



TUI AG Financial Year 2013/14
Half-Year Financial Report
1 October 2013 – 31 March 2014

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Imprint

H1 2013/14

TUI Group – Financial highlights

€ million	Q2 2013/14	Q2 2012/13 restated	Var. %	H1 2013/14	H1 2012/13 restated	Var. %
Turnover						
TUI Travel	2,961.9	3,137.3	- 5.6	6,201.9	6,493.9	- 4.5
TUI Hotels & Resorts	105.4	133.8	- 21.2	200.7	218.5	- 8.1
Cruises	94.1	69.1	+ 36.2	149.2	120.6	+ 23.7
Group	3,165.3	3,343.7	- 5.3	6,559.1	6,839.4	- 4.1
EBITDA						
TUI Travel	- 150.5	- 161.3	+ 6.7	- 242.0	- 272.4	+ 11.2
TUI Hotels & Resorts	64.6	51.7	+ 25.0	106.5	102.7	+ 3.7
Cruises	8.3	- 46.4	n/a	3.2	- 55.2	n/a
Group	- 86.1	- 180.2	+ 52.2	- 153.8	- 265.1	+ 42.0
Underlying EBITDA						
TUI Travel	- 184.9	- 160.6	- 15.1	- 264.5	- 257.6	- 2.7
TUI Hotels & Resorts	64.6	56.4	+ 14.5	107.1	107.4	- 0.3
Cruises	2.9	2.6	+ 11.5	- 9.6	- 6.2	- 54.8
Group	- 125.9	- 116.8	- 7.8	- 188.5	- 187.6	- 0.5
EBITA						
TUI Travel	- 224.6	- 237.7	+ 5.5	- 387.5	- 418.7	+ 7.5
TUI Hotels & Resorts	48.8	14.3	+ 241.3	74.3	48.6	+ 52.9
Cruises	5.1	- 48.8	n/a	- 3.4	- 60.0	+ 94.3
Group	- 179.6	- 303.4	+ 40.8	- 339.4	- 479.0	+ 29.1
Underlying EBITA						
TUI Travel	- 244.7	- 221.8	- 10.3	- 381.6	- 368.7	- 3.5
TUI Hotels & Resorts	48.8	40.2	+ 21.4	74.9	74.5	+ 0.5
Cruises	- 0.3	0.2	n/a	- 16.2	- 11.0	- 47.3
Group	- 205.1	- 197.2	- 4.0	- 345.7	- 338.7	- 2.1
Group earnings						
Net profit for the period	- 197.8	- 310.6	+ 36.3	- 351.2	- 497.2	+ 29.4
Earnings per share	€ - 0.51	- 1.02	+ 50.0	- 0.96	- 1.59	+ 39.6
Equity ratio (31 Mar)	% 10.8	13.2	- 2.4*	10.8	13.2	- 2.4*
Investments in other intangible assets and property, plant and equipment	88.3	176.4	- 49.9	310.7	407.3	- 23.7
Net debt (31 Mar)	1,317.6	1,432.8	- 8.0	1,317.6	1,432.8	- 8.0
Employees (31 Mar)	66,284	64,350	+ 3.0	66,284	64,350	+ 3.0

Differences may occur due to rounding

* Percentage points

- TUI Group reports successful first half 2013/14
- Persistently growing demand for differentiated product in TUI Travel, efficiency programmes deliver expected savings
- Sound performance of hotel brands Riu and Robinson as well as TUI Cruises
- Outlook for full year 2013/14 confirmed

INTERIM MANAGEMENT REPORT

ECONOMIC SITUATION IN H1 2013/14

General economic situation

Development of gross domestic product

Var. %	2014	2013
World	3.6	3.0
Eurozone	1.2	- 0.5
Germany	1.7	0.5
France	1.0	0.3
UK	2.9	1.8
US	2.8	1.9
Russia	1.3	1.3
Japan	1.4	1.5
China	7.5	7.7
India	5.4	4.4

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

The International Monetary Fund (IMF) has revised its forecast for global GDP growth in calendar year 2014 down by a total of 0.1 percentage points as against January 2014. This reflects stronger recovery of the industrialised countries in recent months, while the emerging economies and developing countries showed a weaker performance. The experts currently project global GDP growth of 3.6% for 2014 (IMF, World Economic Outlook, April 2014).

TUI Group fundamentals: Structure and strategy



Group structure from page 48 in the Annual Report 2012/13; changes in the group of consolidated companies see page 38 of this Half-Year Financial Report

Group structure and business environment

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

The Group structure and business activity outlined in the Annual Report 2012/13 remained unchanged in the period under review. Changes in the group of consolidated companies are presented in the Notes to the present Half-Year Financial Report.

In the period under review, there were no changes in the legal framework with a material impact on the TUI Group's business performance.



See Annual Report 2012/13, page 56 et seq.

Group objectives and strategy

TUI AG aims to increase the value of the individual Sectors and retain its dividend payments in the long term. To this end, the "oneTUI" strategy programme was launched in financial year 2012/13. The aim of the measures pooled under that project is to strengthen the Group's profitability and financial profile within the existing structures. The "oneTUI" strategy programme and the key strategies for the Sectors are outlined in detail in the Annual Report for 2012/13.

In the first half of 2013/14, Group objectives and strategy remained unchanged. The strategic measures initiated in the framework of the "oneTUI" programme were continued according to plan in the period under review.

Research and development

As a tourism service provider, TUI does not engage in research and development in the narrow sense.

Development in the period under review



Major transactions after the balance sheet date see page 54

Positive Group development in the first half of 2013/14

In the first half of financial year 2013/14, the TUI Group continued its positive development. Due to the late timing of Easter in 2014 and deliberate capacity cuts in TUI Travel, in particular in source market France, Group turnover declined by 4.1% year-on-year to €6.6bn in the first half of the year. The accumulated operating result (underlying EBITA) for the first six months showed a seasonal loss of €345.7m (previous year €-338.7m). The slight increase in the loss was attributable to a book profit of €15m posted by the Riu Group in the prior year. In addition, the late timing of Easter in 2014 caused a shift in earnings of around €28m from the second to the third quarter of 2013/14. In the prior year, the Easter business had already been included in the second quarter.

Adjusted for these two effects, the Group's operating result improved by around €36m year-on-year in the first half of the year, despite the adverse effect of weak demand for Egypt. This successful development was driven in particular by the continued strong demand for differentiated product and strict cost management at TUI Travel. At TUI Hotels & Resorts, the strong hotel brands Riu and Robinson, in particular, continued to report a very positive business performance. Within the Cruises Sector, TUI Cruises further expanded its market position, while Hapag-Lloyd Kreuzfahrten was adversely affected by dry-dock periods of Europa. Earnings by Central Operations benefited from lower administrative costs at TUI AG's corporate centre.

The Group's reported earnings (EBITA) improved considerably by 29.1% to €-339.4m year-on-year (previous year €-479.0m) due to lower net one-off expenses in the first half of the year. The seasonal Group loss also declined year-on-year, decreasing by 29.4% to €-351.2m in the first half of the year. Earnings per share rose significantly by 39.6% year-on-year to €-0.96 (previous year €-1.59). The Group's net debt fell by €0.1bn year-on-year to €1.3bn as at 31 March 2014.

Against the background of the sound operating performance in the first half of 2013/14 and current trading for the 2014 summer season at TUI Travel, the TUI AG Executive Board confirms its outlook for the full year 2013/14, according to which underlying EBITA of the Group is expected to grow by 6% to 12% year-on-year. Due to lower net one-off expenses, reported EBITA is expected to rise by 16% to 23%.



Agenda items and results of the votes at www.tui-group.com/en/ir/agm

Ordinary Annual General Meeting 2014

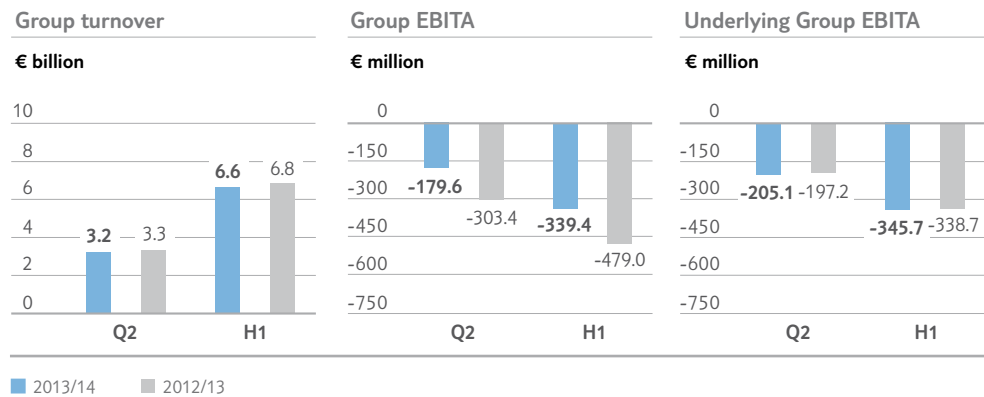
TUI AG's ordinary Annual General Meeting was held on 12 February 2014. Attendance corresponded to 70.6% of the capital stock (previous year 49.8%). The shareholders ratified the acts of management of the members of the Executive Board and Supervisory Board in financial year 2012/13 and approved their proposal to pay a dividend of €0.15 per share. All agenda items were approved by large majorities.

Hapag-Lloyd and CSAV sign business combination agreement

On 16 April 2014, Hapag-Lloyd and its Chilean competitor Compañía Sud Americana de Vapores (CSAV) signed a business combination agreement, initiating a merger between the two shipping lines to form the world's fourth largest container shipping company. TUI is thus getting closer to a complete exit from container shipping and has improved its legal position after the combination. In the wake of the merger, TUI AG's stake in Hapag-Lloyd will decline from 22% to 15% in the new company. It will decrease further to 14% following a planned capital increase in the framework of the merger that TUI AG will not participate in.

In particular, TUI AG has concluded a binding agreement with the other Hapag-Lloyd shareholders to float the newly formed company in the stock market in 2015. In the framework of the IPO, TUI will then benefit from priority placement of its shares over all other shareholders. In the run-up to the IPO, TUI will also be entitled to sell its shares in the form of a private placement or sell them to individual investors. Overall, the Executive Board of TUI AG assesses the merger between Hapag-Lloyd and CSAV as very positive. It makes sense from an industrial policy perspective and creates a company that will be among the leading players in the world market with more than 200 vessels and turnover of more than USD 12bn.

Earnings by the Sectors



Development of turnover

Turnover

€ million	Q2 2013/14	Q2 2012/13	Var. %	H1 2013/14	H1 2012/13	Var. %
Tourism	3,161.4	3,340.2	- 5.4	6,551.8	6,833.0	- 4.1
TUI Travel	2,961.9	3,137.3	- 5.6	6,201.9	6,493.9	- 4.5
TUI Hotels & Resorts	105.4	133.8	- 21.2	200.7	218.5	- 8.1
Cruises	94.1	69.1	+ 36.2	149.2	120.6	+ 23.7
Central Operations	3.9	3.5	+ 11.4	7.3	6.4	+ 14.1
Group	3,165.3	3,343.7	- 5.3	6,559.1	6,839.4	- 4.1

At €3.2bn, turnover by the TUI Group declined by 5.3% year-on-year in the second quarter of 2013/14. Adjusted for foreign exchange effects, turnover decreased by 4.8%. Customer numbers in TUI Travel's Mainstream Business were down by 10.2%, partly offset by higher average selling prices.

With customer volumes down by 7.7% on the prior year, the accumulated turnover for the first half of 2013/14 totalled €6.6bn, down 4.1% year-on-year. Adjusted for foreign exchange effects, turnover decreased by 2.8%.

The decline in the second quarter and in the first half of the year was primarily attributable to the late timing of Easter in 2014 and deliberate capacity cuts at TUI Travel, in particular in source market France.

Current and future trading

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

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

Current trading TUI Travel Mainstream summer 2014

Var. %	Average selling price	Total sales	Total customers
Germany	flat	flat	flat
UK & Ireland	+ 5	+ 2	- 3
Nordics	flat	- 7	- 7
France (tour operators)	+ 3	- 12	- 14
Other	+ 1	flat	- 1
Total	+ 2	flat	- 2

As at 4 May 2014



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

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

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

Development of earnings

Underlying EBITA

€ million	Q2 2013/14	Q2 2012/13	Var. %	H1 2013/14	H1 2012/13	Var. %
Tourism	- 196.2	- 181.4	- 8.2	- 322.9	- 305.2	- 5.8
TUI Travel	- 244.7	- 221.8	- 10.3	- 381.6	- 368.7	- 3.5
TUI Hotels & Resorts	48.8	40.2	+ 21.4	74.9	74.5	+ 0.5
Cruises	- 0.3	0.2	n/a	- 16.2	- 11.0	- 47.3
Central Operations	- 8.9	- 15.8	+ 43.7	- 22.8	- 33.5	+ 31.9
Group	- 205.1	- 197.2	- 4.0	- 345.7	- 338.7	- 2.1

EBITA

€ million	Q2 2013/14	Q2 2012/13	Var. %	H1 2013/14	H1 2012/13	Var. %
Tourism	- 170.7	- 272.2	+ 37.3	- 316.6	- 430.1	+ 26.4
TUI Travel	- 224.6	- 237.7	+ 5.5	- 387.5	- 418.7	+ 7.5
TUI Hotels & Resorts	48.8	14.3	+ 241.3	74.3	48.6	+ 52.9
Cruises	5.1	- 48.8	n/a	- 3.4	- 60.0	+ 94.3
Central Operations	- 8.9	- 31.2	+ 71.5	- 22.8	- 48.9	+ 53.4
Group	- 179.6	- 303.4	+ 40.8	- 339.4	- 479.0	+ 29.1

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

Underlying EBITA: Group

€ million	Q2 2013/14	Q2 2012/13	Var. %	H1 2013/14	H1 2012/13	Var. %
EBITA	- 179.6	- 303.4	+ 40.8	- 339.4	- 479.0	+ 29.1
Gains on disposal	-	-		+ 0.6	-	
Restructuring	+ 9.9	+ 18.0		+ 15.7	+ 25.5	
Purchase price allocation	+ 17.2	+ 16.5		+ 34.0	+ 37.0	
Other one-off items	- 52.6	+ 71.7		- 56.6	+ 77.8	
Underlying EBITA	- 205.1	- 197.2	- 4.0	- 345.7	- 338.7	- 2.1

In the second quarter of 2013/14, the TUI Group's earnings adjusted for one-off effects (underlying EBITA) declined by €7.9m year-on-year to €-205.1m. The TUI Group's accumulated underlying earnings for the first half of 2013/14 totalled €-345.7m, down €7.0m year-on-year. Adjusted for a book profit of €15m generated by the Riu Group and included in the prior-year results and a shift in earnings of around €28m to the third quarter due to the late timing of Easter in 2014, the Group's operating result improved by around €36m in the first half of the year, despite the adverse impact of weak demand for Egypt.

