ANNUAL REPORT 2013/14

READY TO GROW

TUI

Aktiengesellschaft

MAGAZINE

READY TO GROW

TUI
Aktiengesellschaft

»In the past few months, we managed to set the course in order to develop the world's number one integrated leisure tourism group jointly with TUI Travel PLC.«

Friedrich Joussen, CEO of TUI AG

Dear shareholders,

Financial year 2013 / 14 was absolutely crucial for the future of our Group. In the past few months, we managed to set the course in order to develop the world's number one integrated leisure tourism group jointly with TUI Travel PLC. You approved the merger at our Extraordinary General Meeting at the end of October 2014. Let me thank you for placing your trust in us.

I have been CEO of our TUI AG since February 2013. Shortly before I joined TUI, a merger between the two companies had already been considered. However, the hurdles were too high back then. So what is different today compared with 2012? Why have the two management teams been able to agree a merger that seemed for many years to be impossible? Thanks to our oneTUI strategy programme, we have taken a number of key steps, moving from restructuring to growth and reaping the first successful fruits.

With oneTUI we have set the course for the future in various parts of our Group. In the framework of this programme we have cut costs and enhanced our efficiency. We have created transparency for our business segments, defined goals, and above all, delivered on our promises. This is confirmed, once again, by our performance in the completed financial year.

We managed to outperform the double-digit growth we had forecast for both our underlying and reported EBITA.

We achieved a substantial reduction in our central costs within a period of only one year.

Parallel to that, we reduced our interest costs with the aim of cutting them to one third in the next financial year compared with our baseline 2012 / 13.

Robinson achieved a considerable increase in its profitability. Our premium club provider's return on capital invested, a key indicator, grew from around 6 % to more than 9 % this year. In Cruises we managed to create a turnaround.

Thanks to our positive performance in the completed financial year, the oneTUI targets we are seeking to deliver are now within reach for the year ahead.

Having placed our Group on a sound financial footing over the past 18 months, we will seek to step up our growth in the next phase of oneTUI. To this end, we will significantly increase our investments in hotels and cruise ships, what we call our content. It is in pursuit of that growth that the merger between TUI AG and TUI Travel PLC will come into its own.

»We have therefore decided to double the pace of growth we are seeking to achieve, with another 30 new hotels and two new cruise ships.«

The merger of our business with TUI Travel's strong tour operator and distribution business will secure the occupancy of our greatly expanded content. We have therefore decided to double the pace of growth we are seeking to achieve, with another 30 new hotels and two new cruise ships. We will thus expand our portfolio by a total of 60 new hotels and four new ships in the next few years. However, the fundamental principles of oneTUI will definitely also apply to that growth: cash flow orientation and cost discipline.

With oneTUI, we have set clear targets for our Group. TUI stands for value creation and a sustainable dividend policy. This course has been set and will not change after the merger with TUI Travel. I expect that we will already be generating positive earnings per share after the first full financial year of the “new” TUI AG. We are planning to pursue a progressive approach to our dividend policy, in line with TUI Travel’s approach. This means that dividend growth will largely shadow profits.

»TUI stands for value creation and a sustainable dividend policy. This course has been set and will not change after the merger with TUI Travel.«

For the completed financial year 2013 / 14, we will propose a dividend of € 0.33 per share at the Annual General Meeting. We will thus be able to more than double our dividend payments to you within the space of a year.

Let me now cast a further look ahead. Thanks to the merger with TUI Travel PLC, your Group will enter a new era. In future the world market leader among tour operators will cluster under a single roof more than 30 million customers, a fleet of 145 aircraft, at least 300 hotels, 12 cruise ships, more than 1,800 travel agencies and numerous incoming agencies in all key holiday destinations.

These impressive numbers alone show that your Group occupies an extraordinary position in the world market. This is underpinned by its unique strategic orientation. In future, we will cover the complete range of tourism services in an unparalleled manner. This differentiation will provide us with a significant competitive edge, which we intend to use to generate further growth.

Today's shareholders in our company know what they are getting: a sound operating performance, strong transparency thanks, for example, to the segmental reporting of our business performance, and a clear strategic orientation. The entire management team will continue to work hard to pursue the successful path we have embarked on. We are now creating a new, more valuable TUI that will have more clout and will be equally attractive to shareholders, customers and employees alike.

I thank you for placing your trust in us and being so loyal.

Sincerely yours,
Friedrich Joussen, CEO of TUI AG

Embarking on a new era

The “new” TUI AG is a company of opportunities – for our customers, our shareholders and our employees. United under one roof we will have TUI’s unique hotel portfolio, our cruise lines, six European airlines, the distribution strength of our tour operators and online channels, and the advisory skills of our travel agencies all over Europe. The world’s number one integrated tourism Group is a one-stop shop for all the services our guests require. The new Group itself will realise synergies along the entire value chain in tourism. Direct access to markets makes investment in hotels and state-of-the-art cruise liners easier to plan and secures occupancy early in the game. This will enable us to grow faster and develop more travel products exclusive to TUI. These make us unique and distinguish us from the competition in the “old” world and for the digital future.

TUI Group – Financial Highlights*

€ million		2009/10	2010/11	2011/12	2012/13 restated	**2013/14**
Turnover						
TUI Travel		15,755	16,867	17,682	17,796	17,955
TUI Hotels & Resorts		353	363	385	403	465
Cruises		179	201	231	261	281
Others		63	50	33	17	15
Group		**16,350**	**17,480**	**18,330**	**18,478**	**18,715**
EBITDA						
TUI Travel		438	640	745	845	917
TUI Hotels & Resorts		211	216	245	255	267
Cruises		15	20	11	–19	37
Others		–14	–25	–77	–70	–49
Group		**650**	**850**	**924**	**1,011**	**1,172**
Underlying EBITDA						
TUI Travel		711	718	834	888	968
TUI Hotels & Resorts		213	235	246	271	267
Cruises		16	20	13	–3	23
Others		–35	–50	–70	–60	–49
Group		**905**	**924**	**1,023**	**1,097**	**1,208**
EBITA						
TUI Travel		102	321	441	533	598
TUI Hotels & Resorts		137	144	178	171	203
Cruises		7	11	1	–30	24
Others		–30	–32	–81	–78	–51
Group		**216**	**445**	**539**	**595**	**774**
Underlying EBITA						
TUI Travel		485	500	637	641	708
TUI Hotels & Resorts		148	145	179	197	203
Cruises		8	11	3	–14	10
Others		–51	–57	–73	–62	–51
Group		**589**	**600**	**746**	**762**	**869**
Group earnings						
Net profit for the year		114	118	142	166	284
Earnings per share	€	+0.30	–0.01	–0.16	–0.14	+0.31
Dividend	€	–	–	–	+0.15	+0.33
Assets						
Non-current assets		9,357	9,108	8,668	8,646	8,647
Current assets		5,259	4,384	4,544	4,809	5,379
Total assets		**14,616**	**13,492**	**13,213**	**13,454**	**14,026**
Equity and liabilities						
Equity		2,434	2,548	2,067	1,997	2,517
Non-current liabilities		4,555	4,168	3,773	3,857	3,994
Current liabilities		7,626	6,776	7,373	7,600	7,515
Total equity and liabilities		**14,616**	**13,492**	**13,213**	**13,454**	**14,026**
Key ratios						
EBITDA margin (underlying)	%	5.5	5.3	5.6	5.9	6.5
EBITA margin (underlying)	%	3.6	3.4	4.1	4.1	4.6
ROIC	%	10.49	11.44	15.98	17.14	19.43
Equity ratio	%	16.7	18.9	15.6	14.8	17.9
Cash flow from operating activities		818	1,086	842	875	1,075
Capital expenditure		516	474	643	821	831
Net financial position		2,287	817	178	68	–323
Employees	30 Sep	71,398	73,707	73,812	74,445	77,309

Differences may occur due to rounding
*Part of the Management Report

2013/14

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ANNUAL REPORT FORMATS

This annual report is available in the following formats:

Print

Online

Tablet

http://annualreport2013-14.tui-group.com

COMPASS

This is a page reference.

This is a web link.

The TUI Group in financial year 2013 / 14

TUI AG is the world's leading integrated tourism group. The Group brings together under one roof our big portfolio of strong tour operators, 1,800 travel agencies and leading online portals, approx. 300[1] own-brand hotels, twelve[2] cruise vessels and incoming agencies in all major destinations around the globe. This integrated structure enables us to offer our 30 million guests incomparable holiday experiences in 270 countries. A key feature of our corporate culture is the global responsibility we take for sustainable commercial, environmental and social activity. That is reflected in more than 20 years of commitment to a more sustainable form of tourism. In financial year 2013 / 14 the Group earned revenues of approx. € 19 billion with a headcount of 77,000.

[1] Total hotel portfolio of TUI AG and TUI Travel at 30 September 2014.
[2] Cruise vessels of TUI AG and TUI Travel at 30 September 2014.

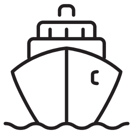
TUI TRAVEL

TUI Travel brings together many strong tour operators with leading positions in their own domestic markets. The six airline subsidiaries operate 145 medium- and long-haul aircraft, including the biggest fleet of the latest Boeing Dreamliners. TUI Travel also operates approx. 60 own-brand hotels and five cruise vessels under the Thomson Cruises brand for various target groups in the UK market.

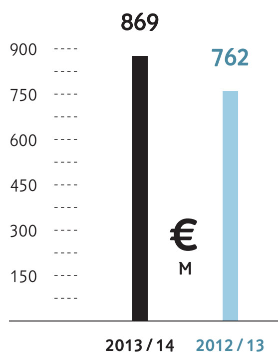
TUI HOTELS & RESORTS

TUI AG operates approx. 240 hotels of its own. These facilities are in top-class locations in the holiday regions. They operate a diversity of formats with high standards of performance, quality and environmental management. The Group portfolio also includes well-known brands such as Riu and premium club operator Robinson.

CRUISES



With Hapag-Lloyd Kreuzfahrten and TUI Cruises, TUI AG serves the diverse needs of cruise holidaymakers. With four liners, Hapag-Lloyd Kreuzfahrten is the leading provider of expedition and luxury cruises in the German-speaking market. The joint venture TUI Cruises offers premium cruises for the volume market. It currently has a fleet of three vessels. Mein Schiff 4 will start sailing in 2015.



+14%

forecast 6–12 %

UNDERLYING GROUP EBITA

Through oneTUI we have reduced costs and enhanced efficiency. We defined ambitious targets and kept our promises. The improvement in underlying Group EBITA was greater than we forecast at about 14 %.

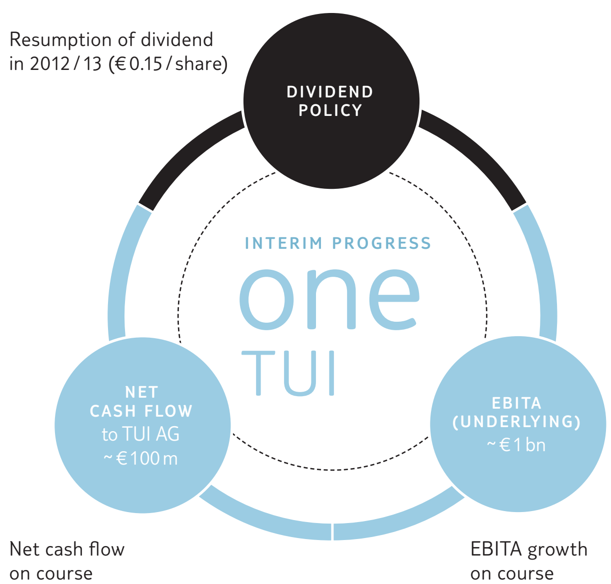
REPORTED GROUP EBITA

+30%

forecast 16–23 %

Apart from gains in operating performance, lower one-offs in financial year 2013 / 14 resulted in a significant improvement in Group EBITA. At +30 % it was well above our target range of 16 % to 23 %.

EMPLOYEES	DESTINATIONS	GUESTS
77,000 *worldwide*	180 *countries*	30 m *worldwide*



one
TUI
PHASE
2

GROWTH STRATEGY

Having placed the Group on a healthy financial footing over the last 18 months, we are now entering the next phase of oneTUI. In the next few years we intend to expand our portfolio by altogether 60 new hotels and three new ships. This growth strategy will continue to be governed by the principles of oneTUI: cash flow orientation and tough cost discipline.

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CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

Ready to grow

HOTELS

TODAY

Riu

The time spent at the hotel is the defining element of a holiday experience, and hence key to customer loyalty. Riu is the biggest hotel company in the TUI Group. Professional standards and excellent service characterise its portfolio of over 100 hotels worldwide. Riu has top-class locations in strategically significant destinations, making it an important pillar of our hotel strategy. With a return on invested capital (excluding goodwill) of 17 %, the Riu group is also highly profitable. By accelerating Riu portfolio expansion in the next few years, the Group is laying the basis for customer numbers and revenues to continue rising.

181 EBITA
€ MILLION

103
HOTELS

88,932
BEDS

85 %
OCCUPANCY

Robinson

As the market leader in the premium segment for club holidays, Robinson is known for its professional offering of sport, entertainment and programmed events. Thanks to rigorous restructuring of the club portfolio, the return on capital at the Robinson Clubs rose in the reporting period from around 6 % to nearly 10 %. We have hence laid the basis for future expansion and internationalisation of the brand, which will kick off in 2015 when a new club opens on the Tunisian island of Djerba. We are also planning another facility in the Maldives, where the existing Robinson Club already attracts a large proportion of guests from Asia.

31 EBITA
€ MILLION

23
CLUBS

13,557
BEDS

74 %
OCCUPANCY

CRUISES

TODAY

TUI Cruises

Cruises are in fashion and are being discovered by new target groups. TUI Cruises has set its own premium standards in the market with its Mein Schiff fleet and acquired new customers for the product. These vessels have an excellent occupancy rate and the company is growing. Having resolved to grow by 2017 from the current three ships to six, and with that 14,000 beds, TUI Cruises is building further on an already strong, dynamic position in the German cruise market. This makes TUI Cruises and its ships a decisive pillar in the TUI Group strategy of differentiation and growth.

62 EBITA*
€ MILLION

* Based on 100 %.

3
SHIPS

6,336
PASSENGERS

102 %
OCCUPANCY

NEW PROJECTS

ST. MARTIN (2014)

504
beds

SRI LANKA (2015/16)

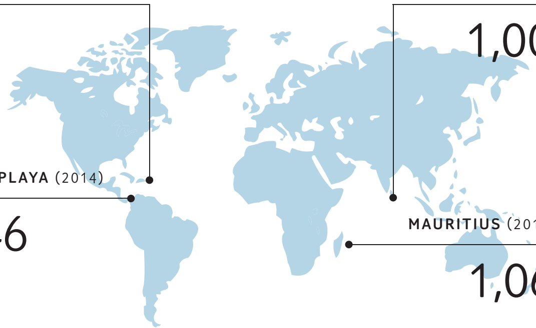
1,000
beds

PANAMA, PLAYA (2014)

1,146
beds

MAURITIUS (2014/15)

1,062
beds



OPPORTUNITIES

NEW PROJECTS
with prospects of double-digit ROIC

EXPANSION
to new destinations, e.g. Indian Ocean

PORTFOLIO OPTIMISATION
and facility refurbishment

GROWTH
aspiration
3–5 projects p.a.

PORTFOLIO EXPANSION

- *Club Djerba Bahiya (2015)*
- *new sailing product (2015)*

INCREASED TURNOVER

- *improved TO cooperation*
- *more direct distribution globally*
- *international expansion*

PORTFOLIO RESTRUCTURING
completed in 2013/14

INTERNATIONALISATION STRATEGY
based on positive experience Club Maldives

PIPELINE
currently around 5–10 new Clubs as potential targets

EXPANSION
to max. 40 Clubs and further internationalisation

NEW PROJECTS

2,500
passengers

\+
advanced bookings already promising

05 Jun 2015
launch

2016–17
launch

2,500
passengers

OPPORTUNITIES

PERSISTENTLY STRONG MARKET GROWTH
annual growth of 8–10 % expected by 2018

NEW SHIPS
options available

MARKET ENTRY IN UK
being assessed

ROIC AND CAPITAL DISCIPLINE
remain the focus

EXPANSION AND INTERNATIONALISATION
of the all-inclusive premium format

FLEET ENLARGEMENT
to 6–8 ships

01

TO OUR SHAREHOLDERS

*Part of the Management Report

TUI AG
MANAGEMENT BOARD

SEBASTIAN EBEL
Member of the TUI AG Management Board
Chief Operating Officer

ERIK FRIEMUTH
Member of the TUI AG Management Board
Chief Marketing Officer

HORST BAIER
Chief Financial Officer
Chief Human Resources Officer

WILFRIED H. RAU
Member of the TUI AG Management Board
Director Group Auditing

PETER LONG
Executive Board member Tourism

FRIEDRICH JOUSSEN
Chief Executive Officer

DR HILKA SCHNEIDER
Member of the TUI AG Management Board

General Counsel, Chief Compliance Officer & Company Secretary

THOMAS ELLERBECK
Member of the TUI AG Management Board

Group Director Corporate & External Affairs

(from left to right)
Top row: Peter Bremme, Michael Pönipp, Arnd Dunse, Prof. Christian Strenger
Middle row: Maxim G. Shemetov, Vladimir Lukin, Ortwin Strubelt, Carola Schwirn, Prof. Dr Edgar Ernst, Anette Strempel
Bottom row: Andreas Barczewski, Angelika Gifford, Prof. Dr Klaus Mangold (chairman), Carmen Riu Güell, Frank Jakobi (vice chairman)

REPORT OF THE SUPERVISORY BOARD

Ladies and Gentlemen,

The Report of the Supervisory Board presented below informs you about our activities in financial year 2013 / 14. As TUI AG's monitoring body, the Supervisory Board continually monitored the Executive Board's management activities, guided by the principles of corporate governance. Our monitoring activities essentially served to ensure that the management of business operations and the management of the Group were lawful, orderly, fit for purpose and commercially robust.

At the beginning of the financial year, our activities focused on monitoring the implementation of phase one of our oneTUI strategy programme. In the second half of the financial year, we intensively discussed the planned merger between TUI AG and TUI Travel PLC and provided intensive consultation in the negotiation process. An agreement was reached on 15 September 2014 to recommend the merger in the form of an all-share nil-premium merger to the TUI AG and TUI Travel PLC shareholders. On 28 October 2014, extraordinary General Meetings were held both in Germany and in the UK, with the shareholders adopting the necessary resolutions to implement the transaction.

Planned merger see page 59 et seq.

We also provided advice and resolved a number of technical issues and business transactions requiring approval. Our Supervisory Board activities focused in particular on compliance with the Corporate Governance Code, consultation with regard to the financial statements of TUI AG and the Group and resolutions on personnel issues – in particular the appointment of Executive Board members in connection with the planned merger.

Advising the Executive Board and monitoring management activities

In the completed financial year 2013 / 14, the Supervisory Board monitored and advised the Executive Board on the management of the Company.

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

In written and verbal reports, the Executive Board provided us with regular, timely and comprehensive information. The reports encompassed all relevant facts about strategic development, planning, business performance and the position of the Group in the course of the year, the risk situation, risk management and compliance. The Executive Board discussed with us all key transactions of relevance to the Company and the further development of the Group. Any deviations in business performance from the approved plans were explained in detail. The Supervisory Board was involved in all decisions of fundamental relevance to the Company. We comprehensively discussed an adopted the resolutions required in accordance with the law, the Articles of Association and our terms of reference. We were fully and speedily informed about specific and particularly urgent plans and projects, including those arising between the regular meetings. As Chairman of the Supervisory Board, I was regularly informed about current business developments and key transactions in the Company between Supervisory Board meetings. Naturally, this exchange with the Executive Board was particularly intensive in the course of negotiations around the merger with TUI Travel PLC.

Deliberations in the Supervisory Board

In financial year 2013 / 14, six ordinary and four extraordinary Supervisory Board meetings were held. Two resolutions were passed by written circulation procedure.

Prior to Supervisory Board meetings, the shareholder representatives on the Supervisory Board and the employees' representatives met in separate meetings. No Supervisory Board member attended fewer than half of the Supervisory Board meetings in financial year 2013 / 14. Average attendance at plenary meetings was 94.8 % (previous year 96.3 %), at committee meetings 93.3 % (previous year 96.0 %).

ATTENDANCE AT MEETINGS OF SUPERVISORY BOARD 2013/14

Name	Supervisory Board meetings	Presiding committee	Audit committee	Nomination committee	Galaxy committee
Prof. Dr Klaus Mangold (Chairman)	10 (10)	9 (9)	3 (4)	7 (7)	2 (2)
Petra Gerstenkorn (until 30 June 2014) (Deputy Chairwoman until 15 May 2014)	5 (5)	4 (6)	–	–	–
Frank Jakobi (Deputy Chairman since 15 May 2014)	10 (10)	9 (9)	–	–	2 (2)
Anass Houir Alami (until 24 June 2014)	1 (6)	–	–	–	–
Andreas Barczewski	10 (10)	9 (9)	1 (1)	–	–
Peter Bremme (since 2 July 2014)	3 (3)	–	–	–	–
Arnd Dunse	10 (10)	–	4 (4)	–	–
Prof. Dr Edgar Ernst	10 (10)	–	4 (4)	–	2 (2)
Angelika Gifford	9 (10)	–	–	–	–
Ingo Kronsfoth (until 31 July 2014)	8 (8)	–	3 (3)	–	–
Vladimir Lukin (since 12 February 2014)	6 (6)	6 (6)	–	4 (4)	
Mikhail Noskov (until 12 February 2014)	4 (4)	–	–	–	–
Michael Pönipp	10 (10)	–	–	–	–
Carmen Riu Güell	8 (10)	7 (9)	–	5 (7)	
Carola Schwirn (since 1 August 2014)	2 (2)	–	–	–	–
Maxim G. Shemetov (since 14 March 2014)	6 (6)	–	–	–	–
Anette Strempel	10 (10)	3 (3)	–	–	–
Prof. Christian Strenger	10 (10)	–	4 (4)	–	2(2)
Ortwin Strubelt	10 (10)	–	4 (4)	–	–
Vladimir Yakushev (until 7 February 2014)	3 (3)	2 (2)		2 (2)	

(In brackets: number of meetings held)

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

PLENARY MEETINGS

At our meeting on 23 October 2013, we discussed, in particular, the development of the individual Sectors and the corporate budget for financial year 2013 / 14 as well as the forecast accounts for 2014 / 15 and 2015 / 16. We also adopted the declaration of compliance with the German Corporate Governance Code for 2013 in accordance with section 161 of the German Stock Corporation Act.

On 24 November 2013, we held an extraordinary meeting dealing with Supervisory Board matters and notified changes in the shareholder structure of TUI AG and TUI Travel PLC.

The meeting on 17 December 2013 focused on reporting and discussing the annual financial statements as per 30 September 2013, a comparison between target and actual figures for 2012 / 13 and the HR and social report for 2012 / 13. The discussions were also attended by representatives of the auditors, who were available to answer questions. At that meeting, the value of the reference indicator was established for the annual performance bonus for 2012 / 13 for Executive Board members (reported Group EBITA). A further item was the resolution setting an agenda for the 2014 Annual General Meeting.

The meeting on 11 February 2014 served primarily to prepare for the ordinary Annual General Meeting, to be held the next day. In the framework of its regular reporting, the Executive Board also informed us about the first quarter of the financial year 2013 / 14 and the status of the negotiations between Hapag-Lloyd AG and Compañía Sud Americana de Vapores (CSAV), following the signing of a memorandum of understanding regarding the merger of their container shipping liner businesses.

The extraordinary Supervisory Board meeting of 13 April 2014 focused on the forthcoming decision to be taken by Hapag-Lloyd AG regarding the business combination agreement for the merger with the container shipping operations of CSAV.

On 15 May 2014, the Supervisory Board meeting focused on the future strategic alignment of TUI AG. The meeting also focused on a comprehensive discussion on the status of considerations regarding the planned merger with TUI Travel PLC and the relevant options for potential action. Much of the meeting was devoted to the report from the Executive Board on current business performance and the quarterly and half-year financial statements for 2013 / 14. As in prior years, the Supervisory Board also approved the issuance of employee shares.

The Supervisory Board met for an extraordinary meeting on 27 June 2014 for a comprehensive discussion of the contents and communication of plans for a potential merger between TUI AG and TUI Travel PLC. We received, in particular, a report by the Executive Board on potential terms and conditions of the planned merger and discussed the strategic options for the Combined Group.

At a further extraordinary meeting held on 10 July 2014, we again discussed the planned merger between TUI AG and TUI Travel PLC. We decided, in particular, to mandate JP Morgan to prepare a Fairness Opinion. We also decided to set up an Integration Committee.

At our strategy meeting on 3 and 4 September 2014 our discussions again focused on the planned merger between TUI AG and TUI Travel PLC, in particular the status of the negotiations and the planned publication in mid-September of the merger terms and conditions, and the corporate ratings.

In an extraordinary meeting held on 11 September 2014 we discussed open issues with the Executive Board in the run-up to the publication related to the merger between TUI AG and TUI Travel PLC, planned for the subsequent week.

The Executive Board member Peter Long did not take part in Supervisory Board or committee meetings held in connection with the planned merger in order to avoid any potential conflicts of interest.

Committee meetings

Composition of the committees on pages 20 / 21

At the balance sheet date of 30 September 2014, the Supervisory Board had set up four committees to support its work: the Presiding Committee, the Audit Committee, the Nomination Committee and the so-called Galaxy Committee to deal with issues in connection with the planned merger with TUI Travel PLC. A preliminary decision to set up an Integration Committee for a maximum period of two years upon completion of the planned merger was adopted on 10 July 2014. The committee members are shown in a separate list in the section on the Supervisory Board. The Chairman of the Supervisory Board chairs the Presiding Committee, the Galaxy Committee and the Nomination Committee. He will also chair the Integration Committee, which will meet for the first time upon completion of the merger with TUI Travel PLC.

PRESIDING COMMITTEE

The Presiding Committee is responsible for long-term succession planning for the Executive Board and prepares the appointment of Board members including the terms and conditions of the service contracts and remuneration to be discussed by the Supervisory Board. It also prepares the plenary meetings of the Supervisory Board. In the period under review, the Presiding Committee held six ordinary and three extraordinary meetings.

At its meeting on 23 October 2013, the Presiding Committee prepared recommendations for resolutions on Executive Board matters to be adopted by the Supervisory Board (appropriateness of Executive Board remuneration and pensions, determining the reference indicators for the Executive Board's annual performance bonus for 2013 / 14, determining the personal performance factor for the Executive Board's annual performance bonus for 2012 / 13).

At its meeting on 16 December 2013, the Presiding Committee focused on the key findings of an external expert report on the efficiency review of the work performed by the Supervisory Board.

The Presiding Committee met on 11 February 2014 in order to discuss a number of potential new appointments and prepare corresponding recommendations for resolutions to be adopted by the Supervisory Board.

At its extraordinary meeting on 10 April 2014, the Executive Board presented details of the forthcoming conclusion of an agreement to merge the container shipping liner business of Hapag-Lloyd AG and CSAV.

On 15 May 2014, apart from its regular tasks, the Presiding Committee dealt with the planned merger between TUI AG and TUI Travel PLC.

On 27 June 2014, the Presiding Committee held an extraordinary meeting dealing with a number of Executive Board matters and preparing the plenary Supervisory Board meeting including communication of the planned merger between TUI AG and TUI Travel PLC and the contents of the related publication.

An extraordinary Presiding Committee meeting held on 10 July 2014 focused, in particular, on a preliminary discussion and recommendation to the Supervisory Board to set up an Integration Committee. The role of the Integration Committee will be to support and monitor the Executive Board in implementing the tasks required upon the completion of the merger with TUI Travel. The Integration Committee, a committee within the current Supervisory Board, will comprise the members of the Galaxy Committee (see below).

The agenda at the Presiding Committee meeting on 3 September 2014 focused on a number of personnel issues in connection with the planned merger.

On 9 September 2014, the Presiding Committee held an extraordinary meeting in order to discuss the status of the planned merger and prepare the extraordinary plenary meeting on 11 September 2014.

AUDIT COMMITTEE

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

In the completed financial year, the Audit Committee held four ordinary meetings. One resolution was passed by written circulation procedure. The work of the committee focused on the annual financial statements of TUI AG, the consolidated financial statements, the consolidated management report and the interim reports. All ordinary meetings were attended by auditor representatives, who presented detailed reports on the audits and their reviews of the financial reports. The Audit Committee was, moreover, kept up to date about the planning and reporting systems and the development of compliance activities in the Group. The Audit Committee was likewise informed about the latest ratings for TUI AG and the status of the planned merger between TUI AG and TUI Travel PLC. In this context, it engaged, in particular, in an in-depth evaluation, from the shareholders' perspective, of the interim communication on 30 June 2014 and of the merger.

NOMINATION COMMITTEE

The Nomination Committee proposes suitable candidates to the Supervisory Board for its suggestions for the elections at the Annual General Meeting. In the completed financial year 2013 / 14, it held seven meetings. It primarily focused on the proposals for new Supervisory Board members in connection with the planned merger with TUI Travel PLC.

GALAXY COMMITTEE

At its meeting on 3 September 2014, the Supervisory Board decided that under certain circumstances the final discussion about the planned merger between TUI AG and TUI Travel PLC, as well as any resolutions to be adopted, should be referred to the Galaxy Committee. The main purpose of the decision was to ensure immediate discussion and decision-making in the event of any ad hoc questions that may emerge. The Galaxy Committee held two meetings in the period under review, on 11 and 14 September 2014.

Corporate Governance

The Supervisory Board regularly discusses corporate governance issues and, together with the Executive Board, submits a joint annual declaration of compliance with the German Corporate Governance Code pursuant to section 161 of the German Stock Corporation Act. The most recent declaration of compliance for 2014 was published on TUI AG's website in December 2014. This declaration of compliance for 2014 and additional information on corporate governance is provided in the Corporate Governance Report prepared by the Executive Board and Supervisory Board of TUI AG, which will be found in the present Annual Report.

See page 23 et seq.

Upon completion of the planned merger of TUI AG and TUI Travel PLC and the associated future quotation on the London Stock Exchange, the (Combined) TUI AG will need to observe the UK Corporate Governance Code in addition to the German Corporate Governance Code. However, TUI AG will, continue to make information which must be published in London under the relevant capital market law regulations similarly available in Germany without delay (6.2 DCGK).

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

Audit opinion see page 285

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover, audited the annual financial statements of TUI AG prepared by the Executive Board in accordance with the provisions of the German Commercial Code (HGB), as well as the joint management report of TUI AG and the TUI Group, and the consolidated financial statements for the 2013 / 14 financial year prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS), and issued their unqualified audit certificate. The above documents, the Executive Board's proposal for the use of the net profit available for distribution and the audit reports by the auditors had been submitted in good time to all members of the Supervisory Board. They were discussed in detail at the Audit Committee meeting of 8 December 2014 and the Supervisory Board meeting of 9 December 2014, convened to discuss the annual financial statements, where the Executive Board provided comprehensive explanations of these statements. At those meetings, the Chairman of the Audit Committee and the auditors reported on the audit findings, having determined the key audit areas for the financial year under review beforehand with the Audit Committee. Neither the auditors nor the Audit Committee identified any weaknesses in the early risk detection and internal control system. On the basis of our own review of the annual financial statements of TUI AG and the Group and the joint management report, we did not have any grounds for objections and therefore concur with the Executive Board's evaluation of the situation of TUI AG and the TUI Group. Upon the recommendation of the Audit Committee, we approve the annual financial statements for financial year 2013 / 14; the annual financial statements of TUI AG are thereby adopted. We comprehensively discussed the proposal for the appropriation of profits with the Executive Board and approved the proposal in the light of the current and expected future financial position of the Group.

Changes in the composition of Executive Board, Supervisory Board and committees

In financial year 2013 / 14, the following changes occured:

SUPERVISORY BOARD

Mikhail Noskov stepped down as a member of TUI AG's Supervisory Board with effect from 12 February 2014. For the remaining term of office on the Supervisory Board (i.e. until the close of the 2016 ordinary Annual General Meeting), the ordinary Annual General Meeting 2014 elected Vladimir Lukin upon the proposal of the Supervisory Board.

Vladimir Yakushev stepped down as a member of TUI AG's Supervisory Board with effect from 7 February 2014. The district court of Hanover appointed Maxim G. Shemetov as a new Supervisory Board member from 14 March 2014.

Anass Houir Alami stepped down as a member of TUI AG's Supervisory Board with effect from 24 June 2014. In the light of the planned merger, a new member to replace him has not yet been appointed.

Petra Gerstenkorn stepped down from her function as Vice-Chairperson of TUI AG's Supervisory Board on 15 May 2014. Frank Jakobi, chairman of TUI AG's Group works council, was elected Vice-Chairman of the Group's Supervisory Board as from 15 May 2014. Ms Gerstenkorn also stepped down as a regular member of the Supervisory Board with effect from 30 June 2014. The district court of Hanover appointed Peter Bremme as her successor with effect from 2 July 2014.

Ingo Kronsfoth left the Supervisory Board with effect from 31 July 2014. The district court of Hanover appointed Carola Schwirn as his successor with effect from 1 August 2014.

The Supervisory Board thanks all members who left the Supervisory Board in financial year 2013 / 14 for the excellent cooperation based on trust.

AUDIT COMMITTEE

Ingo Kronsforth, who also left the Audit Committee when he stepped down from the Supervisory Board, has been succeeded by Andreas Barczewski as a new member of the Audit Committee.

NOMINATION COMMITTEE

The vacancy on the Nomination Committee resulting when Vladimir Yakushev left the Supervisory Board was filled by Vladimir Lukin.

AD HOC GALAXY COMMITTEE

The Galaxy Committee comprised the Chairman of the Supervisory Board, Prof. Dr Klaus Mangold, alongside Prof. Dr Edgar Ernst, Frank Jakobi und Prof. Christian Strenger.

On behalf of the Supervisory Board

Prof. Dr Klaus Mangold
Chairman of the Supervisory Board

Hanover, 9 December 2014

Executive Board and Supervisory Board

Annex to the Notes

SUPERVISORY BOARD

Name	Initial Appointment	Function / Occupation	Location	Presiding Comm.
Prof. Dr. Klaus Mangold	7 Jan 2010	Chairman of the Supervisory Board of TUI AG	Stuttgart	• Chair
		Chairman of the Supervisory Board of Rothschild GmbH		
Petra Gerstenkorn[1] (until 30 June 2014)	2 Jan 2009	Deputy Chairwoman of the Supervisory Board of TUI AG Member of the Federal Executive Board of ver.di – Vereinte Dienstleistungsgewerkschaft	Berlin	• Deputy Chair (until 15 May 2014)
Frank Jakobi[1]	15 Aug 2007	Travel Agent	Hamburg	• Deputy Chair (since 15 May 2014)
Anass Houir Alami (until 24 June 2014)	7 Aug 2009	Chief Executive of Caisse de Dépôt et de Gestion (CDG)	Rabat	
Andreas Barczewski[1]	10 May 2006	Aircraft Captain	Hanover	•
Peter Bremme[1] (since 2 July 2014)	2 July 2014	Regional Head of the Special Division of ver.di – Vereinte Dienstleistungsgewerkschaft	Hamburg	
Arnd Dunse[1]	1 Oct 2008	Head of Group Controlling Department of TUI AG	Bad Nenndorf	
Prof. Dr. Edgar Ernst	9 Feb 2011	President of Deutsche Prüfstelle für Rechnungslegung	Bonn	
Angelika Gifford	26 March 2012	President Hewlett Packard Deutschland, Vice President HP Software DACH	Kranzberg	
Ingo Kronsfoth[1] (until 31 July 2014)	2 Jan 2009	Head of Aviation Sector of ver.di – Vereinte Dienstleistungsgewerkschaft	Berlin	
Vladimir Lukin (since 12 February 2014)	12 Feb 2014	Senior Vice President Legal Affairs, OAO Severstal First Deputy CEO, ZAO Sever Group First Deputy CEO, OOO Kapital	Moscow	•
Mikhail Noskov (until 12 February 2014)	9 Feb 2011	Chief Financial Officer of Sever Group	Moscow	
Michael Pönipp[1]	17 April 2013	Hotel Clerk	Hanover	
Carmen Riu Güell	14 Feb 2005	Entrepreneur	Palma de Mallorca	•
Carola Schwirn[1] (since 1 August 2014)	1 Aug 2014	Department Coordinator in the Transportation Division of ver.di – Vereinte Dienstleistungsgewerkschaft	Berlin	
Maxim G. Shemetov (since 14 March 2014)	14 March 2014	Head of Investment Management, Travel Sector, ZAO Sever Group	Moscow	
Anette Strempel[1]	2 Jan 2009	Travel Agent	Hemmingen	• (since 1 July 2014)
Prof. Christian Strenger	9 Feb 2011	Member of Supervisory Boards	Frankfurt / Main	
Ortwin Strubelt[1]	3 April 2009	Travel Agent	Hamburg	
Vladimir Yakushev (until 7 February 2014)	22 April 2008	Managing Director of SGCM Ltd.	Moscow	•

[1] Representative of the employees
[2] Information refers to 30 September 2014 or date of resignation from the Supervisory Board of TUI AG in financial year 2013 / 14
[3] Chairman
[4] Deputy Chairman

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

Audit Committee	Nomination Comm.	Galaxy Committee	Other Board Memberships[2]		Name
•	• Chair	• Chair	a) Alstom AG[3] Continental AG	b) Alstom S. A. Ernst & Young Rothschild GmbH[3] Swarco AG[4] Baiterek Holding JSC	**Prof. Dr. Klaus Mangold**
			a) TUI Deutschland GmbH[4]	b) KIT-Karlsruher Institut für Technologie	**Petra Gerstenkorn[1]** (until 30 June 2014)
		•			**Frank Jakobi[1]**
			b) Atlanta BMCE Bank Ciments du Maroc-Italcementi Group Morocco Fonds d'Équipement Communal Fonds Marocain de Placement Holding Al Omrane	Inframed[4] Medi1TV MEDITEL Moroccan Financial Board Poste Maroc Sanad	**Anass Houir Alami** (until 24 June 2014)
•					**Andreas Barczewski[1]**
			a) TUI Deutschland GmbH TÜV Nord AG		**Peter Bremme[1]** (since 2 July 2014)
•					**Arnd Dunse[1]**
• Chair		•	a) Deutsche Annington SE Deutsche Postbank AG	DMG Mori Seiki AG Wincor Nixdorf AG	**Prof. Dr. Edgar Ernst**
			b) Paris Orléans SCA		**Angelika Gifford**
•			a) TUIfly GmbH[4]		**Ingo Kronsfoth[1]** (until 31 July 2014)
	•		b) OAO AB Rossiya OAO Severstal OJSC Power Machines OOO T2 RTK Holding	ZAO National Media Group ZAO Sveza ZAO Video International	**Vladimir Lukin** (since 12 February 2014)
			b) ABR Management CJSC Bank "Rossiya" Mostotrest National Media Group Non-state Pension Fund Gazfond	Non-state Pension Fund Stalfond[3] Nord Gold N.V. Severstal Sveza	**Mikhail Noskov** (until 12 February 2014)
			a) TUI Deutschland GmbH	b) MER-Pensionskasse V.V.a.G. TUI BKK	**Michael Pönipp[1]**
	•		b) Hotel San Francisco S.A. Riu Hotels S.A. RIUSA II S.A.	Productores Hoteleros Reunidos, S.A.	**Carmen Riu Güell**
					Carola Schwirn[1] (since 1 August 2014)
			b) LLC Svoy-TT		**Maxim G. Shemetov** (since 14 March 2014)
					Anette Strempel[1]
•		•	a) Deutsche Asset & Wealth Management Investment GmbH	b) The Germany Funds, Inc.[3]	**Prof. Christian Strenger**
•					**Ortwin Strubelt[1]**
	•		b) Advanced Diamond Technologies, Inc. Centice Corp. Fiberzone Networks, Inc. Nano-Optic Devices, LLC[3] OJSC Metallurgical	OOO Aksimed[3] OOO Innolume[3] OOO Nanooptic Devices[3] OOO Spectralus[3] Spectralus Corp.[3]	**Vladimir Yakushev** (until 7 February 2014)

Annex to the Notes

EXECUTIVE BOARD[1]

Name	Department	Other Board Memberships	
Friedrich Joussen	Chairman	b) TUI Travel PLC[2]	
(Age 51)			
Member of the Executive Board from Oct 2012,			
Chairman of the Executive Board from Feb 2013,			
current appointment until Oct 2015			
Horst Baier	Finance	a) Hapag-Lloyd AG	b) RIUSA II S.A.[2]
(Age 57)	Director	TUIfly GmbH	TUI Travel PLC
	Chief HR Officer	TUI Deutschland GmbH	
Member of the Executive Board from 2007,			
current appointment until Nov 2015			
Peter Long	Tourism	b) Peak Adventure Travel	TUI Nederland Holding N.V.
(Age 62)		Group Limited	TUI Travel Belgium N.V.
		Rentokil Initial PLC	
Member of the Executive Board from 2007,		TUI Nederland N.V.	
current appointment until Aug 2015		TUI Deutschland GmbH	

[1] Information refers to 30 Sep 2014 or date of resignation from the Excecutive Board in financial year 2013 / 14.
[2] Chairman

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

The Executive Board and the Supervisory Board discussed corporate governance issues several times in financial year 2013 / 14 and jointly submitted the declaration of compliance for 2014 in December 2014, pursuant to section 161 of the German Stock Corporation Act. The declaration was made permanently accessible to the general public on TUI AG's website.

WORDING OF THE DECLARATION OF COMPLIANCE FOR 2014

"In accordance with section 161 of the German Stock Corporation Act, the Executive Board and Supervisory Board of TUI AG hereby declare:
For the new service contracts with Executive Board members and the extensions to the contracts of Mr Joussen, Mr Baier and Mr Long in 2014 , an age limit has been specified (no. 5.1.2 German Corporate Governance Code).
In that context it was also agreed that transactions between the Company on the one hand and Executive Board members or persons to whom they are close or companies with which they have a personal association must comply with standards customary in the sector and that important transactions of this type require the approval of the Supervisory Board (4.3.4 DCGK). No transactions were concluded between the Company and Executive Board members or persons to whom they are close or companies with whom they have a personal association.

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

The caps for the total compensation and variable compensation components were expressly agreed with Mr Joussen and Mr Baier in December 2013, including caps for individual compensation components (4.2.3 DCGK). This also applies to the service contracts newly concluded in 2014 and the extension to Mr Long's contract.

The service contracts previously did not comprise any clauses on the recommendations listed above as they constituted legacy contracts.

On 14 August 2014, the Company published a 'Trading update 9M 2013 / 14'. However, it only published the complete Interim Report as at 30 June 2014 on 15 September 2014, i.e. more than 45 days after the end of the reporting period (7.1.2 DCGK). This late publication was attributable to the full review of the Interim Report required due to the planned merger with TUI Travel PLC.

Other than that, the recommendations of the Government Commission on the German Corporate Governance Code in its version of 13 May 2013 were fully observed up until 29 September 2014. Since 30 September 2014, the Company has fully complied with the recommendations of the Government Commission on the German Corporate Governance Code in its version of 24 May 2014, as published by the Government Commission on the German Corporate Governance Code in the official section of the electronic Federal Gazette."

Functioning of the Executive and Supervisory Boards

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

For functions, see section on Executive Board and Supervisory Board

TUI AG's Executive Board comprised three members as at the closing date 30 September 2014. The Executive Board is responsible for managing the Company's business operations in the interests of the Company. The allocation of functions and responsibilities to individual Board members is presented in a separate section.

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

In accordance with the Articles of Association, the Supervisory Board had 16 members at the balance sheet date, i.e. 30 September 2014. It advises and oversees the Executive Board in the management of the Company. It is involved in strategic and planning decisions and all decisions of fundamental importance to the Company. In accordance with the terms of reference, decisions taken by the Executive Board on major transactions such as the annual budget, major acquisitions or divestments require the approval of the Supervisory Board. The Chairman of the Supervisory Board coordinates the work in the Supervisory Board, chairs its meetings and represents the concerns of the body externally.

The Executive Board provides the Supervisory Board with comprehensive up-to-date information at regular meetings and in writing about the strategy, the budget, business performance and the situation of the Group, including risk management and compliance. The Supervisory Board has adopted terms of reference governing its work. In the run-up to the Supervisory Board meetings, the representatives of shareholders and employees meet separately.

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

COMPOSITION OF THE SUPERVISORY BOARD

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

As at the balance sheet date, 30 September 2014, the Supervisory Board of TUI AG comprised 15 members. The vacancy that had arisen when Anass Houir Alami left the Supervisory Board as a shareholder representative on 24 June 2014 was not filled again for the time being in the light of the planned merger between TUI AG and TUI Travel PLC. Pursuant to section 8 of the Terms of Reference for the Supervisory Board of TUI AG and in line with the recommendations of the German Corporate Governance Code, the composition of the Supervisory Board should ensure that its members jointly have the knowledge, skills and technical experience required for the proper implementation of their tasks. The goals set by the Supervisory Board itself for its composition include in particular comprehensive industry knowledge, internationality, diversity and an appropriate participation of women. More specifically, the goal has been to have four female members, four members with considerable international experience and at least three independent shareholder representatives.

In line with the Company's own objectives, the Supervisory Board of TUI AG included four female members throughout the completed financial year 2013 / 14. Ten Supervisory Board members have considerable international experience. Due to the different career paths of its members, the composition of the Supervisory Board reflects strong diversity in terms of relevant experience, skills and industry knowledge. The Supervisory Board comprised three shareholder representatives who do not have a business or personal relationship with the Company, its Executive Board or any third parties that might give rise to a major conflict of interests.

In accordance with the recommendations of the German Corporate Governance Code, the eight original shareholder representatives were individually elected for five-year terms of office in the elections to the Supervisory Board at the Annual General Meeting in 2011. Three shareholder representatives stepped down from the Supervisory Board in the course of financial year 2013 / 14. Vladimir Lukin was elected by the 2014 ordinary Annual General Meeting to replace one of these former members. Another new representative, Maxim Shemetov, was appointed by the district court of Hanover by order of 14 March for a term of office expiring upon the close of the Annual General Meeting adopting a resolution regarding the financial statements for the financial year ended 30 September 2015. The vacancy that arose when the third shareholder representative, Anass Houir Alami, left the Supervisory Board was not filled in the light of the planned merger between TUI AG and TUI Travel PLC. Two of the eight employee representatives elected in January 2011 left the Supervisory Board in the course of financial year 2013 / 14. The district court of Hanover appointed two new members, Peter Bremme and Carola Schwirn, to replace them. None of the Supervisory Board members were older than 68 years of age upon election. In financial year 2013 / 14, no former Executive Board members of TUI AG were represented on the Supervisory Board.

COMMITTEES OF THE SUPERVISORY BOARD

At 30 September 2014, the balance sheet date, the Supervisory Board had established four committees from among its members to support its work: the Presiding Committee, the Audit Committee, the Nomination Committee and the Galaxy Committee. It also decided to set up an Integration Committee for a period of two years after completion of the planned merger with TUI Travel PLC.

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

Executive and Supervisory Board members are obliged to act in TUI AG's best interests. In the completed financial year 2013 / 14, there were no conflicts of interest requiring disclosure to the Supervisory Board. None of the Executive Board members of TUI AG sat on more than three supervisory boards of listed non-Group companies or supervisory bodies of companies with similar requirements.

Additional corporate governance disclosures

SHAREHOLDERS AND ANNUAL GENERAL MEETING

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

Information on the AGM at: www.tui-group.com/en/ir/agm

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

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

RISK MANAGEMENT

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

Risk Report see page 116

More detailed information about risk management in the TUI Group is presented in the Risk Report. It also contains the report on the accounting-related internal control and risk management system required in accordance with the German Commercial Code (sections 289 (5), 315 (2) no 5 HGB).

TRANSPARENCY

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

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

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

Directors' dealings online at: www.tui-group.com/en/ir/corporate governance/directors dealings

DIRECTORS' DEALINGS

The Company was informed of notifiable purchase and sale transactions of TUI AG shares or related financial instruments by directors (directors' dealings) concerning financial year 2013 / 14 by Prof. Dr Klaus Mangold, Friedrich Joussen and Horst Baier as well as Teck Capital Management.

ACCOUNTING AND AUDITING

TUI AG prepares its consolidated financial statements and consolidated interim financial statements in accordance with the provisions of the International Financial Reporting Standards (IFRS) as applicable in the European Union. The statutory annual financial statements of TUI AG, which form the basis for the dividend payment, are prepared in accordance with the German Commercial Code (HGB). The consolidated financial statements are prepared by the Executive Board, audited by the auditors and approved by the Supervisory Board. The interim reports are discussed between the Audit Committee and the Executive Board prior to publication. The consolidated financial statements and the financial statements of TUI AG were audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover, the auditors elected by the 2014 Annual General Meeting. The audit was based on German auditing rules, taking account of the generally accepted auditing standards issued by the German Auditors' Institute as well as the International Standards on Auditing. It also covered risk management and compliance with reporting requirements concerning corporate governance pursuant to section 161 of the German Stock Corporation Act.

See audit opinion by the auditors

The condensed interim consolidated financial statements and management reports as at 31 December 2013 and 31 March 2014 were reviewed by the auditors. The interim report as at 30 June 2014 prepared in the framework of a merger between TUI AG and TUI Travel PLC, was audited by the auditors, who issued their unqualified audit certificate.

In addition, a contractual agreement was concluded with the auditors to the effect that the auditors will immediately inform the Supervisory Board of any grounds for disqualification or partiality as well as of all findings and events of importance arising during the performance of the audit. There was no ground to provide such information in the framework of the audit of financial year 2013 / 14.

Compliance

The TUI Group's Compliance Management System, the basis of TUI's corporate governance, reflects our commitment to commercial, environmental and social activity and operations. It is an indispensable part of the TUI Group's corporate culture.

CODE OF CONDUCT/SUPPLIERS' CODE OF CONDUCT

The Code of Conduct, drawn up for the entire TUI Group, enshrines guiding principles for everyone to follow, from executives and senior management to every Group employee. It defines minimum standards aimed at assisting our employees in their everyday work and providing orientation in conflict situations.

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

The Suppliers' Code of Conduct forms the basis of business relations with TUI. It sets out our economic, legal and social expectations of our suppliers.

The principles established in the Code of Conduct are further developed, in conjunction with the legal requirements, in a number of policies and instructions. They provide all TUI executives and employees with the guidelines they need in their day-to-day operations.

COMPLIANCE MANAGEMENT SYSTEM

TUI's Compliance Management System is built on three pillars: prevention, discovery and response, which, in turn, comprise a large number of internal measures and processes. TUI's Compliance Management System focuses on prevention, with a key role played by the Compliance Rules, informaton and communication and Compliance hazard analysis. The findings derived from any misconduct are taken up and used to enhance the Compliance Management System within an integrated approach to Governance, Risk and Compliance Management.

COMPLIANCE MANAGEMENT PROCESSES

PREVENTION ⟷ **EXPOSURE** ⟷ **REACTION**

PREVENTION

COMPLIANCE POLICIES
- *Code of Conduct*
- *Compliance Policy*
- *"Gift" Policy*
- *Supplier Code of Conduct*

COMPLIANCE TRAINING
- *Face-to-face*
- *E-Learning*
- *Guide*

COMPLIANCE COMMUNICATION
- *Intranet*
- *Internet*

COMPLIANCE INFORMATION
- *Helpdesk*
- *Intranet*
- *Information cards*

COMPLIANCE RISK ASSESSMENT

EXPOSURE

REPORTING
- *Regular*
- *Ad hoc*

LEADS
- *TUI SpeakUp*
- *Other sources, e.g. anonymous letter*

INVESTIGATIONS
- *Compliance Assessment Committee*
- *Internal, e.g. Internal Audit*
- *External, e.g. Lawyers, Auditors, Public Prosecutors*

REACTION

IMPLEMENTATION OF PROCESS CONTROLS

EXCHANGE WITH MANAGEMENT AND LOCAL COMPLIANCE OFFICERS

DISCIPLINARY MEASURES

COMPLIANCE RULES

TUI's Compliance Management System is founded on the Compliance Rules, which were designed to communicate the guiding principles and goals defined in TUI's Code of Conduct to the organisation as a whole. To this end, a Group Compliance Policy has been adopted, setting out the goals and tasks of TUI's Compliance Management System. Moreover, a separate Group Policy provides binding rules for dealing with gifts and benefits in business transactions. TUI AG has thus created a uniform framework, concordant with international practice, for Group companies with their specific requirements. In addition, all current TUI Group Policies are checked and optimised regularly to ensure effective policy management.

COMPLIANCE STRUCTURE

The TUI Group's Compliance structure supports those responsible in communicating the values and rules and anchoring them in the Group. It ensures that the compliance requirements are implemented on a Group-wide level in the individual countries and cultures. Under the aegis of the Chief Compliance Officer, the Head Compliance Officers and Compliance Officers in TUI AG and the Group companies perform the following tasks with the support of the central Compliance Office:

- Raising awareness for Compliance
- Achieving the goals of the Code of Conduct and the Compliance Rules
- Providing training
- Advising managers and employees
- Securing the required exchange of information
- Implementing the integrated approach to Governance, Risk & Compliance
- Providing regular reports

COMPLIANCE TRAINING

Compliance training is an indispensable element of TUI's Compliance Management System, with its focus on preventing misconduct. It is carried out according to a graded concept. Managers and staff at TUI have all benefited from face-to-face teaching, an e-learning programme and the "Compliance Compass" brochure, enabling all our employees to acquaint themselves with Compliance and the underlying corporate values, regardless of their position in the company hierarchy and their geographical location. Moreover, some TUI companies and sectors offer training schemes with a particular focus to raise the participants' awareness for specific challenges as and when necessary.

WHISTLEBLOWING

With the implementation of the Compliance Management System, a whistleblower system, the TUI SpeakUp Line, has been established in agreement with various stakeholder groups within TUI. It offers the opportunity to report severe infringements of the corporate values anchored in TUI's Code of Conduct. Any infringements reported are rigorously investigated in the interests of all stakeholders and the Company. Our top priority is to ensure confidentiality and handle information discreetly. Apart from notifying supervisors, compliance officers or the Compliance Office, employees can also report infringements anonymously if they so wish. Information can be submitted by telephone or using a web-based facility. Any incidents reported are analysed by an evaluation committee and the necessary action is then taken. Infringements are fully investigated in the interests of all our staff and the Company itself.

Remuneration Report

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

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

In financial year 2013 / 14, the Superviory Board commissioned a renowned consultancy company with preparing an expert report for Executive Board members based in Germany. The focus of the assessment included general and specific appropriateness, new requirements in the framework of the German Corporate Governance Code (DCGK) and recommendations for action derived from the Code. The overall finding was that the level of remuneration for Executive Board members based in Germany was appropriate in the peer market and hence, in particular, in conformity with section 87 (1) of the German Stock Corporation Act as well as DCGK 4.2.2 and DCGK 4.2.3.

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

In financial year 2013 / 14, the remuneration of Mr Long, based in the UK, was exclusively paid by TUI Travel PLC and fixed by its own Remuneration Committee.

REMUNERATION OF THE EXECUTIVE BOARD IN FINANCIAL YEAR 2013/14

1. GENERAL

The remuneration granted to TUI AG's Executive Board members for financial year 2013 / 14 comprises fixed components, fringe benefits and variable components. Fringe benefits comprise a company car with driver services as well as travel and insurance benefits. The variable components consist of an annual management bonus and a multi-annual bonus covering a period of four years under a long-term incentive programme.

2. VARIABLE COMPENSATION

a) Annual management bonus

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

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

b) Long-term incentive programme

The long-term incentive programme (LTIP) is based on phantom stocks and covers a period of four years. For Executive Board members, an individual target amount has been fixed in their service contracts. This amount is translated annually into a preliminary number of phantom stocks based on the average price of TUI AG shares over a period of twenty days prior to the beginning of any financial year. Entitlements for the beneficiary under the LTIP always arise upon completion of the four-year performance period (plan term in accordance with the model tables related to section 4.2.5 of the German Corporate Governance Code).

At the end of the four-year period, the degree of target achievement is determined by comparing the change in total shareholder return (TSR) at TUI AG with the change in the Dow Jones Stoxx 600 Travel & Leisure index. The degree of target achievement is determined as a function of the TSR rank at TUI AG compared with the TSR value of the companies in the Dow Jones STOXX 600 Travel & Leisure over the performance period. If the degree of target achievement is less than 25 % of the reference value, no remuneration is paid under the long-term incentive programme. If the degree of target achievement exceeds 25 % based on defined TSR ranks of TUI AG, the resulting degree of target achievement is multiplied by the preliminary number of phantom stocks determined for the first financial year of the four-year service period; however, a cap of 175 % applies.

At the end of the four-year performance period, the final number of phantom stocks determined in this way is multiplied by the average price of TUI AG shares (20 trading days prior to the end of the service period), and the resulting amount is paid out in cash. The maximum amount payable in cash under the long-term incentive programme has been capped at € 2,100.0 thousand for Mr Joussen and € 1,530.0 thousand for Mr Baier per performance period.

The table shows the fair value of the phantom stocks granted this year as per 30 September 2014 as benefits granted (in accordance with the model tables related to section 4.2.5 DCGK) for the completed financial year on the basis of an assumed target achievement of 100 %. An entitlement to a cash payment ("allocation" in accordance with model tables related to section 4.2.5 DCGK) generally only arises upon the termination of the four-year performance period from 1 October 2013 to 30 Septeber 2017 "LTIP 2013 / 14 – 2016 / 17" in the month following the adoption of the annual financial statements of TUI AG as per 30 September 2017 and depends solely on future target achievement for the period "LTIP 2013 / 14 – 2016 / 17". The allocation for the completed financial year thus shows the cash payment for the performance period "LTIP 2013 / 14 – 2016 / 17" for Mr Baier. By way of derogation, a contractual advance payment of € 1,280.0 thousand has been agreed with Mr Joussen for the performance period "LTIP 2013 / 14 – 2016 / 17", payable upon the adoption of the annual financial statements for financial year 2013 / 14. It is shown as an allocation and will be offset against the actual entitlement that will have arisen at the end of the performance period (LTIP 2013 / 14 – 2016 / 17". Mr Joussen will receive additional advance payments of € 100.0 thousand each for the performance periods "LTIP 2012 / 13 – 2015 / 16" and "LTIP 2013 / 14 – 2016 / 17", along with the advance payment for the performance period "LTIP 2014 / 15 – 2017 / 18".

The long-term incentive programme for Mr Long entails the granting of shares in TUI Travel PLC ("TUI Travel") based on personal assessment factors established by TUI Travel's Remuneration Committee. On 1 October 2013, Mr Long held vesting rights to 7.54 million shares in TUI Travel. In financial year 2013 / 14, 2.37 million shares worth 378 pence / share were allocated to Mr Long on account of having achieved the performance targets defined by TUI Travel's Remuneration Committee. New awards for 1.25 million shares were granted to Mr Long for financial year 2013 / 14. As per 30 September 2014, awards for shares in TUI Travel totalled 6.42 million.

As per 30 September 2014, Mr Long also held 3.02 million shares in TUI Travel awarded to him (previous year 3.02 million).

Provisions totalling € 2,660.8 thousand (previous year € 6,617.0 thousand) and liabilities worth € 1,839.2 thousand (previous year € 2,047.6 thousand) were formed to cover entitlements under TUI AG's long-term incentive programme. The total expense for share-based payments and the amount attributable to each individual Executive Board member are shown in the table "Remuneration of individual Executive Board members".

DEVELOPMENT OF AGGREGATE PHANTOM STOCKS OF EXECUTIVE BOARD MEMBERS OF TUI AG (INCL. FOUR-YEARS-MODEL)

	Units
Balance as at 30 Sep 2013	**621,292**
Phantom stocks granted for the financial year 2013 / 14	207,464
Decrease of phantom stocks	–149,655
Balance as at 30 Sep 2014	**679,101**

On 30 September 2014, former Executive Board members did not hold any phantom stocks in TUI AG (previous year 450,025 shares).

REMUNERATION OF INDIVIDUAL EXECUTIVE BOARD MEMBERS

REMUNERATION OF INDIVIDUAL EXECUTIVE BOARD MEMBERS GRANTED BY TUI AG FOR THE FINANCIAL YEAR

€ '000	Fixed remuneration	Annual management bonus	Long-term incentive programme	Supervisory Board memberships in the Group*	**Total 2013 / 14**	Total 2012 / 13
Friedrich Joussen	1,056.5	1,108.0	1,731.4	–	3,895.9	3,874.3
Horst Baier	690.8	614.2	639.9	– 245.4	1,699.5	1,957.7
Total	**1,747.3**	**1,722.2**	**2,371.3**	**– 245.4**	**5,595.4**	**5,832.0**
Previous year	1,682.0	1,549.1	2,600.9	–	5,832.0	

* The remuneration received by Mr Baier since 1 January 2010 for his Supervisory Board mandate in Hapag-Lloyd AG, a Group shareholding, is deducted as remuneration from an intra-Group mandate.

The remuneration of Peter Long determined by the Remuneration Committee of TUI Travel for financial year 2013 / 14 amounted to € 1,042.0 thousand for fixed remuneration (previous year € 1,011.4 thousand), € 8,333.3 thousand for the annual management bonus (previous year € 4,938.1 thousand), € 3,427.7 thousand for the long-term incentive programme (previous year € 1,450.7 thousand) and totalled to € 12,803.0 thousand (previous year € 7,400.2 thousand).

As in the prior year, the members of the Executive Board did not receive any loans or advances in financial year 2013 / 14.

The two tables below show the benefits already granted by TUI AG and payments received by the individual members of the Executive Board.

BENEFITS GRANTED

	Friedrich Joussen CEO since 15 Oct 2012				Horst Baier CFO and Chief Human Resources Officer since 8 Nov 2007			
€ '000	2012 / 13	**2013 / 14**	(Min. p. a.)	(Max. p. a.)	2012 / 13	**2013 / 14**	(Min. p. a.)	(Max. p. a.)
Fixed remuneration	963.8	1,000.0	1,000.0	1,000.0	680.0	680.0	680.0	680.0
Perquisites	25.4	56.5	56.5	56.5	12.8	10.8	10.8	10.8
Total	**989.2**	**1,056.5**	**1,056.5**	**1,056.5**	**692.8**	**690.8**	**690.8**	**690.8**
Annual perfomance-based remuneration	920.0	920.0	–	1,400.0	255.0	255.0	–	459.0
Multi-year variable remuneration	1,899.1	1,731.4	–	2,100.0	956.8	849.9	–	2,218.5
Cash deferral (FY 2012 / 13)	–	–	–	–	255.0	–	–	688.5
Cash deferral (FY 2013 / 14)	–	–	–	–	–	255.0	–	–
LTIP (2012 / 13 – 2015 / 16)	1,899.1	–	–	–	701.8	–	–	–
LTIP (2013 / 14 – 2016 / 17)	–	1,731.4	–	2,100.0	–	639.9	–	1,530.0
Total	**3,808.3**	**3,707.9**	**1,056.5**	**4,556.5**	**1,904.6**	**1,840.7**	**690.8**	**3,368.3**
Pension	189.4	196.5	196.5	196.5	594.7	346.9	346.9	346.9
Total remuneration	**3,997.7**	**3,904.4**	**1,253.0**	**4,753.0**	**2,499.3**	**2,187.6**	**1,037.7**	**3,715.2**

ALLOCATION

€ '000	Friedrich Joussen CEO since 15 Oct 2012 2013/14	2012/13	Horst Baier CFO and Chief Human Resources Officer since 8 Nov 2007 2013/14	2012/13
Fixed remuneration	1,000.0	963.8	680.0	680.0
Perquisites	56.5	25.4	10.8	12.8
Total	**1,056.5**	**989.2**	**690.8**	**692.8**
Annual perfomance-based remuneration	1,108.0	986.0	307.1	273.3
Multi-year variable remuneration (total)	1,280.0	1,280.0	866.3	1,057.2
Cash Deferral (from FY 2010/11)	–	–	–	138.6
Cash Deferral (from FY 2011/12)	–	–	169.9	151.2
Cash Deferral (from FY 2012/13)	–	–	137.1	–
LTIP (2009/10–2012/13)	–	–	–	767.4
LTIP (2010/11–2013/14)	–	–	559.2	–
LTIP (2012/13–2015/16)	–	1,280.0	–	–
LTIP (2013/14–2016/17)	1,280.0	–	–	–
Other	–	–	–245.4	–
Total	**3,444.5**	**3,255.2**	**1,618.8**	**2,023.3**
Pension	196.5	189.4	346.9	594.7
Total remuneration	**3,641.0**	**3,444.6**	**1,965.7**	**2,618.0**

The remuneration received by Mr Baier since 1 January 2010 for his Supervisory Board mandate in Hapag-Lloyd AG, a Group shareholding, is deducted as remuneration from an intra-Group mandate ("Other").

BENEFITS IN THE EVENT OF A TERMINATION OF POSITION

1. PENSION ENTITLEMENTS

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

Mr Joussen receives an annual amount of €196.5 thousand, paid into an existing pension plan for Mr Joussen. Interest on these plan contributions is paid by the provider of the pension plan and is therefore not shown by TUI AG. The Company has not assumed any additional obligations in the framework of the company pension plan for the first service period.

Mr Baier receives an annual contribution to the company pension plan agreed in his service contract. The pension contribution amounts to 22.5% of the target cash remuneration per contribution year (fixed remuneration and annual management bonus at 100% target achievement excluding any cash deferrals). The contributions to the company pension plan carry an interest rate established in the pension obligation; the interest rate currently stands at 5% p.a. Board members become eligible for payment of the pension upon reaching the age of 60. The beneficiary may choose between a one-off payment, payment by instalments or pension payments.

CONTRIBUTIONS TO THE COMPANY PENSION SCHEME IN FINANCIAL YEAR 2013/14

€ '000	Pension contribution
Friedrich Joussen	196.5
Horst Baier	267.7

Mr Long does not have a pension entitlement vis-à-vis TUI AG. Instead of granting a pension entitlement, Mr Long receives an amount of 50 % of his fixed remuneration from TUI Travel PLC to be paid into a pension fund (translated into euros at € 518.7 thousand, previous year € 503.5 thousand).

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

2. CHANGE OF CONTROL AGREEMENT

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

The performance-related remuneration and the phantom stocks granted for the remainder of the contract term are based on the average remuneration received in the last two financial years for Mr Joussen and the average remuneration received in the last three financial years for Mr Baier.

3. PAYMENTS TO PAST EXECUTIVE BOARD MEMBERS

Past Executive Board members received payments of € 2,451.0 thousand for financial year 2013 / 14.

4. TERMINATION AND SEVERANCE ARRANGEMENTS

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

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

5. PENSION OBLIGATIONS

At 30 September 2014, pension obligations for active members of the Executive Board totalled € 6,626.2 thousand (previous year balance sheet date: € 20,253.6 thousand) according to IAS 19 and € 6,137.9 thousand (previous year balance sheet date € 17,830.2 thousand) according to commercial law. In the period under review, the provision according to IAS 19 was reduced by an amount of € 13,627.4 thousand (previous year € 7,878.9 thousand), with a reduction of € 11,692.3 thousand (previous year € 6,137.0 thousand) according to commercial law provisions.

PENSION OF CURRENT EXECUTIVE BOARD MEMBERS

€ '000	Addition to / reversal from pension provisions 2013 / 14	2012 / 13	Net present value 30 Sep 2014	30 Sep 2013
Friedrich Joussen	–	–	–	–
Horst Baier	707.0	321.0	6,626.2	5,919.2
Total	**707.0**	**321.0**	**6,626.2**	**5,919.2**

Where the above table shows a corresponding amount, the pension obligations for German beneficiaries are funded via the conclusion of pledged reinsurance policies. As the reinsurance policy fully covers the pension obligations for former and active Executive Board members, the insurance was deducted as an asset from the pension obligation.

Pension provisions for former members of the Executive Board and their dependents amounted to € 69,626.6 thousand (previous year: € 49,587.7 thousand) as measured according to IAS 19 at the balance sheet date, and € 63,193.0 thousand (previous year € 51,633.7 thousand) as measured according to commercial law provisions'. In financial year 2013 / 14, obligations for this group of persons increased by € 20,038.9 thousand (in financial year 2012 / 13 by € 6,468.6 thousand) according to IAS 19 and € 11,559.3 thousand (in the prior year by € 6,935.3 thousand) according to commercial law provisions.

In financial year 2013 / 14, the remuneration paid to former Executive Board members and their surviving dependents totalled € 4,455.8 thousand (previous year € 4,002.4 thousand).

REMUNERATION OF THE SUPERVISORY

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

Articles of Association at: www.tui-group.com/en/corporate_governance

The members of the Supervisory Board receive a fixed remuneration of € 50.0 thousand, payable upon completion of the financial year, besides reimbursement of their expenses.

The Supervisory Board members also receive remuneration related to the Company's long-term performance. It moungs to € 400 per € 0.01 of the average undiluted earnings per share (earnings per share) carried in the consolidated financial statements for the respective last three financial years. The new long-term variable compensation is payable for the first time upon the close of the Annual General Meeting (expected to be held in February 2016), which will vote on the ratification of the acts of management of the Supervisory Board for the third completed financial year. The amount payable has been capped at € 50.0 thousand.

The chairman of the Supervisory Board receives three times the fixed and long-term variable remuneration of a regular member, the deputy chair one and a half times the total remuneration of a regular member. An additional fixed remuneration of € 40.0 thousand is paid for membership of committees (with the exception of the Nomination Committee). The chairman of the Audit Committee receives three times the remuneration of the regular committee members.

The members of the Supervisory Board and the committees receive a meeting fee of € 1.0 thousand per meeting for participating in meetings.

The remuneration of the Supervisory Board for financial year 2013 / 14, in comparison with the prior year, broke down as follows:

REMUNERATION OF THE SUPERVISORY BOARD

€ '000	**2013 / 14**	2012 / 13
Fixed remuneration	906.7	875.0
Long-term variable remuneration	235.1	93.1
Remuneration for committee memberships	559.6	560.0
Attendance fee	249.0	135.0
Remuneration for TUI AG Supervisory Board mandate	**1,950.4**	**1,663.1**
Remuneration for Supervisory Board mandates in the Group	74.1	56.2
Total	**2,024.5**	**1,719.3**

In addition, travel and other expenses totalling € 362.1 thousand (previous year: € 413.9 thousand) were reimbursed. Total remuneration of the Supervisory Board members thus amounted to € 2,386.6 thousand (previous year: € 2,133.2 thousand).

REMUNERATION OF INDIVIDUAL SUPERVISORY BOARD MEMBERS FOR THE FINANCIAL YEAR 2013/14

€ '000	Fixed	Long-term variable	Committee membership	Attandance fee	Supervisory Board mandates in the Group	**Total**
Prof. Dr. Klaus Mangold (Chairman)	150.0	45.3	80.0	31.0	–	**306.3**
Petra Gerstenkorn (until 30 June 2014) (Deputy Chairwoman until 15 May 2014)	53.1	7.6	30.0	9.0	18.8	**118.5**
Frank Jakobi (Deputy Chairman since 15 May 2014)	59.4	16.7	40.0	21.0	–	**137.1**
Anass Houir Alami (until 24 June 2014)	36.7	5.0	–	1.0	–	**42.7**
Andreas Barczewski	50.0	15.1	46.7	21.0	–	**132.8**
Arnd Dunse	50.0	15.1	40.0	15.0	–	**120.1**
Peter Bremme (since 2 July 2014)	12.4	2.0	–	3.0	13.1	**30.5**
Prof. Dr. Edgar Ernst	50.0	15.1	120.0	15.0	–	**200.1**
Angelika Gifford	50.0	15.1	–	10.0	–	**75.1**
Ingo Kronsfoth (until 31 July 2014)	41.7	5.5	33.3	12.0	18.8	**111.3**
Vladimir Lukin (since 12 Feb 2014)	31.8	5.2	25.5	16.0	–	**78.5**
Mikhail Noskov (since 12 Feb 2104)	18.3	3.1	–	4.0	–	**25.4**
Michael Pönipp	50.0	15.1	–	10.0	15.2	**90.3**
Carmen Riu Güell	50.0	15.1	40.0	22.0	–	**127.1**
Carola Schwirn (since 1 Aug 2014)	8.3	1.4	–	2.0	–	**11.7**
Maxim G. Shemetov (since 14 March 2014)	27.4	4.4	–	6.0	–	**37.8**
Anette Strempel	50.0	15.1	10.0	13.0	8.2	**96.3**
Prof. Christian Strenger	50.0	15.1	40.0	14.0	–	**119.1**
Ortwin Strubelt	50.0	15.1	40.0	15.0	–	**120.1**
Vladimir Yakushev (until 7 Feb 2014)	17.6	3.0	14.1	9.0	–	**43.7**
Total	**906.7**	**235.1**	**559.6**	**249.0**	**74.1**	**2,024.5**

The Supervisory Board members who left in the course of the financial year receive their entitlements from the long-term programme on a prorated basis and, if applicable, on the basis of budget numbers upon the ratification of the acts of management of the Supervisory Board for the financial year in which they left.

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

Apart from the work performed by the employees' representatives pursuant to their contracts, the members of the Supervisory Board did not provide any personal services such as consultation or agency services for TUI AG or its subsidiaries in financial year 2013 / 14 and thus did not receive any remuneration.

TUI SHARE

Market environment

In financial year 2013 / 14, the global indexes showed an overall positive development. The German share index (DAX) rose by 10 %, with the British FTSE 100 growing by 2 % and the American Dow Jones Industrial growing by 13 %.

At the beginning of the reporting period, the market environment was characterised by an economic upturn. In the Eurozone, the recovery trend was stronger than in prior periods as it was supported by a relatively larger number of countries. The lowering of its interest rate by the European Central Bank (ECB) in early November 2013 also met with a positive response in the stock markets. The ECB officials reduced the interest rate to a record low of 0.25 %, not ruling out a further reduction.

In the course of the financial year, growth slowed down both in the industrialised countries and the emerging economies. In addition, the unrest in Ukraine increasingly shifted into the focus of the financial markets, moving the leading indexes almost every day in March 2014. The conflict was still worrying the stock markets at the beginning of the third quarter of 2013 / 14. However, the escalating conflict was not the only factor keeping market participants nervous; they were also concerned about the advance of Islamist groups in Iraq.

As of May 2014, positive indicators from the US and Asia pushed these geopolitical issues to the background and helped the world's leading indices to reach record levels. The positive sentiment was also driven by the expectation that the European Central Bank would launch measures to stimulate the Eurozone economy.

With the downing of a Malaysian passenger aircraft in July 2014, the conflict in Ukraine reached a new height. The passenger airliner had probably been shot down over Ukraine's civil war zone. The ensuing discussions about further economic sanctions against Russia again put the financial markets under pressure. The market participants feared negative consequences for European companies and economic activity in the Eurozone.

At the end of the period under review, the leading global indexes recovered again, driven partly by successful mediation attempts in Ukraine, continued quantitative easing by the Federal Reserve System in the US, and sound economic prospects for the US.

The MDAX index, where the TUI share has been listed, showed a slightly positive development in the period under review. Starting into financial year 2013 / 14 at 15,034 points, the MDAX closed at 15,995 points as at the end of the reporting period. This was an increase of around 6 %.

TUI SHARE DATA

30 September 2014		
WKN		TUAG00
ISIN		DE000TUAG000
Reuters / Bloomberg		TUIGn.DE / TUI1.GR
Stock category		Registered ordinary shares
Capital stock	€	732,581,929
Number of shares		286,561,143
Market capitalisation	bn €	3.4

The TUI share price in financial year 2013 / 14

In financial year 2013 / 14, the TUI share rose by around 25 %, considerably outperforming the MDAX. Supported by sound current trading, the resumption of dividend payments and a positive business performance, the TUI share price rose by 47 % from October 2013 to mid-February 2014 alone. On 18 February 2014, it reached its high at € 13.88.

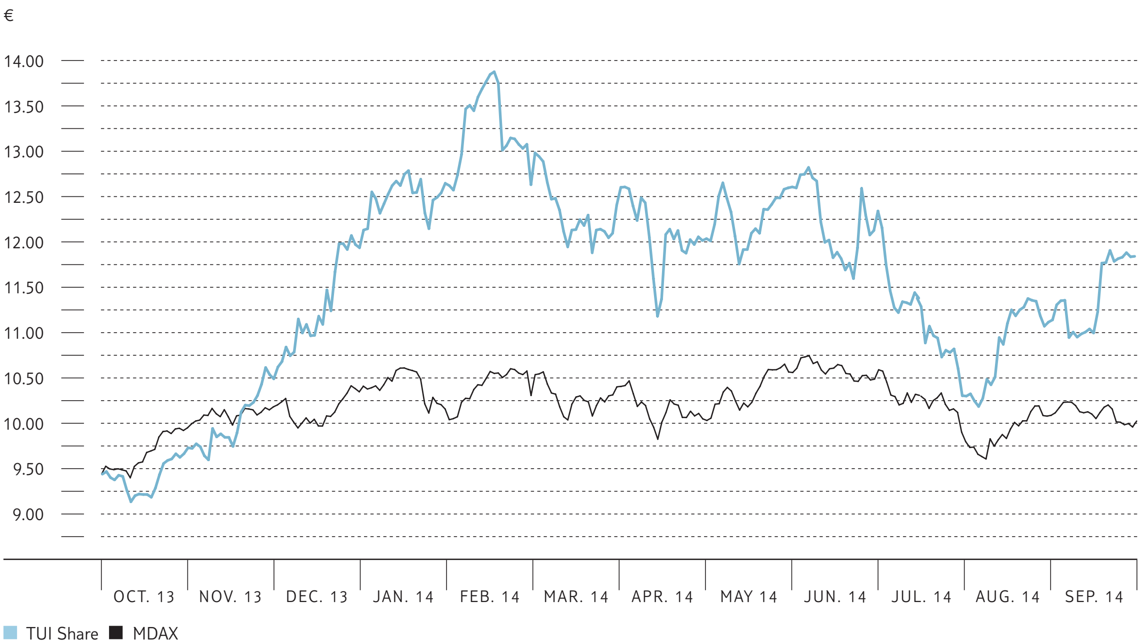
In the next few months, the TUI share was slightly more volatile. The sale of the share package held by Monteray Enterprises at the end of February 2014 resulted in visible share price movement. Monteray had already sold its TUI Travel shares at the end of 2013. At the same time institutional investors bought TUI AG shares, as did the Spanish Riu Group and the TUI AG management.

In mid-May 2014, the announcement of the second phase of the oneTUI programme drove the share price up. Following the consolidation phase, the CEO of TUI AG, Friedrich Joussen, now initiated the growth phase for the Group. Streamlined structures und cost discipline are creating the basis for expanding the unique content in hotels and cruises and for preserving and increasing market shares in TUI Travel's Mainstream business.

In June 2014, however, the TUI share did not entirely avoid the challenging market environment with issues such as the crisis in Ukraine, the IS threat and the outbreak of Ebola. Due to a sound operating performance, the announcement of good quarterly results and the confirmation of the outlook at the upper end of the expectations, however, it outperformed its peer group.

Positive stimuli for the share price were triggered by the announcement on 27 June 2014 of the planned merger between TUI AG and TUI Travel and the subsequent formal bid to TUI Travel's minority shareholders on 15 September 2014. The management teams of the two companies supported the project, aiming to create the world's number one integrated tourism business. This will not only enhance the Company's growth potential due to the steady expansion of inhouse hotel and cruise brands; a simplified Group structure will also deliver substantial synergies. Other key arguments that won over shareholders and the capital market are the increase in underlying earnings per share expected to kick in from the first full financial year following the merger and an attractive dividend policy. The TUI share was thus able once again to outperform the MDAX towards the end of the financial year, closing at € 11.85 at the balance sheet date.

TUI SHARE PRICE WITH MDAX (FINANCIAL YEAR 2013 / 14)



LONG-TERM DEVELOPMENT OF THE TUI SHARE

€	2009 / 2010	2010 / 11	2011 / 12	2012 / 13	**2013 / 14**
High	9.05	10.86	6.97	9.85	13.88
Low	4.69	3.68	3.14	6.70	9.14
Year-end share price	8.98	3.88	6.70	9.44	11.85

Quotations, indexes and trading

The TUI share is traded on all German trading floors and in the Xetra electronic trading system. No other company with similar operations in tourism is listed in the German stock market.

TUI TRAVEL PLC SHARE

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

TUI TRAVEL PLC SHARE DATA

30 September 2014		
ISIN		GB00B1Z7RQ77
Reuters / Bloomberg		TT.L / TT / :LN
Stock category		Registered ordinary shares
Number of shares		1,133,842,329
Market capitalisation	bn £	4.4

TUI SHARE IN THE MDAX AND PRIME STANDARD

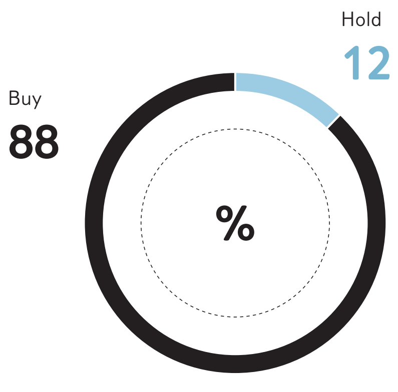
The TUI share was included in the German share index MDAX 50 at the balance sheet date. The crucial criteria for admission to the index are trading volume and market capitalisation. The TUI share ranked 12th and 18th on these points in September 2014. TUI has also been listed in the Prime Standard of the Frankfurt Stock Exchange and thus meets the high international transparency standards of this segment, over and above legal requirements. Furthermore, the TUI share is included in several industry indexes in the German stock market, including DAXsupersector Industrials and DAXsector All Transportation & Logistics.

Further information on the quotation of TUI AG upon the successful merger with TUI Travel is available at www.tui-group.com/en/ir (ad hoc announcement dated 15 September 2014)

Among the sustainability indexes, TUI AG has been the only tourism group listed in the renowned Dow Jones Sustainability Indexes (DJSI) World and Europe since 23 September 2014. At the annual review of the sustainability ranking, the Group scored particularly well in the categories Risk and Crisis Management, Corporate Citizenship and Stakeholder Dialogue. It also considerably outperformed its peers in the Environmental Policy and Environmental Management Systems categories. Moreover, TUI's listing in the FTSE4Good was confirmed, and TUI is likewise listed in the DAXglobal Sarasin Sustainability Germany and ECPI Ethical Index €uro.

Trading in TUI shares increased year-on-year in the period under review. The average daily trading volume was 1,000 thousand no-par value shares, an increase of 18 % year-on-year. The total annual trading volume was around 256 m no-par value shares.

ANALYSTS' RECOMMENDATIONS 2013/14



For institutional and private investors, analyses and recommendations by financial analysts are a key decision-making factor. In the financial year under review, around 20 analysts regularly published studies on TUI. In September 2013, 88 % of analysts issued a recommendation to “buy” the TUI share, with 12 % recommending “hold”. None of the analysts recommended “sell”.

Capital stock and number of shares

EMPLOYEE SHARES

In financial year 2013 / 14 a total of 99,800 employee shares were issued. At the balance sheet date, the capital stock totalled € 732,581,929, consisting of 286,561,143 no-par value shares certificated by global certificates. The proportionate share capital attributable to each individual share is around € 2.56. Apart from subscribed capital, there is also authorised and conditional capital, as outlined in greater detail in the Notes to the consolidated financial statements.

See page 94

CONVERTIBLE BONDS

In November 2009, TUI AG had issued a convertible bond with a total volume of around € 218 m. The bond had a five-year time to maturity and a coupon of 5.50 % p. a.. In the period under review, 3,368,766 bonds were converted into shares from this convertible bond. As a result, the total volume outstanding from this convertible bond decreased to around € 26 m at the end of the reporting period.

In March 2011, TUI AG again issued convertible bonds with subscription rights with a total value of around € 339 m, maturing in 2016, with a coupon of 2.75 % p. a.. From these bonds, 333 bonds were converted in financial year 2013 / 14.

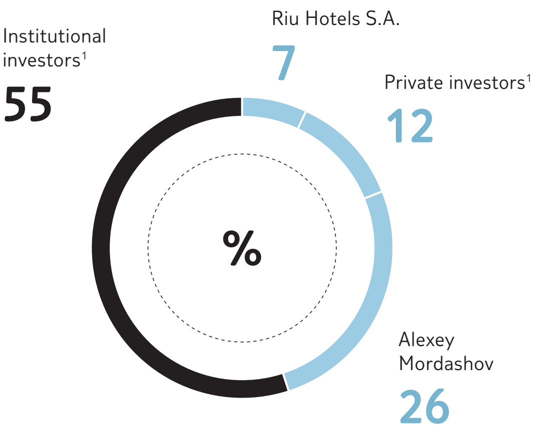
At the balance sheet date, the bondholders held conversion rights for a total of 33,499,939 TUI shares from convertible bonds.

Resolutions of the Annual General Meeting in February 2014

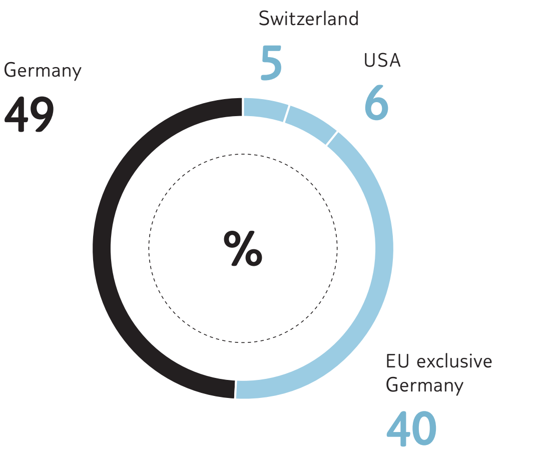
Details about the 2014 AGM are available online at: www.tui-group.com/en/agm

The 55th ordinary Annual General Meeting was held in Hanover on 12 February 2014. Approx. 1,700 shareholders and shareholder representatives, representing around 71 % of the voting capital during the votes, participated in the AGM. The acts of the Executive and Supervisory Boards of the Company were ratified by large majorities. The AGM approved the proposal by the Executive Board and Supervisory Board to pay a dividend of € 0.15 per share for the completed financial year. For the first time since 2007, shareholders thus received a dividend again, which was paid earlier than expected due to the sound operating results and the virtually debtfree balance sheet.

