Offering Memorandum **Not for General Distribution in the United States of America**

TUI AG

€300,000,000 4.50% Senior Notes due 2019

TUI AG, incorporated as a public stock corporation (*Aktiengesellschaft*) under the laws of the Federal Republic of Germany ("**TUI**" the "**Company**" or the "**Issuer**"), is offering (the "**Offering**") €300,000,000 aggregate principal amount of its 4.50% Senior Notes due 2019 (the "**Notes**"). We will pay interest on the Notes semi-annually on each April 1 and October 1, commencing April 1, 2015. The Notes will mature on October 1, 2019. Prior to October 1, 2016, we will be entitled, at our option, to redeem all or a portion of the Notes at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest and additional amounts, if any, plus a "make-whole" premium. We may redeem some or all of the Notes at any time on or after October 1, 2016, at the redemption prices set forth in this offering memorandum (the "**Offering Memorandum**"). In addition, prior to October 1, 2016, we may redeem at our option up to 35% of the Notes with the net proceeds from certain equity offerings. If we undergo a change of control or sell certain of our assets, we may be required to make an offer to purchase the Notes at 101% of the principal amount thereof plus accrued and unpaid interest and additional amounts, if any. In the event of certain developments affecting taxation, we may redeem all, but not less than all, of the Notes.

Pending occurrence of the Escrow Release Date (as defined herein), the Issuer will direct the Initial Purchasers (as defined herein) to deposit the gross proceeds from the offering into an escrow account held by the Escrow Agent (as defined herein) for the benefit of the Trustee (as defined herein) and the holders of the Notes. The escrow account will not be pledged in favor of the Trustee. The escrowed proceeds will be used for general corporate purposes and refinancing certain of the Company's existing indebtedness and will be subject to the escrow release. If the Escrow Release Date (as defined herein) has not or cannot occur by the Escrow Longstop Date (as defined herein), then all Notes will be subject to a special mandatory redemption at a price equal to 100%, if redeemed on or before June 30, 2015, or 101%, if redeemed thereafter, of the Notes' initial issue price, plus accrued and unpaid interest and additional amounts, if any, from the Issue Date (as defined herein) to the special mandatory redemption date. See "Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption."

The Notes will be senior debt of the Issuer and will rank *pari passu* in right of payment to all of the Issuer's existing and future senior indebtedness and will be effectively subordinated to the Issuer's existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness. The Notes will be structurally subordinated to all existing and future obligations of subsidiaries of the Issuer that are not Guarantors (as defined herein). As of the Issue Date, the Notes will not be guaranteed by any of the Issuer's Restricted Subsidiaries (as defined herein). In the future, certain Restricted Subsidiaries of the Issuer may guarantee (the "**Notes Guarantees**") the Notes on a senior basis if and to the extent any of such Restricted Subsidiaries becomes a guarantor under the New RCF Agreement (each of the foregoing undefined terms as defined herein). Each such Notes Guarantee will be subject to contractual and legal limitations and may be released under certain circumstances. See "Risk Factors—Risks Relating to the Notes and the Notes Guarantees—Each Notes Guarantee will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability" and "Certain Insolvency Law Considerations and Limitations on Validity and Enforceability of Notes Guarantees." This Offering Memorandum includes information on the terms of the Notes, including redemption and repurchase prices, covenants and transfer restrictions.

This Offering Memorandum constitutes a prospectus for purposes of Part IV of the Luxembourg act dated July 10, 2005 on prospectuses for securities, as amended, and includes information on the terms of the Notes, including redemption and repurchase prices, covenants and transfer restrictions. We have applied to have the Notes listed on the Official List of the Luxembourg Stock Exchange (the "**LxSE**") and traded on the LxSE's Euro MTF market (the "**Euro MTF Market**"), which is not a regulated market within the meaning of Directive 2004/39/EC on markets in financial instruments. There can be no assurance that this application will be accepted.

Investing in the Notes involves a high degree of risk. See "Risk Factors" beginning on page 21.