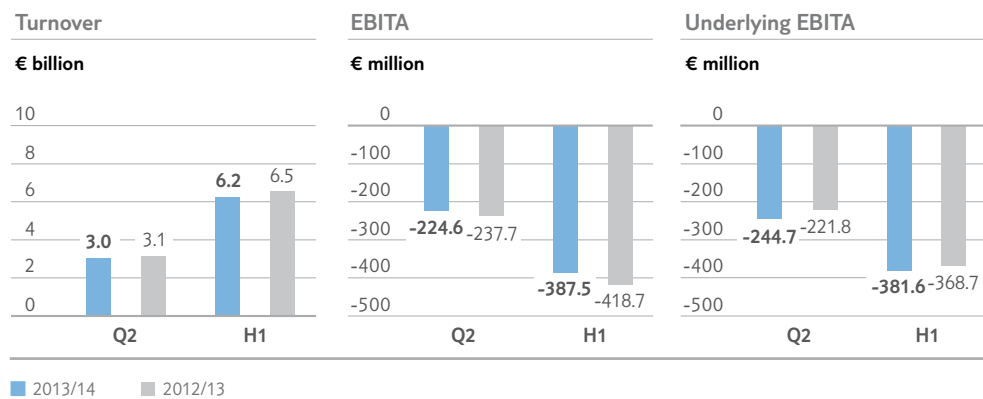
In the first half of 2013/14, income of €6.3m on balance had to be carried as adjustments. It mainly included:

- expenses for foreign exchange differences of €0.6m in connection with the capital reduction at a subsidiary of the Riu Group in TUI Hotels & Resorts,
- restructuring costs of €15.7m, exclusively related to TUI Travel,
- expenses for purchase price allocations of €34.0m at TUI Travel, and
- net one-off income of €56.6m, in particular from the curtailment of pension obligations at TUI Travel and the utilisation of provisions for occupancy risks at Hapag-Lloyd Kreuzfahrten.

The restructuring costs and one-off items carried as adjustments in the first half of the prior year related in particular to the conversion of TUI AG's corporate centre, the impairment of a hotel project and provisions for impending losses from onerous contracts at Hapag-Lloyd Kreuzfahrten.

In the first half of 2013/14, reported EBITA improved considerably by €139.6m year-on-year to €-339.4m due to lower net one-off expenses.

TUI Travel



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

TUI Travel – Key figures

€ million	Q2 2013/14	Q2 2012/13	Var. %	H1 2013/14	H1 2012/13	Var. %
Turnover	2,961.9	3,137.3	- 5.6	6,201.9	6,493.9	- 4.5
EBITA	- 224.6	- 237.7	+ 5.5	- 387.5	- 418.7	+ 7.5
Gains on disposal	–	–		–	–	
Restructuring	+ 9.9	+ 10.0		+ 15.7	+ 17.5	
Purchase price allocation	+ 17.2	+ 16.5		+ 34.0	+ 37.0	
Other one-off items	- 47.2	- 10.6		- 43.8	- 4.5	
Underlying EBITA	- 244.7	- 221.8	- 10.3	- 381.6	- 368.7	- 3.5
Underlying EBITDA	- 184.9	- 160.6	- 15.1	- 264.5	- 257.6	- 2.7
Investments in other intangible assets and property, plant and equipment	78.7	155.1	- 49.3	276.8	372.4	- 25.7
Employees (31 Mar)	53,701	51,923	+ 3.4	53,701	51,923	+ 3.4

Turnover by TUI Travel declined by 5.6% year-on-year in the second quarter of 2013/14. Adjusted for foreign exchange effects, it was down by 5.2%. For the first half of 2013/14, turnover decreased by 3.2% year-on-year, in particular due to the late timing of Easter in 2014 and the considerable reduction in the capacity of TUI tour operators in France.

The seasonal loss (underlying EBITA) of TUI Travel increased by €22.9m year-on-year to €244.7m in the second quarter of 2013/14. Due to the late timing of Easter in 2014, TUI Travel will not recognise the associated profit contribution of €28m until the third quarter of 2013/14, whereas the Easter business was included in the second quarter of the prior-year financial year. The accumulated seasonal loss for the first six months rose by €12.9m to €381.6m year-on-year.

Adjusted for the Easter effect, TUI Travel's operating result for the first half of 2013/14 grew on the strong comparatives from the prior year. Declines caused by the weakening of demand for Egypt were offset by strict capacity and cost management. The business improvement programmes in the individual markets delivered the expected savings in the period under review, benefiting in particular the TUI Mainstream tour operators in UK and France.

In the first half of 2013/14, TUI Travel had to carry adjustments for income worth €5.9m on balance for the following one-off effects (previous year net expenses of €50.0m):

- restructuring costs of €15.7m, in particular for the ongoing restructuring activities in Germany, France and the Specialist & Activity as well as Accommodation & Destinations Businesses,
- effects of purchase price allocations worth €34.0m, and
- one-off income worth €43.8m on balance, in particular from the curtailment of pension obligations in the UK and the Nordics.

Due to the sound operating performance and lower net one-off expenses, reported earnings (EBITA) by TUI Travel also rose substantially year-on-year by €31.2m to €-387.5m in the first half of 2013/14.

Mainstream

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

TUI Travel – Mainstream volumes

'000	Q2 2013/14	Q2 2012/13	Var. %	H1 2013/14	H1 2012/13	Var. %
Germany	1,038	1,240	- 16.3	1,882	2,163	- 13.0
UK & Ireland	577	590	- 2.3	1,436	1,472	- 2.5
Nordics	328	345	- 5.0	641	649	- 1.2
France (tour operators)	85	140	- 39.1	204	338	- 39.6
Other	643	659	- 2.4	1,878	1,926	- 2.5
Total	2,671	2,975	- 10.2	6,041	6,548	- 7.7

In the first half of 2013/14, the Mainstream Business serviced a total of 6,041 thousand guests. This represented a decline of 7.7% on the prior year, in line with the development of capacity in the period under review.

Germany

In the six months under review, TUI Deutschland benefited from focusing on high-margin differentiated products, as reflected, for instance, in the launch of "TUI Reisewelten". In the first half of the year, TUI Deutschland also strengthened its direct distribution by means of unifying its brands in travel agencies, updating the TUI.com website and introducing the digital travel assistant "My TUI". Cost savings were generated by simplifying back office functions, renegotiating hotel contracts and reducing maintenance costs in the Group-owned TUIfly airline. As a result, TUI Deutschland recorded a clearly positive overall development despite the decline in customer numbers of 13.0% year-on-year in the first half of the year.

UK & Ireland

TUI tour operators in the UK continued their successful development in the second quarter. With customer numbers down by 2.4% versus the prior year in the first six months, TUI UK generated good average selling prices driven by continued strong demand for unique product, and achieved high load factors. TUI UK also delivered savings relating to maintenance and handling costs at its own airline Thomsonfly and controlled distribution through travel agencies, which offset the adverse impact of lower demand for Egypt.

Nordics

In the first six months of 2013/14, TUI tour operators in the Nordics recorded a decline in customers of 1.1% on the prior year, driven in particular by the substantial reduction in capacity to Egypt and the political unrest in Thailand. Turnover also decreased due to stronger price competition in the Nordics, only partly offset by cost savings in aviation.

France

In the first half of 2013/14, the entire French travel market remained weak and continued to reflect weak demand for breaks in North Africa. TUI France therefore considerably cut its capacity to these countries and stopped its Egypt programme. Shifting capacity to alternative offerings, it expanded its capacity to the Canaries and Cape Verde Islands. Due to the capacity reduction, customer numbers also decreased considerably by 39.6%. TUI France also expanded its online sales in the period under review and closed a number of unprofitable travel agencies. Thanks to its restrictive capacity management and the efficiency enhancements delivered in the framework of the Convergence project, TUI France considerably reduced its losses as against the previous year.

Other

Overall, Other countries showed a positive development at a 2.5% decline in customer numbers, benefiting from the sound performance of the Canadian and Dutch tour operators. TUI Russia saw its business impacted by local political instability and by the decline in demand for Egypt. The French Corsair airline managed to partly offset cost increases caused by the modernised fleet in the winter season by realising cost savings.

Specialist & Activity

The Specialist & Activity Business comprises tour operators in six divisions: Adventure, North American Specialist, Education, Sport, Marine and Specialist Holiday Group.

Taking account of the Easter effect, the Business recorded a successful performance in the first half of 2013/14. The main drivers were the rise in demand for polar and premium cruises in North America. Moreover, the restructuring programme initiated in the prior year delivered the expected savings in the first half of the year. Due to the late timing of Easter, however, demand for skiing tours declined year-on-year.

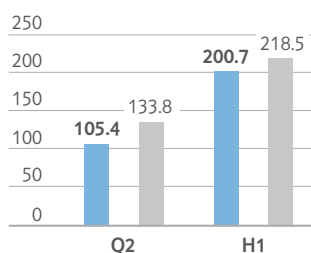
Accommodation & Destinations

The Accommodation and Destinations Business, which comprises the online services and incoming agencies of TUI Travel, recorded an overall improvement in its performance in the first half of 2013/14. Online services reported volume growth in the B2B portals driven by the strong organic growth in America and Asia. By contrast, the performance of the incoming agencies declined year-on-year.

TUI Hotels & Resorts

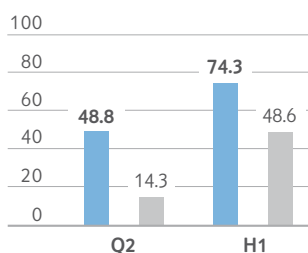
Group turnover

€ million



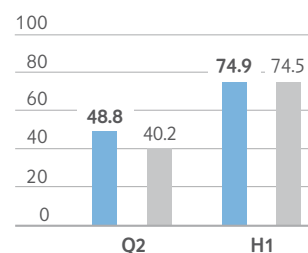
Group EBITA

€ million



Underlying Group EBITA

€ million



■ 2013/14 ■ 2012/13

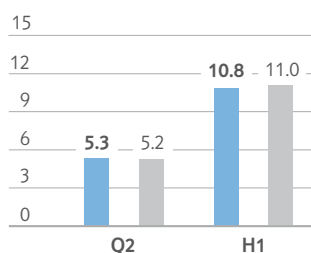
The TUI Hotels & Resorts Sector comprises TUI AG's own hotels.

TUI Hotels & Resorts – Key figures

€ million	Q2 2013/14	Q2 2012/13	Var. %	H1 2013/14	H1 2012/13	Var. %
Total turnover	197.5	191.3	+ 3.2	387.9	370.7	+ 4.6
Turnover	105.4	133.8	- 21.2	200.7	218.5	- 8.1
EBITA	48.8	14.3	+ 241.3	74.3	48.6	+ 52.9
Gains on disposal	–	–		+ 0.6	–	
Restructuring	–	–		–	–	
Purchase price allocation	–	–		–	–	
Other one-off items	–	+ 25.9		–	+ 25.9	
Underlying EBITA	48.8	40.2	+ 21.4	74.9	74.5	+ 0.5
Underlying EBITDA	64.6	56.4	+ 14.5	107.1	107.4	- 0.3
Investments in other intangible assets and property, plant and equipment	8.3	20.2	- 58.9	26.3	29.6	- 11.1
Employees (31 Mar)	12,098	11,736	+ 3.1	12,098	11,736	+ 3.1

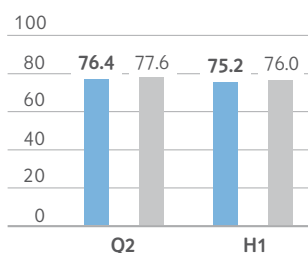
Capacity¹⁾

million



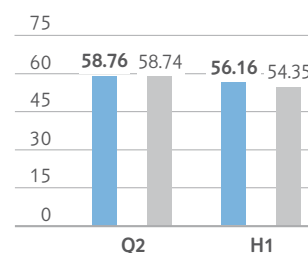
Occupancy²⁾

%



Average revenue per bed³⁾

€



■ 2013/14 ■ 2012/13

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

²⁾ Occupied beds divided by capacity

³⁾ Arrangement turnover divided by occupied beds

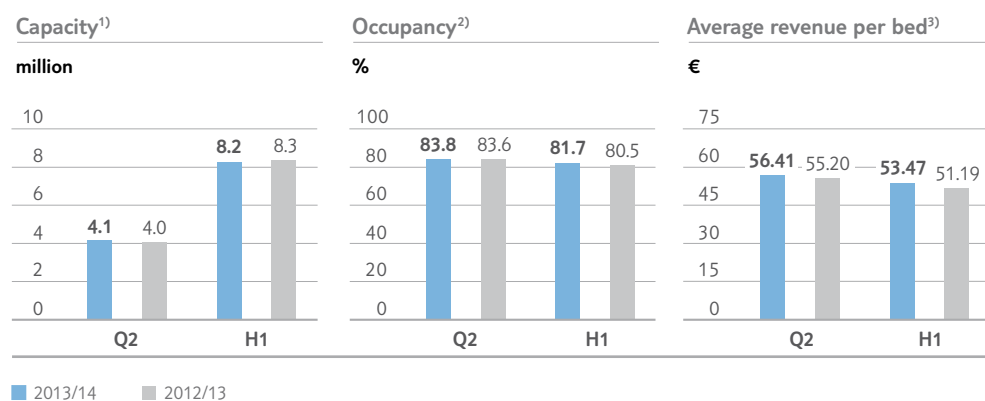
Total turnover by TUI Hotels & Resorts rose by 3.2% year-on-year to €197.5m in the second quarter of 2013/14. For the first half of 2013/14, it grew by 4.6% year-on-year to €387.9m. Due to overall sound demand in the first six months on slightly lower capacity year-on-year, average revenues per bed grew versus the prior year. By contrast, occupancy declined slightly. Turnover with non-Group third parties decreased by 21.2% to €105.4m in the second quarter of 2013/14. For the first half of 2013/14, it decreased by 8.1% year-on-year to €200.7m.

In the second quarter of 2013/14, underlying earnings totalled €48.8m, up €8.6m year-on-year. Accumulated underlying earnings for the first half of 2013/14 amounted to €74.9m, flat on the prior year although the prior-year result had included a book profit of €15m posted by the Riu Group. TUI Hotels & Resorts benefited in particular from the positive performance of the strong hotel brands Riu and Robinson.

In the six months under review, TUI Hotels & Resorts had to carry adjustments for foreign exchange differences of €0.6m in connection with the capital reduction in a subsidiary of the Riu Group. In the previous year, adjustments had related to impairments of the Castelfalfi hotel project in Tuscany.

At €74.3m, accumulated reported earnings for the first six months of 2013/14 rose substantially by 52.9% year-on-year due to lower one-off expenses.