SHAREHOLDER STRUCTURE
AS AT 30 SEPT 2014



GEOGRAPHICAL SHAREHOLDER STRUCTURE[2]
AS AT 30 SEPT 2014



[1] Free float according to the definition of Deutsche Börse
[2] By location/domicile of shareholders according to TUI

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

At the end of financial year 2013/14, around 67 % of TUI shares were in free float. Around 12 % of all TUI shares were held by private shareholders, around 55 % by institutional investors and financial institutes and around 33 % by strategic investors. According to an analysis of the share register, most shares were held by investors from Germany and other EU countries.

Dividend

DEVELOPMENT OF DIVIDENDS AND EARNINGS OF THE TUI SHARE

€	2009/2010	2010/11	2011/12	2012/13	**2013/14**
Earnings per share	+0.30	–0.01	–0.16	–0.14	+0.31
Dividend	–	–	–	0.15	0.33

TUI AG's net loss for the financial year 2013/14 totals €109.4 m. Taking account of the profit carried forward of €270.7 m, the profit available for distribution for the financial year under review totalled €161.3 m. A proposal has been submitted to the Annual General Meeting to carry the profit available for distribution forward for the payment of a dividend of €0.33 per no-par value share and carry the amount of €66.7 m, remaining after the deduction of the dividend payment totalling €94.6 m, forward on new account.

Rating

RATING

The international rating agencies Standard & Poor's and Moody's regularly rate the creditworthiness of TUI as a debtor. In connection with the announcement of the planned merger between TUI and TUI Travel, Standard & Poor's lifted TUI's corporate rating from B to B+ in September 2014, leaving the outlook as positive. S&P attributed the rating upgrade to a considerable reduction in net debt and a significant improvement in turnover and profitability. The continued positive outlook reflected the possibility of further rating improvements in the wake of the planned merger of TUI Travel and TUI AG. In September 2014, Moody's Investors Service also marked the "B2" rating with a "review for upgrade". At the same time, the rating agency announced a review in connection with the planned merger between TUI Travel and TUI AG.

RATING AGENCIES

	Corporate Rating	Outlook
Standard & Poor's	B+	positive
Moody's	B2	review for upgrade

For details, see the chapter Financial position from page 97

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

BONDS

The respective ratings and further details about the TUI AG bonds traded in the capital market are provided in the chapter Financial position in the Management Report.

Investor Relations

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

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

Apart from the development of business operations in Tourism, Investor Relations activities in the period under review focused in particular on the following issues:

- The successful implementation of the first phase of the oneTUI programme with the goal of value creation and restoration of the ability to pay dividends
- The launch of the second phase of the oneTUI programme, focusing on growth
- Promoting the growth strategy and delivering synergies by means of the merger between TUI and TUI Travel

Under the leadership of the new CEO, Friedrich Joussen, the TUI management presented its programme at road shows in Frankfurt, London, Paris, New York and Boston.

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

Investor Relations also makes every effort to engage in direct contact with private investors. The IR team sought dialogue with this target group on many occasions, such as events organised by shareholder associations. Another key platform for exchanges with private shareholders was the IR stall at TUI's Annual General Meeting. We also use our website to address our private investors. Apart from the comprehensive information that is made available, all IR conference calls and the analysts' meeting were transmitted live and in full on the website in financial year 2013 / 14.

We also offered comprehensive online services for its Annual General Meeting in February 2014. In the completed financial year, shareholders were again offered the opportunity to register to receive the documents for the AGM in electronic format. This option contributes to environmental protection and helps to save costs. As usual, shareholders were also able to use an internet tool on the Investor Relations website to register for the Annual General Meeting, order a guest card or instruct one of the proxies provided by the Company. This service was again well received, with approx. 30 % of shareholders ordering their admission tickets via the web.

02

MANAGEMENT REPORT*

* The present combined Management Report has been drawn up for both the TUI Group and TUI AG. It was prepared in accordance with sections 289, 315 and 315 (a) of the German Commercial Code (HGB) and German Accounting Standards (DRS) numbers 17 and 20.

The combined Management Report also includes the Remuneration Report and the Corporate Governance Report as well as the Five-Year-Table.

PRINCIPLES UNDERLYING THE TUI GROUP

Structure, business model and market environment

TUI Group

TUI Aktiengesellschaft

TOURISM			FINANCIAL STAKE
TOUR OPERATOR	**HOTELS**	**CRUISES**	**CONTAINER SHIPPING**
• *TUI Travel PLC*	• *TUI Hotel & Resorts*	• *TUI Cruises* • *Hapag-Lloyd Kreuzfahrten*	• *Hapag-Lloyd*

The TUI Group and its key subsidiaries and shareholdings operate in tourism. At the balance sheet date, the Group structure comprised three Sectors, as before: TUI Travel, TUI Hotels & Resorts and Cruises. The financial stake of around 22 % (as per 30 September 2014) in Hapag-Lloyd Containerschifffahrt has been carried under assets held for sale in accordance with IFRS 5 since the third quarter of 2013 / 14.

TUI AG STRUCTURE

TUI AG is the Group's parent company headquartered in Hanover. It holds direct or, via its affiliates, indirect interests in the principal Group companies conducting the Group's operative business in individual countries. Overall, TUI AG's group of consolidated companies comprised 622 direct and indirect subsidiaries at the balance sheet date, of which 46 were based in Germany and 576 abroad. A further 22 affiliated companies and 35 joint ventures were included in TUI AG's consolidated financial statements on the basis of at equity measurement.

ORGANISATION AND MANAGEMENT

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

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

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

TUI Travel

TUI TRAVEL STRUCTURE
TUI Travel PLC is domiciled in the UK and has been listed on the London Stock Exchange since 3 September 2007. At the balance sheet date, TUI AG held around 54.1 %, i.e. the majority, of the voting rights in this subsidiary.

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

In financial year 2013 / 14, TUI Travel was structured into three Businesses: Mainstream, Accommodation & Destinations and Specialist & Activity.

TUI Aktiengesellschaft

TUI TRAVEL PLC

MAINSTREAM

- *Germany*
- *UK & Ireland*
- *Nordic Countries*
- *France*
- *Other*

ACCOMMODATION & DESTINATIONS

- *Accommodation Wholesaler / B2B*
- *Accommodation Online Travel Agents / B2C*
- *Inbound Services*

SPECIALIST & ACTIVITY

- *Adventure*
- *Education*
- *North American Specialist*
- *Events*
- *Specialist Holiday Group*

TUI TRAVEL BUSINESS MODEL

MAINSTREAM

The Mainstream Business is the largest business unit within TUI Travel. It covers all activities in the package tour segment from distribution via tour operators to flight operations. The tour operators have leading market positions in Europe. Their portfolio comprises the sale of flights, accommodation and other tourism services, both as separate components and as package tours. Apart from the tour operators, it also comprises a fleet of 145 aircraft and around 1,800 travel agencies. It is made up of several tourism groups, each with a focus on a specific source market. The strong market position in the respective source markets and product segments creates economies of scale, and to a large extent advantage is taken of these. Thanks to its extensive presence in the market and its strong brands, TUI Travel achieves high customer loyalty. As it modernises the Mainstream business model, TUI Travel is focusing on increasing the share of unique product offering value added for customers beyond pure travel and accommodation services. At the same time, it intends to successively increase the proportion of controlled distribution, i.e. the sale of Group-owned tour operator products through channels owned by the tour operators driven by growth in online distribution.

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

ACCOMMODATION & DESTINATIONS

The Accommodation & Destinations Business comprises activities in Europe, North America and Asia and continues to be structured into three divisions. The Business Customer Division (B2B hotel portals) sells globally sourced hotel and apartment accommodation online to wholesale customers such as travel agencies and tour operators via various Internet portals. In the Final Customer Division (B2C hotel portals), accommodation is supplied online to individual customers via the hotel portals Laterooms and Asiarooms. The Inbound Services Division manages regional incoming agencies providing incoming services for tour operators, such as transfers and liaison with holiday-makers. This Division also provides wide-ranging services for the cruise industry.

SPECIALIST & ACTIVITY

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

TUI Hotels & Resorts

TUI HOTELS & RESORTS STRUCTURE

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

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

TUI Aktiengesellschaft

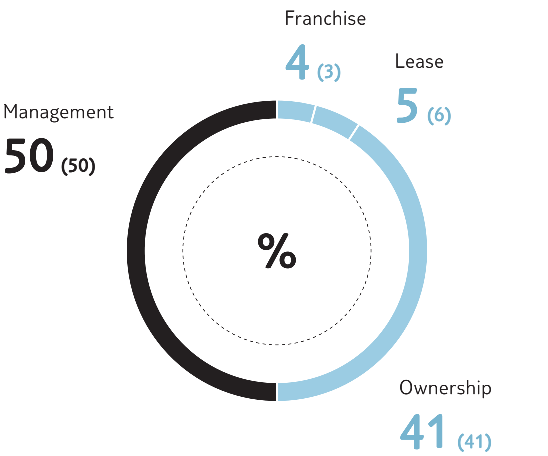
TUI HOTELS & RESORTS

RIU | ROBINSON | IBEROTEL | GRUPOTEL | GRECOTEL | OTHER

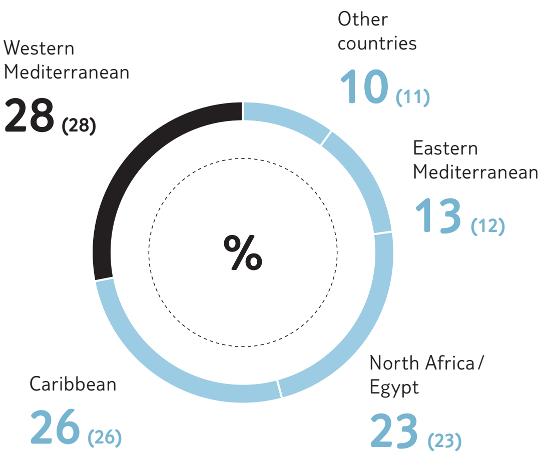
TUI HOTELS & RESORTS BUSINESS MODEL

In financial year 2013 / 14, TUI Hotels & Resorts comprised a total of 238 hotels with 157,992 beds. At 215 hotels, most hotels are in the four- or five-star categories. 50 % were operated in the framework of management contracts, 41 % were owned by the respective hotel company, 5 % were leased and 4 % of the hotels were managed under franchise agreements.

FINANCING STRUCTURE TUI HOTELS & RESORTS



OWNED HOTEL BEDS ACCORDING TO REGIONS



In brackets: previous year

TUI HOTELS & RESORTS

Hotel brand	3 stars	4 stars	5 stars	Total hotels	Beds	Main sites
Riu	6	66	31	103	88,932	Spain, Mexico, Caribbean, Tunisia, Cape Verdes
Robinson	–	19	4	23	13,557	Spain, Greece, Turkey, Switzerland, Austria
Iberotel	–	16	8	24	13,329	Egypt, Turkey, Germany
Grupotel	15	19	1	35	13,910	Spain
Grecotel	–	13	10	23	11,080	Greece
Other hotel companies	2	17	11	30	17,184	Egypt, Germany, Spain
Total	**23**	**150**	**65**	**238**	**157,992**	

As at 30 September

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

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

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

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

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

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

Cruises

STRUCTURE AND BUSINESS MODEL

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

TUI Aktiengesellschaft

CRUISES	
HAPAG-LLOYD KREUZFAHRTEN	TUI CRUISES

HAPAG-LLOYD KREUZFAHRTEN

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

Its flagships are the five-star-plus vessels Europa and Europa 2. They were awarded this category by the Berlitz Cruise Guide and are the world's only ships to be recognised in this way, in the case of Europa for the fifteenth time in succession. Europa primarily cruises on world tours, while her sister ship Europa 2 takes shorter but combinable routes. The Hanseatic is used, among other things, for expedition cruises to the Arctic and Antarctic. It is the world's only five-star passenger vessel with the highest Arctic class. The Bremen, a four-star vessel – also awarded the highest Arctic class – is another expedition ship travelling to similar destinations. Two of the ships are owned, the other two were chartered.

TUI CRUISES

TUI Cruises is a joint venture formed in 2008 between TUI AG and the US shipping company Royal Caribbean Cruises Ltd., in which each partner holds a 50 % stake. The Hamburg-based company offers cruises to the German-speaking premium market. TUI Cruises follows a concept primarily aimed at couples and families who attach particular importance to personal choice, generosity, quality and service on a cruise. TUI Cruises has served this market with three ships operated under the name Mein Schiff. TUI Cruises is planning to take advantage of additional growth opportunities and expand its market position by commissioning an additional newbuild in 2015. Moreover, a decision to order two new vessels, Mein Schiff 5 and Mein Schiff 6, was taken in September 2014.

Financial investment in Container Shipping

At the balance sheet date, TUI AG held a 22 % stake in Hapag-Lloyd AG. Following the merger of the container liner shipping business of the Chilean Compañía Sud Americana de Vapores (CSAV) and the Hapag-Lloyd Group, Hapag-Lloyd will be the world's fourth largest liner shipping company. As a result, the final exit from Container Shipping is now in sight for TUI AG. The shareholders of Hapag-Lloyd have signed a binding agreement to float the newly formed company in the stock market in 2015. In the event of an IPO, TUI will benefit from a priority placement of its shares over all other shareholders. In the run-up to an IPO, TUI will also be entitled to sell its shares in the form of a private placement or to sell them to individual investors.

Upon completion of the transaction, TUI AG's current stake in Hapag-Lloyd of around 22 % will decline to a stake of around 15 % in the new company. It will decline further to around 14 % in the wake of a planned capital increase to be implemented without the participation of TUI AG in the framework of the merger. Upon completion of the transaction, TUI will lose its ability to exert significant influence over Hapag-Lloyd, so that the investment is now carried under assets held for sale in accordance with IFRS 5.

The table below shows the shareholder structure of Hapag-Lloyd AG as at 30 September 2014.

SHAREHOLDINGS HAPAG-LLOYD AG

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

As at 30 September 2014

Market environment and competition in the tourism businesses

Tourism is our core business. By turnover, we believe we are Europe's largest travel group and the leading tour operator in United Kingdom, Germany, the Nordics and France. We believe we are Europe's largest leisure hotelier based on capacity. Within our Tourism segment, we also operate two cruise line businesses, Hapag-Lloyd Kreuzfahrten and TUI Cruises.

TOURISM MARKET

According to the World Tourism Organization (UNWTO), tourism comprises the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes. The key tourism indicators to measure market size are the number of international tourist arrivals, and international tourism receipts. With international tourism receipts reaching $ 1.2 trillion in 2013, the tourism industry is one of the most important sectors in the world economy. International tourism (travel and passenger transport) accounts for 29 % of the world's exports of services and 6 % of overall exports of goods and services. As a worldwide export category, tourism ranks fifth after fuels, chemicals, food and automotive products, while ranking first in many developing countries. (UNWTO, PR 14034, May 2014).

Travel for leisure, recreation and holidays accounts for just over half of all international tourist arrivals (52 %). Some 14 % travel for business and professional purposes and another 27 % travel for specific purposes, such as visiting friends and relatives, with the remaining 7 % travelling for unspecified reasons (UNWTO, Tourism Highlights, 2014 Edition).

Europe is the largest and most mature tourism market in the world, accounting for 52 % of international tourist arrivals and 42 % of receipts in 2013. Five European countries (France, Spain, Italy, the United Kingdom and Germany) figured in the top ten international tourism destinations in 2013. Our three main source markets were in the top six of all source markets worldwide measured by international tourism expenditure.

Germany is the third largest source market in the world, with international tourism expenditure of approximately $ 85.9 billion in 2013, after China (approximately $ 128.6 billion) and the United States (approximately $ 86.2 billion). In terms of expenditure per capita, Germany ranks second globally, with approximately $ 1,063 spent per German on average in 2013. Australia takes first place with approximately $ 1,223 spent per capita on tourism activities (source: UNWTO, Tourism Highlights, 2014 Edition). Key operators in the German tourism market are TUI Deutschland, Thomas Cook, DER Touristik, FTI and Alltours (FVW, Dossier, Deutsche Veranstalter, 2013).

The United Kingdom is the fifth largest source market in the world, with approximately $ 52.6 billion spent on tourism activities in 2013 and on average $ 821 spent per capita over the same period (source: UNWTO, Tourism Highlights, 2014 Edition). The British tourism market is characterized by a high degree of concentration, with two key operators: TUI Travel and Thomas Cook (Mintel, European Leisure Travel Industry, September 2013).

France is the largest destination market in the world, with over 83 million tourists in 2012 (2013 still to be reported). However, it was only the sixth largest source market in that period, with international tourism expenditure of approximately $ 42.4 billion in 2013 (after the fifth-placed United Kingdom (approximately $ 52.6 billion) and the fourth-placed Russian Federation (approximately $ 53.5 billion)) (source: UNWTO, Tourism Highlights, 2014 Edition). TUI is the market leader in France with its two main tour-operator brands, Nouvelles Frontières and Marmara. Thomas Cook is second-ranked in the French tour-operator market following its acquisition of Jet Tours in 2008 (Mintel, European Leisure Travel Industry, September 2013).

HOTEL MARKET

The hotel market is divided between business and leisure travel. A number of characteristics differentiate leisure travel hotels from business hotels, including longer average lengths of stay for guests in leisure hotels, varying location of hotels (e. g. cities or leisure resorts) as well as hotel amenities and service requirements. From a demand perspective, the leisure hotel market in Europe is divided into several smaller submarkets which cater to the individual needs and demands of tourists. These submarkets include premium, comfort, budget, family / apartment, and club or resort style hotels. Hotel companies can offer a variety of hotels across different submarkets because they are often defined by price range, star ratings, exclusivity, or available facilities.

Consumers in our three main source markets prefer the following destinations:

Germany. The most popular leisure hotel destinations for consumers in the German source market are Spain, Italy, Turkey, Austria, Croatia, France, Poland and Greece (source: Mintel, European Leisure Travel Industry, September 2013).

United Kingdom. The most popular leisure hotel destinations for consumers in the United Kingdom source market are Spain, France, the United States, Italy, Greece, Portugal and Turkey (Mintel, European Leisure Travel Industry, September 2013).

France. The most popular leisure hotel destinations for consumers in the French source market are Spain, Tunisia, Morocco, Greece and Turkey (Mintel, European Leisure Travel Industry, September 2013).

Hotel operations can generally be divided into (i) asset owners, whose primary business is to own real estate assets, (ii) brand owners and operators who typically manage hotel assets themselves or enter into franchising arrangements with independent operators who, in turn manage the hotel property assets and (iii) independent operators combining the operations of asset owners and brand owners and operators by managing diverse assets under different brands, often through franchise agreements. The upper end of the leisure hotel market is characterized by a high degree of sophistication and specialization among large, international companies and investors. There are also a large number of small, often family-run businesses, particularly in Europe, with less sophistication and fewer financial resources. Most family-owned and operated businesses are not branded and customers cannot typically access these hotels through global distribution systems.

Given the variety of models under which leisure hotels are owned and operated and the fragmented competitive landscape which, at least in Europe, is not dominated by large hotel chains, conditions differ greatly between locations.

CRUISE MARKET

The global cruise industry is expected to generate approximately $ 37.1 billion of revenue in 2014 (Cruise Market Watch website, http://www.cruisemarketwatch.com/market-share/). The North American market is by far the largest and most mature cruise market in the world, with approximately 11.7 million guests in 2013 and a strong penetration rate of 3.4 % of the total population taking a cruise in 2013. By contrast, the European cruise markets showed approximately 6.4 million Europeans booking cruises and, on average, a penetration rate of only 1.3 % in 2013, with penetration rates varying significantly from country to country (DRV / CLIA Deutschland Der Hochsee-Kreuzfahrtmarkt Deutschland 2013).

The United Kingdom and Ireland, France and Germany are among the five largest cruise markets in Europe (Mintel, Cruises – International, June 2014).

The United Kingdom and Ireland is the largest cruise market in Europe, with approximately 1.7 million cruise passengers in 2013 and the strongest penetration rate (2.8 % of the British population took a cruise in 2013, well above the European average) (Mintel, Cruises – International, June 2014).

Germany, the second largest cruise market in Europe, reached 1.7 million passengers in 2013 and, with 2.1 %, showed a substantially lower penetration rate than the United Kingdom and Ireland (Mintel, Cruises – International, June 2014).

France, the fifth largest cruise market in Europe, had approximately 522,000 cruise passengers in 2013. The French cruise market is characterized by an extremely low penetration rate, with only 0.8 % of the population boarding a cruise in 2013 (Mintel, Cruises – International, June 2014).

The European cruise market is divided into submarkets that cater to a variety of customers: budget, discovery, premium and luxury. Cruise operators utilize different cruise formats to target these submarkets and the unique demands of their customers. For example, Hapag-Lloyd Kreuzfahrten, Deilmann and Phoenix are all active in the premium cruise submarket, Compagnie du Ponant Cruises is active in the French luxury cruise submarket, and Hapag-Lloyd Kreuzfahrten is the exclusive operator in the German luxury submarket. In addition to traditional formats, operators offer club ship cruises (such as AIDA) or more contemporary oriented cruises (such as TUI Cruises) in the premium cruise submarket. As a cruise ship is often perceived as a destination in itself, cruise companies compete, in particular within the luxury and premium cruise submarkets, with other destinations such as leading hotels and resorts.

Brand

The TUI Group offers strong brands in all its Sectors. In our view, the strength of our brands in all tourism source markets in Europe and in the destinations provides us with a significant competitive edge over our peers. In a survey carried out in 2014, TUI was again rated as the most trusted travel brand in Germany (source: Reader's Digest Trusted Brands 2014). With our regional and international brands in the source markets and our master brand World of TUI, our customers perceive us as a quality provider offering superior services. This strength, combined with the stability of our regional brands, ensures strong customer acceptance. The constant quality of our product portfolio, in particular our hotels, promotes customer trust and loyalty for our products in the local markets.

Goals and strategies

oneTUI strategy programme

By means of our oneTUI strategy programme we are aiming to continually increase the value of our Sectors and further strengthen our ability to pay dividends.

SUCCESSFUL IMPLEMENTATION OF PHASE ONE OF ONETUI IN FINANCIAL YEAR 2013 / 14

The oneTUI strategy programme, launched in May 2013, has strengthened the TUI Group's profitability and financial profile within existing structures. The first phase of the oneTUI programme included a Group-wide programme to restructure underperforming areas, turn them into profitable operations and further reduce debt. oneTUI also aimed to increase customer orientation and enhance the synchronisation of the brand management activities of the Group's tour operators and hotel brands.

In financial year 2013 / 14, we have made substantial progress towards achieving these strategic and economic goals. Thanks to the measures to cut personnel, non-staff and financing costs implemented within the TUI AG holding, the costs of Central Operations (underlying EBITA) were reduced by 17 % year-on-year. In TUI Hotels & Resorts, with 17 % Riu hotels reported a return on invested capital (ROIC) on previous year's high level. Due to the review of the Club portfolio and various other measures, Robinson improved its return on invested capital to 9.9 % (previous year 6.3 %). In the Cruises Sector, TUI Cruises commissioned its third ship in June 2014. In the financial year under review, its fleet continued to record excellent occupancy rates. Hapag-Lloyd Kreuzfahrten is well on track achieving the desired turnaround in 2014 / 15. TUI Travel reported an improvement in the operating performance of tour operators in Germany and France and the Specialist & Activity Business. Cooperation between the tour operators and Hotels & Resorts was intensified.

At underlying Group EBITA of € 868.5 m in the completed financial year 2013 / 14, the TUI Group is well on track in order to achieve its operating earnings goal of around € 1 bn (underlying EBITA) on a constant currency basis in financial year 2014 / 15, as scheduled.

ONETUI – FROM THE CONSOLIDATION TO THE GROWTH PHASE

Thanks to a streamlined structure and cost discipline, we have gained management scope and room for manoeuvre for the future. In achieving its strategic and economic goals, TUI AG is on track and now ready to grow further, having completed its consolidation. Against the backdrop of this successful development, we moved the oneTUI programme from the consolidation phase to the growth phase in May 2014.

STRATEGIC PRIORITIES OF THE SECTORS

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

TUI TRAVEL

The Modern Mainstream approach will be implemented in all source markets by increasing the share of differentiated holiday product and expanding controlled distribution, above all via web-based sales. The proportion of our unique content is to be further increased. We will also continue the existing projects to achieve profitable growth and optimise production processes and systems, above all in France and Germany. We will also continue to expand digital direct distribution, pushing the digitalisation of our business model further ahead. We are also planning to streamline and enhance the profitability of the specialist tour operator offering by TUI Travel.

TUI HOTELS & RESORTS

Our strategic focus within TUI Hotels & Resorts is to achieve a further differentiation and optimisation of its own hotel portfolio and a more focused and defined brand profile. This includes restructuring the hotel portfolio, in particular turning unprofitable hotels into profitable operations or selling them off. We are also planning to expand to new destinations, e.g. the Indian Ocean. Moreover, we are planning to create strong volume growth in content, in particular by expanding the Riu portfolio by three to five hotels per year. We are also planning to launch the new TUI Hotel brand with a view to further reducing the large number of brands operated by TUI.

We are planning to further expand our Robinson Clubs, which form part of our core business. The portfolio will be reviewed and substantially improved. We are planning to increase the number of Club resorts to around 40 in the next few years. The expansion will go hand in hand with an internationalisation of the product. This approach has already been successfully implemented in the Robinson Club in the Maldives. We are also restructuring our Robinson portfolio, and have already divested three Club facilities in the Alps. Turnover growth is to be driven by the planned international expansion, the strengthening of direct distribution and the improvement in tour operator terms and conditions.

CRUISES

In the Cruises Sector we are planning to further expand our fleet and the market position of TUI Cruises in the German-speaking market for premium cruises. Our new vessel Mein Schiff 3 was launched on 12 June 2014. Mein Schiff 4, a 2,500-passenger vessel, will be commissioned in 2015. Advance bookings for the two new ships are promising. Overall, the TUI Cruises fleet is to grow to six ships by 2017, increasing the capacity of the fleet to 14,000 beds.

We are also aiming to increase the profitability of Hapag-Lloyd, continuing to focus on luxury and expedition cruises.

Potential merger of TUI AG and TUI Travel PLC

KEY ELEMENTS OF THE MERGER

On 28 October 2014, the shareholders of TUI AG and the external shareholders of TUI Travel PLC approved a merger of the two companies to be implemented in the form of an all-share nil premium merger under British law. With the exception of TUI AG itself and certain related parties, the shareholders of TUI Travel PLC will receive 0.399 new shares in TUI AG for every TUI Travel PLC share held by them at the relevant cut-off date.

All shares in TUI AG will then be listed in the premium segment of the Main Market of the London Stock Exchange. It is the declared goal to achieve inclusion in the FTSE UK index series (including FTSE 100, the key share index in the UK). It is planned for TUI AG to apply for a secondary quotation of its shares in the Quotation Board of the Open Market of the Frankfurt Stock Exchange.

REASONS FOR THE MERGER

TUI AG owns the most recognised travel brand in Europe. With over 238 hotels and 157,992 beds (30 September 2014), it is Europe's largest holiday hotelier. With seven ships, it operates one of Europe's most successful cruise operations. Having implemented our oneTUI efficiency enhancement programme, we are planning to double the growth of our content.

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

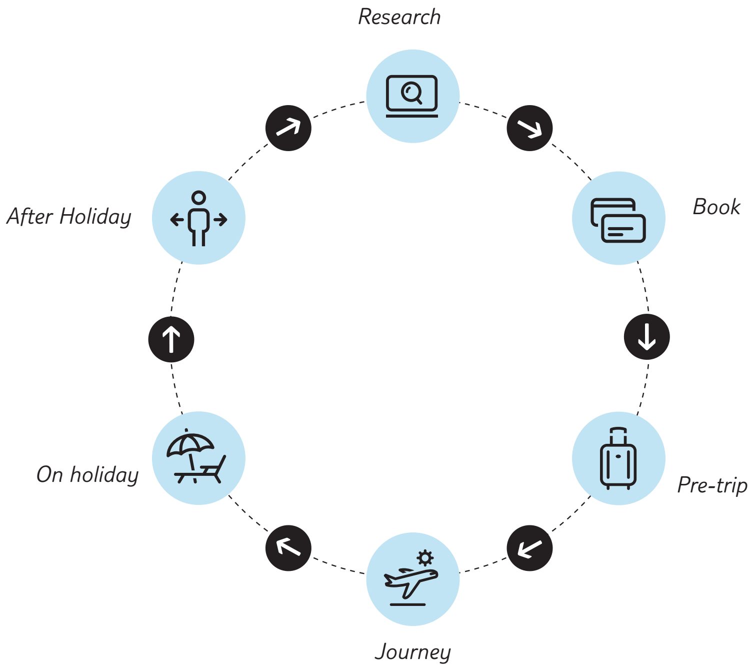
The merger of TUI AG and TUI Travel PLC will provide the new TUI Group with a fully vertically integrated business model, allowing delivery of a complete end-to-end customer experience: from advice and booking via flights with the Group's own airlines all the way to Group-owned hotels, resorts and cruise lines. Mainstream customers will obtain access to hotel content on an exclusive basis with premium brands such as Riu and Robinson as well as cruise ship content with the fleets operated by TUI Cruises and Hapag-Lloyd Kreuzfahrten.

INTEGRATED APPROACH AS A UNIQUE SELLING PROPOSITION AND GROWTH DRIVER

Broadening of customer offerings
The merger will lead to an expansion of TUI AG's broad hotel and cruise portfolio. We develop unique holiday experiences for our customers and intend to further increase both turnover and earnings.

End-to-end customer experience
The development of TUI Travel PLC's digital platform will be accelerated and offers benefits covering the whole holiday experience value chain for customers.

Comprehensive customer approach
Tapping new growth opportunities by offering customers long-term benefits and thus building stronger loyalty and retention.



Vertical integration will enable us to develop and market individual, tailored holiday offerings for our customers. We also expect to achieve a significant increase in occupancy levels across our portfolios in TUI Hotels & Resorts and Cruises. This also applies to the planned hotel and club projects and the ships of the Mein Schiff fleet; here, occupancy risks will be considerably reduced thanks to vertical integration.

We are planning to expand our hotel portfolio from currently more than 230 hotels and resorts by around 60 hotels. Moreover, our Mein Schiff fleet will grow to six modern cruise ships by 2016. There is also an option to order up to two additional ships so that the TUI Cruises fleet might grow to a total of eight cruise ships in the long run. The merger of TUI AG and TUI Travel PLC will provide better market penetration and optimal access to customers. Thanks to stronger expansion of capacity, we are setting a course for further growth in customer numbers and turnover.

FOCUS ON GROWTH: THE NEW STRUCTURE OF THE TUI GROUP

THE NEW STRUCTURE OF THE TUI GROUP

MAINSTREAM	NON-MAINSTREAM
• *Mainstream* • *Inbound services* • *Hotels* • *Cruises*	• *Online Accommodation* • *Specialist & Activity*
	HELD FOR SALE • *Hapag-Lloyd Containerschifffahrt*

The future TUI AG will focus on the Mainstream Business, which will include tour operation as well as hotel and cruise operations. The current Online Accommodation and Specialist & Activity Businesses of TUI Travel PLC are to operate separately in future under the direct dedicated leadership of an Executive Board member, who will be responsible for the further maximisation of the growth and value of assets no longer forming part of our core business. The existing stake in Hapag-Lloyd will be held as a business for disposal.

SUBSTANTIAL ADDED VALUE FOR THE SHAREHOLDERS

Although the key goal of the merger of TUI AG and TUI Travel PLC will be to tap the existing growth potential to the greatest effect, significant positive effects are also expected in terms of costs, while integration risks are relatively low.

The merger is expected to deliver significant synergies: corporate streamlining will foreseeably deliver potential recurring cost savings of € 45 m per year as of the merger date, and these synergies should be realised in full by the third financial year following completion. They will come mainly from the consolidation of overlapping functions. Estimated one-off integration costs of € 45 m are expected in order to achieve these savings.

Moreover, a unified ownership structure would enable a more efficient tax grouping and the use of carried forward tax losses. Based on pro forma tax calculations, these tax benefits would have amounted to € 35 m for financial year 2012 / 13 and would have reduced the Group's underlying effective tax rate by around 7 percentage points.

We also expect to deliver further synergies due to increased occupancy of existing hotels. Each 1 percentage point improvement in occupancy would foreseeably deliver approximately € 6.1 m of additional profit. Strategic benefits would also arise from the joint growth opportunities of the Combined Group.

Additional (net) cost savings of at least € 20 m annually are predicted from the planned integration of Inbound Services into the Mainstream Business. Estimated one-off cash costs of approximately € 76 m are expected in order to achieve these savings. These additional cost savings could also have been achieved if TUI Travel had remained an independent company.

As a result, the Group would be characterised by a strong balance sheet, strong financial flexibility and a strong free cash flow. This will also benefit our shareholders. Our future dividend policy is to be in line with TUI Travel's present policy. This would mean a significantly more attractive dividend for the TUI AG shareholders.

FUTURE STRATEGY OF THE COMBINED GROUP

The Combined Group will utilise the scale of its fully integrated Mainstream tourism business (content, unique holiday and distribution), whilst restructuring its non-Mainstream businesses to enhance its growth and margin profile, thereby future-proofing its long-term sustainable competitive position.

DELIVERING A SUPERIOR END-TO-END CUSTOMER EXPERIENCE THROUGH OUR FULLY INTEGRATED MAINSTREAM TOURISM BUSINESS

Our Mainstream Business will focus on broadening its customer offerings, exploiting its brands and implementing its unique proposition across much of the Combined Group's hotel portfolio, providing a superior experience for its customers. The resources available to the Combined Group will enable an acceleration of the development of new content, driving and broadening the range of unique holiday experiences that TUI Travel can deliver to new customers, thereby enhancing the Combined Group's top-line growth.

A complete end-to-end customer approach will be developed offering unique, high-quality content from the strongest brands in tourism covering the whole holiday experience value chain for customers. Customers will be able to book anything, anytime, anywhere, any way. We expect this to drive growth through repeat customer business, building loyalty, retention and increased long-term, sustainable profit growth.

Key to implementing this strategy is operating effectively in a digital age. Single solutions developed and deployed to many will reduce long-term infrastructure costs. As a result, the Combined Group expects it will be able to focus cash utilisation to accelerate the development of TUI Travel's existing digital platforms across the whole holiday cycle with two-way interaction – from suggestion, to research, to booking, travelling to the holiday, while on holiday, sharing the holiday experience with friends and family and returning home, to the suggestion for the next leisure travel experience from the Combined Group. Personal interaction on the ground at home, in the air and in the resort will provide considerable added-value expertise.

ACCELERATING LONG-TERM GROWTH SUPPORTED BY AN ASSET-RIGHT BUSINESS MODEL BASED ON AN OPTIMAL MIX OF OWNED AND MANAGED HOTELS AND CRUISE SHIPS

The new TUI intends to support long-term growth through the operation of a flexible, asset-right business model. In order to operate more efficiently and maximise the value of its assets, the Combined Group will continue to optimise the ownership structure of existing and new hotels and cruise ships.

DELIVERING SYNERGIES, COST SAVINGS AND COMMERCIAL BENEFITS WITH THE POTENTIAL TO UNLOCK FURTHER VALUE

The merger is expected to deliver € 45 m of annual synergies through corporate streamlining and recurring cash tax benefits. In addition, the integration of Inbound Services into the Mainstream tourism business is expected to deliver annual net cost savings of € 20 m. We also expect the merger to result in material commercial benefits from increased occupancy, vertical integration and additional growth opportunities from an accelerated and broadened content portfolio.

MAXIMISING THE GROWTH AND VALUE OF THE ONLINE ACCOMMODATION AND SPECIALIST & ACTIVITY BUSINESSES

Following the merger, the Online Accommodation and Specialist & Activity businesses of TUI Travel will operate separately from the Mainstream tourism business, as they have a different business model. Managing them separately will enable the Combined Group to focus more effectively on maximising their growth and value.

TREATING THE TUI AG STAKE IN HAPAG-LLOYD AG AS A BUSINESS FOR DISPOSAL

The stake in Hapag-Lloyd AG is held by TUI AG, and following completion will continue to be held by the Combined Group, as a business for disposal, in order to finalise the Combined Group's exit from Container Shipping. This does not include Hapag-Lloyd Kreuzfahrten, which will be retained within the Combined Group.

FOCUSING ON BALANCE SHEET STRENGTH, FLEXIBILITY AND STRONG FREE CASH FLOW GENERATION WITH A VIEW TO INCREASING SHAREHOLDER RETURNS

TUI Travel and TUI AG already have clearly stated strategic goals to improve free cash flow and therefore deliver superior returns on investment for shareholders. The merger will align these goals, with the aim of creating a strong, flexible balance sheet and enhanced cash flow generation.

We expect the merger to be earnings per share (EPS) accretive for both sets of shareholders from the first full financial year following the merger (before costs to achieve the merger), with strong EPS accretion for TUI Travel shareholders. Strong EPS accretion for both sets of shareholders is expected thereafter. In parallel, for TUI AG shareholders, a much improved cash flow and dividend benefits will be delivered from the first full financial year post-merger.

Research and development

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

Value-oriented group management

Management system

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

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

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

Information on operational performance indicators see chapter Business development in the Sectors, Sustainable development and Report on expected development.

Cost of capital

COST OF CAPITAL (WACC)

	TUI Travel		TUI Hotels & Resorts		Cruises		Goup	
%	**2013/14**	2012/13	**2013/14**	2012/13	**2013/14**	2012/13	**2013/14**	2012/13 restated
Risk-free interes rate	2.00	2.75	2.00	2.75	2.00	2.75	2.00	2.75
Risk adjustment	8.63	9.40	7.06	7.47	9.33	11.03	9.54	8.99
Market risk premium	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Beta factor [1]	1.4381	1.5665	1.1770	1.2455	1.5542	1.8390	1.5907	1.4986
Cost of equity after taxes	**10.63**	**12.15**	**9.06**	**10.22**	**11.33**	**13.78**	**11.54**	**11.74**
Cost of debt capital before taxes	5.16	6.64	5.16	6.64	5.16	6.64	5.16	6.64
taxes shield	1.53	1.96	1.53	1.96	1.53	1.96	1.53	1.96
Cost of debt capital after taxes	**3.63**	**4.68**	**3.63**	**4.68**	**3.63**	**4.69**	**3.63**	**4.68**
Share of equity [2]	53.71	51.23	67.26	66.49	62.52	56.57	56.64	54.64
Share of debt capital [2]	46.29	48.77	32.74	33.51	37.48	43.43	43.36	45.36
WACC after taxes [3]	**7.50**	**8.50**	**7.25**	**8.25**	**8.50**	**9.75**	**7.50**	**8.50**
taxes rate	29.58	29.48	29.58	29.48	29.58	29.48	29.58	29.48
Cost of equity before taxes	**14.31**	**16.41**	**12.24**	**13.86**	**15.41**	**18.80**	**13.84**	**15.88**
Cost of debt capital before taxes	**5.16**	**6.64**	**5.16**	**6.64**	**5.16**	**6.64**	**5.16**	**6.64**
Share of equity [2]	53.71	51.23	67.26	66.49	62.52	56.57	56.64	54.64
Share of debt capital [2]	46.29	48.77	32.74	33.51	37.48	43.43	43.36	45.36
WACC before taxes [3]	**10.00**	**11.50**	**10.00**	**11.25**	**11.50**	**13.50**	**10.00**	**11.50**

1 Segment beta based on peer group, group beta based on weighted segment betas
2 Segment share based on peer group, group share based on weighted segment shares
3 Rounded to 1/4 percentage points

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

ROIC and economic value added

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

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

VALUE-ORIENTED KEY FIGURES

€ million		TUI Travel		TUI Hotels & Resorts		Cruises		Group	
		2013/14	2012/13	**2013/14**	2012/13	**2013/14**	2012/13	**2013/14**	2012/13 restated
Equity [1]		**2,115.1**	1,784.2	**1,262.8**	1,003.8	**199.8**	138.1	**3,495.9**	2,808.9
Interest bearing financial liability items		**2,278.5**	2,926.5	**908.8**	1,027.3	**202.0**	188.2	**3,500.0**	4,114.8
Financial assets		**2,078.3**	2,259.6	**218.7**	171.8	**76.1**	57.1	**3,032.6**	3,001.0
Purchase price allocation		**550.9**	477.2	**–**	–	**–**	–	**550.9**	477.2
Invested capital		**2,866.2**	2,928.3	**1,952.9**	1,859.3	**325.7**	269.2	**4,514.2**	4,399.9
Underlying EBITA		**707.6**	**640.5**	**202.5**	**197.2**	**9.7**	**–13.9**	**868.5**	**761.9**
Ø Invested capital [2]		**2,948.9**	3,031.5	**1,907.4**	1,861.9	**286.5**	247.2	**4,471.0**	4,427.7
ROIC	%	**24.00**	21.13	**10.62**	10.59	**3.39**	–5.62	**19.43**	17.21
Weighted average cost of capital (WACC)	%	**10.00**	11.50	**10.00**	11.25	**11.50**	13.50	**10.00**	11.50
Value added		**412.7**	**291.9**	**11.8**	**–12.3**	**–23.2**	**–47.3**	**421.4**	**252.7**

1 Adjusted for stakes of non-controlling interest
2 Average value based on balance at beginning and year-end

For the TUI Group, ROIC was up by 2.22 percentage points on the previous year at 19.43 %. With the cost of capital at 10.0 %, this meant positive economic value added of € 421.4 m (previous year € 252.7 m).

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

REPORT ON THE ECONOMIC POSITION

Macroeconomic and industry framework

Macroeconomic development

DEVELOPMENT OF GROSS DOMESTIC PRODUCT

Var. %	**2014**	2013
World	**3.3**	**3.3**
Eurozone	0.8	–0.4
Germany	1.4	0.5
France	0.4	0.3
UK	3.2	1.7
US	2.2	2.2
Russia	0.2	1.3
Japan	0.9	1.5
China	7.4	7.7
India	5.6	5.0

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

In calendar year 2014, the global economy continued to grow moderately. Overall, the International Monetary Fund in its most recent outlook (IMF, World Economic Outlook, October 2014) projects global growth for 2014 at 3.3 %, flat year-on-year. Due to the stagnation of recovery in the Eurozone and the geopolitical crises, the projections had repeatedly been revised downward.

Development of Tourism

CHANGE OF INTERNATIONAL TOURIST ARRIVALS VS. PRIOR YEAR IN %

Var. %	**2014***	2013
World	**+4.8**	**+5.3**
Europe	+4.2	+5.4
Asia and the Pacific	+5.0	+6.3
Americas	+7.9	+3.2
Afrika	+3.1	+5.0
Middle East	+3.0	+6.8

Source: UNWTO World Tourism Barometer, October 2014
* Period January till August

In 2013, international arrivals grew by 4.8 % to almost € 1.1 bn. This positive trend in global demand in the travel market continued for the first eight months of calendar year 2014 despite the geopolitical crises. Within that period, international arrivals grew by 4.8 % year-on-year. Arrivals in Europe grew by around 4.2 % within that time-frame, with travel to southern Europe and the European countries in the Mediterranean showing particularly positive trends. For the full year 2014, the UNWTO expects the global travel and tourism market to grow by 4.0 to 4.5 %. The stable growth trend observed in tourism in the past few years has thus held up (UNWTO, World Tourism Barometer, October 2014).

Information on the business environment in the individual Sectors, see page 76 et seq.

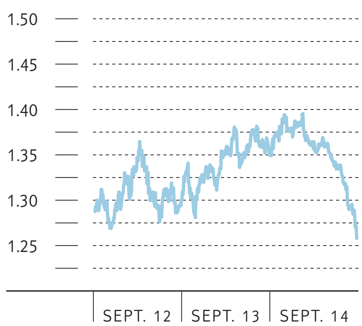
Customer numbers in TUI Travel's Mainstream Business declined by a total of 2.4 % in financial year 2013 / 14 versus the prior year. The decrease was mainly attributable to significant capacity reduction in France, while TUI Travel recorded growth in airborne package tours in all other source markets in line with the market trend.

Buiness development of TUI Travel see page 76 et seq.

Key exchange rates and raw material prices

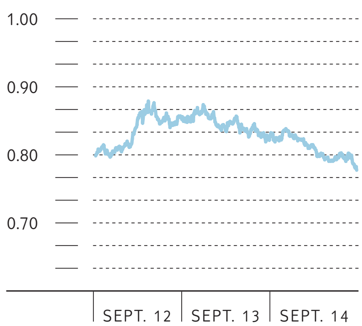
EXCHANGE RATE USD

EUR / USD



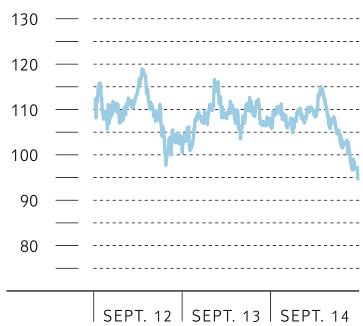
EXCHANGE RATE GBP

EUR / GBP



OIL PRICE

Brent (USD / Barrel)



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

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

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

In the period under review, the average exchange rate of the US dollar against the euro fell by around 6.7 % from 1.35 USD / € to 1.26 USD / €. The average exchange rate of sterling against the euro decreased by around 7.1 % from 0.84 GBP / € to 0.78 GBP / € in the period under review. Both currencies thus appreciated against the euro.

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

See from pages 90 and 241

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

Changes in the legal framework

In financial year 2013 / 14, there were no changes in the legal framework with material impacts on the TUI Group's business performance.

Group earnings

INCOME STATEMENT OF THE TUI GROUP

€ million	**2013/14**	2012/13 restated	Var. %
Turnover	**18,714.7**	**18,477.5**	**+1.3**
Cost of sales	16,436.6	16,436.3	+0.0
Gross profit	**2,278.1**	**2,041.2**	**+11.6**
Administrative expenses	1,577.3	1,557.3	+1.3
Other income	+35.9	+37.1	–3.2
Other expenses	+2.1	+10.8	–80.6
Impairment of goodwill	–	8.3	n/a
Financial result	–269.0	–249.8	–7.7
Financial income	36.2	42.7	–15.2
Financial expenses	305.2	292.5	+4.3
Share of result of joint ventures and associates	40.0	59.3	–32.5
Earnings before income taxes	**505.6**	**311.4**	**+62.4**
Reconciliation to underlying earnings:			
Earnings before income taxes	505.6	311.4	+62.4
plus: Loss on Container Shipping measured at equity	38.9	22.3	+74.4
plus: Net interest expense and expense from measurement of interest hedges	229.3	252.8	–9.3
plus: Impairment of goodwill	–	8.3	n/a
EBITA	773.8	594.8	+30.1
Adjustments			
less: Gains on (previous losses) disposals	–3.6	+1.4	
plus: Restructuring expense	+43.6	+62.3	
plus: Expense from purchase price allocation	+73.7	+75.0	
less: Income (previous year expense) from other one-off items	–19.0	+28.4	
Underlying EBITA	**868.5**	**761.9**	**+14.0**
Earnings before income taxes	**505.6**	**311.4**	**+62.4**
Income taxes	221.7	145.0	+52.9
Group profit for the year	**283.9**	**166.4**	**+70.6**
Group profit for the year for the year attributable to shareholders of TUI AG	104.7	–11.1	n/a
Group profit for the year attributable to non-controlling interest	179.2	177.5	+1.0

EARNINGS PER SHARE

€	**2013/14**	2012/13	Var. %
Basic and diluted earnings per share	0.31	–0.14	n/a

Comments on the consolidated income statement

TURNOVER AND COST OF SALES

At € 18.7 bn, Group turnover grew by 1.3 % year-on-year; adjusted for foreign exchange effects, it rose by 0.7 %. While customer volumes in TUI Travel's Mainstream Business were 2.4 % down year-on-year, the turnover growth was attributable to higher average selling prices, mainly driven by a higher proportion of unique product sales at TUI Travel. Turnover is presented alongside the cost of sales, which showed a stable trend in the period under review. A detailed breakdown of turnover showing how it has developed is presented in the section Group turnover and earnings.

GROSS PROFIT

Gross profit, i.e. the difference between turnover and the cost of sales, increased by 11.6 % to € 2.3 bn in financial year 2013 / 14.

ADMINISTRATIVE EXPENSES

Administrative expenses comprise rental and lease expenses, personnel expenses and depreciation and amortisation associated with administrative functions. In financial year 2013 / 14 they were up 1.3 % year-on-year, totalling € 1.6 bn.

OTHER INCOME / OTHER EXPENSES

In financial year 2013 / 14, Other income and Other expenses included profits from sale-and-lease-back transactions with aircraft and book profits from the sale of the science park in Kiel and the industrial park in Berlin-Tempelhof. Other income also resulted from the sale of a hotel company in Switzerland and from gains on disposal from the divestment of shareholdings. The Other income carried in the prior year mainly resulted from the book profit from the sale of a hotel of the Riu Group and profits from sale-and-lease-back transactions with aircraft.

Other expenses carried in the prior year mainly related to losses from sale-and-lease-back transactions with aircraft and losses from the disposal of shareholdings.

IMPAIRMENTS OF GOODWILL

In the period under review, no impairments were required. In the previous year, goodwill impairments of € 8.3 m had been carried for the Castelfalfi project.

FINANCIAL INCOME AND EXPENSES / FINANCIAL RESULT

The financial result includes the interest result and net income from marketable securities. On balance, the financial result declined by € 19.2 m to € – 269.0 m.

The decline in financial income to € 36.2 m (previous year € 42.7 m) in financial year 2013 / 14 resulted primarily from lower interest paid on bank balances due to the decline in interest rate levels.

The increase in financial expenses to € 305.2 m (previous year € 292.5 m) was driven by the write-down of financial assets in connection with TUI Russia. On the other hand, interest expenses continued to decline versus the prior year due to redemptions and repayments of financial liabilities.

RESULT FROM JOINT VENTURES AND ASSOCIATES

The result from joint ventures and associates comprises the proportionate net profit for the year of the associated companies and joint ventures and impairments of goodwill for these companies.

The decline in the result from joint ventures and associates resulted from the higher loss in Container Shipping attributable to TUI in financial year 2013 / 14, up by € 16.6 m to € – 38.9 m. Other reasons for the decline were the uncertain political situaton in Egypt and Ukraine, partly offset by higher profit contributions from TUI Cruises, which is measured at equity.

As in the prior year, no impairments had to be carried in the financial year under review. An impairment booked in previous years was reversed by an amount of € 1.1 m in the financial year under review.

UNDERLYING EARNINGS (EBITA)

At € 868.5 m, underlying earnings by the TUI Group were € 106.6 m up year-on-year in the period under review. Underlying EBITA was adjusted for gains on disposal of investments, expenses in the framework of restructuring measures, amortisation of intangible assets from purchase price allocations and other expenses for one-off items. The development of earnings and the adjustments are outlined in detail in the chapters Group turnover and earnings and Business developments in the Sectors.

INCOME TAXES

Income taxes are taxes on the profits from ordinary business activities. In the period under review, they increased by € 76.7 m to € 221.7 m and comprised effective tax liabilities of € 114.1 m and deferred tax liabilities of € 107.6 m. The increase in effective tax liabilities was largely attributable to TUI Travel.

GROUP PROFIT

Group profit increased by € 117.5 m year-on-year to € 283.9 m.

NON-CONTROLLING INTERESTS

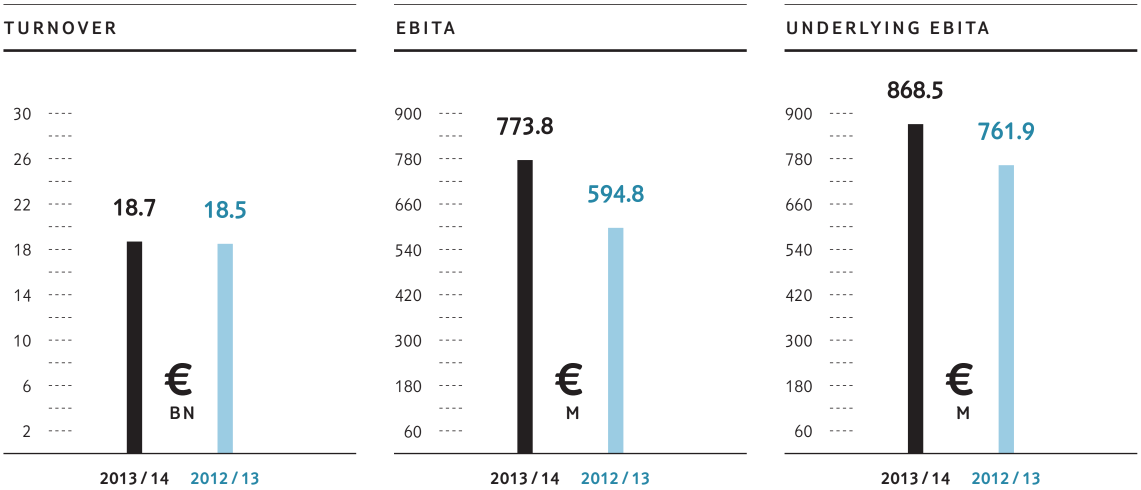
Non-controlling interests in Group profit for the year totalled € 179.2 m, including € 112.7 m related to external shareholders of TUI Travel PLC (previous year € 114.3 m) and € 66.5 m related to TUI Hotels & Resorts companies (previous year € 63.2 m).

EARNINGS PER SHARE

The interest in Group profit for the year attributable to TUI AG shareholders (after deduction of non-controlling interests) totalled € 104.7 m. In relation to the weighted average number of shares of 262,595,131 units, basic earnings per share stood at € 0.31 (previous year € – 0.14), taking account of the interest on the hybrid financing. A dilution effect did not have to be factored in, either in the period under review or in the prior-year reference period. Diluted earnings per share therefore also amounted to € 0.31 (previous year € – 0.14).

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

Business performance by the Sectors



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

Turnover

DEVELOPMENT OF TURNOVER

€ million	2013 / 14	2012 / 13	Var. %
Tourism	**18,700.2**	**18,460.1**	**+1.3**
TUI Travel	17,954.6	17,796.0	+ 0.9
TUI Hotels & Resorts	464.5	403.1	+15.3
Cruises	281.0	261.0	+7.7
Central Operations	**14.5**	**17.4**	**–16.7**
Group	**18,714.7**	**18,477.5**	**+1.3**

In financial year 2013 / 14, turnover by the TUI Group grew by 1.3 % year-on-year. Adjusted for foreign exchange effects, it grew by 0.7 %. The turnover growth was driven, in particular, by the deliberate capacity reductions 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 booking and reservation systems in each source market. Moreover, load factor management ensures that the tour operator capacity available for bookings is seasonally adjusted to actual and expected demand.

At the end of financial year 2013 / 14, current trading by TUI Travel for the summer season 2015 available for bookings at that point in time, and for the winter season 2014 / 15 was as follows as compared with the prior year:

⊕ *www.tui-group.com/en/ir/news*

CURRENT TRADING TUI TRAVEL MAINSTREAM

	Winter season 2014 / 15		
Var. %	Average selling price	Total sales	Total customers
Germany	–	+1	+2
UK	+2	+7	+4
Nordics	+4	–3	–6
France (tour operators)	+3	–8	–11
Other	–2	+2	+4
Total	**+1**	**+2**	**+1**

As at 30 November 2014

For the 2015 summer season, already available for bookings in the UK, current trading was 9 % ahead of the prior year at the end of financial year 2013 / 14. Average selling prices rose by 2 %.

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

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

Earnings

DEVELOPMENT OF UNDERLYING EBITA

€ million	2013/14	2012/13	Underlying EBITA Var. %
Tourism	**919.8**	**823.8**	**+11.7**
TUI Travel	707.6	640.5	+10.5
TUI Hotels & Resorts	202.5	197.2	+2.7
Cruises	9.7	–13.9	n/a
Central Operations	**–51.3**	**–61.9**	**+17.1**
Group	**868.5**	**761.9**	**+14.0**

€ million	2013/14	2012/13	EBITA Var. %
Tourism	**825.1**	**673.0**	**+22.6**
TUI Travel	597.9	532.8	+12.2
TUI Hotels & Resorts	203.0	170.6	+19.0
Cruises	24.2	–30.4	n/a
Central Operations	**–51.3**	**–78.2**	**+34.4**
Group	**773.8**	**594.8**	**+30.1**

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

UNDERLYING EBITA: GROUP

€ million	2013/14	2012/13	Var. %
EBITA	**773.8**	**594.8**	**+30.1**
Gains on disposal	–3.6	+1.4	
Restructuring	+43.6	+62.3	
Purchase price allocation	+73.7	+75.0	
Other one-off items	–19.0	+28.4	
Underlying EBITA	**868.5**	**761.9**	**+14.0**

In financial year 2013/14, the TUI Group's operating result adjusted for one-off effects (underlying EBITA) rose by €106.6 m year-on-year to €868.5 m. It reflected in particular the sound performance of TUI Travel, the successful operating development of Riu and Robinson, the turnaround in the Cruises Sector and the reduction in expenses in Central Operations.

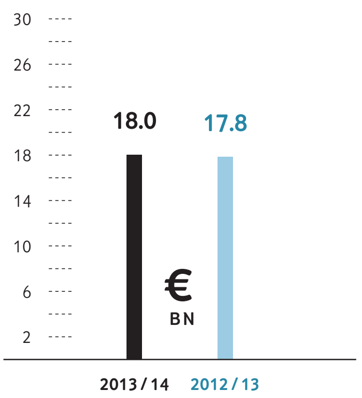
In financial year 2013 / 14, adjustments for one-off effects totalled around € 94.7 m (previous year € 167.1 m). They included expenses for purchase price allocations and, in particular, restructuring costs at TUI Travel and net one-off expenses, above all for the back payment of VAT on the margin for prior years, and the write-down of financial assets in connection with TUI Russia. They were carried alongside income from the curtailment of pension obligations at TUI Travel.

Due to the sound business performance in financial year 2013 / 14, reported earnings (EBITA) rose by € 179.0 m to € 773.8 m.

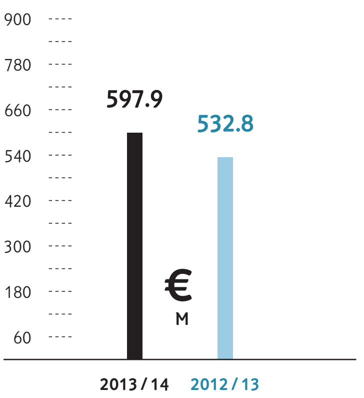
Business development in the Sectors

TUI Travel

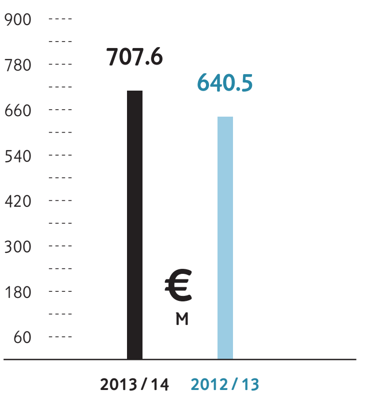
TURNOVER



EBITA



UNDERLYING EBITA



TUI Travel structure see page 49

TUI Travel's business is structured into three Business Lines: Mainstream, Accommodation & Destinations, and Specialist & Activity.

TURNOVER AND EARNINGS

TUI TRAVEL – KEY FIGURES

€ million	2013 / 14	2012 / 13	Var. %
Turnover	17,954.6	17,796.0	+ 0.9
EBITA	**597.9**	**532.8**	**+ 12.2**
Gains on disposal	– 4.2	+ 1.4	
Restructuring	+ 42.1	+ 51.4	
Purchase price allocation	+ 73.7	+ 75.0	
Other one-off items	– 1.9	– 20.1	
Underlying EBITA	**707.6**	**640.5**	**+ 10.5**
Underlying EBITDA	968.0	888.3	+ 9.0
Investments	654.6	695.7	– 5.9
Headcount (30 Sep)	62,205	59,756	+ 4.1

In financial year 2013 / 14, turnover by TUI Travel grew by 0.9 % year-on-year to € 18.0 bn. Adjusted for foreign exchange effects, it rose by 0.2 %. The slight increase in turnover was mainly attributable to deliberate capacity reductions in the Mainstream business, in particular in source market France.

Underlying earnings by TUI Travel improved by € 67.1 m to € 707.6 m in financial year 2013 / 14. The sound operating performance of TUI Travel was supported by persistently strong demand for unique product and a growing proportion of online sales. Despite a more competetive environment, average selling prices in the Mainstream Business rose further. The positive development was driven, in particular, by the sound operating performance in source markets UK, Germany and the Netherlands. Moreover, the negative result of the French TUI tour operators was considerably reduced. By contrast, the Nordics as well as Russia and Ukraine recorded a weaker business development. In the other business lines, the B2B business in Accommodation & Destinations, in particular, recorded a strong business performance.

In financial year 2013 / 14, TUI Travel had to carry net adjustments of € 109.7 m (previous year € 107.7 m). In the period under review, earnings adjustments included purchase price allocations worth € 73.7 m and above all one-off expenses for the ongoing restructuring activities in Germany, France and the Specialist & Activity and Accommodation & Destinations Businesses and for the back payment of VAT on the margin for prior years as well as the write-down of financial assets in connection with TUI Russia. Expenses were carried alongside adjusted one-off income from the curtailment and settlement of pension plans in the UK and the Nordics and income from sale-and-lease-back agreements for aircraft.

Reported earnings by TUI Travel rose by € 65.1 m on the previous year to € 597.9 m due to sound business development and lower net one-off expenses in financial year 2013 / 14.

MAINSTREAM

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

TUI TRAVEL – MAINSTREAM VOLUMES

'000	**2013 / 14**	2012 / 13	Var. %
Germany*	6,245	6,459	– 3.3
UK & Ireland	5,223	5,232	– 0.2
Nordics	1,557	1,600	– 2.7
France (tour operators)	802	1,027	– 22.0
Other	5,659	5,652	+ 0.1
Total	**19,485**	**19,970**	**– 2.4**

* Including seat only

In financial year 2013 / 14, the Mainstream Business serviced a total of 19,485 thousand customers. This was a decline of 2.4 % versus the prior year reference period, which was in line with the development of capacity in the period under review.

GERMANY

In the period under review, TUI Deutschland showed a positive development despite the 3.3 % decline in customer numbers year-on-year. Tour operators benefited from the ongoing trend towards unique product exclusively sold by TUI. Sales of these products were also driven by growing online distribution. TUI Deutschland also benefited from cost savings, partly caused by efficiency enhancements in back office functions and lower maintenance costs for the Group-owned TUIfly airline.

UK

TUI tour operators in the UK continued their successful performance. With customer numbers down by 0.2 % year-on-year, TUI UK generated good average selling prices and achieved high load factors thanks to ongoing strong demand for unique product. The proportion of online bookings was considerably expanded once again. Savings were generated in maintenance and handling costs at the Group-owned airline Thomson Airways and in the Group's travel agencies.

NORDIC COUNTRIES

In financial year 2013 / 14, TUI tour operators in the Nordics recorded a decline in customer numbers of 2.7 % versus the prior year reference period in a difficult market environment. The decrease was mainly driven by the significant cut in capacity in Egypt and the political unrest in Thailand. A strict focus on efficiency enhancements in the operative areas helped to limit the impact of this development.

FRANCE

In financial year 2013 / 14, the French TUI tour operators reported a decline in customer numbers of 22.0 %, in line with the capacity reduction effected. Despite the persistently difficult market environment in France, better margins were generated in the summer season. This was driven by an optimisation of tour operator programmes, where the Canary and Balearic Islands, i.e. new destinations for source market France, increased their presence at the expense of destinations in northern Africa. The margin growth was also attributable to improvements, in particular in club holidays. Due to restrictive capacity management and the efficiency enhancements achieved in the framework of the Convergence project, TUI France achieved a considerable reduction in its losses versus the prior year.

OTHER COUNTRIES

Overall, Other countries showed a positive performance despite an increase in customer numbers of 0.1 %, benefiting in particular from the sound performance of the Dutch tour operators. TUI Russia saw its business impacted by the political instability in the region and the demand situation in Egypt.

ACCOMMODATION & DESTINATIONS (A&D)

In financial year 2013 / 14, the Accommodation & Destinations (A&D) Business, which comprises TUI Travel's online services and incoming agencies, continued the strong performance achieved in the prior year. Online services recorded rising volume in the B2B portals due to strong organic growth in America and Asia.

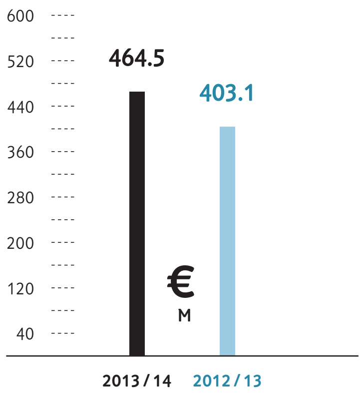
SPECIALIST & ACTIVITY

The Specialist & Activity Business comprises tour operators in the Adventure, North American Specialist, Education, Sport and Marine Divisions and the Specialist Holidays Group.

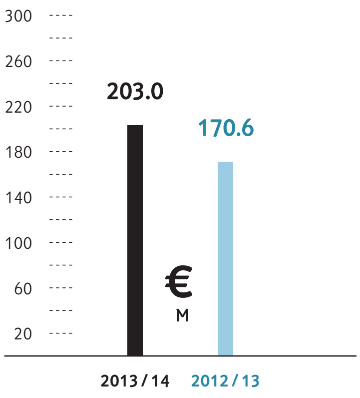
The Business Line posted a stable performance in financial year 2013 / 14. The restructuring initiated in the prior year generated an overall improvement in operative management as well as efficiency gains. The restructuring of the Marine Division and soft trading in the Adventure Division had an adverse effect. By contrast, the Specialist Holiday Group and North American Specialist reported a positive performance in the period under review.

TUI Hotels & Resorts

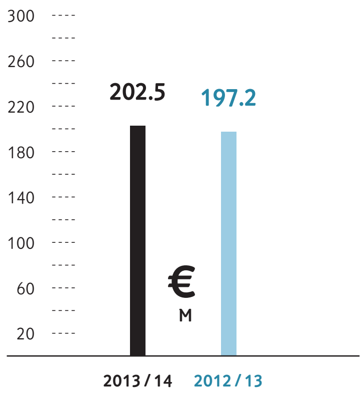
TURNOVER



EBITA



UNDERLYING EBITA



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

TURNOVER AND EARNINGS

TUI HOTELS & RESORTS – KEY FIGURES

€ million	**2013 / 14**	2012 / 13	Var. %
Total turnover	861.3	826.6	+ 4.2
Turnover	464.5	403.1	+ 15.3
EBITA	**203.0**	**170.6**	**+ 19.0**
Gains on disposal	+ 0.6	–	
Restructuring	–	+ 2.5	
Purchase price allocation	–	–	
Other one-off items	– 1.1	+ 24.1	
Underlying EBITA	**202.5**	**197.2**	**+ 2.7**
Underlying EBITDA	266.6	271.1	– 1.7
Investments	136.6	80.7	+ 69.3
Headcount (30 Sep)	14,649	14,013	+ 4.5

		CAPACITY[1]	OCCUPANCY RATE[2]	AVERAGE REVENUE PER BED[3]
		in '000	in %	in €
TUI HOTELS & RESORTS TOTAL	2013/14	24,637	80.9	54.36
	2012/13	24,170	80.3	53.12
RIU	2013/14	17,242	84.7	50.53
	2012/13	17,001	83.6	48.36
ROBINSON	2013/14	2,845	74.1	88.93
	2012/13	2,962	73.0	86.37
IBEROTEL	2013/14	2,362	58.1	41.44
	2012/13	2,481	63.0	43.96
GRUPOTEL	2013/14	1,105	85.0	45.55
	2012/13	824	84.5	46.50
GRECOTEL	2013/14	922	88.8	64.24
	2012/13	746	89.9	73.74

[1] Group owned or leased hotel beds multiplied by opening days per year

[2] Occupied beds divided by capacity

[3] Arrangement revenue divided by occupied beds

Total turnover by TUI Hotels & Resorts was up 4.2 % year-on-year at € 861.3 m. Due to overall sound demand on slightly increased capacity, average revenues per bed improved against the prior year. Turnover with non-Group third parties grew by 15.3 % to € 464.6 m in financial year 2013 / 14.

In the period under review, underlying earnings by TUI Hotels & Resorts improved by € 5.3 m to € 202.5 m year-on-year, despite the book profit of around € 15 m recorded by the Riu Group and included in the numbers for the previous financial year.

In financial year 2013 / 14, net expenses of € 0.5 m for foreign exchange differences in connection with the capital decrease in a subsidiary of the Riu Group had to be adjusted in TUI Hotels & Resorts. The prior-year adjustments mainly related above all to impairments for the Castelfalfi hotel project in Tuscany.

Reported earnings by TUI Hotels & Resorts increased by € 32.4 m year-on-year to € 203.0 m in financial year 2013 / 14, up from € 170.6 m.

RIU

Riu, one of the leading Spanish hotel chains, operated 103 (previous year 100) hotels in the period under review. Capacity grew slightly by 1.4 % year-on-year to 88,932 available hotel beds in financial year 2013 / 14. Average occupancy rates of Riu hotels rose by 1.1 percentage points on the previous year to 84.7 %. Average revenues per bed likewise grew by 4.5 %.

Average occupancy of Riu hotels in the Canaries rose by 3.3 percentage points to 93.2 % year-on-year. The Canaries benefited from a shift in demand from North Africa. Average revenues per bed increased by 6.6 %.

At 78.7 %, Riu hotels in the Balearics recorded a decrease in occupancy of 0.2 percentage points year-on-year. Average revenues per bed were up 5.2 % on the previous year. In mainland Spain, average occupancy of Riu hotels grew by 3.2 percentage points year-on-year to 85.6 %. Average revenues per bed were 7.9 % up year-on-year.

For long-haul destinations, Riu hotels achieved an average occupancy of 80.5 %, slightly below the level generated in the previous year. Riu hotels in Mexico and Jamaica, in particular, continued to record strong demand from the United States.

ROBINSON

In financial year 2013 / 14, Robinson, the market leader in the premium segment for club holidays, operated a total of 23 (previous year 24) club facilities with 13,557 beds in eleven countries. Capacity was down year-on-year due to the divestment of three hotel facilities in Switzerland and Austria. In the period under review, the Robinson Clubs in Morocco, Spain, Greece, Austria, Switzerland and the Maldives achieved higher occupancy rates versus the prior year. The Club resort in Italy fell short of the prior year's level. For the overall Robinson Group, this resulted in an improvement in occupancy of 1.1 percentage points. Average revenues per bed were 3.0 % up year-on-year to € 88.93.

IBEROTEL

In financial year 2013 / 14, Iberotel had 24 hotels (previous year 24) with 13,329 hotel beds, located in Egypt, the United Arab Emirates, Turkey, Italy and Germany. At 58.1 %, occupancy of Iberotels was 4.9 percentage points down year-on-year. Demand for Iberotels in Egypt continued to suffer from the uncertain political situation. The hotels in Turkey achieved an occupancy rate of 101.9 %. Average revenues per bed decreased by 5.7 % in the period under review.

GRUPOTEL

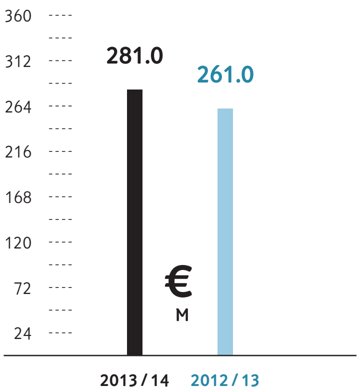
In the period under review, Grupotel operated 35 facilities (previous year 33) on Majorca, Menorca and Ibiza with 13,910 beds. Capacity grew by 34.2 % on the prior year, with occupancy of 85.0 % up by 0.5 percentage points year-on-year. Average revenues per bed were down by 2.0 % year-on-year.

GRECOTEL

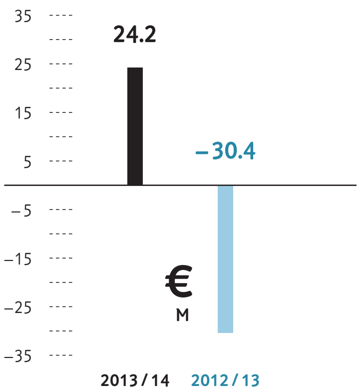
Grecotel, the leading hotel company in Greece, operated 23 holiday complexes (previous year 19) with a total of 11,080 beds in the period under review. Capacity increased by 23.6 % year-on-year in 2013 / 14; this was due to the first-time full-year inclusion of one hotel complex in the reporting and to the earlier seasonal opening of several complexes. Occupancy of the considerably expanded capacity did not meet the prior year's level; it fell by 1.1 percentage points to 88.8 %. Average revenues per bed declined year-on-year as the additional hotel had only been included in reporting for the peak holiday period from July to September in the previous year and due to a decline in the number of bednights in suites generating high rates.

Cruises

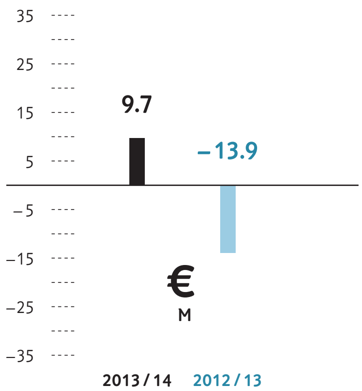
TURNOVER



EBITA



UNDERLYING EBITA



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

CRUISES – KEY FIGURES

€ million	**2013 / 14**	2012 / 13	Var. %
Turnover	281.0	261.0	+7.7
EBITA	**24.2**	**–30.4**	**n/a**
Gains on disposal	–	–	
Restructuring	+1.5	+0.5	
Purchase price allocation	–	–	
Other one-off items	–16.0	+16.0	
Underlying EBITA	**9.7**	**–13.9**	**n/a**
Underlying EBITDA	22.8	–2.6	n/a
Investments	10.4	11.5	n/a
Headcount (30 Sep)	228	271	–15.9

TURNOVER AND EARNINGS

In financial year 2013 / 14, turnover by Hapag-Lloyd Kreuzfahrten totalled € 281.0 m, up 7.7 % year-on-year. The turnover growth was mainly driven by the expansion of the Hapag-Lloyd fleet to include Europa 2 in May 2013, which had an effect on the full year for the first time in the period under review. In TUI’s consolidated financial statements, no turnover is shown for TUI Cruises, as the joint venture is measured at equity.

Underlying earnings by the Cruises Sector increased by € 23.6 m to € 9.7 m in financial year 2013 / 14. Following a weak first half of the year, additionally impacted by two dry-dock periods Europa, Hapag-Lloyd showed a positive performance in the second half of financial year 2013 / 14. TUI Cruises continued its distinctly positive performance in the period under review, driven in part by the commissioning of Mein Schiff 3 in June 2014.

In financial year 2013 / 14, the Cruises Sector had to carry adjustments worth € 16.0 m, in particular for provisions for onerous losses from load factor risks in Hapag-Lloyd Kreuzfahrten. Reported earnings amounted to € 24.2 m in the period under review, up by € 54.6 m year-on-year.

	OCCUPANCY (in %)	PASSENGER CRUISE DAYS	AVERAGE DAILY RATES* (in €)
HAPAG-LLOYD KREUZFAHRTEN			
2013 / 14	68.2	401,027	450
2012 / 13	70.6	406,973	420
TUI CRUISES			
2013 / 14	102.3	1,681,281	171
2012 / 13	101.8	1,425,395	157

* Per day and passenger

HAPAG-LLOYD KREUZFAHRTEN

In financial year 2013 / 14, occupancy of the fleet of Hapag-Lloyd Kreuzfahrten decreased by 2.4 percentage points versus the previous year to 68.2 %. Passenger cruise days totalled 401,027. This decline of 1.5 % year-on-year was mainly attributable to the fleet reduction, with Columbus 2 being decommissioned in April 2014, having been included for the full year in the prior reporting period. The cumulative average daily rate was € 450 for the financial year under review, up by 7.1 % versus the prior year.

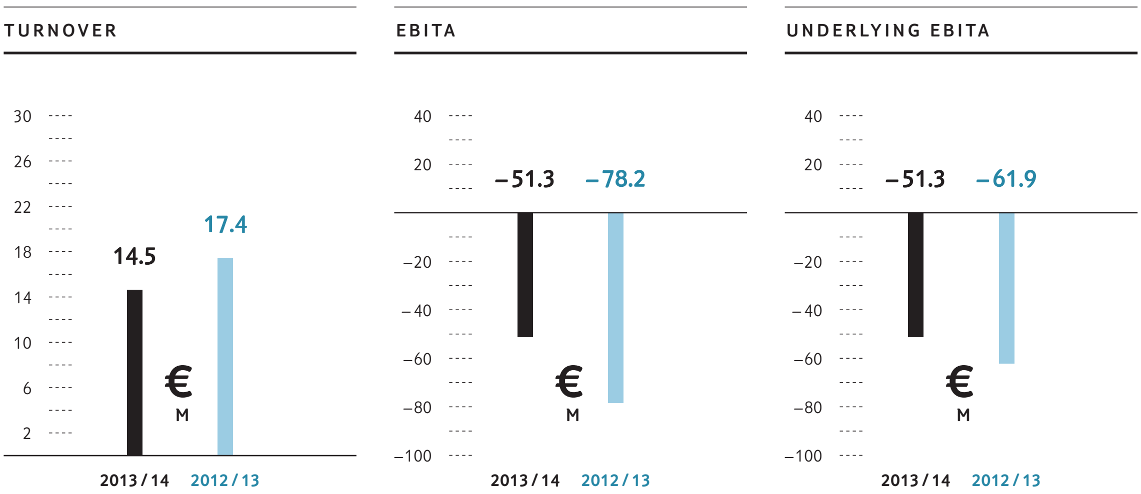
With the scheduled decommissioning of Columbus 2 from the fleet in the third quarter of 2013 / 14, Hapag-Lloyd will focus in future on luxury and expedition cruises, with one ship in each segment marketing internationally: Europa 2 in the luxury segment and Hanseatic in the expedition segment. Europa and Bremen will in future be exclusively offered to the German-speaking market.

TUI CRUISES

In financial year 2013 / 14, the TUI Cruises fleet continued to record a very positive development of its operating indicators. Occupancy rose by 0.5 percentage points year-on-year to 102.3 % (calculated on the basis of two-bed occupancy). Both Mein Schiff 1 and Mein Schiff 2 contributed to the persistently high occupancy rate with their cruise lanes Caribbean and Canary Islands (winter season 2013 / 14) and Nordland / Baltic Sea (summer season 2014). The third ship in the fleet, Mein Schiff 3, began operations in June 2014. In financial year 2013 / 14, TUI Cruises recorded a total of 1,681,281 passenger days. The average daily rate per passenger was € 171, up 8.9 % year-on-year.

Central Operations

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



CENTRAL OPERATIONS – KEY FIGURES

€ million	**2013 / 14**	2012 / 13	Var. %
Turnover	14.5	17.4	–16.7
EBITA	**–51.3**	**–78.2**	**+34.4**
Gains on disposal	–	–	
Restructuring	–	+7.9	
Purchase price allocation	–	–	
Other one-off items	–	+8.4	
Underlying EBITA	**–51.3**	**–61.9**	**+17.1**
Underlying EBITDA	–49.1	–59.9	+18.0
Investments	1.9	3.5	–45.7
Headcount (30 Sep)	227	405	–44.0
of which Corporate Center (30 Sep)	106	198	–46.5

At €–51.3 m, expenses by Central Operations (underlying EBITA) were €10.6 m down year-on-year. The improvement was attributable to the year-on-year reduction in expenses for consultancy services and travel costs due to the implementation of the Lean Centre measures.

In financial year 2013 / 14, no issues had to be adjusted. In the previous year, the adjustments of €16.3 m mainly resulted from the implementation of the Lean Centre concept at TUI AG.

At €–51.3 m, reported earnings by Central Operations improved by €26.9 m on the previous year.

Net assets

DEVELOPMENT OF THE GROUP'S ASSET STRUCTURE

€ million	**30 Sep 2014**	30 Sep 2013 restated	Var. %
Fixed assets	7,964.7	8,040.5	–0.9
Non-current receivables	682.5	605.3	+12.8
Non-current assets	**8,647.2**	**8,645.8**	**+0.0**
Inventories	126.5	115.4	+9.6
Current receivables	2,483.2	1,979.8	+25.4
Cash and cash equivalents	2,286.0	2,701.7	–15.4
Assets held for sale	483.3	11.6	n/a
Current assets	**5,379.0**	**4,808.5**	**+11.9**
Assets	**14,026.2**	**13,454.3**	**+4.3**
Equity	2,517.1	1,996.8	+26.1
Liabilities	11,509.1	11,457.5	+0.5
Equity and liabilities	**14,026.2**	**13,454.3**	**+4.3**

The Group's balance sheet total increased by 4.3 % as against 30 September 2013 to € 14.0 bn.

Vertical structural indicators

Non-current assets accounted for 61.7 % of total assets, compared with 64.3 % in the previous year. The capitalisation ratio (ratio of fixed assets to total assets) decreased from 59.8 % to 56.8 %.

Current assets accounted for 38.3 % of total assets, compared with 35.7 % in the previous year. The Group's cash and cash equivalents decreased by € 415.7 m year-on-year to € 2,286.0 m. They thus accounted for 16.3 % of total assets, as against 20.1 % in the previous year.

Horizontal structural indicators

At the balance sheet date, the ratio of equity to non-current assets was 29.1 %, as against 23.1 % in the previous year. The ratio of equity to fixed assets was 31.6 % (previous year 24.8 %). The ratio of equity plus non-current financial liabilities to fixed assets was 116.9 %, compared with 101.7 % in the previous year.

STRUCTURE OF THE GROUP'S NON-CURRENT ASSETS

€ million	**30 Sep 2014**	30 Sep 2013	Var. %
Goodwill	3,136.2	2,976.4	+ 5.4
Other intangible assets	933.5	866.2	+ 7.8
Investment property	7.7	58.0	– 86.7
Property, plant and equipment	2,836.6	2,682.0	+ 5.8
Companies measured at equity	988.0	1,386.4	– 28.7
Financial assets available for sale	62.7	71.5	–12.3
Fixed assets	**7,964.7**	**8,040.5**	**– 0.9**
Receivables and assets	444.4	380.7	+16.7
Deferred tax claims	238.1	224.6	+ 6.0
Non-current receivables	**682.5**	**605.3**	**+12.8**
Non-current assets	**8,647.2**	**8,645.8**	**+ 0.0**

Development of the Group's non-current assets

GOODWILL

Goodwill rose by € 159.8 m to € 3,136.2 m. The increase in the carrying amount is essentially due to the translation of goodwill not managed in the TUI Group's functional currency into euros. In the period under review, no impairments were required in the framework of the implementation of impairment tests.

At € 2,767.5 m or 88.2 %, goodwill mostly related to TUI Travel. TUI Hotels & Resorts accounted for € 368.7 m or 11.8 %.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment totalled € 2,836.6 m and also comprised leased assets in which Group companies held economic ownership. At the balance sheet date, these finance leases had a carrying amount of € 553.2 m, up 44.3 % year-on-year.

DEVELOPMENT OF PROPERTY, PLANT AND EQUIPMENT

€ million	**30 Sep 2014**	30 Sep 2013	Var. %
Real estate with hotels	949.7	907.5	+ 4.7
Other land	152.4	132.5	+15.0
Aircraft	635.7	491.5	+ 29.3
Ships	432.8	449.1	– 3.6
Machinery and fixtures	379.1	372.1	+ 1.9
Assets under construction, payments on accounts	286.9	329.3	– 12.9
Total	**2,836.6**	**2,682.0**	**+5.8**

COMPANIES MEASURED AT EQUITY

Twenty-two associated companies and 35 joint ventures were measured at equity. At € 988.0 m, their value decreased by 28.7 % year-on-year as at the balance sheet date.

The planned merger between Hapag-Lloyd AG and Compañía Sud Americana de Vapores will result in a reduction in the stake in Hapag-Lloyd AG held by the Group. The closing of the transaction will take place in December 2014. Upon completion of the transaction, TUI will lose its strong influence over Hapag-Lloyd AG, so that the stake will then have to be carried as a financial instrument. Due to the forthcoming the measurement and recognition change, the stake worth € 467.4 m was reclassified to assets held for sale.

FINANCIAL ASSETS AVAILABLE FOR SALE

Financial assets available for sale decreased by 12.3 % to € 62.7 m. They comprised shares in non-consolidated Group subsidiaries, investments and other securities.

STRUCTURE OF THE GROUP'S CURRENT ASSETS

€ million	**30 Sep 2014**	30 Sep 2013	Var. %
Inventories	**126.5**	**115.4**	**+ 9.6**
Trade accounts receivable and other assets*	2,389.2	1,925.9	+ 24.1
Current tax assets	94.0	53.9	+ 74.4
Current receivables	**2,483.2**	**1,979.8**	**+ 25.4**
Cash and cash equivalents	**2,286.0**	**2,701.7**	**– 15.4**
Assets held for sale	**483.3**	**11.6**	**n/a**
Current assets	**5,379.0**	**4,808.5**	**+ 11.9**

* Incl. receivables from derivative financial instruments

Development of the Group's current assets

INVENTORIES

At € 126.5 m, inventories increased by 9.6 % year-on-year. As in the previous year, no material impairments and no material reversals of write-downs on inventories were effected in the period under review.

