agreement (see "*Shareholder agreement regarding shareholding in Hapag-Lloyd AG*") (the "**Extension Agreement**").

The contractual documentation consummating the Hapag-CSAV Transaction was signed on April 16, 2014. However, the Hapag-CSAV Transaction has not yet closed.

Pursuant to the Extension Agreement, the Continuing Rights enjoyed by THB under the Hapag-Lloyd Shareholder Agreement (including in particular the THB Placement Preference) are extended beyond December 31, 2014 for a period equal to the length of the negotiation period of the Hapag-CSAV Transaction. Such negotiation period is determined by calculating the time period from January 1, 2014 until: (i) such point in time upon which it has become evident that the Hapag-CSAV Transaction will not close successfully; (ii) September 30, 2014; or (iii) December 31, 2014 in the event that negotiations fail between signing and closing of the Hapag-CSAV Transaction. In return for the extension of the Continuing Rights, THB undertakes not to demand the implementation of Hapag-Lloyd AG's IPO during the negotiation period.

The Continuing Rights are extended by virtue of the Extension Agreement in the event that the Hapag-CSAV Transaction does not close on or before December 31, 2014. However, the Continuing Rights' extension pursuant to the Extension Agreement ceases to apply in the event that the Hapag-CSAV Transaction closes on or before December 31, 2014. In such event, the Continuing Rights will be replaced by THB's rights pursuant to the TUI Rights Agreement (see "*Agreement regarding certain Rights of THB as a Shareholder of Hapag-Lloyd AG*").

The Company and THB undertake, in principle, to support the Hapag-CSAV Transaction. They shall vote in favor of any resolutions to be passed by Hapag-Lloyd AG's general shareholders' meeting in connection with the Hapag-CSAV Transaction. They shall not contest any such resolutions.

Agreement regarding certain Rights of THB as a Shareholder of Hapag-Lloyd AG

On April 16, 2014, CSAV Germany Container Holding GmbH ("**CG HoldCo**"), HGV, Kühne and THB entered into an agreement regarding certain rights of THB as shareholder of Hapag-Lloyd AG (the "**TUI Rights Agreement**"). The TUI Rights Agreement includes provisions regarding THB's intended disposal of its shareholding in Hapag-Lloyd AG, the envisaged IPO of Hapag-Lloyd AG as well as provisions regarding certain THB rights.

The TUI Rights Agreement provides for certain THB rights in the event that the Hapag-CSAV Transaction closes on or before December 31, 2014. Consequently, the TUI Rights Agreement comes into effect only upon closing of the Hapag-CSAV Transaction.

Pursuant to the TUI Rights Agreement Hapag-Lloyd AG shall be listed on the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) by way of an IPO to be implemented as soon as possible after closing of the Hapag-CSAV Transaction and not later than December 31, 2015. The IPO shall consist (i) of a primary offering of new shares issued by way of a capital increase and (ii) a secondary offering of existing shares, in the context of which THB shall have a preferential right to sell its shareholding in Hapag-Lloyd AG. With respect to the shares that cannot be placed at the same terms, THB accepts a lock-up period of up to six months under the condition that (i) all parties to the TUI Rights Agreement owning shares in Hapag-Lloyd AG (save for Mr. Meyer and Mr. Behn) also accept the lock-up and (ii) no party to the TUI Rights Agreement places any shares prior to THB's placement of its entire shareholding (or before the expiration of three months after the end of the lock-up period).

THB is also considering disposing of its shareholding other than through an IPO (*i.e.* by way of trade sale or private placement). The parties shall (to the extent legally permissible) support either way of disposal, as shall the management of Hapag-Lloyd AG to the extent such support does not interfere with its management duties.

THB will not sell or offer to sell any shares in Hapag-Lloyd AG in the period commencing with the formal decision of its management board and supervisory board to prepare for an IPO, however not earlier than four months prior to the planned listing date and ending the earlier of (i) six months from the beginning of the period, (ii) the listing of the shares on the stock exchange or (iii) the withdrawal from the offering proceedings (including the end of active preparations on the basis of a specific time table) (the "**Standstill Period**"). Nevertheless, THB shall remain entitled to offer and sell Hapag-Lloyd AG shares during the Standstill Period in a pre-IPO private placement to institutional financial investors until up to three months prior to the planned listing date provided that THB shall only sell to investors with respect to which THB does not have reason to believe that they will interfere with the IPO.

A sale of Hapag-Lloyd AG shares by THB to buyers which are direct or indirect subsidiaries of the following companies within the meaning of Section 17 of the German Stock Corporation Act requires the prior written consent of the other parties: A.P. Møller—Mærsk A/S, Hamburg Südamerikanische Dampfschifffahrts-Gesellschaft KG (Hamburg Süd), American President Lines Ltd. (APL), Orient Overseas container Line Ltd. (OOCL), China Shipping Group (COSCO), China Shipping Group (China Shipping) and SMA DGM S.A. (CMA/CGM).

If the IPO of Hapag-Lloyd AG does not occur by December 31, 2015, THB is entitled to request a listing of its shares in Hapag-Lloyd AG the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the sub-segment of the regulated market of the Frankfurt Stock Exchange with additional post-admission obligations (*Prime Standard*) in accordance with applicable requirements (*e.g.*, sufficient free float).

THB is entitled to nominate one of the supervisory board members of Hapag-Lloyd AG as long as THB holds at least 8.25 million shares in Hapag-Lloyd AG. The actual election of such supervisory board member by Hapag-Lloyd AG's general shareholders' meeting shall, as far as legally permissible, be procured by the parties. THB's representative shall, to the extent legally permissible, generally vote in line with the shareholder representatives nominated by the other parties (save for issues in connection with which THB enjoys a veto right).

As long as (i) the Hapag-Lloyd shares are not listed on the Frankfurt Stock Exchange and (ii) THB continues holding at least 8.25 million of the Hapag-Lloyd AG shares, resolutions on the following issues shall not be passed against THB's votes: (i) There is a predominant degree of probability that such decision would either thwart an IPO of Hapag-Lloyd AG or delay it be more than twelve months (a combination of Hapag-Lloyd AG with one or more further parties, such as Hamburg Südamerikanische Dampfschifffahrts-Gesellschaft KG, shall be deemed to represent such delay); (ii) a change of legal form of Hapag-Lloyd AG; (iii) a split-up or spin-off or divestment of Hapag-Lloyd AG's container shipping business; (iv) an undertaking of Hapag-Lloyd AG to transfer its assets in their entirety or (v) the conclusion of an inter-company agreement (*Unternehmensvertrag*) between Hapag-Lloyd AG and one of its shareholders. To the extent that any of these measures (i) to (v) requires a resolution at the level of Hapag-Lloyd AG's supervisory board the parties undertake to procure that no such decision is made without the consent of the supervisory board member nominated by THB.

The TUI Rights Agreement enters into effect upon closing of the Hapag-CSAV Transaction. It shall automatically terminate upon the earlier of (i) nine-month following the consummation of the IPO of Hapag-Lloyd AG and (ii) THB having disposed of all its shares in Hapag-Lloyd AG.

K-Sure-Financing Guarantee

By way of a senior term loan facility agreement originally dated November 12, 2007, as amended from time to time (the "**K-Sure Financing**"), between Hapag-Lloyd AG, as borrower, and KfW IPEX-Bank GmbH, Citibank N.A., London Branch, BNP Paribas (formerly Fortis Bank S.A./ N.V.), Singapore Branch, HSBC Bank plc Project and Export Finance, the Royal Bank of Scotland plc, Nordea Bank, Danmark A/S and Société Générale, as lenders, KfW IPEX-Bank GmbH, as the agent, and Citibank N.A., as security trustee, the lenders have made available term loan facilities of up to $660 million to Hapag-Lloyd AG, as borrower. The facilities under the K-Sure Financing consist of six separate tranches with each such tranche to be used to finance the acquisition cost of one vessel (acquisition costs for six 8,749 TEU container vessels that have been constructed by Hyundai Heavy Industries Co., Ltd. of Korea and delivered to Hapag-Lloyd AG).

As of June 30, 2014, the amount outstanding under the K-Sure-Financing was $309.7 million.

Each delivery tranche under the K-Sure Financing matures on the twelfth anniversary of the actual delivery date of the relevant financed vessel and is to be repaid in twenty four equal consecutive, semi-annual installments. The respective repayment installment becomes due on the date that falls six months after the date of the disbursement of the relevant delivery tranche.

TUI AG has unconditionally and irrevocably guaranteed all of Hapag-Lloyd AG's obligations under the K-Sure Financing by way of a separate guarantee (the "**K-Sure Guarantee**") (pertaining in particular to all due payments, including interest, under the K-Sure Financing, which are not made by Hapag-Lloyd AG). The K-Sure Guarantee remains in force until the K-Sure Financing has been repaid in full, and there is no provision for termination by, or an early release of, TUI AG from the K-Sure Guarantee.

The Company has agreed that the lenders will not need to commence any legal proceedings under, or enforce any security created by, the K-Sure Financing before claiming or commencing proceedings under the K-Sure-Guarantee and thereby waived all applicable defenses. Furthermore, TUI AG waived its rights to file counterclaims against, set-off, abate, defer or defend the guaranteed payments against the lenders or Hapag-Lloyd AG. TUI AG has agreed that all claims it may have against Hapag-Lloyd AG or its assets resulting from TUI AG making payments under the K-Sure Guarantee will be fully subordinated to the rights of the lenders under the K-Sure Financing. However, under German law statutory "step-in" rights would apply in favour of TUI AG if it is required to pay, and does pay, all balances owed to the creditors under the K-Sure Financing (including reasonable enforcement costs). Following such payment, German law entitles the guarantor to exercise the power of sale contained in any relevant security documents (which, in this case, include mortgages of the container ships that were acquired pursuant to the K-Sure Financing).

TUI AG undertakes to make available its financial statements to the lenders after the end of each financial year. In addition, TUI AG is obliged to provide the lenders with details of any legal or administrative proceedings involving TUI AG which could result in a payment claim against TUI AG in excess of $10 million or that could have a material adverse effect on the TUI AG's ability to comply with its obligations under the K-Sure Guarantee.

TUI AG is entitled to be released from its obligations under the K-Sure Guarantee in the event that TUI AG and Hapag-Lloyd AG enter into a new profit and loss transfer agreement which is substantially identical to the profit and loss transfer agreement previously in force between them. The K-Sure Guarantee will remain in force as a continuing security at all times until the outstanding indebtedness under the K-Sure Financing is discharged in full.

Joint Venture Agreement with Respect to TUI Cruises GmbH

On December 17, 2007, the Company and Royal Caribbean Cruises Ltd. entered into a joint venture agreement with respect to the development and operation of a cruise line business targeting German-speaking countries through TUI Cruises GmbH which currently owns three cruise ships the "Mein Schiff", "Mein Schiff 2" and "Mein Schiff 3" (the latter commissioned in June 2014). This fleet will be expanded by three additional cruise ships to be commissioned in 2015 to 2017. Each of the joint venture partners holds 50% in TUI Cruises GmbH. Under the joint venture agreement, the parties have set up a shareholders' committee consisting of four members with two members to be appointed by each party. Certain matters with respect to the business operations of TUI Cruises GmbH are made subject to the consent of the shareholders' committee, including the approval of business plans, appointing members of the management, structural changes, capital expenditures, transactions between TUI Cruises GmbH and the joint venture partners and financing arrangements. TUI Cruises shall have two or three managing directors who operate through a managing committee consisting of the chief executive officer and the chief financial officer and, potentially, the third managing director and are responsible for the day-to-day business. The joint venture agreement furthermore contains provisions regarding deadlock situations in the shareholders' committee, pursuant to which the parties shall use reasonable efforts to resolve continuing disagreements in good faith. If the parties fail to resolve the deadlock in a certain period of time, the parties have the right to either buy from or sell to the other party all of their shares and proportional shares in shareholder loans. The joint venture agreement also contains a change of control clause pursuant to which each joint venture partner has the right to initiate the procedure set forth for deadlock situations as described above. Change of control with respect to the Company is defined as a person acquiring effective control over more than 30% of the Company's voting shares.

Agreements Related to Europa 2

The Europa 2, a five-star plus luxury cruise ship, entered service with Hapag-Lloyd Kreuzfahrten in May 2013. Hapag-Lloyd Kreuzfahrten GmbH charters the ship from Hapag-Lloyd (Bahamas) Ltd. ("**HLB**") under a twelve-year charter agreement. HLB charters the ship from the ship owner Omison S.A. (the "**Owner**"), pursuant to a bareboat charter agreement (*i.e.* charter of the mere vessel, without crew or provisions) dated April 22, 2013.

The bareboat charter has a term of 12 years. HLB has an option to extend the bareboat charter for a period of two to five years at its sole discretion. The monthly charter paid by HLB to the Owner amounts to $2.25 million, as a fixed amount, plus certain variable components. HLB is obliged to keep the vessel in good maintenance and to uphold its classification throughout the charter period.

Joint Venture Agreement with Respect to Jaz Hotels & Resorts S.A.E.

On March 1, 2006, TUI AG acquired a majority participation in the Egyptian hotel management company Egypt Hotels S.A.E. and entered into a respective joint venture agreement with the remaining shareholders which all belong to the HEC Group, a group of companies controlled by the Egyptian citizen Mr. Hamed El Chiaty (the "**HEC Group**"). Previously, starting in May 1996, predecessor-companies of TUI AG had acquired a majority participation in an Egyptian hotel management company called Egyptotel S.A.E. and a 50% participation in an Egyptian hotel management company called SolyMar for Management of Tourist Resorts S.A.E. and entered into respective joint venture agreements with the remaining shareholders of both companies, which all belonged to the HEC Group. In December 2008, the three aforementioned hotel management companies were merged into Egypt Hotels S.A.E. Subsequent to the merger, Egypt Hotels S.A.E. was renamed Jaz Hotels & Resorts S.A.E. As of the October 1, 2014 (being the latest practical date prior to the publication of this Prospectus), the Company holds 50.94% of the shares in Jaz Hotels & Resorts S.A.E. and the HEC Group holds the remaining 49.06%.

The purpose of Jaz Hotels & Resorts S.A.E. is to manage or operate specialized and first class hotels, resort hotels and restaurants in Egypt, Oman, Jordan and the United Arab Emirates under the brands Jaz and Iberotel. According to the joint venture agreement, profits are shared equally among the Company and the HEC Group. The Company is granted a certain level of exclusivity and transfers the right to use the trademark and trade name Iberotel to Egypt Hotels S.A.E. for the territory of Egypt, Oman, Jordan and the United Arab Emirates. The Company is entitled to appoint four members of the board; the HEC Group is entitled to appoint the remaining three board members. Mr. Hamed El Chiaty has been appointed chairman of the board. Certain important matters (for example the appointment of general managers, material borrowings, important agreements, substantial changes to the structure of Jaz Hotels & Resorts S.A.E) require approval by a majority of 80% of the board with an affirmative vote of at least one director representing the Company and one director representing HEC Group. The joint venture agreement also includes a right of first refusal of the shareholders if another shareholder intends to sell its shares to a third party. If the HEC Group intends to sell any of their current hotel activities to third parties, they must first offer such hotels for sale to Egypt Hotels S.A.E. or to the Company.

In addition to the joint venture agreement, the Company is party to various shareholders' agreements with the HEC Group with respect to the various joint venture hotel owning and management companies which own the relevant hotels in Egypt and the United Arab Emirates. The Company has granted the HEC Group an option to purchase up to all shares held by the Company in Jaz Hotels & Resorts S.A.E. and other hotel owning and management companies if a change of control at the level of the Company occurs. Change of control in this context occurs if: (i) a shareholder or a group of shareholders holds or acquires shares or voting rights from shares in the Company provided that these shares would grant a *de facto* majority in the Company's shareholders' meetings based on the average presence in the annual general shareholders' meetings of the Company over the last three years; (ii) one third of the shareholders' representatives on the Company's Supervisory Board can be attributed to one shareholder or a group of shareholders; or (iii) the shareholders' meeting of the Company approves a transaction pursuant to which a shareholder or a group of shareholders of the Company would acquire either in the Company or in its tourism business shares or voting rights would grant a *de facto* majority in the Company's shareholders' meetings based on the average presence in the annual general shareholders' meetings of the Company over the last three years.

Shareholders' Agreement with S-Group Direct Investments Limited

On April 15, 2009, TUI Travel, TUI Travel Holdings Limited, S-Group Direct Investments Limited, Oscrivia Limited and Togebi Holdings Limited entered into a shareholders' agreement with respect to Togebi Holdings Limited, in which TUI Travel holds 49% and Oscrivia Limited (a member of the S-Group) holds 51% pursuant to a share purchase agreement between TUI Travel and S-Group Direct Investments Limited. The business of Togebi Holdings Limited is to develop the tour operator business in the commonwealth of independent states (CIS), *i.e.* countries of the former Soviet Union both through organic growth and acquisitions. Each of TUI Travel and Oscrivia Limited is entitled to appoint one member of the board (unless their shareholding (including the shareholding of any of their subsidiaries) falls below 33.3%. Certain important matters (for example business plans, the establishment of subsidiaries, financings and appointment of executive positions) require the unanimous approval of the shareholders. The joint venture agreement also includes rights of first offer, rights of first refusal and tag-along rights of the shareholders if another shareholder intends to sell its shares to a third party. Oscrivia Limited is granted a right to purchase the shares held by TUI Travel if: (i) TUI Travel ceases to be controlled by TUI AG; and if (ii) the person who was Chief Executive Officer (or equivalent) of TUI Travel immediately prior to the date on which such change of control takes effect ceases to be Chief Executive Officer (or equivalent) within 30 days of such change of control taking effect. Control in this context is defined as owning or controlling more than 50% of the voting share capital, being able (indirectly or directly) to direct the casting of more than 50% of the votes exercisable at the shareholders' meeting or having the right to appoint or remove directors holding a majority of the voting rights exercisable at meetings of the board on all or substantially all matters.

Joint Venture Agreement with Respect to RIU Hotels, S.A.

The Company holds through its subsidiary DEFAG Beteiligungsverwaltungs GmbH III ("**DEFAG III**"), 49% of the shares in RIU Hotels, a hotel development and investment firm, with the remaining 51% held by Saranja SL, a company incorporated in Mallorca, Spain ("**Saranja**").

There exists no dedicated joint venture or shareholder agreement with respect to RIU Hotels. Pursuant to the articles of association of RIU Hotels, if a shareholder wishes to sell its shares in RIU Hotels, there are pre-emption rights in favor of the remaining shareholders who may acquire the shares being disposed of (such shares to be allocated to the interested shareholders *pro rata* to their existing shareholdings). If no remaining shareholder wishes to acquire the shares, the shares may be offered to a third party. The selling shareholder has six months to complete the transfer or the pre-emption process described above will restart. Furthermore, any transfer of shares in DEFAG III requires the prior written consent of all shareholders.

Further, the Company has assigned in trust a minor partial share in DEFAG III to Saranja pursuant to an agreement between the Company, Saranja, Hotel Obelisco S.A., DEFAG III and DEFAG Beteiligungsverwaltungs GmbH I ("**DEFAG I**") dated December 14, 2012 ("**Trust Agreement**"). Pursuant to the terms of the Trust Agreement Saranja is not permitted to dispose of its share without the Company's written consent and any rights conferred to it as a shareholder of DEFAG III are to be exercised in accordance with instructions from the Company (unless such instructions require the consent of Saranja under the DEFAG III articles of association).

Either the Company or Saranja may generally terminate the Trust Agreement upon providing one year's prior notice, for the first time with effect as of December 31, 2027. Additionally, the Company and Saranja have agreed to enter into negotiations after December 31, 2024, in order to renew the Trust Agreement. If no agreement is reached by December 31, 2027, or if at any time the agreement is terminated for cause, DEFAG III will be obliged to offer its shares in RIU Hotels to Saranja without delay. If Saranja does not accept the offer within three months, DEFAG III will be free to dispose of the shares in accordance with RIU Hotel's articles of association. It is further noted that the Company may, at any time, transfer to itself the shares in RIU Hotels from DEFAG III at which point the Trust Agreement will cease to be valid.

In accordance with the articles of association of DEFAG III, Saranja has the right to appoint one of the two members of the DEFAG III advisory board with the remaining member being appointed by the Company. The role of the advisory board is to supervise DEFAG III's management board. The advisory board must also unanimously approve certain reserved matters in circumstances where the management board or either Saranja or the Company have an influence on such matters including any transfer of the shares in DEFAG III or a change of control of DEFAG III such that a party, which is not wholly-owned either directly or indirectly by the Company, acquires a legal or factual majority in the shareholders' meeting or designates at least one third of the members of the advisory board or a managing director of DEFAG III ("**DEFAG III Change of Control**"). In addition, DEFAG III's articles of association provide that:

- any transfer of the shares in DEFAG III requires the prior written consent of all shareholders;
- Saranja possesses a right of pre-emption if the Company wants to sell its shares in DEFAG III to a third party (unless, in either case, the transfer is to the Company); and
- Saranja must approve, among other things, any actual or potential DEFAG III Change of Control or a merger of DEFAG III with a third party or measures for a transformation (*Umwandlung*) of DEFAG III.

Saranja and the Company have furthermore agreed that the shares in RIU Hotels can only be disposed or transferred to a 100% subsidiary of the Company so long as the articles of association of that recipient subsidiary mirror those of DEFAG III (as described above and including the right of Saranja to appoint a member of the advisory board) and the subsidiary accedes to, and accepts joint and several liability for, all obligations of the Company and/or DEFAG III under the shareholder agreement entered into by, among others, the Company, DEFAG III and Saranja dated December 14, 2012 and in relation to the holding of the shares in RIU Hotels.

Joint Venture Agreement with Respect to RIUSA II, S.A.

RIUSA II S.A. ("**RIUSA II**") is a joint venture company through which the Company operates the RIU branded hotels. TUI AG holds, through its subsidiary DEFAG Beteiligungsverwaltungs GmbH I ("**DEFAG I**") 50% of the shares in RIUSA II with the remaining 50% being held by Hotel Obelisco S.A., a company wholly owned by the Riu family and incorporated in Mallorca, Spain ("**Obelisco**").

Pursuant to the articles of association of RIUSA II, if either of the shareholders wish to sell their shares in RIUSA II, there are pre-emption rights in favor of the remaining shareholders who may acquire the shares being disposed (such shares to be allocated to the interested shareholders) *pro rata* to their existing shareholdings in RIUSA II. If no shareholders wish to acquire the shares, the company itself shall have 30 days to acquire the shares and redeem them afterwards. The pre-emption rights outlined above will not apply in circumstances where the proposed transfer is in favor of a company in which the selling shareholder holds 100% of the share capital. Pursuant to the RIUSA II JV Agreement (as defined below) any limitations on the transfer of shares in RIUSA II contained in the articles of association do not apply to any transfer of the shares held by the Company in favor of (i) a wholly owned company or (ii) a company whose shareholders are the same individuals.

The Company entered into a joint venture agreement with Obelisco in respect of RIUSA II on September 28, 1993 ("**RIUSA II JV Agreement**"). The RIUSA II JV Agreement contains provisions pursuant to which the Company undertakes that any incorporation of any new hotel or touristic complex will have to be approved by the board of directors of RIUSA II and that all hotels and touristic complexes (except for those in Greece, Turkey, Tunisia, Austria and Germany) managed by either party to the joint venture agreement will be operated by RIUSA II. Obelisco undertakes not to compete with the Company in countries such as Austria or Greece where the Company already has established hotels and touristic complexes. In addition, upon the incorporation of any new hotel by RIUSA II, TUI AG will have the option to enter into an exclusivity, semi-exclusive or non-exclusive commercial arrangement with respect to that hotel (subject to certain occupancy thresholds being reached).

Pursuant to a purchase option agreement entered into by the Company and Obelisco on June 27, 2007, the Company granted Obelisco the right to acquire a minimum of 20% and a maximum of 50% of the RIUSA II share capital from the Company (*i.e.* up to 100% of the Company's interest in RIUSA II) if:

- any shareholder, or group of shareholders, obtains shares in the Company which allows such shareholder(s) to control the Company's general shareholders' meetings (to be calculated using the average majorities of shareholders in the Company's general shareholders' meetings over the last three years);
- a third of the members of the Company' supervisory board is controlled or appointed by a new shareholder or group of shareholders; or
- the Company's shareholders approve a merger or demerger causing a situation in which a shareholder, or group of shareholders, obtains a majority of the voting rights at a general shareholders' meeting of the Company's shareholders;

(each such event a "**RIUSA II Change of Control Event**").

The Company must promptly notify RIUSA II of the occurrence of a RIUSA II Change of Control Event. RIUSA II shall exercise its option within one month after the occurrence of such event. Should RIUSA II not make use of this right, it may do so in the same month of the following two years.

An amendment to the RIUSA II JV Agreement was entered into on June 27, 2007, and contains an additional purchase option in favor of Obelisco should the Company reduce the number of hosts it allocates to hotels managed by RIUSA II by 20% provided that the Company cannot prove that such reduction was not a result of the Company's performance. Should Obelisco acquire any additional shares in RIUSA II from the Company (irrespective of whether based on this amendment or following a RIUSA II Change of Control Event), the provisions of the RIUSA II JV Agreement will cease to have effect.

It is noted that the Company has assigned in trust a minor partial share in DEFAG I to Obelisco pursuant to the Trust Agreement. DEFAG I has acceded to all of the joint venture agreements as well as all other agreements entered into by the Company in respect of RIUSA II. On that basis, each of the provisions described above that relate to the Company will also apply to DEFAG I.

In accordance with the terms of the Trust Agreement, Obelisco is not permitted to dispose of its share in DEFAG I without the written consent of the Company and any rights conferred to it as a shareholder of DEFAG I will be exercised in accordance with instructions from the Company (unless such instructions require the consent of Obelisco under the DEFAG I articles of association).

Either the Company or Obelisco may generally terminate the Trust Agreement upon providing one year's notice, for the first time with effect December 31, 2027. But, additionally, the Company and Obelisco have agreed to enter into negotiations after December 31, 2024, in order to renew the Trust Agreement. If no agreement is reached by December 31, 2027, or if at any time the agreement is terminated for cause DEFAG I will be obliged to offer its shares in RIUSA II to Obelisco without delay. If Obelisco does not accept the offer within three months DEFAG I will be free to dispose of the shares in accordance with RIUSA II's articles of association. In accordance with the articles of association of DEFAG I, Obelisco has the right to appoint one of the two members of the DEFAG I advisory board with the remaining member being appointed by the Company. The role of the advisory board supervises DEFAG I's management board. The advisory board must also unanimously approve certain reserved matters in circumstances where the management board or either Obelisco or the Company have an influence on such matters including any transfer of the shares in DEFAG I or a change of control of DEFAG I such that a party, which is not wholly-owned either directly or indirectly by the Company, acquires a legal or factual majority in the shareholders' meeting or designates at least one third of the members of the advisory board or a managing director of DEFAG I (a "**DEFAG I Change of Control**"). In addition, DEFAG I's articles of association provide that:

- any transfer of the shares in DEFAG I requires the prior written consent of all shareholders;
- Obelisco possesses a right of pre-emption if the Company wants to sell its shares in DEFAG I to a third party (unless, in either case, the transfer is to the Company); and
- Obelisco must approve, among other things, any actual or potential DEFAG I Change of Control or a merger of DEFAG I with a third party or measures for a transformation (*Umwandlung*) of DEFAG I.

Obelisco and the Company have also agreed that the shares in RIUSA II can only be disposed or transferred to a 100% subsidiary of the Company so long as the articles of association of that recipient subsidiary mirror those of DEFAG I (as described above and including the right of Obelisco to appoint a member of the advisory board) and the subsidiary accedes to, and accepts joint and several liability for all obligations of the Company and/or DEFAG I under, the shareholder agreement entered into by, among others, the Company, DEFAG I and Obelisco dated December 14, 2012 and in relation to the holding of the shares in RIUSA II.

It is further noted that the Company may, at any time, transfer to itself the shares in RIUSA II from DEFAG I at which point the arrangements Trust Agreement will cease to be valid.

Certain Financing Arrangements

TUI Travel's £1,400,000,000 revolving credit facility

On March 28, 2014, TUI Travel entered into a £1,400,000,000 multicurrency revolving credit facility agreement (the "**2014 Existing RCF**") for the purpose of: (i) refinancing four loan facilities, including a £1,150,000,000 working capital facility dated May 17, 2011; and (ii) the general corporate purposes of TUI Travel and its subsidiaries. The 2014 Existing RCF was entered into by TUI Travel as borrower, together with certain group companies as additional borrowers and guarantors, and The Royal Bank of Scotland PLC as facility agent. The 2014 Existing RCF provides for the availability of a revolving credit commitment of £1,225,000,000 by the original lenders, and a letter of credit commitment of £175,000,000 by the original issuing banks. Any voluntary prepayment of the 2014 Existing RCF may be re-borrowed on the terms of the 2014 Existing RCF, but mandatory or involuntary prepayments or cancellations may not be re-borrowed. The final maturity date is June 30, 2018, and the availability period ends on May 30, 2018. The rate of interest for the term of each cash borrowing is the percentage rate per annum equal to the aggregate of the applicable margin (*1.6% per annum*) and LIBOR/EURIBOR (as applicable).

Security is created in favor of the facility agent pursuant to a Scottish law fixed security agreement (the "**SLP Security Agreement**") over certain rights and interests of TUI UK Limited in and to certain distributions from TUI Travel Amber Scot L.P. (the "**SLP**") under a Scottish limited partnership agreement between TUI UK Limited, TUI Travel Amber Limited, Thomson Airways Trustee Limited, TUI Pension Scheme (UK) Limited and BAL Trustee Limited) (the "**SLP Agreement**"). Such security is held by the facility agent on trust for the finance parties. There are also further arrangements in place in connection with the 2014 Existing RCF under: (i) a control agreement between TUI Travel as agent of the obligors and the facility agent relating to the obligors' rights under certain limited partnership agreements (including the SLP Agreement); and (ii) a direct agreement between, among others, TUI Travel, the SLP, TUI Travel Amber E&W LLP (the "**LLP**") and the facility agent relating to certain obligations in connection with certain intellectual property rights held by the LLP.

In the event of a change of control of TUI Travel, each lender and issuing bank has the right to cancel its commitment under the 2014 Existing RCF (as applicable) and demand, in the case of a lender, that a *pro rata* share of that lender's participations in all outstanding loans or, in the case of an issuing bank, the full amount of that issuing bank's instruments, is immediately repaid or prepaid. A change of control occurs where (i) any person or group of persons acting in concert gains control (as defined in s. 450 of the Corporation Tax Act 2010) of TUI Travel or (ii) TUI AG (and any person acting in concert with it) acquires 75% or more of the voting shares in TUI Travel. The 2014 Existing RCF will be cancelled and replaced by the 2014 New RCF (defined and described below) at the Scheme Effective Date.

The 2014 Existing RCF is governed by English law and the English courts have non-exclusive jurisdiction.

TUI AG €1,175,000,000 bridge term loan facility

On September 15, 2014, TUI AG entered into a €1,175,000,000 facility agreement concerning a corporate bridge facility (the "**2014 RCF Bridge**"). The 2014 RCF Bridge was provided by Citibank, N.A., London Branch, UniCredit Luxembourg S.A. and JP Morgan Chase Bank, N.A., London Branch. The initial maturity date of the 2014 RCF Bridge is the date falling twelve months from the signing date of the 2014 RCF Bridge (the "**2014 RCF Signing Date**") and TUI AG has the right to extend the maturity date twice thereafter, for a period of six months each time, upon payment of an extension fee at each extension provided that there is no major default (for the first extension) and no event of default (for the second extension). Advances under the 2014 RCF Bridge can be used for refinancing the 2014 Existing RCF and for general corporate purposes. The initial interest rate on borrowings under the 2014 RCF Bridge equals a margin of 1.50% per annum plus EURIBOR, provided that if all amounts drawn under the facility are not repaid or cancelled in full by the following dates, the applicable margins will increase as follows: (i) by the end of the first three months following the 2014 RCF Bridge Signing Date, by 75 basis points; (ii) by the end of the first six months following the 2014 RCF Bridge Signing Date, by an additional 50 basis points; (iii) by the end of the first nine months following the 2014 RCF Bridge Signing Date, by an additional 75 basis points; (iv) by the end of the first twelve months following the 2014 RCF Bridge Signing Date, by an additional 75 basis points; (v) by the end of the first 15 months following the 2014 RCF Bridge Signing Date, by an additional 75 basis points and (vi) by the end of the first 18 months following the 2014 RCF Bridge Signing Date, by an additional 75 basis points. The 2014 RCF Bridge will be automatically cancelled (or, to the extent drawn, prepaid) on a euro-for-euro basis upon raising certain other indebtedness. TUI AG also has the right to voluntarily cancel (or, to the extent drawn, prepay) the 2014 RCF Bridge. On September 29, 2014 the 2014 RCF Bridge was cancelled in full by raising additional commitments under the 2014 New RCF (defined and described below) to a total of €1,750,000,000 (including a letter of credit tranche in an aggregate amount of €215,000,000) shortly after the funding of the High Yield Notes described below. The 2014 RCF Bridge ranks *pari passu* with all of TUI AG's other unsecured and unsubordinated indebtedness. The facility documentation is governed by English law and contains customary clauses for financings of this type. No security is granted in favor of the lenders under the 2014 RCF Bridge.

TUI AG €600,000,000 bridge term loan facility

On September 15, 2014, TUI AG entered into a €600,000,000 facility agreement concerning a corporate bridge facility (the "**2014 High Yield Bridge**"). The 2014 High Yield Bridge was provided by Citibank, N.A., London Branch, UniCredit Luxembourg S.A. and JP Morgan Chase Bank, N.A., London Branch. The initial maturity date of the 2014 High Yield Bridge is the date falling twelve months from the signing date of the 2014 High Yield Bridge (the "**2014 High Yield Bridge Signing Date**") and TUI AG has the right to extend the maturity date twice thereafter, for a period of six months each time, upon payment of an extension fee at each extension provided that there is no major default (for the first extension) and no event of default (for the second extension). Advances under the 2014 High Yield Bridge can be used for the payment or refinancing of certain convertible bond and other financings, the payment of costs and expenses incurred by member of the Group in connection with the transaction, capital expenditure of the group and investments in subsidiaries or joint ventures. The initial interest rate on borrowings under the 2014 High Yield Bridge equals a margin of 1.50% per annum plus EURIBOR, provided that, if all amounts drawn under the facility are not repaid or cancelled in full by the following dates as the applicable margin will increase as follows: (i) by the end of the first three months following the 2014 High Yield Bridge Signing Date, by 75 basis points; (ii) by the end of the first six months following the 2014 High Yield Bridge Signing Date, by an additional 50 basis points; (iii) by the end of the first nine months following the 2014 High Yield Bridge Signing Date, by an additional 75 basis points; (iv) by the end of the first twelve months following the 2014 High Yield Bridge Signing Date, by an additional 75 basis points, (v) by the end of the first 15 months following the 2014 High Yield Bridge Signing Date, by an additional 75 basis points and (vi) by the end of the first 18 months following the 2014 High Yield Bridge Signing Date, by an additional 75 basis points. The 2014 High Yield Bridge will be automatically cancelled (or, to the extent drawn, prepaid) on a euro-for-euro basis upon raising certain other indebtedness. TUI AG also has the right to voluntarily cancel (or, to the extent drawn, prepay) the 2014 High Yield Bridge. On September 29, 2014 the 2014 High Yield Bridge was cancelled in full upon, among other things, the funding of the High Yield Notes described below and the increase in commitments under the 2014 New RCF (described and defined below). The 2014 High Yield Bridge ranks *pari passu* with all of TUI AG's other unsecured and unsubordinated indebtedness. The facility documentation is governed by English law and contains customary clauses for financings of this type. No security is granted in favor of the lenders under the 2014 High Yield Bridge.

TUI AG up to €1,550,000,000 revolving credit facility

On September 15, 2014, TUI AG entered into a multicurrency revolving credit facility agreement with an initial committed revolving credit facility amount of €375,000,000 (the "**2014 New RCF**"). The total commitments under the 2014 New RCF can be increased by up to (a) €925,000,000 as revolving credit commitments under the revolving credit tranche and (b) €250,000,000 as letter of credit commitments under the letter of credit tranche, which in each case, once committed, will be available on the Scheme Effective Date. The facility agreement also includes a mechanism enabling the borrowers to add one or more incremental revolving credit commitments up to an aggregate principal amount of €350,000,000 upon the same terms and conditions as the revolving credit tranche. The 2014 New RCF may be used for the purpose of (i) refinancing the 2014 Existing RCF and, to the extent the commitments received under the 2014 New RCF are increased above €375,000,000, first, the 2014 RCF Bridge and, second, the 2014 High Yield Bridge; and (ii) the general corporate purposes of TUI AG and its subsidiaries (including TUI Travel and its subsidiaries after the Scheme Effective Date). On September 26, 2014, the total commitments under the 2014 New RCF have been increased to a total of €1,750,000,000 (including a letter of credit tranche in an aggregate amount of €215,000,000). The 2014 New RCF was entered into by TUI AG as an initial borrower. It is envisaged that after the Scheme Effective Date, TUI AG and some of its subsidiaries and TUI Travel and some of its subsidiaries will accede to the 2014 New RCF as borrowers and (to the extent permitted by applicable law) guarantors. Any voluntary prepayment of the 2014 New RCF may be re-borrowed on the terms of the 2014 New RCF but mandatory or involuntary prepayments or cancellations may not be re-borrowed. The final maturity of the 2014 New RCF is June 29, 2018 and the availability period ends on May 29, 2018. Advances under the 2014 New RCF can be either requested in cash drawings from the revolving credit tranche or in the form of bank guarantees or letters of credit from the letter of credit tranche. The interest rate on cash drawings under the 2014 New RCF equals an initial margin of 2.30% per annum, plus EURIBOR in respect of euro-denominated advances, or LIBOR (as defined in the 2014 New RCF) in respect of advances denominated in other currencies, subject to a margin ratchet-based on the long-term credit rating of TUI AG after the Scheme Effective Date. The 2014 New RCF ranks *pari passu* with all of TUI AG's other unsecured and unsubordinated indebtedness. No security is granted in favor of the lenders under the 2014 New RCF. The facility documentation is governed by English law and the English courts have non-exclusive jurisdiction.

TUI AG €300,000,000 4.5% High Yield Notes of 2014/2019

On September 26, 2014, TUI AG issued €300,000,000 4.5% high yield notes due in October 2019 (the "**High Yield Notes**"). The High Yield Notes are senior debt of TUI AG and rank *pari passu* in right of payment to all of TUI AG's existing and future senior indebtedness and are effectively subordinated to TUI AG's existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness. As of the date of this Prospectus, the High Yield Notes are not guaranteed by any of TUI AG's subsidiaries. In the future, certain subsidiaries of TUI AG may guarantee the High Yield Notes on a senior basis if and to the extent any of such subsidiaries becomes a guarantor under the 2014 New RCF. Each such High Yield Notes guarantee will be subject to contractual and legal limitations and may be released under certain circumstances. The High Yield Notes will be redeemed at their principal amount by TUI AG together with interest accrued on the principal amount until the maturity date unless they have previously been redeemed or purchased and cancelled. Prior to October 1, 2016, TUI AG is entitled to redeem all or a portion of the High Yield Notes at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest and additional amounts, if any, plus a "make whole premium". At any time on or after October 1, 2016 TUI AG may redeem some or all of the High Yield Notes at a redemption price of 102.250% commencing October 1, 2016, 101.125% commencing October 1, 2017 and 100% commencing October 1, 2018 and thereafter. In addition prior to October 1, 2016 TUI AG may redeem up to 35% of the High Yield Notes with the net proceeds from certain equity offerings. If TUI AG undergoes a change of control or sells certain of its assets it may be required to make an offer to purchase the High Yield Notes at 101% of the principal amount thereof plus accrued and unpaid interest and additional amounts, if any. In the event of certain developments affecting taxation, TUI AG may redeem all, but no less than all, of the High Yield Notes. Until the occurrence of certain conditions in relation with the TUI Merger the gross proceeds from the offering of the High Yield Notes will be held in escrow for the benefit of a trustee. Upon release the escrowed proceeds will be used for general corporate purposes and refinancing certain of TUI AG's existing indebtedness. If the conditions for the release of the escrowed proceeds have not occurred or cannot occur by a certain longstop date then all of the High Yield Notes will be subject to a special mandatory redemption at a price equal to 100%, if redeemed on or before June 30, 2015, or 101%, if redeemed thereafter, of the High Yield Notes' initial issue price, plus accrued and unpaid interest and additional amounts, if any.

€300,000,000 Perpetual Subordinated Fixed to Floating Rate Bonds

In December 2005, TUI AG issued 8.625% perpetual subordinated fixed to floating rate bonds without maturity with an aggregate principal amount of €300,000,000 (the "**Bonds**"). Set forth below is a description of the principal terms of the Bonds.

Remuneration

The Bonds initially bore remuneration ("**Remuneration**") from December 9, 2005 at the rate of 8.625% per annum payable annually in arrears on January 30 of each year (the "**Fixed Remuneration Payment Dates**") up to the Fixed Remuneration Payment Date falling on January 30, 2013 and thereafter at the rate of 7.30% per annum over the European Interbank offered rate for three-month deposits in euro ("**EURIBOR**") payable quarterly in arrears on January 30, April 30, July 30 and October 30 of each year (the "**Floating Remuneration Payment Dates**").

In the event of a change of control with regard to TUI AG, the Remuneration is increased by 5% per annum. Change of control is defined as the acquisition of 50% or more of the shares in the capital of TUI AG, or of such number of shares representing 50% or more of the voting rights normally exercisable at general meetings of TUI AG by any person or persons acting in concert or any third person or persons acting on behalf of such persons, if such acquisition leads to a downgrade of any credit rating of TUI AG's senior unsecured obligations prepared by Moody's Investors Service Limited or Standard & Poor's Rating Services, a division of The McGraw-Hill Companies Inc. (or any successor entity) (a "**Change of Control**").

Deferral of Remuneration payments

In certain circumstances, accrued Remuneration will not be payable on the Floating Remuneration Payment Date immediately following its accrual but will instead constitute arrears of Remuneration that will not be payable until a later date unless TUI AG elects to pay such Remuneration ("**Arrears of Remuneration**"). Arrears of Remuneration will not themselves bear interest.

TUI AG may defer any Remuneration payable on the respective Floating Remuneration Payment Date if:

(i) no dividend, other distribution or payment (including for the purposes of a redemption or repurchase of shares) was resolved on in respect of any class of its shares at TUI AG's general shareholders' meeting immediately preceding such Fixed or Floating Remuneration Payment Date;

(ii) no such dividend, other distribution or payment (including for the purposes of a redemption or repurchase of shares) has been resolved on, paid or made in respect of: (a) any subordinated debt security issued or guaranteed by TUI AG ranking *pari passu* with the Bonds ("**Parity Security**") which, pursuant the applicable accounting standards qualifies in its entirety as "equity" in TUI AG's consolidated balance sheet ("**Parity as Equity treated Security**") since the day of TUI AG's general shareholders' meeting (inclusive) or (b) any security ranking junior to the Bonds ("**Junior Security**") or to any Parity Security which, pursuant to the applicable accounting standards, qualifies in its entirety as "equity" in TUI AG's consolidated balance sheet ("**Junior as Equity treated Security**"); and

(iii) TUI AG has not repurchased or otherwise acquired, or caused another of its Group companies to repurchase or otherwise acquire any Parity Security, Junior Security or any shares of any class of shares for any consideration except by conversion into or exchange for shares since the day of its annual shareholders' meeting (inclusive).

Payment of Arrears of Remuneration and conditions for such payment

Under certain circumstances, TUI AG is obliged to pay outstanding Arrears of Remuneration. Such circumstances include situations in which: (i) payment of a dividend or other distribution or payment (including for the purposes of a redemption or repurchase of shares) is resolved or paid by TUI AG; (ii) TUI AG makes any payment or remuneration or distribution on a Junior as Equity treated Security or a Parity as Equity treated Security; or (iii) in which TUI AG repurchases or otherwise acquires any Parity Security, Junior Security or any shares or any class of shares.

Any obligation to pay Arrears of Remuneration is, however, subject to the condition precedent that for such payment, TUI AG uses only cash proceeds from the issuance or sale of its shares and/or the issuance of Junior Securities or Parity Securities. TUI AG is obliged, to the extent legally possible, to issue the relevant securities as soon as possible in order to meet the preceding condition and to use the proceeds to pay Arrears of Remuneration immediately thereafter.

Proceeds from the sale of shares cannot come from treasury shares acquired against cash within the last six months before the payment, and Junior Securities and Parity Securities can only be issued up to a nominal amount of 25% of the aggregate principal amount of the Bonds for this purpose. Any payment of Arrears of Remuneration is further subject to the condition that no compulsory provisions of German corporate law prevents TUI AG from raising capital in the manner just described.

Maturity and redemption

The Bonds do not have a final maturity date.

The Bonds are subject to redemption in whole, but not in part, at their principal amount at the option of TUI AG: (i) on January 30, 2013, or on any Floating Remuneration Payment Date thereafter; or (ii) at any time in case of a Change of Control or in case the principal amount of the Bonds still outstanding falls below 20% of the original principal amount. The Bonds are also subject to redemption (in whole, but not in part) at the option of the Issuer before January 30, 2013 at their principal amount in the event that:

(i) TUI AG has or will become obliged to pay additional amounts as a result of any change of the laws of the Federal Republic of Germany and such obligation cannot be avoided by TUI AG taking reasonable measures to avoid it ("**Gross-up Event**"); or

(ii) due to a change in the tax laws of the Federal Republic of Germany or a relevant official interpretation or pronouncement, the Remuneration is no longer (or will no longer be) deductible by TUI AG for German taxes on earnings (including corporate income and trade tax) to at least the same degree as upon issue of the Bonds ("**Tax Event**"); or

(iii) the funds raised through the issuance of the Bonds must not, or must no longer, be recorded as equity pursuant to the applicable accounting standards for the purposes of the annual consolidated financial statements of TUI AG ("**Accounting Event**").

In case of a redemption at the option of TUI AG or following a Gross-up, Tax Event or Accounting Event, the redemption is subject to TUI AG or any finance subsidiary guaranteed by TUI AG having, within the six months preceding the redemption becoming effective, issued securities ranking junior to or *pari passu* with the Bonds under terms and conditions similar to those of the Bonds and/or shares or sold treasury shares (except for treasury shares which have been acquired against cash within a period of six months before the relevant date of redemption) against proceeds at least equal to the nominal amount payable upon redemption, provided that in case of an Accounting Event, Tax Event or Gross-up Event modifications to the terms and conditions of the securities ranking junior to or *pari passu* with the Bonds may be made in order to obtain IFRS equity treatment, tax deductibility or eligibility to make payments free of withholding taxes otherwise with the same terms and conditions as the Bonds.

Status of the Bonds

The Issuer's obligations in respect of the Bonds are subordinated to all other creditors in insolvency, liquidation or similar proceedings and rank senior to claims of its shareholders. However, claims for payment of Arrears of Remuneration will rank *pari passu* with claims of the shareholders of the Issuer.

Events of default

The bondholders can only declare the Bonds due and payable in the event that TUI AG enters into liquidation, winding up or dissolution. There are no other events of default under the Bonds' conditions of issue.

Governing law

The Bonds are governed by German law.

TUI AG €217,789,399.90 5.5% Convertible Bonds of 2009/2014

In November 2009, the TUI AG issued €217,789,399.90 5.5% convertible bonds which are due in November 2014 of which €67.2 million was outstanding as of June 30, 2014. TUI AG's obligations under the bonds are unsecured and rank *pari passu* with all its outstanding unsecured and unsubordinated indebtedness. The bonds will be redeemed at their principal amount by TUI AG together with interest accrued on the principal amount until the maturity date unless they have previously been redeemed or converted or purchased and cancelled. The bonds' terms and conditions grant each bondholder the right to convert each bond in whole but not in part into ordinary shares of TUI AG during the conversion period, as set forth in the terms and conditions. The current conversion price per share is €5.5645, subject to further adjustments pursuant to Section 11 and/or Section 14 of the bonds' terms and conditions (dilution adjustment, change of control). The conversion ratio is calculated by dividing the principal amount of a bond (€56.30) by the conversion price applicable on the conversion date. TUI AG is entitled to redeem the remaining bonds in whole but not in part, at their principal amount plus interest accrued on their principal amount until the date of redemption, if at any time the aggregate principal amount of bonds outstanding falls below 15% of the aggregate principal amount of the bonds that were initially issued. If TUI AG has published a notice regarding a change of control pursuant to Section 14 of the bonds' terms and conditions, any bondholder may, at its option, demand the redemption of any or all of its bonds for which the conversion right was not exercised at their principal amount plus interest accrued on their principal amount. The bonds may be declared immediately due and payable in accordance with the terms and conditions customary for this kind of financial instrument, in particular if TUI AG defaults in its payment or other obligations under the bonds. The bonds' terms and conditions provide for a customary negative pledge and are governed by German law. The bonds will be redeemed at the principal amount on November 17, 2014, together with interest accrued on the principal amount until (but excluding) such date, unless they have previously been redeemed or converted or purchased and cancelled.

TUI AG €339,000,000 2.75% Convertible Bonds of 2011/2016

In March 2011, TUI AG issued €338,964,059.22 2.75% convertible bonds which are due in March 2016 of which €339.0 million was outstanding as of June 30, 2014. TUI AG's obligations under the bonds are unsecured and rank *pari passu* with all its outstanding unsecured and unsubordinated indebtedness. The bonds will be redeemed at their principal amount by TUI AG together with interest accrued on the principal amount until the maturity date unless they have previously been redeemed or converted or purchased and cancelled. The bonds' terms and conditions grant each bondholder the right to convert each bond in whole but not in part into ordinary shares of TUI AG during the conversion period, as set forth in the terms and conditions. The current conversion price per share is €11.7127, subject to further adjustments pursuant to Section 11 and/or Section 14 of the bonds' terms and conditions (dilution adjustment, change of control). The conversion ratio is calculated by dividing the principal amount of a bond (€59.26) by the conversion price applicable on the conversion date. TUI AG is entitled to redeem the remaining bonds in whole but not in part, at their principal amount plus interest accrued on their principal amount until the date of redemption, if at any time the aggregate principal amount of bonds outstanding falls below 15% of the aggregate principal amount of the bonds that were initially issued. If TUI AG has published a notice regarding a change of control pursuant to Section 14 of the bonds' terms and conditions, any bondholder may, at its option, demand the redemption of any or all of its bonds for which the conversion right was not exercised at their principal amount plus interest accrued on their principal amount. The bonds may be declared immediately due and payable in accordance with the terms and conditions customary for this kind of financial instrument, in particular if TUI AG defaults in its payment or other obligations under the bonds. The bonds' terms and conditions provide for a customary negative pledge and are governed by German law. The bonds will be redeemed at the principal amount on March 24, 2016, together with interest accrued on the principal amount until (but excluding) the such date, unless they have previously been redeemed or converted or purchased and cancelled.

TUI Travel's £350 million Convertible Bond

In October 2009, TUI Travel issued £350,000,000 6.00% convertible bonds due October 5, 2014 (the "**TUI Travel 2014 Bonds**"), of which £253,500,000 was outstanding as at October 1, 2014 (being the last practicable date prior to the date of this Prospectus), not taking into account conversion notices received for a further £251,200,000 of TUI Travel 2014 Bonds, for which shares have not yet been issued. Unless previously purchased and cancelled, redeemed or converted the TUI Travel 2014 Bonds are redeemable at their principal amount, together with accrued but unpaid interest to such date, on October 5, 2014.

Under the terms and conditions of the TUI Travel 2014 Bonds, each holder of the 2014 Bonds had the right to convert its bonds into ordinary shares of TUI Travel at any time up to the date falling seven calendar days prior to October 5, 2014, as set forth in the terms and conditions of the TUI Travel 2014 Bonds.

It is expected that the outstanding principal amount of the TUI Travel 2014 Bonds will be redeemed by October 6, 2014.

The terms and conditions of the TUI Travel 2014 Bonds are governed by English law.

TUI Travel's £400 million Convertible Bond

In April 2010, TUI Travel issued £400,000,000 4.90% convertible bonds due April 27, 2017 ("**TUI Travel 2017 Bonds**"), of which £400,000,000 was outstanding as at October 1, 2014 (being the last practicable date prior to the date of this Prospectus). The TUI Travel 2017 Bonds are unsubordinated and (subject to a customary negative pledge) unsecured obligations of TUI Travel, ranking pari passu with all TUI Travel's other existing and future unsecured and unsubordinated indebtedness. Unless previously purchased, redeemed or converted and cancelled, the TUI Travel 2017 Bonds will be redeemed at their principal amount, together with accrued but unpaid interest to such date, on April 27, 2017.

Under the terms and conditions of the TUI Travel 2017 Bonds each bondholder has the right to convert its bonds into ordinary shares of TUI Travel in the circumstances set forth in the terms and conditions of the TUI Travel 2017 Bonds, up to the date that falls seven calendar days prior to the final maturity date.

The conversion price in respect of the TUI Travel 2017 Bonds in effect as at October 1, 2014 (being the last practicable date prior to the date of this Prospectus) was £3.8234, which is subject to adjustment in the circumstances described in the terms and conditions of the TUI Travel 2017 Bonds. The number of ordinary shares of TUI Travel to be issued on conversion of a 2017 bond is calculated by dividing the principal amount of that bond (£100,000) by the conversion price in effect on the relevant conversion date.

It is not expected that the interim dividend to be paid in respect of the TUI Travel shares to TUI Travel shareholders on October 3, 2014 will cause an adjustment to the conversion price. It is expected that the second interim dividend proposed to be declared in respect of the TUI Travel Shares to TUI Travel Shareholders on or around the date of the Court Hearing, will cause an adjustment to the conversion price. Should the Scheme become effective, the conversion price in effect as at June 30, 2014 (being the last practicable date prior to the date of this Prospectus) will be adjusted, pursuant to the relevant adjustment provision provided in the terms and conditions of the TUI Travel 2017 Bonds, for a limited period of 60 days following the date of the occurrence of the Change of Control (as defined in the terms and conditions of the TUI Travel 2017 Bonds) or the date on which notice thereof is served to bondholders and certain other relevant persons (whichever is the later). TUI Travel is entitled to redeem all but not some only of the 2017 Bonds, at their principal amount together with accrued but unpaid interest to the relevant date of redemption, if:

(a) the value of the TUI Travel ordinary shares underlying a 2017 Bond in the principal amount of £100,000 equals or exceeds £130,000 for at least 20 out of 30 consecutive dealing days; or

(b) at any time the aggregate principal amount of 2017 Bonds outstanding is 15% or less than the aggregate principal amount of 2017 Bonds that were initially issued.

The holder of a 2017 Bond is entitled to require TUI Travel to redeem its bonds at their principal amount together with accrued but unpaid interest to such redemption date:

(a) for a limited period of 60 days following the date of the occurrence of the Change of Control (as defined in the terms and conditions of the TUI Travel 2017 Bonds) or the date on which notice thereof is served to bondholders and certain other relevant persons (whichever is the later); and

(b) on October 27, 2015.

The terms and conditions of the 2017 Bonds are governed by English law.

The 2017 Convertible Bond Financing Arrangement (Tranmere)

In April 2010, TUI Travel issued £400,000,000 4.90% convertible bonds which are due in April 2017 (the "**TUI Travel 2017 Convertible Bonds**"). *(See "Material Agreements—TUI Travel's £400 million convertible bond".)* To prevent potential dilution of its majority shareholding in TUI Travel, the Company subscribed for 50% of the TUI Travel 2017 Convertible Bonds. In order to finance this participation, the Company entered into a three-year financing arrangement with Deutsche Bank AG, pursuant to which Deutsche Bank AG subscribed for 50% of the TUI Travel 2017 Convertible Bonds with a value of £200 million. Further, Deutsche Bank AG bought from the Company 86,967,049 shares in TUI Travel for a purchase price of £250 million, representing the market value for these shares at that time. The TUI Travel 2017 Convertible Bonds and the shares in TUI Travel were sold by Deutsche Bank AG to the Company by way of a contingent forward purchase agreement and with regard to which the Company has made partial prepayments in an amount of £300 million. Periodic compensation is payable by the Company to Deutsche Bank AG on the remaining amount of £150 million. In return, the Company is entitled to receive the economic benefit of any dividend payments paid on the shares sold and the interest on the TUI Travel 2017 Convertible Bonds as part of this financing arrangement. If the Company were to default on its obligations under the agreement, Deutsche Bank AG, under certain conditions, would be entitled to dispose of the assets in the market. In addition, Deutsche Bank AG is entitled to terminate the arrangement in certain circumstances, which include the Company becoming the holder of 65% or more of TUI Travel and/or TUI Travel's shares ceasing to be publicly listed.

The assets which are the subject of the financing arrangement were previously held by Antium Finance Limited, a special purpose vehicle in which the Company held no interest. The Company, Deutsche Bank AG and Antium Finance Limited entered into voting rights agreements to ensure that any voting rights attached to the underlying TUI Travel shares would be exercised in accordance with the instructions given by the Company. In terms of the commercial balance sheet, both the shares contributed by the Company and the TUI Travel 2017 Convertible Bonds are attributable to the Company and therefore have to be recognized in the Company's statement of financial position. In addition, a mechanism has been put in place which allows for the TUI Travel 2017 Convertible Bonds held in connection with this financing arrangement to convert if any TUI Travel 2017 Convertible Bonds are converted by third-party bondholders in order to secure the Company's voting rights majority over TUI Travel. In August 2013, the Company amended the agreement with Deutsche Bank AG to extend the Company's right to acquire the assets of Antium Finance Ltd. (comprising the TUI Travel shares and the TUI Travel 2017 Convertible Bonds held pursuant to the financing arrangement), from Antium Finance Ltd. via Deutsche Bank AG until July 2016. It was also agreed that the assets of Antium Finance Ltd. were to be transferred to Deutsche Nominees Limited which was to assume the rights and obligations of Antium Finance Ltd. This transition took place in October 2013.

On September 15, 2014, the Company entered into a letter agreement in relation to the contingent forward purchase agreement with Deutsche Bank AG. Under that letter agreement the Company may serve an early settlement notice on Deutsche Bank AG, pursuant to which completion of the purchase under the contingent forward purchase agreement would occur conditional on the Scheme becoming effective.

TUI Travel's £300 million Revolving Credit Facility

On June 28, 2013, TUI Travel entered into a £300 million revolving credit facility agreement (the "**£300 million RCF**") made available for the sole purpose of refinancing, directly or indirectly, the costs of repaying all or part of TUI Travel's £350 million convertible bond or TUI Travel's £400 million convertible bond described above. The £300 million RCF was entered into by TUI Travel, TUI Travel Aviation Finance Limited, First Choice Holidays Finance Limited, TUI UK Limited (each as an "**Original Borrower**" and an "**Original Guarantor**", together the "**Borrowers**" and "**Guarantors**") and The Royal Bank of Scotland PLC (as "**Facility Agent**"), The Royal Bank of Scotland PLC, Bank of America, N.A, Barclays Bank PLC, UniCredit Luxembourg S.A., HSBC Bank PLC, Citibank N.A, London Branch and Lloyds TSB Bank PLC (as "**Lenders**").

Any voluntary prepayment of a loan under the £300 million RCF may be re-borrowed on the terms of the £300 million RCF but any mandatory or involuntary prepayment of a loan under the £300 million RCF (other than a mandatory prepayment prior to October 31, 2015 arising from net cash proceeds received by the Company from the issue of debt capital markets securities, convertible or equity securities) may not be re-borrowed The final maturity date of all Loans under the £300 million RCF is April 29, 2016, with an intermediate requirement that TUI Travel must procure no loans under the £300 million RCF are outstanding on May 29, 2015. The availability period starts October 5, 2014 and ends on March 29, 2016 (the "**Availability Period**"). The rate of interest for the term of each cash borrowing under the £300 million RCF is the percentage rate per annum equal to the aggregate of the applicable margin (between 2.00% and 2.50% per annum) and LIBOR.

Under the £300 million RCF, wholly owned subsidiaries of the TUI Travel may become an additional obligor subject to certain conditions set out in the £300 million RCF. TUI Travel may request that an obligor (other than itself and TUI UK Limited) ceases to be an obligor under the £300 million RCF, subject to certain conditions set out in therein. TUI Travel functions as the agent of the obligors under the £300 million RCF. TUI Travel is obliged to, among other things: (i) provide certain financial information to the Facility Agent; (ii) ensure certain ratios of net borrowings to EBITDA and EBITDAR to net interest expense; and (iii) conduct its business and operations (and procure that its subsidiaries conduct their business and operations) in accordance with undertakings which are typical for a facility of this nature.

Among other things, a change of control of TUI Travel, will trigger a right for any Lender to cancel its commitment under the £300 million RCF and demand that a pro-rata share of that Lender's participations in all outstanding loans are immediately repaid or prepaid to that Lender. A change of control occurs if: (i) any person or group of persons acting in concert (as defined in the City Code on Takeovers and Mergers) gains control (as defined in section 450 of the Corporation Tax Act 2010) of TUI Travel or (ii) TUI AG (and any person acting in concert with it) acquires 75% or more of the voting shares in TUI Travel.

If TUI Travel receives any net cash proceeds from the issue of debt capital market securities, convertible securities or equity securities, it is obliged to apply an equivalent amount of such proceeds in prepayment of any loans then outstanding (and in respect of any prepayment of any loans after 27 November 2015, in prepayment and cancellation of any loans then outstanding) under the £300 million RCF.

Any unutilized commitments under the £300 million RCF on the last day of the Availability Period will be automatically cancelled on that date. TUI Travel can also voluntarily cancel the unutilized amount of any commitment under the £300 million RCF in whole or part by giving not less than five business days' prior notice to the facility agent and any amount of commitment so cancelled cannot be reinstated. TUI Travel exercised such right of cancellation in April 2014 to reduce the total commitments under the £300 million RCF to £150 million. However, the number of conversion notices received in respect of the TUI Travel 2014 Bonds (as described above) has the effect that as at October 1, 2014 (being the latest practicable date prior to the publication of this Prospectus) only approximately £2.3 million is available to TUI Travel to draw down under the £300 million RCF.

Framework Agreement regarding the Costs for Aircraft, Crew, Maintenance, Insurance and Overhead with Air Berlin plc & Co.

On March 27, 2009 TUIfly GmbH (formerly Hapag-Lloyd Fluggesellschaft mbH) and Air Berlin plc & Co. Luftverkehrs KG entered into a framework agreement regarding the costs for aircraft, crew, maintenance, insurance and overhead (the "**ACMIO-Agreement**"). The ACMIO-Agreement provides for the operation of TUIfly GmbH's entire fleet under ACMIO agreements exclusively with Air Berlin plc & Co. Luftverkehrs KG and with TUI Deutschland GmbH against a remuneration covering all of TUIfly GmbH's costs arising in connection with the services provided plus a flat surcharge of 4%. The ACMIO-Agreement has an initial term of ten years with an automatic extension for another five years unless otherwise agreed 24 months prior to the end of the initial term. Each of the ACMIO agreements contains various representations and warranties, however, all rights and claims resulting from an incorrectness of those representations and warranties other than those relating to the valid existence of the parties, title-related claims and performance claims are now time-barred.

Boeing Contract for the Purchase of 60 Boeing 737 MAX Aircraft

On May 30, 2013, TUI Travel Aviation Finance Limited ("**TTAFL**"), a wholly-owned subsidiary of TUI Travel, entered into an agreement with The Boeing Company ("**Boeing**") in connection with the purchase of Boeing 737MAX aircraft (the "**Boeing Contract**"). Under the terms of the Boeing Contract, TTAFL agreed to purchase 60 Boeing 737 MAX aircraft comprising 40 737MAX-8 variant and 20 737MAX-9 variant (the "**Aircraft**"), each with certain substitution rights which allow TTAFL to change the variant of a particular Aircraft (subject to certain limitations and notice periods). The Aircraft are for delivery commencing in January 2018 and ending in March 2023, although TTAFL has the flexibility to defer delivery dates subject to appropriate notice and certain other conditions. As at July 2012, the aircraft basic price (which is essentially the list price) for the 60 Boeing 737MAX Aircraft was approximately $6.9 billion (being $97,779,300 for each 737MAX-8 aircraft and $104,925,300 for each 737MAX-9 aircraft). The aircraft basic price for each Aircraft is increased by (i) an escalation factor; and (ii) certain "buyer-furnished" or "seller purchased" equipment which TTAFL may request Boeing to install. The escalation factor is designed to increase the aircraft basic price, to account for economic fluctuations, of any individual Aircraft by applying a formula which reflects increases in certain published U.S. employment cost and consumer price indices between the time the aircraft basic price was set and the month of delivery of the relevant Aircraft. The final aircraft basic price is also subject to increases or decreases resulting from changes to the relevant specifications of the Aircraft. Boeing granted to TTAFL certain price concessions, allowances and other support items as part of the Boeing Contract. These price concessions take the form of credit memoranda issued to TTAFL which TTAFL may apply towards the final balance of the purchase price at delivery of the Aircraft or the purchase of goods and services from Boeing. The various credit memoranda, allowances and support will reduce the effective price of the Aircraft to TTAFL significantly below the aircraft basic price. Certain of the other allowances and support provided by Boeing (such as support for TTAFL promotional activities) also effectively reduce the price of each Aircraft.

The Boeing Contract requires that periodic advance payments be made in respect of each Aircraft. These advance payments secure the delivery positions and contribute to the costs incurred by Boeing in the construction of each Aircraft. Boeing's standard advance payment schedule requires Boeing customers to have paid 30% of the aircraft basic price, adjusted by the addition of escalation at 3% per annum until delivery. TTAFL agreed certain variations to the standard schedule which provides significant benefits to TTAFL. On delivery of each Aircraft, TTAFL is required to pay the outstanding balance of the Aircraft price.

Pursuant to the Boeing Contract, Boeing will provide TTAFL with a range of services and support in relation to the Aircraft which includes comprehensive flight, operation and maintenance training, manuals and technical data. Boeing provided TTAFL with warranties on the Aircraft, including certain warranties against defects in design, materials or workmanship and a warranty that the Aircraft conform to the agreed specifications, and agreed to indemnify TTAFL against certain intellectual property infringement claims that may be brought in respect of the Aircraft and any other claims in connection with any demonstration or test flights of the Aircraft. Boeing also provided certain guarantees, relating to matters such as fuel efficiency, in respect of the performance of the Aircraft and agreed to provide specified remedies in circumstances where an Aircraft fails to meet the performance guaranteed by Boeing. TTAFL provided Boeing with certain indemnities with respect to equipment furnished by TTAFL for installation in the Aircraft.

In addition to the Aircraft, TTAFL was granted, subject to certain conditions, the right to purchase up to a further 60 Boeing 737 MAX aircraft, comprising 50 737MAX-8 variant and 10 737MAX-9 variant (the "**Option Aircraft**"). The Option Aircraft are available at the same basic price and terms and conditions as apply to the Aircraft and have been allocated specific delivery positions which run largely concurrently with the Aircraft. The Option Aircraft require a deposit to be placed by TTAFL and if TTAFL wishes to exercise any of its rights in relation to Option Aircraft, it will be required to provide a minimum period of notice to Boeing.

TTAFL was also offered, subject to delivery positions being available, an additional 30 Boeing 737MAX purchase right aircraft (the "**Purchase Right Aircraft**"). The Purchase Right Aircraft do not have specific delivery positions allocated to them but are available for delivery until December 31 2026. Delivery positions have not been reserved for the Purchase Right Aircraft. The Purchase Right Aircraft involved no commitment from TTAFL but, in contrast to the certainty of terms for the Aircraft and Option Aircraft, certain key commercial terms for the Purchase Right Aircraft will only be determined at the time such purchase rights would be exercised. Deposits would become payable if TTAFL exercised the option to acquire any Purchase Right Aircraft.

Either party may terminate the Boeing Contract if the other party becomes subject to insolvency proceedings or otherwise ceases trading or disposes of all or substantially all of its business. TTAFL has the right to terminate the Boeing Contract with respect to a particular Aircraft if the delivery of the relevant Aircraft is delayed for more than twelve months. If the delay is not classed as an 'excusable delay' (being broadly a delay caused by circumstances which are beyond the control of Boeing), TTAFL will also be entitled to receive liquidated damages at a daily rate for the duration of a non-excusable delay, subject to a cap. For delays which do not exceed such set period of time, the liquidated damages are in lieu of all rights and remedies which may otherwise be available to TTAFL under Washington State law, which is the governing law of the Boeing Contract. Boeing also has certain termination rights with respect to individual Aircraft which apply where there are long-term delays in delivery.

TTAFL also entered into an agreement with CFM International S.A. ("**CFM**" and the "**CFM Agreement**") on May 30, 2013, under which CFM will provide support for the LEAP-1B Engines installed on the Aircraft purchased direct from Boeing under the Boeing Contract and, in addition, TTAFL agreed to purchase eight spare LEAP-1B Engines at an aggregate escalated list price of approximately $104 million. The CFM Agreement provides TTAFL with the benefit of credits, concessions and special guarantees from CFM in respect of the LEAP-1B Engines for the Aircraft, spare LEAP-1B Engines and also for LEAP-1B Engines installed on any of the Option Aircraft and Purchase Right Aircraft purchased by TTAFL as well as spare LEAP-1B Engines for any such Option Aircraft and Purchase Right Aircraft. Under the CFM Agreement, CFM additionally provided certain concessions, guarantees and warranties, relating to both the installed engines purchased via Boeing and the spare engines purchased from CFM, in a direct agreement which is related to the Boeing Contract.

GENERAL INFORMATION ABOUT TUI AG

Corporate History, Formation, Company Name, Registered Office, Fiscal Year and Duration of the Company

As of the date of this Prospectus, the Company's legal name is TUI AG. The Company's commercial name is "TUI AG" or "TUI". The Company's registered offices are in Berlin and Hanover, Germany. The Company is registered in the commercial register (*Handelsregister*) of the district court (*Amtsgericht*) of Berlin-Charlottenburg under HRB 321 and the commercial register of the district court (*Amtsgericht*) of Hanover under HRB 6580. Its business address is TUI AG, Karl-Wiechert-Allee 4, 30625 Hanover, Germany. The Company can be reached by telephone at +49 511 566 00.

As a stock corporation (*Aktiengesellschaft*) established under German law, TUI AG is subject to the German Stock Corporation Act (*Aktiengesetz*). The Company's financial year ends on September 30 of each calendar year. The Company was established for an indefinite term.

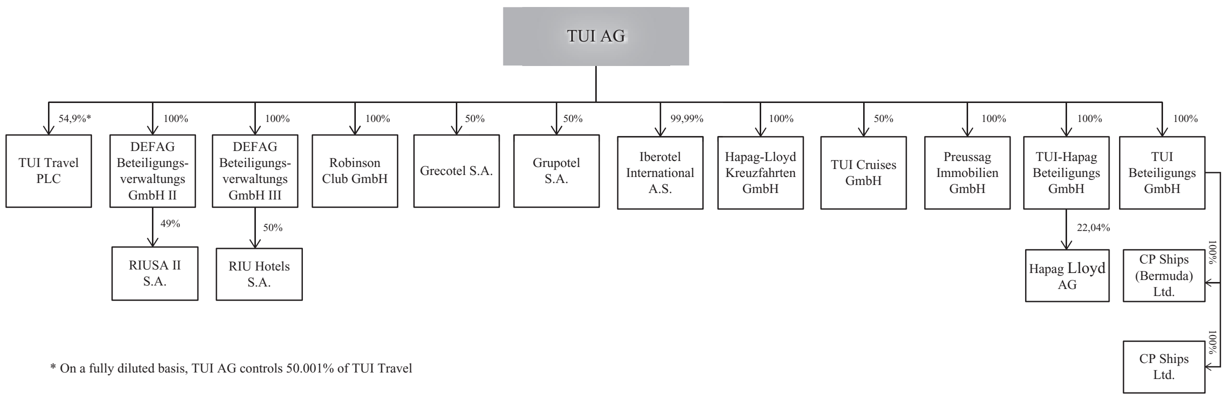
Corporate Purpose

Pursuant to Article 3 of the Articles of Association, the corporate purpose (*Unternehmensgegenstand*) of TUI AG is to engage on a commercial basis in tourism and shipping (including all associated services and project developments), the acquisition of interests in enterprises active in tour operating, commercial air transportation, passenger and freight shipping (in particular container shipping) as well as the container transport business, the hotel industry, the leisure industry, in travel agents as well as other services, namely in its own facilities or in affiliated companies, as well as the bundling of affiliated companies under a centralized management.

The Company is entitled to undertake all kinds of business and measures deemed necessary or expedient for achieving the purpose of the Company, in particular to establish or acquire other enterprises or to participate therein as well as to transfer its operations in total or in part to such enterprises, or put them into same, to establish, branches at home and abroad, and also to conclude joint interest agreements and inter-company agreements.

Group Structure

TUI AG is the holding company of the Group. The following chart shows the significant subsidiaries of the Company as of the date of this Prospectus.



Material Shareholdings of TUI AG

The following table lists all the Company's direct or indirect subsidiaries, which it deems material, together with corporate and financial information relating to these companies. Where such companies are also subsidiaries of TUI Travel, they are listed with the shareholding of TUI AG in TUI Travel, which is currently 54.9%:

Name and registered office	Business	Shareholdings in %
Corsair S.A. *Rungis, France*	Mainstream Tour Operator France	54.9
DEFAG Beteiligungsverwaltungs GmbH I *Hanover, Germany*	Holding within All Other Segments	100.0
DEFAG Beteiligungsverwaltungs GmbH III *Hanover, Germany*	Holding within All Other Segments	100.0
First Choice Airways Limited *Crawley, United Kingdom*	Mainstream Airline United Kingdom	54.9
First Choice Holdings Inc. *Delaware, United States of America*	Holding company within TUI Travel	54.9
First Choice Holidays Finance Limited *Crawley, United Kingdom*	Group Financing	54.9
First Choice Holidays Limited *Crawley, United Kingdom*	Mainstream Tour Operator United Kingdom	54.9
First Choice Overseas Holdings Limited *Crawley, United Kingdom*	Holding company within TUI Travel	54.9
Fritidsresor AB *Stockholm, Sweden*	Mainstream Tour Operator Nordic	54.9
Jetair N.V. *Oostende, Netherlands*	Mainstream Airline Netherlands	54.9
Leibniz-Service GmbH *Hanover, Germany*	Holding company within TUI Travel	54.9
Sovereign Tour Operations Limited *Crawley, United Kingdom*	TUI Travel Specialist Tour Operator	54.9
Tenuta di Castelfalfi S.p.A. *Florence, Italy*	Hotel Development Entity, TUI Hotels & Resorts	100.0
Thomson Airways Limited *Crawley, United Kingdom*	Mainstream Airline United Kingdom	54.9
TUI Beteiligungs GmbH *Hanover, Germany*	Holding within All Other Segments	100.0
TUI Canada Holdings Inc. *Toronto, Canada*	Mainstream Canada Tour Operator	54.9
TUI Deutschland GmbH *Hanover, Germany*	Mainstream Deutschland Tour Operator	54.9
TUI-Hapag-Beteiligungs GmbH *Hanover, Germany*	Holding within All Other Segments, holding the stake in Hapag-Lloyd AG	100.0
TUIfly Nordic AB, *Stockholm, Sweden*	Mainstream Airline Nordics	54.9
TUI Nederland Holding N.V. *Rijswik, Netherlands*	Mainstream Tour Operator Nederland	54.9
TUI Nordic Holding AB *Stockholm Sweden*	Mainstream Tour Operator Nordic	54.9
TUI Travel Accommodation & Destinations SL *Palma de Mallorca, Spain*	Holding company within TUI Travel	54.9
TUI Travel Amber E&W LLP *Crawley, United Kingdom*	Intra-Group Pension Fund Services	54.9
TUI Travel Amber Scot LP *Edinburgh, United Kingdom*	Intra-Group Pension Fund Services	54.9
TUI Travel Holdings Limited *Crawley, United Kingdom*	Holding company within TUI Travel	54.9

Name and registered office	Business	Shareholdings in %
TUI Travel Holdings Sweden AB *Stockholm, Sweden*	Holding company within TUI Travel	54.9
TUI Travel PLC *Crawley, United Kingdom*	Holding company within TUI Travel	54.9
TUI UK Transport Ltd *Crawley, United Kingdom*	Mainstream UK Tour Operator	54.9
Cabotel-Hoteleria e Turismo Lda. *Santiago, Cap Verde*	Operating entity within TUI Hotels & Resorts	50.0
MX Riusa II S.A. de C.V. *Cabo San Lucas, Mexico*	Operating entity within TUI Hotels & Resorts	50.0
RIUSA II S.A. *Palma de Mallorca, Spain*	Operating entity within TUI Hotels & Resorts	50.0

Disclosure Obligations Relating to Shares with Voting Rights

TUI, as a German stock corporation with its registered seat in Germany, is subject to the provisions of the German Securities Trading Act (*Wertpapierhandelsgesetz* or "**WpHG**") governing disclosure requirements for shareholdings and to the provisions of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz* or "**WpÜG**").

The German Securities Trading Act (WpHG) requires that anyone who acquires, sells or in some other way reaches, exceeds or falls below 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% or 75% of the voting rights in an issuer whose country of origin is Germany and whose shares are admitted to trading on an organized market must immediately, but in any event no later than within four trading days of such fact, notify the issuer and, at the same time, the BaFin.

The notice must include the address of the individual or entity, the share of voting rights held and the date of reaching, exceeding or falling below the respective threshold. As a domestic issuer, the Company must publish such notices immediately, but no later than within three trading days after receiving them, via qualified media outlets. The Company must also transmit the notice to the BaFin and to the German Company Register (*Unternehmensregister*).

In connection with these requirements, the German Securities Trading Act (WpHG) set forth various rules that require the attribution of voting rights of certain persons associated with the shareholder or acting together with the shareholder. For example, shares belonging to a third party are attributed to a party if the latter controls the former; similarly shares held by a third party for the account of another party are attributed to the latter. Shares or financial instruments held for trading by a securities services company are not taken into account for determining the notification obligation if it is ensured that the voting rights held by them are not exercised and that they amount to no more than 5% of the voting shares or do not grant the right to purchase more than 5% of the voting shares.

Since the entry into force of the German Risk Limitation Act (*Risikobegrenzungsgesetz*), any kind of cooperation among shareholders that is designed to effect a permanent and material change in the business strategy of the Company can result in an attribution of voting rights, *i.e.*, the cooperation does not necessarily have to be specifically about the exercise of voting rights; a voting coordination in individual cases will, however, not trigger an attribution of voting rights.

If a shareholder willfully fails to file a notice or provides false information, the shareholder is excluded from exercising the dividend rights attached to its shares for the duration of the failure. If the shareholder fails to disclose the number of voting rights held and the shareholder acted willfully or was grossly negligent, the shareholder is generally not permitted to exercise the administrative (voting) rights attached to his shares for a period of six months after it files the necessary notification. In addition, a fine may be imposed for failure to comply with the notification obligation.

Except for the 3% threshold, similar notification obligations exist under Section 25 of the German Securities Trading Act (WpHG) to the Company and BaFin for reaching, exceeding or falling below the aforementioned thresholds when holding other financial instruments entitling their holder to unilaterally acquire existing shares of the Company carrying voting rights by binding legal agreement. The Act on Strengthening Investor Protection and Improving the Functionality of the Capital Market (*Gesetz zur Stärkung des Anlegerschutzes und Verbesserung der Funktionsfähigkeit des Kapitalmarktes*), the relevant part of which came into effect on February 1, 2012, extended this obligation to "other instruments" that grant the holder the right to acquire unilaterally, based on a legally binding agreement, existing shares of the Company carrying voting rights that do not qualify as "financial instruments" within the meaning of the German Securities Trading Act (WpHG), *e.g.*, securities lending agreements or sales and repurchase agreements.

Section 25a of the German Securities Trading Act (WpHG) now provides that any person who directly or indirectly holds financial instruments or other instruments that are not covered by Section 25 of the German Securities Trading Act (WpHG) and that merely enable the holder to acquire existing shares carrying voting rights of an issuer whose home country is the Federal Republic of Germany must notify the issuer and, simultaneously, the BaFin immediately, and within four trading days at the latest, when reaching, exceeding or falling below 5%, 10%, 15%, 20%, 25%, 30%, 50% or 75%. Accordingly, such financial or other instruments do not need to entitle the holder to claim delivery of the shares. A notification requirement can be triggered if an acquisition of voting rights is only possible under the economics of the instrument, *e.g.*, if the counterparty to such financial or other instrument can reduce or mitigate its risk by acquiring the relevant shares. Therefore, cash-settled equity swaps and contracts for the payment of price differences have become subject to the notification requirements.

A shareholder who reaches or exceeds the threshold of 10% of the voting rights, or a higher threshold, is obligated to notify the issuer within twenty trading days regarding the objective being pursued through the acquisition of voting rights as well as regarding the source of the funds used for the purchase. Changes in those objectives must also be reported within twenty trading days. The Articles of Association have not made use of the option to release shareholders from this disclosure obligation.

Furthermore, pursuant to the German Securities Acquisition and Takeover Act (WpÜG), any person whose share of the voting rights reaches or exceeds 30% must: (a) publicly disclose this fact, including the percentage of its voting rights, within seven calendar days of reaching or exceeding that threshold and (b) subsequently, unless an exemption from this obligation has been granted by BaFin, submit a mandatory public tender offer to all holders of shares in the Company. The German Securities Acquisition and Takeover Act (WpÜG) contains a series of provisions intended to ensure the attribution of shareholdings to the person who actually controls the voting rights from the shares. If the shareholder fails to give notice of reaching or exceeding the 30% threshold or fails to submit the mandatory tender offer, the shareholder is barred from exercising the rights associated with these shares (including voting rights and, in case of willful failure to send the notice and failure to subsequently send the notice in a timely fashion, the right to receive dividends) for the duration of such failure. A fine may also be imposed in these cases.

As the New TUI Shares will represent 30% of the voting rights in the Company and will be issued to the Trustee (as trustee for the Scheme Shareholders) the Trustee would be subject to the above notification and mandatory tender offer obligations unless an exemption is granted by BaFin. The Trustee will apply for such exemption and based on the past administrative practice of BaFin in similar cases, it is expected that such exemption will be granted.

Following the admission of the Shares to the premium listing segment of the Official List of the UK Listing Authority and to trading on the main market of the London Stock Exchange, the Group will be subject to the shared jurisdiction of the UK City Code on Takeovers and Mergers (the "City Code") and applicable German takeover law. As the Company is incorporated under the laws of Germany and has its registered office in Germany, it will continue to be subject to the German Securities Acquisition and Takeover Code (WpÜG). However, as long as its Shares are not admitted to trading on any regulated market in Germany (as will be the case following the delisting from the Frankfurt Stock Exchange) and are only admitted to trading on the main market for listed securities of the London Stock Exchange, the UK Panel on Takeovers and Mergers applying the City Code will be responsible for matters relating to the supervision of any bid including matters relating to the consideration offered, the bid procedure, the contents of the offer document and the disclosure of a bid. However, in relation to, among other matters, employee information and company law matters (in particular the percentage of voting rights which confers control of the Company and any derogation from the obligation to launch a bid, as well as the conditions under which the board of the Company may undertake any action which might result in the frustration of the bid), the German Securities Acquisition and Takeover Code (WpÜG) shall apply.

Executives of an issuer with "managerial responsibilities" within the meaning of the German Securities Trading Act (WpHG) must notify the issuer and the BaFin within five working days of transactions (so-called directors' dealings) undertaken for their own account relating to the shares of such issuer or to financial instruments based on such shares. This also applies to persons who are "closely related to such executives" within the meaning of the German Securities Trading Act (WpHG).

Shareholder Structure

Notifications

As of the date of this Prospectus, the Company is aware of the following shareholdings in the Company's registered shares that exceed the applicable thresholds under the German Securities Trading Act ("**WpHG**"):

Name of shareholder	Share of ordinary registered shares (%)
S-Group Travel Holding GmbH (ultimately controlled by A. Mordashov)(1)(2)	22.89
Riu Hotels S.A., Palma de Mallorca(2).	6.93
Deutsche AWM Investment GmbH(3)	3.03

(1) In addition, Unifirm Limited (a limited liability company incorporated in Cyprus which the Company believes is also ultimately controlled by Alexey Mordashow) holds approximately 2.66% of the issued share capital of the Company.

(2) Opening Position Disclosure under Rule 8 of the City Code on Takeovers and Mergers (July 10, 2014).

(3) Notification pursuant to sec. 21 para. 1 WpHG (July 8, 2014).

The major shareholders do not have different voting rights.

The Company is currently not aware of any other shareholders holding, directly or indirectly, more than 3% of the Company's voting rights.

DESCRIPTION OF THE COMPANY'S SHARE CAPITAL

Issued Share Capital and Shares

The current registered share capital totals €645,443,034.42 (registration of an increase of the share capital to €726,556,592.34 has been effected on October 1, 2014 in the commercial register in Berlin-Charlottenburg but is still pending with the commercial register in Hanover). The share capital is divided into 252,475,370 ordinary shares without par value (no-par value shares). The share capital has been fully paid up.

Form, Share Certificates and Transferability of the Shares

The shares are registered shares. Pursuant to Article 5 (2) of the Articles of Association, the form and content of the share certificates as well as those of the dividend warrants and certificates of renewal shall be determined by the Executive Board. Pursuant to Article 5 (3) of the Articles of Association, the Company is entitled to issue registered share documents representing one or several shares and the shareholders' right to have their shares confirmed in share certificates is excluded.

The Existing Shares are represented by global certificates which have been deposited with Clearstream Banking AG, Frankfurt am Main. The global share certificates have been issued without any dividend coupon.

Development of the Share Capital

From October 1, 2010 on, the share capital of the Company (at that time of €643,039,847.55) has developed as follows:

- on November 5, 2010, the share capital of the Company was increased by €33,745.25 from €643,039,847.55 to €643,073,592.80;
- on November 12, 2010, the share capital of the Company was increased by €281,594.00 from €643,073,592.80 to €643,355,186.80;
- on November 3, 2011, the share capital of the Company was increased by €97,324.41 from €643,355,186.80 to €643,452,511.21;
- on November 29, 2011, the share capital of the Company was increased by €407,729.71 from €643,452,511.21 to €643,860,240.92;
- on November 5, 2012, the share capital of the Company was increased by €1,067,257.89 from €643,860,240.92 to €644,927,498.81;
- on November 15, 2012, the share capital of the Company was increased by €255,288.04, from €644,927,498.81 to €645,182,786.85;
- on November 15, 2013, the share capital of the Company was increased by €5,112.92 from €645,182,786.85 to €645,187,899.77;
- on November 29, 2013, the share capital of the Company was increased by €255,134.65 from €645,187,899.77 to €645,443,034.42.

General Provisions Concerning an Increase of Share Capital

According to the German Stock Corporation Act, the share capital of a stock corporation may be increased by a resolution taken by the general shareholders' meeting. The resolution must be adopted by a majority of at least three quarters of the share capital represented at the meeting, unless the stock corporation's articles of association specify other requirements with regard to majorities. The Articles of Association allow the adoption of resolutions with a simple majority unless mandatory provisions of the German Stock Corporation Act state otherwise. A capital increase against cash contribution to be resolved by the general shareholders' meeting thus requires a simple majority of the share capital represented at the time of the resolution. In addition, the shareholders may create authorized capital, in which case a majority of three quarters of the share capital represented at the time of the resolution is required. The Executive Board is then authorized to issue shares up to a specific amount within a period not to exceed five years. The nominal amount of the authorized share capital may not exceed one half of the issued share capital at the time when the authorization is entered into the commercial register.

Additionally, shareholders may resolve to create contingent capital for the purpose of issuing shares (1) to holders of convertible bonds or other securities convertible into New TUI Shares of the Company, (2) as consideration in connection with a merger or other combination with another company, or (3) to executives and employees. A resolution to create contingent capital must be passed by a majority vote of at least three quarters of the issued share capital represented at the general shareholders' meeting convened to pass the resolution. The nominal amount of the contingent capital created for the purpose of share issues to executives and employees may not exceed 10% of the issued share capital at the time the resolution is passed.

General Provisions Concerning Subscription Rights

According to the German Stock Corporation Act, every shareholder is entitled to subscription rights to any new TUI Shares that are issued in a capital increase (including any issuance of convertible bonds, warrant-linked bonds, profit-sharing rights or participating bonds). Such subscription rights are freely transferable and may be traded on German stock exchanges within a specified period prior to the expiration of the subscription rights (assuming that the shares, on the basis of which subscription rights are granted, are also admitted to trading on the relevant stock exchange). The general shareholders' meeting may exclude subscription rights by a resolution passed by a majority of at least three quarters of the issued share capital represented at the general shareholders' meeting convened to pass such resolution. To exclude subscription rights, the Executive Board must make a report available to the shareholders justifying the exclusion and demonstrating that the Company's interest in excluding the subscription rights outweighs the shareholders' interest in such rights. Absent such justification, subscription rights may be excluded upon the issue of new TUI Shares if all of the following requirements are met:

- the Company increases its share capital against cash contributions;
- the amount of the capital increase does not exceed 10% of the existing issued share capital; and
- the offering price of the new TUI Shares is not substantially below the stock market price of the shares.

Authorized Capital

Pursuant to Article 4.4 of the Company's Articles of Association, the Executive Board is authorized, subject to the consent of the Company's supervisory board (the "**Supervisory Board**"), to increase the Company's share capital through one or several issues of registered shares until February 12, 2018 by up to €9,744,865.35 in total against contributions in cash. With the consent of the Supervisory Board the Executive Board is authorized to exclude shareholder's subscription rights in order to issue shares created from this authorized capital to employees of the Company and its Group companies and to take decisions on the content of shares and terms of its issuance.

Furthermore, pursuant to Article 4.5 of the Company's Articles of Association, the Executive Board is authorized, subject to the consent of the Supervisory Board, to increase the share capital of the Company one or several times until February 12, 2018 by up to €64,500,000.00 in total by issuing new registered shares in return for contributions in cash. The Executive Board may, with the consent of the Supervisory Board, exclude shareholders' statutory subscription rights if the amount of the New TUI Shares is not significantly lower than the exchange price for previously issued shares with the same terms or in order to exclude shareholders' subscription rights in respect of fractional amounts. The number of new shares issued on the basis of this authorization plus the shares issued or sold on the basis of an authorization to sell pursuant to Sections 71 subsection 1 no. 8 sentence 5 and 186 subsection 3 sentence 4 German Stock Corporation Act after the Company's annual shareholders' meeting (the "**Annual Shareholder' Meeting**") has passed the resolution on this authorization on February 13, 2013 ("**Date of Resolution**") until such time as the authorization has been exercised must not exceed the limit specified in Section 186 subsection 3 sentence 4 German Stock Corporation Act of 10% of the share capital existing on the Date of Resolution or (if lower) the share capital existing on the date of issue of the new shares. Further, shares that are issued or are to be issued on the basis of bonds with conversion rights or warrants or conversion obligations issued in accordance with section 186 (3) sentence 4 German Stock Corporation Act after the Date of Resolution until such time as the authorization has been exercised must be taken into account when calculating this limit.

The Executive Board is authorized, provided that the Supervisory Board consents, to determine the further details of the capital increase and its implementation.

Conditional Capital

- Conditional Capital 2008

  Pursuant to Article 4(9) of the Articles of Association, the share capital is conditionally increased by up to €99,999,961.65 by issuing up to 39,116,595 new registered shares with dividend entitlements from the beginning of the financial year of their issue. The conditional capital increase will be effected only to the extent that holders of convertible bonds, bonds with warrants, profit-sharing rights and/or income bonds (or combinations of these instruments) with conversion rights, warrants or conversion obligations issued by TUI AG or its Group companies on the basis of the authorization granted by the Annual Shareholders' Meeting of May 7, 2008 for cash until May 6, 2013 exercise their conversion rights or warrants, or insofar as conversion obligations from such bonds are fulfilled, and provided that no other means are used for servicing the bonds.

  The Executive Board is authorized, with the consent of the Supervisory Board, to determine the further details of the conditional increase in capital and its implementation.

- Conditional Capital 2009

  Pursuant to Article 4(6) of the Articles of Association, the share capital is conditionally increased by up to €17,687,140.51 by issuing up to 6,918,608 new registered shares carrying dividend rights from the beginning of the financial year of their issue. The conditional capital increase shall be effected only to the extent that holders or creditors of convertible bonds, bonds with warrants, profit-sharing rights and/or income bonds (or combinations of these instruments) with conversion rights, warrants or conversion obligations issued by TUI AG or its Group companies before May 12, 2014 for cash on the basis of the authorization resolution of the Annual Shareholders' Meeting of May 13, 2009 exercise their conversion rights or warrants or insofar as conversion obligations from such bonds are fulfilled, and provided that no other means are used for servicing such bonds.

  The Executive Board is authorized, with the consent of the Supervisory Board, to determine the further details concerning the implementation of the conditional capital increase.

- Conditional Capital 2012

  Pursuant to Article 4(7) of the Articles of Association, the share capital is conditionally increased by up to €120,000,000.00 by issuing up to 46,939,920 new registered shares with dividend rights from the beginning of the financial year in which they were issued. The conditional capital increase will be effected only to the extent that holders of convertible bonds, bonds with warrants, profit-sharing rights or income bonds (or combinations thereof) with conversion or option rights or obligations issued by TUI AG or its Group companies for cash on or before 14 February 2017 on the basis of the authorization granted by the Annual Shareholders' Meeting on 15 February 2012 exercise their conversion or option rights or to the extent that conversion or option obligations under these bonds are fulfilled and to the extent that no other forms of fulfillment are employed when servicing such obligations.

  The Executive Board is authorized, subject to the consent of the Supervisory Board, to determine the further details of the implementation of the conditional capital increase.

Convertible Bonds

TUI AG Convertible Bonds

TUI AG has in issue:

- €67,209,645.10 of convertible bonds with a coupon of 5.5% due in November 2014 (the "**TUI AG 2014 Bonds**"). The ISIN for the TUI AG 2014 Bonds is DE000TUAG117.
- €338,945,036.76 of convertible bonds with a coupon of 2.75% due in March 2016 (the "**TUI AG 2016 Bonds**"). The ISIN for the TUI AG 2016 Bonds is DE000TUAG158.

The TUI AG November 2014 Bonds and the TUI AG 2016 Bonds are convertible into TUI AG ordinary shares.

TUI Travel Convertible Bonds

TUI Travel has in issue:

- GBP 350,000,000 of convertible bonds with a coupon of 6.0% due in October 2014 (the "**TUI Travel 2014 Convertible Bonds**"). The ISIN for the TUI Travel 2014 Convertible Bonds is XS0455660216.
- GBP 400,000,000 of convertible bonds with a coupon of 4.9% due in April 2017 (the "**TUI Travel 2017 Convertible Bonds**"). The ISIN for the TUI Travel 2017 Convertible Bonds is XS0503743949.

The TUI Travel 2014 Convertible Bonds and the TUI Travel 2017 Convertible Bonds are convertible into TUI Travel ordinary shares.

If any TUI Travel Convertible Bonds are exercised on or after the Scheme Effective Date, the converted shares will not be TUI Travel Scheme Shares and therefore will not be cancelled as part of the Scheme. Instead, the articles of association of TUI Travel will be amended at the TUI Travel General Meeting to include a provision pursuant to which any TUI Travel shares issued after the Scheme Effective Date to any person other than TUI AG will be subject to a mandatory transfer to TUI AG in exchange for new shares in TUI AG at the Exchange Ratio.

The holders of TUI Travel Convertible Bonds will receive a letter from TUI Travel setting out more information in relation to the mandatory transfer of the converted shares to TUI AG.