Price for the Notes: 100.000% plus accrued interest, if any, from the issue date.

We expect that the Notes will be delivered in book-entry form through the Euroclear System ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream**") on or about September 26, 2014 (the "**Issue Date**").

The Notes and the Notes Guarantees have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or the laws of any other jurisdiction. The Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except to "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act) in reliance on the exemption from registration provided by Rule 144A under the U.S. Securities Act ("Rule 144A") and to certain persons in offshore transactions in reliance on Regulation S under the U.S. Securities Act ("Regulation S"). You are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. See "Notice to Investors" and "Plan of Distribution" for additional information about eligible offerees and restrictions on transfers of the Notes.

Joint Global Coordinators and Joint Physical Bookrunners

Citigroup **J.P. Morgan** **UniCredit Bank**

Joint Bookrunners

Barclays **BofA Merrill Lynch** **Bank of China Frankfurt Branch** **Commerzbank** **Crédit Agricole CIB**

DNB Markets **HSBC** **ING** **Lloyds Bank**

Mediobanca **NATIXIS** **Société Générale**

The date of this Offering Memorandum is September 26, 2014.

NOTICE TO INVESTORS

You should rely only on the information contained in this Offering Memorandum. None of the Issuer, the Joint Global Coordinators or the Bookrunners listed on the cover page has authorized anyone to provide you with any information or represent anything about the Issuer, its financial results or this Offering that is not contained in this Offering Memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by the Issuer, or any of the Joint Global Coordinators or Bookrunners. None of the Issuer, the Joint Global Coordinators or Bookrunners is making an offering of the Notes in any jurisdiction where this Offering is not permitted. You should not assume that the information contained in this Offering Memorandum is accurate as at any date other than the date on the front of this Offering Memorandum.

THE NOTES AND THE NOTES GUARANTEES HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS UNLESS THE NOTES ARE REGISTERED UNDER THE U.S. SECURITIES ACT, OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT IS AVAILABLE. SEE "PLAN OF DISTRIBUTION" AND "TRANSFER RESTRICTIONS." INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLER OF ANY SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE U.S. SECURITIES ACT PROVIDED BY RULE 144A UNDER THE U.S. SECURITIES ACT.

No dealer, salesperson or other person has been authorized to give any information or to make any representation not contained in this Offering Memorandum and, if given or made, any such information or representation must not be relied upon as having been authorized by the Issuer, any of its affiliates or Citigroup Global Markets Limited, J.P. Morgan Securities plc or UniCredit Bank AG (together, the "**Joint Global Coordinators**") or Barclays Bank PLC, BANK OF CHINA LIMITED Zweigniederlassung Frankfurt am Main Frankfurt Branch, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, DNB Markets, a division of DNB Bank ASA, HSBC Bank plc, ING Bank N.V., London Branch, Lloyds Bank plc, Mediobanca – Banca di Credito Finanziario S.p.A., Merrill Lynch International, Natixis or Société Générale (together, the "**Joint Bookrunners**" and, together with the Joint Global Coordinators, the "**Initial Purchasers**") or any of their respective affiliates. This Offering Memorandum does not constitute an offer of any securities other than those to which it relates or an offer to sell, or a solicitation of an offer to buy, to any person in any jurisdiction where such an offer or solicitation would be unlawful. Neither the delivery of this Offering Memorandum nor any sale made under it shall, under any circumstances, create any implication that there has been no change in the affairs of the neither Issuer nor any of its subsidiaries since the date of this Offering Memorandum or that the information contained in this Offering Memorandum is correct as of any time subsequent to that date.

By receiving this Offering Memorandum, investors acknowledge that they have had an opportunity to request for review, and have received, all additional information they deem necessary to verify the accuracy and completeness of the information contained in this Offering Memorandum. Investors also acknowledge that they have not relied on the Initial Purchasers in connection with their investigation of the accuracy of this information or their decision whether to invest in the Notes. The contents of this Offering Memorandum are not to be considered legal, business, financial, investment, tax or other advice. Prospective investors should consult their own counsel, accountants and other advisors as to legal, business, financial, investment, tax and other aspects of a purchase of the Notes. In making an investment decision, investors must rely on their own examination of the Guarantors and other of the Issuer's subsidiaries, the terms of the offering of the Notes and the merits and risks involved.