CURRENT RECEIVABLES

Current receivables comprise trade accounts receivable and other receivables, effective income tax assets and claims from derivative financial instruments. At € 2,483.2 m, current receivables increased by 25.4 % year-on-year. The increase is attributable, in particular, to the stake in a money market fond worth € 300.0 m (previous year € 0.0 m) included in the position, which was acquired by TUI AG in September 2014 in connection with the placement of a bond; these proceeds from the bond will be placed in an escrow account for TUI AG until the completion of the planned merger with TUI Travel PLC. Upon completion of the planned merger, the proceeds will be made available to TUI AG for its disposal.

CASH AND CASH EQUIVALENTS

At € 2,286.0 m, cash and cash equivalents decreased by 15.4 % year-on-year. This decline is primarily attributable to the fact that certain bank balances from a cash pool were carried on a net basis, whereas they were shown on a gross basis with current current account credits from this cash pool in the previous year's balance sheet. This balance sheet reduction does not affect the Group's net financial position.

ASSETS HELD FOR SALE

Assets held for sale rose by € 471.7 m to € 483.3 m. The increase is attributable to the reclassification of the stake in Hapag-Lloyd AG of € 467.4 m, carried in Other segments, to assets held for sale.

Unrecognised assets

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

OPERATING RENTAL, LEASE AND CHARTER CONTRACTS

€ million	**30 Sep 2014**	30 Sep 2013	Var. %
Aircraft	2,036.1	1,722.2	+18.2
Hotel complexes	873.3	735.6	+18.7
Travel agencies	278.1	307.3	– 9.5
Administrative buildings	372.9	330.4	+12.9
Ships, Yachts and motor boats	519.3	440.8	+17.8
Other	88.8	104.5	–15.0
Total	**4,168.5**	**3,640.8**	**+14.5**
Fair value	**3,822.4**	**3,181.7**	**+ 20.1**

The financial liabilities from operating rental, lease and charter agreements rose by € 640.7 m to € 3,822.4 m. At 48.8 %, aircraft accounted for the largest portion, with hotel complexes accounting for 21.0 %.

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

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

Principles underlying the TUI Group see page 48 et seq.

The TUI Share from page 38

Financial position of the Group

Principles and goals of financial management

PRINCIPLES

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

GOALS

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

LIQUIDITY SAFEGUARDS

The Group's liquidity safeguards consist of two components:

- In the course of the annual Group planning process, TUI draws up a multi-annual finance budget, which forms the basis to determine the long-term financing and refinancing requirements. Using this information and observing the financial markets in order to identify refinancing opportunities create a basis for decision-making in order to enter into appropriate financing instruments for the long-term funding of the Company early on.
- TUI uses syndicated credit facilities and bilateral bank loans as well as its liquid funds to secure sufficient short-term cash reserves. Through intra-Group cash pooling, the cash surpluses of individual Group companies are used to finance the cash requirements of other Group companies. Planning of bank transactions is based on a monthly rolling liquidity planning system.

LIMITING FINANCIAL RISKS

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

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

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

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

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

See from page 116 and 241

Capital structure

CAPITAL STRUCTURE OF THE GROUP

€ million	**30 Sep 2014**	30 Sep 2013 restated	Var. %
Non-current assets	8,647.2	8,645.8	+0.0
Current assets	5,379.0	4,808.5	+11.9
Assets	**14,026.2**	**13,454.3**	**+4.3**
Subscribed capital	732.6	645.2	+13.5
Reserves including net profit available for distribution	1,378.0	1,076.4	+28.0
Hybrid capital	294.8	294.8	–
Non-controlling interest	111.7	–19.6	n/a
Equity	**2,517.1**	**1,996.8**	**+26.1**
Non-current financial liabilities	1,844.0	1,677.2	+9.9
Current provisions	504.1	483.0	+4.4
Provisions	**2,348.1**	**2,160.2**	**+8.7**
Non-current liabilities	1,748.4	1,834.1	–4.7
Current financial liabilities	214.5	935.5	–77.1
Financial liabilities	**1,962.9**	**2,769.6**	**–29.1**
Other non-current financial liabilities	401.4	346.1	+16.0
Other current financial liabilities	6,796.7	6,181.6	+10.0
Other financial liabilities	**7,198.1**	**6,527.7**	**+10.3**
Liabilities	**14,026.2**	**13,454.3**	**+4.3**

CAPITAL RATIOS

€ million		**30 Sep 2014**	30 Sep 2013 restated	Var. %
Non-current capital		6,510.9	5,854.2	+11.2
Non-current capital in relation to balance sheet total	%	46.4	43.5	+2.9*
Equity ratio	%	17.9	14.8	+3.1*
Equity and non-current financial liabilities		4,265.5	3,830.9	+11.3
Equity and non-current financial liabilities in relation to balance sheet total	%	30.4	28.5	+1.9*
Gearing	%	42.5	54.4	–11.9*

* Percentage points

Overall, non-current capital increased by 11.2 % to € 6,510.9 m. It increased by 46.4 % in relation to the balance sheet total (previous year 43.5 %).

The equity ratio was 17.9 % (previous year 14.8 %). Equity and non-current financial liabilities accounted for 30.4 % (previous year 28.5 %) of the balance sheet total at the cut-off date.

The gearing, i. e. the ratio of average net debt to average equity, moved to 42.5 % from 54.4 % in the previous year.

EQUITY

COMPOSITION OF EQUITY

€ million	**30 Sep 2014**	30 Sep 2013 restated	Var. %
Subscribed capital	732.6	645.2	+13.5
Capital reserves	1,056.3	957.7	+10.3
Revenue reserves	321.7	118.7	+171.0
Hybrid capital	294.8	294.8	–
Non-controlling interest	111.7	–19.6	n/a
Equity	**2,517.1**	**1,996.8**	**+ 26.1**

In the financial year 2013 / 14 subscribed capital increased by 13.5 % to € 732.6 m, due to conversions from the 2009 / 14 and 2011 / 16 convertible bonds. The capital reserve, which only comprises transfers from premiums, increased by a total of € 98.6 m to € 1,056.3 m following the issue of employees' shares and the conversion of bonds to shares. The revenue reserves declined by € 203.0 m to € 321.7 m, in particular due to foreign currency translation. Equity included the hybrid bond of € 294.8 m issued in December 2005. Non-controlling interests accounted for € 111.7 m of equity.

PROVISIONS

Provisions mainly comprised provisions for pension obligations, current and deferred tax provisions and provisions for typical operating risks classified as current or non-current, depending on expected occurrence. At the balance sheet date, they accounted for a total of € 2,348.1 m and were thus € 187.9 m or 8.7 % up year-on-year.

FINANCIAL LIABILITIES

COMPOSITION OF LIABILITIES

€ million	**30 Sep 2014**	30 Sep 2013 restated	Var. %
Bonds	1,114.1	1,333.5	–16.5
Liabilites to banks	260.7	1,004.3	–74.0
Liabilites from finance leases	500.6	335.6	+ 49.2
Other financial liabilities	87.5	96.2	– 9.0
Financial liabilities	**1,962.9**	**2,769.6**	**– 29.1**

STRUCTURAL CHANGES IN FINANCIAL LIABILITIES

The Group's financial liabilities decreased by a total of € 806.8 m to € 1,962.8 m. One of the main reasons for the reduction is that the cash and cash equivalents and current financial liabilities of a cash pool agreement were partly shown on a gross basis in the previous year. By contrast, the cash and cash equivalents and current financial liabilities of this cash pool agreement were offset and shown on a net basis as at 30 September 2014. The recognition change does not impact the net financial position.

Apart from the change in the recognition of these current liabilities to banks, the following facts and circumstances resulted in changes in the overall financial liabilities position.

CONVERSIONS UNDER THE € 217.8 M CONVERTIBLE BOND OF TUI AG

After € 2.7 m of the € 217.8 m convertible bond of TUI AG were converted into new shares in TUI AG in prior years, further conversions effected until 30 September 2014 caused the nominal volume of the convertible bond to decline to € 25.5 m.

CONVERSIONS UNDER THE £ 350.0 M CONVERTIBLE BOND OF TUI TRAVEL PLC

In August 2014, investors started exercising conversion rights under the £ 350.0 m convertible bond of TUI Travel PLC in order to convert them into new shares in TUI Travel PLC. As a result, the redemption obligation under this convertible bond was reduced to a residual amount of £ 2.3 m by 30 September 2014.

ISSUANCE OF A € 300.0 M BOND BY TUI AG

In September 2014, TUI AG issued an unsecured bond worth € 300.0 m maturing on 1 October 2019. The annual interest coupon is 4.5 %. The proceeds of the bonds will be placed into an escrow account. Upon the completion of the planned merger, the proceeds will be made available to TUI AG to be at TUI's free disposal. If the planned merger is not completed by 30 November 2015, or if the plan to merge is declared terminated before that date, the proceeds will immediately be returned to the bondholders.

REPAYMENT OF A PROMISSORY NOTE

In August 2014, TUI AG repaid a promissory note worth € 100.0 m by the due date, as scheduled. The repayment was financed from existing liquid funds.

NEW FINANCE LEASES

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

OVERVIEW OF TUI'S LISTED BONDS

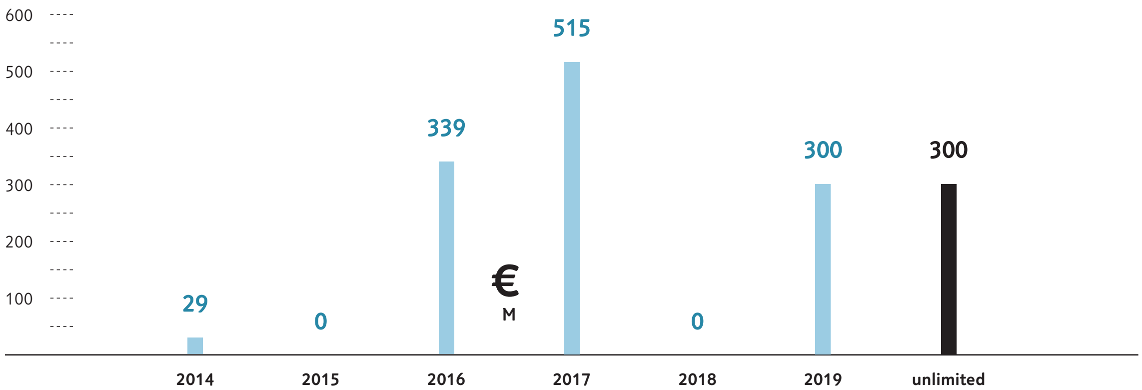
The tables below list the maturities, nominal volumes and annual interest coupon of the listed bonds. In accordance with IAS 43, the hybrid bond worth € 300.0 m is not shown under financial liabilities but carried in equity.

LISTED BONDS

Capital measures	Issuance	Maturity		Amount initial € million		Amount outstanding € million	Interest rate % p.a.
Senior Notes	September 2014	October 2019		300.0		300.0	4,500
Convertible bond	November 2009	November 2014		217.8		25.5	5,500
Convertible bond	March 2011	March 2016		339.0		338.9	2,750
Hybrid bond	December 2005	Perpetual		300.0		300.0	7,509*
Convertible bond TUI Travel PLC	October 2009	October 2014	£	350.0	£	2.3	6,000
Convertible bond TUI Travel PLC	April 2010	April 2017	£	400.0	£	400.0	4,900

Amounts are stated in € million, respectively £ million
*As of September 30, 2014; since January 30, 2013: 3-Months-Euribor plus 730 basis points (prior 8,625 % fix)

MATURITY PROFILE OF LISTED BONDS



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

Moreover, under a financing agreement with Deutsche Bank, TUI AG is entitled to acquire an asset item of Deutsche Bank in July 2016 in return for payment of a remaining purchase price of £ 150 m. This asset item includes bonds of TUI Travel PLC's convertible bond maturing in April 2017, with a nominal value of £ 200 m. In the framework of the planned merger between TUI AG and TUI Travel PLC, TUI AG has entered into an agreement with Deutsche Bank under which TUI AG will be entitled to purchase the asset item immediately upon completion of the merger if it takes place.

TUI AG has been entitled since 30 January 2013 to call and redeem its hybrid bond worth € 300.0 m. The entitlement to call the bond applies every three months. For TUI AG, the hybrid bond is an integral element of its long-term financing strategy. TUI will only consider calling the bond with yield and liquidity aspects, in particular, in mind. The holders of the hybrid bond do not have a termination right.

ADDITIONAL BANK LOANS

Apart from these bonds, the TUI Travel Group in particular, but also TUI Hotels & Resorts, took out separate bank loans, primarily in order to finance investments by these companies.

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

See Notes, page 231

OTHER LIABILITIES

At € 7,198.1 m, other liabilities rose by € 670.4 m or 10.3 % year-on-year.

Off-balance sheet financial instruments and key credit facilities

OPERATING LEASES

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

See page 86

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

See page 236

SYNDICATED CREDIT FACILITIES OF TUI AG AND TUI TRAVEL PLC

As at 30 September 2013, TUI Travel PLC had syndicated and bilateral credit facilities worth a total of £ 1.3 bn. These facilities were used for general corporate financing purposes (in particular in the winter months) and had been granted for use by June 2015. In March 2014, in order to improve its debt maturity profile, TUI Travel PLC signed a new syndicated credit facility of £ 1.4 bn (including a tranche of £ 175 m for letters of credit), maturing in June 2018 and carrying a floating interest rate, at the same time calling the previous syndicated and bilateral credit facilities. At the balance sheet date, £ 118.9 m had been drawn from this credit facility through the use of bank guarantees.

Moreover, TUI Travel PLC signed a syndicated credit line worth £ 300 m in financial year 2012 / 13. This credit line is available to TUI Travel PLC for refinancing purposes in the event that its convertible bond issued in 2009 and maturing in October 2014 is redeemed; in this event it will be redeemed by May 2015 at the latest. The credit line may also be used to refinance the convertible bond issued in 2010 if the investors exercise their call option in October 2015; in that case, the credit line will be available to TUI Travel PLC until its final maturity (April 2016). In the light of the extension of the maturity now achieved and the increase in the amount of the credit facility for general corporate financing purposes as well as the improvement in its own liquidity situation, TUI Travel PLC reduced this credit facility to £ 150.0 m in April 2014, calling a part of the facility.

The credit facilities of £ 1.4 bn and £ 150.0 m can be called in by the lenders if TUI AG increases its capital share in TUI Travel PLC to at least 75 %.

In September 2014, TUI AG signed a syndicated credit facility maturing in June 2018. The facility has a credit line of € 1.75 bn (including a tranche of € 215.0 m for a letter of credit facility) and is available to TUI AG for general corporate financing purposes, in particular for the financing of potential liabilities of TUI Travel PLC under TUI Travel's credit facility of £ 1.4 bn. TUI AG will only be able to use this credit facility once TUI Travel PLC has called its credit facilities of £ 1.4 bn and £ 150.0 m. If the planned merger between TUI AG and TUI Travel PLC is completed, it is planned for this facility to be called on the closing date. It carries a floating interest rate which depends on the short-term interest rate level (EURIBOR or LIBOR) plus a margin.

Covenants under financing agreements

The financial liabilities of TUI AG and TUI Travel PLC taken up via the capital markets as well as the credit facilities comprise a number of obligations.

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

TUI Travel PLC has a duty to comply with certain financial covenants (as defined in the respective contracts) from its syndicated credit facility of £ 1.4 bn and the refinancing facility regarding the convertible bonds issued in 2009 and 2010, requiring (a) compliance with an EBITDAR-to-net interest expense ratio measuring the Group's relative charge from the interest result and the lease and rental expenses; and (b) compliance with a net debt-to-EBITDA ratio, calculating the TUI Travel sub-group's relative charge from financial liabilities. The EBITDAR-to-net interest expense ratio has to have a coverage ratio of at least 1.5; net debt must not exceed 3.0 times EBITDA. The financial covenants are determined every six months. They restrict, inter alia, TUI Travel PLC's scope for encumbering or selling assets, acquiring other companies or shareholdings and effecting mergers.

TUI AG's contract for the syndicated credit facility of € 1.75 bn is closely related to the covenants of the syndicated credit facility of TUI Travel PLC of £ 1.4 bn. TUI is obliged to show a coverage ratio of at least 1.5 times for the EBITDAR-to-net interest ratio and a coverage ratio of at most 3.0 times for the net debt-to-EBITDA ratio. The financial covenants take account of the overall TUI Group's indicators (as defined in the contract). They are determined every six months (initially on 31 March 2015). The other restrictions, e. g. regarding the encumbering or selling of assets, acquisition of other companies or shareholdings and implementation of mergers, are also applicable to the overall TUI Group.

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

Ratings by Standard & Poor's und Moody's

TUI AG RATINGS

	2009/10	2010/11	2011/12	2012/13	**2013/14**	Outlook
Standard & Poor's	B-	B-	B-	B	B+	positive
Moody's	Caa1	Caa1	B3	B3	B2	review for upgrade

In financial year 2013/14, an improved earnings position and the reduction in financial debt had a positive impact on TUI's debt indicators. In January 2014, Moody's upgraded its corporate rating from "B3" to "B2"; it also lifted the outlook from "stable" to "positive". In the framework of the announcement of the planned merger with TUI Travel PLC, Moody's upgraded the rating to "review for upgrade". After Standard & Poor's lifted the outlook for the corporate rating from "stable" to "positive" in July 2014 in connection with the announcement of the planned merger with TUI Travel PLC, an increase from "B" to "B+" followed in September 2014; the positive outlook was upheld.

RATINGS OF CAPITAL MARKET INSTRUMENTS

		Standard & Poor's		Moody's	
	Issuance	**30 Sep 2014**	30 Sep 2013	**30 Sep 2014**	30 Sep 2013
Convertible bond	November 2009	B+	B	B3	Caa1
Convertible bond	March 2011	B+	B	n/a	n/a
Senior notes	September 2014	B+	n/a	B2	n/a
Hybrid bond	December 2005	B-	CCC+	Caa1	Caa2

The convertible bonds issued in November 2009 were assigned a "B+" rating by Standard & Poor's and a "B3" rating by Moody's. Moreover, the convertible bonds issued in March 2011 were rated "B+" by Standard & Poor's.

At the balance sheet date, the bond issued in September 2014 had a "B+" rating by Standard & Poor's and a "B2" rating by Moody's. Moody's assigned a higher rating for this bond compared with the convertible bond of March 2011 as this bond entails a guarantee concept from several Group companies.

The hybrid bond issued in December 2005 was assigned a lower rating by the rating agencies as it was subordinated to other liabilities and did not have a fixed maturity. It was rated "B-" by Standard & Poor's and "Caa1" by Moody's.

Interest and financing environment

The completed financial year was characterised by risks related to an economic downturn and the associated debate about measures to stimulate the economy in the aftermath of initiatives to counter the global financial crisis. Liquidity provision by the central banks was a key issue.

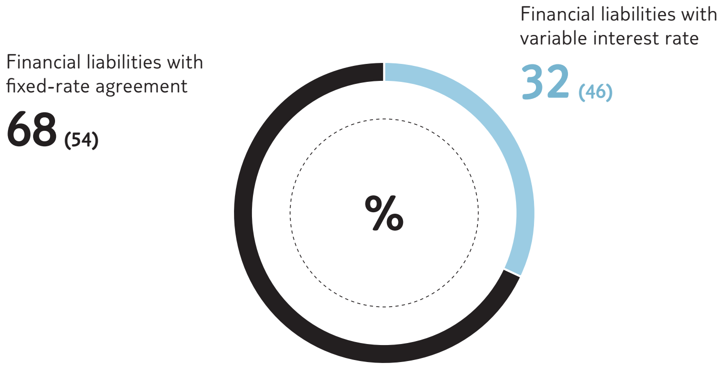
At the beginning of the financial year, short-term interest rates remained at an extremely low level compared with historical rates. In the Eurozone they rose slightly to a higher level which continued until the end of May. From June 2014, the short-term euro interest rates again fell to a historical low by the end of the financial year.

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

In this environment, TUI Travel PLC called its credit facilities of £ 1.3 bn maturing in June 2015 for general corporate financing purposes in March 2014 and signed a new syndicated credit facility of £ 1.4 bn maturing in June 2018. In September, in the run-up to the planned merger between TUI AG and TUI Travel PLC, TUI AG issued a five-year bond worth € 300.0 m and signed a syndicated credit facility of € 1.75 bn maturing in June 2018, the purpose of the latter being, in particular, to replace TUI Travel PLC's credit facility of £ 1.4 bn upon completion of the planned merger.

In the wake of the conclusion of the new financing schemes of TUI AG, demand for TUI AG's CDSs grew strongly so that the quotation of these swaps rose substantially in mid-September 2014, although they remained at a historically low level in absolute terms.

STRUCTURE OF INTEREST PAYMENTS



In brackets: previous year

The structural composition of the financial liabilities has changed. While the change in the balance sheet treatment of financial liabilities from a cash pooling agreement and the decrease in the volumes of convertible bonds caused a reduction in floating- and fixed-interest debt, the issuance of a fixed-interest bond, in particular resulted in a relative increase in fixed-interest financial liabilities. At the balance sheet date, fixed-interest financial liabilities accounted for around 68 % of the interest-carrying volumes. The lower interest rate level caused lower interest payments under the floating-rate financial liabilities and lower interest rates on investments in the money market.

Liquidity analysis

LIQUIDITY RESERVE

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

At the balance sheet date, cash and cash equivalents of TUI AG, the TUI Group's parent company, totalled € 370.2 m.

RESTRICTIONS ON THE TRANSFER OF LIQUID FUNDS

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

CHANGE OF CONTROL

Significant agreements taking effect in the event of a change of control due to a takeover bid are outlined in the chapter on Information required under takeover law.

See page 136 et seq.

Cash flow statement

SUMMARY CASH FLOW STATEMENT

€ million	**2013 / 14**	2012 / 13 restated
Net cash inflow from operating activities	+1,074.7	+875.3
Net cash outflow from investing activities	−586.2	−444.3
Net cash outflow from financing activities	−318.9	−620.9
Change in cash and cash equivalents with cash effects	**+169.6**	**−189.9**

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

NET CASH INFLOW FROM OPERATING ACTIVITIES

In the financial year under review, the cash inflow from operating activities amounted to € 1,074.7 m (previous year € 875.3 m). It includes the dividends from joint ventures and associates of € 33.5 m (previous year € 58.5 m). A cash outflow of € 189.4 m resulted from income tax payments.

NET CASH OUTFLOW FROM INVESTING ACTIVITIES

In the financial year under review, the cash outflow from investing activities totalled € 586.2 m. In the previous year a net cash inflow from investing activities of € 444.3 m had been recorded due to the reduction of the stake in Container Shipping. The cash flow from investing activities includes a cash outflow for capital expenditure related to property, plant and equipment and intangible assets of € 475.9 m for the TUI Travel Group and € 114.7 m for TUI Hotels & Resorts but also a cash inflow from the sale of fixed assets of € 271.3 m for the TUI Travel Sector (primarily related to aircraft assets), and € 56.3 m from the sale of property by Central Operations. In addition, a cash outflow of € 300.0 m was carried for the acquisition of shares of a money market fund in the financial year under review; these shares will be held in an escrow account on behalf of TUI AG until the completion of the planned merger with TUI Travel PLC.

NET CASH OUTFLOW FROM FINANCING ACTIVITIES

In the period under review, the cash outflow from financing activities declined by € 302.0 m year-on-year to € 318.9 m. The decrease resulted primarily from higher repayments of financial liabilities in the prior year and the issue of bonds by TUI AG in the period under review.

The conversions effected in the period under review in the framework of the convertible bonds of TUI AG and TUI Travel PLC do not have an impact on the cash outflow from financing activities.

CHANGE IN CASH AND CASH EQUIVALENTS

€ million	**2013/14**	2012/13
Cash and cash equivalents at the beginning of period	**+2,701.7**	**+2,278.4**
Changes due to changes in exchange rates	–1.6	+25.7
Cash changes	+169.6	–189.9
Change in cash and chash equivalents due to changes in the group of consolidated companies	+3.8	–
Non cash changes	–587.5	+587.5
Cash and cash equivalents at the end of period	**+2,286.0**	**+2,701.7**

Cash and cash equivalents comprise all liquid funds, i.e. cash in hand, bank balances and cheques. They declined by 15.4 % year-on-year to € 2,286.0 m. The decrease carried for the period under review resulted mainly from non-cash changes due to the net presentation of certain cash and cash equivalents and current financial liabilities from a cash pool agreement, carried on a gross basis in the prior year.

See pages 156 and 259

The detailed cash flow statement and additional explanations are provided in the consolidated financial statements and the section on Notes to the cash flow statement in the Notes to the consolidated financial statements.

Analysis of investments

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

ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT BY SECTOR

INVESTMENTS IN OTHER INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT BY SECTOR

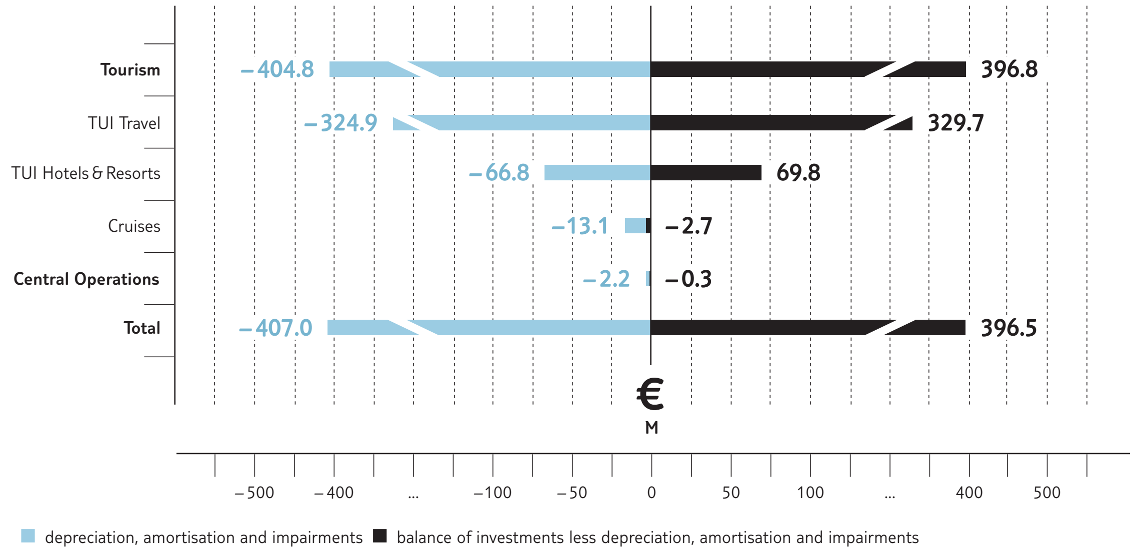
€ million	**2013/14**	2012/13	Var. %
Tourism	**801.6**	**787.9**	**+1.7**
TUI Travel	654.6	695.7	–5.9
TUI Hotels & Resorts	136.6	80.7	+69.3
Cruises	10.4	11.5	–9.6
Central Operations	**1.9**	**3.5**	**–45.7**
All other segments	1.9	3.5	–45.7
Total	**803.5**	**791.4**	**+1.5**

Investments in other intangible assets and property, plant and equipment totalled € 803.5 in the period under review, up 1.5 % year-on-year.

AMORTISATION OF OTHER INTANGIBLE ASSETS AND DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT BY SECTOR

€ million	2013 / 14	2012 / 13	Var. %
Tourism	**404.8**	**408.2**	**– 0.8**
TUI Travel	324.9	313.9	+ 3.5
TUI Hotels & Resorts	66.8	82.9	–19.4
Cruises	13.1	11.4	+14.9
Central Operations	**2.2**	**10.7**	**–79.4**
All other segments	2.2	10.7	–79.4
Total	**407.0**	**418.9**	**– 2.8**

INVESTMENTS VS. DEPRECIATION, AMORTISATION AND IMPAIRMENTS BY SECTOR



Additions of other intangible assets and property, plant and equipment in Tourism totalled € 801.6 m, up 1.7 % versus the prior year.

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

Essential investments in TUI Hotels & Resorts related in particular to the purchase of hotels in Jamaica, St Martin and Mauritius. Investments were also effected for the property in Tuscany held for sale and the renovation and maintenance of existing hotel facilities.

Investments serve to create the basis for achieving plan targets.

Investment obligations

ORDER COMMITMENTS

Due to agreements concluded in financial year 2013 / 14 or in prior years, order commitments for investments totalled € 3,160.9 m at the balance sheet date; this total included an amount of € 589.8 m for scheduled deliveries in financial year 2013 / 14.

At the balance sheet date, order commitments for aircraft in TUI Travel comprised 72 aircraft (7 B787s and 65 B737s), to be delivered by the end of financial year 2022 / 23. Delivery of ten aircraft has been scheduled for financial year 2014 / 15.

See page 236

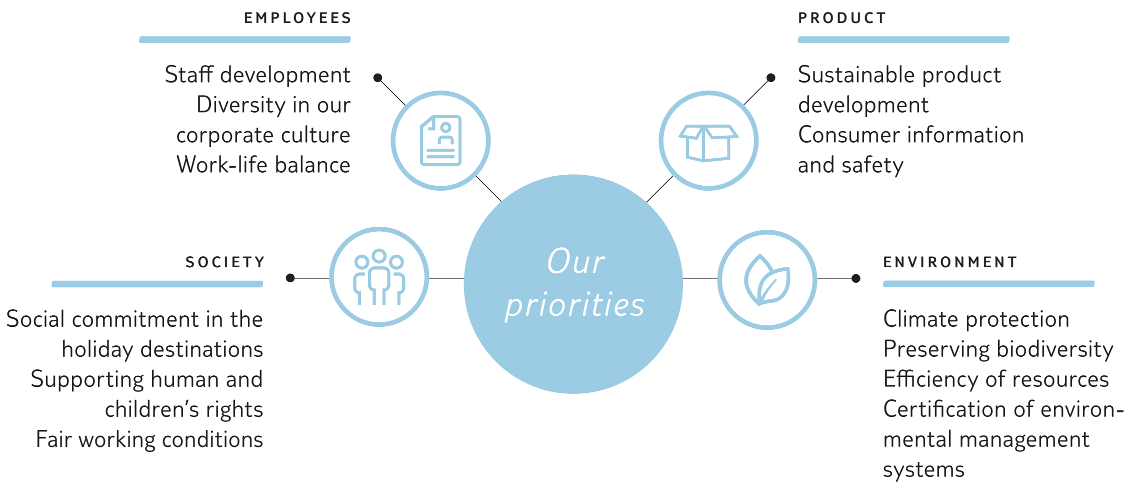
More detailed information is provided in the section Other financial liabilities in the Notes to the consolidated financial statements.

Sustainable development

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

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

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



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

TUI Magazine online at http://annualreport 2013-14.tui-group.com

Details on sustainability in the TUI Group at http://annualreport 2013-14.tui-group.com/ sustainability and at www.tui-group.com/en/ sustainability

MEMBER OF
Dow Jones
Sustainability Indices
In Collaboration with RobecoSAM

Since 23 September 2014, TUI AG has been the only travel group listed in the Dow Jones Sustainability Indexes (DJSI) World and Europe in the Hotels, Resorts & Cruise Lines section. TUI AG achieved particularly high scores in the categories Risk and Crisis Management, Corporate Citizenship and Stakeholder Dialogue. The Company also considerably outperformed its peers in the categories Environmental Policy and Environmental Management Systems.

TUI AG's position in the sustainability index FTSE4Good was also confirmed in September 2014. Moreover, TUI is represented in the indexes DAXglobal Sarasin Sustainability Germany, Ethibel Excellence Index and ECPI Ethical Index €uro.

The environment

Environmental compatibility of our products, services and processes is an essential feature of our quality standards. The conservation of natural resources and reductions in negative environmental impacts secure TUI's success. We place priority on climate protection, resource efficiency and biodiversity.

Detailed information on the ecological footprint of the TUI Group is provided in the Magazine.

GROUP-WIDE ENVIRONMENTAL MONITORING

Group-wide processes to monitor environmental performance and determine meaningful indicators were further pursued in financial year 2013 / 14. These are based on internationally acknowledged standards such as the Greenhouse Gas Protocol and the current Guidelines of the Global Reporting Initiative (GRI). Group-wide monitoring focuses environmental activities and is used as a control parameter to improve environmental performance.

In order to determine the relevant indicators, the shareholdings use an internal system to report their consumption and activities on an annual basis. The quantitative data is then consolidated at Group level and aggregated into metrics.

FOCUS ON CLIMATE PROTECTION AND EMISSIONS

Our special focus is on the development of carbon emissions, in particular the TUI Group's airlines, which account for a large proportion of our CO_2 emissions.

CARBON DIOXIDE EMISSIONS (CO_2)

tonnes	**2013 / 14**	2012 / 13	Var. %
TUI Travel	6,242,792	6,292,451*	– 0.8
TUI Airlines	5,014,068	5,101,532	– 1.7
TUI Hotels & Resorts	315,780	339,906	– 7.1
Cruises	319,722	294,741	+ 8.5
Other units	1,682	2,078	– 19.1
Group	**6,879,976**	**6,929,176**	**– 0.7**

* Revised

In financial year 2013 / 14, the TUI Group's total emissions declined year-on-year in absolute terms. The TUI airlines recorded a further decline in CO_2 emissions, in particular due to a reduction in fuel consumption and the continuation of the fleet renewal programme.

In TUI Hotels & Resorts absolute CO_2 emissions were cut by 7.1 % to 315,780 tonnes thanks to a more efficient use of resources and a greater take-up of renewable sources of energy.

The increase of 8.5 % in absolute CO_2 emissions from cruise operations mainly resulted from the commissioning of Mein Schiff 3 by TUI Cruises.

Climate protection by TUI airlines

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

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

TUI airlines have achieved their 2015 target of reducing absolute and specific CO_2 emissions by 9 % versus the 2007 / 08 baseline well ahead of schedule. In financial year 2013 / 14, the TUI airlines worked to define new goals for subsequent years, to be published in early 2015.

TUI AIRLINES

		2013 / 14	2012 / 13	Var. %
Specific fuel consumption	l / 100 rpk*	2.77	2.79	– 0.7
Carbon dioxide (CO_2) – absolute	t	5,014,068	5,101,532	– 1.7
Carbon dioxide (CO_2) – specific	kg / 100 rpk*	6.99	7.02	– 0.4
Nitrogen oxide (NO_X) – absolute	t	31,651	34,159	– 7.3
Nitrogen oxide (NO_X) – specific	kg / 100 rpk*	44.13	47.00	– 6.1
Carbon monoxide (CO) – absolute	t	1,440	1,398	+ 3.0
Carbon monoxide (CO) – specific	kg / 100 rpk*	2.01	1.92	+ 4.7
Hydrocarbon (HC) – absolute	t	131	160	– 18.1
Hydrocarbon (HC) – specific	kg / 100 rpk*	0.18	0.22	– 18.2

* rpk = Revenue passenger kilometre
For the calculation of NO_X, CO and HC emissions, previous year's data were included for Corsair International and Jetairfly.

Both specific fuel consumption and absolute and specific CO_2 emissions declined thanks to many technical measures and the continued efficient load factors and flight performance. Other emissions also declined due to these factors and ongoing fleet renewal, with the resulting use of more efficient aircraft.

TUI AIRLINES

		2013/14	2012/13	Var. %	g CO_2e/rpk*
TUI Airline fleet	**g CO_2/rpk**	**69.9**	**70.7**	**–1.13**	**70.6**
ArkeFly	g CO_2/rpk	71.0	73.5	–3.40	71.7
Corsair International	g CO_2/rpk	83.4	80.5	+3.63	84.3
Jetairfly	g CO_2/rpk	73.0	73.9	–1.22	73.8
Thomson Airways	g CO_2/rpk	67.1	69.5	–3.39	67.8
TUIfly	g CO_2/rpk	66.3	65.5	+1.27	67.0
TUIfly Nordic	g CO_2/rpk	65.4	63.1	+3.65	66.1

* rpk = Revenue passenger kilometre

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

Human resources

Changes in headcount

At the balance sheet date, the TUI Group's worldwide headcount was 77,309, 3.8 % up year-on-year. In the period under review, the headcount strongly reflected the seasonality of the tourism business, in particular in incoming agencies and hotel companies. As in the previous year, Tourism employed the lion's share of Group personnel.

PERSONNEL BY SECTOR

	30 Sep 2014	30 Sep 2013	Var. %
Tourism	**77,082**	**74,040**	**+ 4.1**
TUI Travel	62,205	59,756	+ 4.1
TUI Hotels & Resorts	14,649	14,013	+ 4.5
Cruises	228	271	– 15.9
Central Operations	**227**	**405**	**– 44.0**
Corporate Center	106	198	– 46.5
Other units	121	207	– 41.5
Group	**77,309**	**74,445**	**+ 3.8**

TOURISM

At the end of the financial year under review, the headcount in Tourism totalled 77,082, up 4.1 % year-on-year. The individual Sectors recorded different trends.

The headcount in TUI Travel increased by around 4.1 % year-on-year to 62,205. This was primarily driven by the increase in headcount in the Mainstream Business by 4.7 % to 43,290 – in particular due to the expansion of TUI Travel hotels. In the period under review, the expansion of Accommodation & Destinations was pursued further. This effect was countered by continued restructuring measures in France and in the Specialist & Activity Business.

The headcount in TUI Hotels & Resorts climbed by 4.5 % year-on-year to 14,649. Major factors at play here were the opening of new hotel facilities and the optimisation of opening periods. The growth was driven in particular by Riu Hotels, the largest hotel company in the portfolio, where the headcount rose by 7.4 % to 10,545. In the forthcoming financial year, the headcount will continue to rise substantially in the hotel companies due to our growth strategy.

The Cruises Sector recorded a year-on-year decline in headcount of 15.9 % to 228. The decline was due to continued restructuring measures with a view to exiting the premium segment operated by Hapag-Lloyd Kreuzfahrten.

CENTRAL OPERATIONS

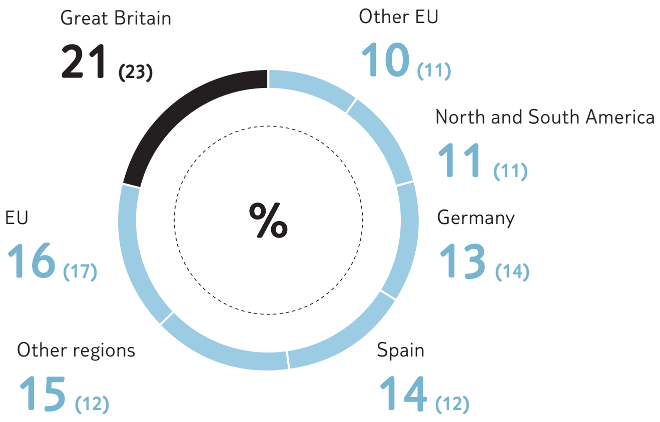
Central Operations recorded a year-on-year decline in headcount of 44.0 % to 227. In the Corporate Centre, the headcount declined by 46.5 % to 106 due to ongoing lean centre measures and the outsourcing of functions. The remaining Central Operations entities recorded a decline in their headcount of 41.5 % to 121 employees. The decline in the headcount was primarily caused by selling a part of the real estate company and transferring the company health scheme to an external provider.

GLOBAL HEADCOUNT

PERSONNEL BY REGION

	30 Sep 2014	30 Sep 2013	Var. %
Germany	10,103	10,157	– 0.5
Great Britain	16,299	17,156	– 5.0
Spain	10,556	9,395	+12.4
Other EU	12,681	12,438	+ 2.0
Rest of Europe	7,710	8,078	– 4.6
North and South America	8,612	8,361	+ 3.0
Other regions	11,348	8,860	+ 28.1
Total	**77,309**	**74,445**	**+ 3.8**

PERSONNEL BY REGION* (30 SEP 2014)

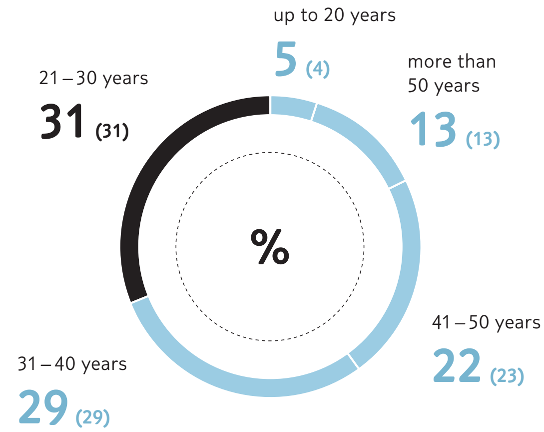


*By domicile of company
In brackets: previous year

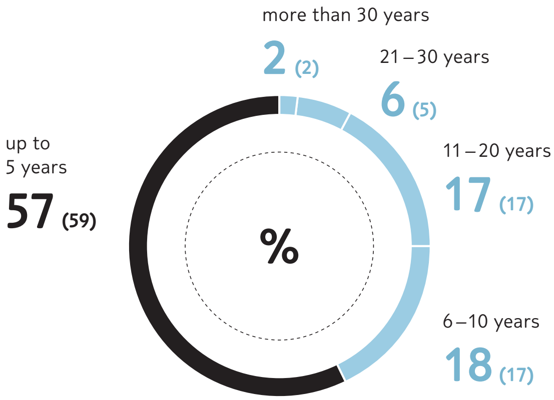
As a global player, TUI has employees in 55 countries. The number of employees working in Germany remained flat at 10,103. The Group's headcount in Europe matched the prior year's level at 57,349, or 74.2 % of the Group's overall headcount. Due to the rise in the number of employees working for Group companies in North and South America and, in particular, the remaining regions, the proportion of staff working outside Europe increased by 15.9 % to 19,960, or 25.8 % of the overall headcount. This increase was driven by new acquisitions, in particular in Asia and Africa.

Other staff indicators

AGE STRUCTURE OF GROUP EMPLOYEES



AVERAGE COMPANY AFFILIATION



In brackets: previous year

Around two thirds of Group employees are aged between 21 and 40. At Group level, 31 % of employees are aged between 21 and 30, whereas in Germany only about 20 % fall within this age group. By contrast, 23 % of Group employees are aged between 41 and 50, compared with about 32 % of the headcount in Germany. The effects of demographic change in Germany are particularly evident in the 50+ age group. Around 19 % of employees fall into this age bracket, compared with just under 13 % for the Group as a whole.

A majority of Group employees, around 57 %, have been with the Company for up to five years. In Germany the figure for this group is significantly lower at around 32 %. By contrast, around 17 % of Group employees have a company affiliation of 11 to 20 years, compared with around 33 % of employees in Germany.

The seasonality of employment structures is also reflected in the types of employment contract held by our staff. At the balance sheet date, around 30 % of the Group headcount had temporary contracts, while in Germany the proportion of staff with temporary contracts was only around 16 %.

PERSONNEL COSTS

The compensation package offered by the Group varies in its composition, depending on framework conditions in different countries and companies. Depending on the function concerned, a fixed basic salary may go hand in hand with variable components. TUI uses these variable factors as incentives to staff to pursue strategic and long-term corporate objectives. The key components are designed to honour performance and to enable employees to participate in the Company's long-term success. Senior management also have share options and are thus able to benefit directly when the Company grows in value. TUI also pays social benefits such as company pensions or specific retirement benefits.

In the period under review, the TUI Group's personnel costs rose by 1.3 % to € 2,466.0 m. The year-on-year increase in expenses for wages and salaries was mainly attributable to the increased number of employees in the financial year 2013 / 14. In the period under review, this item also included personnel costs incurred by companies included in consolidation for the first time in financial year 2013 / 14.

In financial year 2013 / 14, social security contributions and expenses for pensions and other benefits were affected by other measures to optimise pension schemes within the Group, including the conversion of defined-benefit pension plans to defined-contribution pension plans.

The decline in social security contributions and pension costs and other benefits resulting from the proceeds from the pension measures was partly offset by an increase driven by the headcount growth and additional expenses for companies included in consolidation for the first time in financial year 2013 / 14. Moreover, expenses in connection with restructuring measures within TUI Travel were incurred for the first time in the period under review.

PERSONNEL COSTS

€ million	**2013 / 14**	2012 / 13	Var. %
Wages and salaries	2,100.4	2,041.6	+ 2.9
Social security contributions	365.6	391.7	– 6.7
Total	**2,466.0**	**2,433.3**	**+ 1.3**

PENSION SCHEMES

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

PART-TIME EARLY RETIREMENT

In order to further increase the flexibility of their company HR and succession planning, Group companies in Germany are able to use of the opportunities provided under the German Part-Time Early Retirement Act to shift gradually from employment to retirement. At the balance sheet date, € 9.6 m was provided through a capital investment model for the 190 employees working under part-time early retirement contracts in order to hedge their accrued assets against employer insolvency.

ANNUAL FINANCIAL STATEMENTS OF TUI AG

Condensed version according to the German Commercial Code (HGB)

Earnings position of TUI AG

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

Annual financial statements of TUI AG 2013/14 online at www.tui-group.com/en/ir

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

INCOME STATEMENT OF TUI AG

€ million	2013/14	2012/13	Var. %
Turnover	–	1.6	n/a
Other operating income	83.1	581.2	– 85.7
Cost of materials	–	1.3	n/a
Personnel costs	34.1	55.9	– 39.0
Depreciation	0.6	0.7	– 14.3
Other operating expenses	164.0	172.2	– 4.8
Net income from investments	64.7	154.6	– 58.2
Write-downs of investments	5.0	33.5	– 85.1
Net interest	– 61.1	– 90.1	+ 32.2
Profit on ordinary activities	**– 117.1**	**383.7**	**n/a**
Taxes	– 7.7	0.7	n/a
Net profit/loss for the year	**– 109.4**	**383.0**	**n/a**

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

TURNOVER AND OTHER OPERATING INCOME

In the prior financial year, turnover had resulted from renting out leased aircraft to Group-owned airlines. In the current financial year 2013/14, no aircraft were leased.

The decline in Other operating income was mainly attributable to intra-Group gains on disposal from the sale of shareholdings in the prior year. It also comprised, above all, gains on exchange and income from intra-Group offsetting as well as income from the reversal of provisions.

EXPENSES

The cost of materials shown in the prior year mainly included expenses for aircraft rental agreements with third parties. The last leasing contracts concluded by TUI AG expired in financial year 2012 / 13. Personnel costs decreased in financial year 2013 / 14, primarily due to the headcount reductions resolved in the previous year as well as declining restructuring costs and lower transfers to the pension provisions.

Other operating expenses included, in particular, expenses for exchange losses, with exchange gains carried under Other operating income, as well as expenses for financial and monetary transactions, fees, charges, service fees, transfers to impairments and other administrative costs.

INVESTMENTS

In the period under review and in the prior year, investments mainly included dividend payments from TUI Travel PLC and companies of the TUI Hotels & Resorts Sector. Income from profit and loss transfer agreements included transfers of results from subsidiaries and the related rebilled tax portions. Investments also comprised expenses for transfers of losses from Group companies. In the completed financial year, the biggest negative impact was the loss transferred to TUI-Hapag Beteiligungs GmbH, Hanover, due to the measurement of the shares in Hapag-Lloyd Aktiengesellschaft, Hamburg.

WRITE-DOWNS OF FINANCIAL INVESTMENTS

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

INTEREST RESULT

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

TAXES

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

NET RESULT FOR THE YEAR

For 2013 / 14 TUI AG posted a net loss for the year of € 109.4 m.

Net assets of TUI AG

TUI AG's net assets and balance sheet structure reflect its function as the TUI Group's parent company. The balance sheet total rose by 3.5 % to € 5.2 bn in financial year 2013 / 14.

ABBREVIATED BALANCE SHEET OF TUI AG (FINANCIAL STATEMENT ACCORDING TO GERMAN COMMERCIAL CODE)

€ million	**30 Sep 2014**	30 Sep 2013	Var. %
Intangible assets / property, plant and equipment	17.7	18.1	– 2.2
Investments	4,179.6	4,121.2	+ 1.4
Fixed assets	**4,197.3**	**4,139.3**	**+ 1.4**
Inventories / Receivables / Trade securities	662.9	407.6	+ 62.6
Cash and cash equivalents	370.2	506.1	– 26.9
Current assets	**1,033.1**	**913.7**	**+ 13.1**
Prepaid expenses	0.3	0.7	– 57.1
Assets	**5,230.7**	**5,053.7**	**+ 3.5**
Equity	**2,791.6**	**2,748.6**	**+ 1.6**
Special non-taxed items	**0.6**	**0.6**	**–**
Provisions	**399.3**	**420.3**	**– 5.0**
Bonds	964.4	854.1	+ 12.9
Financial liabilities	194.4	282.3	– 31.1
Other liabilities	880.3	747.7	+ 17.7
Liabilities	**2,039.1**	**1,884.1**	**+ 8.2**
Deferred income	0.1	0.1	–
Liabilities	**5,230.7**	**5,053.7**	**+ 3.5**

FIXED ASSETS

At the balance sheet date, fixed assets almost exclusively consisted of financial investments. The increase in financial investments is attributable to capital increases. An opposite effect is caused by write-downs on a hotel project company.

CURRENT ASSETS

The decrease in receivables in financial year 2013 / 14 mainly resulted from a debt waiver in the framework of the capital funding of a Group company. The marketable securities of € 300.0 m (previous year € 0.0 m) were shares in a money market fund. The proceeds resulted from the bond issued in September 2014 and will be placed in an escrow account until the completion of the planned merger between TUI AG and TUI Travel PLC. Upon the completion of the planned merger, the proceeds will be made available to TUI AG for its free disposal.

Due to the redemption of bank liabilities and the payment of a dividend, bank balances declined accordingly.

TUI AG'S CAPITAL STRUCTURE

EQUITY

TUI AG's equity increased by € 43.0 m to € 2,791.6 m. The subscribed capital of TUI AG consists of no-par value shares, each representing an equal portion in the capital stock. The proportionate share in the capital stock per share is around € 2.56. As at the end of financial year 2013 / 14, the subscribed capital of TUI AG had risen by a total of € 87.4 m to around € 732.6 m and comprised 286,561,143 shares due to the issue of employee shares and conversions from the 2009 / 2014 and 2011 / 2016 convertible bonds.

In financial year 2013 / 14, the capital reserve rose by a total of € 102.9 m due to the conversion of bonds into shares and the issue of employee shares. Revenue reserves exclusively consisted of other revenue reserves. The Articles of Association do not contain any provisions concerning the formation of reserves. As a net loss was posted for the year, revenue reserves did not change.

The net loss for the year totals € 66.8 m. Taking account of the profit carried forward of € 270.7 m, profit available for distribution amounts to € 193.8 m. A proposal will be submitted to the Annual General Meeting to use the profit available for distribution to pay a dividend of € 0.33 per no-par value share and carry the amount of € 109.2 m remaining after deduction of the dividend total of € 94.6 m forward on new account. The equity ratio declined to 54.2 % (previous year 54.4 %).

The special non-taxed item of € 0.6 m, retained upon the first-time application of the BilMoG rules in accordance with section 67 (3) of the Introductory Act on the German Commercial Code (EGHGB), included tax-related depreciation of fixed assets effected in previous years in accordance with section 6b of the German Income Tax Act.

PROVISIONS

Provisions declined by € 21.0 m to € 399.3 m. They consisted of pension provisions worth € 131.7 m (previous year € 137.7 m) and other provisions worth € 267.6 m (previous year € 282.6 m).

The year-on-year decline in Other provisions results from the reversal of a provisions formed for investment risks and the implementation of the social plan.

LIABILITIES

TUI AG's liabilities totalled € 2,039.1 m, up by € 155.0 m or 8.2 %.

In September 2014, TUI AG issued an unsecured bond worth € 300.0 m maturing on 1 October 2019. The resulting increase in bonds was partly offset by the conversion of bonds into shares in TUI AG.

The promissory notes with a volume of € 100.0 m taken up in September 2010 were repaid at the end of August, as scheduled. Credit liabilities declined accordingly.

TUI AG's net debt grew by 25.1 % to € 788.6 m at the balance sheet date. In connection with the unsecured bond mentioned above, interest-bearing marketable securities were purchased; they were not accounted for in the calculation of net debt. Taking that item into account, TUI AG's net debt would only have totalled € 488.6 m at the balance sheet date, down by 22.5 %.

CAPITAL AUTHORISATION RESOLUTIONS

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

REPORT ON SUBSEQUENT EVENTS

On 28 October 2014, the shareholders of TUI AG and the minority shareholders of TUI Travel PLC laid the main foundations for the merger of the two companies at General Meetings held in Hanover and London. Upon completion of the transaction, TUI AG acquires the shares in TUI Travel PLC not yet held by TUI AG by means of a contribution in kind of the previous minority shareholders of TUI Travel. In return, the shareholders of TUI Travel PLC receive 0.399 new shares in TUI AG for each TUI Travel share that they hold. The closing of the transaction is presumably expected to take place in December 2014.

Agenda items and the results of the votes at the extraordinary General Meeting on 28 October 2014 are available on the Internet at www.tui-group.com/en/ir/agm.

On 17 November 2014, the bonds of a convertible bond issued by TUI AG in November 2009 were redeemed as scheduled at a remaining nominal amount of € 2.4 m, taking account of the conversions into shares meanwhile effected. Between the balance sheet date and the maturity date 409,506 bonds have been converted into 4,143,061 shares. These shares are entitled to dividend not before financial year 2014 / 15. As a result of the conversions equity increases by € 22.9 m.

On 2 December 2014, the merger between Hapag-Lloyd AG and the container shipping activities of Compañía Sud Americana de Vapores S.A. as contractually agreed in April 2014 was completed. As a result of this transaction, the stake of TUI in Hapag-Lloyd AG reduces from 22.0 % to 15.4 %. Hence, TUI loses its significant influence over the company. From 2 December the investment will be shown as an available for sale financial asset. The gain or loss from the revaluation of the investment cannot yet be measured reliably.

RISK REPORT

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

Risk policy

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

Risk management

FUNDAMENTAL CONCEPT

The TUI Group's risk management comprises clearly defined systems and methods incorporated in the organisational and workflow structure. The Group-wide policies are continually monitored, developed and adjusted to changing business environments. In financial year 2013 / 14, the fundamental concept of the risk management system, documented in a policy and relevant implementing regulations (hereinafter called ERM provisions), were reviewed, expanded and published in the TUI Group.

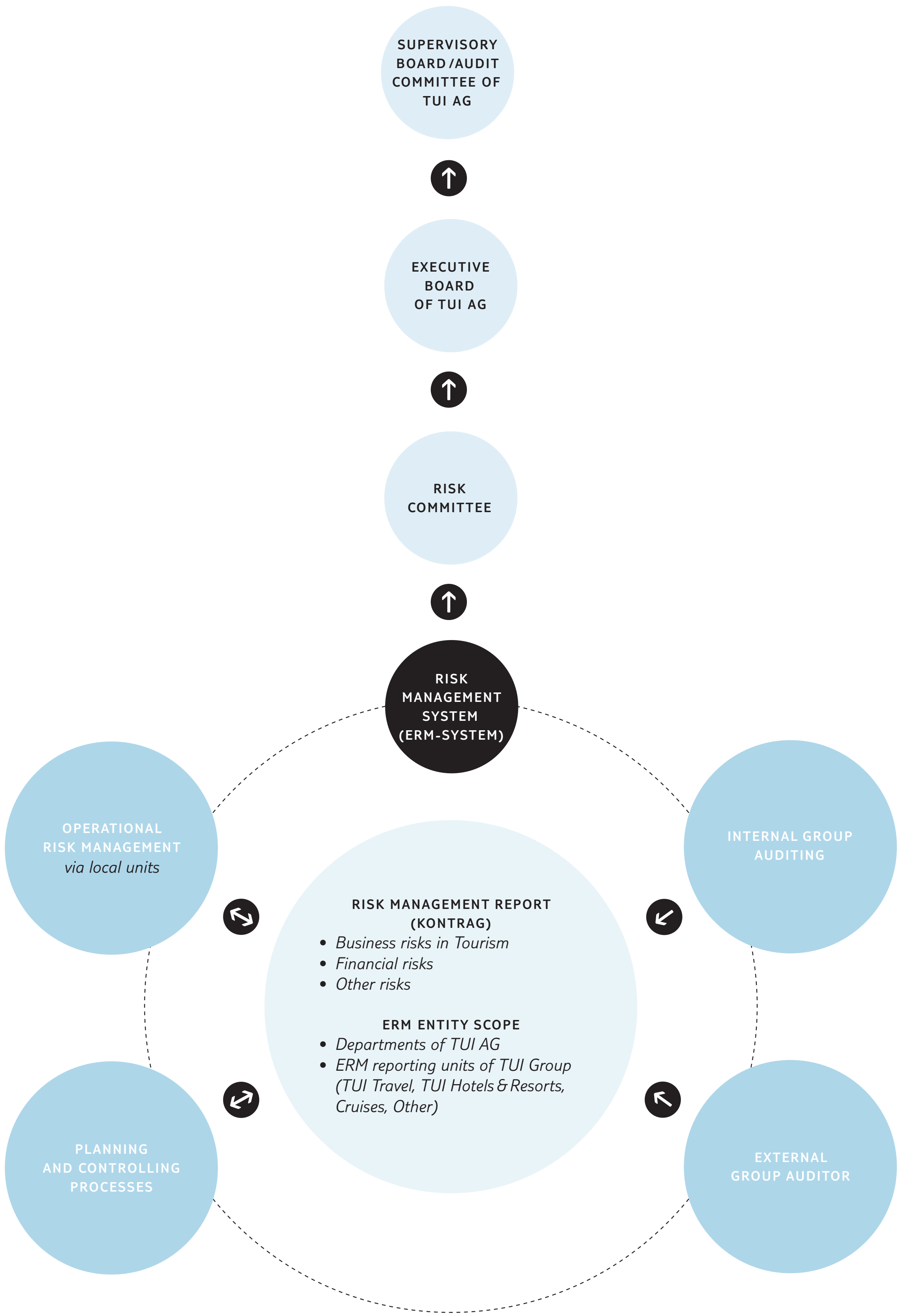
The risk management system is comprised of all provisions securing structured risk and / or opportunity management in the TUI Group. In financial year 2013 / 14, the term "Enterprise Risk Management System (ERM System)" was introduced for the risk management system, reflecting international standards.

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

OVERALL FRAMEWORK

The provisions underlying the ERM System go beyond the measures codified pursuant to section 91 (2) of the German Stock Corporation Act (provisions of the German Act on Control and Transparency in Business, KonTraG), which are designed solely for the early identification of risks threatening the existence of the company, and include principles for recording, assessing and reporting other material risks throughout the Group. ERM reporting does not only cover risks, but also opportunities.

The ERM System continues to form the conceptual framework for preparing the Risk Report in the Management Report (section 289 and section 315 of the German Commercial Code HGB) and also secures compliance with the risk reporting principles pursuant to German Accounting Standard (DRS) 20.


SUPERVISORY BOARD / AUDIT COMMITTEE OF TUI AG
EXECUTIVE BOARD OF TUI AG
RISK COMMITTEE
RISK MANAGEMENT SYSTEM (ERM-SYSTEM)
OPERATIONAL RISK MANAGEMENT
via local units
INTERNAL GROUP AUDITING
RISK MANAGEMENT REPORT (KONTRAG)
• Business risks in Tourism
• Financial risks
• Other risks
ERM ENTITY SCOPE
• Departments of TUI AG
• ERM reporting units of TUI Group (TUI Travel, TUI Hotels & Resorts, Cruises, Other)
PLANNING AND CONTROLLING PROCESSES
EXTERNAL GROUP AUDITOR

The COSO Framework, developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), forms the conceptual basis for the Group-wide establishment of an integrated control and risk management system, with a view to dovetailing the existing Internal Control System (ICS) in the TUI Group more closely with the risk management system.

IT-BASED RISK MANAGEMENT SYSTEM MAGIQUE

The process logic set out in the ERM provisions is fully mapped in an IT-based risk management system called Magique from the systems supplier MagiqueGalileo. Magique is a web-based risk management system supporting the recovery, analysis, assessment and management of risks. Apart from the risk register as a key risk inventory, other options (e.g. scenario and trend analyses) have been implemented as part of the system. An action tracking system has also been integrated so that authorised users at predetermined review levels in the system can document the logging and progress of steps defined by the risk management process.

ERM ENTITY SCOPE

The ERM entity scope, to be annually reviewed by the Risk Committee, can comprise associated companies and joint ventures measured at equity or other shareholdings alongside fully consolidated companies. Entity scoping is based on quantitative and qualitative factors subject to specific threshold values.

Given its stake of around 22 % in Hapag-Lloyd AG, TUI AG is not able to directly or indirectly determine the financial and business policies of Hapag-Lloyd AG. The company, included in the ERM entity scope due to its importance, is regularly monitored at the meetings of the Risk Committee with regard to business development and potential impairment.

For the companies within the ERM scope, it is the responsibility of management to ensure that the ERM System is launched and operational. Management must designate one of its members to assume organisational responsibility. A risk manager must likewise be designated to ensure operational implementation and risk capture in the Magique system register.

ERM LEAD COMPANIES

In order to secure an optimal flow of information and use existing reporting and monitoring structures, TUI AG has defined reporting levels and appointed ERM lead companies. ERM lead companies have a top-down distribution and monitoring function in relation to reporting companies and a bottom-up cumulation function to TUI AG. They are responsible for the organisation of the ERM System in their scope and may define additional reporting levels, where practicable.

RISK COMMITTEE

The risk management system is initiated, coordinated and monitored by TUI AG's Risk Committee, which is the body responsible for it. The Risk Committee consists of representatives from selected divisions and sectors of TUI AG and regularly meets on a quarterly basis. It also convenes special meetings on specific issues, if and as required.

TUI AG's Governance, Risk & Compliance (GRC) department provides the staff and non-staff capacity to implement the risk management system processes. Key risks are selected from the internal risk report drawn up for the TUI AG Executive Board by the TUI AG Risk Committee and are presented in an overview of the most significant risks.

METHODOLOGICAL RISK ASSESSMENT BASIS

The assessment of risks is based on the likelihood of occurrence and the potential financial impact, i. e. the potential damage.

The likelihood of occurrence is determined on the basis of the following categories:

LIKELIHOOD OF OCCURRENCE 1

RELATIVELY LIKELY	PROBABLY	POSSIBLE	UNLIKELY	HIGHLY UNLIKELY
> 80 %	*60 – 80 %*	*30 – < 60 %*	*10 – < 30 %*	*< 10 %*

The assessment of potential financial impact is made on the basis of the TUI Group's EBITA based on five quantitative descriptors. The table below indicates the bandwidths of the financial impact:

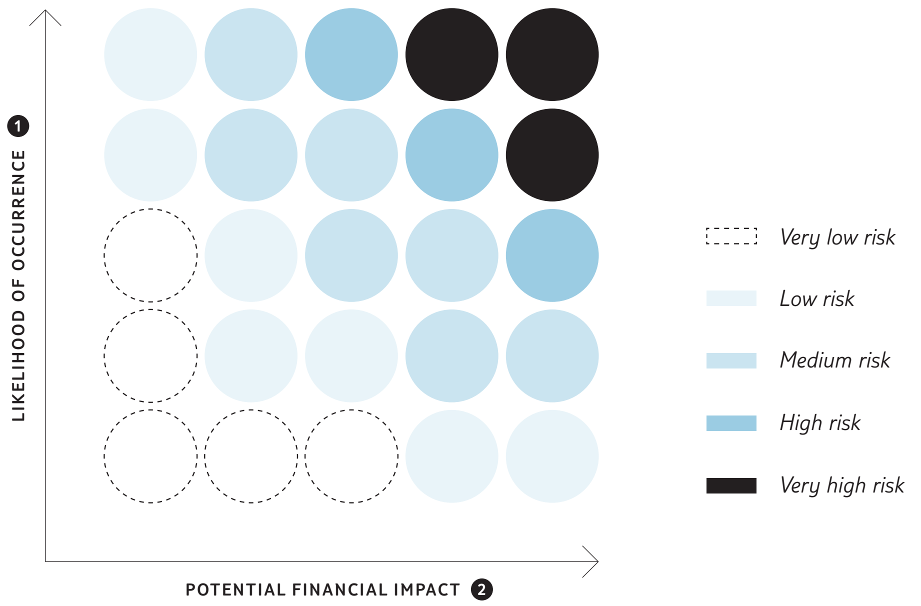
POTENTIAL FINANCIAL IMPACT 2

SERIOUS	SIGNIFICANT	MODERATE	MINOR	INSIGNIFICANT
from € 113 m	*€ 75 m – < € 113 m*	*€ 38 m – < € 75 m*	*€ 23 m – < € 38 m*	*€ 0 m – < € 23 m*

SIGNIFICANCE

The graph below illustrates the significance of the risks in terms of likelihood of occurrence multiplied by potential financial impact:

SIGNIFICANCE



Alongside risks with a financial impact, there may be reputational risks or health and safety risks, each broken down into five categories.

Compared with last year, the number of possible scores for both likelihood of occurrence and potential financial impact was increased from three to five as at the reporting date. In order to determine the year-on-year change in the risk situation, this methodological expansion was retrospectively also applied to the prior year.

COMMUNICATION

Risk reporting within the ERM scope comprises quarterly reports and ad hoc announcements.

The standard reporting system for the companies managed within the ERM scope consists of quarterly reports based on centrally defined reporting criteria. In addition, ad hoc announcements may be required; they have to be issued as soon as a company within the ERM scope identifies a risk in accordance with certain reporting criteria. All risk reports are initially generated from Magique as IT-based reports and subsequently processed for the relevant recipient, adding comments if necessary.

The Supervisory Board receives regular reports and, if necessary, ad hoc reports from the Executive Board.

MONITORING AND AUDITING

Risk management is supported by the Group-wide auditing departments. It focuses on audits of the ERM reporting, both on a regular and on a case-by-case basis. During the audit of the annual financial statements as at 30 September 2014, the system for the early detection of risks threatening the existence of the Company (KonTraG system) was reviewed by the external auditors and was found to be fully operational.

TUI AG's Audit Committee uses the ERM system as a basis for monitoring the efficiency of the risk management system in accordance with section 107 (3) of the German Stock Corporation Act.

Characterisation of risks

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

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

The presentation of financial risks in the table on "Group risks" has been extended as against the prior year. The previous year's liquidity risks are presented in greater detail, broken down into three risk categories: long-term corporate financing, short-term liquidity management and credit risks. This change in the presentation does not result in changes in the current or year-on-year assessment of the overall risk situation for financial risks.

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

The key risks shown in the table are allocated to individual risk categories in the Risk Report of the Management Report, if possible. The item “Miscellaneous other risks” in the Management Report comprises various independent individual risks not allocable to any other risk category.

GROUP RISKS

Description	Likelihood of occurance	Possible financial effects	Significance	Risk situation compared to previous year
Business risks in Tourism	possible	moderate	medium risk	→
Environmental and industry risks	possible	moderate	medium risk	→
Risks from information technology	possible	significant	medium risk	→
Risks from Container Shipping	possible	moderate	medium risk	→
Environmental risks	possible	insignificant	very low risk	→
Financial risks				
Long-term corporate financing	possible	minor	low risk	→
Short-term liquidity management	highly unlikely	insignificant	very low risk	→
Covenants	highly unlikely	serious	low risk	→
Risks from unhedged exposures	unlikely	serious	medium risk	→
Credit risks	highly unlikely	serious	low risk	→
Risks from acquisitions and divestments	highly unlikely	minor	very low risk	→
Risks from pension provisions	unlikely	minor	low risk	→
Personnel risks	unlikely	insignificant	very low risk	→
Tax risks	unlikely	serious	medium risk	→
Other risks				
Contingent liabilities and litigation	possible	minor	low risk	→
Miscellaneous other risks	possible	moderate	medium risk	→

Legend:
→ No change in the risk situation

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

The risks resulting from the merger between TUI AG and TUI Travel PLC are explained in greater detail in a separate section of the Risk Report.

RISK	POTENTIAL IMPACT	MITIGATING FACTORS
BUSINESS RISKS IN TOURISM		
CUSTOMER'S BOOKING BEHAVIOUR AND PREFERENCES	Our success depends on the introduction and expansion of products and services that meet customer demands and preferences. If our product and services fail to attract and / or retain customers across markets as anticipated, or if we are unable to adapt our products and services to rapidly changing customer demands and preferences, which may vary from market to market, this could have a material adverse effect on our business, results of operations and financial condition. For example, in recent years, customers have been increasingly booking holidays nearer the time of travel than has traditionally been the case. This change in booking behavior makes it considerably more difficult for tourism companies to engage in seasonal planning and adjust capacity to react to short-term changes in customer demand. For example, bad weather at any of our destinations, or unseasonably warm weather in our source markets, could reduce demand for travel to our "sun and beach" destinations, which are very important contributors to our turnover.	The TUI Group is characterised by the continuous development of unique holidays, in particular in the Mainstream Business. These products are available exclusively through its brands and are distributed exclusively through the Group's own channels. Moreover, significant numbers of customers fly on the Group's own up-to-date holiday airline fleet. The planned merger will provide the new TUI Group with a fully vertically integrated business model offering end-to-end customer services: from consultation and booking via flights with the Group's own airlines through to Group-owned or operated hotels, resorts and cruise lines. Vertical integration thus facilitates the development and marketing of individual, tailored holiday offerings for customers. The continued vertical post-merger integration will enable us to have a single view on the customer and thus to develop the right content to fulfil customer wishes. Our comprehensive customer approach enables us to offer our customers long-term benefits and thus build stronger loyalty and retention.
COMPETITION	Market risks increase with tougher competition and the emergence of new market participants operating new business models. Factors that may adversely affect sales by retail shops are web-based distribution of travel services and low-cost airlines. The past few years have seen the emergence of business models that allow any end users to combine the individual elements of a holiday trip on their own and book them separately. Web-based hotel portals, in particular, no longer only offer business hotels but have substantially expanded their holiday hotel portfolio. As a result, there is no longer always a need to book package tours, which currently still account for much of our business. The TUI Group is thus faced with the challenge of taking this modularisation trend among customers adequately into account and underpinning the price and quality advantages of package tours. A change in the competitive structure in tourism and hence our market position might also result from successful substitute business models such as web-based travel and hotel portals and mobile applications. These internet platforms increase price transparency and may therefore lead to lower profit margins in the entire tourism sector.	TUI AG owns Europe's best-known holiday brand. Thanks to our outstanding market position as a leading tourism group, the strength of our brands and our corporate strategy, we are able to respond appropriately to competitive risks. Our competitive advantage over our rivals results from our flexible and differentiated business model, in particular with regard to • our access to exclusive hotel products, • our integrated and flexible control and capacity utilisation of hotels, airlines and cruise ships, • our comprehensive distribution competence and multichannel strategy in all source markets. Due to the specific activities outlined above, we are the European leader in vertical integration in terms of quality and quantity. We are convinced that an integration of activities along the value chain based on a flexible business model is the right strategic approach for a long-term sustainable growth strategy in order to defend our position vis-à-vis our competition.

RISK	POTENTIAL IMPACT	MITIGATING FACTORS
BUSINESS RISKS IN TOURISM		
FLIGHT AND HOTEL CAPACITY	A substantial business risk in Tourism relates to the seasonal planning of flight and hotel capacity. In order to plan ahead, tour operators must forecast demand and anticipate trends in holiday types and preferred destinations. Our success depends on the optimal utilization of the aircraft, hotels and cruise ships that we own, and aircraft, hotel and cruise ship capacity that we lease – or are committed to lease – on a long-term basis. Our aircraft capacity covers a substantial part of our Group's own air carriage needs. With respect to hotels, 66 % of TUI Hotels & Resorts' hotel customers were provided hotel accommodation through our own tour operators in the financial year ended September 30, 2013. A decline in demand for our travel products offered by our tour operators and our multi-channel distribution network could therefore lead to excess capacity with respect to our aircraft, hotels and cruise ships.	Committed flight capacity is only partially contracted on a fixed basis. The flight capacity of the Group-owned airlines is largely oriented to meeting the needs of the Group tour operator concerned. Staggered lease agreements are used to adjust the fleet size of the Group-owned airlines to changes in demand in the short to medium term. Some of the tours offered are designed on a just-in-time basis with simultaneous price setting. This reduces the risk of unfavourable pricing. The Group's own hotel capacity is considerably lower than the number of customers handled by its tour operators. This enables the Group to keep its product portfolio flexible by sourcing third-party hotel beds and concluding contractual agreements accordingly. Due to vertical integration and direct access to TUI Travel's distribution strength, we expect to be able to achieve a significant increase in occupancy of Group-owned capacity in TUI Hotels & Resorts and Cruises following the planned merger.

RISK	POTENTIAL IMPACT	MITIGATING FACTORS
ENVIRONMENT AND INDUSTRY RISKS		
MACROECONOMIC RISKS	Tourism – the TUI Group's core business – is exposed to a number of macroeconomic risks. Since travel expenditure is discretionary and therefore price-sensitive, demand for tourism products hinges in particular on macroeconomic developments in the key source markets. Future economic declines such as high unemployment rates in relevant source markets, unexpected rises in interest rates, direct or indirect tax or the cost of living may therefore lead to a decline in disposable income and thus substantial falls in demand for travel and other tourism products. These factors are not confined to the real developments that people experience, but also include expectations of macroeconomic developments and their impact on individual lives. Changes in economic cycles, in particular, may affect demand for tourism products. These macro-economic cycles may be reinforced by global political events such as terrorist attacks, wars, social unrest and political instability.	For many of our customers, their holidays are among the needs – in terms of a needs pyramid – to which they remain committed for a long time, even in the event of falling incomes. Package tours and classical sun & beach holidays are still among the most popular holidays by far. The business logic underlying tourism operations at TUI Travel, TUI Hotels & Resorts and TUI's Cruises Sector offers sound prerequisites for countering volatilities and offsetting developments in individual markets or product groups.
SPECIFIC RISKS TO BUSINESS PERFORMANCE	In addition, specific risks to business performance may arise from increases in commodity prices, in particular oil products, which may be driven directly by a rise in oil prices or indirectly by the exchange rate between the US dollar and the euro or sterling. These risks may, for instance, lead to weaker economic growth in countries of relevance to the TUI Group's activities, and this can indirectly dampen demand for tourism services. If, by contrast, the costs associated with higher oil prices are not or only partly passed on to customers in the form of price increases, this may also adversely affect the Group's earnings position. More-over, rising oil prices also directly drive up a key cost factor in holiday tours. If the cost increases are factored into prices, this may have an adverse effect on demand for these products. If, by contrast, the costs associated with higher oil prices are not or only partly passed on to customers in the form of price increases, this may also adversely affect the Group's earnings position.	The merger will strengthen and future-proof the Combined Group's fully vertically integrated business model by securing access to hotel and cruise ship content on an exclusive basis for its customers. Increasing the proportion of unique product may have a positive effect on hotel occupancy, customer satisfaction and the booking profile. At the same time, it may decrease comparability of Group-owned product with competitive products, reducing the need for unilateral competition based on price reductions. The increase in controlled distribution of inhouse products may enhance our ability to control our operations. Additional opportunities are offered by multichannel distribution and web-based direct and modular marketing of capacity.

RISK	POTENTIAL IMPACT	MITIGATING FACTORS
ENVIRONMENT AND INDUSTRY RISKS		
REGIONAL CRISES AND EXTERNAL EVENTS	Our business is exposed to risks from political instability, accidents, terrorist attacks, acts of sabotage and natural catastrophes, climate change, outbreaks of diseases, epidemics, social unrest, civil war, international conflicts and failing governments. We operate in approximately 180 destinations and over 30 source markets worldwide, where both domestic and international geopolitical events expose our aircraft, hotels and cruise ships to the risk of losses which in turn could lead to prolonged business interruptions, claims of customers with respect to, inter alia, accommodation, alternative travel / evacuation or medical treatment and could directly affect customers' willingness to travel. For example, the eruption of the Icelandic volcano Eyjafjallajökull in spring 2010, the swine flu dissemination in 2009, social unrest, such as in the West Indies in 2010 and in Tunisia and Egypt in recent years and negative media coverage about the economic crisis in Greece, among others, had or may in the future have a negative impact on our tourism business. In addition, there may be work stoppages or labor unrest at airlines or airports. Furthermore, hotels, airlines and cruises have in recent years been the subject of terrorist attacks, notably cruise ship piracy in the Gulf of Aden, in India, Spain, Egypt, Russia, Turkey and Sri Lanka. Should the current conflicts in the Ukraine or the Middle East continue, expand or intensify, this may adversely impact the demand for our travel products in these and neighbouring regions.	Thanks to our presence in all key European markets, we can limit the impacts of regional fluctuations in demand on capacity utilisation in holiday destinations. Our experience has shown that every attack and every natural disaster increases our customers' understanding of these topics. People accept the new security situation; however, at the same time they are less prepared to accept restrictions on their mobility. At various levels in the Group programmes and measures are proactively defined for handling acute crises, and these can be deployed in cases of emergency. Our crisis management ensures that all sectors potentially affected are always ready to respond.
FINANCIAL MARKETS	The demand for travel may also be essentially affected by what happens next in the financial markets and the debate about high sovereign debt in individual countries. Efforts by countries to consolidate their budgets may significantly impact on the disposable income of private households in these countries. Budget cuts and tax increases undertaken in order to reduce public debt and the interest burden it incurs may indirectly exert a negative influence on the financial resources available for macroeconomic consumption. This might also cause demand for travel to decline. The development of the euro and sovereign debt crisis in some European countries, rising unemployment and the associated uncertainty among consumers may lead to general consumer restraint, even in countries not directly affected by the debt crisis, and thus adversely affect demand for holiday tours.	Our presence in all key holiday regions enables us to counter fluctuations in demand between the destinations. A decline in demand for holiday products to a specific destination can be offset by an expansion of travel products to other destinations. Moreover, the Group holds a leading position in many key source markets. A decline in demand for travel in some source markets can be offset by demand from the remaining source markets in the framework of risk diversification.

RISK	POTENTIAL IMPACT	MITIGATING FACTORS
RISKS FROM INFORMATION TECHNOLOGY		
IT RISKS	Digital technology and how our customers use it, is dramatically changing the travel marketplace in which TUI operates. Therefore, the internet and the related Digital solutions that we provide to our customers are critical to our success and competitive advantage. As a consequence, IT within TUI is under constant review.	We have been progressing at pace to mitigate this risk with an agreed strategy and shared investment centered on Digital transformation and alignment of technology solutions across our Mainstream business and platforms to drive an improved digital experience for our customers and organisation, maintain competitive advantage, provide relevant and intuitive technology and drive efficiency and scale benefit through the delivery of common technology solutions through shared capability and strategic partnering.
RISKS FROM CONTAINER SHIPPING		
IMPAIRMENT OF THE INVESTMENT	At the balance sheet date, TUI's financial investment in Container Shipping consisted of a stake of around 22 % in Hapag-Lloyd AG, accounted as "held for sale" in TUI AG's consolidated financial statements. TUI upholds its plan to fully exit the investment tied up in Container Shipping. Hapag-Lloyd AG has signed a Business Combination Agreement with its Chilean competitor CSAV, subject to the customary completion conditions, which sets out the terms for combining the container shipping operations and implementing equity measures. As TUI AG does not take part in these capital increases, the stake held by TUI AG will decline to 13.9 % over time. There is a risk of a persistent deterioration in the Container Shipping business, which could lead to a decline in the carrying amount of the investment. The medium-term disposal of the investment might therefore conceivably not be effected at an appropriate selling price.	TUI's medium-term budget continues to expect an overall positive business performance at Hapag-Lloyd so that there are currently no indications to suggest that the recognised value of the financial investment might need to be impaired. The contractual exchange ratios fixed under the Business Combination Agreement and the values used as yardsticks for planned capital increases give rise to an implicit enterprise value that does not trigger any indication to suggest that the financial investment might need to be impaired. Due to the agreements concluded with the large shareholders in Hapag-Lloyd AG, TUI AG has a number of instruments available that will facilitate the disposal of the stake, which will have been reduced to 13.9 % by that point, at the market price.

RISK	POTENTIAL IMPACT	MITIGATING FACTORS
ENVIRONMENTAL RISKS		
ENVIRONMENTAL PROTECTION	Both current TUI Group companies and those already divested are or have been involved in the use, processing, extraction, storage or transport of materials classified as harmful to the environment or human health.	TUI takes preventive measures to counter environmental risks arising from current business transactions and has taken out insurance policies to cover certain environmental risks. Where environmental risks have not passed to the purchaser in divestment transactions, TUI has built appropriate provisions in the balance sheet to cover any potential claims.
LEGACY RISKS	Legacy risks may arise for the TUI Group from liabilities under public law from former mining and metallurgical activities. The development of environmental awareness and priorities of environmental policy may give rise to additional liabilities associated with the remediation of legacy risks that are not quantifiable at the present point in time.	The legacy risks that have arisen for the TUI Group from liabilities under public law from former mining and metallurgical activities were covered by provisions or financial resources at the reporting date.
FINANCIAL RISKS		
	Due to the nature of its business operations, the TUI Group is exposed to various financial risks, including credit and liquidity risks such as the obligation to comply with contractual regulations, market risks (consisting of currency risks, interest rate risks and market price risks) and credit risks.	In the wake of the merger of TUI's tourism activities with First Choice to form TUI Travel PLC, a division of labour was introduced for the central cash management system, previously managed exclusively by TUI AG, central cash management, central corporate finance and the central financial risk management system. TUI Travel PLC performs these functions for the TUI Travel Group. Policies exist to define financing categories, rules, competences and workflows as well as limits on transactions and risk items. Compliance with the policies and limits is constantly monitored.
LONG-TERM CORPORATE FINANCING	The TUI Group has a significant borrowing volume that has to be repaid or refinanced. The options for financing of ongoing business operations and the financing and refinancing of assets are influenced by a number of factors including e.g. the situation in the financial markets, the creditworthiness of the Company or the willingness of financial institutes to enter into real estate or aircraft financing schemes.	In the course of the annual Group planning process, TUI draws up a multi-annual finance budget from which the medium- and long-term financing and refinancing requirements are derived. The existing financial instruments of TUI AG, TUI Travel and various hotel companies are used in order to meet these requirements (detailed disclosures on volumes, interest rates and maturities of individual financial instruments as at the balance sheet date are presented in the section on Financial position of the TUI Group in the Management Report for the consolidated financial statements). Moreover, the TUI management continually monitors the financial markets in the light of its refinancing strategy in order to enter into appropriate financing instruments for the long-term funding of the Company early on. The options to exit the investment in Container Shipping are also being examined. This secures the medium- and long-term corporate financing of the respective financing categories.

RISK	POTENTIAL IMPACT	MITIGATING FACTORS
FINANCIAL RISKS		
MANAGEMENT SHORT-TERM LIQUIDITY	The business operations of the Group companies are subject to seasonal fluctuations. This results in fluctuations in the results generated by the Group companies and in liquidity requirements in the course of the year.	Apart from the multi-annual finance budget, a rolling liquidity plan for the next year is produced every month. The liquidity plan covers all financing categories within the Group. Each of these financing categories defines for itself the minimum liquidity it will seek as a function of the volatilities in liquidity it expects throughout the year. This minimum liquidity is secured by means of liquid funds but also the agreement of credit lines.
COVENANTS	The instruments taken up by TUI AG and TUI Travel PLC in the capital market and the bilateral and syndicated credit facilities contain a number of contractual clauses typical of this type of financial instrument. Apart from meeting structural financial indicators, other qualitative and quantitative restrictions also have to be respected. If these obligations are not met, the associated schemes or facilities may be terminated at short notice by the lenders and the respective drawdowns may be immediately payable and due. More detailed information on the contractual clauses of major financial instruments is presented in the section on Financial position of the TUI Group in the Management Report for the consolidated financial statements.	The TUI Group's business transactions and expected performance are continually monitored for compliance with contractual regulations. If necessary, measures are taken in order to comply with contractual provisions.
RISKS FROM UNHEDGED EXPOSURES	In the TUI Group, financial risks mainly arise from payment transactions in foreign currencies if payments in foreign currencies are not always matched by congruent payments with equivalent terms in the same currency, the need for fuel (aircraft fuel and bunker oil) and the effects of changes in interest rates in the event of financing via the money and capital markets and the investment of liquid funds.	In order to limit the risks arising on changes in exchange rates, market prices and interest rates for underlying transactions, TUI uses derivative financial instruments not traded on stock markets. These are primarily fixed-price transactions (e.g. forward transactions and swaps) and, to a lesser extent, options. All hedges entered into by the Group are supported by underlying recognised or future transactions. Trading, controlling and settlement are segregated both functionally and organisationally. Compliance with policies and limits is constantly monitored. Recognised standard software is used for recording, evaluating and reporting on these hedges. Detailed information about risk management and hedging strategies as well as financial transactions and the scope of such financial transactions at the balance sheet date is provided in the section on Financial instruments in the Notes to the consolidated financial statements.