General Provisions Concerning the Exclusion of Minority Shareholders

According to Sections 327a *et seq.* of the German Stock Corporation Act regarding squeeze-outs, the general shareholders' meeting of a German stock corporation may, at the request of a shareholder holding at least 95% of the share capital, resolve to transfer the shares of the remaining minority shareholders to such majority shareholder in exchange for an appropriate cash consideration. The level of the cash consideration to be paid to the minority shareholders must take account of the Company's situation at the time of the resolution by the general shareholders' meeting. The level of consideration is based on the full value of the Company, which is usually determined using the discounted earnings method.

In addition, pursuant to the provisions of Sections 39a and 39b of the German Securities Acquisition and Takeover Act (WpÜG) relating to squeeze-outs, following a takeover bid or mandatory public takeover bid, any bidder holding at least 95% of the voting shares in the target company may demand that the remaining voting shares be transferred to the bidder for reasonable consideration. Consideration offered in the takeover bid or mandatory public takeover bid is deemed to be reasonable if, based on the bid, the bidder has acquired shares representing at least 90% of the share capital affected by the bid. In addition, following a takeover bid or mandatory public takeover bid, shareholders in the target company who rejected the initial bid may accept it within three months of expiration of the acceptance period (sell-out), provided that the bidder is entitled to submit an application for transfer of the outstanding voting shares pursuant to Section 39a of the German Securities Acquisition and Takeover Act (WpÜG) (Section 39c of the German Securities Acquisition and Takeover Act (WpÜG)).

In addition to the regulations governing the exclusion of minority shareholders, German stock corporation law also provides for the integration (*Eingliederung*) of stock corporations pursuant to Sections 319 *et seq.* of the German Stock Corporation Act. Accordingly, the shareholders' meeting of a stock corporation can decide to integrate a company if 95% of the shares of the Company to be integrated are owned by the future principal company. The former shareholders of the integrated company are entitled to reasonable consideration, which must take the form of shares in the principal company. The level of this consideration must be determined using the merger value ratio between two companies, *i.e.*, the exchange ratio that would have been deemed reasonable if the two companies had merged. Unlike the regulations governing the exclusion of minority shareholders, integration is possible only if the future principal company is a stock corporation domiciled in Germany.

A further squeeze-out option has been introduced in the German Transformation Act (*Umwandlungsgesetz* or UmwG). It provides that within three months after the signing of a merger agreement between a transferring stock corporation and an acquiring company, a squeeze-out resolution can be adopted at the general shareholders' meeting of the transferring stock corporation at the request of the acquiring company when the minimum shareholding of the acquiring company in the transferring stock corporation amounts to or exceeds 90% of the share capital of the transferring stock corporation.

INFORMATION ABOUT TUI AG'S CORPORATE BODIES

Overview

In accordance with the German Stock Corporation Act (*Aktiengesetz*), the Issuer has a two-tier board system consisting of an Executive Board (*Vorstand*) and a Supervisory Board (*Aufsichtsrat*). The two boards are separate, and, subject to a limited exception, no individual may serve concurrently as a member of both boards.

The Executive Board is responsible for managing our day-to-day business in accordance with applicable German law and the Articles of Association (*Satzung*) as well as its rules of procedure (*Geschäftsordnung*). In addition, the Executive Board must ensure appropriate control of risk within the Company and its subsidiaries in order that any developments jeopardizing the Company's future as a going concern may be identified at an early stage. The Executive Board legally represents the Company in dealings with third parties and in court.

The Supervisory Board advises the Executive Board on the management of the Company, monitors its conduct of business and is responsible for appointing and dismissing the members of the Executive Board for good cause. It also represents the Company in transactions between a member of the Executive Board and the Company. While the Executive Board is responsible for submitting regular reports on our business activities and fundamental issues relating to corporate planning (including financial, investment and personnel planning) to the Supervisory Board, the Supervisory Board has the right to request special reports at any time from the Executive Board. The Executive Board is also obliged to duly report to the Supervisory Board such transactions as may be of considerable importance to the Company's profitability (in particular the return on equity) or liquidity, so that the Supervisory Board may have an opportunity to express its opinion on such transactions before they are concluded. The Supervisory Board may also request a report at any time on matters concerning the Company, on the legal and commercial relationships with affiliated companies or on commercial operations at these companies that may have a significant impact on the Company and its subsidiaries.

The Supervisory Board generally may not exercise management functions. The rules of procedure of the Executive Board, however, require that certain types of transactions may not be carried out by the Executive Board without the prior consent of the Supervisory Board. If the Supervisory Board refuses to approve a certain transaction or business activity contemplated by the Executive Board, the Executive Board can request that the general shareholders' meeting decides on the matter. However, the general shareholders' meeting of a German stock corporation may not issue directives to the Executive Board.

The members of the Executive Board and the Supervisory Board owe duties of loyalty and care *vis-à-vis* the Company. In discharging their duties, the members of these corporate bodies must consider a broad range of interests, including our interests, which in turn include the interests of our shareholders, employees, creditors and, to a certain extent, the general public. The Executive Board must also take due account of the shareholders' right to equal treatment and equal information. The members of the Executive Board or of the Supervisory Board are jointly and severally liable to the Company for any damages that may arise if they fail to discharge their duties.

As a basic principle under German law, a shareholder has no direct recourse against the members of the Executive Board or the Supervisory Board in the event that they breach a duty *vis-à-vis* the Company. Except for certain special circumstances, only the Company itself has the right to bring claims for damages against members of either board, whereby the Company is represented by the Executive Board when bringing claims against the Supervisory Board and by the Supervisory Board when bringing claims against the Executive Board. Pursuant to a ruling by the German Federal Court of Justice (*Bundesgerichtshof*), the Supervisory Board is obliged to bring claims which are likely to be successful against the Executive Board unless material considerations pertaining to the interest of the corporation outweigh or are at least equivalent to those in favor of enforcing such claim. Despite a refusal of the Supervisory Board to pursue a claim for damages, such a claim must be enforced (i) upon a resolution of the general shareholders' meeting, (ii) upon a petition with the competent court by minority shareholders meeting a certain minimum requirement as to their stake in the Company, or (iii) by the Company's creditors whose claims could not be settled by the Company. The Company may only waive or settle such claims for damages if at least three years have passed and if the shareholders approve the waiver or settlement at the general shareholders' meeting with a simple majority of the votes cast, provided that opposing shareholders do not hold, in the aggregate, one tenth or more of the share capital and do not have their opposition formally recorded in the minutes maintained by the notary.

Under German law, no individual shareholder (or any other person) may exert its influence on the Company to cause a member of the Executive Board or the Supervisory Board to engage in any act detrimental to the Company. Shareholders with a controlling interest may not use it to cause the Company to act against its own interest unless the prejudice to its interests is compensated for. Any shareholder using its interest in the Company to cause a member of the Executive Board, a member of the Supervisory Board or a person who holds a power of attorney (*Prokurist*) or is authorized to act for the Company (*Handlungsbevollmächtigter*) to engage in any act detrimental to the Company or to our shareholders must compensate the Company and the shareholders for any loss sustained thereby. In addition, the members of the Executive Board and the members of the Supervisory Board are jointly and severally liable if they act in breach of their obligations.

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

Executive Board

General Information

The Executive Board is responsible for managing the business of the Issuer in accordance with the German Stock Corporation Act, the Company's Articles of Association and the rules of procedure (*Geschäftsordnung*) for the Executive Board. The Executive Board also represents the Company in its dealings with third parties and in court. According to the Articles of Association and the provisions of the German Stock Corporation Act, the Executive Board must consist of a minimum of two members. The Supervisory Board determines the number of members of the Executive Board and appoints such members. It may also appoint the Chairman and Deputy Chairman of the Executive Board. Members of the Executive Board are appointed for a maximum term of five years. The Supervisory Board decided in October 2012 to specify an age limit for future appointments and extensions to the contracts of Executive Board members. They may be repeatedly reappointed or their term of office may be extended, in each instance for a period of up to five years. The Supervisory Board may revoke the appointment of a member of the Executive Board before the end of his or her term of office for good cause, such as gross breach of duty or in case of a vote of no confidence by the general shareholders' meeting.

The Executive Board has overall responsibility for the Company's business. In accordance with its rules of procedures (*Geschäftsordnung*), each member of the Executive Board is assigned an area of responsibility defined in a plan forming part of the rules of procedure, which sets out the allocation of duties. Notwithstanding the overall responsibility held by the Executive Board, each member of the Executive Board is responsible for the area allocated to him or her. Pursuant to the rules of procedure of the Executive Board, certain management actions may only be taken, and certain types of transactions may only be concluded, with the approval of the Supervisory Board or of a competent committee. As a rule, the Executive Board should meet every two weeks. The Executive Board has a quorum if a meeting has been called with due notice and more than half of the members are present or represented by proxy. If not otherwise required by law, the Executive Board decides by a simple majority of the votes cast. Members of the Executive Board may not deal with, or vote on, measures relating to proposals, arrangements or contracts between him/herself and the Company.

Individual board members serve as representatives with primary responsibility for the Company's various corporate functions and for the fields of business in which the Company operates. Despite this internal allocation of responsibilities, each member of the Executive Board has overall responsibility (*Gesamtverantwortung*) for the Company as a whole.

The Company's Articles of Association provide that the Company can be legally represented by two members of the Executive Board or by one member of the Executive Board in conjunction with an authorized signatory who holds a power of attorney (*Prokurist*).

Members of the Executive Board

The following table sets forth the current members of the Company's Executive Board.

Name	Age	Member since	Appointed until	Responsibility	Other principal positions
Friedrich Joussen . . .	51	2012	October 14, 2015	Chairman of the Executive Board	TUI Travel
Horst Baier	58	2007	November 8, 2015	Finance, Human Resources, Personnel Director	Hapag-Lloyd AG Magic Life Assets AG TUIfly GmbH TUI Deutschland GmbH TUI Leisure Travel GmbH RIUSA II S.A. TUI Travel
Peter Long	62	2007	August 31, 2015	Tourism	Rentokil Initial plc TUI Deutschland GmbH TUI Nederland N.V. TUI Nederland Holding N.V. TUI Travel Belgium N.V. TUI Travel

Friedrich Joussen. Mr. Joussen studied electrical engineering at Rheinisch-Westfälische Technische Hochschule (RWTH) at Aachen and graduated as an engineer. After graduation, Mr. Joussen began his career in Portland, Oregon, United States and joined Mannesmann AG in Düsseldorf, Germany, in 1988. Mr. Joussen was one of the first managers of Mannesmann Mobilfunk GmbH, playing a crucial role in the establishment of the mobile industry in Germany and Europe. In 2003, Mr. Joussen took over as Chief Operating Officer of Vodafone Deutschland and, from 2005 until 2012, was the Chief Executive Officer of Vodafone Germany, the largest operating company in the global Vodafone Group. With the takeover of fixed-line carrier Arcor AG, he developed the company from a mobile phone group to an integrated telecommunications group. At an international level, Mr. Joussen was a member of the board of the group-owned venture capital company Vodafone Ventures and was a member of the CEO Council and the Strategy Board of the Vodafone Group. On February 14, 2013, Mr. Joussen was appointed as TUI AG's CEO. With TUI Travel, Mr. Joussen was appointed Non-Executive Chairman on March 25, 2013.

Horst Baier. Mr. Baier completed his education at the Leibniz-Akademie Hannover and at Continental AG with a degree in business administration. In 1979, he started his professional career as manager in the finance department of Continental AG. *Inter alia*, further roles brought him to General Tyre Inc., United States as well as to the Schickedanz Group, Germany, where he was responsible for running the finance department. Mr. Baier joined the TUI Group GmbH in 1996 as head of Finance and Accounting. In 2001, he was promoted to managing director in Finance and Administration of TUI Beteiligungsgesellschaft mbH. Subsequently, he became head of Accounting and Reporting of TUI AG. With effect from November 2007, Mr. Baier was appointed to the TUI AG Executive Board and was assigned a governing role and in February 2010, he was appointed CFO. Mr. Baier is also a non-executive director of TUI Travel and a member of the supervisory board of Hapag-Lloyd AG.

Peter Long. Mr. Long has held, among others, positions as chief executive of Sunworld Holidays having previously been financial director, and later chief executive, of the Tour Operating division of the International Leisure Group. He was appointed managing director of Tour Operations at First Choice Holidays PLC (First Choice) in 1996 and joined the board of directors as chief executive in September 1999. Following the merger between First Choice and the Tourism Division of TUI AG in 2007, he was appointed Chief Executive Officer of TUI Travel.

The employment agreements of Friedrich Joussen and Horst Baier contain change of control clauses pursuant to which they are entitled to terminate their employment agreement in the event of a change of control. If the employment agreements are terminated due to a change of control (either by a third party or the members of the Executive Board) they remain entitled to receive the compensation under the terminated employment agreement as follows (i) Friedrich Joussen would receive a compensation pursuant to the outstanding fixed salary for the regular agreement duration, but at maximum for 24 month (ii) Horst Baier would be remunerated for the period of the regular agreement duration but at maximum for 36 month.

The business address of each member of the Executive Board is TUI AG, Karl-Wiechert-Allee 4, 30625 Hanover, Germany.

Executive Board following the TUI Merger

Peter Long and Friedrich Joussen will become joint Chief Executives of the TUI Group until February 2016 and will be jointly responsible for achieving the envisaged synergy benefits from the TUI Merger. It is planned that Peter Long would thereafter become Chairman of the Supervisory Board of the TUI Group. Friedrich Joussen would thereafter lead the TUI Group as sole CEO from February 2016 onwards.

It is envisaged that the Executive Board of the TUI Group would have a balanced number of members drawn from the Company and TUI Travel. Apart from Peter Long and Friedrich Joussen it would further comprise from TUI Travel: Johan Lundgren (Deputy Group CEO responsible for Mainstream markets) and William Waggott (CEO of Online Accommodation businesses and the Specialist and Activity sector); and from the Company: Horst Baier (TUI Group CFO) and Sebastian Ebel (HR/Arbeitsdirektor and also responsible for TUI Group platforms & processes, including Hotels & Resorts, Cruises and IT).

Remuneration, Shareholdings

Remuneration of individual Executive Board members granted by TUI AG for the financial year ended September 30, 2013

	Fixed remuneration	Annual performance-based remuneration	Long-term incentive Plan	Supervisory Board mandates in the Group	Total ended September 30, 2013	Total 2011/12
			(€ thousands)			
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 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**

The remuneration of Peter Long determined by the Remuneration Committee of TUI Travel for the financial year ended September 30, 2013, amounted to €1.0 million for fixed remuneration, €4.9 million for the annual performance-based remuneration and €1.5 million for the long-term incentive program and totaled €7.4 million.

In the financial year ended September 30, 2013, the level of remuneration paid under the annual performance bonus and the long-term incentive plan was partly driven by the increase in the value of the TUI Travel share price.

As in the prior year, the members of the Executive Board did not receive any loans or advances in the financial year ended September 30, 2013.

For further information on the remuneration of the Executive Board members see "*Excerpt from TUI AG'S Group Management Report—Remuneration Report*" on pages F-194pp, F-295pp and F-398pp.

Shareholdings

The following table shows the shareholdings of the members of the Executive Board:

Member of Executive Board	Number of TUI AG shares	Percentage of existing TUI AG issued shares
Friedrich Joussen	138,081	0.05
Horst Baier	20,717	0.01
Peter Long	0	0

Exit payments on a change of control agreement

In the event of a loss of Executive Board membership through a change of control or by executing the right granted to Executive Board members, specifically accorded for this case, to resign their position and terminate their contract of employment as an Executive Board member, every Executive 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 program 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.

Supervisory Board

Overview

The Supervisory Board consists of 16 members. The Company's shareholders elect eight members of the Supervisory Board at the general shareholders' meeting. One of these eight seats is vacant at present. Pursuant to the German Co-Determination Act of 1976 (*Mitbestimmungsgesetz*), the Group employees or their delegates elect the remaining eight members, including two members of the Supervisory Board proposed by trade unions. The Supervisory Board members elect one of the members as Chairman (*Vorsitzender*) and another one as Vice-Chairman (*Stellvertreter*) with a majority of two thirds of its total number of members. If the majority of two thirds is not obtained, a second election is held in which the shareholder representatives on the Supervisory Board elect the Chairman and the employee representatives on the Supervisory Board elect the Vice-Chairman.

The term of a member of the Supervisory Board expires at the end of the fifth general shareholders' meeting following the general shareholders' meeting in which the member was elected. If a member of the Supervisory Board retires, or is removed from office prior to the end of its term of office, the substitute member's term of office expires at the end of the term of the resigning or removed board member, unless the general shareholders' meeting decides otherwise. There is no compulsory retirement age for the members of the Supervisory Board. However, the rules of procedure for the Supervisory Board provide that when appointed, Supervisory Board members should not be older than 68 years. There is a target for the future composition of the Supervisory Board to include four female members. No former Executive Board members of TUI AG are currently serving on the Supervisory Board.

Unless otherwise required by applicable law, resolutions of the Supervisory Board are passed by a simple majority of the votes cast. In the case of a tie, any member of the Supervisory Board may request that the vote be immediately repeated at the same meeting. In the event of a second tie, the Chairman of the Supervisory Board has the casting vote. In order to constitute a quorum, all members must be invited and at least half of the total number of members of the Supervisory Board must participate in the voting, including either the Chairman or the Vice-Chairman.

The Supervisory Board is required to meet at least twice in each half of every calendar year.

Members of the Supervisory Board

The following table sets forth the name, age, position and the year of appointment for each of the members of the Company's Supervisory Board.

Name	Age	Member since	Appointed until	Other principal positions
Prof. Dr. Klaus Mangold (Chairman)	71	2010	2016	Alstom Deutschland AG Baiterek Holding JSC Continental AG Alstom S.A. Ernst & Young Global Limited Rothschild GmbH (Chairman) Swarco AG
Frank Jakobi (Vice Chairman)	52	2007	2016	None
Andreas Barczewski	47	2011	2016	None
Peter Bremme	54	2014	2016	TÜV Nord AG
Arnd Dunse	44	2008	2016	None
Prof. Dr. Edgar Ernst	62	2011	2016	Deutsche Postbank AG Gildemeister AG Wincor Nixdorf AG
Angelika Gifford	49	2012	2016	None
Vladimir Lukin	36	2014	2016	OAO Severstal OJSC Power Machines
Michael Pönipp	58	2013	2016	MER—pension fund VVaG TULBKK
Carola Schwirn	54	2014	2016	None
Carmen Riu Güell	59	2005	2016	Hotel San Francisco S.A. Productores Hoteleros Reunidos, S.A. RIU Hotels, S.A. RIUSA II, S.A. (CEO)
Maxim G. Shemetov	32	2014	2016	LLC-Svoy-TT
Anette Strempel	48	2009	2016	TUI Deutschland GmbH
Christian Strenger	71	2011	2016	DWS Investment GmbH The Germany Funds, NY (Chairman)
Ortwin Strubelt	50	2009	2016	None

One seat of the Supervisory Board is vacant at present.

The business address of each member of the Supervisory Board is TUI AG, Karl-Wiechert-Allee 4, 30625 Hanover, Germany.

Prof. Dr. Klaus Mangold. Prof. Dr. Mangold studied law and economics at the universities of Munich, Geneva, Paris, London, Heidelberg and Mainz. Prof. Dr. Mangold received his doctorate in law in 1973. He began his career in 1983 as member of the Executive Board of Rhodia AG and, from 1985 to 1990, he was Chairman of the Executive Board of Rhodia AG. Prof. Dr. Mangold was a member of the Executive Board of Daimler Chrysler AG and CEO of Daimler Chrysler Services AG from 1995 to 2003. Also, since 2004, he has been Vice Chairman at Rothschild GmbH.

Frank Jakobi. Mr. Jakobi is a travel agent. He began his career in 1982 in travel agency distribution. Mr. Jakobi was Deputy Chairman of the TUI AG Group Works Council from 2005 to 2009. He has been Chairman of the TUI AG Works Council since 2008.

Andreas Barczewski. Mr. Barczewski studied in the field of aerospace in Aachen from 1987 to 1989. He trained from 1989 to 1991 as a commercial pilot at Deutsche Lufthansa AG in Bremen, Germany, and Arizona, USA. Mr. Barczewski began his career in 1991 as a First Officer and, since 1998, has been Flight Captain at TUIfly GmbH. He was Chairman of the staff association for flight crews at Hapag-Lloyd Flug from 2001 to 2008.

Peter Bremme. Mr. Bremme studied secondary education at the universities of Münster and Tübingen between 1980 and 1987. After passing his first state examination in 1988 he started his professional career as a commercial employee in a technical department of a market research company. In 1991 he became a trade union secretary with the Retail, Banking and Insurance Union (*HBV*). In 2001 Mr. Bremme started his current role as Regional Head of Special Services Division at ver.di (Hamburg), the head organization of the German services union.

Arnd Dunse. Mr. Dunse studied economics at Hanover University from 1990 to 1996. Mr. Dunse began his career in 1997 as an investment controller at TUI AG Group Controlling. He has been a member of the Supervisory Board since 2008. Mr. Dunse has been Head of Group Controlling at TUI AG since October 2008.

Prof. Dr. Edgar Ernst. Prof. Dr. Ernst received his doctorate in economics and social sciences at RWTH Aachen in 1982. In 1980, he graduated as a Master of Operations Research at RWTH Aachen. In 1977, Prof. Dr. Ernst graduated in mathematics at the University of Cologne. He began his career as a consultant at McKinsey & Co. From 1995 to 2007, he was a member of the Executive Board of Deutsche Post DHL AG. Prof. Dr. Ernst was a member of the Executive Board (CFO) within Deutsche Bundespost Postdienst. He has been president of the Financial Reporting Enforcement Panel in Berlin since July 2001. Prof. Dr. Ernst has been an honorary professor at WHU Koblenz since 2006.

Angelika Gifford. Angelika Gifford holds a degree in business administration (banking) from the University of Applied Sciences, in Frankfurt and Deutsche Bank Academy, and a master’s degree from MCE Management Centre Europe in Brussels. She was Head of Department and team leader at Deutsche Bank from 1987 to 1990. From 2006 to 2011, Angelika Gifford was a member of the Executive Board/Senior Director of the Public Administration business unit at Microsoft Deutschland GmbH. Since April 2011, she has been on sabbatical.

Vladimir Lukin. From 1994 to 1999, Vladimir Lukin studied law at the Law Department of the Moscow State University and graduated with honors. He began his career in 1997 as a paralegal at Freshfields Bruckhaus Deringer and from January 2008 to May 2009, Mr. Lukin was Head of International Legal at OAO Severstal. He has been Senior Vice President of Legal Affairs and Deputy General Director of Legal Affairs at OAO “Power Machines” since May 2009. Mr. Lukin has been a member of the Board of Directors at ZAO Seversgroup since September 2009 and, since September 2013, he has been a member of the Board of Directors at OAO Severstal.

Michael Pönipp. From 1975 to 1978, Michael Pönipp trained at Hotel College Hannover and at Hotel Loccumer Hof Hanover and became a hotel administration employee. He began his career in 1978 at Guesthouse Volker Nordgoltern as a qualified hotel employee with Touristik Union International GmbH & Co. KG. From 2002 to 2013, Mr. Pönipp was Deputy Chairman of Works Council at TUI Deutschland GmbH and since 2013, he has been the Chairman. This year, Mr. Pönipp became, Chairman of General Works Council at TUI Deutschland GmbH.

Carmen Riu Güell. Mrs. Riu Güell received her degree in economics and business studies at the Autonomus University of Barcelona in 1976. She has been joint CEO of the RIU Group alongside with her brother Luis Riu since 1998.

Carola Schwirn. Mrs. Schwirn holds a degree in education having studied at the universities of Cologne and Frankfurt graduating in 1995. After an early career in an employment agency Mrs. Schwirn worked as training officer for the Training Institute of the German trade union confederation between 1998 and 2002. Afterwards she started her career within ver.di, the head organization of the German services labor union. Here she held various positions, such as trade union secretary in the education sector, personal assistant to the ver.di Deputy Chairman and department coordinator for the financial services division. Since 2013 Mrs. Schwirn has been department coordinator for the transportation department.

Maxim G. Shemetov. Mr. Shemetov studied at the Finance Academy in Moscow and received a Master of Arts in Finance with distinction. From 2004 to 2005, he went to Cass Business School, at the City University London, and graduated as Master of Science with distinction. From 2013 to 2014, he attended Harvard Business School, in Boston Massachusetts, on an Executive Education (PLD

Program). Mr. Shemetov began his career in 2003 as an analyst for investment banking at Trust Investment Bank Moscow. Mr. Shemetov has held the following roles since 2007: Director, CFO for Private Equity, Capital Markets, S-Group Capital Management in Moscow.

Anette Strempel. In 1998, Anette Strempel completed her training to become a travel agent. She began her career in 1992, at Fischer Reisen GmbH, at Hanover-Langenhagen airport. Since 2008, she has been a member and Deputy Chairperson of the Group Works Council of TUI Deutschland GmbH. Mrs. Strempel has been Vice Chairperson of the TUI AG Group Works Council since 2009.

Christian Strenger. From 1965 to 1969, Christian Strenger attended Cologne University. In 1964, he completed banking training at Merck Finck & Co., in Munich. Mr. Strenger began his career in 1970 as a trainee for Corporate Finance and Asset Management, in New York and London. From 1986 to 1991, he was Chief Executive Investment Banking North America, at Deutsche Bank New York. He was spokesperson of the executive at DWS Investment GmbH in Frankfurt, from 1991 to 1999. Afterwards he was appointed as member of the DWS supervisory board and amongst others at Fraport AG and Evonik Industries. Mr. Strenger also is a member of the German Corporate Governance Kodex Commission.

Ortwin Strubelt. In 1989, Ortwin Strubelt completed his training as a travel agent in Bremerhaven. Mr. Strubelt began his career in 1990 as an employee of Pan American Airways, at SATO-OS travel agency in Bremerhaven. From 2004 to 2006, Mr. Strubelt was a member of the Supervisory Board of Hapag-Lloyd and a member of the Presiding Committee of the Supervisory Board of Hapag-Lloyd.

Supervisory Board following the TUI Merger

Following the TUI Merger, the members of the Supervisory Board of the Company representing the shareholders will be drawn in equal number from the Company and TUI Travel. The Supervisory Board will be chaired by Prof. Dr. Klaus Mangold and Sir Michael Hodgkinson will be co-Vice Chairman along with Frank Jakobi as representative of the employees.

At the TUI AG EGM, TUI AG will propose to its shareholders to increase the members of the Supervisory Board of TUI AG from 16 to 20. Subject to the approval of this increase, the Supervisory Board will comprise ten members representing the shareholders and ten employee representatives.

Prof. Dr. Klaus Mangold's term as Chairman of the Supervisory Board will end at the general shareholders' meeting in February 2016, and he will then retire. At that February 2016 general shareholder's meeting, Peter Long will then, on the proposal of the Supervisory Board, be suggested for approval by TUI AG Shareholders as a member of the Supervisory Board for a five year term.

In order for Peter Long to move directly from the Executive Board to the Supervisory Board, his suggestion as a member of the Supervisory Board at the general shareholder's meeting in February 2016 must be proposed by TUI AG Shareholders holding more than 25% of the voting rights in the Company at that time.

It is planned that, following his election to the Supervisory Board, the Supervisory Board would elect Peter Long as its Chairman in place of the retiring Prof. Dr. Klaus Mangold. The Supervisory Board will use all reasonable endeavours, to the extent legally permissible, to achieve this succesion, and the Company will inform its shareholders at the TUI AG EGM in 2014 about Peter Long's future position.

For a limited period of two years, the Supervisory Board would have an Integration Committee, initially chaired by Prof. Dr. Klaus Mangold and co-chaired by Sir Michael Hodgkinson. The main responsibilities of this committee would be the monitoring of the TUI Merger and its implementation. The committee would advise the Executive Board as a whole and not have decision-making power.

Members of the Supervisory Board Committees

The Supervisory Board has formed three committees, the Presiding Committee (*Präsidialausschuss*), the Audit Committee (*Prüfungsausschuss*) and the Nomination Committee (*Nominierungsausschuss*).

Presiding Committee

The Presiding Committee prepares the resolutions and issues to be resolved by the Supervisory Board, and consists of three shareholder representatives and three employee representatives. It also prepares the appointment of Executive Board members, including the terms and conditions of service contracts and remuneration proposals.

The following table sets forth the current members of the Presiding Committee.

Name	Position
Prof. Dr. Klaus Mangold	Chairman
Carmen Riu Güell	Member
Anette Strempel	Member
Andreas Barczewski	Member
Frank Jakobi	Member
Vladimir Lukin	Member

Audit Committee

The main responsibility of the Audit Committee is to approve the annual accounts of the Company and to prepare the review of the consolidated annual accounts by the Supervisory Board, to mandate the independent auditor elected by the general shareholders' meeting, to guarantee the auditor's independence and to determine the main points of the audit. The Audit Committee consists of six members with equal representation of shareholder and employee representatives. The Chairman of the Audit Committee is an independent financial expert and has particular knowledge and experience from its own professional practice of applying accounting principles and internal control methods. The chairman of the Supervisory Board must generally not be chairman of this committee.

The following table sets forth the current members of the Audit Committee.

Name	Position
Prof. Dr. Edgar Ernst	Chairman
Andreas Barczewski	Member
Arnd Dunse	Member
Prof. Dr. Klaus Mangold	Member
Christian Strenger	Member
Ortwin Strubelt	Member

Nomination Committee

The Nomination Committee proposes suitable candidates for election to the Supervisory Board, which then proposes them for election at the general shareholders' meeting. The Nomination Committee consists exclusively of shareholder representatives, in accordance with the German Corporate Governance Code.

The following table sets forth the current members of the Nomination Committee.

Name	Position
Prof. Dr. Klaus Mangold	Member
Carmen Riu Güell	Member
Vladimir Lukin	Member

Remuneration and Shareholdings

Remuneration of individual Supervisory Board members for the financial year ended September 30, 2013

	Fixed	Long-term variable	Committee membership	Attendance fee	Supervisory Board mandates in the Group	Total
				€ '000		
Prof. Dr. Klaus Mangold (Chairman)	150.0	16.4	80.0	15.0	—	261.4
Petra Gerstenkorn (Deputy Chairwoman) (until May 2014)	75.0	8.2	40.0	11.0	15.0	149.2
Anass Houir Alami (until June 2014)	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	—	—	—	5.0	—	5.0
Frank Jakobi	50.0	5.5	40.0	11.0	—	106.5
Ingo Kronsfoth (until July 2014)	50.0	5.5	40.0	9.0	13.8	118.3
Christian Kuhn (until April 16, 2013)	27.2	—	n/a	2.0	—	29.2
Mikhail Noskov (until February 2014)	50.0	5.5	n/a	4.0	—	59.5
Michael Pönipp (since April 17, 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	—	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 (until February 2014)	50.0	5.5	40.0	10.0	—	105.5
Total	**875.0**	**93.1**	**560.0**	**135.0**	**56.2**	**1,719.3**

For further information on the remuneration of the Supervisory Board members see "*Excerpt from TUI AG'S Group Management Report—Remuneration Report*" on pages F-194pp, F-295pp and F-398pp.

Shares held by members of the Supervisory Board

The following table shows the shareholdings of the members of the Supervisory Board (as of September 30, 2013):

Member of Supervisory Board	Number of TUI AG shares	Percentage of existing TUI AG issued shares
Angelika Gifford	4,100	0.00
Anette Strempel	1,280	0.00
Arnd Dunse	485	0.00
Frank Jakobi	520	0.00
Michael Pönipp	280	0.00
Ortwin Strubelt	1,500	0.00
Prof. Dr. Klaus Mangold	19,040	0.01

Certain Information about Members of the Executive Board and the Supervisory Board

During the last five years, no member of the Executive Board or the Supervisory Board has been convicted in relation to fraudulent offenses.

During the last five years, no member of the Executive Board or the Supervisory Board has acted in any capacity at any entity which was subject to any bankruptcies, receiverships or liquidations.

No official public incrimination and/or sanctions by any statutory or regulatory authority against any member of the Executive Board or the Supervisory Board has occurred. No member of the Executive Board or the Supervisory Board has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct the affairs of any issuer during the last five years.

TUI has not granted any loans to Executive Board or Supervisory Board members. The members of the two corporate bodies have not concluded any transactions with the Company that lie outside the Company's normal operating activities.

No members of the Executive Board nor the Supervisory Board have any conflicts of interest between their duties to the Company and their private or other interests. No Executive Board nor Supervisory Board member has concluded any service contract with any of the Group's companies that includes special benefits upon the end of the service. No family relationships exist among the members of the Executive Board and the Supervisory Board or within any of these bodies. Members of the Executive Board and the Supervisory Board (including persons closely related to them) currently hold shares in the Company, which in total account for less than 0.07% of all shares issued by TUI AG.

No family relationships exist among the members of the Executive Board and the Supervisory Board or within any of these bodies.

General Shareholders' Meetings

Pursuant to the Articles of Association, general shareholders' meetings are convened by the Executive Board or, in certain instances, by the Supervisory Board. Depending on the choice of the convening body, general shareholders' meetings take place at the Company's registered office or at the location of a German stock exchange. Each of the Existing Shares carries one vote at the Company's general shareholders' meeting. There are no restrictions on voting rights with respect to the Existing Shares. There are no restrictions on voting rights of the shares of the Company.

Unless mandatory provisions of the German Stock Corporation Act or the Articles of Association state otherwise, general shareholders' meeting resolutions are passed with a simple majority of the votes cast. In accordance with the German Stock Corporation Act, resolutions of fundamental importance require—in addition to a simple majority of the votes cast, a majority of at least three quarters of the share capital represented in order to pass such a resolution. Such resolutions of fundamental importance include in particular:

- changes in the corporate purpose;
- share capital increases with exclusion of pre-emptive rights;
- share capital decreases;
- the creation of authorized or contingent capital;
- divisions or split-offs as well as transfers of the entire assets of the Company;
- conclusions of inter-company agreements (in particular, domination agreements and profit and loss transfer agreements);
- changes in the legal form of the Company; and
- liquidation of the Company.

The general shareholders' meeting can be convened at the request of the Executive Board, the Supervisory Board, or shareholders whose shares together total at least 5% of the share capital. If the best interests of the Company require it, the Supervisory Board must call a general shareholders' meeting. The general shareholders' meeting takes place within the first eight months of every financial year. In accordance with the Articles of Association, shareholders are permitted to take part in the general shareholders' meeting and to exercise voting rights at such meeting if (i) they are entered in the Company's share register and their registration is delivered to the Company or to another place indicated in the invitation to the particular general shareholders' meeting, or (ii) they have proven their right to attend the shareholders' meeting by submitting, together with the registration, special proof of their share ownership by the institution maintaining the securities account. In each case the submission has to be made at least six days prior to the general shareholders' meeting in text form or in another form in German or in English as set out in the invitation to the particular general shareholders' meeting (*e.g.*, electronically).

Neither German law nor the Articles of Association restrict the right to own shares or to exercise the associated voting rights for German non-residents or for foreign owners of shares.

Corporate Governance

The Company supports the principles of proper and responsible corporate governance as set out in the German Corporate Governance Code (the "GCGC"). Under Section 161 of the German Stock Corporation Act in connection with Art. 15 para. 1 Council Regulation (EC) No. 2157/2001 on the statute for European Companies (SE), the executive board and supervisory board of a listed stock corporation must declare once a year that it has complied or will comply with the recommendations of the GCGC (published by the Federal Ministry for Justice in the official section of the German Federal Gazette), which recommendations have not been or will not be complied with, and the reasons for such non-compliance. This declaration of compliance (*Entsprechenserklärung*) must be made permanently publicly available on the Company's website. The declaration of conformity from December 2013 continues to apply as at the date of this Prospectus.

In addition to a partial repetition of statutory requirements, the GCGC adopted in February 2002, as amended, contains recommendations (*Empfehlungen*) and suggestions (*Vorschläge*) for the management and supervision of German listed companies with respect to shareholders and the general meeting, executive board and supervisory board, transparency, reporting and the auditing of financial statements. Companies are permitted to deviate from recommendations, insofar as the recommendations do not reflect mandatory law. As regards the suggestions set out in the GCGC, no declaration of non-conformity with the suggestions is required. The Company's current declaration in relation to the GCGC is as follows:

> "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 GCGC). 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 GCGC). The adopted amendments on publishing the compensation for the Executive Board members in the Remuneration Report, compulsory for financial years starting after December 31, 2013, will already be applied to financial year ended September 30, 2013 (no. 4.2.5 GCGC). Other than that, the recommendations of the Government Commission on the GCGC in its version of May 13, 2013, as published by the "Federal Ministry of Justice in the official section of the electronic Federal Gazette" on June 10, 2013, have been and continue to be fully observed."

The obligation to give a declaration of conformity under Section 161 of the German Stock Corporation Act applies for so long as its Shares are admitted to trading on the regulated market of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse), but also will continue following admission of the Company's Shares to the premium listing segment of the Official List of the UK Listing Authority and to trading on the main market of the London Stock Exchange.

Following admission of the Company's Shares to the premium listing segment of the Official List of the UK Listing Authority and to trading on the main market of the London Stock Exchange, pursuant to the UK Listing Rules, the Company will in addition be required to comply with the recommendations of the UKCGC, or explain any non-compliance with those recommendations. The Company will report periodically to its shareholders on its compliance with the UKCGC in accordance with the UK Listing Rules.

Given this background, following admission of the Company's Shares to the premium listing segment of the Official List of the UK Listing Authority and to trading on the main market of the London Stock Exchange, the Combined Group intends to adhere to both the GCGC and the UKCGC to the extent practicable.

The Company has considered a number of material matters relating to the UKCGC as set out below.

Chairman and CEO

The UKCGC references the separate positions of "Chairman" and "CEO". Following Completion of the TUI Merger the Company proposes to treat the Chairman of the Supervisory Board (*Vorsitzender des Aufsichtsrates*) as the "Chairman" for the purposes of the UKCGC (currently Prof. Dr. Klaus Mangold and proposed from 2016 to be Peter Long) and the Chairman of the Executive Board (*Vorsitzender des Vorstandes*) as the "CEO" for the purposes of the UKCGC (currently Friedrich Joussen and proposed from Completion of the TUI Merger to be Friedrich Joussen and Peter Long as Co-CEOs until 2016 and then Friedrich Joussen as sole CEO).

Board composition

The UKCGC recommends that at least half of a company's directors (excluding the chairman) should (i) comprise non-executive directors participating as members of a unitary board, and (ii) be independent in character and judgement and free from relationships or circumstances which are likely to affect, or could appear to affect, their judgement.

In accordance with the German Stock Corporation Act, the Company has a two-tier board system consisting of:

- an Executive Board (*Vorstand*), which is responsible for managing the day-to-day business of the Company in accordance with applicable German law and the Articles of Association (Satzung); and
- a Supervisory Board (*Aufsichtsrat*), which advises the Executive Board on the management of the Company, monitors its conduct of business and is responsible for appointing the members of the Executive Board. It also represents the Company in transactions between a member of the Executive Board and the Company.

The two boards are separate, and no individual may serve simultaneously as a member of both boards. For further details of the Executive Board and the Supervisory Board, including their composition, see "—*Executive Board*" and "—*Supervisory Board*" above.

The Company considers that the members of the Supervisory Board, who do not have any form of executive role, perform a function equivalent to that fulfilled by non-executive directors pursuant to the UKCGC. On completion of the TUI Merger, subject to the passing of a shareholder resolution to be proposed in connection with the TUI Merger, the Company intends to increase the number of Supervisory Board members from 16 to 20. The Supervisory Board would then comprise ten members representing the shareholders (initially selected in equal number from both the Company and TUI Travel) and ten employee representatives.

For the purposes of assessing compliance with the UKCGC, the Company considers that the independence of the members of the Supervisory Board for the purposes of the UKCGC will be as follows:

Member of the Supervisory Board as at completion of the TUI Merger	**Employee Representative (Yes/No)**	**Independent (Yes / No)**
Prof. Dr. Klaus Mangold (Chairman (*Vorsitzender*))	No	Yes
Frank Jakobi (Deputy Chairman (*Stellvertretender Vorsitzender*))	Yes	Yes
Andreas Barczewski	Yes	Yes
Peter Bremme	Yes	Yes
Arnd Dunse	Yes	No
Prof. Dr. Edgar Ernst	No	Yes
Michael Pönipp	Yes	Yes
Carmen Riu Guell	No	No
Carola Schwirn	Yes	Yes
Maxim G. Shemetov	No	No
Anette Strempel	Yes	Yes
Christian Strenger	No	Yes
Ortwin Strubelt	Yes	Yes
Sir Michael Hodgkinson (Secondary Deputy Chairman (*Zweiter Stellvertretender Vorsitzender*))	No	Yes
Valerie Gooding	No	Yes
Janis Kong	No	Yes
Coline McConville	No	Yes
Minnow Powell	No	Yes

In addition, two employee representatives will be elected by the employees following the approval of increase in number of members of the Supervisory Board at TUI AG EGM.

The Company has taken into account the following in reaching this conclusion:

a) Peter Bremme and Carola Schwirn are currently and as at closing of the TUI Merger will continue to be employee representatives. However, they are union representatives (*Verdi*) but not current or former employees of the Group, and are therefore considered to be "independent" for the purposes of the UKCGC;

b) save as set out in paragraph (c) below, all other persons who are currently employee representatives or will join the Supervisory Board as employee representatives as part of the TUI Merger, are currently employees of the Company. However, this is a requirement of German law and each representative is fully independent of senior management (who, in accordance with German law, have no role in their appointment) and are free from any business or other relationship that could materially interfere with the exercise of his/her independent judgment. Therefore, all these representatives are considered to be "independent" for the purposes of the UKCGC;

c) Arnd Dunse, who is currently and as at closing of the TUI Merger will continue to be an employee representative, is not considered to be "independent" for the purposes of the UKCGC due to his role as Head of Group Controlling at the Company. As a matter of German law, it is a requirement that one of the employee representatives is an executive employee (*leitender Angestellter*) of the Company;

d) save as set out in paragraphs (e) and (f) below, all shareholder representatives who are currently members of the Supervisory Board or are proposed to join the Supervisory Board as part of the TUI Merger, are considered to be "independent" for the purposes of the UKCGC (the five members to be nominated by TUI Travel under the terms of the TUI Merger will be persons who are currently considered to be "independent" by TUI Travel);

e) Carmen Riu Guell is not considered to be "independent" for the purposes of the UKCGC due to her connection with existing shareholder Riu Hotels S.A which is expected to hold in excess of 3% of the Company's issued share capital immediately after the TUI Merger;

f) Maxim G. Shemetov is not considered to be "independent" for the purposes of the UKCGC due to his connection with existing shareholder S-Group Travel Holding GmbH which is expected to hold in excess of 10% of the Company's issued share capital immediately after the TUI Merger.

None of the members of the Executive Board are considered to be independent for the purposes of the UKCGC.

As a result, more than half of the total number of members of the Executive Board and Supervisory Board, and the majority of the members of the Supervisory Board (in each case, excluding the Chairman of the Supervisory Board) are considered to be independent, in accordance with the provisions of the UKCGC.

Independence of the Chairman of the Supervisory Board

The UKCGC recommends that the chairman of a board should be independent at the time of his appointment.

The Company considers Prof. Dr. Klaus Mangold as independent at the time of his appointment as Chairman of the Supervisory Board for the purposes of the UKCGC.

It is intended that Prof. Dr. Klaus Mangold's term as Chairman of the Supervisory Board will end at the Annual General Meeting to be held in February 2016 and he will then retire. As part of the TUI Merger it is intended that Peter Long will then be nominated by the Supervisory Board, for appointment as a member of the Supervisory Board by shareholders representing at least 25% of the voting rights at the Annual General Meeting to be held in 2016. Peter Long will, prior to his appointment as Chairman of the Supervisory Board, be Co-CEO of the TUI Group and a member of the Executive Board, and so at the time of his appointment as Chairman of the Supervisory Board will not be considered to be independent. As a result, his appointment as Chairman of the Supervisory Board will not be in compliance with the UKCGC. However, his appointment and transition from the Executive Board to the Supervisory Board without any waiting period or gap will be subject to approval by the shareholders of the Company in accordance with German law, based on a proposal supported by shareholders representing at least 25% of the voting rights at the point at which the relevant shareholders' meeting is held.

The Executive Board and the Supervisory Board believe that, in order to ensure maximum continuity following the proposed TUI Merger, Peter Long's appointment as Chairman of the Supervisory Board is in the interests of the Company and that his significant knowledge and experience as Chief Executive of TUI Travel prior to the TUI Merger, and Co-CEO of the TUI Group after the TUI Merger, will provide significant value and benefit to the Company.

UKCGC Appointments and re-election of directors

The UKCGC recommends that there should be a formal, rigorous and transparent procedure for the appointment of new directors to the board, and that all directors of FTSE 350 companies should be subject to annual re-election.

In accordance with German law and the articles of association and the by-laws of the Supervisory Board, the Supervisory Board determines the number of members of the Executive Board and appoints such members. It may also appoint the Chairman and Deputy Chairman of the Executive Board. Members of the Executive Board are appointed for a maximum term of five years. The GCGC recommends that if an Executive Board member is appointed for the first time, the initial term of office should be less than the maximum permitted period of five years. In practice, in such cases the term of office does not typically exceed three years. Members of the Executive Board may be repeatedly appointed or their term of office may be extended by the Supervisory Board, in each instance for a maximum period of five years. The Supervisory Board decided in October 2012 to specify an age limit (68) for future appointments and extensions to the contracts of Executive Board members. The Supervisory Board may revoke the appointment of a member of the Executive Board before the end of his term of office for good cause, such as gross breach of duty or following a vote of no confidence by the general shareholders' meeting. German law requires that the shareholders vote annually on whether they consider the members of the Executive Board and Supervisory Board to have carried out their duties appropriately, although there is no automatic legal consequence if this vote fails.

Members of the Supervisory Board are appointed by the shareholders (in the case of the members representing the shareholders) and the Group employees or their delegates (in the case of the employee representatives). The term of a member of the Supervisory Board's appointment expires at the latest at the end of the fifth annual general shareholders' meeting following the general shareholders' meeting at which the member was elected. If a member of the Supervisory Board retires or is removed from office prior to the end of his term of office, the substitute member's term of office expires at the end of the term of the resigning or removed board member, unless the general shareholders' meeting decides otherwise. There is no compulsory retirement age for the members of the Supervisory Board. However, the GCGC recommends that an age limit is determined. The Company has complied with this recommendation and has set out in its Supervisory Board by laws that, in principle, a Supervisory Board member should not be older than 68 at the time of the election. However, exemptions can be made for specific reasons, and the Supervisory Board has made such an exemption from the age limit set out in the by-laws of the Supervisory Board in the case of the proposal to elect Sir Michael Hogkinson to the Supervisory Board, as his election is considered to be important to ensure continuity following the proposed TUI Merger.

Committees

The UKCGC recommends that a board should establish an audit committee, comprising at least three independent non-executive directors, and a nomination committee, the majority of members of which are independent non-executive directors. It also recommends the establishment of a remuneration committee of at least three independent non-executive directors, as part of a formal and transparent procedure for fixing the remuneration packages of individual directors.

The Supervisory Board has formed five committees: the Presiding Committee, the Audit Committee, the Nomination Committee and a Mediation Committee (in accordance with section 27, paragraph 3 of the German Co-Determination Act), which is a standing committee. In addition, the Supervisory Board has also formed an Integration Committee, which will be constituted for two years after completion of the TUI Merger.

In relation to these committees:

a) The Presiding Committee is responsible for the long-term succession planning of the Executive Board members and the appointment of the Executive Board members as well as the terms of their employment contracts and their remuneration. It submits respective proposals to the Supervisory Board which then resolves upon such matters. The Presiding Committee also prepares the Supervisory Board meetings.

b) The Audit Committee is principally responsible for financial reporting issues, risk management and compliance, ensuring the necessary independence of the auditors, the issue of the audit mandate to the auditors, the determination of crucial auditing items and audit fee agreement.

c) The Nomination Committee proposes suitable candidates for election to the Supervisory Board, which then proposes them for election at the shareholders' meeting.

d) The Mediation Committee only meets in circumstances where there are opposing views regarding an election to the management board, or where an election fails. The main role of the Mediation Committee is to mediate a resolution to the opposition to the relevant election to the management board. Where an election fails, the Mediation Committee is entitled to nominate a candidate.

e) The Integration Committee has been created for a period of two years following completion of the TUI Merger, and will monitor the TUI Merger and its implementation. Initially it will be chaired by Prof. Dr. Klaus Mangold and co-chaired by Sir Michael Hodgkinson. This committee will advise the Executive Board as a whole but will not have any decision-making power.

All members of these committees are selected from the members of the Supervisory Board, with the Audit and Mediation Committees comprising equal numbers of shareholder representatives and employee representatives, and the Nomination Committee comprising exclusively shareholder representatives. The Presiding Committee comprises the chairman and the deputy chairman of the Supervisory Board, those members of the Supervisory Board who are members of the Presiding Committee pursuant to section 27 para 3 of the German Co-Determination Act, one member of the Supervisory Board who is a shareholder representative, and one member of the Supervisory Board who is an employee representative; the Presiding Committee may also be comprised of up to two other members of the Supervisory Board on an optional basis.

The Company considers that the composition and roles of the Presiding, Audit and Nomination Committees provide a robust system of non-executive and independent review and control and are suitable for the Company under both the German and UK corporate governance regimes.

For further details regarding each Committee, please see "*Members of the Supervisory Board Committees*".

The Supervisory Board has not established a separate remuneration committee. However, as set out above the Presiding Committee of the Supervisory Board carries out a number of the functions of a "Remuneration Committee" as envisaged by the UKCGC. Pursuant to mandatory German Law, the Supervisory Board as a whole determines the total remuneration (Gesamtvergütung) of the Executive Board in accordance with certain mandatory specific provisions in the German Stock Corporation Act and recommendations in the DCGC and, as a result, the Company considers that the procedure for setting the remuneration packages of the members of the Executive Board is a rigorous one in respect of which all members of the Supervisory Board are able to participate. No member of the Executive Board is involved in deciding his own remuneration, in accordance with the UKCGC. In accordance with German law, the remuneration of the Supervisory Board members is determined in accordance with section 18 of the Company's Articles of Association, which are made permanently accessible to the public on the internet. The remuneration of the members of the Supervisory Board includes a variable element which is linked to the performance of the Company's earnings per share over a specified period of time.

Remuneration reporting

The Company provides a detailed remuneration report in each Annual Report to shareholders in line with German law and the GCGC (in both German and English).

Additional Requirements of the UK Listing Rules

Significant and related party transactions

Following admission of the Company's shares to the premium listing segment of the Official List of the UK Listing Authority, the Company will, in certain circumstances, be subject to obligations to provide shareholders and the market generally with details of transactions, and potentially obtain shareholder approval. For instance, where the Company proposes to enter into a transaction that is outside the ordinary course of its business and of sufficient size to constitute a "Class 1 transaction" (being a transaction the size of which results in a 25 % threshold being reached under any one of the "class tests" contained in the Listing Rules), the Company must, amongst other things, provide shareholders with a circular setting out details of the relevant transaction) and obtain their approval before completing that transaction. In addition, if the Company proposes to enter into a transaction or arrangement with a related party or any of the related party's subsidiary undertakings (or a transaction between the Company and any other person the purpose and effect of which is to benefit a related party), it must typically first provide shareholders with an explanatory circular and obtain the approval of its independent shareholders.

Shares in public hands

The Company expects that, upon admission to the premium listing segment of the Official List of the UK Listing Authority and to trading on the main market of the London Stock Exchange, more than 25% of the Shares will be in public hands in one or more member states of the EEA. Following such admission, at least 25% of the Shares must be in public hands in one or more member states of the EEA at all times.

Model Code

The Company currently complies with German law and regulation in respect of dealings in securities by members of the Executive Board and the Supervisory Board. The Company will, with effect from admission to the premium listing segment of the Official List of the UK Listing Authority and to trading on the main market of the London Stock Exchange, implement a securities dealing policy based on, and at least as rigorous as, the Model Code set out in Annex 1 to Rule 9 of the Listing Rules. The securities dealing policy adopted will apply to members of the Executive Board and the Supervisory Board members and other relevant employees of the Group.

RELATED PARTY TRANSACTIONS

In the following sections we describe transactions with persons or companies which are, inter alia, members of the same group as the Company or which are in control of or controlled by the Company. Control exists if a shareholder owns more than one half of the voting rights in the Company or, by virtue of an agreement, has the power to control the financial and operating policies of our management. We also disclose transactions with associated companies (including joint ventures) as well as transactions with persons who have significant influence on our financial and operating policies, including close family members and intermediate entities. This includes the members of the Management Board and Supervisory Board and close members of their families, as well as those entities over which the members of the Management Board and Supervisory Board or their close family members are able to exercise a significant influence or in which they hold a significant share of voting rights.

Set forth below is a summary of such transactions with related parties for the fiscal years ended September 30, 2013, September 30, 2012 and September 30, 2011 up to and including the date of this prospectus. The companies which are directly or indirectly controlled by the Company are listed under section "TUI Group Shareholdings" of the notes to our audited consolidated financial statement for the fiscal year ended September 30, 2013 and to our audited unconsolidated financial statements for the fiscal years ended September 30, 2012 and September 30, 2011.

General

We had business transactions with related parties in the fiscal years ended September 30, 2013, September 30, 2012 and September 30, 2011 as well as in the nine-month period ended June 30, 2014, in the ordinary course of business, in particular relating to management and consultancy services, the sale of tourism services, services within the framework of lease, rental and leasing agreements, as well as with respect to the purchase of hotel services, incoming services, and distribution services. All such transactions with related parties were in our view carried out at arm's length.

As of June 30, 2014, transactions with affiliated companies (*verbundene Unternehmen*) and companies in which an equity investment is held (*Beteiligungen*) resulted in receivables from affiliated companies and companies in which an equity investment is held of €242.5 million (September 30, 2013: €165.8 million; September 30, 2012: €141.1 million.

The following table sets forth further information on our transactions with related parties.

	Financial year ended September 30,			Nine-month period ended June 30,	Nine-month period ended June 30,
	2011	2012	2013	2013	2014
			(in € millions)		
	(audited)	(audited)	(audited)	(audited)	(audited)
Services provided by the Group					
Management and consultancy services	56.3	68.2	68.4	46.7	45.0
Sales of tourism services	59.7	54.8	53.1	26.0	38.1
Total	**116.0**	**123.0**	**121.5**	**72.7**	**83.1**
Services received by the Group					
In the framework of lease, rental and leasing agreements	26.2	21.7	18.8	**9.4**	**15.1**
Purchase of hotel services	146.8	177.2	253.3	**151.0**	**200.6**
Incoming services	8.1	13.0	7.7	**7.0**	**5.3**
Distribution services	—	—	0.1	**0.1**	**—**
Other	77.6	43.2	42.2	**27.2**	**29.9**
Total	**258.7**	**255.1**	**322.1**	**194.7**	**250.9**

	Financial year ended September 30,			Nine-month ended June 30,	Nine-month ended June 30,
	2011	2012	2013	2013	2014
	(in € millions)				
	(audited)	(audited)	(audited)	(audited)	(audited)
Services provided by the Group to					
non-consolidated Group companies	—	—	2.5	1.6	1.7
joint ventures	86.3	88.6	67.1	27.9	28.0
associates	3.1	3.0	18.4	20.1	30.8
other related parties	26.6	31.4	33.5	23.1	22.6
Total	**116.0**	**123.0**	**121.5**	**72.7**	**83.1**
Services received by the Group from					
non-consolidated Group companies	—	—	12.0	11.0	7.5
joint ventures	245.2	241.2	239.7	130.6	194.7
associates	3.6	4.0	60.4	47.6	43.1
other related parties	9.9	9.9	10.0	5.5	5.6
Total	**258.7**	**255.1**	**322.1**	**194.7**	**250.9**

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

Relationship with Members of the Management Board

The current members of the Management Board only received remuneration relating to their function as persons in key positions.

For information on the remuneration paid to such related parties, see "*Information about TUI AG's Corporate Bodies—Executive Board—Remuneration, Shareholdings*".

TAXATION IN THE FEDERAL REPUBLIC OF GERMANY

The following sections describe a number of key German taxation principles that may be relevant to acquiring, holding and transferring the Shares. The information provided does not constitute a comprehensive or definitive explanation of all possible aspects of taxation in this area. This summary is based on applicable German tax law as of the date hereof, including the double taxation treaties that Germany has concluded with other countries. It should be noted that the legal situation may change, including, in certain cases, with retroactive effect.

In particular, this general discussion of certain German taxation principles does not consider any specific facts or circumstances that may apply to a particular acquirer. Persons interested in acquiring shares should seek advice from their own tax counsel regarding the tax implications of purchasing, holding, disposing, donating and bequeathing shares, and the regulations on reclaiming previously withheld withholding tax (*Kapitalertragsteuer*). Due consideration to a shareholder's specific tax-related circumstances can only be given within the scope of an individual tax advice.

Taxation of the Company

The earnings of the Company are subject to corporate income tax of 15% plus a solidarity surcharge (*Solidaritätszuschlag*) of 5.5% of this amount (*i.e.*, a total tax rate of 15.825%). In addition, income generated at its German permanent establishments is also usually subject to trade tax (*Gewerbesteuer*) of between 7% and 17.5%, depending on the multiplier applied by the relevant municipal authority.

In principle and subject to certain exemptions, dividends that a corporation receives from German or foreign corporations are exempt from tax. However, 5% of these dividends are treated as non-deductible operating expenses and are subject to tax (*i.e.*, 95% of the dividends are effectively tax-exempt). The same applies to gains from the disposal of shares in corporations. However, dividends received by a corporation that does not hold a direct participation of at least 10% in the share capital of the corporation that is paying the dividends at the beginning of the calendar year in which the dividends are paid are generally not exempt from tax (*Streubesitzbeteiligung*). The acquisition of a participation of at least 10% in the course of a calendar year is deemed to have occurred at the beginning of such calendar year for the purpose of this rule. Losses on disposals are not tax deductible. For trade tax purposes, the exemption of dividends from German or foreign companies as described above depends, among other things, on whether the company that is receiving the dividends has held a stake of at least 15% in the share capital of the company making the distribution since the beginning of the assessment period. In the case of foreign companies to which the Council Directive 2011/96/EU dated November 30, 2011 (the "**Parent-Subsidiary Directive**") does not apply (*e.g.*, companies domiciled outside of the European Union) further restrictions apply in addition to the minimum holding requirement. In the case of companies domiciled in another member state of the European Union and to which the Parent-Subsidiary Directive applies, a stake of 10% at the beginning of the assessment period is sufficient. Otherwise, profits resulting from shares in corporations are fully subject to trade tax.

The interest barrier rules (*Zinsschranke*) limit the degree to which interest expenses are tax deductible. Hence, for corporate income and trade tax purposes, if no exception to the interest barrier rule applies, net interest expense is only deductible in an amount of up to 30% of attributable EBITDA for tax purposes (*verrechenbares EBITDA*) in the given financial year. Non-deductible interest expense and attributable EBITDA that has not been utilized can be carried forward to subsequent years if certain prerequisites are met. Interest carry-forwards are subject to the same forfeiture rules as tax losses (see below). For the purpose of trade tax, however, an additional barrier to the deductibility of interest expenses exists: since 25% of the interest expense, to the extent it was deducted for income tax purposes, is generally added back to compute the trade tax base, the deductibility generally amounts to only 75%.

While there is no time limit on carrying over tax loss carry-forwards, they can only be fully offset against taxable income up to €1 million in each year. In addition, 60% of the portion of taxable income exceeding this amount can be offset with existing tax loss carry-forwards; 40% is subject to corporate income tax and trade tax at the applicable rates (referred to as minimum taxation). Tax losses may only be carried backwards to the immediately preceding assessment period up to an amount of €1 million and only with regard to corporate income tax purposes.

If, directly or indirectly, more than 50% of a company's shares, voting rights or other membership rights are transferred to an acquirer (including parties related to the acquirer and a group of acquirers whose interests are aligned) or a similar acquisition occurs within five years, all of the Company's as yet unused loss carry-forwards and interest carry-forwards lapse and any losses accrued during the current financial year until the relevant transfer may generally not be offset against future profits. If, directly or indirectly, more than 25% up to and including 50% of the shares, voting rights or other membership rights are transferred to an acquirer (including parties related to the acquirer and a group of acquirers whose interests are aligned), the loss carry-forwards, the interest carry-forwards, or accrued losses pertaining to the current financial year are generally forfeited only in proportion to the shares, voting rights or other membership rights transferred. An intra-group exception may apply according to which share transfers do not count towards the respective harmful thresholds (25% or 50% respectively) if the same person holds, directly or indirectly, 100% of the shares in (i) the transferring entity and (ii) the acquiring entity. A 100% participation in the loss-company, however, is not necessarily required. Furthermore, the loss disallowance rules does not apply and losses are preserved to the extent that a corporation that is subject to a harmful change in ownership has unrealized built-in gains among its assets. Hence, tax losses can be fully used and carried forward if the corporation's unrealized built-in gains exceed its tax losses. However, only unrealized built-in gains that are subject to German tax are taken into account for the purposes of this test. Therefore unrealized built-in gains which are attached to shares in corporations (tax-exempt according to German domestic law with a 5% "claw-back") or to assets attributable to foreign permanent establishments (fully exempt under applicable treaties) may in particular not be available to "shelter" losses in the event of a harmful change in ownership.

(Withholding) Taxation of Dividends

General aspects

Dividends distributed by the Company are generally subject to withholding tax (*Kapitalertragsteuer*) at a rate of 25% on the amount of the distribution. A solidarity surcharge of 5.5% is also levied on the withholding tax amount, resulting in a total withholding of 26.375% (plus church tax, if any). The assessment basis for the withholding tax is the dividend approved by the general shareholders' meeting. However, if monies from the tax contribution account (*steuerliches Einlagekonto*) are deemed to be used for the distribution, the dividend payment is generally, and subject to certain exemptions, tax-exempt and not subject to withholding tax. Nevertheless, such dividends lower the acquisition costs of the shares, which may result in a greater amount of taxable capital gain upon the shareholder's sale of the shares. To the extent that dividends from the tax-recognized contribution account exceed the then lowered acquisition costs of the shares, a taxable income may be recognized, which may, however, benefit from the tax exemptions for capital gains in accordance with the provisions outlined below.

The withholding tax is generally withheld regardless of whether and to what extent the dividend is exempt from tax at the shareholder's level and whether the shareholder is a resident of Germany or elsewhere. If shares—as it is the case with the shares in the Company—are admitted to be held in collective deposit (*Sammelverwahrung*) with a collective depository institution (*Wertpapiersammelbank*) pursuant to Section 5 German Act on Securities Accounts (*Depotgesetz*) and are entrusted to such central securities depository for collective safe custody in Germany, the withholding tax is withheld and discharged for the account of the shareholders by the German credit or financial services institution (*inländisches Kredit- oder Finanzdienstleistungsinstitut*), German securities trading firm (*inländisches Wertpapierhandelsunternehmen*) or German securities trading bank (*inländische Wertpapierhandelsbank*) (each including German branches of foreign banks or institutions) with which the shares are deposited or that administers the shares and that disburses or credits the dividends or that disburses the dividends to a foreign institution, or the collective deposit bank for securities that received the shares for collective deposit if it disburses the dividends to a foreign institution (a "**Domestic Paying Agent**").

In the case of dividends paid to a company domiciled in another European Union member state and subject to the Parent-Subsidiary Directive, upon request and provided that other conditions are also met, including minimum holding and substance requirements of the German anti-treaty-shopping rules, the withholding tax is reduced to zero. The same applies to dividends paid to a permanent establishment of such company located in another European Union member state and to dividends paid to a permanent establishment of a German parent company located in another European Union member state if the shares in the Company are classified as business assets of the respective permanent establishment for tax purposes. In certain additional cases, companies domiciled in another European Union or European Economic Area member state may be entitled to a refund of withholding tax, although the minimum holding requirements of the Parent-Subsidiary Directive are not met.

In the case of dividends paid to foreign shareholders, a reduced withholding tax rate may be applied (usually a rate of 15%) if a foreign shareholder is resident in a state with which Germany has concluded a double taxation treaty and other conditions are met, including minimum holding and substance requirements of the German anti-treaty-shopping rules.

The withholding tax is generally withheld regardless of a right to benefit from the aforementioned reduction of the withholding tax rate. If all conditions for such reduction of the withholding tax rate (in particular minimum holding and substance requirements) are met, an application may, however, be made to the Federal Central Tax Office (*Bundeszentralamt für Steuern*) for a refund of the difference between the withholding tax withheld and the maximum rate stipulated in the double taxation treaty or the zero rate of the Parent-Subsidiary Directive. For such application, the shareholder must generally submit, *inter alia*, a certificate, issued by the institution that withheld the tax, together with the completed application form to receive a refund by the latest four years after the end of the calendar year in which the dividends were received, or six months after payment of the tax, whichever is later.

Alternatively, withholding tax does not have to be withheld if, prior to the distribution, the Federal Central Tax Office (*Bundeszentralamt für Steuern*) has issued a (partial) exemption certificate (*Freistellungsbescheinigung*) upon application.

If dividends are paid to corporations with limited tax liability in Germany, *i.e.*, corporations with no registered office or place of management in Germany, then two-fifths of the withholding tax withheld as well as two-fifths of the solidarity surcharge thereon can be refunded, subject to certain restrictions. This refund is permissible irrespective of the applicability of any double taxation treaty or the fulfillment of the requirements set forth in the Parent-Subsidiary Directive. Nevertheless, certain conditions must be met, including substance requirements of the German anti-treaty-shopping rules. The corporation must, however, file an application form with the Federal Central Tax Office (*Bundeszentralamt für Steuern*).

The Company assumes responsibility for the withholding of taxes (including church tax, as the case may be, explained below) on dividends.

Taxation of Dividends—(Shareholder Level—Shareholders Tax Resident in Germany)

Shares Held as Part of the Private Assets of Individuals

The tax liability applicable to dividend payments to shareholders who are German tax residents and who hold shares as part of their private assets is generally satisfied by withholding a flat tax (*Abgeltungsteuer*) of 25% plus solidarity surcharge of 5.5% thereon, resulting in a total tax rate of 26.375% (plus church tax, if any) as described above (see "*—(Withholding) Taxation of Dividends—General Aspects*"). Income-related expenses incurred in connection with private investment income are not tax deductible. The only deduction that may be made is an annual flat-rate savings allowance of €801 (€1,602 for joint-filing spouses) on all private capital income. Shareholders may apply for the whole amount of their capital income to be taxed at the income tax rate based on their personal circumstances instead of the flat-rate withholding tax if this results in a lower tax liability, in which case the withholding tax will be credited against the personal tax liability and any excess amount refunded. In such cases, it is also not possible to deduct any income-related expenses other than the flat-rate savings allowance. Shareholders may be subject to church tax, which is generally determined by means of tax assessment. However, with regard to dividends received after December 31, 2014, based on the Act on the Implementation of the Recovery Directive on Mutual Assistance (*Amtshilferichtlinie-Umsetzungsgesetz*) of June 2013, the Company or the Domestic Paying Agent will automatically withhold church tax (in addition to the withholding flat tax) in order to satisfy this church tax liability. For that purpose, the Company or the Domestic Paying Agent annually request information from the Federal Tax Office (*Bundeszentralamt für Steuern*) to obtain information (electronically, on an anonymous basis) on the dividend recipient's church tax status (*Kirchensteuerabzugsmerkmal*, KISTAM). The recipient has the right to object and apply for a blocking notice (*Sperrvermerk*) before June 30 of the preceding calendar year (*e.g.*, June 30, 2014 for 2015) of which the Federal Tax Office will inform the competent local tax office.

Shareholders who hold, directly or indirectly, an interest of at least 25% in the Company, and shareholders who hold, directly or indirectly, at least 1% in the Company and work for the Company may request an exemption from the flat-rate withholding tax. In this case, 60% of the dividends paid to the shareholder are subject to income tax according to the applicable rate plus solidarity surcharge (plus church tax, if any). Business expenses incurred in connection with dividend income are generally 60% tax-deductible. Trade tax is generally not levied. The withholding tax withheld is offset against the income tax and any excess withholding is refunded. Dividend payments that are made using funds from the tax contribution account (*steuerliches Einlagekonto*) are generally, subject to certain exemptions, tax-exempt.

Shares Held as Part of the Business Assets of a Corporation

Dividends paid to corporations that are German tax residents are generally exempt from tax, provided that the corporation holds a direct participation of at least 10% in the share capital of the Company that is paying the dividend at the beginning of the calendar year in which the dividends are paid. The acquisition of a participation of at least 10% in the course of a calendar year is deemed to have occurred at the beginning of such calendar year for the purpose of this rule. However, 5% of the tax-exempt dividends are treated as non-deductible operating expenses and are subject to tax (*i.e.*, 95% of the dividends are effectively tax exempt). Business expenses actually incurred in connection with dividend income from a tax perspective are generally tax-deductible. For trade tax purposes, dividends are only exempt as described above if the entity that is receiving the dividends held a stake of at least 15% in the share capital of the Company at the beginning of the assessment period. Otherwise, the dividends will be fully subject to trade tax if the shares are attributable to a permanent establishment maintained in Germany. The withholding tax withheld is offset against the corporate income tax due and any excess withholding is refunded. The same applies to the solidarity surcharge, which is levied in addition to the corporate income tax. Dividend payments for which funds from the tax contribution account (*steuerliches Einlagekonto*) are deemed to be used are generally, subject to certain exemptions, tax-exempt.

Shares Held as Part of the Business Assets of Sole Proprietors

60% of the dividends paid to individuals who are German tax residents and who hold shares as part of their business assets are subject to income tax according to the applicable rate. A solidarity surcharge of 5.5% of this amount also applies (plus church tax, if any). The withholding tax withheld is offset against the personal income tax due and any excess amount is refunded. The same applies to the solidarity surcharge. Business expenses incurred in connection with dividend income from a tax perspective are generally only 60% tax-deductible. If the shares are attributable to a permanent establishment maintained in Germany, the dividends are also subject to trade tax, which is generally credited towards the individual's income tax by a lump-sum method. The dividends are exempt from trade tax, provided that the shareholder held at least 15% of the Company's share capital at the beginning of the relevant assessment period. Dividend payments for which funds from the tax contribution account (*steuerliches Einlagekonto*) are deemed to be used are generally, subject to certain exemptions, tax-exempt.

Shares Held as Part of the Business Assets of a Commercial Partnership

Income tax or corporate income tax (including solidarity surcharge) is not levied at the level of the partnership but rather at the level of the respective partner. The level of taxation for each partner depends on whether the partner is a corporation or an individual. If the partner is a corporation, the dividends contained in its profit share are taxed in accordance with the principles applicable to corporations (see "—*Shares Held as Part of the Business Assets of a Corporation*" above). If the partner is an individual and the shares are held as business assets of the partnership, dividends contained in the profit share are taxed in accordance with the principles applicable to sole proprietors (see "—*Shares Held as Part of the Business Assets of Sole Proprietors*" above). Subject to certain conditions, an individual partner may request that its personal income tax be lowered for earnings not withdrawn from the partnership.

If the partnership is liable for trade tax, it is levied at the level of the partnership. If an individual holds an interest in the partnership, the trade tax may be credited proportionately towards the individual's income tax by means of a lump-sum method.

Shares Held as Part of the Assets of Certain Companies in the Financial and Insurance Sector

The tax exemption applicable to dividends paid to corporations does not apply to dividends paid to certain companies in the financial and insurance sector.

Dividends from shares that are part of the trading books of banks and financial services institutions, as well as dividends from shares that are acquired by certain financial enterprises with the aim of generating a short-term proprietary trading profit, are fully liable for corporate income tax (plus solidarity surcharge). If the stake held at the beginning of the relevant assessment period is 15% or higher, subject to certain conditions, the dividends can be exempted from trade tax. Dividends from shares that are classified as investments in the case of life insurance companies, health insurance companies and pension funds are fully subject to corporate income tax and trade tax.

Taxation of Dividends (Shareholder Level—Shareholders Tax Resident Outside Germany)

Dividends paid to shareholders who are not German tax residents (individuals and corporations) are generally subject to German withholding taxation (as explained above "—*(Withholding) Taxation of Dividends—General Aspects*").

If the shares are held as part of business assets in Germany (*i.e.*, via a permanent establishment or as part of business assets for which a permanent representative in Germany has been appointed), the provisions outlined above with respect to the taxation of shareholders that are German tax residents principally apply accordingly. The withholding tax and solidarity surcharge that is withheld at source and remitted to the German tax authorities will be credited towards the shareholder's income tax or corporate income tax and solidarity surcharge liability or be refunded in the amount of any excess paid.

In all other cases, the tax liability of the dividends is settled via the withholding tax plus the solidarity surcharge (which may be reduced pursuant to an applicable double taxation treaty, the Parent-Subsidiary Directive or under national tax laws).

Taxation of Capital Gains (Shareholders Tax Resident in Germany)

Shares Held as Part of the Private Assets of Individuals

Capital gains are classified as income from capital investments and are subject to income tax (plus solidarity surcharge and church tax, if any) at the rate of 25% (plus 5.5% solidarity surcharge, resulting in a total withholding of 26.375%, and church tax, if any) in the case of shares held as private assets, irrespective of how long the shares have been held. Shareholders may be also liable for church tax, which is generally determined by means of an income tax assessment. However, shareholders may request that the Domestic Paying Agent withholds church tax in order to satisfy this church tax liability. With regards to capital gains received after December 31, 2014, the Act on the Implementation of the Directive on Mutual Assistance (*Amtshilfesrichtlinie-Umsetzungsgesetz*) of June 2013 provides for an automatic procedure for deduction of church tax by way of withholding as described above, unless the shareholder has filed a blocking notice (*Sperrvermerk*) with the Federal Central Tax Office (*Bundeszentralamt für Steuern*). The taxable capital gain is generally, and subject to certain exemptions, calculated by deducting the acquisition costs of the shares and the expenses directly related to the disposal from the proceeds of the disposal. For purposes of determining the relevant acquisition costs after a share exchange due to a corporate law measure, the acquisition costs of the original shares are reflected in the new shares received in exchange for the original shares. The share exchange (including expenses incurred in connection with the share exchange) is tax-neutral.

Income from capital investments may be reduced only by a flat-rate savings allowance of €801 (€1,602 for joint-filing spouses); it is not possible to further deduct income-related expenses actually incurred except for expenses incurred directly in connection with the disposal. Capital gains generated by the disposal of shares can be offset against any type of losses from capital investment income while capital losses incurred on the disposal of shares can only be offset against capital gains from the disposal of shares in the Company and other stock corporations. Offsetting overall losses with other income and other capital income is not possible. Such losses are to be carried forward and to be offset against positive capital gains deriving from the sale of shares in future years.

If the shares are held in custody or administered by a Domestic Paying Agent, or if a Domestic Paying Agent executes the disposal of the shares and pays out or credits the capital gains, the tax on the capital gains will in general be discharged for the account of the seller by the Domestic Paying

Agent imposing the withholding tax on investment income. A shareholder's income tax and solidarity surcharge liability is generally satisfied through the withholding of the applicable withholding tax. Shareholders may, however, request that a tax assessment be carried out on their income from capital investments if this results in a lower tax liability.

If the shareholder making the disposal, or, in the event of a sale of shares acquired without consideration, its legal predecessor, held a direct or indirect stake of at least 1% in the Company's share capital at any time in the five years preceding the disposal, any capital gains realized are deemed to be trading income such that the withholding tax levied on the capital gains does not satisfy the tax liability. The capital gains are 60% taxable at the individual tax rate of the shareholder. The withholding tax and solidarity surcharge withheld are credited towards the shareholders' tax liability or refunded in the amount of any excess paid on their tax assessment. Trade tax is generally not levied.

Shares Held as Part of the Business Assets of a Corporation

Gains from the disposal of shares held by corporations that are German tax residents are generally not subject to withholding tax and are in principle exempt from corporate income tax and trade tax. However, 5% of the capital gains are deemed non-deductible business expenses and are thus subject to corporate income tax (plus solidarity surcharge) and, if the shares are held as part of the commercial business assets of a permanent establishment maintained in Germany, to trade tax. Consequently, capital gains are generally 95% exempt from tax. As a rule, losses on disposals and other profit reductions in connection with the shares sold may not be deducted as business expenses.

Shares Held as Part of the Business Assets of a Sole Proprietor

Gains from the disposal of shares held by individuals are not subject to withholding tax if the disposal proceeds are part of the business income of a business based in Germany and the shareholder declares this fact to the Domestic paying agent on the designated official form. If the withholding tax and solidarity surcharge have been withheld, this does not satisfy the tax liability with respect to gains from the disposal of shares held as part of the business assets. Amounts withheld are instead credited towards the seller's income tax (plus solidarity surcharge) liability or refunded in the amount of any excess paid. 60% of the gains from the disposal of the shares is subject to income tax (plus solidarity surcharge and church tax, if any) at the individual tax rate of the shareholder and, if the shares are held as part of commercial business assets in Germany, to trade tax. The trade tax is (partially) credited to the shareholder's personal income tax by means of a lump-sum method. Generally, only 60% of the losses on disposals and business expenses financially linked to the shares sold may be deducted.

Shares Held as Part of the Business Assets of a Commercial Partnership

Income tax or corporate income tax is not levied at the level of the partnership but at the level of the respective partner. If shares are held as business assets of the partnership, taxation is determined as if the partner held a direct interest in the Company, according to the rules outlined above depending on whether the partner is a corporation (see "—*Shares Held as Part of the Business Assets of a Corporation*" above) or an individual (see "—*Shares Held as Part of the Business Assets of a Sole Proprietor*" above). Upon request and subject to further conditions, a partner that is an individual may have its personal income tax lowered for earnings not withdrawn from the partnership.

For a partnership, capital gains are subject to trade tax if the shares are part of the business assets of a German business operation of the partnership. 5% of these gains are subject to trade tax insofar as they relate to the profit share of a partner that is a corporation and 60% insofar as they relate to the profit share of a partner that is an individual. In the latter case, the trade tax is (partially) credited to the partner's personal income tax by means of a lump-sum method.

Shares Held as Part of Assets of Certain Companies in the Financial and Insurance Sector

Capital gains realized by certain companies in the financial and insurance sector are, as an exception to the aforementioned rules, fully taxable. This generally applies to gains from the disposal of shares in the trading books of banks and financial services companies, to gains from the disposal of shares that were acquired by financial enterprises with the aim of generating a short-term proprietary trading profit, as well as to gains from the disposal of shares held as investments by life insurance companies, health insurance companies and pension funds.

Taxation of Capital Gains (Shareholders Tax Resident Outside Germany)

Gains from the disposal of shares held by shareholders that are not German tax residents as part of German business assets (*i.e.*, via a permanent establishment or as part of business assets for which a permanent representative in Germany has been appointed), are taxed in Germany principally according to the same provisions that apply to the taxation of shareholders that are German tax residents as described above.

Otherwise, capital gains realized by shareholders that are not German tax residents are taxable in Germany only if the shareholder making the disposal, or, in the event of shares acquired without consideration, their legal predecessor, held a direct or indirect stake of at least 1% in the Company's share capital at any time in the five years preceding the disposal. As a general rule, double taxation treaties concluded by Germany normally provide for full exemption from German taxation in such cases and assign fiscal jurisdiction to the shareholder's country of residence. If tax is levied in Germany and the shareholder is a corporation, generally no more than 5% of the capital gains will ultimately be subject to corporate income tax and the solidarity surcharge. In the case of individuals, by contrast, 60% of the gains from the disposal of the shares are subject to income tax (plus solidarity surcharge). Losses on disposals and other profit reductions or expenses incurred in connection with the shares may be deducted only to a limited extent in line with the principles outlined above. The German tax authorities have ruled that generally no withholding tax needs to be deducted by a Domestic Paying Agent in such cases (see BMF of December 22, 2009, ref.: IV C 1—S 2252/08/10004), as amended by BMF of October 12, 2012, ref. IV C1—S2252/10/10013). However, if the capital gain is subject to tax in Germany, the shareholder is required to file a tax return and pay such taxes.

Inheritance and Gift Tax

The transfer of shares to another person upon death or as a gift is generally subject to German inheritance or gift tax in the following circumstances:

i. the place of residence, customary place of abode, place of management or registered office of the testator, the donor, the heir, the donee or another acquirer is, at the time of the asset transfer, in Germany, or such person, as a German national, has not spent more than five consecutive years outside Germany without having a place of residence in Germany;

ii. the testator's or donor's shares were part of business assets for which there was a permanent establishment in Germany or for which a permanent representative was appointed; or

iii. the testator, at the time of death, or the donor, when the gift was made, held a direct or indirect interest of at least 10% of the Company's share capital either alone or jointly with other persons closely connected to them.

The small number of double taxation treaties regarding inheritance and gift tax that Germany has concluded to date generally provide for German inheritance or gift tax only to be levied in the cases under (i) and, subject to certain restrictions, in the cases under (ii). Special arrangements apply to certain German nationals and former German nationals living outside Germany.

Other Taxes

No German capital transfer tax, value added tax, stamp duty or similar taxes are levied on the purchase or disposal of shares or other forms of share transfer. Wealth tax (*Vermögenssteuer*) is currently not levied in Germany. However, an entrepreneur can opt to pay value-added tax on the sale of shares, despite being generally exempt from value-added tax, if the shares are sold to another entrepreneur for the entrepreneur's business. The European Commission has published a draft directive for the introduction of a financial transaction tax ("**FTT**") in eleven member states (including Germany). Under the Commission's Proposal current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in shares where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State. In a joint statement by the ministers of the EU Member States participating in the enhanced cooperation in the area of financial transaction taxes dated May 6, 2014, progressive implementation of a harmonized financial transaction tax has been agreed upon, as a first step focusing on shares and some derivatives. This first step is supposed to be implemented at the latest on January 1, 2016. The FTT proposal remains subject to negotiation among the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Holders of shares are advised to seek their own professional advice in relation to the FTT.

TAXATION IN THE UNITED KINGDOM

General

The following statements are intended to apply only as a general guide to certain aspects of current United Kingdom tax law and to what is understood to be the current published practice of HM Revenue and Customs ("**HMRC**"), both of which are subject to change at any time, possibly with retrospective effect. They are intended to apply only to shareholders who (unless the position of non-United Kingdom resident shareholders is expressly referred to) are resident, or if individuals resident and domiciled, in the United Kingdom for United Kingdom tax purposes, who hold the Shares as investments (and the Shares are not held through an individual savings account or a self-invested personal pension) and who are the absolute beneficial owners of the Shares and any dividends paid on them. The statements may not apply to certain classes of shareholders such as dealers in securities, persons acquiring Shares in connection with their employment, or persons who either directly or indirectly control or hold, either alone or together with one or more associated or connected persons, 10% or more of the issued Shares, of the entire issued share capital, of the voting power or of the rights to profits or capital of the Company.

Holders of Shares who are in any doubt as to their tax position regarding the Shares or who are subject to tax in a jurisdiction other than the United Kingdom should consult their own tax advisers.

Issue of New TUI Shares and Cancellation of TUI Travel Shares Pursuant to the Scheme

Taxation of income

The cancellation of TUI Travel Shares and issue of New TUI Shares pursuant to the Scheme should not be treated as involving a distribution subject to United Kingdom tax as income.

Taxation of chargeable gains

It is expected that for capital gains tax purposes the Scheme will be a scheme of reconstruction as defined for UK tax purposes. Accordingly, Shareholders that (together with persons connected with them) own not more than 5% of or any class of the shares of TUI Travel should not be treated as making a disposal of all or part of their holding of TUI Travel shares. Instead, "roll-over" treatment should apply which means that the New TUI Shares should be treated as the same asset as the original TUI Travel shares and as having been acquired at the same time and for the same consideration as those TUI Travel shares.

If a Shareholder alone or together with persons connected with that Shareholder, holds more than 5% of the TUI Travel shares (or any class thereof), such a Shareholder will be eligible for the "roll-over" treatment only if the Scheme is effected for bona fide commercial reasons and does not form part of a scheme or arrangement of which the main purpose, or one of the main purposes, is avoidance of liability to capital gains tax or corporation tax. The Company has obtained clearance from HMRC in accordance with section 138 Taxation of Chargeable Gains Act 1992 that they are satisfied that the Scheme meets these requirements.

Stamp Duty and Stamp Duty Reserve Tax

No stamp duty or stamp duty reserve tax will be payable by TUI Travel shareholders as a result of the cancellation of TUI Travel shares and the issue of New TUI Shares under the Scheme.

For further information on the United Kingdom taxation implications of the Scheme, TUI Travel shareholders are referred to the Scheme Document.

Dividends Received from the Company

Liability to tax on dividends in the United Kingdom will depend on the individual circumstances of a Shareholder.

Withholding tax

The Company will not be required to deduct or withhold United Kingdom tax at source from dividend payments it makes, and accordingly does not assume any responsibility for withholding

UK taxes at source, but see the comments above in relation to German withholding tax under the heading "*Taxation in the Federal Republic of Germany—(Withholding) Taxation of Dividends*".

Individuals

An individual shareholder who receives a dividend from the Company will be entitled to a United Kingdom tax credit which may be set off against his total United Kingdom income tax liability on the dividend. Such an individual shareholder's liability to income tax is calculated on the aggregate of the amount of the dividend before the deduction of German withholding taxes (the "**declared dividend**") and the United Kingdom tax credit (such aggregate being the "**gross dividend**"), which will be regarded as the top slice of the individual's income. The United Kingdom tax credit will be equal to 10% of the gross dividend (*i.e.* the United Kingdom tax credit will be one-ninth of the amount of the declared dividend).

A basic rate taxpayer will be subject to income tax at the rate of 10% of the gross dividend so that the tax credit will satisfy in full such shareholder's liability to income tax on the dividend.

A higher rate taxpayer will be subject to income tax on the gross dividend at 32.5%, but will be able to set the tax credit off against part of this liability, so will have to account for tax equal to 25% of the declared dividend. On a declared dividend of 90, income tax of 22.5 would therefore be due.

An additional rate taxpayer will be subject to income tax on the gross dividend at 37.5% but will be able to set the tax credit off against part of this liability, so will have to account for tax equal to 30.56% of the declared dividend. On a declared dividend of 90, income tax of 27.5 would be due.

An individual shareholder will generally also be entitled to a credit for German withholding tax against his United Kingdom income tax liability (if any) on the gross dividend. The amount of the credit for German withholding tax is subject to various limits and cannot generally exceed 15% of the declared dividend. A basic rate taxpayer will generally not be entitled to such a credit as he will have no United Kingdom income tax liability against which to set the credit (as set out above). On a declared dividend of 90, higher rate and additional rate taxpayers will generally be entitled to a credit of 13.5 for German tax withheld, which would reduce their United Kingdom income tax liability on the dividend to 9 for higher rate taxpayers and 14 for additional rate taxpayers.

Companies

Shareholders within the charge to United Kingdom corporation tax which are "small companies" for the purposes of Chapter 2 of Part 9A of the Corporation Tax Act 2009 ("**CTA 2009**") should not be subject to United Kingdom corporation tax on dividends received from the Company provided certain conditions are met (including an anti-avoidance condition).

Other shareholders within the charge to United Kingdom corporation tax will not be subject to United Kingdom corporation tax on dividends received from the Company so long as the dividends fall within an exempt class and certain conditions are met. For example, dividends paid on shares that are "ordinary shares" and are not "redeemable" (as those terms are used in Chapter 3 of Part 9A CTA 2009), and dividends paid to a person holding less than 10% of the issued share capital of the payer (or any class of that share capital in respect of which the dividend is paid) should generally fall within an exempt class. The exemptions are not comprehensive and are subject to anti-avoidance rules.

If the conditions for exemption are not met or cease to be satisfied, or such a shareholder elects for an otherwise exempt dividend to be taxable, the shareholder will be subject to United Kingdom corporation tax on dividends received from the Company, at the rate of corporation tax applicable to that shareholder (currently 21% for companies paying the full rate of corporation tax, to be reduced to 20% on April 1, 2015), subject to the availability of any credit for any German tax withheld.

No credit in respect of amounts withheld by the Company on account of German withholding tax will be available to a shareholder within the charge to United Kingdom corporation tax where dividends received from the Company are not subject to United Kingdom corporation tax. See the comments above in relation to German withholding tax under the heading "*Taxation in the Federal Republic of Germany—(Withholding) Taxation of Dividends*".

Provision of information

Persons in the United Kingdom paying "foreign dividends" to, or receiving "foreign dividends" on behalf of, another person may in certain circumstances be required to provide certain information to

HMRC regarding the identity of the payee or person entitled to the "foreign dividend". In certain cases, such information may be exchanged with tax authorities in other countries. However, guidance published by HMRC indicates that HMRC will not exercise their power to obtain information where "foreign dividends" are paid on or before April 5, 2015.

Capital Gains on a Disposal of Shares

A disposal or deemed disposal of shares by a shareholder who is at any time in the relevant United Kingdom tax year resident in the United Kingdom for tax purposes, may, depending on the shareholder's circumstances and subject to any available exemptions or reliefs, give rise to a chargeable gain or allowable loss for the purposes of United Kingdom taxation of capital gains.

Individuals

For individual shareholders, the principal factors that will determine the United Kingdom capital gains tax position on a disposal or deemed disposal of shares are the extent to which the shareholder realizes any other capital gains in the United Kingdom tax year in which the disposal is made, the extent to which the shareholder has incurred capital losses in that or earlier United Kingdom tax years, and the level of the annual allowance of tax-free gains in that United Kingdom tax year (the **"annual exempt amount"**). The annual exempt amount is £11,000 for the 2014/2015 United Kingdom tax year.

If, after all allowable deductions, an individual shareholder's taxable income for the year exceeds the basic rate United Kingdom income tax limit, a taxable chargeable gain accruing on a disposal or deemed disposal of Shares would be taxed at 28%. Otherwise, such a gain may be taxed at 18% or 28% or a combination of both rates.

A shareholder who is an individual and who has ceased to be resident and, in the case of a cessation prior to the 2013/2014 United Kingdom tax year, ordinarily resident in the United Kingdom for tax purposes for a period of less than five complete tax years and who disposes of Shares during that period may also be liable on his return to the United Kingdom to tax on any capital gain realized, subject to any available exemptions or reliefs.

Companies

A disposal or deemed disposal of shares by a shareholder within the charge to United Kingdom corporation tax may give rise to a chargeable gain or allowable loss for the purposes of United Kingdom corporation tax, depending on the circumstances and subject to any available exemptions or reliefs. Corporation tax is charged on chargeable gains at the rate applicable to that company.

Shareholders within the charge to United Kingdom corporation tax will, for the purposes of computing chargeable gains, be allowed to claim an indexation allowance which applies to reduce capital gains (but not to create or increase an allowable loss) to the extent that such gains arise due to inflation.

Stamp Duty and Stamp Duty Reserve Tax on CREST Depositary Systems

The following statements about UK stamp duty and stamp duty reserve tax (**"SDRT"**) apply regardless of whether or not a shareholder is resident or domiciled in the United Kingdom.

Issue/Subscription

No stamp duty or SDRT will be payable on the issue of or subscription for the Shares or the TUI AG DIs.

Transfer

Provided that no register of members is kept in the United Kingdom by or on behalf of the Company, no charge to SDRT should arise on any agreement to transfer the Shares. An agreement to transfer TUI AG DIs should not be within the charge to SDRT provided that the Shares in respect of which they are issued are "foreign securities", which are shares in companies:

- incorporated outside the United Kingdom;
- whose central management and control resides outside the United Kingdom;

- whose shares are kept on a register of members outside the United Kingdom; and
- where shares of the same class in the Company are also listed on a recognized stock exchange.

Both the Frankfurt Stock Exchange and the London Stock Exchange are recognized stock exchanges. The Shares will be treated as listed on the Frankfurt Stock Exchange if they are officially listed in Germany in accordance with provisions corresponding to those generally applicable in EEA states and are admitted to trading on the Regulated Market of the Frankfurt Stock Exchange. The Shares will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) and admitted to trading on the London Stock Exchange. The Company believes that as of the date of this document the Shares are foreign securities. Accordingly, if and for so long as the Shares are listed on either the London Stock Exchange or the Frankfurt Stock Exchange and the other conditions above are satisfied, agreements to transfer the TUI AG DIs will not be chargeable to SDRT.

No UK stamp duty will be payable on the transfer of the Shares, provided that any instrument of transfer is not executed in the UK and does not relate to any property situate, or to any matter or thing done or to be done, in the United Kingdom. Assuming that transfers of TUI AG DIs operate without any written instrument of transfer or written agreement to transfer, no UK stamp duty will be payable on the transfer of such TUI AG DIs.