Riu



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

²⁾ Occupied beds divided by capacity

³⁾ Arrangement turnover divided by occupied beds

Riu, one of Spain's leading hotel chains, operated 104 hotels at the end of the first half of 2013/14. Capacity declined slightly by 1.1% year-on-year to 8.2m hotel beds available. At 81.7%, average occupancy of Riu hotels in the first half of 2013/14 rose by 1.2 percentage points year-on-year. This increase reflected in particular the strong demand for hotels in the Canary Islands. Average revenues per bed grew by 4.5% year-on-year.

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

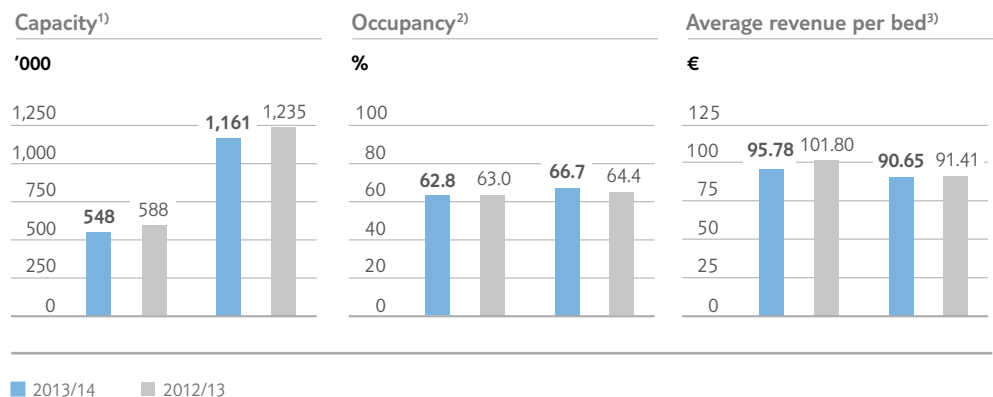
Average occupancy of Riu hotels in the Canaries rose by 4.3 percentage points year-on-year to 90.4%. In the winter season, the destination had benefited from shifts in demand from North African destinations.

Riu hotels in the Balearics recorded occupancy of 60.1%, down 1.7 percentage points year-on-year. As the economic framework in Spain remained weak, bookings from this market, in particular, declined on the prior year.

Average occupancy of Riu hotels in mainland Spain decreased by 0.9 percentage points year-on-year to 72.7%.

In the long-haul segment, Riu hotels recorded an average occupancy rate of 81.5%, down slightly by 2.1 percentage points year-on-year, driven by lower occupancy in the Cape Verde hotels. Average revenues per bed grew by 4.3% versus the prior year.

Robinson



■ 2013/14 ■ 2012/13

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

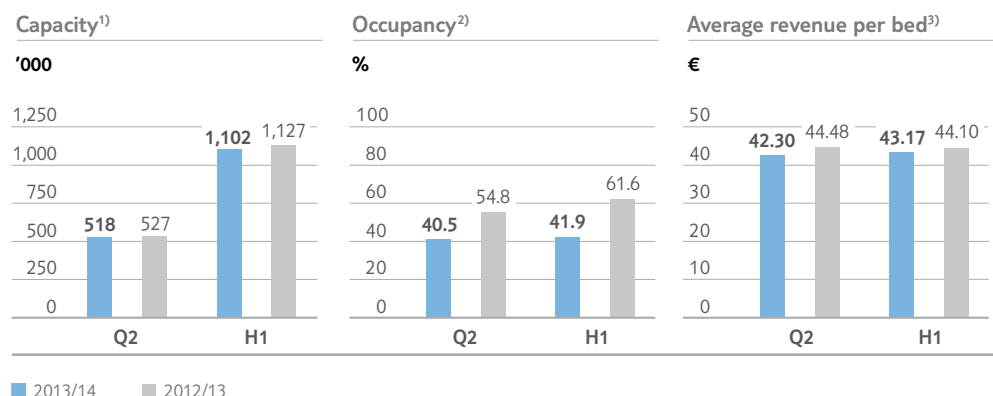
²⁾ Occupied beds divided by capacity

³⁾ Arrangement turnover divided by occupied beds

At the end of the 2013/14 period under review, 17 of the 24 club facilities operated by Robinson, market leader in the premium club holiday segment, were open. Capacity decreased by 6.0% year-on-year in the first half of 2013/14. The decline was driven by the sale of three club resorts formerly owned by Robinson, all three of which will continue to operate under the Robinson brand in the framework of management contract arrangements. Occupancy of Robinson Clubs in Morocco, Austria, Turkey and the Maldives increased year-on-year.

For the overall Robinson Group, this resulted in a year-on-year increase in occupancy of 2.3 percentage points in the first half of 2013/14. Average revenues per bed declined slightly by 0.8% versus the prior year, in particular due to the sale of the club facilities in Switzerland, which generate high selling prices. Adjusted for the Swiss club facilities, the average rate grew by 1.2%.

Iberotel



■ 2013/14 ■ 2012/13

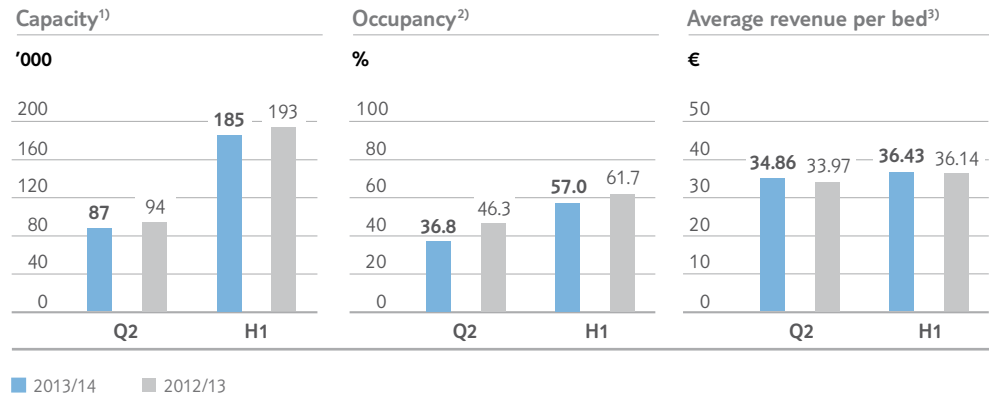
¹⁾ Group owned or leased hotel beds multiplied by number of days open per quarter

²⁾ Occupied beds divided by capacity

³⁾ Arrangement turnover divided by occupied beds

At the end of the first half of 2013/14, 23 facilities in Egypt, the United Arab Emirates and Germany were open. The Iberotel hotels in Turkey and Italy were still closed for seasonal reasons at the end of the period under review. Capacity decreased by 2.2% year-on-year. At 41.9%, overall occupancy of Iberotels was 19.7 percentage points down on the prior year as the booking situation of Iberotel hotels in Egypt remained impacted by the uncertain political situation in that destination. Average revenues per bed decreased by 2.1% versus the prior year.

Grupotel



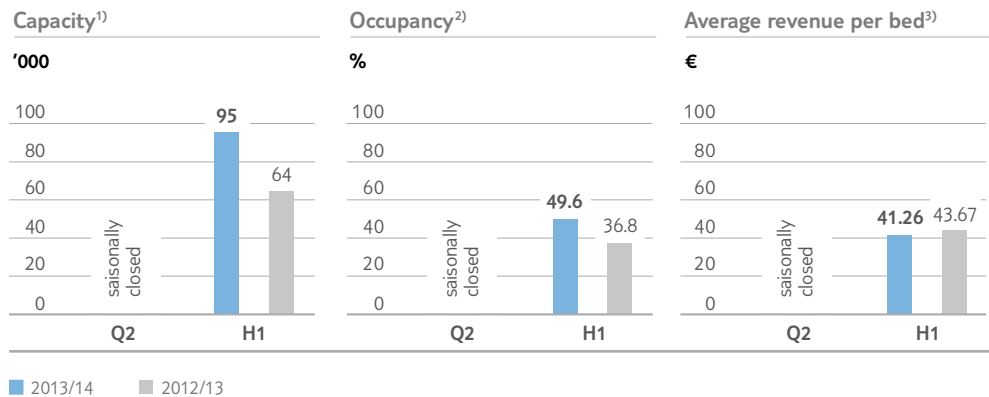
¹⁾ Group owned or leased hotel beds multiplied by number of days open per quarter

²⁾ Occupied beds divided by capacity

³⁾ Arrangement turnover divided by occupied beds

At the end of the first half of 2013/14, 14 hotels of the Grupotel chain, represented in Majorca, Menorca and Ibiza, were open. Due to changed seasonal opening times after the winter season, capacity decreased by 4.2%. With the number of hotel beds down, occupancy declined by 4.7 percentage points year-on-year to 57.0%. Average revenues per bed rose slightly, up by 0.8% versus the prior year.

Grecotel



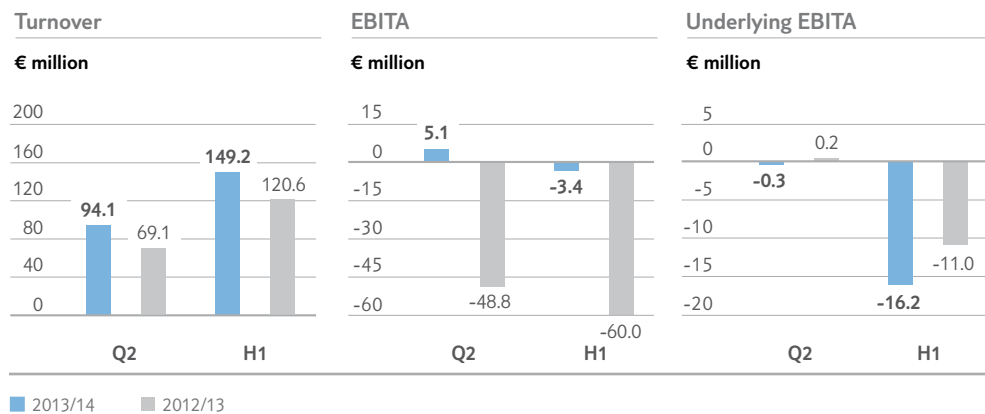
¹⁾ Group owned or leased hotel beds multiplied by number of days open per quarter

²⁾ Occupied beds divided by capacity

³⁾ Arrangement turnover divided by occupied beds

At the end of the first half of 2013/14, for seasonal reasons none of the 19 resorts operated by the leading Greek hotel company Grecotel were open. Occupancy of the resorts still open in the autumn of 2013 rose by 12.8 percentage points to 49.6%. Average revenues were impacted by the additional Grecotel hotel included in the report and declined by 5.5% year-on-year.

Cruises



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

Cruises – Key figures

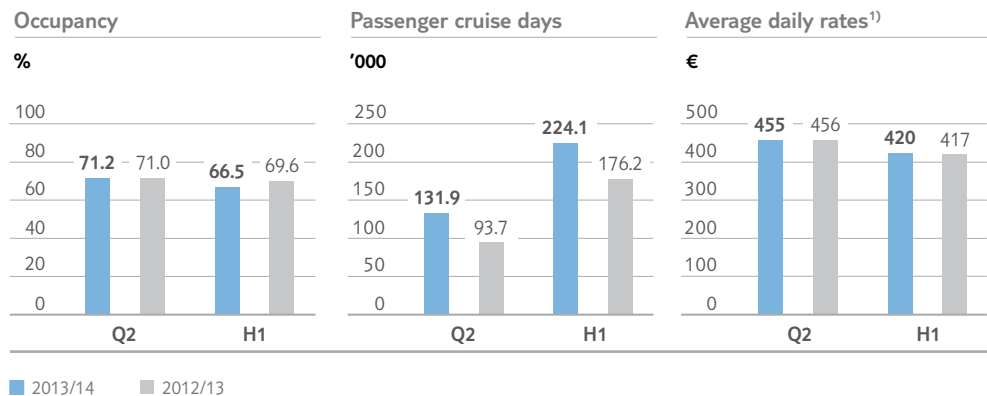
€ million	Q2 2013/14	Q2 2012/13	Var. %	H1 2013/14	H1 2012/13	Var. %
Turnover	94.1	69.1	+ 36.2	149.2	120.6	+ 23.7
EBITA	5.1	- 48.8	n/a	- 3.4	- 60.0	+ 94.3
Gains on disposal	–	–		–	–	
Restructuring	–	–		–	–	
Purchase price allocation	–	–		–	–	
Other one-off items	- 5.4	+ 49.0		- 12.8	+ 49.0	
Underlying EBITA	- 0.3	0.2	n/a	- 16.2	- 11.0	- 47.3
Underlying EBITDA	2.9	2.6	+ 11.5	- 9.6	- 6.2	- 54.8
Investments in other intangible assets and property, plant and equipment	–	0.1	n/a	6.0	2.7	+ 122.2
Employees (31 Mar)	251	277	- 9.4	251	277	- 9.4

In the second quarter of 2013/14, turnover by Hapag-Lloyd Kreuzfahrten totalled €94.1m, up by 36.2% year-on-year. Turnover for the first half of 2013/14 rose to €149.2m, up 23.7%, driven by the addition of Europa 2 to its fleet. As the joint venture TUI Cruises is measured at equity in the consolidated financial statements, no turnover is shown for TUI Cruises.

In the second quarter of 2013/14, underlying earnings by the Cruises Sector stood at €-0.3m, down €0.5m year-on-year. Accumulated underlying earnings for the first half of 2013/14 amounted to €-16.2m, down €5.2m versus the prior year. This was due to the weaker performance of Hapag-Lloyd Kreuzfahrten, whose result for the first half of 2013/14 was impacted by two dry-dock periods of Europa. TUI Cruises further expanded its market position in the winter season and achieved a very successful performance in the first half of the year.

In the period under review, the Cruises Sector had to carry adjustments of €12.8m for income from the utilisation of provisions formed in the previous year for pending losses from occupancy risks at Hapag-Lloyd Kreuzfahrten. As a result, reported earnings for the first half of 2013/14 improved substantially by €56.6m to €-3.4m year-on-year.

Hapag-Lloyd Kreuzfahrten

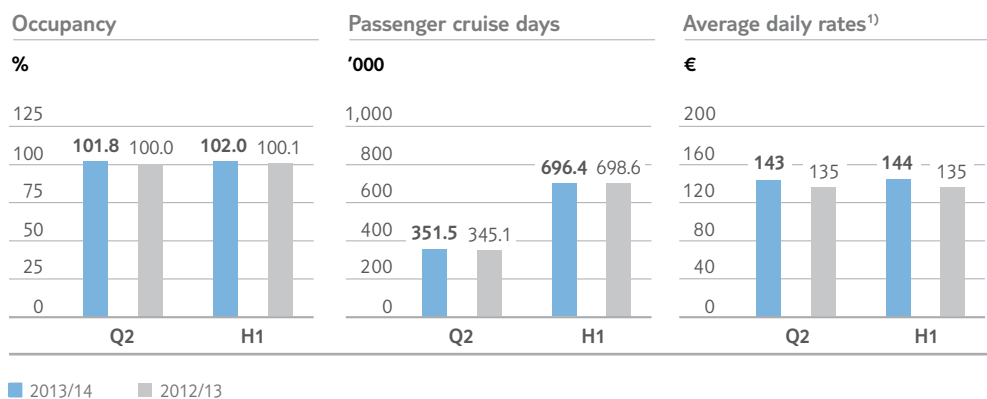


¹⁾ Per day and passenger

In the first half of 2013/14, occupancy of the fleet operated by Hapag-Lloyd Kreuzfahrten declined by 3.1 percentage points versus the prior year to 66.5%. In the period under review, 224,085 passenger days were generated, up 27.2% year-on-year. This was mainly driven by the operation of Europa 2, which had been commissioned in May 2013 and therefore not yet been operated in the relevant prior-year reference period. The average rate per passenger per day benefited from the fleet expansion, growing slightly by 0.7% to €420.