RISK	POTENTIAL IMPACT	MITIGATING FACTORS
FINANCIAL RISKS		
CREDIT RISKS	The credit risk in primary and derivative financial instruments results from the risk of counterparties defaulting on their contractual payment and settlement obligations.	These transactions are concluded at arm's length with companies operating in the financial sector whose counterparty risk is regularly monitored.
RISKS FROM ACQUISITIONS AND DIVESTMENTS		
GENERAL RISKS	Both in acquiring and selling companies, there is a risk of a purchasing contract being signed but the closing of the transaction not taking place. Cash inflows from the payment of the purchase price or from the cash flow of an acquired company planned to be received by TUI in this context might constitute a liquidity risk.	The competent Merger & Acquisitions Department is involved in the acquisition and divestment processes and ensures that other departments, e.g. liquidity management, are immediately informed if the closing of the transaction does not take place.
ACQUISITIONS	The risk arising in the acquisition of a company consists in failure to identify all material risks in the framework of a due diligence review.	The risk is considerably reduced due to the early involvement of the specialist departments during the entire acquisition process (and, in particular, during the due diligence review). Any risks identified during or after acquisition are documented and regularly monitored by the specialist departments.
DIVESTMENTS	Companies already divested may retrospectively give rise to risks if the acquirer raises warranty claims from the purchasing contract.	TUI takes appropriate organisational and, if necessary, balance sheet-related measures to evaluate and reduce the risk.
RISKS FROM PENSION PROVISIONS		
PENSION FUNDS	Pension funds have been set up to finance pension obligations, in particular in the UK. These funds are managed by independent fund managers who invest part of the fund assets in securities. The performance of these funds may thus be adversely affected and severely impaired by developments on the financial markets. The present value of fully or partly funded pension obligations totalled € 2.5 bn, while the fair value of external plan assets amounted to € 2.0 bn. Other risks are explained in the section on Provisions for pensions and similar obligations in the Notes to the consolidated financial statements.	The funded pension obligations exceeded plan assets by € 0.5 bn. Combined with the present value of pension obligations not covered by funds of € 0.7 bn, this resulted in pension obligations with a net present value of € 1.3 bn, fully covered by pension provisions. Detailed information on the development of pension obligations is provided by the item Provisions for pensions and similar obligations in the Notes to the consolidated financial statements.

RISK	POTENTIAL IMPACT	MITIGATING FACTORS
PERSONNEL RISKS		
EMPLOYEES, HIGHLY SKILLED STAFF AND EXECUTIVES	The loss of highly skilled staff and executives or bottlenecks in staff recruitment also pose potential risks for TUI.	In order to counter these risks, Human Resources management mainly focuses on holistic talent management, integrated health and diversity management and on-going efforts to create a motivating, family-friendly working environment.
TAX RISKS		
GERMAN TRADE TAX RISK	In a letter dated 22 May 2013, the German tax authorities informed TUI AG and the German Travel Association (DRV) that a provision of the German Trade Tax Act, amended with effect from financial year 2008, has to be interpreted such that the proportion of rentals, which may need to be estimated, from "Hotel expenses" is not fully deductible in determining the tax base for trade tax payments. Should the tax authorities uphold their view, it is probable that fiscal court proceedings will take place in Germany over several years. As the Group has concluded many different contracts, quantifying this risk entails a substantial element of uncertainty. According to our estimates, a material risk might arise for the overall period since 2008.	TUI does not share that view, in particular as hotel contracting agreements are mixed contracts also covering catering, cleaning, animation and other services characterising the purchased service. Such mixed contracts are fully deductible according to judicial rulings and even according to the interpretation by the German tax authorities issued in 2012 (rental of manned ships). More detailed information is provided in the section on Contingent liabilities in the Notes to the consolidated financial statements.
OTHER RISKS	In addition, there might be other tax risks.	The TUI Group has adopted measures that secure the regular monitoring of essential tax issues.
OTHER RISKS		
CONTINGENT LIABILITIES	Contingent liabilities are potential liabilities not recognised in the balance sheet. At the balance sheet date, they amounted to € 375.1 m (following € 384.2 m in the previous year). They mainly related to the granting of guarantees to secure the financial debt of Hapag-Lloyd AG and TUI Cruises GmbH. There is a risk of claims being raised against TUI AG or any of its subsidiaries from these contingent liabilities.	The TUI Group has taken comprehensive measures to monitor and report contingent liabilities. Provisions already formed are taken into account in measuring contingent liabilities. Information on contingent liabilities is also provided in the corresponding sections in the Notes to the consolidated financial statements.

RISK	POTENTIAL IMPACT	MITIGATING FACTORS
OTHER RISKS		
LITIGATION	TUI AG or any of its subsidiaries might be involved in pending or foreseeable court or arbitration proceedings which might have a significant impact on the Group's business position. Other risks might arise from actions claiming warranty, repayment or any other remuneration brought forward in connection with the divestment of subsidiaries implemented over the last few years.	Neither TUI AG nor any of its subsidiaries are involved in pending or foreseeable court or arbitration proceedings which might have a significant impact on the Group's business position. This also applies to actions claiming warranty, repayment or any other remuneration brought forward in connection with the divestment of subsidiaries implemented over the last few years. As in previous years, the respective Group companies formed appropriate provisions to cover any potential financial charges from court or arbitration proceedings. Information on litigation is also provided in the corresponding sections in the Notes to the consolidated financial statements.
MISCELLANEOUS OTHER RISKS	Miscellaneous other risks comprise various individual risks allocated to this risk category. Taken together, these individual risks – even if independent of one another – may potentially have moderate financial effects.	The TUI Group has taken comprehensive measures in order to monitor these risks.

Overall statement on the TUI Group's risk situation

The overall risk situation of the TUI Group remained unchanged as against the previous year. According to our estimates, there are currently no material risks other than those described in the Risk Report, with the exception of the risks arising from the merger planned between TUI AG and TUI Travel PLC, outlined in a separate section in the Risk Report.

In the framework of regular risk reporting, no special risks jeopardising the continued existence of individual subsidiaries or the Group were identified either during or at the end of financial year 2013 / 14.

Risks related to the all-share merger of TUI AG and TUI Travel PLC

THE INTEGRATION OF THE TUI TRAVEL GROUP INTO THE TUI GROUP MAY NOT BE SUCCESSFUL OR TAKE LONGER AND BE MORE EXPENSIVE THAN ANTICIPATED.

The Company's future prospects may, in part, be dependent upon the Company's ability to integrate the Group and the TUI Travel Group successfully and any other businesses that it may acquire in the future without material disruption to the existing business including as a result of the integration of IT and operational systems.
In particular, TUI Travel is heavily reliant on legacy systems, processes and structures, which, in some cases, are outdated, complex and inefficient, which would need to be migrated to the combined group's system. The integration process following the completion of the TUI Merger may be complex. Successful integration will require a significant amount of management time and thus may affect or impair the ability of the management team of the Company to run the business effectively during the period of implementation. This integration may take longer than expected, or difficulties relating to the integration, of which the Company's Executive Board is not yet aware, may arise, including if any significant TUI Travel contracts are terminated as a result of the TUI Merger. In addition, there can be no assurance that the actual cost of the expected savings program will not exceed the cost estimated by the Company. Estimated one-off cash costs for integration totalling approximately € 121 m (£ 97 m) are expected to be incurred to achieve these savings. Furthermore, the Company may not be able to retain personnel with the appropriate skill set for the tasks associated with the implementation program. This could adversely affect implementation of the Company's plans. In such circumstances, the profitability of the Company could be adversely affected, which could have a negative impact on the price of the Company's shares.

EXPECTED SYNERGIES AND GROWTH OPPORTUNITIES FROM THE TUI MERGER MAY NOT BE FULLY REALIZED.

The Company believes that the TUI Merger is justified in part by the business growth opportunities, margin benefits and other synergies. The Company expects to achieve by combining its operations with TUI Travel potential cost savings of at least € 45 m (£ 36 m) per annum. Based on the Group's tax calculation for the financial year ended September 30, 2013 a cash tax benefit of € 35 m (£ 28 m) would have been achieved had the two businesses been combined in that year. In addition, the integration of Inbound Services into the Mainstream tourism business is expected to deliver annual net cost savings of € 20 m (£ 16 m). If the Company's strategies and business plan following the TUI Merger fail to achieve the anticipated operational and financial synergies and other benefits or if the anticipated synergies and other benefits take longer or cost more to achieve, the profitability of the Company could be significantly impaired. Growth opportunities are a key driver for the TUI Merger. The expected additional growth opportunities including in relation to the Mainstream tourism business, the accelerated broadening of the portfolio of unique holiday experiences, the future expansion of TUI AG's core hotel and cruise activities and integrated yield management, and growth in proportion of unique holidays may not materialize and the assumptions upon which they were based may prove to be incorrect.

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

Key features of the internal control and risk management system in relation to the Group accounting process (sections 289 (5) and 315 (2) no 5 of the German Commercial Code HGB)

1. DEFINITION AND ELEMENTS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN THE TUI GROUP

The TUI Group's internal control system comprises all the principles, processes and measures that are applied to secure effective, economical and proper accounting and compliance with the pertinent legal provisions.

In the completed financial year, the TUI Group's existing internal control system was further developed, drawing on the internationally recognised framework of the COSO (Committee of Sponsoring Organizations of the Treadway Commission), which forms the conceptual basis for the internal control system.

The TUI Group's internal control system consists of internal controls and the internal monitoring system. The Executive Board of TUI AG, in exercising its function of managing business operations, has entrusted responsibility for the internal control system in the TUI Group in particular to the Group Controlling, Group Accounting & Financial Reporting, Group Finance and Group HR units managed within TUI AG.

The elements of the internal monitoring system in the TUI Group comprise both measures integrated into processes and measures performed independently. Besides manual process controls, e.g. the "four-eyes principle", another key element of the process-related measures are the automated IT process controls. Process-related monitoring is also secured by bodies such as the Risk Committee of TUI AG and by specific Group functions such as Group Controlling, Group Tax, Group Legal and Governance, Risk & Compliance.

The Supervisory Board of TUI AG, in particular its Audit Committee, like Group Auditing at TUI AG and the decentralised audit departments within Group companies, are incorporated into the TUI Group's internal monitoring system through their audit activities performed independently from processes. On the basis of section 107 (3) of the German Stock Corporation Act, the Audit Committee of TUI AG deals primarily with the auditing of annual financial statements, monitoring the accounting process and the effectiveness of the internal control and risk management system.

The Group auditors and other auditing bodies such as the tax auditor are involved in the TUI Group's control environment through their non-process-related activities. The audit of consolidated financial statements by the Group auditor and the audit of the individual financial statements from Group companies included in the consolidated financial statements, in particular, constitute a key non-process-related monitoring measure with regard to Group accounting.

With an eye to Group accounting, the risk management system, introduced in financial year 2013 / 14 in the form of the Enterprise Risk Management System (ERM System) as a component of the internal control system, also addresses the risk of misstatements in Group bookkeeping and external reporting. Apart from operational risk management, which includes the transfer of risks to insurance companies by creating cover for damage and liability risks and also hedging transactions to limit foreign currency and fuel price risks, the TUI Group's risk management system embraces the systematic early detection, management and monitoring of risks across the Group. In order to ensure systematic early risk detection throughout the Group, the TUI Group has installed a monitoring system in accordance with section 91 (2) of the German Stock Corporation Act for the early detection of risks threatening the existence of the Company, permitting the prompt identification and monitoring of both risks threatening the existence of the Company and other risks, over and above the requirements of this legislation.

The Group auditors assess the proper functioning of the early risk detection system in accordance with section 317 (4) of the German Commercial Code. The TUI Group adjusts this system swiftly to any changes in the respective environment. Group Auditing also performs regular system checks as part of its monitoring activities to ensure that the system is functional and effective. More detailed explanations of the risk management system are provided in the section on Risk management in the Risk Report.

2. USE OF IT SYSTEMS

Bookkeeping transactions are captured in the individual financial statements of the subsidiaries of TUI AG, mainly through local SAP or Oracle accounting systems. In preparing the consolidated financial statements for TUI AG, the subsidiaries complement their respective individual financial statements to form standardised reporting packages that are subsequently posted by all Group companies in the Oracle Hyperion Financial Management 11.1.2.3 (HFM) reporting system. HFM is used as the uniform reporting and consolidation system throughout the Group so that no additional interfaces exist for the preparation of the consolidated financial statements.

All consolidation processes used to prepare the consolidated financial statements of TUI AG, e.g. capital consolidation, assets and liabilities consolidation and expenses and income elimination including at equity measurement, are generated and fully documented in HFM. All elements of TUI AG's consolidated financial statements, including the disclosures in the Notes, are developed from the HFM consolidation system. HFM also provides various modules for evaluation purposes in order to prepare complementary information to explain TUI AG's consolidated financial statements.

TUI AG's auditing departments regularly check the accuracy of the HFM reporting and consolidation system and its authorisations and did not have any material grounds for objections in the financial year under review.

At their own discretion, TUI AG's Group auditors select certain individual financial statements from the financial statements entered in the HFM reporting and consolidation system by the Group companies, which are then reviewed for the purposes of auditing the consolidated financial statements.

3. SPECIFIC RISKS RELATED TO GROUP ACCOUNTING

Specific risks related to Group accounting may arise, for example, from the conclusion of unusual or complex business transactions, in particular at critical times towards the end of the financial year. Business transactions not processed by means of routine operations also entail special risks. The discretion necessarily granted to employees for the recognition and measurement of assets and liabilities may result in further Group accounting-related risks. The outsourcing and transfer of accounting-specific tasks to service companies may also give rise to specific risks. Accounting-related risks from derivative financial instruments are outlined in the Notes to the consolidated financial statements.

4. KEY REGULATION AND CONTROL ACTIVITIES TO ENSURE PROPER AND RELIABLE GROUP ACCOUNTING

The internal control measures aimed at securing proper and reliable Group accounting ensure that business transactions are fully recorded in a timely manner in accordance with the legal provisions and the Articles of Association. This also ensures that inventory stocktaking is properly implemented and that assets and liabilities are properly recognised, measured and carried in the consolidated financial statements. The control operations also ensure that booking records provide reliable and comprehensible information.

Controls implemented to secure proper and reliable accounting include, for instance, analysis of facts and developments on the basis of specific indicators. Separation of administrative, execution, settlement and authorisation functions and implementation of these functions by different persons reduce the potential for fraudulent operations. Organisational measures also aim to capture any corporate or Group-wide restructuring or changes in sector business operations rapidly and appropriately in Group accounting. They also ensure, for instance, that bookkeeping transactions are completely recognised in the period in which they occur in the event of changes in the IT systems used by the accounting departments of Group companies. The internal control system likewise ensures that changes in the TUI Group's economic or legal environment are mapped and that new or amended legal Group accounting provisions are applied.

The TUI Group's accounting provisions, including the provisions on accounting in accordance with the International Financial Reporting Standards (IFRS), govern the uniform accounting and measurement principles for the German and foreign companies included in TUI's consolidated financial statements. Specific provisions must, in addition, be observed when preparing sub-group financial statements. Besides general accounting principles and methods, provisions concerning the statement of financial position, income statement, notes, management report, cash flow statement and segment reporting have been established in compliance with EU legislation.

TUI's accounting provisions also govern specific formal requirements for the consolidated financial statements. Besides defining the group of consolidated companies, they include detailed stipulations for the components of the reporting packages to be prepared by Group companies. Formal requirements govern, inter alia, the mandatory use of a standardised and complete set of schedules. TUI's accounting provisions also include, for instance, specific provisions on the reporting and settlement of intercompany pricing and the associated transactions for balance reconciliation or determination of the fair value of shareholdings.

At Group level, specific controls to ensure proper and reliable Group accounting include the analysis and, where necessary, correction of the individual financial statements submitted by the Group companies, taking account of the reports prepared by the auditors or any meetings to discuss the financial statements held for that purpose.

The control mechanisms already established in the HFM consolidation system rule out the processing of formally erroneous financial statements. Any further content that requires adjusting can be isolated and processed downstream.

The central implementation of impairment tests for the specific cash-generating units (CGUs) from a Group perspective secures the application of uniform and standardised evaluation criteria. The scope of regulations also extends to the central definition of the parameters applicable in the measurement of pension provisions or other provisions at Group level. The preparation and aggregation of additional data for the presentation of external information in the Notes and Management Report (including subsequent events) is also effected at Group level.

5. DISCLAIMER

With the organisational, control and monitoring structures established by the TUI Group, the internal control and risk management system enables company-specific facts to be captured, processed and recognised in full and properly presented in Group accounting.

However, it lies in the very nature of the matter that discretionary decision-making, faulty checks, criminal acts and other circumstances, in particular, cannot be ruled out and will restrict the efficiency and reliability of the internal control and risk management systems, so that even Group-wide application of the systems cannot guarantee with absolute certainty the accurate, complete and timely recording of facts in Group accounting.

Any statements made relate exclusively to those subsidiaries included in TUI AG's consolidated financial statements where TUI AG is able to directly or indirectly determine their financial and business policies such as to obtain benefits from the activities of these companies.

INFORMATION REQUIRED UNDER TAKEOVER LAW

Pursuant to sections 289 (4) and 315 (4) of the German Commercial Code (HGB) and explanatory report

Composition of subscribed capital

The subscribed capital of TUI AG consists of no-par value shares, each representing an equal share of the capital stock. The proportionate share in the capital stock per share is around €2.56.

The subscribed capital of TUI AG, registered in the commercial registers of the district courts of Berlin-Charlottenburg and Hanover, consisted of 286,561,143 shares at the end of financial year 2013 / 14 (previous year 252,375,570 shares) and totalled €732,581,929. Each share confers one vote at the Annual General Meeting.

RESTRICTIONS ON VOTING RIGHTS OR THE TRANSFER OF SHARES

The Executive Board of TUI AG is not aware of any restrictions on voting rights or the transfer of shares.

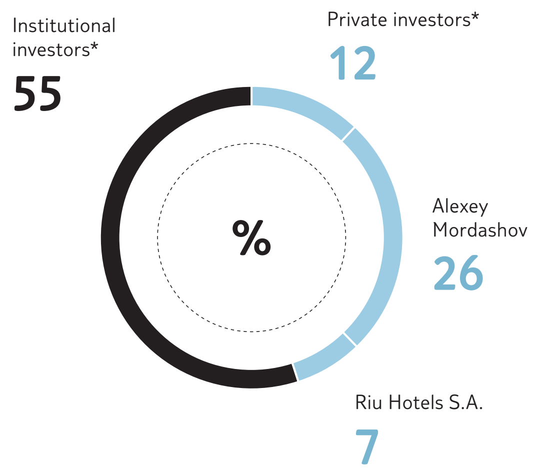
EQUITY INTERESTS EXCEEDING 10 % OF THE VOTING RIGHTS

The Executive Board of TUI AG has been notified of the following direct or indirect equity interests reaching or exceeding 10 % of the voting rights:

The voting shares in TUI AG attributable to Alexey Mordashov, Russia, exceeded the 25 % threshold on 10 July 2014. As per that date, voting shares totalling 25.6 % were attributable to him via S-Group Travel Holding GmbH, Frankfurt, Germany, and Unifirm Limited, Cyprus.

At the end of financial year 2013 / 14, around 67 % of the TUI shares were in free float. Around 12 % of all TUI shares were held by private shareholders, around 55 % by institutional investors, and around 33 % by strategic investors. According to an analysis of the share register these were mainly investors from Germany and other EU countries.

SHAREHOLDER STRUCTURE* (30 SEP 2014)



* Free float according to the definition by Deutsche Börse

Shares with special control rights

There have not been any shares, nor are there any shares, with special control rights.

System of voting right control of any employee share scheme where the control rights are not exercised directly by the employees

Where TUI AG grants shares to employees under its employee share programme, the shares are directly transferred to the employees with a lock-up period. Beneficiaries are free to directly exercise the control rights to which employee shares entitle them, in just the same way as other shareholders, in line with legal requirements and the provisions of the Articles of Association.

Appointment and removal of Executive Board members and amendments to the Articles of Association

The appointment and removal of Executive Board members is based on sections 84 et seq. of the German Stock Corporation Act in combination with section 31 of the German Codetermination Act. Amendments to the Articles of Association are based on the provisions of sections 179 et seq. of the German Stock Corporation Act in combination with section 24 of the Articles of Association of TUI AG.

Powers of the Executive Board to issue or buy back shares

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

The Annual General Meeting of 13 February 2013 resolved two authorisations to increase the capital stock by a total of € 74.5 m by 12 February 2018. This includes authorised capital for the issue of new shares with the option to exclude the shareholders' subscription rights worth € 64.5 m and authorised capital to issue employee shares worth € 10 m.

Conditional capital of € 120 m was resolved by the Annual General Meeting of 15 February 2012. Accordingly, bonds with conversion options or warrants as well as profit-sharing rights and income bonds of up to a nominal amount of € 1.0 bn may be issued up to 14 February 2017. This authorisation has not yet been used.

The Annual General Meeting of 9 February 2011 adopted a resolution to create authorised capital for the issue of new shares against cash contribution worth € 246 m by 8 February 2016.

Conditional capital of € 100 m had already been authorised at the Annual General Meeting on 13 May 2009. This authorised bonds with conversion options or warrants as well as profit-sharing rights and income bonds of up to a nominal amount of € 1.0 bn to be issued up to 12 May 2014. TUI AG partly used this authorisation, issuing a convertible bond worth around € 218 m in November 2009.

Additional conditional capital of € 100 m was resolved by the Annual General Meeting of 7 May 2008. This authorised bonds with conversion options or warrants as well as profit-sharing rights and income bonds of up to a nominal amount of € 1.0 bn to be issued up to 6 May 2013. This authorisation, too, was partly used by TUI AG, which issued a convertible bond worth around € 339 m in March 2011.

The issue of bonds and profit-sharing rights in accordance with the two authorisations mentioned above has been limited to a total nominal amount of € 1.0 bn.

Significant agreements taking effect in the event of a change of control of the Company following a takeover bid and the resulting effects

TUI AG's existing listed bonds and the syndicated credit line include change of control clauses. A change of control occurs in particular if a third partly directly or indirectly acquires control over at least 30 % or the majority of the voting shares in TUI AG, depending on the respective agreement.

In the event of a change of control, the holders of the fixed-interest bond must be offered a buyback. For the convertible bonds, a right of termination or reduction of the conversion price has been agreed.

For the hybrid bond, an interest step-up has been agreed to take effect should the rating be downgraded.

For the syndicated credit line, which will only enter into force upon completion of the planned merger between TUI AG and TUI Travel PLC, a right of termination by the lenders has been agreed in the event of a change of control.

The total volume of obligations under financing instruments with corresponding change of control clauses amounts to around € 1.0 bn as at the balance sheet date. On top of that, there are no agreements in guarantee, leasing, option or other financial contracts that might cause material early redemption obligations that would be of significant relevance for the Group's liquidity.

Apart from the financing instruments mentioned above, a framework agreement between the Riu family and TUI AG includes a change of control clause. A change of control occurs if a shareholder group represents a predefined majority of AGM attendees or if one third of the shareholder representatives on the Supervisory Board are attributable to a shareholder group. In the event of a change of control, the Riu family is entitled to acquire at least 20 % and at most all shares held by TUI in RIUSA II S.A.

A similar agreement concerning a change of control at TUI AG has been concluded with the El Chiaty Group. Here, too, a change of control occurs if a shareholder group represents a predefined majority of AGM attendees or if one third of the shareholder representatives on the Supervisory Board are attributable to a shareholder group. In that case, the El Chiaty Group is entitled to acquire at least 15 % and at most all shares held by TUI in the joint hotel companies in Egypt and the United Arab Emirates.

Under the license agreement concluded in the framework of the combination of the tourism business under TUI Travel PLC, the licensee, TUI Travel PLC, is entitled to acquire TUI AG's total tourism brand portfolio in the event of a change of control. A change of control agreement has also been concluded for the joint venture TUI Cruises between Royal Caribbean Cruises Ltd and TUI AG; it will take effect if a change of control occurs at TUI AG. The agreement gives the partner the right to demand termination of the joint venture and to purchase the stake held by TUI AG at a price which is lower than the selling price of their own stake.

Compensation agreements by the Company with Executive Board members or employees in the event of a takeover bid

CHANGE OF CONTROL AGREEMENT

In the event of loss of Executive Board membership through a change of control or by executing the right granted to Board members, specifically accorded for this event, of resigning from their office and terminating their service contract as a Board member, every Board member is entitled to receive remuneration for his or her financial entitlements for the remaining period of the service contract up to a maximum period of two or three years, respectively.

The annual management bonus and the entitlements from the long-term incentive programme for the remaining term of the service contract are based on the average for the past two financial years for the remuneration for Mr Joussen and the average for the past three financial years for Mr Baier.

OVERALL ASSESSMENT BY THE EXECUTIVE BOARD AND REPORT ON EXPECTED DEVELOPMENT

Comparison of the actual business performance in 2013 / 14 with the forecast

In financial year 2013 / 14, the TUI Group's performance exceeded our forecast. Due to the consistent implementation of the measures defined in our oneTUI programme, all Sectors outperformed their growth targets for underlying EBITA in financial year 2013 / 14. In financial year 2013 / 14, the TUI Group's underlying EBITA rose by 14.0 % (target range 6 % to 12 %) to € 868.5 m. Due to sound operating performance and lower net one-off expenses, the Group's reported EBITA also grew by 30.1 % (target range 16 % to 23 %) to € 773.8 m.

At an increase of 1.3 % (target range 2 % to 4 %), the TUI Group's turnover growth was weaker than expected in the period under review. This was due to deliberate capacity cuts in TUI Travel's Mainstream Business, in particular in source market France, which had a positive impact overall.

The operating result recorded by TUI Travel grew by 10.5 % year-on-year (target range 7 % to 10 %) to € 707.6 m. This improvement was primarily driven by the sound operating performance in source markets UK, Germany and the Netherlands. Moreover, a considerable reduction in the negative result posted by the French TUI tour operators was achieved.

Underlying EBITA by TUI Hotels & Resorts rose to € 202.5 m, up by around 11 % (target range 2 % to 7 %), taking account of a book profit included in 2012 / 13. This was driven, in particular, by the sound business development at Riu and Robinson.

The Cruises Sector generated a significant earnings improvement of € 23.6 m to € 9.7 m and thus achieved the turnaround assumed in our forecast.

Central Operations recorded a stronger-than-expected decline in costs (underlying EBITA) of 17.1 % (target range 3 % to 11 %) to € – 51.3 m in the period under review.

Financial requirements for investments in other intangible assets and property, plant and equipment were in line with our expectations at € 601.21 m. At net liquidity of € 323.1 m carried at the end of financial year 2013 / 14, the development of the TUI Group's net financial position was better than planned. This was mainly attributable to the sound operating performance and, in particular, the conversion of bonds into shares effected in the period under review.

KEY FIGURES	TARGET ACHIEVEMENT*	OUTLOOK
€ 2013/14 / 2012/13	% RESULT 2013/14 / TARGET 2012/13	TARGET 2014/15
TURNOVER		
in million 18,715 / 18,478	in % 1,3 / 2–4	in % 2–4
UNDERLYING EBITA GROUP		
in million 869 / 762	in % 14 / 6–12	in % 10–15
EBITA GROUP		
in million 774 / 595	in % 30 / 16–23	in % 5–10
INVESTMENTS		
in million 586 / 598	in % –2 / flat	flat
NET DEBT		
in million –323 / 68	in % n/a / flat	slight decline

*Expected development vs. previous year in %

Expected development of the economic framework

EXPECTED DEVELOPMENT OF GROSS DOMESTIC PRODUCT

Var. %	2015	2014
World	**3.8**	**3.3**
Eurozone	1.3	0.8
Germany	1.5	1.4
France	1.0	0.4
UK	2.7	3.2
US	3.1	2.2
Russia	0.5	0.2
Japan	0.8	0.9
China	7.1	7.4
India	6.4	5.6

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

MACROECONOMIC SITUATION

The International Monetary Fund (IMF, World Economic Outlook, October 2014) expects gross domestic product growth of 3.3 % for calendar year 2014. For 2015, the IMF expects the global economy to grow by 3.8 %. While the US is on a robust growth path, the economic outlook for the Eurozone has become weaker so that experts expect the growth rate to decline in this region. In its latest outlook, the IMF has again lowered its forecast in order to reflect the current risks for the world economy. They include the risk of overheating in the global financial markets, the geopolitical crises, in particular in Ukraine and the Middle East, and the potential impact of these crises.

MARKET TREND IN TOURISM

UNWTO expects international tourism to continue growing globally in this decade. For the next few years, average weighted growth of around 3 % per annum has been forecast (source: UNWTO, Tourism Highlights, 2014 edition). In the first eight months of 2014, international arrivals grew by around 5 %. UNWTO expects growth of 4 % to 4.5 % for calendar year 2014. UNWTO expects this growth to continue in spite of the current geopolitical challenges (source: UNWTO, PR 14071, October 2014).

EFFECTS ON THE TUI GROUP

As a leading tourism provider, the TUI Group depends on the development of consumer demand in the large source markets in which we operate with our tour operator and hotel brands. Our budget is based on the assumptions used as a basis by the IMF to predict the future development of the global economy. The weakening of growth in the Eurozone expected by the IMF might also curb demand in tourism in these source markets in the medium term.

Apart from the development of consumer sentiment, political stability in the destinations is a further crucial factor affecting demand for holiday products. Events such as the crisis in Ukraine and the Ebola epidemic have hardly affected our business results this far in the new financial year, but have adversely impacted public perception of our industry. In our view, our business model is sufficiently flexible to compensate for the challenges we currently face.

At 5 % p. a., the expected volume growth in TUI Travel's Mainstream Business, assumed in our budget for financial year 2014 / 15, is slightly higher than the UNWTO forecast. Our strategic focus remains on increasing the portion of unique product in TUI Travel's Mainstream Business, further expanding our Group-owned hotel portfolio and expanding our cruise business, in particular under the TUI Cruises brand.

Forecast for operating earnings

The comments below refer to the current structure of the TUI Group. They do not reflect any effects of the potential merger between TUI AG and TUI Travel PLC.

TUI GROUP

The TUI Group generates a large portion of consolidated turnover and a high profit contribution in the UK. Taking account of the seasonal nature of the tourism business, the development of sterling against the euro in the course of the year therefore strongly impacts the financial indicators carried in TUI AG's consolidated financial statements. The comments on the expected development of our Group in financial year 2014 / 15 provided below are based on a constant sterling exchange rate of 0.83 GBP / € assumed in our budget (average rate in 2013 / 14: 0.82 GBP / €).

EXPECTED DEVELOPMENT OF GROUP EARNINGS

€ million	2013 / 14	Expected Development vs. PY **2014 / 15***
Turnover	18,714.7	2 % to 4 %
Underlying EBITA	868.5	10 % to 15 %
EBITA	773.8	5 % to 10 %

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

TURNOVER

We expect turnover to rise by 2 % to 4 % in financial year 2014 / 15, above all due to an anticipated increase in customer numbers in the Mainstream Business.

UNDERLYING EBITA

In financial year 2014 / 15, underlying EBITA by the TUI Group is expected to grow by 10 % to 15 % 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 in the economic environment for our key source markets.

ADJUSTMENTS

Against the background of the one-off income, in particular from the reduction in pension obligations at TUI Travel, included in the adjustments for the period under review we expect net one-off expenses to be carried as adjustments to increase in 2014 / 15.

EBITA

Due to the improvement in our operating result and the expected increase in net one-off expenses, we expect reported EBITA to grow by 5 % to 10 % in financial year 2014 / 15.

ROIC AND ECONOMIC VALUE ADDED

Due to the enhanced operating result, we expect ROIC to improve further in financial year 2014 / 15; depending on the development of the TUI Group's capital costs, this is also expected to result in an increase in economic value added.

DEVELOPMENT BY THE SECTORS

EXPECTED DEVELOPMENT OF EARNINGS

Underlying EBITA in € million	2013 / 14	Expected development vs. PY 2014 / 15*
TUI Travel	707.6	7 % to 10 %
TUI Hotels & Resorts	202.5	7 % to 10 %
Cruises	9.7	250 % to 350 %
Central Operations	– 51.3	0 % to 12 %
Group	**868.5**	**10 % to 15 %**

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

TUI TRAVEL

For the period until 2017 TUI Travel has forecast average annual growth of 7 % to 10 % in its operating result on a constant currency basis. On that premise, we also expect TUI Travel's underlying earnings to grow by at least 7 % in financial year 2014 / 15. Whether strong earnings growth of up to 10 % will be achieved will mainly depend on the development of the 2015 summer season. This earnings forecast is based on a constant sterling exchange rate of 0.83 GBP / € (average rate in 2013 / 14: 0.82 GBP / €). Should the exchange rate of sterling against the euro deviate from this assumption in the course of the year, this might have a considerable impact on earnings by TUI Travel carried in TUI AG's consolidated financial statements.

TUI HOTELS & RESORTS

For TUI Hotels & Resorts, we expect underlying earnings to improve by 7 % to 10 % in financial year 2014 / 15. Capacity in TUI Hotels & Resorts is to rise by around 7 % in financial year 2014 / 15 (in 2013 / 14: € 24.6 m available beds). With a stable development in hotel occupancy (in 2013 / 14: 80.9 %), we are planning for stable average revenues per bed (in 2013 / 14: € 54.4 / day). Risks are related to customer numbers from the major source markets, which might fall below expectations.

CRUISES

For the Cruises Sector, we expect our operating result to improve significantly by 250 % to 350 % in financial year 2014 / 15. With less passenger days (in 2013 / 14: 401 thousand) average rates (2013 / 14: € 450 / day) are expected to increase considerably year-on-year. Occupancy of the Hapag-Lloyd fleet (in 2013 / 14: 68.2 %) is expected to improve slightly. TUI Cruises expects a considerable increase in passenger days (2013 / 14: 1.7 m) and a slight rise in the average daily rate (2013 / 14: € 171 / day) while planned occupancy (in 2013 / 14: 102.3 %) is expected to decline slightly year-on-year.

CENTRAL OPERATIONS

For Central Operations, we expect expenses (underlying earnings) to decline by up to 12 % year-on-year.

Financial position

EXPECTED DEVELOPMENT OF GROUP FINANCIAL POSITION

€ million	2013 / 14	Expected development vs. PY in % 2014 / 15*
Cash investments	601.2	flat
Net financial position	– 323.1	slight decline

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

INVESTMENTS

In the light of investment decisions already taken and projects in the pipeline, the TUI Group expects financing requirements to be stable in financial year 2014 / 15. Around 80 % of investments relate to TUI Travel. Most of these funds will be used for investments in property, plant and equipment. The planned investments by TUI Travel include the introduction of new production and booking systems and the purchase of aircraft spares and yachts. Further funds are earmarked for the upkeep and expansion of the cruise and hotel portfolios.

NET DEBT

At the balance sheet date, the Group's net liquidity amounted to € 323.1 m. Due to the expected increase in TUI Travel's financing volume for aircraft on the basis of finance leases, we expect the TUI Group's net liquidity to decline slightly in financial year 2014 / 15.

Sustainable development

CLIMATE PROTECTION AND EMISSIONS

Greenhouse gas emissions and the impact of these emissions on climate change pose one of the major global challenges for the tourism sector. Our goal of reducing absolute and specific CO_2 emissions from our aircraft fleet by 6 % against the baseline of 2007 / 08 by the end of financial year 2013 / 14 was achieved ahead of schedule in August 2013. We have therefore planned to cut specific CO_2 emissions per passenger kilometre from our airlines by an additional 3 percentage points by the end of 2015 with the support of new technologies.

Overall Executive Board assessment of the TUI Group's current situation and expected development

At the date of preparation of the Management Report (8 December 2014), we uphold our positive assessment of the TUI Group's economic situation and outlook for financial year 2014 / 15. With its finance profile and services portfolio, the TUI Group is well positioned in the market. In the first few weeks of the new financial year 2014 / 15 the overall business performance has matched expectations.

Our comments on the expected development of the TUI Group relate to the TUI Group's current structure. The economic benefits expected from the planned merger of TUI AG with TUI Travel PLC have not been included in our forecast. We refer to the chapter on Goals and strategies in the present Annual Report for more detailed information on the planned merger.

As against the prior year reference period, we expect our Group's operating result to grow year-on-year due to the improved operating performance of our Sectors. The TUI Group's underlying earnings are expected to rise by 10 % to 15 % year-on-year, on a constant currency basis. We thus confirm the goal, communicated in the framework of our oneTUI strategy programme, of achieving an operating result (underlying EBITA) of around € 1 bn for the TUI Group on a constant currency basis.

Should the economic framework show the expected positive development, the business volumes and operating result of the Group are expected to rise further in financial year 2015 / 16.

Opportunity Report

The TUI Group's opportunity management follows the Group strategy for core business Tourism. 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's Executive Board is to secure profitable growth for the TUI Group by optimising the shareholding portfolio and developing the Group structure over the long term.

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

OPPORTUNITIES FROM THE DEVELOPMENT OF THE OVERALL FRAMEWORK

Should economic development prove better than expected, the TUI Group and its Sectors would benefit from the resulting increase in demand in the travel market.

Significant opportunities are provided by the planned merger between TUI AG and TUI Travel PLC. We have provided a detail presentation of these opportunities in the chapter on Goals and strategies in the present Annual Report.

Moreover, changes in the competitive environment might create opportunities for the TUI Group in individual markets.

CORPORATE STRATEGY

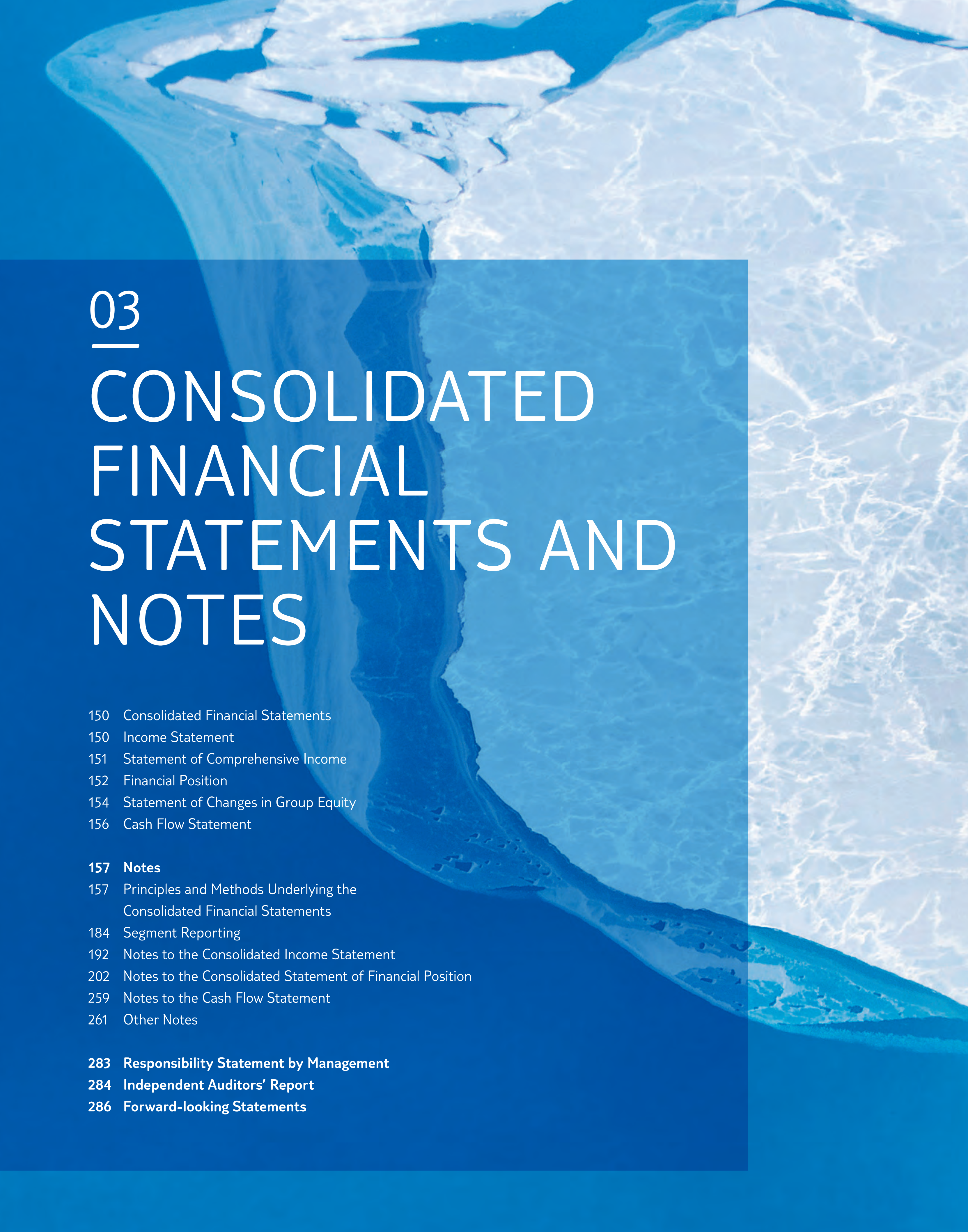
We see opportunities for further organic growth in particular by expanding our hotel portfolio and cruise business. As market leader, we also intend to benefit from demographic change and the resulting expected increase in demand for high-quality travel at an attractive price / performance ratio in the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

OPERATIONAL OPPORTUNITIES

We intend to improve our competitive position further by offering unique product and further expanding controlled distribution in TUI Travel, in particular online distribution. We also see operational opportunities arising from stronger integration of our content and tour operation business.

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.



03

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT OF THE TUI GROUP FOR THE PERIOD FROM 1 OCT 2013 TO 30 SEP 2014

€ million	Notes	2013/14	2012/13 restated
Turnover	(1)	18,714.7	18,477.5
Cost of sales	(2)	16,436.6	16,436.3
Gross profit		**2,278.1**	**2,041.2**
Administrative expenses	(2)	1,577.3	1,557.3
Other income	(3)	35.9	37.1
Other expenses	(3)	2.1	10.8
Impairment of goodwill	(4)	–	8.3
Financial income	(5)	36.2	42.7
Financial expenses	(6)	305.2	292.5
Share of result of joint ventures and associates	(7)	+ 40.0	+ 59.3
Earnings before income taxes		**505.6**	**311.4**
Reconciliation to underlying earnings:			
Earnings before income taxes		505.6	311.4
plus: Loss on Container Shipping measured at equity		38.9	22.3
plus: Net Interest expense and expense from the measurement of interest hedges		229.3	252.8
plus: Impairment of goodwill		–	8.3
EBITA		773.8	594.8
Adjustments:	(8)		
less: Gain on disposals (prior year loss)		– 3.6	1.4
plus: Restructuring expense		43.6	62.3
plus: Expense from purchase price allocation		73.7	75.0
less: Income (prior year expense) from other one-off items		–19.0	28.4
Underlying EBITA		**868.5**	**761.9**
Earnings before income taxes		**505.6**	**311.4**
Income taxes	(9)	221.7	145.0
Group profit for the year		**283.9**	**166.4**
Group profit for the year attributable to shareholders of TUI AG	(10)	104.7	–11.1
Group profit for the year attributable to non-controlling interest	(11)	179.2	177.5

EARNING PER SHARE

€	Notes	2013/14	2012/13 restated
Basic and diluted earnings per share	(12)	0.31	– 0.14

STATEMENT OF COMPREHENSIVE INCOME OF TUI GROUP FOR THE PERIOD FROM 1 OCT 2013 TO 30 SEP 2014

€ million	Notes	**2013/14**	2012/13 restated
Group profit		**283.9**	**166.4**
Remeasurements of pension provisions and related fund assets		–286.0	–5.4
Changes in the measurement of companies measured at equity		1.4	–4.9
Income tax related to items that will not be reclassified	(13)	70.4	–16.3
Items that will not be reclassified to profit or loss		**–214.2**	**–26.6**
Foreign exchange differences		–150.1	–66.2
Foreing exhange differences		–146.5	–67.4
Reclassification/adjustments		–3.6	1.2
Financial instruments available for sale		–0.9	0.9
Changes in the fair value of financial instruments available for sale		–0.9	0.9
Reclassification/adjustments		–	–
Cash flow hedges		122.7	–54.3
Changes in the fair value of cash flow hedges		–27.2	–59.7
Reclassification/adjustments		149.9	5.4
Changes in the measurement of companies measured at equity		15.5	11.7
Changes in the measurement outside profit or loss		18.3	19.3
Reclassification/adjustments		–2.8	–7.6
Income tax related to items that may be reclassified	(13)	–21.3	10.6
Items that may be reclassified to profit or loss		**–34.1**	**–97.3**
Other comprehensive income		**–248.3**	**–123.9**
Total comprehensive income		**35.6**	**42.5**
attributable to shareholders of TUI AG		–12.2	–114.6
attributable to non-controlling interest		47.8	157.1

FINANCIAL POSITION OF THE TUI GROUP AS AT 30 SEP 2014

€ million	Notes	**30 Sep 2014**	30 Sep 2013 restated	1 Oct 2012 restated
Assets				
Goodwill	(14)	3,136.2	2,976.4	3,046.4
Other intangible assets	(15)	933.5	866.2	890.9
Investment property	(16)	7.7	58.0	54.9
Property, plant and equipment	(17)	2,836.6	2,682.0	2,651.3
Investments in joint ventures and associates	(18)	988.0	1,386.4	1,394.0
Financial assets available for sale	(19)	62.7	71.5	75.5
Trade receivables and other assets	(20)	368.1	342.8	358.1
Derivative financial instruments	(21)	76.3	37.9	28.4
Deferred tax asset	(22)	238.1	224.6	168.7
Non-current assets		**8,647.2**	**8,645.8**	**8,668.2**
Inventories	(23)	126.5	115.4	113.9
Financial assets available for sale	(19)	300.0	–	–
Trade receivables and other assets	(20)	1,917.8	1,876.8	1,956.0
Derivative financial instruments	(21)	171.4	49.1	131.5
Current tax asset	(22)	94.0	53.9	48.1
Cash and cash equivalents	(24)	2,286.0	2,701.7	2,278.4
Assets held for sale	(25)	483.3	11.6	16.5
Current assets		**5,379.0**	**4,808.5**	**4,544.4**
		14,026.2	**13,454.3**	**13,212.6**

FINANCIAL POSITION OF THE TUI GROUP AS AT 30 SEP 2014

€ million	Notes	**30 Sep 2014**	30 Sep 2013 restated	1 Oct 2012 restated
Equity and liabilities				
Subscribed capital	(26)	732.6	645.2	644.9
Capital reserves	(27)	1,056.3	957.7	957.4
Revenue reserves	(28)	321.7	118.7	162.1
Hybrid capital	(30)	294.8	294.8	294.8
Equity before non-controlling interest		**2,405.4**	**2,016.4**	**2,059.2**
Non-controlling interest	(31)	111.7	–19.6	–15.2
Equity		**2,517.1**	**1,996.8**	**2,044.0**
Pension provisions and similar obligations	(32)	1,242.4	1,102.2	1,146.9
Other provisions	(33)	601.6	575.0	537.5
Non-current provisions		**1,844.0**	**1,677.2**	**1,684.4**
Financial liabilities	(34)	1,748.4	1,834.1	1,810.5
Derivative financial instruments	(36)	20.7	30.7	31.8
Current tax liabilities	(37)	98.5	107.8	108.3
Deferred tax liabilities	(37)	147.3	109.2	92.6
Other liabilities	(38)	134.9	98.4	68.2
Non-current liabilities		**2,149.8**	**2,180.2**	**2,111.4**
Non-current provisions and liabilities		**3,993.8**	**3,857.4**	**3,795.8**
Pension provisions and similar obligations	(32)	32.1	33.8	39.7
Other provisions	(33)	472.0	449.2	509.8
Current provisions		**504.1**	**483.0**	**549.5**
Financial liabilities	(34)	214.5	935.5	646.1
Trade payables	(35)	3,301.2	3,049.2	3,260.0
Derivative financial instruments	(36)	242.0	178.8	163.1
Current tax liabilities	(37)	101.5	134.0	96.5
Other liabilities	(38)	3,152.0	2,819.6	2,657.6
Current liabilities		**7,011.2**	**7,117.1**	**6,823.3**
Current provisions and liabilities		**7,515.3**	**7,600.1**	**7,372.8**
		14,026.2	**13,454.3**	**13,212.6**

STATEMENT OF CHANGES IN GROUP EQUITY OF THE TUI GROUP FOR THE PERIOD FROM 1 OCT 2013 TO 30 SEP 2014

€ million	Subscribed capital (26)	Capital reserves (27)	Other revenue reserves	Foreign exchange differences	Financial instruments available for sale
Balance as at 30 Sep 2012	**644.9**	**957.4**	**843.6**	**– 640.9**	**–**
Changes of accounting policies	–	–	– 23.1	–	–
Balance as at 1 Oct 2012 (restated)	**644.9**	**957.4**	**820.5**	**– 640.9**	**–**
Dividends	–	–	–	–	–
Hybrid capital dividend	–	–	– 23.9	–	–
Share based payment schemes of TUI Travel PLC	–	–	10.1	–	–
Change of taxation of the equity component of convertible bonds	–	–	–	–	–
Issue of employee shares ans conversion of convertible bonds	0.3	0.3	–	–	–
Deconsolidation	–	–	– 2.5	–	–
Effects on the acquisition of non-controlling interests	–	–	–12.6	–	–
Effects on the transfer to non-controlling interests	–	–	102.5	– 6.8	–
Group profit for the year	**–**	**–**	**–11.1**	**–**	**–**
Foreign exchange differences	–	–	16.6	–105.3	–
Financial Instruments available for sale	–	–	–	–	0.5
Cash flow hedges	–	–	–	–	–
Remeasurements of pension provisions and related fund assets	–	–	1.6	–	–
Changes in the measurement of companies measured at equity	–	–	6.8	–	–
Taxes attributable to other comprehensive income	–	–	–11.0	–	–
Other comprehensive income	**–**	**–**	**14.0**	**–105.3**	**0.5**
Total comprehensive income	–	–	2.9	–105.3	0.5
Balance as at 30 Sep 2013 (restated)	**645.2**	**957.7**	**897.0**	**–753.0**	**0.5**
Dividends	–	–	– 37.8	–	–
Hybrid capital dividend	–	–	– 23.2	–	–
Share based payment schemes of TUI Travel PLC	–	–	17.3	–	–
Conversion of convertible bonds	87.1	97.9	271.9	–	–
Issue of employee shares	0.3	0.7	–	–	–
First-time consolidation	–	–	–	–	–
Deconsolidation	–	–	–	–	–
Written option on non-controlling interests	–	–	– 2.6	–	–
Effects on the acquisition of non-controlling interests	–	–	– 22.7	–	–
Effects on the disposal of shares to non-controlling interests	–	–	14.0	–1.8	–
Group profit for the year	**–**	**–**	**104.7**	**–**	**–**
Foreign exchange differences	–	–	– 33.4	– 21.7	–
Financial Instruments available for sale	–	–	–	–	– 0.5
Cash flow hedges	–	–	–	–	–
Remeasurements of pension provisions and related fund assets	–	–	–177.4	–	–
Changes in the measurement of companies measured at equity	–	–	16.9	–	–
Taxes attributable to other comprehensive income	–	–	45.1	–	–
Other comprehensive income	**–**	**–**	**–148.8**	**– 21.7**	**– 0.5**
Total comprehensive income	–	–	– 44.1	– 21.7	– 0.5
Balance as at 30 Sep 2014	**732.6**	**1,056.3**	**1,069.8**	**–776.5**	**–**

	Cash flow hedges	Revaluation reserve	Revenue reserves (28)	Hybrid capital (30)	Equity before non-controlling interest	Non-controlling interest (31)	**Total**
	–38.4	**20.9**	**185.2**	**294.8**	**2,082.3**	**–15.2**	**2,067.1**
	–	–	–23.1	–	–23.1	–	–23.1
	–38.4	**20.9**	**162.1**	**294.8**	**2,059.2**	**–15.2**	**2,044.0**
	–	–	–	–	–	–129.7	–129.7
	–	–	–23.9	–	–23.9	–	–23.9
	–	–	10.1	–	10.1	8.3	18.4
	–	–	–	–	–	4.0	4.0
	–	–	–	–	0.6	–	0.6
	–	2.5	–	–	–	–	–
	–	–	–12.6	–	–12.6	–12.8	–25.4
	1.9	–	97.6	–	97.6	–31.3	66.3
	–	**–**	**–11.1**	**–**	**–11.1**	**177.5**	**166.4**
	3.4	–1.7	–87.0	–	–87.0	20.8	–66.2
	–	–	0.5	–	0.5	0.4	0.9
	–15.7	–	–15.7	–	–15.7	–38.6	–54.3
	–	–	1.6	–	1.6	–7.0	–5.4
	–	–	6.8	–	6.8	–	6.8
	1.3	–	–9.7	–	–9.7	4.0	–5.7
	–11.0	**–1.7**	**–103.5**	**–**	**–103.5**	**–20.4**	**–123.9**
	–11.0	–1.7	–114.6	–	–114.6	157.1	42.5
	–47.5	**21.7**	**118.7**	**294.8**	**2,016.4**	**–19.6**	**1,996.8**
	–	–	–37.8	–	–37.8	–91.2	–129.0
	–	–	–23.2	–	–23.2	–	–23.2
	–	–	17.3	–	17.3	14.2	31.5
	–	–	271.9	–	456.9	193.8	650.7
	–	–	–	–	1.0	–	1.0
	–	–	–	–	–	1.6	1.6
	–	–	–	–	–	–1.8	–1.8
	–	–	–2.6	–	–2.6	–2.1	–4.7
	–	–	–22.7	–	–22.7	–18.7	–41.4
	0.1	–	12.3	–	12.3	–12.3	–
	–	**–**	**104.7**	**–**	**104.7**	**179.2**	**283.9**
	–3.2	–1.2	–59.5	–	–59.5	–90.6	–150.1
	–	–	–0.5	–	–0.5	–0.4	–0.9
	71.3	–	71.3	–	71.3	51.4	122.7
	–	–	–177.4	–	–177.4	–108.6	–286.0
	–	–	16.9	–	16.9	–	16.9
	–12.8	–	32.3	–	32.3	16.8	49.1
	55.3	**–1.2**	**–116.9**	**–**	**–116.9**	**–131.4**	**–248.3**
	55.3	–1.2	–12.2	–	–12.2	47.8	35.6
	7.9	**20.5**	**321.7**	**294.8**	**2,405.4**	**111.7**	**2,517.1**

CASH FLOW STATEMENT

€ million	Notes	**2013/14**	2012/13 restated	Var.
Group profit		283.9	166.4	117.5
Depreciation, amortisation and impairments (+) / write-backs (–)		398.6	429.4	– 30.8
Other non-cash expenses (+) / income (–)		–11.3	– 40.9	29.6
Interest expenses		254.0	287.3	– 33.3
Dividends from joint ventures and associates		33.5	58.5	– 25.0
Profit (–) / loss (+) from disposals of non-current assets		– 30.4	– 24.1	– 6.3
Increase (–) / decrease (+) in inventories		9.2	7.2	2.0
Increase (–) / decrease (+) in receivables and other assets		– 26.2	53.9	– 80.1
Increase (+) / decrease (–) in provisions		– 214.5	–188.0	– 26.5
Increase (+) / decrease (–) in liabilities (excl. financial liabilities)		377.9	125.6	252.3
Cash inflow from operating activities	(46)	**1,074.7**	**875.3**	**199.4**
Payments received from disposals of property, plant and equipment, investment property and intangible assets		334.4	270.5	63.9
Payments received from disposals of consolidated companies (excl. disposals of cash and cash equivalents due to divestments)		13.5	–	13.5
Payments received from the disposals of other non-current assets		39.4	8.7	30.7
Payments made for investments in property, plant and equipment, investment property and intangible assets		– 601.2	– 597.7	– 3.5
Payments made for investments in consolidated companies (excl. cash and cash equivalent received due to acquisitions)		– 24.1	–14.4	– 9.7
Payments made for investments in other non-current assets		– 348.2	–111.4	– 236.8
Cash outflow from investing activities	(47)	**– 586.2**	**– 444.3**	**–141.9**
Payments received from capital increases		–7.1	0.4	–7.5
Payments made for interest increase in consolidated companies		– 50.6	– 25.4	– 25.2
Dividend payments				
TUI AG		– 60.9	– 37.2	– 23.7
subsidiaries to non-controlling interest		–108.2	–111.9	3.7
Payments received from the issue of bonds and the raising of financial liabilities		309.7	228.5	81.2
Payments made for redemption of loans and financial liabilities		– 263.9	– 573.1	309.2
Interest paid		–137.9	–102.2	– 35.7
Cash outflow from financing activities	(48)	**– 318.9**	**– 620.9**	**302.0**
Net change in cash and cash equivalents		**169.6**	**–189.9**	**359.5**
Development of cash and cash equivalents	(49)			
Cash and cash equivalents at beginning of period		**2,701.7**	**2,278.4**	**423.3**
Change in cash and cash equivalents due to exchange rate fluctuations		–1.6	25.7	– 27.3
Change in cash and cash equivalents due to changes in the group of consolidated companies		3.8	–	3.8
Change in cash and cash equivalents with cash effects		169.6	–189.9	359.5
Change in cash and cash equivalents without cash effects		– 587.5	587.5	–1,175.0
Cash and cash equivalents at end of period		**2,286.0**	**2,701.7**	**– 415.7**

NOTES

Principles and methods underlying the consolidated financial statements

General

The TUI Group operates in tourism with its major subsidiaries and shareholdings. Its Tourism Segment comprises TUI Travel, TUI Hotels & Resorts and the Cruises Sector.

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

The members of the Executive Board and the Supervisory Board as well as other board mandates held by them are listed in the section on Corporate Governance in the Management Report.

The Executive Board and the Supervisory Board have submitted the Declaration of Compliance with the German Corporate Governance Code required pursuant to section 161 of the German Stock Corporation Act (AktG) and made it permanently accessible to the general public on the Company's website (www.tui-group.com).

The financial year of the TUI Group and its major subsidiaries included in consolidation covers the period from 1 October of any one year to 30 September of the following year. Where any of TUI's subsidiaries (in particular those of the Riu Group) use financial years with other closing dates, interim financial statements were prepared in order to include these subsidiaries in TUI AG's consolidated financial statements.

The consolidated financial statements are prepared in euros. Unless stated otherwise, all amounts are indicated in million euros (€ m).

The present consolidated financial statements were approved for publication by TUI AG's Executive Board on 8 December 2014.

Accounting principles

Pursuant to section 315a (1) of the German Commercial Code (HGB), in combination with Regulation EEC No. 1606 / 2002 of the European Union, TUI AG is legally obliged, as a listed company, to prepare consolidated financial statements in accordance with the rules of the International Accounting Standards Board (IASB), the International Financial Reporting Standards (IFRSs).

The IFRSs are applied in the form in they have been transposed into national legislation in the framework of the European Commission endorsement process. Moreover, the commercial-law provisions listed in section 315a (1) of the German Commercial Code are also observed.

The accounting and measurement methods and the explanatory information and Notes to these annual financial statements for financial year 2013 / 14 are consistent in every respect with those followed in preparing the previous consolidated financial statements for financial year 2012 / 13. Exceptions to this principle are the standards effective as from 1 October 2013 and the change presented in the section on Changes in accounting and measurement methods caused by an agenda decision by the IFRS Interpretations Committee.

STANDARDS APPLIED FOR THE FIRST TIME

The following standards and interpretations revised or newly published by the IASB have been mandatory since the beginning of financial year 2013 / 14:

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

In addition, the following standards amended by the IASB and transposed into European legislation by the European Union have been applied ahead of the effective date in 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 application of the above provisions did not have any material effects on the presentation of the TUI Group's net assets, financial position and results of operations in the present consolidated financial statements.

AMENDMENTS TO IAS 19: EMPLOYEE BENEFITS

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

The amendments to the standard, published in June 2011, have eliminated the existing option to use the corridor approach and have led to the immediate recognition of actuarial gains and losses in other comprehensive income outside profit and loss. In determining the net interest expense for defined benefit pension plans, income from plan assets will no longer have to be estimated as the expected return but will have to be determined as the interest on the plan based on the rate of interest used to determine the present value. Other amendments relate to the immediate recognition through profit and loss of past service costs in the event of future changes to plan arrangements or the presentation of the net interest on defined benefit pension plans. Amendments have furthermore been made to the distinction between termination benefits and other benefits provided by the employer. The revised standard also includes an extension of disclosure requirements in connection with employee benefits.

Elimination of the so-called corridor method does not have an impact as the immediate and full recognition of revaluations (in particular actuarial gains and losses) reflects the method already used by TUI. Accordingly, the amendment does not have an effect on the presentation of the consolidated statement of financial position. Changes in the TUI Group's cash flow statement only result with regard to the indirect method of deriving the cash inflow from operating activities.

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

In the current reporting period, the consolidated comprehensive income and the consolidated statement of financial position for financial year 2013 / 14 would not change as a result of application of the amended version of IAS 19 compared with continued application of IAS 19 in its previous version. The only changes arising from the calculation according to the new version would relate to the statement of comprehensive income, as follows:

- Increase in Group profit after tax of € 20.1 m with an increase in the financial result of € 27.0 m and reduction in tax assets of € 6.9 m
- Decrease in other comprehensive income within the items not to be reclassified to the income statement by € 20.1 m due to lower actuarial gains on fund assets and a reduction in allocable taxes
- Increase in (basic and diluted) earnings per share of € 0.04

The amendments related to the recognition of past service costs do not have an impact on earnings in the present consolidated financial statements. The Group has examined the effects of the amended definition of termination benefits on the current and the previous consolidated financial statements. For materiality reasons, provisions for part-time early retirement arrangements were not restated.

IFRS 13: FAIR VALUE MEASUREMENT

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

AMENDMENTS TO IFRS 7: FINANCIAL INSTRUMENTS – DISCLOSURES

The amendments 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 netting agreements, regardless of whether they have actually been netted according to IAS 32. The amendments create additional disclosure requirements in the Notes.

ANNUAL IMPROVEMENTS PROJECT 2009 – 2011

The annual improvements project (2009 – 2011) contains amendments to five standards (IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34). The provisions include minor changes in the contents and above all clarifications of the presentation, recognition and measurement. The amendments did not have a material effect on the consolidated financial statements.

AMENDMENT TO IAS 36: IMPAIRMENT OF ASSETS

The amendments clarify and expand the disclosure requirements regarding the recoverable amount for non-financial assets. The amendments 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 was recorded for this unit for the period under review and the recoverable amount is based on fair value less costs of disposal. The amendments also introduce additional disclosures for non-financial assets required if the recoverable amount was determined on the basis of fair value less costs of disposal. The amendments were endorsed by the European Union in December 2013 and are effective for financial years beginning on or after 1 January 2014. The TUI Group has applied the amendment as from 1 October 2013, ahead of the effective date. The amendments result in additional disclosures in the Notes to the present consolidated 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 a hedging relationship if certain conditions are met. The amendments were transposed into European legislation by the European Union in December 2013 and are effective for financial years beginning on or after 1 January 2014. The TUI Group has applied the amendment as from 1 October 2013, ahead of the effective date. The retrospective first-time application did not have any effects on the presentation of the Group’s net assets, financial position and results of operations.

STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

The following table provides an overview of the new standards and amendments to existing standards which do not yet have to be applied by the TUI Group for the present financial statements:

SUMMARY OF NEW STANDARDS AND INTERPRETATIONS NOT YET APPLIED/APPLICABLE

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

TUI does not generally intend to voluntarily apply these standards and interpretations or the resulting amendments ahead of their effective dates.

Information on the contents and potential effects on future periods is presented under other disclosures in Note 55.

CHANGES IN ACCOUNTING AND MEASUREMENT METHODS

Due to an agenda decision adopted by the IFRS Interpretations Committee in May 2014, minimum taxation will also be taken into account in recognising deferred tax assets on loss carryforwards as from financial year 2013 / 14 if deferred tax assets are only recognised to the extent that there is an overhang of deferred tax liabilities due to a lack of taxable profit. This recognition change is applied with retroactive effect as from the beginning of the reference period, i.e. as from 1 October 2012. The prior year's numbers were restated accordingly.

The restatements of prior year's numbers resulting from this change are presented in the section on Restatement of prior reporting period.

If the recognition of deferred tax assets on loss carryforwards had not changed, the following changes would have resulted in the income statement, statement of financial position and statement of comprehensive income for financial year 2013 / 14:

- Increase in Group profit after tax of € 2.6 m due to an increase in tax assets of the same amount
- Increase in deferred tax assets of € 3.6 m
- Decrease in deferred tax liabilities of € 31.6 m
- Increase in consolidated comprehensive income of € 2.6 m

The (basic and diluted) earnings per share would not have changed.

Restatement of prior reporting period

The tables below present the restatements caused by the amended IAS 19 and the change in the recognition of deferred taxes on the previous financial year. The prior year numbers were restated as follows:

RESTATED ITEMS OF THE INCOME STATEMENT OF THE TUI GROUP FOR THE PERIOD FROM 1 OCT 2012 TO 30 SEP 2013

€ million	before restatement	Restatement IAS 19	Restatement deferred tax	restated
Financial income	124.0	– 81.3	–	42.7
Financial expenses	359.7	– 67.2	–	292.5
Earnings before income taxes	**325.5**	**– 14.1**	**–**	**311.4**
EBITA	594.8	–	–	594.8
Underlying EBITA	**761.9**	**–**	**–**	**761.9**
Earnings before income taxes	**325.5**	**– 14.1**	**–**	**311.4**
Income taxes	139.0	– 3.5	9.5	145.0
Group profit for the year	**186.5**	**– 10.6**	**– 9.5**	**166.4**
Group profit for the year attributable to shareholders of TUI AG	4.3	– 5.9	– 9.5	– 11.1
Group profit for the year attributable to non-controlling interest	182.2	– 4.7	–	177.5
Basic and diluted earnings per share	– 0.08	– 0.04	– 0.02	– 0.14

RESTATED ITEMS IN THE STATEMENT OF COMPREHENSIVE INCOME OF THE TUI GROUP FOR THE PERIOD FROM 1 OCT 2012 TO 30 SEP 2013

€ million	before restatement	Restatement IAS 19	Restatement deferred tax	restated
Group profit	**186.5**	**–10.6**	**–9.5**	**166.4**
Actuarial gains from pension provisions and related fund assets	–19.5	14.1	–	–5.4
Income tax related to items that will not be reclassified	–12.8	–3.5	–	–16.3
Items that will not be reclassified to profit or loss	**–37.2**	**10.6**	**–**	**–26.6**
Total comprehensive income	**52.0**	**–**	**–9.5**	**42.5**
attributable to shareholders of TUI AG	–105.1	–	–9.5	–114.6
attributable to non-controlling interest	157.1	–	–	157.1

RESTATED ITEMS IN THE BALANCE SHEET OF THE TUI GROUP AS AT 1 OCT 2012 AND 30 SEP 2013

			1 Oct 2012			30 Sep 2013
€ million	before restatement	Restatement Deferred tax	restated	before restatement	Restatement Deferred tax	restated
Revenue Reserves	185.2	–23.1	162.1	151.3	–32.6	118.7
Equity	**2,067.1**	**–23.1**	**2,044.0**	**2,029.4**	**–32.6**	**1,996.8**
Deferred tax liabilities	69.5	23.1	92.6	76.6	32.6	109.2
Non-current provisions and liabilities	**3,772.7**	**23.1**	**3,795.8**	**3,824.8**	**32.6**	**3,857.4**

Principles and methods of consolidation

PRINCIPLES

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

The consolidated financial statements are prepared from the separate or single-entity financial statements of TUI AG and its subsidiaries, drawn up on the basis of uniform accounting, measurement and consolidation methods and usually exclusively audited or reviewed by auditors.

Shareholdings in companies in which the Group is able to exert significant influence over the financial and operating decisions within these companies (associates, all shareholdings of 20 % to less than 50 %) are measured at equity. Stakes in companies managed jointly with one or several partners (joint ventures) are also measured using the equity method. The dates as of which associates and joint ventures are included in or removed from the group of companies measured at equity are determined in analogy to the principles applying to subsidiaries. At equity measurement in each case is based on the last annual financial statements available or the interim financial statements as at 30 September if the balance sheet dates differ from TUI AG's balance sheet date.

This affects 35 companies with a financial year from 1 January to 31 December, four companies with a financial year from 1 November to 31 October and two companies with a financial year from 1 April to 31 March of the subsequent year.

GROUP OF CONSOLIDATED COMPANIES

In financial year 2013 / 14, the consolidated financial statements included a total of 46 domestic and 576 foreign subsidiaries, besides TUI AG.

27 domestic and 59 foreign subsidiaries were not included in the consolidated financial statements. Even when taken together, these companies were not significant for the presentation of a true and fair view of the net assets, financial position and results of operations of the Group.

DEVELOPMENT OF THE GROUP CONSOLIDATED COMPANIES* AND THE GROUP COMPANIES MEASURED AT EQUITY

	Balance 30 Sep 2013	Additions	Disposals	**Balance 30 Sep 2014**
Consolidated subsidiaries	**677**	**17**	**71**	**622**
Domestic companies	47	3	4	46
Foreign companies	630	14	68	576
Associated companies	**22**	**1**	**1**	**22**
Domestic companies	5	–	1	4
Foreign companies	17	1	–	18
Joint ventures	**40**	**1**	**6**	**35**
Domestic companies	7	–	–	7
Foreign companies	33	1	6	28

* Excl. TUI AG

Since 1 October 2013, a total of 17 companies have been newly included in consolidation, with eight companies added due to acquisitions and purchase of additional stakes and five companies due to an expansion of their business operations. Moreover, four companies were newly established. All additions relate to the Tourism Segment.

Since 30 September 2013, a total of 72 companies have been removed from consolidation. Seven of the companies were removed from consolidation due to mergers, 60 due to liquidation and four due to divestments. In addition, one company was removed from consolidation due to the discontinuation of its business operations. All removals relate to companies operating in the Tourism Segment.

22 associated companies and 35 joint ventures were measured at equity. The number of companies measured at equity remained unchanged as against 30 September 2013, with one acquisition and one disposal due to a reclassification to assets held for sale. The number of joint ventures measured at equity declined by a total of five due to a sale and the addition of companies to the group of consolidated companies.

The major direct and indirect subsidiaries, associates and joint ventures of TUI AG are listed under Other Notes – TUI Group Shareholdings.

The effects of the changes in the group of consolidated companies in financial year 2013 / 14 on financial years 2013 / 14 and 2012 / 13 are outlined below. While the value of companies deconsolidated in financial year 2013 / 14 shown in the statement of financial position is carried as per the closing date for the previous period, items of the income statement are also shown for financial year 2013 / 14 due to prorated effects.

IMPACT OF CHANGES IN THE GROUP OF CONSOLIDATED COMPANIES ON THE STATEMENT OF FINANCIAL POSITION

€ million	Additions **30 Sep 2014**	Disposals 30 Sep 2013
Non-current assets	123.8	25.7
Current assets	30.1	11.2
Non-current financial liabilities	16.9	6.0
Current financial liabilities	4.8	1.7
Non-current other liabilities	5.6	3.5
Current other liabilities	30.5	7.2

IMPACT OF CHANGES IN THE GROUP OF CONSOLIDATED COMPANIES ON THE CONSOLIDATED INCOME STATEMENT

€ million	Additions **2013 / 14**	Disposals **2013 / 14**	Disposals 2012 / 13
Turnover with third parties	64.2	11.2	21.7
Turnover with consolidated Group companies	3.8	4.5	10.9
Cost of sales and administrative expenses	71.5	16.1	33.2
Other income / other expenses	12.3	5.2	–
Share of result of joint ventures and associates	– 0.5	–	– 0.1
Financial expenses	0.7	–	0.2
Earnings before income taxes	**7.6**	**4.8**	**– 0.9**
Income taxes	– 0.4	– 0.3	1.0
Group profit for the year	**8.0**	**5.1**	**– 1.9**

ACQUISITIONS – DIVESTMENTS

In financial year 2013 / 14, the cost to purchase companies and business lines totalled € 22.7 m.

SUMMARY PRESENTATION OF ACQUISITIONS

Name and headquarters of the acquired company or business	Business activity	Acquirer	Date of acquisition	Acquired share	Consideration transferred in € million
Le Passage to India Tours & Travels pvt. Ltd., New Delhi, India	Tour operator	Trina Group Limited	19 Dec 13	41.0 %	11.9
Global Obi S.L., Palma de Mallorca, Spain	Online-Services	Hotelbeds Spain SLU	21 Feb 14	51.0 %	4.7
6 Travel agencies in Germany	Travel agent	TUI Leisure Travel GmbH	1 Oct 13 – 30 Jun 14	n/a	1.3
OFT REISEN GmbH, Rengsdorf, Germany	Tour operator	Leibniz Service GmbH	6 Jun 14	50 %	1.2
Carlson Saint Martin SAS (Group), Anse Marcel, Saint Martin	Hotel operating company	RIUSA NED B.V.	30 May 14	100 %	0.8
Voukouvalides Tours Tourism S.A., Kos, Greece	Destination Services	TUI Hellas Travel Tourism & Airline S.A.	31 Jul 14	50 %	2.8
Total					**22.7**

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

Measurement of Le Passage to India Tours & Travels pvt. Ltd., OFT REISEN GmbH and Voukouvalidis Tours Tourism S.A., previously measured at equity, at fair value totalling € 14.7 m directly before the acquisition of additional shares leading to classification as a fully consolidated subsidiary resulted in income of € 12.3 m. Taking account of expenses of € 9.3 m for the termination of business relationships with Le Passage to India Tours & Travels pvt. Ltd. that had existed prior to inclusion in consolidation, an overall profit of € 3.0 m arises.

The difference arising between the consideration transferred and the remeasured acquired net assets of € 27.0 m as at the acquisition date was carried as provisional goodwill. This goodwill essentially constitutes part of the future synergy, earnings and cost savings potential. The goodwill capitalised in the period under review includes an amount of € 1.0 m expected to be deductible for tax purposes.

In accordance with the rules of IFRS 3, incidental acquisition costs of the acquired companies are carried as administrative expenses in the income statement. The remuneration for future services of employees (up to € 9.5 m) 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	13.7
Property, plant and equipment	24.3
Investments	2.0
Fixed assets	**40.0**
Inventories	0.3
Trade receivables	15.8
Other assets (including prepaid expenses)	4.4
Cash and cash equivalents	6.6
Deferred tax liabilities	4.3
Financial liabilities	19.0
Liabilities and deferred income	31.9
Net assets	**11.9**

The table below presents the determination of goodwill.

GOODWILL

€ million	Fair value at date of first-time consolidation
Contractually agreed purchase price	22.7
Fair value of pre-existing investments	14.7
Acquisition cost	**37.4**
Net assets	11.9
Fair value of non-controlling interest	1.5
Goodwill	**27.0**

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

The acquisitions did not have a material effect on turnover and the Group result for the period under review.

The purchase price allocations of the following companies and groups acquired between 1 October 2012 and 30 September 2013 were finalised within the twelve-month timeframe provided under IFRS 3 in the present annual financial statements:

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

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

FINAL PRESENTATION OF THE STATEMENTS OF FINANCIAL POSITION AS AT FIRST-TIME CONSOLIDATION FOR ACQUISITIONS OF THE FINANCIAL YEAR 2012/13

€ million	Carrying amounts at date of acquisition	Revaluation of assets and liabilities	Fairvalue at date of first-time consolidation
Other intangible assets	6.9	3.7	10.6
Property, plant and equipment	12.6	–	12.6
Fixed assets	**19.5**	**3.7**	**23.2**
Inventories	0.8	–	0.8
Trade receivables	26.1	–	26.1
Deferred tax receivables	6.3	–	6.3
Other assets (icluding prepaid expenses)	4.7	–	4.7
Cash and cash equivalents	8.5	–	8.5
Deferred tax liabilities	–	1.0	1.0
Other provisions	20.0	–	20.0
Financial liabilities	2.7	–	2.7
Liabilities and deferred income	38.1	–	38.1
Net assets	**5.1**	**2.7**	**7.8**

The purchase price allocation has remained unchanged as 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 €29.4 m, as before. The capitalised goodwill essentially represents a part of the expected synergy and earnings potentials.

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

FOREIGN EXCHANGE TRANSLATION

Transactions in foreign currencies are translated into the functional currency at the foreign exchange rates pertaining at the date of the transaction. Any gains and losses resulting from the execution of such transactions and the translation of monetary assets and liabilities denominated in foreign currencies at the foreign exchange rate pertaining at the date of the transaction are shown in the income statement, with the exception of gains and losses to be recognised in equity as qualifying cash flow hedges.

The annual financial statements of companies are prepared in the respective functional currency. The functional currency of a company is the currency of the primary economic environment in which the company operates. With the exception of a small number of companies in the Tourism Segment, the functional currencies of all subsidiaries correspond to the currency of the country of incorporation of the respective subsidiary.

Where subsidiaries prepare their financial statements in functional currencies other than the euro, i.e. the Group's reporting currency, the assets, liabilities and notes to the statement of financial position are translated at the mean rate of exchange applicable at the balance sheet date (closing rate). Goodwill allocated to these companies and adjustments of the fair value arising on the acquisition of a foreign company are treated as assets and liabilities of the foreign company and also translated at the mean rate of exchange applicable at the balance sheet date. The items of the income statement and hence the result for the year shown in the income statement are always translated at the mean rate of the month in which the respective transaction takes place.

Differences arising on the translation of the annual financial statements of foreign subsidiaries are carried outside profit and loss and separately shown as foreign exchange differences in the consolidated statement of changes in equity. When a foreign company or operation is sold, any foreign exchange differences previously carried in equity outside profit and loss are recognised as a gain or loss from disposal in the income statement through profit and loss.

Translation differences relating to non-monetary items with changes in their fair values eliminated through profit and loss (e.g. equity instruments measured at their fair value through profit and loss) are carried in the income statement. In contrast, translation differences for non-monetary items with changes in their fair values taken to equity (e.g. equity instruments classified as available for sale) are carried in revenue reserves.

The TUI Group did not hold any subsidiaries operating in hyperinflationary economies in the financial year under review, nor in the previous year.

The translation of the financial statements of foreign companies measured at equity follows the same principles for adjusting carrying amounts and translating goodwill as those used for consolidated subsidiaries.

NET INVESTMENT IN A FOREIGN OPERATION

Monetary items receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, essentially constitute part of a net investment in this foreign operation. Foreign exchange differences from the translation of these monetary items are recognised in other comprehensive income, i.e. in equity outside profit and loss.

EXCHANGE RATES OF CURRENCIES OF RELEVANCE TO THE TUI GROUP

	Closing rate		Annual average rate	
1 € equivalent	**30 Sep 2014**	30 Sep 2013	**2013/14**	2012/13
Sterling	0.78	0.84	0.82	0.84
US dollar	1.26	1.35	1.36	1.31
Swiss franc	1.21	1.22	1.22	1.23
Swedish krona	9.15	8.66	9.00	8.59

CONSOLIDATION METHODS

The recognition of the net assets of acquired subsidiaries is based on the purchase method of accounting. Accordingly, irrespective of existing non-controlling interests, all identifiable assets, liabilities and contingent liabilities are initially measured at fair value as at the acquisition date. Subsequently, the consideration for the stake is measured at fair value and eliminated against the acquiree's revalued equity attributable to the acquired share. As in the prior year, the option to measure the non-controlling interests at their fair value (full goodwill method), allowed for use in individual cases, was not used.

Any excess of acquisition costs over net assets acquired is capitalised as goodwill and recognised as an asset for the acquired subsidiary in accordance with the provisions of IFRS 3. Any negative goodwill is immediately reversed through profit and loss as at the date on which it arises, with the reversal effect carried under other income.

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

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

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

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

The Group's major associates and joint ventures are measured at equity and carried at the cost to purchase as at the acquisition date. The group's stake in associates and joint ventures includes the goodwill arising from the respective acquisition transaction.

The Group's share in profits and losses of associates and joint ventures is carried in the income statement as from the date of acquisition (Result from joint ventures and associates), while the Group's share in changes in reserves is shown in its revenue reserves. The accumulated changes arising after the acquisition are shown in the carrying amount of the participation. Where the share in the loss of an associated company or joint venture equals or exceeds the Group's original stake in this company, including other unsecured receivables, no further losses are recognised as a matter of principle. Any losses exceeding that stake are only recognised where obligations have been assumed or payments have been made for the associated company or joint venture.

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

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

Intercompany receivables and payables or provisions are eliminated. Intercompany turnover and other income as well as the corresponding expenses are eliminated. Intercompany results from intercompany deliveries and services are reversed through profit and loss, taking account of deferred taxes. However, intercompany losses are understood as suggesting that an impairment test is required for the transferred assets. Intercompany deliveries and services are provided in conformity with the arm's length principle.

Accounting and measurement methods

The financial statements of the consolidated subsidiaries are prepared in accordance with uniform accounting and measurement principles. The amounts recognised in the consolidated financial statements are not determined by tax regulations but solely by the commercial presentation of the net assets, financial position and results of operations as set out in the rules of the IASB.

TURNOVER RECOGNITION

Turnover comprises the fair value of the consideration received or to be received for the sale of products and services in the framework of ordinary business activities. Turnover is carried excluding value-added tax, returns, discounts and price rebates and after elimination of intra-Group sales.

As a matter of principle, turnover and other income is recognised upon rendering of the service or delivery of the assets and hence upon transfer of the risk.

The commission fees received by travel agencies for package tours are recognised once the travel agencies have performed their contractual obligations towards the tour operator. As a rule, this condition is met upon payment by the customers or, at the latest, at the date of departure. The services of tour operators mainly consist in organising and coordinating package tours. Turnover from the organisation of tours is therefore recognised in full when the customer departs. Turnover from individual travel modules booked directly from airlines, hotel companies or incoming agencies by customers is recognised when the customers use the services concerned. Income from non-completed cruises is recognised according to the proportion of contract performance at the balance sheet date. The percentage of completion is determined as the ratio between travel days completed by the balance sheet date and overall travel days.

Interest income is reported on a prorated basis according to the effective interest method. Dividends are recognised when the legal claim has arisen.

GOODWILL AND OTHER INTANGIBLE ASSETS

Acquired intangible assets are carried at cost. Self-generated intangible assets, primarily software for use by the Group itself, are capitalised at cost where an inflow of future economic benefits for the Group is probable and can be reliably measured. The cost to produce comprises direct costs and directly allocable overheads. Intangible assets with a limited service life are amortised over the expected useful life.

Intangible assets acquired in the framework of business combinations, such as order book, customer base or trademark rights, are carried at their fair value as at the date of acquisition and amortised on a straight-line basis.

USEFUL LIVES OF INTANGIBLE ASSETS

	Useful lives
Concessions, property rights and similar rights	up to 20 years
Trademarks at acquisition date	15 to 20 years
Order book as at acquisition date	until departure date
Software	3 to 10 years
Customer base as at acquisiton date	up to 15 years

If there are any events or indications suggesting potential impairment, the amortised carrying amount of the intangible asset is compared with the recoverable amount. Any losses in value going beyond wear-and-tear depreciation are taken into account through the recognition of impairments.

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

Intangible assets with indefinite useful lives are not amortised but have to be tested for impairment at least annually. In addition, impairment tests are conducted if there are any events or indications suggesting potential impairment. The TUI Group's intangible assets with an indefinite useful life consist exclusively of goodwill.

Impairment tests for goodwill are conducted on the basis of cash generating units. According to the IASB rules, cash generating units are the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets. In the Tourism Segment, the TUI Travel Sector as a whole represents a cash generating unit. Allocation in the TUI Hotels & Resorts Sector is based on the individual hotel groups.

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

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

PROPERTY, PLANT AND EQUIPMENT

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

Borrowing costs directly associated with the acquisition, construction or production of qualified assets are included in the costs to acquire or produce these assets until the assets are ready for their intended use. The capitalisation rate is 6.00 % for the financial year under review and 6.75 % for the previous year. In financial year 2013 / 14, borrowing costs of € 10.1 m (previous year € 9.6 m) were capitalised as part of the costs to purchase and costs to produce. Other borrowing costs are recognised as current expenses.

To the extent that funds are borrowed specifically for the purpose of obtaining a qualified asset, the underlying capitalisation rate is determined on the basis of the specific borrowing cost; in all other cases the weighted average of the borrowing costs applicable to the borrowings outstanding is applied.

Depreciation of property, plant and equipment is based on the straight-line method, based on the customary useful lives. Use-related depreciation and amortisation is based on the following useful lives:

USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

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

Moreover, the level of depreciation is determined by the residual amounts recoverable at the end of the useful life of an asset. The residual value assumed in first-time recognition for cruise ships and their hotel complexes is 30 % of the acquisition costs. The determination of the depreciation of aircraft fuselages, aircraft engines and spare parts in first-time recognition is based on a residual value of 20 % of the cost of acquisition.

Both the useful lives and assumed residual values are reviewed on an annual basis when preparing the annual financial statements. The review of the residual values is based on comparable assets at the end of their useful lives as at the current point in time. Any adjustments required are effected as a correction of depreciation over the remaining useful life of the asset. The adjustment of depreciation is effected retrospectively for the entire financial year in which the review has taken place. Where the review results in an increase in the residual value so that it exceeds the remaining net carrying amount of the asset, depreciation is suspended. In this case, the amounts are not written back.

Any losses in value going beyond wear-and-tear depreciation are taken into account through the recognition of impairment losses. If there are any events or indications suggesting impairment, the required impairment test is performed to compare the carrying amount of an asset with the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and the value of future payment flows attributable to the asset (value in use).

Investment grants received are shown as reductions in the costs to purchase or produce items of property, plant or equipment where these grants are directly allocable to individual items. Where a direct allocation of grants is not possible, the grants and subsidies received are carried as deferred income under other liabilities and reversed in accordance with the use of the investment project.

LEASES

FINANCE LEASES

In accordance with IAS 17, leased property, plant and equipment in which the TUI Group carries all essential risks and rewards incident to ownership of the assets are capitalised. Capitalisation is based on the fair value of the asset or the present value of the minimum lease payments, if lower. Depreciation is charged over the useful life or the lease term, if shorter, on the basis of the depreciation method applicable to comparable purchased or manufactured assets. Payment obligations arising from future lease payments are carried as liabilities with no consideration of future interest expenses. Every lease payment is broken down into an interest portion and a redemption portion so as to produce a constant periodic rate of interest on the remaining balance of the liability. The interest portion is carried in the income statement through profit or loss.

Where companies of the TUI Group are lessors in finance leases, receivables equivalent to the net investment value are carried for the leases. The periodic distribution of the income from finance leases results in constant interest payments on the outstanding net investment volume of the leases over the course of time.