INDEX OF FINANCIAL INFORMATION

Audited Interim Consolidated Financial Statements of TUI AG for the nine-month period ended June 30, 2014

Consolidated Income Statement F-3
Consolidated Statement of Comprehensive Income F-4
Consolidated Statement of Financial Position F-5
Consolidated Statement of Changes in Equity F-6
Consolidated Statement of Cash Flows F-8
Notes to the Interim Consolidated Financial Statements F-9
Auditor's Report F-95

Audited Consolidated Financial Statements of TUI AG as of and for the financial year ended September 30, 2013

Consolidated Income Statement F-98
Consolidated Statement of Comprehensive Income F-99
Consolidated Statement of Financial Position F-100
Consolidated Statement of Changes in Equity F-101
Consolidated Statement of Cash Flows F-103
Notes to the Consolidated Financial Statements F-104
Excerpt from TUI AG's Group Management Report F-194
Auditor's Report F-202

Audited Consolidated Financial Statements of TUI AG as of and for the financial year ended September 30, 2012

Consolidated Income Statement F-205
Consolidated Statement of Comprehensive Income F-206
Consolidated Statement of Financial Position F-207
Consolidated Statement of Changes in Equity F-208
Consolidated Statement of Cash Flows F-209
Notes to the Consolidated Financial Statements F-210
Excerpt from TUI AG's Group Management Report F-295
Auditor's Report F-302

Audited Consolidated Financial Statements of TUI AG as of and for the financial year ended September 30, 2011

Consolidated Income Statement F-305
Consolidated Statement of Comprehensive Income F-306
Consolidated Statement of Financial Position F-307
Consolidated Statement of Changes in Equity F-308
Consolidated Statement of Cash Flows F-309
Notes to the Consolidated Financial Statements F-310
Excerpt from TUI AG's Group Management Report F-398
Auditor's Report F-403

Audited Financial Statements of TUI AG as of and for the financial year ended September 30, 2013 (HGB)

Financial position F-405
Income statement F-406
Development of fixed assets F-407
Notes to the Accounting & Measurement F-408
Auditor's Report F-450

Audited Interim Consolidated Financial Statements
of TUI AG
for the nine-month period ended June 30, 2014

CONSOLIDATED INCOME STATEMENT

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

Earnings per share

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Subscribed capital (26)	Capital reserves (27)	Other revenue reserves	Foreign exchange differences	Financial instruments available for sale	Cash flow hedges	Revaluation reserve	Revenue reserves (28)	Hybrid capital (29)	Equity before non-controlling Interest	Non-controlling interest (30)	Total
						€ million						
Balance as at 1 Oct 2013	**645.2**	**957.7**	**897.0**	**−753.0**	**0.5**	**−47.5**	**21.7**	**118.7**	**294.8**	**2,016.4**	**−19.6**	**1,996.8**
Dividends	—	—	−37.8	—	—	—	—	−37.8	—	−37.8	−89.9	−127.7
Hybrid capital dividend	—	—	−17.4	—	—	—	—	−17.4	—	−17.4	—	−17.4
Share-based payment schemes of TUI Travel PLC	—	—	7.4	—	—	—	—	7.4	—	7.4	7.8	15.2
Issue of employee shares	0.3	0.7	—	—	—	—	—	—	—	1.0	—	1.0
Conversion of convertible bonds	67.9	76.0	—	—	—	—	—	—	—	143.9	—	143.9
Taxes on convertible bonds	—	—	—	—	—	—	—	—	—	—	27.4	27.4
First-time consolidation	—	—	—	—	—	—	—	—	—	—	1.6	1.6
Deconsolidation	—	—	—	—	—	—	—	—	—	—	−1.8	−1.8
Written option on non-controlling interests	—	—	−2.6	—	—	—	—	−2.6	—	−2.6	−2.1	−4.7
Effects on the acquisition of non-controlling interests	—	—	−22.2	—	—	—	—	−22.2	—	−22.2	−18.3	−40.5
Group loss	**—**	**—**	**−249.2**	**—**	**—**	**—**	**—**	**−249.2**	**—**	**−249.2**	**−99.4**	**−348.6**
Foreign exchange differences	—	—	−12.4	−64.2	—	−1.3	−1.0	−78.9	—	−78.9	−66.2	−145.1
Financial Instruments available for sale	—	—	—	—	−0.5	—	—	−0.5	—	−0.5	−0.4	−0.9
Cash flow hedges	—	—	—	—	—	9.2	—	9.2	—	9.2	1.3	10.5
Actuarial losses from pension provisions and related fund assets	—	—	−94.6	—	—	—	—	−94.6	—	−94.6	−54.6	−149.2
Changes in the measurement of companies measured at equity	—	—	13.9	—	—	—	—	13.9	—	13.9	−0.1	13.8
Taxes attributable to other comprehensive income	—	—	24.3	—	—	−4.7	—	19.6	—	19.6	10.6	30.2
Other comprehensive income			**−68.8**	**−64.2**	**−0.5**	**3.2**	**−1.0**	**−131.3**	**—**	**−131.3**	**−109.4**	**−240.7**
Total comprehensive income			−318.0	−64.2	−0.5	3.2	−1.0	−380.5	—	−380.5	−208.8	−589.3
Balance as at 30 June 2014	**713.4**	**1,034.4**	**506.4**	**−817.2**	**—**	**−44.3**	**20.7**	**−334.4**	**294.8**	**1,708.2**	**−303.7**	**1,404.5**

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

	Subscribed capital (26)	Capital reserves (27)	Other revenue reserves	Foreign exchange differences	Financial instruments available for sale	Cash flow hedges	Revaluation reserve	Revenue reserves (28)	Hybrid capital (29)	Equity before non-controlling Interest	Non-controlling interest (30)	Total
						€ million						
Balance as at 1 Oct 2012	**644.9**	**957.4**	**820.5**	**− 640.9**	**—**	**− 38.4**	**20.9**	**162.1**	**294.8**	**2,059.2**	**− 15.2**	**2,044.0**
Dividends	—	—	—	—	—	—	—	—	—	—	− 128.6	− 128.6
Hybrid capital dividend	—	—	− 18.1	—	—	—	—	− 18.1	—	− 18.1	—	− 18.1
Share-based payment schemes of TUI Travel PLC	—	—	7.5	—	—	—	—	7.5	—	7.5	6.0	13.5
Issue of employee shares	0.3	0.2	—	—	—	—	—	—	—	0.5	—	0.5
Effects on the acquisition of non-controlling interests	—	—	− 17.0	—	—	—	—	− 17.0	—	− 17.0	− 8.5	− 25.5
Effects on the disposal of shares to non-controlling interests	—	—	102.7	− 6.8	—	1.9	—	97.8	—	97.8	− 31.5	66.3
Group loss	**—**	**—**	**− 376.2**	**—**	**—**	**—**	**—**	**− 376.2**	**—**	**− 376.2**	**− 100.0**	**− 476.2**
Foreign exchange differences	—	—	31.5	− 39.8	—	4.2	− 1.2	− 5.3	—	− 5.3	61.3	56.0
Financial Instruments available for sale	—	—	—	—	1.1	—	—	1.1	—	1.1	0.8	1.9
Cash flow hedges	—	—	—	—	—	63.1	—	63.1	—	63.1	26.0	89.1
Actuarial gains from pension provisions and related fund assets	—	—	45.8	—	—	—	—	45.8	—	45.8	29.1	74.9
Changes in the measurement of companies measured at equity	—	—	4.8	—	—	—	—	4.8	—	4.8	—	4.8
Taxes attributable to other comprehensive income	—	—	− 11.2	—	—	− 16.1	—	− 27.3	—	− 27.3	− 10.9	− 38.2
Other comprehensive income	**—**	**—**	**70.9**	**− 39.8**	**1.1**	**51.2**	**− 1.2**	**82.2**	**—**	**82.2**	**106.3**	**188.5**
Total comprehensive income	—	—	− 305.3	− 39.8	1.1	51.2	− 1.2	− 294.0	—	− 294.0	6.3	− 287.7
Balance as at 30 June 2013	**645.2**	**957.6**	**590.3**	**− 687.5**	**1.1**	**14.7**	**19.7**	**− 61.7**	**294.8**	**1,835.9**	**− 171.5**	**1,664.4**

CONSOLIDATED STATEMENT OF CASH FLOW

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

NOTES

Principles and methods underlying the consolidated financial statements

General

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

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

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

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

Accounting principles

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

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

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

Newly applied standards

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

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

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

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

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

IFRS 13: Fair Value Measurement

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

Amendments to IFRS 7: Financial Instruments—Disclosures

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

Annual Improvements Project (2009 – 2011)

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

Amendments to IAS 36: Impairment of Assets

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

Amendments to IAS 39: Financial Instruments—Recognition and Measurement

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

Amendments to IAS 19: Employee Benefits

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

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

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

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

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

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

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

Standards and interpretations not yet effective

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

Summary of new standards and interpretations not yet applied/applicable

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

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

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

Presentation

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

Changes in accounting and measurement methods

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

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

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

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

Restatement of figures from prior reporting periods

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

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

	9M 2012/13				Q3 2012/13				Q2 2012/13				Q1 2012/13			
		Restatements				Restatements				Restatements				Restatements		
	before restatement	IAS 19	Deferred tax	restated	before restatement	IAS 19	Deferred tax	restated	before restatement	IAS 19	Deferred tax	restated	before restatement	IAS 19	Deferred tax	restated
	€ million															
Financial income	86.8	−59.5	—	27.3	25.4	−19.2	—	6.2	30.9	−19.2	—	11.7	30.5	−21.1	—	9.4
Financial expenses	282.3	−48.9	—	233.4	81.8	−15.7	—	66.1	102.1	−15.7	—	86.4	98.4	−17.5	—	80.9
Earnings before income taxes	**−618.4**	**−10.6**	**—**	**−629.0**	**37.8**	**−3.5**	**—**	**34.3**	**−405.6**	**−3.5**	**—**	**−409.1**	**−250.6**	**−3.6**	**—**	**−254.2**
EBITA	−391.8	—	—	−391.8	87.2	—	—	87.2	−303.4	—	—	−303.4	−175.6	—	—	−175.6
Underlying EBITA	**−252.2**	**—**	**—**	**−252.2**	**86.5**	**—**	**—**	**86.5**	**−197.2**	**—**	**—**	**−197.2**	**−141.5**	**—**	**—**	**−141.5**
Earnings before income taxes	−618.4	−10.6	—	−629.0	37.8	−3.5	—	34.3	−405.6	−3.5	—	−409.1	−250.6	−3.6	—	−254.2
Income taxes	−151.9	−2.6	1.7	−152.8	12.4	−0.8	10.3	21.9	−97.5	−1.0	−5.8	−104.3	−66.8	−0.8	−2.8	−70.4
Group profit/loss for the year	**−466.5**	**−8.0**	**−1.7**	**−476.2**	**25.4**	**−2.7**	**−10.3**	**12.4**	**−308.1**	**−2.5**	**5.8**	**−304.8**	**−183.8**	**−2.8**	**2.8**	**−183.8**
Group profit/loss for the year attributable to shareholders of TUI AG	−370.1	−4.4	−1.7	−376.2	15.3	−1.5	−10.3	3.5	−248.4	−1.3	5.8	−243.9	−137.0	−1.6	2.8	−135.8
Group profit/loss for the year attributable to non-controlling interest	−96.4	−3.6	—	−100.0	10.1	−1.2	—	8.9	−59.7	−1.2	—	−60.9	−46.8	−1.2	—	−48.0
Basic and diluted earnings per share	−1.54	−0.02	—	−1.56	0.04	−0.01	−0.04	−0.01	−1.01	−0.01	0.03	−0.99	−0.57	—	0.01	−0.56

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

	9M 2012/13				Q3 2012/13				Q2 2012/13				Q1 2012/13			
		Restatements				Restatements				Restatements				Restatements		
€ million	before restatement	IAS 19	Deferred tax	restated	before restatement	IAS 19	Deferred tax	restated	before restatement	IAS 19	Deferred tax	restated	before restatement	IAS 19	Deferred tax	restated
Group profit/loss	**−466.5**	**−8.0**	**−1.7**	**−476.2**	**25.4**	**−2.7**	**−10.3**	**12.4**	**−308.1**	**−2.5**	**5.8**	**−304.8**	**−183.8**	**−2.8**	**2.8**	**−183.8**
Actuarial gains from pension provisions and related fund assets	64.3	10.6	—	74.9	118.3	3.5	—	121.8	17.6	3.5	—	21.1	−71.6	3.6	—	−68.0
Income tax related to items that will not be reclassified	−15.1	−2.6	—	−17.7	−28.9	−0.8	—	−29.7	−5.1	−1.0	—	−6.1	18.9	−0.8	—	18.1
Items that will not be reclassified	**44.3**	**8.0**	**—**	**52.3**	**89.2**	**2.7**	**—**	**91.9**	**12.9**	**2.5**	**—**	**15.4**	**−57.8**	**2.8**	**—**	**−55.0**
Total comprehensive income	**−286.0**	**—**	**−1.7**	**−287.7**	**6.8**	**—**	**−10.3**	**−3.5**	**−22.4**	**—**	**5.8**	**−16.6**	**−270.4**	**—**	**2.8**	**−267.6**
attributable to shareholders of TUI AG	−292.3	—	−1.7	−294.0	−3.7	—	−10.3	−14.0	−87.7	—	5.8	−81.9	−200.9	—	2.8	−198.1
attributable to non-controlling interest	6.3	—	—	6.3	10.5	—	—	10.5	65.3	—	—	65.3	−69.5	—	—	−69.5

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

	1 Oct 2012	1 Oct 2012	1 Oct 2012	30 Sep 2013	30 Sep 2013	30 Sep 2013
	before restatement	Restatement Deferred tax	restated	before restatement	Restatement Deferred tax	restated
			€ million			
Revenue Reserves	185.2	−23.1	162.1	151.3	−32.6	118.7
Equity	**2,067.1**	**−23.1**	**2,044.0**	**2,029.4**	**−32.6**	**1,996.8**
Deferred tax liabilities	69.5	23.1	92.6	76.6	32.6	109.2
Non-current provisions and liabilities	**3,772.7**	**23.1**	**3,795.8**	**3,824.8**	**32.6**	**3,857.4**

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

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

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

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

	9M 2013/14			Q2 2013/14			Q1 2013/14		
	before restatement	Restatement Deferred tax	restated	before restatement	Restatement Deferred tax	restated	before restatement	Restatement Deferred tax	restated
					€ million				
Group profit/loss	**−353.5**	**4.9**	**−348.6**	**−197.8**	**1.8**	**−196.0**	**−153.4**	**−0.6**	**−154.0**
Income tax related to items that will not be reclassified	36.7	—	36.7	12.2	—	12.2	−6.6	—	−6.6
Items that will not be reclassified	**−111.1**	**—**	**−111.1**	**−39.9**	**—**	**−39.9**	**30.1**	**—**	**30.1**
Total comprehensive income	**−594.2**	**4.9**	**−589.3**	**−280.8**	**1.8**	**−279.0**	**−168.7**	**−0.6**	**−169.3**

Principles and methods of consolidation

Principles

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

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

Shareholdings in companies in which the Group is able to exert significant influence over the financial and operating decisions within these companies (associates, shareholdings of 20% to less than 50% as a matter of principle) are carried at equity. Stakes in companies managed jointly with one or several partners (joint ventures) are also measured at equity. The dates as of which associates and joint ventures are included in or removed from the group of companies measured at equity are determined in analogy to the principles applying to subsidiaries. At equity measurement in each case is based on the last annual financial statements available or the interim financial statements as at 30 June 2014

Group of consolidated companies

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

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

Development of the group consolidated companies(1) and the Group companies measured at equity

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

(1) excl. TUI AG

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

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

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

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

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

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

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

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

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

Acquisitions—divestments

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

Summary presentation of acquisitions

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

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

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

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

Fair values of considerations transferred

	€ million
Purchase price	19.9
Total	**19.9**

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

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

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

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

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

- TUI InfoTec GmbH, Hanover
- JBS Group, Pasadena, California
- TT Services Group
- Isango! Limited, London
- Manahé Ltd, Mauritius

- Tunisie Voyages SA, Tunisia
- 7 travel agencies in Germany

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

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

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

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

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

Foreign exchange translation

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

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

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

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

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

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

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

Net investment in a foreign operation

Monetary items receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, form part of a net investment in this foreign operation. Foreign exchange differences from the translation of these monetary items are recognised in Other comprehensive income, i.e. in equity outside profit and loss.

Exchange rates of currencies of relevance to the TUI Group

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

Consolidation methods

The recognition of the net assets of acquired subsidiaries is based on the purchase method of accounting. Accordingly, irrespective of existing non-controlling interests, a complete fair value measurement of all identifiable assets, liabilities and contingent liabilities is initially effected as at the acquisition date. Subsequently, the consideration for the acquisition of the stake is measured at fair value and eliminated against the acquiree's revalued equity attributable to the acquired share. Any excess of acquisition costs over net assets acquired is capitalised as goodwill and recognised as an asset for the acquired subsidiary in accordance with the provisions of IFRS 3. Any negative goodwill is immediately reversed through profit and loss as at the date on which it arises, with the reversal effect carried under Other income.

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

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

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

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

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

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

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

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

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

Intercompany receivables and payables or provisions are eliminated. Intercompany turnover and other income as well as the corresponding expenses are eliminated. Intercompany results from intercompany deliveries and services are reversed through profit and loss, taking account of deferred taxes. However, intercompany losses are understood as suggesting that an impairment test is required for the transferred assets. Intercompany deliveries and services are provided in conformity with the arm's length principle.

Accounting and measurement methods

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

Turnover recognition

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

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

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

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

Goodwill and Other intangible assets

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

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

Useful lives of intangible assets

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

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

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

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

Impairment tests for goodwill are conducted on the basis of cash generating units (CGU). According to the IASB rules, cash generating units are the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets. In the Tourism Segment, the TUI Travel Sector as a whole represents a cash generating unit. Allocation in the TUI Hotels & Resorts Sector is based on the individual hotel groups.

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

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

Property, plant and equipment

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

Borrowing costs directly associated with the acquisition, construction or production of qualified assets are included in the costs to acquire or produce these assets until the assets are ready for their intended use. The capitalisation rate is 6.25% for the financial year under review, and 6.75% for the previous year. In the first nine months of financial year 2013/14, borrowing costs worth €7.8m (previous year €7.7m) were capitalised as part of the costs to purchase and costs to produce. Other borrowing costs are recognised as current expenses.

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

Depreciation of property, plant and equipment is based on the straight-line method over customary useful lives. Use-related depreciation and amortisation is based on the following useful lives:

Useful lives of property, plant and equipment

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

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

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

Any losses in value going beyond wear-and-tear depreciation are taken into account through the recognition of impairment losses. If there are any events or indications suggesting impairment, the required impairment test is performed to compare the carrying amount of an asset with the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and the present value of future payment flows of the tested entity based on continued use within the company (value in use).

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

Leases

Finance leases

In accordance with IAS 17, leased property, plant and equipment in which the TUI Group carries all essential risks and rewards incident to ownership of the assets are capitalised. Capitalisation is based on the fair value of the asset or the present value of the minimum lease payments, if lower. Depreciation is charged over the useful life or the lease term, if shorter, on the basis of the depreciation method applicable to comparable purchased or manufactured assets. Payment obligations arising from future lease payments are carried as liabilities with no consideration of future interest expenses. Every lease payment is broken down into an interest portion and a redemption portion so as to produce a constant periodic rate of interest on the remaining balance of the liability. The interest portion is carried in the income statement through profit or loss.

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

Operating leases

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

Sale and leaseback transactions

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

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

Investment property

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

Financial instruments

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

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

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

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

Primary financial assets and financial liabilities

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

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

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

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

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

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

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

Derivative financial instruments and hedging

In the framework of initial measurement, derivative financial instruments are measured at the fair value attributable to them on the day of the conclusion of the agreement. The subsequent measurement is also effected at the fair value applicable at the respective balance sheet date. Where derivative financial instruments are not part of a hedge in connection with hedge accounting, they have to be classified as held for trading in accordance with IAS 39.

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

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

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

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

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

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

Inventories

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

Cash and cash equivalents

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

Non-current assets held for sale

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

The measurement is effected at the lower of carrying amount and fair value less costs to sell. Depreciation and at equity measurements have to be suspended. Impairments to fair value less costs to sell must be carried through profit and loss, with any gains on subsequent remeasurement resulting in the recognition of profits of up to the amount of the cumulative impairment cost.

Hybrid capital

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

Provisions

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

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

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

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

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

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

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

Liabilities

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

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

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

Income taxes

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

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

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

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

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

Share-based payments

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

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

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

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

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

Summary of selected accounting and measurement methods

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

Summary of selected measurement methods

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

Key estimates and judgements

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

All estimates and judgements are based on the conditions and assessments as at the balance sheet date. In evaluating the future development of business, account was taken of the future economic environment in the business areas and regions in which the Group operates that was assumed to be realistic at that point in time.

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

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

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

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

Goodwill

The goodwill reported as at 30 June 2014 was carried at €3,062.1m (as at 30 September 2013 €2,976.4m). As goodwill is not amortised, its carrying amount is compared with the recoverable amounts at the level of cash generating units in order to establish its value. The TUI Group carries out this impairment test at least once a year towards the end of the financial year. Unless the valuation based on a fair value is relevant, the determination of the recoverable amount of a CGU test requires periodic estimates and judgement with regard to the methodology used and the assumptions, which may have a considerable effect on the recoverable amount and the level of a potential impairment. They relate, in particular, to the weighted average cost of capital (WACC) after income taxes, used as the discounting basis, the growth rate of perpetuity and the forecasts for future cash flows including the underlying budget assumptions based on corporate planning. Changes in these assumptions may have a substantial impact on the recoverable amount and the level of a potential impairment.

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

Acquisition of companies and intangible assets

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

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

Property, plant and equipment

The measurement of wear-and-tear for property, plant and equipment items entails estimates. The carrying amount of property, plant and equipment as at 30 June 2014 totals €2,705.4m (as at 30 September 2013 €2,682.0m). In order to review the amounts carried, an evaluation is carried out on an annual basis to assess whether there are any indications of a potential impairment. These indications relate to numerous areas and factors, e.g. the market-related or technical environment but also physical condition. If any such indication exists, management must estimate the recoverable amount on the basis of expected payment flows and appropriate interest rates. Moreover, essential estimates and judgements relate to the definition of economic useful lives as well as the recoverable residual amounts of items of property, plant and equipment.

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

Pension provisions

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

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

At the 30 June 2014, plan assets total €1,851.0m (as at 30 September 2013 €1,616.6m). As assets classified as plan assets are never held for short-term sale, the fair values of these plan assets may change significantly by the realisation date. The interest rate used to discount the liability is also used to determine the expected return on plan assets.

Detailed information on actuarial assumptions is provided in the Notes to balance sheet pension provisions under Note 31.

Other provisions

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

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

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

Deferred tax assets

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

Current income taxes

The TUI Group is liable to pay income taxes in various countries. Key estimates are required when determining income tax liabilities. For certain business transactions and calculations the final tax charge cannot be determined during the ordinary course of business. The level of obligations for expected tax audits is based on an estimation of whether and to what extent additional income taxes will be due. Judgements are corrected, if necessary, in the period in which the final tax charge is determined.

NOTES

Segment reporting

Notes to the segments

The identification of operating segments is based on the internal organisational and reporting structure, built, inter alia, around the different products and services within the TUI Group. Allocation of individual organisational entities to operating segments is exclusively based on economic criteria, irrespective of the participation structure under company law. For the presentation of reportable segments in accordance with IFRS 8, both operating segments with comparable economic features and operating segments not meeting the quantitative thresholds are aggregated with other operating segments.

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

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

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

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

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

Notes to the segment data

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

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

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

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

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

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

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

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

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

Key Figures by Segment and Sector

	Tourism		All other Segments		Consolidation		Group	
	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013
	€ million							
Statement of results								
Turnover	11,373.0	11,507.0	11.4	11.4	—	—	11,384.4	11,518.4
Inter-segment turnover	10.0	13.5	14.8	17.2	−24.8	−30.7	—	—
Segment turnover	**11,383.0**	**11,520.5**	**26.2**	**28.6**	**−24.8**	**−30.7**	**11,384.4**	**11,518.4**
Group profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**−348.6**	**−476.2**
Income taxes	—	—	—	—	—	—	−123.4	−152.8
Earnings before taxes (EBT)	**−351.0**	**−463.4**	**−121.0**	**−165.6**	**—**	**—**	**−472.0**	**−629.0**
of which share of results of joint ventures and associates	29.7	42.7	−38.9	−25.4	—	—	−9.2	17.3
Net interest result and result from the measurement of interest hedges	136.9	128.3	47.8	75.2	—	—	184.7	203.5
Impairment of goodwill	—	8.3	—	—	—	—	—	8.3
Result from Container Shipping measured at equity	—	—	38.9	25.4	—	—	38.9	25.4
Earnings before interest, taxes and amortisation of goodwill (EBITA)	**−214.1**	**−326.8**	**−34.3**	**−65.0**	**—**	**—**	**−248.4**	**−391.8**
Adjustments	66.1	123.6	—	16.0	—	—	66.1	139.6
Underlying EBITA	**−148.0**	**−203.2**	**−34.3**	**−49.0**	**—**	**—**	**−182.3**	**−252.2**
Amortisation of other intangible assets and depreciation of property, plant and equipment	284.8	307.8	1.8	9.9	—	—	286.6	317.7
of which impairments	8.3	35.1	—	6.6	—	—	8.3	41.7
Other depreciation/amortisation and write-backs	−0.1	1.6	—	0.1	—	—	−0.1	1.7
of which write-backs	0.4	1.8	—	0.1	—	—	0.4	1.9
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**70.8**	**−20.6**	**−32.5**	**−55.2**	**—**	**—**	**38.3**	**−75.8**
Rental expenses	590.9	558.3	2.8	4.5	—	−2.7	593.7	560.1
Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)	**661.7**	**537.7**	**−29.7**	**−50.7**	**—**	**−2.7**	**632.0**	**484.3**

	Tourism		All other Segments		Consolidation		Group	
	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013
	€ million							
Assets and liabilities								
Segment assets	9,329.2	8,573.6	627.0	214.0	1.7	0.8	9,957.9	8,788.4
of which goodwill	3,062.1	2,976.4	—	—	—	—	3,062.1	2,976.4
Carrying amounts of joint ventures and associates	931.7	864.5		521.9	—	—	931.7	1,386.4
Interest-bearing Group receivables	45.2	57.5	871.3	989.3	−916.5	−1,046.8	—	—
Cash and cash equivalents	1,428.1	2,194.7	511.2	507.0	—	—	1,939.3	2,701.7
Other financial assets	310.7	236.3	2,509.9	2,451.7	−2,440.6	−2,388.7	380.0	299.3
Non-allocable taxes	—	—	—	—	—	—	565.1	278.5
Total assets	**—**	**—**	**—**	**—**	**—**	**—**	**13,774.0**	**13,454.3**
Segment liabilities	8,131.8	6,733.2	257.0	263.1	−2.6	−4.5	8,386.2	6,991.8
Third-party financial liabilities	1,735.6	2,145.9	501.8	623.7	—	—	2,237.4	2,769.6
Group financial liabilities	872.1	987.7	42.6	58.1	−914.7	−1,045.8	—	—
Other financial liability items	1,079.5	1,008.4	347.8	336.8	—	—	1,427.3	1,345.2
Non-allocable taxes	—	—	—	—	—	—	318.6	351.0
Total liabilities and provisions	**—**	**—**	**—**	**—**	**—**	**—**	**12,369.5**	**11,457.6**
Additional disclosures								
Non-cash expenses	49.2	36.9	48.2	25.4	—	—	97.4	62.3
Non-cash income	109.6	66.2	—	—	—	—	109.6	66.2
Return on sales (on EBITA) %	−1.9	−2.8	—	—	—	—	−2.2	−3.4
Investments	602.1	631.9	1.8	1.1	—	—	603.9	633.0
Investments in goodwill	24.4	32.4	—	—	—	—	24.4	32.4
Investments in other intangible assets and property, plant and equipment	577.7	599.5	1.8	1.1	—	—	579.5	600.6
Financing ratio %	47.3	50.0	100.0	900.0	—	—	47.5	51.5
Employees at year-end	76,790	74,040	237	405	—	—	77,027	74,445

Key Figures Tourism Segment

	TUI Travel		TUI Hotels & Resorts		Cruises		Consolidation		Tourism	
	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013
	€ million									
Statement of results										
Turnover	10,865.0	11,030.2	294.9	288.8	213.1	188.0	—	—	11,373.0	11,507.0
Inter-segment turnover	19.4	20.5	296.3	267.1	1.0	—	−306.7	−274.1	10.0	13.5
Segment turnover	**10,884.4**	**11,050.7**	**591.2**	**555.9**	**214.1**	**188.0**	**−306.7**	**−274.1**	**11,383.0**	**11,520.5**
Group profit for the year										
Income taxes	—	—	—	—	—	—	—	—	—	—
Earnings before taxes (EBT)	**−451.4**	**−459.9**	**102.0**	**55.6**	**−1.6**	**−59.1**	**—**	**—**	**−351.0**	**−463.4**
of which share of results of joint ventures and associates	4.1	16.5	16.1	19.3	9.5	6.9	—	—	29.7	42.7
Net interest result and result from the measurement of interest hedges	121.9	113.3	15.1	15.1	−0.1	−0.1	—	—	136.9	128.3
Impairment of goodwill	—	—	—	8.3	—	—	—	—	—	8.3
Earnings before interest, taxes and amortisation of goodwill (EBITA)	**−329.5**	**−346.6**	**117.1**	**79.0**	**−1.7**	**−59.2**	**—**	**—**	**−214.1**	**−326.8**
Adjustments	81.5	56.2	0.6	25.9	−16.0	41.5	—	—	66.1	123.6
Underlying EBITA	**−248.0**	**−290.4**	**117.7**	**104.9**	**−17.7**	**−17.7**	**—**	**—**	**−148.0**	**−203.2**
Amortisation of other intangible assets and depreciation of property, plant and equipment	227.6	229.3	47.3	70.9	9.9	7.6	—	—	284.8	307.8
of which impairments	8.3	13.9	—	21.2	—	—	—	—	8.3	35.1
Other depreciation/amortisation and write-backs	−0.2	1.7	0.1	—	—	−0.1	—	—	−0.1	1.6
of which write-backs	0.1	1.8	0.3	—	—	—	—	—	0.4	1.8
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**−101.7**	**−119.0**	**164.3**	**149.9**	**8.2**	**−51.5**	**—**	**—**	**70.8**	**−20.6**
Rental expenses	535.9	514.8	24.0	24.7	31.0	18.8	—	—	590.9	558.3
Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)	**434.2**	**395.8**	**188.3**	**174.6**	**39.2**	**−32.7**	**—**	**—**	**661.7**	**537.7**

	TUI Travel		TUI Hotels & Resorts		Cruises		Consolidation		Tourism	
	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013
	€ million									
Assets and liabilities										
Segment assets	7,578.8	6,844.6	1,616.9	1,599.8	179.8	187.6	−46.3	−58.4	9,329.2	8,573.6
of which goodwill	2,693.4	2,607.3	368.7	369.1	—	—	—	—	3,062.1	2,976.4
Carrying amounts of joint ventures and associates	297.4	281.8	415.6	385.3	218.7	197.4	—	—	931.7	864.5
Interest-bearing Group receivables	4.6	4.0	4.3	1.8	36.3	51.7	—	—	45.2	57.5
Cash and cash equivalents	1,271.7	2,096.9	152.5	93.4	3.9	4.4	—	—	1,428.1	2,194.7
Other financial assets	238.2	158.7	71.5	76.6	1.0	1.0	—	—	310.7	236.3
Non-allocable taxes										
Total assets										
Segment liabilities	7,932.6	6,555.1	142.2	119.4	103.9	116.9	−46.9	−58.2	8,131.8	6,733.2
Third-party financial liabilities	1,496.1	1,923.1	239.5	222.8	—	—	—	—	1,735.6	2,145.9
Group financial liabilities	6.9	8.8	678.5	802.2	186.7	176.7	—	—	872.1	987.7
Other financial liability items	1,065.1	994.6	1.8	2.3	12.6	11.5	—	—	1,079.5	1,008.4
Non-allocable taxes										
Total liabilities and provisions										
Additional disclosures										
Non-cash expenses	39.0	29.7	10.2	7.2	—	—	—	—	49.2	36.9
Non-cash income	71.0	32.8	29.1	26.5	9.5	6.9	—	—	109.6	66.2
Return on sales (on EBITA) %	−3.0	−3.1	19.8	14.2	−0.8	−31.5	—	—	−1.9	−2.8
Investments	502.6	568.0	90.0	56.1	9.5	7.8	—	—	602.1	631.9
Investments in goodwill	24.4	32.4	—	—	—	—	—	—	24.4	32.4
Investments in other intangible assets and property, plant and equipment	478.2	535.6	90.0	56.1	9.5	7.8	—	—	577.7	599.5
Financing ratio %	45.3	40.4	52.6	141.2	104.2	97.4	—	—	47.3	50.0
Employees at year-end	62,369	59,756	14,191	14,013	230	271	—	—	76,790	74,040

Key Figures by Region

	Germany		Great Britain		Spain		Other EU		Rest of Europe		North and South America		Other regions		Consolidation		Group	
	9M 2013/14 30 Jun 2014	9M 2012/13 30 Sep 2013	9M 2013/14 30 Jun 2014	9M 2012/13 30 Sep 2013	9M 2013/14 30 Jun 2014	9M 2012/13 30 Sep 2013	9M 2013/14 30 Jun 2014	9M 2012/13 30 Sep 2013	9M 2013/14 30 Jun 2014	9M 2012/13 30 Sep 2013	9M 2013/14 30 Jun 2014	9M 2012/13 30 Sep 2013	9M 2013/14 30 Jun 2014	9M 2012/13 30 Sep 2013	9M 2013/14 30 Jun 2014	9M 2012/13 30 Sep 2013	9M 2013/14 30 Jun 2014	9M 2012/13 30 Sep 2013
										€ million								
Consolidated turnover by customer	**3,047.0**	**3,101.7**	**3,455.7**	**3,450.4**	**169.2**	**116.5**	**3,296.1**	**3,564.1**	**425.5**	**472.8**	**669.9**	**596.7**	**321.0**	**216.2**	**—**	**—**	**11,384.4**	**11,518.4**
Consolidated turnover by domicile of companies	**3,197.4**	**3,272.6**	**3,347.3**	**3,365.6**	**391.9**	**369.9**	**3,250.3**	**3,308.8**	**303.4**	**352.4**	**559.7**	**538.3**	**334.4**	**310.8**	**—**	**—**	**11,384.4**	**11,518.4**
Long-term segment assets	**762.6**	**848.9**	**3,394.2**	**3,201.8**	**864.6**	**857.2**	**543.4**	**612.0**	**48.6**	**78.7**	**900.4**	**833.4**	**590.0**	**511.4**	**– 11.0**	**– 12.4**	**7,092.8**	**6,931.0**
Non-allocable taxes	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	565.1	278.5
Segment liabilities	**1,844.2**	**1,847.7**	**3,270.1**	**2,303.4**	**454.0**	**443.0**	**2,351.1**	**1,987.1**	**123.7**	**112.1**	**335.4**	**332.0**	**390.7**	**302.0**	**– 383.0**	**– 335.5**	**8,386.2**	**6,991.8**
Non-allocable taxes	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	318.6	351.0
Additional disclosures																		
Depreciation/ amortisation	39.7	43.9	104.5	103.0	37.7	39.2	56.3	77.9	1.5	2.9	21.4	22.2	25.5	28.6	—	—	286.6	317.7
Investments	43.1	93.8	359.2	329.6	40.4	29.3	45.5	80.7	1.3	1.8	25.9	59.1	88.5	38.7	—	—	603.9	633.0
Investments in goodwill	3.3	16.9	1.2	6.7	3.2	—	—	0.2	—	—	—	0.6	16.7	8.0	—	—	24.4	32.4
Investments in other tangible assets and property, plant and equipment	39.8	76.9	358.0	322.9	37.2	29.3	45.5	80.5	1.3	1.8	25.9	58.5	71.8	30.7	—	—	579.5	600.6
Employees at year-end	9,886	10,157	16,681	17,156	9,946	9,395	12,498	12,438	7,989	8,078	8,908	8,361	11,119	8,860	—	—	77,027	74,445

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

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

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

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

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

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

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

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

NOTES

Notes to the consolidated income statement

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

(1) Turnover

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

(2) Cost of sales and administrative expenses

The cost of sales include the expenses incurred to provide the tourism services. Apart from the expenses for personnel, depreciation/amortisation and rental and lease expenses, they include in particular all costs incurred by the Group in connection with the provision and delivery of airline services, hotel accommodation and cruises, and distribution costs.

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

Administrative expenses

	Q3 2013/14	Q3 2012/13	9M 2013/14	9M 2012/13
	€ million			
Staff cost	229.6	205.9	651.9	614.4
Lease, rental and leasing expenses	18.3	15.5	53.5	49.4
Depreciation, amortisation and impairments	23.9	26.8	70.6	84.6
Others	126.9	138.6	376.5	406.0
Total	**398.7**	**386.8**	**1,152.5**	**1,154.4**

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

Lease, rental and leasing expenses

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

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

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

Staff cost

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

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

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

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

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

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

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

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

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

Amortisation/depreciation/write-downs

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

Depreciation/amortisation/impairments

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

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

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

(3) Other income/other expenses

Other income/other expenses

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

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

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

(4) Goodwill impairment

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

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

(5) Financial income

Financial income

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

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

(6) Financial expenses

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

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

(7) Share of results of joint ventures and associates

Share of result of joint ventures and associates

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

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

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

Group share in individual items of income statement of associated companies

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

Group share in individual items of income statements of joint ventures

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

(8) Adjustments

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

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

One-off items by sector

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

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

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

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

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

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

(9) Income taxes

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

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

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

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

Group profit/loss attributable to non-controlling interest

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

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

(12) Earnings per share

In accordance with IAS 33, basic earnings per share are calculated by dividing the Group's net profit for the year attributable to TUI AG shareholders by the weighted average number of registered shares outstanding during the financial year under review. The average number of shares is derived from the total number of shares at the beginning of the current financial year (252,375,570 shares), the prorated employee shares issued (78,152 new shares for 213 days) and the conversion of bonds into new shares (3,000,481 on a prorated basis).

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

Earnings per share

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

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

The result derives exclusively from continuing operations.

(13) Taxes attributable to other results

Tax effects relating to other comprehensive income

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

NOTES

Notes to the consolidated statement of financial position

(14) Goodwill

Goodwill

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

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

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

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

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

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

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

Goodwill per cash generating unit

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

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

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

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

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

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

Parameter for calculation of fair value

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

1) As at 30 September 2013 the WACC for the sector TUI Hotels & Resorts was 8.25%.

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

(15) Other intangible assets

Other intangible assets

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

1) of which no disposals due to changes in the group of consolidated companies

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

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

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

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

(16) Investment property

Investment Property

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

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

(17) Property, plant and equipment

Property, plant and equipment

	Real estate with hotels	Other real estate, land rights and buildings incl. buildings on third-party properties	Aircraft	Ships	Machinery and fixtures	Other plants, operating and office equipment revised	Assets under construction	Payments on account	Total
					€ million				
Historical cost									
Balance as at 1 Oct 2012	**1,356.9**	**225.0**	**885.3**	**743.5**	**239.8**	**1,303.4**	**80.0**	**271.8**	**5,105.7**
Exchange differences	−19.3	−5.7	−18.6	−33.6	−1.1	−25.7	−1.5	−9.0	−114.5
Additions due to changes in the group of consolidated companies	—	—	—	—	—	13.3	—	—	13.3
Additions	13.5	2.3	180.4	36.2	3.9	47.7	62.4	152.7	499.1
Disposals	15.7	5.7	96.0	10.5	11.9	375.6	8.9	106.2	630.5[1)]
Reclassification as assets held for sale	—	—	14.2	−1.2	—	—	0.4	−9.0	4.4
Reclassifications	−7.7	9.3	83.6	−1.0	3.8	0.7	−28.4	−67.4	−7.1
Balance as at 30 Jun 2013	**1,327.7**	**225.2**	**1,048.9**	**733.4**	**234.5**	**963.8**	**104.0**	**232.9**	**4,870.4**
Depreciation									
Balance as at 1 Oct 2012	**401.3**	**65.6**	**560.0**	**281.0**	**160.4**	**986.1**	**—**	**—**	**2,454.4**
Exchange differences	−3.8	−1.3	−11.3	−12.4	−1.1	−15.0	—	—	−44.9
Depreciation for the current year	28.7	1.5	50.0	27.6	7.8	75.3	—	—	190.9
Impairments for the current year	—	22.7	8.6	—	—	—	—	—	31.3
Disposals	11.5	3.7	82.5	6.2	12.3	373.5	—	—	489.7[1)]
Reclassification as assets held for sale	—	—	13.9	−0.7	—	—	—	—	13.2
Reclassifications	—	1.1	—	−4.1	2.2	−1.3	—	—	−2.1
Balance as at 30 Jun 2013	**414.7**	**85.9**	**538.7**	**285.2**	**157.0**	**671.6**	**—**	**—**	**2,153.1**
Carrying amounts as at 30 Jun 2013	**913.0**	**139.3**	**510.2**	**448.2**	**77.5**	**292.2**	**104.0**	**232.9**	**2,717.3**

	Real estate with hotels	Other real estate, land rights and buildings incl. buildings on third-party properties	Aircraft	Ships	Machinery and fixtures	Other plants, operating and office equipment revised	Assets under construction	Payments on account	Total
					€ million				
Historical cost									
Balance as at 1 Oct 2013	**1,315.2**	**189.3**	**968.6**	**747.9**	**238.4**	**955.8**	**100.3**	**229.0**	**4,744.5**
Exchange differences	0.3	−0.1	2.8	18.6	−0.8	−0.7	−0.1	4.1	24.1
Additions due to changes in the group of consolidated companies	—	—	—	—	—	1.7	—	—	1.7[2)]
Additions	44.0	10.5	172.0	27.1	7.9	56.0	7.2	131.8	456.5
Disposals	1.2	3.0	18.1	20.7	—	24.9	1.7	188.4	258.0[3)]
Reclassification as assets held for sale	−53.7	−17.5	—	—	−2.0	−12.6	—	—	−85.8
Reclassifications	5.3	42.6	2.6	−7.3	7.2	10.8	−58.4	—	2.8
Balance as at 30 Jun 2014	**1,309.9**	**221.8**	**1,127.9**	**765.6**	**250.7**	**986.1**	**47.3**	**176.5**	**4,885.8**
Depreciation									
Balance as at 1 Oct 2013	**407.7**	**56.8**	**477.1**	**298.8**	**165.3**	**656.8**	**—**	**—**	**2,062.5**
Exchange differences	8.3	0.2	5.0	6.7	−0.5	0.1	—	—	19.8
Depreciation for the current year	24.4	2.6	54.0	33.3	10.9	62.0	—	—	187.2
Impairments for the current year	—	—	0.1	7.8	—	—	—	—	7.9
Disposals	0.5	2.9	13.6	15.3	—	19.8	—	—	52.1[3)]
Reclassification as assets held for sale	−40.0	−10.6	—	—	−1.8	−11.2	—	—	−63.6
Reclassifications	−9.4	26.0	—	−3.3	4.4	1.0	—	—	18.7
Balance as at 30 Jun 2014	**390.5**	**72.1**	**522.6**	**328.0**	**178.3**	**688.9**	**—**	**—**	**2,180.4**
Carrying amounts as at 30 Jun 2014	**919.4**	**149.7**	**605.3**	**437.6**	**72.4**	**297.2**	**47.3**	**176.5**	**2,705.4**

(1) Of which no disposals due to changes in the group of consolidated companies

(2) Of which additions due to first-time consolidation of non-consolidated companies

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

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

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

Composition of leased assets

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

The payment obligations resulting from future lease payments are carried as liabilities without taking account of future interest expenses for the carrying amount of the financial liabilities. Total payments due in future under finance leases amount to €585.7m (as at 30 September 2013 €435.0m). Group companies have not accepted any guarantees for the residual values of the leased assets, as in the prior year.

Reconciliation of future lease payments to liabilities from finance leases

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

(18) Investments in joint ventures and associates

Investments in joint ventures and associates

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

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

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

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

Group share of assets and liabilities of joint ventures

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

Group share of assets and liabilities of associates

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

(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

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

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

(20) Trade receivables and other assets

Trade receivables and other assets

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

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

			of which not impaired and overdue in the following periods			
	Carrying amount of financial instruments	of which not overdue and not impaired	less than 30 days	between 30 and 90 days	between 91 and 180 days	more than 180 days
	€ million					
Balance as at 30 Jun 2014						
Trade receivables	666.1	525.0	75.2	48.4	15.9	1.6
Advances and loans	170.5	163.9	—	0.3	—	6.3
Other receivables and assets	72.5	72.5	—	—	—	—
Total	**909.1**	**761.4**	**75.2**	**48.7**	**15.9**	**7.9**
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**

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

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

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

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

Trade receivables

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

Advances and loans

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

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

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

(21) Derivative financial instruments

Derivative financial instruments

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

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

(22) Deferred and current tax assets

Income tax assets

	30 Jun 2014	30 Sep 2013
	€ million	
Deferred tax assets	459.5	224.6
Current tax assets	105.6	53.9
Total	**565.1**	**278.5**

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

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

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

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

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

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

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

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

(23) Inventories

Inventories

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

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

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

(24) Cash and cash equivalents

Cash and cash equivalents

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

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

At 30 June 2014, cash and cash equivalents of €169.7m (as at 30 September 2013 €175.4m) were subject to restrictions on disposal. They included an amount of €116.3m for cash collateral received, deposited in a Belgian subsidiary by Belgian tax authorities in the prior financial year in the framework of long-standing litigation over VAT refunds for the years 2001 to 2011 without inference of guilt, the purpose being to prevent the accrual of interest for both parties. In order to collateralise a potential repayment, the Belgian government was granted a bank guarantee. Due to the bank guarantee, TUI's ability to dispose of the cash and cash equivalents has been restricted.

(25) Assets held for sale

Assets held for sale

	30 Jun 2014	30 Sep 2013
	€ million	
Investment	467.4	—
Property and hotel facilities	6.3	6.6
Other assets	2.9	5.0
Total	**476.6**	**11.6**

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

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

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

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

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

(26) Subscribed capital

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

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

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

Conditional Capital

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

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

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

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

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

Authorised Capital

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

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

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

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

(27) Capital reserves

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

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

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

(28) Revenue reserves

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

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

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

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

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

The proportion of gains and losses from hedges used as effective hedges of future cash flows is carried in equity in other comprehensive income outside profit and loss. A reversal of this provision through profit and loss takes place in the same period in which the hedged item has an effect on profit and loss or is no longer assessed as probable. The after-tax result to be eliminated directly against equity totalled €4.0m.

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

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

(29) Hybrid capital

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

(30) Non-controlling interests

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

Other comprehensive income of non-controlling interests

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

(31) Pension provisions and similar obligations

A number of defined contribution plans and defined benefit pension plans are operated for Group employees. Pension obligations vary, reflecting the different legal, fiscal and economic conditions in each country of operation, and usually depend on employees' length of service and pay levels. All defined contribution plans are funded by the payment of contributions to external insurance companies or funds, whilst defined benefit plans entail the formation of provisions within the Company or investments in funds outside the Company.

German employees enjoy benefits from a statutory defined contribution plan paying pensions as a function of employees' income and the contributions paid in. Several additional industry pension organisations exist for companies of the TUI Group. Once the contributions to the state-run pension plans and private pension insurance organisations have been paid, the Company has no further payment obligations. The main private pension insurance organisations are the MER-Pensionskasse VVaG for German tourism companies and the Aegon Levensverzekering N.V. operating the defined contribution plans for the Dutch companies of the TUI Group. Current contribution payments are expensed for the respective period. For the reporting period, the pension costs for all defined contribution plans totalled €38.7m (previous year reference period €28.4m).

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

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

Material defined benefit plans in Great Britain

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

By contrast, the defined benefit schemes in Germany are funded by the formation of provisions. The pension obligations entail the payment of a company pension once the recipient reaches the legal retirement age. The amount paid is usually linked to the employee's pay level at the retirement date. The pension entitlements regularly also comprise surviving dependants' and invalidity benefits.

Material defined benefit plans in Germany

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

In the period under review, the Group carried a total expense of €15.7m for defined benefit pension plans, reflecting, in particular, measures to optimise pension schemes within the Group. Members of pension schemes in the UK were offered the option to immediately receive a higher pension in exchange for lower pension increases in future by giving up some of the future increases in their pension. This measure resulted in gains of €40.1m representing the major part of the total negative past service cost of €39.9m. Furthermore, a defined benefit pension plan in Norway was transformed into a defined contribution plan resulting in a settlement gain of €5.1m.

Pension costs for defined benefit obligations

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

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

Defined benefit obligation recognised on the balance sheet

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

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

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

Where plan assets exceed funded pension obligations, taking account of a difference due to past service cost, and where at the same time there is an entitlement to reimbursement or reduction of future contribution payments to the fund, the excess is capitalised in conformity with the upper limit defined by IAS 19.

Development of defined benefit obligations

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

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

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

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

Composition of pension assets at the balance sheet date

	Quoted market price in an active market	30 Jun 2014
	€ million	
Fair value of fund assets at end of period		**1,851.0**
of which equities	yes	653.7
of which bonds	yes	762.2
of which bonds	no	106.4
of which investment funds	yes	89.1
of which property, plant and equipment	no	108.6
of which cash	no	11.3
of which other	no	119.7

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

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

Actuarial assumptions

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

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

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

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

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

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

Sensitivity of the defined benefit obligation due to changed actuarial assumptions

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

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

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

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

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

Investment risk

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

Interest rate risk

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

Inflation risk

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

Longevity risk

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

Currency risk

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

(32) Other provision

Development of provisions in the financial year 2013/14

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

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

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

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

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

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

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

Where the difference between the present value and the settlement value of a provision is material for the measurement of a non-current provision as at the balance sheet date, the provision has to be recognised at its present value in accordance with IAS 37. Transfers to other provisions comprise an interest portion of €5.7m (9M 2012/13 €5.2m), recognised as interest expenses.

Terms to maturity of income tax provisions and other provisions

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

(33) Financial liabilities

Financial liabilities

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

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

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

					Stock market value			
	Issuer	Volume initial	Volume outstanding	Interest rate % p.a.	Debt component	Conversion options	Total	Carrying amount
				€ million				
2009/14 convertible bond	TUI AG	217.8	67.2	5,500	68.9	79.7	148.6	65.0
2011/16 convertible bond	TUI AG	339.0	338.9	2,750	348.4	61.0	409.4	313.7
2009/14 convertible bond	TUI Travel PLC	GBP 350.0	GBP 350.0	6,000	GBP 354.6	GBP 42.4	GBP 397.0	432.6
2010/17 convertible bond	TUI Travel PLC	GBP 400.0	GBP 400.0	4,900	GBP 418.4	GBP 63.2	GBP 481.6	458.6
Total								**1,269.9**
2005/– hybrid capital	TUI AG	300.0	300.0	3M EURIBOR plus 7,300	312.0	—	312.0	294.6

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

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

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

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

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

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

(34) Trade payables

Trade payables

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

(35) Derivative financial instruments

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

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

(36) Deferred and current tax liabilities

Deferred and current tax liabilities

	30 Jun 2014	30 Sep 2013 restated
	€ million	
Deferred tax liabilities	145.1	109.2
Current tax liabilities	173.5	241.8
Total	**318.6**	**351.0**

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

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

(37) Other liabilities

Other liabilities

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

(38) Liabilities related to assets held for sale

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

(39) Contingent liabilities

Contingent liabilities

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

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

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

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

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

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

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

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

(40) Litigation

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

In 1999, the operator of the container terminal in Zeebrugge in Belgium filed an action before a court in Bruges for damages against CP Ships Ltd.—still part of TUI AG—and several of its subsidiaries due to an alleged breach of agreement in connection with the change of the Belgian port of call from Zeebrugge to Antwerp. Following the date of oral proceedings in September 2013, the court passed down a ruling in October 2013, allowing the substance of the action, and dismissed the action against all other defendants (including CP Ships Ltd.). Both parties have filed an appeal against this ruling so that the action is now only pending against the two subsidiaries of CP Ships Ltd. and CP Ships Ltd. itself. Moreover, the CP Ships companies would have rights of recourse against solvent third parties in the event of a final judgment upholding the action.

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

(41) Other financial commitments

Nominal values of other financial commitments

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

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

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

Financial commitments from operating lease, rental and other charter contracts

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

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

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

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

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

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

Multi-annual bonus payment

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

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

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

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

Stock option plan

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

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

Phantom shares developed as follows for the two bonus schemes:

Development of phantom shares

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

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

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

Employee shares

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

Share-based payment schemes in subsidiaries of TUI AG

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

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

Performance Share Plan (PSP)

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

Deferred Annual Bonus Scheme (DABS)

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

Up to 50% of the granted awards (prior to 1 October 2011 up to 75%) will vest based on growth in earnings per share (EPS) relative to the UK Retail Price Index (RPI). 25% of the awards will vest based on total shareholder return (TSR) performance relative to the TSR performance of other capital market-oriented travel and tourism companies. More-over, up to 25% of the awards will vest if the average return on invested capital (ROIC) meets certain predefined targets.

Deferred Annual Bonus long-term Incentive Scheme (DABLIS)

The Deferred Annual Bonus Long-Term Incentive Scheme (DABLIS) is for executive staff (except for the Executive Board) and requires a deferral of 25% of any annual variable compensation into share awards. Matching shares may also be awarded by the Remuneration Committee of the Board of TUI Travel PLC. The maximum number of additional shares is four times the share awards converted from the annual bonus. The earliest exercise date for the share awards granted in this way is at the end of a three-year period.

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

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

Share award schemes and ordinary shares outstanding

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

The development of awards granted is as follows:

Development of the number of share options

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

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

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

Information relating to fair values of shares awarded

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

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

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

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

(43) Financial instruments

Risks and risk management

Risk management principles

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

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

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

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

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

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

Market risk

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

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

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

Currency risk

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

Within the TUI Group, risks from exchange rate fluctuations of more than 20 currencies are hedged, with the largest hedging volumes relating to US dollars, euros and pounds sterling. The Eurozone limits the currency risk from transactions in the key tourist destinations to Group companies whose functional currency is not the euro. The Tourism Segment is mainly affected by changes in the value of the US dollar and euro, the latter predominantly affecting the TUI tour operators in the UK and the Nordic countries. In the operating business in tourism, payments in US dollars primarily relate to the procurement of services in non-European destinations, purchases of aircraft fuel and ship bunker and aircraft purchases or respective charter rates.

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

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

Sensitivity analysis—currency risk

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

Interest rate risk

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

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

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

Sensitivity analysis—interest rate risk

	30 Jun 2014		30 Sep 2013	
	€ million			
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
Revaluation reserve	+ 1.0	− 0.4	+ 1.0	− 0.7
Earnings after income taxes	− 4.9	+ 4.4	− 4.4	+ 3.4

Fuel price risk

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

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

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

Sensitivity analysis—fuel price risk

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

Other price risks

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

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

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

Sensitivity analysis—other price risks

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

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). Credit risks also relate to the granting of financial guarantees for the discharge of liabilities. Details concerning the guarantees at the balance sheet date are presented in Note 39. Legally enforceable possibilities of netting financial assets and liabilities are taken into account. Credit risks are reviewed closely on conclusion of the contract and continually monitored thereafter so as to be able to swiftly respond to potential impairments in a counterparty's solvency. Responsibility for handling the credit risk is always held by the respective companies of the TUI Group.

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

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

At the reporting date, there were no financial assets that would be overdue or impaired unless the terms and conditions of the contract had been renegotiated, neither in financial year 2013/14 nor in 2012/13.

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

Liquidity risk

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

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

Cash flow of financial instruments—financial liabilities (30 Jun 2014)

	Cash outflow until 30 Jun							
	up to 1 Year		1 – 2 years		2 – 5 years		more than 5 years	
	repayment	interest	repayment	interest	repayment	interest	repayment	interest
	€ million							
Financial liabilities								
Bonds	− 500.3	− 42.2	− 338.9	− 33.8	− 462.3	− 24.5	—	—
Liabilities to banks	− 187.8	− 4.0	− 35.9	− 0.2	− 99.5	− 0.6	− 63.7	− 0.5
Liabilities from finance leases	− 45.4	− 0.3	− 36.4	− 0.3	− 115.9	− 0.5	− 278.6	− 6.7
Financial liabilities due to affiliates	—	—	—	—	− 0.2	—	—	—
Other financial liabilities	− 88.9	—	− 15.2	—	—	—	—	—
Trade payables	− 2,490.0	—	—	—	—	—	—	—
Other liabilities	− 237.2	− 11.5	− 11.5	—	− 13.0	—	—	—

Cash flow of financial instruments—financial liabilities (30 Sep 2013)

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

Cash flow of derivative financial instruments (30 Jun 2014)

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

Cash flow of derivative financial instruments (30 Sep 2013)

	Cash in-/outflow until 30 Sep			
	up to 1 year	1 – 2 years	2 – 5 years	more than 5 years
	€ million			
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	—

Derivative financial instruments and hedges

Strategy and goals

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

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

Cash flow hedges

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

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

Nominal amounts of derivative financial instruments used

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

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

Fair values of derivative financial instruments

The fair values of derivative financial instruments correspond to the market values. The market price determined for all derivative financial instruments is the price at which a contracting party would take over the rights and/or obligations of the respective counterparty. The fair value of over-the-counter derivatives is determined by means of appropriate calculation methods, e.g. by discounting the expected future cash flows. The forward prices of forward transactions are based on the spot or cash prices, taking account of forward premiums and discounts. The calculation of the fair values of options concluded for currency options is based on the Black & Scholes model and the Turnbull & Wakeman model for optional fuel hedges. The fair values determined on the basis of the Group's own systems are regularly compared with fair value confirmations of the external counterparties.

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

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

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

Financial instruments—Additional disclosures

Carrying amounts and fair values

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

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

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

Carrying amounts and fair values according to classes and measurement categories as at 30 Jun 2014

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

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

	Category under IAS 39							
	Carrying amount	At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss	Values according to IAS 17 (leases)	Carrying amount of financial instruments	Fair value of financial instruments
					€ million			
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	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
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	176.4	—	—	176.4	—	—	176.4	176.4
Other derivative financial instruments	33.1	—	—	—	33.1	—	33.1	33.1
Other liabilities	2,918.0	212.0	—	—	—	—	212.0	212.0

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

Aggregation according to measurement categories under IAS 39 as at 30 Jun 2014

	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
			€ million			
Loans and receivables	3,134.0	—	—	—	3,134.0	3,134.0
Financial assets						
available for sale	—	53.4	17.8	—	71.2	71.2
held for trading	—	—	—	21.9	21.9	21.9
Financial liabilities						
at amortised cost	4,425.8	—	—	—	4,425.8	5,340.9
held for trading	—	—	—	103.2	103.2	103.2

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

	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
			€ million			
Loans and receivables	3,791.9	—	—	—	3,791.9	3,791.9
Financial assets						
available for sale	—	54.1	17.4	—	71.5	71.5
held for trading	—	—	—	43.8	43.8	43.8
Financial liabilities						
at amortised cost	5,695.3	—	—	—	5,695.3	6,500.8
held for trading	—	—	—	33.1	33.1	33.1

Fair value measurement

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

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

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

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

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

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

	Total	Fair value hierarchy Level 1	Level 2	Level 3
		€ million		
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	—
At amortized cost				
Trade receivables and other assets	**1,090.2**	—	1,090.2	—
Cash and cash equivalents	**2,701.7**	2,701.7	—	—
Liabilities				
Derivative financial instruments				
Hedging transactions	**176.4**	—	176.4	—
Other derivative financial instruments	**33.1**	—	33.1	—
At amortized cost				
Financial liabilities	**2,898.1**	1,783.5	1,114.6	—
Trade payables	**3,049.2**	—	3,049.2	—
Other liabilities	**212.0**	—	212.0	—

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

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

Level 1 financial instruments:

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

Level 2 financial instruments:

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

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

Specific valuation techniques to measure financial instruments are:

- For over-the-counter bonds, liabilities to banks, promissory notes and other non-current financial liabilities, the fair value is determined as the present value of future cash flows, taking account of observable yield curves and the respective credit spread, which depends on the respective credit rating.
- The fair value of over-the-counter derivatives is determined by means of appropriate calculation methods, e.g. by discounting the expected future cash flows. The forward prices of forward transactions are based on the spot or cash prices, taking account of forward premiums and discounts. The calculation of the fair values of options concluded for currency options is based on the Black & Scholes model and the Turnbull & Wakeman model for optional fuel price hedges. The fair values determined on the basis of the Group's own systems are regularly compared with fair value confirmations of the external counterparties.
- Other valuation techniques, e.g. discounting future cash flows, are used for other financial instruments.

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

Level 3 financial instruments:

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

Financial assets measured at fair value in level 3

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

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

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

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

Effects on results

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

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

Net results of financial instruments

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

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

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

Netting

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

Offsetting—financial assets

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

Offsetting—financial liabilities

	Gross Amounts of financial liabilities	Gross amounts of recognised financial assets set off	Net amounts of financial liabilities presented in the balance sheet	Related amounts not set off in the balance sheet: Financial Instruments	Related amounts not set off in the balance sheet: Cash Collateral received	Net Amount
			€ million			
Financial liabilities as at 30 Jun 14						
Derivative financial liabilities	257.8	—	257.8	91.6	—	166.2
Financial liabilities	2,237.4	—	2,237.4	—	—	2,237.4
Financial liabilities as at 30 Sep 13						
Derivative financial liabilities	209.5	—	209.5	53.4	—	156.1
Financial liabilities	2,769.6	—	2,769.6	587.5	—	2,182.1

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

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

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

(44) Capital risk management

One of the key performance indicators in the framework of capital risk management is the IFRS-based gearing, i.e. the relationship between the Group's net debt and Group equity. From a risk perspective, a balanced relation between net debt and equity is to be sought.

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

Gearing calculation

	2012/13	2011/12
	€ million	
Average financial debt	2,767.6	2,989.6
Average cash and cash equivalent	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%**

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

NOTES TO THE CASH FLOW STATEMENT

Notes to the cash flow statement

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

(45) Cash inflow/outflow from operating activities

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

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

(46) Cash inflow/outflow from investing activities

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

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

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

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

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

(47) Cash inflow/outflow from financing activities

The cash outflow from financing activities totals €388.5m.

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

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

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

(48) Development of cash and cash equivalents

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

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

As at June 30, 2014, cash and cash equivalents of €169.7m were subject to restrictions on disposal. They included an amount of €116.3m for cash collateral received, deposited in a Belgian subsidiary by Belgian tax authorities in the prior financial year in the framework of a longstanding litigation regarding VAT refunds for the years 2001 to 2011 without acknowledging guilt in order to stop the accrual of interest for both parties. In order to collateralise a potential repayment, the Belgian government was granted a bank guarantee. Due to the bank guarantee, TUI's ability to dispose of the cash and cash equivalents has been restricted. The other restrictions relate to cash and cash equivalents to be held due to legal or regulatory requirements.

Other notes

(49) Related parties

Apart from the subsidiaries included in the consolidated financial statements, TUI AG, in carrying out its ordinary business activities, maintains indirect or direct relationships with related parties. Related parties controlled by the TUI Group or over which the TUI Group is able to exercise a significant influence are listed in the list of shareholdings as at 30 September 2013, published in the electronic Federal Gazette (www.ebanz.de). Apart from pure equity investments, related parties also include companies that supply goods or provide services for TUI Group companies.

Financial obligations from order commitments vis-à-vis related parties exclusively relate to the purchasing of hotel services.

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

Transactions with related parties

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

Transactions with related parties

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

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

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

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

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

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

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

Remuneration of Management, Executive and Supervisory Board

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

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

Pension provisions for active executive board members totalled €6.4m as at the balance sheet date (as at 30 September 2013 €20.3m).

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

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

Amendments to IAS 32: Financial Instruments—Presentation

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

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

IFRS 10: Consolidated Financial Statements

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

IFRS 11: Joint Arrangements

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

IFRS 12: Disclosure of Interests in Other Entities

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

Amendments to IAS 27: Separate Financial Statements

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

Amendment to IAS 28: Investments in Associates and Joint Ventures

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

Transition guidance for IFRS 10, IFRS 11 and IFRS 12

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

The European Commission transposed IFRS 10, IFRS 11 and IFRS 12 as well as the revised IAS 27 and IAS 28 and the transition guidance into European legislation on 28 December 2012. Within the European Union, entities are required to apply the rules for the first time for 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 standards will not have a material impact on the TUI Group's net assets, financial position and results of operations. It is too early at this point in time to quantify the expected effects. IFRS 12 will lead to increased disclosure requirements in the Notes. The revised IAS 27 will not have an impact on TUI as TUI does not prepare single-entity financial statements based on IFRS in accordance with section 325 (2a) of the German Commercial Code (HGB); nor will the elimination of proportionate consolidation for joint ventures have an effect, as these joint ventures are already included in TUI's consolidated financial statements based on the equity method.

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

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

IFRIC 21: Levies

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

Amendments, standards or interpretations issued by the IASB but not yet transposed into European legislation:

IFRS 9: Financial Instruments

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

Amendments to IAS 19: Defined Benefit Plans—Employee Contributions

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

Annual Improvements Project 2010 – 2012

In December 2013, provisions from the annual improvements project were published; they contain amendments to the following seven standards: IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38 and IAS 24. The rules include minor changes to the contents and above all clarifications of the presentation, recognition and measurement. TUI does not expect the first-time application to have a material impact.

Annual Improvements Project 2011 – 2013

In December 2013, provisions from the annual improvements project were published; they contain amendments to four standards, including IFRS 3, IFRS 13 and IAS 40. The rules include minor changes to the contents and above all clarifications of the presentation, recognition and measurement. TUI does not expect the first-time application to have a material impact on its consolidated financial statements.

IFRS 14: Regulatory Deferral Accounts

This standard, issued in January 2014, allows first-time adopters of IFRSs to continue to use their current accounting for regulatory deferral accounts. The standard is of no relevance to the TUI Group.

Amendments to IFRS 11: Joint Arrangements

The provisions, issued in May 2014, specify how to account for the acquisition of an interest in a joint operation that constitutes a business operation within the meaning of IFRS 3. Accordingly, the acquirer has to measure identifiable assets and liabilities at fair value, recognise acquisition-related costs as expenses, recognise deferred tax assets and liabilities and capitalise any residual amounts as goodwill. The acquirer also has to observe the disclosure requirements of IFRS 3. The amendments apply prospectively. They are not expected to have a material impact on TUI's financial statements.

Amendments to IAS 16: Property, Plant and Equipment and IAS 38: Intangible Assets

The amendments, issued in May 2014, clarify the conditions under which the use of revenue-based methods to calculate the depreciation of property, plant and equipment or amortisation of intangible assets is acceptable. The amendments are of no relevance to TUI as revenue-based depreciation and amortisation methods are not used.

Amendments to IAS 16: Property, Plant and Equipment and IAS 41: Agriculture

Bearer plants that bear biological assets for more than one period without serving as an agricultural produce themselves, such as grape vines or olive trees, have this far been measured at fair value. The amendments, issued in June 2014, clarify that bearer plants will be treated as property, plant and equipment in the scope of IAS 16 in future and are to be measured at amortised cost. By contrast, the produce growing on the bearer plant will continue to be measured at fair value in accordance with IAS 41. The amendments will not have an impact on TUI's consolidated financial statements.

Amendments to IAS 27: Separate Financial Statements—Equity Method in Separate Financial Statements

The amendments, published in August 2014, allow the use of the equity method to account for investments in subsidiaries, joint ventures and associated companies in separate financial statements. The options to account for such investments according to IAS 39 or at cost remain intact. The amendments are of no relevance for TUI as no separate financial statements according to IFRS are prepared in accordance with section 325(2a) of the German Commercial Code (HGB).

IFRS 15: Revenue from Contracts with Customers

The standard, issued in May 2014, creates convergence of the provisions on revenue recognition comprised in various standards and interpretations this far. It also establishes a single, comprehensive framework for revenue recognition, to be applied consistently across transactions and industries, specifying the amount and point in time or period over which revenue has to be recognised. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts as well as Interpretations IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue—Barter Transactions Involving Advertising Services. TUI will investigate the impact of this standard on its net assets, financial position and results of operations in due time.

A decision about endorsement of these amendments or these new standards by the EU is currently still pending.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS / OTHER

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

Where the interim report contains statements relating to the possible all-share nil-premium merger with TUI Travel PLC announced by TUI AG on 27 June 2014, Peter Long, as CEO of TUI Travel PLC is not participating in the Executive Board (Vorstand) of TUI AG with respect to these statements.

AUDITORS' REPORT

To TUI AG, Hanover

Report on the Consolidated Interim Financial Statements

We have audited the accompanying consolidated interim financial statements of TUI AG and its subsidiaries, which comprise the consolidated statement of financial position as at 30 June 2014 and the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows for the period from 1 October 2013 to 30 June 2014, and notes, comprising a summary of significant accounting policies and other explanatory information.

These consolidated interim financial statements are part of the quarterly financial report pursuant to § (Article) 37x Abs. (paragraph) 3 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act).

Management's Responsibility for the Consolidated Interim Financial Statements

Management of TUI AG is responsible for the preparation of the consolidated interim financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("IFRS") for interim financial reporting, as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated interim financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated interim financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated interim financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated interim financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated interim financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated interim financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated interim financial statements give a true and fair view of the financial position of TUI AG and its subsidiaries as at 30 June 2014 and of their financial performance and cash flows for the period from 1 October 2013 to 30 June 2014 in accordance with IFRS for interim financial reporting, as adopted by the EU.

Report on the Interim Group Management Report

We have audited the accompanying interim group management report of TUI AG for the period from 1 October 2013 to 30 June 2014, which is part of the quarterly financial report pursuant to § (Article) 37x Abs. (paragraph) 3 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). Management of TUI AG is responsible for the preparation of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. We conducted our audit in accordance with German generally accepted standards for the audit of the group management report promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Accordingly, we are required to plan and perform the audit of the interim group management report to obtain reasonable assurance about whether the interim group management report has been prepared in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Our audit of the interim group management report has not led to any reservations.

In our opinion, based on the findings of our audit, the interim group management report has been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Hanover, 9 September 2014

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Thomas Stieve Auditor	Prof. Dr Mathias Schellhorn Auditor

Audited Consolidated Financial Statements
of TUI AG
as of and for the financial year ended September 30, 2013

CONSOLIDATED INCOME STATEMENT

	Notes	2012/13	2011/12
		€ million	
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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2012/13	2011/12
		€ million	
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 b 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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 Sep 2013	30 Sep 2012
		€ million	
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**

	Notes	30 Sep 2013	30 Sep 2012
		€ million	
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**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Subscribed capital (26)	Capital reserves (27)	Other revenue reserves	Foreign exchange differences	Financial instruments available for sale	Cash flow hedges	Revaluation reserve	Revenue reserves (28)	Hybrid capital (30)	Equity before non-controlling interest	Non-controlling interest (31)	Total
	€ million											
Balance as at 1 October 2011	**643.5**	**956.1**	**1,085.6**	**−690.2**	**181.6**	**−21.0**	**19.6**	**575.6**	**294.8**	**2,470.0**	**77.8**	**2,547.8**
Dividends	—	—	—	—	—	—	—	—	—	—	−100.6	−100.6
Hybrid capital dividend	—	—	−25.6	—	—	—	—	−25.6	—	−25.6	—	−25.6
Share based payment schemes of TUI Travel PLC	—	—	9.3	—	—	—	—	9.3	—	9.3	7.1	16.4
Issue of employee shares and conversion of convertible bonds	1.4	1.3	—	—	—	—	—	—	—	2.7	—	2.7
Effects on the acquisition of non-controlling interests	—	—	−41.3	1.7	—	−0.3	—	−39.9	—	−39.9	10.0	−29.9
Group profit for the year	—	—	−15.1	—	—	—	—	−15.1	—	−15.1	157.0	141.9
Foreign exchange differences	—	—	−26.8	47.6	—	−0.2	1.3	21.9	—	21.9	−49.3	−27.4
Financial Instruments available for sale	—	—	—	—	−181.6	—	—	−181.6	—	−181.6	3.0	−178.6
Cash flow hedges	—	—	—	—	—	−12.8	—	−12.8	—	−12.8	−55.1	−67.9
Actuarial losses from pension provisions and related fund assets	—	—	−191.9	—	—	—	—	−191.9	—	−191.9	−92.5	−284.4
Changes in the measurement of companies measured at equity	—	—	−1.6	—	—	—	—	−1.6	—	−1.6	−0.6	−2.2
Income tax attributable to other comprehensive income	—	—	51.0	—	—	−4.1	—	46.9	—	46.9	28.0	74.9
Other comprehensive income	—	—	−169.3	47.6	−181.6	−17.1	1.3	−319.1	—	−319.1	−166.5	−485.6
Total comprehensive income	—	—	−184.4	47.6	−181.6	−17.1	1.3	−334.2	—	−334.2	−9.5	−343.7
Balance as at 30 September 2012	**644.9**	**957.4**	**843.6**	**−640.9**	**—**	**−38.4**	**20.9**	**185.2**	**294.8**	**2,082.3**	**−15.2**	**2,067.1**

	Subscribed capital (26)	Capital reserves (27)	Other revenue reserves	Foreign exchange differences	Financial instruments available for sale	Cash flow hedges	Revaluation reserve	Revenue reserves (28)	Hybrid capital (30)	Equity before non-controlling interest	Non-controlling interest (31)	Total
	€ million											
Dividends	—	—	—	—	—	—	—	—	—	—	−129.7	−129.7
Hybrid capital dividend	—	—	−23.9	—	—	—	—	−23.9	—	−23.9	—	−23.9
Share based payment schemes of TUI Travel PLC	—	—	10.1	—	—	—	—	10.1	—	10.1	8.3	18.4
Change of taxation of the equity component of convertible bonds	—	—	—	—	—	—	—	—	—	—	4.0	4.0
Issue of employee shares and conversion of convertible bonds	0.3	0.3	—	—	—	—	—	—	—	0.6	—	0.6
Deconsolidation	—	—	−2.5	—	—	—	2.5	—	—	—	—	—
Effects on the acquisition of non-controlling interests	—	—	−12.6	—	—	—	—	−12.6	—	−12.6	−12.8	−25.4
Effects on the disposal of shares to non-controlling interests	—	—	102.5	−6.8	—	1.9	—	97.6	—	97.6	−31.3	66.3
Group profit for the year	—	—	4.3	—	—	—	—	4.3	—	4.3	182.2	186.5
Foreign exchange differences	—	—	16.6	−105.3	—	3.4	−1.7	−87.0	—	−87.0	20.8	−66.2
Financial Instruments available for sale	—	—	—	—	0.5	—	—	0.5	—	0.5	0.4	0.9
Cash flow hedges	—	—	—	—	—	−15.7	—	−15.7	—	−15.7	−38.6	−54.3
Actuarial losses from pension provisions and related fund assets	—	—	−6.3	—	—	—	—	−6.3	—	−6.3	−13.2	−19.5
Changes in the measurement of companies measured at equity	—	—	6.8	—	—	—	—	6.8	—	6.8	—	6.8
Income tax attributable to other comprehensive income	—	—	−9.0	—	—	1.3	—	−7.7	—	−7.7	5.5	−2.2
Other comprehensive income	—	—	8.1	−105.3	0.5	−11.0	−1.7	−109.4	—	−109.4	−25.1	−134.5
Total comprehensive income	—	—	12.4	−105.3	0.5	−11.0	−1.7	−105.1	—	−105.1	157.1	52.0
Balance as at 30 September 2013	**645.2**	**957.7**	**929.6**	**−753.0**	**0.5**	**−47.5**	**21.7**	**151.3**	**294.8**	**2,049.0**	**−19.6**	**2,029.4**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2012/13	2011/12 revised	Var.
			€ million	
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 ON THE 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

	2012/13	2011/12
	€ million	
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

	Additions 30 Sep 2013	Disposals 30 Sep 2012
	€ million	
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

	Additions 2012/13	2012/13	Disposals 2011/12
		€ million	
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

	Fair value at date of first-time consolidation
	€ million, translated
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

	Carrying amounts at date of acquisition	Revaluation of assets and liabilities	Carrying amounts at date of first-time consolidation
		€ million	
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	
	30 Sep 2013	30 Sep 2012	2012/13	2011/12
	1 € equivalent			
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 if 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

NOTES ON THE 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

	Tourism		All other Segments			Consolidation	Group	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
				€ million				
Statement of results								
Turnover	18,460.1	18,297.2	17.4	33.1	—	—	18,477.5	18,330.3
Inter-segment turnover	18.0	18.0	22.5	8.5	−40.5	−26.5	—	—
Segment turnover	**18,478.1**	**18,315.2**	**39.9**	**41.6**	**−40.5**	**−26.5**	**18,477.5**	**18,330.3**
Group profit for the year							**186.5**	**141.9**
Income taxes							139.0	110.8
Earnings before taxes (EBT)	**510.9**	**453.6**	**−185.4**	**−200.9**	**—**	**—**	**325.5**	**252.7**
of which share of results of joint ventures and associates	81.6	40.3	−22.3	−49.0	—	—	59.3	−8.7
Loss on Container Shipping measured at equity	—	—	—	−61.6	—	—	—	−61.6
Gain on the reduction and measurement of financial investment in Container Shipping	153.8	151.9	84.9	133.0	—	—	238.7	284.9
Net interest expense and expense from the measurement of interest hedges	8.3	13.8	—	—	—	—	8.3	13.8
Impairment of goodwill	—	—	22.3	49.0	—	—	22.3	49.0
Earnings before interest, taxes and amortisation of goodwill (EBITA)	**673.0**	**619.3**	**−78.2**	**−80.5**	**—**	**—**	**594.8**	**538.8**
Adjustments	150.8	199.7	16.3	7.2	—	—	167.1	206.9
Underlying EBITA	**823.8**	**819.0**	**−61.9**	**−73.3**	**—**	**—**	**761.9**	**745.7**
Amortisation of other intangible assets and depreciation of property, plant and equipment	408.2	369.5	10.7	4.1	—	—	418.9	373.6
of which impairments	36.3	26.3	6.6	0.1	—	—	42.9	26.4
Other depreciation/amortisation and write-backs of which write-backs	1.0	−12.3	2.1	—	—	0.6	3.1	−11.7
of which write-backs	3.3	—	2.1	—	—	—	5.4	—
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**1,080.2**	**1,001.1**	**−69.6**	**−76.4**	**—**	**−0.6**	**1,010.6**	**924.1**
Rental expenses	795.4	766.8	5.5	12.2	−3.1	−4.4	797.8	774.6
Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)	**1,875.6**	**1,767.9**	**−64.1**	**−64.2**	**−3.1**	**−5.0**	**1,808.4**	**1,698.7**

	Tourism		All other Segments			Consolidation	Group	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
					€ million			
Assets and liabilities								
Segment assets	8,573.6	8,870.5	214.0	231.5	0.8	−19.0	8,788.4	9,083.0
of which goodwill	2,976.4	3,046.4	—	—	—	—	2,976.4	3,046.4
Carrying amounts of joint ventures and associates	864.5	820.1	521.9	573.9	—	—	1,386.4	1,394.0
Interest-bearing Group receivables	57.5	72.8	989.3	736.3	−1,046.8	−809.1	—	—
Cash and cash equivalents	2,194.7	1,148.3	507.0	1,130.1	—	—	2,701.7	2,278.4
Other financial assets	236.3	208.1	2,451.7	2,215.0	−2,388.7	−2,182.7	299.3	240.4
Non-allocable taxes							278.5	216.8
Total assets							**13,454.3**	**13,212.6**
Segment liabilities	6,733.2	6,936.9	263.1	332.6	−4.5	−41.4	6,991.8	7,228.1
Third-party financial liabilities	2,145.9	1,405.0	623.7	1,051.6	—	—	2,769.6	2,456.6
Group financial liabilities	987.7	719.6	58.1	67.6	−1,045.8	−787.2	—	—
Other financial liability items	1,008.4	823.5	336.8	363.1	—	—	1,345.2	1,186.6
Non-allocable taxes							318.4	274.3
Total liabilities and provisions							**11,425.0**	**11,145.6**
Additional disclosures								
Non-cash expenses	38.4	52.2	22.3	49.0			60.7	101.2
Non-cash income	101.6	67.5	—	—			101.6	67.5
Return on sales (on EBITA)	3.6	3.4	—	—			3.2	2.9
Investments	817.3	640.7	3.5	2.5			820.8	643.2
Investments in goodwill	29.4	10.1	—	—			29.4	10.1
Investments in other intangible assets and property, plant and equipment	787.9	630.6	3.5	2.5			791.4	633.1
Financing ratio	51.0	59.8	305.7	164.0			52.0	60.2
Employees at year-end	74,040	73,391	405	421			74,445	73,812

Key figures Tourism Segment

	TUI Travel		TUI Hotels & Resorts		Cruises		Consolidation		Tourism	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
	€ million									
Statement of results										
Turnover	17,796.0	17,681.5	403.1	384.7	261.0	231.0	—	—	18,460.1	18,297.2
Inter-segment turnover	27.4	36.0	423.5	441.3	—	—	−432.9	−459.3	18.0	18.0
Segment turnover	**17,823.4**	**17,717.5**	**826.6**	**826.0**	**261.0**	**231.0**	**−432.9**	**−459.3**	**18,478.1**	**18,315.2**
Group profit for the year										
Income taxes	—	—	—	—						
Earnings before taxes (EBT)	**400.1**	**314.1**	**141.4**	**138.8**	**−30.6**	**0.7**	**0.0**	**0.0**	**510.9**	**453.6**
of which share of result of joint ventures and associates	21.3	6.9	42.9	20.8	17.4	12.6	—	—	81.6	40.3
plus: Net interest expense and expense from the measurement of interest hedges	132.7	126.9	20.9	24.9	0.2	0.1	—	—	153.8	151.9
plus: Impairment of goodwill	—	—	8.3	13.8	—	—	—	—	8.3	13.8
Earnings before interest, taxes and amortisation of goodwill (EBITA)	**532.8**	**441.0**	**170.6**	**177.5**	**−30.4**	**0.8**	**—**	**—**	**673.0**	**619.3**
Adjustments	107.7	196.4	26.6	1.1	16.5	2.2	—	—	150.8	199.7
Underlying EBITA	**640.5**	**637.4**	**197.2**	**178.6**	**−13.9**	**3.0**	**—**	**—**	**823.8**	**819.0**
Amortisation of other intangible assets and depreciation of property, plant and equipment	313.9	291.8	82.9	67.6	11.4	10.2	—	−0.1	408.2	369.5
of which impairments	20.0	26.3	16.3	—	—	—	—	—	36.3	26.3
Other depreciation/amortisation and write-backs	2.2	−12.3	−1.3	—	0.1	—	—	—	1.0	−12.3
of which write-backs	2.7	—	0.5	—	0.1	—	—	—	3.3	—
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**844.5**	**745.1**	**254.8**	**245.1**	**−19.1**	**11.0**	**—**	**−0.1**	**1,080.2**	**1,001.1**
Rental expenses	730.2	713,7	33.5	38.5	31.7	14.6	—	—	795.4	766.8
Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)	**1,574.7**	**1,458.8**	**288.3**	**283.6**	**12.6**	**25.6**	**—**	**−0.1**	**1,875.6**	**1,767.9**

		TUI Travel		TUI Hotels & Resorts		Cruises		Consolidation		Tourism	
		2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
						€ million					
Assets and liabilities											
Segment assets		6,844.6	7,054.2	1,599.8	1,661.5	187.6	217.6	−58.4	−62.8	8,573.6	8,870.5
of which goodwill		2,607.3	2,667.6	369.1	378.8	—	—	—	—	2,976.4	3,046.4
Carrying amounts of joint ventures and associates		281.8	314.2	385.3	360.1	197.4	145.8	—	—	864.5	820.1
Interest-bearing Group receivables		4.0	—	1.8	12.8	51.7	60.0	—	—	57.5	72.8
Cash and cash equivalents		2,096.9	1,039.9	93.4	105.3	4.4	3.1	—	—	2,194.7	1,148.3
Other financial assets		158.7	153.2	76.6	55.0	1.0	0.1	—	−0.2	236.3	208.1
Non-allocable taxes											
Total assets											
Segment liabilities		6,555.1	6,708.6	119.4	151.8	116.9	139.2	−58.2	−62.7	6,733.2	6,936.9
Third-party financial liabilities		1,923.1	1,177.7	222.8	227.3	—	—	—	—	2,145.9	1,405.0
Group financial liabilities		8.8	—	802.2	580.5	176.7	139.2	—	−0.1	987.7	719.6
Other financial liability items		994.6	812.6	2.3	1.0	11.5	9.9	—	—	1,008.4	823.5
Non-allocable taxes											
Total liabilities and provisions											
Additional disclosures											
Non-cash expenses		37.5	51.4	0.9	0.8	—	—	—	—	38.4	52.2
Non-cash income		40.4	33.3	43.8	21.6	17.4	12.6	—	—	101.6	67.5
Return on sales (on EBITA)	%	3.0	2.5	20.6	21.5	−11.6	0.3			3.6	3.4
Investments		725.1	578.7	80.7	53.1	11.5	8.9			817.3	640.7
Investments in goodwill		29.4	10.1	—	—	—	—			29.4	10.1
Investments in other intangible assets and property, plant and equipment		695.7	568.6	80.7	53.1	11.5	8.9			787.9	630.6
Financing ratio	%	43.3	50.4	113.0	153.3	99.1	114.6			51.0	59.8
Employees at year-end		59,756	57,961	14,013	15,141	271	289			74,040	73,391

Key figures by region

	Germany		Great Britain		Spain		Other EU		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	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
										€ million								
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**	**724.3**	**736.2**	**748.9**	**741.9**	**457.5**	**371.1**	**—**	**—**	**18,477.5**	**18,330.3**
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**	**577.7**	**565.2**	**715.4**	**682.8**	**438.7**	**418.0**	**—**	**—**	**18,477.5**	**18,330.3**
Long-term segment assets	**848.9**	**793.4**	**3,201.8**	**2,929.9**	**857.2**	**1,001.6**	**612.0**	**751.4**	**78.7**	**104.0**	**833.4**	**747.7**	**511.4**	**483.3**	**− 12.4**	**1.1**	**6,931.0**	**6,812.4**
Non-allocable taxes	—	—	—	—	—	—	—	—									278.5	216.8
Segment liabilities	**1,847.7**	**1,865.7**	**2,303.4**	**2,609.5**	**443.0**	**445.8**	**1,987.1**	**1,917.6**	**112.1**	**111.2**	**332.0**	**292.3**	**302.0**	**332.3**	**− 335.5**	**− 346.3**	**6,991.8**	**7,228.1**
Non-allocable taxes	—	—	—	—	—	—	—	—									318.4	274.3
Additional disclosures																		
Depreciation/amortisation	62.9	40.3	141.8	141.8	51.9	51.8	94.9	69.4	4.3	4.1	28.8	31.2	36.6	46.7	—	—	421.2	385.3
Investments	147.1	129.3	429.5	305.2	50.3	24.6	103.4	101.4	3.2	16.4	38.1	34.5	49.2	31.8	—	—	820.8	643.2
Investments in goodwill	18.2	4.8	1.3	3.5	—	0.6	—	—	—	—	0.6	—	9.3	1.2	—	—	29.4	10.1
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	3.2	16.4	37.5	34.5	39.9	30.6	—	—	791.4	633.1
Employees at year-end	10,157	9,882	17,156	17,318	9,395	9,226	12,438	12,830	8,078	8,480	8,361	8,199	8,860	7,877	—	—	74,445	73,812

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 expenses

	2012/13	2011/12
	€ million	
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

	2012/13	2011/12
	€ million	
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

	2012/13	2011/12
	€ million	
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

	2012/13	2011/12
	€ million	
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

	2012/13	2011/12
	€ million	
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 highquality 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

	2012/13	2011/12
	€ million	
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

	2012/13	2011/12
	€ million	
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

	2012/13	2011/12
	€ million	
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

	2012/13	2011/12
	€ million	
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

	2012/13	2011/12
	€ million	
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/loss 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

	2012/13	2011/12
	€ million	
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

	2012/13	2011/12
	€ million	
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

	2012/13	2011/12
	€ million	
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

	2012/13	2011/12
	€ million	
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		
	Gross	Tax effect	Net	Gross	Tax effect	Net
	€ million					
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 TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(14) Goodwill

Goodwill

	2012/13	2011/12
	€ million	
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

	30 Sep 2013	30 Sep 2012
	€ million	
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

	Concessions, industrial property rights and similar rights and values	Self-generated software	Transport and leasing contracts	Customer base	Payments on account	Total
			€ million			
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

	2012/13	2011/12
	€ million	
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

	Real estate with hotels	Other real estate, land rights and buildings incl. buildings on third-party properties	Aircraft	Ships, yachts and boats	Machinery	Other plants, operating and office equipment	Assets under construction	Payments on account	Total
					€ million				
Historical cost									
Balance as at 1 Oct 2011	**1,294.8**	**258.8**	**864.9**	**681.8**	**239.0**	**1,251.2**	**44.6**	**197.1**	**4,832.2**
Exchange differences	21.3	4.0	31.7	37.2	−0.4	54.4	0.9	8.4	157.5
Additions due to changes in the group of consolidated companies	—	0.1	—	—	—	3.1	—	—	3.2
Additions	35.2	4.4	131.6	45.5	1.8	77.0	52.0	162.7	510.2
Disposals	20.3	10.2	115.1	28.5	2.1	80.6	0.6	96.4	353.8[1)]
Reclassifications	25.9	−32.1	−27.8	7.5	1.5	−1.7	−16.9	—	−43.6
Balance as at 30 Sep 2012	**1,356.9**	**225.0**	**885.3**	**743.5**	**239.8**	**1,303.4**	**80.0**	**271.8**	**5,105.7**
Exchange differences	−42.1	−8.6	−22.9	−24.5	−2.2	−34.2	−1.9	−8.6	−145.0
Additions due to changes in the group of consolidated companies	—	1.5	—	—	—	11.1	—	—	12.6
Additions	26.6	6.4	225.7	43.8	6.4	89.8	74.0	170.4	643.1
Disposals	19.6	7.3	186.5	12.2	10.1	414.7	10.6	162.0	823.0[2)]
Reclassification as assets held for sale	−6.9	−0.4	12.6	−1.2	—	−1.9	—	−9.0	−6.8
Reclassifications	0.3	−27.3	54.4	−1.5	4.5	2.3	−41.2	−33.6	−42.1
Balance as at 30 Sep 2013	**1,315.2**	**189.3**	**968.6**	**747.9**	**238.4**	**955.8**	**100.3**	**229.0**	**4,744.5**
Depreciation									
Balance as at 1 Oct 2011	**386.7**	**56.5**	**623.8**	**251.0**	**147.2**	**921.9**	**—**	**—**	**2,387.1**

	Real estate with hotels	Other real estate, land rights and buildings incl. buildings on third-party properties	Aircraft	Ships, yachts and boats	Machinery	Other plants, operating and office equipment	Assets under construction	Payments on account	Total
					€ million				
Exchange differences	4.6	–	21.0	13.1	1.4	37.6	—	—	77.7
Depreciation for the current year	35.2	4.8	54.1	34.9	12.5	91.0	—	—	232.5
Impairments for the current year	0.6	—	6.4	—	—	7.6	—	—	14.6
Disposals	14.8	4.0	112.7	17.3	1.1	65.1	—	—	215.0[1)]
Reclassifications	−11.0	8.3	−32.6	−0.7	0.4	−6.9	—	—	−42.5
Balance as at 30 Sep 2012	**401.3**	**65.6**	**560.0**	**281.0**	**160.4**	**986.1**	**—**	**—**	**2,454.4**
Exchange differences	−12.4	−0.9	−8.1	−8.9	−1.6	−22.6	—	—	−54.5
Depreciation for the current year	34.7	2.4	70.2	38.5	14.2	104.0	—	—	264.0
Impairments for the current year	—	15.9	9.1	—	0.6	3.5	—	—	29.1
Disposals	14.6	3.9	164.5	6.9	10.4	410.9	—	—	611.2[2)]
Reclassification as assets held for sale	−1.3	—	12.9	−0.7	—	−1.3	—	—	9.6
Reclassifications	—	−22.3	−2.5	−4.2	2.1	−2.0	—	—	−28.9
Balance as at 30 Sep 2013	**407.7**	**56.8**	**477.1**	**298.8**	**165.3**	**656.8**	**—**	**—**	**2,062.5**
Carrying amounts as at 30 Sep 2012	**955.6**	**159.4**	**325.3**	**462.5**	**79.4**	**317.3**	**80.0**	**271.8**	**2,651.3**
Carrying amounts as at 30 Sep 2013	**907.5**	**132.5**	**491.5**	**449.1**	**73.1**	**299.0**	**100.3**	**229.0**	**2,682.0**

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

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	
	30 Sep 2013	30 Sep 2012
	€ million	
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

	up to 1 year	1 – 5 years	Remaining term more than 5 years	30 Sep 2013 Total	30 Sep 2012 Total
			€ million		
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

	Joint ventures	Associates	Total
		€ million	
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**

	Joint ventures	Associates	Total
		€ million	
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

	30 Sep 2013	30 Sep 2012
	€ million	
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

	30 Sep 2013	30 Sep 2012
	€ million	
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

	30 Sep 2013	30 Sep 2012
	€ million	
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	
	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
	€ million			
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

	Carrying amount of 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
	€ million					
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

	2012/13	2011/12
	€ million	
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

	30 Sep 2013	30 Sep 2012
	€ million	
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

	30 Sep 2013		30 Sep 2012	
	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
	€ million			
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

	30 Sep 2013		30 Sep 2012	
	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
	€ million			
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

	30 Sep 2013		30 Sep 2012	
	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
	€ million			
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

	30 Sep 2013	30 Sep 2012
	€ million	
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	
	Asset	Liability	Asset	Liability
	€ million			
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

	30 Sep 2013	30 Sep 2012
	€ million	
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

	2012/13	2011/12
	€ million	
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

	30 Sep 2013	30 Sep 2012
	€ million	
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

	30 Sep 2013	30 Sep 2012
	€ million	
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

	30 Sep 2013	30 Sep 2012
	€ million	
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

	2012/13	2011/12
	€ million	
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

	2012/13	2011/12
	€ million	
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

	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
	€ million					
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

	2012/13	2011/12
	Percentage p. a.	
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		
	Discount rate	Expected return on plan assets	Projected future salary increases	Discount rate	Expected return on plan assets	Projected future salary increases
	Percentage p. a.					
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

	2012/13	2011/12
	€ million	
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

	2012/13	2011/12
	€ million	
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		
	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
	€ million					
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

	2012/13	2011/12	2009/10	SFJ 2009	2009
	€ million				
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

	Balance as at 30 Sep 2012	Changes with no effect and loss[1]	Usage	Reversal	Additions	Balance as at 30 Sep 2013
			€ million			
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	
	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
	€ million			
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

	30 Sep 2013				30 Sep 2012	
	up to 1 year	1 – 5 years	Remaining term more than 5 years	Total	Total	Remaining term more than 1 year
	€ million					
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)

	Issuer	Volume initial	Volume outstanding	Interest	Stock market value: Debt component	Conversion options	Total	Carrying amount
				€ million				
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

	30 Sep 2013	30 Sep 2012
	€ million	
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: up to 1 year	1 – 5 years	Total	30 Sep 2012: Remaining term of more than 1 year	Total
			€ million		
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 liabilities

	30 Sep 2013	30 Sep 2012
	€ million	
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	
	up to 1 year	1 – 5 years	Total	Remaining term of more than 1 year	Total
			€ million		
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

	30 Sep 2013	30 Sep 2012
	€ million	
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	
	up to 1 year	1 – 5 years	Remaining term of more than 5 years	Total	Remaining term of more than 1 year	Total
	€ million					
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	
	up to 1 year	1 – 5 years	5 – 10 years	Remaining term of more than 10 years	Total	Remaining term of more than 1 year	Total
	€ million						
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 (DA BS)

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 (DA BLIS)

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 Jun 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 marketbased 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 sharebased 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

	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**
	€ million			
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)

	2014		2015		2016 – 2018		as of 2018	
	repayment	interest	repayment	interest	repayment	interest	repayment	interest
	€ million							
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)

	2013		2014		2015 – 2017		as of 2017	
	Repayment	interest	repayment	interest	repayment	interest	repayment	interest
	€ million							
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)

	2014	2015	2016 – 2018	as of 2018
	€ million			
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)

	2013	2014	2015 – 2017	as of 2017
	€ million			
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	
	up to 1 year	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
			€ million		
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	
	Receivables	Liabilities	Receivables	Liabilities
	€ million			
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

		Category under IAS 39						
	Carrying amount	At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss	Values according to IAS 17 (leases)	Carrying amount of financial instruments	Fair value of financial instruments
					€ million			
Assets								
Availanle 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

		Category under IAS 39						
	Carrying amount	At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss	Values according to IAS 17 (leases)	Carrying amount of financial instruments	Fair value of financial instruments
					€ million			
Assets								
Availanle 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

	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
	€ million					
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

	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
	€ million					
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

	Total	Fair value hierarchy: Level 1	Level 2	Level 3
	€ million			
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

	Total	Fair value hierarchy Level 1	Level 2	Level 3
		€ million		
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

	Other assets held for trading	assets
	€ million	
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

	2012/13			2011/12		
	from interest	other net results	net result	from interest	other net results	net result
	€ million					
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

		2012/13	2011/12
		€ million	
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 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.

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

	2012/13	2011/12
	€ million	
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

	2012/13	2011/12
	€ million	
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

	2012/13	2011/12
	€ million	
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

	2012/13	2011/12
	€ million	
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 preretirement 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 firsttime 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

Company	Country	Capital share
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
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

Company	Country	Capital share
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
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

Company	Country	Capital share
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
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

Company	Country	Capital share
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
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

Company	Country	Capital share
Mariner Operations USA Inc, State of Delaware	US	100.0
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
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

[1] Special Purpose Entity

Company	Country	Capital share
Sportsworld Group Limited, Crawley	UK	100.0
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
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
TT Visa Services, Inc., Wilmington DE	US	100.0
TT Visa Services Limited, Crawley	UK	100.0

Company	Country	Capital share
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
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

Company	Country	Capital share
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
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

Company	Country	Capital share
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
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

Company	Country	Capital share
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
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

Company	Country	Capital share
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

Excerpt from TUI AG's group management report

The disclosures of the relevant amounts for individual Board members and further details on the remuneration system as included in Note 52 by reference to the Management Report form an integral part of the consolidated financial statements of TUI AG as of and for the financial year ended September 30, 2013.