Upon the scheduled decommissioning of Columbus 2 from the fleet in April 2014, Hapag-Lloyd will focus on luxury and expedition cruises in future. It will launch international marketing activities in each of the segments with Europa 2 in the luxury segment and Hanseatic in the expedition cruise segment. The Europa and Bremen will only be offered in the German-speaking market in future.

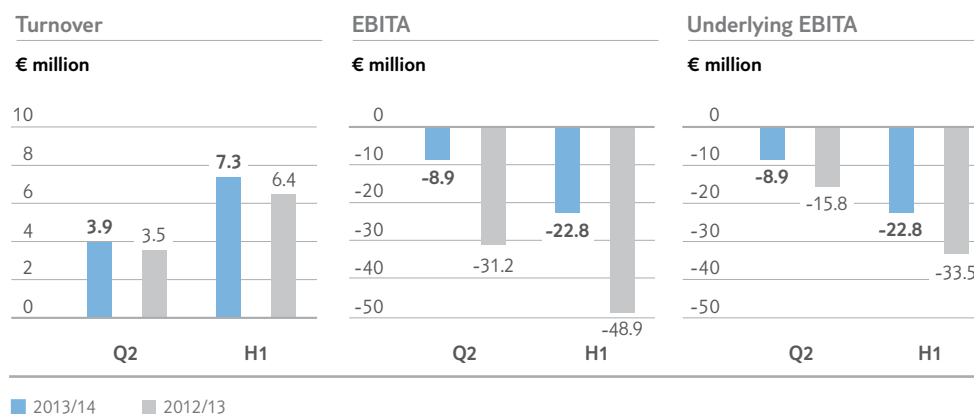
TUI Cruises



¹⁾ Per day and passenger

In the first half of 2013/14, TUI Cruises continued its positive development. At 102.0%, occupancy rose by another 1.9 percentage points year-on-year. Both vessels contributed to this high load factor with their respective winter trade lanes Caribbean and Canaries. At 696,378 passenger days, capacity almost matched the strong comparative of the prior year. The average rate per passenger per day was €144, up 6.5% year-on-year.

Central Operations



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

Central Operations – Key figures

€ million	Q2 2013/14	Q2 2012/13	Var. %	H1 2013/14	H1 2012/13	Var. %
Turnover	3.9	3.5	+ 11.4	7.3	6.4	+ 14.1
EBITA	- 8.9	- 31.2	+ 71.5	- 22.8	- 48.9	+ 53.4
Gains on disposal	–	–		–	–	
Restructuring	–	+ 8.0		–	+ 8.0	
Purchase price allocation	–	–		–	–	
Other one-off items	–	+ 7.4		–	+ 7.4	
Underlying EBITA	- 8.9	- 15.8	+ 43.7	- 22.8	- 33.5	+ 31.9
Underlying EBITDA	- 8.5	- 15.2	+ 44.1	- 21.5	- 31.2	+ 31.1
Investments in other intangible assets and property, plant and equipment	1.3	1.0	+ 30.0	1.6	2.6	- 38.5
Employees (31 Mar)	234	414	- 43.5	234	414	- 43.5
of which Corporate Center (31 Mar)	117	208	- 43.8	117	208	- 43.8

In the second quarter of 2013/14, expenses (underlying EBITA) by Central Operations declined by €6.9m versus the prior year to €-8.9m. Accumulated underlying earnings for the first half of 2013/14 totalled €-22.8m, improving by €10.7m year-on-year. This improvement was mainly driven by lower consultancy and travel costs, delivered in the framework of the Lean Center programme.

In the period under review, Central Operations did not have to carry any adjustments. In the previous year, adjustments of €15.4m had to be carried for expenses mainly associated with the implementation of TUI AG's Lean Center concept ("oneTUI" programme).

In the first half of 2013/14, reported earnings by Central Operations improved considerably by €26.1m versus the prior year to €-22.8m.

Consolidated earnings

Consolidated Profit and Loss Statement

€ million	Q2 2013/14	Q2 2012/13 restated	Var. %	H1 2013/14	H1 2012/13 restated	Var. %
Turnover	3,165.3	3,343.7	- 5.3	6,559.1	6,839.4	- 4.1
Cost of sales	2,970.9	3,289.7	- 9.7	6,164.7	6,591.3	- 6.5
Gross profit	194.4	54.0	+ 260.0	394.4	248.1	+ 59.0
Administrative expenses	395.7	375.2	+ 5.5	753.8	767.6	- 1.8
Other income/other expenses	+ 13.6	+ 0.5	n/a	+ 15.0	+ 16.8	- 10.7
Impairment of goodwill	-	8.3	n/a	-	8.3	n/a
Financial income	6.0	11.7	- 48.7	13.8	21.1	- 34.6
Financial expenses	72.3	86.4	- 16.3	140.6	167.3	- 16.0
Share of result of joint ventures and associates	-15.7	- 5.4	- 190.7	- 26.1	- 6.1	- 327.9
Earnings before income taxes	-269.7	- 409.1	+ 34.1	- 497.3	- 663.3	+ 25.0
Reconciliation to underlying earnings:						
Earnings before income taxes	- 269.7	- 409.1	+ 34.1	- 497.3	- 663.3	+ 25.0
plus: Loss on Container Shipping measured at equity	26.8	21.2	+ 26.4	36.5	29.3	+ 24.6
plus: Net interest expense and expense from measurement of interest hedges	63.3	76.2	- 16.9	121.4	146.7	- 17.2
plus: Impairment of goodwill	-	8.3	n/a	-	8.3	n/a
EBITA	- 179.6	- 303.4	+ 40.8	- 339.4	- 479.0	+ 29.1
Adjustments:						
plus: Loss on disposals	-	-		+ 0.6	-	
plus: Restructuring expense	+ 9.9	+ 18.0		+ 15.7	+ 25.5	
plus: Expense from purchase price allocation	+ 17.2	+ 16.5		+ 34.0	+ 37.0	
less: Income (previous year expense) from other one-off items	- 52.6	+ 71.7		- 56.6	+ 77.8	
Underlying EBITA	- 205.1	- 197.2	- 4.0	- 345.7	- 338.7	- 2.1
Earnings before income taxes	- 269.7	- 409.1	+ 34.1	- 497.3	- 663.3	+ 25.0
Income taxes	- 71.9	- 98.5	+ 27.0	- 146.1	- 166.1	+ 12.0
Group loss for the year	- 197.8	- 310.6	+ 36.3	- 351.2	- 497.2	+ 29.4
Group loss for the year attributable to shareholders of TUI AG	- 122.3	- 249.7	+ 51.0	- 231.0	- 388.3	+ 40.5
Group loss for the year attributable to non-controlling interest	- 75.5	- 60.9	- 24.0	- 120.2	- 108.9	- 10.4
Basic and diluted earnings per share	€ - 0.51	- 1.02	+ 50.0	- 0.96	- 1.59	+ 39.6

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



Earnings by the Sectors
see page 4 et seqq.

Turnover and cost of sales

Turnover comprises the turnover generated by Tourism and Central Operations. In the second quarter of 2013/14, turnover declined by 5.3% year-on-year to €3.2bn. For the first half of 2013/14, turnover totalled €6.6bn, down by 4.1% on the prior year due to the late timing of Easter in 2014 and lower customer numbers in TUI Travel's Mainstream Business. Turnover is presented alongside the cost of sales, which declined by 6.5% in the first half of the year. The disproportionate decline in the cost of sales was attributable to efficiency enhancements at TUI Travel and TUI Hotels & Resorts as well as one-off expenses included in the prior-year comparatives. A detailed breakdown of turnover and the development of turnover are presented in the section Earnings by the Sectors.

Gross profit

At €194.4m, gross profit as the balance of turnover and the cost of sales improved by €140.4m year-on-year in the second quarter of 2013/14. For the first half of 2013/14, gross profit amounted to €394.4m, up €146.3m versus the prior year.

Administrative expenses

Administrative expenses comprise expenses not directly allocable to the turnover transactions, such as expenses for general management functions. In the second quarter, they totalled €395.7m, up by €20.5m on the prior year. At €753.8m, administrative expenses for the first half of the year decreased by €13.8m year-on-year.

Other income/other expenses

Other income and other expenses primarily comprise profits and losses from the sale of fixed assets. The balance of income and expenses totalled €13.6m in the second quarter of 2013/14. The net income carried for the first half of 2013/14 resulted amongst others from sales of land and property, while the prior-year comparative reflected the gain on disposal from the divestment of a hotel.

Impairment of goodwill

No goodwill impairments had to be carried for the second quarter of 2013/14, nor for the first half of 2013/14. The goodwill impairments carried for the prior year reference quarter resulted from the adjustment of the business plan for the Castelfalfi project in Tuscany in TUI Hotels & Resorts.

Financial income and expenses/financial results

The financial result comprises the interest result and the net result from marketable securities. In the second quarter of 2013/14, the financial result rose by €8.4m to €-66.3m. In the first half of 2013/14, it comprised financial income of €13.8m (previous year €21.1m) and financial expenses of €140.6m (previous year €167.3m). The accumulated financial result for the first six months of 2013/14 increased by a total of €19.4m year-on-year to €-126.8m due to the further reduction in Group debt.

Share of results of joint ventures and associates

The share of results of joint ventures and associates comprises the share in net profit for the year of the associated companies and joint ventures as well as any impairments of the goodwill of these companies. The share of results of joint ventures and associates accounted for €-15.7m (previous year €-5.4m) in the second quarter of 2013/14 and €-26.1m (previous year €-6.1m) for the first half of 2013/14. The considerable decline in the Tourism segment resulted above all from a negative development of the Russian and Ukrainian markets due to the current political uncertainty, lower profit contributions of the Egyptian hotel companies measured at equity as well as start-up losses in connection with hotels newly opened in Turkey and Greece. Moreover, the proportionate loss of Hapag-Lloyd container shipping rose by €7.2m to €36.5m in the first half of 2013/14.



Adjustments see
Earnings by the Sectors
page 4 et seqq.

Underlying Group EBITA

In the second quarter and first half of 2013/14, underlying Group EBITA was negative due to the seasonality of the tourism business. It totalled €-205.1m for the second quarter of 2013/14, down €7.9m year-on-year. On an accumulated basis, it was almost flat year-on-year at €-345.7m for the first half of the year. Both variations reflected the late timing of Easter in 2014. EBITA was adjusted for gains on disposal, restructuring expenses, purchase price allocations and one-off items. The adjustments are outlined in detail in the section Earnings by the Sectors.

Income taxes

Taxes on income comprise taxes on profits from the business activities. In the second quarter of 2013/14, tax assets of €71.9m arose, as against €98.5m in the prior year, primarily reflecting the strong seasonal swing in the tourism business. The accumulated tax assets for the first half of the year amounted to €146.1m, following €166.1m in the prior year.

Group loss

In the second quarter of 2013/14, the Group result was negative at €-197.8m (previous year €-310.6m) due to the seasonality of the tourism business. The accumulated Group result for the first half of 2013/14 was €-351.2m (previous year €-497.2m). The year-on-year improvement in the Group result in the second quarter and first half of the year was driven by the significant decline in one-off expenses.

Non-controlling interests

Non-controlling interests accounted for €-75.5m for the second quarter of 2013/14 and €-120.2m for the first half of 2013/14. They related to the external shareholders of TUI Travel PLC and companies in the TUI Hotels & Resorts Sector.

Earnings per share

After deduction of non-controlling interests, TUI AG shareholders accounted for €-122.3m (previous year €-249.7m) of the Group result for the second quarter of 2013/14 and €-231.0m (previous year €-388.3m) for the first half of 2013/14. The substantial improvement was driven by the one-off expenses posted for the prior year, which fully related to TUI AG shareholders. As a result, basic earnings per share amounted to €-0.51 (previous year €-1.02) for the second quarter and €-0.96 (previous year €-1.59) for the first half of 2013/14.

Performance indicators

Key figures of Income Statement

€ million	Q2 2013/14	Q2 2012/13 restated	Var. %	H1 2013/14	H1 2012/13 restated	Var. %
Earnings before interest, income taxes, depreciation, impairment and rent (EBITDAR)	111.4	9.7	n/a	245.1	121.0	+ 102.6
Operating rental expenses	197.5	189.9	+ 4.0	398.9	386.1	+ 3.3
Earnings before interest, income taxes, depreciation and impairment (EBITDA)	- 86.1	- 180.2	+ 52.2	- 153.8	- 265.1	+ 42.0
Depreciation/amortisation less reversals of depreciation ¹⁾	- 93.5	- 123.2	+ 24.1	- 185.6	- 213.9	+ 13.2
Earnings before interest, income taxes and impairment of goodwill (EBITA)	- 179.6	- 303.4	+ 40.8	- 339.4	- 479.0	+ 29.1
Impairment of goodwill	-	8.3	n/a	-	8.3	n/a
Earnings before interest and income taxes (EBIT)	- 179.6	- 311.7	+ 42.4	- 339.4	- 487.3	+ 30.4
Interest result and earnings from the measurement of interest hedges	- 63.3	- 76.2	+ 16.9	- 121.4	- 146.7	+ 17.2
Result from Container Shipping measured at equity	- 26.8	- 21.2	- 26.4	- 36.5	- 29.3	- 24.6
Earnings before income taxes (EBT)	- 269.7	- 409.1	+ 34.1	- 497.3	- 663.3	+ 25.0

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

Net assets and financial position

The Group's balance sheet total decreased by 1.1% to €13.3bn versus the end of financial year 2012/13. The changes in the consolidated statement of financial position as against 30 September 2013 primarily reflect the seasonality of the tourism business.

Assets and liabilities

€ million	31 Mar 2014	30 Sep 2013	Var. %
Non-current assets	8,788.0	8,645.8	+ 1.6
Current assets	4,521.8	4,808.5	- 6.0
Assets	13,309.8	13,454.3	- 1.1
Equity	1,442.9	2,029.4	- 28.9
Provisions	2,022.6	2,160.2	- 6.4
Financial liabilities	3,422.2	2,769.6	+ 23.6
Other liabilities	6,422.1	6,495.1	- 1.1
Liabilities	13,309.8	13,454.3	- 1.1

Non-current assets

As at 31 March 2014, non-current assets accounted for 66.0% of total assets, compared with 64.3% as at 30 September 2013. At €8.8bn, non-current assets rose year-on-year.