OPERATING LEASES

Both expenses made and income received under operating leases are recognised in the income statement on a straight-line basis over the term of the corresponding leases.

SALE-AND-LEASE-BACK TRANSACTIONS

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

If a sale-and-lease-back transaction results in an operating lease, a gain or loss is recognised immediately if the transaction has demonstrably been carried out at fair value. If a loss is compensated for by future lease payments at below-market price, this loss is to be deferred and amortised over the term of the lease agreement. If the agreed purchase price exceeds fair value, the gain from the difference between these two values is also deferred and amortised.

INVESTMENT PROPERTY

Property not occupied for use by subsidiaries and exclusively held to generate rental income and capital gains is recognised at amortised cost. This property is depreciated over a period of up to 50 years.

FINANCIAL INSTRUMENTS

Financial instruments are contractual rights or obligations that will lead to an inflow or outflow of financial assets or the issue of equity rights. They also comprise derivative rights or obligations derived from primary assets.

In accordance with IAS 39, financial instruments are broken down into financial assets or liabilities to be measured at fair value through profit and loss, loans and receivables, financial assets available for sale, financial assets held to maturity and other liabilities.

In terms of financial instruments measured at fair value through profit and loss, the TUI Group holds derivative financial instruments mainly to be classified as held for trading as they do not meet the balance sheet-related criteria as hedges in the framework of a hedging relationship. The fair value option is not exercised. Moreover, the TUI Group holds financial assets in the loans and receivables and available for sale categories. However, the present financial statements do not include any assets held to maturity.

In financial year 2013 / 14, no major reclassifications were effected within the individual measurement categories (previous year no reclassifications).

PRIMARY FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

In the framework of follow-up measurement, loans and receivables are measured at amortised cost based on the effective interest method. Value adjustments are made to account for identifiable individual risks. Where objective information indicates that impairments are required, e.g. substantial financial difficulties of the counterparty, payment delays or adverse changes in regional industry conditions expected to impact the Group's borrowers in the light of past experience, impairments are effected at an amount corresponding to the expected loss. Impairments and reversals of impairments are carried under cost of sales, administrative expenses or financial expenses, depending on the technical nature of the transaction.

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

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

A derecognition of assets is primarily effected as at the date on which the rights for payments from the asset expire or are transferred and therefore as at the date essentially all risks and rewards of ownership are transferred.

Primary financial liabilities are carried in the consolidated statement of financial position if an obligation exists to transfer cash and cash equivalents or other financial assets to another party. First-time recognition of a primary liability is effected at its fair value. For loans taken out, the nominal amount received is reduced by discounts obtained and borrowing costs paid. In the framework of follow-up measurement, primary financial liabilities are measured at amortised cost based on the effective interest method.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

In the framework of initial measurement, derivative financial instruments are measured at the fair value attributable to them on the date the contract is entered into. The follow-up measurement is also effected at the fair value applicable at the respective balance sheet date. Where derivative financial instruments are not part of a hedge in connection with hedge accounting, they have to be classified as held for trading in accordance with IAS 39.

The method used to carry profits and losses depends on whether the derivative financial instrument has been classified as a hedge and on the type of underlying hedged item. Changes in the fair values of derivative financial instruments are immediately carried through profit and loss unless they are classified as a hedge in accordance with IAS 39. If, by contrast, they are classified as an effective hedge in accordance with IAS 39, the transaction is recognised as a hedge.

The TUI Group applies the hedge accounting provisions relating to hedging of balance sheet items and future cash flows. Depending on the nature of the underlying transaction, the Group classifies derivative financial instruments either as fair value hedges against exposure to changes in the fair value of assets or liabilities or as cash flow hedges against variability in cash flows from highly probable future transactions.

Upon conclusion of the transaction, the Group documents the hedge relationship between the hedge and the underlying item, the risk management goal and the underlying strategy. In addition, a record is kept of the assessment, both at the beginning of the hedge relationship and on a continual basis, as to whether the derivatives used for the hedge are highly effective in compensating for the changes in the fair values or cash flows of the underlying transactions.

Changes in the fair value of derivatives used as fair value hedges for the recognised assets or liabilities are carried through profit and loss. Moreover, the carrying amounts of the underlying transactions are adjusted through profit and loss for the gains or losses resulting from the hedged risk.

The effective portion of changes in the fair value of derivatives forming cash flow hedges is recognised in equity. Any ineffective portion of such changes in the fair value, by contrast, is recognised immediately in the income statement through profit and loss. Amounts taken to equity are reclassified to the income statement and carried as income or expenses in the period in which the hedged item has an effect on results.

If a hedge expires, is sold or no longer meets the criteria for hedge accounting, the cumulative gain or loss remains in equity and is only carried in the income statement through profit and loss when the originally hedged future transaction occurs. If the future transaction is no longer expected to take place, the cumulative gains or losses recognised directly in equity are recognised immediately through profit and loss.

INVENTORIES

Inventories are measured at the lower of cost or net realisable value. Net realisable value is the estimated selling price less the estimated cost incurred until completion and the estimated variable costs required to sell. All inventories are written down individually where the net realisable value of inventories is lower than their carrying amounts. Where the original causes of inventory write-downs no longer apply, the write-downs are reversed. The measurement method applied to similar inventory items is the weighted average cost formula.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash, call deposits, other current highly liquid financial assets with an original term of a maximum of three months and current accounts. Used credits in current accounts are shown as liabilities to banks under current financial liabilities.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if the associated carrying amount will be recovered principally through sale rather than through continued use.

The measurement is effected at the lower of carrying amount and fair value less costs to sell. Depreciation and at equity measurements have to be suspended. Impairments to fair value less costs to sell must be carried through profit and loss, with any gains on subsequent remeasurement resulting in the recognition of profits of up to the amount of the cumulative impairment cost.

EQUITY

Ordinary shares are classified as equity. Costs directly allocable to the issue of new shares or conversion options are taken to equity on a net after-tax basis as a deduction from the issuance proceeds.

HYBRID CAPITAL

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

PROVISIONS

Other provisions are formed when the Group has a current legal or constructive obligation as a result of a past event and where in addition it is probable that assets will be impacted by the settlement of the obligation and the level of the provision can be reliably determined. Provisions for restructuring measures comprise severance payments to employees and payments for the early termination of rental agreements. Provisions for environmental protection measures, in particular the disposal of legacy industry waste, are carried if future cash outflows are likely due to legal and public obligations to implement safeguarding or restoration measures, if the cost of these measures can be reliably estimated and the measures are not expected to lead to a future inflow of benefits.

Provisions for onerous losses are formed if the unavoidable costs of meeting contractual obligations exceed the expected economic benefit. Any assets concerned are impaired, if necessary, prior to forming the appropriate provision. No provisions are carried for future operating losses.

Where a large number of similar obligations exist, the probability of a charge over assets is determined on the basis of this group of obligations. A provision is also carried if the probability of a charge over assets is low in relation to an individual obligation contained in this group.

Provisions are measured at the present value of the expected expenses, taking account of a pre-tax interest rate, reflecting current market assessments of the time value of money and the risks specific to the liability. Risks already taken into account in estimating future cash flows do not affect the discount rate. Increases in provisions due to accrued interest are carried as interest expenses through profit or loss.

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

Past service cost is immediately recognised through profit or loss. Revaluations (in particular actuarial gains and losses) arising from the regular adjustment of actuarial parameters are eliminated against equity outside profit and loss in full when they occur.

For defined contribution plans, the Group pays contributions to public or private pension insurance plans on the basis of a statutory or contractual obligation or on a voluntary basis. The Group does not have any further payment obligations on top of the payment of the contributions. The contributions are carried under staff costs when they fall due.

LIABILITIES

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

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

As a matter of principle, the foreign exchange differences resulting from the translation of trade accounts payable are reported as a correction of the cost of sales. Foreign exchange differences from the translation of liabilities not resulting from normal performance processes are carried under other income / other expenses, financial expenses / income or administrative expenses, depending on the nature of the underlying liability.

DEFERRED TAXES

In accordance with IAS 12, deferred taxes are determined using the balance sheet liability method. Accordingly, probable future tax assets and liabilities are recognised for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Expected tax savings from the use of loss carryforwards assessed as recoverable in the future are capitalised. Although there continues to be no time limit for German loss carryforwards, the annual use of such carryforwards is restricted by means of minimum taxation. Foreign loss carryforwards frequently have to be used within a given country-specific time limit and are subject to restrictions concerning the use of these loss carryforwards for profits on ordinary activities, which are taken into account accordingly in the measurement.

Income tax is directly charged or credited to equity if the tax relates to items directly credited or charged to equity in the same period or some other period.

Deferred tax assets are carried to the extent that it is probable that future taxable profits will be available against which the temporary difference or an unused tax loss can be utilised.

Deferred taxes are measured at the tax rates and tax provisions applicable at the balance sheet date or adopted by law and expected to be applicable at the date of recognition of the deferred tax asset or the payment of the deferred tax liability.

CURRENT INCOME TAXES

The German companies of the TUI Group have to pay trade income tax of 15.2 % or 15.7 % (previous year 15.2 % or 15.7 %), depending on the applicable rate. As in the prior year, the corporation tax rate is 15.0 %, plus a 5.5 % solidarity surcharge on corporation tax.

The calculation of foreign income taxes is based on the laws and provisions applicable in the individual countries. The income tax rates applied to foreign companies vary from 0 % to 40.0 %.

Deferred and current income tax liabilities are offset against the corresponding tax assets where they exist in the same fiscal territory and have the same nature and maturity.

SHARE-BASED PAYMENTS

All share-based payment schemes in the Group are payment schemes paid in cash or via equity instruments.

For transactions with cash compensation, the resulting liability for the Group is charged to expenses at its fair value as at the date of the performance of the service by the beneficiary. Until payment of the liability, the fair value of the liability is remeasured at every closing date and all changes in the fair value are carried through profit and loss.

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

The fair value of the awards granted is measured using option valuation models, taking into account the terms and conditions upon which the awards were granted. The amount to be carried under staff costs is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to market-based performance conditions not meeting the thresholds for vesting.

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

SUMMARY OF SELECTED ACCOUNTING AND MEASUREMENT METHODS

The table below lists the key accounting and measurement methods used by the TUI Group.

SUMMARY OF SELECTED MEASUREMENT METHODS

Item in the statement of financial position	Measurement base
Assets	
Goodwill	At cost (subsequent measurement: impairment test)
Other intangible assets with indefinite useful lives	At cost (subsequent measurement: impairment test)
Other intangible assets with definite useful lives	At amortised cost
Property, plant & equipment	At amortised cost
Equity accounted investments	At cost as adjusted for post-acquisition changes in the Group's share of the investment's net assets
Financial assets	
Loans and receivables	At amortised cost
Held to maturity	Not applicable
Held for trading/Derivatives	At fair value
Available for sale	Fair value (with gains or losses recognised within other comprehensive income) or at cost
Inventory	Lower of cost and net realisable value
Trade and other receivables	At amortised cost
Cash and cash equivalents	At cost
Assets held for sale	Lower of cost and fair value less costs of disposal
Liabilities and Provisions	
Loans and borrowings	At amortised cost
Provision for pensions	Projected unit credit method
Other provisions	Present value of the settlement amount
Financial liabilities	
Non-derivative financial liabilities	Amortised cost
Derivative financial liabilities	At fair value
Payables, trade and other liabilities	Amortised cost

Key estimates and judgements

The presentation of the assets, liabilities, provisions and contingent liabilities shown in the consolidated financial statements is based on estimates and judgements. Any uncertainties are appropriately taken into account in determining the values.

All estimates and judgements are based on the conditions and assessments as at the balance sheet date. In evaluating the future development of business, account was taken of the future economic environment in the business areas and regions in which the Group operates, assumed to be realistic as at that point in time.

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

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

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

Despite careful preparation of the estimates, actual developments may deviate from these. In such cases, the assumptions and the carrying amounts of the assets and liabilities concerned, if necessary, are adjusted accordingly. As a matter of principle, changes in estimates are taken into account in the financial year in which the changes have occurred and in future periods.

GOODWILL

The goodwill reported as at 30 September 2014 had a carrying amount of € 3,136.2 m (previous year € 2,976.4 m). As goodwill is not amortised, its carrying amount is compared with the recoverable amounts at the level of cash generating units in order to establish its value. The TUI Group carries out this impairment test at least once a year towards the end of the financial year. The determination of the recoverable amount of a CGU for the implementation of the impairment test requires estimates and judgement with regard to the methodology used and the assumptions, which may have a considerable effect on the recoverable amount and the level of a potential impairment. They relate, in particular, to the weighted average cost of capital (WACC) after income taxes, used as the discounting basis, the growth rate of perpetuity and the forecasts for future cash flows including the underlying budget assumptions based on corporate planning. Changes in these assumptions may have a substantial impact on the recoverable amount and the level of a potential impairment.

Detailed disclosures about the implementation of the impairment test and the methods and assumptions used are provided in the section on Goodwill and other intangible assets in the chapter on Accounting and measurement methods.

ACQUISITION OF COMPANIES AND INTANGIBLE ASSETS

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

Detailed information on acquisitions of companies or useful lives of intangible assets is provided in the section Acquisitions – divestments in the chapter on Principles and methods of consolidation and in the section on Goodwill and other intangible assets of the chapter Accounting and measurement methods.

PROPERTY, PLANT AND EQUIPMENT

The measurement of wear-and-tear property, plant and equipment items entails estimates. The carrying amount of property, plant and equipment as at 30 September 2014 totals € 2,836.6 (previous year € 2,682.0 m). In order to review the amounts carried, an evaluation is carried out on an annual basis to assess whether there are any indications of a potential impairment. These indications relate to numerous areas and factors, e. g. the market-related or technical environment but also physical condition. If any such indication exists, management must estimate the recoverable amount on the basis of expected payment flows and appropriate interest rates. Moreover, essential estimates and judgements relate to the definition of economic useful lives as well as the residual amounts of items of property, plant and equipment which may be recovered.

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

PENSION PROVISIONS

As at 30 September 2014, the carrying amount of the provisions for pensions and similar liabilities totals € 1,274.5 m (previous year € 1,136.0 m).

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

At the balance sheet date, plan assets total € 1,980.0 m (previous year € 1,616.6 m). As assets classified as plan assets are never available for short-term sale, the fair values of these plan assets may change significantly by the realisation date. The interest rate used to discount the liability is also used to determine the expected return on plan assets.

Detailed information on actuarial assumptions is provided in the Notes to pension provisions carried in the statement of financial position under Note 32.

OTHER PROVISIONS

As at 30 September 2014, other provisions of € 1,073.6 m (previous year 1,024.2 m) are shown. When recognising and measuring provisions, considerable assumptions are required about probability of occurrence, maturity and level of risk. Provisions are formed if a past event has resulted in a current legal or factual obligation, if an outflow of assets is probable in order to meet that obligation, and if a reliable estimate can be made of the amount of the liability.

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

More detailed information on other provisions is offered in the Notes to the statement of financial position under Note 33.

DEFERRED TAX ASSETS

As at 30 September 2014, deferred tax assets totalling € 238.1 m (previous year € 224.6 m) were carried. Prior to offsetting against deferred tax liabilities, deferred tax assets total € 595.5 m, including an amount of € 135.3 m (previous year € 160.8 m) for capitalised loss carryforwards. The assessment of the usability of deferred tax assets is based on the ability of the respective Group company to generate sufficient taxable income. TUI therefore assesses as at every balance sheet date whether the recoverability of expected future tax savings is sufficiently probable in order to recognise deferred tax assets. The assessment is based on various factors including internal forecasts regarding the future tax asset situation of the Group. If the assessment of the recoverability of future deferred tax claims changes, impairments may be effected, if necessary, for the deferred tax assets.

More detailed information on deferred tax assets is available in the Notes to the statement of financial position under Note 22.

CURRENT INCOME TAXES

The Group is liable to pay income taxes in various countries. Key estimates are required when determining income tax liabilities. For certain transactions and calculations the final tax charge cannot be determined during the ordinary course of business. The level of obligations for expected tax audits is based on an estimation of whether and to what extent additional income taxes will be due. Judgements are corrected, if necessary, in the period in which the final tax charge is determined.

Segment reporting

Notes to the segments

The identification of operating segments is based on the internal organisational and reporting structure, built around the different products and services within the TUI Group. Allocation of individual organisational entities to operating segments is exclusively based on economic criteria, irrespective of the participation structure under company law. For the presentation of reportable segments in accordance with IFRS 8, both operating segments with comparable economic features and operating segments not meeting the quantitative thresholds are aggregated with other operating segments.

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

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

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

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

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

Notes to the segment data

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

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

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

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

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

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

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

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

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

KEY FIGURES BY SEGMENT AND SECTOR

€ million	
Statement of results	
Turnover	
Inter-segment turnover	
Segment turnover	
Group profit for the year	
Income taxes	
Earnings before taxes (EBT)	
of which share of results of joint ventures and associates	
Net interest result and result from the measurement of interest hedges	
Impairment of goodwill	
Result from Container Shipping measured at equity	
Earnings before interest, taxes and amortisation of goodwill (EBITA)	
Adjustments	
Underlying EBITA	
Amortisation of other intangible assets and depreciation of property, plant and equipment	
of which impairments	
Other depreciation/amortisation and write-backs	
of which write-backs	
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	
Rental expenses	
Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)	
Assets and liabilities	
Segment assets	
of which goodwill	
Carrying amounts of joint ventures and associates	
Interest-bearing Group receivables	
Cash and cash equivalents	
Other financial assets	
Non-allocable taxes	
Total assets	
Segment liabilities	
Third-party financial liabilities	
Group financial liabilities	
Other financial liability items	
Non-allocable taxes	
Total liabilities and provisions	
Additional disclosures	
Non-cash expenses	
Non-cash income	
Return on sales (on EBITA)	%
Investments	
Investments in goodwill	
Investments in other intangible assets and property, plant and equipment	
Financing ratio	%
Employees at year-end	

Tourism		All other Segments		Consolidation		Group	
2013/14	2012/13 restated	**2013/14**	2012/13 restated	**2013/14**	2012/13	**2013/14**	2012/13 restated
18,700.2	18,460.1	14.5	17.4	–	–	18,714.7	18,477.5
13.3	18.0	11.6	22.5	– 24.9	– 40.5	–	–
18,713.5	**18,478.1**	**26.1**	**39.9**	**– 24.9**	**– 40.5**	**18,714.7**	**18,477.5**
						283.9	**166.4**
						221.7	145.0
652.9	**496.8**	**– 147.3**	**– 185.4**	**–**	**–**	**505.6**	**311.4**
78.9	81.6	– 38.9	– 22.3	–	–	40.0	59.3
172.2	167.9	57.1	84.9	–	–	229.3	252.8
–	8.3	–	–	–	–	–	8.3
–	–	38.9	22.3	–	–	38.9	22.3
825.1	**673.0**	**– 51.3**	**– 78.2**	**–**	**–**	**773.8**	**594.8**
94.7	150.8	–	16.3	–	–	94.7	167.1
919.8	**823.8**	**– 51.3**	**– 61.9**	**–**	**–**	**868.5**	**761.9**
404.8	408.2	2.2	10.7	–	–	407.0	418.9
21.5	36.3	0.1	6.6	–	–	21.6	42.9
8.7	1.0	–	2.1	–	–	8.7	3.1
9.3	3.3	–	2.1	–	–	9.3	5.4
1,221.2	**1,080.2**	**– 49.1**	**– 69.6**	**–**	**–**	**1,172.1**	**1,010.6**
795.0	795.4	–	5.5	3.7	– 3.1	798.7	797.8
2,016.2	**1,875.6**	**– 49.1**	**– 64.1**	**3.7**	**– 3.1**	**1,970.8**	**1,808.4**
9,015.3	8,573.6	658.6	214.0	– 0.4	0.8	9,673.5	8,788.4
3,136.2	2,976.4	–	–	–	–	3,136.2	2,976.4
988.0	864.5	–	521.9	–	–	988.0	1,386.4
80.6	57.5	909.4	989.3	– 990.0	– 1,046.8	–	–
1,914.9	2,194.7	371.1	507.0	–	–	2,286.0	2,701.7
377.6	236.3	2,808.1	2,451.7	– 2,439.1	– 2,388.7	746.6	299.3
–	–	–	–	–	–	332.1	278.5
						14,026.2	**13,454.3**
7,386.9	6,733.2	280.4	263.1	– 5.5	– 4.5	7,661.8	6,991.8
1,305.1	2,145.9	657.8	623.7	–	–	1,962.9	2,769.6
908.6	987.7	81.9	58.1	– 990.5	– 1,045.8	–	–
1,175.6	1,008.4	361.5	336.8	–	–	1,537.1	1,345.2
–	–	–	–	–	–	347.3	351.0
						11,509.1	**11,457.6**
54.5	38.4	38.9	22.3	–	–	93.4	60.7
104.7	101.6	–	–	–	–	104.7	101.6
4.4	3.6	–	–	–	–	4.1	3.2
828.6	817.3	1.9	3.5	–	–	830.5	820.8
27.0	29.4	–	–	–	–	27.0	29.4
801.6	787.9	1.9	3.5	–	–	803.5	791.4
48.9	51.0	115.8	305.7	–	–	49.0	52.0
77,082	74,040	227	405	–	–	77,309	74,445

KEY FIGURES TOURISM SEGMENT

€ million		2013 / 14	TUI Travel 2012 / 13 restated
Statement of results			
Turnover		17,954.6	17,796.0
Inter-segment turnover		24.1	27.4
Segment turnover		**17,978.7**	**17,823.4**
Group profit for the year			
Income taxes		–	–
Earnings before taxes (EBT)		**445.4**	**386.0**
of which share of result of joint ventures and associates		9.7	21.3
Net interest result and result from the measurement of interest hedges		152.5	146.8
Impairment of goodwill		–	–
Earnings before interest, taxes and amortisation of goodwill (EBITA)		**597.9**	**532.8**
Adjustments		109.7	107.7
Underlying EBITA		**707.6**	**640.5**
Amortisation of other intangible assets and depreciation of property, plant and equipment		324.9	313.9
of which impairments		18.5	20.0
Other depreciation/amortisation and write-backs		6.0	2.2
of which write-backs		6.6	2.7
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**916.8**	**844.5**
Rental expenses		723.9	730.2
Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)		**1,640.7**	**1,574.7**
Assets and liabilities			
Segment assets		7,244.1	6,844.6
of which goodwill		2,767.5	2,607.3
Carrying amounts of joint ventures and associates		308.0	281.8
Interest-bearing Group receivables		4.1	4.0
Cash and cash equivalents		1,767.7	2,096.9
Other financial assets		306.5	158.7
Non-allocable taxes			
Total assets			
Segment liabilities		7,216.4	6,555.1
Third-party financial liabilities		1,112.0	1,923.1
Group financial liabilities		8.2	8.8
Other financial liability items		1,158.3	994.6
Non-allocable taxes			
Total liabilities and provisions			
Additional disclosures			
Non-cash expenses		54.0	37.5
Non-cash income		32.2	40.4
Return on sales (on EBITA)	%	3.3	3.0
Investments		681.6	725.1
Investments in goodwill		27.0	29.4
Investments in other intangible assets and property, plant and equipment		654.6	695.7
Financing ration	%	47.7	43.3
Employees at year-end		62,205	59,756

	TUI Hotels & Resorts		Cruises		Consolidation		Tourism	
	2013 / 14	2012 / 13	**2013 / 14**	2012 / 13	**2013 / 14**	2012 / 13	**2013 / 14**	2012 / 13 restated
	464.6	403.1	281.0	261.0	–	–	18,700.2	18,460.1
	396.7	423.5	1.0	–	– 408.5	– 432.9	13.3	18.0
	861.3	**826.6**	**282.0**	**261.0**	**– 408.5**	**– 432.9**	**18,713.5**	**18,478.1**
	–	–	–	–	–	–	–	–
	183.4	**141.4**	**24.1**	**– 30.6**	**–**	**–**	**652.9**	**496.8**
	37.9	42.9	31.3	17.4	–	–	78.9	81.6
	19.6	20.9	0.1	0.2	–	–	172.2	167.9
	–	8.3	–	–	–	–	–	8.3
	203.0	**170.6**	**24.2**	**– 30.4**	**–**	**–**	**825.1**	**673.0**
	– 0.5	26.6	–14.5	16.5	–	–	94.7	150.8
	202.5	**197.2**	**9.7**	**–13.9**	**–**	**–**	**919.8**	**823.8**
	66.8	82.9	13.1	11.4	–	–	404.8	408.2
	3.0	16.3	–	–	–	–	21.5	36.3
	2.7	–1.3	–	0.1	–	–	8.7	1.0
	2.7	0.5	–	0.1	–	–	9.3	3.3
	267.1	**254.8**	**37.3**	**–19.1**	**–**	**–**	**1,221.2**	**1,080.2**
	32.3	33.5	38.8	31.7	–	–	795.0	795.4
	299.4	**288.3**	**76.1**	**12.6**	**–**	**–**	**2,016.2**	**1,875.6**
	1,671.8	1,599.8	167.3	187.6	– 67.9	– 58.4	9,015.3	8,573.6
	368.7	369.1	–	–	–	–	3,136.2	2,976.4
	433.4	385.3	246.6	197.4	–	–	988.0	864.5
	9.3	1.8	67.2	51.7	–	–	80.6	57.5
	144.2	93.4	3.0	4.4	–	–	1,914.9	2,194.7
	65.2	76.6	5.9	1.0	–	–	377.6	236.3
	148.8	119.4	89.5	116.9	– 67.8	– 58.2	7,386.9	6,733.2
	193.1	222.8	–	–	–	–	1,305.1	2,145.9
	713.7	802.2	186.7	176.7	–	–	908.6	987.7
	2.0	2.3	15.3	11.5	–	–	1,175.6	1,008.4
	0.5	0.9	–	–	–	–	54.5	38.4
	41.2	43.8	31.3	17.4	–	–	104.7	101.6
	23.6	20.6	8.6	–11.6	–	–	4.4	3.6
	136.6	80.7	10.4	11.5	–	–	828.6	817.3
	–	–	–	–	–	–	27.0	29.4
	136.6	80.7	10.4	11.5	–	–	801.6	787.9
	48.9	113.0	126.0	99.1	–	–	48.9	51.0
	14,649	14,013	228	271	–	–	77,082	74,040

KEY FIGURES BY REGION

€ million	Germany 2013/14	Germany 2012/13	Great Britain 2013/14	Great Britain 2012/13	Spain 2013/14	Spain 2012/13	Other EU 2013/14	Other EU 2012/13
Consolidated turnover by customer	**4,958.7**	**4,847.3**	**6,010.3**	**5,763.6**	**164.4**	**266.2**	**5,498.5**	**5,669.7**
Consolidated turnover by domicile of companies	**5,146.0**	**5,200.4**	**5,749.3**	**5,578.0**	**651.4**	**570.8**	**5,384.2**	**5,396.5**
Long-term segment assets	**769.8**	**848.9**	**3,550.1**	**3,201.8**	**816.8**	**857.2**	**521.9**	**612.0**
Non-allocable taxes	–	–	–	–	–	–	–	–
Segment liabilities	**1,864.7**	**1,847.7**	**2,605.9**	**2,303.4**	**606.7**	**443.0**	**2,059.8**	**1,987.1**
Non-allocable taxes	–	–	–	–	–	–	–	–
Additional disclosures								
Depreciation/amortisation	51.5	62.9	157.7	141.8	51.3	51.9	76.4	94.9
Investments	84.7	147.1	450.3	429.5	66.9	50.3	67.8	103.4
Investments in goodwill	3.3	18.2	–	1.3	3.1	–	3.8	–
Investments in other tangible assets and property, plant and equipment	81.4	128.9	450.3	428.2	63.8	50.3	64.0	103.4
Employees at year-end	10,103	10,157	16,299	17,156	10,556	9,395	12,681	12,438

	Rest of Europe		North and South America		Other regions		Consolidation		Group	
	2013/14	2012/13	**2013/14**	2012/13	**2013/14**	2012/13	**2013/14**	2012/13	**2013/14**	2012/13 restated
	727.0	**724.3**	**875.1**	**748.9**	**480.7**	**457.5**	**–**	**–**	**18,714.7**	**18,477.5**
	509.6	**577.7**	**773.0**	**715.4**	**501.2**	**438.7**	**–**	**–**	**18,714.7**	**18,477.5**
	66.2	**78.7**	**1,007.2**	**833.4**	**602.6**	**511.4**	**–12.0**	**–12.4**	**7,322.6**	**6,931.0**
	–	–	–	–	–	–	–	–	332.1	278.5
	107.8	**112.1**	**394.0**	**332.0**	**414.3**	**302.0**	**–391.4**	**–335.5**	**7,661.8**	**6,991.8**
	–	–	–	–	–	–	–	–	347.3	351.0
	1.8	4.3	33.4	28.8	34.9	36.6	–	–	407.0	421.2
	1.6	3.2	55.5	38.1	103.7	49.2	–	–	830.5	820.8
	–	–	–	0.6	16.8	9.3	–	–	27.0	29.4
	1.6	3.2	55.5	37.5	86.9	39.9	–	–	803.5	791.4
	7,710	8,078	8,612	8,361	11,348	8,860	–	–	77,309	74,445

Notes to the consolidated income statement

The Group's earnings position continued to show a positive development in financial year 2013 / 14. Both the operating result and Group result after tax rose substantially year-on-year in financial year 2013 / 14. This positive development is attributable to lower expenses by TUI AG's corporate centre and, in particular, earnings improvements at TUI Travel and a successful operating performance of the Riu and Robinson hotel companies and the Cruises Sector. In the period under review, the sound operating performance of TUI Travel was driven, in particular, by continued strong demand for differentiated product, a growing proportion of online sales and higher average selling prices in the Mainstream Business.

(1) Turnover

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

(2) Cost of sales and administrative expenses

The cost of sales relate to the expenses incurred to provide the tourism services. Apart from the expenses for personnel, depreciation / amortisation and rental and lease expenses, they include in particular all costs incurred by the Group in connection with the provision and delivery of airline services, hotel accommodation and cruises as well as distribution costs.

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

ADMINISTRATIVE EXPENSES

€ million	**2013 / 14**	2012 / 13
Staff costs	899.1	860.2
Lease, rental and leasing expenses	73.8	68.1
Depreciation, amortisation and impairments	100.4	110.0
Others	504.0	519.0
Total	**1,577.3**	**1,557.3**

The year-on-year increase in administrative expenses in financial year 2013 / 14 is mainly attributable to foreign exchange effects, besides the effects explained below.

The cost of sales and administrative expenses include the following expenses for rent and leasing, personnel and depreciation / amortisation:

LEASE, RENTAL AND LEASING EXPENSES

€ million	**2013 / 14**	2012 / 13
Lease, rental and leasing expenses	**861.5**	**850.5**
thereof cost of sales	787.7	782.4
thereof administrative expenses	73.8	68.1

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

STAFF COSTS

€ million	**2013 / 14**	2012 / 13
Wages and salaries	2,100.4	2,041.6
thereof cost of sales	1,349.7	1,308.6
thereof administrative expenses	750.7	733.0
Social security contributions, pension costs and benefits	365.6	391.7
thereof cost of sales	217.2	264.5
thereof administrative expenses	148.4	127.2
Total	**2,466.0**	**2,433.3**

Pension costs include expenses for defined benefit obligations. The net interest expense for the net debt from defined benefit obligations is carried under financial expenses due to its financing character. A detailed presentation of pension obligations is provided in Note 32.

The increase in the expenses for wages and salaries versus the prior year mainly results from the headcount growth in financial year 2013 / 2014. In the period under review, this item also included personnel expenses for companies included in consolidation for the first time in financial year 2013 / 14.

In financial year 2013 / 14, social security contributions and pension costs and other benefits were affected by further transactions to optimise pension schemes within the Group. In the UK, pensioners members of pension schemes and subsequently active members of these pension schemes were offered the option to exchange future increases in their pension for a immediately higher pension with only limited increases to be applied in future years. Moreover, a defined benefit pension plan in Norway was converted into a defined contribution plan. These transactions resulted in income of € 81.0 m in the period under review. A reduction in social security contributions and pension costs and other benefits had already been recorded in the prior year as a result of income from the curtailment of pension plans in a subsidiary in the Netherlands; however, at € 28.8 m it had been considerably lower. The income from the change in pension plans in the UK in financial year 2013 / 14 mainly relate to operational functions and are therefore carried under cost of sales.

The reduction in social security contributions and pension costs and other benefits due to the income from the pension measures was partly offset by an increase caused by the headcount growth and additional expenses for companies included in consolidation for the first time in financial year 2013 / 14. In the period under review, expenses also included expenses for restructuring measures in TUI Travel.

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

AVERAGE ANNUAL HEADCOUNT IN THE FINANCIAL YEAR (EXCL. APPRENTICES)

	2013 / 14	2012 / 13
Average annual – TUI Group	70,955	68,580

DEPRECIATION / AMORTISATION / WRITE-DOWNS

Depreciation and amortisation include the amortisation of other intangible assets, depreciation of property, plant and equipment as well as write-downs of investment property. The uniform Group-wide useful lives underlying depreciation and amortisation and the principles for impairment are outlined under Accounting and measurement in the Notes.

DEPRECIATION / AMORTISATION / IMPAIRMENTS

€ million	**2013 / 14**	2012 / 13
Depreciation and amortisation	385.4	376.0
thereof cost of sales	285.1	282.2
thereof administrative expenses	100.3	93.8
Impairments of property, plant and equipment	21.6	42.9
thereof cost of sales	21.5	26.7
thereof administrative expenses	0.1	16.2
Total	**407.0**	**418.9**

An essential component of impairments of property, plant and equipment is an impairment of € 18.2 m on a cruise ship in the TUI Travel sector.

The impairments carried in the prior year mainly comprised impairments of € 16.3 m on property, plant and equipment in Tenuta di Castelfalfi S.p.A. and impairments of € 6.6 m in connection with the fair value measurement of an aircraft available for sale. Major impairments of intangible assets included an amount of € 9.5 m for software and of € 2.8 for impairments of brand names.

(3) Other income / other expenses

OTHER INCOME / OTHER EXPENSES

€ million	**2013 / 14**	2012 / 13
Other income	35.9	37.1
Other expenses	2.1	10.8
Total	**33.8**	**26.3**

In financial year 2013 / 14, other income includes profits from sale-and-lease-back transactions with aircraft and book profits from the sale of the science park in Kiel and the industrial park in Berlin-Tempelhof. Additional income results from the sale of a hotel company in Switzerland and gains on disposal from the sale of shareholdings.

The other income carried in the prior year resulted primarily from the book profit from the divestment of a Riu Group hotel and profits from sale-and-lease-back transactions with aircraft.

Other expenses carried in the previous year mainly relate to losses from sale-and-lease-back transactions in connection with aircraft and losses from the disposal of shareholdings.

(4) Goodwill impairment

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

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

(5) Financial income

FINANCIAL INCOME

€ million	**2013 / 14**	2012 / 13 restated
Income from non-consolidated Group companies including income from profit transfer agreements	2.0	3.2
Income from other investments	0.4	0.6
Income from investments	**2.4**	**3.8**
Other interest and similar income	24.7	34.5
Interest income	**24.7**	**34.5**
Income from the measurement of other financial instruments	9.1	4.4
Total	**36.2**	**42.7**

The decline in other interest and similar income mainly results from lower interest paid on bank balances on account of the decline in interest rate levels.

The income from the measurement of other financial instruments includes income from the reversal of write-downs of financial receivables. In the prior year, this item had included income from the reversal of write-downs of a shareholding held for trading.

(6) Financial expenses

FINANCIAL EXPENSES

€ million	2013 / 14	2012 / 13 restated
Net interest expenses from defined benefit pension plans	38.6	41.4
Other interest and similar expenses	211.5	244.6
Expenses relating to the measurement of interest hedges	3.9	1.3
Interest expenses	**254.0**	**287.3**
Expenses relating to the measurement of other financial instruments	43.5	5.2
Foreign exchange losses on financial items	7.7	–
Total	**305.2**	**292.5**

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

Overall, financial expenses in financial year 2013 / 14 rose by € 12.7 m versus the prior year. This is mainly due to expenses of € 35.6 m for the impairment of loans to Togebi Holdings Limited (TUI Russia), and a provision. TUI Russia is primarily operating in source markets Russia and Ukraine. This issue, carried under expenses related to the measurement of other financial instruments is outlined in the section on Related parties.

(7) Share of results of joint ventures and associates measured at equity

SHARE OF RESULTS OF JOINT VENTURES AND ASSOCIATES MEASURED AT EQUITY

€ million	2013 / 14	2012 / 13
Income from associated companies measured at equity	29.9	32.8
Expenses for associated companies measured at equity	44.2	25.1
Share of result of associates measured at equity	**–14.3**	**7.7**
Income from joint ventures measured at equity	78.3	68.7
Expenses for joint ventures measured at equity	24.0	17.1
Share of result of joint ventures measured at equity	**54.3**	**51.6**
Total	**40.0**	**59.3**

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

The decline in the share of results of joint ventures and associates is mainly attributable to the increase in the loss from Container Shipping attributable to TUI to € – 38.9 m (previous year € – 22.3 m). In the tourism segment the sound performance of hotels and cruises in financial year 2013 / 14 was partly offset by further losses of € 21.4 m recorded by TUI Russia. The share of results of joint ventures and associates does not include the expenses for the impairment of loans to this company of € 35.6 m, nor the unrecognised losses of € 14.7 m. Recognition of these losses would have resulted in a reduction in the carrying amount of the joint venture to below zero.

In the financial year under review, the share of results of joint ventures and associates did not include any impairments, as in the prior year. An impairment recognised in prior years was reversed in the financial year under review at an amount of € 1.1 m.

GROUP SHARE IN INDIVIDUAL ITEMS OF INCOME STATEMENT OF ASSOCIATED COMPANIES

€ million	**2013 / 14**	2012 / 13
Operating income	1,582.2	2,216.9
Operating expenses	1,567.1	2,165.4
Operating result	**15.1**	**51.5**
Financial result	–17.5	–33.0
Profit on ordinary activities	**–2.4**	**18.5**
Income taxes	11.9	10.8
Profit / loss for the year	**–14.3**	**7.7**
Share of result of associates measured at equity	**–14.3**	**7.7**

GROUP SHARE IN INDIVIDUAL ITEMS OF INCOME STATEMENTS OF JOINT VENTURES

€ million	**2013 / 14**	2012 / 13
Operating income	776.3	879.6
Operating expenses	691.6	796.3
Operating result	**84.7**	**83.3**
Financial result	–12.1	–15.0
Profit on ordinary activities	**72.6**	**68.3**
Income taxes	18.3	16.7
Profit / loss for the year	**54.3**	**51.6**
Share of result of joint ventures measured at equity	**54.3**	**51.6**

(8) Adjustments

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

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

OTHER ONE-OFF ITEMS BY SECTOR

€ million	2013 / 14	2012 / 13
Tourism	**–19.0**	**20.0**
TUI Travel	–1.9	– 20.1
TUI Hotels & Resorts	–1.1	24.1
Cruises	–16.0	16.0
All other segments	**–**	**8.4**
Total	**–19.0**	**28.4**

The one-off items carried by TUI Travel for financial year 2013 / 14 include above all the income from the changes of pension plans in the UK and Norway, presented in the Notes to the staff costs. This income is carried alongside expenses, in particular expenses of € 50.4 m for the back payment of VAT on the margin for prior years in a subsidiary in Spain due to a change in the legal assessment. Besides, the adjustment also includes expenses of € 35.6 m for the impairment of loans to TUI Russia, outlined in the section on Related parties.

In the prior year, one-off items carried for TUI Travel mainly comprised income from the curtailment and settlement of pension plans in the Netherlands and income from sale-and-lease-back transactions with aircraft.

In the prior year, the Hotels & Resorts Sector recognised one-off impairments for the Castelfalfi project.

In the Cruises Sector, expenses for risk provisioning at Hapag-Lloyd Kreuzfahrten for impending losses from capacity risks of Europa 2 were carried as adjustments in the prior year. In financial year 2013 / 14, adjustments included income resulting from the use of the provision for onerous losses formed in the prior year.

One-off items carried for other segments in the prior year comprised in particular one-off expenses for the fair value measurement of an aircraft held for sale.

(9) Income taxes

BREAKDOWN OF INCOME TAXES

€ million	2013 / 14	2012 / 13 restated
Current tax expense		
in Germany	16,3	44.2
abroad	97,8	146.8
Deferred tax expense (previous year tax income)	107.6	– 46.0
Total	**221.7**	**145.0**

The decrease in current tax expenses is largely attributable to income from income taxes related to prior periods. The deferred tax liabilities in the period under review were mainly generated abroad. Income from current income taxes related to prior periods amounts to € 41.0 m in financial year 2013 / 14 (previous year expenese of € 42.4 m).

In financial year 2013 / 14, total income taxes of € 221.7 m (previous year € 145.0 m) were derived as follows from an "expected" income tax expense that would have arisen if the statutory income tax rate of TUI AG as the parent company (aggregate income tax rate) had been applied to earnings before tax.

RECONCILIATION OF EXPECTED TO ACTUAL INCOME TAXES

€ million	**2013 / 14**	2012 / 13 restated
Earnings before income taxes	505.6	311.4
Expected income tax (current year 31.5 %, previous year 31.5 %)	**159.3**	**98.1**
Variation from the difference between actual and expected tax rates	– 41.9	– 26.9
Changes in tax rates and tax law	–1.9	11.3
Income not taxable	– 80.6	–73.4
Expenses not deductible	96.2	120.1
Effects from loss carryforwards	74.1	2.4
Temporary differences for which no deferred taxes were recognised	24.4	0.7
Deferred and current tax relating to other periods (net)	– 8.4	12.8
Other differences	0.5	– 0.1
Income taxes	**221.7**	**145.0**

The effects of loss carryforwards mainly result from current impaired losses and from the impairment of deferred tax assets previously considered as realisable, in analogy to the effects of temporary differences for which no deferred taxes were carried.

(10) Group profit for the year attributable to shareholders of TUI AG

The Group result for the year attributable to TUI AG shareholders improved from €-11.1 m in the prior year to € 104.7 m in financial year 2013 / 14. The increase is mainly attributable to the earnings improvements in the Tourism Segment. The increase in the operating result achieved by Central Operations in the period under review was partly offset by the weakening of the prorated result from Container Shipping.

(11) Group profit for the year attributable to non-controlling interest

GROUP PROFIT FOR THE YEAR ATTRIBUTABLE TO NON-CONTROLLING INTEREST

€ million	**2013 / 14**	2012 / 13 restated
TUI Travel	112.7	114.3
TUI Hotels & Resorts	66.5	63.2
Total	**179.2**	**177.5**

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

(12) Earnings per share

In accordance with IAS 33, basic earnings per share are calculated by dividing the Group profit for the year attributable to TUI AG shareholders by the weighted average number of registered shares outstanding during the financial year under review. The average number of shares is derived from the total number of shares at the beginning of the financial year (252,375,570 shares), the employee shares issued on a pro rata temporis basis (83,624 new shares for 305 days) and the conversion of bonds into new shares (10,135,937 on a pro rata temporis basis).

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

EARNINGS PER SHARE

		2013 / 14	2012 / 13 restated
Group profit for the year attributable to shareholders of TUI AG	€ million	104.7	–11.1
Dividend effect on hybrid capital	€ million	– 22.8	– 23.6
= Adjusted Group profit for the year attributable to shareholders of TUI AG	€ million	81.9	– 34.7
Weighted average number of shares		262,595,131	252,362,552
Basic earnings per share	€	**0.31**	**– 0.14**
Adjusted Group profit for the year attributable to shareholders of TUI AG	€ million	81.9	– 34.7
Interests savings from convertible bonds	€ million	43.4	47.5
Diluted and adjusted share in Group profit for the year attributable to shareholders of TUI AG	€ million	125.3	12.8
Weighted average number of shares		262,595,131	252,362,552
Diluting effect from assumed exercise of conversion inputs		+ 57,163,090	+ 66,813,392
Weighted average number of shares (diluted)		319,758,221	319,175,944
Diluted earnings per share	€	**0.31**	**– 0.14**

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

The result is exclusively generated from continuing operations.

(13) Taxes attributable to other comprehensive income

TAX EFFECTS RELATING TO OTHER COMPREHENSIVE INCOME

			2013/14			2012/13 restated
€ million	**Gross**	**Tax effect**	**Net**	Gross	Tax effect	Net
Foreign exchange differences	–150.1	–	–150.1	–66.2	–	–66.2
Available for sale financial instruments	–0.9	–	–0.9	0.9	–	0.9
Cash flow hedges	122.7	–21.3	101.4	–54.3	10.6	–43.7
Remeasurements of pension provisions and related fund assets	–286.0	70.4	–215.6	–5.4	–16.3	–21.7
Changes in the measurement of companies measured at equity outside profit or loss	16.9	–	16.9	6.8	–	6.8
Other comprehensive income	**–297.4**	**49.1**	**–248.3**	**–118.2**	**–5.7**	**–123.9**

In addition, income tax of € 35,4 m (prior year € 4.0 m) carried outside profit and loss arose in the period under review and was charged directly to equity.

Notes to the consolidated statement of financial position

(14) Goodwill

GOODWILL

€ million	2013 / 14	2012 / 13
Historical cost		
Balance as at 1 Oct	**3,421.6**	**3,490.0**
Exchange differences	146.5	– 97.8
Additions	27.0	29.4
Disposals*	4.5	–
Reclassifications	–	–
Balance as at 30 Sep	**3,590.6**	**3,421.6**
Impairment		
Balance as at 1 Oct	**445.2**	**443.6**
Exchange differences	11.2	– 6.7
Impairments for the current year	–	8.3
Disposals*	2.0	–
Balance as at 30 Sep	**454.4**	**445.2**
Carrying amounts as at 30 Sep	**3,136.2**	**2,976.4**

* Of which no disposals from changes in the group of consolidated companies

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

In accordance with the rules of IAS 21, goodwill allocated to the individual segments and Sectors was recognised in the functional currency of the subsidiaries and subsequently translated when preparing the consolidated financial statements. In analogy to the treatment of other differences from the translation of annual financial statements of foreign subsidiaries, differences due to exchange rate fluctuations between the exchange rate at the date of acquisition of the subsidiary and the exchange rate at the balance sheet date are taken directly to equity outside profit and loss and disclosed as a separate item. In financial year 2013 / 14, an increase in the carrying amount of goodwill of € 135.3 m (previous year decrease of € 91.1 m) resulted from foreign exchange differences.

The additions are largely driven by acquisitions in TUI Travel. Details concerning the acquisitions are presented in the section on Principles and methods of consolidation.

At € 2,767.5 m (previous year € 2,607.3 m) the largest portion of goodwill shown relates to the TUI Travel Sector.

The following table presents a breakdown of goodwill breaks by cash generating unit (CGUs) at carrying amounts:

GOODWILL PER CASH GENERATING UNIT

€ million	**30 Sep 2014**	30 Sep 2013
CGU TUI Travel	2,767.5	2,607.3
TUI Travel	**2,767.5**	**2,607.3**
CGU RIU	351.7	351.7
CGU Robinson	9.7	9.8
CGU Iberotel	7.3	7.6
TUI Hotels & Resorts	**368.7**	**369.1**
Segment Tourism	**3,136.2**	**2,976.4**

Impairments are effected where the carrying amount of the tested units plus the allocated goodwill exceeds the recoverable amount. Goodwill was tested for impairment at the level of cash generating units (CGUs) as at 30 September 2014.

For all cash generating units, the recoverable amount was determined on the basis of fair value less costs of disposal. The fair value of the CGU TUI Travel was determined on the basis of the closing price of the TUI Travel share in its primary market, the London Stock Exchange. If the closing price had been 10 % lower, no impairment would have arisen, either.

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

The discount rates are calculated as the weighted average cost of capital, taking account of the risks associated with the cash generating unit on the basis of external capital market information. The cost of equity included in the determination reflects the return expected by investors. The cost of borrowing is derived from the long-term financing terms of comparable companies in the peer group.

The table below provides an overview of the parameters underlying the determination of the fair values per CGU. It shows the timeframe for the cash flow forecast, the growth rates used to extrapolate the cash flow forecast, and the relevant valuation hierarchy according to IFRS 13. The table lists the main CGUs to which goodwill has been allocated.

PARAMETER FOR CALCULATION OF FAIR VALUE AS AT 30 SEP 2014

	Planning period in years	Growth rate revenues in %	EBITA-Margin in %	Growth rate after planning period in %	WACC in %	Level
CGU TUI Travel						1
CGU RIU	3	3.6	22.9	1.0	7.25	3
CGU Robinson	3	4.2	15.7	1.0	7.25	3
CGU Iberotel	3	3.4	22.1	1.0	7.25	3

PARAMETER FOR CALCULATION OF FAIR VALUE AS AT 30 SEP 2013

	Planning period in years	Growth rate revenues in %	EBITA-Margin in %	Growth rate after planning period in %	WACC in %	Level
CGU TUI Travel						1
CGU RIU	3	1.2	23.8	1.0	8.25	3
CGU Robinson	3	4.2	13.8	1.0	8.25	3
CGU Iberotel	3	3.6	17.9	1.0	8.25	3

Goodwill was tested for impairment as at the balance sheet date. The test did not result in a requirement to carry impairments. In the first half of the prior year, the remaining goodwill for the CGU Castelfalfi of € 8.3 m was fully impaired so that the CGU did not have to be tested for impairment as at 30 September 2013. Neither an increase in WACC of 50 basis points nor a reduction in the growth rate of perpetuity of 50 basis points would have led to an impairment of goodwill.

(15) Other intangible assets

OTHER INTANGIBLE ASSETS

€ million	Concessions, industrial property rights and similar rights and values	Selfgenerated software	Transport and leasing contracts	Customer base	Payments on account	**Total**
Historical cost						
Balance as at 1 Oct 2012	**1,221.7**	**159.8**	**104.3**	**244.6**	**–**	**1,730.4**
Exchange differences	– 38.3	– 3.9	– 4.8	– 4.2	–	– 51.2
Additions due to changes in the group of consolidated companies	8.4	–	–	2.2	–	10.6
Additions	104.3	18.4	–	1.8	–	124.5
Disposals	163.9	73.2	–	1.9	–	239.0[1]
Reclassifications	– 16.1	16.3	–	– 0.2	–	– 0.0
Balance as at 30 Sep 2013	**1,116.1**	**117.4**	**99.5**	**242.3**	**–**	**1,575.3**
Exchange differences	55.6	2.7	7.6	5.8	–	71.7
Additions due to changes in the group of consolidated companies	10.4	–	–	4.2	–	14.6[2]
Additions	122.3	22.8	–	0.3	0.4	145.8
Disposals	22.6	5.5	–	0.1	–	28.2[3]
Reclassification as assets held for sale	– 0.4	–	–	–	–	– 0.4
Reclassifications	– 4.7	4.7	–	–	–	–
Balance as at 30 Sep 2014	**1,276.7**	**142.1**	**107.1**	**252.5**	**0.4**	**1,778.8**
Amortisation						
Balance as at 1 Oct 2012	**600.1**	**119.0**	**30.3**	**90.1**	**–**	**839.5**
Exchange differences	– 16.3	– 3.8	– 1.4	– 1.7	–	– 23.2
Amortisation for the current year	77.2	12.8	2.8	16.8	–	109.6
Impairments for the current year	11.7	2.1	–	–	–	13.8
Disposals	155.9	72.9	–	1.8	–	230.6[1]
Reclassifications	– 0.4	0.7	–	– 0.3	–	– 0.0
Balance as at 30 Sep 2013	**516.4**	**57.9**	**31.7**	**103.1**	**–**	**709.1**
Exchange differences	29.3	– 0.8	2.5	2.9	–	33.9
Amortisation for the current year	86.4	21.2	3.5	17.1	–	128.2
Impairments for the current year	–	–	–	–	–	–
Disposals	20.2	5.3	–	0.1	–	25.6[3]
Reclassification as assets held for sale	– 0.3	–	–	–	–	– 0.3
Reclassifications	15.6	– 15.6	–	–	–	–
Balance as at 30 Sep 2014	**627.2**	**57.4**	**37.7**	**123.0**	**–**	**845.3**
Carrying amounts as at 30 Sep 2013	**599.7**	**59.5**	**67.8**	**139.2**	**–**	**866.2**
Carrying amounts as at 30 Sep 2014	**649.5**	**84.7**	**69.4**	**129.5**	**0.4**	**933.5**

[1] Of which no disposals due to changes in the group of consolidated companies
[2] Of which additions due to first-time consolidation of non-consolidated companies of € 0.9 m
[3] Of which disposals due to changes in the group of consolidated companies of € 1.2 m (historical cost) and € 1.0 m (amortisation), respectively

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

Other intangible assets, consisting in particular of trademarks and customer relationships, are amortised over their useful lives.

As at the balance sheet date, the carrying amount of intangible assets subject to ownership restrictions or pledged as security totals € 112.3 m (previous year € 112.4 m).

(16) Investment property

INVESTMENT PROPERTY

€ million	**2013 / 14**	2012 / 13
Historical cost		
Balance as at 1 Oct	**95.1**	**94.1**
Additions	1.6	3.0
Disposals	0.6	9.9
Reclassifications	−72.9	7.9
Balance as at 30 Sep	**23.2**	**95.1**
Depreciation		
Balance as at 1 Oct	**37.1**	**39.2**
Depreciation for the current year	0.9	2.4
Impairments for the current year	0.1	–
Disposals	0.4	4.5
Reclassifications	−22.2	–
Balance as at 30 Sep	**15.5**	**37.1**
Carrying amounts as at 30 Sep	**7.7**	**58.0**

Real estate owned by the Group is usually occupied for use in the framework of the Group's ordinary business activities. In addition, the Group owns commercial property which meets the definition of investment property under IAS 40. The carrying amount of this investment property shown in fixed assets totals € 7.7 m (previous year € 58.0 m). The fair values totalling € 11.3 m (previous year € 62.0 m) were calculated by the Group's own real estate company, without consulting an external expert, on the basis of comparable market rents (Level 3 valuation). Investment property generated total income of € 8.5 m (previous year € 11.4 m). The generation of this income was associated with expenses of € 7.3 m (previous year: € 7.4 m) in financial year 2013 / 14. The reclassifications carried out in the completed financial year relate to the science park in Kiel and an industrial park in Berlin-Tempelhof. This property was initially reclassified to assets held for sale and subsequently sold.

(17) Property, plant and equipment

PROPERTY, PLANT AND EQUIPMENT

€ million	Real estate with hotels	Other real estate, land rights and buildings incl. buildings on third-party properties	Aircraft
Historical cost			
Balance as at 1 Oct 2012	**1,356.9**	**225.0**	**885.3**
Exchange differences	–42.1	–8.6	–22.9
Additions due to changes in the group of consolidated companies	–	1.5	–
Additions	26.6	6.4	225.7
Disposals	19.6	7.3	186.5
Reclassification as assets held for sale	–6.9	–0.4	12.6
Reclassifications	0.3	–27.3	54.4
Balance as at 30 Sep 2013	**1,315.2**	**189.3**	**968.6**
Exchange differences	11.0	6.4	50.7
Additions due to changes in the group of consolidated companies	21.5	0.8	–
Additions	58.7	11.3	182.0
Disposals	13.9	4.0	51.0
Reclassification as assets held for sale	–74.1	–17.5	–
Reclassifications	14.7	45.9	10.0
Balance as at 30 Sep 2014	**1,333.1**	**232.2**	**1,160.3**
Depreciation			
Balance as at 1 Oct 2012	**401.3**	**65.6**	**560.0**
Exchange differences	–12.4	–0.9	–8.1
Depreciation for the current year	34.7	2.4	70.2
Impairments for the current year	–	15.9	9.1
Disposals	14.6	3.9	164.5
Reclassification as assets held for sale	–1.3	–	12.9
Reclassifications	–	–22.3	–2.5
Balance as at 30 Sep 2013	**407.7**	**56.8**	**477.1**
Exchange differences	10.1	1.7	15.0
Depreciation for the current year	34.1	4.3	76.7
Impairments for the current year	–	–	0.1
Disposals	7.8	2.6	44.3
Reclassification as assets held for sale	–54.3	–10.5	–
Reclassifications	–6.4	30.1	–
Balance as at 30 Sep 2014	**383.4**	**79.8**	**524.6**
Carrying amounts as at 30 Sep 2013	**907.5**	**132.5**	**491.5**
Carrying amounts as at 30 Sep 2014	**949.7**	**152.4**	**635.7**

[1] Of which no disposals due to changes in the group of consolidated companies
[2] Of which additions due to first-time consolidation of non-consolidated companies of € 0.3 m
[3] Of which disposals due to changes in the group of consolidated companies of € 0.3 m (historical cost) and € 0.2 m (depreciation), respectively

Ships	Machinery and fixtures	Other plants, operating and office equipment revised	Assets under construction	Payments on account	**Total**
743.5	**239.8**	**1,303.4**	**80.0**	**271.8**	**5,105.7**
−24.5	−2.2	−34.2	−1.9	−8.6	−145.0
–	–	11.1	–	–	12.6
43.8	6.4	89.8	74.0	170.4	643.1
12.2	10.1	414.7	10.6	162.0	823.0[1]
−1.2	–	−1.9	–	−9.0	−6.8
−1.5	4.5	2.3	−41.2	−33.6	−42.1
747.9	**238.4**	**955.8**	**100.3**	**229.0**	**4,744.5**
36.2	0.3	16.5	0.7	12.8	134.6
–	–	2.3	–	–	24.6[2]
32.5	11.8	84.3	24.5	211.3	616.4
23.6	0.7	56.4	1.7	229.4	380.7[3]
–	−2.0	−12.6	–	–	−106.2
−4.6	7.2	−0.9	−58.6	−2.0	11.7
788.4	**255.0**	**989.0**	**65.2**	**221.7**	**5,044.9**
281.0	**160.4**	**986.1**	**–**	**–**	**2,454.4**
−8.9	−1.6	−22.6	–	–	−54.5
38.5	14.2	104.0	–	–	264.0
–	0.6	3.5	–	–	29.1
6.9	10.4	410.9	–	–	611.2[1]
−0.7	–	−1.3	–	–	9.6
−4.2	2.1	−2.0	–	–	−28.9
298.8	**165.3**	**656.8**	**–**	**–**	**2,062.5**
14.3	0.4	8.0	–	–	49.5
44.2	13.2	83.8	–	–	256.3
18.2	–	3.2	–	–	21.5
16.5	0.7	49.5	–	–	121.4[3]
–	−1.8	−11.2	–	–	−77.8
−3.4	4.4	−7.0	–	–	17.7
355.6	**180.8**	**684.1**	**–**	**–**	**2,208.3**
449.1	**73.1**	**299.0**	**100.3**	**229.0**	**2,682.0**
432.8	**74.2**	**304.9**	**65.2**	**221.7**	**2,836.6**

Impairment charges of € 15.2 m relate to the impairment of one cruise ship within the TUI Travel sector. Due to the changing competitive environment in the medium price cruise segment the carrying amount of the asset was tested for impairment at the balance sheet date, resulting in a recognition of a write-off to its value in use of € 6.3 m. The value in use was calculated using a discount rate of 10 per cent (impairment testing as per 30 June 2014 10.0 per cent). The impairment charge is included within cost of sales.

At the balance sheet date, the carrying amount of property, plant and equipment subject to restraints on ownership or pledged as security amounts to € 347.3 m (previous year € 298.3 m).

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

COMPOSITION OF LEASED ASSETS

€ million	Net carrying amounts 30 Sep 2014	30 Sep 2013
Other real estate, land rights and buildings incl. buildings on third-party properties	15.2	14.5
Aircraft	418.6	250.9
Ships, yachts and boats	101.8	106.1
Machinery and fixtures	0.8	0.4
Other plants, operating and office equipment	16.8	11.6
Total	**553.2**	**383.5**

The payment obligations resulting from future lease payments are carried as liabilities, with future interest expenses not reflected in the carrying amount of the financial liabilities. Total payments due in future under finance leases amount to € 612.7 m (previous year € 435.1 m). Group companies have not accepted any guarantees for the residual values of the leased assets, as in the prior year.

RECONCILIATION OF FUTURE LEASE PAYMENTS TO LIABILITIES FROM FINANCE LEASES

				30 Sep 2014				30 Sep 2013
	Remaining term				Remaining term			
€ million	up to 1 year	1 – 5 years	more than 5 years	**Total**	up to 1 year	1 – 5 years	more than 5 years	Total
Total future lease payments	64.9	196.3	351.5	612.7	43.2	177.4	214.5	435.1
Interest portion	18.1	59.3	34.7	112.1	14.0	45.5	40.0	99.5
Liabilities from finance leases	46.8	137.0	316.8	500.6	29.2	131.9	174.5	335.6

(18) Investments in joint ventures and associates measured at equity

INVESTMENTS IN JOINT VENTURES AND ASSOCIATES MEASURED AT EQUITY

€ million	Joint ventures	Associates	Total
Historical cost			
Balance as at 1 Oct 2012	**649.7**	**758.9**	**1,408.6**
Exchange differences	–36.4	–41.5	–77.9
Additions	151.9	75.1	227.0
Disposals	80.1	78.4	158.5
Balance as at 30 Sep 2013	**685.1**	**714.1**	**1,399.2**
Exchange differences	10.5	–11.4	–0.9
Additions	137.2	35.0	172.2
Disposals	46.8	525.3	572.1
Balance as at 30 Sep 2014	**786.0**	**212.4**	**998.4**
Impairments			
Balance as at 1 Oct 2012	**14.6**	**–**	**14.6**
Reversal of impairments	–1.8	–	–1.8
Balance as at 30 Sep 2013	**12.8**	**–**	**12.8**
Exchange differences	–1.3	–	–1.3
Reversal of impairments	–1.1	–	–1.1
Balance as at 30 Sep 2014	**10.4**	**–**	**10.4**
Carrying amounts as at 30 Sep 2013	**672.3**	**714.1**	**1,386.4**
Carrying amounts as at 30 Sep 2014	**775.6**	**212.4**	**988.0**

For associates and joint ventures measured at equity, proportionate profits for the year are shown under additions and disposals, while impairments of the associates and joint ventures are carried under impairments. Dividends worth € 32.9 m (previous year € 14.3 m) are included in disposals.

The planned merger between Hapag-Lloyd AG and the container shipping operations of Compañía Sud Americana de Vapores S.A. will led to a reduction in the Group's stake in Hapag-Lloyd AG. The closing of the transaction will take place in December 2014. Upon completion of the transaction, TUI will lose its strong influence over Hapag-Lloyd AG, so that the stake will subsequently have to be carried as a financial instrument. Due to the forthcoming measurement and recognition change, the stake worth € 467.4 m was reclassified to assets held for sale at the end of April 2014, and at equity measurement was discontinued.

The table below presents the major joint ventures and associates of the TUI Group.

PRINCIPAL ASSOCIATES AND JOINT VENTURES

Name and headquarter of company	Capital share in %	Nature of business
Joint ventures		
Riu Hotels S.A., Palma de Mallorca	49.0	Hotel operator
GRUPOTEL DOS S.A., Can Picafort	50.0	Hotel operator
TUI Cruises GmbH, Hamburg	50.0	Cruise ship operator
Travco Group Holding S.A.E., Cairo	50.0	Incoming Agency
Togebi Holdings Limited, Cyprus	49.0	Tour operator
Associates		
Sunwing Travel Group Inc., Toronto	49.0	Tour operator
Blue Diamond Hotels and Resorts Inc., St. Michael	49.0	Hotel operator
Hapag-Lloyd AG, Hamburg (until end of April)	22.0	Container ship operator

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

GROUP SHARE OF ASSETS AND LIABILITIES OF JOINT VENTURES

€ million	**30 Sep 2014**	30 Sep 2013
Goodwill from investment in joint ventures	68.6	75.5
Non-current assets	1,247.3	874.5
Current assets	321.6	261.2
Non-current provisions and liabilities	– 543.9	– 271.4
Current provisions and liabilities	– 332.7	– 267.5
Unrecognized share of losses	14.7	–
Investment in joint ventures measured at equity	**775.6**	**672.3**

GROUP SHARE OF ASSETS AND LIABILITIES OF ASSOCIATES

€ million	**30 Sep 2014**	30 Sep 2013
Goodwill from investment in associates	56.3	209.4
Non-current assets	315.9	1,174.3
Current assets	207.4	514.3
Non-current provisions and liabilities	–153.9	– 425.2
Current provisions and liabilities	– 213.3	–758.7
Investment in associates measured at equity	**212.4**	**714.1**

Unrecognised losses of € 14.7 m relate to the joint venture TUI Russia, operating in source markets Russia and Ukraine. For further details, reference is made to the section on Related parties in Note 54.

(19) Financial assets available for sale

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

FINANCIAL ASSETS AVAILABLE FOR SALE

	30 Sep 2014		30 Sep 2013	
€ million	Remaining term more than 1 year	**Total**	Remaining term more than 1 year	Total
Shares in non-consolidated Group companies	8.3	8.3	18.5	18.5
Shares in affiliated companies	37.1	37.1	35.6	35.6
Other securities	17.3	317.3	17.4	17.4
Total	**62.7**	**362.7**	**71.5**	**71.5**

Other securities comprise shares in a money market fund worth €300.0 m (previous year €0.0 m) with a remaining term of up to one year, held in an escrow account on behalf of TUI AG until the completion of the planned merger with TUI Travel PLC. Upon completion of the planned merger, the proceeds will be made available to TUI AG for its free disposal. The shares have been rated "AAA" by the rating agencies Standard & Poor's and Moody's.

Where a listed market price in an active market is not available and other methods to determine an objective market value do not produce any reliable results, the shares are measured at cost. In financial year 2013 / 14, financial assets classified as available for sale under IAS 39 of €1.9 m (previous year €1.1 m) were impaired.

(20) Trade accounts receivable and other receivables

TRADE RECEIVABLES AND OTHER ASSETS

	30 Sep 2014		30 Sep 2013	
€ million	Remaining term more than 1 year	**Total**	Remaining term more than 1 year	Total
Trade receivables	–	694.7	–	616.1
Advances and loans	232.6	1,009.6	213.3	1,078.3
Other receivables and assets	135.5	581.6	129.5	525.2
Total	**368.1**	**2,285.9**	**342.8**	**2,219.6**

AGEING STRUCTURE OF THE FINANCIAL INSTRUMENTS INCLUDED IN TRADE RECEIVABLES AND OTHER ASSETS

€ million	Carrying amount of financial instruments	of which not impaired but overdue	of which not impaired and overdue in the following periods: less than 30 days	between 30 and 90 days	between 91 and 180 days	more than 180 days
Balance as at 30 Sep 2014						
Trade receivables	694.7	175.7	99.8	52.3	16.7	6.9
Advances and loans	107.9	22.8	0.3	0.6	0.6	21.3
Other receivables and assets	313.9	23.3	5.7	3.7	3.5	10.4
Total	**1,116.5**	**221.8**	**105.8**	**56.6**	**20.8**	**38.6**
Balance as at 30 Sep 2013						
Trade receivables	616.1	176.7	95.9	55.6	13.7	11.5
Advances and loans	93.5	–	–	–	–	–
Other receivables and assets	64.0	–	–	–	–	–
Total	**773.6**	**176.7**	**95.9**	**55.6**	**13.7**	**11.5**

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

As at 30 September 2014, trade receivables worth €100.3 m (previous year €135,9 m) were impaired. The table below provides a maturity analysis of the impairments.

AGEING STRUCTURE OF IMPAIRMENTS OF FINANCIAL INSTRUMENTS INCLUDED IN TRADE RECEIVABLES AND OTHER ASSETS

€ million	**30 Sep 2014** Gross value	Impairment	Net value	30 Sep 2013 Gross value	Impairment	Net value
Trade receivables and other assets						
Not overdue	918.6	23.9	894.7	633.4	45.3	588.1
Overdue up to 30 days	106.8	1.0	105.8	106.4	1.7	104.7
Overdue 30 – 90 days	58.1	1.5	56.6	58.6	3.0	55.6
Overdue 90 – 180 days	23.1	2.3	20.8	17.2	3.4	13.8
Overdue more than 180 days	110.2	71.6	38.6	93.9	82.5	11.4
Total	**1,216.8**	**100.3**	**1,116.5**	**909.5**	**135.9**	**773.6**

Impairments of trade accounts receivable and other receivables developed as follows:

IMPAIRMENTS ON ASSETS OF THE TRADE RECEIVABLES AND OTHER ASSETS CATEGORY ACCORDING TO IFRS 7

€ million	**2013 / 14**	2012 / 13
Balance at the beginning of period	**135.9**	**214.0**
Additions	11.5	60.6
Disposals	15.5	77.8
Other changes	– 31.6	– 60.9
Balance at the end of period	**100.3**	**135.9**

In financial year 2013 / 14 cash inflows amounting to € 1.5 m (prior year € 0.0 m) were recorded from impaired interest-bearing trade accounts receivable and other receivables.

Trade accounts receivable, advances and loans as well as other receivables and assets comprise the following items:

TRADE RECEIVABLES

€ million	**30 Sep 2014**	30 Sep 2013
From third parties	654.0	563.9
From non-consolidated Group companies	3.2	3.2
From affiliates	37.5	49.0
Total	**694.7**	**616.1**

ADVANCES AND LOANS

	30 Sep 2014		30 Sep 2013	
€ million	Remaining term more than 1 year	**Total**	Remaining term more than 1 year	Total
Advances to non-consolidated Group companies	0.6	16.4	2.7	25.6
Loans to non-consolidated Group companies	–	–	–	0.9
Advances to affiliates	0.2	0.7	1.7	23.0
Loans to affiliates	42.1	44.0	26.7	27.4
Advances to third parties	7.3	30.9	7.2	25.6
Loans to third parties	13.6	17.0	10.7	16.8
Payments on account to affiliates	–	25.9	–	20.0
Payments on account to third parties	168.8	874.7	164.3	939.0
Total	**232.6**	**1,009.6**	**213.3**	**1,078.3**

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

OTHER RECEIVABLES AND ASSETS

€ million	30 Sep 2014 Remaining term more than 1 year	30 Sep 2014 Total	30 Sep 2013 Remaining term more than 1 year	30 Sep 2013 Total
Other receivables from non-consolidated Group companies	1.9	1.9	2.3	2.3
Other receivables from affiliates	35.7	55.8	32.1	35.3
Interest deferral	–	1.4	–	1.5
Other tax refund claims	33.4	96.1	28.1	83.6
Other assets	64.5	426.4	67.0	402.5
Total	**135.5**	**581.6**	**129.5**	**525.2**

(21) Derivative financial instruments

DERIVATIVE FINANCIAL INSTRUMENTS

€ million	30 Sep 2014 Remaining term more than 1 year	30 Sep 2014 Total	30 Sep 2013 Remaining term more than 1 year	30 Sep 2013 Total
Receivables from derivative financial instruments from third parties	76.3	247.7	37.9	87.0

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

(22) Deferred and current tax assets

The determination of deferred and current taxes is outlined in detail in the section Accounting and measurement methods.

INCOME TAX ASSETS

€ million	30 Sep 2014	30 Sep 2013
Deferred tax assets	238.1	224.6
Current tax assets	94.0	53.9
Total	**332.1**	**278.5**

Deferred income tax assets include an amount of € 199.6 m (previous year € 173.8 m) to be realised in more than twelve months.

INDIVIDUAL ITEMS OF DEFERRED TAX ASSETS AND LIABILITIES RECOGNISED IN THE FINANCIAL POSITION

€ million	30 Sep 2014 Asset	30 Sep 2014 Liability	30 Sep 2013 restated Asset	30 Sep 2013 restated Liability
Finance lease transactions	–	2.3	–	2.4
Recognition and measurement differences for property, plant and equipment and other non-current assets	145.2	333.2	125.1	330.8
Recognition differences for receivables and other assets	14.0	42.2	17.1	27.6
Measurement of financial instruments	24.9	36.9	34.9	67.6
Measurement of pension provisions	157.0	0.4	138.0	–
Recognition and measurement differences for other provisions	60.0	14.3	85.5	9.4
Other transactions	59.1	75.4	73.4	81.6
Capitalised tax savings from recoverable loss carryforwards	135.3	–	160.8	–
Netting of deferred tax assets and liabilities	–357.4	–357.4	–410.2	–410.2
Balance sheet amount	**238.1**	**147.3**	**224.6**	**109.2**

No deferred tax assets were carried for deductible temporary differences of €34.7 m (previous year €1.7 m).

No deferred tax liabilities were carried for temporary differences of €43.0 m (previous year €37.4 m) between the net assets of subsidiaries and the respective carrying amounts carried in the tax balance sheet since these temporary differences are not expected to be reversed in the near future.

CAPITALISED LOSS CARRYFORWARDS AND TIME LIMITS FOR NON-CAPITALISED LOSS CARRYFORWARDS

€ million	30 Sep 2014	30 Sep 2013 restated
Capitalised loss carryforwards	**677.0**	**798.9**
Non-capitalised loss carryforwards	**5,329.7**	**4,807.9**
of which loss carryforwards forfeitable within one year	14.0	–
of which loss carryforwards forfeitable within 2 to 5 years	7.8	26.2
of which loss carryforwards forfeitable within more than 5 years (excluding non-forfeitable loss carryforwards)	1.6	–
Non-forfeitable loss carryforwards	5,306.3	4,781.7
Total unused loss carryforwards	**6,006.7**	**5,606.8**

Loss carryforwards for German companies comprise the cumulative amount of trade tax and corporation tax as well as interest carryforwards from the German earnings stripping rule. Potential tax savings totalling €1,037.9 m (previous year €923.6 m) were not capitalised since use of the underlying loss carryforwards was not considered probable within the planning period.

In financial year 2013 / 14, as in the prior year, the use of loss carryforwards previously assessed as non-realisable and for which therefore no asset had been carried for the resulting potential tax savings as at 30 September 2013 did not lead to any tax savings. As in the prior year, no tax reductions were realised by means of loss carrybacks.

DEVELOPMENT OF DEFERRED TAX ASSETS FROM LOSS CARRYFORWARDS

€ million	**2013 / 14**	2012 / 13 restated
Capitalised tax savings at the beginning of the year	**160.8**	**131.8**
Exchange adjustments	5.8	–13.3
Use of loss carryforwards	–22.8	–14.4
Capitalisation of tax savings from tax loss carryforwards	+12.6	+56.7
Write-down of capitalised tax savings from tax loss carryforwards	–21.1	–
Capitalised tax savings at financial year-end	**135.3**	**160.8**

The capitalised deferred tax asset from temporary differences and loss carryforwards assessed as recoverable of € 10.5 m (previous year: € 7.3 m), which arose in the TUI Travel Sector, is covered by expected future taxable income even for companies that generate losses in the period under review (or the prior year).

(23) Inventories

INVENTORIES

€ million	**30 Sep 2014**	30 Sep 2013
Marine inventory	24.2	26.1
Airline spares and operating equipment	30.0	27.7
Real estate for sale	31.2	20.0
Other inventories	41.1	41.6
Total	**126.5**	**115.4**

Other inventories included an amount of € 16.5 m for consumables used in hotels.

In financial year 2013 / 14, no impairments (previous year € 13.2 m) were effected on inventories in order to carry them at the lower net realisable value. In the prior year, the impairments included an amount of € 9.5 m related to property available for sale in connection with the Castelfalfi project.

No major reversals of depreciation of inventories were effected in 2013 / 14, nor in the prior year.

(24) Cash and cash equivalents

CASH AND CASH EQUIVALENTS

€ million	**30 Sep 2014**	30 Sep 2013
Bank deposits	2,250.8	2,670.8
Cash in hand and cheques	35.2	30.9
Total	**2,286.0**	**2,701.7**

The decrease in cash and cash equivalents is primarily attributable to the net presentation of certain balances in banks resulting from a cash pool, which were carried on a gross basis not netted against short-term current account credits of this cash pool in the prior year. This balance sheet reduction does not affect the Group's net financial position.

At 30 September 2014, cash and cash equivalents of € 180.3 m (previous year € 175.4 m) were subject to restraints on disposal. They included an amount of € 118.2 m for cash collateral received, which was deposited in a Belgian subsidiary by Belgian tax authorities in the past financial year in the framework of long-standing litigation over VAT refunds for the years 2001 to 2011 without inference of guilt, the purpose being to interrupt the accrual of interest for both parties. In order to collateralise a potential repayment, the Belgian government was granted a bank guarantee. Due to the bank guarantee, TUI's ability to dispose of the cash and cash equivalents has been restricted.

(25) Assets held for sale

ASSETS HELD FOR SALE

€ million	**30 Sep 2014**	30 Sep 2013
Investment	467.4	–
Property and hotel facilities	13.0	6.6
Other assets	2.9	5.0
Total	**483.3**	**11.6**

The planned merger between Hapag-Lloyd AG and the container shipping operations of Compañía Sud Americana de Vapores S.A. will result in a reduction in the Group's stake in Hapag-Lloyd AG. The closing of the transaction will take place in December 2014. Upon completion of the transaction, TUI will lose its strong influence over Hapag-Lloyd AG, so that the stake will subsequently have to be carried as a financial instrument. Due to the forthcoming measurement and recognition change, the stake worth € 467.4 m was reclassified to assets held for sale at the end of April 2014.

Property and hotel complexes mainly comprise a hotel facility in Gran Canaria and a hotel complex in Bulgaria, which are held for sale.

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

The accumulated expenses and income in connection with assets held for sale, directly carried in equity, total € – 45.7 m.

(26) Subscribed capital

The subscribed capital of TUI AG consists of no-par value shares, each representing an identical share in the capital stock. The proportionate share in the capital stock per no-par value share is around € 2.56. Since the switch in July 2005, the shares have been registered shares, whose owners have been listed by name in the share register.

The subscribed capital of TUI AG has been registered in the commercial registers of the district courts of Berlin-Charlottenburg and Hanover. In the financial year under review, it rose by a total of € 87.4 m to around € 732.6 m due to the issue of 99,800 shares resulting from the issue of employee shares and due to conversions of bonds into 34,085,773 shares under the 2009 / 14 and 2011 / 16 convertible bonds. Subscribed capital thus consisted of 286,561,143 shares at the end of the financial year.

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

CONDITIONAL CAPITAL

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

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

Using the conditional capital of 13 May 2009, TUI AG issued an uncollateralised, non-subordinated convertible bond of € 217.8 m on 17 November 2009, maturing on 17 November 2014. The bond was issued in denominations of nominal values of € 56.30. The current conversion price is € 5.5645 per no-par value share due to the cash dividend paid on 13 February 2014. The convertible bond can thus be converted into a maximum of 39,116,600 shares if the conditional capital is fully used. The bonds, carrying an interest coupon of 5.50 % per annum, were issued at par. The bond is traded on five German stock exchanges. By 30 September 2014, 3,415,839 bonds had been converted into 34,554,834 new shares in TUI AG (including 34,084,104 bonds in the financial year under review).

Using the conditional capital of 7 May 2008, TUI AG issued an uncollateralised non-subordinated convertible bond of € 339.0 m on 24 March 2011, maturing on 24 March 2016. The bond was issued in denominations of nominal values of € 59.26. The conversion price is € 11.7127 per non-par value share due to the cash dividend paid on 13 February 2014. The convertible bond can thus be converted into a maximum of 28,939,860 shares. The bonds, carrying an interest coupon of 2.75 % p. a., were issued at par. The bond is traded on five German stock exchanges. By 30 September 2014, 336 bonds had been converted into 1,684 new shares (including 1,669 shares in the financial year under review) in TUI AG.

Taking account of the conversions, TUI AG had total conditional capital of around € 231.7 m as at 30 September 2014.

AUTHORISED CAPITAL

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

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

The Annual General Meeting of 13 February 2013 also resolved new authorised capital for the issue of employee shares worth € 10.0 m. The Executive Board of TUI AG has been authorised to use this authorised capital in one or several transactions to issue employee shares against cash contribution by 12 February 2018. 99,800 new employee shares were issued in the completed financial year so that authorised capital totals around € 9.7 m at the balance sheet date.

Unused authorised capital thus totals around € 320.2 m at the balance sheet date (around € 320.5 m as at 30 September 2013).

(27) Capital reserves

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

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

The capital reserves rose by a total of € 98.6 m to € 1,056.3 m due to the issue of employee shares and the conversion of TUI AG bonds into shares.

(28) Revenue reserves

In the completed financial year, TUI AG paid a dividend of € 0.15 per no-par value share to its shareholders; the total amount paid was around € 37.8 m. Moreover, the interest paid on the hybrid capital issued by TUI AG has to be carried as a dividend in accordance with IFRS rules.

In the framework of long-term incentive programmes, TUI Travel PLC operates stock option plans serviced with shares for its employees. Disclosures on these long-term incentive programmes are outlined under Note 43 in the chapter on Share-based payments in accordance with IFRS 2.

In October 2009, TUI Travel PLC issued a convertible bond with a nominal value of £ 350.0 m maturing in October 2014. Due to conversions of bonds, equity rose by a total of € 465.7 m, including an amount of € 271.9 m for revenue reserves, with the remainder related to non-controlling interests in equity.

The acquisitions of non-controlling interests carried for the period under review relate, in particular, to the acquisition of own shares by TUI Travel PLC in order to use the same number of shares for its share award programme. The stake held by TUI AG in TUI Travel PLC therefore did not change. The consideration transferred totalled € 39.4 m. TUI Travel also acquired additional shares in two smaller consolidated companies for a consideration of € 2.0 m. Overall, equity therefore declined by € 41.4 m, including an amount of € 22.7 m for revenue reserves in line with TUI AG's stake in TUI Travel PLC.

The conversion of convertible bonds of TUI Travel PLC resulted in an increase in the number of TUI Travel shares issued. As the number of shares held by TUI AG remained constant, the stake held by TUI AG declined accordingly. An amount of € –12.3 m was therefore transferred from revenue reserves to non-controlling interests.

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

The proportion of gains and losses from hedges used as effective hedges of future cash flows is carried in equity in other comprehensive income outside profit and loss. A reversal of this provision through profit and loss takes place in the same period in which the hedged item has an effect on profit and loss or is no longer assessed as probable.

The revaluation of pension obligations (in particular actuarial gains and losses) is also carried in other income in equity outside profit and loss.

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

(29) Use of Group profit available for distribution

In accordance with the German Stock Corporation Act, the Annual General Meeting decides about the use of the profit available for distribution carried in TUI AG's commercial-law annual financial statements. A proposal will be submitted to the Annual General Meeting to use the profit available for distribution for the financial year under review of € 161.3 m to pay a dividend of € 0.33 per no-par value share and carry the amount of € 66.7 m remaining after deduction of the dividend total of € 94.6 m forward on new account. The final dividend total will depend on the number of dividend-bearing no-par value shares at the date on which the resolution regarding the use of Group profit available for distribution is adopted by the Annual General Meeting.

(30) Hybrid capital

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

(31) Non-controlling interests

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

(32) Pension provisions and similar obligations

A number of defined contribution plans and defined benefit pension plans are operated for Group employees. Pension obligations vary, reflecting the different legal, fiscal and economic conditions in each country of operation, and usually depend on employees' length of service and pay levels. All defined contribution plans are funded by the payment of contributions to external insurance companies or funds, whilst defined benefit plans entail the formation of provisions within the Company or investments in funds outside the Company.

German employees enjoy benefits from a statutory defined contribution plan paying pensions as a function of employees' income and the contributions paid in. Several additional industry pension organisations exist for companies of the TUI Group. Once the contributions to the state-run pension plans and private pension insurance organisations have been paid, the Company has no further payment obligations. The main private pension fund is MER-Pensionskasse VVaG, organising German travel companies, and Aegon Levensverzekering N.V., operating the defined contribution pension plans for the main Dutch subsidiaries of the TUI Group. Contributions paid are expensed for the respective period. In the period under review, the expenses for all defined contribution plans totalled € 70.3 m (previous year € 65.9 m).

Apart from these defined contribution pension plans, the TUI Group operates defined benefit plans, in particular in Germany and the UK. By far the largest pension plans are operated by the Group's tour operators in the UK, accounting for a proportion of 74.0 % (previous year 74.1 %) of the Group's total obligations at the balance sheet date. German plans account for a further 21.6 % (previous year 20.0 %).

In the UK, the following major pension schemes in which pension payments are linked to final salary and length of service are operated. The final remuneration to be taken into account is capped.

MATERIAL DEFINED BENEFIT PLANS IN GREAT BRITAIN

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

Almost all defined benefit plans in the UK are funded externally. Under UK law, the employer is obliged to ensure sufficient funding so that plan assets cover the pension payments to be made and the administrative costs of the funds. The pension funds are managed by independent trustees. The trustees comprise independent members but also beneficiaries of the plan and employer representatives. The trustees are responsible for the investment of fund assets, taking account of the interests of plan members, but they also negotiate the level of the contributions to the fund to be paid by the employers, which constitute minimum contributions to the fund. To this end, actuarial valuations are made every two years by actuaries commissioned by the trustees. These valuations serve as a basis to determine the annual contributions to be paid to the fund in order to cover any shortfalls in coverage, last defined in September 2013. On top of a fixed annual contribution, a certain percentage of the pensionable remuneration of the plan members has to be paid to the scheme. In addition, certain growth criteria have been defined, requiring further payments if these criteria are exceeded.

By contrast, the defined benefit plans in Germany are funded by means of provisions. The obligations entail payments of company pensions when the beneficiaries reach the legal retirement age. The amount of the pension paid usually depends on the remuneration received by the staff member at the retirement date. The pension obligations regularly also comprise surviving dependants' benefits and invalidity benefits.