This Offering is being made in reliance upon exemptions from registration under the U.S. Securities Act for an offer and sale of securities that does not involve a public offering. The Notes and the Notes Guarantees have not been registered with, recommended by or approved by the U.S. Securities and Exchange Commission (the "**SEC**") or any other U.S. federal, state or foreign securities commission or regulatory authority, nor has any such commission or regulatory authority reviewed or passed upon the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offence.

This Offering Memorandum is being provided (1) to "**qualified institutional buyers**," as defined in Rule 144A under the U.S. Securities Act, for information use solely in connection with their consideration of the purchase of the Notes and (2) to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act. Its use for any other purpose is not authorized. This Offering Memorandum may only be used for the purposes for which it has been published.

The Initial Purchasers reserve the right to withdraw this Offering at any time and to reject any commitment to subscribe for the Notes, in whole or in part. The Initial Purchasers also reserve the right to allot less than the full amount of Notes subscribed by investors. The Initial Purchasers and certain related entities may acquire a portion of the Notes for their own account.

The laws of certain jurisdictions may restrict the distribution of this Offering Memorandum. Furthermore, the Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the U.S. Securities Act and any other applicable federal, state or foreign securities laws pursuant to registration or exemption therefrom. Persons into whose possession this Offering Memorandum or any of the Notes come must inform themselves about, and observe any such restrictions. None of the Issuer, the Initial Purchasers or their respective representatives are making any representation to any offeree or any purchaser of the Notes regarding the legality of any investment in the Notes by such offeree or purchaser under applicable investment or similar laws or regulations. For a further description of certain restrictions on the offering and sale of the Notes and the distribution of this Offering Memorandum, see "Notice to Certain European Investors" and "Transfer Restrictions."

To purchase the Notes, investors must comply with all applicable laws and regulations in force in any jurisdiction in which investors purchase, offer or sell the Notes or possess or distribute this Offering Memorandum. Investors must also obtain any consent, approval or permission required by such jurisdiction for investors to purchase, offer or sell any of the Notes under the laws and regulations in force in any jurisdiction to which investors are subject. None of the Issuer, its respective affiliates or the Initial Purchasers will have any responsibility therefor.

No action has been taken by the Initial Purchasers, the Issuer or any other person that would permit an offering of the Notes or the circulation or distribution of this Offering Memorandum or any offering material in relation to the Issuer or its affiliates or the Notes in any country or jurisdiction where action for that purpose is required.

The Issuer accepts responsibility for the information contained in this Offering Memorandum. To the best of the knowledge and belief of the Issuer (having taken reasonable care to ensure that such is the case), the information contained in this Offering Memorandum is in accordance with the facts in all material respects and does not omit anything likely to affect the import of such information in any material respect. The Issuer accepts responsibility accordingly.

IN CONNECTION WITH THIS OFFERING, J.P. MORGAN SECURITIES PLC (THE "STABILIZING MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON BEHALF OF A STABILIZING MANAGER) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES, AS AMENDED ("RSA 421-B") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS

TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO CERTAIN EUROPEAN INVESTORS

European Economic Area

This Offering Memorandum has been prepared on the basis that all offers of the Notes will be made pursuant to an exemption under Article 3 of the Prospectus Directive (as defined below) as implemented in member states of the European Economic Area (the "**EEA**"), from the requirement to produce a prospectus for offers of the Notes. Accordingly, any person making or intending to make any offer within the EEA of the Notes should only do so in circumstances in which no obligation arises for us or the Initial Purchasers to produce a prospectus for such offer. Neither we nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of the Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Notes contemplated in this Offering Memorandum.