Current assets

As at 31 March 2014, current assets accounted for 34.0% of total assets, following 35.7% as at 30 September 2013. Current assets decreased from €4.8bn as at 30 September 2013 to €4.5bn as at 31 March 2014, primarily due to the seasonality of the tourism business.

Equity

Equity totalled €1.4bn as at 31 March 2014. The equity ratio declined from 15.1% as at 30 September 2013 to 10.8%. Further information on the changes in equity is provided in the Notes to the present Half-Year Financial Report.

Provisions

Provisions mainly comprise provisions for pension obligations, effective and deferred income tax provisions and provisions for typical operating risks. As at 31 March 2014, they totalled €2.0bn, down by 6.4% as against 30 September 2013.

Financial liabilities

As at 31 March 2014, financial liabilities consisted of non-current financial liabilities of €1.8bn and current financial liabilities of €1.6bn. As at 30 September 2013, non-current financial liabilities amounted to €1.8bn, with current financial liabilities of €0.9bn.

At the end of the second quarter (31 March 2014), the TUI Group's net debt including the TUI Group's assets held for sale and the associated liabilities totalled €1.3bn. Net debt was thus reduced by €115.2m year-on-year.

Other liabilities

As at 31 March 2014, other liabilities amounted to €6.4bn, down versus their level as at 30 September 2013.



See page 45

Other segment indicators

Underlying EBITDA

€ million	Q2 2013/14	Q2 2012/13	Var. %	H1 2013/14	H1 2012/13	Var. %
Tourism	- 117.4	- 101.6	- 15.6	- 167.0	- 156.4	- 6.8
TUI Travel	- 184.9	- 160.6	- 15.1	- 264.5	- 257.6	- 2.7
TUI Hotels & Resorts	64.6	56.4	+ 14.5	107.1	107.4	- 0.3
Cruises	2.9	2.6	+ 11.5	- 9.6	- 6.2	- 54.8
Central Operations	- 8.5	- 15.2	+ 44.1	- 21.5	- 31.2	+ 31.1
Group	- 125.9	- 116.8	- 7.8	- 188.5	- 187.6	- 0.5

EBITDA

€ million	Q2 2013/14	Q2 2012/13	Var. %	H1 2013/14	H1 2012/13	Var. %
Tourism	- 77.6	- 156.0	+ 50.3	- 132.3	- 224.9	+ 41.2
TUI Travel	- 150.5	- 161.3	+ 6.7	- 242.0	- 272.4	+ 11.2
TUI Hotels & Resorts	64.6	51.7	+ 25.0	106.5	102.7	+ 3.7
Cruises	8.3	- 46.4	n/a	3.2	- 55.2	n/a
Central Operations	- 8.5	- 24.2	+ 64.9	- 21.5	- 40.2	+ 46.5
Group	- 86.1	- 180.2	+ 52.2	- 153.8	- 265.1	+ 42.0

Investments in other intangible assets and property, plant and equipment

€ million	Q2 2013/14	Q2 2012/13	Var. %	H1 2013/14	H1 2012/13	Var. %
Tourism	87.0	175.4	- 50.4	309.1	404.7	- 23.6
TUI Travel	78.7	155.1	- 49.3	276.8	372.4	- 25.7
TUI Hotels & Resorts	8.3	20.2	- 58.9	26.3	29.6	- 11.1
Cruises	-	0.1	n/a	6.0	2.7	+ 122.2
Central Operations	1.3	1.0	+ 30.0	1.6	2.6	- 38.5
Group	88.3	176.4	- 49.9	310.7	407.3	- 23.7

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

€ million	Q2 2013/14	Q2 2012/13	Var. %	H1 2013/14	H1 2012/13	Var. %
Tourism	92.6	116.2	- 20.3	183.5	205.3	- 10.6
TUI Travel	74.1	76.4	- 3.0	145.2	146.4	- 0.8
TUI Hotels & Resorts	15.3	37.4	- 59.1	31.7	54.1	- 41.4
Cruises	3.2	2.4	+ 33.3	6.6	4.8	+ 37.5
Central Operations	0.5	7.0	- 92.9	1.4	8.7	- 83.9
Group	93.1	123.2	- 24.4	184.9	214.0	- 13.6

Employees

	31 Mar 2014	30 Sep 2013	Var. %
Tourism	66,050	74,040	- 10.8
TUI Travel	53,701	59,756	- 10.1
TUI Hotels & Resorts	12,098	14,013	- 13.7
Cruises	251	271	- 7.4
Central Operations	234	405	- 42.2
Corporate Center	117	198	- 40.9
Other units	117	207	- 43.5
Group	66,284	74,445	- 11.0

INTERIM MANAGEMENT REPORT

RISK AND OPPORTUNITY REPORT



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

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

The following changes in the miscellaneous other risks occurred in the period under review:

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

With the final hearing on 31 March 2014, the tax proceedings instituted by the Spanish authorities against a subsidiary of TUI Travel PLC was terminated. In accordance with the terms of the settlement already agreed in October 2013, a final interest and penalty payment totalling €20.6m was made in March.

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

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

INTERIM MANAGEMENT REPORT

OUTLOOK

Economic framework

Expected development of gross domestic product

Var. %	2015	2014
World	3.9	3.6
Eurozone	1.5	1.2
Germany	1.6	1.7
France	1.5	1.0
UK	2.5	2.9
US	3.0	2.8
Russia	2.3	1.3
Japan	1.0	1.4
China	7.3	7.5
India	6.4	5.4

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

Macroeconomic situation

The International Monetary Fund (IMF, World Economic Outlook Update, April 2014) has revised its forecast for global gross domestic product growth slightly down as against January 2014, expecting global economic growth of 3.6% for 2014 and 3.9% for 2015. While the forecast for the development of the industrialised countries has remained unchanged, the IMF expects growth in the emerging markets and developing countries to lose steam as structural problems and tighter financial conditions in these countries prevent faster growth of economic momentum.

Market development tourism

The UNWTO expects international tourism to continue to grow worldwide in this decade, albeit at a more moderate pace than before. For the next few years, it expects average weighted growth of around 3% per year. For calendar year 2014, the UNWTO expects international arrivals to grow by around 4% (source: UNWTO, Tourism towards 2030, October 2011).

Impact on the TUI Group

As a leading tourism company, the TUI Group depends on the development of consumer demand in the key source markets in which we are represented with our tour operator and hotel brands. Our planning is based on the IMF assumptions regarding the future development of the world economy. The recovery in the industrialised countries in Europe and North America expected by the IMF and the resulting rise in consumer sentiment in the large source markets would benefit the TUI Group. By contrast, weaker momentum in the growth regions might dampen the further expansion of our business in these markets in the medium term.

Apart from the development of consumer sentiment, demand in the travel sector also hinges on political stability in the destinations. Following the temporary suspension of travel to Egypt, an important winter destination, in September 2013, we reduced our capacity to that region in the 2013/14 winter season. The reduced flight capacity may be flexibly increased, if necessary. At the same time, we expanded our offerings to alternative destinations, such as the Canary Islands. We expect these measures to enable us to largely offset any potential impact on earnings in the winter season 2013/14.

Taking account of the customer numbers realised in the first half of the year, we expect the volume growth in TUI Travel's Mainstream Business to fall short of the 2.8% p.a. assumed in our budget for financial year 2013/14. At the same time, TUI Travel's strategy of differentiation is successful, with the proportion of sales of unique product in the Mainstream Business continuing to grow. Our focus also remains on further enhancing the attractiveness of our own hotel portfolio and expanding our German cruise business, in particular under the TUI Cruises brand.

Expected development of earnings

TUI Group

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

Expected development of Group earnings

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

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

Turnover

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

Underlying EBITA

The TUI Group's underlying EBITA in financial year 2013/14 is expected to rise by 6% to 12% year-on-year due to the expected business performance of the Sectors presented below. Risks relate to the development of customer numbers against the backdrop of continued volatility of the economic environment in our key source markets.

Adjustments

On balance, special one-off expenses are expected to decline in 2013/14. This will result, in particular, from lower expected one-off expenses and restructuring costs and the income generated in the second quarter from the curtailment of pension obligations at TUI Travel. On the other hand, we no longer expect to carry VAT reimbursements from prior year payments in Belgium through profit and loss in the financial year under review.

EBITA

We expect an increase in reported EBITA of 16% to 23% in financial year 2013/14 due to the expected decline in one-off factors to be carried as adjustments and the improvement in our operating result.

ROIC and value added

Due to the improved operating result, we expect ROIC to improve further in financial year 2013/14. We also expect a resulting increase in value added, depending on the development of the TUI Group's capital costs.

Expected development of the Sectors

Expected development of earnings

Underlying EBITA € million	2012/13	Expected development vs. PY		
		2013/14*		
TUI Travel	640.5	7%	to	10%
TUI Hotels & Resorts	197.2			
TUI Hotels & Resorts (without book profit Cala Millor)	182.2	2%	to	7%
Cruises	- 13.9	Turnaround		
Central Operations	- 61.9	3%	to	11%
Group	761.9	6%	to	12%

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

TUI Travel

TUI Travel has forecast average annual growth of 7% to 10% at constant currency for the future development of its operating results by 2017. On that basis, we expect TUI Travel to generate growth in underlying earnings of 7% minimum in financial year 2013/14. Potential stronger earnings growth of up to 10% will primarily depend on the development of the summer season 2014. This earnings forecast is based on a constant exchange rate of sterling of £0.83/€ (average exchange rate in 2012/13: £0.84/€). Should the development of the exchange rate of sterling against the euro deviate from that assumption in the course of the year, this might have a substantial impact on the result by TUI Travel carried in TUI AG's consolidated financial statements. The key earnings drivers in TUI Travel are further cost savings from the restructuring and business improvement programmes initiated in the Mainstream and Specialist & Activity Businesses as well as margin improvements due to increased sales of differentiated product. By contrast, risks relate to the economic development of the key volume markets, which might fall below expectations and hence curb demand for travel products.

TUI Hotels & Resorts

For TUI Hotels & Resorts, we expect growth in underlying earnings of 2% to 7% in financial year 2013/14, adjusted for the gain of around €15m from the sale of a hotel, included in earnings for financial year 2012/13. In financial year 2013/14, TUI Hotels & Resorts is expected to see a slight increase in capacity (2012/13: 24.3m hotel beds available). On stable occupancy of the hotels (2012/13: 80.3%), our budget is based on a slight improvement in average revenues per bed (2012/13: €53.1/day). Risks relate to the development of customer numbers from the major source markets, which might fall short of expectations.

Cruises

For the Cruises Sector, we expect our operating result to at least break even in financial year 2013/14. The main drivers of the improvement in the operating performance of Hapag-Lloyd Kreuzfahrten are the non-recurrence of the start-up costs for the launch of Europa 2, included in our results for 2012/13. Moreover, the refocussing of Hapag-Lloyd Kreuzfahrten on luxury and expedition cruises will be completed upon the decommissioning of Columbus 2 in April 2014. The first-time operation of Europa 2 for a full year is expected to cause a significant increase in passenger days (2012/13: 407 thousand) and average rates (2012/13: €420/day) year-on-year. Occupancy of the Hapag-Lloyd fleet (2012/13: 70,6%) is expected to rise slightly. TUI Cruises will commission its third vessel in June 2014 and expects to generate additional profit contributions as a result. TUI Cruises is also expected to post a considerable increase in passenger days (2012/13: 1,4m) and the average daily rate 2012/13: €157/day), while the budgeted load factor (2012/13: 101,8%) is expected to fall slightly year-on-year.

Central Operations

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

Development of the financial position

Expected development of Group financial position

€ million	Expected development vs. PY	
	2012/13	2013/14*
Cash investments	597.7	flat
Net debt	67.9	flat

* Based on a planned fx rate of 0.83 GBP/€

Capital expenditure

Due to investment decisions already taken and planned projects, we expect the TUI Group's financing requirements to be stable in financial year 2013/14. Around 80% of capital expenditure relates to TUI Travel. The largest portion has been earmarked for capital expenditure on property, plant and equipment. The planned investments by TUI Travel include the introduction of new production and booking systems and the purchase of aircraft spare parts and yachts. Further investments have been planned for the maintenance and expansion of the cruise ship and hotel portfolio.

Net debt

At the balance sheet date (30 September 2013), the Group's net debt totalled €0.1bn. Taking account of the expected cash flow from business operations, the expected funding requirements for capital expenditure and planned finance leases for aircraft at TUI Travel, the TUI Group's net debt is expected to show a stable development in financial year 2013/14.

Sustainable development

Climate protection and emissions

Greenhouse gas emissions and their impact on climate change constitute one of the biggest global challenges for the tourism sector. Our aim of reducing the absolute and specific CO₂ emissions of our aircraft fleet by 6% by the end of financial year 2013/14 against the 2007/08 baseline was already reached ahead of plan in August 2013. We have therefore decided to reduce specific CO₂ emissions per passenger kilometre of our airlines by a further 3 percentage points by the end of 2015 with the aid of new technologies.

Overall assessment of the Group's expected development

On the basis of the expected moderate economic growth, we confirm our positive outlook for the TUI Group for financial year 2013/14. The TUI Group is well positioned in the market with its financial profile and its product and services portfolio.

We expect the Group to achieve an increase in its operating result year-on-year due to the improvement in the operating performance of our Sectors. Based on the assumed exchange rates, we expect underlying earnings by the TUI Group to grow by 6% to 12%.

Should the economic framework show the expected positive development, the business volumes and operating results of the Group are expected to continue to grow in financial year 2014/15. In the framework of our "oneTUI" strategy programme, we are aiming to achieve operating earnings (underlying EBITA) of around €1bn for the TUI Group in financial year 2014/15 on a constant currency basis.

Opportunity report

The TUI Group's opportunity management follows the Group strategy for Tourism, its core business. Responsibility for the systematic detection and use of opportunities rests with the operative management of the Tourism Sectors TUI Travel, TUI Hotels & Resorts and Cruises. Market scenarios and critical success factors for the individual Sectors are analysed and assessed in the framework of the Group-wide planning and control process. The core task of the Group Board is to secure profitable growth for the TUI Group by optimising the shareholding portfolio and securing the development the Group structure over the long term.

Overall, the TUI Group is well positioned to benefit from opportunities resulting from the main trends in its markets.

Opportunities resulting from the development of the overall framework

Should the economic development prove better than expected, the TUI Group and its Sectors would benefit from the resulting increase in demand in the travel market. In addition, changes in the competitive environment in individual markets might give rise to opportunities for the TUI Group.