MATERIAL DEFINED BENEFIT PLANS IN GERMANY

Scheme name	Status
Versorgungsordnung TUI AG	closed
Versorgungsordnung Hapag-Lloyd Fluggesellschaft GmbH	open
Versorgungsordnung TUI Deutschland GmbH	closed
Versorgungsordnung TUI Beteiligungs GmbH	closed
Versorgungsordnung Preussag Immobilien GmbH	closed

In the period under review, defined benefit pension obligations only created total expenses of € 1.1 m for the Group. The regular expenses for past service costs and interests were almost completely offset by transactions to optimise pension schemes in the Group in the period under review. These transactions included an offer made to pensioners in the UK in the first half of the year, by which pensioner members of pension schemes were given the option on retirement to exchange future increases in their pension for an immediate higher annual pension with only limited increases to be applied in future years. This measure resulted in income of € 40.1 m. In the fourth quarter, this offer was also made to active scheme members in agreement with the trustees. The income generated by this second transaction amounted to a further € 35.8 m. The income was carried as a past service gain. Moreover, a defined benefit pension plan in Norway was converted into a defined contribution scheme. The resulting income totalled € 5.1 m and was carried as income from the curtailment of plans.

PENSION COSTS FOR DEFINED BENEFIT OBLIGATIONS

€ million	**2013 / 14**	2012 / 13 restated
Current service cost for employee service in the period	43.8	45.2
Curtailment gains	4.7	30.1
Net interest on the net defined benefit liability	38.6	41.4
Past service cost	–76.6	5.9
Total	**1.1**	**62.4**

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

DEFINED BENEFIT OBLIGATION RECOGNISED ON THE BALANCE SHEET

€ million	**30 Sep 2014 Total**	30 Sep 2013 Total
Present value of funded obligations	2,523.5	2,148.3
Fair value of external plan assets	1,980.0	1,616.6
Deficit of funded plans	**543.5**	**531.7**
Present value of unfunded pension obligations	731.0	604.0
Defined benefit obligation recognised on the balance sheet	**1,274.5**	**1,135.7**
Overfunded plans in Other assets	**–**	**0.3**
Provisions for pensions and similar obligations	**1,274.5**	**1,136.0**
of which current	32.1	33.8
of which non-current	1,242.4	1,102.2

Due to the provision of the revised IAS 19 to immediately offset revaluations (in particular actuarial gains and losses) against equity in the year in which they arise, the total pension obligations of the TUI Group are fully shown in the statement of financial position, netted against existing fund assets, as in prior years.

Where the defined benefit pension obligations are not funded by provisions, they are funded externally. This type of funding of pension obligations prevails to a considerable extent in the UK. For funded pension plans, the provision carried only covers the shortfall in coverage between the plan assets and the present value of the benefit benefit obligations.

Where plan assets exceed funded pension obligations, taking account of a difference due to past service cost, and where at the same time there is an entitlement to reimbursement or reduction of future contributions to the fund, the excess is capitalised in conformity with the cap defined by IAS 19.

DEVELOPMENT OF DEFINED BENEFIT OBLIGATIONS

€ million	Present value of obligation	Fair value of plan assets	**Total**
Balance as at 1 Oct 2013	**2,752.3**	**–1,616.6**	**1,135.7**
Current service cost	43.8	–	43.8
Past service cost	–76.6	–	–76.6
Curtailments and settlements	–9.9	5.2	–4.7
Interest expense (+)/interest income (-)	111.8	–73.2	38.6
Pensions paid	–116.0	80.6	–35.4
Contributions paid by employer	–	–145.8	–145.8
Contributions paid by employees	1.2	–1.2	–
Remeasurements	383.7	–97.7	286.0
due to changes in financial assumptions	341.3	–	341.3
due to changes in demographic assumptions	–	–	–
due to experience adjustments	42.4	–	42.4
due to return on plan assets not included in group profit for the year	–	–97.7	–97.7
Exchange differences	164.1	–131.3	32.8
Changes in the group of consolidated companies	0.1	–	0.1
Balance as at 30 Sep 2014	**3,254.5**	**–1,980.0**	**1,274.5**

DEVELOPMENT OF DEFINED BENEFIT OBLIGATIONS

€ million	Present value of obligation	Fair value of plan assets restated	**Total restated**
Balance as at 1 Oct 2012	**2,900.3**	**–1,713.8**	**1,186.5**
Current service cost	45.2	–	45.2
Past service cost	5.9	–	5.9
Curtailments and settlements	–160.9	131.0	–29.9
Interest expense (+) / interest income (-)	108.6	–67.2	41.4
Pensions paid	–132.0	99.7	–32.3
Contributions paid by employer	–	–78.5	–78.5
Contributions paid by employees	1.9	–1.9	–
Remeasurements	61.3	–55.9	5.4
due to changes in financial assumptions	72.9	–	72.9
due to changes in demographic assumptions	39.1	–	39.1
due to experience adjustments	–50.7	–	–50.7
due to return on plan assets not included in group profit for the year	–	–55.9	–55.9
Exchange differences	–98.0	70.0	–28.0
Changes in the group of consolidated companies	20.0	–	20.0
Balance as at 30 Sep 2013	**2,752.3**	**–1,616.6**	**1,135.7**

The present value of the pension obligations rose substantially by € 502.2 m to € 3,254.5 m in the period under review. The increase is largely attributable to the development of the discount rate, which declined further both in the Eurozone and the UK. The revaluation, primarily resulting from this decline, results in an overall increase in benefit obligations of € 383.7 m to be carried outside profit or loss. Benefit obligations rise by an additional € 164.1 m due to foreign exchange effects.

However, the fund assets of the TUI Group also rose considerably by € 363.4 m due to various effects recorded in the period under review. Apart from contributions made by a subsidiary in the UK in order to reduce the existing coverage shortfall, the considerable increase was also driven by foreign exchange effects and the sound performance of fund assets.

COMPOSITION OF PENSION ASSETS AT THE BALANCE SHEET DATE

	30 Sep 2014		30 Sep 2013	
	Quoted market price in an active market		Quoted market price in an active market	
€ million	**yes**	**no**	yes	no
Fair value of fund assets at end of period	**1,398.5**	**581.5**	**1,161.5**	**455.1**
of which equities	696.4	–	621.5	–
of which government bonds	228.8	–	312.8	–
of which corporate bonds	193.6	–	158.7	–
of which liability driven investments	203.9	–	–	–
of which property	–	114.6	–	89.4
of which growth funds	–	81.3	–	89.4
of which insurance policies	–	66.2	–	63.1
of which catastrophe bonds	–	52.6	–	44.3
of which cash	–	146.7	–	80.1
of which other	75.8	120.1	68.5	88.8

At the balance sheet date, as well as in the previous year, there is no direct investment in financial instruments issued by TUI AG or by any of its consolidated subsidiaries or in any property occupied by the group. For funded plans, investment in passive index tracker funds may hold a proportionate investment in own financial instruments.

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

ACTUARIAL ASSUMPTIONS

			30 Sep 2014
Percentage p.a.	**Germany**	**Great Britain**	**Other countries**
Discount rate	2.3	3.9	1.8
Projected future salary increases	2.5	2.7	2.0
Projected future pension increases	2.0	3.3	2.1

			30 Sep 2013
Percentage p.a.	Germany	Great Britain	Other countries
Discount rate	3.5	4.4	2.7
Projected future salary increases	2.5	2.5	2.4
Projected future pension increases	2.0	3.3	2.3

Determination of the interest rate applicable in discounting the provision for pensions is based on an index for corporate bonds adjusted for securities already downgraded and under observation by rating agencies as well as subordinate bonds in order to meet the criterion for high quality bonds required under IAS 19 (bonds with a rating of AA or higher). In order to cover a correspondingly broad market, an index based on shorter-terms bonds is used (e.g. iBoxx € Corporates AA 7 – 10 for the Eurozone). The resulting yield structure is extrapolated on the basis of the yield curves for almost risk-free bonds, taking account of an appropriate risk mark-up reflecting the term of the obligation.

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

Apart from the parameters described above, a further key assumption relates to life expectancy. In Germany, the Heubeck reference tables 2005G are used to determine life expectancy. In the UK, the S1NxA base tables are used; they are adjusted to future expected increases on the basis of the CMI 2013. The pension adjustment formulae depend strongly on the pension scheme concerned. Apart from fixed rates of increase, there are also a number of inflation-linked pension adjustment mechanisms in different countries.

Changes in the key actuarial assumptions mentioned above would lead to the changes in defined benefit obligations presented below. The methodology used to determine sensitivity corresponds to the method used to calculate the defined benefit obligation. The assumptions were amended in isolation each time; actual interdependencies between the assumptions were not taken into account. The effect of the increase in life expectancy by one year is calculated by means of a reduction in mortality due to the use of the Heubeck tables 2005G for pension plans in Germany. In the UK, an extra year is added to the life expectancy determined on the basis of the mortality tables.

SENSITIVITY OF THE DEFINED BENEFIT OBLIGATION DUE TO CHANGED ACTUARIAL ASSUMPTIONS

	30 Sep 2014	
€ million	+50 Basis points	–50 Basis points
Discount rate	–287.6	+331.5
Salary increase	+20.0	–18.7
Pension increase	+96.8	–78.4
	+1 year	
Life expectancy	+107.7	

The weighted average duration of the defined benefit obligations totalled 18.9 years for the overall Group. In the UK, the weighted duration was 20.7 years, while it only stood at 15.8 years in Germany.

Fund assets are determined on the basis of the fair values of the funds invested as at 30 September 2014. The interest rate used to determine the interest income from the assets of external funds is identical with the discount rate used for the defined benefit obligation.

For the forthcoming financial year, the companies of the TUI Group are expected to contribute around € 108.8 m to the pension schemes and pay pensions worth € 32.1 m for unfunded plans. For funded schemes, payments to the recipients are fully made from fund assets to that the TUI Group does not record a cash outflow as a result.

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

INVESTMENT RISK

The investment risk plays a major role, in particular for the large funded plans in the UK. Although shares usually outperform bonds in terms of producing higher returns, they also entail stronger volatility of balance sheet items and the risk of short-term shortfalls in coverage. In order to limit this risk, the trustees have to build a balanced investment portfolio and limit the concentration of risks.

INTEREST RATE RISK

The interest rate influences in particular unfunded schemes in Germany as a decline in interest rates leads to an increase in the defined benefit obligations. Accordingly, an increase in the interest rate leads to a reduction in the defined benefit obligations. Funded plans are less strongly affected by this development as the performance of the interest-bearing assets included in plan assets regularly dampens the effects.

INFLATION RISK

An increase in the inflation rate regularly increases the performance obligation in pension schemes linked to the final salary of beneficiaries as inflation causes an increase in the assessment basis in the form of salary increases. At the same time, inflation-based pension increases included in the plan also rise. The inflation risk is reduced through the use of caps and collars. Moreover, the large pension funds in the UK hold inflation-linked assets, which also partly reduce the risk of a strong rise in inflation.

LONGEVITY RISK

An increasing life expectancy increases the expected benefit duration of the pension obligation. This risk is countered by using regularly updated mortality data in calculating the present values of the obligation.

CURRENCY RISK

For the TUI Group, the pension schemes entail a currency risk as most pension schemes are operated in the UK and therefore denominated in sterling. The risk is limited as the currency effects on the obligation and the assets largely offset each other. The currency risk only relates to the shortfall in coverage.

(33) Other provisions

DEVELOPMENT OF PROVISIONS IN THE FINANCIAL YEAR 2013/14

€ million	Balance as at 30 Sep 2013	Changes with no effect on profit and loss*	Usage	Reversal	Additions	**Balance as at 30 Sep 2014**
Maintenance provisions	437.3	32.6	114.4	15.1	141.7	482.1
Risks from onerous contracts	81.7	0.4	32.1	2.2	10.1	57.9
Restructuring provisions	62.8	– 0.1	39.5	2.4	18.6	39.4
Provisions for other personnel costs	32.9	0.2	10.7	0.6	19.6	41.4
Provisions for other taxes	60.1	–	2.3	0.3	11.6	69.1
Provisions for environmental protection	42.0	0.1	3.6	1.0	2.4	39.9
Miscellaneous provisions	307.4	22.2	97.3	25.6	137.1	343.8
Other provisions	**1,024.2**	**55.4**	**299.9**	**47.2**	**341.1**	**1,073.6**

* Reclassifications, transfers, exchange differences and changes in the group of consolidated companies

OTHER PROVISIONS

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

Provisions for onerous losses decreased in the current financial year, above all due to the intended use of these provisions.

The restructuring provisions relate, in particular, to restructuring projects in the TUI Travel Sector for subsidiaries in France and Germany for which detailed, formal restructuring plans were drawn up and communicated to the parties concerned. The restructuring provisions carried at the balance sheet date of € 39.4 m (previous year € 62.8 m) largely relate to benefits for employees in connection with the termination of employment contracts.

Provisions for personnel costs comprise provisions for jubilee benefits as well as provisions for share-based payment schemes with cash compensation in accordance with IFRS 2. Information on these long-term incentive programmes is presented under Note 43 in the chapter on Share-based payments in accordance with IFRS 2.

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

Where the difference between the present value and the settlement value of a provision is material for the measurement of a non-current provision as at the balance sheet date, the provision has to be recognised at its present value in accordance with IAS 37. The discount rate to be applied should take account of the specific risks of the provision and of future price increases. This criterion applies to some items contained in the TUI Group's other provisions. Additions to other provisions comprise an interest portion of € 5.9 m (previous year € 5.2 m), recognised as interest expenses.

TERMS TO MATURITY OF OTHER PROVISIONS

€ million	30 Sep 2014 Remaining term more than 1 year	30 Sep 2014 Total	30 Sep 2013 Remaining term more than 1 year	30 Sep 2013 Total
Maintenance provisions	359.1	482.1	318.1	437.3
Risks from onerous contracts	30.8	57.9	37.3	81.7
Restructuring provisions	0.5	39.4	0.5	62.8
Provisions for other personnel costs	23.2	41.4	27.3	32.9
Provisions for other taxes	20.8	69.1	21.5	60.1
provisions for environmental protection	36.3	39.9	36.9	42.0
Miscellaneous provisions	130.9	343.8	133.4	307.4
Other provisions	**601.6**	**1,073.6**	**575.0**	**1,024.2**

(34) Financial liabilities

FINANCIAL LIABILITIES

€ million	30 Sep 2014 Remaining term up to 1 year	30 Sep 2014 Remaining term 1 – 5 years	30 Sep 2014 Remaining term more than 5 years	30 Sep 2014 Total	30 Sep 2013 Remaining term up to 1 year	30 Sep 2013 Remaining term 1 – 5 years	30 Sep 2013 Remaining term more than 5 years	30 Sep 2013 Total
Convertible bonds	28.2	793.5	–	821.7	–	1,333.5	–	1,333.5
Other bonds	–	–	292.4	292.4	–	–	–	–
Liabilities to banks	53.0	135.2	72.5	260.7	823.6	110.0	70.7	1,004.3
Liabilities from finance leases	46.8	137.0	316.8	500.6	29.2	131.9	174.5	335.6
Financial liabilities due to non-consolidated Group companies	5.6	–	–	5.6	6.0	–	–	6.0
Other financial liabilities	80.9	1.0	–	81.9	76.7	13.5	–	90.2
Total	**214.5**	**1,066.7**	**681.7**	**1,962.9**	**935.5**	**1,588.9**	**245.2**	**2,769.6**

The reduction in financial liabilities is primarily also attributable to the fact that cash and cash equivalents as well as current financial liabilities from a cash pool agreement were partly presented on a gross basis in the prior year. By contrast, the cash and cash equivalents and current financial liabilities from this cash pool agreement were eliminated and shown on a net basis as at 30 September 2014. Apart from this balance sheet contraction the following facts and circumstances resulted in changes in the overall position of financial liabilities.

Following conversions of € 2.7 m from the convertible bond worth € 217.8 m issued by TUI AG into new shares in TUI AG in previous years, further conversions effected until 30 September 2014 led to a reduction in the convertible bond to a remaining nominal volume of € 25.5 m. Moreover, conversions of the £ 350.0 convertible bond of TUI Travel PLC resulted in a residual amount of £ 2.3 m, causing a reduction in financial debt.

In addition, TUI AG repaid promissory notes carried as liabilities to banks of € 100.0 in August 2014, as scheduled.

The decline in financial debt is partly offset by the issuance of a bond worth € 300.0 m and the increase in liabilities from finance leases.

FAIR VALUES AND CARRYING AMOUNTS OF THE BONDS ISSUED (30 SEP 2014)

€ million	Issuer	Volume initial	Volume outstanding	Interest rate % p.a.	Stock market value	Carrying amount	Stock market value	Carrying amount
					30 Sep 2014		30 Sep 2013	
convertible bond 2009/14	TUI AG	217.8	25.5	5.500	54.3	25.2	371.5	196.0
convertible bond 2011/16	TUI AG	339.0	338.9	2.750	388.7	317.1	360.4	303.6
bond 2014/19	TUI AG	300.0	300.0	4.500	306.0	292.4	–	–
convertible bond 2009/14	TUI Travel PLC	GBP 350.0	GBP 2.3	6.000	GBP 2.3	3.0	GBP 404.2	402.2
convertible bond 2010/17	TUI Travel PLC	GBP 400.0	GBP 400.0	4.900	GBP 474.4	476.4	GBP 475.0	431.7
Total						**1,114.1**		**1,333.5**
hybrid capital 2005/--	TUI AG	300.0	300.0	3M EURIBOR plus 7.300	308.2	294.8	303.8	294.8

On 17 November 2009, TUI AG issued a five-year convertible bond worth € 217.8 m. This bond carries a fixed-interest coupon of 5.5 % per annum. It was issued in denominations of € 56.30. The current conversion price is € 5.5645 per no-par value share. The nominal volume outstanding as per the reporting date totalled € 25.5 m.

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

On 26 September 2014, TUI AG issued a fixed-interest bond with a coupon of 4.5 % p. a. with a nominal volume of € 300.0 m. The bond was issued in denominations of € 100,000 each. It will mature on 1 October 2019.

On 1 October 2009, TUI Travel PLC issued a convertible bond with a nominal value of £ 350.0 m with a fixed-interest coupon of 6.0 % per annum and a conversion price of £ 3.493 per no-par value share. It will mature in October 2014. The bond was issued in denominations of £ 100,000. Following the end of the conversion period, the outstanding volume of the bond as at 30 September 2014 is £ 2.3 m.

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

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

(35) Trade accounts payable

TRADE PAYABLES

€ million	30 Sep 2014	30 Sep 2013
To third parties	3,233.5	3,025.6
To non-consolidated Group companies	6.4	4.8
To affiliates	61.3	18.8
Total	**3,301.2**	**3,049.2**

(36) Derivative financial instruments

DERIVATIVE FINANCIAL INSTRUMENTS

	30 Sep 2014				30 Sep 2013			
	Remaining term				Remaining term			
€ million	up to 1 year	1 – 5 years	more than 5 years	Total	up to 1 year	1 – 5 years	more than 5 years	Total
Liabilities from derivative financial instruments to third parties	242.0	20.7	–	262.7	178.8	30.7	–	209.5

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

(37) Deferred and current tax liabilities

DEFERRED AND CURRENT TAX LIABLITIES

€ million	30 Sep 2014	30 Sep 2013 restated
Deferred tax liabilities	147.3	109.2
Current tax liabilities	200.0	241.8
Total	**347.3**	**351.0**

The deferred tax liabilities include an amount of € 119.6 m (previous year € 88.2 m) to be realised in more than 12 months.

During an ongoing tax audit of TUI Travel's Accommodation & Destinations Business, the Spanish tax authorities objected in 2010 to the tax treatment of two transactions by the former First Choice Holidays PLC Group, undertaken in the period from 2000 to 2003, in determining Spanish income taxes. In the course of financial year 2012, a formal investigation procedure was initiated in order to examine potential tax offences. The investigation procedure was discontinued upon the final hearing on 31 March 2014. In accordance with the terms and conditions of a settlement already agreed in October 2013, a final interest and penalty payment totalling € 20.6 m was paid in March. This led to a decline in other provisions of € 15.3 m and other liabilities of € 5.3 m.

(38) Other liabilities

OTHER LIABILITIES

€ million			**30 Sep 2014**			30 Sep 2013
	up to 1 year	1 – 5 years	**Total**	up to 1 year	1 – 5 years	Total
Other liabilities due to non-consolidated Group companies	5.0	–	5.0	4.7	1.4	6.1
Other liabilities due to affiliates	38.0	0.3	38.3	33.6	–	33.6
Other miscellaneous liabilities	215.5	67.6	283.1	223.9	49.7	273.6
Other liabilities relating to other taxes	48.3	–	48.3	33.3	–	33.3
Other liabilities relating to social security	44.2	–	44.2	42.3	–	42.3
Other liabilities relating to employees	283.3	10.5	293.8	246.6	12.1	258.7
Other liabilities relating to members of the Boards	0.3	–	0.3	1.1	–	1.1
Advance payments received	2,451.5	11.8	2,463.3	2,179.8	9.1	2,188.9
Other liabilities	**3,086.1**	**90.2**	**3,176.3**	**2,765.3**	**72.3**	**2,837.6**
Deferred income	65.9	44.7	110.6	54.3	26.1	80.4
Total	**3,152.0**	**134.9**	**3,286.9**	**2,819.6**	**98.4**	**2,918.0**

(39) Liabilities related to assets held for sale

In the period under review, the Group did not carry any liabilities related to assets held for sale, as in the previous year.

(40) Contingent liabilities

CONTINGENT LIABILITIES

€ million	**30 Sep 2014**	30 Sep 2013
Liabilities under guarantees, bill and cheque guarantees due to non-consolidated Group companies	0.4	0.4
Other liabilities under guarantee, bill and cheque guarantees	374.4	382.6
Other liabilities under warranties	0.3	1.2
Total	**375.1**	**384.2**

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

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

Contingent liabilities as at 30 September 2014 are above all attributable to the granting of guarantees for the benefit of Hapag-Lloyd AG and TUI Cruises GmbH for collateralised ship financing schemes.

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

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

Should TUI fail to do so, a risk of around € 113 m (previous year € 96 m) might arise for the period since 2008.

(41) Litigation

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

In 1999, the operator of the container terminal in Zeebrugge in Belgium filed an action for damages against CP Ships Ltd. – still part of TUI AG – and several of its subsidiaries due to an alleged breach of contract in connection with switching the Belgian port of call from Zeebrugge to Antwerp. Following first oral proceedings in September 2013, the court ruled against two subsidiaries of CP Ships Ltd in October 2013 and dismissed the action against all other defendants (including CP Ships Ltd.). Both parties have appealed so that the action is now only pending against the two subsidiaries of CP Ships LTD and CP Ships Ltd. itself. Moreover, the CP Ships companies would have rights of recourse against solvent third parties in the event of a final judgment.

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

(42) Other financial commitments

NOMINAL VALUES OF OTHER FINANCIAL COMMITMENTS

	30 Sep 2014				30 Sep 2013			
	Remaining term				Remaining term			
€ million	up to 1 year	1 – 5 years	more than 5 years	**Total**	up to 1 year	1 – 5 years	more than 5 years	Total
Order commitments in respect of capital expenditure	589.8	1,603.6	967.5	3,160.9	541.5	1,333.6	1,359.3	3,234.4
Other financial commitments	56.1	154.6	–	210.7	114.7	61.8	–	176.5
Total	**645.9**	**1,758.2**	**967.5**	**3,371.6**	**656.2**	**1,395.4**	**1,359.3**	**3,410.9**
Fair value	**631.7**	**1,644.7**	**809.7**	**3,086.1**	**634.0**	**1,258.5**	**1,032.3**	**2,924.8**

The fair value of other financial commitments was determined by means of discounting future expenses using a customary market interest rate of 2.25 % per annum (previous year 3.5 % p. a.). If the previous year's interest rate of 3.5 % p. a. had been applied, the fair value would have been € 141.6 m lower.

Order commitments in respect of capital expenditure relating almost exclusively to Tourism decreased by € 73.5 m year-on-year as at 30 September 2014. This was due to various factors including the commissioning of additional aircraft and aircraft equipment in the framework of TUI Travel's modernisation strategy as well as current down payments. The decline was partly offset by foreign exchange effects for liabilities in foreign currencies.

FINANCIAL COMMITMENTS FROM OPERATING LEASE, RENTAL AND CHARTER CONTRACTS

	30 Sep 2014					30 Sep 2013				
	Remaining term					Remaining term				
€ million	up to 1 year	1 – 5 years	5 – 10 years	more than 10 years	**Total**	up to 1 year	1 – 5 years	5 – 10 years	more than 10 years	Total
Aircraft	363.8	1,090.4	523.7	58.2	2,036.1	352.3	861.1	445.8	63.0	1,722.2
Hotel complexes	225.1	537.6	102.1	8.5	873.3	217.6	420.1	97.4	0.5	735.6
Travel agencies	74.2	148.8	45.6	9.5	278.1	76.3	160.1	54.5	16.4	307.3
Administrative buildings	59.2	150.1	96.0	67.6	372.9	52.9	136.2	71.2	70.1	330.4
Yachts and motor boats	118.2	248.3	135.2	17.6	519.3	116.4	147.0	135.0	42.4	440.8
Other	29.0	33.9	4.5	21.4	88.8	37.4	39.1	6.0	22.0	104.5
Total	**869.5**	**2,209.1**	**907.1**	**182.8**	**4,168.5**	**852.9**	**1,763.6**	**809.9**	**214.4**	**3,640.8**
Fair value	**850.3**	**2,066.5**	**759.2**	**146.4**	**3,822.4**	**824.0**	**1,590.8**	**615.0**	**151.9**	**3,181.7**

The fair value of financial commitments from lease, rental and leasing agreements was determined by means of discounting future expenses using a customary market interest rate of 2.25 % p. a. (previous year 3.5 % p. a.). If the previous year's interest rate of 3.5 % p. a. had been applied, the fair value would have been € 171.3 m lower.

The commitments from lease, rental and leasing agreements exclusively relate to leases that do not transfer all the risks and rewards of ownership of the assets to the companies of the TUI Group in accordance with IASB rules (operating leases).

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

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

(43) Share-based payments in accordance with IFRS 2

MULTI-ANNUAL BONUS PAYMENT

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

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

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

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

STOCK OPTION PLAN

Bonuses are granted to Group executives entitled to receive a bonus; the bonuses are also translated into phantom shares in TUI AG on the basis of an average share price. For Executive Board members, the stock option plan was terminated upon the introduction of the multi-annual bonus.

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

Phantom shares developed as follows for the two remuneration schemes:

DEVELOPMENT OF PHANTOM SHARES

	Number of shares	Present value € million
Balance as at 30 Sep 2012	**1,476,111**	**9.2**
Phantom shares granted	495,208	4.2
Phantom shares exercised	247,264	2.3
Measurement results	–	4.0
Balance as at 30 Sep 2013	**1,724,055**	**15.1**
Phantom shares granted	357,484	4.2
Phantom shares exercised	900,497	9.3
Measurement results	–	4.0
Balance as at 30 Sep 2014	**1,181,042**	**14.0**

The multi-annual bonus and the stock option plan are recognised as payments with cash compensation. As at 30 September 2014 provisions relating to entitlements under these long-term incentive programmes totalled € 13.2 m with no liabilities carried (as at 30 September 2013 provisions of € 14.6 m and liabilities of € 2.0 m). Within the stock option plan 229,594 phantom shares (value equivalent to € 2.7 m) vested as at 30 September 2014.

Until 30 September 2014, personnel expenses due to share-based payment schemes with cash compensation of € 7.8 m (previous year € 8.2 m) were recognised through profit and loss.

EMPLOYEE SHARES

TUI AG offers shares at favourable preferential conditions for purchase by eligible employees in Germany and some European countries. The purchase entails a lock-up period of two years. In financial year 2013 / 14, a total of 99,800 employee shares that employees had subscribed to in the prior year were issued. The subscription period for employee shares in financial year 2013 / 14 expired on 26 September 2014. Employees subscribed to 133,340 employee shares, to be issued in the following financial year. Personnel costs recognised through profit and loss, i.e. the difference between the current share price as at the balance sheet date and the reduced purchase price, amount to € 0.5 m.

SHARE-BASED PAYMENT SCHEMES IN TUI AG SUBSIDIARIES

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

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

PERFORMANCE SHARE PLAN (PSP)

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

DEFERRED ANNUAL BONUS SCHEME (DABS)

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

Up to 50 % of the granted awards (prior to 1 October 2011 up to 75 %) will vest based on growth in earnings per share (EPS) relative to the UK Retail Price Index (RPI). 25 % of the awards will vest based on total shareholder return (TSR) performance relative to the TSR performance of other capital market-oriented travel and tourism companies. Likewise, up to 25 % of the awards will vest if the average return on invested capital (ROIC) meets certain targets.

DEFERRED ANNUAL BONUS LONG-TERM INCENTIVE SCHEME (DABLIS)

The Deferred Annual Bonus Long-Term Incentive Scheme (DABLIS) is for executive staff (except for the Executive Board) and requires a 25 % deferral of any annual variable compensation into shares. The Remuneration Committee of the Board of TUI Travel PLC may grant further share awards as additional bonuses. Matching shares are limited to four times the deferred amount. The earliest point for the shares to be eligible for release is similarly at the end of a three-year period.

Up to 50 % of the awards will vest based on achievement of certain EBITA targets. Up to 25 % of awards will vest based on the earnings per share (EPS) performance relative to the UK Retail Price Index and up to 25 % based on the Total Shareholder Return (TSR) performance in relation to the TSR performance of other capital market-oriented travel and tourism companies.

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

SHARE AWARD SCHEMES AND ORDINARY SHARES OUTSTANDING

	30 Sep 2014 Number of shares	30 Sep 2013 Number of shares	Date due to vest / date vested
Performance Share Plan (PSP)	–	1,851,300	6 December 2013
	3,042,857	3,042,857	7 December 2014
	193,242	193,242	1 June 2015
	1,851,734	1,851,734	6 December 2015
	1,281,570	–	12 December 2016
Deferred Annual Bonus Scheme (DABS)	–	3,535,905	6 December 2013
	5,200,660	5,200,660	7 December 2014
	3,497,428	3,604,844	6 December 2015
	2,448,328	–	12 December 2016
Deferred Annual Bonus Long Term Incentive Scheme (DABLIS)	–	2,032,726	6 December 2013
	3,598,739	3,601,638	7 December 2014
	2,105,669	2,211,179	6 December 2015
	1,843,520	–	12 December 2016
Total	**25,063,747**	**27,126,085**	

The development of awards granted is as follows:

DEVELOPMENT OF THE NUMBER OF SHARE OPTIONS

	Number
Outstanding at beginning of the financial year	27,126,085
Forfeited during the year	– 461,479
Exercised during the financial year	–7,295,337
Granted during the financial year	5,694,478
Balance as at 30 Sep 2014	**25,063,747**

The weighted average TUI Travel PLC share price was 387 pence at exercise date (translated to € 4.52, previous year 278 pence or € 3.42). The weighted average remaining contractual life of options not exercised is 0.93 years at 30 September 2014 (previous year 1.20 years).

On top of the shares mentioned above, the deferral of variable compensation into share awards means that 2,813,458 shares (as at 30 September 2013 3,118,873 shares) are still outstanding under DABS and 4,464,772 (as at 30 September 2013 4,465,568) under DABLIS. The awards will vest between 7 December 2014 and 12 December 2016.

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

INFORMATION RELATING TO FAIR VALUES OF SHARES AWARDED

		2013 / 14	2012 / 13
Fair values at measurement date	£	1.65 – 3.28	1.45 – 2.45
Share price	£	3.77	2.84
Expected volatility	%	30.6	35.50
Award life		3 years	3 years
Expected dividends	%	4.67	4.94
Risk free interest rate	%	0.78	0.42

Participants are not entitled to dividends prior to vesting. Expected volatility is based on historic volatility adjusted for changes to future volatility indicated by publicly available information.

As at 30 September 2014, personnel costs of € 23.9 m (previous year € 18.2 m) relating to share-based payment schemes involving compensation by equity instruments were carried through profit and loss.

Certain beneficiaries (except for the Executive Board members) may also decide to have their awards settled in cash. Calculation of the cash settlement is based on the same criteria as those used for settlement by equity instruments. By 30 September 2014, this gave rise to staff costs of € 2.7 m (previous year € 2.9 m).

(44) Financial instruments

RISKS AND RISK MANAGEMENT

RISK MANAGEMENT PRINCIPLES

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

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

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

The individual financing units, rules, competencies and workflows as well as limits for transactions and risk positions have been defined in policies. The trading, processing and control have been segregated in functional and organisational terms. Compliance with the policies and limits is continually monitored. All hedges by the Group are consistently based on correspondingly recognised or future underlying transactions. Recognised standard software is used for assessing, monitoring and reporting as well as documenting and reviewing the effectiveness of the hedging relationships for the hedges entered into. In this context, the fair values of all derivative financial instruments determined on the basis of the Group's own systems are regularly compared with the fair value confirmations of the external counterparties. The processes, the methods applied and the organisation of risk management are reviewed for compliance with the relevant regulations on at least an annual basis by the internal audit departments and external auditors.

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

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

MARKET RISK

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

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

The analyses of the TUI Group's risk reduction activities outlined below and the amounts determined using sensitivity analyses represent hypothetical and thus uncertain disclosures entailing risks. Due to unforeseeable developments in the global financial markets, actual results may deviate substantially from the disclosures provided. The risk analysis methods used must not be considered a projection of future events or losses, since the TUI Group is also exposed to risks of a non-financial or non-quantifiable nature. These risks primarily include souvereign, business and legal risks not covered by the following presentation of risks.

CURRENCY RISK

The business operations of the TUI Group's companies generate payments denominated in foreign currencies, which are not always matched by congruent payments with equivalent terms in the same currency. Using potential netting effects (netting of payments made and received in the same currency with identical or similar terms), the TUI Group enters into appropriate hedges with external counterparties in order to protect its profit margin from exchange rate-related fluctuations.

Within the TUI Group, risks from exchange rate fluctuations of more than 20 currencies are hedged, with the largest hedging volumes relating to US dollars, euros and pound sterling. The Eurozone limits the currency risk from transactions in the key tourist destinations to Group companies whose functional currency is not the euro. The Tourism Segment is mainly affected by changes in the value of the US dollar and the euro, the latter predominantly affecting the TUI tour operators in the UK and the Nordic countries. In tourism operations, payments in US dollars primarily relate to the procurement of services in non-European destinations, purchases of jet fuel and ship fuel and aircraft purchases or charter.

The companies of the TUI Travel Sector use financial derivatives to hedge their planned foreign exchange requirements. They aim to cover 80 % to 100 % of the planned currency requirements at the beginning of the tourism season concerned. In this regard, account is taken of the different risk profiles of the Group companies operating in various source markets. The hedged currency volumes are changed in line with changes in planned requirements on the basis of reporting by subsidiaries. Currency hedging in the TUI Hotels & Resorts and Cruises Sectors is also based on the reports submitted by the companies. The target hedging ratio is at least 80 % of the reported exposure.

Currency risks within the meaning of IFRS 7 arise from primary and derivative monetary financial instruments issued in a currency other than the functional currency of a company. Exchange rate-related differences from the translation of financial statements into the Group's currency are not taken into account. Taking account of the different functional currencies within the TUI Group, the sensitivity analyses of the currencies identified as relevant risk variables are presented below. A 10 % strengthening or weakening of the respective functional currencies, primarily euro and pound sterling, against the other currencies would cause the following effects on the revaluation reserve and earnings after tax:

SENSITIVITY ANALYSIS – CURRENCY RISK

€ million		**30 Sep 2014**		30 Sep 2013
Variable: Foreign exchange rate	**+10 %**	**–10 %**	+10 %	–10 %
Exchange rates of key currencies				
€/US dollar				
Revaluation reserve	–105.7	+105.7	–87.7	+86.8
Earnings after income taxes	–7.8	+9.5	–5.2	+5.4
€/Pound sterling				
Revaluation reserve	–119.0	+119.0	–91.7	+91.7
Earnings after income taxes	–102.6	+104.6	–35.3	+35.3
Pound sterling/US dollar				
Revaluation reserve	–95.7	+95.7	–71.7	+71.7
Earnings after income taxes	+7.5	–7.5	–14.8	+14.8
€/Swiss franc				
Revaluation reserve	+4.1	–4.5	–3.0	+3.0
Earnings after income taxes	+0.3	–0.3	–0.2	+0.2
€/Swedish krona				
Revaluation reserve	+19.4	–11.3	+25.2	–25.2
Earnings after income taxes	–	–	–5.0	+5.0

INTEREST RATE RISK

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

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

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

SENSITIVITY ANALYSIS – INTEREST RATE RISK

€ million		30 Sep 2014		30 Sep 2013
Variable: Interest rate level for floating interest-bearing debt and fixed-interest bearing loans	**+100 basis points**	**–100 basis points**	+100 basis points	–100 basis points
Revaluation reserve	+ 0.8	– 0.3	+ 1.0	– 0.7
Earnings after income taxes	– 3.6	+ 2.9	– 4.4	+ 3.4

FUEL PRICE RISK

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

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

If the commodity prices, which underly the fuel price hedges, would increase or decrease by 10 % on the balance sheet date, the result on equity and on earnings after income taxes would be shown on the table below.

SENSITIVITY ANALYSIS – FUEL PRICE RISK

€ million		30 Sep 2014		30 Sep 2013
Variable: Fuel prices for aircraft and ships	**+10 %**	**–10 %**	+10 %	–10 %
Revaluation reserve	+ 80.2	– 80.2	+ 77.5	– 79.1
Earnings after income taxes	–	–	+ 0.1	+ 0.2

OTHER PRICE RISKS

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

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

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

SENSITIVITY ANALYSIS – OTHER PRICE RISKS

€ million	30 Sep 2014		30 Sep 2013	
Variable: Other market values, cash flows	+10%	–10%	+10%	–10%
Revaluation reserve	+14.1	–17.0	+14.3	–14.3
Earnings after income taxes	–	–	–	–
Equity – Available for sale financial instruments	+0.4	–0.4	+0.6	–0.6

The funds from the bond issued in September 2014 and invested in a money market fund would have an effect of € +2.1 m / € –2.1 m on equity if the listed price changed by + / –1 % on the balance sheet date.

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

CREDIT RISK

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

Maximum credit risk exposure corresponds in particular to the total of the recognised carrying amounts of the financial assets (including derivative financial instruments with positive market values). It also relates to the granting of financial guarantees for the discharge of liabilities. Details concerning the guarantees at the balance sheet date are presented in Note 40. Legally enforceable possibilities of netting financial assets and liabilities are taken into account. Credit risks are reviewed closely on conclusion of the contract and continually monitored thereafter so as to be able to swiftly respond to potential impairments in a counterparty's solvency. Responsibility for handling the credit risk is always held by the respective Group companies of the TUI Group.

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

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

At the balance sheet date, there were no financial assets that would be past due or impaired unless the terms and conditions of the contract had been renegotiated, neither in financial year 2013 / 14 nor in 2012 / 13.

Credit management also covers the TUI Group's derivative financial instruments. The maximum credit risk for derivative financial instruments entered into is limited to the total of all positive market values of these instruments since in the event of counterparty default asset losses would only be incurred up to that amount. Since derivative financial instruments are concluded with different debtors, credit risk exposure is reduced. The specific credit risks of individual counterparties are taken into account in determining the fair values of derivative financial instruments. In addition, the counterparty risk is continually monitored and controlled using internal bank limits.

LIQUIDITY RISK

Liquidity risks consist of potential financial shortages and resulting increases in funding costs. For this reason, the key objectives of TUI's internal liquidity management are to secure the Group's liquidity at all times and consistently comply with contractual payment obligations. Assets of € 3.1 m (previous year € 41.0 m) were deposited as collateral for liabilities. The participating Group companies are also jointly and severally liable for financial liabilities from a cash pooling agreement.

The tables provided below list the contractually agreed (undiscounted) cash flows of all primary financial liabilities and derivative financial instruments as at the balance sheet date. Planned payments for future new liabilities were not taken into account. Where financial liabilities have a floating interest rate, the forward interest rates fixed at the balance sheet date were used to determine future interest payments. Financial liabilities cancellable at any time are allocated to the earliest maturity band.

CASH FLOW OF FINANCIAL INSTRUMENTS – FINANCIAL LIABILITIES (30 SEP 2014)

	Cash outflow until 30 Sep							
	up to 1 year		1 – 2 years		2 – 5 years		more than 5 years	
€ million	**repayment**	**interest**	repayment	interest	repayment	interest	repayment	interest
Financial liabilities								
Bonds	– 28.4	– 48.9	– 338.9	– 43.4	– 514.6	– 65.7	– 300.0	– 6.8
Liabilities to banks	– 53.0	–1.3	– 49.1	–1.2	– 86.1	– 3.7	– 72.5	– 5.0
Liabilities from finance leases	– 46.8	– 27.2	– 39.1	– 0.8	– 97.9	–1.9	– 316.8	–10.6
Financial liabilities due to non-consolidated Group companies	– 5.6	–	–	–	–	–	–	–
Financial liabilities due to affiliates	–	–	–	–	–	–	–	–
Other financial liabilities	– 80.9	–	–1.0	–	–	–	–	–
Trade payables	– 3,301.2	–	–	–	–	–	–	–
Other liabilities	– 225.3	–12.7	– 21.8	–	– 2.2	–	–	–

CASH FLOW OF FINANCIAL INSTRUMENTS – FINANCIAL LIABILITIES (30 SEP 2013)

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

CASH FLOW OF DERIVATIVE FINANCIAL INSTRUMENTS (30 SEP 2014)

	Cash in-/outflow until 30 Sep			
€ million	**up to 1 year**	1–2 years	2–5 years	more than 5 years
Derivative financial instruments				
Hedging transactions – inflows	+6,177.2	+753.0	+34.6	–
Hedging transactions – outflows	–6,222.3	–731.6	–31.3	–
Other derivative financial instruments – inflows	+3,103.1	+27.3	–	–
Other derivative financial instruments – outflows	–3,134.2	–27.2	–0.8	–

CASH FLOW OF DERIVATIVE FINANCIAL INSTRUMENTS (30 SEP 2013)

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

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGES

STRATEGY AND GOALS

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

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

CASH FLOW HEDGES

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

In accounting for derivatives of cash flow hedges, the effective portion of the cumulative changes in market values is carried in the revaluation reserve outside profit and loss until the underlying transaction occurs. It is carried in the income statement through profit and loss when the hedged item is executed. In the financial year under review, income of € 150.6 m (previous year expenses of € 10.3 m) for currency hedges and derivative financial instruments used as price hedges were carried in the cost of sales. Expenses of € 0.7 m (previous year of € 0.7 m) were carried in the financial result for interest hedges. Income of € 0.1 m (previous year expenses of € 2.4 m) were carried for the ineffective portion of the cash flow hedges.

NOMINAL AMOUNTS OF DERIVATIVE FINANCIAL INSTRUMENTS USED

€ million	30 Sep 2014 Remaining term up to 1 year	30 Sep 2014 Remaining term more than 1 year	30 Sep 2014 Total	30 Sep 2013 Remaining term up to 1 year	30 Sep 2013 Remaining term more than 1 year	30 Sep 2013 Total
Interest rate hedges						
Caps	–	225.6	225.6	59.8	222.0	281.8
Swaps	25.0	90.0	115.0	59.8	90.9	150.7
Currency hedges						
Forwards	9,155.9	799.4	9,955.3	9,387.2	1,060.2	10,447.4
Options	4.0	–	4.0	39.2	–	39.2
Collected forwards	204.6	18.4	223.0	179.1	110.9	290.0
Commodity hedges						
Swaps	1,041.2	283.9	1,325.1	1,011.2	212.5	1,223.7
Options	3.0	–	3.0	31.1	–	31.1
Other financial instruments	**–**	**193.0**	**193.0**	**–**	**179.4**	**179.4**

The nominal amounts correspond to the total of all purchase or sale amounts or the contract values of the transactions.

FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

The fair values of derivative financial instruments correspond to the market values. The market price determined for all derivative financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A description of the determination of the fair values of derivative financial instruments is provided in the context of the presentation of the classification of financial instruments measured at fair value.

POSITIVE AND NEGATIVE FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS SHOWN AS RECEIVABLES OR LIABILITIES

€ million	**30 Sep 2014**		30 Sep 2013	
	Receivables	**Liabilities**	Receivables	Liabilities
Cash flow hedges for				
currency risks	188.0	123.9	40.4	147.4
other market price risks	37.5	82.9	43.3	28.4
interest rate risks	0.1	0.3	0.1	0.6
Fair value hedges for				
currency risks	–	0.2	–	–
Hedging	**225.6**	**207.3**	**83.8**	**176.4**
Other derivative financial instruments	**22.1**	**55.4**	**3.2**	**33.1**
Total	**247.7**	**262.7**	**87.0**	**209.5**

Financial instruments which are entered into in order to hedge a risk position according to operational criteria but do not meet the strict criteria of IAS 39 to qualify as hedges are shown as Other derivative financial instruments. They include, in particular, foreign currency transactions entered into in order to hedge against foreign currency-induced exposure to changes in the value of balance sheet items and foreign exchange fluctuations from future expenses in Tourism.

FINANCIAL INSTRUMENTS – ADDITIONAL DISCLOSURES

CARRYING AMOUNTS AND FAIR VALUES

Where financial instruments are listed in an active market, e.g. in particular shares and bonds issued, the fair value or market value is the respective quotation in this market at the closing date. For over-the-counter bonds, liabilities to banks, promissory notes and other non-current financial liabilities, the fair value is determined as the present value of future cash flows, taking account of yield curves and the respective credit spread, which depends on the credit rating.

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

The fair values of non-current trade receivables and other assets correspond to the present values of the cash flows related to the assets, taking account of current interest parameters which reflect market- and counterparty-related changes in terms and expectations. There are no financial investments held to maturity.

CARRYING AMOUNTS AND FAIR VALUES ACCORDING TO CLASSES AND MEASUREMENT CATEGORIES AS AT 30 SEP 2014

		Category under IAS 39						
€ million	**Carrying amount**	At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss	Values according to IAS 17 (leases)	Carrying amount of financial instruments	Fair value of financial instruments
Assets								
Available for sale financial assets	362.7	–	45.4	317.3	–	–	362.7	362.7
Trade receivables and other assets	2,285.9	1,116.5	–	–	–	–	1,116.5	1,116.5
Derivative financial instruments								
Hedging	225.6	–	–	225.6	–	–	225.6	225.6
Other derivative financial instruments	22.1	–	–	–	22.1	–	22.1	22.1
Cash and cash equivalents	2,286.0	2,286.0	–	–	–	–	2,286.0	2,286.0
Assets held for sale	483.3	–	–	–	–	–	–	–
Liabilities								
Financial liabilities	1,962.9	1,462.3	–	–	–	500.6	1,462.3	1,710.5
Trade payables	3,301.2	3,301.1	–	–	–	–	3,301.1	3,301.1
Derivative financial instruments								
Hedging	207.3	–	–	207.3	–	–	207.3	207.3
Other derivative financial instruments	55.4	–	–	–	55.4	–	55.4	55.4
Other liabilities	3,286.9	157.1	–	–	60.8	–	217.9	217.9

CARRYING AMOUNTS AND FAIR VALUES ACCORDING TO CLASSES AND MEASUREMENT CATEGORIES AS AT 30 SEP 2013

		Category under IAS 39						
€ million	**Carrying amount**	At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss	Values according to IAS 17 (leases)	Carrying amount of financial instruments	Fair value of financial instruments
Assets								
Available for sale financial assets	71.5	–	54.1	17.4	–	–	71.5	71.5
Trade receivables and other assets	2,219.6	1,090.2	–	–	40.6	–	1,130.8	1,130.8
Derivative financial instruments								
Hedging	83.8	–	–	83.8	–	–	83.8	83.8
Other derivative financial instruments	3.2	–	–	–	3.2	–	3.2	3.2
Cash and cash equivalents	2,701.7	2,701.7	–	–	–	–	2,701.7	2,701.7
Assets held for sale	11.6	–	–	–	–	–	–	–
Liabilities								
Financial liabilities	2,769.6	2,434.1	–	–	–	335.5	2,434.1	2,898.1
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	164.0	–	–	48.0	–	212.0	212.0

The financial investments classified as financial instruments available for sale include an amount of € 45.4 m (as at 30 September 2013 € 54.1 m) for investments in partnerships and corporations for which an active market does not exist. The fair value of these non-listed investments was not determined using a measurement model since the future cash flows could not be reliably determined. The investments are carried at acquisition cost. In the period under review, there were no major disposals of investments in partnerships and corporations measured at acquisition cost (as at 30 September 2013 no major disposals). TUI does not intend to sell or derecognise the investments in these partnerships and corporations in the near future.

AGGREGATION ACCORDING TO MEASUREMENT CATEGORIES UNDER IAS 39 AS AT 30 SEP 2014

€ million	At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss	**Carrying amount Total**	Fair value
Loans and receivables	3,402.5	–	–	–	3,402.5	3,402.5
Financial assets						
available for sale	–	45.4	317.3	–	362.7	362.7
held for trading	–	–	–	22.1	22.1	22.1
Financial liabilities						
at amortised cost	4,920.5	–	–	–	4,920.5	5,229.5
held for trading	–	–	–	116.2	116.2	116.2

AGGREGATION ACCORDING TO MEASUREMENT CATEGORIES UNDER IAS 39 AS AT 30 SEP 2013

€ million	At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss	**Carrying amount Total**	Fair value
Loans and receivables	3,791.9	–	–	–	3,791.9	3,791.9
Financial assets						
available for sale	–	54.1	17.4	–	71.5	71.5
held for trading	–	–	–	43.8	43.8	43.8
Financial liabilities						
at amortised cost	5,695.3	–	–	–	5,695.3	6,159.3
held for trading	–	–	–	33.1	33.1	33.1

FAIR VALUE MEASUREMENT

The table below presents the fair values of the financial instruments measured at fair value on a recurring, non-recurring or other basis in line with the underlying measurement level:

- Level 1: (unadjusted) quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs for the measurement other than quoted market prices included within Level 1 that are observable in the market for the asset or liability, either directly (as quoted prices) or indirectly (derivable from quoted prices).
- Level 3: inputs for the measurement of the asset or liability not based on observable market data.

CLASSIFICATION OF FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS AS OF 30 SEP 2014

		Fair value hierarchy		
€ million	**Total**	Level 1	Level 2	Level 3
Assets				
Available for sale financial assets	317.3	11.8	300.0	5.5
Derivative financial instruments				
Hedging transactions	225.6	–	225.6	–
Other derivative financial instruments	22.1	–	22.1	–
Liabilities				
Derivative financial instruments				
Hedging transactions	207.3	–	207.3	–
Other derivative financial instruments	55.4	–	55.4	–
Other liabilities	60.8	–	60.8	–
At amortised cost				
Financial liabilities	1,710.5	1,362.3	348.2	–

CLASSIFICATION OF FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS AS OF 30 SEP 2013

		Fair value hierarchy		
€ million	**Total**	Level 1	Level 2	Level 3
Assets				
Other assets held for trading	40.6	–	–	40.6
Available for sale financial assets	17.4	17.4	–	–
Derivative financial instruments				
Hedging transactions	83.8	–	83.8	–
Other derivative financial instruments	3.2	–	3.2	–
Liabilities				
Derivative financial instruments				
Hedging transactions	176.4	–	176.4	–
Other derivative financial instruments	33.1	–	33.1	–
Other liabilities	48.0	–	48.0	–
At amortised cost				
Financial liabilities	2,434.1	1,783.5	650.6	–

At the end of every reporting period, TUI examines whether there are any reasons to reclassify assets from or to a different level. Financial assets and financial liabilities are always reclassified from Level 1 to Level 2 if liquidity and trading activities no longer indicate an active market. This also applies, vice versa, to potential reclassifications from Level 2 to Level 1. In the period under review, no reclassifications were effected between Level 1 and Level 2.

There were no reclassifications from or to Level 3, either. Reclassifications from Level 3 to Level 2 or Level 1 are effected if observable quoted prices become available for the asset or liability concerned. TUI records reclassifications to and from Level 3 as per the day on which an event or trigger causes the reclassification.

LEVEL 1 FINANCIAL INSTRUMENTS:
The fair value of financial instruments for which an active market exists is based on quoted prices at the reporting date. An active market exists if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service or regulatory agency and these prices represent actual and regularly occurring market transactions on an arm's length basis. These financial instruments are classified as Level 1. The fair values correspond to the nominal amounts multiplied by the quoted prices at the reporting date. Level 1 financial instruments primarily comprise shares in listed companies classified as available for sale and bonds issued classified as financial liabilities 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 specific valuation techniques. These valuation techniques make maximum use of observable market data and minimise the use of Group-specific assumptions. If all essential inputs for the determination of the fair value of an instrument are observable, the instrument is classified as Level 2.

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

The following specific valuation techniques are used to measure financial instruments:

- For over-the-counter bonds, liabilities to banks, promissory notes and other non-current financial liabilities, the fair value is determined as the present value of future cash flows, taking account of yield curves and the respective credit spread, which depends on the credit rating
- The fair value of over-the-counter derivatives is determined by means of appropriate calculation methods, e.g. by discounting the expected future cash flows. The forward prices of forward transactions are based on the spot or cash prices, taking account of forward premiums and discounts. The calculation of the fair values of options concluded for currency options is based on the Black & Scholes model and the Turnbull & Wakeman model for optional fuel hedges. The fair values determined on the basis of the Group's own systems are regularly compared with fair value confirmations of the external counterparties.
- Other valuation techniques, e.g. discounting future cash flows, are used to determine the fair values of other financial instruments.
- The fair value of over-the-counter money market funds is determinated by means of observable price quotations (net asset value).

With the exception of the investment in NATS presented below, the fair values resulting from the application of the valuation assumptions are fully allocated to Level 2.

LEVEL 3 FINANCIAL INSTRUMENTS:

The table below presents the fair values of the financial instruments measured at fair value on a recurring basis, classified as Level 3:

FINANCIAL ASSETS MEASURED AT FAIR VALUE IN LEVEL 3

€ million	Other assets held for trading	Available for sale financial assets
Balance as at 1 Oct 2012	**37.6**	**–**
Total comprehensive income	3.0	–
recognised in income statement	4.9	–
recognised in other comprehensive income	–1.9	–
Balance as at 30 Sep 2013	**40.6**	**–**
Net gains for financial instruments on the balance sheet at the balance sheet date	**4.9**	**–**
Balance as at 1 Oct 2013	**40.6**	**–**
Additions	–	5.2
Disposals	–	–
repayment / sale	35.5	–
conversion	5.2	–
Total comprehensive income	0.1	0.3
recognised in income statement	–	–
recognised in other comprehensive income	0.1	0.3
Balance as at 30 Sep 2014	**0.0**	**5.5**
Net gains for financial instruments on the balance sheet at the balance sheet date	**–**	**–**

The gains and losses from the measurement of other assets held for trading are shown in other operating income / expense.

The changes in Level 3 financial instruments result from the sale of investment in National Air Traffic Services (NATS). The remaining investment in the company was measured at the transaction price of the investment sold. In the period under review, the remaining investment in NATS (National Air Traffic Services) was reclassified as available for sale.

A change of +10 / –10 % in the determined corporate value of the investment in NATS results in a € 0.4 m increase / € – 0.4 m decrease in the value recognised for the asset in the TUI Group, carried outside profit and loss (as at 30 September 2013 € + 2.8 m / € – 2.8 m, carried through profit or loss). Changes in unobservable parameters do not have a material effect on the result.

EFFECTS ON RESULTS

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

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

NET RESULTS OF FINANCIAL INSTRUMENTS

€ million	2013/14 from interest	2013/14 other net results	2013/14 net result	2012/13 from interest	2012/13 other net results	2012/13 net result
Loans and receivables	8.1	53.0	61.1	–20.2	33.0	12.8
Available for sale financial assets	1.9	2.1	4.0	–0.9	1.4	0.5
Financial assets and liabilities held for trading	10.9	–2.0	8.9	4.9	–5.6	–0.7
Financial liabilities at amortised cost	–105.8	–135.3	–241.1	–113.5	20.1	–93.4
Total	**–84.9**	**–82.2**	**–167.1**	**–129.7**	**48.9**	**–80.8**

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

Financial instruments measured at fair value outside profit and loss did not give rise to any commission expenses in financial year 2013/14, just as in the previous year.

NETTING

The following financial assets and liabilities are subject to contractual netting arrangements:

OFFSETTING – FINANCIAL ASSETS

				Related amounts not set off in the balance sheet		
€ million	Gross Amounts of financial assets	Gross amounts of recognised financial liabilities set off	**Net amounts of financial assets presented in the balance sheet**	Financial Instruments	Cash Collateral received	Net Amount
Financial assets as at 30 Sep 14						
Derivative financial assets	247.7	–	247.7	208.4	–	39.3
Cash and cash equivalents	5,863.8	3,577.8	2,286.0	–	–	2,286.0
Financial assets as at 30 Sep 13						
Derivative financial assets	87.0	–	87.0	53.4	–	33.6
Cash and cash equivalents	5,481.9	2,780.2	2,701.7	570.0	–	2,131.7

OFFSETTING – FINANCIAL LIABILITIES

€ million	Gross Amounts of financial liabilities	Gross amounts of recognised financial assets set off	**Net amounts of financial assets presented in the balance sheet**	Related amounts not set off in the balance sheet		Net Amount
				Financial Instruments	Cash Collateral granted	
Financial liabilities as at 30 Sep 14						
Derivative financial liabilities	262.7	–	262.7	208.4	–	54.3
Financial liabilities	5,040.0	3,577.8	1,462.2	–	–	1,462.2
Financial liabilities as at 30 Sep 13						
Derivative financial liabilities	209.5	–	209.5	53.4	–	156.1
Financial liabilities	5,214.3	2,780.2	2,434.1	587.5	–	1,846.6

Financial assets and financial liabilities are only netted in the balance sheet if a legally enforceable right to netting exists and the Company intends to settle on a net basis.

The contracts for financial instruments are based on standardised master agreements for financial derivatives (including ISDA Master Agreement, German master agreement for financial derivatives), creating a conditional right to netting contingent on defined future events. Under the contractual agreements all derivatives contracted with the corresponding counterparty with positive or negative fair values are netted in that case, resulting in a net receivable or payable in the amount of the balance. As this conditional right to netting is not enforceable in the course of ordinary business transactions, the derivative financial assets and liabilities are carried at their gross amounts in the balance sheet date at the reporting date.

Financial assets and liabilities from a cash pooling agreement of a UK subsidiary are shown on a net basis if there is a right to netting in ordinary business transactions and the Group intends to settle on a net basis.

(45) Capital risk management

One of the key performance indicators in the framework of capital risk management is the IFRS-based gearing, i. e. the relationship between the Group's net debt and Group equity. From a risk perspective, a balanced relation between net debt and equity is to be sought. The medium-term target of the TUI Group is for a gearing of around 100 %.

In order to exert active control over the capital structure, the TUI Group's management may change dividend payments to the shareholders, repay capital to the shareholders, issue new shares or issue hybrid capital. The management may also sell assets in order to reduce Group debt.

GEARING CALCULATION

€ million		**2013 / 14**	2012 / 13
Average financial debt		2,799.9	2,767.6
Average cash and cash equivalent		2,039.0	1,788.8
Average Group net debt		**761.0**	**978.8**
Average Group equity		1,791.3	1,798.5
Gearing	%	**42.5**	**54.4**

Notes to the cash flow statement

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

(46) Cash inflow / outflow from operating activities

Based on the Group result after tax, the cash flow from operating activities is derived using the indirect method. The cash inflow from operating activities amounted to € 1,074.7 m (previous year € 875.3 m) in the period under review.

In the period under review, the cash inflow included interest of € 22.2 m and dividends of € 35.9 m. A cash outflow of € 189.4 m resulted from income tax payments.

(47) Cash inflow / outflow from investing activities

In the financial year under review, the cash inflow from investing activities amounted to € 586.2 m (previous year € 444.3 m) in the period under review.

The cash flow from investing activities includes a cash outflow for capital expenditure related to property, plant and equipment and intangible assets of € 475.9 m for the TUI Travel Sector and € 114.7 m for TUI Hotels & Resorts but also a cash inflow from the sale of fixed assets of € 271.3 m for the TUI Travel Sector (primarily related to aircraft assets), and € 56.3 m from the sale of property by Central Operations.

The cash outflow from investments in property, plant and equipment and intangible assets and the cash inflow from corresponding divestments do not match the additions and disposals shown in the development of fixed assets, which also include non-cash investments and disposals.

In the period under review, a cash outflow of € 30.7 m resulted from acquisitions of companies to be included in consolidation. This amount includes payments of € 8.3 m for acquisitions made in prior years. Cash and cash equivalents acquired through the acquisitions total € 6.6 m so that the total outflow of cash amounted to € 24.1 m.

The cash outflow for investments in other assets comprises shares in a money market fund worth € 300.0 m, held in an escrow account on behalf of TUI AG until the completion of the planned merger with TUI Travel PLC. An amount of € 48.1 m relates to capital increases in companies measured at equity and the acquisition of an associated company by the Riu Group. A cash inflow of € 37.6 m was generated from the sale of a part of a shareholding, and an inflow of € 13.5 m from the sale of three consolidated companies.

(48) Cash inflow / outflow from financing activities

The cash outflow from financing activities totalled € 318.9 m (previous year € 620.9 m).

TUI Travel PLC fully repaid the credit facility drawn at the beginning of the reporting period in order to finance the tourism season. The companies of the TUI Travel Sector also repaid other credits worth € 51.9 m and liabilities from finance leases of € 31.7 m. The TUI Hotels & Resorts Sector took out loans of € 46.8 m and repaid loans worth € 80.3 m.

In August 2014, TUI AG repaid promissory notes of € 100.0 m carried as liabilities to banks as scheduled. TUI AG recorded an inflow of € 295.1 m from the issuance of a bond after deduction of the borrowing costs paid in the period under review. Payments for credit facilities of TUI Travel PLC and TUI AG resulted in a cash outflow of € 19.9 m. The conversions of convertible bonds of TUI AG and TUI Travel PLC in the period under review do not have an effect on the cash outflow from financing activities.

A further cash outflow of € 60.9 m relates to the interest on the hybrid capital issued by TUI AG, to be carried as a dividend in line with the IFRS rules, and dividends paid to TUI AG shareholders. In addition, dividends worth € 108.2 m were paid for non-controlling interests, in particular TUI Travel PLC and RIUSA II S.A .

A cash outflow from capital increases of € 7.7 m relates to the costs of the capital increase in TUI AG by means of a contribution in kind, resolved in the period under review; the cash inflow from capital increases of € 0.6 m results from the issuance of employee shares in TUI AG.

The cash outflow from increases in stakes in consolidated companies includes an amount of € 39.4 m paid for own shares by TUI Travel PLC in order to transfer them to employees in the framework of long-term incentive programmes, and € 9.6 m spent in preparing for the acquisition of the stakes of minority shareholders of TUI Travel PLC.

An amount of € 148.0 m was used for interest payments, of which € 10.1 m were capitalised in accordance with IAS 23 and are reported within the chash flow from investing activities.

(49) Development of cash and cash equivalents

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

As certain amounts from a cash pool agreement are now also included in cash management, a reconciliation is shown from cash and cash equivalents in the cash flow statement to cash and cash equivalents as presented in the statement of financial position. The effect of € 587.5 m is carried as a non-cash change in cash and cash equivalents.

As at 30 September 2014, cash and cash equivalents of € 180.3 m were subject to restraints on disposal. This amount includes € 116.3 m for cash collateral received, which was deposited in an Belgian subsidiary by Belgian tax authorities in the period under review in the framework of long-standing litigation over VAT refunds for the years 2001 to 2011 without inference of guilt, the purpose being to interrupt the accrual of interest for both parties. In order to collateralise a potential repayment, the Belgian government was granted a bank guarantee. Due to the bank guarantee, TUI's ability to dispose of the cash and cash equivalents has been restricted. The remaining restraints on disposal relate to cash and cash equivalents to be deposited due to legal or regulatory requirements.

Other notes

(50) Significant transactions after the balance sheet date

On 28 October 2014, the shareholders of TUI AG and the minority shareholders of TUI Travel PLC laid the main foundations for the merger of the two companies at General Meetings held in Hanover and London. Upon completion of the transaction, TUI AG acquires the shares in TUI Travel PLC not yet held by TUI AG by means of a contribution in kind of the previous minority shareholders of TUI Travel. In return, the shareholders of TUI Travel PLC receive 0.399 new shares in TUI AG for each TUI Travel share that they hold. The closing of the transaction is presumably expected to take place in December 2014.

On 17 November 2014, the bonds of a convertible bond issued by TUI AG in November 2009 were redeemed as scheduled at a remaining nominal amount of € 2.4 m, taking account of the conversions into shares meanwhile effected. Between the balance sheet date and the maturity date 409,506 bonds have been converted into 4,143,061 shares. These shares are entitled to dividend not before financial year 2014 / 15. As a result of the conversions equity increases by € 22.9 m.

On 2 December 2014, the merger between Hapag-Lloyd AG and the container shipping activities of Compañía Sud Americana de Vapores S.A. as contractually agreed in April 2014 was completed. As a result of this transaction, the stake of TUI in Hapag-Lloyd AG reduces from 22.0 % to 15.4 %. Hence, TUI loses its significant influence over the company. From 2 December the investment will be shown as an available for sale financial asset. The gain or loss from the revaluation of the investment cannot yet be measured reliably.

(51) Services of the auditors of the consolidated financial statements

Total expenses for the services provided by the auditors of the consolidated financial statements in financial year 2013 / 14, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, can be broken down as follows:

SERVICES OF THE AUDITORS OF THE CONSOLIDATED FINANCIAL STATEMENTS

€ million	**2013 / 14**	2012 / 13
Audit fees for TUI AG and subsidiaries in Germany	4.0	2.0
Audit fees	**4.0**	**2.0**
Review of interim financial statements	0.7	1.0
Services related to capital increases / decreases	1.2	–
Other audit related services	0.4	0.6
Other certification and measurement services	**2.3**	**1.6**
Consulting fees	1.1	1.3
Tax advisor services	0.1	0.1
Other services	**1.2**	**1.4**
Total	**7.5**	**5.0**

(52) Remuneration of Executive and Supervisory Board members

In the financial year under review, total remuneration paid to Executive Board members totalled € 18,398.4 thousand (previous year € 13,232.2 thousand).

In the framework of the long-term incentive programme, the Executive Board members received compensation of € 5,799.0 thousand (previous year € 4,051.6 thousand) for the financial year under review.

Pension provisions for active Executive Board members for financial year 2013 / 14 total € 6,626.2 thousand (previous year € 5,919.2 thousand) as at the balance sheet date.

Mr Long, based in the UK, receives his remuneration from TUI Travel PLC, fixed by its Remuneration Committee.

Total remuneration for Supervisory Board members in the financial year under review amounted to € 2,069.1 thousand (previous year € 1,719.3 thousand).

Remuneration for former Executive Board members or their surviving dependants totalled € 4,455.8 thousand (previous year € 4,002.4 thousand). Pension obligations for former Executive Board members and their surviving dependants amounted to € 69,626.6 thousand (previous year € 49,587.7 thousand) at the balance sheet date.

Disclosures of the relevant amounts for individual Board members and further details on the remuneration system are provided in the Remuneration Report included in the Management Report.

(53) Exemption from disclosure and preparation of a management report in accordance with section 264 (3) of the German Commercial Code (HGB)

The following German subsidiaries fully included in consolidation have met the condition required under section 264 (3) of the German Commercial Code and were therefore exempted from the requirement to disclose their annual financial statements and prepare a management report:

- DEFAG Beteiligungsverwaltungs GmbH I, Hanover
- DEFAG Beteiligungsverwaltungs GmbH III, Hanover
- Hapag-Lloyd Kreuzfahrten GmbH, Hamburg
- Preussag Beteiligungsverwaltungs GmbH IX, Hanover
- Preussag Immobilien GmbH, Salzgitter
- Robinson Club GmbH, Hanover
- TUI Beteiligungs GmbH, Hanover
- TUI Connect GmbH, Hanover
- TUI Group Services GmbH, Hanover
- TUI-Hapag Beteiligungs GmbH, Hanover

(54) Related parties

Apart from the subsidiaries included in the consolidated financial statements, TUI AG, in carrying out its ordinary business activities, maintains indirect or direct relationships with related parties. Related parties controlled by the TUI Group or over which the TUI Group is able to exercise a significant influence are listed in the list of shareholdings published in the electronic Federal Gazette (www.ebanz.de). Apart from pure equity investments, related parties also include companies that supply goods or provide services for TUI Group companies.

Financial obligations from order commitments vis-à-vis related parties exclusively relate to the purchasing of hotel services.

In addition, there are obligations of € 22.4 m (previous year € 24.8 m) from rental and lease agreements.

TRANSACTIONS WITH RELATED PARTIES

€ million	2013/14	2012/13
Services provided by the Group		
Management and consultancy services	65.8	68.4
Sales of tourism services	44.7	53.1
Total	**110.5**	**121.5**
Services received by the Group		
In the framework of lease, rental aund leasing agreements	29.9	18.8
Purchase of hotel services	338.6	253.3
Incoming services	8.6	7.7
Distribution services	–	0.1
Other services	37.7	42.2
Total	**414.8**	**322.1**

TRANSACTIONS WITH RELATED PARTIES

€ million	2013/14	2012/13
Services provided by the Group to		
non-consolidated Group companies	2.3	2.5
joint ventures	42.3	67.1
associates	30.5	18.4
other related parties	35.4	33.5
Total	**110.5**	**121.5**
Services received by the Group from		
non-consolidated Group companies	11.0	12.0
joint ventures	320.1	239.7
associates	73.2	60.4
other related parties	10.5	10.0
Total	**414.8**	**322.1**

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

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

RECEIVABLES AGAINST RELATED PARTIES

€ million	30 Sep 2014	30 Sep 2013
Trade receivables from		
non-consolidated Group companies	3.2	3.2
joint ventures	27.0	46.3
associates	10.5	2.7
Total	**40.7**	**52.2**
Advances and loans to		
non-consolidated Group companies	16.4	26.5
joint ventures	32.8	39.2
associates	11.9	11.2
Total	**61.1**	**76.9**
Payments on account to		
joint ventures	25.9	20.0
Total	**25.9**	**20.0**
Other receivables from		
non-consolidated Group companies	1.9	2.3
joint ventures	52.0	32.1
associates	3.8	3.2
Total	**57.7**	**37.6**

Togebi Holdings Limited (TUI Russia) is a joint venture of S-Group Capital Management Limited (SGCM) and the TUI Group. SGCM is majority-controlled by a significant shareholder of TUI AG. In financial year 2013 / 14, TUI Russia continued to record significant losses in the difficult market environment in Ukraine and Russia. A further € 9.6 m of capital was injected into Togebi and additional loans of € 10.7 m were provided to the company in the period under review for the purpose of maintaining business operations.

Due to the ongoing losses and the aggravation of the conflict in Ukraine in the fourth quarter of financial year 2013 / 14 and the significant rise in foreign travel cost caused by the devaluation of the ruble, the TUI Russia management revised their future performance expectations for the company significantly downward. On the basis of the budget, repayment of the equity-replacing loans is no longer to be expected. Receivables from loans to TUI Russia were therefore impaired by an amount of € 23.3 m in financial year 2013 / 14. For additional loans provided to the company after the balance sheet date, additional provisions of € 12.3 m were formed.

PAYABLES DUE TO RELATED PARTIES

€ million	30 Sep 2014	30 Sep 2013
Trade payables due to		
non-consolidated Group companies	6.4	4.8
joint ventures	49.2	10.0
associates	12.1	8.8
Total	**67.7**	**23.6**
Financial liabilities due to		
non-consolidated Group companies	5.6	6.0
Total	**5.6**	**6.0**
Other liabilities due to		
non-consolidated Group companies	5.0	6.1
joint ventures	33.0	30.8
associates	5.3	2.8
other related parties	0.3	1.1
Total	**43.6**	**40.8**

Liabilities to related parties did not comprise any liabilities from finance leases, as in the prior year.

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

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

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

REMUNERATION OF MANAGEMENT, EXECUTIVE AND SUPERVISORY BOARD

€ million	2013 / 14	2012 / 13
Short-term benefits	14.6	12.7
Post-employment benefits	0.7	– 0.8
Other long-term benefits (share-based payments)	6.0	4.1
Termination benefits	–	3.9
Total	**21.3**	**19.9**

Post-employment benefits are transfers to or reversals of pension provisions for active Executive Board members in the period under review. These expenses do not meet the definition of Executive and Supervisory Board remuneration under the German accounting rules.

Pension provisions for active Executive Board members total € 6.6 m (previous year € 20.3 m) as at the balance sheet date.

(55) International Financial Reporting Standards (IFRS) and Interpretations (IFRIC)

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

AMENDMENTS TO IAS 32: FINANCIAL INSTRUMENTS – PRESENTATION

The amendments to IAS 32, issued in December 2011, specify that financial assets and financial liabilities should be offset in the statement of financial position when, and only when, the entity's current right of set-off is not contingent on a future event and is legally enforceable in the normal course of business but also in the event of default, insolvency or bankruptcy of a counterparty. They also clarify that a gross settlement system is equivalent to net settlement if it has features that eliminate credit and liquidity risk, and process receivables and payables in a single settlement process. TUI does not expect the amendments to have any material effects on its consolidated financial statements.

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

IFRS 10: CONSOLIDATED FINANCIAL STATEMENTS

IFRS 10 supersedes the provisions of IAS 27 Consolidated Financial Statements and Accounting for Investments in Subsidiaries, relevant for consolidated financial statements, and SIC-12 Consolidation – Special Purpose Entities with a uniform model to consolidate entities based on the concept of control of a parent company over a subsidiary. According to IFRS 10, control requires power over an investee, exposure to variable returns and the ability to affect those variable returns through power over an investee. Upon initial application, two entities will be switched from full consolidation to the equity method, as the other owners have the ability to mutually determine and direct certain relevant activities through the management and supervisory bodies. The reallocation does not have a material effect on the TUI Group. If IFRS 10 had been applied in financial year 2013 / 14, turnover would have been down by € 113.9 m, EBITA by € 3.7 m and Group profit by € 0.5 m.

IFRS 11: JOINT ARRANGEMENTS

IFRS 11 supersedes SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers and the previous IAS 31 Interests in Joint Ventures. The standard governs the classification and accounting for joint operations and joint ventures. The classification as a joint arrangement is effected based on subsidiarity in relation to control under IFRS 10. In the event of a joint arrangement, further classification as either a joint operation or a joint venture depends on the rights and obligations of the partners. Accounting for jointly controlled assets is subject to the rules for joint operations, which thus continue to be recognised on a proportionate basis. By contrast, proportionate consolidation, which was admissible in the past, will now no longer apply to joint ventures under IFRS 11; they must henceforth be consolidated on the basis of the equity method alone. Upon the first-time adoption of the standard, three companies will be reclassified as joint ventures. One of the companies has already been accounted for using the equity method. These changes in the group of consolidated companies do not have a material effect on TUI's consolidated financial statements. The elimination of proportionate consolidation for joint ventures does not have an impact on the TUI Group as joint ventures have already been included in the TUI Group's consolidated financial statements using the equity method.

IFRS 12: DISCLOSURE OF INTERESTS IN OTHER ENTITIES

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

AMENDMENTS TO IAS 27: SEPARATE FINANCIAL STATEMENTS

The revised IAS 27 exclusively governs accounting for interests in subsidiaries, associates and joint ventures and the associated disclosures in the notes to the separate financial statements of the parent or investor. The consolidation rules included in the previous version are now included in the newly issued IFRS 10. The amendments are of no relevance to TUI as TUI AG does not prepare IFRS-based single-entity financial statements according to section 325 (2a) of the German Commercial Code.

AMENDMENT TO IAS 28: INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The amendments to IAS 28 were issued in June 2011 and require application of the equity method in accounting for investments in associates and joint ventures. This reflects the TUI Group's current accounting method. It is also clarified that in the event of a sale of a portion of an investment only the portion of the investment actually sold may be carried as held for sale. The remaining portion has to be accounted for using the equity method until the date as of which the investment ceases to have the form of an associate. The first-time application of these rules leads to a change in the recognition of the stake in container shipping line Hapag Lloyd AG. If the amendments to IAS 28 had already been applied in the period under review, this would have resulted in a decline in Group profit of around € 15.2 m and an increase in other comprehensive income of € 32.2 m. The consolidated comprehensive income would have been € 17.0 m higher.

TRANSITION GUIDANCE FOR IFRS 10, IFRS 11 AND IFRS 12

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

The European Commission transposed IFRS 10, IFRS 11 and IFRS 12 as well as the revised IAS 27 and IAS 28 and the transition guidance into European legislation on 28 December 2012. Within the European Union, entities are required to apply the rules for the first time for financial years beginning on or after 1 January 2014. Due to the first-time adoption of IFRS 12, the disclosures in the Notes will be extended.

AMENDMENTS TO IFRS 10, IFRS 12 AND IAS 27: INVESTMENT ENTITIES

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

IFRIC 21: LEVIES

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

Amendments, standards or interpretations issued by the IASB but not yet transposed into European legislation:

IFRS 9: FINANCIAL INSTRUMENTS

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

AMENDMENTS TO IAS 19: DEFINED BENEFIT PLANS – EMPLOYEE CONTRIBUTIONS

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

ANNUAL IMPROVEMENTS PROJECT 2010 – 2012

In December 2013, provisions from the annual improvements project were published; they contain amendments to the following seven standards: IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38 and IAS 24. The rules include minor changes to the contents and above all clarifications of the presentation, recognition and measurement. TUI does not expect the first-time application to have a material impact.

ANNUAL IMPROVEMENTS PROJECT 2011 – 2013

In December 2013, provisions from the annual improvements project were published; they contain amendments to four standards, including IFRS 3, IFRS 13 and IAS 40. The rules include minor changes to the contents and above all clarifications of the presentation, recognition and measurement. TUI does not expect the first-time application to have a material impact on its consolidated financial statements.

IFRS 14: REGULATORY DEFERRAL ACCOUNTS

This standard, issued in January 2014, allows first-time adopters of IFRSs to continue to use their current accounting for regulatory deferral accounts. The standard is of no relevance to the TUI Group.

AMENDMENTS TO IFRS 11: JOINT ARRANGEMENTS

The provisions, issued in May 2014, specify how to account for the acquisition of an interest in a joint operation that constitutes a business operation within the meaning of IFRS 3. Accordingly, the acquirer has to measure identifiable assets and liabilities at fair value, recognise acquisition-related costs as expenses, recognise deferred tax assets and liabilities and capitalise any residual amounts as goodwill. The acquirer also has to observe the disclosure requirements of IFRS 3. The amendments apply prospectively. They are not expected to have a material impact on TUI's financial statements.

AMENDMENTS TO IAS 16: PROPERTY, PLANT AND EQUIPMENT & IAS 38: INTANGIBLE ASSETS

The amendments, issued in May 2014, clarify the conditions under which the use of revenue-based methods to calculate the depreciation of property, plant and equipment or amortisation of intangible assets is acceptable. The amendments are of no relevance to TUI as revenue-based depreciation and amortisation methods are not used.

AMENDMENTS TO IAS 16: PROPERTY, PLANT AND EQUIPMENT & IAS 41: AGRICULTURE
Bearer plants that bear biological assets for more than one period without serving as an agricultural produce themselves, such as grape vines or olive trees, have this far been measured at fair value. The amendments, issued in June 2014, clarify that bearer plants will be treated as property, plant and equipment in the scope of IAS 16 in future and are to be measured at amortised cost. By contrast, the produce growing on the bearer plant will continue to be measured at fair value in accordance with IAS 41. The amendments will not have an impact on TUI's consolidated financial statements.

AMENDMENTS TO IAS 27: SEPARATE FINANCIAL STATEMENTS – EQUITY METHOD IN SEPARATE FINANCIAL STATEMENTS
The amendments, published in August 2014, allow using the equity method in accounting for investments in subsidiaries, jointly controlled entities and associates in separate financial statements. The option to measure such investments in accordance with IAS 39 or at cost is retained. The amendments are of no relevance to TUI as TUI does not prepare IFRS-based single-entity financial statements according to section 325 (2a) of the German Commercial Code.

AMENDMENTS TO IAS 28: INVESTMENTS IN ASSOCIATES AND JOINT VENTURES AND IFRS 10: CONSOLIDATED FINANCIAL STATEMENTS
The amendments, published in September 2014 clarify how the sale or contribution of assets between an investor and its associate or joint venture has to be recognised. The amendments apply on a prospective basis and will be effective for annual periods beginning on or after 1 January 2016. TUI is currently investigating the rules and presumes that the amendments will not have a material effect on the consolidated financial statements.

ANNUAL IMPROVEMENTS PROJECT 2012 – 2014
Improvements from the Annual Improvements Project were published in September 2014. They contain amendments to four standards: IAS 19, IAS 34, IFRS 5, and IFRS 7. The provisions include to minor changes to the contents and, above all clarifications of the presentation, recognition and measurement. TUI does not expect the first-time application of the amendments to have a material impact on its consolidated financial statements.

IFRS 15: REVENUE FROM CONTRACTS WITH CUSTOMERS
The standard, issued in May 2014, creates convergence of the provisions on revenue recognition comprised in various standards and interpretations this far. It also establishes a single, comprehensive framework for revenue recognition, to be applied consistently across transactions and industries, specifying the amount and point in time or period over which revenue has to be recognised. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts as well as Interpretations IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services. TUI will investigate the impact of this standard on its net assets, financial position and results of operations in due time.

A decision about endorsement of these amendments or these new standards by the EU is currently still pending.

(56) TUI Group Shareholdings

Disclosure of the TUI Group's shareholdings ist required under section 313 of the German Commercial Trading Act. Comparative information for the prior-year reference period is therefore not provided.