In relation to each member state of the EEA that has implemented the Prospectus Directive (each, a "**Relevant Member State**"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, the offer is not being made and will not be made to the public of any Notes which are the subject of the offering contemplated by this Offering Memorandum to the public in that Relevant Member State, other than:

a) to any legal entity that is a "**qualified investor**" as defined in the Prospectus Directive;

b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than "qualified investors" as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Initial Purchaser or Initial Purchasers nominated by us for any such offer; or

c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the Notes shall require the publication by us or any Initial Purchaser of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression "**offer of Notes to the public**" in relation to the Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU (the "**2010 PD Amending Directive**"), to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State or a supplement to a prospectus pursuant to Article 16 of the Prospectus Directive other than in reliance on Article 3(2)(b).

Each subscriber for or purchaser of the Notes in the offering located within a member state of the EEA will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive. We, the Initial Purchasers and their affiliates and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a "qualified investor" and who has notified the Initial Purchasers of such fact in writing may, with the consent of the Initial Purchasers, be permitted to subscribe for or purchase the Notes in the Offering.

Germany

The Notes may be offered and sold in the Federal Republic of Germany only in compliance with the German Securities Prospectus Act (*Wertpapierprospektgesetz*) as amended, the Commission

Regulation No (EC) 809/2004 of April 29, 2004, as amended, or any other laws applicable in Germany governing the issue, offering and sale of securities. This Offering Memorandum has not been approved under the German Securities Prospectus Act or the Prospectus Directive and accordingly the Notes may not be offered publicly in the Federal Republic of Germany. The Issuer has not filed and does not intend to file a securities prospectus with the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) ("**BaFin**") or obtain a notification to BaFin from another competent authority of a member state of the European Economic Area, with which a securities prospectus may have been filed, pursuant to Section 17(3) of the German Securities Prospectus Act.

United Kingdom

Members of the public are not eligible to take part in this Offering. This Offering Memorandum is for distribution only to persons who (a) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "**Financial Promotion Order**"), (b) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Financial Promotion Order, (c) are outside the United Kingdom, or (d) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ("**FSMA**") in connection with the issue or sale of the Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "**relevant persons**"). This Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. Recipients of this Offering Memorandum are not permitted to transmit it to any other person. Persons distributing this Offering Memorandum must satisfy themselves that it is lawful to do so. The Notes are not being offered to the public in the United Kingdom.

France

This Offering Memorandum has not been prepared in the context of a public offering in France within the meaning of Article L. 411-1 of the *Code Monétaire et Financier* and Title I of Book II of the *Réglement Général* of the *Autorité des marchés financiers* (the "**AMF**") and therefore has not been submitted for clearance to the AMF or any other competent authority of another state that is a contracting party to the agreement on the EEA and notified to the AMF. Consequently, the Notes have not been and will not be, directly or indirectly, offered or sold to the public in France, and neither this Offering Memorandum nor any other offering material relating to the Notes has been or will be distributed or caused to be distributed to the public in France. Such offers, sales and distribution of the Notes have been and will only be made in France to (a) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*) other than individuals, acting for their own account, as defined in, and in accordance with, Articles L. 411-1, L. 411-2 and D. 411-1, D. 411.2, D. 734-1, D. 744-1, D. 754-1 and D. 764.1 of the *Code of Monétaire et Financier* and applicable regulations thereunder.

Luxembourg

The terms and conditions relating to this Offering Memorandum have not been approved by and will not be submitted for approval to the Luxembourg Financial Services Authority (*Commission de Surveillance du Secteur Financier*) for the purposes of public offering or sale in the Grand Duchy of Luxembourg ("**Luxembourg**"). Accordingly, the Notes may not be offered or sold to the public in Luxembourg, directly or indirectly, and neither this Offering Memorandum nor any other circular, prospectus, form of application, advertisement or other material may be distributed, or otherwise made available in or from, or published in, Luxembourg except for the sole purpose of the admission to trading and listing of the Notes on the Official List of the LxSE and except in circumstances which do not constitute a public offer of securities to the public, subject to prospectus requirements, in accordance with the Luxembourg Act of July 10, 2005 on prospectuses for securities, as amended. A listing of the Notes on the LxSE does not necessarily imply that a public offering in Luxembourg has been authorized.