Opportunities regarding corporate strategy

We see opportunities for further organic growth in particular by expanding our activities in growth markets Russia and Brazil. As market leader, we also intend to benefit from demographic change and the resulting expected increase in demand for high-quality travel at an attractive price/performance ratio in the long term.

Operational opportunities

We intend to improve our competitive position further by continuing the restructuring and cost reduction programmes, offering a differentiated product portfolio and further expanding controlled distribution, in particular online sales, at TUI Travel.

Other opportunities

Moreover, we consider the potential sale of our remaining stake in Container Shipping as an opportunity to further improve the TUI Group's key financial ratios.

INTERIM MANAGEMENT REPORT

CORPORATE GOVERNANCE

Composition of the boards



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

In the second quarter of 2013/14, the composition of the boards of TUI AG changed as follows:

Mikhail Noskov resigned from the Supervisory Board of TUI AG with effect from the close of the Annual General Meeting on 12 February 2014. For the remaining term of the Supervisory Board (i.e. until the close of the ordinary Annual General Meeting 2016), the ordinary Annual General Meeting 2014 elected Vladimir Lukin upon the proposal of the Supervisory Board. Mr Lukin, residing in Moscow, is General Counsel and Senior Vice President Legal Affairs at OAO Severstal. He is not a member of any other statutory supervisory board in accordance with section 125 of the German Stock Corporation Act. He is a member of the Board of Directors of OAO Severstal and the Board of Directors of OJSC Power Machines.

Vladimir Yakushev resigned from the Supervisory Board of TUI AG with effect from 7 February 2014. The district court of Hanover appointed Maxim G. Shemetov as new member of the Supervisory Board with effect from 14 March 2014. Mr Shemetov, residing in Moscow, is Director and CFO/Private Equity, Capital Markets at S-Group Capital Management. He is not a member of any other statutory supervisory board in accordance with section 125 of the German Stock Corporation Act. He is a member of the Board of Directors of LLC Svoy-TT.

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

INTERIM FINANCIAL STATEMENTS

Income statement of the TUI Group for the period from 1 October 2013 to 31 March 2014

€ million	Notes	Q2 2013/14	Q2 2012/13 restated	H1 2013/14	H1 2012/13 restated
Turnover		3,165.3	3,343.7	6,559.1	6,839.4
Cost of sales	(1)	2,970.9	3,289.7	6,164.7	6,591.3
Gross profit		194.4	54.0	394.4	248.1
Administrative expenses	(1)	395.7	375.2	753.8	767.6
Other income/other expenses	(2)	+ 13.6	+ 0.5	+ 15.0	+ 16.8
Impairment of goodwill	(3)	–	8.3	–	8.3
Financial income	(4)	6.0	11.7	13.8	21.1
Financial expenses	(4)	72.3	86.4	140.6	167.3
Share of result of joint ventures and associates	(5)	- 15.7	- 5.4	- 26.1	- 6.1
Earnings before income taxes		- 269.7	- 409.1	- 497.3	- 663.3
Reconciliation to underlying earnings:					
Earnings before income taxes		- 269.7	- 409.1	- 497.3	- 663.3
plus: Loss on Container Shipping measured at equity		26.8	21.2	36.5	29.3
plus: Net interest expense and expense from the measurement of interest hedges		63.3	76.2	121.4	146.7
plus: Impairment of goodwill		–	8.3	–	8.3
EBITA		- 179.6	- 303.4	- 339.4	- 479.0
Adjustments:					
plus: Losses on disposals	(6)	–	–	0.6	–
plus: Restructuring expense		9.9	18.0	15.7	25.5
plus: Expense from purchase price allocation		17.2	16.5	34.0	37.0
less: Income (previous year expense) from other one-off items		- 52.6	71.7	- 56.6	77.8
Underlying EBITA		- 205.1	- 197.2	- 345.7	- 338.7
Earnings before income taxes		- 269.7	- 409.1	- 497.3	- 663.3
Income taxes	(7)	- 71.9	- 98.5	- 146.1	- 166.1
Group loss for the year		- 197.8	- 310.6	- 351.2	- 497.2
Group loss for the year attributable to shareholders of TUI AG		- 122.3	- 249.7	- 231.0	- 388.3
Group loss for the year attributable to non-controlling interest	(8)	- 75.5	- 60.9	- 120.2	- 108.9

Earnings per share

€	Q2 2013/14	Q2 2012/13 restated	H1 2013/14	H1 2012/13 restated
Basic and diluted earnings per share	- 0.51	- 1.02	- 0.96	- 1.59

**Condensed statement of comprehensive income of the TUI Group for the period
from 1 October 2013 to 31 March 2014**

€ million	Q2 2013/14	Q2 2012/13 restated	H1 2013/14	H1 2012/13 restated
Group loss	- 197.8	- 310.6	- 351.2	- 497.2
Actuarial losses and gains from pension provisions and related fund assets	- 50.0	21.1	- 16.8	- 46.9
Changes in the measurement of companies measured at equity	- 2.1	0.4	1.4	- 4.7
Income tax related to items that will not be reclassified	12.2	- 6.1	5.6	12.0
Items that will not be reclassified to profit or loss	- 39.9	15.4	- 9.8	- 39.6
Foreign exchange differences	- 26.9	120.8	- 91.0	106.7
Financial instruments available for sale	1.0	4.4	0.7	4.4
Cash flow hedges	- 21.0	188.9	- 9.4	162.5
Changes in the measurement of companies measured at equity	1.6	1.7	11.5	6.7
Income tax related to items that may be reclassified	2.2	- 43.0	- 0.3	- 36.3
Items that may be reclassified to profit or loss	- 43.1	272.8	- 88.5	244.0
Other comprehensive income	- 83.0	288.2	- 98.3	204.4
Total comprehensive income	- 280.8	- 22.4	- 449.5	- 292.8
attributable to shareholders of TUI AG	- 171.4	- 87.7	- 287.1	- 288.6
attributable to non-controlling interest	- 109.4	65.3	- 162.4	- 4.2

Financial position of the TUI Group as at 31 March 2014

€ million	31 Mar 2014	30 Sep 2013
Assets		
Goodwill	3,003.1	2,976.4
Other intangible assets	887.3	866.2
Investment property	7.8	58.0
Property, plant and equipment	2,652.9	2,682.0
Investments in joint ventures and associates	1,370.2	1,386.4
Financial assets available for sale	72.6	71.5
Trade receivables and other assets	371.0	342.8
Derivative financial instruments	52.2	37.9
Deferred tax asset	370.9	224.6
Non-current assets	8,788.0	8,645.8
Inventories	114.9	115.4
Trade receivables and other assets	2,114.4	1,876.8
Derivative financial instruments	37.1	49.1
Current tax asset	100.4	53.9
Cash and cash equivalents	2,105.2	2,701.7
Assets held for sale	49.8	11.6
Current assets	4,521.8	4,808.5
	13,309.8	13,454.3

€ million	31 Mar 2014	30 Sep 2013
Equity and liabilities		
Subscribed capital	645.5	645.2
Capital reserves	958.1	957.7
Revenue reserves	- 203.2	151.3
Hybrid capital	294.8	294.8
Equity before non-controlling interest	1,695.2	2,049.0
Non-controlling interest	- 252.3	- 19.6
Equity	1,442.9	2,029.4
Pension provisions and similar obligations	999.7	1,102.2
Other provisions	569.0	575.0
Non-current provisions	1,568.7	1,677.2
Financial liabilities	1,794.3	1,834.1
Derivative financial instruments	21.3	30.7
Current tax liabilities	109.8	107.8
Deferred tax liabilities	47.8	76.6
Other liabilities	109.6	98.4
Non-current liabilities	2,082.8	2,147.6
Non-current provisions and liabilities	3,651.5	3,824.8
Pension provisions and similar obligations	30.7	33.8
Other provisions	423.2	449.2
Current provisions	453.9	483.0
Financial liabilities	1,627.9	935.5
Trade payables	1,862.8	3,049.2
Derivative financial instruments	183.5	178.8
Current tax liabilities	75.5	134.0
Other liabilities	4,007.2	2,819.6
Current liabilities	7,756.9	7,117.1
Liabilities related to assets held for sale	4.6	-
Current provisions and liabilities	8,215.4	7,600.1
	13,309.8	13,454.3

**Condensed statement of changes in equity of the TUI Group
for the period from 1 October 2013 to 31 March 2014**

€ million	Subscribed capital	Capital reserves	Revenue reserves	Hybrid capital	Equity before non-controlling interest	Non-controlling interest	Total
Balance as at 1 Oct 2013	645.2	957.7	151.3	294.8	2,049.0	- 19.6	2,029.4
Dividends	-	-	- 37.8	-	- 37.8	- 82.4	- 120.2
Hybrid capital dividend	-	-	- 11.4	-	- 11.4	-	- 11.4
Share-based payment schemes of TUI Travel PLC	-	-	5.3	-	5.3	4.3	9.6
Issue of employee shares	0.3	0.4	-	-	0.7	-	0.7
Tax impact on convertible bonds	-	-	-	-	-	27.4	27.4
Effects on the acquisition of non-controlling interests	-	-	- 21.1	-	- 21.1	- 17.4	- 38.5
Effect of option writer position from an option on minority interests	-	-	- 2.4	-	- 2.4	- 2.2	- 4.6
Group loss	-	-	- 231.0	-	- 231.0	- 120.2	- 351.2
Foreign exchange differences	-	-	- 59.4	-	- 59.4	- 31.6	- 91.0
Financial instruments available for sale	-	-	0.4	-	0.4	0.3	0.7
Cash flow hedges	-	-	1.1	-	1.1	- 10.5	- 9.4
Actuarial losses from pension provisions and related fund assets	-	-	- 13.4	-	- 13.4	- 3.4	- 16.8
Changes in the measurement of companies measured at equity	-	-	12.9	-	12.9	-	12.9
Taxes attributable to other comprehensive income	-	-	2.3	-	2.3	3.0	5.3
Other comprehensive income	-	-	- 56.1	-	- 56.1	- 42.2	- 98.3
Total comprehensive income	-	-	- 287.1	-	- 287.1	- 162.4	- 449.5
Balance as at 31 March 2014	645.5	958.1	- 203.2	294.8	1,695.2	- 252.3	1,442.9

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

€ million	Subscribed capital	Capital reserves	Revenue reserves	Hybrid capital	Equity before non-controlling interest	Non-controlling interest	Total
Balance as at 1 Oct 2012	644.9	957.4	185.2	294.8	2,082.3	- 15.2	2,067.1
Dividends	-	-	-	-	-	- 90.1	- 90.1
Hybrid capital dividend	-	-	- 12.4	-	- 12.4	-	- 12.4
Share-based payment schemes of TUI Travel PLC	-	-	3.7	-	3.7	2.7	6.4
Issue of employee shares	0.3	0.2	-	-	0.5	-	0.5
Effects on the acquisition of non-controlling interests	-	-	- 14.9	-	- 14.9	- 1.1	- 16.0
Effects on the disposal of shares to non-controlling interests	-	-	107.4	-	107.4	- 41.1	66.3
Group loss	-	-	- 388.3	-	- 388.3	- 108.9	- 497.2
Foreign exchange differences	-	-	38.8	-	38.8	67.9	106.7
Financial instruments available for sale	-	-	2.5	-	2.5	1.9	4.4
Cash flow hedges	-	-	103.9	-	103.9	58.6	162.5
Actuarial losses from pension provisions and related fund assets	-	-	- 31.2	-	- 31.2	- 15.7	- 46.9
Changes in the measurement of companies measured at equity	-	-	2.0	-	2.0	-	2.0
Taxes attributable to other comprehensive income	-	-	- 16.3	-	- 16.3	- 8.0	- 24.3
Other comprehensive income	-	-	99.7	-	99.7	104.7	204.4
Total comprehensive income	-	-	- 288.6	-	- 288.6	- 4.2	- 292.8
Balance as at 31 March 2013	645.2	957.6	- 19.6	294.8	1,878.0	- 149.0	1,729.0

Condensed cash flow statement of the TUI Group

€ million	H1 2013/14	H1 2012/13
Cash outflow from operating activities	- 776.6	- 783.7
Cash outflow from investing activities	- 76.8	- 237.7
Cash inflow from financing activities	281.0	148.2
Net change in cash and cash equivalents	- 572.4	- 873.2
Change in cash and cash equivalents due to exchange rate fluctuation	- 22.6	- 37.8
Cash and cash equivalents at beginning of period	2,701.7	2,278.4
Cash and cash equivalents at end of period	2,106.7	1,367.4
of which included in the balance sheet as assets held for sale	1.5	-

NOTES

Accounting principles

In accordance with IAS 34, the Group's interim financial statements as at 31 March 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 accounting and measurement methods adopted in the preparation of these interim financial statements as at 31 March 2014 are generally consistent with those followed in the preparation of the preceding consolidated financial statements for the financial year ended 30 September 2013.

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

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 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
- Amendments to IFRS 1: First-Time Adoption of IFRS – Government Loans

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 does not have any or 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 1 are not relevant for the TUI Group.

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. The prospective first-time application of the standard gives rise to expanded disclosure requirements on financial instruments in the Notes in the course of the year.

Amendments to IFRS 7: Financial Instruments – Disclosures

The amendments to IFRS 7 expand the existing qualitative and 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. The amendments are not applicable to condensed interim financial statements unless a disclosure requirement arises due to essential changes since the end of the last reporting period.

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 above all clarifications of the presentation, recognition and measurement.

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 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 first-time application has not had an impact on the disclosures in the Notes to the present 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 EU 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 in the present interim financial statements.

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.

In line with the transition guidance, the amendments are applied with retroactive effect as of the beginning of the reference period, i.e. 1 October 2012. The tables below present 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:

**Restated items of the income statement of the TUI Group
for the period from 1 October 2012 to 31 March 2013**

€ million	before restatement	adjustment	restated
Financial income	61.4	- 40.3	21.1
Financial expenses	200.5	- 33.2	167.3
Earnings before income taxes	- 656.2	- 7.1	- 663.3
EBITA	- 479.0	-	- 479.0
Underlying EBITA	- 338.7	-	- 338.7
Earnings before income taxes	- 656.2	- 7.1	- 663.3
Income taxes	- 164.3	- 1.8	- 166.1
Group loss for the year	- 491.9	- 5.3	- 497.2
Group loss for the year attributable to shareholders of TUI AG	- 385.4	- 2.9	- 388.3
Group loss for the year attributable to non-controlling interest	- 106.5	- 2.4	- 108.9
Basic and diluted earnings per share	- 1.58	- 0.01	- 1.59

**Restated items in the statement of comprehensive income of the TUI Group
for the period from 1 October 2012 to 31 March 2013**

€ million	before restatement	adjustment	restated
Group loss	- 491.9	- 5.3	- 497.2
Actuarial gains from pension provisions and related fund assets	- 54.0	7.1	- 46.9
Income tax related to items that will not be reclassified	13.8	- 1.8	12.0
Items that will not be reclassified to profit or loss	- 44.9	5.3	- 39.6
Total comprehensive income	- 292.8	-	- 292.8
attributable to shareholders of TUI AG	- 288.6	-	- 288.6
attributable to non-controlling interest	- 4.2	-	- 4.2

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. The change in the Group result of €-5.3m is offset by a non-cash change in provisions (€7.1m) and in deferred tax assets (€-1.8m).