Reproduced below, as excerpt from TUI AG's group management report as of and for the fiscal year ended September 30, 2013, are the disclosures of the relevant amounts for individual Board members and further details on the remuneration system.

Remuneration Report

Upon the proposal of the Chairman's 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 to 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 the 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 the 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 remain in place from a stock option plan that terminated with the introduction of the long-term incentive programme:

Development of aggregate phantom stocks in TUI AG (incl. four-year model)

	Units
Balance as at 30 Sep 2012	**739,407**
Phantom stocks granted for the 2012/13 financial year	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

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

	Fixed remuneration	Annual performance-based remuneration	Long-term incentive programme	Supervisory Board mandates in the Group	Total 2012/13	Total 2011/12
			€ ’000			
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 the financial year 2012/13.

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

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

	Friedrich Joussen (since 15 Oct 2012)			Horst Baier		
	2012/13	**(Min. p. a.)**	**(Max. p. a.)**	**2012/13**	**(Min p. a.)**	**(Max p. a.)**
	€ '000					
Fixed muneration	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

	Friedrich Joussen (since 15 Oct 2012)	**Horst Baier**
	€ '000	
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	267.7
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 the financial year 2012/13

	Pension contribution
	€ '000
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 €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 ended September 30, 2013, 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 the financial year 2012/13 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 the 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	
	2012/13	**2011/12**	**30 Sep 2013**	**30 Sep 2012**
	€ '000			
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 the 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 the 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

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 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 thousand with effect from 1 October 2012 based on an amendment to 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 the financial year 2012/13, based on an amendment to 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 to 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 in the past, 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 €1.0 thousand per meeting for participating in meetings as of the financial year 2012/13.

The remuneration of the Supervisory Board for financial year ended September 30, 2013, in comparison with the prior year, broke down as follows:

Remuneration of the Supervisory Board

	2012/13	2011/12
	€ '000	
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 including reimbursements of travel and other expenses thus amounted to €2,133.2 thousand (previous year: €1,799.8 thousand), including the reimbursement of travel and other expenses.

Remuneration for individual Supervisory Board members for the Financial Year 2012/13

	Fixed	Long-term variable	Committee membership	Attendance fee	Supervisory Board Mandates in the Group	Total
				€ '000		
Prof. Dr Klaus Mangold (Chairman)	150.0	16.4	80.0	15.0	—	261.4
Petra Gerstenkorn (Deputy Charwomen)	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 the 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 the financial year 2012/13, and thus did not receive any remuneration.

The following auditor's report (Bestätigungsvermerk) has been issued in accordance with Section 322 German Commercial Code (Handelsgesetzbuch) on the consolidated financial statements and group management report (Konzernlagebericht) of TUI AG combined with the management report (Lagebericht) of TUI AG as of and for the financial year ended September 30, 2013. The group management report combined with the management report is neither included nor incorporated by reference in this Prospectus.

INDEPENDENT AUDITOR'S REPORT

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
Wirtschaftprüfer
(German Public Auditor)

Audited Consolidated Financial Statements
of TUI AG
as of and for the financial year ended September 30, 2012

CONSOLIDATED INCOME STATEMENT

	Notes	2011/12	2010/11
		€ million	
Turnover	(1)	18,330.3	17,480.3
Cost of sales	(2)	16,285.8	15,655.2
Gross profit		**2,044.5**	**1,825.1**
Administrative expenses	(2)	1,555.7	1,508.8
Other income/Other expenses	(3)	+ 71.1	+ 77.1
Impairment of goodwill	(4)	13.8	—
Financial income	(5)	159.9	254.3
Financial expenses	(6)	444.6	493.8
Share of result of joint ventures and associates	(7)	− 8.7	+ 52.9
Earnings before income taxes		**252.7**	**206.8**
Reconciliation to underlying earnings:			
Earnings before income taxes		252.7	206.8
plus: Loss on Container Shipping measured at equity		49.0	2.1
less: Gain on reduction and measurement of financial investment in Container Shipping		− 61.6	− 51.2
plus: Net Interest expense and expense from the measurement of interest hedges		284.9	286.8
plus: Impairment of goodwill		13.8	—
EBITA		538.8	444.5
Adjustments:	(8)		
plus: Loss on disposals		1.8	—
plus: Restructuring expense		63.2	70.8
plus: expense from purchase price allocation		75.1	96.1
plus: Expense (previous year Income) from other one-off items		66.8	− 11.3
Underlying EBITA		**745.7**	**600.1**
Earnings before income taxes		**252.7**	**206.8**
Income taxes	(9)	110.8	88.6
Group profit for the year		**141.9**	**118.2**
Group result for the year attributable to shareholders of TUI AG	(10)	− 15.1	+ 23.9
Group profit for the year attributable to non-controlling interest	(11)	+ 157.0	+ 94.3

Earning per share

	Notes	2011/12	2010/11
		€	
Basic and diluted earnings per share	(12)	− 0.16	− 0.01

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2011/12	2010/11
		€ million	
Group profit		**141.9**	**118.2**
Foreign exchange differences		−27.4	−45.5
Foreing exchange differences		−4.3	−72.0
Reclassification/adjustments		−23.1	26.5
Financial instruments available for sale		−178.6	176.1
Changes in the fair value of financial instruments available for sale		−34.4	238.1
Reclassification/adjustments		−144.2	−62.0
Cash flow hedges		−67.9	105.5
Changes in the fair value of cash flow hedges		−46.2	111.9
Reclassification/adjustments		−21.7	−6.4
Actuarial losses from pension provisions and related fund assets		−284.4	−102.2
Changes in the measurement of companies measured at equity		−2.2	−25.7
Changes in the measurement outside profit or loss		−4.2	−13.3
Reclassification/adjustments		2.0	−12.4
Taxes attributable to other comprehensive income	(13)	74.9	−21.9
Other comprehensive income		**−485.6**	**86.3**
Total comprehensive income		**−343.7**	**204.5**
attributable to shareholders of TUI AG		−334.2	133.6
attributable to non-controlling interest		−9.5	70.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 Sep 2012	30 Sep 2011
		€ million	
Assets			
Goodwill	(14)	3,046.4	2,907.2
Other intangible assets	(15)	890.9	856.6
investment property	(16)	54.9	59.2
Property, plant and equipment	(17)	2,651.3	2,445.1
investments in joint ventures and associates	(18)	1,394.0	1,735.5
Financial assets available for sale	(19)	75.5	487.8
Trade receivables and other assets	(20)	358.1	409.1
Derivative financial instruments	(21)	28.4	43.6
Deferred tax asset	(22)	168.7	163.5
Non-current assets		**8,668.2**	**9,107.6**
Inventories	(23)	113.9	106.7
Trade receivables and other assets	(20)	1,956.0	1,950.9
Derivative financial instruments	(21)	131.5	231.2
Current tax asset	(22)	48.1	90.0
Cash and cash equivalents	(24)	2,278.4	1,981.3
Assets held for sale	(25)	16.5	24.2
Current assets		**4,544.4**	**4,384.3**
		13,212.6	**13,491.9**

	Notes	30 Sep 2012	30 Sep 2011
		€ million	
Equity and liabilities			
Subscribed capital	(26)	644.9	643.5
Capital reserves	(27)	957.4	956.1
Revenue reserves	(28)	185.2	575.6
Hybrid capital	(29)	294.8	294.8
Equity before non-controlling interest		**2,082.3**	**2,470.0**
Non-controlling interest	(30)	− 15.2	77.8
Equity		**2,067.1**	**2,547.8**
Pension provisions and similar obligations	(31)	1,146.9	878.2
Other provisions	(32)	537.5	548.6
Non-current provisions		**1,684.4**	**1,426.8**
Financial liabilities	(33)	1,810.5	2,324.7
Derivative financial instruments	(35)	31.8	73.7
Current tax liabilities	(36)	108.3	117.2
Deferred tax liabilities	(36)	69,5	120.7
Other liabilities	(37)	68.2	105.1
Non-current liabilities		**2,088.3**	**2,741.4**
Non-current provisions and liabilities		**3,772.7**	**4,168.2**
Pension provisions and similar obligations	(31)	39.7	35.9
Other provisions	(32)	509.8	471.9
Current provisions		**549.5**	**507.8**
Financial liabilities	(33)	646.1	473.6
Trade payables	(34)	3,260.0	2,973.5
Derivative financial instruments	(35)	163.1	157.7
Current tax liabilities	(36)	96.5	198.3
Other liabilities	(37)	2,657.6	2,462.8
Current liabilities		**6,823.3**	**6,265.9**
Liabilities related to assets held for sale	(38)	**—**	**2.2**
Current provisions and liabilities		**7,372.8**	**6,775.9**
		13,212.6	**13,491.9**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Subscribed capital (26)	Capital reserves (27)	Other revenue reserves	Foreign exchange differences	Financial instruments available for sale	Cash flow hedges	Revaluation reserve	Reserve according to IAS 19	Revenue reserves (28)	Hybrid capital (29)	Equity before non-controlling interest	Non-controlling interest (30)	Total
							€ million						
Balance as at 1 October 2010	**643.1**	**913.5**	**1,469.2**	**−658.2**	**5.6**	**−56.9**	**19.6**	**−289.8**	**489.5**	**294.8**	**2,340.9**	**93.3**	**2,434.2**
Dividends	—	—	—	—	—	—	—	—	—	—	—	−141.1	−141.1
Hybrid capital dividend	—	—	−25.9	—	—	—	—	—	−25.9	—	−25.9	—	−25.9
Share-based payment schemes of TUI Travel PLC	—	—	12.0	—	—	—	—	—	12.0	—	12.0	9.4	21.4
Issue of employee shares	0.4	0.7	—	—	—	—	—	—	—	—	1.1	—	1.1
Issue of convertible bonds	—	41.9	—	—	—	—	—	—	—	—	41.9	2.6	44.5
First-time consolidation	—	—	24.8	—	—	—	—	—	24.8	—	24.8	20.1	44.9
Deconsolidation	—	—	—	—	—	—	—	—	—	—	—	−0.7	−0.7
Effects on the acquisition of non-controlling interests	—	—	−25.9	—	—	−0.8	—	−1.3	−28.0	—	−28.0	−7.1	−35.1
Effects on the transfer to non-controlling interests	—	—	−21.9	−8.4	—	−0.1	—	—	−30.4	—	−30.4	30.4	—
Group profit for the year	—	—	23.9	—	—	—	—	—	23.9	—	23.9	94.3	118.2
Other comprehensive income	—	—	−25.8	−23.6	176.0	36.8	—	−53.7	109.7	—	109.7	−23.4	86.3
Total comprehensive income	—	—	−1.9	−23.6	176.0	36.8	—	−53.7	133.6	—	133.6	70.9	204.5
Balance as at 30 September 2011	**643.5**	**956.1**	**1,430.4**	**−690.2**	**181.6**	**−21.0**	**19.6**	**−344.8**	**575.6**	**294.8**	**2,470.0**	**77.8**	**2,547.8**
Dividends	—	—	—	—	—	—	—	—	—	—	—	−100.6	−100.6
Hybrid capital dividend	—	—	−25.6	—	—	—	—	—	−25.6	—	−25.6	—	−25.6
Share based payment schemes of TUI Travel PLC	—	—	9.3	—	—	—	—	—	9.3	—	9.3	7.1	16.4
Issue of employee shares and conversion of convertible bonds	1.4	1.3	—	—	—	—	—	—	—	—	2.7	—	2.7
Effects on the acquisition of non-controlling interests	—	—	−36.6	1.7	—	−0.3	—	−4.7	−39.9	—	−39.9	10.0	−29.9
Group profit for the year	—	—	−15.1	—	—	—	—	—	−15.1	—	−15.1	157.0	141.9
other comprehensive income	—	—	−1.6	47.6	−181.6	−17.1	1.3	−167.7	−319.1	—	−319.1	−166.5	−485.6
Total comprehensive income	—	—	−16.7	47.6	−181.6	−17.1	1.3	−167.7	−334.2	—	−334.2	−9.5	−343.7
Balance as at 30 September 2012	**644.9**	**957.4**	**1,360.8**	**−640.9**	**—**	**−38.4**	**20.9**	**−517.2**	**185.2**	**294.8**	**2,082.3**	**−15.2**	**2,067.1**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2011/12	2010/11	Var.
		€ million		
Group profit		141.9	118.2	23.7
Depreciation, amortisation and impairments (+) / write-backs (–)		398.7	412.2	− 13.5
Other non-cash expenses (+) / income (–)		33.8	− 112.7	146.5
Interest expenses (excl. interest relating to pension obligations)		262.9	367.7	− 104.8
Profit (–) / loss (+) from disposals of non-current assets		− 66.1	− 47.0	− 19.1
Increase (–) / decrease (+) in inventories		− 0.1	− 16.2	16.1
Increase (–) / decrease (+) in receivables and other assets		73.1	80.1	− 7.0
Increase (+) / decrease (–) in provisions		22.2	101.5	− 79.3
Increase (+) / decrease (–) in liabilities (excl. financial liabilities)		− 47.3	181.7	− 229.0
Cash inflow from operating activities	(42)	**819.1**	**1,085.5**	**− 266.4**
Payments received from disposals of property, plant and equipment, investment property and intangible assets		171.7	456.6	− 284.9
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		701.6	951.5	− 249.9
Payments made for investments in property, plant and equipment, investment property and intangible assets		− 480.1	− 444.8	− 35.3
Payments made for investments in consolidated companies (excl. cash and cash equivalent received due to acquisitions)		− 27.5	− 50.7	23.2
Payments made for investments in other non-current assets		− 30.7	− 37.2	6.5
Cash inflow from investing activities	(43)	**337.1**	**875.4**	**− 538.3**
Payments received from capital increases		0.4	0.6	− 0.2
Payments made for interest increase in consolidated companies		− 23.7	− 34.8	11.1
Dividend payments				
TUI AG		− 25.9	− 25.9	—
subsidiaries to non-controlling interest		− 102.4	− 141.1	38.7
Payments received from the issue of bonds and the raising of financial liabilities		18.3	524.1	− 505.8
Payments made for redemption of loans and financial liabilities		− 560.8	− 2,304.1	1,743.3
Interest paid		− 200.1	− 268.0	67.9
Cash outflow from financing activities	(44)	**− 894.2**	**− 2,249.2**	**1,355.0**
Net change in cash and cash equivalents		**262.0**	**− 288.3**	**550.3**
Development of cash and cash equivalents	(45)			
Cash and cash equivalents at beginning of period		**1,981.3**	**2,274.3**	**− 293.0**
Change in cash and cash equivalents due to exchange rate fluctuations		35.1	− 4.7	39.8
Change in cash and cash equivalents with cash effects		262.0	− 288.3	550.3
Cash and cash equivalents at end of period		**2,278.4**	**1,981.3**	**297.1**

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 an annex to the Notes 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, audited 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 3 December 2012.

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 the European Commission has transposed them into national legislation in the framework of the endorsement process. Moreover, the commercial-law provisions listed in section 315a (1) of the German Commercial Code are also observed.

The following standards and interpretations revised or newly published by the IASB have been mandatory since the beginning of financial year 2011/12:

- Revised version of IAS 24: Related Party Disclosures
- Amendments to IFRS 7: Financial Instruments: Disclosures—transfers of financial assets
- Improvements to IFRS from the Annual Improvements Project (2010) not yet mandatory as at 30 September 2011
- IFRIC 14: Prepayments of a Minimum Funding Requirement of Pension Plans

The revised IAS 24 provides a fundamentally revised and expanded definition of related parties. The revision clarifies that subsidiaries of associated companies and joint ventures count among related parties. The revised standard also provides a partial exemption for entities controlled, jointly controlled or significantly influenced by a government from certain disclosures in the notes.

With the amendments to IFRS 7, the disclosure requirements for transactions involving a transfer of financial assets, e. g. securitisations or factoring transactions, are expanded to include more far-reaching quantitative and qualitative disclosure obligations. The amended disclosure requirements are to allow users of financial statements to improve their evaluation of the opportunities and risks associated with the transfer of financial assets. The additional disclosures required relate in particular to transactions in which financial assets are derecognised in their entirety with assets and liabilities retained by or newly arising for the transferring entity from the transfer, representing its continuing involvement. The required disclosures include these assets and liabilities, the maximum exposure to loss as well as maturity analysis and the amounts of payments made.

The third collection of amendments issued under the annual improvements process to make minor amendments to IFRSs was issued in May 2010. The provisions were transposed into EU legislation on

18 February 2011. Some of the amendments and clarifications are only effective for financial years beginning after 31 December 2010. This applies to IFRS 1 with regard to the use of the revaluation basis to replace the costs of purchase or produce, IFRS 7 with regard to the type and scope of risks from financial instruments, IAS 1 with regard to the statement of changes in equity, IAS 34 with regard to disclosures in the notes about significant transactions and IFRIC 13 with regard to measurement of award credits.

Application of the provisions outlined above does not result in any material effects on net assets, financial position or results of operations or on the disclosures in the Notes to the present consolidated financial statements.

In November 2009, the IASB issued amendments to IFRIC 14 provisions to account for pension plans, transposed into European legislation by the European Union in July 2010. The amendments relate to entities subject to minimum funding requirements in the framework of their pension plans due to which the entity makes prepaid contributions. IFRIC 14 allows such entities to capitalise as an asset the reduction in future contribution payments on account of prepayments for minimum funding requirements.

Application of these new interpretations does not result in any material effects on the TUI Group's net assets, financial position and results of operations.

Summary of new standards and interpretations not yet applied/applicable

	Standard/Interpretation	Applicable for financial years from	Endorsement by the EU commission
Standard			
IAS 1	Presentation of Items of other Comprehensive Income	1 Jul 2012	Yes
IAS 19	Employee benefits	1 Jan 2013	Yes
IFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters	1 Jul 2011	No
IAS 12	Deferred Tax: Recovery of Underlying Assets	1 Jan 2012	No
IFRS 9	Financial Instruments (will replace IAS 39: Financial Instruments: recognition and measurement) and subsequent amendments	1 Jan 2015	No
IFRS 10	Consolidated Financial Statements	1 Jan 2013	No
IFRS 11	Joint Arrangements	1 Jan 2013	No
IFRS 12	Disclosures of Interests in Other Entities	1 Jan 2013	No
IFRS 13	Fair Value Measurement	1 Jan 2013	No
IAS 27	Separate Financial Statements	1 Jan 2013	No
IAS 28	Investments in Associates and Joint Ventures	1 Jan 2013	No
IAS 32	Financial Instruments – Presentation: Offsetting Financial Assets and Financial Liabilities	1 Jan 2014	No
IFRS 7	Financial Instruments – Disclosures: Offsetting Financial Assets and Financial Liabilites	1 Jan 2013	No
various	Annual Improvements Project (2009 – 2011)	1 Jan 2013	No
various	Transition Guidance to IFRS 10, IFRS 11 and IFRS 12	1 Jan 2013	No
IFRS 1	Government Loans	1 Jan 2013	No
various	Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	1 Jan 2014	No
Interpretation			
IFRIC 20	Stripping Costs in the Production Phase of a Surcface Mine	1 Jan 2013	No

Comments concerning the contents and potential impacts on future periods are presented under other notes.

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

Shareholdings in companies in which the Group is able to exert significant influence over the financial and operating decisions within these companies (associates, shareholdings of 20% to less than 50% as a matter of principle) are carried at equity. Stakes in companies managed jointly with one or several partners (joint ventures) are also measured at equity. The dates as of which associates and joint ventures are included in or removed from the group of companies measured at equity are determined in analogy to the principles applying to subsidiaries. At equity measurement in each case is based on the last annual financial statements available or the interim financial statements as at 30 September if the balance sheet dates differ from TUI AG's balance sheet date. This approach affects 41 companies with a financial year from 1 January to 31 December, seven 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 2011/12, the consolidated financial statements included a total of 43 domestic and 682 foreign subsidiaries, besides TUI AG.

36 domestic and 66 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 Group companies measured at equity

	Balance 30 Sep 2011	Additions	Disposals	Balance 30 Sep 2012
Consolidated subsidiaries	**766**	**14**	**55**	**725**
Domestic companies	45	2	4	43
Foreign companies	721	12	51	682
Associated companies	**17**	**4**	**1**	**20**
Domestic companies	5	1	1	5
Foreign companies	12	3	—	15
Joint ventures	**40**	**3**	**1**	**42**
Domestic companies	7	—	—	7
Foreign companies	33	3	1	35

1) Excl. TUI AG

Since 1 October 2011, a total of 14 companies have been newly included in consolidation, with six companies added due to acquisitions and purchase of additional stakes and one company due to an expansion of its business operations. Moreover, seven companies were newly established. All additions relate to the Tourism Segment.

Since 30 September 2011, a total of 55 companies have been removed from consolidation. 20 of the companies were removed from consolidation due to mergers, 29 due to liquidation and six due to divestments. 50 of the removals relate to the companies operating in the Tourism Segment, with five companies related to Other segments.

20 associated companies and 42 joint ventures were measured at equity. The group of companies measured at equity rose by a total of three year-on-year. Four companies were newly included in at equity measurement due to an expansion of their business operations. On the other hand, one company was included in consolidation due to the purchase of additional interests; it therefore was no longer measured at equity. The number of joint ventures measured at equity rose by two companies. One company was newl founded and two companies were newly included in at equity measurement due to an expansion of their business operations. One company was included in consolidation due to purchases of additional interests; it was therefore no longer measured at equity.

The major direct and indirect subsidiaries, associated companies and joint ventures of T UI AG are listed under Other notes—TUI Group shareholdings.

The effects of the changes in the group of consolidated companies in financial year 2011/12 on financial years 2011/12 and 2010/11 are outlined below. While balance sheet values of companies deconsolidated in financial year 2011/12 are shown as per the closing date for the previous period, items of the income statement are also shown for financial year 2011/12 due to prorated effects.

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

	Additions 30 Sep 2012	Disposals 30 Sep 2011
	€ million	
Non-current assets	15.0	2.4
Current assets	7.9	18.1
Non-current provisions	0.2	4.1
Current financial liabilities	1.3	—
Non-current other liabilities	0.6	0.2
Current other liabilities	9.0	13.5

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

	Additions 2011/12	2011/12	Disposals 2010/11
		€ million	
Turnover with third parties	19.5	22.9	36.2
Turnover with consolidated Group companies	0.6	—	1.1
Cost of sales and administrative expenses	20.4	28.8	41.5
Financial expenses	0.1	—	−0.1
Earnings before income taxes	**−0.4**	**−5.9**	**−4.1**
Income taxes	−0.2	−0.3	0.7
Group profit for the year	**−0.2**	**−5.6**	**−4.8**

Acquisitions—divestments

In financial year 2011/11, the cost to purchase companies and business lines totalled around €16.1m.

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
Eurolink Viagens e Turismo Ltda, Jundiai, Sao Paulo	B2B-Agency Business	Booking Ja Agencia de Turismo E Viagens Ltda	6 Oct 2011	n/a	0.3
Intrepid Connections Pty Ltd	Tour Operator	Intrepid Travel Pty Ltd	1 Nov 2011	50%	1.4
2 travel shops in Poland	Travel agent	TUI Poland Dystrybucja Sp. z o.o.	11 Oct 2011 – 31 Mar 2012	n/a	0.4
Boomerang-Reisen Vermögensverwaltungs-gesellschaft mbH, Trier	tour operator	TUI Deutschland GmbH	24 Apr 2012	26%	1.2
Mala Pronta Viagens e Turismo Ltda	Online accomo-dation	LateRooms Group Holding (Brazil) Ltd	25 Sep 2012	93%	9.7
19 Travel shops in Germany	Travel Agent	TUI Leisure Travel GmbH	1 Oct 2011 – 30 Sep 2012	n/a	3.1
Total					**16.1**

The acquisitions of travel agencies in Germany and Poland and the acquisition of Eurolink Viagens e Turismo Ltda were carried out in the form of asset deals.

Following acquisition of the stakes mentioned above, TUI AG now holds 100% of the shares in Intrepid Connections Pty Ltd and 75% of the shares in Boomerang-Reisen Vermögensverwaltungsgesellschaft mbH. Measurement of the previously held stake at fair value as at the acquisition date did not give rise to any earnings effects.

The difference arising between the consideration transferred and the remeasured acquired net assets of €10.1m (after foreign exchange differences) 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 €2.8m expected to be tax-deductible.

Fair values of considerations transferred

	€ million
Purchase price paid	16.1
Total	**16.1**

In accordance with the rules of IFRS 3, incidental acquisition costs of €3.8m and the remuneration for future services of employees (up to €10.6m) 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

	Fair value at date of first-time consolidation
	€ million, translated
Intangible assets	10.3
Property, plant and equipment	3.5
Fixed assets	**13.8**
Trade receivables	0.2
Other assets (including prepaid expenses)	2.1
Cash and cash equivalents	3.4
Deferred income tax provisions	0.4
Other provisions	0.4
Financial liabilities	2.3
Liabilities and deferred income	6.1
Equity	**10.3**

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

Other acquisitions contributed around €20.1m to consolidated turnover in the period under review as from the individual acquisition dates. Their effect on the Group result was €−0.2m. If these companies had been included in the consolidated financial statements since 1 October 2011, additional turnover of €5.6m would have been generated (with an immaterial additional effect on the Group result).

On 5 November 2012, TUI AG acquired 50.1% of the shares in TUI InfoTec GmbH, Hanover, an IT services provider, now holding 100% of this company. This acquisition also entailed purchasing a majority stake in travel-BA.Sys GmbH & Co. KG, Mülheim/Ruhr, and two other shareholdings.

The consideration transferred for the 50.1% amounts to €9.5m and breaks down as follows:

Consideration transferred

	€ million
Purchase price paid	2.0
Deferred consideration	4.0
Liabilities incurred	3.5
Total	**9.5**

The table below provides an overview of the carrying amounts of the InfoTec Group as at the date of first-time consolidation:

Statement of financial position of TUI InfoTec at the date of first time consolidation

	Book value at date of first-time consolidation
	€ million
Intangible assets	10.3
Property, plant and equipment	9.6
Investments	0.3
Fixed assets	**20.2**
Trade receivables	13.6
Other assets (including prepaid expenses)	18.2
Cash and cash equivalents	4.3
Deferred income tax provisions	28.9
Other provisions	2.7
Financial liabilities	13.6
Equity	**11.1**

At the reporting date, accounting for the business combination, in particular the fair value measurement of assets and liabilities, was not yet completed.

If the InfoTec Group had already been included in the consolidated financial statements as at 1 October 2011, additional turnover of €10.2m would have been generated (with an immaterial additional effect on the Group result).

The present annual financial statements reflect purchase price allocations of the following companies and groups acquired between 1 October 2010 and 30 September 2011 and finalised within the twelve-month timeframe provided under IFRS 3:

- Top Class—European Cruise Services S.a.r.l., Monaco
- Centrum Podrozy SA, Poland
- Lima Tours S.A.C., Peru
- Travel & More GmbH, Germany
- Intrepid Travel Group Limited, Australia
- TMS Gateway, USA and Canada
- Great Atlantic Travel and Tour Inc., USA
- English Language Centre York Limited, UK
- Travel agencies in Germany and Austria

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 2010/11

	Carrying amounts at date of acquisition	Revaluation of assets and liabilities	Carrying amounts at date of first-time consolidation
		€ million	
Other intangible assets	2.2	19.8	22.0
Property, plant and equipment	3.0	−0.1	2.9
Investments	3.7	−1.2	2.5
Fixed assets	**8.9**	**18.5**	**27.4**
Receivables and other assets including deferred tax receivables	26.5	−1.3	25.2
Cash and cash equivalents	12.5	—	12.5
Deferred tax provisions	0.2	2.9	3.1
Other provisions	0.7	1.3	2.0
Financial liabilities	2.2	—	2.2
Liabilities and deferred income	42.4	1.2	43.6
Equity	**2.4**	**11.8**	**14.2**

The goodwill arising in the consolidated statement of financial position from the elimination of the acquisition costs against the acquiree's revalued equity attributable to the acquired share rose by €0.9m as against 30 September 2011 due to changes in the purchase price allocation. Capitalised goodwill essentially represents a portion of the expected synergy and earnings potential.

Taking account of the changes in purchase price allocation, the following changes in the consolidated statement of financial position arose as at 30 September 2011:

Impact of changes in purchase price allocations and adjustments on the consolidated statement of financial position

	Adjustment 30 Sep 2011
	€ million
Goodwill	+ 0.9
Property, plant and equipment	+ 1.0
Investments	−0.2
Non-current assets	**+ 1.7**
Trade accounts receivable and other receivables	+ 1.7
Other assets (including prepaid expenses)	−1.7
other provisions	+ 2.0
Non-current provisions and liabilities	**+ 2.0**
Other liabilities	−0.3
Current liabilities	**−0.3**

These final purchase price allocations did not have any major effects on the consolidated statement of financial position as at 30 September 2011 and the consolidated income statement for the prior-year period.

Effects of divestments on the TUI Group's net assets, financial position and results of operations mainly result from the sale in June 2012 of 17.4% of the stakes in Hapag-Lloyd to the Albert Ballin consortium. For more detailed information on the effects, reference is made to the Notes to the consolidated income statement and consolidated statement of financial position.

Foreign exchange differences

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 of the fair value arising on the acquisition of a foreign company are treated as assets and liabilities of the foreign company and also translated at the mean rate of exchange applicable at the balance sheet date. As a matter of principle, the items of the income statement and hence the profit for the year shown in the income statement are 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 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 part of a gain or loss from disposal in the income statement.

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 directly in equity outside profit and loss.

Exchange rate of currencies of relevance to the TUI Group

	Closing rate		**Annual average rate**	
	30 Sep 2012	**30 Sep 2011**	**2011/12**	**2010/11**
	1 € equivalent			
Sterling	0.80	0.87	0.83	0.87
US dollar	1.29	1.35	1.32	1.39
Swiss franc	1.21	1.22	1.21	1.26
Swedish krona	8.45	9.26	8.85	9.06

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 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 does not only comprise 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 acquisition cost against the acquiree's revalued equity attributable to the acquired share at the respective acquisition date. Any changes in the fair values of assets and liabilities arising in between the acquisition dates were recognised in equity outside profit and loss in the consolidated statement of financial position in relation to the stake not yet resulting in consolidation of the company and were carried in the revaluation reserve. In the framework of the removal of a company from consolidation, this revaluation reserve is eliminated against other revenue reserves.

The difference between the income from the disposal of the subsidiary and Group equity attributable to the stake, including any foreign exchange differences previously carried outside profit and loss, differences from the revaluation reserve, the reserve for changes in the value of financial instruments as well as eliminated interim profits, 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 subsidaries 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 carried for 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 stake in this company, including other unsecured receivables, no further losses are recognised as a matter of principle. 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 and 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, amendments are made as a matter of principle.

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

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.

As a matter of principle, 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 tours is therefore recognised in full when the customer departs. Turnover from individual travel modules booked directly from airlines, hotel companies or incoming agencies by customers is recognised when the customers use the services concerned. Income from non-completed cruises is recognised according to the proportion of contract performance at the balance sheet date. The percentage of completion is determined as the ratio between travel days completed by the balance sheet date and overall travel days.

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

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

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. 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, TUI Travel PLC 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 cost to sell corresponds to the amount that could be generated between knowledgeable, willing, independent business partners after deduction of the cost 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 EBITA margin is expected to grow between 4% and 5%. The budget for TUI Hotels & Resorts is based on average turnover growth of 5%. The expected EBITA margin will represent growth of 20% and 22%. Cash surpluses after the detailed planning period of three to five years are extrapolated at a growth rate of 1.0%.

For the detailed planning periods from 2012/13 to 2014/15, 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% p. a. 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.

Where the original causes for impairments effected in previous years no longer apply, the impairment is written back to Other income. 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 6.5% p. a. for the financial year under review and 6.75% p. a. for the previous year. In financial year 2011/12, borrowing costs worth €10.7m (previous year €8.1m) 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.

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 cost 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 expected to be permanent and 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-lease-back transactions

Gains from sale-and-lease-back transactions resulting in a finance lease are recognised in income over the term of the lease. Losses are immediately recognised in the income statement as at the date of the transaction.

If a sale-and-lease-back transaction is classified as 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. It also holds an investment measured at fair value and held for sale. The fair value option was not exercised. Moreover, the TUI Group holds financial assets in the loans and receivables and available for sale categories. However, the present financial statements do not include any assets held to maturity.

In financial year 2011/12 and in the previous financial year, no reclassifications were effected within the individual measurement categories.

Primary financial assets

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 default of a certain portion of the receivables portfolio is probable, 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 have to be 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 amortised cost.

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

Primary financial liabilities are carried in the consolidated statement of financial position if an obligation exists to transfer cash and cash equivalents or other financial assets to another party. First-time recognition of a primary liability is effected at its fair value. For loans raised, the nominal amount received is reduced by retained discounts 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 did 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.

The effective portion of changes in the fair value of derivatives forming cash flow hedges is recognised in equity. Any ineffective portion of such changes in the fair value, by contrast, is recognised immediately in the income statement through profit and loss, depending on the nature of the transaction. 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 gain or loss recognised directly in equity is recognised immediately through profit and loss.

Inventories

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

Cash and cash equivalents

Cash and cash equivalents comprise cash, call deposits, other current highly liquid financial assets with an original term of a maximum of three months and current accounts. 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. 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 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 when they occur. 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 first-class 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.

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

As a matter of principle, liabilities are 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.

As a matter of principle, foreign exchange differences resulting from the translation of trade accounts payable are reported as a correction of the cost of sales. Foreign exchange differences from the translation of liabilities not resulting from normal performance processes are carried under Other income/Other 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 continues to be no time limit for German loss carryforwards, the annual use of such carryforwards was 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 concerning 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 claim 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 0.0% 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 upon which the options were granted. The amount to be carried under

Personnel costs is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to market-based performance conditions not meeting the thresholds for vesting.

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

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, assumed to be realistic as at that point in time.

Despite careful preparation of the estimates, actual developments may deviate from the estimates. In such cases, the assumptions and the carrying amounts of the assets and liabilities concerned, if necessary, are adjusted accordingly.

Goodwill was tested for impairment as at the balance sheet date. Details concerning the implementation of goodwill impairment tests are presented in the sections on Goodwill and Other intangible assets in the chapter Accounting and measurement methods.

In order to review the carrying amounts for property, plant and equipment, an annual assessment for signs of potential impairment is performed. These indications relate to numerous areas, e. g. the market-related or technical environment but also physical condition. If such signs are identified, management has to assess the recoverable amount on the basis of expected future cash flows and appropriate interest rates. Moreover, key estimates and judgements are made in determining useful economic lives and residual values of property, plant and equipment items, to be tested at least on an annual basis. Details concerning useful lives and residual values of property, plant and equipment items are provided in the section Property, plant and equipment in the chapter Accounting and measurement methods.

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.

The classification of non-current assets or disposal groups as held for sale requires judgement in determining whether the planned disposal is highly probable and able to be realised within twelve months. The measurement of these assets or disposal groups at their fair value less costs to sell also requires estimates and judgement if there is no active market.

In accounting for and measuring provisions, judgement is required in determining likelihood of occurrence, maturity and level of the risk. In order to determine the obligation under defined benefit pension schemes, actuarial calculations are used. They depend heavily on underlying mortality assumptions and the choice of discount rate, newly determined every year. 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. At the same time, current market expectations are used in determining the expected return on plan assets. Detailed information is outlined in the explanatory notes to recognised pension provisions under Note 31.

Judgement is required in assessing the effectiveness of hedges at hedge inception and during the period over which hedge accounting is adopted. Moreover, the assessment of the probability of the expected forecast transactions underlying the cash flow hedges can involve judgement. Details on the measurement of derivative financial instruments and hedges are presented in the section Financial instruments in the chapter Accounting and measurement methods.

The Group is liable to pay income taxes in various countries. Key estimates are required in 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.

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

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

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

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

Non-current assets comprise goodwill, other intangible assets, property, plant and equipment, carrying amounts of assets measured at equity 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 also 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 (including 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 EBITDA R 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 and the income from the reduction in and measurement of the investment in Container Shipping are not taken into account in calculating earnings by the segments. If the results from the investment in Container Shipping were included, this would result in earnings before interest, taxes and amortisation of goodwill (EBITA) of €551.4m (previous year €493.6m).

Key figures by Segment and Sector

	Tourism		All other segments		Consolidation		Group	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
	€ million							
Statement of results								
Turnover	18,297.2	17,430.4	33.1	49.9	—	—	18,330.3	17,480.3
Inter-segment turnover	18.0	16.7	8.5	31.9	− 26.5	− 48.6	—	—
Segment turnover	**18,315.2**	**17,447.1**	**41.6**	**81.8**	**− 26.5**	**− 48.6**	**18,330.3**	**17,480.3**
Group profit for the year							**141.9**	**118.2**
Income taxes							110.8	88.6
Earnings before taxes (EBT)	**453.6**	**320.8**	**− 200.9**	**− 114.0**	**—**	**—**	**252.7**	**206.8**
of which share of results of joint ventures and associates	*40.3*	*55.0*	*− 49.0*	*− 2.1*	—	—	*− 8.7*	*52.9*
Net interest result and result from the measurement of interest hedges	− 151.9	− 156.0	− 133.0	− 130.8	—	—	− 284.9	− 286.8
Impairment of goodwill	13.8	—	—	—	—	—	13.8	—
Result from Container Shipping measured at equity	—	—	− 49.0	− 2.1	—	—	− 49.0	− 2.1
Effect of the measurement of loans to Container Shipping	—	—	61.6	51.2	—	—	61.6	51.2
Earnings before interest, taxes and amortisation of goodwill (EBITA)	**619.3**	**476.8**	**− 80.5**	**− 32.3**	**—**	**—**	**538.8**	**444.5**
Adjustments	199.7	179.8	7.2	− 24.2	—	—	206.9	155.6
Underlying EBITA	**819.0**	**656.6**	**− 73.3**	**− 56.5**	**—**	**—**	**745.7**	**600.1**
Amortisation of other intangible assets and depreciation of property, plant and equipment	369.5	406.4	4.1	8.4	—	—	373.6	414.8
of which impairments	*26.3*	*39.2*	*0.1*	*3.7*	—	—	*26.4*	*42.9*
other depreciation/amortisation and write-backs	− 12.3	7.8	—	1.4	0.6	—	− 11.7	9.2
of which write-backs	—	*7.8*	—	*1.4*	—	—	—	*9.2*
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**1,001.1**	**875.4**	**− 76.4**	**− 25.3**	**− 0.6**	**—**	**924.1**	**850.1**
Rental expenses	817.1	824.9	12.2	28.8	− 4.4	− 13.1	824.9	840.6
Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)	**1,818.2**	**1,700.3**	**− 64.2**	**3.5**	**− 5.0**	**− 13.1**	**1,749.0**	**1,690.7**

	Tourism		All other segments		Consolidation		Group	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
	€ million							
Assets and liabilities								
Segment assets	8,870.5	8,533.8	231.5	250.5	−19.0	−8.7	9,083.0	8,775.6
of which goodwill	*3,046.4*	*2,907.2*	—	—	—	—	*3,046.4*	*2,907.2*
Carrying amounts of joint ventures and associates	820.1	724.8	573.9	1,010.7	—	—	1,394.0	1,735.5
Interest-bearing Group receivables	72.8	86.6	736.3	848.2	−809.1	−934.8	—	—
Cash and cash equivalents	1,148.3	1,152.5	1,130.1	828.8	—	—	2,278.4	1,981.3
Other financial assets	208.1	270.4	2,215.0	2,679.6	−2,182.7	−2,204.0	240.4	746.0
Non-allocable taxes	—	—	—	—	—	—	216.8	253.5
Total assets							**13,212.6**	**13,491.9**
Segment liabilities	6,936.9	6,480.3	332.6	321.7	−41.4	−7.5	7,228.1	6,794.5
Third-party financial liabilities	1,405.0	1,328.0	1,051.6	1,476.2	—	−5.9	2,456.6	2,798.3
Group financial liabilities	719.6	883.9	67.6	67.6	−787.2	−951.5	—	—
Other financial liability items	823.5	600.6	363.1	314.5	—	—	1,186.6	915.1
Non-allocable taxes	—	—	—	—	—	—	298.2	436.2
Total liabilities and provisions							**11,169.5**	**10,944.1**
Additional disclosures								
Non-cash expenses	52.2	14.4	49.0	2.1	—	—	101.2	16.5
Non-cash income	67.5	69.5	—	—	—	—	67.5	69.5
Return on sales (on EBITA) %	3.4	2.7	—	—		—	2.9	2.5
Investments	640.7	471.7	2.5	2.7	—	—	643.2	474.4
Investments in goodwill	10.1	2.7	—	—	—	—	10.1	2.7
Investments in other intangible assets and property, plant and equipment	630.6	469.0	2.5	2.7	—	—	633.1	471.7
Financing ratio %	59.8	86.2	164.0	311.1	—	—	60.2	87.4
Employees at year-end	73,391	73,079	421	628	—	—	73,812	73,707

Key Figures Tourism Segment

	TUI Travel		TUI Hotels & Resorts		Cruises		Consolidation		Tourism	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
	€ million									
Statement of results										
Turnover	17,681.5	16,867.0	384.7	362.6	231.0	200.8	—	—	18,297.2	17,430.4
Inter-segment turnover	36.0	26.0	441.3	418.2	—	—	− 459.3	427.5	18.0	16.7
Segment turnover	**17,717.5**	**16,893.0**	**826.0**	**780.8**	**231.0**	**200.8**	**− 459.3**	**− 427.5**	**18,315.2**	**17,447.1**
Group profit for the year										
Income taxes	—	—	—	—	—	—	—	—	—	—
Earnings before taxes (EBT)	**314.1**	**193.2**	**138.8**	**116.5**	**0.7**	**11.1**	**—**	**—**	**453.6**	**320.8**
of which share of result of joint ventures and associates	*6.9*	*24.4*	*20.8*	*26.0*	*12.6*	*4.6*	—	—	*40.3*	*55.0*
Net interest result and result from the measurement of interest hedges	− 126.9	− 128.2	− 24.9	− 27.7	− 0.1	− 0.1			− 151.9	− 156.0
Impairment of goodwill	—	—	13.8	—	—	—	—	—	13.8	
Result from Container shipping measured at equity	—	—	—	—	—	—	—	—	—	
Effect from the measurement of loans to Container Shipping										
Earnings before interest, taxes and amortisation of goodwill (EBITA)	**441.0**	**321.4**	**177.5**	**144.2**	**0.8**	**11.2**	**—**	**—**	**619.3**	**476.8**
Adjustments	196.4	178.7	1.1	1.1	2.2	—	—	—	199.7	179.8
Underlying EBITA	**637.4**	**500.1**	**178.6**	**145.3**	**3.0**	**11.2**	**—**	**—**	**819.0**	**656.6**
Amortisation of other intangible assets and depreciation of property, plant and equipment	291.8	321.0	67.6	76.8	10.2	8.5	− 0.1	0.1	369.5	406.4
of which impairments	*26.3*	*31.2*	—	*8.0*	—	—	—	—	*26.3*	*39.2*
Other depreciation/amortisation and write-backs	− 12.3	2.4	—	5.4	—	—	—	—	− 12.3	7.8
of which write-backs	—	*2.4*	—	*5.4*	—	—	—	—	—	*7.8*
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**745.1**	**640.0**	**245.1**	**215.6**	**11.0**	**19.7**	**− 0.1**	**0.1**	**1,001.1**	**875.4**
Rental expenses	764.0	764.6	38.5	52.3	14.6	8.0	—	—	817.1	824.9
Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)	**1,509.1**	**1,404.6**	**283.6**	**267.9**	**25.6**	**27.7**	**− 0.1**	**0.1**	**1,818.2**	**1,700.3**

	TUI Travel		TUI Hotels & Resorts		Cruises		Consolidation		Tourism	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
					€ million					
Assets and liabilities										
Segment assets	7,054.2	6,738.1	1,661.5	1,672.6	217.6	177.5	−62.8	−54.4	8,870.5	8,533.8
of which goodwill	*2,667.6*	*2,515.3*	*378.8*	*391.9*	—	—	—	—	*3,046.4*	*2,907.2*
Carrying amounts of joint ventures and associates	314.2	270.8	360.1	320.0	145.8	134.0	—	—	820.1	724.8
Interest-bearing Group receivables	—	0.7	12.8	32.4	60.0	53.5	—	—	72.8	86.6
Cash and cash equivalents	1,039.9	1,041.3	105.3	107.6	3.1	3.6	—	—	1,148.3	1,152.5
Other financial assets	153.2	180.1	55.0	89.8	0.1	0.5	−0.2	—	208.1	270.4
Non-allocable taxes										
Total assets										
Segment liabilities	6,708.6	6,305.6	151.8	133.9	139.2	95.3	−62.7	−54.5	6,936.9	6,480.3
Third-party financial liabilities	1,177.7	1,017.9	227.3	310.1	—	—	—	—	1,405.0	1,328.0
Group financial liabilities	—	51.8	580.5	692.9	139.2	139.2	−0.1	—	719.6	883.9
Other financial liability items	812.6	592.3	1.0	0.9	9.9	7.4	—	—	823.5	600.6
Non-allocable taxes										
Total liabilities and provisions										
Additional disclosures										
Non-cash expenses	51.4	12.5	0.8	1.9	—	—	—	—	52.2	14.4
Non-cash income	33.3	36.9	21.6	28.0	12.6	4.6	—	—	67.5	69.5
Return on sales (on EBITA) %	2.5	1.9	21.5	18.5	0.3	5.6	—	—	3.4	2.7
Investments	578.7	383.3	53.1	79.9	8.9	8.5	—	—	640.7	471.7
Investments in goodwill	10.1	2.7	—	—	—	—	—	—	10.1	2.7
Investments in other intangible assets and property, plant and equipment	568.6	380.6	53.1	79.9	8.9	8.5			630.6	469.0
Financing ration %	50.4	83.7	153.3	96.1	114.6	100.0	—	—	59.8	86.2
Employees at year-end	57,961	58,378	15,141	14,424	289	277	—	—	73,391	73,079

Key Figures by Region

	Germany		Great Britain		Spain		Other EU		Rest of Europe		North and South America		Other regions		Consolidation		Group	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
	€ million																	
Consolidated turnover by customer	**4,815.3**	**4,790.7**	**5,661.2**	**5,073.6**	**226.9**	**261.2**	**5,777.7**	**5,558.7**	**736.2**	**646.3**	**741.9**	**741.8**	**371.1**	**408.0**	**—**	**—**	**18,330.3**	**17,480.3**
Consolidated turnover by domicile of companies	**5,026.3**	**4,710.4**	**5,522.2**	**5,182.7**	**524.1**	**582.5**	**5,591.7**	**5,330.6**	**565.2**	**466.7**	**682.8**	**629.2**	**418.0**	**578.2**			**18,330.3**	**17,480.3**
Long-term segment assets	**793.4**	**941.9**	**2,929.9**	**2,690.8**	**1,001.6**	**1,144.6**	**751.4**	**921.1**	**104.0**	**34.1**	**747.7**	**542.2**	**483.3**	**333.4**	**1.1**	**21.5**	**6,812.4**	**6,629.6**
Non-allocable taxes	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	216.8	253.5
Segment liabilities	**1,865.7**	**1,829.2**	**2,609.5**	**2,268.7**	**445.8**	**482.9**	**1,917.6**	**1,688.6**	**111.2**	**118.2**	**292.3**	**380.9**	**332.3**	**176.9**	**– 346.3**	**– 150.9**	**7,228.1**	**6,794.5**
Non-allocable taxes	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	298.2	436.2
Additional disclosures																		
Depreciation/amortisation	40.3	32.5	141.8	171.7	51.8	57.8	69.4	84.7	4.1	4.7	31.2	32.8	46.7	30.6	—	—	385.3	414.8
Investments	129.3	74.6	305.2	162.1	24.6	82.4	101.4	119.0	16.4	5.4	34.5	16.2	31.8	14.7	—	—	643.2	474.4
Investments in goodwill	4.8	—	3.5	2.7	0.6	—	—	—	—	—	—	—	1.2	—	—	—	10.1	2.7
Investments in other tangible assets and property, plant and equipment	124.5	74.6	301.7	159.4	24.0	82.4	101.4	119.0	16.4	5.4	34.5	16.2	30.6	14.7			633.1	471.7
Employees at year-end	9,882	9,846	17,318	18,201	9,226	9,392	12,830	12,398	8,480	8,639	8,199	8,149	7,877	7,082	—	—	73,812	73,707

NOTES

NOTES TO THE CONSOLIDATED INCOME STATEMENT

In a challenging overall market environment, earnings by Tourism showed a positive development. Earnings grew above all due to persistently strong demand for differentiated product in the TUI Travel Sector and higher average travel prices in combination with the successful cost management of the Riu Group. In the second half of the financial year, earnings also benefited from higher occupancy of hotels in Egypt as demand for North Africa picked up again. These positive effects were accompanied by earnings impacts in the Cruises Sector caused by lower average rates and start-up costs in connection with the fleet expansion in Hapag-Lloyd Kreuzfahrten. These effects were partly offset by higher occupancy and average rates in TUI Cruises.

Due to strong competitive pressure and a significant rise in energy costs, only partly passed on to customers, earnings by Container Shipping were down year-on-year. These negative effects were not offset by higher transport volumes in financial year 2011/12. This development is reflected in a prorated loss to be carried on the basis of the at equity method. The stake in Container Shipping was reduced to 22.0% in the financial year under review due to the sale of 17.4% of the shares in Hapag-Lloyd Holding AG.

(1) Turnover

Group turnover was mainly generated from tourism services. A breakdown of turnover within the Tourism Segment to 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:

Lease, rental and leasing expenses

	2011/12	2010/11
	€ million	
Lease, rental and leasing expenses	933.3	905.6

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

The increase in rental and lease expenses mainly results from the rise in expenses for aircraft leases driven by the delivery of additional aircraft. The increase in expenses was further reinforced by the development of the exchange rate of the euro against sterling.

Staff costs

	2011/12	2010/11
	€ million	
Wages and salaries	1,987.0	1,878.0
Social security contributions, pension costs and benefits	429.0	325.2
Total	**2,416.0**	**2,203.2**

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 31.

Personnel costs rose year-on-year, in particular due to restructuring measures in France and the one-off income from the reduction in pension plans in the UK included in the prior year, which impacted above all expenses for pension. They also increased due to exchange rate parities , i. e. the development of the exchange rate of euro versus sterling in financial year 2011/12.

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

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

	2011/12	2010/11
Average annual – TUI Group	68,388	66,688

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 under Accounting and measurement in the Notes.

Depreciation/amortisation/impairments

	2011/12	2010/11
	€ million	
Depreciation and amortisation	347.2	371.9
Impairment of other intangible assets, property, plant and equipment and investment property	26.4	42.9
Total	**373.6**	**414.8**

In the financial year under review, impairments included an amount of €6.4m for aircraft assets and €5.9m for vehicle fleet assets. Further impairments of intangible assets included €9.2m for value adjustments of licences and €2.4m for brand names.

(3) Other income/other expenses

Other income/other expenses

	2011/12	2010/11
	€ million	
Other income	77.8	88.3
Other expenses	6.7	11.2
Total	**71.1**	**77.1**

In financial year 2011/12, other income amounted to €56.6m from the disposal of the hybrid instrument granted to Hapag-Lloyd Holding AG and the measurement of the investment in Container Shipping, taking account of a conservatively measured discount in connection with a potential IPO.

Other income carried in the prior year related above all to the gain on disposal from the sale of four Turkish hotel facilities, the gain on disposal from the sale of the administrative buildings at Ballindamm and Rosenstrasse in Hamburg and the gain on disposal from the sale of 11.33% of the stake in Hapag-Lloyd held by TUI to the Albert Ballin consortium.

(4) Goodwill impairment

In financial year 2011/12, the implementation of impairment tests according to IAS 36 only resulted in goodwill impairments of €13.8m in the sector TUI Hotels & Resorts for Tenuta di Castelfalfi SpA. In the previous year, no impairments had to be recognised by the TUI Group.

If the cost of capital applied in the sensitivity analysis had been 0.5 percentage point p. a. higher, additional impairments of €2.8m would have been required for the company mentioned above. A decrease in the growth rate of 0.5 percentage point p. a. would have resulted in additional impairments of €1.0m.

Even applying the above-mentioned sensitivities, no impairments would have been required for any of the other cash generating units of the TUI Group.

(5) Financial income

Financial Income

	2011/12	2010/11
	€ million	
Income from non-consolidated Group companies including income from profit transfer agreements	3.3	6.3
income from other investments	0.2	0.3
Income from investments	**3.5**	**6.6**
Other income from securities and loans	17.2	87.2
interest on pension scheme assets	89.5	85.5
Other interest and similar income	43.5	70.9
Interest income	**150.2**	**243.6**
Income from the measurement of interest hedges	—	4.1
Income from the measurement of other financial instruments	6.2	—
Total	**159.9**	**254.3**

Other income from securities and loans mainly includes the measurement effects of €5.1m (previous year €51.2m) from the hybrid instruments granted to Hapag-Lloyd Holding AG. This item also includes interest income worth €11.9m (previous year €34.1m) in connection with the hybrid instrument. The hybrid instruments were fully redeemed in the financial year under review.

The decline in other interest income mainly results from lower interest paid on bank balances on account of the decline in interest rate levels.

(6) Financial expenses

Financial expenses

	2011/12	2010/11
	€ million	
Expenses relating to losses taken over from non-consolidated Group companies	**—**	**0.7**
Impairments of available-for-sale financial instruments and loans	**12.1**	**9.2**
Interest expenses from the measurement of pension obligations	122.2	115.4
Other interest and similar expenses	303.9	367.8
Interest expenses	**426.1**	**483.2**
Expenses relating to the measurement of interest hedges	3.9	—
Expenses relating to the measurement of other financial instruments	2.5	0.7
Total	**444.6**	**493.8**

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 until the disposal of the assets.

The year-on-year decline in interest expenses results from the reduction in financial liabilities in financial year 2011/12. An opposite effect was caused by the interest effects of the measurement of provisions.

(7) Share of results of joint ventures and associates

Share of result of joint ventures and associates

	2011/12	2010/11
	€ million	
Income from associated companies measured at equity	21.7	28.6
Expenses for associated companies measured at equity	52.1	3.2
Share of result of associates	**− 30.4**	**25.4**
income from joint ventures measured at equity	42.4	40.9
Expenses for joint ventures measured at equity	20.7	13.4
Share of result of joint ventures	**21.7**	**27.5**
Total	**− 8.7**	**52.9**

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 decrease in the share of result of joint ventures and associates was driven above all by the profit contribution of €− 49.0m (previous year €− 2.1m) from the stake in the Container Shipping group.

In the completed financial year, the share of result of joint ventures and associates comprised impairments of €7.0m (previous year €0.0m).

Group share in individual items of income statement of associated companies

	2011/12	2010/11
	€ million	
Operating income	1,675.1	3,360.9
Operating expenses	1,678.8	3,295.6
Operating result	**− 3.7**	**65.3**
Financial result	− 22.6	− 29.5
Profit/loss on ordinary activities	**− 26.3**	**35.8**
Income taxes	4.1	10.4
Profit/loss for the year	**− 30.4**	**25.4**
Share of result of associates	**− 30.4**	**25.4**

Group share in individual items of income statements of joint ventures

	2011/12	2010/11
	€ million	
Operating income	859.3	602.4
Operating expenses	812.7	558.7
Operating result	**46.6**	**43.7**
Financial result	− 14.9	− 8.5
Profit on ordinary activities	**31.7**	**35.2**
Income taxes	10.0	7.7
Profit for the year	**21.7**	**27.5**
Share of result of joint ventures	**21.7**	**27.5**

(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

	2011/12	2010/11
	€ million	
Tourism	**61.4**	**12.9**
TUI Travel	60.3	11.8
TUI Hotels & Resorts	1.1	1.1
All other segments	**5.4**	**− 24.2**
Total	**66.8**	**− 11.3**

The one-off items carried by TUI Travel for financial year 2011/12 relate above all to the adjustment of expenses for the restructuring of the tour operator business in France (Convergence project) of €33.2m and expenses for the reorganisation of the Specialist & Activity Business of €33.2m. An opposite effect mainly results from the reversal of provisions.

The year-on-year increase in adjusted one-off items results primarily from one-off income from plan curtailments in pension plans in the UK included in the prior year figures.

One-off items carried for other segments in financial year 2011/12 comprise adjustments of expenses for the formation of provisions, in particular in connection with the early retirement of two Executive Board members. In the previous year, this item mainly comprised the gain on disposal from the sale of the administrative buildings in Hamburg.

(9) Income taxes

Breakdown of income taxes

	2011/12	2010/11
	€ million	
Current tax expense		
in Germany	31.9	8.2
abroad	36.5	115.9
Deferred tax expense (previous year tax income)	42.4	− 35.5
Total	**110.8**	**88.6**

The decrease in current tax expenses is largely driven by income from effective income taxes abroad related to other periods. Deferred tax expenses in the period under review mainly arose in TUI Travel PLC. Effective income taxes related to prior periods amounted to € − 63.2m in financial year 2011/12 (previous year expense of €1.0m).

In financial year 2011/12, total income taxes of €110.8m (previous year €88.6m) 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

	2011/12	2010/11
	€ million	
Earnings before income taxes	+ 252.7	+ 206.8
Expected income tax (current year 31,5 %, previous year 31,5 %)	**79.6**	**65.1**
Variation from the difference between actual and expected tax rates	− 23.5	− 3.2
Changes in tax rates and tax law	14.2	16.0
income not taxable	− 96.1	− 113.0
Expenses not deductible	103.5	104.9
Effects from loss carryforwards	92.8	61.8
Temporary differences for which no deferred taxes were recognised	1.1	− 8.1
Deferred and current tax relating to other periods (net)	− 59.0	− 34.7
Other differences	− 1.8	− 0.2
Income taxes	**110.8**	**88.6**

The effects of loss carryforwards mainly result from current impaired losses. In the previous year, this item also included opposite amounts from the use of carryforwards previously considered as non-realisable.

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

The Group result for the year attributable to TUI AG shareholders declined from €23.9m in the prior year to €− 15.1m in the completed financial year 2011/12. The decrease was largely attributable to the considerable reduction in the profit contribution from Container Shipping included under the at equity method.

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

Group profit for the year attributable to non-controlling interest

	2011/12	2010/11
	€ million	
TUI Travel	100.8	48.2
TUI Hotels & Resorts	56.2	46.1
Total	**157.0**	**94.3**

Group result for the year attributable to non-controlling interests in the TUI Hotels & Resorts Sector mainly related 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 (251,696,745 shares), the prorated employee shares issued (133,709 new shares for 306 days) and the conversion of bonds into new shares (417,475).

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 €17.2m at the balance sheet date (previous year €17.2m) are included in financial liabilities and will be paid in January 2013.

Earnings per share

		2011/12	2010/11
Group profit for the year attributable to shareholders of TUI AG	€ million	− 15.1	+ 23.9
Dividend effect on hybrid capital	€ million	− 25.4	− 25.3
= Adjusted Group profit for the year attributable to shareholders of TUI AG	€ million	− 40.5	− 1.4
Weighted average number of shares		251,953,439	251,683,128
Basic earnings per share	**€**	**− 0.16**	**− 0.01**
Adjusted Group profit for the year attributable to shareholders of TUI AG	€ million	− 40.5	− 1.4
Interests savings from convertible bonds	€ million	+ 53.2	+ 90.2
Diluted and adjusted share in Group profit for the year attributable to shareholders of TUI AG	€ million	12.7	88.8
Weighted average number of shares		251,953,439	251,683,128
Diluting effect from assumed exercise of conversion inputs		+ 68,158,250	+ 71,422,383
Weighted average number of shares (diluted)		320,111,689	323,105,511
Diluted earnings per share	**€**	**− 0.16**	**− 0.01**

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 2011/12, basic and diluted earnings per share are identical.

(13) Taxes attributable to other results

Tax effects relating to other comprehensive income

	2011/12			2010/11		
	Gross	Tax effect	Net	Gross	Tax effect	Net
	€ million					
Foreign exchange differences	− 27.4	—	− 27.4	− 45.5	—	− 45.5
Available for sale financial instruments	− 178.4	—	− 178.4	176.1	—	176.1
Cash flow hedges	− 67.9	6.1	− 61.8	105.5	− 22.9	82.6
Actuarial losses from pension provisions and related fund assets	− 284.4	68.8	− 215.6	− 102.2	1.0	− 101.2
Changes in the measurement of companies measured at equity outside profit or loss	− 2.2	—	− 2.2	− 25.7	—	− 25.7
Other comprehensive income	**− 560.3**	**74.9**	**− 485.4**	**108.2**	**− 21.9**	**86.3**

In addition, income tax of €16.6m outside profit and loss arose in the previous financial year from the issue of a convertible bond; it was therefore directly charged to equity.

NOTES

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(14) Goodwill

Goodwill

	2011/12	2010/11
	€ million	
Historical cost		
Balance as at 1 Oct	**3,321.5**	**3,269.3**
Exchange differences	157.5	− 11.2
Additions	10.1	65.9
Disposals[1)]	1.0	16.0
Reclassifications	1.9	13.5
Balance as at 30 Sep	**3,490.0**	**3,321.5**
Impairment		
Balance as at 1 Oct	**414.3**	**406.7**
Exchange differences	15.5	− 1.3
Impairments for the current year	13.8	—
Reclassifications	—	8.9
Balance as at 30 Sep	**443.6**	**414.3**
Carrying amounts as at 30 Sep	**3,046.4**	**2,907.2**

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

The increase in the carrying amount is largely 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 the impairments of 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 2011/12, the carrying amount of goodwill rose by €142.0m (previous year € − 9.9m) due to foreign exchange differences.

At €2,667.6m, the largest portion of goodwill shown relates to the TUI T ravel Sector. Within TUI Hotels & Resorts, goodwill of €351.7m is carried for the RIUSA II Group, as before.

(15) Other intangible assets

Other intangible assets

	Concessions, industrial property rights and similar rights and values	self-generated software	Transport and leasing contracts	Customer base	Payments on account	Total
			€ million			
Historical cost						
Balance as at 1 Oct 2010	**1,071.7**	**129.5**	**88.5**	**233.0**	**—**	**1,522.7**
Exchange differences	−2.5	−3.1	−0.8	0.6	—	−5.8
Additions due to changes in the group of consolidated companies	21.7	—	—	0.2	—	21.9
Additions	41.8	13.5	8.2	1.4	1.2	66.1
Disposals	25.5	10.3	0.1	—	—	35.9[1]
Reclassifications	−49.2	47.2	0.2	1.8	—	—
Balance as at 30 Sep 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[2]
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**
Amortisation						
Balance as at 1 Oct 2010	**454.2**	**90.5**	**17.8**	**53.0**	**—**	**615.5**
Exchange differences	−1.4	−1.5	−0.1	0.8	—	−2.2
Additions due to changes in the group of consolidated companies	1.0	—	—	—	—	1.0
Amortisation for the current year	95.9	14.5	5.7	17.5	—	133.6
Disposals	27.1	8.4	—	—	—	35.5[1]
Reclassifications	−26.2	26.2	—	—	—	—
Balance as at 30 Sep 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	98.5	8.6	—	16.8	—	123.9
Disposals	33.8	1.8	—	—	—	35.6[2]
Reclassifications	9.0	−17.6	—	—	—	−8.6
Balance as at 30 Sep 2012	**600.1**	**119.0**	**30.3**	**90.1**	**—**	**839.5**
Carrying amounts as at 30 Sep 2011	**561.6**	**55.5**	**72.6**	**165.7**	**1.2**	**856.6**
Carrying amounts as at 30 Sep 2012	**621.6**	**40.8**	**74.0**	**154.5**	**—**	**890.9**

1) Of which no disposals due to changes in the group of consolidated companies

2) Of which disposals due to changes in the group of consolidated companies of €0.2m and €0.2m, respectively

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 on the basis of the economic value of the corresponding asset.

As at the balance sheet date, the carrying amount of intangible assets subject to restraints on ownership or pledged as security totals €126.3m (previous year €124.6m).

In the completed financial year, impairments of €11.9m (previous year €11.7m) were carried. As in the previous year, immaterial (previous year no) write-backs to other intangible assets were effected.

(16) Investment property

Investment property

	2011/12	2010/11
	€ million	
Historical cost		
Balance as at 1 Oct	**102.2**	**105.3**
Additions	0.7	0.7
Disposals	8.8	4.2
Reclassifications	—	0.4
Balance as at 30 Sep	**94.1**	**102.2**
Depreciation		
Balance as at 1 Oct	**43.0**	**39.1**
Depreciation for the current year	2.6	6.2
Disposals	6.4	2.5
Reclassifications	—	0.2
Balance as at 30 Sep	**39.2**	**43.0**
Carrying amounts as at 30 Sep	**54.9**	**59.2**

As a matter of principle, real estate owned by the Group is 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 €54.9m (previous year €59.2m). The fair values totalling €64.7m (previous year €71.6m) were calculated by the Group's own real estate companies, without consulting an external expert, on the basis of comparable market rents. The fair value of property for which purchase contracts had already been concluded was the selling price. Investment property generated total external income of €10.3m (previous year €13.0m). The generation of this income was associated with external expenses of €7.5m (previous year €8.4m) in financial year 2011/12.

(17) Property, plant and equipment

Property, plant and equipment

	Real estate with hotels	other real estate, land rights and buildings incl. buildings on third-party properties	Aircraft	Ships	Machinery and fixtures	Other plants, operating and office equipment revised	Assets under construction	Payments on account	Total
					€ million				
Historical cost									
Balance as at 1 Oct 2010	**1,282.2**	**214.0**	**1,110.9**	**602.7**	**220.1**	**1,214.0**	**86.8**	**160.5**	**4,891.2**
Exchange differences	−15.9	5.8	—	−2.4	—	−10.2	0.1	−1.8	−24.4
Additions due to changes in the group of consolidated companies	—	0.4	—	0.1	—	5.5	—	—	6.0
Additions	32.9	14.7	32.3	76.4	24.3	103.6	36.9	83.9	405.0
Disposals	3.5	—	229.5	10.0	2.9	47.3	24.1	45.5	362.8[1)]
Reclassifications	−0.9	23.9	−48.8	15.0	−2.5	−14.4	−55.1	—	−82.8
Balance as at 30 Sep 2011	**1,294.8**	**258.8**	**864.9**	**681.8**	**239.0**	**1,251.2**	**44.6**	**197.1**	**4,832.2**
Exchange differences	21.3	4.0	31.7	37.2	−0.4	54.4	0.9	8.4	157.5
Additions due to changes in the group of consolidated companies	—	0.1	—	—	—	3.1	—	—	3.2
Additions	35.2	4.4	131.6	45.5	1.8	77.0	52.0	162.7	510.2
Disposals	20.3	10.2	115.1	28.5	2.1	80.6	0.6	96.4	353.8[2)]
Reclassifications	25.9	−32.1	−27.8	7.5	1.5	−1.7	−16.9	—	−43.6
Balance as at 30 Sep 2012	**1,356.9**	**225.0**	**885.3**	**743.5**	**239.8**	**1,303.4**	**80.0**	**271.8**	**5,105.7**
Depreciation									
Balance as at 1 Oct 2010	**366.8**	**47.0**	**763.7**	**198.8**	**138.2**	**876.9**	**—**	**—**	**2,391.4**
Exchange differences	−7.4	4.7	0.8	−0.6	—	−5.4	—	—	−7.9
Additions due to changes in the group of consolidated companies	—	0.2	—	—	—	3.9	—	—	4.1
Depreciation for the current year	44.5	4.3	63.2	47.2	14.7	101.2	—	—	275.1
Disposals	2.8	0.5	153.7	2.3	2.8	46.2	—	—	208.3[1)]
Reclassifications	−14.4	0.8	−50.2	7.9	−2.9	−8.5	—	—	−67.3
Balance as at 30 Sep 2011	**386.7**	**56.5**	**623.8**	**251.0**	**147.2**	**921.9**	**—**	**—**	**2,387.1**
Exchange differences	4.6	—	21.0	13.1	1.4	37.6	—	—	77.7
Depreciation for the current year	35.8	4.8	60.5	34.9	12.5	98.6	—	—	247.1
Disposals	14.8	4.0	112.7	17.3	1.1	65.1	—	—	215.0[2)]
Reclassifications	−11.0	8.3	−32.6	−0.7	0.4	−6.9	—	—	−42.5
Balance as at 30 Sep 2012	**401.3**	**65.6**	**560.0**	**281.0**	**160.4**	**986.1**	**—**	**—**	**2,454.4**
Carrying amounts as at 30 Sep 2011	**908.1**	**202.3**	**241.1**	**430.8**	**91.8**	**329.3**	**44.6**	**197.1**	**2,445.1**
Carrying amounts as at 30 Sep 2012	**955.6**	**159.4**	**325.3**	**462.5**	**79.4**	**317.3**	**80.0**	**271.8**	**2,651.3**

1) Of which no disposals due to changes in the group of consolidated companies

2) Of which disposals due to changes in the group of consolidated companies of €1.3m and €1.0m, respectively

At the balance sheet date, the carrying amount of property, plant and equipment subject to restraints on ownership or pledged as security amounted to €113.9m (previous year €103.9m).

The Group effected immaterial reversals of depreciation of property, plant and equipment, as in the previous year. Impairments of €14.6m (previous year €31.2m) mainly relate to aircraft assets (€6.4m) and vehicle fleet assets (€5.9m).

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	
	30 Sep 2012	30 Sep 2011
	€ million	
Other real estate, land rights and buildings incl. buildings on third-party properties	7.8	9.8
Aircraft	144.5	30.1
Ships, yachts and boats	117.8	119.0
Machinery and fixtures	0.1	0.7
Other plants, operating and office equipment	10.8	8.9
Total	**281.0**	**168.5**

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 €294.7m (previous year €191.8m). Group companies have accepted guarantees for the residual values of the leased assets totalling €2.7m (previous year €9.9m).

Reconciliation of future lease payments to liabilities from finance leases

	up to 1 year	1 – 5 years	Remaining term more than 5 years	30 Sep 2012 Total	30 Sep 2011 Total
			€ million		
Total future lease payments	38.9	115.4	140.4	294.7	191.8
Interest portion	10.3	31.0	20.2	61.5	37.0
Liabilities from finance leases	28.6	84.4	120.2	233.2	154.8

(18) Investments in joint ventures and associates

Investments in joint ventures and associates

	Joint ventures	Associates	Total
		€ million	
Historical cost			
Balance as at 1 Oct 2010	**567.7**	**1,215.1**	**1,782.8**
Exchange differences	− 32.1	− 5.2	− 37.3
Additions	69.6	39.2	108.8
Disposals	46.7	317.6	364.3[1)]
Reclassifications	—	253.1	253.1
Balance as at 30 Sep 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[1)]
Balance as at 30 Sep 2012	**649.7**	**758.9**	**1,408.6**
Impairments			
Balance as at 1 Oct 2010	**7.6**	**—**	**7.6**
Balance as at 30 Sep 2011	**7.6**	**—**	**7.6**
Impairments for the current year	7.0	—	7.0
Balance as at 30 Sep 2012	**14.6**	**—**	**14.6**
Carrying amounts as at 30 Sep 2011	**550.9**	**1,184.6**	**1,735.5**
Carrying amounts as at 30 Sep 2012	**635.1**	**758.9**	**1,394.0**

1) of which no disposals due to changes in the group of consolidated companies

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 €11.7m (previous year €20.5m) are included in disposals.

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

Group share of assets and liabilities of joint ventures

	30 Sep 2012	30 Sep 2011
	€ million	
Goodwill from investment in joint ventures	68.8	80.6
Non-current assets	839.8	733.8
Current assets	281.6	298.3
Non-current provisions and liabilities	−311.0	−356.2
Current provisions and liabilities	−244.1	−205.6
Investment in joint ventures	**635.1**	**550.9**

Group share of assets and liabilities of associates

	30 Sep 2012	30 Sep 2011
	€ million	
Goodwill from investment in associates	218.4	317.4
Non-current assets	1,045.8	1,496.6
Current assets	472.0	695.1
Non-current provisions and liabilities	−640.6	−789.0
Current provisions and liabilities	−336.7	−535.5
Investment in associates	**758.9**	**1,184.6**

(19) Financial assets available for sale

Financial assets available for sale consist of stakes in non-consolidated Group companies, interests and other securities. In the previous year, this item also included hybrid instruments granted to Container Shipping, which were fully redeemed in financial year 2011/12.

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 2011/12, financial assets classified as available for sale under IFRS 7 of €3.9m (previous year €7.5m) were impaired.

(20) Trade receivables and other assets

Trade receivables and other assets

	30 Sep 2012		30 Sep 2011	
	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
	€ million			
Trade receivables	—	688.6	—	627.6
Advances and loans	242.7	1,047.9	315.0	1,213.8
Other receivables and assets	115.4	577.6	94.1	518.6
Total	**358.1**	**2,314.1**	**409.1**	**2,360.0**

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

	Carrying amount of financial instruments	of which not overdue and not impaired	of which not impaired and overdue in following periods: less than 30 days	between 30 and 90 days	between 91 and 180 days	more than 180 days
	€ million					
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**
Balance as at 30 Sep 2011						
Trade receivables	627.6	352.7	155.9	62.1	16.8	40.1
Advances and loans	194.4	194.4	—	—	—	—
Other receivables and assets	69.9	66.4	2.4	0.7	0.3	0.1
Total	**891.9**	**613.5**	**158.3**	**62.8**	**17.1**	**40.2**

For financial assets that are neither overdue nor impaired TUI Group assumes a good credit standing of the respective debtor.

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

	2011/12	2010/11
	€ million	
Balance at the beginning of period	**268.1**	**760.7**
Additions	66.7	59.6
Disposals	66.0	488.5
Other changes	− 54.8	− 63.7
Balance at the end of period	**214.0**	**268.1**

In financial year 2011/12, as in the prior year, no cash inflow was recorded from impaired interest-bearing trade accounts receivable or other receivables.

Trade receivables

	30 Sep 2012	30 Sep 2011
	€ million	
From third parties	657.2	624.4
From non-consolidated Group companies	1.1	2.3
From affiliates	30.3	0.9
Total	**688.6**	**627.6**

Advances and loans

	30 Sep 2012		30 Sep 2011	
	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
	€ million			
Advances to non-consolidated Group companies	1.7	25.0	17.3	26.6
Advances to affiliates	1.2	15.7	—	20.0
Loans to affiliates	21.0	21.5	—	11.7
Advances to third parties	48.0	74.7	45.9	100.4
Loans to third parties	17.4	21.3	33.0	35.7
Payments on account	153.4	889.7	218.8	1,019.4
Total	**242.7**	**1,047.9**	**315.0**	**1,213.8**

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

	30 Sep 2012		30 Sep 2011	
	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
	€ million			
Other receivables from non-consolidated Group companies	—	0.4	—	—
Other receivables from affiliates	35.3	47.1	—	44.3
Interest deferral	—	2.8	—	25.6
Other tax refund claims	22.8	106.8	—	89.9
Other assets	57.3	420.5	94.1	358.8
Total	**115.4**	**577.6**	**94.1**	**518.6**

(21) Derivative financial instruments

Derivative financial instruments

	30 Sep 2012		30 Sep 2011	
	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
	€ million			
Receivables from derivative financial instruments from third parties	28.4	159.9	43.6	274.8

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

	30 Sep 2012	30 Sep 2011
	€ million	
Deferred tax assets	168.7	163.5
Current tax assets	48.1	90.0
Total	**216.8**	**253.5**

Deferred income tax assets include an amount of €124.9m (previous year €115.3m) to be realised in more than twelve months.

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

	30 Sep 2012		30 Sep 2011	
	Asset	Liability	Asset	Liability
	€ million			
Finance lease transactions	—	2.4	—	2.1
Recognition and measurement differences for property, plant and equipment and other non-current assets	116.1	353.5	157.5	235.1
Recognition differences for receivables and other assets	35.6	—	13.7	228.0
Measurement of financial instruments	33.2	86.1	29.0	107.1
Measurement of pension provisions	167.8	0	123.2	2.6
Recognition and measurement differences for other provisions	107.4	7.8	72.4	41.6
Other transactions	104.4	170.4	124.1	28.7
Capitalised tax savings from recoverable loss carryforwards	154.9	—	168.1	—
Netting of deferred tax assets and liabilities	−550.7	−550.7	−524.5	−524.5
Balance sheet amount	**168.7**	**69.5**	**163.5**	**120.7**

No deferred tax liabilities were carried for temporary differences of €65.2m (previous year €80.0m) 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

	30 Sep 2012	30 Sep 2011
	€ million	
Capitalised loss carryforwards	**736.8**	**773.6**
Non-capitalised loss carryforwards	**4,526.5**	**3,295.1**
of which loss carryforwards forfeitable within one year	—	0.4
of which loss carryforwards forfeitable within two to five years	57.3	59.3
of which loss carryforwards forfeitable within more than five years (excluding non-forfeitable loss carryforwards)	—	20.2
Non-forfeitable loss carryforwards	4,469.2	3,215.2
Total unused loss carryforwards	**5,263.3**	**4,068.7**

Loss carryforwards for German companies comprise the cumulative amount of trade tax and corporation tax as well as interest carryforwards from the German earnings stripping rule. Potential tax savings totalling €852.9m (previous year €681.3m) were not capitalised since use of the underlying loss carryforwards was not considered probable within the planning period.

In financial year 2011/12, 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 2011 led to tax savings of €0.1m (previous year €34.5m). In financial year 2011/12, tax reductions worth €0.9m (previous year €0.0m) were realised by means of loss carrybacks.

Development of capitalised tax savings from realisable loss carryforwards

	2011/12	2010/11
	€ million	
Capitalised tax savings at the beginning of the year	**168.1**	**171.6**
Exchange adjustments	− 1.1	5.2
Use of loss carryforwards	− 2.5	− 9.3
Capitalisation of tax savings from tax loss carryforwards	+ 4.1	+ 8.8
Write-down of capitalised tax savings from tax loss carryforwards	− 13.7	− 8.2
Reclassification to discontinued operation	—	—
Capitalised tax savings at financial year-end	**154.9**	**168.1**

The capitalised deferred tax asset from temporary differences and loss carryforwards assessed as recoverable of €107.6m (previous year €126.0m), 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 prior periods).

(23) Inventories

Inventories

	30 Sep 2012	30 Sep 2011
	€ million	
Marine inventory	35.6	35.4
Airline spares and operating equipment	27.3	28.0
Real estate for sale	12.4	8.0
Other inventories	38.6	35.3
Total	**113.9**	**106.7**

Other inventories included an amount of €15.8m for consumables used in hotels.

In financial year 2011/12, impairments worth €4.9m (previous year €0.0m) were effected in order to carry them at the lower net realisable value. No major write-backs of inventories were effected in 2011/12, nor in the prior year.

(24) Cash and cash equivalents

Cash and cash equivalents

	30 Sep 2012	30 Sep 2011
	€ million	
Bank deposits	2,229.1	1,912.7
Cash in hand and cheques	49.3	68.6
Total	**2,278.4**	**1,981.3**

At 30 September 2012, cash and cash equivalents of €0.1bn (previous year €0.1bn) were subject to restraints on disposal.

(25) Assets held for sale

Assets held for sale

	30 Sep 2012	30 Sep 2011
	€ million	
Aircrafts and engines	6.1	13.0
Dorfhotel	—	6.9
Other assets	10.4	4.3
Total	**16.5**	**24.2**

The decline in assets held for sale is driven by the sale of the Dorfhotel hotel complex, meanwhile completed, and the disposal of an aircraft.

Other assets primarily comprise hotel complexes held for sale, licences and aircraft spare parts.

In segment reporting, aircraft and aircraft engines as well as other assets are mainly carried in the Tourism segment.

(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. In July 2005, the previous bearer shares were converted to registered shares, whose owners have been registered 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 €1.4m to around €644.9m due to the issue of 159,490 shares resulting from the issue of employee shares and due to conversions into 417,755 shares under the 2009/14 and 2011/16 convertible bonds. It thus consisted of 252,273,710 shares at the end of the financial year.

Conditional capital

The conditional capital of €100.0m authorised in 2006 was terminated in December 2011 following early redemption of the amount still outstanding of the convertible bonds of €694.0m issued in 2007.

In addition, the Annual General Meetings of 7 May 2008 and 13 May 2009 resolved to create additional conditional capital for the issue of bonds of €100.0m each, expiring by 6 May 2013 and 12 May 2014, respectively. The issue of bonds with conversion options and warrants as well as profit-sharing rights and income bonds (with and without fixed terms) under the two abovementioned authorisations has been limited to a total nominal amount of €1.0bn.

Further conditional capital for the issue of bonds of €120.0m maturing on 14 February 2017 was resolved at the Annual General Meeting on 15 February 2012. 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.

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 four German stock exchanges. By 30 September 2012, 46,874 bonds were converted into 468,740 new shares in TUI AG (including 417,740 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% p. a., were issued at par. The bonds are traded at five German stock exchanges. By 30 September 2012, one bond had been converted into five new shares in TUI AG.

Overall, TUI AG held conditional capital of €318.8m as at 30 September 2012, taking account of the conversions effected.

Authorised capital

The Annual General Meeting of 7 May 2008 adopted a resolution on the issue of new registered shares against cash contribution for up to a maximum of €64.0m. This authorisation will expire on 6 May 2013.

The Annual General Meeting of 7 May 2008 also resolved to create new authorised capital for the issue of employee shares, which stood at around €8.6m at the balance sheet date. The Executive Board of TUIAG has been authorised to use this capital in one or several transactions for the issue of employee shares against cash contribution by 6 May 2013. In the completed financial year, 159,490 employee shares were issued.

In addition, 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.

Accordingly, total unused authorised capital was around €318.6m at the balance sheet date (around €319.0m as at 30 September 2011).

(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 €1.3m due to the issue of employee shares and the conversion of bonds into shares.

(28) Revenue reserves

Equity rose 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. In financial year 2011/12, these stock option plans resulted in an increase in other revenue reserves of €16.4m outside profit and loss.

The differences (€−29.9m) between acquired equity and costs to purchase which arose from the acquisition of non-controlling interests, in particular in TUI Travel PLC, were directly eliminated against other 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.

Changes in the value of financial assets available for sale are taken to or eliminated against revenue reserves outside profit and loss. With the disposal of the hybrid instrument granted to Hapag-Lloyd Holding AG, the changes in the value of financial assets, previously carried outside profit and loss, had to be reclassified to the consolidated income statement through profit and loss.

The revaluation reserve for cash flow hedges comprises the portion of gains and losses from hedges determined as effective hedges of future cash flows. When a hedged transaction has an effect on results or is no longer assessed as probable, the reserve is reversed through profit and loss in the same period. Pre-tax results directly to be eliminated against equity totalled €−67.9m.

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 IAS 27 (revised), 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 resulted in consolidation of the company concerned.

The reserve according to IAS 19 comprises gains and losses from changes in actuarial parameters in connection with the measurement of pension obligations and the associated fund assets, carried outside profit and loss. In financial year 2011/12, the reserve in accordance with IAS 19 decreased by €284.4 before taxes mainly because of lower long-term interest rate levels.

(29) Hybrid capital

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

(30) Non-controlling interests

Non-controlling interests mainly relate to companies of 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

	2011/12	2010/11
	€ million	
Foreign exchange differences	−49.3	−23.7
Financial instruments available for sale	3.0	−0.4
Cash flow hedges	−44.9	46.2
Actuarial losses from pension provisions and related fund assets	−74.7	−45.5
Changes in the measurement of companies measured at equity	−0.6	—
Total	**−166.5**	**−23.4**

(31) Pension provisions and similar obligations

A number of defined contribution plans and defined benefit pension plans are operated for Group employees. Pension obligations vary, reflecting the different legal, fiscal and economic conditions in each country of operation and usually depend on employees' length of service and pay levels. All defined contribution plans are funded by the payment of contributions to external insurance companies or funds, whilst defined benefit plans entail the formation of provisions within the Company or investments in funds outside the Company.

German employees enjoy benefits from a statutory defined contribution plan paying pensions as a function of employees' income and the contributions paid in. Several additional industry pension organisations exist for companies of the TUI Group. Once the contributions to the staterun 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 2011/12, the pension costs for all defined contribution plans totalled €34.9m (previous year €31.4m).

In the period under review, a total expense of €67.7m arose for the Group for defined benefit pension plans. The income of €4.0m posted in the prior year was essentially attributable to changes in defined benefit pension plans in the UK.

Pension costs for defined benefit obligations

	2011/12	2010/11
	€ million	
Current service cost for employee service in the period	35.5	39.9
Curtailment gains	—	74.2
Interest cost	122.2	115.4
Expected return on external plan assets	89.5	85.5
Past service cost	−0.5	0.4
Total	**67.7**	**−4.0**

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. Provisions for similar obligations cover in particular early retirement and temporary assistance benefits.

Development of pension provisions and similar obligations

	Balance as at 30 Sep 2011	Changes with no effect on profit and loss[1)]	Actuarial gains and losses	Utilisation	Addition	Balance as at 30 Sep 2012
			€ million			
Pension provisions	863.9	27.6	271.7	94.5	52.3	1,121.0
Similar obligations	50.2	−0.4	11.6	1.0	5.2	65.6
Total	**914.1**	**27.2**	**283.3**	**95.5**	**57.5**	**1,186.6**

(1) Reclassifications, transfers, exchange differences and changes in group of consolidated companies

The actuarial gains and losses which arose in financial year 2011/12 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, but also in Switzerland and the Netherlands.

While the fund assets are determined on the basis of the fair values of invested funds as at 30 September 2012, 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

	2011/12	2010/11
	Percentage p. a.	
Discount rate	3.25	4.75
Projected future salary increases	2.0 – 2.5	2.0 – 2.5
Projected future pension increases	2.0 – 2.17	1.0 – 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

	2011/12			2010/11		
	Discount rate	Expected return on plan assets	Projected future salary increases	Discount rate	Expected return on plan assets	Projected future salary increases
	Percentage p. a.					
Eurozone	3.25	2.6	2.0 – 3.0	4.75	4.9 – 5.9	3.0 – 5.0
UK	4.5	5.6	2.5	5.25	6.1 – 6.2	2.5
Rest of Europe	2.0	2.0	1.0 – 2.0	2.5	2.5	1.0 – 2.0
North America	4.5	3.5	3.5	4.55	4.0	3.5

Development of projected benefit obligations

	2011/12	2010/11
	€ million	
Net present value of actual pension obligations at beginning of year	**2,350.9**	**2,349.6**
Current service cost	35.5	39.9
Curtailments	—	− 74.2
Interest cost	122.2	115.4
Pensions paid	− 130.6	− 113.5
Contributions paid by pension beneficiaries	2.6	5.0
Actuarial losses (+)	377.5	22.7
Exchange differences	143.3	− 7.8
Other	− 1.1	13.8
Net present value of actual pension obligations at year-end	**2,900.3**	**2,350.9**

In the financial year under review, pension obligations rose by €549.4m to €2,900.3m, mainly due to considerably lower interest rates in the UK and the Eurozone.

Development of the fair value of fund assets

	2011/12	2010/11
	€ million	
Fair value of fund assets at beginning of period	**1,437.1**	**1,437.7**
Expected return on external plan assets (–)	− 89.5	− 85.5
Actuarial gains (–) / losses (+) of the current year	− 93.1	72.9
Exchange differences	113.6	− 4.4
Employer’s contributions paid in	73.0	65.2
Contributions paid by the beneficiaries of the plan	2.6	5.0
Pensions paid	− 95.1	− 79.0
Fair value of fund assets at end of period	**1,713.8**	**1,437.1**
of which dividend-carrying securities	625.0	673.1
of which bonds	713.7	561.8
of which property, plant and equipment	87.5	17.8
of which cash	18.8	24.5
of which other	268.8	159.9

The fair values of fund assets increased considerably year-on-year. At expected returns of €89.5m (previous year €85.5m), the funds generated actual returns of €182.6m (previous year €12.6m). The resulting actuarial gains are primarily based on the year-on-year increase in prices in the international securities markets.

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 €73.8m to the pension funds and pay pensions worth €39.7m in the framework of nonfunded plans.

Reconciliation of projected benefit obligations to pension obligations recognised in the statement of financial position

	30 Sep 2012			30 Sep 2011		
	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
	€ million					
Actual projected benefit of fully or partly funded pension obligations	2,286.6	10.7	2,297.3	1,852.9	9.6	1,862.5
Fair value of external plan assets	1,703.0	10.8	1,713.8	1,426.3	10.8	1,437.1
Deficit respectively excess	**583.6**	**−0.1**	**583.5**	**426.6**	**−1.2**	**425.4**
Actual net present value of non-funded pension obligations			603.0			488.4
Net projected benefit obligation			**1,186.5**			**913.8**
Adjustment for past service cost			—			−0.9
Net recognised liability			**1,186.5**			**912.9**
of which capitalised assets			0.1			1.2
Provisions for pensions and similar obligations			**1,186.6**			**914.1**
of which provisions for pensions for non-funded obligations			603.0			487.5
of which provisions for pensions for funded obligations			583.6			426.6

Since the TUI Group used the option of immediately recognising the actuarial gains and losses directly in 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 obligations with regard to 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

	2011/12	2010/11	2009/10	SFY 2009	2008
	€ million				
Projected benefit obligations at year-end	2,900.3	2,350.9	2,349.6	2,071.7	1,696.2
Fund assets at year-end	1,713.8	1,437.1	1,437.7	1,202.8	980.4
Excess (–)/deficit (+) at year-end	1,186.5	913.8	911.9	868.9	715.8
Actuarial gains (–)/losses (+) of the current year from the obligations	377.5	22.7	122.1	296.2	−192.8
of which experience adjustments	15.3	26.5	−3.8	4.0	22.7
Actuarial gains (–)/losses (+) of the current year from fund assets	−93.1	72.9	−46.1	−93.6	298.9

At 30 September 2012, the net actuarial losses before deferred taxes carried and eliminated against equity outside profit and loss by that date totalled €1,091.8m (previous year €746.6m).

(32) Other provisions

Development of provisions in the financial year 2011/12

	Balance as at 30 Sep 2011	Changes with no effect on profit and loss[1)]	Usage	Reversal	Addition	Balance as at 30 Sep 2012
			€ million			
Personnel costs	89.7	6.2	27.7	18.1	62.8	112.9
Typical operating risks	32.7	− 18.9	2.7	2.0	4.4	13.5
Maintenance provisions	509.0	2.0	189.3	39.3	217.7	500.1
Risks from onerous contracts	65.3	3.0	46.1	—	3.1	25.3
Guarantee and liability risks	11.8	− 3.9	1.6	0.3	2.4	8.4
Provisions for other taxes	47.7	− 15.7	8.9	0.4	30.5	53.2
Miscellaneous provisions	264.3	20.9	43.0	52.2	143.9	333.9
Other provisions	**1,020.5**	**− 6.4**	**319.3**	**112.3**	**464.8**	**1,047.3**

1) Reclassifications, transfers, exchange difference and changes in the group of consolidated companies

Other provisions

Provisions for personnel costs comprise provisions for redundancy plans and jubilee benefits as well as provisions for share-based payment schemes with cash compensation in accordance with IFRS 2.

In the framework of a long-term incentive programme, an Executive Board member and other senior executive staff of the Group are granted bonuses, translated into phantom stocks in TUIAG on the basis of an average share price. The phantom shares are calculated on the basis of Group earnings before taxes and amortisation of goodwill (underlying 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 lockup 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.

Executive Board members whose remuneration was changed to a new remuneration system as from 1 January 2010 take part in a long-term incentive programme also based on phantom stocks. Under this programme, phantom shares are granted upon completion of a four-year service period—for the first time at the close of financial year 2012/13—and are determined by comparing the development of Total Shareholder Return (TSR) of TUI AG with the development of the Dow Jones Stoxx 600 Travel & Leisure. 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%.

Development of phantom shares

	Number of shares	Present value
	€ million	
Balance as at 30 Sep 2010	**981,765**	**8.8**
Phantom shares granted	169,924	1.7
Phantom shares exercised	145,424	− 1.0
Measurement results	—	− 6.0
Balance as at 30 Sep 2011	**1,006,265**	**3.5**
Phantom shares granted	349,553	1.6
Phantom shares exercised	157,738	− 1.0
Measurement results	—	3.4
Balance as at 30 Sep 2012	**1,198,080**	**7.5**

In financial year 2011/12, personnel expenses of €4.2m (previous year income of €3.5m) were carried through profit and loss due to share-based payments with cash compensation.

The TUI Travel Sector operates three principal share-based payment schemes linking employee remuneration to the future performance of the Sector: a Deferred Annual Bonus Scheme (DABS), a Deferred Annual Bonus Long-Term Incentive Scheme (DABLIS) and a Performance Share Plan (PSP).

Under the DA BS, DA BLIS and PSP, executive staff receive variable remuneration as a function of the relative development of three corporate performance indicators. Up to half the variable remuneration is determined by comparing the development of the return on invested capital (ROIC) to the development of the weighted average cost of capital (WACC). The remaining remuneration is determined by comparing the development of earnings per share (EPS) to the UK Retail Price Index and the total shareholder return (TSR) performance to the return in other capital market-oriented companies. This scheme will be exercised at the end of three years at the earliest and ten years at the latest.

Awards and shares granted and outstanding

	Number of shares	Date of first exercisability
Deferred Annual Bonus Scheme (DABS)	3,148,956	4 Dec 2012
	3,825,685	6 Dec 2013
	5,376,936	7 Dec 2014
Deferred Annual Bonus Long-term Incentive Scheme (DABLIS)	1,924,199	4 Dec 2012
	2,131,122	6 Dec 2013
	3,866,944	7 Dec 2014
Performance Share Plan (PSP)	1,864,433	4 Dec 2012
	695,082	19 Mar 2013
	1,988,854	6 Dec 2013
	3,234,113	7 Dec 2014
	193,242	1 Jun 2015
Total	**28,249,566**	

The table below lists the number of share options.

Development of the number of share options

	Number of shares
Outstanding at beginning of the financial year	26,346,949
Expired during the financial year	− 4,784,495
Reclassified as share appreciation rights	− 219,552
Exercised during the financial year	− 5,882,575
Issued during the financial year	12,789,239
Balance as at 30 Sep 2012	**28,249,566**

The weighted average share price of the stock options exercised in the financial year under review is £1.66.

The fair value of services received in return for share options granted is measured by reference to the fair value of the share options granted. The estimate of the fair value of services received is usually determined using binomial models, depending on the vesting criteria, with the exception of the calculation of the fair value of plans only to be exercised under certain market conditions. The fair value of such plans is estimated using a Monte Carlo simulation.

Information relating to fair values of shares awarded

		2011/12	2010/11
Fair values at measurement date	£	0.90 – 1.50	1.50 – 1.90
Share price	£	1.70	2.30
Expected volatility	%	36.10	56.10
Expected dividends	%	4.50	5.60
Risk free interest rate	%	0.50	1.00

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. Share options are granted under a service condition.

In financial year 2011/12, personnel costs of €19.4m (previous year €22.7m) relating to sharebased payment schemes were carried through profit and loss.

Restructuring provisions were formed where individual measures were sufficiently specific and a factual restructuring obligation existed. In financial year 2011/12, restructurings, mainly in the TUI Travel Sector, resulted in expenses of €63.2m (previous year €70.8m). At the balance sheet date, provisions for restructuring measures totalled €81.4m.