Spain

This Offering has not been registered with the Comision Nacional del Mercado de Valores and therefore the Notes may not be offered or sold in Spain by any means, except in circumstances which do not qualify as a public offer of securities in Spain in accordance with article 30bis of the Securities Market Act (*Ley 24/1988, de 28 de julio del Mercado de Valores*) as amended and restated, or pursuant to an exemption from registration in accordance with article 41 of the Royal Decree 1310/2005 ("*Real Decreto 1310/2005, de 4 de noviembre por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, del Mercado de Valores, en materia de admision a negociacion de valores en mercados secundarios oficiales, de ofertas publicas de venta o suscripcion y del folleto exigible a tales efectos*").

The Netherlands

The Notes (including rights representing an interest in each global note that represents the Notes) may only be offered or sold to qualified investors within the meaning of article 5:3 (1)(a) in conjunction with article 1:1 of the Dutch Financial Supervision Act *(Wet op het financieel toezicht).*

Sweden

This Offering Memorandum is not a prospectus and has not been prepared in accordance with the prospectus requirements provided for in the Swedish Financial Instruments Trading Act (*Sw. lagen (1991:980) om handel med finansiella instrument*) nor any other Swedish enactment. Neither the Swedish Financial Supervisory Authority (*Sw. Finansinspektionen*) nor any other Swedish public body has examined, approved or registered this Offering Memorandum or will examine, approve or register this offering memorandum. Accordingly, this Offering Memorandum may not be made available, nor may the Notes otherwise be marketed and offered for sale, in Sweden other than in circumstances that are deemed not to be an offer to the public under the Swedish Financial Instruments Trading Act.

THIS OFFERING MEMORANDUM CONTAINS IMPORTANT INFORMATION WHICH YOU SHOULD READ BEFORE YOU MAKE ANY DECISION WITH RESPECT TO AN INVESTMENT IN THE NOTES.

FORWARD LOOKING STATEMENTS

This Offering Memorandum includes forward-looking statements within the meaning of the securities laws of certain applicable jurisdictions. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this Offering Memorandum, including, without limitation, those regarding our future financial position and results of operations, our strategy, plans, objectives, goals and targets, future developments in the markets in which we participate or are seeking to participate or anticipated regulatory changes in the markets in which we operate or intend to operate. In some cases, you can identify forward-looking statements by terminology such as "aim," "anticipate," "believe," "continue," "could," "estimate," "expect," "forecast," "guidance," "intend," "may," "ongoing," "plan," "potential," "predict," "projected," "seek," "should," "targets" or "will" or the negative of such terms or other variation or comparable terminology.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and are based on numerous assumptions and that our actual results of operations, including our financial condition and liquidity and the development of the industry in which we operate, may differ materially from (and be more negative than) those made in, or suggested by, the forward-looking statements contained in this Offering Memorandum. In addition, even if our results of operations, including our financial condition and liquidity and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this Offering Memorandum, those results or developments may not be indicative of results or developments in subsequent periods. Important risks, uncertainties and other factors that could cause these differences include, but are not limited to:

- a variety of macroeconomic factors adversely affecting the tourism business;
- political instability, acts and threats of terrorism, natural disasters or outbreaks of diseases or epidemics;
- accidents or incidents involving our travel products and unfavorable media coverage;
- our ability to remain competitive in the markets for our products and services;
- significant competition in the European tourism industry;
- changes in customer behavior;
- the impact of fluctuations in exchange rates and interest rates;
- rising fuel costs;
- seasonal fluctuations;
- country-specific risks in foreign markets;
- legal or regulatory sanctions;
- environmental risks;
- labor disturbances;
- risks related to our structure and the Notes;
- risks related to the scheme of arrangement; and
- other factors discussed in this Offering Memorandum.