If the old version of IAS 19 had continued to be applied, the consolidated comprehensive income and Group financial position for the first half 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 €8.8m with an increase in financial result of €13.2m and a reduction in tax income of €4.4m
- Reduction in other comprehensive income within the items not to be reclassified to the income statement by the same amount of €8.8m 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.

Group of consolidated companies

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

The interim financial statements as at 31 March 2014 included a total of 46 domestic and 594 foreign subsidiaries, besides TUI AG.

Since 1 October 2013, seven companies have been newly included in consolidation. Two of these companies have been newly included due to acquisitions and purchases of additional interests, and two companies due to an expansion of their business activities. Three additional companies have been newly established. On the other hand, 39 companies have been de-consolidated since 1 October 2013 due to liquidation and four companies due to mergers. One further company was sold.

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

Acquisitions – divestments

Summary presentation of acquisitions

Name and headquarters of the acquired company or business	Business activity	Acquirer	Date of acquisition	Acquired share in %	Consideration transferred in € million
Le Passage to India Tours & Travels pvt. Ltd., Neu Delhi, Indien	Tour Operator	Trina Group	19.12.2013	41.0%	11.9
Global Obi S.L., Palma de Mallorca, Spain	Online Services	Hotelbeds Spain SLU	21.2.2014	51.0%	4.7
5 Travel agents in Germany	Travel Agent	TUI Leisure Travel GmbH	1.10.2013 – 31.3.2014	n/a	1.2
Total					17.8

The acquisitions of the travel agencies in the first half of the year were carried out in the form of asset deals. The other acquisitions were carried out in the form of share deals. The considerations transferred for the acquisition by the TUI Group comprise purchase price payments.

The fair value measurement of Le Passage to India Tours & Travels pvt. Ltd., previously measured at equity, totalling €11.9m directly before the acquisition of additional shares, leading to classification as a fully consolidated subsidiary, resulted in income of €10.2m. Taking account of an expense of €9.3m for the termination of business relationships with the company that had existed prior to inclusion in consolidation, an overall profit of €0.9m arises.

The difference arising between the consideration transferred and the remeasured acquired net assets of €20.4m as at the acquisition date was carried as provisional goodwill. This goodwill essentially constitutes part of the future earnings potential. The goodwill capitalised in the period under review includes an amount of €0.9m expected to be deductible for tax purposes.

Incidental acquisition costs of the acquired companies are expensed as administrative expenses in the income statement in accordance with IFRS 3. Remuneration for post-acquisition services by the employees (up to €9.5m) will be carried in the income statement in future.

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

€ million	Fair value at date of first-time consolidation
Other intangible assets	13.6
Property, plant and equipment	1.2
Investments	1.8
Fixed assets	16.6
Trade receivables	8.7
Other assets	4.5
Cash and cash equivalents	2.7
Deferred tax liabilities	4.3
Financial liabilities	0.3
Other liabilities	17.5
Equity	10.4

Based on the information available, it was not possible to finalise measurement of parts 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.

The acquisitions had no significant impact on turnover and the Group result for the period under review.

No major acquisitions were effected after the balance sheet date.

In the present interim financial statements, the purchase price allocations of the following companies and businesses acquired in financial year 2012/13 were finalised within the 12-month period stipulated by IFRS 3:

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

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

Final presentation of the statements of financial position as at first-time consolidation for acquisitions from 1 October 2012 to 31 March 2013

€ million	Carrying amounts at date of acquisition	Revaluation of assets and liabilities	Fair values at date of first-time consolidation
Other intangible assets	3,0	3,7	6,7
Property, plant and equipment	9,6	–	9,6
Investments	0,1	–	0,1
Fixed assets	12,7	3,7	16,4
Inventories	0,6	–	0,6
Trade receivables	22,1	–	22,1
Other assets	9,3	–	9,3
Cash and cash equivalents	4,3	–	4,3
Income tax liabilities	1,0	–	1,0
Other provisions	28,4	–	28,4
Financial liabilities	2,7	–	2,7
Other liabilities	11,2	–	11,2
Equity	5,7	3,7	9,4

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 €23.3m, as before. The capitalised goodwill essentially represents a part of the expected synergy and earnings potentials.

Notes to the consolidated income statement

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

The year-on-year decline in turnover in the first half of the year is mainly attributable to deliberate capacity cuts at TUI Travel, in particular in source market France, apart from foreign exchange effects.

(1) Cost of sales and administrative expenses

The cost of sales relates to the expenses incurred to deliver the tourism services. Apart from the expenses for staff, depreciation/amortisation and lease, rental and leasing, it includes in particular all costs incurred by the Group in connection with arranging and delivering air transport services, hotel accommodation and cruises as well as distribution costs.

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

Administrative expenses

€ million	Q2 2013/14	Q2 2012/13	H1 2013/14	H1 2012/13
Staff cost	217.5	200.8	422.3	408.5
Lease, rental and leasing expenses	14.4	16.6	35.2	33.9
Depreciation, amortisation and impairments	23.6	33.9	46.7	57.8
Others	140.2	123.9	249.6	267.4
Total	395.7	375.2	753.8	767.6

The cost of sales and administrative expenses include the following lease, rental and leasing expenses as well as staff costs and depreciation/amortisation:

Lease, rental and leasing expenses

€ million	Q2 2013/14	Q2 2012/13	H1 2013/14	H1 2012/13
Lease, rental and leasing expenses	201.1	194.9	413.8	392.7
thereof cost of sales	186.7	178.3	378.6	358.8
thereof administrative expenses	14.4	16.6	35.2	33.9

The increase in lease, rental and leasing expenses compared with the first half of the prior year mainly results from the inclusion of Europa 2 in the fleet of Hapag-Lloyd Kreuzfahrten and the addition of aircraft to TUI Travel.

Staff cost

€ million	Q2 2013/14	Q2 2012/13	H1 2013/14	H1 2012/13
Wages and salaries	490.1	490.1	977.8	974.8
thereof cost of sales	307.2	318.8	623.1	629.0
thereof administrative expenses	182.9	171.3	354.7	345.8
Social security contributions, pension costs and benefits	61.6	83.5	165.9	183.5
thereof cost of sales	27.0	54.0	98.3	120.8
thereof administrative expenses	34.6	29.5	67.6	62.7
Total	551.7	573.6	1,143.7	1,158.3

In the first six months of the financial year, the development of social security contributions and expenses for pensions and other benefits primarily reflected further measures to optimise pension schemes in 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 half of the prior year, social security contributions and expenses for pensions and other benefits already had been reduced by income from the curtailment of pension plans in a Dutch subsidiary, which, however, was considerably lower at €16.7m.

Depreciation/amortisation/impairments

€ million	Q2 2013/14	Q2 2012/13	H1 2013/14	H1 2012/13
Depreciation and amortisation	92.9	92.6	184.7	183.4
thereof cost of sales	69.4	67.3	138.1	134.2
thereof administrative expenses	23.5	25.3	46.6	49.2
Impairments of property, plant and equipment	0.2	30.6	0.2	30.6
thereof cost of sales	0.1	22.0	0.1	22.0
thereof administrative expenses	0.1	8.6	0.1	8.6
Total	93.1	123.2	184.9	214.0

The impairments recorded for the second quarter of the prior year mainly related to impairments of €21.2m on property, plant and equipment at Tenuta di Castelfalfi S.p.A. and impairments in connection with the fair value measurement of an aircraft available for sale of €6.4m.

(2) Other income/other expenses**Other income/other expenses**

€ million	Q2 2013/14	Q2 2012/13	H1 2013/14	H1 2012/13
Other income	13.6	1.5	16.5	18.0
Other expenses	–	1.0	1.5	1.2
Total	13.6	0.5	15.0	16.8

Other income in the first half of 2013/14 relates, among others, to book profits from the sale of the science park in Kiel and the sale of a hotel company in Switzerland. Other income also includes a gain on disposal from the sale of the stake in National Air Traffic Services (NATS) and profits in connection with sale and leaseback transactions with aircraft.

Other income carried for the first half of the previous year mainly resulted from the book profit from a Riu Group hotel sold in December 2012.

(3) Goodwill impairment

In the first half of financial year 2013/14, no goodwill impairments were carried. The impairments shown for the prior year reference period resulted from the adjustment of the business plan of the Castelfalfi project in TUI Hotels & Resorts.

(4) Financial result

The year-on-year improvement in the financial result in the first half of the year was mainly driven by redemptions and repayments of financial liabilities in the first half of financial year 2012/13. Moreover, financial expenses in the first half of financial year 2013/14 declined due to the development of the exchange rate of the euro against sterling.

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

€ million	Q2 2013/14	Q2 2012/13	H1 2013/14	H1 2012/13
Tourism	11.1	15.8	10.4	23.2
Container Shipping	- 26.8	- 21.2	- 36.5	- 29.3
Total	- 15.7	- 5.4	- 26.1	- 6.1

The year-on-year decline in the share of result of joint ventures and associates in the Tourism Segment in the first half of the year results in particular from the negative development of the Russian and Ukrainian markets due to the current political instability. The share of result of joint ventures and associates is also adversely affected by lower profit contributions from the Egyptian hotel companies measured at equity and start-up losses in connection with hotels newly opened in Turkey and Greece.

(6) Adjustments

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

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

One-off items by sector

€ million	Q2 2013/14	Q2 2012/13	H1 2013/14	H1 2012/13
Tourism	- 52.6	64.3	- 56.6	70.4
TUI Travel	- 47.2	- 10.6	- 43.8	- 4.5
TUI Hotels & Resorts	-	25.9	-	25.9
Cruises	- 5.4	49.0	- 12.8	49.0
All other segments	-	7.4	-	7.4
Total	- 52.6	71.7	- 56.6	77.8

The one-off items carried by TUI Travel mainly include the income from the curtailment of pension plans mentioned in the Notes to staff costs.

In the first half of the prior year, adjustments at TUI Travel included in particular income from the curtailment of pension schemes in the Netherlands. This income was carried alongside expenses including expenses in connection with the restructuring of tour operator and flight operations in France.

In TUI Hotels & Resorts, impairments of the Castelfalfi hotel project were carried as adjustments for one-off expenses in the second quarter of the prior year.

The one-off items carried as adjustments in the Cruises Sector in the first half of financial year 2012/13 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 first half of financial year 2013/14 mainly result from the proportionate use of the provision for onerous losses formed in the prior year.

The one-off items relating to Other segments in the second quarter of the previous year comprised in particular one-off expenses from the fair value measurement of an aircraft held for sale.

(7) Income taxes

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

(8) Group loss attributable to non-controlling interests**Group loss attributable to non-controlling interest**

€ million	Q2 2013/14	Q2 2012/13 restated	H1 2013/14	H1 2012/13 restated
TUI Travel	- 93.7	- 78.1	- 153.6	- 138.9
TUI Hotels & Resorts	18.2	17.2	33.4	30.0
Total	- 75.5	- 60.9	- 120.2	- 108.9

Notes to the financial position of the TUI Group

The changes in the consolidated statement of financial position as against 30 September 2013 primarily reflect the seasonality of the tourism business.

Assets held for sale

€ million	31 Mar 2014	30 Sep 2013
Property	25.8	0.1
Hotel facilities	19.0	6.5
Other assets	5.0	5.0
Total	49.8	11.6

Property held for sale primarily relates to an industrial park in Berlin-Tempelhof worth €25.7m. The science park in Kiel still included in the first quarter of the financial year was sold in the second quarter. Regarding hotel facilities, two hotel companies in Switzerland and Austria were reclassified as a disposal group. After the sale of the Swiss company in the second quarter of 2013/14, the Austrian company is the only company left under this item (€12.7m). Liabilities of €4.6m (previous year none) exist in connection with this disposal group. The hotel facilities continue to include a hotel resort in Bulgaria, as at 30 September 2013. Other assets mainly include hotel assets held for sale, licenses, aircraft spare parts as well as yachts and boats.

Pension provisions declined by €105.6m to €1,030.4m, as against the end of the financial year 2012/13. This was mainly caused by employer contributions to funds in order to reduce the fund shortfall in the UK and further measures to reduce pension obligations in the UK and Norway, as outlined in the Notes to the income statement.

Non-current financial liabilities declined by a total of €39.8m to €1,794.3m as against 30 September 2013. Non-current financial liabilities decreased due to the reclassification of the two convertible bonds maturing within the forthcoming twelve months with a total carrying amount of €582.7m to current financial liabilities. On the other hand, non-current financial liabilities rose due to the use of a non-current credit facility of €510.5m and an increase in liabilities from finance leases of €55.1m.

Current financial liabilities rose to €1,627.9m as against 30 September 2013, mainly due to the reclassification of the convertible bonds.

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

Other liabilities rose due to the advance payments received from customers in line with the seasonality of the tourism business.

Changes in equity

Since 30 September 2013, equity has decreased by €586.5m overall to €1,442.9m.

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

In the framework of long-term incentive programmes, TUI Travel compensates its employees in the form of stock option plans serviced with shares. In the period under review, these stock option plans resulted in an increase in pre-tax equity of €9.6m outside profit and loss.

In the period under review, TUI Travel PLC acquired own shares in order to use them for the stock option plans. As the amounts spent for this purpose are offset against revenue reserves outside profit and loss as acquisitions of shares of non-controlling interests, equity declined by €38.5m.

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

The (pre-tax) results directly to be eliminated against equity from higher fair values of cash flow hedges totalled €-9.4m.

In the period under review, pension obligations increased, mainly due to the fall in the long-term interest rate level. The increase was not fully offset by value enhancements of the associated assets beyond the expected return carried in the profit and loss statement. Accordingly, the pre-tax reserves according to IAS 19 included in equity declined by €16.8m.