Maintenance provisions mainly comprise provisions for maintenance of leased aircraft. The provision declined by €27.5m in the period under review due to an adjustment of expected maintenance rates on account of improved fleet management. This decline was largely offset by foreign exchange effects.

Provisions for necessary environmental protection measures included in typical operating risks amounted to €9.1m (previous year €4.7m) at the balance sheet date.

In the period under review, other provisions rose above all due to the formation of provisions for litigation risks in several subsidiaries.

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. Additions to other provisions comprise an interest portion of €16.5m (previous year €15.1m), recognised as interest expenses. The largest portion relates to additions to provisions for maintenance.

Terms to maturity of other provisions

	30 Sep 2012		30 Sep 2011	
	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
	€ million			
Personnel costs	19.3	112.9	33.4	89.7
Typical operating risks	1.6	13.5	15.6	32.7
Maintenance provisions	294.7	500.1	303.5	509.0
Risks from onerous contracts	15.2	25.3	13.6	65.3
Guarantee and liability risks	3.8	8.4	7.4	11.8
Provisions for other taxes	20.5	53.2	31.4	47.7
Miscellaneous provisions	182.4	333.9	143.7	264.3
Other provisions	**537.5**	**1,047.3**	**548.6**	**1,020.5**

(33) Financial liabilities

Financial liabilities

	30 Sep 2012				30 Sep 2011	
	up to 1 year	1 – 5 years	Remaining term more than 5 years	Total	Total	Remaining term more than 1 year
	€ million					
Convertible bonds	—	1,318.3	—	1,318.3	1,389.7	1,204.3
Other bonds	232.8	—	—	232.8	250.1	250.1
Liabilities to banks	306.1	175.5	84.5	566.1	886.7	730.4
Liabilities from finance leases	28.6	84.4	120.2	233.2	154.8	132.7
Financial liabilities due to nonconsolidated Group companies	6.8	0.3	—	7.1	17.6	0.2
Financial liabilities due to affiliates	—	11.6	—	11.6	11.2	—
Other financial liabilities	71.8	15.7	—	87.5	88.2	7.0
Total	**646.1**	**1,605.8**	**204.7**	**2,456.6**	**2,798.3**	**2,324.7**

Fair values and carrying amounts of the bonds issued (30 Sep 2012)

	Issuer	Volume initial	Volume outstanding	interest rate % p. a.	Debt component	Stock market value Conversion options	Stock market value Total	Carrying amount
				€ million				
2009/14 convertible bond	TUI AG	217.8	215.2	5.500	228.2	63.6	291.8	181.5
2011/16 convertible bond	TUI AG	339.0	339.0	2.750	312.6	7.6	320.2	291.1
2009/14 convertible bond	TUI Travel PLC	GBP 350.0	GBP 350.0	6.000	357.0	—	357.0	408.4
2010/17 convertible bond	TUI Travel PLC	GBP 400.0	GBP 400.0	4.900	392.0	—	392.0	437.3
2005/12 bond	TUI AG	450.0	233.0	5.125	233.8	—	233.8	232.8
2005/– hybrid capital	TUI AG	300.0	300.0	until Jan 2013 8.625 subsequently 3M EURIBOR plus 7.300	294.8	—	294.8	294.6

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 nominal amount outstanding of €193.0m of the convertible bond issued on 1 July 2007 following early redemption transactions in financial year 2010/11 was also bought back ahead of maturity in the completed financial year so that the total acquired volume of €694.0m has been fully redeemed.

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 2012 for this bond totals €215.2m, taking account of conversions into shares.

A third 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% p. a., it will mature in April 2017. The conversion price is £3.8234 per share.

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

The senior fixed rate notes worth €450.0m issued in December 2005 carry a fixed nominal interest rate of 5.125% p. a. and are repayable in December 2012. The bonds have denominations of at least €50,000 with higher integral multiples of €1,000m. In financial year 2011/12, parts of the bonds with a nominal value of €18.2m were redeemed early.

(34) Trade payables

Trade payables

	30 Sep 2012	30 Sep 2011
	€ million	
To third parties	3,216.9	2,939.9
To non-consolidated Group companies	4.9	5.5
To affiliates	38.2	28.1
Total	**3,260.0**	**2,973.5**

(35) Derivative financial instruments

Derivative financial instruments

	30 Sep 2012				30 Sep 2011	
	up to 1 year	1 – 5 years	Remaining term of more than 5 years	Total	Remaining term of more than 1 year	Total
	€ million					
To third parties	163.1	30.9	0.9	194.9	73.7	231.4

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

(36) Deferred and current tax liabilities

Deferred and current tax liabilities

	30 Sep 2012	30 Sep 2011
	€ million	
Deferred tax liabilities	69.5	120.7
Current tax liabilities	204.8	315.5
Total	**274.3**	**436.2**

The deferred tax liabilities include an amount of €56.5m (previous year €72.5m) 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. A judicial process may be instituted against managers involved in this matter, and penalties may be established, for which a Spanish subsidiary will be liable.

Not least due to independent legal and tax advice taken, TUI Travel PLC and the managers potentially concerned firmly believe that the risk of a potential judicial process is low.

A provision is held under the item Current income tax liabilities in order to cover the risk of nonrecognition of the tax deduction arising from the expenses for the two transactions.

(37) Other liabilities

Other liabilities

	30 Sep 2012				30 Sep 2011	
	up to 1 year	1 – 5 years	Remaining term of more than 5 years	Total	Remaining term of more than 1 year	Total
	€ million					
Other liabilities due to non-consolidated Group companies	14.4	0.8	—	15.2	—	1.1
Other liabilities due to affiliates	12.2	—	—	12.2	—	10.6
Other miscellaneous liabilities	167.6	40.9	0.2	208.7	57.2	200.0
Other liabilities relating to other taxes	52.8	—	—	52.8	1.0	40.7
Other liabilities relating to social security	50.8	—	—	50.8	0.1	49.2
Other liabilities relating to employees	130.3	8.5	—	138.8	2.9	137.3
Other liabilities relating to members of the Boards	2.9	—	—	2.9	2.8	7.3
Advance payments received	2,147.0	2.1	—	2,149.1	—	2,013.7
Other liabilities	**2,578.0**	**52.3**	**0.2**	**2,630.5**	**64.0**	**2,459.9**
Deferred income	79.6	15.7	—	95.3	41.1	108.0
Total	**2,657.6**	**68.0**	**0.2**	**2,725.8**	**105.1**	**2,567.9**

(38) 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 (previous year €2.2m).

(39) Contingent liabilities

Contingent liabilities

	30 Sep 2012	30 Sep 2011
	€ million	
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	478.1	497.1
Other liabilities under warranties	2.3	0.9
Total	**480.8**	**498.4**

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 2012 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.

In the course of financial year 2012, the German tax administration issued a decree on the interpretation of the trade tax rate, changed with effect from financial year 2008. This decree, only binding on the tax administration, may be interpreted as indicating that expenses of German tour operators for the purchase of hotel beds are not fully deductible in determining the basis for the assessment of trade tax. In TUIAG's view, this interpretation of the law would be inappropriate, in particular because hotel purchasing contracts are mixed contracts also covering catering, cleaning, entertaining guests and other services characterising the purchased service. Such mixed contracts are fully deductible even according to the opinion voiced by the administration in 2012. TUI AG and other German tour operators have jointly requested the tax authorities to clarify their interpretation. Should the German tax authorities not share the opinion of the German travel industry, it is probable that fiscal court proceedings will take place over several years. As the Group has concluded many different contracts, quantifying this risk entails an element of uncertainty. According to our estimates, a risk of around €80m might arise for the period since 2008.

(40) Litigation

Neither TUIAG 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 has had such an impact in the past two years, with the exception of the litigation of the insolvency administrator of Babcock Borsig AG mentioned below. 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 connection with the transfer in 1999 of various shareholdings to Babcock Borsig AG, which later became insolvent, the insolvency administrator of Babcock Borsig AG filed a claim against TUI AG in 2004 for alleged differential liability. When the action had been dismissed by the regional court of Frankfurt/Main and the higher regional court of Frankfurt, the Federal Supreme Court overturned the judgment of the higher regional court of Frankfurt in response to the plaintiff's appeal and remitted the case to the appeal court for further investigation. TUIAG continues to consider the action unfounded but nevertheless has formed an appropriate provision.

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 AG—and several of its subsidiaries due to an alleged breach of agreement in connection with the change of the Belgian port of call from Zeebrugge to Antwerp. To date, a court ruling has not yet been handed down. Meanwhile, the court has determined the timeframe for the documents to be submitted by the parties and fixed the date of the first oral proceedings in September 2013.

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.

(41) Other financial commitments

Nominal and fair values of other financial commitments

	30 Sep 2011				30 Sep 2010	
	up to 1 year	1 – 5 years	Remaining term of more than 5 years	Total	Remaining term of more than 1 year	Total
	€ million					
Order commitments in respect of capital expenditure	945.5	913.6	86.7	1,945.8	1,907.1	2,258.9
Other financial commitments	126.2	96.5	—	222.7	86.3	201.7
Total	**1,071.7**	**1,010.1**	**86.7**	**2,168.5**	**1,993.4**	**2,460.6**
Fair value	**983.7**	**917.7**	**67.2**	**1,968.6**	**1,711.0**	**2,109.5**

The fair value of Other financial commitments was determined by means of discounting future expenses using a customary market interest rate of 3.25% p. a. (previous year 4.75% p. a.). If the previous year's interest rate of 4.75% p. a. had been applied, the fair value would have been €60.4m lower.

Order commitments in respect of capital expenditure relating almost exclusively to Tourism declined by €313.1m year-on-year as at 30 September 2012. This was due to current downpayments and the delivery of two B737-800s.

Financial commitments from operating lease, rental and charter contracts

	30 Sep 2012					30 Sep 2011	
	up to 1 year	1 – 5 years	5 – 10 years	Remaining term of more than 10 years	Total	Remaining term of more than 1 year	Total
				€ million			
Aircraft	357.7	785.1	248.5	—	1,391.3	1,028.2	1,377.7
Hotel complexes	203.7	405.0	69.4	10.8	688.9	535.3	859.6
Travel agencies	83.2	180.8	67.1	23.0	354.1	283.5	365.1
Administrative Buildings	49.5	133.7	76.9	66.4	326.5	297.8	351.1
Ships, Yachts and motor boats	95.4	118.8	2.0	—	216.2	188.9	269.3
Other	37.7	42.6	8.5	23.8	112.6	37.8	65.3
Total	**827.2**	**1,666.0**	**472.4**	**124.0**	**3,089.6**	**2,371.5**	**3,288.1**
Fair value	**801.1**	**1,513.4**	**365.7**	**90.1**	**2,770.3**	**1,954.2**	**2,829.2**

The fair value of Other financial commitments was determined by means of discounting future expenses using a customary market interest rate of 3.25% p. a. (previous year 4.75% p. a.). If the previous year's interest rate of 4.75% p. a. had been applied, the fair value would have been €127.5m lower.

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

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

The decrease as against 30 September 2011 results above all from the contractual payment of rental obligations for hotel and club facilities.

Financial instruments

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

In the framework of the merger of TUI's tourism activities with First Choice to form TUI Travel PLC in 2007, responsibilities were divided up differently for central cash management, which was previously managed by TUI AG alone, and central financial risk management. TUI Travel PLC performs these tasks for the Group's Tourism Segment, while TUIAG 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. As a matter of principle, all hedges by the Group are based on correspondingly recognised or future underlying transactions. Recognised standard software is used for assessing, monitoring and reporting the hedges entered into. The processes, the methods applied and the organisation of risk management are reviewed for compliance with the relevant regulations on at least an annual basis by the internal audit departments and external auditors.

Within the TUI Group, financial risks primarily arise from payment flows in foreign currencies, fuel requirements (aircraft fuel and bunker oil) and financing via the money and capital markets. In order to limit the risks from changes in exchange rates, market prices and interest rates for underlying transactions, TUI uses derivative over-the-counter financial instruments. These are primarily fixed-price transactions. In addition, TUI also uses options and structured products to a minor extent. Use of derivative financial instruments is confined to internally fixed limits and other regulations. As a matter of principle, the instruments used 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.

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 operational business of the TUI Group's companies generates payments denominated in foreign currencies, which are not always matched by congruent payments with equivalent terms in the same currency. Using potential netting effects (netting of payments made and received in the same currency with identical or similar terms), the TUI Group enters into appropriate hedges with external counterparties in order to limit the currency risk.

Currency hedges in Tourism are entered into when the calculated brochure prices have been fixed and cover 50% to 100% of the planned currency requirements for the respective tourism season, depending on the risk profile of the company concerned. The hedged volumes are changed in line with changes in planned requirements on the basis of reporting by the subsidiaries.

Currency hedging in the Cruises Sector is also based on the reports submitted by the companies. The hedges cover 80% to 100% of the reported exposure.

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 largest hedging volume in the operational business relates to US dollars. In the tourism business, payments in US dollars primarily relate to the procurement of services in non-European destinations, purchases of aircraft fuel and aircraft purchases or respective lease rates.

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 and primarily the Northern Region are mainly affected by changes in the value of the US dollar and the euro.

Currency risks within the meaning of IFRS 7 arise from primary and derivative monetary financial instruments issued in a currency other than the functional currency of a company. Exchange rate-related differences from the translation of financial statements into the Group's currency are not taken into account. Taking account of the different functional currencies within the TUI Group, the sensitivity analyses of the currencies identified as relevant risk variables are presented below.

A 10% strengthening or weakening of the respective functional currencies, primarily euro and sterling, against the other currencies would create the following effects on the revaluation reserve and earnings after tax.

Sensitivity analysis—currency risk

Variable: Foreign exchange rate	30 Sep 2012 + 10%	30 Sep 2012 − 10%	30 Sep 2011 + 10%	30 Sep 2011 − 10%
	€ million			
Exchange rates of key currencies				
€/US dollar				
Revaluation reserve	− 99.0	+ 98.6	− 90.2	+ 90.2
Earnings after income taxes	+ 3.3	− 2.7	− 2.7	+ 2.7
€/Pound sterling				
Revaluation reserve	+ 105.2	− 105.2	+ 97.5	− 97.5
Earnings after income taxes	+ 123.8	− 123.8	+ 108.7	− 108.7
Pound sterling/US dollar				
Revaluation reserve	+ 1.4	− 1.4	− 102.3	+ 102.3
Earnings after income taxes	+ 11.1	− 11.1	− 45.3	+ 45.3
€/Swiss franc				
Revaluation reserve	− 2.5	+ 2.6	+ 3.2	− 3.2
Earnings after income taxes	− 11.6	+ 11.6	+ 4.0	− 4.0
€/Swedish krona				
Revaluation reserve	+ 20.8	− 20.8	+ 16.7	− 16.7
Earnings after income taxes	− 10.1	+ 10.1	− 3.6	+ 3.6

Interest rate risk

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. For bonds issued, the fair values deviate from recognised carrying amounts. However, since these financial instruments are carried at amortised cost rather than at fair value as a matter of principle, no direct effects arise for either equity nor profit and loss.

In the period under review, the TUI Group was exposed to earnings-related risks (cash flow interest rate risks) for balance sheet items and financial derivatives.

Sensitivity analysis—interest rate risk

Variable: Interest rate level for floating interest-bearing debt and fixed-interest bearing loans	30 Sep 2012 + 100 basis points	30 Sep 2012 − 100 basis points	30 Sep 2011 + 100 basis points	30 Sep 2011 − 100 basis points
	€ million			
Revaluation reserve	+ 0.2	—	+ 1.5	− 1.1
Earnings after income taxes	− 0.8	+ 1.6	+ 2.8	− 2.2
Equity—available for sale financial instruments	—	—	− 13.6	+ 14.2

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. Hedging of market price risks from the purchase of aircraft fuel is based on the hedging model of the Tourism companies. When calculating the exposure for the season concerned, at least 80% of the exposure is hedged. Possibilities of levying fuel surcharges are taken into account.

Hedging of fuel price risks in the Cruises Sector is based on financial derivatives. At least 80% of the relevant exposure is hedged.

Sensitivity analysis—fuel price risk

Variable: Fuel prices for aircraft and ships	30 Sep 2012 + 10%	30 Sep 2012 − 10%	30 Sep 2011 + 10%	30 Sep 2011 − 10%
	€ million			
Revaluation reserve	+ 94.9	− 94.9	+ 80.8	− 84.2
Earnings after income taxes	+ 0.5	− 0.3	+ 3.5	− 3.8

Other price risk

Apart from the currency, interest rate and fuel price risk, the TUI Group is exposed to other price risks due to one-off items.

In financial year 2009/10, TUI Travel PLC issued a convertible bond for which the TUI Group entered into a buyback obligation. It is treated separately in the form of a forward transaction and included as a hedge in the framework of hedge accounting. A 10% increase or decrease in the bond price compared with the measurement as at 30 September 2012 would change the revaluation reserve by €+ 12.6m/€ − 12.6m (previous year €+ 7.8/€ − 7.8m).

Moreover, an assumed change in the underlying price of + / − 10% for the equity investment in AirBerlin would have an effect of €+ 0.5m (previous year €+ / − 0.9m) on the revaluation reserve as at 30 September 2012 or € − 0.5m on earnings after tax.

For the sensitivity analysis of the indirect shareholding in National Air Traffic Services (NATS), reference is made to the comments on the performance 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 is defined by the total of the recognised carrying amounts of the financial assets (including derivative financial instruments with positive market values) on the one hand and the granting of financial guarantees on the other. Details concerning the guarantees at the balance sheet date are presented in Note 39. Legally enforceable possibilities of netting financial assets and liabilities are taken into account. The credit risk is minimised due to the strict requirements placed on the counterparties' solvency. 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. As a matter of principle, responsibility for handling the credit risk relating to the operative business is held by the individual Group companies of the TUI Group. Depending on the type of business activity and level of the credit limit, additional monitoring and control activities are effected at Group level.

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 €2.6m (previous year €0.0m). Collateral held relates exclusively to financial assets of the category trade accounts receivable and other receivables. The collateral mainly constitutes collateral for financial receivables granted and maturing in more than one year and/or with a volume of more than €1m. Rights in rem, directly enforceable guarantees, bank guarantees and comfort letters are used as collateral.

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

At the 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 2011/12 nor in 2010/11.

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, consistently comply with contractual payment obligations and optimise the cost situation for the overall Group. The Group's liquidity requirements are determined by means of liquidity planning and are covered by committed credit lines and liquid funds so that the Group's liquidity is guaranteed at all times.

The tables provided below list the contractually agreed (undiscounted) cash flows of primary financial liabilities and derivative financial instruments.

Cash flow of financial instruments (30 Sep 2012)

		Cash in-/outflow until 30 Sep		
	2013	2014	2015-2017	as of 2017
	€ million			
Financial liabilities				
Bonds	−260.1	−21.2	−1,419.7	—
Liabilities to banks	−308.0	−213.1	−54.9	−41.3
Liabilities from finance leases	−28.5	−18.7	−65.1	−114.2
Financial liabilities due to non-consolidated Group companies	—	—	—	—
Financial liabilities due to affiliates	−1.4	—	−11.6	—
Other financial liabilities	−124.4	−12.7	−1.3	−0.2
Trade payables	−3,256.5	—	—	—
Other liabilities	−58.5	−2.2	−13.2	−1.4
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	—	—

Cash flow of financial instruments (30 Sep 2011)

		Cash in-/outflow until 30 Sep		
	2012	2013	2014 – 2016	as of 2016
	€ million			
Financial liabilities				
Bonds	−232.3	−278.7	−1,351.4	−483.5
Liabilities to banks	−138.2	−590.3	−202.5	−62.0
Liabilities from finance leases	−47.7	−17.5	−54.3	−66.5
Financial liabilities due to non-consolidated Group companies	−17.4	—	−0.2	—
Financial liabilities due to affiliates	−11.2	—	—	—
Other financial liabilities	−81.2	—	−0.5	−6.5
Trade payables	−2,973.5	—	—	—
Other liabilities	−1.1	—	—	—
Derivative financial instruments				
Hedging transactions – inflows	+6,457.2	+942.5	+17.5	—
Hedging transactions – outflows	−6,330.8	−906.6	−15.4	—
Other derivative financial instruments – inflows	+3,722.7	+90.2	—	—
Other derivative financial instruments – outflows	−3,718.5	−89.2	—	—

The cash flow analysis covers all primary and derivative financial instruments as at the balance sheet date. Planned payments for new future liabilities have not been taken into account. Where financial liabilities have a floating interest rate, the forward interest rates fixed as at the balance sheet date are applied. Financial liabilities cancellable at any time are allocated to the earliest maturity band.

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 against exposure to fluctuations in future cash flows. In the financial year under review, hedges primarily consisted of cash flow hedges.

Price hedging instruments in the form of forward transactions and options are used to limit currency, interest rate and fuel risks.

Cash flow hedges

As at 30 September 2012, underlying transactions existed to hedge cash flows in foreign currencies with maturities of up to three years (previous year up to four 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 TUIAG's variable interest payment obligations from the convertible bond issued by TUI Travel PLC, interest hedges with a term of up to two years (previous year up to three years) were concluded in financial year 2010/11.

In accounting for derivatives of cash flow hedges, the effective portion of the cumulative changes in market values is carried in the revaluation reserve outside profit and loss until the underlying transaction occurs. It is carried in the income statement through profit and loss when the hedged item is executed. In the financial year under review, income of €21.7m (previous year expenses of €20.6m) for currency hedges and derivative financial instruments used as price hedges as well as for interest hedges was carried in the cost of sales and administrative expenses. Income of €1.3m (previous year expenses of €1.3m) was carried from the ineffective portion of the cash flow hedges.

Nominal amounts of derivative financial instruments used

	30 Sep 2012			30 Sep 2011	
	up to 1 year	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
			€ million		
Interest rate hedges					
Caps	—	212.7	212.7	207.7	207.7
Swaps	—	62.7	62.7	57.7	57.7
Currency hedges					
Forwards	10,417.4	1,079.3	11,496.7	1,317.2	11,899.8
Options	22.8	77.6	100.4	—	—
Collected forwards	576.8	70.8	647.6	66.0	310.4
Commodity hedges					
Swaps	1,226.9	259.2	1,486.1	218.2	1,134.1
Options	109.7	19.8	129.5	137.5	137.5
Other financial instruments	**—**	**—**	**—**	**173.1**	**173.1**

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

As a matter of principle, 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 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 external counterparties.

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

	30 Sep 2012		30 Sep 2011	
	Receivables	Liabilities	Receivables	Liabilities
		€ million		
Cash flow hedges for currency risks	79.0	137.3	139.4	48.3
other market price risks	56.6	23.1	64.3	110.5
interest rate risks	0.2	1.7	0.4	0.2
Hedging	**135.8**	**162.1**	**204.1**	**159.0**
Other derivative financial instruments	**24.1**	**32.8**	**70.7**	**72.4**
Total	**159.9**	**194.9**	**274.8**	**231.4**

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 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

The fair value of a financial instrument is the amount for which an asset could be exchanged, sold or purchased, or a liability settled, between knowledgeable and willing parties in an arm's length transaction. Where financial instruments are listed in an active market, e. g. above all shares held and bonds issued, the fair 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 TUI Group's credit spread, which depends on its 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 2012

		Category under IAS 39						
	Carrying amount	At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss	Values according to IAS 17 (leases)	Carrying amount of financial instruments	Fair value of financial instruments
				€ million				
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	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	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

Carrying amounts and fair values according to classes and measurement categories as at 30 Sep 2011

	Carrying amount	At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss	Values according to IAS 17 (leases)	Carrying amount of financial instruments	Fair value of financial instruments
	Category under IAS 39							
	€ million							
Assets								
Available for sale financial assets	487.8	—	59.3	428.5	—	—	521.7	521.7
Trade receivables and other assets	2,360.0	730.3	—	—	33.9	—	764.2	764.2
Derivative financial instruments								
Hedging	204.1	—	—	204.1	—	—	204.1	204.1
Other derivative financial instruments	70.7	—	—	—	70.7	—	70.7	70.7
Cash and cash equivalents	1,981.3	1,981.3	—	—	—	—	1,981.3	1,981.3
Assets held for sale	24.2	24.2	—	—	—	—	24.2	24.2
Liabilities								
Financial liabilities	2,798.3	2,643.5	—	—	—	154.8	2,798.3	2,090.9
Trade payables	2,973.5	2,973.5	—	—	—	—	2,973.5	2,973.5
Derivative financial instruments								
Hedging	159.0	—	—	159.0	—	—	159.0	159.0
Other derivative financial instruments	72.4	—	—	—	72.4	—	72.4	72.4
Other liabilities	2,567.9	57.0	—	—	—	—	57.0	57.0

The financial investments classified as financial instruments available for sale include an amount of €60.9m (previous year €59.3m) 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 income of €1.2m).

Aggregation according to measurement categories under IAS 39 as at 30 Sep 2012

	At amortised cost	At cost	Fair value		Carrying amount	Fair value
			with no effect on profit and loss	through profit and loss	Total	
	€ million					
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

Aggregation according to measurement categories under IAS 39 as at 30 Sep 2011

	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
	€ million					
Loans and receivables	2,735.8	—	—	—	2,735.8	2,735.8
Financial assets						
available for sale	—	59.3	428.5	—	487.8	487.8
held for trading	—	—	—	104.6	104.6	104.6
Financial liabilities						
at amortised cost	5,674.0	—	—	—	5,674.0	5,121.4
held for trading	—	—	—	72.4	72.4	72.4

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 September 2012

	Total	Fair value hierarchy Level 1	Level 2	Level 3
	€ million			
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	—

Hierarchy of financial instruments measured at fair value as of 30 September 2011

	Total	Fair value hierarchy Level 1	Level 2	Level 3
	€ million			
Assets				
other assets held for trading	33.9	—	—	33.9
Available for sale financial assets	428.5	16.9	—	411.6
Derivative financial instruments				
Hedging transactions	204.1	—	204.1	—
Other derivative financial instruments	70.7	—	70.7	—
Liabilities				
Derivative financial instruments				
Hedging transactions	159.0	—	159.0	—
Other derivative financial instruments	72.4	—	72.4	—

The following table indicates the development of the values of Level 3 financial instruments:

Financial assets measured at fair value in level 3

Financial assets measured at fair value in level 3	30 Sep 2012 Other assets held for trading	Available for sale financial assets	Derivative financial instruments
Balance as at 1 Oct 2010	**34.2**	**527.1**	**123.3**
Additions	—	—	—
Disposals	—	—	—
repayment/sale	—	—	—
conversion	—	—	123.3
Total comprehensive income	−0.3	−115.5	—
recognised in income statement	—	−296.1	—
recognised in other comprehensive income	−0.3	180.6	—
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	—	5.1	—
recognised in other comprehensive income	3.7	−29.4	—
Balance as at 30 Sep 2012	**37.6**	**—**	**—**

A change of + 10/−10% in the determined corporate value of National Air Traffic Services (NATS), in the category held for trading, results in a €2.6m increase / €2.6m decrease in the recognition of the asset in the TUI Group, taken though profit and loss and affecting earnings after tax (previous year €+ 3.4m/€−3.4m).

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 designed in the framework of cash flow hedge accounting are listed in the statement of changes in equity.

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

Net results of financial instruments

	2011/12			2010/11		
	from interest	other net results	net result	from interest	other net results	net result
			€ million			
Loans and receivables	−1.4	18.2	16.8	52.0	−11.9	40.1
Available for sale financial assets	17.0	68.4	85.4	51.5	37.9	89.4
Financial assets and liabilities held for trading	−6.1	31.3	25.2	4.1	44.0	48.1
Financial liabilities at amortised cost	−215.4	−6.7	−222.1	−284.4	—	−284.4
Total	**−205.9**	**111.2**	**−94.7**	**−176.8**	**70.0**	**−106.8**

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 2011/12, just as in the previous year.

Capital risk management

One of the key performance indicators in the framework of capital risk management is the IFRS based gearing, i. e. the relationship between the Group’s net debt and Group equity. From a risk perspective, a balanced relation between net debt and equity is to be sought. The medium-term target of the TUI Group is for a gearing of around 100%.

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

		2011/12	2010/11
		€ million	
Average financial debt		2,989.6	3,682.3
Average cash and cash equivalent		1,655.6	1,639.9
Average Group net debt		**1,334.0**	**2,042.5**
Average Group equity		1,961.7	2,441.4
Gearing	%	**68.0**	**83.7**

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.

(42) 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 €819.1m. The corresponding amount for the prior year was €1,085.5m. This decline was mainly due to a change in the terms and conditions for customer prepayments in TUI UK, which had generated a positive one-off effect in the prior year, and lower interest received for the commitment in Container Shipping (€36.9m as against €91.4m in the prior year).

In the period under review, the cash inflow included a total of €87.7m from interest payments and €25.7m from dividends. Due to income tax payments, a cash outflow of €117.8m was carried in financial year 2011/12.

(43) Cash inflow/outflow from investing activities

In the financial year under review, the cash inflow from investing activities totalled €337.1m.

From February to April 2012, a part of the hybrid II instrument worth €225.0m granted to Container Shipping was repaid. The divestment of 17.4% of the stake in Container Shipping caused an inflow of €469.8m after deduction of transaction costs. The cash flow from investing activities includes a cash outflow for capital expenditure related to property, plant and equipment of €414.9m for the TUI Travel Group and €49.6m for the hotel companies but also a cash inflow from one-off payments from the sale of fixed assets of €132.3m for the TUI Travel Group, €10.5m for the hotel companies and €6.6m for property sold by Central Operations.

The cash outflow from investing activities also 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 €27.5m (previous year €50.7m) in financial year 2011/12. Cash and cash equivalents acquired through these acquisitions totalled around €3.4m (previous year €21.9m). 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 relating to prior-year acquisitions in the financial year under review. In the period under review, the TUI Travel Group reported a cash outflow of €30.7m for joint ventures.

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.

(44) Cash inflow/outflow from financing activities

The cash outflow from financing activities totalled €894.2m.

TUI AG paid €211.4m for the early redemption of bonds maturing in 2012 and a further €226.1m for liabilities to banks due in 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 hotel companies reported a cash outflow of €80.0m for the repayment of loans.

The cash outflow from financing activities includes the acquisition of additional shares in TUI Travel PLC by TUI AG (€18.8m). An amount of €200.1m was used for interest payments. Additional outflows relate to the dividend for TUI AG’s hybrid bond (€25.9m) and the dividends for non-controlling interests (€102.4m), in particular TUI Travel PLC and RIUSA II S.A.

(45) Development of cash and cash equivalents

Cash and cash equivalents comprise all liquid funds, i. e. cash in hand, bank balances and cheques. Due to exchange rate fluctuations, cash and cash equivalents increased by €35.1m.

As at 30 September 2012, cash and cash equivalents of €0.1bn were subject to restraints on disposal. These monies had to be deposited by tour operators due to national provisions related to the collateralisation of tourism services.

OTHER NOTES

Significant events after the balance sheet date

Following approval by the Federal Cartel Office on 25 October 2012, Leibniz-Service GmbH, a wholly-owned subsidiary of TUI AG, acquired the remaining 50.1% stake in TUI InfoTec GmbH with effect from 5 November 2012. Due to the acquisition of this stake, TUI AG now holds 100% of the shares in the IT services provider after the balance sheet date. The investment in TUI Info-Tec GmbH, carried as a joint venture until 30 September 2012, has therefore been included in consolidation since 5 November 2012.

In November 2012, TUI AG acquired a part of an exchangeable bond issued by Nero Finance Ltd. with a nominal value of €63.9m so that its liabilities to banks in connection with this exchangeable bond decreased accordingly. Following acquisitions in prior financial years, the remaining nominal amount of this exchangeable bond, maturing on 15 April 2013, is €142.4m.

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 2011/12, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, can be broken down as follows:

Services of the auditors of the consolidated financial statements

	2011/12	2010/11
	€ million	
Audit fees for TUI AG and subsidiaries in Germany	1.9	1.8
Other audit fees	—	0.3
Audit fees	**1.9**	**2.1**
Review of interim financial statements	1.0	0.9
Other audit related services	0.8	0.4
Other certification and measurement services	**1.8**	**1.3**
Consulting fees	0.1	0.9
Tax advisor services	0.1	—
Other services	**0.2**	**0.9**
Total	**3.9**	**4.3**

Remuneration of Executive and Supervisory Board members

In the financial year under review, total remuneration paid to Executive Board members totalled €14,161.7 thousand (previous year €8,932.2 thousand).

In the framework of the long-term incentive programme, the Executive Board members received a compensation of €3,327.8 thousand (previous year €1,047.5 thousand) for the financial year under review.

Pension provisions for active Executive Board members totalled €28,132.4 thousand as at the balance sheet date (previous year €24,105.8 thousand).

Total remuneration for Supervisory Board members in the financial year under review amounted to €1,356.6 thousand (previous year €1,365.9 thousand).

Remuneration for former Executive Board members or their surviving dependants totalled €3,992.6 thousand (previous year €4,409.0 thousand) in the financial year under review. Pension obligations for former Executive Board members and their surviving dependants amounted to €43,118.9 thousand (previous year €45,350.8 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.

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 purchase commitments against related parties amount to €56.0m (previous year €49.8m).

Additionally, there are commitments amounting to €76.5m (previous year €97.5m) arising from leasing and rental agreements.

Transactions with related parties

	2011/12	2010/11
	€ million	
Services provided by the Group		
Management and consultancy services	68.2	56.3
Sales of tourism services	54.8	59.7
Total	**123.0**	**116.0**
Services received by the Group		
In the framework of lease, rental and leasing agreements	21.7	26.2
Purchase of hotel services	177.2	146.8
Incoming services	13.0	8.1
Other services	43.2	77.6
Total	**255.1**	**258.7**

Transactions with related parties

	2011/12	2010/11
	€ million	
Services provided by the Group to		
joint ventures	88.6	86.3
associates	3.0	3.1
other shareholdings	—	—
other related parties	31.4	26.6
Total	**123.0**	**116.0**
Services received by the Group from		
joint ventures	241.2	245.2
associates	4.0	3.6
other related parties	9.9	9.9
Total	**255.1**	**258.7**

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 uncontrolled price methods in accordance with IAS 24.

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) held 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

	2011/12	2010/11
	€ million	
Short-term benefits	11.8	9.0
Post-employment benefits	4.0	1.4
Other long-term benefits	3.8	1.3
Termination benefits	6.7	—
Total	**26.3**	**11.7**

Post-employment benefits are transfers to pension provisions for active Executive Board members. These expenses do not meet the definition of Executive and Supervisory Board remuneration under the German accounting rules.

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 2012:

Amendments to IAS 1: Presentation of Financial Statements—Other Income

In June 2011 amendments relating to the presentation of other income were published. Accordingly, other comprehensive income has to be classified into two groups, requiring separate subtotals for those elements which may be recycled and those that will not. The option to present items of OCI either before tax or net of tax remains unchanged; however, tax associated with items presented before tax has to be shown separately for each of the two groups of OCI items. The amendments to IAS 1 are mandatory for financial years beginning on or after 1 July 2012.

Amendments to IAS 19: Employee Benefits

The amendment to the standard, published in June 2011, removes existing options for the recognition of actuarial gains and losses. As the corridor approach will no longer be permitted, actuarial gains and losses are immediately fully recognised in equity outside profit and loss. This is in line with the current approach of TUI Group. Other amendments relate to the treatment of past service cost and the presentation of the net interest result in defined benefit pension plans as well as the distinction between benefits on the occasion of a termination of the employment relationship and other employer benefits. The amended standard also entails enhanced disclosure requirements about employee benefits. The amendments to IAS 19 are applicable with retroactive effect for financial years beginning on or after 1 January 2013.

TUI is examining the effects on the presentation of the Group's net assets, financial position and results of operations.

Standards and interpretations published by the IASB but not yet transposed into EU legislation are:

Amendments to IFRS 1: First-time Adoption of IFRS: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters

These two amendments were published in December 2010. The first amendment replaced the previously applicable fixed transition date with regard to IAS 39 by a flexible transition date for first-time adopters. Another amendment relates to entities temporarily unable to meet the IFRS provisions because of hyperinflation. The amendments are not relevant for the TUI Group.

Amendments to IAS 12: Deferred Tax—Recovery of Underlying Assets

The amendments, published in December 2010, offer a practical solution to the question of recovering the carrying amount of an asset through use or sale. Deferred taxes have to be measured on the basis of the tax consequences resulting from the type of intended use of an asset. For companies with investment property measured at fair value, however, it may be difficult to assess the amount of the carrying value that can be recovered through rental income (i. e. through use) and the amount that may be recovered through sale. For the purposes of deferred tax, the presumption has now been introduced that the carrying amount of investment property, measured at fair value according to IAS 40, will usually be fully recovered through sale. The amendments to IAS 12 are mandatory for financial years beginning on or after 1 January 2012.

IFRS 9: Financial Instruments: Classification and Measurement

The purpose of the standard, published in November 2009, is to replace IAS 39 in the medium term following further revisions. For the time being, the new requirements of IFRS 9 exclusively relate to financial assets. In future, based on the individual entity's business model, these assets will only be divided into two classifications rather than four (amortised cost and fair value). According to the new standard, embedded derivatives will no longer be separated from the financial host asset but instead will be assessed with the financial host asset in its entirety, and reclassifications will no longer be permitted unless they result from changes in the individual entity's business model. In addition, aiming to simplify existing rules, the new standard only allows for one single method to determine impairments for all financial assets and provides a general ban on the reversal of impairments. It also comprises a large number of additional amendments, most of which are provided in order to simplify existing rules.

IFRS 10: Consolidated Financial Statements

The standard, newly published in May 2011, replaces the consolidation provisions of IAS 27 and supersedes SIC 12 for the consolidation of special-purpose entities with a uniform consolidation model. The new standard does not contain any amendments to accounting rules; however, the concept of control is now expanded to also include the question of consolidating special-purpose entities. There is also a new definition of control. Accordingly, control exists when an entity can exercise power over an investee, is exposed to variable returns and is able to use its power over the investee to affect the amount of these returns.

IFRS 11: Joint Arrangements

IFRS 11 was published in May 2011 and supersedes SIC 13: Jointly Controlled Entities—Non-Monetary Contributions by Venturers as well as the previous IAS 31. The standard sets out the classification of and accounting for joint operations and joint ventures. Classification as a joint arrangement is based on subsidiarity, with the definition of control in IFRS 10 having to be checked first. In the case of a joint arrangement, the further classification as a joint operation or a joint venture depends upon the rights and obligations of the parties. Jointly controlled assets are accounted for in line with the rules governing joint operations and hence continue to be recognised in relation to the joint operator's interest in a joint operation. By contrast, under IFRS 11 joint ventures now have to be accounted for using the equity method; the previous proportionate consolidation option has been eliminated.

IFRS 12: Disclosure of Interests in Other Entities

The standard, also published in May 2011, sets out minimum disclosure requirements for subsidiaries, associates, joint arrangements and unconsolidated structured entities. It constitutes a minimum framework which, however, goes beyond previous disclosure requirements. Its objective is, in particular, to ensure disclosure of the nature of, and risks associated with, interests in other entities and the effects of those interests on the financial position, financial performance and cash flows.

IFRS 13: Fair Value Measurement

The standard, published in May 2011, sets out in a single IFRS a framework for measuring fair value, previously governed by several standards. It also introduces comprehensive disclosure requirements for fair value measurements.

Amendments to IAS 27: Separate Financial Statements

Since the amendments were published in May 2011, IAS 27 now only governs accounting for investments in subsidiaries, associates and joint ventures in the investor's separate financial statements. The consolidation provisions previously contained in IAS 27 are now set out in the newly published IFRS 10.

Amendment to IAS 28: Investments in Associates and Joint Ventures

The amendments to IAS 28 were published in June 2011 and stipulate that the equity method has to be used in accounting for investments in associates and joint ventures. The provisions relating to accounting for investments in joint ventures had been included in IAS 31 until IFRS 11 was published.

IFRIC 20: Stripping Costs in the Production Phase of a Surface Mine

This standard is not relevant to TUI's consolidated financial statements.

Amendments to IAS 32: Financial Instruments—Presentation

The amendments to IAS 32, issued in December 2011, clarify that financial assets and financial liabilities may only be offset in the statement of financial position if the current right of set-off does not depend on a future event and is enforceable both in the event of ordinary business operations and in the event of default, insolvency or bankruptcy of the counterparty. The standard also sets out that gross settlement mechanisms are equivalent to net settlement if they do not result in credit or liquidity risks and the receivables and payables are processed in a single settlement process.

Amendments to IFRS 7: Financial Instruments—Disclosure

The amendments, issued in December 2011, expand existing quantitative disclosure requirements relating to financial instruments carried, offset against one another in the statement of financial position. They also comprise additional disclosure requirements for financial instruments subject to master netting arrangements, irrespective of whether or not they are set-off in accordance with IAS 32.

Amendments to IFRS 10, IFRS 12 and IAS 27: Investment entities

The amendments published in October 2012 provide investments entities with an exception to the requirement to consolidate all subsidiaries that they control in their consolidated financial statements. Rather, investment entities are required to measure particular investments at fair value. Furthermore, the amendments set out additional disclosure requirements for investment entities. The amendments are not relevant for TUI Group.

Transition guidance for IFRS 10, IFRS 11 and IFRS 12

The transition guidance, issued in June 2012, provide relief for first-time adopters. Adjusted comparative information now only has to be presented for the immediately preceding period. The requirement to present comparative information for unconsolidated structured entities for periods prior to the first-time application of IFRS 12 is removed.

Annual Improvements Project 2009 – 2011

In May 2012, provisions from the annual improvements project comprising amendments to five standards were issued. The provisions relate to minor substantive changes and above all clarifications concerning recognition, presentation and measurement.

Amendments to IFRS 1: Government loans

The amendments, issued in March 2012, govern recognition and measurement of government loans with a below-market rate of interest for first-time adoption. The amendments enable firsttime adopters to use the previous GAAP carrying amount of such loans as the carrying amount in the opening IFRS statement of financial position and prospectively measure them at fair value. The amendments are not relevant for the TUI Group.

The TUI Group is currently examining the potential impact of all relevant amendments and new provisions on its net assets, financial position and results of operations.

A decision about endorsement by the EU of these amendments and these new standards and interpretations is still pending.

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
Active Travel & Recruitment Pty Ltd, West Leederville	Australia	100.0
A&D Peru Company Limited S.A., Lima	Peru	99.9
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
Airlink International Ltd., Crawley	UK	100.0
Alcor Yachting SA, Geneva	Switzerland	100.0
Alkor Yat Turizm Isletmacileri A.S., Izmir	Turkey	99.6
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 Pinnacle Holidays Pty Limited, Fremantle	Australia	100.0
Australian Sports Tours Pty Ltd, Ballarat, Victoria	Australia	100.0
Bakers Dolphin Group Tours Limited, Crawley	UK	100.0
BAL Trustee Limited, Crawley	UK	100.0
Bass Travel Ltd., Crawley	UK	100.0
B.A.T.H. Investments Limited, Crawley	UK	100.0
BDS Destination Services Company, Cairo	Egypt	67.0
Beds on line SL, Palma de Mallorca	Spain	100.0
Berge und 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
BOSS Tours Ltd., Mississauga, Ontario	Canada	100.0
Brightspark Travel Inc, State of Delaware	US	100.0
Britannia Airways Limited, Crawley	UK	100.0

Company	Country	Capital share in %
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
Callers-Pegasus Travel Service Ltd., Crawley	UK	100.0
Caradonna Dive Adventures, Inc., State of Delaware	US	100.0
Cassata Travel s.r.l., Cefalu (Palermo)	Italy	66.0
Cel Obert SL, Sant Joan de Caselles	Andorra	100.0
Chantier Naval Raiarea Carenages Services SARL, Utoroa, Raiatea	Polynesia	100.0
Cheqqer B.V., Rijswijk	Netherlands	100.0
CHS Tour Services GmbH, Innsbruck	Austria	100.0
CHS Tour Services Ltd, Crawley	UK	100.0
Citalia Transport Limited, Crawley	UK	100.0
Clipper Cruise Line, LLC, State of Delaware	US	100.0
Club Turavia SA de CV, Cancún	Mexico	100.0
Connoisseur Belgium BVBA, Nieuwpoort	Belgium	100.0
Contentdot Company Ltd., Crawley	UK	100.0
Continental Boating Holidays Ltd, Dublin	Ireland	100.0
Corsair S.A., Rungis	France	98.9
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 Cruisers 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 SA., 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
Exclusive Destinations 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 Adventures Canada, Inc., Vancouver	Canada	100.0
FC Expeditions Canada, Inc., British Columbia	Canada	100.0

Company	Country	Capital share in %
First Choice Airways Limited, Crawley	UK	100.0
First Choice Aviation Limited, Crawley	UK	100.0
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 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 Retail (Management Services) 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
FlexiGroup Holdings Limited, Crawley	UK	100.0
FlexiGroup Travel Limited, 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
Gap Year for Grown Ups Limited, Crawley	UK	100.0
GeBeCo Gesellschaft fur internationale Begegnung und Cooperation mbH & Co. KG, Kiel	Germany	50.1
GEI/Moorings, LLC, State of Delaware	US	100.0
Gerance de L’Hotel Manganao S.R.L., Paris	France	100.0
Germanair Flugzeug Leasing GmbH, Hamburg	Germany	100.0
Globesavers Limited, Crawley	UK	100.0
Gold Case Travel Ltd., Crawley	UK	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
Hapag-Lloyd Executive GmbH, Hanover	Germany	100.0
Hayes & Jarvis Holdings Limited, St. Helier	Bailiwick of Jersey	100.0

Company	Country	Capital share in %
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
Holidays Uncovered Limited, Crawley	UK	100.0
Holidaytime Ltd., Crawley	UK	100.0
Horizon Holidays Ltd., Crawley	UK	100.0
Horizon Midlands (Properties) Ltd., Crawley	UK	100.0
Horizon Travel Centres 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 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 UK Limited, Crawley	UK	100.0
Hotelbeds USA Inc, Orlando	US	100.0
Hotelopia SL, Palma de Mallorca	Spain	100.0
Hotelreisen Limited, Crawley	UK	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 Commerce Trading AB, Stockholm	Sweden	100.0
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, SLU, Barcelona	Spain	100.0
Intercruises Shoreside & Port Services S.a.r.l., Monaco	Monaco	100.0
Intercruises Shoreside & Port Services S.a.r.l., Paris	France	100.0
International Expeditions, Inc., State of Delaware	US	100.0
Interspecialists, SLU, Palma de Mallorca	Spain	100.0
Intrav Holdings, LLC, State of Delaware	US	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 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

Company	Country	Capital share in %
Intrepid Travel Beijing Co. Ltd, Beijing	China	100.0
Intrepid Travel Cairo, Cairo	Egypt	100.0
Intrepid Travel Canada Inc, Vancouver	Canada	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
Itaria Limited, Nikosia	Cyprus (Greek part)	100.0
i-To-i, Inc., Los Angeles	US	100.0
i-To-i Placements Limited, Carrick-on-Suir, co. Tipperary	Ireland	100.0
i-To-i PTY Ltd., Sydney	Australia	100.0
i-To-i UK Limited, Crawley	UK	100.0
JetAir N.V., Oostende	Belgium	100.0
Jetair Real Estate C.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
J.S. Courtney Ltd., Crawley	UK	100.0
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
Liberty Cruise Line, LLC, State of Delaware	US	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
Lorimer Investments Ltd., Crawley	UK	100.0
I’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
L.W. Morland & Co. Ltd., Crawley	UK	100.0
Magic Connoisseurs Ltd., Crawley	UK	100.0
MAGIC LIFE DER CLUB INTERNATIONAL Turizm Hizmetleri A.S., Istanbul	Turkey	100.0
Magic Life 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

Company	Country	Capital share in %
Magic of the Orient Limited, Crawley	UK	100.0
Mala Pronta Viagens e Turismo Ltda., Curitiba	Brazil	93.3
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
Manchester Flights Ltd., Crawley	UK	100.0
Mango Event Management Limited, Crawley	UK	100.0
Maraheath Limited, Crawley	UK	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
Mariner Travel GmbH, Bad Vilbel	Germany	100.0
Mariner Travel SAS, Paris	France	100.0
Mariner Yacht Services SA, Le Marin	Morocco	100.0
Martin Rooks Limited, Crawley	UK	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 Transport Services 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, Mahe	Seychelles	100.0
Moorings Yachting SAS, Paris	France	100.0
Moorings Yat Isletmecilgi Turizm Ve Tic Ltd, Mugla	Turkey	100.0
More Sense A/S, Copenhagen	Denmark	66.7
MS Tours ApS, Copenhagen	Denmark	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
Nacka Worldwide Holding AB, Stockholm	Sweden	100.0
NACL LLC, State of Delaware	US	100.0
Nazar Nordic AB, Malmö	Sweden	100.0
New World Ship Management Company LLC, St. Louis, Missouri	US	100.0
New World Ships LLC, St. Louis, Missouri	US	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	100.0
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

Company	Country	Capital share in %
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	100.0
Pacific World Limited, Kowloon	Hong Kong	100.0
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 (Shanghai) Travel Agency Co. Limited, Shanghai	China	100.0
Pacific World Singapore Pte Limited, Singapore	Singapore	100.0
Pacific World (Thailand) Limited, Bangkok	Thailand	100.0
Paradise Hotels Management Company, Cairo	Egypt	100.0
Parador Travel Limited, Crawley	UK	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 (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
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 Shipping Pty Ltd, Melbourne	Australia	100.0
Peregrine Tours Ltd, Crawley	UK	100.0
Phoenicia Travel Ltd., Crawley	UK	100.0
Pinnacle Services Pty Limited, Fremantle	Australia	100.0
Pinnacle Tours Pty Limited, Fremantle	Australia	100.0
Pinnacle Travel Centre (1987) Pty Limited, Fremantle	Australia	100.0
Plantravel Ltd., Crawley	UK	100.0
Platinum Event Travel Limited, Crawley	UK	100.0
Pointe Gros Boeuf S.N.C., Pointe-à-Pitre	France	100.0
Port Philip Group Ltd., Crawley	UK	100.0
Porter and Haylett Limited, Crawley	UK	100.0
Portland Camping, 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
Primworth Enterprises Limited, Limassol	Cyprus (Greek part)	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
Quill Travel Services Limited, Crawley	UK	100.0
Real Travel Ltd, Crawley	UK	100.0
Real Travel Pty Ltd, Melbourne	Australia	100.0
Renwicks Travel Ltd., Crawley	UK	100.0
Republic Cruise Line, LLC, State of Delaware	US	100.0

Company	Country	Capital share in %
Revoli Star SA, San Bartolomé de Tirajana	Spain	100.0
Riviera Holidays Ltd., Crawley	UK	100.0
Robert Sibbald Travel Agents Ltd., Edinburgh	UK	100.0
Royal Tours Travel Center Luxembourg S.A., Oostende	Belgium	100.0
Sawadee Amsterdam BV, Amsterdam	Netherlands	100.0
Scan Holiday Tours Ltd., Crawley	UK	100.0
Schools Abroad Limited, Crawley	UK	100.0
SERAC Travel GmbH, Bagnes	Switzerland	100.0
Simply Travel Holdings Ltd., Crawley	UK	100.0
Simply Travel 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
Skibound Leisure Group Limited, Crawley	UK	100.0
Sky Tours Ltd., Crawley	UK	100.0
Skymead Leasing Ltd., Crawley	UK	100.0
Skymead 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
SOCIETE D'iNVESTISSEMENT ET D'EXPLOITATION DU PALADIEN DE CALCATOGGIO (S I E P A C), Paris	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	95.0
Société polynesienne promotion hotelière S.A.S, Tamanu	Polynesia	100.0
Something Special Holidays Ltd., Crawley	UK	100.0
Sons of South Sinai Tourism and Food Supply SAE, Sharm el Sheikh	Egypt	64.9
Sovereign Tour Operations Limited, Crawley	UK	100.0
Spanish Harbour Holidays Ltd., 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
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 Hotel A.S., Antalya	Turkey	100.0
Star Tour of Scandinavia Ltd., Crawley	UK	100.0
Startour-Stjernereiser AS, Stabekk	Norway	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

Company	Country	Capital share in %
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 Germany GmbH i.L., Munich	Germany	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
Suntopia Otel Hizmetleri Turizm ve Ticaret A.S., Istanbul	Turkey	100.0
Supernova Expeditions Ltd., Anguilla	Crown Colony of Anguilla	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 Lincoln Services Ltd., Crawley	UK	100.0
Team Travel Ltd., Crawley	UK	100.0
Teamlink Transport Limited, 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 SARL, Utoroa, Raiatea	Polynesia	100.0
The Moorings (St. Lucia) LTD, St. Lucia	Windward Islands St. Lucia	100.0
The Moorings (Tonga) Ltd., Tonga	Tonga	100.0
TheFirstResort Limited, Crawley	UK	100.0
TheFirstResort Operations Limited, Crawley	UK	100.0
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 Flights Ltd., 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

Company	Country	Capital share in %
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
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 Limited, Crawley	UK	100.0
Travel Services Europe Spain SL, Barcelona	Spain	100.0
Travel Turf, Inc., Allentown	US	100.0
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
Trina Tours Limited, Crawley	UK	100.0
Trips Worldwide Limited, Crawley	UK	100.0
Tropical Car Rental Pty Limited, Fremantle	Australia	100.0
Tropical Places Ltd., Crawley	UK	100.0
TT Visa Services Pte Limited, Singapore	Singapore	100.0
TTG (No. 14), Dublin	Ireland	100.0
TTG (No. 15) Limited, Crawley	UK	100.0
TTG (No. 2) Ltd., Crawley	UK	100.0
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 Germany 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

Company	Country	Capital share in %
TUI HOLDING SPAIN S.L., Barcelona	Spain	100.0
TUI Holdings (Australia) PTY Limited, Queensland	Australia	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 Holding AB, Stockholm	Sweden	100.0
TUI Nordic Specialist Holidays AB, Stockholm	Sweden	100.0
TUI Northern Europe Ltd., Crawley	UK	100.0
TUI Norway Holding AS, Stabekk	Norway	100.0
TUI Austria 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 Reisecenter Austria Business Travel GmbH, Vienna	Austria	74.9
TUI Service AG, Altendorf	Switzerland	100.0
TUI Students & Schools France S.a.r.l., Paris	France	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
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 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	56.7
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

Company	Country	Capital share in %
TUIfly Nordic AB, Stockholm	Sweden	100.0
TUIfly Vermarktungs GmbH, Langenhagen	Germany	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 Elena LDA, Albufeira	Portugal	100.0
Viking Aviation Limited, Crawley	UK	100.0
Voile Voyage SARL, Paris	France	100.0
Waymark Holidays Limited, Crawley	UK	100.0
We Love Rugby Pty Ltd, Banksia	Australia	100.0
Williment Travel Group Limited, Wellington	New Zealand	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
YOCL LLC, State of Delaware	US	100.0
Your Man Tours, Inc., El Segundo, CA	US	100.0
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	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

Company	Country	Capital share in %
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 Limited, Barking	UK	100.0
Canada Maritime Services Limited, Crawley	UK	100.0
Canadian Pacific (UK) Limited, Crawley	UK	100.0
Cast Agencies Europe Limited, Crawley	UK	100.0
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 2 Limited, Barking	UK	100.0
CPS Number 4 Limited, Crawley	UK	100.0
PM Peiner Maschinen GmbH, Hanover	Germany	100.0
Preussag Finanz – und Beteiligungs-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-Hapag Beteiligungs GmbH, Hanover	Germany	100.0
WAG Salzgitter Wohnungs-GmbH, Salzgitter	Germany	100.0
Joint Ventures and associated companies		
Tourism – TUI Travel		
Aeolos Travel LLP, Nicosia	Cyprus (Greek part)	49.9
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
DER Reisecenter TUI GmbH, Berlin	Germany	50.0
Himalayan Encounters PVT LTD, Kathmandu	Nepal	33.0
HLX Touristik GmbH, Baden-Baden	Germany	49.0

Company	Country	Capital share in %
Holiday Travel (Israel) Limited, Airport City	Israel	50.0
Intrepid Connections Investments PTY LTD, South Melbourne	Australia	50.0
Intrepid Retail Group PTY LTD, Brisbane	Australia	50.0
Intrepid Vietnam Travel Company Ltd, Hanoi	Vietnam	49.0
Le Passage to India Tours and Travels Pvt Ltd, New Delhi	India	50.0
Manahe Ltd., Quatre Bornes	Mauritius	50.0
Pollmans Tours & Safaris Ltd., 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
TUI InfoTec GmbH, Hanover	Germany	49.9
Tunisie Voyages S.A., Tunis	Tunisia	50.0
Urban Adventures Limited, Hong Kong	Hong Kong	50.0
Voukouvalides Travel & Tourism S.A., Kos	Greece	50.0
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
M.H. Cyprotel Management Ltd., Limassol	Cyprus (Greek part)	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 EI 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

Excerpt from TUI AG's group management report

The disclosures of the relevant amounts for individual Board members and further details on the remuneration system as included in Note 52 by reference to the Management Report form an integral part of the consolidated financial statements of TUI AG as of and for the financial year ended September 30, 2012.

Reproduced below, as excerpt from TUI AG's group management report as of and for the fiscal year ended September 30, 2012, are the disclosures of the relevant amounts for individual Board members and further details on the remuneration system.

Remuneration Report

Upon the proposal of the Chairman's 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.

For Executive Board members based in Germany, a new remuneration system was drawn up in the financial year ended September 30, 2010. Its purpose is to promote sustained corporate development, and it applies to new or amended service contracts. This new remuneration system was approved by TUI AG's Annual General Meeting on 17 February 2010.

Dr Frenzel's service contract was changed to the new system following the completion of the term of his current contract, which expired in March 2012. The remuneration of Mr Long, based in the UK, is fixed by the Remuneration Committee of TUI Travel.

Remuneration of the Executive Board in the financial year 2011/12

The remuneration granted to TUI AG's Executive Board members for the financial year 2011/12 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 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 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. 50% of the management bonus for the financial year 2011/12 is paid upon adoption of the annual financial statements of the Company. The remaining 50% of the 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 amount carried forward from financial years 2009/10 and 2010/11, was adjusted and paid out. This is shown as remuneration for 2011/12 in the table below.

For Dr Frenzel and Dr Engelen, the amount of the management bonus for financial year 2011/12 was determined on the basis of the adopted annual plan and contractually fixed in the respective 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.

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, and the resulting amount is paid out in cash. The maximum amount payable is limited to three times the individual target amount. The remuneration carried for the financial year under review is the fair value as at 30 September 2012 of the phantom shares granted in the completed year on the basis of an assumed degree of target achievement of 100%. However, an entitlement for a cash payment does not arise until after the completion of the four-year service period in the month following the adoption of the annual financial statements of TUI AG as at 30 September 2015 and solely depends on the degree of future target achievement for the period from 1 October 2011 to 30 September 2015. The amounts payable in cash from the phantom shares granted since financial year 2009/10 will be outlined in detail in the Remuneration Reports, starting with the Remuneration Report for financial year 2012/13.

For Dr Frenzel the entitlement from the long-term remuneration for financial year 2011/12 was determined on the basis of the adopted plan for the year and contractually fixed in the termination agreement. The entitlements of Dr Engelen for the current year and the two previous years, paid out at the end of August 2012, were determined on the basis of target achievement of 100%.

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 at 1 October 2011, Mr Long held vesting rights to 6.1m shares in TUI Travel PLC. In financial year 2011/12, 1.3m shares were allocated to Mr Long at a price of 166 pence/share on account of having achieved the performance goals established by the Remuneration Committee. Vesting rights to 0.7m shares lapsed. Mr Long was granted new vesting rights to 3.3m shares for the financial year. As at 30 September 2012, he held total vesting rights to 7.4m shares in TUI Travel PLC.

As at 1 October 2011, Mr Long also held a portfolio of 3.1 million shares in TUI Travel eligible for release. As 1.3 million units from vesting rights granted in prior years also became eligible for release and 0.6m units were sold at a price of 166 pence/share, the total amount of released shares rose to 3.8 million units as at 30 September 2012.

As at 30 September 2012 former Executive Board members held 436,927 phantom stocks of TUI AG (previous year: 281,902 phantom stocks).

Provisions totalling €7,928 thousand (previous year: €6,202 thousand) were formed to cover entitlements under the long-term incentive programme. The total expense for share-based payments and the portion attributable to each individual Executive Board member is shown in the table on Remuneration of individual Executive Board members.

Development of aggregate phantom stocks in TUI AG

	Units
Balance as at 30 Sept 2011	**538,965**
Phantom stocks granted for the 2010/11 financial year	77,436
Phantom stocks exercised	—
Increase/decrease of phantom stocks	− 155,025
Balance as at 30 Sept 2012	**461,376**

Remuneration of individual of Executive Board members

	Non-performance related	Performance related	Long-term incentive programme	Supervisory Board mandates in the Group	Individual remuneration Total 2011/12	Total 2010/11
			€'000			
Dr. Michael Frenzel (Chairman)	1,260.5	2,241.2	419.3	248.6	4,169.6	3,111.2
Horst Baier	694.0	648.8	833.6	—	2,176.4	1,215.9
Dr. Peter Engelen (until 31 Aug 2012)	654.7	851.8	1,238.1	6.5	2,751.1	1,101.8
Peter Long	1,552.6	2,675.2	836.8	—	5,064.6	3,503.3
Total	**4,161.8**	**6,417.0**	**3,327.8**	**255.1**	**14,161.7**	**8,932.2**
Previous year	4,142.9	3,356.1	1,047.5	385.7	8,932.2	

As in the prior year, the members of the executive Board did not receive any loans or advances in the financial year 2011/12.

Benefits in the event of a termination of position

1. Pension entitlements

Pensions are paid to former Executive Board members if they reach the predefined age limit or are permanently incapacitated. Since the adjustment of the service contracts as from 1 January 2010, the active executive Board members have not been entitled to receive transition payments.

Executive Board members whose service contracts were amended in 2010 receive an annual contribution to the company pension scheme agreed in the service contract. The pension contribution amounts to 22.5% of the target cash remuneration in the contribution year. The entitlements under the pension scheme operating until 2009 were redeemed by a one-off initial contribution to the company pension scheme. The contributions to the company pension scheme carried an interest rate established in the pension obligation. The interest rate currently stands at 5%. Board members usually 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

	Pension contribution
	€'000
Horst Baier	267.7
Dr. Peter Engelen	267.7

The pension for Dr Frenzel is calculated in line with his pensionable pay based on non-performance-related remuneration. Dr Frenzel's pension entitlement is €800.0 thousand per annum.

Mr Long does not have a pension entitlement vis-à-vis TUI AG. Instead of granting a pension entitlement, TUI Travel PLC pays an amount of 50% of his fixed remuneration into a pension fund. This payment is included in the amount recognised as Mr long's non-performance-related remuneration.

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 as a maximum until they reach the 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 three years.

The performance-related remuneration and the phantom stocks granted for the remainder of the contract term are based on the average remuneration received in the last three financial years. The same provision applies to the remuneration hitherto received for Supervisory Board mandates.

3. Termination and severance agreements

In order to secure a timely succession arrangement, Dr Frenzel will retire as CEO from TUI AG's Executive Board upon the close of the annual General Meeting on 13 February 2013. At the end of July 2012, the Supervisory Board approved the early termination of his appointment as executive Board member and CEO and termination of his service contract upon the close of TUI AG's ordinary annual General Meeting in 2013.

On 14 February 2013, by way of compensation for early termination of the service contract, the Company shall pay Dr Frenzel a once-off severance payment equivalent to his fixed compensation (€104.2 thousand per month) from 14 February 2013 until the regular end of his service contract on 31 March 2014 .

On 14 February 2013, Dr Frenzel shall receive the annual management bonus described in the section on remuneration of the Executive Board in the financial year 2011/12 and an annual management bonus for the financial year 2012/13 also determined on the basis of the budgeted figures, of €3,369.3 thousand (taking account of a 4.0% p. a. discount). For the financial year ended September 30, 2014, Dr Frenzel shall receive a prorated annual management bonus, expected to amount to €1,540.2 thousand, at the end of December 2014, reflecting target achievement and based on assumed compliance with the budget.

Dr Frenzel shall be 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 year 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 31 December 2016 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, TUI Deutschland GmbH, TUIfly GmbH and TUI Cruises GmbH, continued upon the completion of his service contract. Dr Frenzel shall transfer any compensation from these mandates to TUI AG.

The service contract of Mr Baier limits potential severance payments upon early termination of his service contract by the Company without good cause to an amount corresponding to two annual remuneration payments.

Mr Long's service contract can be terminated serving twelve months' notice and does not include provisions for severance payments.

4. Pension obligations

At 30 September 2012, pension obligations for active members of the executive Board totalled €28,132.5 thousand (previous year balance sheet date: €24,105.8 thousand) according to IAS 19 and €23,967.2 thousand (previous year balance sheet date €23,289.4 thousand) according to commercial law. In the period under review, an amount of €4,026.3 thousand (previous year €1,443.4 thousand) was transferred to the provision according to IAS 19, with €677.9 thousand (previous year €2,667.6 thousand) transferred according to commercial law provisions.

Pension of Executive Board members

	Addition to pension provisions			Net present value
	2011/12	2010/11	30 Sep 12	30 Sep 11
		€'000		
Dr.. Michael Frenzel (Chairman)	2,130.4	814.7	15,496.3	13,365.9
Horst Baier	909.5	353.6	5,598.2	4,688.8
Dr.. Peter Engelen (until 31 August 2012)	986.4	275.1	7,037.9	6,051.1
Total	**4,026.3**	**1,443.4**	**28,132.4**	**24,105.8**

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 obligation.

Pension provisions for former members of the Executive Board and their dependents amounted to €43,118.9 thousand (previous year: €45,350.8 thousand) as measured according to IAS 19 at the balance sheet date, and €44,698.4 thousand (previous year €45,711.3 thousand) as measured according to commercial law provisions'. In the financial year ended September 30, 2012, obligations for this group of persons decreased by €2,231.9 thousand (in 2010/11 €447.8 thousand) according to IAS 19 and €1,012.9 thousand (in 2010/11 €3,949.9 thousand) according to commercial law provisions.

In the financial year ended September 30, 2012, the remuneration paid to former Executive Board members and their surviving dependents totalled €3,992.6 thousand (previous year €4,409.0 thousand).

5. Benefits promised to Dr. Engelen in connection with the termination of his activity and granted in the course of the financial year 2011/12

In May 2012, the Supervisory Board approved the early termination of Dr Engelen's appointment as an Executive Board member and his service contract, otherwise expiring at the end of August 2013, upon the close of 31 August 2012.

On 31 August 2012, by way of compensation for early termination of the service contract, TUI AG paid Dr Engelen a severance payment amounting to €2,030.0 thousand.

Dr Engelen has acquired a vested right to a company pension. The amount of the vested pension right corresponds to the right to benefits from pension contributions granted and interest credit achieved by the retirement date.

The pension level achieved by Dr Engelen will be increased to reflect the pension contributions he would have achieved if he had continued to work for the Company until reaching his normal pensionable age. These pension contributions—like the pension level achieved—shall be subject to interest payments of 5.0% p. a. in line with the arrangement made. Taking account of pension contributions and interest received in the period until Dr Engelen reaches normal retirement age, the status of the pension account will amount to €8,436.6 thousand (1 October 2016).

The retirement capital equivalent to this pension credit is strictly to be paid in ten annual instal-ments, taking account of additional interest of 5.0% p. a. at the request by Dr Engelen, TUI AG shall make its best efforts to pay out any amounts accrued for the pension in 2014. If such a decision is taken in 2014, a minimum volume of 50% shall be paid out.

Remuneration of the Supervisory Board

The remuneration of Supervisory Board members comprises a fixed component and variable components. These are 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 €40,000, payable upon completion of the financial year, besides reimbursement of their expenses. The remuneration is prorated for parts of a financial year or a short financial year.

The Supervisory Board also receives remuneration oriented to the short-term performance of the Company of €100 per €0.01 of the earnings per share reported for the completed financial year.

The Supervisory Board members also receive remuneration related to the Company's long-term performance. This long-term variable remuneration is based on an annual base sum of €20,000. The amount is paid upon completion of the third financial year following the granting of the remuneration and increases or decreases in line with the percentage increase or decrease in earnings per share in the third year following the year for which the amount was granted. Thereby a change in earnings per share of €0.01 results in an increase or decrease of the base amount of €100. However, the sum payable may not under any circumstances exceed 250% of the base amount.

The chairman of the Supervisory Board receives three times the remuneration of a regular member, the deputy chair and the other members of the Chairman's Committee one and a half times the total remuneration of a regular member. Separate remuneration is paid for membership and chairing of committees.

The remuneration of the Supervisory Board broke down as follows:

Remuneration of the Supervisory Board

	2010/11	2009/10
	€'000	
Fixed remuneration	793.6	877.9
Short-term variable remuneration	—	—
Long-term variable remuneration	348.4	277.5
Remuneration for committee memberships	160.0	160.6
Remuneration for TUI AG Supervisory Board mandate	**1,302.0**	**1,316.0**
Remuneration for Supervisory Board mandates in the Group	54.6	49.9
Total	**1,356.6**	**1,365.9**

In addition, travel and other expenses totalling €443.2 thousand (previous year: €148.9 thousand) were reimbursed. Total remuneration of the Supervisory Board members thus amounted to €1,799.8 thousand (previous year: €1,514.8 thousand).

Remuneration of individual Supervisory Board members for the financial year 2011/12

					Individual remuneration	
	Fixed	Short-term variable	Long-term variable	Committee membership	Supervisory Board mandates in the Group	Total
				€'000		
Prof. Dr. Klaus Mangold (Chairman)	120.0	—	54.0	20.0	—	194.0
Petry Gerstenkorn (Deputy Chairwoman)	60.0	—	25.5	—	16.0	101.5
Anass Houir Alami	40.0	—	17.0	—	—	57.0
AnDr.eas Barczewski	58.6	—	29.3	—	—	87.9
Arnd Dunse	40.0	—	15.5	20.0	—	75.5
Prof. Dr. Edgar Ernst	40.0	—	18.5	60.0	—	118.5
Angelika Gifford (since 26 Mar 2012)	—	—	—	—	—	—
Frank Jakobi	60.0	—	23.2	—	—	83.2
Ingo Kronsfoth	40.0	—	15.5	20.0	11.0	86.5
Christian Kuhn	40.0	—	18.5	—	16.6	75.1
Roberto López Abad (until 15 Feb 2012)	15.0	—	9.3	—	—	24.3
Mikhail Noskov	40.0	—	18.5	—	—	58.5
Carmen Riu Güell	60.0	—	30.8	—	—	90.8
Anette Strempel	40.0	—	15.5	—	11.0	66.5
Christian Strenger	40.0	—	18.5	20.0	—	78.5
Ortwin Strubelt	40.0	—	15.5	20.0	—	75.5
Vladimir Yakushev	60.0	—	23.3	—	—	83.3
Total	**793.6**	**—**	**348.4**	**160.0**	**54.6**	**1,356.6**

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 the financial year ended September 30, 2012.

The entitlements of the Supervisory Board members under the long-term remuneration arrangement are covered by a 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 the financial year ended September 30, 2012, and thus did not receive any remuneration.

The following auditor's report (Bestätigungsvermerk) has been issued in accordance with Section 322 German Commercial Code (Handelsgesetzbuch) on the consolidated financial statements and group management report (Konzernlagebericht) of TUI AG combined with the management report (Lagebericht) of TUI AG as of and for the financial year ended September 30, 2012. The group management report combined with the management report is neither included nor incorporated by reference in this Prospectus.

INDEPENDENT AUDITOR'S REPORT

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 2011 to 30 September 2012.

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 2012 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 2011 to 30 September 2012. 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, 17 December 2012

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Prof. Dr Norbert Winkeljohann Wirtschaftsprüfer (German Public Auditor)	Sven Rosorius Wirtschaftsprüfer (German Public Auditor)

Audited Consolidated Financial Statements
of TUI AG
as of and for the financial year ended September 30, 2011

CONSOLIDATED FINANCIAL STATEMENT

	Notes	2010/11	2009/10
		€ million	
Turnover	(1)	17,480.3	16,350.1
Cost of sales	(2)	15,655.2	14,680.1
Gross profit		**1,825.1**	**1,670.0**
Administrative expenses	(2)	1,508.8	1,536.0
Other income/other expenses	(3)	+ 77.1	+ 53.6
Impairment of goodwill	(4)	—	18.2
Financial income	(5)	254.3	319.0
Financial expenses	(6)	493.8	481.2
Share of result of joint ventures and associates	(7)	+ 52.9	+ 170.6
Earnings before income taxes		**206.8**	**177.8**
Reconciliation to underlying earnings:			
Earnings before income taxes		206.8	177.8
plus: Loss (previous year gain) on Container Shipping measured at equity		2.1	− 150.3
less: Gain on measurement of financial instruments with Container Shipping		− 51.2	− 135.0
plus: Net interest expense and expense from the measurement of interest hedges		286.8	304.8
plus: impairment of goodwill		—	18.2
Group EBITA		444.5	215.5
Adjustments:	(8)		
less: Gains on disposals		—	− 24.0
plus: Restructuring expense		70.8	124.9
plus: Expense from purchase price allocation		96.1	69.8
less: income (previous year expense) from other one-off items		− 11.3	203.0
Underlying Group EBITA		**600.1**	**589.2**
Earnings before income taxes		**206.8**	**177.8**
Income taxes	(9)	88.6	64.2
Group profit for the year		**118.2**	**113.6**
Group profit for the year attributable to shareholders of TUI AG	(10)	+ 23.9	+ 101.8
Group profit for the year attributable to non-controlling interest	(11)	+ 94.3	+ 11.8
Group profit for the year		**118.2**	**113.6**

Earnings per share

	Notes	2010/11	2009/10
		€	
Basic and diluted earnings per share	(12)	− 0.01	+ 0.30

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2010/11	2009/10
		€ million	
Group profit		**118.2**	**113.6**
Foreign exchange differences		− 45.5	78.8
Foreign exchange differences		− 72.0	127.2
Reclassification/adjustments		26.5	− 48.4
Financial instruments available for sale		176.1	4.6
Changes in the fair value of financial instruments available for sale		238.1	4.6
Reclassification/adjustments		− 62.0	—
Cash flow hedges		105.5	95.8
Changes in the fair value of cash flow hedges		111.9	96.8
Reclassification/adjustments		− 6.4	− 1.0
Actuarial losses from pension provisions and related fund assets		− 102.2	− 77.4
Changes in the measurement of companies measured at equity		− 25.7	13.2
Changes in the measurement outside profit or loss		− 13.3	13.2
Reclassification/adjustments		− 12.4	—
Taxes attributable to other comprehensive income	(13)	− 21.9	3.2
Other comprehensive income		**86.3**	**118.2**
Total comprehensive income		**204.5**	**231.8**
attributable to shareholders of TUI AG		+ 133.6	+ 245.6
attributable to non-controlling interest		+ 70.9	− 13.8
Total comprehensive income		**204.5**	**231.8**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 Sep 2011	30 Sep 2010 revised	1 Oct 2009 revised
			€ million	
Assets				
Goodwill	(14)	2,907.2	2,862.6	2,712.3
Other intangible assets	(15)	856.6	907.2	887.9
Investment property	(16)	59.2	66.2	76.7
Property, plant and equipment	(17)	2,445.1	2,499.8	2,370.9
Investments in joint ventures and associates	(18)	1,735.5	1,775.2	1,184.0
Financial assets available for sale	(19)	487.8	612.0	105.0
Trade receivables and other assets	(20)	409.1	334.8	1,369.0
Derivative financial instruments	(21)	43.6	165.3	111.4
Deferred tax asset	(22)	163.5	133.6	277.9
Non-current assets		**9,107.6**	**9,356.7**	**9,095.1**
Inventories	(23)	106.7	89.5	81.5
Trade receivables and other assets	(20)	1,950.9	2,328.2	2,066.6
Derivative financial instruments	(21)	231.2	203.3	338.1
Current tax asset	(22)	90.0	71.1	21.2
Cash and cash equivalents	(24)	1,981.3	2,274.3	1,452.0
Assets held for sale	(25)	24.2	292.4	405.7
Current assets		**4,384.3**	**5,258.8**	**4,365.1**
		13,491.9	**14,615.5**	**13,460.2**

	Notes	30 Sep 2011	30 Sep 2010 revised	1 Oct 2009 revised
			€ million	
Equity and liabilities				
Subscribed capital	(26)	643.5	643.1	642.8
Capital reserves	(27)	956.1	913.5	871.3
Revenue reserves	(28)	575.6	489.5	356.7
Hybrid capital	(29)	294.8	294.8	294.8
Equity before non-controlling interest		**2,470.0**	**2,340.9**	**2,165.6**
Non-controlling interest	(30)	77.8	93.3	75.2
Equity		**2,547.8**	**2,434.2**	**2,240.8**
Pension provisions and similar obligations	(31)	878.2	878.5	838.6
Other provisions	(32)	548.6	520.2	482.8
Non-current provisions		**1,426.8**	**1,398.7**	**1,321.4**
Financial liabilities	(33)	2,324.7	2,827.5	3,175.1
Derivative financial instruments	(35)	73.7	47.8	78.7
Current tax liabilities	(36)	117.2	114.5	169.5
Deferred tax provisions	(36)	120.7	80.2	181.3
Other liabilities	(37)	105.1	86.4	101.2
Non-current liabilities		**2,741.4**	**3,156.4**	**3,705.8**
Non-current provisions and liabilities		**4,168.2**	**4,555.1**	**5,027.2**
Pension provisions and similar obligations	(31)	35.9	32.8	29.8
Other provisions	(32)	471.9	383.5	287.0
Current provisions		**507.8**	**416.3**	**316.8**
Financial liabilities	(33)	473.6	1,684.4	539.7
Trade payables	(34)	2,973.5	2,847.4	2,640.8
Derivative financial instruments	(35)	157.7	147.4	363.4
Current tax liabilities	(36)	198.3	138.0	89.4
Other liabilities	(37)	2,462.8	2,296.8	2,061.9
Current liabilities		**6,265.9**	**7,114.0**	**5,695.2**
Liabilities related to assets held for sale	(38)	**2.2**	**95.9**	**180.2**
Current provisions and liabilities		**6,775.9**	**7,626.2**	**6,192.2**
		13,491.9	**14,615.5**	**13,460.2**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Subscribed capital (26)	Capital reserves (27)	Other revenue reserves	Foreign exchange differences	Financial instruments available for sale	Cash flow hegdes	Revaluation reserve	Reserve according to IAS 19	Revenue reserves (28)	Hybrid capital (29)	Equity before non-controlling interest	Non-controlling interest (30)	Total
							€ million						
Balance as at 1 Oct 2009 (revised)	**642.8**	**871.3**	**1,461.5**	**− 815.8**	**− 1.2**	**− 92.9**	**19.4**	**− 214.3**	**356.7**	**294.8**	**2,165.6**	**75.2**	**2,240.8**
Dividend payments	—	—	—	—	—	—	—	—	—	—	—	− 84.8	− 84.8
Hybrid capital dividend	—	—	− 25.9	—	—	—	—	—	− 25.9	—	− 25.9	—	− 25.9
Share-based payment schemes of TUI Travel PLC	—	—	12.7	—	—	—	—	—	12.7	—	12.7	10.2	22.9
Issue of employee shares	0.3	0.4	—	—	—	—	—	—	—	—	0.7	—	0.7
Issue of convertible bonds	—	41.8	—	—	—	—	—	—	—	—	41.8	93.8	135.6
Reduction of capital	—	—	—	—	—	—	—	—	—	—	—	− 2.2	− 2.2
Effects on the acquisition of non-controlling interests			− 93.0			− 2.9		− 3.7	− 99.6		− 99.6	14.9	− 84.7
Other comprehensive income	—	—	12.1	157.6	6.8	38.9	0.2	− 71.8	143.8	—	143.8	− 25.6	118.2
Group profit for the year	—	—	101.8	—	—	—	—	—	101.8	—	101.8	11.8	113.6
Total comprehensive income	—	—	113.9	157.6	6.8	38.9	0.2	− 71.8	245.6	—	245.6	− 13.8	231.8
Balance as at 30 Sep 2010	**643.1**	**913.5**	**1,469.2**	**− 658.2**	**5.6**	**− 56.9**	**19.6**	**− 289.8**	**489.5**	**294.8**	**2,340.9**	**93.3**	**2,434.2**
Dividend payments	—	—	—	—	—	—	—	—	—	—	—	− 141.1	− 141.1
Hybrid capital dividend	—	—	− 25.9	—	—	—	—	—	− 25.9	—	− 25.9	—	− 25.9
Share-based payment schemes of TUI Travel PLC	—	—	12.0	—	—	—	—	—	12.0	—	12.0	9.4	21.4
Issue of employee shares	0.4	0.7	—	—	—	—	—	—	—	—	1.1	—	1.1
Issue of convertible bonds	—	41.9	—	—	—	—	—	—	—	—	41.9	2.6	44.5
First-time consolidation	—	—	24.8	—	—	—	—	—	24.8	—	24.8	20.1	44.9
Deconsolidation	—	—	—	—	—	—	—	—	—	—	—	− 0.7	− 0.7
Effects on the acquisition of non-controlling interests	—	—	− 25.9	—	—	− 0.8	—	− 1.3	− 28.0	—	− 28.0	− 7.1	− 35.1
Effects on the transfer to non-controlling interests	—	—	− 21.9	− 8.4	—	− 0.1	—	—	− 30.4	—	− 30.4	30.4	—
other comprehensive income	—	—	− 25.8	− 23.6	176.0	36.8	—	− 53.7	109.7	—	109.7	− 23.4	86.3
Group profit for the year	—	—	23.9	—	—	—	—	—	23.9	—	23.9	94.3	118.2
Total comprehensive income	—	—	− 1.9	− 23.6	176.0	36.8	—	− 53.7	133.6	—	133.6	+ 70.9	204.5
Balance as at 30 Sep 2011	**643.5**	**956.1**	**1,430.4**	**− 690.2**	**181.6**	**− 21.0**	**19.6**	**− 344.8**	**575.6**	**294.8**	**2,470.0**	**77.8**	**2,547.8**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2010/11	2009/10	Var.
			€ million	
Group profit		118.2	113.6	4.6
Depreciation, amortisation and impairments (+) / write-backs (−)		412.2	456.5	−44.3
Other non-cash expenses (+) / income (−)		−112.7	−310.8	198.1
Interest expenses (excl. interest relating to pension obligations)		367.7	352.2	15.5
Profit (−) / loss (+) from disposals of non-current assets		−47.0	6.5	−53.5
Increase (−) / decrease (+) in inventories		−16.2	0.9	−17.1
Increase (−) / decrease (+) in receivables and other assets		80.1	178.2	−98.1
Increase (+) / decrease (−) in provisions		101.5	−213.0	314.5
Increase (+) / decrease (−) in liabilities (excl. financial liabilities)		181.7	234.0	−52.3
Cash inflow from operating activities	(42)	**1,085.5**	**818.1**	**267.4**
Payments received from disposals of property, plant and equipment, investment property and intangible assets		456.6	67.3	389.3
Payments received from disposals of consolidated companies (excl. disposals of cash and cash equivalents due to divestments)		—	—	—
Payments received from the disposals of other non-current assets		951.5	236.8	714.7
Payments made for investments in property, plant and equipment, investment property and intangible assets		−444.8	−302.4	−142.4
Payments made for investments in consolidated companies (excl. cash and cash equivalents received due to acquisitions)		−50.7	−67.6	16.9
Payments made for investments in other non-current assets		−37.2	−235.2	198.0
Cash inflow / outflow from investing activities	(43)	**875.4**	**−301.1**	**1,176.5**
Payments received from capital increases		0.6	0.4	0.2
Payments made for interest increase in consolidated companies		−34.8	−142.6	107.8
Payments made for capital reductions		—	−2.2	2.2
Dividend payments		—	—	—
TUI AG		−25.9	−25.9	—
subsidiaries to non-controlling interest		−141.1	−85.4	−55.7
Payments received from the issue of bonds and the raising of financial liabilities		524.1	1,245.0	−720.9
Payments made for redemption of loans and financial liabilities		−2,304.1	−454.7	−1,849.4
Interest paid		−268.0	−251.3	−16.7
Cash outflow/inflow from financing activities	(44)	**−2,249.2**	**283.3**	**−2,532.5**
Net change in cash and cash equivalents		**−288.3**	**800.3**	**−1,088.6**
Development of cash and cash equivalents	(45)			
Cash and cash equivalents at beginning of period		**2,274.3**	**1,458.3**	**816.0**
Change in cash and cash equivalents due to exchange rate fluctuations		−4.7	15.7	−20.4
Change in cash and cash equivalents with cash effects		−288.3	800.3	−1,088.6
Cash and cash equivalents at end of period		**1,981.3**	**2,274.3**	**−293.0**

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 an annex to the Notes in the section on 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, audited 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 5 December 2011.

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 the European Commission has transposed them into national legislation in the framework of the endorsement process. Moreover, the commercial-law provisions listed in section 315a (1) of the German Commercial Code are also observed.

The following standards and interpretations revised or newly published by the IASB have been mandatory since the beginning of financial year 2010/11:

- Revision of IFRS 1: First-time Adoption of International Financial Reporting Standards
- Amendments to IFRS 1: Additional Exemptions for First-time Adopters
- Amendments to IFRS 1: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
- Amendments to IFRS 2: Group Cash-Settled Share-based Payment Transactions
- IAS 32: Classification of Rights Issues
- Improvements to IFRS (2009)
- Improvements to IFRS (2010) concerning clarification of effective dates and transition for IAS 21, IAS 28, IAS 31, IFRS 7, IAS 32 and IAS 39 resulting from amendments to IFRS 3 (rev.), and two other amendments to IFRS 3 itself.
- IFRIC 15: Agreements for the Construction of Real Estate
- IFRIC 17: Distributions of Non-cash Assets to Owners
- IFRIC 18: Transfers of Assets from Customers
- IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments

The revision of IFRS 1 exclusively embraced structural amendments to enhance the clarity of the standard. The other amendments to IFRS 1 relate to additional exemptions from the fundamentally obligatory retrospective application of all standards and interpretations applicable at the closing date as the date of the first-time preparation of IFRS-based financial statements. IFRS 1 was also amended to relieve first-time adopters from providing the comparative prior-period information required by IFRS 7 for comparative periods ending before 31 December 2009.

The amendments to IFRS 2 set out that entities receiving goods or services in a share-based payment arrangement must account for those goods and services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.

The amendment to IAS 32 clarifies that rights, options and warrants offered for a fixed number of own shares in return for a fixed amount of foreign currency have to be accounted for as equity if such rights are issued pro rata to all existing shareholders in the same class.

The provisions of the Annual Improvements Project (2009) comprise minor contents-related changes and, above all, clarifications concerning the recording, presentation and valuation of items in the financial statements.

The following provisions of the Annual Improvements Project (2010) are mandatory for the current financial year:

- Follow-up amendments with regard to the effective dates for IAS 21, IAS 28 and IAS 31 as a result of amendments to IAS 27 in the framework of Business Combinations Phase II
- Clarification concerning transition requirements in IFRS 7, IAS 32 and IAS 39 as a result of amendments to IFRS 3 (rev.)
- Amendments to IFRS 3 in connection with the measurement of non-controlling interests and accounting for unreplaced and voluntarily replaced share-based awards

The application of the above-mentioned amendments to IFRS provisions either does not affect the TUI Group’s net assets, financial position and results of operations or has no relevance for the TUI Group.

IFRIC 15 (Agreements for the Construction of Real Estate) provides guidance on how to determine whether revenue from an agreement for the construction of real estate is within the scope of IAS 11 or IAS 18 and thus has to be recognised accordingly in the financial statements of the real estate developer. If the developer is selling completed apartments or houses, the revenue is recognised according to IAS 18 following the agreed transfer of the risks and rewards of ownership. This usually corresponds to completion of the real estate. If, however, the buyer has a material influence on the specification of the product, the revenue is recognised on a percentage-of-completion basis according to IAS 11. This provision is not currently relevant to the TUI Group. Potential effects on future financial statements will be taken into account accordingly.

IFRIC 17 (Distributions of Non-cash Assets to Owners) determines that a dividend payable should be recognised when the dividend is appropriately authorised and should be measured at the fair value of the non-cash assets to be distributed. Any difference between the carrying amount and the fair value of the assets should be recognised in profit or loss.

IFRIC 18 (Transfers of Assets from Customers) deals with the accounting for and recognition of revenue from agreements in which an entity receives from a customer assets or cash in advance that must be used to acquire assets in order for the customer to be able to obtain the service (e.g. connection to the grid for supplies of electricity, gas or water).

IFRIC 19 (Extinguishing Financial Liabilities with Equity Instruments) addresses accounting by the debtor when the terms of a financial liability are renegotiated with the creditor so that a financial liability is extinguished in full or in part by the issue of equity instruments (debt for equity swaps) if the creditor is an independent third party. The equity instruments now have to be measured at their fair value and the difference between the carrying amount of the financial liability extinguished and the initial measurement amount has to be included in the entity’s profit or loss for the period.

Application of these new interpretations currently does not affect the TUI Group’s net assets, financial position and results of operations, or is not relevant for the TUI Group.

Summary of new standards and interpretations not yet applied/applicable

Standard/Interpretation		Applicable for financial years from	Endorsement by the EU commission
Standard			
IAS 24 (rev.)	Related Party Disclosures	1 Jan 2011	Yes
various	Improvements to IFRSs (2010)	1 Jan 2011	Yes
IFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 Jul 2011	No
IFRS 7	Financial Instruments – Disclosure: Transfer of financial assets	1 Jul 2011	No
IAS 1	Presentation of Financial Statements: Other comprehensive income	1 Jul 2012	No
IAS 12	Deferred Tax: Recovery of Underlying Assets	1 Jan 2012	No
IFRS 9	Financial Instruments (will replace IAS 39: Financial Instruments: recognition and measurement)	1 Jan 2013	No
IFRS 10	Consolidated Financial Statements	1 Jan 2013	No
IFRS 11	Joint Arrangements	1 Jan 2013	No
IFRS 12	Disclosures of Interests in Other Entities	1 Jan 2013	No
IFRS 13	Fair Value Measurement	1 Jan 2013	No
IAS 19	Employee benefits	1 Jan 2013	No
IAS 27	Separate Financial Statements	1 Jan 2013	No
IAS 28	Investments in Associates and Joint Ventures	1 Jan 2013	No
Interpretation			
IFRIC 14	Prepayments of a Minimum Funding Requirement of Pension Plans	1 Jan 2011	Yes
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1 Jan 2013	No

Comments concerning the contents and potential impacts on future periods are presented under Other Notes.

Changes in recognition

Existing income tax liabilities and future income tax charges are now carried as a single line item under liabilities. They are no longer shown separately as income tax provisions and income tax liabilities. IAS 12 itself does not distinguish between income tax provisions and liabilities; however, the current accounting practice gives preference to recognition as a single line item under liabilities. This approach gave rise to the following reclassifications in the consolidated statement of financial position:

Impact on the consolidated statement of financial position

	30 Sep 2011	30 Sep 2010	1 Oct 2009
		€ million	
Current tax provisions – long-term	− 117.2	− 114.5	− 169.5
Deferred tax provisions – long-term	− 120.7	− 80.2	− 181.3
Non-current provisions	**− 237.9**	**− 194.7**	**− 350.8**
Current tax liability – long-term	+ 117.2	+ 114.5	+ 169.5
Deferred tax liability – long-term	+ 120.7	+ 80.2	+ 181.3
Non-current liabilities	**+ 237.9**	**+ 194.7**	**+ 350.8**
Non-current provisions and liabilities	**—**	**—**	**—**
Current tax provision – short-term	− 198.1	− 137.8	− 85.9
Current provisions	**− 198.1**	**− 137.8**	**− 85.9**
Current tax liabilities – short-term	+ 198.3	+ 138.0	+ 89.4
Other liabilities – from income taxes	− 0.2	− 0.2	− 3.5
Current liabilities	**+ 198.1**	**+ 137.8**	**+ 85.9**
Current provisions and liabilities	**—**	**—**	**—**
Total equity and liabilities	**—**	**—**	**—**

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 single-entity financial statements of TUI AG and its subsidiaries, drawn up on the basis of uniform accounting, measurement and consolidation methods and, as a rule, 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 42 companies with a financial year from 1 January to 31 December, seven 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 2010/11, the consolidated financial statements included a total of 45 domestic and 721 foreign subsidiaries, besides TUI AG.

A total of 34 domestic and 72 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 Group companies measured at equity

	Balance 30 Sep 2010	Additions	Disposals	Balance 30 Sep 2011
Consolidated subsidiaries	**748**	**58**	**40**	**766**
Domestic companies	45	1	1	45
Foreign companies	703	57	39	721
Associated companies	**18**	**2**	**3**	**17**
Domestic companies	4	2	1	5
Foreign companies	14	—	2	12
Joint ventures	**36**	**4**	**—**	**40**
Domestic companies	7	—	—	7
Foreign companies	29	4	—	33

1) excl. TUI AG

Since 1 October 2010, a total of 58 companies have been newly included in consolidation, with three companies added due to an expansion of their business operations and 36 companies due to acquisitions, while 19 companies had been newly established. All additions relate to the Tourism Segment.

Since 30 September 2010, a total of 40 companies have been removed from consolidation, all of which related to the Tourism Segment. Five of the companies were removed from consolidation due to mergers, 31 due to liquidation and three due to divestments. One company was deconsolidated due to a reduction of its business operations.

A total of 17 associated companies and 40 joint ventures were measured at equity. Due to purchase of interests, the group of joint ventures measured at equity rose by a total of four year-on-year. The newly included associated companies were included in at equity measurement due to the formation of new companies or the purchase of interests. The removals consisted of one company divested as well as two companies no longer included in at equity measurement due to a reduction of their business operations.

The major direct and indirect subsidiaries, associates and joint ventures of TUI AG are listed under "Other Notes—Major subsidiaries, associated companies and joint ventures of the TUI Group."

The effects of the changes in the group of consolidated companies in financial year 2010/11 on financial years 2010/11 and 2009/10 are outlined below. While balance sheet values of companies deconsolidated in financial year 2010/11 are shown as per the closing date for the previous period, items of the income statement are also shown for financial year 2010/11 due to prorated effects.

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

	Additions 30 Sep 2011	Disposals 30 Sep 2010
	€ million	
Non-current assets	79.6	1.2
Current assets	38.1	1.2
Non-current provisions	1.0	—
Non-current financial liabilities	2.1	—
Current financial liabilities	1.0	—
Non-current other liabilities	2.6	—
Current other liabilities	41.2	1.0

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

	Additions 2010/11	2010/11	Disposals 2009/10
		€ million	
Turnover with third parties	74.7	1.2	1.6
Turnover with consolidated Group companies	—	—	0.1
Cost of sales and administrative expenses	67.9	1.5	1.7
Financial expenses	0.2	—	—
Earnings before income taxes	**6.6**	**− 0.3**	**—**
Income taxes	1.5	− 0.2	—
Group profit for the year	**5.1**	**− 0.1**	**—**

Acquisitions—divestments

In financial year 2010/11, companies and business lines were acquired at acquisition costs totalling around €76.7m.