The risks described in the "Risk Factors" section of this Offering Memorandum are not exhaustive. Other sections of this Offering Memorandum describe additional factors that could adversely affect our business, financial condition and results of operations. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time and it is not possible for us to predict all such risks; nor can we assess the impact of all such risks on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

We urge you to read carefully the sections of this Offering Memorandum entitled "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Industry and Market Data" and "Our Business" for a more complete discussion of the factors that could affect our future performance and the markets in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Offering Memorandum may not be accurate or occur at all.

Accordingly, prospective investors should not place undue reliance on these forward-looking statements, which speak only as of the date on which the statements were made. In addition, from time to time we and our representatives, acting in respect of information provided by us, have made or may make forward-looking statements orally or in writing. These forward-looking statements may be included in, but are not limited to, press releases (including on our website), reports to our security holders and other communications. Although we believe that the expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct.

We undertake no obligation, and do not intend, to update or revise any forward-looking statement or risk factors, whether as a result of new information, future events or developments or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Offering Memorandum.

CURRENCY PRESENTATION AND DEFINITIONS

In this Offering Memorandum, all references to "**euro**," "**EUR**" or "**€**" are to the single currency of the participating member states of the European and Monetary Union of the Treaty Establishing the European Community, as amended from time to time. All references to "**U.S. dollars**" and "**$**" are to the lawful currency of the United States of America. All references to "**British pound sterling**" and "**£**" are to the lawful currency of the United Kingdom.

Definitions

Unless otherwise specified or the context requires otherwise in this Offering Memorandum (and except as otherwise defined in "Description of the Notes" and "Description of Certain Financing Arrangements" for purposes of those sections only):

- "**Agent**" collectively refers to the Registrar, Transfer Agent, Paying Agent, Escrow Agent and Listing Agent listed on the back cover of this Offering Memorandum;
- "**All Other Segments**" refers to our segment comprised of our Group's real estate companies, all non-allocable business activities (in particular holding companies) and includes the investment in Container Shipping since the end of March 2009. Furthermore, this segment also carried turnover from and expenses for the intra-group aircraft leasing business;
- "**Combined Group**" refers to the TUI Group following the Scheme Effective Date;
- "**Container Shipping**" refers to our former segment (also referred to as a shipping division in prior years' financial statements) that carried out our container shipping activities through Hapag-Lloyd AG, and its subsidiaries and affiliates, or our present indirect equity investment in Hapag-Lloyd AG, and its subsidiaries and affiliates, as the context may require;
- "**Court**" means the High Court of Justice in England and Wales;
- "**Cruises**" refers to our sector comprised of Hapag-Lloyd Kreuzfahrten GmbH and TUI Cruises GmbH, and their respective subsidiaries and affiliates;
- "**Escrow Account**" refers to the segregated trust account into which the Issuer will direct the Initial Purchasers to deposit the gross proceeds from the offering. The Escrow Account will be held by the Escrow Agent for the benefit of the Trustee and the holders of the Notes pursuant to the Escrow Agreement and will not be pledged in favor of the Trustee;
- "**Escrow Agent**" refers to Citibank, N.A., London Branch, in its capacity as escrow agent under the Escrow Agreement;
- "**Escrow Agreement**" refers to the escrow agreement to be entered into between the Issuer, Trustee and the Escrow Agent on or prior to the Issue Date;
- "**Escrow Longstop Date**" has the meaning ascribed to such term under "The Description of the Notes—Certain Definitions;"
- "**Escrow Release Date**" has the same meaning ascribed to such term under "The Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption;"
- "**EU**" refers to the European Union;
- "**Executive Board**" refers to the executive board of TUI AG;
- "**First Choice Group**" refers to First Choice Holidays PLC and its subsidiaries;
- "**Future Guarantor**" refers to any of the following Restricted Subsidiaries of the Issuer: TUI Travel, First Choice Holidays Finance Limited; First Choice Holidays Limited; Fritidsresor AB; Jetair NV; Leibniz Service GmbH; Preussag Beteiligungsverwaltungs GmbH IX; Preussag Immobilien GmbH; Sunshine Cruises Limited; Thomson Airways Limited; TUI Aviation GmbH; TUI Travel Belgium NV; TUI Deutschland GmbH; TUI Fly GmbH; TUI Nederland NV; TUI Travel Aviation Finance Limited; TUI Travel Holdings Limited; TUI UK Limited and TUI UK Retail Limited;