COMPANY	COUNTRY	CAPITAL SHARE IN %
Consolidated companies		
Tourism – TUI Travel		
600035 B.C. LTD, Canada	Canada	100
AB Caller & Sons Ltd., Crawley	UK	100
Abbey International Insurance PCC Limited, Malta	Malta	100
Absolut Holding Limited, Malta	Malta	99.9
Absolut Insurance Limited, Guernsey	Guernsey	100
Acampora Travel S.r.l., Sorrent	Italy	51
Adehy Limited, Dublin	Ireland	100
Advantos Brazil Operandora de Turismo LTDA, Rio de Janeiro	Brazil	100
Adventure Center (First Choice) Inc, Emeryville, CA	United States	100
Adventure Tours Australia Group Pty Ltd, Wayville, SA	Australia	100
Adventures Worldwide Limited, Crawley	UK	100
Africa Focus Tours Namibia Pty. Ltd., Windhuk	Namibia	100
Air Two Thousand (Ireland) Limited, Dublin	Ireland	100
Alcor Yachting SA, Geneva	Switzerland	100
Alkor Yat Turizm Isletmacileri A.S., Izmir	Turkey	99.7
Ambassador Tours S.A., Barcelona	Spain	100
Amber Nominee GP Limited, Crawley	UK	100
American Holidays (NI) Limited, Belfast	UK	100
Americas Corporate Business Services, Inc., New Castle DE	United States	100
AMP Management Ltd., Crawley	UK	100
Antigua Charter Services, St. John's	Antigua and Barbuda	100
Apart Hotel Zarevo EOOD, Varna	Bulgaria	100
Aragon Tours Limited, Crawley	UK	100
Arccac Eurl, Bourg St. Maurice	France	100
AsiaRooms Business Services (Thailand) Co., Ltd, Bangkok	Thailand	100
Asiarooms Pte Ltd, Singapore	Singapore	100
ATC African Travel Concept Pty. Ltd., Cape Town	South Africa	100
ATC Namibian Reflections Pty. Ltd., Cape Town	South Africa	100
atraveo GmbH, Düsseldorf	Germany	74.8
Audio Tours and Travel of Hong Kong Limited, Kowloon	Hong Kong	99
Australian Sports Tours Pty Ltd, Ballarat, Victoria	Australia	100
B.D.S Destination Services Tours, Cairo	Egypt	67
BAL Trustee Limited, Crawley	UK	100
Beds on line SL, Palma de Mallorca	Spain	100
Berge & Meer Touristik GmbH, Rengsdorf	Germany	100
Blue Scandinavia Holding AB, Stockholm	Sweden	100
Blue Travel Partner Services S.A., Santo Domingo	Dominican Republic	99
Boomerang Reisen GmbH, Trier	Germany	100
Boomerang Reisen Vermögensverwaltungs GmbH, Trier	Germany	75
Brightspark Travel Inc, State of Delaware	United States	100
Britannia Airways Limited, Crawley	UK	100
Britannia Sweden AB, Stockholm	Sweden	100
C & C Yacht Management Limited, Cayman Islands	Cayman Islands	100
Callers-Pegasus Pension Trustee Ltd., Crawley	UK	100
Callers-Pegasus Travel Service Ltd., Crawley	UK	100

COMPANY	COUNTRY	CAPITAL SHARE IN %
Cassata Travel s.r.l., Cefalù (Palermo)	Italy	66
Cel Obert SL, Sant Joan de Caselles	Andorra	100
Cheqqer B.V., Rijswijk	Netherlands	100
CHS Tour Services GmbH, Innsbruck	Austria	100
CHS Tour Services Ltd, Crawley	UK	100
Citirama Ltd., Quatre Bornes	Mauritius	100
Club Turavia SA de CV, Cancún	Mexico	100
Connoisseur Belgium BVBA, Nieuwpoort	Belgium	100
Corsair S.A., Rungis	France	100
Crown Blue Line France SA, Castelnaudary	France	100
Crown Blue Line GmbH, Kleinzerlang	Germany	100
Crown Blue Line Limited, Crawley	UK	100
Crown Holidays Limited, Crawley	UK	100
Crown Travel Limited, Crawley	UK	100
Crystal Holidays Ltd., Crawley	UK	100
Crystal Holidays, Inc., Breckenridge	United States	100
Crystal International Travel Group Ltd., Crawley	UK	100
Destination Services Singapore Pte Limited, Singapore	Singapore	100
EAC Language Centres (UK) Limited, Edinburgh	UK	100
Easy Market S.p.A., Rimini	Italy	100
Educatours Limited, Mississauga, Ontario	Canada	100
Edwin Doran (UK) Limited, Crawley	UK	100
EEFC, Inc., State of Delaware	United States	100
Elena SL, Palma de Mallorca	Spain	100
Emerald Star Limited, Dublin	Ireland	100
Entreprises Hotelières et Touristiques PALADIEN Lena Mary S.A., Argolis	Greece	100
Event Logistics (UK) Limited, Crawley	UK	100
Event Logistics International Limited, Crawley	UK	100
Events International (Sports Travel) Limited, Crawley	UK	100
Events International Limited, Crawley	UK	100
Exodus Travels Limited, Crawley	UK	100
Expediciones Amazonicas, S.A.C., Iquitos	Peru	100
Experience English Limited, Crawley	UK	100
Explorers Travel Club Limited, Crawley	UK	100
Falcon Leisure Group (Overseas) Limited, Crawley	UK	100
Fanatics Sports & Party Tours UK Limited, Crawley	UK	100
Fanatics Sports and Party Tours PTY Limited, Banksia	Australia	100
FanFirm Pty Ltd, Banksia	Australia	100
Fantravel.com, Inc., Wilmington DE	United States	100
First Choice (Euro) Limited, Crawley	UK	100
First Choice (Turkey) Limited, Crawley	UK	100
First Choice Airways Limited, Crawley	UK	100
First Choice Aviation Limited, Crawley	UK	100
First Choice Expedition Cruising Limited, Crawley	UK	100
First Choice Expeditions, Inc., State of Delaware	United States	100
First Choice Holdings Australia Pty Ltd, Melbourne	Australia	100
First Choice Holdings, Inc., Delaware	United States	100
First Choice Holiday Hypermarkets Limited, Crawley	UK	100
First Choice Holidays & Flights Limited, Crawley	UK	100
First Choice Holidays Finance Limited, Crawley	UK	100
First Choice Holidays Limited, Crawley	UK	100
First Choice Holidays Quest Limited, Crawley	UK	100
First Choice Land (Ireland) Limited, Dublin	Ireland	100

COMPANY	COUNTRY	CAPITAL SHARE IN %
First Choice Leisure Limited, Crawley	UK	100
First Choice Marine (BVI) Ltd, British Virgin Islands	Virgin Islands (British)	100
First Choice Marine (Malaysia) Snd Bhd, Malaysia	Malaysia	100
First Choice Marine Limited, Crawley	UK	100
First Choice Office Services Limited, Crawley	UK	100
First Choice Olympic Limited, Crawley	UK	100
First Choice Overseas Holdings Limited, Crawley	UK	100
First Choice Sailing, Inc. (USA) (also known as Sunsail, Inc.), State of Delaware	United States	100
First Choice Spain Limited, Crawley	UK	100
First Choice Travel Shops (SW) Limited, Crawley	UK	100
First Choice Travel Shops Limited, Crawley	UK	100
First Choice USA, Crawley	UK	100
First Choice Web Holdings, Inc., Chicago	United States	100
FOX-TOURS Reisen GmbH, Rengsdorf	Germany	100
Francotel Limited, Crawley	UK	100
Fritidsresor AB, Stockholm	Sweden	100
Fritidsresor Holding Spain S.A.U., San Bartolomé de Tirajana	Spain	100
Fritidsresor Ltd., Crawley	UK	100
Fritidsresor Tours & Travels India Pvt Ltd, Bardez, Goa	India	100
GeBeCo Gesellschaft für internationale Begegnung und Cooperation mbH & Co. KG, Kiel	Germany	50.1
GEI-Moorings, LLC, State of Delaware	United States	100
Germanair Flugzeug Leasing GmbH, Hamburg	Germany	100
Global Obi, S.L., Palma de Mallorca	Spain	51
Great Atlantic Sports Travel, Inc, Virginia Beach	United States	75
Groupement Touristique International S.A.S., Lille	France	100
Gulliver Rent-A-Car d.o.o., Cavtat	Croatia	100
Gulliver Travel d.o.o., Dubrovnik	Croatia	70
Gullivers Group Limited, Crawley	UK	100
Gullivers Sports Travel Limited, Crawley	UK	100
Hannibal Tour SA, Tunis	Tunisia	100
Hapag-Lloyd Executive GmbH, Hanover	Germany	100
Hayes & Jarvis (Travel) Limited, Crawley	UK	100
Headwater Holidays Limited, Crawley	UK	100
Hellenic Sailing Holidays SA, Athens	Greece	100
Hellenic Sailing SA, Athens	Greece	100
Holiday Hypermarkets (2000) Limited, Crawley	UK	100
Holidays Services S.A., Agadir	Morocco	100
Horizon Holidays Ltd., Crawley	UK	100
Horizon Midlands (Properties) Ltd., Crawley	UK	100
Hotelbeds (Shanghai) Commercial Services Co., Limited, Shanghai	China	100
Hotelbeds (Thailand) Limited, Bangkok	Thailand	100
Hotelbeds Costa Rica SA, San José	Costa Rica	100
Hotelbeds Dominicana SA, Santo Domingo	Dominican Republic	100
Hotelbeds Hong Kong Limited, Kowloon	Hong Kong	100
Hotelbeds Product SLU, Puerto de la Cruz, Tenerife	Spain	100
Hotelbeds Spain, S.L.U., Palma de Mallorca	Spain	100
Hotelbeds Technology SLU, Palma de Mallorca	Spain	100
Hotelbeds UK Limited, Crawley	UK	100
Hotelbeds USA Inc, Orlando	United States	100
Hotelbeds, S.L.U., Palma de Mallorca	Spain	100
Hotelopia Holidays, S.L., Ibiza	Spain	100

COMPANY	COUNTRY	CAPITAL SHARE IN %
Hotelopia SL, Palma de Mallorca	Spain	100
Hurricane Hole Hotel Ltd, St. Lucia	Saint Lucia	100
I TO I INTERNATIONAL PROJECTS LTD, Crawley	UK	100
I Viaggi del Turchese S.r.l., Fidenza	Italy	100
Imperial Cruising Company SARL, Heliopolis-Cairo	Egypt	90
Inter Hotel SARL, Tunis	Tunisia	100
Intercruises Shoreside & Port Services Canada Inc., Quebec	Canada	100
Intercruises Shoreside & Port Services PTY LTD, Stanmore NSW	Australia	100
Intercruises Shoreside & Port Services S.a.r.l., Paris	France	100
Intercruises Shoreside & Port Services Sam, Monaco	Monaco	100
Intercruises Shoreside & Port Services, Inc., State of Delaware	United States	100
Intercruises Shoreside & Port Services, SLU, Barcelona	Spain	100
International Expeditions, Inc., State of Delaware	United States	100
Interspecialists, SLU, Palma de Mallorca	Spain	100
Intrav, Inc., State of Delaware	United States	100
Intrepid (Cambodia) CO. LTD, Siem Reap	Cambodia	100
Intrepid (Thailand) Limited, Bangkok	Thailand	48.8 [1]
Intrepid Andes S.A.C., Cusco	Peru	100
Intrepid Bundu (Pty) Ltd, Roodeport	South Africa	100
Intrepid Connections PTY LTD, Winnellie	Australia	100
Intrepid Guerba Tanzania Limited, Arusha	Tanzania	100
Intrepid HK Limited, Hongkong	Hong Kong	100
Intrepid Holdings (Thailand) Limited, Bangkok	Thailand	49 [1]
Intrepid Marrakech SARL, Marrakech	Morocco	100
Intrepid Tours and Travel India Private Ltd, Neu-Delhi	India	100
Intrepid Travel Australia Pty Ltd, Fitzroy, VIC	Australia	100
Intrepid Travel Beijing Co. Ltd, Peking	China	100
Intrepid Travel Cairo, Cairo	Egypt	100
Intrepid Travel GmbH, Holzkirchen	Germany	100
Intrepid Travel Inc, Vancouver	Canada	100
Intrepid Travel Incorporated, Venice, CA	United States	100
Intrepid Travel New Zealand Limited, Auckland	New Zealand	100
Intrepid Travel Pty Ltd, Fitzroy VIC	Australia	100
Intrepid Travel SA (Pty) Ltd, Summerveld	South Africa	100
Intrepid Travel UK Limited, Crawley	UK	100
Intrepid US, Inc., Wilmington DE	United States	99.2
Isango India Private Limited, Delhi	India	100
Isango! Limited, Crawley	UK	100
Itaria Limited, Nicosia	Cyprus	100
i-To-i Placements Limited, Carrick-on-Suir	Ireland	100
i-To-i PTY Ltd., Sydney	Australia	100
i-To-i UK Limited, Crawley	UK	100
i-To-i, Inc., Los Angeles	United States	100
JBS Group, Inc., Pasadena	United States	100
JetAir N.V., Oostende	Belgium	100
Jetair Real Estate N.V., Brussels	Belgium	100
Jetair Travel Distribution N.V., Oostende	Belgium	100
Jetaircenter N.V., Mechelen	Belgium	100
JNB (Bristol) Limited, Crawley	UK	100
Journeys Adventure Travel Limited, Rangun	Myanmar	60
JWT Holidays Limited, Crawley	UK	100
Kras B.V., Ammerzoden	Netherlands	100
Label Tour EURL, Montreuil	France	100

[1] Controlling influence (de facto control)

COMPANY	COUNTRY	CAPITAL SHARE IN %
Lapter Eurl, Macot La Plagne	France	100
Late Rooms Limited, Crawley	UK	100
Late Rooms Services Australia PTY LTD, Dawes Point	Australia	100
LateRooms Group Holding (Brazil) Limited, Crawley	UK	100
LateRooms Group Holding (UK) Limited, Crawley	UK	100
LateRooms Group Holding Limited, Crawley	UK	100
Le Boat Netherlands B.V., Rotterdam	Netherlands	100
Le Passage to India Tours and Travels Pvt Ltd, Neu-Delhi	India	91
Le Piolet SCI, St Martin de Belleville, Savoie	France	100
Leibniz-Service GmbH, Hanover	Germany	100
Les Tours Jumpstreet Tours, Inc., Montreal	Canada	100
Liberate SLU, Palma de Mallorca	Spain	100
Lima Tours S.A.C., Lima	Peru	100
Lodges & Mountain Hotels SARL, Notre Dame de Bellecombe, Savoie	France	100
l'tur tourismus Aktiengesellschaft, Baden-Baden	Germany	70
Lunn Poly (Jersey) Ltd., St. Helier	Jersey	100
Lunn Poly Ltd., Crawley	UK	100
Lusomice, Unipessoal Lda., Lisbon	Portugal	100
Magic Life Egypt for Hotels LLC, South Nabq	Egypt	100
Magic Life Greece S.A., Athens	Greece	100
Magic Life Hotels S.L., Las Palmas	Spain	100
Magic Life Tunisie S.A., Tunis	Tunisia	100
Magic Tourism International S.A., Tunis	Tunisia	100
Mala Pronta Viagens e Turismo Ltda., Curitiba	Brazil	100
Manahe Ltd., Quatre Bornes	Mauritius	51
Manchester Academy Holdings Limited, Crawley	UK	100
Manchester Academy Tours Limited, Crawley	UK	100
Mango Event Management Limited, Crawley	UK	100
Manufacturer's Serialnumber 852 Limited, Dublin	Ireland	100
Mariner International Asia Limited, Hongkong	Hong Kong	100
Mariner International Travel, Inc., State of Delaware	United States	100
Mariner Operations USA Inc, State of Delaware	United States	100
Mariner Travel GmbH, Bad Vilbel	Germany	100
Mariner Travel SARL, Paris	France	100
Mariner Yacht Services SA, Le Marin	Morocco	100
Mariner Yachts (Proprietary) Limited, Illovo	South Africa	100
Master-Yachting GmbH, Eibelstadt	Germany	100
Maxi Yen SL, Palma de Mallorca	Spain	100
Medico Flugreisen GmbH, Baden-Baden	Germany	100
Meetings & Events International Limited, Crawley	UK	100
Meetings & Events Spain S.L.U., Palma de Mallorca	Spain	100
Meetings & Events UK Limited, Crawley	UK	100
MicronNexus GmbH, Hamburg	Germany	100
Molay Travel SARL, Molay-Littry, Calvados	France	100
Molay Travel SCI, Molay-Littry, Calvados	France	100
Mont Charvin Ski SARL, Paris	France	100
Moorings (Seychelles) Limited, Mahé	Seychelles	100
Moorings Grenadines Ltd., St. Vincent and Grenadines	Saint Vincent and the Grenadines	100
Moorings Mexico SA de CV, La Paz	Mexico	100
Moorings Yachting SAS, Paris	France	100
Moorings Yat Isletmecilgi Turizm Ve Tic Ltd, Mugla	Turkey	100
MyPlanet Holding A/S, Holstebro	Denmark	100
MyPlanet International A/S, Holstebro	Denmark	100

COMPANY	COUNTRY	CAPITAL SHARE IN %
MyPlanet Sweden AB, Göteborg	Sweden	100
Nazar Nordic AB, Malmö	Sweden	100
Nordotel S.A.U., San Bartolomé de Tirajana	Spain	100
Nouvelles Frontières Senegal S.R.L., Dakar	Senegal	100
Ocean College LLC, Sharm el Sheikh	Egypt	90
Ocean Technical LLC, Cairo	Egypt	100
Ocean Ventures for Hotels and Tourism Services SAE, Sharm el Sheikh	Egypt	98
OFT REISEN GmbH, Rengsdorf	Germany	100
Orion Airways Ltd., Crawley	UK	100
Orion Airways Pension Trustees Ltd., Crawley	UK	100
Owners Abroad España, S.A., Las Palmas	Spain	100
Oy Finnmatkat AB, Helsinki	Finland	100
Pacific World (Beijing) Travel Agency Co., Ltd., Peking	China	100
Pacific World (Shanghai) Travel Agency Co. Limited, Shanghai	China	100
Pacific World Company Limited, HCM City	Vietnam	90
Pacific World Destination East Sdn. Bhd., Penang	Malaysia	65
Pacific World Meetings & Events (Thailand) Limited, Bangkok	Thailand	49 [1]
Pacific World Meetings & Events Hellas Travel Limited, Athens	Greece	100
Pacific World Meetings & Events Hong Kong, Limited, Hongkong	China	100
Pacific World Meetings & Events SAM, Monaco	Monaco	99.9
Pacific World Meetings & Events Singapore Pte. Ltd, Singapore	Singapore	100
Pacific World Singapore Pte Limited, Singapore	Singapore	100
Paradise Hotels Management Company LLC, Cairo	Egypt	100
Pasion, Excelencia, Aventura, Y Konocimiento Ecuador Travelpasion S.A. (Trading as PEAK Ecuador), Quito	Ecuador	100
PATS N.V., Oostende	Belgium	100
PEAK (East Africa) Limited, Nairobi	Kenya	100
Peak Adventure Financing Pty Ltd, Melbourne	Australia	100
PEAK Adventure Travel (Malaysia) SDN BHD, Kota Kinabalu	Malaysia	100
PEAK Adventure Travel (UK) Limited, Crawley	UK	100
Peak Adventure Travel Group Limited, Fitzroy Victoria	Australia	60
Peak Adventure Travel Turizm ve Seyahat Anonim Sirketi, Istanbul	Turkey	100
Peak Adventure Travel USA Inc, Wilmington DE	United States	100
PEAK DMC North America Inc, Wilmington DE	United States	100
PEAK South America S.A.C., Lima	Peru	100
Peregrine Adventures Pty Ltd, Melbourne	Australia	100
Peregrine Tours Ltd, Crawley	UK	100
Petit Palais Srl, Valtournenche	Italy	100
Platinum Event Travel Limited, Crawley	UK	100
Porter and Haylett Limited, Crawley	UK	100
Portland Holidays Direct Ltd., Crawley	UK	100
Premier Holidays Afloat Limited, Dublin	Ireland	100
Premiere International Corp, Gardena	United States	100
Prestige Boating Holidays Limited, Dublin	Ireland	100
Professor Kohts Vei 108 AS, Stabekk	Norway	100
ProTel Gesellschaft für Kommunikation mbH, Rengsdorf	Germany	100
PT. Pacific World Nusantara, Bali	Indonesia	100
Quark Expeditions, Inc., State of Delaware	United States	100
Real Travel Ltd, Crawley	UK	100
Real Travel Pty Ltd, Melbourne	Australia	100
Revoli Star SA, San Bartolomé de Tirajana	Spain	100
Sawadee Amsterdam BV, Amsterdam	Netherlands	100
SERAC Travel GmbH, Zermatt	Switzerland	100

[1] Controlling influence (de facto control)

COMPANY	COUNTRY	CAPITAL SHARE IN %
Simply Travel Holdings Ltd., Crawley	UK	100
Ski Bound Limited, Crawley	UK	100
Skibound France SARL, Notre Dame de Bellecombe	France	100
Skymead Leasing Ltd., Crawley	UK	100
Société d'Exploitation du Paladien Marrakech SA, Marrakech	Morocco	100
Société d'Investissement Aérien S.A., Casablanca	Morocco	100
Société d'Investissement et d'Exploration du Paladien de Calcatoggio (SIEPAC), Montreuil	France	100
Société d'investissement hotelier Almoravides S.A., Marrakech	Morocco	100
Société Marocaine pour le Developpement des Transports Touristiques S.A., Agadir	Morocco	100
Sons of South Sinai for Tourism Services and Supplies SAE, Sharm el Sheikh	Egypt	84.1
Sovereign Tour Operations Limited, Crawley	UK	100
Specialist Holiday Group Ireland Ltd., Dublin	Ireland	100
Specialist Holidays (Travel) Limited, Crawley	UK	100
Specialist Holidays Contracting Ltd., Crawley	UK	100
Specialist Holidays Group Ltd., Crawley	UK	100
Specialist Holidays Ltd., Crawley	UK	100
Specialist Holidays, Inc., Mississauga, Ontario	Canada	100
SplashLine Event und Vermarktungs GmbH, Vienna	Austria	100
Sport Abroad (UK) Limited, Crawley	UK	100
Sports Events Travel Limited, Crawley	UK	100
Sports Executive Travel Limited, Crawley	UK	100
Sportsworld Group Limited, Crawley	UK	100
Sportsworld Holdings Limited, Crawley	UK	100
Star Club SA, San Bartolomé de Tirajana	Spain	100
Star Tour A/S, Copenhagen	Denmark	100
Star Tour Holding A/S, Copenhagen	Denmark	100
Startour-Stjernereiser AS, Stabekk	Norway	100
Student City S.a.r.l., Paris	France	100
Student City Travel Limited, Crawley	UK	100
Student Skiing Limited, Crawley	UK	100
Student Skiing Transport Limited, Crawley	UK	100
Studentcity.com, Inc., State of Delaware	United States	100
Summer Times International Ltd., Quatre Bornes	Mauritius	100
Summer Times Ltd., Quatre Bornes	Mauritius	100
Summit Professional Services (Private) Limited, Nugegoda	Sri Lanka	100
Sunsail (Antigua) Limited, Antigua	Antigua and Barbuda	100
Sunsail (Australia) Pty Ltd, Hamilton Island, Queensland	Australia	100
Sunsail (Seychelles) Limited, Mahé	Seychelles	100
Sunsail (Thailand) Company Ltd, Phuket	Thailand	30[1]
Sunsail Adriatic d.o.o., Split	Croatia	100
Sunsail Hellas MEPE, Athens	Greece	100
Sunsail International B.V., Rotterdam	Netherlands	100
Sunsail Limited, Crawley	UK	100
Sunsail SAS, Castelnaudary	France	100
Sunsail Worldwide Sailing Limited, Crawley	UK	100
Sunsail Worldwide Sailing St. Vincent Limited, St. Vincent and Grenadines	Saint Vincent and the Grenadines	100
Sunshine Cruises Limited, Crawley	UK	100
T.T. Services Samoa Ltd, Apia	Samoa	100
Tantur Turizm Seyahat A.S., Istanbul	Turkey	100

[1] Controlling influence (de facto control)

COMPANY	COUNTRY	CAPITAL SHARE IN %
TCS & Starquest Expeditions, Inc., Seattle	United States	100
TCS Expeditions, Inc., State of Delaware	United States	100
TCV Touristik-Computerverwaltungs GmbH, Baden-Baden	Germany	100
Teamlink Travel Limited, Crawley	UK	100
Tec4Jets B.V., Rijswijk ZH	Netherlands	100
Tec4Jets NV, Oostende	Belgium	100
The English Language Centre York Limited, York	UK	100
The Imaginative Traveller Australia Pty Limited, Melbourne	Australia	100
The Magic Travel Group Ltd., Crawley	UK	100
The Moorings (Bahamas) Ltd, Nassau	Bahamas	100
The Moorings (St. Lucia) LTD, St. Lucia	Saint Lucia	100
The Moorings Belize Limited, Belize City	Belize	100
The Moorings d.o.o., Split	Croatia	100
The Moorings Limited, British Virgin Islands	Virgin Islands (British)	100
The Moorings Sailing Holidays Limited, Crawley	United States	100
The Moorings SAS, Utoroa, Raiatea	French Polynesia	100
Thomson Air Limited, Crawley	UK	100
Thomson Airways (Services) Limited, Crawley	UK	100
Thomson Airways Limited, Crawley	UK	100
Thomson Airways Trustee Limited, Crawley	UK	100
Thomson Holidays Ltd., Crawley	UK	100
Thomson Holidays Ltd. (Ireland), Dublin	Ireland	100
Thomson Holidays Services, Inc., Orlando	United States	100
Thomson Reisen GmbH, St. Johann	Austria	100
Thomson Services Ltd., St. Peter Port/ Guernsey	UK	100
Thomson Sport (UK) Limited, Crawley	UK	100
Thomson Travel Group (Holdings) Ltd., Crawley	UK	100
Thomson Travel Holdings SA, Luxembourg	Luxembourg	100
Thomson Travel International SA, Luxembourg	Luxembourg	100
Thomson Viagens e Turismo Lda., Lisbon	Portugal	100
TICS GmbH Touristische Internet und Call Center Services, Baden-Baden	Germany	100
Tigdiv Eurl, Tignes	France	100
TKJ Pty Limited, Perth	Australia	100
TLT Reisebüro GmbH, Hanover	Germany	100
Transfar – Agencia de Viagens e Turismo Lda., Faro	Portugal	99.9
TRAVCOA Corporation, State of Delaware	United States	100
Travel Choice Limited, Crawley	UK	100
Travel Class Holdings Limited, Crawley	UK	100
Travel Class Limited, Crawley	UK	100
Travel Contracting Limited, Crawley	UK	100
Travel Partner Brasil Agencia de Turismo e Viagens Ltda, Jundiai, State of Sao Paulo	Brazil	99.9
Travel Partner Bulgaria EOOD, Varna	Bulgaria	100
Travel Scot World Limited, Crawley	UK	100
Travel Services Europe Spain SL, Barcelona	Spain	100
Travel Turf, Inc., Allentown	United States	100
travel-Ba.Sys GmbH & Co KG, Mülheim an der Ruhr	Germany	83.5
Travelbound European Tours Limited, Crawley	UK	100
Travelmood Limited, Crawley	UK	100
Trek America Travel Limited, Crawley	UK	100
Trek Investco Limited, Crawley	UK	100
Trina Group Limited, Crawley	UK	100

COMPANY	COUNTRY	CAPITAL SHARE IN %
Tropical Places Ltd., Crawley	UK	100
TT Enterprises Private Ltd, Chennai	India	100
TT Hotels Italia S.R.L., Rom	Italy	100
TT Hotels Turkey Otel Hizmetleri Turizm ve ticaret Anonim Sirketi, Istanbul	Turkey	100
TT International Software Services LLC, Abu Dhabi	United Arab Emirates	49[1]
TT Services AB, Stockholm	Sweden	90
TT Services Kiribati Ltd, South Tarawa	Kiribati	100
TT Services Nauru Ltd, Yaren	Nauru	100
TT Services New Zealand Ltd, Auckland	New Zealand	100
TT Services Vanuatu Ltd, Port Vila	Vanuatu	100
TT Visa Outsourcing Limited, Crawley	UK	100
TT Visa Services Limited, Crawley	UK	100
TT Visa Services Pte Limited, Singapore	Singapore	100
TT Visa Services, Inc., Wilmington DE	United States	100
TTG (Jersey) Limited, Jersey	Jersey	100
TTG (No. 14), Dublin	Ireland	100
TTG (No. 2) Ltd., Crawley	UK	100
TTS Consultancy Services Private Ltd, Chennai	India	92
TTSS Limited, Crawley	UK	100
TTSS Transportation Limited, Crawley	UK	100
TUI (Cyprus) Ltd., Nikosia	Cyprus	100
TUI (IP) Ltd., Crawley	UK	100
TUI (Suisse) AG, Zurich	Switzerland	100
TUI (Suisse) Holding AG, Zurich	Switzerland	100
TUI 4 U GmbH, Bremen	Germany	100
TUI Airlines Belgium N.V., Oostende	Belgium	100
TUI Airlines Nederland B.V., Rijswijk	Netherlands	100
TUI aqtiv GmbH, Hanover	Germany	100
TUI Austria Holding GmbH, Vienna	Austria	100
TUI Aviation GmbH, Hanover	Germany	100
TUI Business Services GmbH, Hanover	Germany	100
TUI Canada Holdings Inc, Toronto	Canada	100
TUI China Travel CO. Ltd., Peking	China	75
TUI Curaçao N.V., Curaçao	Curaçao	100
TUI Denmark Holding A/S, Copenhagen	Denmark	100
TUI Deutschland GmbH, Hanover	Germany	100
TUI España Turismo S.A., Barcelona	Spain	100
TUI France SAS, Nanterre	France	100
TUI Hellas Travel and Tourism SA, Athens	Greece	100
TUI HOLDING SPAIN S.L., Barcelona	Spain	100
TUI Holdings (Australia) PTY Limited, Queensland	Australia	100
TUI InfoTec GmbH, Hanover	Germany	100
TUI Italia S.R.L., Mailand	Italy	100
TUI Leisure airport sales GmbH, Hanover	Germany	90
TUI Leisure Travel Service GmbH, Neuss	Germany	100
TUI Leisure Travel Special Tours GmbH, Hanover	Germany	100
TUI Marine Grenada Limited, St. George's	Grenada	100
TUI Nederland Holding N.V., Rijswijk	Netherlands	100
TUI Nederland N.V., Rijswijk	Netherlands	100
TUI Nordic Administration AB, Stockholm	Sweden	100
TUI Nordic Holding AB, Stockholm	Sweden	100
TUI Northern Europe Ltd., Crawley	UK	100

[1] Controlling influence (de facto control)

COMPANY	COUNTRY	CAPITAL SHARE IN %
TUI Norway Holding AS, Stabekk	Norway	100
TUI Österreich GmbH, Vienna	Austria	100
TUI Pension Scheme (UK) Ltd., Crawley	UK	100
TUI Poland Dystrybucja Sp. z o.o., Warsaw	Poland	100
TUI Poland Sp. z o.o., Warsaw	Poland	100
TUI PORTUGAL – Agencia de Viagens e Turismo S.A., Faro	Portugal	100
TUI Reisecenter Austria Business Travel GmbH, Vienna	Austria	74.9
TUI Service AG, Altendorf	Switzerland	100
TUI Suisse Retail AG, Zurich	Switzerland	100
TUI Travel (Ireland), Dublin	Ireland	100
TUI Travel Accommodation & Destinations SL, Palma de Mallorca	Spain	100
TUI Travel Amber E&W LLP, Crawley	UK	100
TUI Travel Amber Limited, Edinburgh	UK	100
TUI Travel Amber Scot LP, Edinburgh	UK	100
TUI Travel Aviation Finance Limited, Crawley	UK	100
TUI Travel Belgium N.V., Oostende	Belgium	100
TUI Travel Common Investment Fund Trustee Limited, Crawley	UK	100
TUI Travel Group Management Services Limited, Crawley	UK	100
TUI Travel Group Solutions Limited, Crawley	UK	100
TUI Travel Healthcare Limited, Crawley	UK	100
TUI Travel Holdings Limited, Crawley	UK	100
TUI Travel Holdings Sweden AB, Stockholm	Sweden	100
TUI Travel Nominee Limited, Crawley	UK	100
TUI Travel Overseas Holdings Limited, Crawley	UK	100
TUI Travel Partner Services Japan KK, Tokio	Japan	100
TUI TRAVEL PLC, Crawley	UK	54.1
TUI Travel SAS Adventure Limited, Crawley	UK	100
TUI Travel SAS Benelux B.V., Rotterdam	Netherlands	100
TUI Travel SAS Holdings Limited, Tring, Hertfordshire	UK	100
TUI Travel SAS Services Limited, Crawley	UK	100
TUI TRAVEL SAS Transport Limited, Crawley	UK	100
TUI UK Italia S.r.L., Turin	Italy	100
TUI UK Ltd., Crawley	UK	100
TUI UK Retail Limited, Crawley	UK	100
TUI UK Transport Ltd., Crawley	UK	100
TUI.com GmbH, Berlin	Germany	100
TUIfly GmbH, Langenhagen	Germany	100
TUIfly Nordic AB, Stockholm	Sweden	100
TUIfly Vermarktungs GmbH, Langenhagen	Germany	100
Tunisie Investment Services Holding S.A., Tunis	Tunisia	100
Tunisie Voyages S.A., Tunis	Tunisia	100
Turismo Asia Company Ltd., Bangkok	Thailand	100
Ultramar Express Transport S.A., Palma de Mallorca	Spain	100
Unijet Group Limited, Crawley	UK	100
Unijet Leisure Limited, Crawley	UK	100
Urban Adventures Limited, Hongkong	Hong Kong	100
Versun Yachts NSA, Athens	Greece	100
Viagens Aurora Limitada, Albufeira	Portugal	95
Viagens Elena Limitada, Albufeira	Portugal	100
Viking Aviation Limited, Crawley	UK	100
Voukouvalides Travel & Tourism S.A., Kos	Greece	100
We Love Rugby Pty Ltd, Banksia	Australia	100
Williment Travel Group Limited, Wellington	New Zealand	100

COMPANY	COUNTRY	CAPITAL SHARE IN %
Wolters Reisen GmbH, Stuhr/Brinkum	Germany	100
Wonder Cruises AB, Stockholm	Sweden	100
Wonder Holding AB, Stockholm	Sweden	51
World Challenge Expeditions Limited, Crawley	UK	100
World Challenge Expeditions Pty Ltd, Victoria	Australia	100
World Challenge Expeditions, Inc., Cambridge, MA	United States	100
World Challenge NZ Limited, Wellington	New Zealand	100
World of TUI Ltd., Crawley	UK	100
Yachts International Limited, British Virgin Islands	Virgin Islands (British)	100
YIL, LLC, State of Delaware	United States	100
Your Man Tours, Inc., El Segundo, CA	United States	100
Zegrahm Expeditions, Inc., Seattle	United States	100
Tourism – TUI Hotels & Resorts		
"MAGIC LIFE" Assets AG, Vienna	Austria	100
BU RIUSA II EOOD, Sofia	Bulgaria	100
Cabotel-Hoteleria e Turismo Lda., Santiago/Kap Verde	Spain	100
Carlson Anse Marcel SNC, Paris	France	100
Carlson Saint-Martin SAS, Basse Terre	France	100
Clubhotel Management AE, Athens	Greece	100
Daidalos Hotel- und Touristikunternehmen A.E., Athens	Greece	89.8
Dominicanotel S.A., Puerto Plata	Dominican Republic	100
Egyptian Germany Co. for Hotels (L.T.D), Cairo	Egypt	66.6
GEAFOND Número Dos Fuerteventura S.A., Las Palmas, Grand Canary	Spain	100
GEAFOND Número Uno Lanzarote S.A., Las Palmas, Grand Canary	Spain	100
Holiday Center S.A., Cala Serena/Cala d'Or	Spain	100
Iberotel International A.S., Antalya	Turkey	100
Iberotel Otelcilik A.S., Istanbul	Turkey	100
Jandia Playa S.A., Morro Jable/Fuerteventura	Spain	100
Jaz Hotels & Resorts S.A.E., Cairo	Egypt	51
Magic Life GmbH & Co KG, Vienna	Austria	100
Marina Riusa II SAS, Basse Terre	France	100
MX RIUSA II S.A. de C.V., Cabo San Lucas	Mexico	100
Promociones y Edificaciones Chiclana S.A., Palma de Mallorca	Spain	100
Puerto Plata Caribe Beach S.A., Puerto Plata	Dominican Republic	100
RCHM S.A.S., Agadir	Morocco	100
Rideway Investment Ltd., London	UK	100
Riu Jamaicotel Ltd., Negril	Jamaica	100
Riu Le Morne Ltd, Port Louis	Mauritius	100
RIUSA II S.A., Palma de Mallorca	Spain	50[1]
RIUSA NED B.V., Amsterdam	Netherlands	100
ROBINSON AUSTRIA Clubhotel GmbH, Villach-Landskron	Austria	100
Robinson Club GmbH, Hanover	Germany	100
Robinson Club Italia S.p.A., Marina di Ugento	Italy	100
Robinson Club Maldives Private Limited, Malé	Maldives	100
Robinson Clubhotel Turizm Ltd. Sti., Istanbul	Turkey	100
Robinson Hoteles España S.A., Cala d'Or	Spain	100
Robinson Hotels Portugal S.A., Vila Nova de Cacela	Portugal	67
Robinson Otelcilik A.S., Istanbul	Turkey	100
STIVA RII Ltd., Dublin	Ireland	100
TdC Agricoltura Società agricola a r.l., Florence	Italy	100
TdC Amministrazione S.r.l., Florence	Italy	100
Tenuta di Castelfalfi S.p.A., Florence	Italy	100

[1] Controlling influence (de facto control)

COMPANY	COUNTRY	CAPITAL SHARE IN %
Tunisotel S.A.R.L., Tunis	Tunisia	100
Turcotel Turizm A.S., Istanbul	Turkey	100
Turkuaz Insaat Turizm A.S., Ankara	Turkey	100
Tourism – Cruises		
Hapag-Lloyd (Bahamas) Ltd., Nassau	Bahamas	100
Hapag-Lloyd Kreuzfahrten GmbH, Hamburg	Germany	100
Preussag Beteiligungsverwaltungs GmbH IX, Hanover	Germany	100
Other companies		
Canada Maritime Services Limited, Crawley	UK	100
Canadian Pacific (UK) Limited, Crawley	UK	100
Cast Agencies Europe Limited, Crawley	UK	100
Cast Group Services Limited, Crawley	UK	100
Cast Terminal Europe N.V., Antwerp	Belgium	100
Contship Holdings Limited, Crawley	UK	100
CP Ships (Bermuda) Ltd., Hamilton	Bermuda	100
CP Ships (UK) Limited, Crawley	UK	100
CP Ships Ltd., Saint John	Canada	100
CPS Holdings (No. 2) Limited, Crawley	UK	100
CPS Number 4 Limited, Crawley	UK	100
DEFAG Beteiligungsverwaltungs GmbH I, Hanover	Germany	100
DEFAG Beteiligungsverwaltungs GmbH III, Hanover	Germany	100
PM Peiner Maschinen GmbH, Hanover	Germany	100
Preussag Immobilien GmbH, Salzgitter	Germany	100
Preussag UK Ltd., Crawley	UK	100
TUI Beteiligungs GmbH, Hanover	Germany	100
TUI Connect GmbH, Hanover	Germany	100
TUI Group Services GmbH, Hanover	Germany	100
TUI-Hapag Beteiligungs GmbH, Hanover	Germany	100
Joint Ventures and associated companies		
Tourism – TUI Travel		
.BOSYS SOFTWARE GMBH, Hamburg	Germany	25.2
2332491 Ontario Inc, Toronto	Canada	49
ACCON-RVS Accounting & Consulting GmbH, Berlin	Germany	50
Aeolos Travel LLP, Nicosia	Cyprus	49.9
Aitken Spence Travels Ltd, Colombo	Sri Lanka	50
Alpha Tourism and Marketing Services Ltd., Port Louis	Mauritius	25
Alpha Travel (U.K.) Limited, Harrow	UK	25
alps & cities 4ever GmbH, Vienna	Austria	50
Atlantica Hellas S.A., Rhodos	Greece	50
Atlantica Hotels and Resorts S.A., Lemesos	Cyprus	49.9
Bartu Turizm Yatirimlari Anonim Sirketi, Istanbul	Turkey	50
Blue Diamond Hotels and Resorts Inc., St Michael	Barbados	49
Bonitos GmbH & Co KG, Frankfurt	Germany	50
DER Reisecenter TUI GmbH, Berlin	Germany	50
Himalayan Encounters PVT LTD, Kathmandu	Nepal	33
Holiday Travel (Israel) Limited, Airport City	Israel	50
InteRes Gesellschaft für Informationstechnologie mbH, Darmstadt	Germany	25.2
Intrepid Connections Investments PTY LTD, South Melbourne	Australia	50
Intrepid Vietnam Travel Company Ltd, Hanoi	Vietnam	49

COMPANY	COUNTRY	CAPITAL SHARE IN %
Karisma Hotels Adriatic d.o.o., Zagreb	Croatia	33.3
Pollman's Tours and Safaris Limited, Nairobi	Kenya	25
Raiffeisen-Tours RT-Reisen GmbH, Burghausen	Germany	25.1
Ranger Safaris Ltd., Arusha	Tanzania	25
Safeharbour One SL, Barcelona	Spain	50
Sunwing Travel Group Inc, Toronto	Canada	49
Teckcenter Reisebüro GmbH, Kirchheim/T.	Germany	50
Togebi Holdings Ltd, Zypern	Cyprus	49
Traffic Sportsworld Eventos Ltda, Sao Paulo	Brazil	50
Travco Group Holding S.A.E., Cairo	Egypt	50
TRAVELStar GmbH, Hanover	Germany	50
TT Services Lanka Private Ltd, Colombo	Sri Lanka	50
Vacation Express USA Corp., Atlanta	United States	49
Tourism – TUI Hotels & Resorts		
Ahungalla Resorts Limited, Bentota	Sri Lanka	40
aQi Hotel Schladming GmbH, Bad Erlach	Austria	49
aQi Hotelmanagement GmbH, Bad Erlach	Austria	51 [2]
ENC for touristic Projects Company S.A.E., Sharm el Sheikh	Egypt	50
Etapex, S.A., Agadir	Morocco	35
Fanara Residence for Hotels S.A.E., Sharm el Sheikh	Egypt	50
First Om El Gorayfat Company for Hotels S.A.E., Mersa Allam	Egypt	50
GBH Turizm Sanayi Isletmecilik ve Ticaret A.S., Istanbul	Turkey	50
Golden Lotus Hotel Company S.A.E., Luxor	Egypt	50
Grecotel S.A., Rethymnon	Greece	50
GRUPOTEL DOS S.A., Can Picafort	Spain	50
Kamarayat Nabq Company for Hotels S.A.E., Sharm el Sheikh	Egypt	50
Makadi Club for Hotels S.A.E., Hurghada	Egypt	50
Mirage Resorts Company S.A.E., Hurghada	Egypt	50
Oasis Company for Hotels S.A.E., Hurghada	Egypt	50
Phaiax A.E.T.A., Corfu	Greece	50
Quinta da Ria Empreendimentos do Algarve, S.A., Vila Nova de Cacela	Portugal	33
Riu Hotels S.A., Palma de Mallorca	Spain	49
Sharm El Maya Touristic Hotels Co. S.A.E., Cairo	Egypt	50
Sun Oasis for Hotels Company S.A.E., Hurghada	Egypt	50
Tikida Bay S.A., Agadir	Morocco	34
TIKIDA DUNES S.A., Agadir	Morocco	30
Tikida Palmeraie S.A., Marrakech	Morocco	33.3
UK Hotel Holdings FZC L.L.C., Fujairah	United Arab Emirates	50
Touristik – Cruises		
TUI Cruises GmbH, Hamburg	Germany	50
Other companies		
Hapag-Lloyd Aktiengesellschaft, Hamburg	Germany	22

[2] Voting right limitations

RESPONSIBILITY STATEMENT BY MANAGEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Hanover, 8 December 2014

The Executive Board

Joussen Baier Long

INDEPENDENT AUDITOR'S REPORT

To TUI AG, Berlin and Hanover

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of TUI AG, Berlin and Hanover, and its subsidiaries, which comprise the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the consolidated financial statements for the business year from 1 October 2013 to 30 September 2014.

BOARD OF MANAGING DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Managing Directors of TUI AG, Berlin and Hanover, is responsible for the preparation of these consolidated financial statements. This responsibility includes that these consolidated financial statements are prepared in accordance with International Financial Reporting Standards, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) and that these consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The Board of Managing Directors is also responsible for the internal controls as the Board of Managing Directors determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standards on Auditing (ISA). Accordingly, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of audit procedures depends on the auditor's professional judgment. This includes the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system relevant to the entity's preparation of consolidated financial statements that give a true and fair view. The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

AUDIT OPINION

According to § 322 Abs. 3 Satz (sentence) 1 HGB, we state that our audit of the consolidated financial statements has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply, in all material respects, with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets and financial position of the Group as at 30 September 2013 as well as the results of operations for the business year then ended, in accordance with these requirements.

REPORT ON THE GROUP MANAGEMENT REPORT

We have audited the accompanying group management report, which is combined with the management report of the company, of TUI AG, Berlin and Hanover, for the business year from 1 October 2013 to 30 September 2014. The Board of Managing Directors is of TUI AG, Berlin and Hanover, is responsible for the preparation of the combined management report in accordance with the requirements of German commercial law applicable pursuant to § 315a Abs. 1 HGB. We conducted our audit in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of the combined management report promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Accordingly, we are required to plan and perform the audit of the combined management report to obtain reasonable assurance about whether the combined management report is consistent with the consolidated financial statements and the audit findings, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

According to § 322 Abs. 3 Satz 1 HGB we state, that our audit of the combined management report has not led to any reservations.

In our opinion based on the findings of our audit of the consolidated financial statements and combined management report, the combined management report is consistent with the consolidated financial statements, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hanover, 8 December 2014

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Thomas Stieve Wirtschaftsprüfer (German Public Auditor)	Prof. Dr Mathias Schellhorn Wirtschaftsprüfer (German Public Auditor)

FORWARD-LOOKING STATEMENTS

The annual report, in particular the report on expected developments included in the management report, includes various forecasts and expectations as well as statements relating to the future development of the TUI Group and TUI AG. These statements are based on assumptions and estimates and may entail known and unknown risks and uncertainties. Actual development and results as well as the financial and asset situation may therefore differ substantially from the expectations and assumptions made. This may be due to market fluctuations, the development of world market prices for commodities, of financial markets and exchange rates, amendments to national and international legislation and provision or fundamental changes in the economic and political environment. TUI does not intend to and does not undertake an obligation to update or revise any forward-looking statements to adapt them to events or developments after the publication of this annual report.

Executive Board confirmations

The statements in the section entitled Overall Assessment by the Executive Board and Report (page 140 – 146) on the Expected Development constitute profit forecasts published by TUI AG for the purposes of the City Code on Takeovers and Mergers. Such statements are "forward-looking statements", which are prospective in nature. Such statements are based on current assumptions, expectations and projections about future events, and are therefore subject to known and unknown risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by such statements.

In accordance with the City Code on Takeovers and Mergers, the members of the Executive Board (Vorstand) of TUI AG confirm that each such profit estimate and profit forecast is valid, has been properly compiled on the basis of the assumptions stated and the basis of accounting used is consistent with TUI AG's accounting policies. Peter Long, as CEO of TUI Travel PLC is not participating in the Executive Board (Vorstand) of TUI AG for the purposes of the possible all-share nil-premium merger with TUI Travel or the giving of these confirmations.

Imprint

PUBLISHED BY
TUI AG
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30625 Hanover, Germany
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CONCEPT AND DESIGN
3st kommunikation, Mainz

PHOTOGRAPHY
Michael Neuhaus (cover photo)
Rüdiger Nehmzow (p. 10 – 12)
Getty Images (p. 8, p. 148)
Plainpicture (p. 46)

PRINTER
Kunst- und Werbedruck, Bad Oeynhausen

The German version of this report is legally binding. The Company cannot be held responsible for any misunderstandings or misinterpretations arising from this translation.

The Magazine and the Annual Report are also available online: http://annualreport2013-14.tui-group.com

This report was published on 10 December 2014.

World of TUI

TUI AG
Karl-Wiechert-Allee 4
30625 Hanover, Germany

MAGAZINE

READY TO GROW

TUI Aktiengesellschaft

TUI Group – Financial Highlights*

€ million		2009/10	2010/11	2011/12	2012/13 restated	**2013/14**
Turnover						
TUI Travel		15,755	16,867	17,682	17,796	17,955
TUI Hotels & Resorts		353	363	385	403	465
Cruises		179	201	231	261	281
Others		63	50	33	17	15
Group		**16,350**	**17,480**	**18,330**	**18,478**	**18,715**
EBITDA						
TUI Travel		438	640	745	845	917
TUI Hotels & Resorts		211	216	245	255	267
Cruises		15	20	11	–19	37
Others		–14	–25	–77	–70	–49
Group		**650**	**850**	**924**	**1,011**	**1,172**
Underlying EBITDA						
TUI Travel		711	718	834	888	968
TUI Hotels & Resorts		213	235	246	271	267
Cruises		16	20	13	–3	23
Others		–35	–50	–70	–60	–49
Group		**905**	**924**	**1,023**	**1,097**	**1,208**
EBITA						
TUI Travel		102	321	441	533	598
TUI Hotels & Resorts		137	144	178	171	203
Cruises		7	11	1	–30	24
Others		–30	–32	–81	–78	–51
Group		**216**	**445**	**539**	**595**	**774**
Underlying EBITA						
TUI Travel		485	500	637	641	708
TUI Hotels & Resorts		148	145	179	197	203
Cruises		8	11	3	–14	10
Others		–51	–57	–73	–62	–51
Group		**589**	**600**	**746**	**762**	**869**
Group earnings						
Net profit for the year		114	118	142	166	284
Earnings per share	€	+0.30	–0.01	–0.16	–0.14	+0.31
Dividend	€	–	–	–	+0.15	+0.33
Assets						
Non-current assets		9,357	9,108	8,668	8,646	8,647
Current assets		5,259	4,384	4,544	4,809	5,379
Total assets		**14,616**	**13,492**	**13,213**	**13,454**	**14,026**
Equity and liabilities						
Equity		2,434	2,548	2,067	1,997	2,517
Non-current liabilities		4,555	4,168	3,773	3,857	3,994
Current liabilities		7,626	6,776	7,373	7,600	7,515
Total equity and liabilities		**14,616**	**13,492**	**13,213**	**13,454**	**14,026**
Key ratios						
EBITDA margin (underlying)	%	5.5	5.3	5.6	5.9	6.5
EBITA margin (underlying)	%	3.6	3.4	4.1	4.1	4.6
ROIC	%	10.49	11.44	15.98	17.14	19.43
Equity ratio	%	16.7	18.9	15.6	14.8	17.9
Cash flow from operating activities		818	1,086	842	875	1,075
Capital expenditure		516	474	643	821	831
Net financial position		2,287	817	178	68	–323
Employees	30 Sep	71,398	73,707	73,812	74,445	77,309

Differences may occur due to rounding
* Part of the Management Report

Embarking on a new era

The "new" TUI AG is a company of opportunities – for our customers, our shareholders and our employees. United under one roof we will have TUI's unique hotel portfolio, our cruise lines, six European airlines, the distribution strength of our tour operators and online channels, and the advisory skills of our travel agencies all over Europe. The world's number one integrated tourism Group is a one-stop shop for all the services our guests require. The new Group itself will realise synergies along the entire value chain in tourism. Direct access to markets makes investment in hotels and state-of-the-art cruise liners easier to plan and secures occupancy early in the game. This will enable us to grow faster and develop more travel products exclusive to TUI. These make us unique and distinguish us from the competition in the "old" world and for the digital future.

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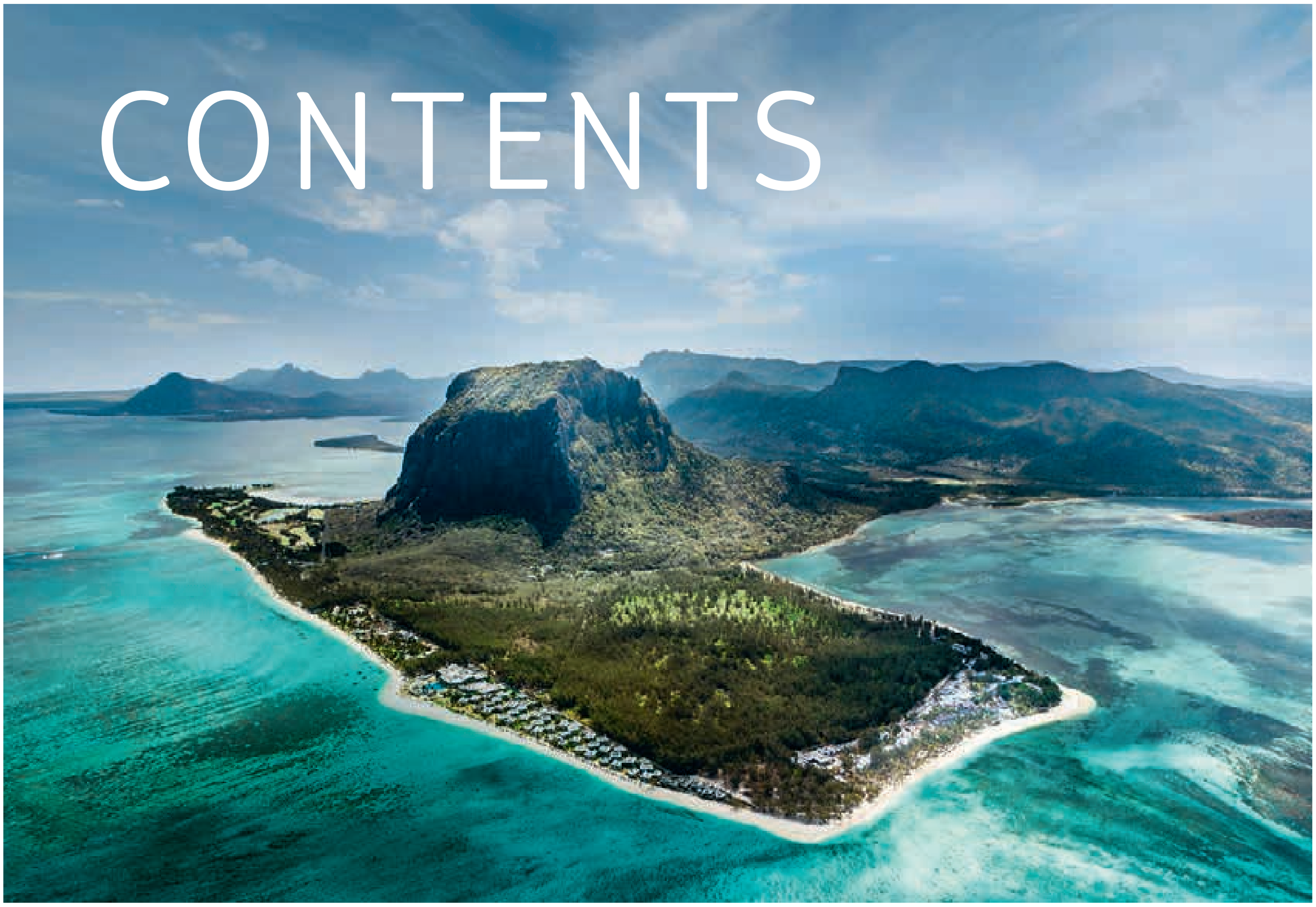

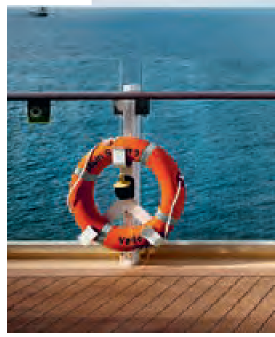

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Ahoy there! Below deck with an environment officer

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TWO STRONG BUSINESSES GROWING TOGETHER AS ONE

The strategy interview

The Magazine and the Annual Report are also available online: http://annualreport2013-14.tui-group.com

Setting the course

»TUI enjoys the best conditions in the international tourist industry for further consolidating its global leadership.«

PROF. DR KLAUS MANGOLD

Supervisory Board chairman Professor Dr Klaus Mangold at the Extraordinary General Meeting on 28 October 2014 at the TUI Arena in Hanover

TWO STRONG BUSINESSES GROWING TOGETHER AS ONE

FRIEDRICH JOUSSEN *(left)* *and* **PETER LONG** *(right)*

TUI AG and TUI Travel PLC are merging to form the world's number one integrated tourism group. The marriage between the big hotel and cruise portfolio and the strong tour operator and distribution business will generate benefits for customers, shareholders and the Group's 77,000 plus employees. Friedrich Joussen and Peter Long are convinced of that. They will manage the "new" TUI as joint CEOs until February 2016. Friedrich Joussen will then take over as sole CEO. Peter Long will take over the helm of the Supervisory Board.

Congratulations, gentlemen! You are taking the helm of the global market leader in tourism.

JOUSSEN: Well, we have taken the first step. We will now focus on implementation. We expect a lot from the merger. A fully integrated tourism group is a unique opportunity – in terms of our product portfolio, for our customers, for our shareholders and for the professional careers of our 77,000 staff members. The new TUI will almost certainly be one of the most international groups in Europe.

How will your customers benefit from the newly structured group?

LONG: Unlike non-integrated tourism providers, we have far more influence on the overall design of the holiday experience, from the search and booking process, to flights and transfers and ultimately to the time people spend at their hotel or on their cruise. At every stage, our customers benefit from consistently high quality.

JOUSSEN: And they profit from an exclusive offering unmatched anywhere else in the market. We intend to build on that in the future as well. We are currently planning to expand our portfolio by 60 new hotels and grow our cruise fleet by 2019. Mein Schiff 4 to Mein Schiff 6 are under construction or have been ordered. And we also have options for additional vessels: Mein Schiff 7 and Mein Schiff 8.

You are going to manage the operators that specialise in activity and experience-based travel separately. Why is that?

JOUSSEN: We will manage them in a separate business segment within our Group. We always said during the merger negotiations that in future we intend to focus on our core travel operations, and that is the Mainstream business. Specialist tour operators, such as those offering sports or language trips in the United States or adventure holidays in Australia, are often a long way removed from our core business.

LONG: We are making those specialist operations accountable to our former CFO at TUI Travel PLC, William Waggott, and they will be run separately. As CFO of the former TUI Travel PLC, he knows the business inside out. These businesses will be managed for growth and value and Will and the management team will determine how best to do that.

What do you have in store to entice your shareholders?

JOUSSEN: ... We aren't trying to entice them, but rather to convince them, win their confidence and justify it through our performance. The new TUI Group will pursue a coherent strategy. Linking the strong tour operator and distribution business at TUI Travel with the premium quality hotel and cruise content at TUI AG will have two significant advantages. This is a very clear industry rationale.

»Our shareholders have placed their confidence in us, and we intend to justify that.«

FRIEDRICH JOUSSEN

LONG: For one thing we are securing more access to exclusive content for the Mainstream business, i. e. our tour operations, and that will enable us to accelerate our growth. Differentiation is the key factor, especially when competing with the up-and-coming Internet platforms. We are minimising capacity risk for our own hotels and cruise liners through unique product that customers want and can only get from us.

Can you offer a bit more detail?

JOUSSEN: First of all, we intend to make sure more customers are excited by our content. After all, we cover all segments: from luxury cruises with MS Europa via club holidays at Robinson's, cruises with the Mein Schiff fleet all the way to beach holidays in our hotels, for instance the Riu hotels. We are also planning to grow: new hotels, new cruise ships. Occupancy will be substantially de-risked as we will have direct access to our tour operators, so that our investment risks will be smaller. Our goals are to improve occupancy and develop unique products for our customers. This will place us in a position to achieve customer and turnover growth.

LONG: We know from our experience with the club operator Magic Life, which we integrated into TUI Travel, that the integrated approach really does enable us to increase occupancy rates substantially. TUI Travel's vertically integrated Magic Life clubs have an occupancy level which is 5 percentage points higher than the level in TUI AG's hotel and resorts portfolio for the financial year 2012/13. And every percentage point increase in capacity potentially means an additional earnings contribution of about six million euros. There is no reason to assume we can't translate that experience gained with Magic Life to other segments.

Apart from that, what synergies are you expecting to see from the merger?

JOUSSEN: We have identified three factors. First, we can organise the Group far more efficiently. In the future we will not be running two headquarters, nor will we incur the expense of being listed twice over. We estimate the potential savings there to be at least 45 million euros. Secondly, we expect a considerable reduction in our tax charges. Based on the figures for financial year 2012/13, we would have spent in the order of 35 million euros less on tax.

LONG: And thirdly we are hoping to save 20 million euros a year by integrating our Inbound Services – which include services in destinations, transfers, excursions and the like – into our Mainstream business.

The compelling industrial logic and the potential synergies beg the question why you didn't merge the two companies much earlier?

JOUSSEN: Eighteen months ago the merger would not have been possible. At the time TUI Travel paid a dividend of 80 to 90 million euros to Hanover. But in spite of that dividend from London TUI AG made a loss of 120 million euros. Under those circumstances, it would have been hard to convince TUI Travel to join us. So first of all we did our homework, which included tough but inevitable cuts in TUI AG.

What has changed since then?

JOUSSEN: With our strategic programme oneTUI, our focus in the last 18 months has been very clearly on value enhancement and a robust dividend policy, along with rigorous restructuring. We have left no stone unturned, we have cut costs and improved efficiency. We have generated segment transparency, defined targets and kept our promises. Those positive results have enabled us to gradually win back our shareholders' trust. That was extremely important to me. After all, reliability is a major asset. You have to keep your promises. We have started to pay a dividend again last year, two years earlier than planned. That was another clear signal to the markets, reflecting our determination to achieve our goals.

Now you have the merger, will the oneTUI objectives be obsolete?

JOUSSEN: Not at all. We remain committed to those objectives and we will implement the planned growth with strict cost discipline and a strong cash flow orientation. We also aim to convince our shareholders by offering them an attractive dividend policy.

LONG: We expect the merger to affect earnings per share positively as soon as the "new" TUI AG completes its first full financial year. That will be reflected in our dividend policy, which we intend to gear to the progressive dividend policy hitherto pursued by TUI Travel. That means that dividends will more or less shadow earnings growth. If the new Group performs as expected, we hope that for financial years 2014/15 and 2015/16 we will be able to pay out a dividend per share at a rate 10 per cent higher than the underlying earnings per share of the "new" TUI AG.

»Differentiation is the key factor, especially when competing with the up-and-coming Internet platforms.«

PETER LONG

What are the advantages of being listed in the FTSE index on the London Stock Exchange?

JOUSSEN: We are an international business and the "new" TUI AG will be incorporated and headquartered in Germany with a primary listing on the London Stock Exchange. In terms of our market capitalisation the new company will be substantially larger at around seven billion euros; larger than a number of DAX companies. Our listing on the premium FTSE index in London will highlight our international role, and will make our stock more appealing to international investors which will be important to delivering value to all shareholders. Parallel to that we will also have an OTC listing on the Frankfurt exchange, so our shares can still be traded in euros and in Germany. The best of two worlds.

We have talked in detail about the benefits for customers and shareholders. What can your staff expect from the merger?

JOUSSEN: We already employ staff in 130 countries across the world. Because the new Group will have a stronger international outlook with a diversity of business operations, it will be easier for our employees to plan and pursue their career aspirations in a more diverse and international manner. We will probably be one of the most international employers in Europe. That truly offers everyone an opportunity to seek challenges outside their home country.

Integration is often thwarted by cultural differences.

LONG: The management team and a lot of the staff at TUI AG and TUI Travel have been working closely together for some time now. So we are building on healthy foundations and we need have no worries about big upheavals. The continuity in management sets a good example. The Board of the "new" TUI AG is equally composed of three people from TUI AG and three from TUI Travel. And Fritz Joussen and I, as joint CEOs, will be demonstrating the kind of unity we hope to see across the company.

JOUSSEN: Our staff have felt for a long time that they are part of the global TUI family, and they don't distinguish between TUI AG, TUI Travel, TUI Deutschland and TUI UK. Culturally we belong together, and now we are simply adjusting the structures to fit. This will put an end to a situation that none of us really thought was natural. We believe that the parts that belong together are coming together as a whole.

Profile of the "new" TUI AG

The "new" TUI AG is the world's number one integrated tourism Group. From now on, the broad portfolio gathered under the Group umbrella will consist of strong tour operators, 1,800 travel agencies and leading online portals, six airlines with 145 aircraft, over 300 hotels with 210,000 beds, twelve cruise liners and countless incoming agencies in all major holiday destinations around the globe. This integrated offering will enable us to provide our 30 million customers with an unmatched holiday experience in 180 regions. A key feature of our corporate culture is our global responsibility for economic, environmental and social sustainability. This is reflected in more than 20 years of commitment to sustainable tourism. In the financial year 2013/14 Group turnover was approximately 19 billion euros with a headcount of 77,000.

TOUR OPERATORS

Many strong tour operators with leading positions in their own domestic markets are clustered under the roof of the "new" TUI AG. In Germany they include TUI Deutschland, 1-2-FLY, airtours and Wolters Reisen, in the UK Thomson and First Choice. TUI operators are also among the leading national brands in Austria, Poland, Switzerland, Denmark, Finland, Norway, Sweden, France, Belgium, the Netherlands, China, Russia and the Ukraine.

AIRLINES

There are six proprietary airlines in the TUI Group operating 145 medium- and long-haul aircraft, including the largest fleet of the latest Boeing Dreamliners. The airlines are TUIfly, Thomson, TUIfly Nordic, Jetairfly, Corsair and ArkeFly, serving more than 180 destinations around the world.

HOTELS

The "new" TUI AG operates over 300 hotels of its own with 210,000 beds in 24 countries. The facilities run by our brands are located in top-class settings in the holiday-making regions – offering a variety of hotel formats with high standards of business performance, service quality and environmental management. The Group's hotel portfolio includes such well-known brands as Riu and the premium-market Robinson Clubs.

CRUISES

The "new" TUI AG gears operations to the specific desires of different customers. Hapag-Lloyd Kreuzfahrten, with four ships, is the leading provider of expedition and luxury cruises in the German-speaking market. The joint venture TUI Cruises offers premium voyages. The fleet currently consists of three vessels. Mein Schiff 4 will be launched in 2015. With Mein Schiff 5 and Mein Schiff 6, TUI Cruises has even ordered two more ships. Furthermore, it holds options on building Mein Schiff 7 and Mein Schiff 8. Thomson Cruises has five liners serving the British market.

30 mill. TOTAL CUSTOMERS

77,000 EMPLOYEES WORLDWIDE

approx. **19** BILLION € TURNOVER

TRAVEL AGENCIES
1,800
all over Europe

HOLIDAY REGIONS
180
Destinations

AIR FLEET
145
medium- and long-haul aircraft

HOTELS
210,000
beds in brand hotels

one TUI PHASE 2

GROWTH STRATEGY
Having established a healthy financial footing for the Group over the last 18 months, we are now launching the next phase of oneTUI. In the next few years we intend to expand our portfolio by altogether 60 new hotels and four new ships. This growth strategy will still be governed by the underlying principles of oneTUI: cash flow orientation and rigorous cost discipline.

META- MOR- PHOSIS

Kris Seeboo's face breaks into a smile. No wonder. He is, after all, standing in the middle of an impressive landscape on the Le Morne peninsula in the south-west of Mauritius. But his attention has not been caught by either the striking cliffs or the palm-lined beaches. It is the sight of the water that fascinates him. It gushes from the earth in a high arc – another successful milestone on the way to the first Riu Resort in the Indian Ocean.


GROWTH AT
Riu
Portfolio scheduled to expand by 3 to 5 hotels a year
CURRENT PROJECTS
ST. MARTIN
(2014)
504 beds
PANAMA, PLAYA
(2014)
1,146 beds
SRI LANKA
(2015/16)
1,000 beds
MAURITIUS
(2015)
1,060 beds

»Riu was founded in the 50s as a small family business on Majorca. Since then, our professional staff have exported the promise of high quality service at Riu to more than 16 countries. Our guests appreciate this and thus confirm our plans for growth of 3 to 5 new hotels annually.«

CARMEN RIU GÜELL, CEO Riu-Group

LET IT FLOW!

Manager Kris Seeboo is in constant touch with the island authorities, for example about the drilling for a new independent water supply.

In the spring of 2014 Riu acquired three adjacent hotels on Mauritius, and with that the TUI hotel brand launched its expansion into the Indian Ocean. Since then Kris Seeboo, the Senior Executive Manager of Riu Le Morne Ltd, has been supporting redevelopment at the resort. The native Mauritanian is perfectly networked and on behalf of this project he is engaged in permanent dialogue with the ministries and authorities on "his" island. The gushing water he is so delighted to see is the result of the current construction work in the hotel grounds. The drilling is intended to provide the resort with independent access to water and its own desalination unit. That will be an important source of supply for a 530-room resort on an island with a shortage of resources. As the hotel is also in the middle of a nature conservation area, all building and engineering works have been planned and discussed with the responsible authorities.

Expansion into Paradise

The effort has paid off. After all, the location could hardly be better. The future Riu resort reaches from the imposing crag of Le Morne Brabant, listed as a UNESCO World Heritage site, to one of the best kite surfing spots in the world. Moreover, the peninsula is surrounded by a far-reaching coral reef which makes the sea shine in an array of bright colours. At the moment, though, it is hard helmets and wheelbarrows, rather than bathing towels and surf boards, that dominate the complex. It is scheduled to open in February 2015 and will offer the brand's accustomed standards with the hotels Riu Coral, Riu Creole and (for adults only) Riu Le Morne.

There is still a lot to be done before then. About 400 workers populate the grounds – excavating, bricklaying, painting, installing, fitting roofs and knocking the gardens into shape. Not all the buildings in the resort were used for operations in the past, many need refurbishing, and some need to be completely converted. "The challenge is to apply Riu standards and quality to an existing hotel," explains Miguel Silva, the Assistant Manager from Portugal. "A lot of people stare in disbelief when we tell them we want to open three hotels on

530

rooms
in 3 hotels

LOCAL TRUMP CARDS

Staff, know-how and produce from the island: Assistant Manager Miguel Silva sources textiles locally.

the same day. But we know what we are doing and we will succeed." He is in a good position to judge, because he has been involved in opening a number of new Riu Hotels already. The expansion enabled him to fulfil a personal dream: to work in the Indian Ocean. Before the launch in February he needs to build up the hotel's operational structures, so that everything is ready from the kitchens via housekeeping to the entertainment programme.

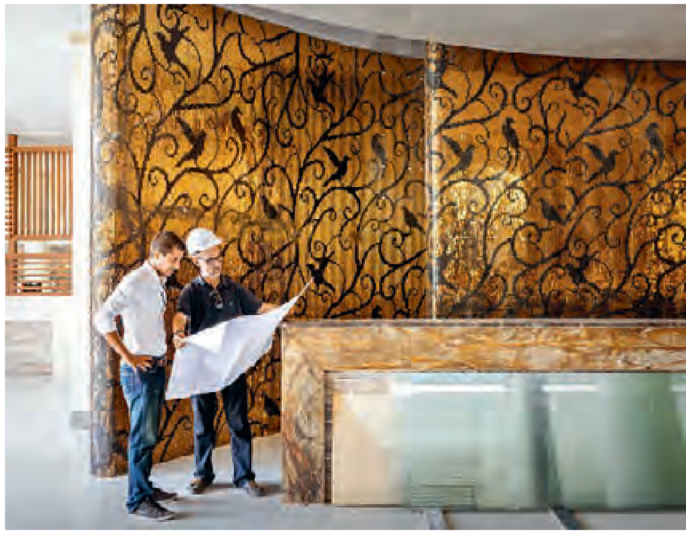
Partnership with local suppliers is part and parcel of the Riu philosophy. "We have just chosen a supplier from the local textiles industry, for example," says Silva, as we head out to see the new provider. He has brought along the design specs and intends to choose curtains for the bedrooms and the show venues at the resort. Although Miguel Silva only arrived on the island in spring 2014, he already knows the set-up very well: "In many respects our standards are higher and we need to import equipment, like the technical goods for the kitchens. But the Mauritanians can teach us a thing or two in some ways. A responsible attitude to nature, for example, has been part of the lifestyle here for much longer than in other countries." That is reflected in the way the resort takes care of its gardens, working closely with local foresters. The original island look will not only be reflected in the Garden of Palms, but also in the design of the hotels. "For the roofs here we are using sugar cane, and we are re-thatching them in the traditional manner," says Executive Manager Kris Seeboo, illustrating the vernacular architecture.

International team work

Apart from the construction workers, about 60 Riu employees have so far arrived on site. That means the resort team is likewise growing to plan: after the opening about 400 people will be working for the complex. Most staff will be recruited locally and trained by experienced colleagues, so that from day one they can offer guests a service that matches Riu standards. The same applies to marketing. Oliver Kluth from headquarters in Spain is spending a few days on Mauritius for that very reason. The Senior Vice President Sales & Business Development is on the look-out for

FOR THE PERFECT HOLIDAY

The resort on Mauritius will have 1,060 beds. This is one of several new projects for the coming years.



THE FINAL SPRINT

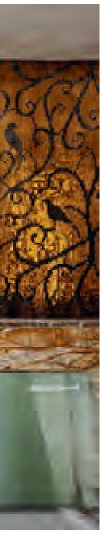
The planners are still on site, but from spring 2015 wandering spirits will be checking in here for their dream holiday.

staff who can help him develop the sales structure and who know the local markets. Apart from European travellers, Riu hopes its products on Mauritius will appeal to the neighbouring island of La Réunion, not to mention guests from South Africa and Asia. "We have built up the sales function for new Riu destinations a number of times, for example on the Cape Verde Islands, Aruba and St Martin. And yet every time it's different, because you have to get to know and understand how things operate in the country," is Kluth's comment on his role. He will therefore be drawing on the expertise of Kris Seeboo, who coordinated the first interviews with local job applicants.

With a degree in interpreting, he will take advantage of this trip to meet important local contacts. One of them is Philippe Hitié, Managing Director of TUI's destination management company SummerTimes. For 14 years he and his team have been organising transfers and excursions for holiday-makers from all over the world, and in future they will also be welcoming Riu guests to the island. Next, taking the well-informed tourism expert with him, Hitié moves straight on to his second appointment in the capital Port Louis: a call on the island's Minister of Tourism. The next day's programme brings further insights into the tourism structures in the country. Oliver Kluth wants to visit hotel complexes run by some of his rivals. Not on a secret mission, but absolutely up front: "At Riu anyone can drop in and have a look at what we do." His tour will indicate how the new Riu Resort can position itself in relation to the competition.

Three to five projects a year

By that time, the metamorphosis from a bustling construction site to a hotel with a stylish ambiente will need to be complete. And when, in the spring of next year, the guests can at last relish their dream of a carefree holiday, the planners from Riu will already have moved on. The partly-owned TUI subsidiary is looking to implement three to five new projects in each of the coming years. Riu is therefore playing a big part in the growth strategy for the group (see also chart on page 15). Soon someone else – somewhere in the world – will be fascinated by the sight of gushing water.



PARADISE

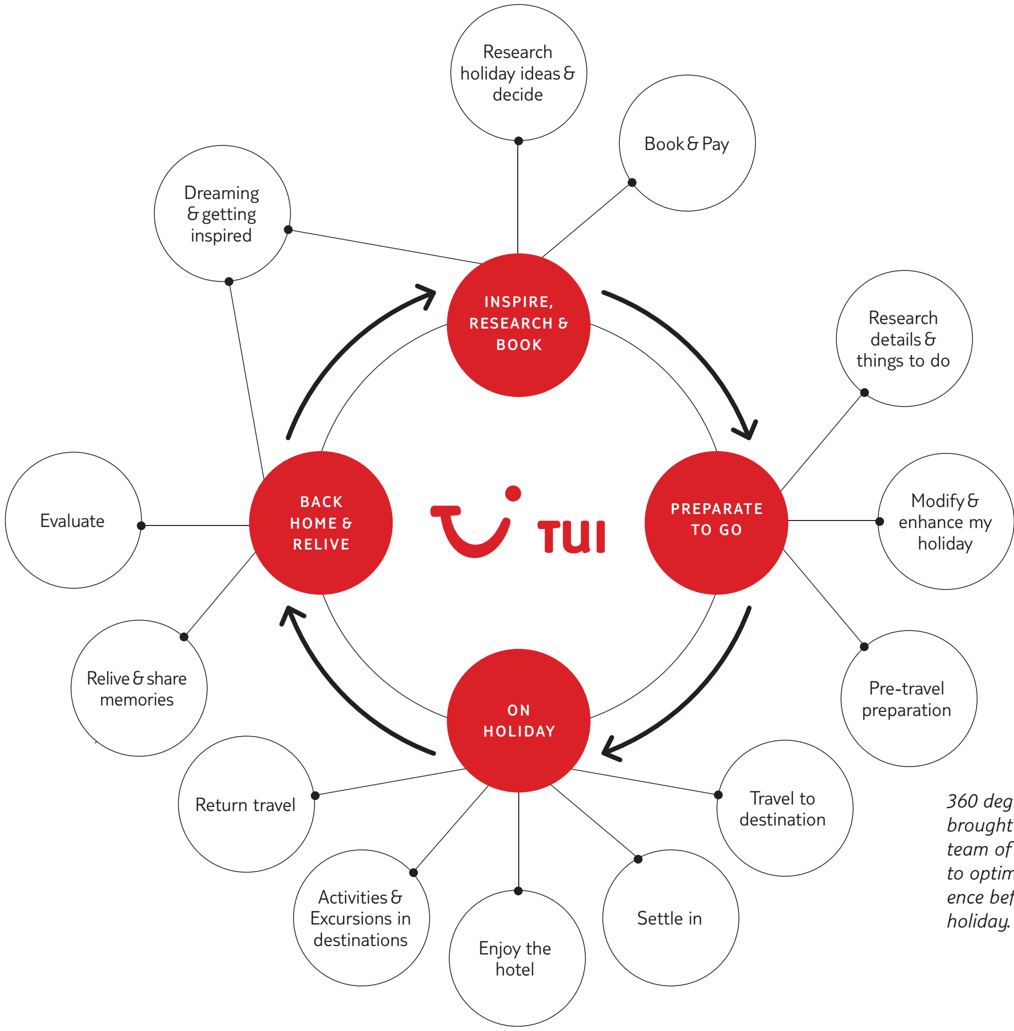
The resort is idyllically set in a nature conservation area. Riu has worked closely with local authorities to plan the conversions.

THE HAPPINESS TEAM

JOHAN LUNDGREN,
Deputy Chief Executive of TUI Travel PLC and member of its Mainstream Management Board. Following the merger Johan Lundgren will also be Deputy Chief Executive of the "new" TUI AG.

OLIVER DÖRSCHUCK,
Chief Operating Officer, TUI Deutschland GmbH

Companies like their customers to be happy. But for TUI that is not enough: TUI wants to make customers happy, to delight them. Sounds like an advertising slogan – but the Group takes this aspiration very seriously, as we shall see by peeping behind the scenes of an ambitious project called "Customer Experience".



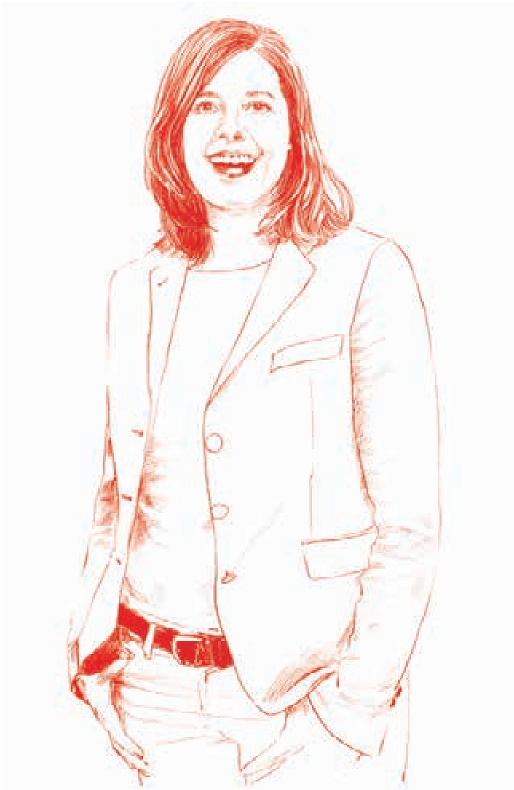
360 degrees: The CX project has brought together an international team of 24 TUI specialists seeking to optimise the customer experience before, during and after a holiday.

Every new beginning is magical, isn't it? Oliver Dörschuck grins at the question. He prefers "enthusiasm" to "magic", at least when he is talking about TUI's Customer Experience (CX) project, which he has been leading ever since it was set up in early 2014. There is certainly a good idea behind it – and a lot of work too. The project is part of the "one Mainstream" programme initiated by Johan Lundgren, Deputy Chief Executive of TUI Travel PLC and member of its Mainstream Management Board. That is gathering pace. "We have taken something that TUI has done effectively for a long time and we hope to place it on a new footing. We want to turn satisfied customers into unreservedly happy TUI fans," says Oliver Dörschuck. An ambitious objective defined by the 40-year-old manager from TUI Deutschland and his team of 24 colleagues from around the world. In the next few years he and many other Group employees will be implementing it stage by stage.

Make fans out of customers – a lot of companies would love to do that, but it isn't easy. "We will certainly have our work cut out," says Oliver Dörschuck. He doesn't look like the sort of person to be worried about that, more like an optimist embarking on a new venture. "A dose of the start-up spirit probably helps," he admits. "But we are not starting from scratch. There are so many things TUI already does really well. We aren't planning a revolution." The project is expected to propose a constructive mixture of innovation and continuity.

How exactly will it work? The first step is for TUI to perform an analysis, carefully scrutinising everything customers do before, during and after a holiday. What they value, what they want, and how to eliminate any stumbling blocks, little or large, that can occasionally sour the holiday mood. Oliver Dörschuck's team, made up of experienced managers from all major Group operations, are currently taking a close look at TUI's value chain with a view to optimising it piece by piece: from the travel agencies, call centres and digital media, via the on-board flight experience and everything that happens at the destination – contact with the travel rep, accommodation in the hotel – to the return journey and arriving home. There has also been a detailed survey of TUI employees in destinations and very many customers, and from this the team can see the big picture of what people want where. All these impressions and ideas are being collected, evaluated and prioritised.

Effortless, consistent, committed
"Free wifi at all airports", "online hotel check-in" and "free water at arrival at destination": those are just three of the 70 ideas the CX team received from the survey. "Of course that can't all be implemented overnight, but our customers will start noticing the difference in summer 2015," says Stefanie Schulze zur Wiesch. The TUI manager works at Group headquarters in Hanover and she is Oliver Dörschuck's right-hand woman on CX matters. She is the person who pulls all the project threads together. "Our aims are clear-cut: TUI customers will soon be receiving individual information relevant to whatever stage of their holiday they are at, they will experience a consistently high level of service, and they will be able to contact TUI effortlessly by various channels of communication," says Stefanie Schulze zur Wiesch. TUI as a positive brand experience – always and everywhere.



STEFANIE SCHULZE ZUR WIESCH, (co)lead Customer Experience Mainstream & Director Marketing, TUI Deutschland GmbH

For a clear view of exactly when during the holiday TUI customers pick up these "brand-building" impressions, the CX team is working on a kind of holiday script. It defines all the key stages a traveller goes through, such as the booking procedure before the trip, the hotel check-in or the flight home. "In a few situations we want to generate more happiness and enthusiasm. There may be other points where we could perhaps dispense with a service because customers don't need it, aren't asking for it and wouldn't pay for it," explains Stefanie Schulze zur Wiesch.

Feeling good about the world – happiness and enthusiasm – sometimes it only takes a little gesture to trigger these emotions: friendly, helpful bus drivers, for example, or that bottle of cool water placed in a hotel room to slake the traveller's thirst after a long journey.

Other tasks are trickier. On Crete, for instance, like at many other destinations, the airport is packed in summer. For a while now, TUI has offered customers upon request the chance to book an additional service in return for a small fee: access to a lounge. A freshly furnished oasis of tranquillity with plenty of seats, complementary drinks, biscuits, sandwiches and wifi. Guests can stay here until they board. They are collected in person by a TUI rep and taken straight to the plane, bypassing the queue. "There is big demand for it," says Stefanie Schulze zur Wiesch: "We feel sure that similar offers would work equally well at other busy airports."

TUI digital
One way to book features like the airport lounge leads us to the Internet. Most people have got used to regarding their smart phone and tablet as indispensable companions, especially when they are on holiday. So online services are an important key to giving TUI customers more spontaneous choice and information options. "That's why we are optimising and expanding the functionality of our TDA app, the TUI Digital Assistant," says John Boughton, a Director at TUI Travel in London and responsible on the CX project for mobile end device strategy. "Our customers are using the app more and more as their main tool for communicating with us."

»Our customers are using the app more and more as their main tool for communicating with us.«

JOHN BOUGHTON,
Director of Mobile Strategy at TUI Travel PLC

MIKAEL AHLERUP, Director Destination Service and Customer Experience

This means customers can reach TUI at any time, by text or telephone, e-mail and social networks like Facebook or Twitter. At the same time, up-to-date information and service offerings can be integrated into the app in real time: a tip-off about an excellent little-known restaurant near the hotel, a note about when the yoga course starts tomorrow morning, or confirmation of the departure time and meeting-point for the airport transfer.

If travellers have a question, comment or even a problem, they only have to tap it into the TDA, no matter what time it is or where they are. TUI staff will answer within two hours – that is the target. If, for example, a holidaymaker in the Maldives suddenly decides it would be nice to take a boat trip the next morning, the travel rep can be contacted via the TDA and a ticket will be reserved – with just a few clicks of the finger and without anyone having to get out of their deckchair and leave the pool. And customers can use the TDA to save information too, so that it will be ready to hand next year, for instance, when they are looking for just the right holiday.

It all sounds simple and logical, but putting this into practice is tricky. After all, every TUI contact and service in the world needs to be migrated from different systems into one centralised, web-based databank. "The challenges relate to the different technical specifications that apply in different parts of the Group and to the data interfaces. Besides, we have to integrate six different languages. But we are making rapid progress," says John Boughton. "The TDA content and functionality are growing fast."

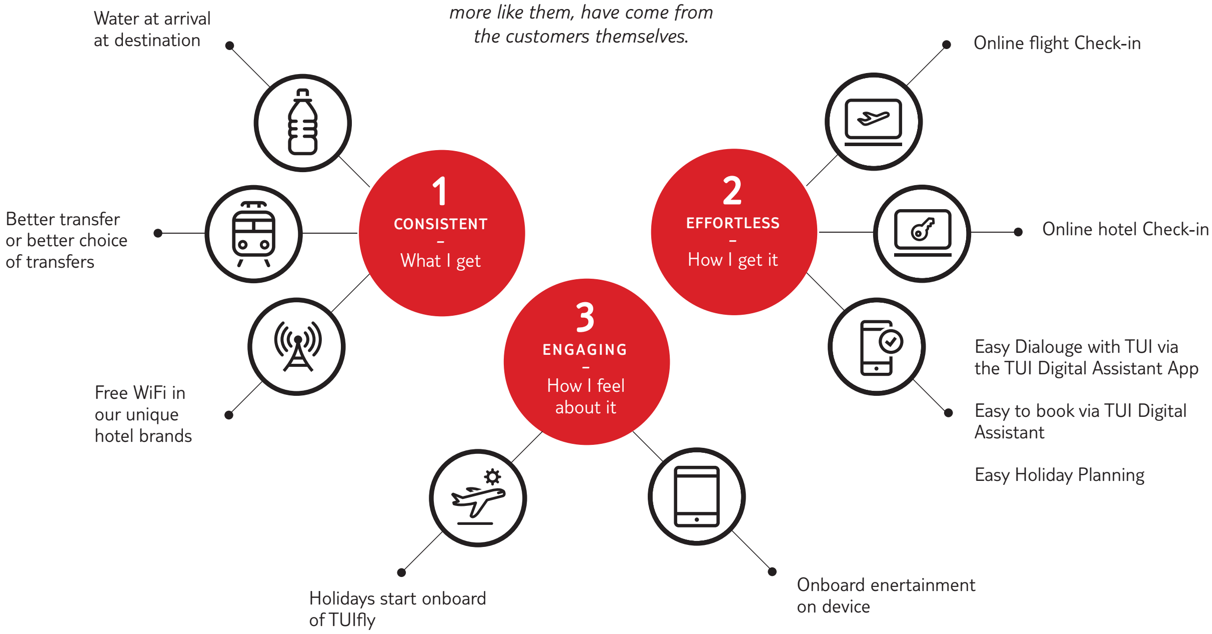
The human factor

There are lots of opportunities for using the TDA app and a smart phone to personalise a holiday with more ad hoc input. But the status of the human factor is at least as important in the CX project. Mikael Ahlerup knows all about this. He is in charge of Destination Service and Customer Experience at TUI Nordic. His office is in downtown Stockholm, but the 52-year-old will not be found there very often. He spends much of his time travelling. He is observing and optimising, among other things, airport transfers, bicycle excursions and aqua fitness classes on Gran Canaria and in Turkey. He is also responsible for the know-how and concerns of the staff.

Good employees are TUI's biggest asset, Mikael Ahlerup firmly believes that. They guarantee those special encounters that people happily tell their friends about back home: the kind supervisors at the Kids Club, the

10 QUICK WINS

TUI customers will start noticing the improvements in summer 2015. These ideas, and many more like them, have come from the customers themselves.



friendly crew on the plane or the helpful service staff at the hotel. It gets even more exciting, from the Swede's perspective, when the CX project links these qualities to the untapped potential of the new communication media. "Just imagine," he says, gazing into the not too distant future: "On the plane a hostess accidentally spills a soft drink over your trousers. She uses her smart phone to send a message to your destination hotel and asks them to put a bowl of fruit in your room with a note saying 'Sorry for the mishap on board. TUI hopes you have a great holiday!'"