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
Top Class – European Cruise Services S.a.r.l., Monaco	Cruise handling	Trina Group Limited	1 Oct 2010	100%	0.5
Centrum Podróży SA, Warsaw	Travel agent	TUI Poland sp Zoo	8 Dec 2010	100%	1.7
Travel shop business in Austria	Travel agent	TUI Austria Holding GmbH	1 Oct – 31 Dec 10	n. a.	2.6
Lima Tours S.A.C., Peru	Tour operator	Trina Group Limited	21 Jan 2011	100%	6.2
Travel & More GmbH, Germany	Travel agent	TUI Leisure Travel GmbH	1 Mar 2011	100%	0.2
Intrepid Travel Group Limited (23 companies)	Tour operator	TUI Travel SAS Adventure Limited	4 Apr 2011	60%	42.8
TMS Gateway (six companies)	Cruise handling	Intercruises Shoreside & Port Services Inc.	2 Jun 2011	100%	14.8
Great Atlantic Travel and Tour Inc, Virginia	Tour operator	First Choice Holdings Inc	2 Jun 2011	75%	0.2
English Language Centre York Limited, York	Language teaching	TUI Travel SAS Holdings Limited	1 Jul 2011	100%	3.4
27 Travel shops in Germany and one Travel shop in Austria	Travel agent	TUI Leisure Travel GmbH	1 Oct 2010 – 30 Sep 11	n. a.	4.3
Total					**76.7**

The acquisitions of travel agencies in Germany and Austria were carried out in the form of asset deals.

On 4 April 2011, the TUI Group acquired a 60% stake in Intrepid Travel Group Limited, Australia. Following the transfer of parts of TUI's adventure business and the Intrepid activities to the newly formed PEAK Group, the TUI Group now holds 60% of the shares in the PEAK Group following issuance of 40% of the shares to the previous shareholders of the Intrepid Group.

The transfer of parts of TUI's adventure travel business had to be treated as a transaction under common control in accordance with IFRS 3; it was therefore expressly excluded from the scope of IFRS 3 with regard to the parts of TUI's adventure travel business. The disposal of the 40% stake in parts of TUI's adventure travel business was carried as a transaction among investors in accordance with IAS 27.

The equity of the Intrepid Group, provisionally determined as at the acquisition date, is equivalent to €1.5m. In accordance with IFRS 3, the fair values of the acquired assets, liabilities and contingent liabilities, as well as the values of the consideration transferred, have only been determined on a provisional basis because of the short period that has elapsed since the acquisition of the Intrepid

Group. The prorated net assets of TUI's transferred adventure travel business, measured at fair value as at the date of the interest swap, were equivalent to €42.8m. The consideration transferred was offset against the prorated provisionally remeasured assets; as a result, goodwill of €42.4m was capitalised in the consolidated statement of financial position.

In the period from April to September, the Intrepid Group generated turnover worth the equivalent of €43.2m and a profit contribution of €2.3m. If the Intrepid Group had already been included in consolidation since 1 October 2010, the turnover would have been €30.2m higher, while the additional effect on Group earnings would have been immaterial.

The consideration transferred for the remaining acquisitions in some cases includes the fair value of contingent consideration, i.e. consideration depending on the future development of business (€7.3m in total), apart from the purchase price already paid.

The difference arising between the consideration transferred and the remeasured acquired net assets of €20.8m (after foreign exchange differences) 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 €3.9m expected to be tax-deductible.

Fair values of considerations transferred

	€ million
Purchase price paid	26.6
Net assets of TUI'S adventure travel business	42.8
Deferred or contingent consideration	7.3
Total	**76.7**

In accordance with the amended provisions of IFRS 3, incidental acquisition costs of €13.0m and the remuneration for future services of employees of the acquired companies (up to €9.5m) are carried as administrative expenses in the income statement. In the period under review, this resulted in total expenses of €15.5m.

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

	Fair value at date of first-time consolidation
	€ million, translated
Intangible assets	21.1
Property, plant and equipment	1.9
Investments	2.8
Fixed assets	**25.8**
Trade receivables	22.3
Other assets (including prepaid expenses)	3.0
Cash and cash equivalents	12.5
Deferred income tax provisions	1.7
Other provisions	1.3
Financial liabilities	2.2
Liabilities and deferred income	43.8
Equity	**14.6**

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

Other acquisitions contributed around €31.5m in total to consolidated turnover in the period under review as from the individual acquisition dates. Their effect on the Group result was €2.8m. If these companies had already been included in the consolidated financial statements since 1 October 2010, turnover would have been €17.9m higher; the additional effect on the Group result would have been immaterial.

The present annual financial statements reflect purchase price allocations for the following companies and groups acquired between 1 October 2009 and 30 September 2010, and finalised within the twelve-month time frame provided under IFRS 3:

- Select World Pty Ltd., Australia
- Sport Executive Travel-Group, UK
- The Hampstead School of English Ltd., UK
- TUI Travel Hotel Management Services Ltd., Turkey
- TURKUAZ Insaat Turizm A.S., Turkey
- Hilario Tours S.A., Dominican Republic
- Wonderholding-Group, Sweden
- Manchester Academy-Group, UK
- Tortola Yacht Services Limited, UK
- 23 travel agencies in Germany
- Other acquisitions (8 companies in total)

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 2009/10

	Carrying amounts at date of acquisition	Revaluation of assets and liabilities	Carrying amounts at date of first-time consolidation
		€ million	
Other intangible assets	0.1	48.5	48.6
Property, plant and equipment	17.3	1.8	19.1
Fixed assets	**17.4**	**50.3**	**67.7**
Inventories	0.4	—	0.4
Receivables and other assets including deferred tax receivables	4.2	−0.1	4.1
Cash and cash equivalents	5.8	—	5.8
Deferred tax provisions	0.2	3.3	3.5
Other provisions	3.6	−0.4	3.2
Financial liabilities	8.1	—	8.1
Liabilities and deferred income	42.5	—	42.5
Equity	**−26.6**	**47.3**	**20.7**

The goodwill arising in the consolidated statement of financial position from the elimination of the acquisition costs against the acquiree's revalued equity attributable to the acquired share rose by €1.1m as against 30 September 2010, due to changes in the purchase price allocation. Capitalised goodwill essentially represents a portion of the expected synergy and profit potential.

Taking account of the changes in purchase price allocation, the following changes in the consolidated statement of financial position arose as at 30 September 2010:

Impact of changes in purchase price allocations and adjustments on the consolidated statement of financial position

	Adjustment 30 Sep 2010
	€ million
Goodwill	+ 1.1
Other intangible assets	− 0.4
Property, plant and equipment	+ 0.1
Non-current assets	**+ 0.8**
Trade accounts receivable and other receivables	+ 1.1
Other assets (including prepaid expenses)	+ 0.1
Cash and cash equivalents	+ 0.2
Current assets	**+ 1.4**
Other provisions	− 0.3
Non-current provisions and liabilities	**− 0.3**
Other liabilities	+ 2.5
Current liabilities	**+ 2.5**

These final purchase price allocations did not have any major effects on the consolidated statement of financial position as at 30 September 2010 or the consolidated income statement for the prior-year period.

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

Foreign exchange differences

Transactions in foreign currencies are translated into the functional currency at the foreign exchange rates applicable 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 applicable 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, 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 of the fair value arising on the acquisition of a foreign company are treated as assets and liabilities of the foreign company and also translated at the mean rate of exchange applicable at the balance sheet date. As a matter of principle, the items of the income statement and hence the profit for the year shown in the income statement are 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 the carrying amount of the shareholding 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 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.

Net investment in a foreign operation

Monetary items receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, form part of a net investment in this foreign operation. Foreign exchange differences from the translation of these monetary items are carried in other comprehensive income, i.e. recognised directly in equity outside profit and loss.

Exchange rates of currencies of relevance to the TUI Group

	Closing rate		Annual average rate	
	30 Sep 2011	30 Sep 2010	2010/11	2009/10
	1 € equivalent			
Sterling	0.87	0.86	0.87	0.87
US dollar	1.35	1.36	1.39	1.36
Swiss franc	1.22	1.33	1.26	1.43
Swedish krona	9.26	9.19	9.06	9.83

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 IAS 21. 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 or 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 does not only comprise the difference between the carrying amounts of the disposed stakes and the consideration received, but also the effect from 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 acquisition cost 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 the Group equity attributable to the stake, including any foreign exchange differences previously carried outside profit and loss, differences from the revaluation reserve, the reserve for changes in the value of financial instruments as well as eliminated interim profits, 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 of acquisition 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 as a matter of principle. 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 and companies measured at equity are eliminated in full 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, restatements are made as a matter of principle.

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 may be 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

The financial statements of the subsidiaries included in the Group are prepared in accordance with uniform accounting and measurement principles. The amounts stated 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 IASB rules.

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.

As a matter of principle, 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 customer or, at the latest, at the date of departure. The services of tour operators mainly consist in organising and coordinating package tours. Turnover from the organisation of tours is therefore recognised in full when the customer departs. Turnover from individual travel modules booked directly by the customer from airlines, hotel companies or incoming agencies is recognised when the customer takes up the service concerned. Income from non-completed cruises is recognised according to the proportion of contract performance at the balance sheet date. The percentage of completion is determined as the ratio between travel days completed by the balance sheet date and overall travel days.

Interest income is reported on a prorated basis according to the effective interest method. Dividends are recognised when the legal 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 of production comprises direct costs and directly allocable overheads. Intangible assets with a limited service life are amortised 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 amortised.

Useful lives of Intangible assets

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

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

Impairment tests for goodwill are conducted on the basis of cash generating units. According to the IASB rules, cash generating units are the smallest identifiable group of assets to generate cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets. In the Tourism Segment, TUI Travel as a whole has been defined as 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 cost to sell corresponds to the amount that could be generated between knowledgeable, willing, independent business partners in an arm's length transaction after deduction of the cost 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.

For the detailed planning periods from 2011/12 to 2013/14, the weighted average cost of capital after income taxes used as the discounting basis was 8.5% p. a. for TUI Travel and 8.0% p. a. for TUI Hotels & Resorts; taking account of a growth markdown of 1.0% p. a., the corresponding figures were 7.5% p. a. and 7.0% 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 costs to sell to be taken into account were determined on the basis of empirical values related to past transactions.

Where the original causes for impairments effected in previous years no longer applied, the impairment was written back to Other income. 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 applied in the event of intercompany financing is 6.75% p. a. for the financial year under review and 6.3% p. a. for the previous year. 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.

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, engines and spare parts in first-time recognition is based on a residual value of 20% of the cost of acquisition.

Both the useful lives and 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 expected to be permanent and 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 value 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 cash flows attributable to the asset (value in use).

Investment grants received are shown as reductions in the costs to purchase or produce items of property, plant or equipment where these grants are directly attributable 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-lease-back transactions

Gains from sale-and-lease-back transactions resulting in a finance lease are recognised in income over the term of the lease. Losses are immediately recognised in the income statement as at the date of the transaction.

If a sale-and-lease-back transaction results in an operating lease, a gain or loss is recognised immediately as a matter of principle 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 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 financial instruments.

In accordance with IAS 39, financial instruments are broken down into the following measurement categories: 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 which have to be classified as held for trading. It also holds an investment measured at fair value and held for sale. The fair value option was not exercised. Moreover, the TUI Group holds financial assets in the "loans and receivables" and "available for sale" categories. However, it did not hold any assets held to maturity in the period under review.

In financial year 2010/11, and in the previous short financial year, no reclassifications were effected within the individual measurement categories.

Primary financial assets

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 default of a certain portion of the receivables portfolio is probable, 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, securities and hybrid instruments to Container Shipping. They have to be 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 in the framework of 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 amortised cost.

A derecognition of assets is 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.

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. As a matter of principle, the Group classifies derivative financial instruments either as fair value hedges to hedge against exposure to changes in the fair value of assets or liabilities or as cash flow hedges to hedge against variability in cash flows from highly probable future transactions.

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

The changes in the fair values of derivative financial instruments designated to hedge against exposure to changes in the fair value (fair value hedges) are carried in the income statement alongside the changes in the fair values of the hedged assets or liabilities allocable to the hedged risk. If the conditions for hedge accounting are no longer met and the previously designated underlying item is measured by means of the effective interest method, the necessary adjustment to the carrying amount of the underlying transaction has to be effected over its remaining term. The present annual financial statements did not include any fair value hedges of assets and liabilities.

The effective portion of changes in the fair value of derivatives forming cash flow hedges is recognised in equity. The ineffective portion of such changes in the fair value, by contrast, is recognised immediately in the income statement through profit and loss, depending on the nature of the transaction. Amounts taken to equity are reclassified to the income statement and carried as income or expenses in the period in which the hedged item had 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 with an effect on results when the originally hedged future transaction occurs. If the future transaction is no longer expected to take place, the cumulative gain or loss recognised directly in equity has to be recognised immediately through profit and loss.

Changes in the fair values of derivative financial instruments not meeting the criteria for hedge accounting are immediately carried in the income statement through profit or loss.

Inventories

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

Cash and cash equivalents

Cash and cash equivalents comprise cash, call deposits, other current highly liquid financial assets with an original term of a maximum of three months and current accounts. 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, or was, 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 were 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. 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. Actuarial gains and losses arising from the regular adjustment of actuarial parameters are eliminated against equity outside profit and loss when they occur. 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 high-quality 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.

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

As a matter of principle, liabilities are 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.

As a matter of principle, the currency differences resulting from the translation of trade accounts payable are reported as a correction of the cost of sales. Currency differences from the translation of liabilities not resulting from normal performance processes are carried under Other income/Other 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 tax loss carryforwards assessed as recoverable in the future are capitalised. Although there continues to be no time limit for German tax loss carryforwards, the annual use of such carryforwards was restricted by means of minimum taxation. Foreign tax loss carryforwards frequently had to be used within a given country-specific time limit and were subject to restrictions concerning the use of these tax 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 essentially adopted by law and expected to be applicable at the date of realisation of the deferred tax claim or the payment of the deferred tax liability.

Current income taxes

The German companies of the TUI Group have to pay average trade income tax of approx. 15.2% or 15.7% (previous year 15.2% or 15.7%), depending on the applicable trade tax multiples. As in the prior year, the corporation tax rate was 15.0%, plus a 5.5% solidarity surcharge on corporation tax.

The calculation of foreign income taxes was based on the laws and provisions applicable in the individual countries. The income tax rates applied to foreign companies varied from 0.0% to 42.1%.

Income tax liabilities were offset against the corresponding tax refund claims where they existed in the same fiscal territory and had the same nature and maturity.

Share-based payments

All share-based payment schemes in the Group were payment schemes paid in cash or via equity instruments.

For transactions with cash compensation, the resulting liability for the Group was 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 was remeasured at every closing date and all changes in the fair value were carried through profit and loss.

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

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

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

Key estimates and judgements

All estimates and judgements are reviewed on an ongoing basis and are founded on historical experience and other factors, including expectations concerning future events.

Goodwill was tested for impairment as at the balance sheet date. Details concerning the implementation of goodwill impairment tests are presented in the section Goodwill and other intangible assets in the chapter Accounting and measurement methods.

In order to review the carrying amounts for property, plant and equipment, an annual assessment for signs of potential impairment is performed. These indications relate to various areas, e. g. the market-related or technical environment but also physical condition. If such signs are identified, management has to assess the recoverable amount on the basis of expected future cash flows and appropriate interest rates. Moreover, key estimates and judgements are made in determining useful economic lives and residual values of property, plant and equipment items, to be tested at least on an annual basis. Details concerning useful lives and residual values of property, plant and equipment items are provided in the section property, plant and equipment in the chapter Accounting and Measurement Methods.

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, judgement and estimation is required in determining the economic useful lives of intangible assets and the fair values of contingent liabilities.

The classification of non-current assets or disposal groups as “held for sale” requires judgement in determining whether the planned disposal is highly probable and able to be realised within twelve months. The measurement of these assets or disposal groups at their fair value less costs to sell can also require judgement if there is no active market.

In accounting for provisions, judgement is required in determining likelihood of occurrence, maturity and level of the risk. In order to determine the obligation under defined benefit pension schemes, actuarial calculations are used. They depend heavily on underlying mortality assumptions and the choice of discount rate, newly determined at the end of every year. The discount rate used is the interest rate for first-rate corporate bonds denominated in the currencies in which the benefits are paid and with maturities corresponding to those of the pension obligations. At the same time, current market expectations are used in determining the expected return on plan assets. Detailed information is outlined in the explanatory notes on recognised pension provisions under Note 31.

Judgement is required in assessing the effectiveness of hedges at hedge inception and during the period over which hedge accounting is adopted. Moreover, the assessment of the probability of the expected forecast transactions underlying the cash flow hedges can involve judgement.

The Group is liable to pay income taxes in various countries. Judgement is required in 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, also 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.

Tourism is the Group's core business and consists of three Sectors: TUI Travel, TUI Hotels & Resorts and Cruises. 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, Accommodation & Destinations and Emerging Markets Businesses is exercised by the management of TUI Travel PLC. The Sector TUI Hotels & Resorts comprises all hotel companies of the Group outside of the TUI Travel Group.

Due to the divestment of the Magic Life hotel company to TUI Travel PLC, completed in June 2011, and the associated change in the internal organisational and reporting structure, segment reporting was adjusted accordingly. The Magic Life Group has therefore no longer been shown under the Sector TUI Hotels & Resorts but under TUI Travel. The prior-year numbers were also restated accordingly.

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

The segment entitled All other segments carries the Group's real estate companies, all non-allocable business activities (in particular holding companies) and the result from the measurement of the stake in Container Shipping. 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 were allocated to the individual segments they were 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 or 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, carrying amounts of assets measured at equity 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 also include goodwill impairments.

Non-cash expenses do not comprise depreciation.

Proceeds from the disposal of subsidiaries are allocated to the individual segment revenues. The recognition of foreign exchange differences in connection with capital reductions through profit or loss was attributed to the holding activities in the prior year and carried accordingly in segment reporting.

Financial assets as well as cash and cash equivalents are used to generate the financial result. Financial liabilities (including 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 for value-oriented corporate management.

Key Figures by Segment and Sector

	Tourism		All other Segments		Consolidation		Group	
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
	€ million							
Statement of results								
Turnover	17,430.4	16,286.7	49.9	63.4	—	—	17,480.3	16,350.1
Inter-segment turnover	16.7	15.5	31.9	105.8	−48.6	−121.3	—	—
Segment turnover	**17,447.1**	**16,302.2**	**81.8**	**169.2**	**−48.6**	**−121.3**	**17,480.3**	**16,350.1**
Group profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**118.2**	**113.6**
Income taxes	—	—	—	—	—	—	88.6	64.2
Earnings before taxes (EBT)	**320.8**	**66.0**	**−114.0**	**111.8**	**—**	**—**	**206.8**	**177.8**
of which share of results of joint ventures and associates	*55.0*	*20.3*	*−2.1*	*150.3*	—	—	*52.9*	*170.6*
Net interest result and result from the measurement of interest hedges	−156.0	−161.4	−130.8	−143.4	—	—	−286.8	−304.8
Impairment of goodwill	—	18.2	—	—	—	—	—	18.2
Segment results according to IFRS 8	**476.8**	**245.6**	**16.8**	**255.2**	**—**	**—**	**493.6**	**500.8**
Result from Container shipping measured at equity	—	—	−2.1	150.3	—	—	−2.1	150.3
Effect of the measurement of loans to Container Shipping	—	—	51.2	135.0	—	—	51.2	135.0
Earnings before interest, taxes and amortisation of goodwill (EBITA)	**476.8**	**245.6**	**−32.3**	**−30.1**	**—**	**—**	**444.5**	**215.5**
Adjustments	179.8	394.6	−24.2	−20.9	—	—	155.6	373.7
Underlying EBITA	**656.6**	**640.2**	**−56.5**	**−51.0**	**—**	**—**	**600.1**	**589.2**
Amortisation of other intangible assets and depreciation of property, plant and equipment	406.4	413.3	8.4	14.5			414.8	427.8
of which impairments	*39.2*	*30.7*	*3.7*	*8.3*	—	—	*42.9*	*39.0*
Other depreciation/amortisation and write-back	7.8	−5.1	1.4	−1.4	—	—	9.2	−6.5
of which write-backs	*7.8*	*3.9*	*1.4*	—	—	—	*9.2*	*3.9*
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**875.4**	**664.0**	**−25.3**	**−14.2**	**—**	**—**	**850.1**	**649.8**
Rental expenses	824.9	797.3	28.8	93.4	−13.1	−85.2	840.6	805.5
Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)	**1,700.3**	**1,461.3**	**3.5**	**79.2**	**−13.1**	**−85.2**	**1,690.7**	**1,455.3**

		Tourism		All other Segments		Consolidation		Group	
		2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
		€ million							
Assets and liabilities									
Segment assets		8,533.8	8,610.9	250.5	513.2	−8.7	−6.6	8,775.6	9,117.5
of which goodwill		*2,907.2*	*2,862.6*	—	—	—	—	*2,907.2*	*2,862.6*
Carrying amounts of joint ventures and associates		724.8	714.9	1,010.7	1,060.3	—	—	1,735.5	1,775.2
Interest-bearing Group receivables		86.6	68.2	848.2	1,111.2	−934.8	−1,179.4	—	—
Cash and cash equivalents		1,152.5	1,232.2	828.8	1,042.1	—	—	1,981.3	2,274.3
Other financial assets		270.4	198.0	2,679.6	3,204.8	−2,204.0	−2,158.9	746.0	1,243.9
Non-allocable taxes		—	—	—	—	—	—	253.5	204.6
Total assets								**13,491.9**	**14,615.5**
Segment liabilities		6,480.3	6,185.2	321.7	330.1	−7.5	−89.9	6,794.5	6,425.4
Third-party financial liabilities		1,328.0	1,427.9	1,476.2	3,089.0	−5.9	−5.0	2,798.3	4,511.9
Group financial liabilities		883.9	1,047.2	67.6	59.0	−951.5	−1,106.2	—	—
Other financial liability items		600.6	581.7	314.5	329.6	—	—	915.1	911.3
Non-allocable taxes								436.2	332.7
Total liabilities and provisions								**10,944.1**	**12,181.3**
Additional disclosures									
Non-cash expenses		14.4	32.1	2.1	—	—	—	16.5	32.1
Non-cash income		69.5	47.0	—	200.9	—	—	69.5	247.9
Return on sales (on EBITA)	%	2.7	1.5	—	—	—	—	2.5	1.3
Investments		471.7	512.1	2.7	4.1	—	—	474.4	516.2
Investments in goodwill		2.7	46.1	—	—	—	—	2.7	46.1
Investments in other intangible assets and property, plant and equipment		469.0	466.0	2.7	4.1	—	—	471.7	470.1
Financing ratio	%	86.2	84.3	311.1	353.7	—	—	87.4	86.4
Employees at year-end		73,079	70,745	628	653	—	—	73,707	71,398

Key Figures Tourism Segment

	TUI Travel		TUI Hotels & Resorts		Cruises		Consolidation		Tourism	
	2010/11	2009/10 revised	2010/11	2009/10 revised	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
	€ million									
Statement of results										
Turnover	16,867.0	15,754.8	362.6	353.2	200.8	178.7	0.0	0.0	17,430.4	16,286.7
Inter-segment turnover	26.0	81.6	418.2	418.4	—	—	−427.5	−484.5	16.7	15.5
Segment turnover	**16,893.0**	**15,836.4**	**780.8**	**771.6**	**200.8**	**178.7**	**−427.5**	**−484.5**	**17,447.1**	**16,302.2**
Group profit for the year										
Income taxes	—	—	—	—	—	—	—	—	—	—
Earnings before taxes (EBT)	**193.2**	**−39.5**	**116.5**	**100.3**	**11.1**	**5.2**	**0.0**	**—**	**320.8**	**66.0**
of which share of result of joint ventures and associates	*24.4*	*−6.0*	*26.0*	*26.7*	*4.6*	*−0.4*	—	*0.0*	*55.0*	*20.3*
Net interest result and result from the measurement of interest hedges	−128.2	−132.0	−27.7	−27.8	−0.1	−1.6	−0.0	−0.0	−156.0	−161.4
Impairment of goodwill	—	9.1	—	9.1	—	—	—	—	—	18.2
Segment results according to IFRS 8	**321.4**	**101.6**	**144.2**	**137.2**	**11.2**	**6.8**	**0.0**	**0.0**	**476.8**	**245.6**
Result from Container Shipping measured at equity	—	—	—	—	—	—	—	—	—	—
Effect from the measurement of loans to Container Shipping	—	—	—	—	—	—	—	—	—	—
Earnings before interest, taxes and amortisation of goodwill (EBITA)	**321.4**	**101.6**	**144.2**	**137.2**	**11.2**	**6.8**	**0.0**	**0.0**	**476.8**	**245.6**
Adjustments	178.7	383.0	1.1	10.8	—	0.8	—	—	179.8	394.6
Underlying EBITA	**500.1**	**484.6**	**145.3**	**148.0**	**11.2**	**7.6**	**0.0**	**0.0**	**656.6**	**640.2**
Amortisation of other intangible assets and depreciation of property, plant and equipment	321.0	328.2	76.9	76.7	8.5	8.4	−0.0	0.0	406.4	413.3
of which impairments	*31.2*	*22.9*	*8.0*	*7.8*	—	—	*0.0*	*0.0*	*39.2*	*30.7*
Other depreciation/amortisation and write-backs	2.4	−8.0	5.4	2.9	—	—	—	0.0	7.8	−5.1
of which write-backs	*2.4*	—	*5.4*	*3.9*	—	—	—	—	*7.8*	*3.9*
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**640.0**	**437.8**	**215.7**	**211.0**	**19.7**	**15.2**	**0.0**	**0.0**	**875.4**	**664.0**
Rental expenses	764.6	739.3	52.3	49.7	8.0	8.3	−0.0	0.0	824.9	797.3
Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)	**1,404.6**	**1,177.1**	**268.0**	**260.7**	**27.7**	**23.5**	**−0.0**	**0.0**	**1,700.3**	**1,461.3**

		TUI Travel		TUI Hotels & Resorts		Cruises		Consolidation		Tourism	
		2010/11	2009/10 revised	2010/11	2009/10 revised	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
		€ million									
Assets and liabilities											
Segment assets		6,738.1	6,729.8	1,672.6	1,798.3	177.5	151.1	−54.4	−68.3	8,533.8	8,610.9
of which goodwill		*2,515.3*	*2,468.5*	*391.9*	*394.1*	—	—	*−0.0*	*−0.0*	*2,907.2*	*2,862.6*
Carrying amounts of joint ventures and associates		270.8	233.8	320.0	337.9	134.0	143.2	—	—	724.8	714.9
Interest-bearing Group receivables		0.7	19.0	32.4	10.4	53.5	38.8	—	—	86.6	68.2
Cash and cash equivalents		1,041.3	1,092.9	107.6	135.2	3.6	4.1	0.0	−0.0	1,152.5	1,232.2
Other financial assets		180.1	124.8	89.8	72.7	0.5	0.5	−0.0	—	270.4	198.0
Non-allocable taxes											
Total assets											
Segment liabilities		6,305.6	5,868.7	133.9	327.1	95.3	57.7	−54.5	−68.3	6,480.3	6,185.2
Third-party financial liabilities		1,017.9	1,149.5	310.1	278.4	—	—	—	0.0	1,328.0	1,427.9
Group financial liabilities		51.8	266.5	692.9	626.5	139.2	154.2	—	—	883.9	1,047.2
Other financial liability items		592.3	573.6	0.9	0.7	7.4	7.4	0.0	0.0	600.6	581.7
Non-allocable taxes											
Total liabilities and provisions											
Additional disclosures											
Non-cash expenses		12.5	25.0	1.9	6.7	—	0.4	0.0	0.0	14.4	32.1
Non-cash income		36.9	13.9	28.0	33.1	4.6	—	—	—	69.5	47.0
Return on sales (on EBITA)	%	1.9	0.6	18.5	17.8	5.6	3.8	−0.0	−0.0	2.7	1.5
Investments		383.3	442.0	79.9	61.3	8.5	8.8	−0.0	0.0	471.7	512.1
Investments in goodwill		2.7	46.1	—	—	—	—	—	—	2.7	46.1
Investments in other intangible assets and property, plant and equipment		380.6	395.9	79.9	61.3	8.5	8.8	−0.0	0.0	469.0	466.0
Financing ration	%	83.7	76.3	96.2	140.0	100.0	95.5	—	—	86.2	84.3
Employees at year-end		58,378	56,318	14,424	14,202	277	225	—	—	73,079	70,745

Key Figures by Region

	Germany		Great Britain		Spain		Other EU		Rest of Europe		North and South America		Other regions		Consolidation		Group	
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
	€ million																	
Consolidated turnover by customer	**4,790.7**	**4,353.5**	**5,073.6**	**4,780.1**	**261.2**	**254.4**	**5,558.7**	**5,149.5**	**646.3**	**595.0**	**741.8**	**635.9**	**408.0**	**581.7**			**17,480.3**	**16,350.1**
Consolidated turnover by domicile of companies	**4,710.4**	**4,529.8**	**5,182.7**	**5,014.8**	**582.5**	**577.5**	**5,330.6**	**5,093.1**	**466.7**	**232.1**	**629.2**	**542.0**	**578.2**	**360.8**			**17,480.3**	**16,350.1**
Segment assets	**941.9**	**978.0**	**2,690.8**	**2,597.0**	**1,144.6**	**1,174.8**	**921.1**	**861.0**	**34.1**	**40.6**	**542.2**	**560.0**	**333.4**	**470.0**	**21.5**	**23.0**	**6,629.6**	**6,704.4**
Non-allocable taxes	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	253.5	204.6
Segment liabilities	**1,829.2**	**1,683.3**	**2,268.7**	**2,174.5**	**482.9**	**392.1**	**1,688.6**	**1,694.6**	**118.2**	**116.1**	**380.9**	**407.7**	**176.9**	**350.1**	**−150.9**	**−393.0**	**6,794.5**	**6,425.4**
Non-allocable taxes	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	436.2	332.7
Additional disclosures																		
Depreciation/ amortisation	32.5	72.5	171.7	130.9	57.8	51.9	84.7	102.6	4.7	5.4	32.8	38.8	30.6	25.7	—	—	414.8	427.8
Investments	74.6	67.6	162.1	282.3	82.4	57.7	119.0	74.9	5.4	6.4	16.2	17.5	14.7	9.8	—	—	474.4	516.2
Investments in goodwill	—	—	2.7	46.1	—	—	—	—	—	—	—	—	—	—	—	—	2.7	46.1
Investments in other tangible assets and property, plant and equipment	74.6	67.6	159.4	236.2	82.4	57.7	119.0	74.9	5.4	6.4	16.2	17.5	14.7	9.8	—	—	471.7	470.1
Employees at year- end	9,846	9,585	18,201	18,515	9,392	9,647	12,398	12,133	8,639	8,778	8,149	6,850	7,082	5,890	—	—	73,707	71,398

NOTES

NOTES ON THE CONSOLIDATED INCOME STATEMENT

Earnings by Tourism showed a positive development in an overall challenging market environment. Growth in earnings was recorded due to the sound level of current trading in the first half of the year, in particular, as well as cost savings in the Mainstream Business. These positive effects went along with the impact of the North Africa crisis on earnings, which, however, was largely contained thanks to flexible capacity management.

Due to higher transport capacity and the associated strong competitive pressure, the performance in Container Shipping declined year-on-year. This is reflected in the proportionate loss to be carried under the at equity method. The measurement results from financial instruments granted to Container Shipping by TUI generated a positive profit contribution.

(1) Turnover

Group turnover by business activity

	2010/11	2009/10
	€ million	
Tourism services	17,293.3	16,166.3
Transport services	33.4	39.2
Trading in merchandise	48.2	38.5
Letting and leasing	15.7	23.9
Other turnover	89.7	82.2
Total	**17,480.3**	**16,350.1**

Other turnover included costs of brochures and advertising materials charged to hotels and travel agencies as well as income from sideline operations, primarily the sale of travel insurance.

(2) Cost of sales and administrative expenses

In the current financial year, TUI Travel PLC identified two accounting errors for financial year 2009/10.

One of the errors related to the erroneous non-derecognition of current trade accounts payable in the framework of consolidation, which would have reduced the cost of sales by €42.6m in financial year 2009/10. Due to the second error, earnings by the tour operator business of the French Nouvelles Frontières Group were overstated due to the non-formation and inappropriate settlement of current liabilities for tourism services purchased in the previous year, so that the cost of sales was understated by €50.9m.

Since the two errors almost offset one another in the same line item in the consolidated financial statements, i.e. cost of sales and current trade accounts payable, and they did not cause any changes in the assessment of the net assets, financial position and results of operations, the prior-year numbers were not restated. The correction of the errors was carried through profit and loss in the consolidated financial statements for financial year 2010/11.

The cost of sales and administrative expenses include:

Lease, rental and leasing expenses

	2010/11	2009/10
	€ million	
Lease, rental and leasing expenses	905.6	812.1

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

The increase in rental and lease expenses mainly results from the rise in expenses for aircraft leases and hotel rental.

Staff costs

	2010/11	2009/10
	€ million	
Wages and salaries	1,878.0	1,925.7
Social security contributions, pension costs and benefits	325.2	332.6
Total	**2,203.2**	**2,258.3**

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 31.

Personnel costs declined, in particular due to the settlement of income from plan changes in pension plans in the UK. The income results from a reduction in the pay increases on the pensionable pay taken into account.

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

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

	2010/11	2009/10
Average annual – TUI Group	66,688	65,740

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 under "Accounting and measurement" in the Notes.

Depreciation/amortisation/impairments

	2010/11	2009/10
	€ million	
Depreciation and amortisation	371.9	388.8
Impairment of other intangible assets, property, plant and equipment and investment property	42.9	39.0
Total	**414.8**	**427.8**

In the financial year under review, impairments include an amount of €13.5m for the Island Escape cruise ship operated by TUI Travel. Further impairments of property, plant and equipment include €8.0m for a hotel facility, €4.1m for aircraft assets and €3.6m for real estate assets.

Concerning other intangible assets, impairments of €6.4m are carried for the Island Cruise brand and €4.2m for software development costs of TUI Travel.

(3) Other income/other expenses

Other income/other expenses

	2010/11	2009/10
	€ million	
Other income	88.3	58.9
Other expenses	11.2	5.3
Total	**77.1**	**53.6**

In the period under review, other income relates above all to the gain on disposal from the sale of four Turkish hotel facilities, the gain on disposal from the sale of the administrative buildings at Ballindamm and Rosenstrasse in Hamburg, and the gain on disposal from the sale of 11.33% of TUI's stake in Hapag-Lloyd to the Albert Ballin consortium. Other income also includes carrying amounts from the disposal of aircraft assets. In the previous year, this item mainly comprised foreign exchange differences from capital reduction schemes in subsidiaries and the gains on disposal from the sale of a hotel facility and of Canada Mainstream, carried through profit or loss.

(4) Goodwill impairment

The implementation of impairment tests according to IAS 36 did not result in any impairments in financial year 2010/11. The impairments carried in the previous year consisted of amounts of €9.1m each for the Sector TUI Travel and Sector TUI Hotels & Resorts.

Even applying sensitivities to the main parameters of the impairment test (a reduction in the growth rate of 0.5% p. a. or an increase in the interest rate of 0.5% p. a.) did not result in any impairments.

(5) Financial income

Financial income

	2010/11	2009/10
	€ million	
Income from non-consolidated Group companies	4.7	3.2
Income from other investments	0.3	0.6
Income from profit transfer agreements with non-consolidated Group companies	1.6	8.6
Income from investments	**6.6**	**12.4**
Other income from securities and loans	87.2	149.2
Interest and similar income from non-consolidated Group companies	0.1	0.1
Interest on pension scheme assets	85.5	78.2
Other interest and similar income	70.8	73.4
Interest income	**243.6**	**300.9**
Income from the measurement of interest hedges	4.1	—
Income from the measurement of other financial instruments	—	5.7
Total	**254.3**	**319.0**

The change in other income from securities and loans mainly results from the measurement effects of €51.2m (previous year €135.0m) from write-backs on loans and hybrid instruments granted to Hapag-Lloyd AG (previously Albert Ballin Holding GmbH & Co. KG) and granted by Hapag-Lloyd.

(6) Financial expenses

Financial expenses

	2010/11	2009/10
	€ million	
Expenses relating to losses taken over from non-consolidated Group companies	**0.7**	**—**
Impairments of available-for-sale financial instruments and loans	**9.2**	**10.5**
Interest and similar expenses to non-consolidated Group companies	0.1	0.6
Interest expenses from the measurement of pension obligations	115.4	117.7
Other interest and similar expenses	367.7	352.0
Interest expenses	**483.2**	**470.3**
Expenses relating to the measurement of interest hedges	—	0.4
Expenses relating to the measurement of other financial instruments	0.7	—
Total	**493.8**	**481.2**

The interest expenses include expenses for the early repayment of parts of the 2007/12 convertible bond and the 2005/12 bond. Interest expenses to be recognised until final maturity for the debt component of the convertible bond were already carried through profit or loss due to the buy-back in the period under review.

(7) Share of result of joint ventures and associates

Share of result of joint ventures and associates

	2010/11	2009/10
	€ million	
Income from associated companies measured at equity	28.6	158.8
Expenses for associated companies measured at equity	3.2	15.4
Share of result of associates	**+ 25.4**	**+ 143.4**
Income from joint ventures measured at equity	40.9	38.1
Expenses for joint ventures measured at equity	13.4	10.9
Share of result of joint ventures	**+ 27.5**	**+ 27.2**
Total	**+ 52.9**	**+ 170.6**

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

The considerable decrease in the share of result of joint ventures and associates was driven by the profit contribution of €− 2.1m (previous year €+ 150.3m) from the stake in the Container Shipping group.

In the completed financial year, the share of result of joint ventures and associates did not comprise any impairments (previous year €4.3m).

Group share in individual items of income statement of associated companies

	2010/11	2009/10
	€ million	
Operating income	3,360.9	2,909.3
Operating expenses	3,295.6	2,703.5
Operating result	**65.3**	**205.8**
Financial result	− 29.5	− 59.4
Profit on ordinary activities	**35.8**	**146.4**
Income taxes	10.4	3.0
Profit/loss for the year	**25.4**	**143.4**
Share of result of associates	**25.4**	**143.4**

Group share in individual items of income statements of joint ventures

	2010/11	2009/10
	€ million	
Operating income	602.4	631.7
Operating expenses	558.7	592.4
Operating result	**43.7**	**39.3**
Financial result	− 8.5	− 0.6
Profit on ordinary activities	**35.2**	**38.7**
Income taxes	7.7	11.5
Profit for the year	**27.5**	**27.2**
Share of result of joint ventures	**27.5**	**27.2**

(8) Adjustments

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

	2010/11	2009/10 revised
	€ million	
Tourism	**12.9**	**223.9**
TUI travel	11.8	212.3
TUI Hotels & Resorts	1.1	10.8
Cruises	—	0.8
All other segments	**− 24.2**	**− 20.9**
Total	**− 11.3**	**203.0**

The one-off items carried by TUI Travel for financial year 2010/11 include an amount of €68.7m for adjustments of income from plan changes in pension plans in the UK. An opposite effect was caused by adjustments to expenses for the restructuring of tour operator activities in the UK and TUI Travel PLC as well as the net effect of the item described under Note 2.

TUI Hotels & Resorts carried adjustments for the gain on disposal from the sale of Turkish hotel facilities and impairments on receivables and hotel facilities.

One-off items carried for Other segments in financial year 2010/11 mainly comprised the gain on disposal from the sale of the administrative buildings in Hamburg.

(9) Income taxes

Breakdown of income taxes

	2010/11	2009/10
	€ million	
Current tax expense		
in Germany	8.2	17.8
abroad	115.9	26.3
Deferred tax income (previous year expense)	− 35.5	20.1
Total	**88.6**	**64.2**

The increase in tax expenses is driven by effective taxes abroad. In the previous year, the reversal of tax provisions for tax risks had resulted in a decrease in effective taxes abroad. The tax income in the period under review arose both within TUI AG and TUI Travel PLC. Effective taxes relating to prior periods amount to €1.0m (previous year income of €40.7m) in financial year 2010/11.

In financial year 2010/11, total income taxes of €88.6m (previous year €64.2m) were derived as follows from “expected” income tax expenses that would have arisen if the statutory tax rate of TUI AG as the parent company (aggregate income tax) had been applied to earnings before tax:

Reconciliation of expected to actual income taxes

	2010/11	2009/10
	€ million	
Earnings before income taxes	+ 206.8	+ 177.8
Expected income tax (current year 31.5%, previous year 31.5%)	**65.1**	**56.0**
Variation from the difference between actual and expected tax rates	− 3.2	− 20.4
Changes in tax rates and tax law	16.0	0.1
Income not taxable	− 113.0	− 146.3
Expenses not deductible	104.9	62.6
Effects from tax loss carryforwards	61.8	94.5
Temporary differences for which no deferred taxes were recognised	− 8.1	7.2
Deferred and current tax relating to other periods (net)	− 34.7	9.0
Other differences	− 0.2	1.5
Income taxes	**88.6**	**64.2**

The decline in the tax effect arising from tax-free income is largely attributable to the positive tax-free at equity result in Container Shipping generated in the previous year. The tax effect of non-tax-deductible expenses increased in particular in the TUI Travel Sector as against the previous year.

Unlike in the previous year, the effects of tax loss carryforwards comprised considerably higher amounts from the use of tax loss carryforwards previously considered as non-realisable. Tax income relating to other periods, above all deferred tax income, mainly arose within TUI Travel PLC.

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

Group profit for the year attributable to TUI AG shareholders declined from €101.8m in the prior year to €23.9m in the completed financial year 2010/11. The decrease is largely attributable to the considerable reduction in the profit contribution from Container Shipping included under the at equity method.

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

Group profit for the year attributable to non-controlling interest

	2010/11	2009/10
	€ million	
Profit attributable to non-controlling interest	94.4	67.2
Loss attributable to non-controlling interest	0.1	55.4
Total	**94.3**	**11.8**

Group profit for the year attributable to non-controlling interests mainly relates to companies of the TUI Travel PLC Group and 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 (251,548,525 shares), the prorated effect of the employee shares issued (96,533 new shares for 319 days) and the conversion of bonds into new shares (38,070).

In analogy to IAS 33.12, the after-tax 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 €17.2m at the balance sheet date (previous year €17.2m) were included in financial liabilities and will be paid in January 2012.

Earnings per share

		2010/11	2009/10
Group profit for the year attributable to shareholders of TUI AG	€ million	+ 23.9	+ 101.8
Dividend effect on hybrid capital	€ million	− 25.3	− 25.4
= Adjusted Group profit for the year attributable to shareholders of TUI AG	€ million	− 1.4	76.4
Weighted average number of shares		251,683,128	251,523,322
Basic earnings per share	**€**	**− 0.01**	**+ 0.30**
Adjusted Group profit for the year attributable to shareholders of TUI AG	€ million	− 1.4	76.4
Interests savings from convertible bonds	€ million	+ 90.2	+ 61.9
Diluted and adjusted share in Group profit for the year attributable to shareholders of TUI AG	€ million	88.8	138.3
Weighted average number of shares		251,683,128	251,523,322
Diluting effect from assumed exercise of conversion inputs		+ 71,422,383.0	+ 59,108,329.0
Weighted average number of shares (diluted)		323,105,511	310,631,651
Diluted earnings per share	**€**	**− 0.01**	**0.30**

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. As the convertible bonds did not have a dilution effect in financial year 2010/11, basic and diluted earnings per share are identical.

(13) Other results allocable taxes

Tax effects relating to other comprehensive income

	Gross	Tax effect	2010/11 Net	Gross	Tax effect	2009/10 Net
			€ million			
Foreign exchange differences	−45.5	—	−45.5	78.8	—	78.8
Available for sale financial instruments	176.1	—	176.1	4.6	—	4.6
Cash flow hedges	105.5	−22.9	82.6	95.8	−17.0	78.8
Actuarial losses from pension provisions and related fund assets	−102.2	1.0	−101.2	−77.4	20.2	−57.2
Changes in the measurement of companies measured at equity outside profit or loss	−25.7	—	−25.7	13.2	—	13.2
Other comprehensive income	**108.2**	**−21.9**	**86.3**	**115**	**3.2**	**118.2**

In addition, income taxes of €16.6m (previous year €54.5m) arose outside profit and loss in financial year 2010/11. They resulted from the issue of convertible bonds and were directly charged to equity.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(14) Goodwill

Goodwill

	2010/11	2009/10
	€ million	
Historical cost		
Balance as at 1 Oct	**3,269.3**	**3,110.3**
Exchange differences	−11.2	112.9
Additions	65.9	46.1
Disposals[1]	16.0	—
Reclassifications	13.5	—
Balance as at 30 Sep	**3,321.5**	**3,269.3**
Impairment		
Balance as at 1 Oct	**406.7**	**398.0**
Exchange differences	−1.3	−4.8
Impairments for the current year	—	13.5
Disposals[1]	—	—
Reclassifications	8.9	—
Balance as at 30 Sep	**414.3**	**406.7**
Carrying amounts as at 30 Sep	**2,907.2**	**2,862.6**

1) of which no disposals from changes in the group of consolidated companies

The increase in the carrying amount is largely attributable to acquisitions made by TUI Travel. Details concerning the acquisitions are presented under Principles and methods of consolidation.

The reclassifications mainly relate to the goodwill of Jet4You (TUI Travel), which no longer has to be classified as held for sale due to the discontinuation of the sales negotiations.

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 in the framework of the preparation of 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.

At €2,515.3m, the largest portion of goodwill shown relates to the TUI Travel Sector. Within TUI Hotels & Resorts, goodwill of €351.7m is carried for the RIUSA II Group.

(15) Other intangible assets

Other intangible assets

	Concessions, industrial property rights and similar rights and values	Self-generated software	Transport and leasing contracts	Customer base	Payments on account	Total
			€ million			
Historical cost						
Balance as at 1 Oct 2009	**955.1**	**126.2**	**83.3**	**230.4**	**—**	**1,395.0**
Exchange differences	41.7	4.9	5.2	0.2	—	52.0
Additions due to changes in the group of consolidated companies	29.8	—	—	—	—	29.8
Additions	53.0	16.8	—	2.4	—	72.2
Disposals	37.7	—	—	—	—	37.7[1)]
Reclassifications	29.8	−18.4	—	—	—	11.4
Balance as at 30 Sep 2010	**1,071.7**	**129.5**	**88.5**	**233.0**	**—**	**1,522.7**
Exchange differences	−2.5	−3.1	−0.8	0.6	—	−5.8
Additions due to changes in the group of consolidated companies	21.7	—	—	0.2	—	21.9
Additions	41.8	13.5	8.2	1.4	1.2	66.1
Disposals	25.5	10.3	0.1	—	—	35.9[1)]
Reclassifications	−49.2	47.2	0.2	1.8	—	—
Balance as at 30 Sep 2011	**1,058.0**	**176.8**	**96.0**	**237.0**	**1.2**	**1,569.0**
Amortisation						
Balance as at 1 Oct 2009	**365.6**	**92.6**	**11.6**	**37.3**	**—**	**507.1**
Exchange differences	16.7	4.8	0.7	0.2	—	22.4
Amortisation for the current year	77.6	13.4	5.5	15.5	—	112.0
Disposals	34.5	—	—	—	—	34.5[1)]
Reclassifications	28.8	−20.3	—	—	—	8.5
Balance as at 30 Sep 2010	**454.2**	**90.5**	**17.8**	**53.0**	**—**	**615.5**
Exchange differences	−1.4	−1.5	−0.1	0.8	—	−2.2
Additions due to changes in the group of consolidated companies	1.0	—	—	—	—	1.0
Amortisation for the current year	95.9	14.5	5.7	17.5	—	133.6
Disposals	27.1	8.4	—	—	—	35.5[1)]
Reclassifications	−26.2	26.2	—	—	—	—
Balance as at 30 Sep 2011	**496.4**	**121.3**	**23.4**	**71.3**	**—**	**712.4**
Carrying amounts as at 30 Sep 2010	**617.5**	**39.0**	**70.7**	**180.0**	**—**	**907.2**
Carrying amounts as at 30 Sep 2011	**561.6**	**55.5**	**72.6**	**165.7**	**1.2**	**856.6**

1) 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 on the basis of the economic value of the corresponding asset.

In the completed financial year, impairments of €11.7m (previous year €3.4m) were eliminated. As in the previous year, no write-backs to other intangible assets were effected.

(16) Investment property

Investment property

	2010/11	2009/10
	€ million	
Historical cost		
Balance as at 1 Oct	**105.3**	**118.5**
Additions	0.7	3.1
Disposals	4.2	16.6
Reclassifications	0.4	0.3
Balance as at 30 Sep	**102.2**	**105.3**
Depreciation		
Balance as at 1 Oct	**39.1**	**41.8**
Depreciation for the current year	6.2	2.8
Disposals	2.5	5.5
Reclassifications	0.2	—
Balance as at 30 Sep	**43.0**	**39.1**
Carrying amounts as at 30 Sep	**59.2**	**66.2**

As a matter of principle, real estate owned by the Group is 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 €59.2m (previous year €66.2m). The fair values totalling €59.6m (previous year €67.0m) were calculated by the Group's own real estate companies, without consulting an external expert, on the basis of comparable market rents. The fair value of property for which purchase contracts had already been concluded was the selling price. Investment property generated total income of €38.6m (previous year €43.7m). The generation of this income was associated with expenses of €34.0m (previous year €28.6m) in financial year 2010/11.

(17) Property, plant and equipment

Property, plant and equipment

	Real estate with hotels	Other real estate, land rights and buildings incl. buildings on third-party properties	Aircraft	Ships	Machinery and fixtures	other plants, operating and office equipment revised	Assets under construction	Payments on account	Total
					€ million				
Historical cost									
Balance as at 1 Oct 2009	**1,199.4**	**269.5**	**1,083.5**	**451.3**	**212.5**	**1127.4**	**82.0**	**118.5**	**4,544.1**
Exchange differences	51.7	1.5	18.2	14.7	0.4	44.6	1.3	1.9	134.3
Additions due to changes in the group of consolidated companies	16.0	3.7	1.2	—	—	13.4	0.1	—	34.4
Additions	11.9	22.1	37.6	160.7	5.2	78.2	36.2	42.9	394.8
Disposals	0.1	12.6	56.9	23.9	2.3	73.4	0.2	—	169.4[1)]
Reclassifications	3.3	−70.2	27.3	−0.1	4.3	23.8	−32.6	−2.8	−47.0
Balance as at 30 Sep 2010	**1,282.2**	**214.0**	**1,110.9**	**602.7**	**220.1**	**1,214.0**	**86.8**	**160.5**	**4,891.2**
Exchange differences	−15.9	5.8	—	−2.4	—	−10.2	0.1	−1.8	−24.4
Additions due to changes in the group of consolidated companies	—	0.4	—	0.1	—	5.5	—	—	6.0
Additions	32.9	14.7	32.3	76.4	24.3	103.6	36.9	83.9	405.0
Disposals	3.5	—	229.5	10.0	2.9	47.3	24.1	45.5	362.8[1)]
Reclassifications	−0.9	23.9	−48.8	15.0	−2.5	−14.4	−55.1	—	−82.8
Balance as at 30 Sep 2011	**1,294.8**	**258.8**	**864.9**	**681.8**	**239.0**	**1,251.2**	**44.6**	**197.1**	**4,832.2**
Depreciation									
Balance as at 1 Oct 2009	**319.1**	**71.6**	**702.0**	**158.9**	**119.7**	**801.9**	**—**	**—**	**2,173.2**
Exchange differences	11.1	0.4	12.0	5.4	0.3	34.4	—	—	63.6
Depreciation for the current year	36.2	15.0	97.4	47.0	17.3	99.4	—	—	312.3
Disposals	0.1	4.3	47.7	12.4	2.0	68.6	—	—	135.1[1)]
Reclassifications	0.5	−35.7	—	−0.1	2.9	9.8	—	—	−22.6
Balance as at 30 Sep 2010	**366.8**	**47.0**	**763.7**	**198.8**	**138.2**	**876.9**	**—**	**—**	**2,391.4**
Exchange differences	−7.4	4.7	0.8	−0.6	—	−5.4	—	—	−7.9
Additions due to changes in the group of consolidated companies		0.2	—	—	—	3.9	—	—	4.1
Depreciation for the current year	44.5	4.3	63.2	47.2	14.7	101.2	—	—	275.1
Disposals	2.8	0.5	153.7	2.3	2.8	46.2	—	—	208.3[1)]
Reclassifications	−14.4	0.8	−50.2	7.9	−2.9	−8.5	—	—	−67.3
Balance as at 30 Sep 2011	**386.7**	**56.5**	**623.8**	**251.0**	**147.2**	**921.9**	**—**	**—**	**2,387.1**
Carrying amounts as at 30 Sep 2010	**915.4**	**167.0**	**347.2**	**403.9**	**81.9**	**337.1**	**86.8**	**160.5**	**2,499.8**
Carrying amounts as at 30 Sep 2011	**908.1**	**202.3**	**241.1**	**430.8**	**91.8**	**329.3**	**44.6**	**197.1**	**2,445.1**

1) of which no disposals due to changes in the group of consolidated companies

At the balance sheet date, the carrying amount of property, plant and equipment subject to restraints on ownership amounted to €17.4m (previous year €49.3m). In the period under review, property, plant and equipment was not pledged as security (previous year €31.9m).

The Group effected immaterial reversals of depreciation of property, plant and equipment (previous year €0.0m). Impairments total €31.2m (previous year €35.6m) and relate to the Island Escape cruise ship operated by TUI Travel (€13.5m), land with hotels and other buildings (€11.6m) and aircraft assets (€4.1m).

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

Development of leased assets

	Net carrying amounts	
	30 Sep 2011	30 Sep 2010
	€ million	
Other real estate, land rights and buildings incl. buildings on third-party properties	9.8	24.0
Aircraft	30.1	91.7
Ships, yachts and boats	119.0	126.5
Machinery and fixtures	0.7	4.4
Other plants, operating and office equipment	8.9	10.5
Total	**168.5**	**257.1**

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 €191.8m (previous year €368.3m). Group companies accepted guarantees for the residual values of the leased assets totalling €9.9m (previous year €167.3m).

Reconciliation of future lease payments to liabilities from finance leases

	up to 1 year	1 – 5 years	Remaining term more than 5 years	30 Sep 2011 Total	30 Sep 2010 Total
			€ million		
Total future lease payments	30.2	96.9	64.7	191.8	368.3
Interest portion	5.8	15.0	16.2	37.0	48.1
Liabilities from finance leases	24.4	81.9	48.5	154.8	320.2

(18) Investments in joint ventures and associates

Investments in joint ventures and associates

	Joint ventures	Associates	Total
		€ million	
Historical cost			
Balance as at 1 Oct 2009	**521.8**	**665.5**	**1,187.3**
Exchange differences	18.6	78.0	96.6
Additions due to changes in the group of consolidated companies	7.3	120.4	127.7
Additions	57.7	436.7	494.4
Disposals	34.7	83.0	117.7[1)]
Reclassifications	−3.0	−2.5	−5.5
Balance as at 30 Sep 2010	**567.7**	**1,215.1**	**1,782.8**
Exchange differences	−32.1	−5.2	−37.3
Additions	69.6	39.2	108.8
Disposals	46.7	317.6	364.3[1)]
Reclassifications	—	253.1	253.1
Balance as at 30 Sep 2011	**558.5**	**1,184.6**	**1,743.1**

	Joint ventures	Associates	Total
		€ million	
Impairments			
Balance as at 1 Oct 2009	**3.3**	**—**	**3.3**
Impairments for the current year	4.3	—	4.3
Disposals	—	—	—
Balance as at 30 Sep 2010	**7.6**	**—**	**7.6**
Impairments for the current year	—	—	—
Disposals	—	—	—
Balance as at 30 Sep 2011	**7.6**	**—**	**7.6**
Carrying amounts as at 30 Sep 2010	**560.1**	**1,215.1**	**1,775.2**
Carrying amounts as at 30 Sep 2011	**550.9**	**1,184.6**	**1,735.5**

1) of which no disposals due to changes in the group of consolidated companies

For investments in joint ventures and associates, proportionate profits for the year are shown under additions and disposals, while impairments of these investments have to be carried under impairments. Dividends worth €20.5m (previous year €26.4m) are included in disposals.

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

Group share of assets and liabilities of joint ventures

	30 Sep 2011	30 Sep 2010
	€ million	
Goodwill from investment in joint ventures	80.6	59.0
Non-current assets	733.8	655.6
Current assets	298.3	205.6
Non-current provisions and liabilities	− 356.2	− 149.0
Current provisions and liabilities	− 205.6	− 211.1
Investment in joint ventures	**550.9**	**560.1**

Group share of assets and liabilities of associates

	30 Sep 2011	30 Sep 2010
	€ million	
Goodwill from investment in associates	317.4	358.2
Non-current assets	1,496.6	1,914.3
Current assets	695.1	822.3
Non-current provisions and liabilities	− 789.0	− 1,078.9
Current provisions and liabilities	− 535.5	− 800.8
Investment in associates	**1,184.6**	**1,215.1**

(19) Financial assets available for sale

Financial assets available for sale consist of shares in non-consolidated Group companies, hybrid instruments to Container Shipping, participations and other securities.

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 2010/11, financial assets classified as available for sale under IFRS 7 of €7.5m (previous year €9.1m) were impaired.

(20) Trade receivables and other assets

Trade receivables and other assets

	30 Sep 2011		30 Sep 2010	
	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
	€ million			
Trade receivables	—	627.6	—	724.9
Advances and loans	315.0	1,213.8	256.3	1,447.8
Other receivables and assets	94.1	518.6	78.5	490.3
Total	**409.1**	**2,360.0**	**334.8**	**2,663.0**

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

	Carrying amount of financial instruments	of which not overdue and not impaired	of which not impaired and overdue in the following periods			
			less than 29 days	between 30 and 90 days	between 91 and 180 days	more than 181 days
	€ million					
Balance as at 30 Sep 2011						
Trade receivables	627.6	352.7	155.9	62.1	16.8	40.1
Advances and loans	194.4	194.4	—	—	—	—
Other receivables and assets	69.9	66.4	2.4	0.7	0.3	0.1
Total	**891.9**	**613.5**	**158.3**	**62.8**	**17.1**	**40.2**
Balance as at 30 Sep 2010						
Trade receivables	724.9	474.2	155.5	58.7	12.0	24.5
Advances and loans	581.9	581.9	—	—	—	—
Other receivables and assets	83.1	80.5	1.0	0.6	0.6	0.4
Total	**1,389.9**	**1,136.6**	**156.5**	**59.3**	**12.6**	**24.9**

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

	2010/11	2009/10
	€ million	
Balance at the beginning of period	**760.7**	**599.4**
Additions	59.6	145.6
Disposals	488.5	93.2
Other changes	− 63.7	108.9
Balance at the end of period	**268.1**	**760.7**

In financial year 2010/11, as in the prior year, no cash inflow was recorded from impaired interest-bearing trade accounts receivable and other receivables. The disposal included in the balance mainly results from the impairment and subsequent disposal of a hybrid loan.

Trade receivables

	30 Sep 2011	30 Sep 2010
	€ million	
From third parties	624.4	718.5
From non-consolidated Group companies	2.3	5.5
From affiliates	0.9	0.9
Total	**627.6**	**724.9**

Advances and loans

	30 Sep 2011		30 Sep 2010	
	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
	€ million			
Advances to non-consolidated Group companies	17.3	26.6	—	0.1
Loans to non-consolidated Group companies	—	—	1.0	1.0
Advances to affiliates	—	20.0	—	18.8
Loans to affiliates	—	11.7	10.8	412.7
Advances to third parties	45.9	100.4	47.7	109.2
Loans to third parties	33.0	35.7	32.2	40.1
Payments on account	218.8	1,019.4	164.6	865.9
Total	**315.0**	**1,213.8**	**256.3**	**1,447.8**

Prepayments made 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

	30 Sep 2011		30 Sep 2010	
	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
	€ million			
Other receivables from non-consolidated Group companies	—	—	0.7	21.6
Other receivables from affiliates	—	44.3	3.6	27.3
Interest deferral	—	25.6	—	10.7
Other tax refund claims	—	89.9	1.0	100.9
Other assets	94.1	358.8	73.2	329.8
Total	**94.1**	**518.6**	**78.5**	**490.3**

(21) Derivative financial instruments

Derivative financial instruments

	30 Sep 2011		30 Sep 2010	
	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
	€ million			
Receivables from derivative financial instruments from third parties	43.6	274.8	165.3	368.6

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

	30 Sep 2011	30 Sep 2010
	€ million	
Deferred tax assets	163.5	133.6
Current tax assets	90.0	71.1
Total	**253.5**	**204.7**

Deferred tax assets include an amount of €115.3m (previous year €72.7m) to be realised in more than twelve months.

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

	30 Sep 2011		30 Sep 2010	
	Asset	Liability	Asset	Liability
	€ million			
Finance lease transactions	—	2.1	—	35.7
Recognition and measurement differences for property, plant and equipment and other non-current assets	157.5	235.1	133.4	332.5
Recognition differences for receivables and other assets	13.7	228.0	46.1	50.3
Measurement of financial instruments	29.0	107.1	26.8	98.6
Measurement of pension provisions	123.2	2.6	159.4	0.2
Recognition and measurement differences for other provisions	72.4	41.6	71.5	7.1
Other transactions	124.1	28.7	4.1	35.1
Capitalised tax savings from recoverable tax loss carryforwards	168.1	—	171.6	—
Netting of deferred tax assets and liabilities	−524.5	−524.5	−479.3	−479.3
Balance sheet amount	**163.5**	**120.7**	**133.6**	**80.2**

No deferred tax liabilities were carried for temporary differences of €80.0m (previous year €78.3m) 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 tax loss carryforwards and time limits for non-capitalised tax loss carryforwards

	30 Sep 2011	30 Sep 2010
	€ million	
Capitalised tax loss carryforwards	**773.6**	**771.6**
Non-capitalised tax loss carryforwards	**3,295.1**	**3,589.3**
of which tax loss carryforwards forfeitable within one year	0.4	10.9
of which tax loss carryforwards forfeitable within 2 to 5 years	59.3	65.9
of which tax loss carryforwards forfeitable within more than 5 years (excluding non-forfeitable tax loss carryforwards)	20.2	13.5
Non-forfeitable tax loss carryforwards	3,215.2	3,499.0
Total unused tax loss carryforwards	**4,068.7**	**4,360.9**

Loss carryforwards for German companies comprise the cumulative amount of trade tax and corporation tax as well as interest carryforwards from the German earnings stripping rule. Potential tax savings totalling €681.3m (previous year €714.8m) were not capitalised since the use of the underlying tax loss carryforwards was not considered probable within the planning period.

In financial year 2010/11, the use of tax 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 2010, led to tax savings of €34.5m (previous year €0.8m). In financial year 2010/11, no material tax reductions were realised by means of loss carrybacks, as in the previous year.

Development of capitalised tax savings from realisable tax loss carryforwards

	2010/11	2009/10
	€ million	
Capitalised tax savings at the beginning of the year	**171.6**	**179.3**
Exchange adjustments	5.2	−6.2
Use of tax loss carryforwards	−9.3	−3.6
Capitalisation of tax savings from tax loss carryforwards	+8.8	+42.8
Write-down of capitalised tax savings from tax loss carryforwards	−8.2	−41.1
Reclassification to discontinued operation	—	0.4
Capitalised tax savings at financial year-end	**168.1**	**171.6**

The capitalised deferred tax asset from temporary differences and tax loss carryforwards assessed as recoverable of €126.0m (previous year: €84.6m), 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 prior periods).

(23) Inventories

Inventories

	30 Sep 2011	30 Sep 2010
	€ million	
Raw materials and supplies	74.2	61.0
Work in progress	5.8	7.2
Finished goods and merchandise	26.7	21.3
Total	**106.7**	**89.5**

In financial year 2010/11, as in the prior year, no major impairments of inventories were effected in order to carry them at the lower net realisable value. No major write-backs of inventories were effected in 2010/11, nor in the prior year.

(24) Cash and cash equivalents

Cash and cash equivalents

	30 Sep 2011	30 Sep 2010
	€ million	
Bank deposits	1,912.7	2,269.1
Cash in hand and cheques	68.6	5.2
Total	**1,981.3**	**2,274.3**

At 30 September 2011, cash and cash equivalents of €0.1bn (previous year €0.1bn) were subject to restraints on disposal.

(25) Assets held for sale

Assets held for sale

	30 Sep 2011	30 Sep 2010
	€ million	
Dorfhotel	6.9	—
Property and hotel facilities	—	225.0
Jet4You	—	35.0
Other assets	17.3	32.4
Total	**24.2**	**292.4**

The decline in assets held for sale is driven by the sale of administrative buildings and Turkish hotel complexes, which has meanwhile been completed. Moreover, the sales negotiations to sell Jet4You have been discontinued so that the assets and liabilities of this disposal group have been reclassified to the corresponding balance sheet items.

Other assets primarily comprise aircraft assets held for sale.

In segment reporting, real estate is carried in other segments with other assets carried in the Tourism segment.

(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. In July 2005, the previous bearer shares were converted to registered shares, whose owners have been registered 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 €0.4m to around €643.5m, due to the issue of 148,220 shares resulting from the issue of employee shares and due to conversions under the 2009/14 convertible bond. It thus consisted of 251,696,745 shares at the end of the financial year.

The Annual General Meeting of 9 February 2011 authorised the Executive Board of TUI AG to purchase own shares of up to 10% of the capital stock. The authorisation will expire on 8 August 2012. The possibility of acquiring own shares has not been used to date.

Conditional capital

On 1 June 2007, using part of the conditional capital of €100.0m authorised in 2006, TUI AG issued an unsecured non-subordinate convertible bond of €694.0m maturing on 1 September 2012. The bonds were issued in denominations with nominal values of €50,000 each. Following an adjustment in November 2009, the conversion price is €27.1147 per no-par value share. The bonds, which carry an interest coupon of 2.75% p.a., were issued at par. The bonds are traded at five German stock exchanges. By 30 September 2011, no conversions had been effected under the bond. Via early redemption of this convertible bond in financial year 2010/11 and in October and November 2011, TUI AG reduced the outstanding nominal volume by €40.1m and called in the remaining volume early on account of immateriality. It will be redeemed by 19 December 2011.

In order to provide additional opportunities to issue bonds, the Annual General Meetings of 7 May 2008 and 13 May 2009 resolved to create additional conditional capital for the issue of bonds of €100.0m each, expiring by 6 May 2013 and 12 May 2014, respectively. The issue of bonds with conversion options and warrants as well as profit-sharing rights and income bonds (with and without fixed terms) under the two above-mentioned authorisations has been limited to a total nominal amount of €1.0bn.

Using the conditional capital of 13 May 2009, on 17 November 2009 TUI AG issued unsecured non-subordinate convertible bonds worth €217.8m 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 may thus 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 four German stock exchanges. By 30 September 2011, 5,127 bonds were converted into 51,270 new shares in TUI AG (including 38,070 in the period under review).

Using the conditional capital of 7 May 2008, TUI AG on 24 March 2011 issued unsecured nonsubordinate convertible bonds worth €339.0m 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 may thus 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 four German stock exchanges. By 30 September 2011, no bonds had been converted.

Overall, TUI AG held conditional capital of €299.9m as at 30 September 2011, taking account of the conversions effected.

Authorised capital

The Annual General Meeting of 7 May 2008 adopted a resolution on the issue of new registered shares against cash contribution for up to a maximum of €64.0m. This authorisation will expire on 6 May 2013.

The Annual General Meeting of 7 May 2008 also resolved to create new authorised capital for the issue of employee shares, which stood at around €9.0m at the balance sheet date. In the completed financial year, 110,150 employee shares were issued. The Executive Board of TUI AG has been authorised to use this capital in one or several transactions for the issue of employee shares against cash contribution by 6 May 2013.

In addition, 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.

Accordingly, total unused authorised capital was around €319.0m at the balance sheet date (around €319.3m as at 30 September 2010).

(27) Capital reserves

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

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

On 24 March 2011, TUI AG issued convertible bonds. The corresponding conversion rights had to be classified as equity instruments under IAS 32 and resulted in an increase in the capital reserves of €41.9m.

The capital reserves also rose by a total of €0.7m due to the issue of employee shares and, to a lesser extent, the conversion of bonds into shares.

(28) Revenue reserves

Other revenue reserves comprise transfers from the results of the financial year under review or previous years.

Negative non-controlling interest 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" in equity.

In accordance with section 58 (2) of the German Stock Corporation Act, dividend payments to TUI AG shareholders are based on net profit available for distribution shown in the commerciallaw annual financial statements of TUI AG. In financial year 2010/11, dividends were distributed to non-Group shareholders of subsidiaries, in particular of TUI Travel PLC and RIUSA II.

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 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 IAS 27 (revised), 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 held, which did not yet result in consolidation of the company concerned.

The addition from first-time consolidation comprises the increase in equity which arose from the acquisition of 60% of the shares in Intrepid Travel Group Limited, Australia. As a consideration, the existing shareholders of the Intrepid Group acquired a 40% stake in parts of TUI's Adventure travel business. Accordingly, the prorated equity of TUI's Adventure travel business was reclassified to non-controlling interest. The reclassifications to non-controlling interests also include the reclassification of the prorated equity of the Magic Life Group as a result of the sale of the Magic Life Group to TUI Travel PLC.

The differences between acquired equity and acquisition costs, which have arisen from the acquisition of non-controlling interests (€ − 28.0m), are directly eliminated against Other revenue reserves.

Changes in the value of financial assets available for sale are taken to, or eliminated against, revenue reserves outside profit and loss.

The revaluation reserve for cash flow hedges comprises the portion of gains and losses from hedges determined as effective hedges of future cash flows. When a hedged transaction has an effect on results or is no longer assessed as probable, the reserve is reversed through profit and loss in the same period.

The reserve according to IAS 19 comprises gains and losses from changes in actuarial parameters in connection with the measurement of pension obligations and the associated fund assets, carried outside profit and loss. In financial year 2010/11, the reserve in accordance with IAS 19 decreased mainly because of actuarial losses on the fund assets.

Taking account of non-controlling interests and deferred taxes, the reserves stood at € − 344.8m (previous year € − 289.8m) at the end of financial year 2010/11.

(29) Hybrid capital

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

(30) Non-controlling interests

Non-controlling interests mainly relate to companies of TUI Travel PLC and TUI Hotels & Resorts, in particular the RIUSA II Group.

(31) Pension provisions and similar obligations

A number of defined contribution plans and defined benefit pension plans are operated for Group employees. Pension obligations vary, reflecting the different legal, fiscal and economic conditions in each country of operation and usually depend on employees' length of service and pay levels. All defined contribution plans are funded by the payment of contributions to external insurance companies or funds, 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 2010/11, the pension costs for all defined contribution plans totalled €31.4m (previous year €48.4m).

In the period under review, material contractual changes arose in the defined benefit pension plans in the UK. In April, a plan curtailment was resolved for the British pension plans, resulting in income of €73.5m. Total income of €4.0m (previous year expense of €87.1m) therefore arose for the Group as a whole in defined benefit pension obligations.

Pension costs for defined benefit obligations

	2010/11	2009/10
	€ million	
Current service cost for employee service in the period	39.9	46.3
Curtailment gains	74.2	—
Interest cost	115.4	117.7
Expected return on external plan assets	85.5	78.2
Past service cost due to plan changes	0.4	1.3
Total	**−4.0**	**87.1**

In addition, an agreement was concluded in May 2011 between several British subsidiaries as employers and the managing pension funds in order to reduce the deficits of British pension schemes in the long term. The biggest British brands Thomson and First Choice were transferred to a Pension Funding Partnership (PFP). Via annual royalty payments from the British tour operators to the PFP, the pension deficit will be reduced over 15 years. At the end of the term of the agreement, any remaining deficit at that time will have to be repaid. The PFP is included in the consolidated financial statements so that the agreement does not have any effects on the statement, of financial position, pension obligations in accordance with IAS 19 and the income statement, other than those resulting from direct payment to the funds. The participation of the funds in the PFP does not meet the criteria for pension assets in accordance with IAS 19 and is therefore not taken into account in the development of the fair value of fund assets described below.

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. Provisions for similar obligations cover in particular early retirement and temporary assistance benefits.

Development of pension provisions and similar obligations

	Balance as at 30 Sep 2010	Changes with no effect on profit and loss[1]	Actuarial gains and losses	Utilisation	Release	Addition	Balance as at 30 Sep 2011
				€ million			
Pension provisions	874.2	−6.1	99.5	89.7	74.2	60.2	863.9
Similar obligations	37.1	12.2	−3.9	0.5		5.3	50.2
Total	**911.3**	**6.1**	**95.6**	**90.2**	**74.2**	**65.5**	**914.1**

1) reclassifications, transfers, exchange differences and changes in group of consolidated companies

The actuarial gains and losses which arose in financial year 2010/11 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, Switzerland and the Netherlands.

While the fund assets are determined on the basis of the fair values of invested funds as at 30 September 2011, 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

	2010/11	2009/10
	Percentage p. a.	
Discount rate	4.75	4.25
Projected future salary increases	2.0 – 2.5	1.0 – 2.5
Projected future pension increases	1.0 – 2.17	1.0 – 1.83

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 parameters for German companies

	2010/11			2009/10		
	Discount rate	Expected return on plan assets	Projected future salary increases	Discount rate	Expected return on plan assets	Projected future salary increases
			Percentage p. a.			
Eurozone	4.75	4.9 – 5.9	3.0 – 5.0	4.25	5.9 – 6.3	2.8 – 5.0
UK	5.25	6.1 – 6.2	2.5	5.3	6.3 – 6.8	3.7 – 4.2
Rest of Europe	2.5	2.5	1.0 – 2.0	2.8 – 3.2	2.5	1.3 – 2.0
North America	4.55	4.0	3.5	4.75	5.0	3.5

Development of projected benefit obligations

	2010/11	2009/10
	€ million	
Net present value of actual pension obligations at beginning of year	**2,349.6**	**2,071.7**
Current pension obligations	39.9	46.3
Curtailments	−74.2	—
Interest cost	115.4	117.7
Pensions paid	−113.5	−112.1
Contributions paid by pension beneficiaries	5.0	7.2
Actuarial losses (+)	22.7	122.1
Exchange differences	−7.8	102.9
Other	13.8	−6.2
Net present value of actual pension obligations at year-end	**2,350.9**	**2,349.6**

Pension obligations were almost flat in the financial year under review. There were only minor actuarial gains and losses due to opposite interest rate trends in the UK and the Eurozone.

Development of the fair value of fund assets

	2010/11	2009/10
	€ million	
Fair value of fund assets at beginning of period	**1,437.7**	**1,202.8**
Expected return on external plan assets (−)	−85.5	−78.2
actuarial gains (−) / losses (+) of the current year	72.9	−46.1
Exchange differences	−4.4	74.1
Employer's contributions paid in	65.2	110.4
Contributions paid by the beneficiaries of the plan	5.0	7.2
Pensions paid	−79.0	−76.6
Other	—	−4.5
Fair value of fund assets at end of period	**1,437.1**	**1,437.7**
of which dividend-carrying securities	673.1	678.2
of which bonds	561.8	557.4
of which property, plant and equipment	17.8	15.5
of which cash	24.5	25.3
of which Other	159.9	161.3

The fair values of fund assets were also almost flat year-on-year. At expected returns of €85.5m (previous year €78.2m), the funds generated actual returns of €12.6m (previous year €124.3m). The resulting actuarial losses are primarily based on the year-on-year weakening of prices in the international securities markets.

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 €69.8m to the pension funds.

Reconciliation of projected benefit obligations to pension obligations recognised in the statement of financial position

	30 Sep 2011			30 Sep 2010		
	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
			€ million			
Actual projected benefit of fully or partly funded pension obligations	1,852.9	9.6	1,862.5	1,846.1	11.8	1,857.9
Fair value of external plan assets	1,426.3	10.8	1,437.1	1,425.4	12.3	1,437.7
Deficit respectively excess	**426.6**	**− 1.2**	**425.4**	**420.7**	**− 0.5**	**420.2**
Actual net present value of non-funded pension obligations			488.4			491.7
Net projected benefit obligation			**913.8**			**911.9**
Adjustment for past service cost			− 0.9			− 1.1
Net recognised liability			**912.9**			**910.8**
of which capitalised assets			1.2			0.5
Provisions for pensions and similar obligations			**914.1**			**911.3**
of which provisions for pensions for non-funded obligations			487.5			490.6
of which provisions for pensions for funded obligations			426.6			420.7

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. There was only a difference of € − 0.9m due to past service cost that was not yet recognised in the statement of financial position. This off-balance difference will be charged to expenses and successively amortised over the next few financial years.

Where plan assets exceed obligations with regard to 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

	2010/11	2009/10	SFY 2009	2008	2007
			€ million		
Projected benefit obligations at year-end	2,350.9	2,349.6	2,071.7	1,696.2	2,323.5
Fund assets at year-end	1,437.1	1,437.7	1,202.8	980.4	1,471.5
Excess (−) / deficit (+) at year-end	913.8	911.9	868.9	715.8	852.0
Actuarial gains (−) / losses (+) of the current year from the obligations	22.7	122.1	296.2	− 192.8	214.9
of which experience adjustments	26.5	− 3.8	4.0	22.7	24.5
Actuarial gains (−) / losses (+) of the current year from fund assets	72.9	− 46.1	− 93.6	298.9	19.5

At 30 September 2011, the actuarial gains and losses before deferred taxes carried and eliminated against equity outside profit and loss by that date totalled € − 746.6m (previous year € − 652.0m).

(32) Other provisions

Development of provisions in the financial year 2011

	Balance as at 30 Sep 2010	Changes with no effect on profit and loss[1)]	Usage	Reversal	Addition	Balance as at 30 Sep 2011
			€ million			
Personnel costs	108.5	−14.9	38.8	5.9	40.8	89.7
Typical operating risks	31.9	5.2	4.9	8.0	8.5	32.7
Maintenance provisions	397.0	4.1	163.7	25.8	297.4	509.0
Risks from onerous contracts	61.5	−0.3	36.9	2.5	43.5	65.3
Guarantee and liability risks	10.4	—	3.7	1.4	6.5	11.8
Provisions for other taxes	46.5	0.7	3.9	0.1	4.5	47.7
Miscellaneous provisions	247.9	5.2	47.9	21.3	80.4	264.3
Other provisions	**903.7**	**—**	**299.8**	**65.0**	**481.6**	**1,020.5**

1) reclassifications, transfers, exchange differences and changes in the group of consolidated companies

Other provisions

Other provisions comprise provisions for personnel costs, typical operating risks, maintenance risks (in particular maintenance of leased aircraft), risks from onerous contracts, guarantee and liability risks, provisions for other taxes and 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.

In the framework of a long-term incentive programme, an Executive Board member and other senior executive staff of the Group are granted bonuses, translated into phantom stocks in TUI A G on the basis of an average share price. The phantom shares are calculated on the basis of Group earnings before taxes and amortisation of goodwill (underlying 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 time frames. This lockup 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.

Executive Board members whose remuneration was changed to a new remuneration system as from 1 January 2010 take part in a long-term incentive programme also based on phantom stocks. Under this programme, phantom shares are granted upon completion of a four-year service period—upon completion of financial year 2012/13 for the first time—and are determined by comparing the development of Total Shareholder Return (TS R) of TUI AG with the development of the Dow Jones Stoxx 600 Travel & Leisure.

Development of phantom shares

	Number of shares	Present value € million
Balance as at 31 Dec 2009	**1,158,946**	**8.2**
Phantom shares granted	216,069	1.5
Phantom shares exercised	393,250	− 3.4
Measurement results	—	2.5
Balance as at 30 Sep 2010	**981,765**	**8.8**
Phantom shares granted	169,924	1.7
Phantom shares exercised	145,424	− 1.0
Measurement results	—	− 6.0
Balance as at 30 Sep 2011	**1,006,265**	**3.5**

The TUI Travel Sector operates three principal share-based payment schemes linking employee remuneration to the future performance of the Sector: a Deferred Annual Bonus Scheme (DA BS), a Deferred Annual Bonus Long-Term Incentive Scheme (DA BLIS) and a Performance Share Plan (PSP).

Under the bonus incentive plan newly introduced in financial year 2009/10, executive staff receive variable remuneration as a function of the relative development of three corporate performance indicators. Up to half the variable remuneration is determined by comparing the development of the return on invested capital (ROIC) to the development of the weighted average cost of capital (WACC). The remaining remuneration is determined by comparing the development of earnings per share (EPS) to the UK Retail Price Index and the total shareholder return (TS R) performance, to the return in other capital market-oriented companies. This scheme will be exercised at the end of three years at the earliest and ten years at the latest.

Awards and shares granted and outstanding

	Number of shares	Date of first exercisability
Deferred Annual Bonus Scheme (DABS)	3,829,912	28 Nov 11
	3,202,607	2 Dec 12
	3,959,768	6 Dec 13
Deferred Annual Bonus Long-term incentive Scheme (DABLIS)	2,171,283	2 Dec 12
	2,468,921	6 Dec 13
Performance Share Plan (PSP)	1,020,602	28 Nov 11
	5,139,613	28 Nov 11
	1,852,876	2 Dec 12
	712,513	19 Mar 13
	1,988,854	6 Dec 13
Total	**26,346,949**	

On 30 September 2011, 12,700,211 shares (previous year 13,191,246 shares) were held by Employee Benefit Trusts.

Development of the number of share options

	Number
Outstanding at beginning of the financial year	29,575,371
Expired during the financial year	− 6,401,065
Exercised during the financial year	− 5,346,542
Issued during the financial year	8,519,185
Balance as at 30 Sep 2011	**26,346,949**

The fair value of services received in return for share options granted is measured by reference to the fair value of the share options granted. The estimate of the fair value of services received is usually determined using binomial models, depending on the vesting criteria, with the exception of the calculation of the fair value of plans only to be exercised under certain market conditions. The fair value of such plans is estimated using a Monte Carlo simulation.

Information relating to fair values of shares awarded

		2010/11
Fair values at measurement date	£	1.50 – 1.90
Share price	£	2.30
Expected volatility	%	56.10
Expected dividends	%	5.60
Risk free interest rate	%	1.00

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. Share options are granted under a service condition.

In financial year 2010/11, personnel costs of £20.0m (€23.1m) relating to share-based payment schemes were carried through profit and loss.

In financial year 2010/11, the restructuring measures implemented above all in the TUI Travel Sector resulted in total expenses of €70.8m (previous year €124.9m). In this framework provisions were formed where the individual measures were sufficiently specific and a factual restructuring obligation existed. At the balance sheet date, provisions for restructuring measures totalled €92.7m.

Provisions for necessary environmental protection measures included in typical operating risks amounted to €4.7m (previous year €1.6m) at the balance sheet date.

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 €15.1m (previous year €19.4m), recognised as interest expenses. The largest portion relates to additions to provisions for maintenance.

Terms to maturity of income tax provisions and other provisions

	30 Sep 2011		30 Sep 2010	
	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
	€ million			
Personnel costs	33.4	89.7	62.4	108.5
Typical operating risks	15.6	32.7	13.3	31.9
Maintenance provisions	303.5	509.0	274.4	397.0
Risks from onerous contracts	13.6	65.3	4.6	61.5
Guarantee and liability risks	7.4	11.8	3.5	10.4
Provisions for other taxes	31.4	47.7	33.2	46.5
Miscellaneous provisions	143.7	264.3	128.8	247.9
Other provisions	**548.6**	**1,020.5**	**520.2**	**903.7**

(33) Financial liabilities

Financial liabilities

	30 Sep 2011				30 Sep 2010	
	up to 1 year	1 – 5 years	Remaining term more than 5 years	Total	Total	Remaining term more than 1 year
	€ million					
Convertible bonds	185.4	802.0	402.3	1,389.7	1,534.4	1,534.4
Other bonds	—	250.1	—	250.1	1,503.9	446.5
Liabilities to banks	156.3	669.1	61.3	886.7	1,001.5	690.9
Liabilities from finance leases	22.1	0.1	132.6	154.8	320.2	152.1
Financial liabilities due to nonconsolidated Group companies	17.4	0.2	—	17.6	28.1	0.3
Financial liabilities due to affiliates	11.2	—	—	11.2	7.8	—
Other financial liabilities	81.2	0.5	6.5	88.2	116.0	3.3
Total	**473.6**	**1,722.0**	**602.7**	**2,798.3**	**4,511.9**	**2,827.5**

Fair values and carrying amounts of the bonds issued (30 Sep 2011)

					Stock market value			
	Issuer	Volume initial	Volume outstanding	Interest rate % p. a.	Debt component	Conversion options	Total	Carrying amount
				€ million				
2007/12 convertible bond	TUI AG	694.0	193.0	2.750	187.2	—	187.2	185.4
2009/14 convertible bond	TUI AG	217.7	217.5	5.500	173.4	27.5	200.9	170.5
2011/16 convertible bond	TUI AG	339.0	339.0	2.750	179.8	—	179.8	279.4
2009/14 convertible bond	TUI Travel PLC	GBP 350.0	GBP 350.0	6.000	269.5		269.5	352.1
2010/17 convertible bond	TUI Travel PLC	GBP 400.0	GBP 400.0	4.900	276.0		276.0	402.3
2005/12 bond	TUI AG	450.0	251.2	5.125	250.7	—	250.7	250.1
2005/– hybrid capital	TUI AG	300.0	300.0	until Jan 2013 8.625 subsequently 3m EURIBOR plus 7.300	216.0		216.0	294.6

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.

Convertible bonds comprise a total of five convertible bonds. The convertible bond originally worth €694.0m issued on 1 June 2007 will mature on 1 September 2012. The convertible bond was issued in denominations of €50,000 and has a conversion price of €27.1147 per no-par value share. In the completed financial year, bonds worth a nominal amount of €501.1m were bought back.

On 17 November 2009, TUI AG issued a five-year convertible bond worth €217.7m. This bond carries a fixed-interest coupon of 5.5% per annum. It was issued in denominations of €56.30. The conversion price is €5.63 per no-par value share. The volume outstanding as per 30 September 2011 for this bond totals €217.5m due to conversions of €0.2m.

A third convertible bond was issued on 24 March 2011 by TUI AG with a nominal value of €339.0m. The bond carries a fixed-interest coupon of 2.75% per annum and will mature on 24 March 2016. It was issued in denominations of €59.26. The conversion price is €11.85 per share.

On 1 October 2009, TUI Travel PLC issued a convertible bond with a nominal value of £350m with a fixed-interest coupon of 6.0% per annum and a conversion price of £3.493 per no-par value share. It will mature in October 2014. The bond was issued in denominations of £100,000. On 22 April 2010, TUI Travel PLC issued another convertible bond. It has a nominal volume of £400.0m and denominations of £100,000. At a fixed-interest coupon of 4.9%, it will mature in April 2017. The conversion price is £3.8234.

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.

The bonds issued in May 2004 and maturing in May 2011 worth €625.0m were redeemed as at the due date on 16 May 2011.

Two further bonds with an aggregate volume of €1,000.0m were issued in December 2005. The senior floating-rate notes worth €550.0m carried a floating interest rate (3-month E URIBOR + 1.55% p.a.) and were redeemed in December 2010, as scheduled. The senior fixed rate notes worth €450.0m carry a fixed nominal interest rate of 5.125% p.a. and are repayable in December 2012. In financial year 2010/11, parts of the bonds with a nominal volume of €198.8m were redeemed early. The bonds have denominations of at least €50,000.0, with higher integral multiples of thousand.

(34) Trade payables

Trade payables

	30 Sep 2011	30 Sep 2010
	€ million	
To third parties	2,939.9	2,821.9
To non-consolidated Group companies	5.5	1.9
To affiliates	28.1	23.6
Total	**2,973.5**	**2,847.4**

Concerning the accounting errors of the TUI Travel Group identified in the period under review, with regard to current trade payables to third parties as per 30 September 2010 and the correction of these errors in the financial statements for financial year 2010/11, we refer to the Notes to the cost of sales.

(35) Derivative financial instruments

Derivative financial instruments

	30 Sep 2011				30 Sep 2010	
	up to 1 year	1 – 5 years	Remaining term of more than 5 years	Total	Remaining term of more than 1 years	Total
	€ million					
To third parties	157.7	52.8	20.9	231.4	47.8	195.2

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

(36) Deferred and current tax liabilities

Deferred and current tax liabilities

	30 Sep 2011	30 Sep 2010 revised
	€ million	
Deferred tax liabilities	120.7	80.2
Current tax liabilities	315.5	252.5
Total	**436.2**	**332.7**

A total of €72.5m of the deferred tax liabilities (previous year €39.4m) will realise in more than twelve month.

In the framework of an ongoing tax audit of the TUI Travel Accommodation & Destinations Business, the Spanish tax authorities notified the Group in 2010 that they disagree with the tax treatment of two transactions of the former First Choice Holidays PLC Group, undertaken in the period from 2000 to 2003, in determining Spanish income taxes. It is currently not be ruled out that Spanish authorities may seek to pursue a judicial process against managers involved in this matter and that penalties may be established, which a Spanish subsidiary will be liable for.

Not least on the basis of independent legal and tax advice taken, TUI Travel PLC and the managers that may be concerned firmly believe that the risk from a potential judicial process is low.

A provision is held to cover the risk of non-recognition of the tax deduction arising from the expenses for the two transactions.

(37) Other liabilities

Other liabilities

	30 Sep 2011				30 Sep 2010 revised	
	up to 1 year	1 – 5 years	Remaining term of more than 5 years	Total	Remaining term of more than 1 year	Total
	€ million					
Other liabilities due to non-consolidated Group companies	1.1	—	—	1.1	—	22.4
Other liabilities due to affiliates	10.6	—	—	10.6	—	—
Other miscellaneous liabilities	142.8	31.1	26.1	200.0	38.3	258.8
Other liabilities relating to other taxes	39.7	1.0	—	40.7	0.8	30.9
Other liabilities relating to social security	49.1	0.1	—	49.2	0.8	47.2
Other liabilities relating to employees	134.4	1.4	1.5	137.3	3.1	132.7
Other liabilities relating to members of the Boards	4.5	2.8		7.3	—	4.1
Advance payments received	2,013.7	—	—	2,013.7	11.2	1,773.1
Other liabilities	**2,395.9**	**36.4**	**27.6**	**2,459.9**	**54.2**	**2,269.2**
Deferred income	66.9	3.3	37.8	108.0	32.2	114.0
Total	**2,462.8**	**39.7**	**65.4**	**2,567.9**	**86.4**	**2,383.2**

(38) Liabilities related to assets held for sale

Liabilities related to assets held for sale

	30 Sep 2011	30 Sep 2010
	€ million	
Disposal group Turcotel	—	60.0
Dorfhotel	2.2	—
Jet4You	—	35.9
Total	**2.2**	**95.9**

(39) Contingent liabilities

Contingent liabilities

	30 Sep 2011	30 Sep 2010
	€ million	
Liabilities under guarantees, bill and cheque guarantees due to non-consolidated Group companies	0.4	6.8
Other liabilities under guarantee, bill and cheque guarantees	497.1	445.7
Other liabilities under warranties	0.9	1.2
Total	**498.4**	**453.7**

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 2011 are, above all, attributable to the granting of guarantees for the benefit of Hapag-Lloyd AG from the payment of collateralised ship financing schemes granted in September 2010. The year-on-year increase as against 30 September 2010 is due to the assumption of liability for the benefit of TUI Cruises GmbH.

(40) 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 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.

The action submitted by the insolvency trustee of Babcock Borsig AG (in insolvency) in 2004 was dismissed by the regional court of first instance in Frankfurt/Main at the end of 2007. The appeal by the plaintiff was dismissed by the regional appeal court of Frankfurt/Main in July 2010. On 6 December 2011 the Federal Supreme Court issued its ruling about the appeal lodged by the plaintiff. TUI AG continues to assume that no claim exists. The provision formed in this regard only covers an amount representing the anticipated non-refundable cost of the proceedings, as before.

In 1999, the operator of the container terminal in Zeebrugge in Belgium filed an action for damages against CP Ships Ltd.—still forming part of TUI AG—and several of its subsidiaries due to an alleged breach of agreement in connection with the change of the Belgian port of call from Zeebrugge to Antwerp. To date, a court ruling has not yet been given. Meanwhile, the court has determined the time frame for the documents to be submitted by the parties and fixed the date of the first oral proceedings in September 2013.

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.

(41) Other financial commitments

Nominal values of other financial commitments

	30 Sep 2011				30 Sep 2010	
	up to 1 year	1 – 5 years	Remaining term of more than 5 years	Total	Remaining term of more than 1 year	Total
	€ million					
Order commitments in respect of capital expenditure	351.8	1,792.4	114.7	2,258.9	1,549.3	1,857.7
Other financial commitments	65.6	71.7	14.6	151.9	65.3	199.8
Total	**417.4**	**1,864.1**	**129.3**	**2,410.8**	**1,614.6**	**2,057.5**
Fair value	**398.5**	**1,621.8**	**89.2**	**2,109.5**	**1,425.1**	**1,849.9**

The fair value of other financial commitments was determined by means of discounting future expenses using a customary market interest rate of 4.75% per annum (previous year 4.25% p.a.). If the previous year's interest rate of 4.25% p.a. had been applied, the fair value would have been €28.9m higher.

Order commitments in respect of capital expenditure relating almost exclusively to Tourism rose by €401.2m year-on-year as at 30 September 2011; this was due to ordering five additional B737-800 aircraft and two A330 aircraft, while seven B737-800 aircraft have been delivered since 30 September 2010.

Order commitments also rose due to a planned hotel project of the RIUSA II Group.

Moreover, Hapag-Lloyd Kreuzfahrten ordered a new build, the MS Europa 2, from a French shipyard in the framework of the expansion of its fleet; the ship is to enter service in the spring of 2013.

Financial commitments from operating lease, rental and charter contracts

	30 Sep 2011					30 Sep 2010	
	up to 1 year	1 – 5 years	5 – 10 years	Remaining term of more than 10 years	Total	Remaining term of more than 1 years	Total
				€ million			
Aircraft	349.5	807.8	216.3	4.1	1,377.7	909.7	1,239.0
Hotel complexes	324.3	450.8	72.5	12.0	859.6	602.0	798.7
Travel agencies	81.6	193.3	68.5	21.7	365.1	314.2	397.9
Administrative Buildings	53.3	137.9	88.7	71.2	351.1	230.5	277.1
Yachts and motor boats	80.4	183.0	5.9	—	269.3	53.7	139.5
Other	27.5	30.4	6.8	0.6	65.3	30.7	55.1
Total	**916.6**	**1,803.2**	**458.7**	**109.6**	**3,288.1**	**2,140.8**	**2,907.3**
Fair value	**875.0**	**1,568.9**	**316.4**	**68.9**	**2,829.2**	**1,805.0**	**2,540.3**

The fair value of financial commitments from lease, rental and charter agreements was determined by means of discounting future expenses using a customary market interest rate of 4.75% p.a. (previous year 4.25% p.a.). If the previous year's interest rate of 4.25% p.a. had been applied, the fair value would have been €42.6m 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 IASB rules (operating leases).

As a matter of principle, operating leases for aircraft do not include a purchase option. As a general rule current lease payments do not include maintenance costs. The average lease duration is approximately five years.

The increase as against 30 September 2010 results partly from the additional charter of aircraft by TUI Travel. It is also due to additional financial liabilities from the extension of contract terms for cruise ships already operated by TUI Travel and to charter commitments for a further cruise ship by Hapag-Lloyd Kreuzfahrten. The increase is also driven by the long-term lease-back of an administrative building sold in 2010/11. In addition, it is due to additional obligations for hotel rental by TUI Travel.

Financial instruments

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

In the framework of the merger of TUI's Tourism activities with First Choice to form TUI Travel PLC in 2007, 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 Sector TUI Travel, 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. As a matter of principle, all hedges by the Group are based on correspondingly recognised or future underlying transactions. Recognised standard software is used for assessing, monitoring and reporting the hedges entered into. The processes, the methods applied and the organisation of risk management are reviewed for compliance with the relevant regulations at least on an annual basis by the internal audit departments and external auditors.