Disclosures according to IFRS 13

Carrying amounts and fair values according to classes and measurement categories as at 31 March 2014

€ million	Carrying amount	At amortised cost	Category under IAS 39			Values according to IAS 17 (leases)	Carrying amount of financial instruments	Fair value of financial instruments
			At cost	Fair value with no effect on profit and loss	Fair value through profit and loss			
Assets								
Financial assets available for sale	72.6	–	52.8	19.8	–	–	72.6	72.6
Trade receivables and other assets	2,485.4	1,040.6	–	–	5.2	–	1,045.8	1,045.8
Derivative financial instruments								
Hedging	84.9	–	–	84.9	–	–	84.9	84.9
Other derivative financial instruments	4.4	–	–	–	4.4	–	4.4	4.4
Cash and cash equivalents	2,105.2	2,105.2	–	–	–	–	2,105.2	2,105.2
Assets held for sale	49.8	–	–	–	–	–	–	–
Liabilities								
Financial liabilities	3,422.2	3,025.0	–	–	–	397.2	3,422.2	4,688.8
Trade payables	1,862.8	1,861.9	–	–	–	–	1,861.9	1,861.9
Derivative financial instruments								
Hedging	193.0	–	–	193.0	–	–	193.0	193.0
Other derivative financial instruments	11.8	–	–	–	11.8	–	11.8	11.8
Other liabilities	4,116.8	212.9	–	–	–	–	212.9	212.9

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

€ million	Carrying amount	At amortised cost	Category under IAS 39			Values according to IAS 17 (leases)	Carrying amount of financial instruments	Fair value of financial instruments
			At cost	Fair value with no effect on profit and loss	Fair value through profit and loss			
Assets								
Financial assets available for sale	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
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	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

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

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.

Financial investments classified as financial instruments available for sale include an amount of €52.8m (as at 30 September 2013 € 54.1m) for interests in partnerships and corporations for which no active market exists. The fair values of these non-listed interests cannot be determined by means of a measurement model since their future cash flows cannot be reliably determined. The investments are carried at the cost to purchase. In the first half of 2013/14, there were no major disposals of interests in partnerships or corporations measured at cost (as at 30 September 2013 no major disposals). TUI does not intend to sell or derecognise the stakes in these partnerships or corporations in the near future.

Aggregation according to measurement categories under IAS 39 as at 31 March 2014

€ million	At amor- tised cost	At cost	Fair value		Carrying amount Total	Fair value
			with no effect on profit and loss	through profit and loss		
Loans and receivables	3,145.8	–	–	–	3,145.8	3,145.8
Financial assets						
available for sale	–	52.8	19.8	–	72.6	72.6
held for trading	–	–	–	9.6	9.6	9.6
Financial liabilities						
at amortised cost	5,099.8	–	–	–	5,099.8	6,763.5
held for trading	–	–	–	11.8	11.8	11.8

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

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

Recurring fair value measurements

The following table presents the book values of the financial instruments recognised at fair value in accordance with the underlying measurement levels. The individual levels have been defined as follows in line with the input factors:

- Level 1: quoted (non-adjusted) prices in active markets for identical assets or liabilities
- Level 2: input factors for the measurement are quoted market prices other than those mentioned in Level 1, directly (as market price quotation) or indirectly (derivable from market price quotation) observable in the market for the asset or liability
- Level 3: input factors for the measurement of the asset or liability are not based on observable market data

Hierarchy of financial instruments measured at fair value as at 31 March 2014

€ million	Total	Fair value hierarchy		
		Level 1	Level 2	Level 3
Assets				
Other assets held for trading	5.2	–	–	5.2
Available for sale financial assets	19.8	19.8	–	–
Derivative financial instruments				
Hedging transactions	84.9	–	84.9	–
Other derivative financial instruments	4.4	–	4.4	–
Liabilities				
Derivative financial instruments				
Hedging transactions	193.0	–	193.0	–
Other derivative financial instruments	11.8	–	11.8	–

Hierarchy of financial instruments measured at fair value as at 30 September 2013

€ million	Total	Fair value hierarchy		
		Level 1	Level 2	Level 3
Assets				
Other assets held for trading	40.6	–	–	40.6
Available for sale financial assets	17.4	17.4	–	–
Derivative financial instruments				
Hedging transactions	83.8	–	83.8	–
Other derivative financial instruments	3.2	–	3.2	–
Liabilities				
Derivative financial instruments				
Hedging transactions	176.4	–	176.4	–
Other derivative financial instruments	33.1	–	33.1	–

At the end of any reporting period, TUI checks whether there are any reasons for reclassification to or from one of the measurement levels. Financial assets and financial liabilities are generally reclassified from Level 1 to Level 2 if the liquidity and trading activity no longer indicate an active market. The opposite situation applies to potential reclassifications from Level 2 to Level 1. In the first half of financial year 2013/14, there were no reclassifications between Level 1 and Level 2.

There were no reclassifications to or from Level 3, either. Reclassifications from Level 3 to Level 2 or Level 1 are effected if observable market price quotations become available for the asset or liability concerned. TUI records reclassifications to and from Level 3 as at the date of the event or occasion 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 at the balance sheet date. An active market exists if price quotations are easily and regularly available from a stock exchange, traders, brokers, price service providers or regulatory authorities, and if these prices represent actual and regular market transactions between independent business partners. These financial instruments are assigned to Level 1. The fair values correspond to the nominal values multiplied by the price quotations at the balance sheet date. Level 1 financial instruments primarily comprise shares in listed companies classified as available for sale and bonds issued in the category "Financial liabilities measured at amortised cost."

Level 2 financial instruments:

The fair values of financial instruments not traded in an active market, e.g. over-the-counter (OTC) derivatives, are determined by means of measurement techniques. These measurement techniques maximise the use of observable market data and are based as little as possible on Group-specific assumptions. If all essential input factors for the determination of the fair value of an instrument are observable, the instrument is assigned to Level 2.

If one or several of the essential input factors are not based on observable market data, the instrument is assigned to Level 3.

The specific measurement techniques used for the measurement of financial instruments are:

- For unlisted 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 credit rating.
- For over-the-counter derivatives, the fair value 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 for optional fuel hedges on the Turnbull & Wakeman model. 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 measurement techniques, e.g. discounting future cash flows, are used for the measurement of other financial instruments.

With the exception of the stake in NATS presented below, all fair values resulting from the application of the measurement assumptions are assigned to Level 2.

Level 3 financial instruments:

The following table shows the development of the values of the financial instruments measured at fair value on a recurring basis assigned to Level 3 of the measurement hierarchy.

Financial assets measured at fair value in level 3

€ million	Other assets held for trading
Balance as at 1 October 2013	40.6
Additions	–
Disposals	–
repayment/sale	35.5
conversion	–
Total comprehensive income	–
recognised in income statement	–
recognised in other comprehensive income	0.1
Balance as at 31 March 2014	5.2
Net gains for financial instruments on the balance sheet as at the balance sheet date	–

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

The changes in Level 3 financial instruments result from a sale of shares of the stake in National Air Traffic Services. The remaining shares in the company were measured at the transaction price of the sold shares.

A change of +10/-10% in the determined value of the shares in NATS results in a €0.4m increase/€-0.4m decrease in the value recognised for the asset in the TUI Group, taken through profit and loss and affecting earnings after tax (as at 30 September 2013 €+2.8m/€-2.8m). Changes in unobservable parameters have no material effects on earnings.

Contingent liabilities

As at 31 March 2014, contingent liabilities totalled around €364.8m (as at 30 September 2013 around €384.2m). Contingent liabilities are carried at the level of estimated settlement as at the balance sheet date. They mainly relate to the assumption of liability for the benefit of Hapag-Lloyd AG for collateralised ship financing schemes and the assumption of liability for the benefit of TUI Cruises GmbH.

Other financial liabilities

Financial commitments from operating lease, rental and charter contracts

€ million	31 Mar 2014	30 Sep 2013
Nominal value	3,819.9	3,640.8
Fair value	3,384.3	3,181.7

Nominal values of other financial commitments

€ million	31 Mar 2014	30 Sep 2013
Order commitments in respect of capital expenditure	3,280.8	3,234.4
Other financial commitments	162.6	176.5
Total	3,443.4	3,410.9
Fair value	3,036.5	2,924.8

Notes to the cash flow statement of the TUI Group

Based on the after-tax Group result, the cash flow from operating activities is determined using the indirect method. In the period under review, cash and cash equivalents declined by €596.5m to €2,105.2m.

In the period under review, the outflow of cash from operating activities was €776.6m (previous year €783.7m). As every year, the strong outflow of cash is due to the liabilities to suppliers payable after the end of the tourism season.

The outflow of cash from investing activities totals €76.8m. It comprises a cash outflow for investments in property, plant and equipment and intangible assets of €183.0m by TUI Travel and of €25.4m by the hotel companies but also an inflow of €98.1m from the sale of aircraft assets at TUI Travel and of €55.4m from the sale of property by Central Operations. The cash outflow from investing activities also includes payments of €55.2m for the acquisition of consolidated companies and for capital increases in joint ventures. An inflow of €42.9m was recorded from the partial sale of an investment and the sale of a consolidated company.

The inflow of cash from financing activities totalled €281.0m. TUI Travel used bank loans worth €510.5m from an existing long-term credit facility and took out additional bank loans worth €38.7m, while €35.6m of credit liabilities and €14.1m of leasing liabilities were redeemed. The hotel companies took out financial liabilities worth €19.2m and redeemed loans worth €19.3m. An amount of €89.8m was used for interest payments. Further outflows relate to the dividend for the hybrid bond and for the shares of TUI AG (€49.4m), the dividend for the minority shareholders of TUI Travel PLC and RIUSA II S.A. (€40.2m). Moreover, TUI Travel PLC purchased own shares worth €38.5m in order to use them for its stock option plans.

Cash and cash equivalents also decreased by €22.6m due to changes in exchange rates.

As at 31 March 2014, cash and cash equivalents worth €158.7m were subject to restraints on disposal. They included €116.3m for cash collateral received, deposited with a Belgian subsidiary by Belgian tax authorities in financial year 2012/13 against the backdrop of a multi-year litigation regarding VAT refunds for the period from 2001 to 2011 without admission of guilt in order to stop interest accrual for both parties. In order to collateralise a potential reimbursement, the Belgian government was granted a bank guarantee. Due to the bank guarantee, TUI is subject to restraints on disposal for the cash and cash equivalents. The remaining restraints on disposal relate to cash and cash equivalents to be deposited due to legal or regulatory requirements.

Segment indicators

Turnover by divisions and sectors for the period from 1 October 2013 to 31 March 2014

€ million	Q2 2013/14		External		Group	
	External	Group	Total	External	Group	Total
Tourism	3,161.4	3.6	3,165.0	6,551.8	7.2	6,559.0
TUI Travel	2,961.9	7.8	2,969.7	6,201.9	13.5	6,215.4
TUI Hotels & Resorts	105.4	92.1	197.5	200.7	187.2	387.9
Cruises	94.1	1.0	95.1	149.2	1.0	150.2
Consolidation	–	- 97.3	- 97.3	–	- 194.5	- 194.5
All other segments	3.9	10.1	14.0	7.3	12.3	19.6
Consolidation	–	- 13.7	- 13.7	–	- 19.5	- 19.5
Total	3,165.3	–	3,165.3	6,559.1	–	6,559.1

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

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

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

€ million	Q2 2013/14	Q2 2012/13	H1 2013/14	H1 2012/13
Tourism	- 170.7	- 272.2	- 316.6	- 430.1
TUI Travel	- 224.6	- 237.7	- 387.5	- 418.7
TUI Hotels & Resorts	48.8	14.3	74.3	48.6
Cruises	5.1	- 48.8	- 3.4	- 60.0
All other segments	- 8.9	- 31.2	- 22.8	- 48.9
Total	- 179.6	- 303.4	- 339.4	- 479.0

For the first half of financial year 2013/14, earnings before interest, taxes and amortisation of goodwill (EBITA) include results of €10.4m (previous year €23.2m) from joint ventures and associates, fully generated in Tourism.

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

€ million	Q2 2013/14	Q2 2012/13	H1 2013/14	H1 2012/13
Tourism	- 196.2	- 181.4	- 322.9	- 305.2
TUI Travel	- 244.7	- 221.8	- 381.6	- 368.7
TUI Hotels & Resorts	48.8	40.2	74.9	74.5
Cruises	- 0.3	0.2	- 16.2	- 11.0
All other segments	- 8.9	- 15.8	- 22.8	- 33.5
Total	- 205.1	- 197.2	- 345.7	- 338.7

Reconciliation to earnings before taxes of the TUI Group

€ million	Q2 2013/14	Q2 2012/13 restated	H1 2013/14	H1 2012/13 restated
EBITA	- 179.6	- 303.4	- 339.4	- 479.0
Loss on Container Shipping measured at equity	- 26.8	- 21.2	- 36.5	- 29.3
Net interest expense and expense from measurement of interest hedges	- 63.3	- 76.2	- 121.4	- 146.7
Impairment of Goodwill	-	- 8.3	-	- 8.3
Earnings before income taxes	- 269.7	- 409.1	- 497.3	- 663.3

Related parties

Other Notes see
Annual Report 2012/13
page 238 et seq.

Apart from the subsidiaries included in the consolidated financial statements, TUI AG, in carrying out its ordinary business activities, maintains direct and indirect relationships with related parties. All transactions with related parties are executed on an arm's length basis on the basis of international comparable uncontrolled price methods in accordance with IAS 24, as before. The equity stake held by Riu Hotels S.A., listed in the Notes to the consolidated financial statements as at 30 September 2013, was retained at the reporting date for the interim financial statements. More detailed information on related parties is provided under Other notes in the Notes to the consolidated financial statements for 2012/13.

Major transactions after the balance sheet date

On 16 April 2014, Hapag-Lloyd AG and the Chilean shipping line Compañía Sud Americana de Vapores (CSAV) signed a business combination agreement for a merger between the two companies. In the framework of the merger, TUI AG's stake in Hapag-Lloyd will decline from around 22% to 15% in the new company. A further reduction to 13.9% will result from a planned capital increase in the framework of the merger, which TUI will not participate in. The closing of the transaction is subject to approval by the competition authorities.

RESPONSIBILITY STATEMENT

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

The Executive Board

Hanover, 14 May 2014

Joussen

Baier

Long

REVIEW REPORT

To TUI AG, Berlin and Hanover

We have reviewed the condensed interim consolidated financial statements – comprising the statement of financial position, condensed statement of comprehensive income, income statement, condensed statement of cash flows, condensed statement of changes in equity and selected explanatory notes – and the interim Group management report of TUI AG for the period from 1 October 2013 to 31 March 2014, which are part of the half-year financial report according to Section 37w of the German Securities Trading Act (WpHG). The preparation of the condensed interim consolidated financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and of the interim Group management report which has been prepared in accordance with the requirements of the German Securities Trading Act applicable to interim Group management reports is the responsibility of the Company's management. Our responsibility is to issue a review report of the condensed interim consolidated financial statements and on the interim Group management report based on our review.

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

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

Hanover, 14 May 2014

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

Thomas Stieve
Auditor

Prof. Dr Mathias Schellhorn
Auditor

Financial Calendar

	Date
Half-Year Financial Report 2013/14	16 May 2014
Interim Report Q3 2013/14	August 2014
Annual Report 2013/14, Press Conference & Analysts' Meeting	December 2014
Annual General Meeting 2015	10 Feb 2015

Cautionary statement regarding forward-looking statements

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.

Imprint

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The German version of this Interim Report is legally binding. The Company cannot be held responsible for any misunderstanding or misinterpretation arising from this translation.

Both versions are available on the web: www.tui-group.com/en/ir/financial_reports

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