"Can you imagine what effect that would have?" Mikael Ahlerup's question is rhetorical, because to him the answer is obvious: any traveller would thoroughly appreciate a gesture like that, which isn't complicated and doesn't cost much. And that very combination is the secret: pre-emptive, effective, and ultimately inexpensive. "If we can identify those points and implement them quickly, we will be achieving a big competitive edge over our competition," says the TUI Manager.

If little kindnesses like this are soon to become routine at TUI, the underlying technology has to function. But the vision also calls for committed, resolute TUI employees who do their job with pleasure and dedication. "The more motivated and satisfied they are, the more authentic and successful we are as a Group," declares Mikael Ahlerup with conviction. "They create those points of contact that stick in people's memories and will make TUI an even stronger brand."

3 *years*

FUTURE À LA CARTE

Swotting for the future: in winter the Robinson Club trainees return to their school desks for a theory stage. In summer they are out in the practical word.

Front-of-house and housekeeping, bar and kitchen staff: at the Robinson Clubs in Turkey, the TUI Group has been training young skilled workers to everyone's satisfaction for many years. Some of these young people are on a special programme qualifying them for the equivalent of a German Journeyman's Certificate – thanks to a close partnership between the Turkish Ministry of Education and the Chamber of Trade and Industry in Hanover. Impressions of a course with a positive outlook.

The giant red flag with the crescent flaps gently in the wind that blows across from the Turkish Riviera. Relaxed holidaymakers are sitting at a few dozen tables enjoying the Turkish food, the wine and the strong, bitter-sweet mocha that rounds it off. A trio of musicians are playing on the stage, joined later by a belly dancer. Her performance is impressive, and the audience applauds enthusiastically.

A typical holiday idyll at the Robinson Club Camyuva. Günce Yildiz observes the proceedings from the other side of a wide trolley. A moment ago the slim young woman in chef's whites had no time for the atmospheric scenery. The 20-year-old has been concentrating for two hours on arranging gözleme – delicate flaky pastry with a spicy sheep's cheese filling – on white plates, garnishing them with parsley, wedges of lemon and balls of kisir made from bulgur, chopping ingredients and explaining to inquisitive guests what she is doing. And despite the pressure finding time to make her appreciative audience feel at home with a friendly glance and a joke or two.

Günce Yildiz has come here to the sun-drenched flagship resort to train for the hospitality trade as part of the Robinson Education Project. 64 young men and women hoping to work on reception or in a restaurant or kitchen are engaged in "dual training", with theory lessons at vocational college and practical sessions at

VOCATIONAL TRAINING

YEAR

64

trainees
2014

290

trainees since 2003

PARTIAL CERTIFICATION

Partnership with CTI Hannover
since 2010

PUBLIC AGENCY SUPPORT

Partnership with ZAV
since 2008

the Club. "We worked hard to establish this form of apprenticeship, which is still unusual for Turkey," says Gülsün Candar, who grew up in Germany, studied Economics in Tübingen and knows both cultures very well. She manages all the training at the four Robinson Clubs that delight holidaymakers with their beautiful settings around Antalya. Since 2003 Gülsün Candar has found a way, together with the Turkish Education Ministry, to have the two-year vocational training and the journeyman certificate recognised by the state.

A life in two worlds

Most of the young workers are training to work as waiters, baristas or chefs. But there is something special about Günce and another twenty or so 17- to 23-year-olds: they have spent at least part of their lives in Germany and speak both languages very well. "They manage perfectly over here and at the same time they understand the mentality of our German customers," says Gülsün Candar.

This training for the hospitality business is different from a purely Turkish qualification. "Since 2010 we have been involved in a close partnership with the Chamber of Trade and Industry (CTI) in Hanover," explains the HR manager. Apart from being taught by the Robinson Club experts and state schools, they spend another year training at the Club, with additional CTI modules and then an external examination, which enables them to obtain the certificate of equivalence. "That means their qualification is also recognised in Germany," says Gülsün Candar. Additional topics covered by the course include marketing, sourcing and more in-depth knowledge about service and kitchen work.

Günce Yildiz herself is a good example of how the two worlds merge. The young woman was born in Turkey, but just after she started school she moved to Delmenhorst in Lower Saxony because her father had a job in Germany. There she completed a Realschule, a secondary school which lays the basis for vocational training. "I had wanted to work in tourism for a long time, because I enjoy contact with people," she explains. Besides, her uncle and her father worked in the family travel agency, so her links with the sector were forged at an early age.

She had already begun training in hospitality at a hotel in Bremen when she was accepted by Robinson. "I knew straight away that it was what I wanted to do," says Günce Yildiz, who gave up her traineeship and switched to TUI. Her mother, who found the recruitment brochure, encouraged her to follow her instinct, especially as the family had wanted to return to their home country. On her days off, the young woman can

ROBINSON EDUCATION PROJECT

To make the Robinson Education Project happen, TUI is working together with the Turkish Education Ministry, the German pubic employment service (ZAV, the cross-border agency for skilled labour), the Chamber of Trade and Industry in Hanover, and DEG, the German investment and development company that financed a training kitchen in Camyuva. The training is provided by teachers from the Ministry, managers from the Robinson Clubs and instructors from the Chamber. The trainees are insured by the Ministry, which also makes sure the young men are not called up while they are training. The public agencies conduct the examinations. The Clubs offer the trainees board and lodging on site free of charge. They also pay the youngsters an allowance that is higher than the statutory amount. Dual training is quite a hit as a German export, and TUI now intends to introduce it at Robinson Clubs in Greece.

stay with her parents in Antalya. "So I felt I was being looked after twice over."

Youngsters with big plans

Ahmet Güneş, who has successfully completed his training and now works at the Robinson Club Pamfilya, is also from Germany. The 23-year-old grew up in Limburg an der Lahn and after finishing school he was determined to work in Turkey. He had a clear and ambitious aim: "I would like to manage a hotel in Istanbul some time," says the keen amateur footballer, who is a fan of Galatasaray and attends as many matches in Turkey's biggest city as he can. "I know I have a long way to go, but I reckon this training is a great start."

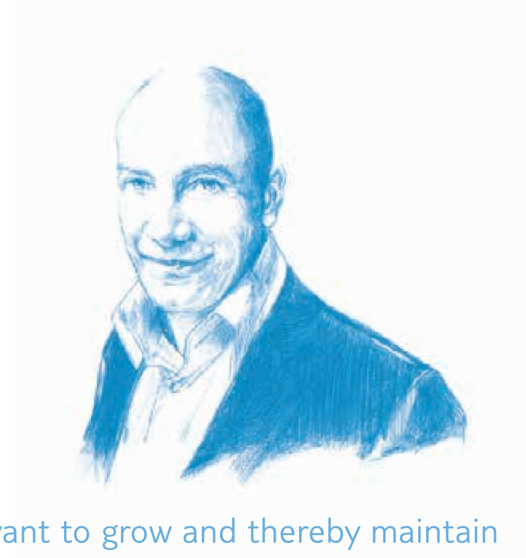
Before that, his next stop will be back in Germany at Robinson Club in Fleesensee, where he has already worked. "I just like our Clubs and the close contact we have with our customers. That's why I want to gain as much experience as I can and perhaps become a Robinson Trainee." That is the programme where young hopefuls are prepared for managerial positions. "Our young people are highly motivated," confirms Gülsün Candar, as she hands out a multiple-choice test in the training room at the Robinson Club. The questions are about the routines a receptionist must master perfectly. The trainees at the desks are quietly focussed on the exercises, solve them quickly and hand

»The applicants' school record is not the most important thing. I want to sense their passion and enthusiasm.«

GÜLSÜN CANDAR, Human Resources Manager, Turkey at Robinson

»I just like our Clubs and the close contact we have with our customers. That's why I want to gain as much experience as I can and perhaps become a Robinson Trainee.«

AHMET GÜNEŞ, journeyman at Robinson Club Camyuva



»We want to grow and thereby maintain the same high quality at Robinson. This is only possible with well-trained and motivated employees.«

INGO BURMESTER, Managing Director Robinson

in their papers early. They are always conscientious, whether applying themselves to the theory in winter, when the Clubs are closed, or doing their practicals in summer.

Günce Yildiz, who likes drawing in her spare time and has recently taken up riding, doesn't only work on reception, in guest relations and in housekeeping; sometimes she takes on a tandem role – in the kitchen, for example. It might mean preparing fresh food in front of the customers at a Turkish Evening, or working in the main restaurant or the à-la-carte restaurant, or lending a hand at one of the diverse bars in the Club grounds.

Head of HR visits applicants

The purpose of the Robinson Education Project is not just to recruit well-trained workers for the company. "We are assuming our social responsibilities by integrating young people through work," says Gülsün Candar. Youth unemployment is high in Turkey, especially in regions like Anatolia or the Black Sea coast. One sign that the Robinson Clubs take this seriously is that the head of Human Resources frequently travels around Turkey conducting interviews. "We have about 900 people applying to train as a chef, for example. The applicants' school record is not the most important thing. I want to sense their passion and enthusiasm," says Gülsün Candar. So she meets the candidates in their home towns, especially as many families lack the economic resources to pay for their children to attend the Robinson Clubs.

It is often a long way from home to the place of training. It was no different for Günce Yildiz and the three friends who share a bedroom with her at the Club. "We work shifts, so it's unusual for us all to be here together," she says, sprawling on her upper bunk and putting her novel to one side. "But we can rely on each other." She bends down to the bunk below, where her room-mate is knitting a black scarf. "If anything is wrong there is someone we can talk to." HR manager Gülsün Candar assents with a smile – and describes the many evenings when she has sat on the edge of a bed to console a homesick or lovesick trainee.

It is Günce Yildiz's turn to laugh. "It isn't that bad," says the confident young woman reassuringly. She likes to stroll around Antalya or sit in one of the cafés with a fantastic view of Konyaalti Beach below the city. "The best thing is that some of my colleagues have become good friends. We help each other, even after work. It makes working in this amazing atmosphere all the more enjoyable."

30 %

ENERGY SAVINGS

SETTING NEW STANDARDS

With Mein Schiff 3 TUI Cruises is setting new standards for environment technology on the high seas. The cruise liner minimises harmful emissions, consumes much less energy, and is equipped with a state-of-the-art disposal system for waste-water and solid waste. Environment Officer Ryan Eickholt keeps a vigilant eye on the system. And he has set the bar high.

»Our guests expect their cruise liner to be as well equipped as possible for protecting the environment.«

RYAN EICKHOLT, Environment Officer on Mein Schiff 3

As dawn breaks, Mein Schiff 3 glides majestically towards the port of Civitavecchia, an hour's drive from Rome. It may be early, but life is already stirring aboard the youngest and biggest member of the TUI Cruises fleet – a joint venture between TUI and the US-based passenger cruise company Royal Caribbean. Many of the 2,500 passengers step out onto their cabin balcony for a view of the harbour, where they will be calling on the fourth day of their Mediterranean voyage. Most of them will be joining today's excursion to the Italian capital. No sooner has the ship moored than the first groups come streaming out from the belly of the vessel. There is a mood of expectancy and relaxation: yesterday Corsica, today Rome. That's the way to holiday!

By the cargo hatch, not ten yards from the exit, stands Ryan Eickholt. He glances at the growing swarm of passengers. For them, another day of leisure is about to begin; for the Environment Officer it is a normal working day. The 25-year-old runs the sophisticated environment and waste system on this enormous ship. After all, the new liner is not just a setting for carefree holidays. It is also setting new standards in environment protection. Mein Schiff 3 uses 30 per cent less energy than other passenger ships in this category. And her emissions of sulphur, nitrogen and particles are already well below the limits that will start applying to newbuilds from 2016.

Behind-the-scenes environment management

"Our guests expect their cruise liner to be as well equipped as possible for protecting the environment," says Ryan Eickholt, who has been sailing with TUI Cruises for two years. The environment is managed in places the guests usually know nothing about. Their world is made up of eleven restaurants and twelve bars, the spa and sport facilities and the 25-meter pool, exclusive shops, the concert hall, theatre and museum. The world of Ryan Eickholt, born in Florida, is not

Early morning at the cargo hatch: Ryan Eickholt monitors the handover of waste from Mein Schiff 3 to the disposal company. To ensure everything runs smoothly, the Environment Officer always has his mobile phone to hand.

1,253

GUEST CABINS

on Mein Schiff 3 provide space for 2,506 holidaymakers.

quite so luxurious. For the US citizen who heads a little team of four and has the support of all other units on board, the working day begins at the heart of waste disposal.

Before an hour has passed, and under the supervision of the Environment Officer, the crew has handed over the waste to an Italian disposal company. For a ship with 3,500 people (crew included) living on board, there is surprisingly little waste: a few crates of glass, paper, compressed matter. The job of keeping this quantity to a minimum is done by state-of-the-art equipment that sorts the waste then incinerates or processes it. "Do you know what that is?" asks the Environment Officer, pointing to a container with a mass of what looks like the charred breadcrumbs that collect under a toaster. "Those are the leftovers from last night's dinner." One machine extracts water from the remnants of food; whatever is left goes into the incinerator before appropriate disposal.

Modern on-board sewage treatment

When Ryan Eickholt talks to his staff, he issues clear instructions. Despite his young years he exudes a natural authority. The uniform with three-and-a-half stripes and a star on the shoulders confirms his high rank on this vessel. Treating natural resources with respect is important to him, even when things are a little more complicated. Water disposal, for instance. When 3,500 people shower, eat, swim and flush the toilet, obviously there is going to be a lot of wastewater. "The sea is a sensitive habitat," says Ryan Eickholt. "So we take it for granted that no pollutants ought to escape into the sea water." To make sure of that, wastewater in all its forms

SAVINGS IN

FIGURES

REDUCING EMISSIONS

up to
99 %
less sulphur

up to
60 %
less particulate

up to
75 %
less nitrogen oxide

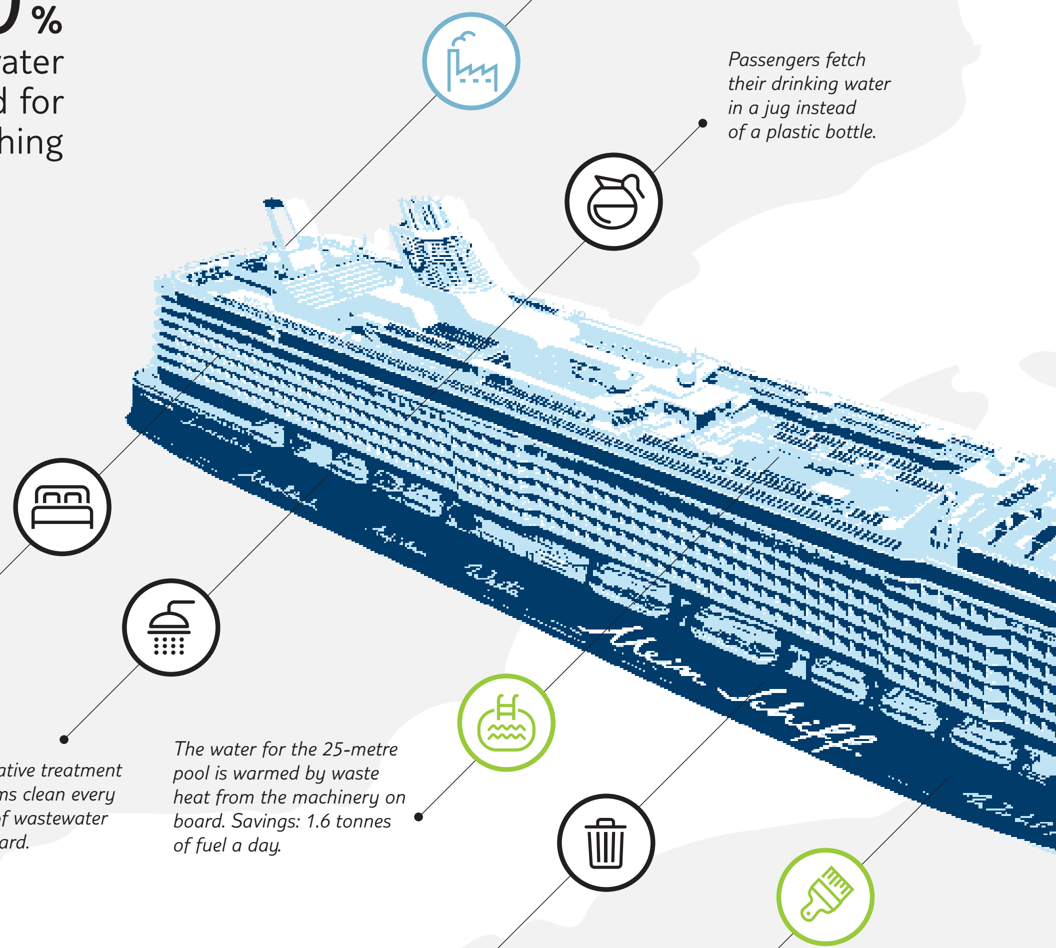
PROTECTING RESOURCES

100 %
used water is treated

–30 %
less water needed for washing

ENERGY EFFICIENCY

–30 %
energy consumption



»Protection of the environment is not a lip service to us, but part of our corporate strategy in particular in the course of our expansion.«

WYBCKE MEIER, Managing Director TUI Cruises

7 DAYS

is the length of a Mediterranean voyage with Mein Schiff 3. For this the new addition to the fleet uses substantially less fuel per day than similar vessels of its category.

Monte Carlo

Corsica

Civitavecchia

Sicily

Malta

–2.2 TONNES

fuel consumption per day thanks to comprehensive energy management

–1.3 TONNES

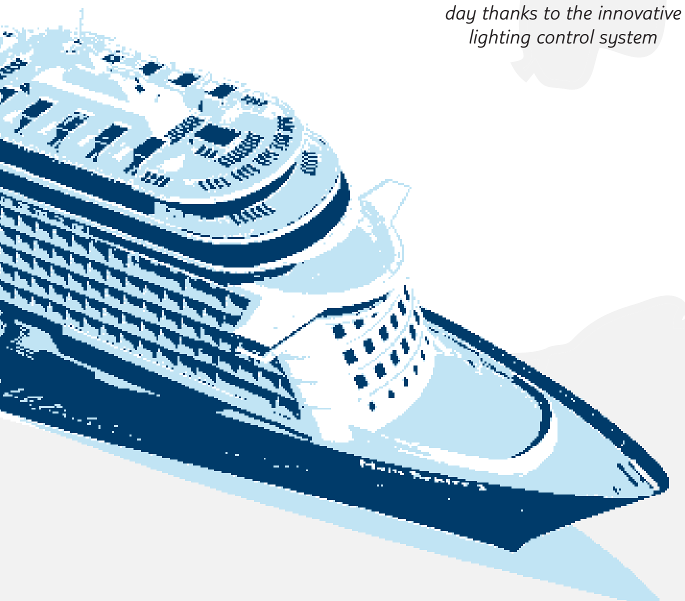
fuel consumption per day thanks to the innovative lighting control system

–1.6 TONNES

fuel consumption per day thanks to waste heat recovery from the engines

–4.2 TONNES

fuel consumption per day thanks to highly efficient air conditioning, which is cooled by seawater on northern routes



Wastewater is cleaned in closed systems with digital monitoring. Eickholt takes samples manually.

15

DECKS

make up the new member of the TUI Cruises fleet. The ship is 293.3 metres long and 35.8 metres wide with a draught of approx. 8.05 metres.

is treated by an elaborate technical system: grey water from the showers, kitchen drains and laundries, black water from the toilets.

In a huge tank in the bowels of the ship, hungry bacteria are performing their duty, devouring substances that harm the environment and pre-treating the water by biological means. Then the water is passed through some more filters and equipment – until it ends up so clean that it can be used again on board or discharged without any problem. "Our wastewater system can hold its own with the most sophisticated sewage units on land. Here again, we perform far better than standards require," says the graduate environment engineer, observing the bacteria tank with its sturdy steel walls.

Ryan Eickholt has to raise his voice now, because down here the engines set the tune. It is hot too, but this energy will not vanish into thin air: the ship puts the waste heat from its engines to good use – to heat the two pools, for example, and that cuts daily fuel consumption by 1.6 tonnes compared with conventional ways of getting water up to temperature.

Back on deck, the passengers who decided to lie in are ready for breakfast. These are the ones who chose not to visit Rome but to enjoy the congenial life on board instead. Wandering around the restaurants and cabin tracts, as well as the outer deck of 18,000 square metres, it is evident what a wide variety of measures are in place on Mein Schiff 3 to protect the environment. There are no minibars in the cabins. Instead, the passengers are given glass jugs which they can fill at drinking water points. A card system for pool towels encourages passengers not to use an indiscriminate number of towels on the outer decks. The result: 30 per cent less cloth to wash.

Finely interlocking technologies

Substantial savings are likewise made by the systematic lighting controls and the use of low-energy LED bulbs. And when the ship is plying the waves in Northern Europe, the cutting-edge air conditioning draws assistance from the cool seawater. "It's important for all these ideas and techniques to dovetail and to function smoothly," says Ryan Eickholt.

Ship's engineers will tell you it takes at least a year for all the systems on board a new vessel to settle. After 19 months under construction, Mein Schiff 3 first weighed anchor in mid-June 2014 – so today she has been at sea for just three months. Ryan Eickholt and his crew have come up with some pragmatic, environment-friendly solutions in response to the "technical challenges", as he puts it in his upbeat American style.

One example is the combined system for waste gas treatment, which consists of a desulphurisation unit and a catalytic reactor. The prototype was especially developed for Mein Schiff 3. The system is 60 metres tall and runs though all the decks, and it is the reason why this vessel has a reputation for hardly producing any waste gas at all.

"This is where the exhaust air is cleaned and filtered. Pollutants are washed out in several stages, like in a super-size shower," says Ryan Eickholt. That means a significant reduction in sulphur oxides (by up to 99 per cent) and a major reduction in particulate matter (up to 60 per cent) and nitrous gases (up to 75 per cent). "We want our systems to be perfectly calibrated as fast as possible," says Ryan Eickholt. "After all, our aim is to set new standards for the sector with the technology we have installed."

»Our wastewater system can hold its own with the most sophisticated sewage units on land. Here too, we go far beyond the required standards.«

2013/14

HIGHLIGHTS

DECEMBER 2013

4 December

Employer ranking: TUI is ranked as one of the 50 best employers by young employees.

JANUARY 2014

16 January

Robinson is the world's best club holiday operator: Holiday Check chose ten Robinson Clubs for the first time.

22 January

Industry leader in the sustainability rankings: TUI AG takes leading position in 2014 Sustainability Yearbook.

FEBRUARY

12 February

Annual General Meeting resolves dividend of €0.15 per share for the first time since 2007.

12 February

Financial year 2013/14 off to a good start: TUI expects turnover to increase by 2 to 4 per cent and operating results by 6 to 12 per cent for the year. TUI expects reported earnings (EBITA) expected to rise by 16 to 23 per cent.

MAY

oneTUI

Second phase of oneTUI Strategy Programme announced: restructuring to be followed by growth.

JUNE

4 June

His Royal Highness Prince Andrew Duke of York visits TUI AG in Hanover: talks focus on training opportunities.

12 June

Mein Schiff 3 launched in Hamburg with approximately 1,700 invited guests from the worlds of politics, business and society on board.

27 June

TUI AG and TUI Travel PLC announce preparations for planned merger.

AUGUST

4 August

Growing cruise market: TUI Cruises to expand to six ships by 2017.

14 August

TUI AG: Q3 operating results almost double (+89 per cent).

SEPTEMBER

15 September

Successful conclusion of talks: management of TUI AG and TUI Travel PLC decide in favour of merger.

19 September

In the Berlitz Cruise Guide 2015, MS EUROPA and MS EUROPA 2 are the only liners to be granted the top "5-star plus" rating. TUI Cruises also takes first place for Mein Schiff 3 in the big ship category.

23 September

TUI AG the only tourism group listed in Dow Jones Sustainability Indexes World and Europe.

OCTOBER

23 October

TUI Group continues growth strategy in hotel sector. Further engagement in Tunisia: new Robinson Club on Djerba in 2015. A second Club will open in the Maldives in the coming year.

28 October

Koehler Kreuzfahrt Guide awards German Cruising Prize to Hapag-Lloyd Kreuzfahrten and TUI Cruises. Hapag-Lloyd Kreuzfahrten wins award in the category Best Route Diversity. Mein Schiff 3 named Ship of the Year 2015.

28 October

The birth of the world's number one integrated tourism group: shareholders at General Meetings of TUI AG and TUI Travel PLC agree to merge.

NOVEMBER

10 November

TUIfly rated the most environmentally-friendly charter airline worldwide by the climate protection organization atmosfair.

SUSTAINABILITY
at TUI AG

CONTENTS

The “new” TUI AG is the world's biggest integrated tourism Group – and we also want to head the field on matters of sustainability. We are pursuing our road into the future with our eyes open and our minds alert. So we constantly review the effects of what we do and take responsibility for the environment, for the society around us and for our employees. Because sustainable growth is intelligent growth. We haven’t reached our goal yet – but we have come a long way.

Sustainable development in the TUI Group

Accepting responsibility
The term "sustainability" celebrated its tercentenary in 2013. The principle – first introduced in 1713 by Hans Carl von Carlowitz to describe responsible forest management – remains highly topical hundreds of years later. But what does sustainability mean for the TUI Group?

We see economic, environmental and social sustainability as a key underlying principle of our corporate governance and a pillar of our strategy for steadily enhancing the value of the company. This is how we create the conditions for the TUI Group to remain commercially successful in the long term and how we take responsibility for future generations.

Our aim is to make positive contributions to sustainable development, both ecologically and socially, in our host countries and at our corporate locations. We are aware of our "footprint", and we work consistently to avoid and minimise any negative impacts from our business operations on the natural and social environment.

Setting priorities
TUI's sustainability strategy is based on a detailed analysis of the key aspects of sustainability as they relate to our commercial operations and of the opportunities and risks that follow. Fields of action are accordingly defined across the Group, and these create the framework for the sustainability effort at TUI.

In 2013 we carried out another stakeholder survey. The purpose was to measure our performance against the expectations of constituencies with very wide-ranging interests and to use this as an instrument for developing our sustainability strategy further. Many stakeholders were represented, such as shareholders, customers, employees, politicians, journalists, suppliers and conservationists.

The findings of the survey show that the issues "security and crisis management" and "compliance" are seen as extremely relevant to the TUI Group. Great importance is also attached to a variety of environmental issues, including protecting the climate and managing resources prudently. On several issues, respondents attributed greater value to the question than is reflected in the current intensity of TUI's efforts. We have used this feedback to derive appropriate action towards improvement.

Transparent reporting
The TUI Group reports in detail on targets, activities, milestones and indicators. We gear this reporting to internationally recognised standards, such as the guidelines of the Global Reporting Initiative (GRI).

Current project developments and campaigns are regularly published on our website at www.tui-sustainability.com. In addition to this our Group companies provide detailed information about their own sustainability programmes on their local websites – a list of links can be found on the Group website mentioned above.

Declaring commitment
In September 2014 TUI AG signed up to the United Nations Global Compact. The Global Compact is an initiative set up to encourage companies to gear their operations and strategies to universally acknowledged principles. The TUI Group has a Code of Conduct which applies to all its businesses and which is inspired by the guiding values of the Global Compact.

The fundamental values enshrined in the Global Compact relate to human rights, labour standards, environment protection and fighting corruption. By signing up to the Global Compact, we are orienting our own actions to these values, and we also create and maintain processes to implement them in practise throughout our sphere of influence.

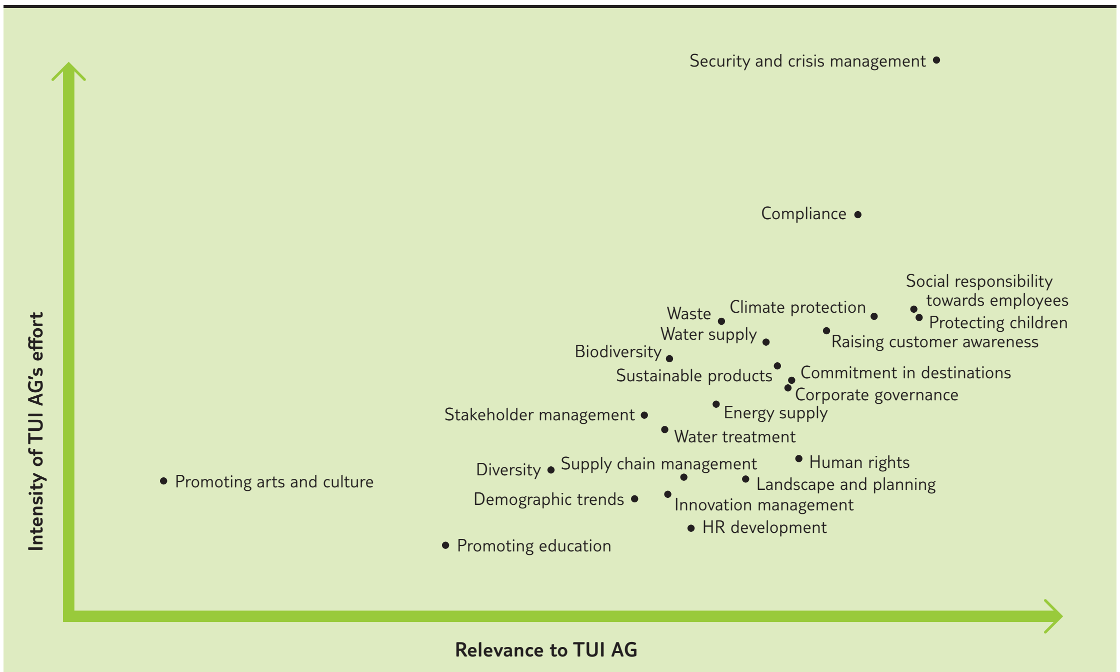
Sustainable investment
Apart from classical parameters such as security, profitability and corporate liquidity, financial investors are increasingly motivated in their decisions by environmental and social factors. Sustainability indices make it easier for investors of this disposition to identify companies which respect international standards of responsibility towards the environment and towards stakeholders.

Since 23 September 2014 TUI AG has been the only tourism group to feature in the reputable Dow Jones Sustainability Indices (DJSI) World and Europe. In the review of the companies listed, TUI AG scored especially high in the categories Risk and Crisis Management, Corporate Citizenship and Stakeholder Dialogue. Europe's leading tourism group also considerably outperformed its peers on Environmental Policy and Environmental Management Systems.

THE GLOBAL COMPACT
WE SUPPORT

More details on the 10 Principles of the Global Compact www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/index.html

STAKEHOLDER SURVEY



MEMBER OF
Dow Jones
Sustainability Indices
In Collaboration with RobecoSAM

The Dow Jones Sustainability Indices adopt a best-in-class approach. Companies of any sector can qualify for inclusion. The best in the sector are selected each year: these are the companies who score better than their competitors on a number of sustainability criteria. More than 3,000 companies trading on the stock exchanges are annually invited to have their sustainability programmes assessed. The ranking is performed by the Swiss investment specialist Robeco-SAM on behalf of Dow Jones, who maintain the Indices. 2014 319 companies were admitted to the DJSI World. 154 made it into the DJSI Europe.

TUI AG is also listed in the sustainability indices FTSE4Good (London stock exchange), DAXglobal Sarasin Sustainability Germany (German stock exchange), Ethibel Excellence Index and ECPI Ethical Index €uro.

SUSTAINABILITY RATING (INDICES)

Dow Jones Sustainability Indices

FTSE4Good

DAXglobal Sarasin Sustainability Germany

ECPI Ethical Index €uro

»We firmly believe that sustainability is increasingly important to travellers and to their holiday experience. For TUI, a clear focus on sustainability differentiates us from the competition and generates value. Being listed in the Dow Jones Sustainability Index for the ninth year in succession is endorsement of our sustainability strategy and is a spur to our unbroken commitment to environmental, economic and social objectives.«

THOMAS ELLERBECK, member of TUI AG's Management Board, Group Corporate & External Affairs

Environment

Ensuring that our products, services and processes are environment-friendly is part of our commitment to quality standards. By making careful use of natural resources and reducing the negative impacts on the environment, we are contributing to TUI's success. The focal issues for us are climate protection, resource efficiency and preserving biodiversity.

Climate protection
For TUI as a global player in tourism, mobility is a key feature of business operations. Transporting our guests – whether by air, ship or bus – generates emissions, and these affect the climate.

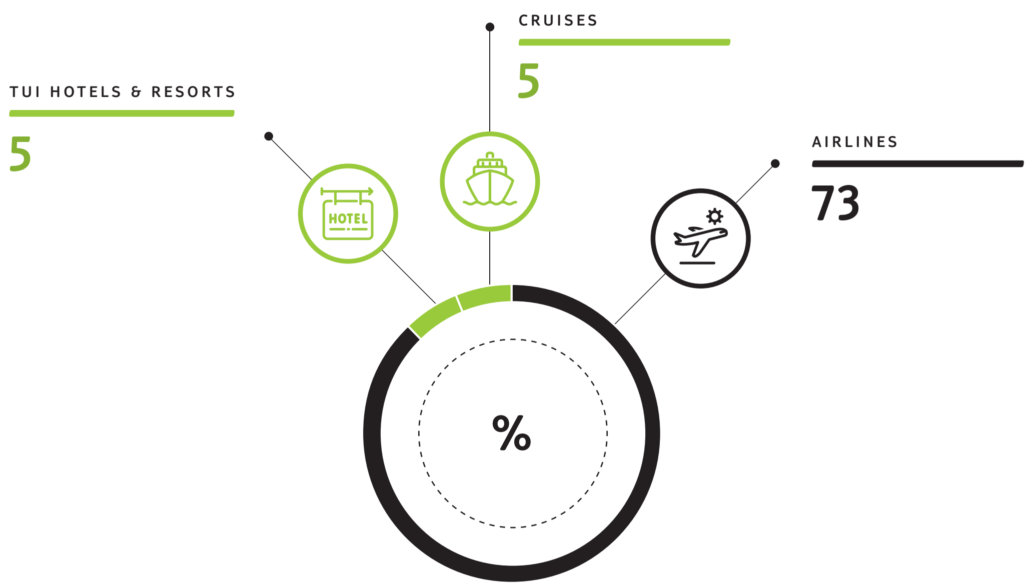
According to experts' estimates, around 5 % of global carbon emissions (CO_2) are attributable to tourism (UNWTO, Climate Change and Tourism – Responding to Global Challenges, 2008). The Intergovernmental Panel on Climate Change (IPCC) has published scenarios showing that climate change will probably have negative direct and indirect effects on tourism.

CARBON DIOXIDE EMISSIONS (CO_2)

tonnes	2013/14	2012/13	Var. %
TUI Travel	6,242,792	6,292,451	– 0.8
TUI Airlines	5,014,068	5,101,532	– 1.7
TUI Hotels & Resorts	315,780	339,906	– 7.1
Cruises	319,722	294,741	+ 8.5
Other units	1,682	2,078	– 19.1
Group	**6,879,976**	**6,929,176**	**– 0.7**

We are aware of our environmental footprint, which is why climate protection has been firmly anchored in the TUI Group's environmental strategy. Our aim is to continually reduce the negative impact of our own business operations on the climate. The Group therefore engages in close dialogue with representatives of the scientific and political arenas in order to develop and implement effective measures. We focus, in particular, on improving emissions from the TUI Group airlines.

HIGH-EMISSION ACTIVITIES 2013/14



2.77

LITRES

per 100 passenger kilometres (fuel consumption of the TUI Airlines fleet)

TUI Airlines

TUI operates a fleet of more than 140 planes. In future TUIfly in Germany, Thomson Airways in the UK, Jetairfly in Belgium, Arkefly in the Netherlands and TUIfly Nordic in Scandinavia will be cooperating more closely under the common umbrella of "TUI Airlines", creating new offerings for their customers and further enhancing their environmental efficiency. Our aim is to operate the most up-to-date and fuel-efficient fleet in Europe.

TUI is investing in one of the most ambitious fleet modernisation programmes in its corporate history. More than 2.5 billion euros have been earmarked just for the catalogue price of 15 cutting-edge Boeing 787 Dreamliners, the long-haul jets manufactured by Boeing. The first of these airliners were delivered in spring 2013.

The use of carbon-fibre-reinforced plastics to build the air frame makes the Dreamliner lighter and more aerodynamic than the planes it is replacing. This cuts the consumption of jet fuel by up to 20 per cent per passenger compared with similar models. The engines

TUI AIRLINES

		2013/14	2012/13	Var. %
Specific fuel consumption	l/100 rpk*	2.77	2.79	– 0.7
Carbon dioxide (CO_2) – absolute	t	5,014,068	5,101,532	– 1.7
Carbon dioxide (CO_2) – specific	kg/100 rpk*	6.99	7.02	– 0.4
Nitrogen oxide (NO_X) – absolute	t	31,651	34,159	– 7.3
Nitrogen oxide (NO_X) – specific	kg/100 rpk*	44.13	47.00	– 6.1
Carbon monoxide (CO) – absolute	t	1,440	1,398	+ 3.0
Carbon monoxide (CO) – specific	kg/100 rpk*	2.01	1.92	+ 4.7
Hydrocarbon (HC) – absolute	t	131	160	– 18.1
Hydrocarbon (HC) – specific	kg/100 rpk*	0.18	0.22	– 18.2

* rpk = Revenue passenger kilometre

are among the quietest in their class, which contributes considerably to reducing aircraft noise as well.

TUI's fleet renewal programme is likewise looking to the delivery of new Boeing 737 short- and medium-haul aircraft to serve holiday destinations in Europe and North Africa. These jets also offer particularly good environment efficiency. They have split scimitar winglets, which help to optimise wing aerodynamics. This cuts jet fuel consumption by about 170,000 litres per year and per plane. The Boeing 737s already flown by TUI airlines are having these winglets retrofitted. "atmosfair", an independent organisation dedicated to climate protection, awarded the German airline TUIfly 83.3 out of 100 for efficiency and declared it the World's Best Charter Airline in its Airline Index 2014.

Research and innovation: Apart from modernising the company's own fleet, TUI has begun a partnership with the Boeing ecoDemonstrator Programme. This initiative was established to conduct research into sustainable new technologies for the aviation sector. A TUI Boeing 757 test plane is currently being equipped with the latest innovative technologies to study the savings potential of several parts and to ascertain whether they are ready for series production. From 2015, the aircraft will be in permanent service and able to supply continuous data and experience.

In financial year 2013/14, well ahead of schedule, the TUI airlines achieved their 2015 target of reducing absolute and specific CO_2 emissions by 9 % versus the 2007/08 baseline. In 2015, the TUI airlines will publish a new reduction target for future years.

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

CDP CARBON DISCLOSURE LEADERSHIP INDEX

In an assessment of its CDP climate reporting for 2014, TUI AG positioned itself in the DACH Carbon Disclosure Leadership Index (for Germany, Austria and Switzerland), achieving a score of 99 out of a total of 100.

CDP is an independent international organisation working for transparency in environmental reporting and in particular the disclosure of emissions data. Together with the strategic aspects of climate policy at TUI AG, the Group's emissions balance was described and made openly available to analysts and investors. The TUI subsidiaries – Airlines, Hotels & Resorts, Cruises and Tour operators – report their consumption data and measures implemented annually through an in-house system. The quantitative data are then aggregated at Group level and relevant indicators are calculated. This Group-wide process enables us to identify areas of action relevant to the environment and to manage our environmental performance. Actions are founded on internationally acknowledged standards like the Greenhouse Gas Protocol and the Global Reporting Initiative (GRI) Guidelines.

CDP™ CLIMATE DISCLOSURE LEADER 2014

TUI AIRLINES

		2013/14	2012/13	Var. %	g CO_2e/rpk*
TUI Airline fleet	**g CO_2/rpk***	**69.9**	**70.7**	**– 1.13**	**70.6**
ArkeFly	g CO_2/rpk*	71.0	73.5	– 3.40	71.7
Corsair International	g CO_2/rpk*	83.4	80.5	+ 3.63	84.3
Jetairfly	g CO_2/rpk*	73.0	73.9	– 1.22	73.8
Thomson Airways	g CO_2/rpk*	67.1	69.5	– 3.39	67.8
TUIfly	g CO_2/rpk*	66.3	65.5	+ 1.27	67.0
TUIfly Nordic	g CO_2/rpk*	65.4	63.1	+ 3.65	66.1

* rpk = Revenue passenger kilometre

–30 %

ENERGY CONSUMPTION
MEIN SCHIFF 3

Cruises

Apart from greenhouse gas emissions, TUI Cruise companies also seek to reduce harmful air-borne pollutants such as sulphur oxides, nitrogen oxides and particles (soot). To this end, the TUI Cruise companies continually implement both operational and technical measures.

In order to cut fuel consumption – and hence emissions – TUI Cruises has applied silicone anti-fouling paint to the hulls of all its vessels. This enhances flow dynamics, as do the ducktails installed on the aft ship. Thanks to intelligent route planning, voyages are continually optimised.

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

More about Mein Schiff 3 on page 32

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

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

CRUISES

		2013/14	2012/13	Var. %
Specific fuel consumption	l/pnm*	0.25	0.29	– 13.52
Carbon dioxide (CO_2) emissions – specific	kg/100 pnm*	75.52	87.52	– 13.7

* pnm = passenger nautical mile

TUI Hotels & Resorts

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

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

Heat production in the Robinson Club Cala Serena in Majorca is entirely carbon-neutral. Three 200-kW biomass boilers secure the environmentally-friendly generation of hot water, heating and pool heating. Thanks to the installation of a wood pellet system, around 220,000 litres of conventional heating oil are saved every year.

The Dorfhotel Sylt has committed to local sustainability by installing a highly efficient gas-fired combined heat and power (CHP) generator. The power station has the capacity to produce 680 megawatt-hours of heat per year(MWh/a) and 392 MWh/a of power, which would be enough to supply electricity to about 100 "average households". Commissioning has the potential to cut annual emissions of CO_2 by approximately 165 tonnes.

Commissioning the new combined heat and power generator at Dorfhotel Sylt

TUI HOTELS & RESORTS

		2013/14	2012/13	Var. %
Power consumption – specific	kWh/bednight	15.33	16.21	–5.4
Carbon dioxide (CO_2) – specific	kg/bednight	8.7	8.7	–

No need for plastic bottles: producing drinking water at Robinson Club Maldives

Water

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

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

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

Waste

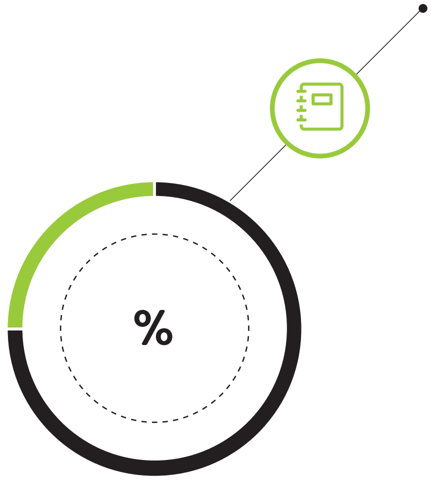
Controlled waste management aims to conserve resources, reduce environmental impacts and costs, and recycle waste into a recovery loop. TUI Hotels & Resorts implement many measures to cut waste volumes. It starts with buying more local or regional produce, as long as it is available in appropriate quantities and quality. This avoids unnecessary food miles and additional packaging. The Grecotels on Crete, for example, obtain fresh food from their own Agreco Farm, which supplies the hotels with organic fruit and vegetables.

There has also been a focus on separating waste materials, increasing the reutilisation rate and disposing of unavoidable residual waste in a due and proper manner. However, this approach partly depends on local structures for waste disposal and processing in destination countries. TUI is therefore engaged in ongoing exchange with local organisations and governments to achieve improvements in waste management jointly.

Plastic waste poses a particular danger at sea, either directly because it can be eaten by marine life or over time as it is ground down and enters the food chain indirectly. To prevent pollution of the ocean from the use of plastic bottles on the islands, Robinson Club Maldives is avoiding waste thanks to its sustainable treatment of drinking water. In June 2013, the Club began operating its own soda-making facility. The system uses osmosis to desalinate and purify seawater. By adding minerals and carbonic acid, the freshly generated drinking water is converted into soda water and decanted into one of 7,500 new glass bottles. The bottles are also cleaned locally by means of state-of-the-art technology. It cuts out plastic waste altogether, eliminating the transport and disposal of around 400,000 plastic bottles annually.

Supporting environment protection in destination countries while building the team spirit: In July 2014 TUI staff around the world joined in the great Beach Clean Up, helping to free many beaches from waste that had been washed ashore or left behind.

Robinson employees in Turkey swing into action for cleaner beaches



WEIGHT REDUCTION*

25

paper for broschures at TUI Deutschland GmbH

* *for tourism year 2014 compared with previous year*

In Kusadasi in Turkey, at least 40 volunteers cleared over 300 kg of waste in the space of a few hours. In Sri Lanka, 140 participants removed more than 400 kg waste from the shoreline. And Macao Beach, one of the most popular spots for surfers in the Dominican Republic, was also thoroughly tidied by busy helpers, who took away 20 huge sacks of rubbish. The pickings consisted above all of plastic waste, but also many hundreds of cigarette stubs, not to mention metal and glass.

Paper

To cut down the consumption of paper, TUI is making increasing use of digital media and communication channels. The classical tour broschure interacts in ever more ways with websites and smart phone apps. Reducing the number of pages has consequently been one way of saving paper for broschure production.

Altogether the weight of the paper used by TUI Deutschland GmbH to print broschures for tourism operations in 2014 was more than 25 % lower than the previous year.

Certified environmental management system

TUI AG is certified in accordance with the international environmental management standard ISO 14001. ISO 14001 defines globally recognised requirements for any Environment Management System (EMS). The system ensures that attention is given to the objectives of permanently improving environmental performance and continuously reducing pollution.

Many of the companies and hotels in the TUI Group have been certified by external experts in accordance with ISO 14001.

ISO 14001 CERTIFICATIONS IN THE TUI GROUP

Tour operators

TUI Deutschland, TUI Nordic

Airlines

Arkefly, Thomson Airways, TUIfly, TUIfly Nordic

Hotels & Resorts

Dorfhotel 3, Grecotel 3, Grupotel 14, Iberotel 14,
Jaz Hotels & Resorts 10, Riu 1, Robinson 10, Sol Y Mar 2

Cruises

TUI Cruises

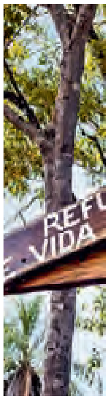
In addition, other hotel companies in TUI's portfolio had their environmental management systems reviewed under other recognised environmental standards, such as the Austrian Environmental Label, Green Star Hotel or Travelife.

More on this topic in the chapter Product stewardship on page 68

528

SEA TURTLES NESTS

guarded last year



Biodiversity
As a global player, we are aware that our business activities have an impact on biodiversity at the local, regional and global levels. At the same time, tourism is more dependent than almost any other economic sector on having an intact environment and natural landscape.

TUI has defined biodiversity quality and action targets, which are implemented throughout the Group in the form of programmes. Target achievement is reviewed on a regular basis, and comprehensive internal and external communication is provided, e. g. on the Group's website. This approach serves to secure the impact of conservation measures and to create awareness and trust among our customers, employees and partners. Through model projects, partnerships and actions of our own, we also hope to influence opinion among the decision-makers in destination countries.

Coral protection
In the field of marine biodiversity, TUI Cruises is working with the foundation SECORE to protect coral. With the support of TUI Cruises, SECORE designs restoration measures to counteract the massive decline of coral reefs. A coral breeding station in Curacao nurtures endangered Elkhorn corals, subsequently transplanting them along the reefs. This way the project is not only helping to preserve and develop the coral reefs on Curaçao, but also contributing new insights into the restoration of coral, which will support the protection of threatened coral species all over the world.

Our hotel partners show guests how to adopt a responsible approach to coral reefs when snorkeling and diving. In Egypt they draw on information aids jointly devised with TUI and put up signs around the beach.

Sea turtles
Since 2011, Riu Hotels & Resorts and the conservation organisation BIOS.CV have engaged in joint projects to protect sea turtles on the Cape Verde island of Boa Vista. Riu provides logistical and financial support to the organisation in all its projects.

In Cape Verde the egg-laying and nesting season for sea turtles begins in July and continues until mid-October. Boa Vista's Lacaçao beach, where the Riu Touareg hotel is located, attracts especially large numbers of breeding turtles. Every night rangers watch over the egg laying, protecting the animals and later moving the nests to a safe place where the eggs can hatch in peace.

Tree-planting campaign at Riu Palace Costa Rica

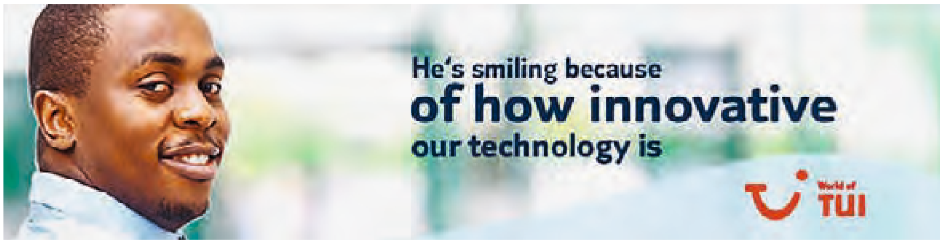
To educate both tourists and the local population, Riu supports BIOS.CV with its information and awareness-raising campaigns. Weekly events for guests are held at the Riu Touareg. Part of the agenda are documentary films about biodiversity in the area and the concrete measures that are being taken to protect the environment.

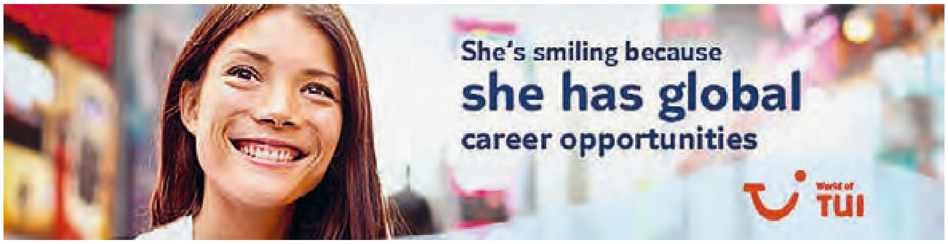
Other projects to protect endangered sea turtles are carried out by the TUI hotel brands Iberotel in Turkey, Grecotel in Greece and Robinson on the Canary Islands – always in partnership with local conservation groups.

Costa Rica: A biological hotspot

Riu has set up a private conservation area in Costa Rica. The protected site covers 200 hectares of land in the coastal mountain range of Matapalo, in direct proximity to two of the company's hotels. The reserve is home to more than 250 plant and animal species – some of them facing extinction – and is therefore extremely valuable for biodiversity in the region of Guanacaste. The site is also part of the biological corridor called Chorotega, helping to maintain vital links between the nature conservation areas.

By designating this area as a protected zone, Riu is playing a significant role in preserving the unique flora and fauna of Costa Rica. A detailed Management Plan has been drawn up, setting out all the measures and activities to be undertaken. This ensures a maximum of nature conservation, combating illegal hunting and preventing forest fires. Besides, unspoilt forest has a positive impact on groundwater level. To preserve Costa Rica's natural heritage in the long term, there is close cooperation with the national Ministry of Environment and Energy under the SINAC Programme (Sistema Nacional de Areas de Conservación).





Employees

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

HR strategy

We operate in a dynamic international environment in around 55* countries, where we meet a wide variety of challenges with our global headcount of around 77,000 employees. Not only do our staff make an essential contribution to forging the identity of the company, they are also the key to our success. In order to secure this success in the long term, a holistic and future-oriented HR strategy has been firmly anchored as part of our corporate goals.

oneTUI is the strategic programme designed to build on cooperation within the Group and to make optimal use of our vertical structure with all the advantages it offers. We work jointly as "one team" to tackle challenges and tasks related to HR policies. In the financial year under review, our measures for Group-wide talent management were rolled out further. They include joint succession planning, the identification and development of high potentials and a cross-functional exchange designed to attune employees and executives to the needs of the individual business divisions. At the same time, we are creating a framework that opens up additional prospects for our employees and managers and builds their long-term loyalty to our Group. We firmly believe that we have a first-class management team and a talented, passionate workforce whose commitment enables our guests to enjoy unique holiday experiences.

Junior staff development and recruiting talent

Recruiting talent – Employer branding

The employer branding campaign "One Day at Work – 3,036 Smiles" was unveiled in March 2012, and its success carried over into the last financial year. In 2011 the participating myTUI career companies attracted approx. 5,000 applications, but in the latest reporting period that figure was up to around 16,000. If we set that against the number of advertised vacancies, applications have increased by altogether 43 % since the employer branding campaign was rolled out in Germany.

In addition to this, after evaluating responses to the 2012 employee survey "Your Voice", TUI Travel introduced a new employer brand, describing in inspiring terms what it means to work for TUI. The campaign is based around three main pillars: together we can achieve success, overcome borders and tap into a diversity of development opportunities.

Since July 2013 the company has also had new career portal. All job vacancies are now displayed in one place for the first time, making the career opportunities at TUI more visible. The portal is being developed so that employees across the Group will have access to these vacancies.

* based on company HQ

Training

The development of junior staff in the TUI Group is a major investment in the future and makes a key contribution to the creation of excellence among the workforce. We want to support Germany's industrial role and strengthen the basis for that by providing good training for the next generation. In Germany, young people can choose between traineeships for fifteen different job profiles and two university sandwich courses. As at the 2014 balance sheet date, 560 young employees in consolidated companies in Germany were taking part in these training schemes. Around 150, i. e. 67.6 %, of the trainees who finished their course in 2014 were taken on by the company. At 5.5 %, the training ratio matched the previous year's level.

But nurturing the new generation abroad is also very important to TUI. In April 2014, for example, two young Spaniards began a three-month placement at TUI Deutschland. This was part of the Adelante programme set up by the Chamber of Industry and Trade in Hanover. The Adelante programme is seeking to offer young Spaniards new job opportunities and thereby to counter high youth unemployment in Spain. In September 2014 these two interns, joined by another young woman from Spain, began a one-year training course, during which all three will experience a variety of TUI Deutschland operations. Our hotel sector is also promoting training for young employees in the destinations, with both specific provision of training courses and trainee exchange programmes.

Recruiting the next generation

The competition is on for young talent, whether as skilled workers or as executives, and so TUI undertakes a range of activities to showcase its credentials as an attractive employer. Apart from offering classical traineeships, TUI works, for example, in partnership with universities to interest undergraduates who are acquiring appropriate qualifications in a future career with the company. Customised programmes for graduates in a variety of Group operations enable the participants to launch their working careers successfully.

560

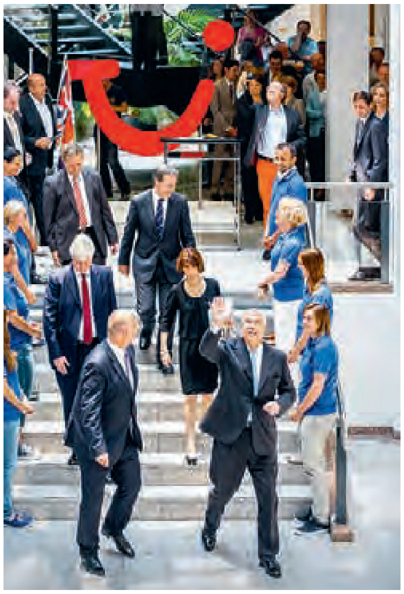
YOUNG EMPLOYEES IN TRAINING SCHEMES IN GERMANY

More details:
www.tui-group.com/en/jobcareer
www.tui-azubiblog.de

This engagement is reflected in the employer rankings among young university graduates in the United Kingdom. In recent years TUI Travel has been steadily climbing the table at "TheJobCrowd" and has now joined the most popular employers with a place in the "Top 20".

A further crucial element in the development of junior management staff is the TUI Group's International Graduate Leadership Programme for those with a university degree. The international programme takes 18 months to complete and offers participants a comprehensive overview of the tourism business backed by a mentoring scheme. All programme participants have a command of at least two languages and broad insights into our international business operations. In 2014 26 participants from different backgrounds took part in the programme. In addition, individual Group companies such as TUIfly and TUI UK & Ireland run trainee programmes of their own.

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



His Royal Highness Prince Andrew, Duke of York, in conversation with TUI management trainees.

A highlight for four management trainees this year was meeting His Royal Highness Prince Andrew, Duke of York, during his official visit to Lower Saxony to mark the tercentenary of personal union between the British monarchy and the duchy of Hanover. The Prince expressed a particular interest in vocational training and continuing professional development.

Competing for talent

TUI does not see HR development merely as a tool to close the skills gap, but rather as a strategic tool offering a wide range of programmes and methods to identify and develop potential executives and prepare them for the expectations they will face. We know that the successful implementation of our strategy calls for strong leadership and clear promotion prospects across all tiers.

In the period under review, activities to introduce the Group-wide talent management system continued apace in building cross-functional exchange. In addition, there are specific talent management programmes in individual companies, e. g. in Hotels & Resorts or in tour operation.

Our learning conferences are an opportunity for managers and talents to engage in cross-company exchange and learn from one another. The issues taken up at these conferences are crucial levers to ensure both the success of our company and employee satisfaction. The initiative was first launched by TUI Deutschland and has been successfully adopted across Mainstream entities in Germany.

At the international level, TUI Travel continues to run the "Global High Performance Leadership", "Horizons" and "Perspectives" programmes as key components of its leadership development efforts. While the first of these focuses on top management and seeks to promote strategic thinking and build leadership skills, the second is designed to give our "rising stars" a deeper understanding of Group strategy and mobility within the Group. "Horizons" targets high-potential managers and possible successors for executive positions – participants are challenged to identify solutions to a corporate initiative while at the same time developing their own personal leadership style.

In addition to this, two programmes have been devised to develop managers at all levels: "Leadership Essentials" is aimed at young hopefuls. It focuses primarily on self-management and staff management skills and addresses the form of conduct TUI expects from its management team. The target group for "Leadership Evolution" are experienced managers keen to discover options for further career development in a rapidly changing corporate environment.

2

new programmes to develop leadership skills

"LEADERSHIP ESSENTIALS"
for young potentials

"LEADERSHIP EVOLUTION"
for experienced managers

Continuous professional development

Our HR development is strategically conceived and holistically designed, offering all managers and employees attractive opportunities for continuing professional education. Strengthening specialist and managerial skills plays a key role in this.

Our employees and divisions can draw on a broad range of training opportunities: HR development programmes, technical courses and seminars, and specific schemes designed to meet the needs of particular operations.

Promoting life-long learning and development, like diversity and staff motivation, are fundamental principles of our corporate culture.

Apart from management taster events, there is an increasing demand for individual coaching. One important priority is the conception and implementation of individual in-house training modules for tailored company and personal development.

Another focus in our training programme, alongside the acquisition, consolidation and preservation of vocational expertise – especially in the digital media and in tourism – is the enhancement of distribution and communication skills.

A range of formats for foreign language learning and education around health management provide a further focus for training.

Many topics are already on the agenda for 2015, aimed at underpinning TUI's strategic orientation and reflecting the oneTUI spirit. These include, for example, TUI's "Digital Journey", the virtual workplace, intercultural skills and a series of events on the subject of ambiguity.

Change Labs – Preparing management for change

All TUI Deutschland managers were primed for change management in the recent financial year. The Change Lab, delivered by an external consultant, prepared managers for the transformation or our entire business model and the fusion of six companies into two, along with the associated structural and cultural changes. About 200 managers took part in the two-day event. The Change Lab involved them in the process of change, built response skills, and taught them how to consolidate their role as change managers and mobilise staff engaged in transformation processes. The measure was perceived by outside observers as innovative and presented at Germany's biggest HR conference in Berlin.

Encouraging creativity: TUI's crèche in Hanover for the children of employees

Learning Management System

The roll-out of the Global Learning Management System will continue. Once the system has been fully implemented, employees in every operational entity and in every country will have access to the latest learning content.

The Learning Management System was developed to meet highly diverse learning requirements. The System content includes not only HR development for staff and management, but also units for teaching specific technical expertise. The portal facilitates independent learning, enables multiple languages and can be accessed via the Internet. The content can thus be processed any time and anywhere, using laptop, i-Pad or smart phone. A further achievement of this system is that it promotes co-operation and knowledge transfer across the Group.

Global mobility and cross-border co-operation

In December 2013 TUI announced that its Mainstream activities were to be transformed into One Mainstream, and this has created a matrix organisation that opens up new opportunities for our employees to work together. The result has been to facilitate a global best practice model and the promotion of global mobility.

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

The Digital Transformation Model is an excellent example of this co-operation, as it has established various centres of excellence, or "hubs", where digital solutions can be developed once over and then applied in all source markets. TUI's successful Digital Assistance App, for example, was conceived in a hub of this kind. It enables employees from different countries to get together with other colleagues in projects for the whole Mainstream business, without having to confine themselves to their own source markets.

A new HR function has been set up to encourage global mobility within the Group, focusing on our management tier and our in-house talent pools. This will help us to achieve our strategic target of more overseas assignments and improves the opportunities for Group-wide career advancement at home and abroad.

To secure enough future potential among our junior employees, we have formed "talent committees", where the various business units will find it easier to contribute on issues relating to talent management.

These initiatives will encourage the effective management of mobility among our employees within the Group companies or business lines, thereby improving career design and cross-border co-operation.

Work/life balance

As a founding member of the German employers' network "Erfolgsfaktor Familie", TUI supports its employees in finding ways to reconcile professional and family interests. Men and women, junior employees and executives can all take up these offers. Measures to assist employees with small children or relatives in need of care, and those with other responsibilities, are summarised under the heading "Modern Families". The support framework in Germany includes flexible working hours, different part-time models and the option to take unpaid leave.

FIT WITH TUI

TUI's Summer Academy for school students, run for the third time, is another strategic project to promote the reconciliation of family and professional life in its own unconventional way.

TUI furthermore provides assistance with child care. In 2014 the company nursery, the Little World of TUI, became the first day-care centre in Lower Saxony to be awarded the "Healthy Kindergarten" certificate.

Health management
At TUI everything centres on our staff. The health of our employees constitutes the basis for their productive, creative and innovative commitment to their everyday work. Health management activities also help to reduce time of absence, and they are in general the token of a modern-day employer. In 2014, TUI AG was again placed in the Excellence Category of the Corporate Health Benchmark for Germany and underwent a corresponding audit.

Promoting workplace health
Health management activities are initiated and evaluated centrally by TUI AG. Every company in the Group has its own health co ordinators and safety reps who organise local activities. Various inter-company committees ensure that they are well networked.

Health management activities at TUI AG are geared to the following priorities:

HEALTH TEAM

Internal

- Occupational physician
- Chiropractor
- Dietician
- Psychologist

External

- Employers' liability insurance funds
- External providers
- Specialised institutes
- Health insurance funds
- Universities

MENTAL WELLBEING

Talking it through

- Occupational reintegration management
- Health coaching
- First stop: the team
- Resilience training

Advice for managers

- Healthy managing
- Quiet room

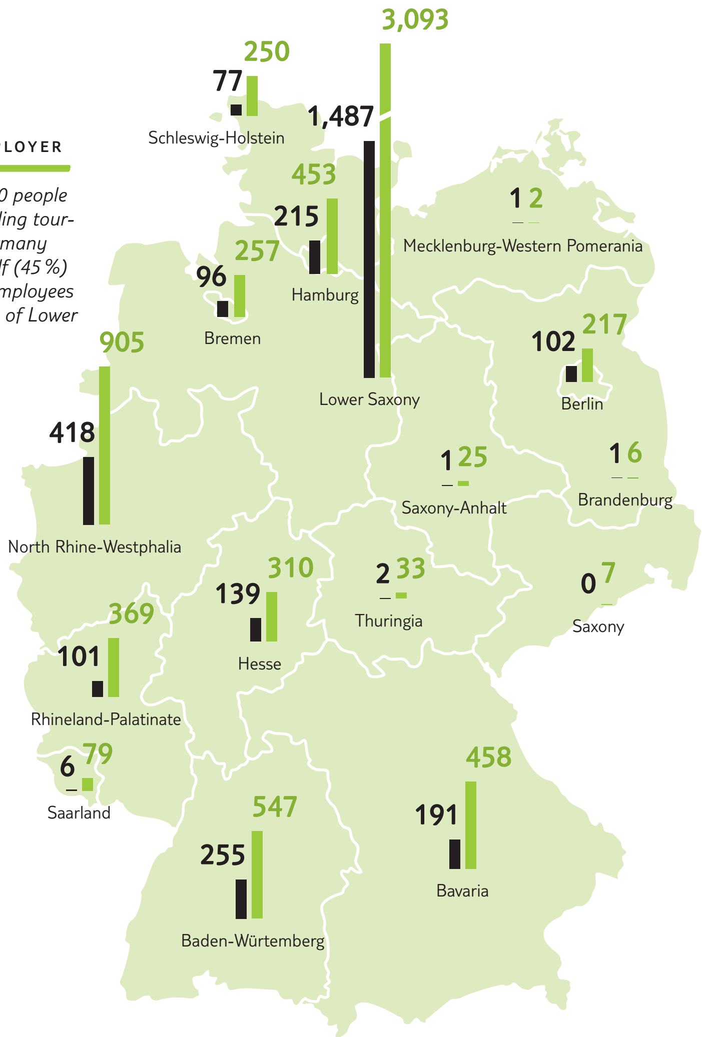
FIT WITH TUI

Broad range of health-enhancing activities

- Sport at the workplace (incl. running, Nordic walking, upper body exercises)
- Relaxation (e. g. massage, qi gong, yoga)
- Prevention campaigns (vaccinations, back examinations, eye tests)
- Information and exchange for employees

TUI AS AN EMPLOYER

More than 10,000 people work for the leading tourism group in Germany alone. Nearly half (45 %) of the German employees work in the state of Lower Saxony.



The TUI companies in Germany were again certified by ifis Gesundheitsmanagement, as in previous years, as meeting the criteria defined by the statutory health insurance providers for companies promoting health.

Safety at work

Our aim is to provide the maximum level of workplace safety for our employees. The industrial safety specialists at TUI are employed on the books of a German service company which belongs to the Group. Deploying these safety specialists ensures the highest standards of workplace safety. Their activities include briefings, hazard assessments, consultation for decision-makers within the company and training schemes for health and safety officers, first aid and evacuation assistants, fire protection officers, and the members of staff responsible for inspecting ladders, shelving and hazardous substances. The health and safety management system has been certified according to OHSAS 18001. Certification of the occupational health and safety management system was also re-obtained under NLF/ILO-OSA2001 from the VBG, the German social accident insurance institution for the administrative sector. TUI AG and TUI Business Services GmbH both received a bronze medal when VBG announced its 2014 awards for occupational health and safety.

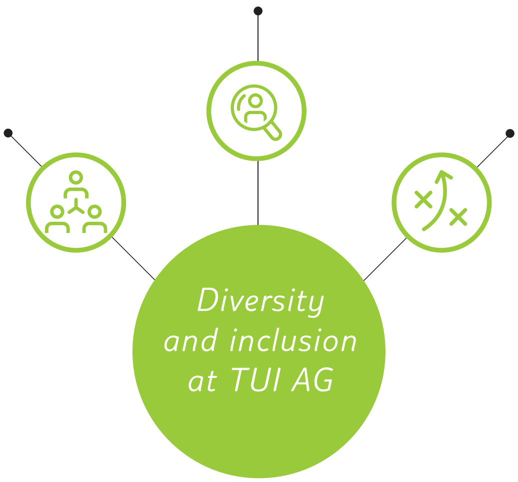
In the destinations, too, workplace safety is seen as extremely important. The Group's hotel chains conduct risk assessments and fire drills. Local employees are trained in first aid and evacuation procedures. On board the TUI cruise liners, great attention is paid to occupational safety and health. To minimise or prevent injuries on board ship, TUI Cruises likewise highlights the importance of safety to crews. The "Safety First" programme is designed to involve crew members directly in devising the solutions to any issues. Selected improvements are continually implemented on all vessels operated by TUI Cruises.

TUI Travel distinguishes for occupational safety purposes between aviation and non-aviation activities. In the aviation business all airlines have detailed regulations about ensuring safety in the air and on the ground and they are inspected regularly. In the non-aviation field, health and safety management systems are applied and constantly updated. One feature is the "Safety in your workplace" programme, which provides employees with an overview of the issues concerned.

Diversity management and inclusion

In the world of employment, diversity is about maintaining a broad mix in a company workforce. Differences can result from people's origins, their ideas and their personal histories. The aim of inclusion is to enable people to participate regardless of visible characteristics or different cultural and social values. By signing the Diversity Charter in 2008, TUI gave a fundamental pledge to promote people diversity inside and outside the company. The signature also implied a challenge, because that pledge needs to be seen and experienced constantly by means of campaigns. For TUI as a global player in tourism, diversity and globalisation are key to corporate success.

The following diversity and inclusion campaigns are being implemented:



ORIGINS

Employees discover different countries and cultures.

Examples

- *CultureCuisine: Employees with foreign roots cook a typical dish with colleagues while talking about their experience; finished in the TOP 4 at the Human Resources Excellence Awards 2013*
- *Exchange4teens: grants enabling the children of employees to spend time abroad*

EQUAL PARTICIPATION

Equal opportunities for all TUI employees, regardless of gender, age, cultural or other differences.

Examples

- *Total E-Quality label in recognition of HR's exemplary equal opportunities policies; award received in 2014*
- *Annual job application training scheme by TUI HR staff for young people with disabilities*

DIFFERENT WORLDS

Getting to know a different (work) routine or a different lifestyle can broaden our own horizons.

Examples

- *A day spent in an unfamiliar environment for a change of perspective: after psychological coaching TUI employees spend a day in a social institution (e.g. children's hospital, training centre for the visually impaired, sheltered workshop, day centre for the homeless)*
- *Coaching children with poor reading skills: under educational guidance, employees spend several months teaching pupils with learning difficulties to read.*

Mixed leadership

Supporting women in a managerial career is another important aspect of our activities to promote diversity. Wide-ranging initiatives, such as mentoring programmes, are designed to provide sustainable support for female employees in their professional development.

At the end of the financial year 2014, women accounted for 55.5 % of the total Group workforce. In Germany the proportion was 67.9 %, very similar to last year. Across the Group as a whole, 27.9 % of our female employees work part time. The figure is significantly higher in Germany at 43.8 %.

In Germany, the proportion of women in senior management positions rose from 34.5 % to 36.3 %. However, the figure for the Group declined from 35.1 % to 29.5 %. The decline was primarily due to extending the reporting procedures to TUI companies that had not been included in the past. Besides, the airline operations of TUI UK & Ireland, where a high percentage of managers are male, were factored in for the first time in financial year 2013/14.

There has been a rise in the proportion of women serving on our German supervisory boards. On the balance sheet date the percentage was nearly 28 %, which was about 3 % up on the previous year.

Although we already have a high proportion of female managers, our aim is to increase this even further. However, we have consciously opted not to introduce a set quota, because our selection procedures for vacant positions are gender-neutral and based on the best qualifications for the job. We want to offer female and male candidates equal opportunities within the TUI Group.

Co-determination

Employee representatives within the Group

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

TUI European Forum

This body is made up of representatives from the business sectors and the countries of the European Economic Area within which TUI operates. The TUI European Forum is kept abreast by Group management of corporate decisions affecting more than one country or company. Following the consultation process, Forum members then inform the employees in the countries concerned and remain involved in the implementation of the economic, social and environmental measures previously discussed with Group management. The TUI European Forum thus assumes a great responsibility for promoting and integrating our international workforce. In financial year 2013/14, 49 representatives from 14 countries were delegated to the Forum.

The principal topic during the reporting period was the transformation of the Mainstream business at TUI Travel into a global matrix organisation with cross-border teams.

TUI AG Group Works Council

The Group Works Council represents the top level of co-determination within the Group for employees in the German companies. It currently has 24 members from 19 entities. By sending delegates to the Group Works Council, the local and general works councils and other joint bodies who nominate delegates receive regular, up-to-date information about the operational challenges facing the Group. Thanks to co-determination and their subsequent involvement in implementing requirements and issues, these delegates ensure a high level of penetration within the Group workforce.

The focus during the reporting period lay with the incorporated merger of the tour operator TUI Deutschland GmbH and the stationary distribution entity TUI Leisure Travel GmbH. In addition to this, the service and support functions hitherto dispersed among several separate companies were clustered under the common umbrella of TUI Business Services GmbH. The social partners accompanied and negotiated these changes within a framework of trust: legacy pay grades were secured in a transitional collective agreement with the ver.di, the united service sector trade union responsible for this sector, and talks were initiated with a view to future company agreements on pay and conditions for the new incorporations.

32

YOUNG WOMEN

from socially disadvantaged families received a grant in 2013

Social responsibility

Living out our social responsibility wherever we operate is a hallmark of our corporate culture. This commitment is reflected in our support for a diversity of charitable projects. Our principal focus at present is on promoting education and training and on protecting children from sexual exploitation.

Tourism is often an important source of income for many of our destinations. Trade and industry are an essential partner to international development policy, not least because they create conditions for economic growth and for combating poverty. TUI supports various model projects in this field.

Tunisia: Doors open to tourism
Tourism plays a crucial part in the Tunisian economy, accounting for 7.2 % of gross domestic product. However, traditional female roles pose a hurdle to many women seeking to enter the labour market. In Tunisian hotels, women often make up less that 20 % of the workforce. Since 2012 TUI has therefore been supporting a project run by the German development agency GIZ.

The objective of this joint initiative is to promote and develop tourism in Tunisia by means of a more effective vocational integration of women. At the same time, the tourism sector is to create more advantageous employment and conditions for women and to foster new culture-oriented prospects. The project is funded in equal halves by the German Ministry for Economic Cooperation and Development (BMZ) and TUI.

The project aims to improve the quality of training and, with the aid of the Institut Maghrébin de Management et de Tourisme (IMMT), to make it easier for the participants to access the job market in tourism. 32 young women from socially disadvantaged families received a grant in 2013 and were able to take part in extra-mural courses. These were complemented by practical experience under supervision and recruitment procedures run jointly with hotels and partners in the tourism sector. The Dutch TUI Care Foundation has also awarded nine bursaries to IMMT students to fund their work experience. Manuals are currently being drawn up for students, employers in the tourism industry and the vocational colleges that provide hospitality training, with a view to defining quality standards for hotel internships.

More on Training can be found on pages 26

Another component of this project are training sessions and awareness raising for hotel managers. These are devoted to issues of corporate social responsibility and equal opportunities, including ways they can support trainees in implementing what they have learned. Training in social skills and good conduct is likewise provided for the staff of TUI partner hotels.

Information leaflet for guests

Protecting children

More details: www.thecode.org

We regard this task as imperative! Many companies in the Group support the Child Protection Code for the tourist industry, which is founded on the UN Declaration of Human Rights and the UN Convention on the Rights of Children. The Code was drawn up together with ECPAT International.

ECPAT stands for End Child Prostitution, Pornography and Trafficking of Children for Sexual Purposes. The organisation was set up in 1990, at the time with an Asian focus. Now ECPAT campaigns against the prostitution, pornography and trafficking that blights the lives of children all over the globe, and it now has sections in 74 different countries. Its purpose is to assert children's rights everywhere, to draw attention to the sexual exploitation of children, and to break down the international taboo which maintains a cloak of silence over the problem.

WHAT HAS TUI PLEDGED TO DO?
compose and distribute an information leaflet
inform staff and raise their awareness
incorporate clauses in contracts with suppliers (e. g. hotel partners)
inform customers
train employees on the issue
include protecting children in the corporate principles
report annually on action and goals

TUI informs customers about this commitment in catalogues, customer hand-outs, websites, inflight magazines, brochures, leaflets and sometimes inflight videos. Training sessions for employees at company sites and in the destinations help to counter the taboo and to raise awareness. All the companies in the Group that have signed up to this campaign write specific clauses into their hotel contracts stating that anyone who tolerates or aids child prostitution can be prosecuted.

TUI's annual good cause

It was back in 1995 that the staff of TUI companies based in Hanover began collecting for charity. Each year the employees as a group select one charitable project to adopt. At the end of the year, management hands over the accumulated donations to the chosen institution in the form of a cheque.

To date the employees in Hanover have collected about 530,000 euros to flow straight into these good causes. The projects have ranged from counselling groups via educational day centres and free lunches for children of deprived means to associations helping children suffering from cancer and their families.

Funds are raised over a period of twelve months through sale events and collections. Here the imagination knows no bounds: TUI's old merchandising is up for purchase, home-made ice cream and cake can be tasted in every shape and size, raffles are drawn, and gifts are made by whole departments or by retired employees – bit by bit money for the adopted cause trickles in.

In 2014 TUI's good cause is an outpatient hospice serving children and teenagers in the region around Hanover. AKHD provides moral and financial support for youngsters confronting a terminal illness and for their parents and siblings.

Peter Long has been appointed President of the Family Holiday Association

l. to r.: Thomas Ellerbeck (TUI AG Management Board), Evelyn Temeschinko (bed by night), Christian Clemens (Managing Director of TUI Deutschland GmbH), Stefan Schostok (Mayor of Hanover)

Family Holiday Association

TUI Travel is the biggest corporate partner assisting the Family Holiday Association (FHA), which enables disadvantaged and socially vulnerable children to take a holiday with their family.

The partnership with this organisation dates back to 1989. Colleagues and customers collected for the FHA in our travel agencies, on board planes and at events. In recent years TUI's support has enabled the charity to offer thousands of children and their families urgently needed respite – since 2009 donations have amounted to more than 2 million pounds.

TUI FOUNDATION

In 2000 TUI set up a trust, the TUI Stiftung, to mark the 75th anniversary of Preussag AG, now TUI AG. Since its inception the Stiftung has funded projects to the tune of nearly €5 million, and it is endowed with capital of €12.5 million. The purpose of the trust is to promote science and research, education and training for children and young people, culture and the arts. The Stiftung is currently amending its profile and intends from 2015 to run projects of its own in the field of education and culture.

More details: www.tui-stiftung.de

Human rights

Tourism connects people and markets and is one of the fastest growing industries worldwide. As a global player, we operate in many countries in the world and embrace our responsibility for society.

The TUI Group acknowledges the UN Guiding Principles on Business and Human Rights. Our commitment is expressly reflected in our Group employee Code of Conduct. We respect the personal dignity, privacy and rights of each individual. We do not tolerate discrimination, child labour or degrading working conditions. Our internal whistleblowing policy offers a worldwide system for the confidential and anonymous reporting of serious infringements of our Code of Conduct.

On behalf of the TUI Group, TUI AG has signed the Global Code of Ethics for Tourism of the World Tourism Organization UNWTO as a further expression of our commitment to observing the human rights and fundamental freedoms of all people.

FAMILY HOLIDAY ASSOCIATION
The charity that gives families a break

More details: www.familyholidayassociation.org.uk

Committed to the UNWTO Global Code of Ethics for Tourism Supported by the United Nations

More details: ethics.unwto.org

Toscana Resort Castelfalfi:
A village breathes new life

Product stewardship

Factoring sustainability and future viability into product development is one of the key tasks of our work. Customers increasingly base their purchase decisions on their perceptions of a company's environmental and social responsibility. We are committed to rooting environment-friendly behaviour and corporate social responsibility across the TUI Group. We know from international customer surveys that travellers expect the operator they trust to make a special effort to protect the landscape and natural resources.

Castelfalfi
A little medieval village in Tuscany, which lost its last resident in the 1960s and had been largely neglected ever since, is now the nucleus of a tourism project launched by TUI AG. The 1,100-hectare Castelfalfi estate is being carefully restored by TUI in an investment programme worth 250 million euros, with the involvement of all local stakeholders. Sustainability aspects have been taken on board from the planning stage onwards.

At the heart of the organically farmed estate is the village, with its ancient castle dating back to the Lombards. Its agricultural and production sites have been restored, and the cultivation of grapes and olives has been expanded. The vineyards, olive groves and arable land now largely reflect the pattern that once dominated this agrarian region.

Working with the well-known School of Sant'Anna in Pisa, TUI's Castelfalfi Estate is conducting a three-year trial around the production of biomass, the aim being to become as self-sufficient in energy as possible. The TUI project has created a lot of new jobs in one of the most structurally disadvantaged areas in Tuscany, and it is a shining example of how to revive a cultural and agricultural gem.

More details:
www.ecoresort-tui.com

EcoResort
The EcoResort label, created by TUI Hotels & Resorts in 2005, is a seal of quality for sustainable development in holiday hotels and is audited by independent, accredited specialists. It focuses on commitment to sustainable development, and this compelling ecological performance is always evident to the guests. It includes, for instance, buying domestic produce (preferably from local farms), working with nature conservation groups, drawing on renewable energies, conserving natural resources, and offering adventurous excursions into the natural surroundings, an ecological shuttle service, and hotel-based nature trails.

Hotels and clubs in the TUI Hotels & Resorts portfolio can qualify to display the EcoResort quality label if they can show that they have been ranked among the TUI Environment Champions and certified according to a recognised international or national environmental standard. Apart from sound ecological performance, they must also demonstrate commitment in the socio-cultural field.

The EcoResort website describes in detail how the TUI hotel brands express their responsibility towards nature and the environment. In 2015 44 hotels displayed the EcoResort quality seal.

57,000

TREES

are to be growing in the TUI Forest by 2015

TUI Environment Champion

Every year since 1996, TUI has been singling out hotels that work particularly hard to protect the environment and exercise their social responsibility, awarding them the title "TUI Environment Champion". TUI's purpose with this label is to enhance hoteliers' awareness and commitment around sustainability. To participate, hotels must hold a valid Sustainability Certificate recognised by the Global Sustainable Tourism Council (GSTC). The assessment additionally takes account of what guests say about the hotel's environmental performance. In 2014 190 hotels were awarded the TUI Environment Champion label.

The TUI Environment Holly is awarded to the Environment Champion with the highest score. Already visible to holidaymakers when reading the catalogue, this distinction flags up the environmental and social commitment displayed by our hotels.

1,000,000

"Green tourism" is popular with holidaymakers: within a year TUI saw demand for environment-friendly hotels more than double in the German market. In 2014 more than a million guests have so far booked a sustainable hotel with TUI.

TUI Forest

Together with the Environment Department on the Balearic Islands, TUI has been supporting a reforestation project on Majorca – the TUI Forest – ever since 2009. TUI's project design actively involves customers and staff. Every TUI customer travelling to Majorca contributes automatically to the reforestation effort, because a set amount is paid in for every trip. If customers booking a trip at a travel agency would like to do more, they can "adopt a tree", and this provides an additional boost to afforestation. Anyone who donates ten euros for a tree will have their name added to a sign near the forest.

The afforested land helps enhance biodiversity in the area and also to protect the soil from erosion. More than 47,990 indigenous pines and olive trees have so far been planted. By 2015 the TUI Forest is expected to number over 57,000 trees.

For locals and tourists alike, there are information boards about the TUI Forest and the circular ramblers' trail completed in 2014. TUI customers on Majorca can also take advantage of excursions to the TUI Forest. There is a three-hour, professionally led Nordic Walking Tour, when customers can learn a great deal about the flora and fauna and enjoy a typical Majorcan picnic in the TUI Forest nature conservation area.

more than

1,000,000

GUESTS

have already booked a sustainable hotel with TUI Germany.

More details: www.cites.org

Souvenirs and species protection

Travel brochures provided by many tour operators in the TUI Group offer customers background information about the environment and cultural particularities of their destination before they set off.

Once they arrive at their holiday destinations, TUI guests can discover more about nature, the environment and local culture. A number of TUI tour operators have compiled folders and brochures for this purpose. Besides, at the welcome event TUI tour reps discuss issues such as resource conservation, souvenirs and endangered species.

TUI has developed a souvenir guide in cooperation with the Federal Agency for Nature Conservation (BfN). In destinations where this kind of information is appropriate, "TUI's Little Guide to Preserving Species" briefs TUI customers about illegal souvenirs associated with endangered species and about alternatives that promote the local economy.

Security and crisis management

The issue of "holiday security" has attracted growing public attention. Natural disasters and political unrest have also affected holiday destinations in recent years. Holidaymakers have increasing security needs, and if the unforeseen does occur they expect their tour operator to look after them to the very best of its ability.

TUI's security management is designed to identify and eliminate any security risks associated with holiday products. Security checks, for example, are regularly performed in hotels and transfer buses, and staff and travel reps receive training in security-related issues. Crisis management at TUI includes prevention, early detection, response and communication in incidents of crisis. The tour operator TUI Deutschland also has an incident room equipped with the latest communications technology at its Hanover headquarters.

To respond even faster and more effectively in the interests of holidaymakers, TUI Deutschland works with the crisis warning system Global Monitoring. The warning system alerts TUI's crisis management automatically and immediately as soon as the security of holidaymakers in any destination country is impaired.

Guests can use the personalised service portal "meine TUI" to request notification by text in the event of any short-term changes. In extreme cases, TUI will evacuate holidaymakers from affected areas as rapidly as possible. TUI crisis managers and travel reps are assisted in this by committed colleagues: TUI's Emergency Care Team and TUIfly's Special Assistance Team bring together volunteers ready to look after guests in any acute stress situation.

Imprint

PUBLISHED BY
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ag Text

CONCEPT AND DESIGN
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PRINTER
Kunst- und Werbedruck, Bad Oeynhausen

carbon neutral
natureOffice.com | DE-149-395091
print production

The Magazine and the Annual Report are also available online:
http://annualreport2013-14.tui-group.com

TUI attaches great importance to gender equality in society and in the company. The language in this Magazine is gender-sensitive.

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www.fsc.org
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Paper from responsible sources
FSC® C011291

World of TUI

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