Within the TUI Group, financial risks primarily arise from payment flows in foreign currencies, fuel requirements (aircraft fuel and bunker oil) and financing via the money and capital markets. In order to limit the risks from changes in exchange rates, market prices and interest rates for underlying transactions, TUI uses derivative over-the-counter financial instruments. These are primarily fixed-price transactions. In addition, TUI also trades in options and structured products to a minor extent. Use of derivative financial instruments is confined to internally fixed limits and other regulations. As a matter of principle, the instruments used 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. Currency translation risks from the consolidation of Group companies not preparing their accounts in Euros are not hedged.

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 operational business of the TUI Group's companies generate payments denominated in foreign currencies, which are not always matched by congruent payments with equivalent terms in the same currency. Using potential netting effects (netting of payments made and received in the same currency with identical or similar terms), the TUI Group enters into appropriate hedges with external counterparties in order to limit the currency risk.

Currency hedges in Tourism are entered into when the calculated brochure prices have been fixed and cover 50% to 100% of the planned currency requirements for the respective tourism season, depending on the risk profile of the company concerned. The hedged volumes are changed in line with changes in planned requirements on the basis of reporting by the subsidiaries.

Currency hedging in the Cruises Sector is also based on the reports submitted by the companies. The hedges cover 80% to 100% of the reported exposure.

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 largest hedging volume in the operational business relates to US dollars. In the tourism business, payments in US dollars primarily relate to the procurement of services in non-European destinations, purchases of aircraft fuel and aircraft purchases or respective lease rates.

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, and primarily the Northern Region, are mainly affected by changes in the value of the US dollar and the euro.

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

Sensitivity analysis—currency risk

Variable: Foreign exchange rate	30 Sep 2011 + 10%	30 Sep 2011 − 10%	30 Sep 2010 + 10%	30 Sep 2010 − 10%
	€ million			
Exchange rates of key currencies				
€/US dollar				
Revaluation reserve	− 90.2	+ 90.2	− 116.1	+ 120.1
Earnings after income taxes	− 2.7	+ 2.7	+ 3.4	− 5.6
€/Pound sterling				
Revaluation reserve	+ 97.5	− 97.5	+ 204.3	− 204.3
Earnings after income taxes	+ 108.7	− 108.7	− 75.0	+ 75.0
Sterling/US dollar				
Revaluation reserve	− 102.3	+ 102.3	+ 0.6	− 0.3
Earnings after income taxes	− 45.3	+ 45.3	+ 2.9	− 3.1
€/Swiss franc				
Revaluation reserve	+ 3.2	− 3.2	+ 7.7	− 7.4
Earnings after income taxes	+ 4.0	− 4.0	+ 4.4	− 4.6
€/Swedish krona				
Revaluation reserve	+ 16.7	− 16.7	+ 25.0	− 25.0
Earnings after income taxes	− 3.6	+ 3.6	− 2.5	+ 2.5

Interest rate risk

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. Concerning the bonds issued, the fair values deviate from recognised carrying amounts. However, since these financial instruments are carried at amortised cost rather than at fair value as a matter of principle, no direct effects arise for equity or profit and loss.

By contrast, for balance sheet items and financial derivatives based on floating interest rates, the TUI Group is exposed to earnings-related risks (cash flow interest rate risks). These risks relate in particular to the Group's variable-rate debt. In order to minimise this risk, the Group enters into interest rate hedges, where necessary. The Group is also exposed to fair value risks from hybrid loans to Container Shipping.

Sensitivity analysis—interest rate risk

Variable: Interest rate level for floating interest-bearing debt and fixed-interest-bearing loans	30 Sep 2011 + 100 basis points	30 Sep 2011 − 100 basis points	30 Sep 2010 + 100 basis points	30 Sep 2010 − 100 basis points
	€ million			
Revaluation reserve	+ 1.5	− 1.1	—	—
Earnings after income taxes	+ 2.8	− 2.2	− 33.5	+ 37.7
Equity – available for sale financial instruments	− 13.6	+ 14.2	− 26.5	+ 30.7

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.

Hedging of market price risks from the purchase of aircraft fuel is based on the hedging model of the Tourism companies. When calculating the exposure for the season concerned, at least 80% of the exposure is hedged. Possibilities of levying fuel surcharges are taken into account.

Hedging of fuel price risks in the Cruises Sector is based on financial derivatives. At least 80% of the relevant exposure is hedged.

Sensitivity analysis—fuel price risk

Variable: Fuel prices for aircraft and ships	30 Sep 2011 + 10%	30 Sep 2011 − 10%	30 Sep 2010 + 10%	30 Sep 2010 − 10%
	€ million			
Revaluation reserve	+ 80.8	− 84.2	+ 78.1	− 83.8
Earnings after income taxes	+ 3.5	− 3.8	+ 10.7	− 5.9

Apart from the currency, interest rate and fuel price risk, the TUI Group is exposed to other price risks due to one specific item.

In the financial year 2009/10, TUI Travel PLC issued a convertible bond for which the TUI Group entered into a buy-back obligation. It is treated separately in the form of a forward transaction and included as a hedge in the framework of hedge accounting. A 10% increase or decrease in the bond price compared with the measurement as at 30 September 2011 would change the revaluation reserve by €+ 7.8m/€ − 7.8m (previous year €+ 20.4m/€ − 20.4m).

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 is defined by the total of the recognised carrying amounts of the financial assets (including derivative financial instruments with positive market values), on the one hand, and the granting of financial guarantees, on the other. Details concerning the guarantees at the balance sheet date are presented in Note 39. Legally enforceable possibilities of netting financial assets and liabilities are taken into account, whereas existing collateral is not considered. The credit risk is minimised due to the strict requirements placed on the counterparties' solvency. 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. As a matter of principle, responsibility for handling the credit risk relating to the operative business is held by the individual Group companies of the TUI Group. Depending on the type of business activity and level of the credit limit, additional monitoring and control activities are effected at Group level.

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. Wherever possible, collateral is negotiated with the business partners as part of credit risk management in order to reduce the credit risk. Guarantees by the respective parent company, bank guarantees and the deposit of cash and securities are accepted as collateral to reduce the credit risk.

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

At the 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 2010/11 nor in 2009/10.

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. As 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, consistently comply with contractual payment obligations and optimise the cost situation for the overall Group. The Group's liquidity requirements are determined by means of liquidity planning and are covered by committed credit lines and liquid funds so that the Group's liquidity is guaranteed at all times.

The tables provided below list the contractually agreed (undiscounted) cash flows of primary financial liabilities and derivative financial instruments.

Cash flow of financial instruments (30 Sep 2011)

		Cash in-/outflow until 30 Sep		
	2012	2013	2014 – 2016	as of 2016
	€ million			
Financial liabilities				
Bonds	− 232.3	− 278.7	− 1,351.4	− 483.5
Liabilities to banks	− 138.2	− 590.3	− 202.5	− 62.0
Liabilities from finance leases	− 47.7	− 17.5	− 54.3	− 66.5
Financial liabilities due to non-consolidated Group companies	− 17.4	—	0.2	—
Financial liabilities due to affiliates	− 11.2	—	—	—
Other financial liabilities	− 81.2	—	− 0.5	− 6.5
Trade payables	− 2,973.5	—	—	—
Other liabilities	− 1.1	—	—	—
Derivative financial instruments				
Hedging transactions – inflows	+ 6,457.2	+ 942.5	+ 17.5	—
Hedging transactions – outflows	− 6,330.8	− 906.6	− 15.4	—
Other derivative financial instruments – inflows	+ 3,722.7	+ 90.2	—	—
Other derivative financial instruments – outflows	− 3,718.5	− 89.2	—	—

Cash flow of financial instruments (30 Sep 2010)

		Cash in-/outflow until 30 Sep		
	2011	2012	2013 – 2015	as of 2015
	€ million			
Financial liabilities				
Bonds	− 1,184.0	− 782.1	− 1,227.9	− 509.3
Liabilities to banks	− 321.7	− 78.7	− 672.2	− 91.7
Liabilities from finance leases	− 178.8	− 26.1	− 88.2	− 75.5
Financial liabilities due to non-consolidated Group companies	− 27.8	—	− 0.3	—
Financial liabilities due to affiliates	− 7.8	—	—	—
Other financial liabilities	− 115.9	—	—	—
Trade payables	− 2,847.3	—	—	—
Other liabilities	− 21.9	—	—	—
Derivative financial instruments				
Hedging transactions – inflows	+ 4,929.8	+ 1,211.8	+ 108.9	—
Hedging transactions – outflows	− 4,830.6	− 1,213.3	− 107.1	—
Other derivative financial instruments – inflows	+ 4,449.9	+ 93.4	—	—
Other derivative financial instruments – outflows	− 4,359.1	− 90.0	—	—

The cash flow analysis covers all primary and derivative financial instruments as at the balance sheet date. Planned payments for new future liabilities are not taken into account. Where financial liabilities have a floating interest rate, the forward interest rates fixed as at the balance sheet date are applied. Financial liabilities cancellable at any time are allocated to the earliest maturity band.

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 against exposure to fluctuations in future cash flows. In the financial year under review, hedges primarily consisted of cash flow hedges.

Price hedging instruments in the form of forward transactions and options are used to limit currency and fuel risks.

Cash flow hedges

As at 30 September 2011, underlying transactions existed to hedge cash flows in foreign currencies with maturities of up to four years (previous year up to four 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 variable interest payment obligations from the convertible bond issued by TUI Travel PLC, interest hedges with a term of up to three years were concluded in financial year 2010/11.

In accounting for derivatives of cash flow hedges, the effective portion of the cumulative changes in market values is carried in the revaluation reserve outside profit and loss until the underlying transaction occurs. It is carried in the income statement through profit and loss when the hedged item is executed. In the financial year under review, expenses of €20.6m (previous year income of €1.0m) for currency hedges and derivative financial instruments used as price hedges as well as for interest hedges were carried in the cost of sales and administrative expenses. Expenses of €1.3m (previous year income of €10.0m) was carried from the ineffective portion of the cash flow hedges.

Nominal amounts of derivative financial instruments used

	30 Sep 2011			30 Sep 2010	
	up to 1 year	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
			€ million		
Interest rate hedges					
Caps	—	207.7	207.7	—	—
Swaps	—	57.7	57.7	—	28.6
Currency hedges					
Forwards	10,582.6	1,317.2	11,899.8	1,276.3	7,348.1
Options	—	—	—	1.7	49.6
Collected forwards	244.4	66.0	310.4	88.0	747.9
Commodity hedges					
Swaps	915.9	218.2	1,134.1	198.1	927.0
Options	—	137.5	137.5	—	42.8
Other financial instruments	—	173.1	173.1	232.6	337.6

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

As a matter of principle, 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 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 external counterparties.

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

	30 Sep 2011		30 Sep 2010	
	Receivables	Liabilities	Receivables	Liabilities
		€ million		
Cash flow hedges for				
currency risks	139.4	48.3	98.8	121.5
other market price risks	64.3	110.5	15.2	40.7
interest rate risks	0.4	0.2	—	—
Hedging	**204.1**	**159.0**	**114.0**	**162.2**
Other derivative financial instruments	**70.7**	**72.4**	**254.6**	**33.0**
Total	**274.8**	**231.4**	**368.6**	**195.2**

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 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

The fair value of a financial instrument is the amount for which an asset could be exchanged, sold or purchased, or a liability settled, between knowledgeable and willing parties in an arm's length transaction. Where financial instruments are listed in an active market, e.g. above all shares held and bonds issued, the fair 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 TUI Group's credit spread which depended on its 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 2011

		Category under IAS 39						
	Carrying amount	At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss	Values according to IAS 17 (leases)	Carrying amount of financial instruments	Fair value of financial instruments
				€ million				
Assets								
Available for sale financial assets	487.8	—	59.3	428.5	—	—	521.7	521.7
Trade receivables and other assets	2,360.0	730.3	—	—	33.9	—	764.2	764.2
Derivative financial instruments								
Hedging	204.1	—	—	204.1	—	—	204.1	204.1
Other derivative financial instruments	70.7	—	—	—	70.7	—	70.7	70.7
Cash and cash equivalents	1,981.3	1,981.3	—	—	—	—	1,981.3	1,981.3
Assets held for sale	24.2	24.2	—	—	—	—	24.2	24.2
Liabilities								
Financial liabilities	2,798.3	2,643.5	—	—	—	154.8	2,798.3	2,090.9
Trade payables	2,973.5	2,973.5	—	—	—	—	2,973.5	2,973.5
Derivative financial instruments								
Hedging	159.0	—	—	159.0	—	—	159.0	159.0
Other derivative financial instruments	72.4	—	—	—	72.4	—	72.4	72.4
Other liabilities	2,567.9	57.0	—	—	—	—	57.0	57.0

Carrying amounts and fair values according to classes and measurement categories as at 30 Sep 2010

	Carrying amount	Category under IAS 39: At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss	Values according to IAS 17 (leases)	Carrying amount of financial instruments	Fair value of financial instruments
	€ million							
Assets								
Available for sale financial assets	612.0	—	51.4	560.6	—	—	612.0	612.0
Trade receivables and other assets	2,663.0	1,355.8	—	—	34.2	—	1,390.0	1,389.9
Derivative financial instruments								
Hedging	114.0	—	—	114.0	—	—	114.0	114.0
Other derivative financial instruments	254.6	—	—	—	254.6	—	254.6	254.6
Cash and cash equivalents	2,274.3	2,274.3	—	—	—	—	2,274.3	2,274.3
Assets held for sale	292.4	—	—	—	—	—	—	—
Liabilities								
Financial liabilities	4,511.9	4,191.7	—	—	—	320.2	4,511.9	4,712.9
Trade payables	2,847.4	2,847.4	—	—	—	—	2,847.4	2,847.4
Derivative financial instruments								
Hedging	162.2	—	—	162.2	—	—	162.2	162.2
Other derivative financial instruments	33.0				33.0		33.0	32.9
Other liabilities	2,383.2	22.4	—	—	—	—	22.4	22.4

The financial investments classified as financial instruments available for sale include an amount of €59.3m (previous year €51.4m) 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.

The disposal of shares classified as “Financial assets available for sale”, measured at acquisition cost, entailed disposals of carrying amounts of €21.8m (previous year €2.2m). The disposal gave rise to income of €1.2m (previous year no material income or expenses).

Aggregation according to measurement categories under IAS 39 as at 30 Sep 2011

	At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss and loss	Carrying amount Total	Fair value
	€ million					
Loans and receivables	2,735.8	—	—	—	2,735.8	2,735.8
Financial assets						
available for sale	—	59.3	428.5	—	487.8	487.8
held for trading	—	—	—	104.6	104.6	104.6
Financial liabilities						
at amortised cost	5,674.0	—	—	—	5,674.0	5,121.4
held for trading	—	—	—	72.4	72.4	72.4

Aggregation according to measurement categories under IAS 39 as at 30 Sep 2010

	At amortised cost	At cost	Fair value: with no effect on profit and loss	Fair value: through profit and loss and loss	Carrying amount Total	Fair value
	€ million					
Loans and receivables	3,630.0				3,630.0	3,630.0
Financial assets						
available for sale	—	51.4	560.6	—	612.0	612.0
held for trading	—	—	—	288.8	288.8	288.8
Financial liabilities						
at amortised cost	7,061.4	—	—	—	7,061.4	7,582.7
held for trading	—	—	—	33.0	33.0	32.9

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 September 2011

	Total	Level 1	Fair value hierarchy: Level 2	Level 3
	€ million			
Assets				
Other assets held for trading	33.9	—	—	33.9
Available for sale financial assets	428.5	16.9	—	411.6
Derivative financial instruments				
Hedging transactions	204.1	—	204.1	—
Other derivative financial instruments	70.7	—	70.7	—
Liabilities				
Derivative financial instruments				
Hedging transactions	159.0	—	159.0	—
Other derivative financial instruments	72.4	—	72.4	—

Hierarchy of financial instruments measured at fair value as of 30 September 2010

	Total	Level 1	Fair value hierarchy: Level 2	Level 3
	€ million			
Assets				
Other assets held for trading	34.2	—	—	34.2
Available for sale financial assets	560.6	33.5	—	527.1
Derivative financial instruments				
Hedging transactions	114.0	—	114.0	—
Other derivative financial instruments	254.6	—	131.3	123.3
Liabilities				
Derivative financial instruments				
Hedging transactions	162.2	—	162.2	—
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

	30 Sep 2011		
	Other assets held for trading	Available for sale financial assets	Derivative financial instruments
		€ million	
Balance as at 1 October 2009	**0.4**	**—**	**—**
Additions	—	501.8	105.1
Total comprehensive income	33.8	25.3	18.2
recognised in income statement	33.8	15.7	18.2
recognised in other comprehensive income	—	9.6	—
Balance as at 30 September 2010	**34.2**	**527.1**	**123.3**
Additions	—	—	—
Total comprehensive income	−0.3	−115.5	−123.3
recognised in income statement	—	−296.1	—
recognised in other comprehensive income	−0.3	180.6	−123.3
Balance as at 30 September 2011	**33.9**	**411.6**	**—**

A change in the determined corporate value in National Air Traffic Services (NATS) by +10/−10% results in a €3.4m increase/€−3.4m decrease in the recognition of the asset in the TUI Group, taken though profit and loss.

The sensitivity analysis for the financial assets held for sale (hybrid loans) is included in the sensitivity analysis of the interest rates risk.

Effects on results

The effects of the measurement of the assets available for sale outside profit and loss are listed in the statement of changes in equity.

The net results of the financial instruments by measurement category according to IAS 19 are as follows:

Net results of financial instruments

	2010/11			2009/10		
	from interest	other net results	net result	from interest	other net results	net result
			€ million			
Loans and receivables	52.0	−11.9	40.1	81.9	76.8	158.7
Available for sale financial assets	51.5	37.9	89.4	15.7	18.6	34.3
Financial assets and liabilities held for trading	4.1	44.0	48.1	—	90.3	90.3
Financial liabilities at amortised cost	−284.4	—	−284.4	−295.0	—	−295.0
Total	**−176.8**	**70.0**	**−106.8**	**−197.4**	**185.7**	**−11.7**

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 outside profit and loss did not give rise to any commission expenses in financial year 2010/11 (previous year no expenses).

Capital risk management

One of the key performance indicators in the framework of capital risk management is the IFRs based gearing, i.e. the relationship between the Group's net debt and Group equity. From a risk perspective, a balanced relation between net debt and equity is to be sought. The medium-term target of the TUI Group is for a gearing of around 100%.

In order to actively control 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

	30 Sep 2011	30 Sep 2010
Average financial debt	3,682.3	4,587.7
Average cash and cash equivalent	1,639.9	1,535.3
Average Group net debt	**2,042.5**	**3,052.4**
Average Group equity	2,441.4	2,216.6
Gearing	**83.7%**	**137.7%**

NOTES

NOTES ON 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.

(42) Cash inflow/outflow from operating activities

Based on Group earnings after tax, the cash flow from operating activities is derived on the basis of the indirect method. In the financial year under review, the cash inflow from operating activities amounted to €1,085.5m. The corresponding amount for the prior year was €818.1m. This was due, inter alia, to a change in the terms and conditions for customer down payments in TUI UK. In the period under review, the interest payments received totalled €114.7m, thereof €83.5m from container shipping. Income tax payments resulted in a total outflow of cash of €85.0m in financial year 2011.

(43) Cash inflow/outflow from investing activities

In the financial year under review, the cash inflow from investing activities totalled €875.4m. This was largely driven by the reduction in the financial instruments granted to Container Shipping and the sale of shares in Container Shipping totalling €917.4m. A further payment received of €15.0m relates to a capital reduction scheme by TUI Cruises GmbH.

The payments include a cash outflow for capital expenditure related to property, plant and equipment in the TUI Travel Group of €357.0m and the hotel companies of €58.8m, as well as payments received from the sale of property by Central Operations totalling €174.9m and from the sale of hotel facilities of €108.6m.

The cash outflow from investing activities includes 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 and investments in financial year 2010/11 (excluding shares in TUI Travel PLC) resulted in net cash payments of around €50.7m (previous year €67.6m). Cash and cash equivalents acquired through these acquisitions totalled around €21.9m (previous year €5.9m). Cash payments for investments in consolidated companies (less cash and cash equivalents received) also include payments for the acquisition of Tourism shareholdings as well as payments relating to prior-year acquisitions in the financial year under review.

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.

(44) Cash inflow/outflow from financing activities

The cash outflow from financing activities totalled €2,249.2m. In March 2011, TUI AG recorded an inflow of €334.8m (after deduction of borrowing costs) from the issue of a new convertible bond. TUI AG redeemed a bond maturing in December 2010 of €440.0m and a further bond maturing in May 2011 of €620.0m as scheduled. A further outflow of funds of €918.9m related to the buy-back of bonds and notes and the repayment of loans. The TUI travel Group repaid liabilities from finance leases worth €167.0m. 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 inflow/outflow from financing activities. The hotel companies received an inflow of cash and cash equivalents of €132.4m from new financing schemes; an amount of €148.4m was used for redemption.

The cash outflow from financing activities includes the acquisition of additional shares in TUI travel PLC by TUI AG (€34.8m). An amount of €268.0m was used for interest payments. Thereof €9.8m correspond to premiums for the cancellation of put bonds. Additional outflows relate to the dividend for TUI AG's hybrid bond (€25.9m) and the dividends for non-controlling interests (€141.1m), in particular TUI Travel PLC and RIUSA II SA.

Dividend payments received, including dividends from companies measured at equity, caused an inflow of cash of €18.5m (previous year €38.6m) in the period under review.

(45) Development of cash and cash equivalents

Cash and cash equivalents comprise all liquid funds, i.e. cash in hand, bank balances and cheques. Due to exchange rate fluctuations, cash and cash equivalents decreased by €4.7m.

As at 30 September 2011, cash and cash equivalents of €0.1bn were subject to restraints on disposal. These monies had to be deposited by tour operators due to national provisions related to the collateralisation of tourism services.

OTHER NOTES

Significant transactions after the balance sheet date

On 9 November 2011, TUI AG extended a cash tender offer to the holders of convertible bonds due in September 2012 with an outstanding total nominal volume of around €193m and an original total nominal volume of €694m at an interest rate of 2.75% p.a. The purpose of the tender offer was to use the Company's cash and cash equivalents to repay existing debt ahead of its due date and reduce current interest payments.

In the framework of this tender offer, TUI repurchased existing convertible bonds with a nominal volume of €151.9m at their full value plus accrued interest on 17 November 2011. Subsequently, an amount of €40.9m from these convertible bonds was still outstanding.

TUI AG subsequently called in the bonds worth a total of €653.2m purchased in financial year 2010/11 and in October 2011 in a volume of €0.2bn and the bonds acquired in the framework of this tender offer. Moreover, on account of the immateriality of the amount, TUI AG called in the remaining bonds outstanding, as set out in the terms and conditions of the bonds, and will repay them on 19 December 2011 ahead of the due date at 100% of the nominal value plus accrued interest.

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 2010/11, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, can be broken down as follows:

Services of the auditors of the consolidated financial statements

	2010/11	2009/10
	€ million	
Audit fees for TUI AG and subsidiaries in Germany	1.8	1.6
other audit fees	0.3	0.4
Audit fees	**2.1**	**2.0**
Review of interim financial statements	0.9	1.0
services related to capital increases/decreases	—	0.4
other audit-related services	0.4	0.3
Other certification and measurement services	**1.3**	**1.7**
Consulting fees	0.9	0.4
Tax advisor services	—	—
Other services	**0.9**	**0.4**
Total	**4.3**	**4.1**

Remuneration of Executive and Supervisory Board members

In the financial year under review, total remuneration paid to Executive Board members totalled €8,932.2 thousand (previous year €11,117.8 thousand).

In the framework of the long-term incentive programme, the Executive Board members receive a compensation of €1,047.5 thousand (previous year €1,850.0 thousand) for the financial year under review.

Pension provisions for active Executive Board members totalled €24,105.8 thousand as at the balance sheet date (previous year €22,662.0 thousand).

Total remuneration for Supervisory Board members in the financial year under review amounted to €1,495.8 thousand (previous year €1,772.9 thousand).

Remuneration for former Executive Board members or their surviving dependants totalled €4,409.0 thousand (previous year €4,303.9 thousand) in the financial year under review. Pension obligations for former Executive Board members and their surviving dependants amounted to €45,350.8 thousand (previous year €45,798.6 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.

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.

Transactions with related parties (excl. key management)

	2010/11	2009/10
	€ million	
Services provided by the Group		
Management and consultancy services	56.3	53.0
Sales of tourism services	59.7	14.8
Total	**116.0**	**67.8**
Services received by the Group		
In the framework of lease, rental and leasing agreements	26.2	31.7
Purchase of hotel services	146.8	180.6
Incoming services	8.1	35.2
Distribution services	—	3.3
Other services	77.6	38.1
Total	**258.7**	**288.9**

Transactions with related parties (excl. key management)

	2010/11	2009/10
	€ million	
Services provided by the Group to		
non-consolidated Group companies	—	0.9
joint ventures	86.3	28.2
associates	3.1	10.9
other shareholdings	—	27.8
natural persons	26.6	—
Total	**116.0**	**67.8**
Services received by the Group from		
non-consolidated Group companies	—	6.9
joint ventures	245.2	213.8
associates	3.6	57.9
other shareholdings	—	—
natural persons	9.9	10.3
Total	**258.7**	**288.9**

Transactions with associated companies in which shareholdings are held and joint ventures are primarily transacted 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 uncontrolled price methods in accordance with IAS 24.

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 of 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 associated companies by sector.

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

	2010/11	2009/10
	€ million	
Short-term benefits	9.0	9.1
Post-employment benefits	1.4	7.9
Other long-term benefits	1.3	1.9
Total	**11.7**	**18.9**

Post-employment benefits are transfers to pension provisions for active Executive Board members. These expenses do not meet the definition of Executive and Supervisory Board remuneration under the German accounting rules.

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

The following standards and interpretations have already been transposed into EU legislation but are only mandatory for annual financial statements after 30 September 2011:

Revision of IAS 24: Related Party Disclosures

The revision simplifies the reporting obligations on state-controlled entities. It also provides a revised and extended definition of related parties.

Amendments to IFRIC 14: Prepayments of a Minimum Funding Requirement

The amendments relate to circumstances in which pension plans entail minimum funding requirements and an entity makes prepayments of contributions to cover those requirements. Unlike existing provisions, the economic benefit of such prepayments of contributions, which reduce future contributions payments due to the minimum funding requirement, is now capitalised as an asset.

Amendments to IFRS 7: Financial Instruments—Disclosure Requirements in Connection with the Transfer of Financial Assets

The amendments to the standard, issued in October 2010, set out the disclosure requirements in connection with the transfer of financial assets, e.g. the sale of trade accounts receivable (factoring) or asset-backed securities (ABS) transactions. IFRS 7 stipulates that, even if financial assets are derecognised in their entirety, comprehensive qualitative and quantitative disclosures on the rights and obligations that may remain with, or be assumed by, the entity, e.g. default guarantees, are required.

Annual Improvements Project (2010)

The third annual collective standard to carry out minor amendments to the IFRSs was published in May 2010. The provisions were transposed into EU legislation on 18 February 2011. Some amendments and clarifications are effective retrospectively for annual periods beginning after 31 December. This applies to IFRS 1 concerning application of the revaluation basis to replace cost, IFRS 7 in connection with disclosures on the type and extent of risks from financial instruments, IAS 1 concerning equity reconciliation statements, disclosures in the notes to significant events and transactions in accordance with IAS 34, and IFRIC 13 concerning the measurement of award credits.

These amendments do not affect the TUI Group's net assets, financial position and results of operation and only have an immaterial effect on its disclosure requirements.

Standards and interpretations published by the IASB but not yet transposed into EU legislation are:

Amendments to IFRS 1: First-time Adoption of IFRS:

Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters

These two minor amendments were published in December 2010. The first amendment replaced the previously applicable fixed transition date with regard to IAS 39 by a flexible transition date for first-time adopters. Another amendment relates to entities temporarily unable to meet the IFRS provisions because of hyperinflation.

Amendments to IAS 1: Presentation of Financial Statements—Other Income

In June 2011 amendments relating to the presentation of other income were published. Accordingly, other comprehensive income (OCI) has to be classified into two groups, requiring separate subtotals for those elements which may be recycled and those that will not. The option to present items of OCI either before tax or net of tax remains unchanged; however, tax associated with items presented before tax has to be shown separately for each of the two groups of OCI items.

Amendments to IAS 12: Deferred Tax—Recovery of Underlying Assets

The amendments, published in December 2010, offer a practical solution to the question of recovering the carrying amount of an asset through use or sale. Deferred taxes have to be measured on the basis of the tax consequences resulting from the type of intended use of an asset. For companies with investment property measured at fair value, however, it may be difficult to asses the amount of the carrying value that can be recovered through rental income (i.e. through use) and the amount that may be recovered through sale. For the purposes of deferred tax, the presumption has now been introduced that the carrying amount of investment property, measured at fair value according to IAS 40, will usually be fully recovered through sale.

IFRS 9: Financial Instruments: Classification and Measurement

The purpose of the standard, published in November 2009, is to replace IAS 39 in the medium term following further revisions. For the time being, the new requirements of IFRS 9 exclusively relate to financial assets. In future, based on the individual entity's business model, these assets will only be divided into two classifications rather than four (amortised cost and fair value). According to the new standard, embedded derivatives will no longer be separated from the financial host asset but instead will be assessed with the financial host asset in its entirety, and reclassifications will no longer be permitted unless they result from changes in the individual entity's business model. In addition, aiming to simplify existing rules, the new standard only allows for one single method to determine impairments for all financial assets and provides a general ban on the reversal of impairments. It also comprises a large number of additional amendments, most of which are provided in order to simplify existing rules.

IFRS 10: Consolidated Financial Statements

The standard, newly published in May 2011, replaces the consolidation provisions of IAS 27 and supersedes SIC 12 for the consolidation of special-purpose entities. The new standard does not contain any amendments to accounting rules; however, the concept of control is now expanded to also include the question of consolidating special-purpose entities. There is also a new definition of control. Accordingly, control exists when an entity can exercise power over an investee, is exposed to variable returns and is able to use its power over the investee to affect the amount of these returns.

IFRS 11: Joint Arrangements

IFRS 11 was published in May 2011 and supersedes SIC 13: Jointly Controlled Entities—Non-Monetary Contributions by Venturers as well as the previous IAS 31. The standard sets out the classification of, and accounting for, joint operations and joint ventures. Classification as a joint arrangement is based on subsidiarity, with the definition of control in IFRS 10 having to be checked first. In the case of a joint arrangement, the further classification as a joint operation or a joint venture depends upon the rights and obligations of the parties. Jointly controlled assets are accounted for in line with the rules governing joint operations and hence continue to be recognised in relation to the joint operator's interest in a joint operation. By contrast, under IFRS 11 joint ventures now have to be accounted for using the equity method; the previous proportionate consolidation option has been eliminated.

IFRS 12: Disclosure of Interests in Other Entities

The standard, also published in May 2011, sets out minimum disclosure requirements for subsidiaries, associates, joint arrangements and unconsolidated structured entities. It constitutes a minimum framework which, however, goes beyond previous disclosure requirements. Its objective is, in particular, to ensure disclosure of the nature of, and risks associated with, interests in other entities and the effects of those interests on the financial position, financial performance and cash flows.

IFRS 13: Fair Value Measurement

The standard, published in May 2011, sets out in a single IFRS a framework for measuring fair value, previously governed by several standards. It also introduces comprehensive disclosure requirements for fair value measurements.

Amendments to IAS 19: Employee Benefits

The amendment to IAS 19 was published in June 2011. Actuarial gains and losses have to be recognised in OCI; the corridor approach previously available has thus been eliminated. Plan curtailments will be treated in the same way as past service cost, i.e. they will be fully recognised in the period in which the plan amendment has taken place. The separately calculated parameters of interest expense and expected income from plan assets are replaced by net interest expense, calculated at a uniform interest rate. In addition, the amended standard introduces enhanced disclosure requirements about employee benefits.

Amendments to IAS 27: Consolidated and Separate Financial Statements

Since the amendments were published in May 2011, IAS 27 now only governs accounting for investments in subsidiaries, associates and joint ventures in the investor's separate financial statements. The consolidation provisions previously contained in IAS 27 are now set out in the newly published IFRS 10. Apart from editorial changes, the provisions for separate financial statements were not changed.

Amendment to IAS 28: Investments in Associates and Joint Ventures

The amendments to IAS 28 were published in June 2011 and stipulate that the equity method has to be used in accounting for investments in associates and joint ventures. The provisions relating to accounting for investments in joint ventures had been included in IAS 31 until IFRS 11 was published.

IFRIC 20: Stripping Costs in the Production Phase of a Surface Mine

This standard is not relevant to TUI's consolidated financial statements.

The TUI Group is currently examining the potential impact of all relevant amendments and new provisions on its net assets, financial position and results of operations.

A decision about endorsement by the EU of these amendments and these new standards and interpretations is still pending.

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.

Consolidated companies	Country	Capital share in %
Tourism – TUI Travel		
AB Caller & Sons Ltd., Crawley	UK	100.0
Absolut Holdings Limited, Malta	Malta	100.0
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
Active Travel & Recruitement Pty Ltd, West Leederville	Australia	100.0
A&D Peru Company Limited S.A., Lima	Peru	99.9
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., Windhock	Namibia	100.0
Air Two Thousand (Ireland) Limited, Dublin	Ireland	100.0
Air 2000 Aviation Limited, Crawley	UK	100.0
Air 2000 Limited, Crawley	UK	100.0
Airlink International Ltd., Crawley	UK	100.0
Alcor Yachting SA, Geneva	Switzerland	100.0
Alkor Yat Turizm Isletmacileri A.S., Izmir	Turkey	99.6
Ambassador Tours S.A., Barcelona	Spain	100.0
Amber Nominee GP Limited, Crawley	UK	100.0
American Holidays (NI) Limited, Belfast	UK	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
Apollo Investment Management Ltd., Crawley	UK	100.0
Aragon Tours Limited, Crawley	UK	100.0
Aran Travel International Limited, Dublin	Ireland	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	Hongk Kong	99.0
Australian Adventure Tours Pty Ltd, Sydney	Australia	100.0
Australian Pinnacle Holidays Pty Limited, Fremantle	Australia	100.0
Australian Sports Tours Pty Ltd, Ballarat, Victoria	Australia	100.0
Austravel Ltd., Crawley	UK	100.0
Aventuria SASU, Lyon	France	100.0
Bakers Dolphin Group Tours Limited, Crawley	UK	100.0
BAL Trustee Limited, Crawley	UK	100.0
Bass Travel Ltd., Crawley	UK	100.0
B.A.T.H. Investments Limited, Crawley	UK	100.0
BDS Destination Services Company, Cairo	Egypt	67.0
Beds on line SL, Palma de Mallorca	Spain	100.0
Berge und 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
BMIT, LLC, state of Delaware	US	100.0
Boss Tours Ltd., Mississauga, Ontario	Canada	100.0

Consolidated companies	Country	Capital share in %
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
Callers-Pegasus Travel Service Ltd., Crawley	UK	100.0
Callisto Investment Management Ltd., Crawley	UK	100.0
Caradonna Dive Adventures, Inc., State of Delaware	US	100.0
Cel Obert SL, Sant Joan de Caselles	Andorra	100.0
CHAMELEON WORLDWIDE Travel Limited, Alresford	UK	53.3
Chantier Naval Raiarea Carenages Services SARL, Utoroa, Raiatea	Polynesia	100.0
CHS Tour Services GmbH, Innsbruck	Austria	100.0
CHS Tour Services Ltd, Crawley	UK	100.0
Citalia Transport Limited, Crawley	UK	100.0
Clipper Adventurer Ltd, Bahamas	Bahamas	100.0
Clipper Cruise Line, LLC, state of Delaware	US	100.0
Clipper Odyssey Ltd, Bahamas	Bahamas	100.0
Club Turavia SA de CV, Cancun	Mexico	100.0
Colline SASU, Lyon	France	100.0
Connoisseur Belgium BVBA, Nieuwpoort	Belgium	100.0
Contentdot Company Ltd., Crawley	UK	100.0
Continental Boating Holidays Ltd, Dublin	Ireland	100.0
Corsair S.A., Rungis	France	98.9
Country Walkers, Inc., state of Delaware	US	100.0
Crown Blue Line GmbH, Kleinzerlang	Germany	100.0
Crown Blue Line, Inc., Annapolis	US	100.0
Crown Blue Line Limited, Crawley	UK	100.0
Crown Blue Line SA, Castelnaudary	France	100.0
Crown Cruisers 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
Digital Travel Group (Holdings) Ltd., Crawley	UK	100.0
Digital 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, Mississagua ON	Canada	100.0
Edwin Doran (UK) Limited, Crawley	UK	100.0
EEFC, Inc., State of Delaware	US	100.0
Elena SA, Palma de Mallorca	spain	100.0
Emerald Star Limited, Dublin	Ireland	100.0
Entreprises Hotelieres 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
Ever 2457 Limited, Crawley	UK	100.0
Ever 2519 Limited, Crawley	UK	100.0
Exclusive Destinations Limited, Crawley	UK	100.0
Exodus Travels Limited, Crawley	UK	100.0

Consolidated companies	Country	Capital share in %
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 and Party Tours PTY Limited, Banksia	Australia	100.0
FanFirm Pty Ltd, Banksia	Australia	100.0
Fantravel.com, Inc., Wilmington	US	100.0
FC Adventures Canada, Inc., Vancouver	Canada	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
First Choice Deutschland GmbH i.L., Düsseldorf	Germany	100.0
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 (France) SAS, Paris	France	100.0
First Choice Holdings Australia Pty Ltd, Melbourne	Australia	100.0
First Choice Holdings, Inc., Delaware	US	100.0
First Choice Holiday Cars Limited, Crawley	UK	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 Lyon SAS, Lyon	France	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 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 Retail (Management Services) 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 Tour Operations 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
FlexiGroup Holdings Limited, Crawley	UK	100.0
FlexiGroup Travel Limited, Crawley	UK	100.0
Fly Thomson Ltd., 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 Bartolome De Tirajana	Spain	100.0
Fritidsresor Ltd., Crawley	UK	100.0
Fritidsresor Touts & travels India Pvt ltd, Bardez, Goa	India	100.0
Gap Year for Grown Ups Limited, Crawley	UK	100.0

Consolidated companies	Country	Capital share in %
Gateway Guest Services USA LLC, Washington	US	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
Gerance de L'Hotel Manganao S.R.L., Paris	France	100.0
Germanair Flugzeug Leasing GmbH, Hamburg	Germany	100.0
Globesavers Limited, Crawley	UK	100.0
Gold Case Travel Ltd., Crawley	UK	100.0
Great Atlantic Travel and Tour, Inc., Virginia Beach	US	75.0
Groupe Marmara SAS, Paris	France	100.0
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
Hampstead School of English Limited, Crawley	UK	100.0
Hapag-Lloyd Executive GmbH, Hanover	Germany	100.0
Havas Loisirs SASU, Montreuil	France	100.0
Hayes & Jarvis Holdings Limited, St. Helier	Jersey	100.0
Hayes & Jarvis (Travel) Limited, Crawley	UK	100.0
Headwater Holidays Limited, Crawley	UK	100.0
Hellenic Island Holidays SA, Athens	Greece	100.0
Hellenic Sailing Holidays SA, Athens	Greece	100.0
Hellenic Sailing SA, Athens	Greece	100.0
Holding Nouvelles Frontieres SASU, Montreuil	France	100.0
Holiday Hypermarkets (2000) Limited, Crawley	UK	100.0
Holidays Services S.A., Agadir	Morocco	100.0
Holidays Uncovered Limited, Crawley	UK	100.0
Holidaytime Ltd., Crawley	UK	100.0
Horizon Holidays Ltd., Crawley	UK	100.0
Horizon Midlands (Properties) Ltd., Crawley	UK	100.0
Horizon Travel Centres Ltd., Crawley	UK	100.0
Hotelbeds Accommadation & Destination Services – Hawaii & Pacific Islands, Inc, State of Delaware	US	100.0
Hotelbeds Brasil Agencia de Turismo e Viagens Ltda., Sao Paulo	Brazil	100.0
Hotelbeds Costa Rica SA, San José	Costa Rica	100.0
Hotelbeds Dominicana SA, Santo Domingo	Dominican Republic	100.0
Hotelbeds Product SLU, Porto 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 UK Limited, Crawley	UK	100.0
Hotelbeds USA Inc, Orlando	US	100.0
Hotelopia SL, Palma de Mallorca	Spain	100.0
Hotelreisen Limited, Crawley	UK	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
Ideal Breaks Ltd., Crawley	UK	100.0
iExplore, Inc., Chicago	US	100.0
iExplore Limited, Crawley	UK	100.0
Imperial Cruising Company SARL, Heliopolis-Cairo	Egypt	90.0
Inter Commerce Trading AB, Stockholm	Sweden	100.0

Consolidated companies	Country	Capital share in %
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, Stanmore NSW	Australia	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 Holdings, LLC, State of Delaware	US	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 Guerba Kenya Limited, Nairobi	Kenya	100.0
Intrepid Guerba Limited, Wiltshire	UK	100.0
Intrepid Guerba Tanzania Limited, Arusha	Tanzania	100.0
Intrepid HK Limited, Hong Kong	Hong Kong	100.0
Intrepid HR Services Limited, Wiltshire	UK	100.0
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 Canada Inc, Vancouver	Canada	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 US, Inc., Wilmington	US	99.2
i-To-i, Inc., Los Angeles	US	100.0
i-To-i Placements Limited, CARRICK-ON-SUIR, CO. TIPPERARY	Ireland	100.0
i-To-i PTY Ltd., Sydney	Australia	100.0
i-To-i UK Limited, Crawley	UK	100.0
JetAir N.V., Oostende	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
J.S. Courtney Ltd., Crawley	UK	100.0
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
Late Rooms Limited, Crawley	UK	100.0
Late Rooms Services Australia PTY LTD, Dawes Point	Australia	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
Liberty Cruise Line, LLC, State of Delaware	US	100.0
Lima Tours S.A.C., Lima	Peru	100.0
Lincoln Travel Ltd., Crawley	UK	100.0

Consolidated companies	**Country**	**Capital share in %**
Lirotel SARL, turin	Italy	100.0
Lodges & Mountain Hotels SARL, Notre Dame de Bellecombe, Savoie	France	100.0
Lorimer Investments Ltd., Crawley	UK	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
L.W. Morland & Co. Ltd., Crawley	UK	100.0
Magic Connoisseurs Ltd., Crawley	UK	100.0
MAGIC LIFE DER CLUB INTERNATIONAL Turizm Hizmetleri A.S., Istanbul	Turkey	100.0
Magic Life 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 of the Orient Limited, Crawley	UK	100.0
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
Manchester Flights Ltd., Crawley	UK	100.0
Mango Event Management Limited, Crawley	UK	100.0
Maraheath Limited, Crawley	UK	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 Travel GmbH, Bad Vilbel	Germany	100.0
Mariner Travel SAS, Paris	France	100.0
Mariner Yacht Services SA, Le Marin	Morocco	100.0
Martin Rooks Limited, Crawley	UK	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 Transport Services Limited, Crawley	UK	100.0
Meon Travel Limited, Crawley	UK	100.0
MicronNexus GmbH, Hamburg	Germany	100.0
Molay Travel SARL, Molay Littri, 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, Mahe	Seychelles	100.0
Moorings Yachting SAS, Paris	France	100.0
Moorings Yat Isletmecilgi Turizm Ve Tic Ltd, Mugla	Turkey	100.0
More Sense A/S, Copenhagen	Denmark	66.7
MS Tours ApS, Copenhagen	Denmark	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
Nacka Worldwide Holding AB, Stockholm	Sweden	100.0
NACL LLC, State of Delaware	US	100.0
Nazar Nordic AB, Malmö	Sweden	100.0
New Land Viaggi S.r.l., Calcinato	Italy	100.0

Consolidated companies	Country	Capital share in %
New World Ship Management Company LLC, St. Louis, Missouri	US	100.0
New World Ships LLC, St. Louis, Missouri	US	100.0
Nordotel S.A.U., San Bartolome De Tirajana	Spain	100.0
Nouvelles Frontiéres 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	100.0
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 Company Limited, HCM City	Vietnam	90.0
Pacific World Destination East Sdn. Bhd., Penang	Malaysia	100.0
Pacific World Limited, Kowloon	Hong Kong	100.0
Pacific World Meetings & Events Singapore Pte. Ltd, Singapore	Singapore	100.0
Pacific World Singapore Pte Limited, Singapore	Singapore	100.0
Pacific World (Thailand) Limited, Bangkok	Thailand	100.0
Paradise Hotels Management Company, Cairo	Egypt	100.0
Parador Travel Limited, Crawley	UK	100.0
Park East Tours, Inc., State of Delaware	US	100.0
PATS N.V., Oostende	Belgium	100.0
Peak Adventure Financing Pty Ltd, Fitzroy Victoria	Australia	100.0
Peak Adventure Travel Group Limited, Fitzroy Victoria	Australia	60.0
Peak Adventure Travel USA Inc, Wilmington	US	100.0
PEAK South America S.A.C., Lima	Peru	100.0
Peregrine Adventures Pty Ltd, Melbourne	Australia	100.0
Peregrine Shipping Pty Ltd, Melbourne	Australia	100.0
Peregrine Tours Ltd, Crawley	UK	100.0
Phoenicia Travel Ltd., Crawley	UK	100.0
Pinnacle Services Pty Limited, Fremantle	Australia	100.0
Pinnacle Tours Pty Limited, Fremantle	Australia	100.0
Pinnacle Travel Centre (1987) Pty Limited, Fremantle	Australia	100.0
Plantravel Ltd., Crawley	UK	100.0
Platinum Event Travel Limited, Crawley	UK	100.0
Pointe Gros Boeuf S.N.C., Pointe a Pitre	France	100.0
Port Philip Group Ltd., Crawley	UK	100.0
Porter and Haylett Limited, Crawley	UK	100.0
Portland Camping, 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
Primworth Enterprises Limited, Limassol	Cyprus (Greek part)	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
Quill Travel Services Limited, Crawley	UK	100.0
Real Travel Ltd, Crawley	UK	100.0

Consolidated companies	Country	Capital share in %
Real Travel Pty Ltd, Melbourne	Australia	100.0
Redwing Holdings Limited, Crawley	UK	100.0
Redwing Holidays Limited, Crawley	UK	100.0
Renwicks Travel Ltd., Crawley	UK	100.0
Republic Cruise Line, LLC, State of Delaware	US	100.0
Revoli Star SA, San Bartolome de Tirajana	Spain	100.0
Riviera Holidays Ltd., Crawley	UK	100.0
Robert Sibbald Travel Agents Ltd., Edinburgh	UK	100.0
Royal Tours Travel Center Luxembourg S.A., Oostende	Belgium	100.0
Sawadee Amsterdam BV, Amsterdam	Netherlands	100.0
SC Hotel Beds Travel Agency S.R.L., Constanta	Romania	100.0
Scan Holiday Tours Ltd., Crawley	UK	100.0
Schools Abroad Limited, Crawley	UK	100.0
Segue, Inc., State of Delaware	US	100.0
SERAC Travel GmbH, Bagnes	Switzerland	100.0
Simply Aviation Ltd., Crawley	UK	100.0
Simply Travel Holdings Ltd., Crawley	UK	100.0
Simply Travel 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
Skibound Leisure Group Limited, Crawley	UK	100.0
Sky Tours Ltd., Crawley	UK	100.0
Skydeals (M/CR) Ltd., Crawley	UK	100.0
Skymead Leasing Ltd., Crawley	UK	100.0
Skymead Ltd., Crawley	UK	100.0
Skymead Maintenance Ltd., Crawley	UK	100.0
Smart Choice Manager, LLC, Clearwater, FL	US	100.0
Smart Choice Yachting, LLC, Clearwater, FL	US	100.0
Société des Hotels Clubs Nouvelles Frontières SARL, Montreuil	France	100.0
Société d'Exploitation du Paladien Marrakech SA, Marrakesh	Morocco	100.0
Société d'Investissement Aérien S.A., Casablanca	Morocco	100.0
SOCIETE D'INVESTISSEMENT ET D'EXPLOITAION DU PALADIEN DE CALCATOGGIO (S I E P A C), Paris	France	100.0
Société d'investissement hotelier Almoravides S.A., Marrakesh	Morocco	100.0
Société Marocaine pour le Developpement des Transports Touris-tiques S.A., Agadir	Morocco	95.0
Société polynesienne promotion hotelière S.A.S, Tamanu	Polynesia	100.0
Something Special Holidays Ltd., Crawley	UK	100.0
Something Special (Transport) Limited, Crawley	UK	100.0
Sons of South Sinai Tourism and Food Supply SAE, Sharm el Sheikh	Egypt	64.9
Sovereign Tour Operations Limited, Crawley	UK	100.0
Spanish Harbour Holidays Ltd., Crawley	UK	100.0
Spanish Harbour Travel Services Ltd., Crawley	UK	100.0
Specialist Holiday 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	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

Consolidated companies	Country	Capital share in %
Sportsworld (Beijing) Sports Management Consulting Limited Company, Beijing	China	70.0
Sportsworld Group Limited, Crawley	UK	100.0
Sportsworld Holdings Limited, Crawley	UK	100.0
Sportsworld Pacific PTY Limited, North Sydney	Australia	100.0
Star Club SA, San Bartolome De Tirajana	Spain	100.0
Star Tour A/S, Copenhagen	Denmark	100.0
Star Tour Holding A/S, Copenhagen	Denmark	100.0
Star Tour Hotel A.S., Antalya	Turkey	100.0
Star Tour of Skandinavia Ltd., Crawley	UK	100.0
Startour-Stjernereiser AS, Stabekk	Norway	100.0
Step Into Africa Ltd., Crawley	UK	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
Sun Car Rentals Corporation, Santa Rosa CA	US	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 Deutschland GmbH i.L., Munich	Germany	100.0
Sunsail Hellas MEPE, Athens	Greece	100.0
Sunsail International B.V., Rotterdam	Netherlands	100.0
Sunsail International Limited, Crawley	UK	100.0
Sunsail Limited, Crawley	UK	100.0
Sunsail SAS, Castelnaudary	France	100.0
Sunsail (Seychelles) Limited, Mahe (Seychelles)	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
SUNTOPIA OTEL HIZMETLERI TURIZM ve TICARET ANONIM SIRKETI, Istanbul	Turkey	100.0
Suntrek Tours GmbH, Holzkirchen	Germany	100.0
Suntrek Tours, Inc., Santa Rosa CA	US	100.0
Supernova Expeditions Ltd., Anguilla	Crown Colony of Anguilla	100.0
Symi Investments Limited, Crawley	UK	100.0
Tantur Turizm Seyahat Ltd.Sti., 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 Lincoln Services Ltd., Crawley	UK	100.0
Team Travel Ltd., Crawley	UK	100.0
Teamlink Transport Limited, 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 London Cup Ltd., Crawley	UK	100.0

Consolidated companies	Country	Capital share in %
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, Bahamas	Bahamas	100.0
The Moorings Belize Limited, Belize	Belize	100.0
The Moorings d.o.o., Kroatien	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 SARL, Utoroa, Raiatea	Polynesia	100.0
The Moorings (St Lucia) Ltd, St. Lucia	Windward islands st. Lucia	100.0
The Moorings (Tonga) Ltd., Tonga	Tonga	100.0
The FirstResort Limited, Crawley	UK	100.0
The FirstResort Operations Limited, Crawley	UK	100.0
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 Flights Ltd., Crawley	UK	100.0
Thomson Holidays Ltd., Crawley	UK	100.0
Thomson Holidays Ltd. (Ireland), Dublin	Ireland	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
TKJ Pty Limited, Perth	Australia	100.0
TMS Anchor Canada Inc, Vancouver	Canada	100.0
TMS Anchor LLC, Washington	US	100.0
TMS Gateway Canada Inc, Vancouver	US	100.0
Tolkien Limited, British Virgin Islands	British Virgin islands	100.0
Top Class – European Cruise Services S.a.r.l., Monaco	Monaco	100.0
Top Class France Sarl, Paris	France	100.0
Tourinter SA, Lyon	France	100.0
Trailway Tours Inc, Washington	US	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	85.0
Travel Services Europe Limited, Crawley	UK	100.0
Travel Services Europe Spain SL, Barcelona	Spain	100.0
Travel Turf, Inc., Allentown	US	100.0
Travelbound European Tours Limited, Crawley	UK	100.0
Travellers Joy Travel Services Ltd., Crawley	UK	100.0

Consolidated companies	Country	Capital share in %
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
Trina Tours Limited, Crawley	UK	100.0
Trips Worldwide Limited, Crawley	UK	100.0
Tropical Car Rental Pty Limited, Fremantle	Australia	100.0
Tropical Places Ltd., Crawley	UK	100.0
TT Holdings France SA, Montreuil	France	100.0
TTG (No. 13) Limited, Crawley	UK	100.0
TTG (No. 14), Dublin	Ireland	100.0
TTG (No. 15) Limited, Crawley	UK	100.0
TTG (No. 2) Ltd., Crawley	UK	100.0
TTG Retail Development Ltd., Crawley	UK	100.0
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	99.0
TUI Finance Northern Europe Ltd., Crawley	UK	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 interactive GmbH, Hanover	Germany	100.0
TUI (IP) Ltd., Crawley	UK	100.0
TUI Italia S.R.L., Milan	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 Holding AB, Stockholm	Sweden	100.0
TUI Nordic Specialist Holidays 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.zo.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 Service AG, Altendorf	Switzerland	100.0
TUI Students & Schools France S.a.r.l., Paris	France	100.0
TUI (Suisse) AG, Zurich	Switzerland	100.0
TUI (Suisse) Holding AG, Zurich	Switzerland	100.0

Consolidated companies	Country	Capital share in %
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
TUI Travel Amber Scot Old LP, Edinburgh	UK	100.0
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 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 PLC, Crawley	UK	56.1
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
TUIfly GmbH, Langenhagen	Germany	100.0
TUIfly Nordic AB, Stockholm	Sweden	100.0
TUIfly Vermarktungs GmbH, Langenhagen	Germany	100.0
Turismo Asia Company Ltd., Bangkok	Thailand	100.0
Ultra Montes C.V., Brussels	Belgium	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
Universal Sky Tours ltd., Crawley	UK	100.0
Versun Yachts NSA, Athens	Greece	100.0
Viagens Elena LDA, Albufeira	Portugal	100.0
Viking Aviation Limited, Crawley	UK	100.0
Viking Freight Limited, Crawley	UK	100.0
Villa Options Ltd., Crawley	UK	100.0
Visit USA Limited, Crawley	UK	100.0
Voile Voyage SARL, Paris	France	100.0
Voyages Touraventures S.A., Montreuil	France	100.0
Waymark Holidays Limited, Crawley	UK	100.0
WE LOVE RUGBY PTY LIMITED, Banksia	Australia	100.0
Williment Travel Group Limited, Wellington	New Zealand	100.0
Wings Travel Ltd., Crawley	UK	100.0
Wolters Reisen GmbH, Stuhr/Brinkum	Germany	100.0
WonderCruises AB, Stockholm	Sweden	100.0
WonderHolding AB, Stockholm	Sweden	51.0
World Challenge Expeditions, Inc., Cambridge, MA	US	100.0
World Challenge Expeditions Limited, Crawley	UK	100.0

Consolidated companies	Country	Capital share in %
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
YOCL LLC, State of Delaware	US	100.0
Your Man Tours, Inc., El Segundo, CA	US	100.0
Your Sporting Challenge Limited, Crawley	UK	100.0
Zegrahm Expeditions, Inc., Seattle	US	100.0
100% Adventure Pty Ltd, Wayville, SA	Australia	100.0
600035 B.C. LTD, Canada	UK	100.0
9187 – 4404 Quebec Inc. (in liquidation), Montreal	Canada	100.0
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	59.0
Dominicanotel S.A., Puerto Plata	Dominican Republic	100.0
Dorfhotel GesmbH, Villach	Austria	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	Mexico	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

Consolidated companies	Country	Capital share in %
Cruises		
Hapag Cruise Ship GmbH, Hamburg	Germany	100.0
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 Limited, Barking	UK	100.0
Canada Maritime Services Limited, Crawley	UK	100.0
Canadian Pacific (UK) Limited, Crawley	UK	100.0
Cast Agencies Europe Limited, Crawley	UK	100.0
Cast Group Services Limited, Crawley	UK	100.0
Cast Terminal Europe N.V., Antwerp	Belgium	100.0
Contship Holdings Limited, Crawley	UK	100.0
CP Ships (Bermuda) Ltd., Hamilton	Bermuda	100.0
CP Ships Logistics N.V., Antwerp	Belgium	100.0
CP Ships Ltd., Saint John	Canada	100.0
CP Ships Trucking (Germany) GmbH, Neuss	Germany	100.0
CP Ships (UK) Limited, Crawley	UK	100.0
CPS Holdings (No. 2) Limited, Crawley	UK	100.0
CPS Number 2 Limited, Barking	UK	100.0
CPS Number 4 Limited, Crawley	UK	100.0
Paul Bellack, Inc., Philadelphia	US	100.0
PM Peiner Maschinen GmbH, Hanover	Germany	100.0
Preussag Finanz- und Beteiligungs-GmbH, Hanover	Germany	100.0
Preussag Immobilien GmbH, Salzgitter	Germany	100.0
Preussag UK Ltd., Crawley	UK	100.0
R.O.E. Logistics, Inc., Montreal	Canada	100.0
Salzgitter Grundstücks- und Beteiligungsgesellschaft mbH, Salzgitter	Germany	100.0
TUl Beteiligungs GmbH, Hanover	Germany	100.0
TUl-Hapag Beteiligungs GmbH, Hanover	Germany	100.0
WAG Salzgitter Wohnungs-GmbH, Salzgitter	Germany	100.0
Joint ventures and associated companies		
TUI Travel		
Aeolos Travel LLP, Nicosia	Cyprus (Greek part)	49.9
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 4 ever GmbH, Vienna	Austria	50.0
Atlantica Hellas S.A., Rhodes	Greece	50.0
Atlantica Hotels and Resorts S.A., Lemesos	Cyprus (Greek part)	50.0
Belgium Travel Network cvba, Sint Martens Latem	Belgium	50.0
Bonitos GmbH & Co KG, Frankfurt	Germany	50.0
Boomerang Reisen Vermögensverwaltungs GmbH, Trier	Germany	49.0
DER Reisecenter TUI GmbH, Berlin	Germany	50.0
HLX Touristik GmbH, Baden-Baden	Germany	49.0
Holiday Travel (Israel) Limited, Airport City	Israel	50.0
InteRes Gesellschaft für Informationstechnologie mbH, Darmstadt	Germany	25.2
Intrepid Connections PTY LTD, Winnellie	Australia	50.0
Intrepid Retail Group PTY LTD, Brisbane	Australia	50.0
Intrepid Vietnam Travel Company Ltd, Hanoi	Vietnam	49.0
Le Passage to India Tours and Travels Pvt Ltd, New Delhi	India	50.0
Manahe Ltd., Quatre Bornes	Mauritius	50.0
OFT REISEN GmbH, Ditzingen	Germany	50.0

Consolidated companies	Country	Capital share in %
Pollman's tours and safaris Ltd., 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 Reiseburo 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
TUI InfoTec GmbH, Hanover	Germany	49.9
Tunisie Voyages S.A., Tunis	Tunisia	50.0
Voukouvalides Travel & Tourism S.A., Kos	Greece	50.0
TUI Hotels & Resorts		
aQi Hotel Schladming GmbH, Bad Erlach	Austria	49.0
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
M.H. Cyprotel Management Ltd., Limassol	Cyprus (Greek part)	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
Cruises		
TUI Cruises GmbH, Hamburg	Germany	50.0
Central Operations		
Hapag-Lloyd Holding AG, Hamburg	Germany	38.4

EXCERPT FROM TUI AG'S GROUP MANAGEMENT REPORT

The disclosures of the relevant amounts for individual Board members and further details on the remuneration system as included in Note 52 by reference to the Management Report form an integral part of the consolidated financial statements of TUI AG as of and for the financial year ended September 30, 2011.

Reproduced below, as excerpt from TUI AG's group management report as of and for the fiscal year ended September 30, 2011, are the disclosures of the relevant amounts for individual Board members and further details on the remuneration system.

Remuneration Report

Upon the proposal of the Chairman's Committee, the Supervisory Board determines the total 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.

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

The service contracts of Mr Baier and Dr Engelen were changed to the new system as from 1 January 2010. Dr Frenzel's service contract will be amended following the completion of the term of his contract, which will expire in March 2012. The remuneration of Mr Long, based in the UK, is fixed by the remuneration Committee of TUI Travel PLC.

Remuneration of the Executive Board in financial year 2010/11

The remuneration granted to TUI AG's Executive Board members for financial year 2010/11, 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 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 underlying earnings before interest, tax and amortisation of goodwill (underlying 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. A total of 50% of the management bonus for the financial year 2010/11, is paid upon adoption of the annual financial statements of the Company. The remaining 50% of the management bonus is carried forward in equal tranches to the two subsequent years and adjusted in accordance with the degree of target achievement and the individual performance in those two years.

The amount carried forward from financial year 2009/10, was adjusted and paid out. This is shown as remuneration for 2010/11 in the table below. For Dr Frenzel, the amount of the management bonus depends on underlying EBITA and personal assessment factors. This management bonus is paid in full upon adoption of the annual financial statements.

The long-term incentive programme with a maturity of four years is based on phantom stocks. 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 beneficiaries arise upon the completion of the four-year vesting period.

Upon the completion of a 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, and the resulting amount is paid out in cash. The maximum amount payable is limited to three times the individual target amount.

Dr Frenzel receives a bonus translated into phantom stocks of TUI AG on the basis of an average share price. These phantom stocks are calculated from underlying earnings before tax and amortisation of goodwill (underlying EBTA). The phantom stocks can be sold to the Company after a lock-up period, taking account of a number of rules to prevent the use of insider knowledge. The level of the cash payment depends on the average price of TUI AG shares over a period of 20 trading days following the date of exercise. There are no absolute or relative return or price targets. Provision has been made for a cap to apply in the event of extraordinary, unexpected developments. 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.

On 30 September 2011, Mr long held vesting rights to 6,755,673 shares in TUI Travel PLC. On 30 September 2011, former Board members held 281,902 phantom stocks in TUI AG (previous year 271,250 shares).

Provisions totalling €2,700 thousand (previous year: €5,368 thousand) were formed to cover entitlements under the long-term incentive programme.

Development of aggregate phantom stocks in TUI AG

	Units
Balance as at 30 Sept 2010	**501,106**
Phantom stocks granted for the 2009/10 financial year	54,832
Phantom stocks exercised	—
Increase/decrease of phantom stocks	– 16,973
Balance as at 30 Sept 2011	**538,965**

Individual Renumeration of Executive Board members

	Non-performance related	Performance related	Long-term incentive programme	Supervisory Board mandates in the Group	Individual remuneration Total 2010/11	Individual remuneration Total 2009/10
			€'000			
Dr. Michael Frenzel (Chairman)	1,262.4	1,256.3	206.8	385.7	3,111.2	3,454.1
Horst Baier	692.5	523.4	—	—	1,215.9	1,205.1
Dr. Peter Engelen	715.6	386.2	—	—	1,101.8	1,247.1
Rainer Feuerhake (until 17 Feb 2010)	—	—	—	—	—	903.0
Peter Long	1,472.4	1,190.2	840.7	—	3,503.3	4,308.5
Total	**4,142.9**	**3,356.1**	**1,047.5**	**385.7**	**8,932.2**	**11,117.8**
Previous year	4,380.1	4,412.1	1,850.0	475.6	11,117.8	

As in the prior year, the members of the executive Board did not receive any loans or advances in the financial year 2010/11.

Benefits in the event of a termination of position

1. Pension entitlements

Pensions are paid to former Executive Board members if they reach the predefined age limit or are permanently incapacitated. Since the adjustment of the service contracts as from 1 January 2010, the active Executive Board members have not been entitled to receive transition payments.

Executive Board members whose service contracts were amended in 2010 receive an annual contribution to the company pension scheme agreed in the service contract. The pension contribution amounts to 22.5% of the target cash remuneration in the contribution year. The entitlements under the pension scheme operating until 2009 were redeemed by a one-off initial contribution to the company pension scheme. The contributions to the company pension scheme carried an interest rate established in the pension obligation. The interest rate currently stands at 5% p.a. Board members usually 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

	Pension contribution
	€'000
Horst Baier	267.7
Dr. Peter Engelen	267.7

The pension for Dr. Frenzel is calculated in line with his pensionable pay based on non-performance-related remuneration. Dr. Frenzel's pension entitlement is €800,000 per annum.

Mr Long does not have a pension entitlement vis-à-vis TUI AG. Instead of granting a pension entitlement, TUI Travel PLC pays an amount of 50% of his fixed remuneration into a pension fund. This payment is included in the amount recognised as Mr Long's non-performance-related remuneration.

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 as a maximum until they reach the 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 three years.

The performance-related remuneration and the phantom stocks granted for the remainder of the contract term are based on the average remuneration received in the last three financial years. The same provision applies to the remuneration hitherto received for Supervisory Board mandates.

3. Severance payments

Under the new service contracts for Mr Baier and Dr Engelen, the entitlement to severance payments upon premature termination of the contract by the Company for no material reason has been limited to twice the annual remuneration.

4. Pension obligations

At the balance sheet date, pension obligations for active members of the Executive Board totalled €24,105.8 (previous year €22,662.4 thousand). Pension provisions for former members of the Executive Board and their dependants amounted to €43,350.8 thousand (previous year €45,798.6 thousand) at the balance sheet date. The provisions were discounted at an interest rate of 4.75%.

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

In financial year 2010/11, the remuneration paid to former Executive Board members and their surviving dependants totalled €4,409.0 thousand (previous year €4,303.9 thousand).

Remuneration of the Supervisory Board

The remuneration of Supervisory Board members comprises a fixed component and variable components. These are 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 €40,000, payable upon the completion of the financial year, besides reimbursement of their expenses. The remuneration is prorated for parts of a financial year or a short financial year.

The Supervisory Board also receives remuneration oriented to the short-term performance of the Company of €100 per €0.01 of the earnings per share reported for the completed financial year.

The Supervisory Board members also receive remuneration related to the Company's long-term performance. This long-term variable remuneration is based on an annual base sum of €20,000. The amount is paid upon the completion of the third financial year following the granting of the remuneration and increases or decreases in line with the percentage increase or decrease in earnings per share in the third year following the year for which the amount was granted. Thereby a change in earnings per share of €0.01 results in an increase or decrease of the base amount of €100. However, the sum payable may not under any circumstances exceed 250% of the base amount.

The Chairman of the Supervisory Board receives three times the remuneration of a regular member, the deputy chair and the other members of the Chairman's Committee one and a half times the total remuneration of a regular member. Separate remuneration is paid for membership and chairing of committees.

The remuneration of the Supervisory Board is made up as follows:

Remuneration of the Supervisory Board

	2010/11	2009/10
	€'000	
Fixed remuneration	877.9	977.7
Short-term variable remuneration	—	73.2
Long-term variable remuneration	277.5	400.1
Remuneration for committee memberships	160.6	160.0
Remuneration for TUI AG Supervisory Board mandate	**1,316.0**	**1,611.0**
Remuneration for Supervisory Board mandates in the Group	49.9	53.4
Total	**1,365.9**	**1,664.4**

In addition, travel and other expenses totalling €148.9 thousand (previous year €108.5 thousand) were reimbursed. Total remuneration of the Supervisory Board members thus amounted to €1,514.8 thousand (previous year €1,772.9 thousand).

Individual remuneration of Supervisory Board members for the financial year 2010/11

	Fixed	Short-term variable	Long-term variable	Committee membership	Individual remuneration: Supervisory Board mandates in the Group	Total
				€'000		
Prof. Dr. Klaus Mangold (Chairman, since 9 Feb 2011)	91.5	—	42.7	12.9	—	147.1
Dr. Dietmar Kuhnt (Chairman, until 9 Feb 2011)	43.0	—	6.5	7.2	0.1	56.8
Petra Gerstenkorn (Deputy Chairwoman)	60.0	—	20.7	—	—	80.7
Anass Houir Alami	40.0	—	16.1	—	—	56.1
Andreas Barczewski (until 9 Feb 2011)	14.3	—	− 2.1	7.2	—	19.4
Dr. Peter Barrenstein (until 9 Feb 2011)	14.3	—	1.0	21.5	—	36.8
Jella Susanne Benner-Heinacher (until 9 Feb 2011)	14.3	—	− 2.1	7.2	—	19.4
Arnd Dunse	40.0	—	14.1	20.0	—	74.1
Prof. Dr. Edgar Ernst (since 9 Feb 2011)	25.8	—	12.9	38.7	—	77.4
Frank Jakobi	60.0	—	17.6	—	—	77.6
Ingo Kronsfoth	40.0	—	13.8	12.9	11.0	77.7
Christian Kuhn (since 9 Feb 2011)	25.8	—	12.9	—	22.3	61.0
Roberto López Abad (until 15 Feb 2012)	40.0	—	5.0	—	—	45.0
Dr. h.c. Abel Matutes Juan (until 9 Feb 2011)	14.3	—	− 2.1	—	—	12.2
Mikhail Noskov (since 9 Feb 2011)	25.8	—	12.9	—	—	38.7
Carmen Riu Güell	60.0	—	41.3	—	—	101.3
Hans-Dieter Rüster	52.9	—	17.1	—	—	70.0
Dr. Manfred Schneider (until 9 Feb 2011)	14.3	—	− 2.1	—	—	12.2
Roland Schneider (until 9 Feb 2011)	21.5	—	− 3.2	—	—	18.3
Henry Sieb (until 9 Feb 2011)	14.3	—	− 2.1	7.2	5.5	24.9
Anette Strempel	40.0	—	13.8	—	11.0	64.8
Christian Strenger	25.8	—	12.9	12.9	—	51.6
Ortwin Strubelt	40.0	—	13.8	12.9	—	66.7
Vladimir Yakushev	60.0	—	16.1	—	—	76.1
Total	**877.9**	**—**	**277.5**	**160.6**	**49.9**	**1,365.9**

The entitlements of the Supervisory Board members under the long-term remuneration arrangement were covered by a 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 the financial year 2010/11 and thus did not receive any remuneration.

The following auditor‘s report (Bestätigungsvermerk) has been issued in accordance with Section 322 German Commercial Code (Handelsgesetzbuch) on the consolidated financial statements and group management report (Konzernlagebericht) of TUI AG combined with the management report (Lagebericht) of TUI AG as of and for the financial year ended September 30, 2011. The group management report combined with the management report is neither included nor incorporated by reference in this Prospectus.

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by TUI AG, Berlin and Hanover, comprising the statement of financial position, the income statement and the statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the Group management report, which is combined with the management report of TUI AG, for the financial year from 1 October 2010 to 30 September 2011. The preparation of the consolidated financial statements and the combined management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German Commercial Law pursuant to section 315a (1) of the German Commercial Code (HGB) are the responsibility of the parent company's Executive Board. Our responsibility is to express an opinion on the consolidated financial statements and the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 of the German Commercial Code and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW) and additionally observed the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Executive Board, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German Commercial Law pursuant to section 315a (1) of the German Commercial Code (HGB) and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these provisions. The combined management report is consistent with the consolidated Financial statements and, as a whole, provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hanover, 6 December 2011

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Audited Financial Statements
of TUI AG
as of and for the financial year ended September 30, 2013 (HGB)

Financial position of TUI AG as at 30 September 2013

	Notes	30 Sep 2013	30 Sep 2012
		€ thousand	
Assets			
Fixed assets	(1)		
Intangible assets		1,293	1,293
Property, plant and equipment		16,854	17,156
Investments			
Shares in Group companies		3,514,458	3,400,641
Other investments		606,742	694,421
		4,121,200	4,095,062
		4,139,347	4,113,511
Current assets			
Inventories	(2)	27	19
Receivables and other assets	(3)	407,568	313,075
Cash in hand and bank balances	(4)	506,081	1,128,869
		913,676	**1,441,963**
Prepaid expenses	(5)	**682**	**2,034**
		5,053,705	**5,557,508**

	Notes	30 Sep 2013	30 Sep 2012
		€ thousand	
Equity			
Shareholders' equity			
Subscribed capital	(6)	645,188	644,928
Conditional capital		318,797	318,802
Capital reserves	(7)	821,343	821,146
Revenue reserves	(8)	973,470	782,470
Profit available for distribution	(9)	308,566	116,617
of which retained earnings brought forward		116,617	107,141
		2,748,567	**2,365,161**
Special non-taxed items	(10)	**624**	**628**
Provisions			
Provisions for pensions and similar obligations	(11)	137,730	139,986
Other provisions	(12)	282,551	308,757
		420,281	**448,743**
Liabilities	(13)		
Bonds		854,103	1,087,085
of which convertibel		554,103	554,114
Liabilities to banks		282,281	502,920
Trade accounts payable		2,050	3,199
Other liabilities		745,698	1,149,604
		1,884,132	**2,742,808**
Deferred income	(14)	**101**	**168**
		5,053,705	**5,557,508**

Income statement of TUI AG for the period from 1 Oct 2012 to 30 Sep 2013 (previous year from 1 Oct 2011 to 30 Sep 2012)

	Notes		1 Oct 2012 – 30 Sep 2013	1 Oct 2011 – 30 Sep 2012
			€ thousand	
Turnover	(18)	1,589		4,847
Other operating income	(19)	581,227		243,394
			582,816	248,241
Cost of materials	(20)	1,317		4,487
Personnel costs	(21)	55,885		55,126
Depreciation/amortisation	(22)	733		475
Other operating expenses	(23)	172,207		196,252
			− 230,142	− 256,340
Net income from investments	(24)	154,570		270,292
Write-downs of investments	(25)	33,547		27,226
Interest result	(26)	− 90,055		− 113,012
Profit from ordinary business activities			**383,642**	**121,955**
Taxes	(27)	693		− 5,991
Net profit for the year			**382,949**	**127,946**
Retained earnings brought forward		116,617		107,141
Withdrawal from capital reserves		− 191,000		− 118,470
Profit available for distribution	(9)		**+ 308,566**	**+ 116,617**

Development of fixed assets of TUI AG for the period from 1 Oct 2012 to 30 Sep 2013

	Historical cost					Value adjustments					Carrying amounts	
	Balance at 1 Oct 2012	Additions*	Disposals*	Reclassi -fication	Balance at 30 Sep 2013	Balance at 1 Oct 2012	Depreciation/ amortisation	Additions	Disposals*	Balance at 30 Sep 2013	Balance at 30 Sep 2013	Balance at 30 Sep 2012
	€ thousand											
Intangible assets												
Concessions, industrial property rights and similar rights and values	4,077	403	—	—	4,480	2,784	403	—	—	3,187	1,293	1,293
	4,077	**403**	**—**	**—**	**4,480**	**2,784**	**403**	**—**	**—**	**3,187**	**1,293**	**1,293**
Property, plant and equipment												
Real estate, land rights and buildings including buildings on third-party properties	21,721	—	—	—	21,721	9,299	83	—	—	9,382	12,339	12,422
Machinery and fixtures	1,209	—	—	—	1,209	1,209	—	—	—	1,209	—	—
Other plants, operating and office equipment	9,636	100	143	—	9,593	4,902	247	—	71	5,078	4,515	4,734
	32,566	**100**	**143**	**—**	**32,523**	**15,410**	**330**	**—**	**71**	**15,669**	**16,854**	**17,156**
Investments												
Shares in Group companies	5,548,095	781,200	644,734	—	5,684,561	2,147,454	22,700	—	51	2,170,103	3,514,458	3,400,641
Loans to Group companies	24,947	1,760	850	—	25,857	850	—	—	850	—	25,857	24,097
Investments	440,118	57,500	137,194	—	360,424	5,339	10,823	—	3	16,159	344,265	434,779
Loans to affiliates	845	—	—	—	845	845	—	—	—	845	—	—
Securities held as fixed assets	235,574	5,047	4,000	—	236,621	60	24	—	57	27	236,594	235,514
Other loans	34	—	6	—	28	3	—	1	—	2	26	31
Payments on account	440	—	440	—	—	440	—	—	440	—	—	—
	6,250,053	**845,507**	**787,224**	**—**	**6,308,336**	**2,154,991**	**33,547**	**1**	**1,401**	**2,187,136**	**4,121,200**	**4,095,062**
Fixed assets	**6,286,696**	**846,010**	**787,367**	**—**	**6,345,339**	**2,173,185**	**34,280**	**1**	**1,472**	**2,205,992**	**4,139,347**	**4,113,511**

* incl. from/to consolidated companies

NOTES

ACCOUNTING AND MEASUREMENT

TUI AG Notes for financial year 2012/13

The annual financial statements of TUI AG are prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG).

Individual items in the statement of financial position and income statement of TUI AG are grouped together in the interests of clear presentation. These items are reported separately in the Notes, together with the necessary explanations.

Accounting and measurement

The accounting and measurement methods and the classification applied in the previous year were retained in the financial year under review.

Purchased intangible assets are measured at cost and amortised on a straight-line basis over the expected useful life of up to three years, for trademark rights up to ten years. Self-generated intangible assets are not capitalised.

Property, plant and equipment are measured at cost to purchase or cost to produce, less depreciation for depreciable property, plant and equipment. For additions effected since financial year 2009/10, depreciation is calculated on a straight-line basis. In previous years, movable depreciable property, plant and equipment were depreciated on the basis of the tax provisions applicable at that time.

Movable depreciable assets with costs to purchase of €150 to €1,000 have been grouped into collective annual items and depreciated over a period of five years.

The economic useful lives underlying scheduled depreciation are based on tax depreciation tables.

Fixed assets which, at the balance sheet date, have a lower market value likely to be of a lasting nature are impaired accordingly.

Shares in Group companies, participations and other investments are carried at the lower of cost to purchase or fair value. Non-interest or low-interest loans are recognised at their present values.

The requirement to reverse write-downs is met by means of write-backs.

Inventories are measured at the lower of cost to purchcase or market value as at the balance sheet date.

Receivables and other assets are recognised at the lower of nominal or fair values. For these items, all identifiable individual risks are accounted for by means of appropriate value adjustments.

Liabilities are carried at the repayable amounts.

Hedged foreign currency receivables and liabilities are recognised based on the hedging rate. Current unhedged currency items are recognised at the average spot exchange rate at the balance sheet date. Non-current unhedged currency receivables and liabilities are translated at the average spot exchange rate at the date of the transaction or the closing rate, if lower, in the case of receivables and the closing rate, if higher, in the case of liabilities.

Where liabilities from pension schemes or part-time working schemes for employees approaching retirement are covered by insolvency-protected reinsurance policies or fund investments so that other creditors do not have access, the fair values of the cover assets are eliminated against the fair values of the related liabilities.

If liabilities exceeded assets, the difference is shown under Provisions.

The special non-taxed item carried is based on the option to transfer book profits, used in prior years before conversion to the German Accounting Law Modernisation Act (BilMoG), and thus includes differences between tax-based and commercial-law depreciation in accordance with section 6b of the German Income Tax Act (EStG).

The provisions for pensions and similar obligations are measured in accordance with the projected unit credit method on the basis of biometric accounting data in Prof. Klaus Heubeck’s 2005 G reference tables, known as the “generation tables”. Expected future salary and pension increases are appropriately reflected in actuarial calculations and assumptions. For the majority of obligations, annual salary increases of 2.5% and pension increases of 6.0% every three years have been assumed; for pension entitlements, a turnover discount based on age- and gender-specific tables has been deducted. The interest rate on the liabilities was the 7-year average market interest rate of 4.92% published by the German central bank for an assumed remaining term of 15 years.

Provisions for taxes and other provisions are calculated on the basis of prudent business judgement principles and reflect all identifiable risks and doubtful obligations. They are measured at the repayable amounts, taking account of expected cost and price increases. Other provisions are carried at nominal amounts, unless an interest portion has to be taken into account. If an interest portion has to be taken into account, Other provisions are measured at their present values.

Deferred taxes at TUI AG include deferred taxes of Group subsidiaries with which it forms a fiscal entity for income tax determination. The income tax rate applied in measuring deferred taxes is 31.5% and embraces corporation tax, trade tax and the solidarity surcharge. The capitalisation option is not used for the overall resulting deferred tax asset.

Provisions are formed for negative fair values of derivative financial instruments where there are no matching transactions with positive fair values and identical volumes and maturities.

The determination of the fair values for optional derivative financial instruments is based on the Black & Scholes model. Measurement of fixed-price transactions is based on the discounted cash flow of the transactions. Measurement of derivatives takes account of interest, price and volatility curves with matching maturities as at the balance sheet date.

Recognised IT systems are used to support measurement of the financial instruments. For quality assurance purposes, the amounts determined for externally concluded transactions are compared and reconciled with figures provided by external counterparties as at the balance sheet date.

All derivative financial instruments are fixed-price or optional over-the-counter (OTC) transactions for which a stock market price cannot be determined. The derivative fuel hedges are performed by means of cash compensation, as the difference between market price and hedge price. Physical delivery is not effected.

In order to recognise derivative fuel hedges in the balance sheet, they are included in hedge accounting; recognition is based on the net hedge presentation method.

NOTES

NOTES TO THE STATEMENT OF FINANCIAL POSITION

(1) Fixed assets

Changes in the individual fixed assets in the financial year under review are shown in an annex to the statement of financial position. A complete list of shareholdings is included in the Notes.

Investments

Contributions of shares in hotel companies in the form of non-cash contributions to Group companies result in additions of €775.0m; at the same time, disposals of €379.4m are reported for this item and for Investments.

Other additions to Shares in Group companies relate to acquisitions of shares in TUI Travel PLC. Moreover, the stake in TUI Travel PLC rose slightly to 54.5% due to the use of shares in repaying a funding scheme in connection with an exchangeable bond.

Other disposals of Group companies mainly relate to a capital repayment.

Additional changes result in particular from capital payments for new interests and from depreciation for the measurement of hotel companies as at the balance sheet date.

(2) Inventories

Inventories almost exclusively relate to heating fuels.

(3) Receivables and other assets

Receivables and other assets

	30 Sep 2013	30 Sep 2012
	€ thousand	
Trade accounts receivable	1	12
of which with a remaining term of more than 1 year	—	—
Receivables from Group companies	363,464	271,317
of which with a remaining term of more than 1 year	—	—
Receivables from companies in which shareholdings are held	10,794	3,983
of which with a remaining term of more than 1 year	—	—
Other assets	33,309	37,763
of which with a remaining term of more than 1 year	—	—
	407,568	**313,075**

Receivables from Group companies and companies in which stakes are held include minor trade receivables at the respective balance sheet date.

The increase in Receivables from Group companies mainly results from a receivable in the framework of the sale of assets to a Group company.

Other assets serving as insolvency-protected investments in reinsurance policies with the sole purpose of hedging pension obligations are offset at 30 September 2013 against the underlying liabilities at their fair value, which corresponds to amortised cost, of €57.8m, almost unchanged on the previous year.

(4) Cash in hand and bank balances

This item consists almost exclusively of bank balances.

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 decrease in bank balances was mainly attributable to these two effects.

(5) Prepaid expenses

Prepaid expenses

	30 Sep 2013	30 Sep 2012
	€ thousand	
Discount	—	5
of which with a remaining term of more than 1 year	—	—
Other prepaid expenses	682	2,029
of which with a remaining term of more than 1 year	—	—
	682	**2,034**

The decline in Other prepaid expenses mainly results from lower premiums for interest hedges to be capitalised and lower accrued advance payments for sports sponsorship agreements. Following the expiry of operating leases for aircraft, prepaid expenses for corresponding lease payments are no longer included.

(6) Subscribed capital

TUI AG's subscribed capital consists of no-par value shares, each representing an identical share in the capital stock. The proportionate share in the capital stock attributable to each individual share is around €2.56. Since the conversion carried out in July 2005, the shares have been registered shares whose holders have been listed in the share register by name.

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 issuance of employee shares and conversions under the 2009/2014 and 2011/2016 convertible bonds. As a result, subscribed capital comprised 252,375,570 shares at the end of the financial year.

The Annual General Meeting of 13 February 2013 authorised the Executive Board of TUI AG to acquire own shares of up to 10% of the capital stock. This authorisation will expire on 12 August 2014. To date, the option to acquire own shares has not been used.

Conditional capital

The Annual General Meetings of 7 May 2008 and 13 May 2009 resolved to create additional conditional capital of €100.0m each and authorised the Company to issue bonds. The issue of bonds with conversion options or warrants, profit-sharing rights and income bonds (with or without fixed terms) is limited to a total nominal volume of up to €1.0bn under these two authorisations, which will expire on 6 May 2013 and 12 May 2014, respectively.

Using the conditional capital of 13 May 2009, TUI AG issued an uncollateralised, non-subordinated convertible bond of €217.8m on 17 November 2009, maturing on 17 November 2014. The bond was issued in denominations of nominal values of €56.30. The conversion price is €5.63 per no-par value share. The convertible bond can thus be converted into a maximum of 38,683,730 shares. The bonds, carrying an interest coupon of 5.50% p. a., were issued at par. The bond is traded on five German stock exchanges. By 30 September 2013, 47,073 bonds had been converted into 470,730 new shares in TUI AG (including 1,990 bonds in the financial year under review).

Using the conditional capital of 7 May 2008, TUI AG issued an uncollateralised non-subordinated convertible bond of €339.0m on 24 March 2011, maturing on 24 March 2016. The bond was issued in denominations of nominal values of €59.26. The conversion price is €11.8506 per non-par value share. The convertible bond can thus be converted into a maximum of 28,599,735 shares. The bonds, carrying an interest coupon of 2.75% p. a., were issued at par. The bond is traded on five German stock exchanges. By 30 September 2013, three bonds had been converted into 15 new shares (including ten shares in the financial year under review) in TUI AG.

Further conditional capital of €120.0m for the issue of bonds was resolved by the Annual General Meeting of 15 February 2012 and will expire on 14 February 2017. The issue of bonds with conversion options or warrants, profit-sharing rights and income bonds (with or without fixed terms) is limited to a total nominal volume of up to €1.0bn.Taking account of the conversions, TUI AG had total conditional capital of around €318.8m as at 30 September 2013.

Authorised capital

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

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

The Annual General Meeting of 13 February 2013 also resolved new authorised capital for the issue of employee shares worth €10.0m. The Executive Board of TUI AG has been authorised to use this authorised capital in one or several transactions to issue employee shares against cash contribution by 12 February 2018. Using the authorised capital from 2008, 99,860 new employee shares were issued in the completed financial year.

Unused authorised capital thus totalled around €320.5m at the balance sheet date (around €318.6m as at 30 September 2012).

(7) Capital reserves

Capital reserves include transfers from share premiums. They also comprise amounts from conversion options and warrants for the purchase of shares in TUI AG generated by bond issues. In addition, premiums from the exercise of conversion options and warrants were transferred to the capital reserves. In the financial year under review, the capital reserves rose by a total of €0.2m due to the conversion of bonds into shares and the issue of employee shares.

(8) Revenue reserves

Revenue reserves consisted solely of Other revenue reserves. There are no provisions in the Articles of Association on the formation of reserves. In the financial year under review, a portion of the profit for the year worth €191.0m was transferred to the revenue reserves pursuant to section 58 (2) of the German Stock Corporation Act.

(9) Profit available for distribution

The profit available for distribution totals €383.0m. Following the transfer of an amount of €191.0m to Other revenue reserves and taking account of the profit carried forward of €116.6m, profit available for distribution amounts to €308.6m. A proposal will be submitted to the Annual General Meeting to use the profit available for distribution 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.

(10) Special non-taxed item

The special non-taxed item of €0.6m, retained upon the first-time application of the BilMoG rules, includes tax-related depreciation of fixed assets effected in previous years in accordance with section 6b of the German Income Tax Act.

(11) Pension provisions

Elimination of the assets from reinsurance policies (€57.8m) against the gross value of the pension provisions (€195.5m) results in a liability of €137.7m as at the balance sheet date.

(12) Other provisions

Other provisions

	30 Sep 2013	30 Sep 2012
	€ thousand	
Tax provisions	159,915	150,492
Other provisions	122,636	158,265
	282,551	308,757

Tax provisions exist for income and sales taxes in Germany and abroad.

The decline in Other provisions results from lower provisions for litigation risks following the completion of a settlement.

Moreover, provisions also included in particular provisions for staff costs, for operational risks and investment risks and, to a minor extent, hedges on behalf of Tourism companies at the balance sheet date.

Insolvency-protected non-current investments with a fair value of €1.5m for securing part-time working scheme credits for employees approaching retirement were eliminated against the corresponding provisions.

Other provisions with a remaining term of more than one year are discounted on the basis of market interest rates on assets with corresponding maturities, averaged out over a period of seven years if the amounts carried did not have to be retained upon conversion to the BilMoG rules. The remaining difference between nominal amount and cash amount as at 30 September 2013 totals €0.2m.

Around 24% (previous year around 35%) of Other provisions have a remaining term of up to one year.

(13) Liabilities

Liabilities

	30 Sep 2013		30 Sep 2012	
	Remaining items	Total	Remaining items	Total
	€ thousand			
Bonds		**854,103**		**1,087,085**
up to 1 year	—		232,971	
1 – 5 years	554,103		554,114	
more than 5 years	300,000		300,000	
of which convertible		554,103		554,114
up to 1 year	—		—	
1 – 5 years	554,103		554,114	
Liabilities to banks		**282,281**		**502,920**
up to 1 year	101,250		214,974	
1 – 5 years	181,031		287,946	
Trade accounts payable (exclusively up to 1 year)		**2,050**		**3,199**
Other liabilities		**745,698**		**1,149,604**
up to 1 year	744,269		1,147,663	
1 – 5 years	1,429		1,941	
more than 5 years	—		—	
of which liabilities to Group companies		715,300		1,106,120
up to 1 year	713,871		1,104,179	
1 – 5 years	1,429		1,941	
more than 5 years	—		—	
of which liabilities to companies in which share- holdings are held (exclusively up to 1 year)		14		90
of which Other liabilities		30,384		43,394
up to 1 year	30,384		43,394	
1 – 5 years	—		—	
more than 5 years	—		—	
of which from taxes (exclusively up to 1 year)		1,583		1,883
of which relating to social security (exclusively up to 1 year)		577		641
		1,884,132		**2,742,808**

Following repurchases ahead of the due date in prior financial years, the nominal volume of €233.0m still outstanding of the senior fixed rate notes issued in December 2005, shown under Liabilities, was redeemed on schedule at 10 December 2012.

The subordinated hybrid bond with a volume of €300.0m does not have a fixed maturity date. It carried a fixed-rate interest coupon of 8.625% p. a. until January 2013 and has since carried a floating-rate interest coupon (3-month EURIBOR + 7.30% p. a.). In case the Annual General Meeting does not adopt the resolution to pay a dividend, TUI AG is entitled to postpone accruing interest payments until the following Annual General Meeting. Possibly postponed interest payments are resumed promptly according to the bond conditions. The hybrid bond has denominations of €1,000.00 each.

The convertible bonds include a five-year convertible bond issued in November 2009 and are carried at an amount of €215.1m after conversion into shares. This convertible bond carries an interest coupon of 5.5% p. a.

This item also includes the five-year convertible bond issued in March 2011 at an amount of €339.0m after conversion into shares. This convertible bond carries an interest coupon of 2.75% p. a.

In January 2008, TUI AG took up financing of €450.0m, to be carried as a liability to banks, in connection with the issue of an exchangeable bond for shares in TUI Travel PLC by Nero Finance Ltd., a non-Group third-party finance company. In order to collateralise the right of exchange, TUI AG indirectly sold around 10.7% of the shares in TUI Travel PLC to Nero Finance Ltd., with economic ownership in the shares, in particular voting and dividend rights, retained by TUI AG. By the balance sheet date, Nero Finance Ltd. had increased its stake in TUI Travel PLC shares attributable to TUI AG to 13.3% via reinvested dividend yields. The exchangeable bond and TUI AG's corresponding liability to banks matured on 15 April 2013. TUI had already reduced the liability to a nominal amount of €206.3m by 30 September 2012 by acquiring parts of the exchangeable bond in prior years. In the completed financial year, TUI AG then acquired additional parts of this bond amounting to a nominal €63.9m. Upon maturity of the bond, the TUI Travel PLC shares allocable in proportion to the part of the exchangeable bond purchased by TUI AG were transferred to TUI AG. Moreover, in order to serve repayment obligations and settle conversion rights that had been exercised, TUI AG acquired shares in TUI Travel PLC in an amount proportionately allocable to a partial amount of the exchangeable bond with a total nominal value of €76.1m. TUI AG did not exercise its cash compensation option to facilitate repurchase of the TUI Travel PLC shares allocated to that portion for a further part of the exchangeable bond worth a nominal amount of €66.3m, for which the holders of the exchangeable bond had exercised their exchange option. As a result, TUI AG gave away economic ownership in almost 2% of the outstanding shares in TUI Travel PLC.

In April 2010, TUI AG sold a 7.8% stake of its shares in TUI Travel PLC to Deutsche Bank, which forwarded these shares to Antium Finance Ltd., an independent special-purpose vehicle not related to TUI. Antium Finance Ltd. acquired convertible bonds issued by TUI Travel PLC in April 2010 with a nominal volume of £200.0m. Antium Finance Ltd. will convert a matching number of convertible bonds into TUI Travel PLC shares any time other investors exercise their conversion rights. TUI AG has concluded an agreement with Deutsche Bank under which the voting rights in TUI Travel PLC shares sold and legally held by Antium Finance Ltd. plus any additional TUI Travel PLC shares resulting from potential conversions will be exercised in the interest of TUI AG. In August 2013, TUI AG amended the agreement with Deutsche Bank in the framework of which TUI AG's right to acquire the assets of Antium Finance Ltd., comprising the TUI Travel shares and the convertible bonds of TUI Travel PLC, from Antium Finance Ltd. via Deutsche Bank at a price of £450.0m was extended until July 2016. By that date, TUI AG is entitled to the dividends from these shares and the interest on the convertible bonds acquired by Antium Finance Ltd. In terms of the commercial balance sheet, both the shares sold and the convertible bonds are attributable to TUI AG and therefore have to be recognised in TUI AG's statement of financial position. By the balance sheet date, TUI AG had already made a down payment of £300m on the purchase price (£450.0m). TUI AG has to pay interest (3-month GBP LIBOR + a margin) on the remaining amount (£150m or €181.0m). When the agreement was modified on August 2013, the margin was reduced from 4.75% to 3.7% p. a. It was also agreed that the assets of Antium Finance Ltd. were to be transferred to Deutsche Bank and Deutsche Bank was to assume the rights and obligations of Antium Finance Ltd. This transition took place in October 2013.

The promissory notes with a volume of €100.0m maturing on 31 August 2014 taken up in September 2010 carry a variable interest rate of 15.0% p. a. maximum.

Liabilities to Group companies decreased primarily due to capital repayments by Group companies.

Liabilities to Group companies and companies in which interests are held include minor trade payables as at the respective balance sheet date.

Liabilities with a remaining term of more than five years total €300.0m (previous year €300.0m) and relate to the hybrid bond.

As in the previous year, the liabilities shown were not secured by rights of lien or similar rights.

(14) Deferred income

Deferred income

	30 Sep 2013	30 Sep 2012
	€ thousand	
Other deferred income	101	168

Deferred income exclusively relates to non-Group third parties, as in the prior year.

(15) Contingent liabilities

Contingent liabilities

	30 Sep 2013	30 Sep 2012
	€ thousand	
Liabilities under guarantees, bill and cheque guarantees	952,779	804,310
Liabilities under warranties	25	25
	952,804	**804,335**
of which to Group companies	577,229	336,373

TUI AG has taken over guarantees and warranties on behalf of subsidiaries and third parties, mainly serving the settlement of ongoing business transactions and the collateralisation of loans. The increase in guarantee commitments by TUI AG to Group companies results from a guarantee under a new charter contract for Hapag-Lloyd (Bahamas) Ltd. for the cruise ship Europa 2. At the same time, TUI AG's guarantee commitments declined, both those carried as shareholder in TUI Cruises GmbH and those granted to Hapag-Lloyd AG in the framework of scheduled credit repayments in ship financing schemes in these companies.

The guarantees and warranties taken over by TUI AG are not likely be used since the companies are expected to discharge the underlying liabilities.

(16) Other financial commitments

Other financial commitments

	30 Sep 2013	30 Sep 2012
	€ thousand	
Lease, rental, leasing and similar contracts	52,372	56,511
Other financial commitments	16,100	36,664
	68,472	**93,175**
up to 1 year	17,504	25,054
1 – 5 years	13,679	27,889
more than 5 years	37,289	40,232
of which to Group companies	—	—

The commitments from lease, rental and leasing contracts mainly comprise future rent payments for the administrative building.

Other financial commitments primarily comprise a cash contribution commitment to TUI Cruises GmbH, expected to be realised within the next financial year, which declined considerably against the prior year.

(17) Derivative financial instruments

Derivative financial instruments as at 30 Sep 2013

	Nominal volume	Fair values positive	Fair values negative
		€ thousand	
Currency hedges	346,124	1,908	3,068
of which with Group companies	95,621	1,613	209
Commodity hedges	30,851	652	652
of which with Group companies	15,426	55	598
Interest rate hedges	389,220	1,098	576
of which with Group companies	—	—	—

The fuel hedges relate to bunker requirements for cruise ships.

Provisions for negative market values in other provisions

	30 Sep 2013	30 Sep 2012
	€ thousand	
Currency hedges	3,068	3,089
Interest rate hedges	576	1,657
	3,644	**4,746**

For fuel hedges, the negative fair values of €0.7m were matched by transactions with identical amounts and maturities with positive fair values (hedges), carried on the basis of the net hedge presentation method. The goal is to hedge fuel prices for up to 80% of the planned exposure. The time to maturity of the hedges is up to 24 months.

NOTES TO THE INCOME STATEMENT

(18) Geographical breakdown of turnover

Geographical breakdown of turnover

	1 Oct 2012 – 30 Sep 2013	1 Oct 2011 – 30 Sep 2012
	€ thousand	
Germany	1,588	4,558
of which with Group companies	1,570	4,539
EU (excl. Germany)	1	289
of which with Group companies	—	289
	1,589	**4,847**

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

(19) Other operating income

Other operating income

	1 Oct 2012 – 30 Sep 2013	1 Oct 2011 – 30 Sep 2012
	€ thousand	
Reversal of special non-taxed item	4	4
Miscellaneous other operating income	581,223	243,390
	581,227	**243,394**

Miscellaneous other operating income mainly comprises intra-Group gains on disposal of shareholdings. In addition, it primarily includes gains on exchange and income from intercompany transfer pricing and, to a lesser extent, income from the reversal of value adjustments and provisions.

(20) Cost of materials

Cost of materials

	1 Oct 2012 – 30 Sep 2013	1 Oct 2011 – 30 Sep 2012
	€ thousand	
Cost of purchased services	1,317	4,487

The cost of purchased services relates to expenses for aircraft lease agreements with third parties, which declined in line with turnover due to transfers of agreements.

(21) Staff costs

Staff costs

	1 Oct 2012 – 30 Sep 2013	1 Oct 2011 – 30 Sep 2012
	€ thousand	
Wages and salaries	49,659	43,769
Social security contributions, pension costs and benefits	6,226	11,357
of which pension costs	2,947	8,097
	55,885	**55,126**

In the period under review, staff costs declined primarily due to lower transfers to pension provisions. An opposite effect was caused by pay increases in line with collective agreements with a slight increase in the headcount, and by provisions for restructuring measures in connection with a planned headcount reduction in TUI AG. As a result, overall staff costs rose slightly year-on-year.

Transfers to pension and other longer-term staff provisions of €9.3m (previous year €9.5m) result from compounding these provisions and are therefore included in the interest result.

(22) Depreciation/amortisation

Depreciation/amortisation

	1 Oct 2012 – 30 Sep 2013	1 Oct 2011 – 30 Sep 2012
	€ thousand	
Amortisation of intangible assets and depreciation of property, plant and equipment	733	475
of which impairments	—	—

(23) Other operating expenses

Sonstige betriebliche Aufwendungen

	1 Oct 2012 – 30 Sep 2013	1 Oct 2011 – 30 Sep 2012
	€ thousand	
Miscellaneous other operating expenses	172,207	196,252

This item comprises in particular expenses for losses on exchange of €44.6m (previous year €73.3m), along with gains on exchange of €54.0m (previous year €52.3m) carried under Other operating income. Moreover, expenses were incurred above all for charges, service fees, additions to value adjustments and other administrative costs.

(24) Income from investments

Income from investments

	1 Oct 2012 – 30 Sep 2013	1 Oct 2011 – 30 Sep 2012
	€ thousand	
Income from participations	123,500	124,152
of which from Group companies	108,462	117,520
Income from profit transfer agreements	78,010	170,096
of which from Group companies	78,010	170,096
Expenses relating to losses taken over	−46,940	−23,956
of which from Group companies	−46,940	−23,956
	154,570	**270,292**

In the year under review and in the previous financial year, net income from investments mainly comprised dividend payments from TUI Travel PLC and hotel companies, in particular RIUSA II S.A. The income from profit transfer agreements includes profit transfers from subsidiaries and the related tax portion charged. The expenses for loss transfers mainly relate to Hapag-Lloyd Kreuzfahrten GmbH.

(25) Write-down of investments

The expense carried relates to the impairment required for a hotel project company and hotel shareholdings.

(26) Interest result

Interest result

	1 Oct 2012 – 30 Sep 2013	1 Oct 2011 – 30 Sep 2012
	€ thousand	
Income from other securities and long-term loans	13,613	13,562
of which from Group companies	13,612	13,561
Other interest and similar income	10,025	21,283
of which from Group companies	6,973	13,325
Interest and similar expenses	−113,693	−147,857
of which to Group companies	−3,133	−6,943
	−90,055	**−113,012**

In the completed financial year, the reduction in liabilities to bondholders and liabilities to banks, in particular, caused a decline in liquid funds, which resulted in a fall in interest income.

By the same token, interest payable on financial debt declined considerably so that interest expenses decreased.

Interest expenses include expenses for the compounding of, in particular, pension and other longer-term provisions, amounting to €15.6m (previous year €15.3m) after elimination of interest income of €2.3m from reinsurance policies serving as cover assets.

(27) Taxes

Taxes

	1 Oct 2012 – 30 Sep 2013	1 Oct 2011 – 30 Sep 2012
	€ thousand	
Taxes on income	79	− 8,569
Other taxes	614	2,578
	693	**− 5,991**

Income tax expenses do not include any deferred taxes. Receivables initially result in deferred tax liabilities which, however, are eliminated in full against deferred tax assets from pension provisions. In accordance with the capitalisation option under section 274 (1) sentence 2 of the German Commercial Code, deferred tax assets exceeding the netted tax assets and liabilities are not recognised.

Expenses and income attributable to prior periods

Income of €1.8m and expenses of €0.7m are attributable to prior financial years and carried under Other operating income and expenses.

NOTES

OTHER NOTES

Employees

Annual average headcount in the financial year (excl. apprentices)

	2012/13	2011/12
Employees Corporate Center	193	189
Employees BKK	124	129
Total employees	**317**	**318**

Total auditors' fee

For the level and structure of the total fee for the auditors in accordance with section 285 (17) of the German Commercial Code, we refer to the corresponding disclosure in the Notes to the consolidated financial statements.

Shareholder structure

In financial year 2012/13 and in prior years, TUI AG has been notified of changes in equity interests held by third parties pursuant to section 21 (1) of the German Securities Trading Act, has published these notifications pursuant to section 26 (1) sentence 1 of the German Securities Trading Act and has communicated them to the business register. Notifications still applicable as at 30 September 2013 are listed below in short form.

Alexey Mordashov

The voting shares in TUI AG attributable to Alexey Mordashov, Russia, exceeded the 25% threshold on 5 March 2012. As per that date, voting shares totalling 25.29% were attributable to him via S-Group Travel Holding GmbH, Frankfurt, Germany, Artcone Ltd., Limassol, Cyprus, and Sungrebe Investments Ltd., Tortola, British Virgin Islands.

John Fredriksen

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.

Riu Hotels S.A.

The voting shares in TUI AG attributable to Riu Hotels S.A., Palma de Mallorca, Spain, exceeded the 5% threshold on 29 March 2005. As per that date, voting shares totalling 5.1% were attributable to the company.

Caisse de Dépôt et de Gestion

The voting shares in TUI AG attributable to Caisse de Dépôt et de Gestion, Rabat, Morocco, fell below the 5% threshold on 15 November 2010. As per that date, voting shares totalling 4.9983% were attributable to the company via Teck Capital Management, Tangier, Morocco, and Fipar International, Tangier, Morocco.

BlackRock Inc.

The voting shares in TUI AG attributable to BlackRock Financial Management, Inc., New York, USA, BlackRock Holdco 2, Inc., Wilmington, USA and BlackRock, Inc., New York, USA, exceeded the 3% threshold on 21 August 2013. As per that date, voting shares totalling 3.01% were attributable to the companies. All voting rights were attributable in line with section 22 (1) sentence 1 no. 6 in conjunction with sentence 2 of the German Securities Trading Act.

More detailed information is available on the Company's website (www.tui-group.com).

Remuneration Report

Upon the proposal of the Chairman's 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 that the caps for the total compensation and the variable compensation elements should likewise be contractually agreed in euro amounts 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 to 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 Mr Baier's annual management bonus for any financial year 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.

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) reflect 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 remain in place from a stock option plan that terminated with the introduction of the long-term incentive programme:

Development of aggregate phantom stocks in TUI AG (incl. four-year model)

	Units
Balance as at 30 Sep 2012	739,407
Phantom stocks granted for the 2012/13 financial year	285,498
Phantom stocks exercised	—
Increase/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

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

	Fixed remuneration	Annual performance-based remuneration	Long-term incentive programme	Total 2012/13	Total 2011/12
		€ thousand			
Friedrich Joussen (since 15 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)	—	—	—	—	2,744.6
Dr Michael Frenzel (until 13 Feb 2013)	471.1	1,466.4	—	1,937.5	3,921.0
Total	**2,153.1**	**3,015.5**	**2,600.9**	**7,769.5**	**8,842.0**
Previous year	2,609.2	3,741.8	2,491.0	8,842.0	

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 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		
	2012/13	(Min. p. a.)	(Max. p. a.)	2012/13	(Min p. a.)	(Max p. a.)
	€ thousand					
Fixed muneration	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 by TUI AG for the financial year 2012/13

	Friedrich Joussen (since 15 Oct 2012)	Horst Baier
	€ thousand	
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	267.7
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

	Pension contribution € thousand
Friedrich Joussen (ab 15. Oktober 2012)	189.4
Horst Baier	267.7

Mr Long does not have a pension entitlement from TUI AG.

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. Exit payments promised to Dr Frenzel 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 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 p. a.

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. Exit policy for Executive Board members 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	
	2012/13	2011/12	30 Sep 2013	30 Sep 2012
	€ thousand			
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

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 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 thousand with effect from 1 October 2012 based on an amendment to 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 to 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 €50,000.

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 to 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 in the past, 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 €1.0 thousand 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

	2012/13	2011/12
	€ thousand	
Fixed remuneration	875.0	793.6
Short-term variable remuneration	93.1	348.4
Long-term variable remuneration	560.0	160.0
Remuneration for committee memberships	135.0	—
Total	**1,663.1**	**1,302.0**

In addition, travel and other expenses totalling €486.3 thousand (previous year: €443.2 thousand) were reimbursed. Total payments to the Supervisory Board members including reimbursements of travel and other expenses thus amounted to €2,149.4 thousand (previous year: €1,745.2 thousand), including the reimbursement of travel and other expenses.

Remuneration for individual Supervisory Board members for the Financial Year 2012/13

	Fixed	Short-term variable	Long-term variable	Remuneration for committee memberships	Total
			€ thousand		
Prof. Dr Klaus Mangold (Chairman)	150.0	16.4	80.0	15.0	261.4
Petra Gerstenkorn (Deputy Charwomen)	75.0	8.2	40.0	11.0	134.2
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	104.5
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	27.3
Carmen Riu Güell	50.0	5.5	40.0	10.0	105.5
Anette Strempel	50.0	5.5	n/a	5.0	60.5
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**	**1,663.1**

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.

LIST OF SHAREHOLDINGS OF TUI AG PURSUANT TO SECTION 285 (11) AND (11A) OF THE GERMAN COMMERCIAL CODE (HGB)

Consolidated related companies

Tourism—TUI Travel

Name and headquarter	Shareholdings according to section 16 of the German Stock Corporation Act: direct in %	indirect in %	Group share in %	Equity in '000	Result for the year in '000	Currency
AB Caller & Sons Ltd., Crawley		100	54.9	1,244	49	GBP
Abbey International Insurance PCC Limited (Absolut Cell), Malta[z]		100	54.8			EUR
Absolut Holding Limited, Malta		99.9	54.8	2,751	14	EUR
Absolut Insurance Limited, Guernsey		100	54.9	9,698	− 100	GBP
Acampora Travel S.r.l., Sorrent		51	28	1,219	798	EUR
Active Safari Pty Ltd, West Leederville		100	32.9	1,890	− 176	AUD
Adehy Limited, Dublin		100	54.9	783	− 672	EUR
Adventure Center (First Choice) Inc, Emeryville, CA		100	32.9	− 1,571	− 22	USD
Adventure Tours Australia Group Pty Ltd, Wayville, SA		100	32.9	− 9,195	− 8,014	AUD
Adventures Worldwide Limited, Crawley		100	32.9	4,203	− 117	GBP
Africa Focus Tours Namibia Pty. Ltd., Windhoek		100	41.2	4,404	2,142	ZAR
Air Two Thousand (Ireland) Limited, Dublin		100	54.9	0	0	EUR
Alcor Yachting SA, Geneva		100	54.9	797	− 21	CHF
Alkor Yat Turizm Isletmacileri A.S., Izmir		99.7	54.7	− 1,977	− 83	TRY
Ambassador Tours S.A., Barcelona		100	54.9	− 657	− 10	EUR
Amber Nominee GP Limited, Crawley[z]		100	54.9			EUR
American Holidays (NI) Limited, Belfast		100	54.9	430	0	GBP
Americas Rooms Holding Participacoes Ltda., Curitiba		100	54.9	25,295	− 41	BRL
AMP Management Ltd., Crawley		100	54.9	478	0	GBP
Antigua Charter Services, St. John's		100	54.9	6	153	USD
Apart Hotel Zarevo EOOD, Varna		100	54.9	9,940	1,332	BGN
Aragon Tours Limited, Crawley		100	54.9	0	0	GBP
Aran Travel International Limited, Dublin		100	54.9	− 55	0	EUR
Arccac Eurl, Bourg St. Maurice		100	54.9	194	− 59	EUR
AsiaRooms Business Services (Thailand) Co., Ltd, Bangkok		100	54.9	26,828	− 6,310	THB
Asiarooms Pte Ltd, Singapore		100	54.9	− 61,343	− 11,648	SGD
ATC African Travel Concept Pty. Ltd., Cape Town		100	41.2	19,523	3,654	ZAR
ATC Namibian Reflections Pty. Ltd., Cape Town		100	41.2	0	0	ZAR
Audio Tours and Travel of Hong Kong Limited, Kowloon		99	54.3	− 1,669	− 12	HKD
Australian Adventure Tours Pty Ltd, Sydney		100	32.9	78	− 101	AUD
Australian Sports Tours Pty Ltd, Ballarat, Victoria		100	54.9	1,106	0	AUD
BAL Trustee Limited, Crawley		100	54.9	0	0	GBP
B.D.S Destination Services Tours, Cairo		67	36.8	3,917	− 446	EGP
Beds on line SL, Palma de Mallorca		100	54.9	9,606	− 533	EUR
Berge & Meer Touristik GmbH, Rengsdorf*		100	54.9	2,996	0	EUR
Blue Scandinavia Holding AB, Stockholm		100	54.9	701,425	99,472	SEK
Blue Travel Partner Services S.A., Santo Domingo		99	54.3	650,776	36,545	DOP
Boomerang Reisen GmbH, Trier		100	41.2	549	435	EUR

Name and headquarter	Shareholdings according to section 16 of the German Stock Corporation Act					
	direct in %	indirect in %	Group share in %	Equity in ’000	Result for the year in ’000	Currency
Boomerang Reisen Vermögensverwaltungs GmbH, Trier		75	41.2	426	1,153	EUR
Brightspark Travel Inc, State of Delaware		100	54.9	67	−246	USD
Britannia Airways Limited, Crawley		100	54.9	−95	0	GBP
Britannia Sweden AB, Stockholm		100	54.9	385,094	75,000	SEK
C & C Yacht Management Limited, Cayman Islands		100	54.9	−1,206	0	USD
Callers-Pegasus Pension Trustee Ltd., Crawley		100	54.9	0	0	GBP
Callers-Pegasus Travel Service Ltd., Crawley		100	54.9	1,564	0	GBP
Cassata Travel s.r.l., Cefalù (Palermo)		66	18.5	2	−73	EUR
Cel Obert SL, Sant Joan de Caselles[u]		33	18.1	2,593	328	EUR
Cheqqer B.V., Rijswijk		100	54.9	1,889	0	EUR
CHS Tour Services GmbH, Innsbruck		100	54.9	1,550	310	GBP
CHS Tour Services Ltd, Crawley		100	54.9	265	53	GBP
Citirama Ltd., Quatre Bornes		100	28	20,259	3,564	MUR
Club Turavia SA de CV, Cancún		100	54.9	221,369	69,653	MXN
Connoisseur Belgium BVBA, Nieuwpoort		100	54.9	167	−5	EUR
Corsair S.A., Rungis		100	54.9	−45,863	−60,929	EUR
Country Walkers, Inc., State of Delaware		100	32.9	5,097	75	USD
Crown Blue Line France SA, Castelnaudary		100	54.9	2,117	56	EUR
Crown Blue Line GmbH, Kleinzerlang		100	54.9	5,806	668	EUR
Crown Blue Line Limited, Crawley		100	54.9	11,147	21,906	GBP
Crown Holidays Limited, Crawley		100	54.9	21,317	490	GBP
Crown Travel Limited, Crawley		100	54.9	2,960	2,082	GBP
Crystal Holidays, Inc., Breckenridge		100	54.9	−5,718	18,382	USD
Crystal Holidays Ltd., Crawley		100	54.9	2,703	0	GBP
Crystal International Travel Group Ltd., Crawley		100	54.9	24	0	GBP
Discover Australian Adventures Pty Ltd, Wayville, SA		100	32.9	−25	35	AUD
EAC Activity Camps Limited, Edinburgh		100	54.9	58	2	GBP
EAC Language Centres (UK) Limited, Edinburgh		100	54.9	−2,897	−1,828	GBP
EAC Language Centres (US) Limited, Delaware		100	54.9	−8	104	USD
Easy Market S.p.A., Rimini		100	54.9	2,074	−79	EUR
Educatours Limited, Mississauga, Ontario		100	54.9	966	670	CAD
Edwin Doran (UK) Limited, Crawley		100	54.9	0	0	GBP
EEFC, Inc., State of Delaware		100	54.9	9,313	−386	USD
ELC English Limited, Crawley		100	54.9	1,769	−6,787	GBP
Elena SL, Palma de Mallorca		100	54.9	4,163	−43	EUR
Emerald Star Limited, Dublin		100	54.9	2,228	−394	EUR
Entreprises Hotelières et Touristiques PALADIEN Lena Mary S.A., Argolis		100	54.9	3,250	0	EUR
Event Logistics International Limited, Crawley		100	54.9	60	9	GBP
Event Logistics (UK) Limited, Crawley		100	54.9	60	7	GBP
Events International Limited, Crawley		100	54.9	1,725	476	GBP
Events International (Sports Travel) Limited, Crawley		100	54.9	108	38	GBP
Exodus Travels Limited, Crawley		100	32.9	8,771	2,813	GBP
Expediciones Amazonicas, S.A.C., Iquitos		100	54.9	−333	−334	USD
Explorers Travel Club Limited, Crawley		100	54.9	2,277	643	GBP
Falcon Leisure Group (Overseas) Limited, Crawley		100	54.9	21,220	−2,310	GBP
Fanatics Sports & Party Tours UK Limited, Crawley		100	54.9	1,151	234	GBP

Name and headquarter	Shareholdings according to section 16 of the German Stock Corporation Act direct in %	indirect in %	Group share in %	Equity in '000	Result for the year in '000	Currency
Fanatics Sports and Party Tours PTY Limited, Banksia		100	54.9	0	0	AUD
FanFirm Pty Ltd, Banksia		100	54.9	18,386	−659	AUD
Fantravel.com, Inc., Wilmington		100	54.9	−346	−346	USD
FC Expeditions Canada, Inc., British Columbia		100	54.9	−72	0	CAD
First Choice Airways Limited, Crawley		100	54.9	0	18,000	GBP
First Choice Aviation Limited, Crawley		100	54.9	26	326	GBP
First Choice (Euro) Limited, Crawley		100	54.9	5,823	12,764	GBP
First Choice Expedition Cruising Limited, Crawley		100	54.9	−1,496	0	GBP
First Choice Expeditions, Inc., State of Delaware		100	54.9	77,943	−1,922	USD
First Choice Holdings Australia Pty Ltd, Melbourne		100	32.9	44,439	0	AUD
First Choice Holdings, Inc., Delaware		100	54.9	133,497	−9,601	USD
First Choice Holiday Hypermarkets Limited, Crawley		100	54.9	44,706	2,599	GBP
First Choice Holidays & Flights Limited, Crawley		100	54.9	9,367	8,348	GBP
First Choice Holidays Finance Limited, Crawley		100	54.9	73,175	109,744	GBP
First Choice Holidays Limited, Crawley		100	54.9	877,061	449,440	GBP
First Choice Holidays Quest Limited, Crawley		100	54.9	0	0	GBP
First Choice Investments LLC, Wilmington		100	54.9	12,632	0	USD
First Choice Land (Ireland) Limited, Dublin		100	54.9	56	408	EUR
First Choice Leisure Limited, Crawley		100	54.9	11,105	20,967	GBP
First Choice Marine (BVI) Ltd, British Virgin Islands		100	54.9	−4,148	−14	USD
First Choice Marine Limited, Crawley		100	54.9	−7,540	−4,653	GBP
First Choice Marine (Malaysia) Snd Bhd, Malaysia		100	54.9	59	185	MYR
First Choice Office Services Limited, Crawley		100	54.9	4,774	496	GBP
First Choice Olympic Limited, Crawley		100	54.9	−451	0	GBP
First Choice Orlando, Inc., State of Delaware		100	54.9	4,338	1	USD
First Choice Overseas Holding BV, Amsterdam		100	54.9	24,576	0	EUR
First Choice Overseas Holdings Limited, Crawley		100	54.9	−54,903	−1,539	GBP
First Choice Overseas Limited, Limassol		100	54.9	24,377	0	GBP
First Choice Retail Limited, Crawley		100	54.9	0	0	GBP
First Choice Sailing, Inc. (USA) (also known as Sunsail, Inc.), State of Delaware		100	54.9	11,753	2,395	USD
First Choice Spain Limited, Crawley		100	54.9	18,725	0	GBP
First Choice Travel Shops Limited, Crawley		100	54.9	15,532	903	GBP
First Choice Travel Shops (SW) Limited, Crawley		100	54.9	961	56	GBP
First Choice (Turkey) Limited, Crawley		100	54.9	5,939	401	EUR
First Choice, Unijet & Air 2000 Limited, Crawley		100	54.9	0	0	GBP
First Choice USA, Crawley		100	54.9	69,161	40,744	USD
FOX-TOURS Reisen GmbH, Rengsdorf*		100	54.9	51	0	EUR
Francotel Limited, Crawley		100	54.9	0	0	GBP
Fritidsresor AB, Stockholm		100	54.9	1,534,270	311,684	SEK
Fritidsresor Holding Spain S.A.U., San Bartolomé de Tirajana		100	54.9	32,659	−44	EUR
Fritidsresor Ltd., Crawley		100	54.9	0	0	GBP

Name and headquarter	Shareholdings according to section 16 of the German Stock Corporation Act direct in %	indirect in %	Group share in %	Equity in '000	Result for the year in '000	Currency
Fritidsresor Tours & Travels India Pvt Ltd, Bardez, Goa		100	54.9	600	−202	INR
GeBeCo Gesellschaft für internationale Begegnung und Cooperation mbH & Co. KG, Kiel**		50.1	27.5	4,603	**	EUR
GEI-Moorings, LLC, State of Delaware		100	54.9	0	0	USD
Germanair Flugzeug Leasing GmbH, Hamburg*		100	54.9	6,000	0	EUR
Great Atlantic Sports Travel, Inc, Virginia Beach		75	41.2	1,443	−1,433	USD
Groupement Touristique International S.A.S., Lille		100	54.9	1,141	342	EUR
Gulliver Rent-A-Car d.o.o., Cavtat		100	38.4	−1,884	−212	HRK
Gulliver Travel d.o.o., Dubrovnik		70	38.4	2,809	2,891	HRK
Gullivers Group Limited, Crawley		100	54.9	354	0	GBP
Gullivers Sports Travel Limited, Crawley		100	54.9	8,077	−1,195	GBP
Hannibal Tour SA, Tunis		100	54.9	56	148	TND
Hapag-Lloyd Executive GmbH, Hanover*		100	54.9	25	0	EUR
Hayes & Jarvis (Travel) Limited, Crawley		100	54.9	9,950	6,613	GBP
Headwater Holidays Limited, Crawley		100	32.9	3,530	603	GBP
Hellenic Sailing Holidays SA, Athens		100	54.9	4,725	−694	EUR
Hellenic Sailing SA, Athens		100	54.9	−6	−24	EUR
Holiday Hypermarkets (2000) Limited, Crawley		100	54.9	28,670	2,097	GBP
Holidays Services S.A., Agadir		100	54.9	35,000	5,518	MAD
Horizon Holidays Ltd., Crawley		100	54.9	4,571	0	GBP
Horizon Midlands (Properties) Ltd., Crawley		100	54.9	−9,107	−213	GBP
Hotel Restaurant Les Trois Vallées SAS, Courchevel 1850, Savoie		100	54.9	1,214	57	EUR
Hotelbeds Accommodation & Destination Services—Hawaii & Pacific Islands, Inc, State of Delaware		100	54.9	5,282	2,293	USD
Hotelbeds Costa Rica SA, San José		100	54.9	−213,120	−256,020	CRC
Hotelbeds Dominicana SA, Santo Domingo		100	54.9	821,599	97,115	DOP
Hotelbeds Hong Kong Limited, Kowloon		100	54.9	8,036	3,261	HKD
Hotelbeds Product SLU, Puerto de la Cruz, Teneriffa		100	54.9	24,107	16,685	EUR
Hotelbeds (Shanghai) Commercial Services Co., Limited, Shanghai		100	54.9	−3,595	−9,659	CNY
Hotelbeds, S.L.U., Palma de Mallorca		100	54.9	13,590	4,366	EUR
Hotelbeds Spain, S.L.U., Palma de Mallorca		100	54.9	68,574	10,997	EUR
Hotelbeds Technology SLU, Palma de Mallorca		100	54.9	20,073	−280	EUR
Hotelbeds (Thailand) Limited, Bangkok		100	54.9	288,684	−30,717	THB
Hotelbeds UK Limited, Crawley		100	54.9	6,958	2,376	GBP
Hotelbeds USA Inc, Orlando		100	54.9	20,911	12,266	USD
Hotelopia SL, Palma de Mallorca		100	54.9	212	−17	EUR
Hotels London Ltd, Crawley		100	54.9	−906	0	GBP
Hurricane Hole Hotel Ltd, St. Lucia		100	54.9	−499	26	USD
I TO I INTERNATIONAL PROJECTS LTD, Crawley		100	54.9	642	44	GBP
I Viaggi del Turchese S.r.l., Fidenza		100	54.9	13,496	−2,131	EUR
iExplore, Inc., Chicago		100	54.9	−1,117	−320	USD
iExplore Limited, Crawley		100	54.9	0	0	GBP
Imperial Cruising Company SARL, Heliopolis-Cairo		90	49.4	3,661	359	USD
Inter Hotel SARL, Tunis		100	54.9	2,730	−94	TND
Intercruises Shoreside & Port Services Canada Inc., Quebec		100	54.9	5,774	727	CAD

Name and headquarter	Shareholdings according to section 16 of the German Stock Corporation Act			Equity in ’000	Result for the year in ’000	Currency
	direct in %	indirect in %	Group share in %			
Intercruises Shoreside & Port Services, Inc., State of Delaware		100	54.9	22,686	448	USD
Intercruises Shoreside & Port Services PTY LTD, Stanmore NSW		100	54.9	3,471	665	AUD
Intercruises Shoreside & Port Services Sam, Monaco		100	54.9	−495	−423	EUR
Intercruises Shoreside & Port Services S.a.r.l., Paris		100	54.9	382	−175	EUR
Intercruises Shoreside & Port Services, SLU, Barcelona		100	54.9	14,732	−59	EUR
International Expeditions, Inc., State of Delaware		100	54.9	1,084	376	USD
Interspecialists, SLU, Palma de Mallorca		100	54.9	809	−1,484	EUR
Intrav, Inc., State of Delaware		100	54.9	18,933	−356	USD
Intrepid Adventures Limited, Wiltshire		100	32.9	5	0	GBP
Intrepid Andes S.A.C., Cusco		100	32.9	224	−14	USD
Intrepid Bundu (Pty) Ltd, Roodeport		72	23.7	2,290	1,062	ZAR
Intrepid (Cambodia) CO. LTD, Siem Reap		100	32.9	434	201	USD
Intrepid Connections PTY LTD, Winnellie		100	32.9	−1,034	−320	AUD
Intrepid Guerba Tanzania Limited, Arusha[z]		100	32.9			EUR
Intrepid HK Limited, Hong Kong[z]		100	32.9			EUR
Intrepid Holdings (Thailand) Limited, Bangkok		49	16.1	8,251	0	THB
Intrepid Marrakech SARL, Marrakech		100	32.9	17,123	5,609	MAD
Intrepid Tours and Travel India Private Ltd, New-Delhi		100	32.9	5,837	3,547	INR
Intrepid Travel Australia Pty Ltd, Fitzroy, VIC		100	32.9	547	488	AUD
Intrepid Travel Beijing Co. Ltd, Beijing		100	32.9	5,953	563	CNY
Intrepid Travel Cairo, Cairo		100	32.9	4,239	1,120	EGP
Intrepid Travel GmbH, Holzkirchen		100	32.9	90	73	EUR
Intrepid Travel Inc, Vancouver[z]		95	31.3			EUR
Intrepid Travel Incorporated, Venice, CA[z]		100	32.9			EUR
Intrepid Travel New Zealand Limited, Auckland		100	32.9	215	40	NZD
Intrepid Travel Pty Ltd, Fitzroy VIC		100	32.9	17,317	3,157	AUD
Intrepid Travel SA (Pty) Ltd, Summerveld[z]		100	32.9	0		EUR
Intrepid Travel UK Limited, Crawley		100	32.9	59	−26	GBP
Intrepid US, Inc., Wilmington		99.2	32.7	−580	162	USD
Isango India Private Limited, New-Delhi		99.9	54.8	32,937	5,430	INR
Isango! Limited, Crawley		100	54.9	−2,245	−417	GBP
Itaria Limited, Nicosia[z]		100	54.9			EUR
i-To-i, Inc., Los Angeles		100	54.9	−438	−199	USD
i-To-i Placements Limited, Carrick-on-Suir		100	54.9	74	−7	EUR
i-To-i PTY Ltd., Sydney		100	54.9	−477	−415	AUD
i-To-i UK Limited, Crawley		100	54.9	5,197	653	GBP
JBS Group, Inc., Pasadena		100	54.9	1,003	933	USD
JetAir N.V., Oostende		100	54.9	142,749	37,696	EUR
Jetair Real Estate N.V., Brussels		100	54.9	7,339	−235	EUR
Jetair Travel Distribution N.V., Oostende		100	54.9	328	58	EUR
Jetaircenter N.V., Mechelen		100	54.9	14,523	729	EUR
Jetsave International Ltd., Crawley		100	54.9	134	0	GBP
JNB (Bristol) Limited, Crawley		100	54.9	16,415	−152	GBP
Journeys Adventure Travel Limited, Rangun[z]		60	19.8			USD
JWT Holidays Limited, Crawley		100	54.9	0	0	GBP
Kilquade Limited, Dublin		100	54.9	653	0	EUR
Kras B.V., Ammerzoden		100	54.9	17,789	4,559	EUR
Label Tour EURL, Montreuil		100	54.9	1,722	−92	EUR

Name and headquarter	Shareholdings according to section 16 of the German Stock Corporation Act direct in %	indirect in %	Group share in %	Equity in '000	Result for the year in '000	Currency
Lapter Eurl, Macot La Plagne		100	54.9	693	23	EUR
Late Rooms Limited, Crawley		100	54.9	19,464	362	GBP
Late Rooms Services Australia PTY LTD, Dawes Point		100	54.9	96	3	AUD
LateRooms Group Holding (Brazil) Limited, Crawley		100	54.9	7,751	0	GBP
LateRooms Group Holding Limited, Crawley		100	54.9	9,851	15,000	GBP
LateRooms Group Holding (UK) Limited, Crawley		100	54.9	2,001	15,000	GBP
Le Boat Netherlands B.V., Rotterdam		100	54.9	205	7	EUR
Le Piolet SCI, St Martin de Belleville, Savoie		100	54.9	1,064	37	EUR
Leibniz-Service GmbH, Hanover		100	54.9	247,200	51,297	EUR
Leisure International Airways Limited, Crawley		100	54.9	0	0	GBP
Les Tours Jumpstreet Tours, Inc., Montreal		100	54.9	7,177	451	CAD
Liberate SLU, Palma de Mallorca		100	54.9	626	− 204	EUR
Lima Tours S.A.C., Lima		100	54.9	6,822	1,632	USD
Lincoln Travel Ltd., Crawley		100	54.9	215	0	GBP
Lirotel SARL, Turin		100	54.9	8	0	EUR
Lodges & Mountain Hotels SARL, Notre Dame de Bellecombe, Savoie		100	54.9	− 2,260	− 2,839	EUR
l'tur tourismus Aktiengesellschaft, Baden-Baden*		70	38.4	758	*	EUR
Lunn Poly (Jersey) Ltd., St. Helier		100	54.9	485	80	GBP
Lunn Poly Ltd., Crawley		100	54.9	33,810	0	GBP
Lusomice, Unipessoal Lda., Lisbon		100	54.9	− 204	− 188	EUR
Magic Life Egypt for Hotels LLC, South Nabq		100	54.9	− 9,686	− 15,512	EGP
Magic Life Greece S.A., Athens		100	54.9	− 2,917	− 1,506	EUR
Magic Life Tunisie S.A., Tunis		100	54.9	− 7,080	− 11,440	TND
Magic Tourism International S.A., Tunis		100	54.9	40	− 3	TND
Mala Pronta Viagens e Turismo Ltda., Curitiba		93.3	51.2	− 7,007	− 7,454	BRL
Manahe Ltd., Quatre Bornes		51	28	65,238	11,723	MUR
Manchester Academy Holdings Limited, Crawley		100	54.9	61	3,524	GBP
Manchester Academy Teacher Training (UK) Limited, Crawley		100	54.9	1	1	GBP
Manchester Academy Tours Limited, Crawley		100	54.9	535	124	GBP
Mango Event Management Limited, Crawley		100	54.9	− 116	0	GBP
Manufacturer's Serialnumber 852 Limited, Dublin		100	54.9	16,113	113	USD
Marina Travel Limited, Dublin		100	54.9	− 144	0	EUR
Mariner International Asia Limited, Hong Kong		100	54.9	1,551	1,360	HKD
Mariner International Travel, Inc., State of Delaware		100	54.9	− 30,352	1,059	USD
Mariner Operations USA Inc, State of Delaware		100	54.9	3,433	− 283	USD
Mariner Travel GmbH, Bad Vilbel		100	54.9	145	− 119	EUR
Mariner Travel SARL, Paris		100	54.9	2,996	262	EUR
Mariner Yacht Services SA, Le Marin		100	54.9	− 689	− 1,112	EUR
Master-Yachting GmbH, Eibelstadt*		100	54.9	443	0	EUR
Maxi Yen SL, Palma de Mallorca		100	54.9	− 3,710	− 258	EUR
Medico Flugreisen GmbH, Baden-Baden*		100	38.4	128	0	EUR
Meetings & Events International Limited, Crawley		100	54.9	7	2	GBP
Meetings & Events Spain S.L.U., Palma de Mallorca		100	54.9	− 860	− 1,222	EUR

Name and headquarter	Shareholdings according to section 16 of the German Stock Corporation Act direct in %	indirect in %	Group share in %	Equity in '000	Result for the year in '000	Currency
Meetings & Events UK Limited, Crawley		100	54.9	−86	−130	GBP
Meon (Holdings) Limited, Crawley		100	54.9	1,219	766	GBP
Meon Travel Limited, Crawley		100	54.9	849	508	GBP
MicronNexus GmbH, Hamburg*		100	54.9	462	0	EUR
Molay Travel SARL, Molay-Littry, Calvados		100	54.9	161	−6	EUR
Molay Travel SCI, Molay-Littry, Calvados		100	54.9	358	−31	EUR
Mont Charvin Ski SARL, Paris		100	54.9	−6	0	GBP
Moorings Grenadines Ltd., St. Vincent and Grenadines		100	54.9	−1,803	−151	USD
Moorings Mexico SA de CV, La Paz		100	54.9	−2,077	−536	USD
Moorings (Seychelles) Limited, Mahé		100	54.9	−2,242	−516	USD
Moorings Yachting SAS, Paris		100	54.9	−2,654	−787	EUR
Moorings Yat Isletmecilgi Turizm Ve Tic Ltd, Mugla		100	54.9	−4,677	2,437	EUR
MyPlanet Holding A/S, Holstebro		100	54.9	139,302	−41	DKK
MyPlanet International A/S, Holstebro		90	49.4	118	−6,541	DKK
MyPlanet Sweden AB, Gothenburg		100	49.4	6,120	−12	SEK
Nazar Nordic AB, Malmö		100	54.9	117,047	43,053	SEK
Nordotel S.A.U., San Bartolomé de Tirajana		100	54.9	65,752	−781	EUR
Nouvelles Frontières Senegal S.R.L., Dakar		95	52.1	664	55	EUR
Ocean College LLC, Sharm el Sheikh		90	49.4	9,147	189	EGP
Ocean Technical LLC, Cairo		100	53.8	3,178	583	EGP
Ocean Ventures for Hotels and Tourism Services SAE, Sharm el Sheikh		98	53.7	−7,833	−12	EGP
Olympic Holidays Limited, Crawley		100	54.9	−4,800	0	GBP
Olympic Vacations Limited, Crawley		100	54.9	1,472	0	GBP
Orion Airways Ltd., Crawley		100	54.9	−388	−156	GBP
Orion Airways Pension Trustees Ltd., Crawley		100	54.9	0	0	GBP
Owners Abroad España, S.A., Las Palmas		100	54.9	3,770	0	EUR
Oy Finnmatkat AB, Helsinki		100	54.9	33,787	2,555	EUR
Pacific World (Beijing) Travel Agency Co., Ltd., Beijing		100	54.9	0	0	CNY
Pacific World Destination East Sdn. Bhd., Penang[u]		30	16.5	33,134	3,443	MYR
Pacific World Meetings & Events Hellas Travel Limited, Athens		100	54.9	−671	−318	EUR
Pacific World Meetings & Events Hong Kong, Limited, Hong Kong[z]		100	54.9			HKD
Pacific World Meetings & Events Singapore Pte. Ltd, Singapore		100	54.9	163	−666	SGD
Pacific World Meetings & Events (Thailand) Limited, Bangkok[u]		49	26.9	−10,846	−10,293	THB
Pacific World (Shanghai) Travel Agency Co. Limited, Shanghai[z]		100	54.9	0		GBP
Pacific World Singapore Pte Limited, Singapore		100	54.9	−8,757	−14,275	SGD
Paradise Hotels Management Company LLC, Cairo		100	54.9	3,140	38	EGP
Pasion, Excelencia, Aventura, Y Konocimiento Ecuador Travelpasion S.A. (Trading as PEAK Ecuador), Quito		100	32.9	76	120	USD
PATS N.V., Oostende		100	54.9	693	−37	EUR
Peak Adventure Financing Pty Ltd, Melbourne		100	32.9	−17,092	−11,134	AUD
Peak Adventure Travel Group Limited, Fitzroy Victoria		60	32.9	176,892	7,888	AUD

Name and headquarter	Shareholdings according to section 16 of the German Stock Corporation Act direct in %	indirect in %	Group share in %	Equity in '000	Result for the year in '000	Currency
PEAK Adventure Travel (Malaysia) SDN BHD, Kota Kinabalu		100	32.9	1,346	749	MYR
Peak Adventure Travel Turizm ve Seyahat Anonim Sirketi, Istanbul[z]		100	32.9			TRY
PEAK Adventure Travel (UK) Limited, Crawley		100	32.9	14	2	GBP
Peak Adventure Travel USA Inc, Wilmington		100	32.9	3,975	0	USD
PEAK DMC North America Inc, Santa Rosa, CA		100	32.9	− 455	− 1,231	USD
PEAK (East Africa) Limited, Nairobi		100	32.9	156,040	53,747	KES
PEAK South America S.A.C., Lima		100	32.9	542	16	USD
Peregrine Adventures Pty Ltd, Melbourne		100	32.9	5,757	1,800	AUD
Peregrine Tours Ltd, Crawley		100	32.9	329	− 121	GBP
Petit Palais Srl, Valtournenche		100	54.9	2,447	162	EUR
Platinum Event Travel Limited, Crawley		100	54.9	61	30	GBP
Port Philip Group Ltd., Crawley		100	54.9	5,873	0	GBP
Porter and Haylett Limited, Crawley		100	54.9	22,008	− 1,275	GBP
Portland Holidays Direct Ltd., Crawley		100	54.9	0	0	GBP
Portland Holidays Ltd., Crawley		100	54.9	600	0	GBP
Portland Travel Ltd., Crawley		100	54.9	− 108	0	GBP
Premier Holidays Afloat Limited, Dublin		100	54.9	300	0	EUR
Premiere International Corp, Gardena		100	32.9	975	− 6	USD
Prestige Boating Holidays Limited, Dublin		100	54.9	114	− 10	EUR
Professor Kohts Vei 108 AS, Stabekk		100	54.9	2,457	1,550	NOK
ProTel Gesellschaft für Kommunikation mbH, Rengsdorf*		100	54.9	143	0	EUR
PT. Pacific World Nusantara, Bali		100	54.9	− 8,729,632	− 2,555,479	IDR
Quark Expeditions, Inc., State of Delaware		100	54.9	1,530	− 4,160	USD
Real Travel Ltd, Crawley		100	54.9	− 568	− 445	GBP
Real Travel Pty Ltd, Melbourne		100	54.9	499	− 75	AUD
Revoli Star SA, San Bartolomé de Tirajana		100	54.9	2,984	319	EUR
Royal Tours Travel Center Luxembourg S.A., Oostende		100	54.9	− 634	− 17	EUR
Sawadee Amsterdam BV, Amsterdam		100	32.9	2,514	200	EUR
SERAC Travel GmbH, Zermatt		100	54.9	− 311	74	CHF
Simply Travel Holdings Ltd., Crawley		100	54.9	− 90	2,005	GBP
Sir Henry Lunn Ltd., Crawley		100	54.9	0	0	GBP
Ski Bound Limited, Crawley		100	54.9	− 7,002	− 5,648	GBP
Skibound France SARL, Notre Dame de Bellecombe		100	54.9	− 2,193	− 12	EUR
Skibound Holidays Limited, Crawley		100	54.9	335	0	GBP
Sky Tours Ltd., Crawley		100	54.9	20	0	GBP
Skylerphonic Ltd., George Town[spe]		0	0	0	0	USD
Skymead Leasing Ltd., Crawley		100	54.9	− 1,125	− 618	GBP
Société d'Exploitation du Paladien Marrakech SA, Marrakech		100	54.9	− 65	0	EUR
Société d'Investissement Aérien S.A., Casablanca		100	54.9	− 328,947	155,987	MAD
Société d'Investissement et d'Exploration du Paladien de Calcatoggio (SIEPAC), Montreuil		100	54.9	2,866	58	EUR
Société d'investissement hotelier Almoravides S.A., Marrakech		100	54.9	− 11,397	− 935	MAD

Name and headquarter	Shareholdings according to section 16 of the German Stock Corporation Act direct in %	indirect in %	Group share in %	Equity in '000	Result for the year in '000	Currency
Société Marocaine pour le Developpement des Transports Touristiques S.A., Agadir		100	54.9	29,562	5,764	MAD
Something Special Holidays Ltd., Crawley		100	54.9	421	0	GBP
Sons of South Sinai for Tourism Services and Supplies SAE, Sharm el Sheikh		84.1	45.8	−3,392	−127	EGP
Sovereign Tour Operations Limited, Crawley		100	54.9	−363,448	−264,890	GBP
Specialist Holiday Group Ireland Ltd., Dublin		100	54.9	23,947	−496	EUR
Specialist Holidays Contracting Ltd., Crawley		100	54.9	1,982	81	GBP
Specialist Holidays Group Ltd., Crawley		100	54.9	8,646	0	GBP
Specialist Holidays, Inc., Mississauga, Ontario		100	54.9	89	55	USD
Specialist Holidays Ltd., Crawley		100	54.9	4,163	32	GBP
Specialist Holidays (Travel) Limited, Crawley		100	54.9	9,953	5,794	GBP
SplashLine Event und Vermarktungs GmbH, Vienna		100	54.9	1,707	416	EUR
Sport Abroad (UK) Limited, Crawley		100	54.9	−949	−373	GBP
Sports Events Travel Limited, Crawley		100	54.9	0	0	GBP
Sports Executive Travel Limited, Crawley		100	54.9	0	0	GBP
Sportsworld (Beijing) Sports Management Consulting Limited Company, Beijing		70	38.4	3,326	0	CNY
Sportsworld Group Limited, Crawley		100	54.9	−1,796	2,758	GBP
Sportsworld Holdings Limited, Crawley		100	54.9	7,555	42	GBP
Sportsworld Pacific PTY Limited, North Sydney		100	54.9	−58	0	AUD
Star Club SA, San Bartolomé de Tirajana		100	54.9	2,845	158	EUR
Star Tour A/S, Copenhagen		100	54.9	131,309	65,416	DKK
Star Tour Holding A/S, Copenhagen		100	54.9	9,636	236	DKK
Star Tour of Scandinavia Ltd., Crawley		100	54.9	−181	0	GBP
Startour-Stjernereiser AS, Stabekk		100	54.9	93,549	91,534	NOK
Student City S.a.r.l., Paris		100	54.9	−349	−334	EUR
Student City Travel Limited, Crawley		100	54.9	408	3	GBP
Student Skiing Limited, Crawley		100	54.9	2,796	2,486	GBP
Student Skiing Transport Limited, Crawley		100	54.9	0	0	GBP
Studentcity.com, Inc., State of Delaware		100	54.9	7,752	−553	USD
Summer Times International Ltd., Quatre Bornes		100	28			MUR
Summer Times Ltd., Quatre Bornes		100	28	924	−361	MUR
Summit Professional Services (Private) Limited, Nugegoda[z]		100	32.9			LKR
Suncars Limited, Crawley		100	54.9	89	42	GBP
Sunquest Holidays (UK) Limited, Crawley		100	54.9	2,161	0	GBP
Sunsail Adriatic d.o.o., Split		100	54.9	−7,742	51,590	HRK
Sunsail (Antigua) Limited, Antigua		100	54.9	−830	−4	USD
Sunsail (Australia) Pty Ltd, Hamilton Island, Queensland		100	54.9	−4,101	−657	AUD
Sunsail Hellas MEPE, Athens		100	54.9	−516	−178	EUR
Sunsail International B.V., Rotterdam		100	54.9	1,720	104	EUR
Sunsail Limited, Crawley		100	54.9	−22,857	−6,612	GBP
Sunsail SAS, Castelnaudary		100	54.9	−18,271	2,274	EUR
Sunsail (Seychelles) Limited, Mahé		100	54.9	−43,042	4,157	SCR
Sunsail (Thailand) Company Ltd, Phuket[u]		30	16.5	−80,474	−24,680	THB
Sunsail Worldwide Sailing Limited, Crawley		100	54.9	11,727	−2,470	GBP
Sunsail Worldwide Sailing St. Vincent Limited, St. Vincent and Grenadines		100	54.9	−1,045	1,055	USD
Sunshine Cruises Limited, Crawley		100	54.9	34,802	−1,297	GBP
Tantur Turizm Seyahat A.S., Istanbul		100	54.9	47,854	10,358	EUR
TCS & Starquest Expeditions, Inc., Seattle		100	54.9	21,997	12,306	USD

Name and headquarter	Shareholdings according to section 16 of the German Stock Corporation Act direct in %	indirect in %	Group share in %	Equity in '000	Result for the year in '000	Currency
TCS Expeditions, Inc., State of Delaware		100	54.9	914	− 236	USD
TCV Touristik-Computerverwaltungs GmbH, Baden-Baden*		100	38.4	102	0	EUR
Team Lincoln Ltd., Crawley		100	54.9	− 5,011	0	GBP
Team Travel Ltd., Crawley		100	54.9	158	0	GBP
Teamlink Travel Limited, Crawley		100	54.9	0	0	GBP
Tec4Jets B.V., Rijswijk ZH		100	54.9	163	39	EUR
Tec4Jets NV, Oostende		100	54.9	3,197	1,207	EUR
The English Language Centre York Limited, York		100	54.9	38	− 6	GBP
The Imaginative Traveller Australia Pty Limited, Melbourne		100	32.9	− 139	119	AUD
The Imaginative Traveller Limited, Crawley		100	32.9	− 78	− 53	GBP
The International Academy Ltd., Crawley		100	54.9	5,455	18	GBP
The Magic of Travel Ltd., Crawley		100	54.9	150	0	GBP
The Magic Travel Group (Holidays) Ltd., Crawley		100	54.9	50	0	GBP
The Magic Travel Group Ltd., Crawley		100	54.9	150	0	GBP
The Moorings (Bahamas) Ltd, Nassau		100	54.9	2,005	− 269	USD
The Moorings Belize Limited, Belize City		100	54.9	3,286	257	USD
The Moorings d.o.o., Split		100	54.9	548	− 402	EUR
The Moorings Limited, British Virgin Islands		100	54.9	35,938	− 433	USD
The Moorings Sailing Holidays Limited, Crawley		100	54.9	1,044	93	GBP
The Moorings SAS, Utoroa, Raiatea		100	54.9	1,227	− 388	USD
The Moorings (St. Lucia) LTD, St. Lucia		100	54.9	− 4,230	− 464	USD
TheFirstResort Limited, Crawley		100	54.9	7,365	0	GBP
TheFirstResort Operations Limited, Crawley		100	54.9	70	3	GBP
THG Holidays Limited, Crawley		100	54.9	2	0	GBP
Thomson Air Limited, Crawley		100	54.9	0	0	GBP
Thomson Airways Limited, Crawley		100	54.9	759,000	169,000	GBP
Thomson Airways (Services) Limited, Crawley		100	54.9	0	0	GBP
Thomson Airways Trustee Limited, Crawley		100	54.9	0	0	GBP
Thomson Holidays Ltd., Crawley		100	54.9	0	0	GBP
Thomson Holidays Ltd. (Ireland), Dublin		100	54.9	0	0	EUR
Thomson Holidays Services, Inc., Orlando		100	54.9	133	5	GBP
Thomson Overseas Services Ltd., Crawley		100	54.9	26	0	GBP
Thomson Reisen GmbH, St. Johann		100	54.9	− 1,110	57	EUR
Thomson Services Ltd., St. Peter Port/ Guernsey		100	54.9	32	23	GBP
Thomson Sport (UK) Limited, Crawley		100	54.9	− 2,915	− 2,045	GBP
Thomson Travel Group (Holdings) Ltd., Crawley		100	54.9	− 207,000	− 13,000	GBP
Thomson Travel Holdings SA, Luxembourg		100	54.9	420,475	− 16	GBP
Thomson Travel International Ltd., Crawley		100	54.9	− 9	0	GBP
Thomson Travel International SA, Luxembourg		100	54.9	318,071	67	GBP
Thomson Viagens e Turismo Lda., Lisbon		100	54.9	67	17	GBP
Thomsonfly Limited, Crawley		100	54.9	0	0	GBP
TICS GmbH Touristische Internet und Call Center Services, Baden-Baden*		100	38.4	25	0	EUR
Tigdiv Eurl, Tignes		100	54.9	530	146	EUR
TKJ Pty Limited, Perth		100	32.9	388	0	AUD
TLT Reisebüro GmbH, Hanover		100	54.9	10,526	33	EUR
Tolkien Limited, British Virgin Islands		100	54.9	6,096	0	GBP
Transfar—Agencia de Viagens e Turismo Lda., Faro		99.9	54.8	22,302	482	EUR
TRAVCOA Corporation, State of Delaware		100	54.9	13,878	438	USD

Name and headquarter	Shareholdings according to section 16 of the German Stock Corporation Act direct in %	indirect in %	Group share in %	Equity in ’000	Result for the year in ’000	Currency
Travel Choice Limited, Crawley		100	54.9	8,104	0	GBP
Travel Class Holdings Limited, Crawley		100	54.9	1,386	286	GBP
Travel Class Limited, Crawley		100	54.9	697	−566	GBP
Travel Class Transport Limited, Crawley		100	54.9	24	0	GBP
Travel Contracting Limited, Crawley		100	54.9	0	0	GBP
Travel Partner Bulgaria EOOD, Varna		100	54.9	11,980	−495	BGN
Travel Scot World Limited, Crawley		100	54.9	1,812	489	GBP
Travel Sense A/S, Copenhagen		100	54.9	−1,683	−2,058	DKK
Travel Services Europe Spain SL, Barcelona		100	54.9	−9	−26	EUR
Travel Turf, Inc., Allentown		100	54.9	3,171	1,978	USD
travel-Ba.Sys GmbH & Co KG, Mülheim an der Ruhr		83.5	45.8	1,500	**	EUR
Travelbound European Tours Limited, Crawley		100	54.9	700	0	GBP
Travelmood Limited, Crawley		100	54.9	−6,823	1,106	GBP
Treasure Isle Yacht Charter Ltd, British Virgin Islands		100	54.9	0	0	USD
Trek America Travel Limited, Crawley		100	32.9	3,802	539	GBP
Trek Investco Limited, Crawley		100	32.9	21,279	−509	GBP
Trina Group Limited, Crawley		100	54.9	−15,193	11,982	GBP
Tropical Places Ltd., Crawley		100	54.9	6	0	GBP
TT Enterprises Private Ltd, Chennai		100	54.9	−31,512	−41,027	INR
TT Hotels Turkey Otel Hizmetleri Turizm ve ticaret Anonim Sirketi, Istanbul		100	54.9	12,707	−30,687	TRY
TT International Software Services LLC[u]		49	26.9	−961	−444	AED
TT Services AB, Stockholm		90	49.4	1,801	−386	SEK
TT Services Kiribati Ltd, South Tarawa		100	54.9	−59	−11	AUD
TT Services Nauru Ltd, Yaren		100	54.9	−63	−23	AUD
TT Services New Zealand Ltd, Auckland		100	54.9	589	−267	NZD
TT Services Samoa Ltd, Apia		100	54.9	−71	−33	WST
TT Services Vanuatu Ltd, Port Vila		100	54.9	−3,114	−2,326	VUV
TT Visa Outsourcing Limited, Crawley		100	54.9	0	0	GBP
TT Visa Services, Inc., Wilmington DE		100	54.9	48	48	USD
TT Visa Services Limited, Crawley		100	54.9	−83	−83	GBP
TT Visa Services Pte Limited, Singapore		100	54.9	−1,243	−1,243	SGD
TTG (No. 14), Dublin		100	54.9	0	0	EUR
TTG (No. 2) Ltd., Crawley		100	54.9	443	0	GBP
TTS Consultancy Services Private Ltd, -		76	41.7	4,512	12	INR
TTSS Limited, Crawley		100	54.9	4,916	778	GBP
TTSS Transportation Limited, Crawley		100	54.9	472	0	GBP
TUI Airlines Belgium N.V., Oostende		100	54.9	23,963	3,569	EUR
TUI Airlines Nederland B.V., Rijswijk		100	54.9	−24,167	−8,388	EUR
TUI aqtiv GmbH, Hanover*		100	54.9	198	0	EUR
TUI Austria Holding GmbH, Vienna		100	54.9	45,298	6,938	EUR
TUI Aviation GmbH, Hanover*		100	54.9	25	0	EUR
TUI Canada Holdings Inc, Toronto		100	54.9	165,488	54,333	CAD
TUI China Travel CO. Ltd., Beijing	75		75	2,342	1,513	CNY
TUI Consulting & Services GmbH, Hanover*		100	54.9	35	0	EUR
TUI Curaçao N.V., Curaçao		100	54.9	12	2	ANG
TUI Denmark Holding A/S, Copenhagen		100	54.9	101,124	46,497	DKK
TUI Deutschland GmbH, Hanover*		100	54.9	36,212	0	EUR
TUI Dienstleistungsgesellschaft mbH, Hanover*		100	54.9	25	0	EUR
TUI España Turismo S.A., Barcelona		100	54.9	54,031	14,050	EUR
TUI France SAS, Montreuil		100	54.9	−193,640	−180,034	EUR
TUI Hellas Travel and Tourism SA, Athens		100	54.9	1,466	1,830	EUR

Name and headquarter	Shareholdings according to section 16 of the German Stock Corporation Act direct in %	indirect in %	Group share in %	Equity in '000	Result for the year in '000	Currency
TUI HOLDING SPAIN S.L., Barcelona		100	54.9	45,054	2,279	EUR
TUI Holdings (Australia) PTY Limited, Queensland		100	54.9	15,688	− 1,695	AUD
TUI InfoTec GmbH, Hanover		100	54.9	12,074	− 2,792	EUR
TUI (IP) Ltd., Crawley		100	54.9	0	0	GBP
TUI Italia S.R.L., Milan		100	54.9	6,399	2,077	EUR
TUI Leisure airport sales GmbH, Hanover*		90	49.4	511	0	EUR
TUI Leisure Travel GmbH, Hanover*		100	54.9	29,865	0	EUR
TUI Leisure Travel Service GmbH, Neuss*		100	54.9	103	0	EUR
TUI Leisure Travel Special Tours GmbH, Hanover*		100	54.9	206	0	EUR
TUI Marine Grenada Limited, St. George's		100	54.9	840	1,966	USD
TUI Nederland Holding N.V., Rijswijk		100	54.9	74,610	21,191	EUR
TUI Nederland N.V., Rijswijk		100	54.9	77,756	15,085	EUR
TUI Nordic Administration AB, Stockholm[z]		100	54.9			SEK
TUI Nordic Holding AB, Stockholm		100	54.9	5,867,503	1,373,964	SEK
TUI Northern Europe Ltd., Crawley		100	54.9	7,000	− 25,000	GBP
TUI Norway Holding AS, Stabekk		100	54.9	539,588	74,723	NOK
TUI Österreich GmbH, Vienna		100	54.9	4,820	6,340	EUR
TUI Pension Scheme (UK) Ltd., Crawley		100	54.9	0	0	GBP
TUI Poland Dystrybucja Sp. z o.o., Warsaw		100	54.9	− 976	− 6,153	PLN
TUI Poland Sp. z o.o., Warsaw		100	54.9	8,446	− 1,657	PLN
TUI PORTUGAL—Agencia de Viagens e Turismo S.A., Faro		100	54.9	32,064	2,453	EUR
TUI Reisebüro GmbH, Hanover*		100	54.9	26	0	EUR
TUI Reisecenter Austria Business Travel GmbH, Vienna		74.9	41.1	4,328	909	EUR
TUI Service AG, Altendorf		100	54.9	12,053	3,001	CHF
TUI (Suisse) AG, Zurich		100	54.9	20,484	4,075	CHF
TUI (Suisse) Holding AG, Zurich		100	54.9	3,871	361	CHF
TUI Suisse Retail AG, Zurich		100	54.9	6,762	746	CHF
TUI Travel Accommodation & Destinations SL, Palma de Mallorca		100	54.9	104,699	54,727	EUR
TUI Travel Amber E&W LLP, Crawley		100	54.9	477,454	65,271	GBP
TUI Travel Amber Limited, Edinburgh		100	54.9	0	0	GBP
TUI Travel Amber Scot LP, Edinburgh		100	54.9	276,000	0	GBP
TUI Travel Aviation Finance Limited, Crawley		100	54.9	1,744	834	USD
TUI Travel Belgium N.V., Oostende		100	54.9	58,214	51,505	EUR
TUI Travel Common Investment Fund Trustee Limited, Crawley		100	54.9	0	0	GBP
TUI Travel Group Management Services Limited, Crawley		100	54.9	0	0	GBP
TUI Travel Group Solutions Limited, Crawley		100	54.9	0	0	GBP
TUI Travel Healthcare Limited, Crawley		100	54.9	0	46	GBP
TUI Travel Holdings Limited, Crawley		100	54.9	632,023	234,783	GBP
TUI Travel Holdings Sweden AB, Stockholm		100	54.9	1,310,488	1,061,241	SEK
TUI Travel (Ireland), Dublin		100	54.9	66,573	358	EUR
TUI Travel Nominee Limited, Crawley		100	54.9	− 57	− 18	GBP
TUI Travel Overseas Holdings Limited, Crawley		100	54.9	− 1,613	1,738	GBP
TUI Travel Partner Services Japan KK, Tokyo[z]		100	54.9			EUR
TUI TRAVEL PLC, Crawley	54.9		54.9	487,664	225,551	GBP
TUI Travel SAS Adventure Limited, Crawley		100	54.9	44,063	− 3,609	GBP
TUI Travel SAS Benelux B.V., Rotterdam[z]		100	54.9			EUR

Name and headquarter	Shareholdings according to section 16 of the German Stock Corporation Act direct in %	indirect in %	Group share in %	Equity in ’000	Result for the year in ’000	Currency
TUI Travel SAS Holdings Limited, Tring, Hertfordshire		100	54.9	52,489	−515	GBP
TUI Travel SAS Services Limited, Crawley		100	54.9	0	0	GBP
TUI TRAVEL SAS Transport Limited, Crawley		100	54.9	0	−2	GBP
TUI UK Italia S.r.L., Turin		100	54.9	361	397	EUR
TUI UK Ltd., Crawley		100	54.9	−44,000	−4,000	GBP
TUI UK Retail Limited, Crawley		100	54.9	−102,594	−18,793	GBP
TUI UK Transport Ltd., Crawley		100	54.9	128,725	110,125	GBP
TUI Vertrieb & Service GmbH, Hanover*		100	54.9	25	0	EUR
TUI 4 U GmbH, Bremen*		100	54.9	153	0	EUR
TUI.com GmbH, Berlin*		100	54.9	518	0	EUR
TUIfly GmbH, Langenhagen*		100	54.9	89,144	0	EUR
TUIfly Nordic AB, Stockholm		100	54.9	122,174	143,427	SEK
TUIfly Vermarktungs GmbH, Langenhagen*		100	54.9	41	0	EUR
Tunisie Investment Services Holding S.A., Tunis		100	54.9	−100	−100	TND
Tunisie Voyages S.A., Tunis		100	54.9	913	−5,794	TND
Turismo Asia Company Ltd., Bangkok		100	54.9	−250,343	0	THB
Ultramar Express Transport S.A., Palma de Mallorca		100	54.9	20,796	2,424	EUR
Unijet Group Limited, Crawley		100	54.9	1,869	31,261	GBP
Unijet Leisure Limited, Crawley		100	54.9	−3,419	−4,061	GBP
Unijet Travel Limited, Crawley		100	54.9	1,385	0	GBP
Vancouver Sportsworld Hospitality Ltd., Vancouver		100	54.9	0	0	GBP
Versun Yachts NSA, Athens		100	54.9	7,276	425	EUR
Viagens Aurora Limitada, Albufeira		95	52.1	−356	−2	EUR
Viagens Elena Limitada, Albufeira		100	54.9	2,722	0	EUR
Viking Aviation Limited, Crawley		100	54.9	185	751	GBP
We Love Rugby Pty Ltd, Banksia		100	54.9	0	0	AUD
Williment Travel Group Limited, Wellington		100	54.9	6,132	−13,462	NZD
Wolters Reisen GmbH, Stuhr/Brinkum*		100	54.9	4,602	0	EUR
Wonder Cruises AB, Stockholm		100	28	2,254	−3,241	SEK
Wonder Holding AB, Stockholm		51	28	4,192	−163	SEK
World Challenge Expeditions, Inc., Cambridge, MA		100	54.9	−1,616	−49	USD
World Challenge Expeditions Limited, Crawley		100	54.9	1,146	1,086	GBP
World Challenge Expeditions Pty Ltd, Victoria		100	54.9	323	295	AUD
World Challenge Holdings Limited, Crawley		100	54.9	97	247	GBP
World Challenge NZ Limited, Wellington		100	54.9	−198	−213	NZD
World of TUI Ltd., Crawley		100	54.9	0	0	GBP
Yachts International Limited, British Virgin Islands		100	54.9	39,232	49	USD
YIL, LLC, State of Delaware		100	54.9	2,641	784	USD
Your Man Tours, Inc., El Segundo, CA		100	54.9	6,268	2,831	USD
Zegrahm Expeditions, Inc., Seattle		100	54.9	21,623	1,281	USD
100% Adventure Pty Ltd, Wayville, SA		100	32.9	201	−57	AUD
600035 B.C. LTD, Canada		100	54.9	−2,743	−146	CAD

Tourism—TUI Hotels & Resorts

Name and headquarter	Shareholdings according to section 16 of the German Stock Corporation Act: direct in %	indirect in %	Group share in %	Equity in ’000	Result for the year in ’000	Currency
BU RIUSA II EOOD, Sofia		100	50	15	0	BGN
Cabotel-Hoteleria e Turismo Lda., Santiago/Kap Verde		100	50	21,430,324	2,213,862	CVE
CLUBHOTEL GESELLSCHAFT MBH., Hermagor		77.5	77.5	3,112	186	EUR
Daidalos Hotel- und Touristikunternehmen A.E., Athens		89.8	89.8	4,320	562	EUR
Dominicanotel S.A., Puerto Plata		100	50	967,173	65,103	DOP
Egyptian Germany Co. for Hotels (L.T.D), Cairo	66.6		66.6	1,268	485	EGP
GEAFOND Número Dos Fuerteventura S.A., Las Palmas, Gran Canaria		100	50	1,865	3	EUR
GEAFOND Número Uno Lanzarote S.A., Las Palmas, Gran Canaria		100	50	4,358	− 82	EUR
Holiday Center S.A., Cala Serena/Cala d’Or		100	100	4,328	− 56	EUR
Iberotel International A.S., Antalya	100		100	− 1,371	172	TRY
Iberotel Otelcilik A.S., Istanbul	0.2	99.8	100	22,531	1,092	TRY
Jandia Playa S.A., Morro Jable/Fuerteventura		100	100	47,948	1,190	EUR
Jaz Hotels & Resorts S.A.E., Cairo	50.9		50.9	58,561	10,019	EGP
MAGIC LIFE Assets AG, Vienna		100	100	27,090	− 730	EUR
„Magic Life“ GmbH & Co KG, Vienna		100	100	− 46,496	**	EUR
MX RIUSA II S.A. de C.V., Cabo San Lucas		100	50	3,402,805	356,533	MXN
Promociones y Edificaciones Chiclana S.A., Palma de Mallorca		100	50	2,018	108	EUR
Puerto Plata Caribe Beach S.A., Puerto Plata		100	50	26,999	0	DOP
RCHM S.A.S., Agadir		100	100	9,343	− 1,655	MAD
Rideway Investment Ltd., London		100	50	− 5	0	EUR
Riu Jamaicotel Ltd., Negril		100	50	13,616,107	861,115	JMD
RIUSA II S.A., Palma de Mallorca[u]		50	50	551,196	87,687	EUR
RIUSA NED B.V., Amsterdam		100	50	131,101	24,432	USD
ROBINSON AUSTRIA Clubhotel GmbH, Hermagor		100	100	2,635	− 560	EUR
Robinson Club GmbH, Hanover*	100		100	30,658	0	EUR
Robinson Club Italia S.p.A., Marina di Ugento		100	100	10,391	− 164	EUR
Robinson Club Maldives Private Limited, Malé		100	100	− 8,023	− 6,768	USD
Robinson Club (Schweiz) AG, Vulpera		100	100	13,373	1,815	CHF
Robinson Clubhotel Turizm Ltd. Sti., Istanbul	1	99	100	14,935	4,468	TRY
Robinson Hoteles España S.A., Cala d’Or		100	100	591	395	EUR
Robinson Hotels Portugal S.A., Vila Nova de Cacela		67	67	7,791	− 2,164	EUR
Robinson Otelcilik A.S., Istanbul		100	100	33,353	458	TRY
STIVA RII Ltd., Dublin		100	50	4,163	18,111	USD
TdC Agricoltura Società agricola a r.l., Florence		100	100	613	− 307	EUR
TdC Amministrazione S.r.l., Florence		100	100	376	− 844	EUR
Tenuta di Castelfalfi S.p.A., Florence	100		100	29,688	− 11,413	EUR
Tunisotel S.A.R.L., Tunis		100	50	5,326	5,758	TND
Turcotel Turizm A.S., Istanbul		100	100	− 2,798	− 15,753	TRY
Turkuaz Insaat Turizm A.S., Ankara	100		100	22,443	2,356	TRY

Tourism—Cruises

Name and headquarter	Shareholdings according to section 16 of the German Stock Corporation Act direct in %	indirect in %	Group share in %	Equity in ’000	Result for the year in ’000	Currency
Hapag-Lloyd (Bahamas) Ltd., Nassau	100		100	5,394	13	EUR
Hapag-Lloyd Kreuzfahrten GmbH, Hamburg*	100		100	1,423	0	EUR
Preussag Beteiligungsverwaltungs GmbH IX, Hanover*		100	100	105,025	0	EUR

Other companies

Name and headquarter	Shareholdings according to section 16 of the German Stock Corporation Act direct in %	indirect in %	Group share in %	Equity in ’000	Result for the year in ’000	Currency
Canada Maritime Services Limited, Crawley		100	100	6,131	0	GBP
Canadian Pacific (UK) Limited, Crawley		100	100	−410	0	GBP
Cast Agencies Europe Limited, Crawley		100	100	−20,461	0	USD
Cast Group Services Limited, Crawley		100	100	2,264	0	GBP
Cast Terminal Europe N.V., Antwerp		100	100	−3,086	−10	EUR
Contship Holdings Limited, Crawley		100	100	6,787	0	USD
CP Ships (Bermuda) Ltd., Hamilton		100	100	2,202	−52	USD
CP Ships Ltd., Saint John		100	100	49,699	−35,403	CAD
CP Ships (UK) Limited, Crawley		100	100	33,295	−138	USD
CPS Holdings (No. 2) Limited, Crawley		100	100	6,748	0	USD
CPS Number 4 Limited, Crawley		100	100	11,220	0	USD
DEFAG Beteiligungsverwaltungs GmbH I, Hanover*	100		100	525,025	0	EUR
DEFAG Beteiligungsverwaltungs GmbH III, Hanover*	100		100	250,025	0	EUR
PM Peiner Maschinen GmbH, Hanover	100		100	5,691	2,262	EUR
Preussag Immobilien GmbH, Salzgitter*	100		100	73,958	0	EUR
Preussag UK Ltd., Crawley	100		100	111,232	565	GBP
TUI Beteiligungs GmbH, Hanover*	100		100	202,012	0	EUR
TUI Group Services GmbH, Hanover*	100		100	18,146	0	EUR
TUI-Hapag Beteiligungs GmbH, Hanover*	100		100	568,025	0	EUR

Non-consolidated Group companies

Tourism—TUI Travel

Name and headquarter	Shareholdings according to section 16 of the German Stock Corporation Act: direct in %	indirect in %	Group share in %	Equity in ’000	Result for the year in ’000	Currency
Airline Consultancy Services S.A.R.L., Casablanca		100	54.9	124	− 3	MAD
AMCP S.a.r.l., Montreuil		100	54.9	− 21	− 1	EUR
APTC Pty. Ltd., Sydney		100	27.5	693	40	AUD
Atora GmbH, Kiel		85	23.4	4	12	EUR
atraveo GmbH, Dusseldorf		74.8	41.1	716	650	EUR
Berge & Meer Polska Zp. z o.o (i.L.), Warsaw		100	54.9	74	− 651	PLN
Best4Concept GmbH, Rengsdorf*		100	54.9	86	0	EUR
BFS Touristik Ges.mbH Nachfolge Ges.mbH & Co KG, Innsbruck		100	54.9	503	**	EUR
Boomerang—Solutions GmbH, Trier		95	39.1	46	5	EUR
Boomerang Reisen—Pacific Tours AG, Zurich		100	41.2	119	35	CHF
Brunalp SARL, Venosc		100	54.9	− 362	− 67	EUR
Creativ-Werbe- und Beratungsgesellschaft mbH, Kiel		100	27.5	198	19	EUR
FIRST Reisebüro Güttler GmbH & Co. KG, Dormagen		75.1	41.2	51	**	EUR
FIRST Reisebüro Güttler Verwaltungs GmbH, Hanover		75	41.2	36	0	EUR
FIRST Travel GmbH, Hanover*		100	54.9	26	0	EUR
GeBeCo Verwaltungsgesellschaft mbH, Kiel		50.2	27.6	25	2	EUR
Guerba Expeditions Namibia (Proprietary) Limited, Windhoek[z]		100	32.9			NAD
Hapag-Lloyd Reisebüro Hagen GmbH & Co. KG, Hanover		70	38.4	100	**	EUR
Hapag-Lloyd Reisebüro Hagen Verwaltungs GmbH, Hanover		70	38.4	24	0	EUR
Hapag-Lloyd Reisebüro Lübeck GmbH & Co. KG, Hanover		100	54.9	586	**	EUR
Hapag-Lloyd Reisebüro Lübeck Verwaltungs GmbH, Hanover		100	54.9	23	0	EUR
Hotel Club du Carbet S.A., Montreuil		100	54.9	− 7,903	− 7	EUR
HV Finance S.A.S., Montreuil		100	54.9	− 219	− 189	EUR
Igloo S.N.C., Point a Pitre		100	54.9	46	− 55	EUR
Ileo S.N.C., Point a Pitre[z]		100	54.9			EUR
IRS Info-Reise-Service GmbH, Kiel		100	27.5	− 257	− 48	EUR
Last-Minute-Restplatzreisen GmbH, Baden-Baden*		100	38.4	27	0	EUR
LATC Turismo Ltda, Rio de Janeiro		100	27.5	47	− 52	BRL
Lierke Plezierke BVBA, Lierke		90	49.4	− 729	− 6	EUR
Loc Vacances S.A.R.L., Chartres de Bretagne		100	54.9	16	1	EUR
L’TUR Nederland B.V., Amsterdam		100	38.4	115	10	EUR
L’TUR Polska Sp.z o.o., Stettin		100	38.4	244	40	PLN
L’TUR S.A.R.L., Schiltigheim		100	38.4	74	56	EUR
LTUR Tourismus AG, Gesellschaft für Chartertouren und Reisen, Basel		99.5	38.2	286	134	CHF
Magyar TUI Utazásszervezö, Kereskedelmi és Szolgáltató Kft., Budapest		100	54.9	8,782	− 22,696	HUF
NOF—Sociedade Imobiliaria, Lda, Lisboa		100	54.9	78	1	EUR
Nouvelles Frontières Maroc S.C.I. (i.L.), Marrakech		99.9	54.8	740	− 2	MAD

Name and headquarter	Shareholdings according to section 16 of the German Stock Corporation Act direct in %	indirect in %	Group share in %	Equity in '000	Result for the year in '000	Currency
N.S.E. Travel and Tourism SA (i.L.), Athens		100	54.9	−205	−3	EUR
Orchideen-Reisebüro GmbH, Hamburg*		100	54.9	26	0	EUR
Reisefalke GmbH, Vienna		60	32.9	−2,015	−1,215	EUR
Résidence Hôtelière Les Pins SARL (i.L.), Montreuil		100	54.9	−56	−1	EUR
„Schwerin Plus“ Touristik-Service GmbH, Schwerin*		80	43.9	33	0	EUR
Societe de Gestion du resort Al Baraka, Marrakech		100	54.9	20	0	EUR
TLT Urlaubsreisen GmbH, Hanover*		100	54.9	27	0	EUR
Travel Partner Brasil Agencia de Turismo e Viagens Ltda, Jundiai, State of São Paulo		99.9	54.8	78	−272	BRL
travel-Ba.Sys Beteiligungs GmbH, Mülheim/Ruhr		83.5	45.8	42	0	EUR
Travelland GmbH, Neuss*		100	54.9	26	10	EUR
TUI (Cyprus) Ltd., Nicosia		100	54.9	0	0	EUR
TUI d.o.o., Maribor		100	54.9	21	0	EUR
TUI España Viajes Online S.L., Ibiza		100	54.9	136	−13	EUR
TUI Magyarország Utazasi Iroda Kft., Budapest		100	54.9	15,797	12,180	HUF
TUI Reisecenter GmbH, Salzburg		100	54.9	38	−1	EUR
TUI ReiseCenter Slovensko s.r.o., Bratislava		100	54.9	244	53	EUR
TUI Travel Card Processing SARL, Luxembourg[z]		100	54.9			EUR
TUI 4 U Poland sp.zo.o., Warsaw		100	54.9	499	79	PLN
TUIFly Academy Brussels, Zaventem		100	54.9	2	55	EUR
Vögler's Angelreisen GmbH, Hamburg*		100	54.9	25	0	EUR
VPM Antilles S.R.L., Montreuil		100	54.9	−8,997	−3	EUR
VPM SA, Montreuil		100	54.9	−12,717	−6	EUR

Tourism—TUI Hotels & Resorts

Name and headquarter	Shareholdings according to section 16 of the German Stock Corporation Act direct in %	indirect in %	Group share in %	Equity in '000	Result for the year in '000	Currency
Clubhotel Management AE, Athens		100	100	−2,357	168	EUR
Golfclub Toscana Resort Castelfalfi S.r.l., Florence		100	100	0	−2	EUR
Ibérica Hotelera S.A., Palma de Mallorca		100	100	175	16	EUR
Magic Life Bulgaria EOOD, Sosopol		100	100	−301	117	BGN
Magic Life GmbH, Vienna		100	100	33	5	EUR
Oberkirchleitn Hoteldorf Ges.m.b.H., Villach		100	100	294	−6	EUR
Trendturc Turizm Otelcilik ve Ticaret A.S., Istanbul[z]		100	100	50	0	TRL
TUI Hotelmanagement OOO, Kaluga	100		100	−23,877	−19,595	RUB
Unterkirchleitn Hoteldorf Ges.m.b.H., Villach		100	100	273	−7	EUR

Tourism—Cruises

Name and headquarter	Shareholdings according to section 16 of the German Stock Corporation Act direct in %	indirect in %	Group share in %	Equity in ’000	Result for the year in ’000	Currency
HANSEATIC TOURS Reisedienst GmbH, Hamburg		100	100	99	1	EUR
STAR TOURS Reisedienst GmbH, Hamburg*		100	100	26	0	EUR

Other companies

Name and headquarter	Shareholdings according to section 16 of the German Stock Corporation Act direct in %	indirect in %	Group share in %	Equity in ’000	Result for the year in ’000	Currency
Bergbau Goslar GmbH, Goslar	100	0	100	1,719	−515	EUR
CP Ships Services, Inc., Alberta		100	100	4	0	CAD
l’tur ultimo minuto S.A., Palma de Mallorca		51	51	61	0	EUR
Nico-Metall GmbH (i.L.), Dortmund	100		100	−430	303	EUR
Niedersachsen Versicherungs AG, Hamburg		100	100	3,515	−15	EUR
Preussag Beteiligungsverwaltungs GmbH XIV, Hanover		100	100	20	−1	EUR
Preussag Finance B.V., Amsterdam	100		100	14	−5	EUR
TUI Beteiligungsverwaltungs GmbH I, Hanover*		100	100	25	0	EUR
TUI Beteiligungsverwaltungs GmbH II, Hanover*		100	100	25	0	EUR
TUI Beteiligungsverwaltungs GmbH III, Hanover*		100	100	25	0	EUR
TUI Insurance Services GmbH, Hanover	100		100	31	0	EUR

Companies measured at equity

Tourism—TUI Travel

Name and headquarter	Shareholdings according to section 16 of the German Stock Corporation Act: direct in %	indirect in %	Group share in %	Equity in ’000	Result for the year in ’000	Currency
ACCON-RVS Accounting & Consulting GmbH, Berlin		50	27.4	674	140	EUR
Aeolos Travel LLP, Nicosia		50.1	27.4	5,992	403	EUR
Aitken Spence Travels Ltd, Colombo		50	27.4	718,837	431,465	LRK
Alpha Tourism and Marketing Services Ltd., Port Louis		25	13.7	8,275	3,538	USD
Alpha Travel (U.K.) Limited, Harrow		25	13.7	1,444	909	GBP
alps & cities 4ever GmbH, Vienna		50	27.4	412	− 175	EUR
Atlantica Hellas S.A., Rhodos		50	27.4	63,473	2,017	EUR
Atlantica Hotels and Resorts S.A., Limassol		50	27.4	10,456	85	CYP
Bartu Turizm Yatirimlari Anonim Sirketi, Istanbul[z]		50	27.4			TRY
Belgium Travel Network cvba, Sint-Martens-Latem		50	27.4	251	8	EUR
Blue Diamond Hotels and Resorts Inc., St Michael		49	26.9	98,338	9,914	USD
Bonitos GmbH & Co KG, Frankfurt		50	27.4	1,155	**	EUR
BOSYS SOFTWARE GMBH, Hamburg		25.2	11.5	138	915	EUR
DER Reisecenter TUI GmbH, Berlin		50	27.4	1,796	− 67	EUR
Himalayan Encounters PVT LTD, Kathmandu		33	10.9	41,671	24,471	NPR
Holiday Travel (Israel) Limited, Airport City		50	27.4	7,395	1,488	ILS
InteRes Gesellschaft für Informationstechnologie mbH, Darmstadt		25.2	13.8	927	116	EUR
Intrepid Connections Investments PTY LTD, South Melbourne		50	16.5	0	0	AUD
Intrepid Vietnam Travel Company Ltd, Hanoi		49	16.1	17,288,704	12,965,899	VND
Karisma Hotels Adriatic d.o.o., Zagreb[z]		33.3	18.3			HRK
Le Passage to India Tours and Travels Pvt Ltd, New-Delhi		50	27.4	484,122	154,210	INR
OFT REISEN GmbH, Ditzingen		50	27.4	1,515	− 381	EUR
Pollman’s Tours and Safaris Limited, Nairobi		25	13.7	392,766	217,995	KES
Raiffeisen-Tours RT-Reisen GmbH, Burghausen		25.1	13.8	4,314	2,838	EUR
Ranger Safaris Ltd., Arusha		25	13.7	3,224,808	1,226,895	TZS
Safeharbour Investments S.L., Barcelona		50	27.4	6,856	459	EUR
Sunwing Travel Group Inc, Toronto		49	26.9	148,689	47,991	CAD
Teckcenter Reisebüro GmbH, Kirchheim/T.		50	27.4	751	239	EUR
Togebi Holdings Ltd, Cyprus		49	26.9	− 7,185	0	USD
Travco Group Holding S.A.E., Cairo		50	27.4	210,771	70,698	EGP
TRAVELStar GmbH, Hanover		50	27.4	1,281	781	EUR
TT Services Lanka Private Ltd, -[z]		50	27.4			LKR
Urban Adventures Limited, Hong Kong		50	16.5	− 89	− 123	USD
Vacation Express USA Corp., Atlanta		49	26.9	− 101	17	USD
Voukouvalides Travel & Tourism S.A., Kos		50	27.4	1,641	639	EUR
2332491 Ontario Inc, Toronto[z]		49	26.9			CAD

Tourism—TUI Hotels & Resorts

Name and headquarter	Shareholdings according to section 16 of the German Stock Corporation Act direct in %	indirect in %	Group share in %	Equity in ’000	Result for the year in ’000	Currency
aQi Hotel Schladming GmbH, Bad Erlach	49		49	326	6	EUR
aQi Hotelmanagement GmbH, Bad Erlach[s]	51		51	50	13	EUR
ENC for touristic Projects Company S.A.E., Sharm el Sheikh	49	1	49.7	543,644	6,364	EGP
Etapex, S.A., Agadir		35	17.5	57,654	−20,306	MAD
Fanara Residence for Hotels S.A.E., Sharm el Sheikh	50		50	9,862	1,958	EGP
First Om El Gorayfat Company for Hotels S.A.E., Mersa Allam	50		50	68,933	18,954	EGP
GBH Turizm Sanayi Isletmecilik ve Ticaret A.S., Istanbul		50	50	16,091	1,132	TRY
Golden Lotus Hotel Company S.A.E., Luxor	50		50	18,647	−240	EGP
Grecotel S.A., Rethymnon	50		50	4,073	−1,334	EUR
GRUPOTEL DOS S.A., Can Picafort	50		50	72,409	5,298	EUR
Kamarayat Nabq Company for Hotels S.A.E., Sharm el Sheikh	49	1	49.7	103,983	44,583	EGP
Makadi Club for Hotels S.A.E., Hurghada	50		50	32,396	10,249	EGP
Mirage Resorts Company S.A.E., Hurghada	50		50	51,120	21,120	EGP
Oasis Company for Hotels S.A.E., Hurghada	50		50	36,963	9,986	EGP
Phaiax A.E.T.A., Corfu	50		50	22,431	−1,249	EUR
Quinta da Ria Empreendimentos do Algarve, S.A., Vila Nova de Cacela		33	33	242	−1,214	EUR
Riu Hotels S.A., Palma de Mallorca		49	49	342,686	−5,215	EUR
Sharm El Maya Touristic Hotels Co. S.A.E., Cairo	49	1	49.7	89,591	8,674	EGP
Sun Oasis for Hotels Company S.A.E., Hurghada	50		50	77,564	20,364	EGP
Tikida Bay S.A., Agadir		34	34	121,122	−2,816	MAD
TIKIDA DUNES S.A., Agadir		30	15	209,444	35,878	MAD
Tikida Palmeraie S.A., Marrakech		33.3	16.7	97,173	−210	MAD
UK Hotel Holdings FZC L.L.C., Fujairah	50		50	105,007	6,197	AED

Tourism—Cruises

Name and headquarter	Shareholdings according to section 16 of the German Stock Corporation Act direct in %	indirect in %	Group share in %	Equity in ’000	Result for the year in ’000	Currency
TUI Cruises GmbH, Hamburg	50		50	272,781	12,039	EUR

Other companies

Name and headquarter	Shareholdings according to section 16 of the German Stock Corporation Act direct in %	indirect in %	Group share in %	Equity in ’000	Result for the year in ’000	Currency
Hapag-Lloyd Aktiengesellschaft, Hamburg		22	22	1,086,589	0	EUR

Other companies

Tourism—TUI Travel

Name and headquarter	Shareholdings according to section 16 of the German Stock Corporation Act direct in %	indirect in %	Group share in %	Equity in ’000	Result for the year in ’000	Currency
Aeolos Ltd., Limassol		50	27.4	20	−1	EUR
Agrupacion de Agencias de Viajes de Sevilla para el Turismo de Negocios AIE, Sevilla		25	13.7	0	0	EUR
Bonitos Verwaltungs GmbH, Frankfurt		50	27.4	37	2	EUR
Emder Hapag-Lloyd Reisebüro GmbH & Co. KG, Emden		50	27.4	10	**	EUR
Emder Hapag-Lloyd Reisebüro Verwaltungs GmbH, Emden		50	27.4	26	0	EUR
Fiddington Manor Limited, Tewkesbury		50	27.4	0	0	GBP
FIRST-KVG Reisebüro Hameln GmbH, Hameln		50	27.4	236	116	EUR
Hydrant Refuelling System NV, Brussels		25	13.7			EUR
Inter Loisirs Hotel SARL, Casablanca		45	24.7	−140	−452	MAD
Marmara Madina SARL, Marrakech		45	24.7	3,126	243	MAD
Peruvian Odyssey SA, Lima		20	11	0	0	PEN
Service Travel Tour SA, Tunis		50	27.4	610	−676	TND
Smart Data Solution Co Ltd, Bangkok		49	26.9	4,341	322	THB
Südwest Presse + Hapag-Lloyd Reisebüro GmbH & Co.KG, Ulm		50	27.4	100	**	EUR
Südwest Presse + Hapag-Lloyd Reisebüro Verwaltungs GmbH, Ulm		50	27.4	22	0	EUR
TMR OOO, Moscow		34	18.7	−8,279	−32,054	RUB
TMTI Limited, Nicosia		34	18.7	−10,405	−2,841	USD
TRAVELStar Touristik GmbH & Co. OHG, Vienna		50	27.4	118	**	EUR
TUI Products & Services GmbH & Co. KG i.L., Hamburg		49	26.9	−146	**	EUR

Tourism—TUI Hotels & Resorts

Name and headquarter	Shareholdings according to section 16 of the German Stock Corporation Act direct in %	indirect in %	Group share in %	Equity in ’000	Result for the year in ’000	Currency
Clubhotel Kleinarl GmbH & Co KG, Flachau		24	24	5,022	**	EUR
Clubhotel Kleinarl GmbH, Flachau		24	24	40	2	EUR

Other companies

Name and headquarter	Shareholdings according to section 16 of the German Stock Corporation Act direct in %	indirect in %	Group share in %	Equity in ’000	Result for the year in ’000	Currency
Elevator-Gesellschaft mit beschränkter Haftung, Hanover		50	50	210	−15	EUR
Foban Beteiligungs GmbH & Co. Vermietungs-KG, Pullach[s]	94		94	3,638	**	EUR
Portmade NV, Antwerp		49	49	1,107	309	EUR
TUI-Haus Verwaltung GmbH & Co. Vermietungs-KG, Pullach i. Isartal[s]	89		89	8,603	**	EUR
Wissenschaftszentrum Kiel GmbH, Kiel		24.5	24.5	−112	8	EUR

Notes
* Profit and loss transfer agreements with parent company
** Result for the year is attributable to the shareholder accounts
spe Special purpose entity
s Voting restriction
u Entrepreneurial management
z Data not available

61 Companies are not included in the list of shareholdings according to section 286 (3) sentence 1 of the German Commercial Code.

Disclosures pursuant to Section 285 (11a) of the German Commercial Code of participations in partnerships as general partner in the TUI Group as at 30 September 2012

Name and domicile of company	Name and domicile of general partners
Bonitos GmbH & Co KG, Frankfurt	Bonitos Verwaltungs GmbH, Frankfurt
Hapag-Lloyd Reisebüro Hagen GmbH & Co. KG, Hanover	Hapag-Lloyd Reisebüro Hagen Verwaltungs GmbH, Hanover
FIRST Reisebüro Güttler GmbH & Co. KG, Dormagen	FIRST Reisebüro Güttler Verwaltungs GmbH, Hanover
Emder Hapag-Lloyd Reisebüro GmbH & Co. KG, Emden	Emder Hapag-Lloyd Reisebüro Verwaltungs GmbH, Emden
Südwest Presse + Hapag-Lloyd Reisebüro GmbH & Co.KG, Ulm	Südwest Presse + Hapag-Lloyd Reisebüro Verwaltungs GmbH, Ulm
BFS Touristik Ges.mbH Nachfolge Ges.mbH & Co KG, Innsbruck	TUI Austria Holding GmbH, Vienna
Magic Life GmbH & Co KG, Vienna	Magic Life GmbH, Vienna
TUI-Haus Verwaltung GmbH & Co. Vermietungs-KG, Pullach i. Isartal	TUI-Haus Verwaltung GmbH, Pöcking
Foban Beteiligungs GmbH & Co. Vermietungs-KG, Pullach	Foban Beteiligungs GmbH, Pöcking
Hapag-Lloyd Reisebüro Lübeck GmbH & Co. KG, Hanover	Hapag-Lloyd Reisebüro Lübeck Verwaltungs GmbH, Hanover
Clubhotel Kleinarl GmbH & Co KG, Flachau	Clubhotel Kleinarl GmbH, Flachau
GeBeCo Gesellschaft für internationale Begegnung und Cooperation mbH & Co. KG, Kiel	GeBeCo Verwaltungsgesellschaft mbH, Kiel

The following auditor's report (Bestätigungsvermerk) has been issued in accordance with Section 322 German Commercial Code (Handelsgesetzbuch) on the financial statements and management report (Lagebericht) of TUI AG combined with the group management report (Konzernlagebericht) of TUI AG as of and for the financial year ended September 30, 2013. The management report combined with the group management report is neither included nor incorporated by reference in this Prospectus.

INDEPENDENT AUDITOR'S REPORT

Report on the Annual Financial Statements

We have audited the accompanying annual financial statements of TUI AG, Berlin and Hanover, which comprise the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, for the business year from 1 October 2012 to 30 September 2013.

Board of Managing Directors' Responsibility for the Annual Financial Statements

The Board of Managing Directors of TUI AG is responsible for the maintenance of the books and records and the preparation of these annual financial statements. This responsibility includes that these annual financial statements are prepared in accordance with German commercial law and that these annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. 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 annual 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 annual financial statements, together with the bookkeeping system, based on our audit. We conducted our audit in accordance with § (Article) 317 HGB ("Handelsgesetzbuch": "German Commercial Code") 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 annual financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the annual 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 annual financial statements, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system relevant to the Company's preparation of annual 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 Company'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 annual 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. (paragraph) 3 Satz (sentence) 1 HGB, we state that our audit of the annual financial statements has not led to any reservations.

In our opinion based on the findings of our audit, the annual financial statements comply, in all material respects, with the legal requirements and give a true and fair view of the net assets and financial position of the Company as at 30 September 2013 as well as the results of operations for the business year then ended in accordance with (German) principles of proper accounting.

Report on the Management Report

We have audited the accompanying management report of TUI AG, which is combined with the group management report, for the business year from 1 October 2012 to 30 September 2013. The Board of Managing Directors of TUI AG is responsible for the preparation of the combined management report in accordance with the legal requirements. 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 annual financial statements and the audit findings, as a whole provides a suitable view of the Company'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 annual financial statements and combined management report, the combined management report is consistent with the annual financial statements, as a whole provides a suitable view of the Company'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))

SIGNATURE PAGE

Berlin, Hanover, October 2, 2014

TUI AG

Name: Friedrich Joussen	Name: Horst Baier	Name: Peter Long

Deutsche Bank Aktiengesellschaft

Name:	Name:

SIGNATURE PAGE

Berlin, Hanover, October 2, 2014

TUI AG

Name: Friedrich Joussen

Name: Horst Baier

Name: Peter Long

Deutsche Bank Aktiengesellschaft

Name: BERTHOLD FÜRST

Name: Malk Hopp