- "**Guarantor**" means any Future Guarantor and any other Restricted Subsidiary that executes a Notes Guarantee under a supplemental indenture in accordance with the provisions of the Indenture, and their respective successors and assigns, in each case, until the Notes Guarantee of such person has been released in accordance with the provisions of the Indenture;
- "**Hapag-Lloyd**" refers to Hapag-Lloyd AG and its direct and indirect subsidiaries;
- "**Hapag-Lloyd Kreuzfahrten**" refers to Hapag-Lloyd Kreuzfahrten GmbH, and its subsidiaries and affiliates;
- "**IFRS**" refers to International Financial Reporting Standards as adopted by the EU;
- "**Issuer**" refers to TUI AG;
- "**Minority Shareholders**" means the shareholders of TUI Travel other than holders of shares in TUI Travel (a) beneficially owned by the Company or its subsidiary undertakings (excluding TUI Travel and its subsidiary undertakings), (b) held by TUI Travel in treasury or (c) in respect of which the Company controls the voting rights;
- "**New RCF Agreement**" refers to the up to €1,550,000,000 multicurrency revolving facility agreement dated on or about September 15, 2014 and made between, among others, the Issuer as borrower, Citigroup Global Markets Limited, J.P. Morgan Limited and UniCredit Bank AG as arrangers, the financial institutions namend therein as original lenders and UniCredit Luxembourg S.A. as facility agent;
- "**Nordic countries**" refers to Norway, Finland, Sweden and Denmark;
- "**Notes Guarantee**" means the Guarantee by each Guarantor of the Issuer's obligations under the Indenture and the Notes, executed pursuant to the provisions of the Indenture.
- "**Notes**" refers to the €300 million aggregate principal amount of our 4.50% senior notes due 2019 offered hereby;
- "**Offering**" refers to the offering of the Notes and the application of the net proceeds therefrom in the manner set forth herein under "Use of Proceeds;"
- "**Refinancing Transactions**" collectively refers to the entering into the New RCF Agreement and, upon the Scheme Effective Date, the refinancing/cancellation of the 2014 Existing RCF, the 2014 RCF Bridge and the 2014 High Yield Bridge (each as defined in "Description of Certain Financing Arrangements");
- "**Restricted Group**" refers to the Issuer and its Restricted Subsidiaries;
- "**Restricted Subsidiaries**" has the meaning as defined in "Description of the Notes;"
- "**Scheme**" means a scheme of arrangement made pursuant to Part 26 of the Companies Act 2006 between TUI Travel and the Minority Shareholders in relation to the cancellation of the issued share capital of TUI Travel held by the Minority Shareholders and the subsequent issue of new shares in TUI Travel to the Company as contemplated by the Scheme Circular;
- "**Scheme Circular**" means the circular to the shareholders of TUI Travel to be issued by TUI Travel setting out the proposals for the Scheme;
- "**Scheme Effective Date**" means the date on which: (a) (i) an office copy of the Court order sanctioning the Scheme and confirming the associated reduction of the Company's share capital contemplated by the Scheme; and (ii) the requisite statement of capital (approved by the Court) showing the Company's share capital as altered by the Court order, are duly delivered on behalf of TUI Travel to the Registrar of Companies in England and Wales (the "**Registrar of Companies**"); or (b) if the Court so orders for the Scheme to become effective, the above Court order and statement of capital are registered by the Registrar of Companies;
- "**Supervisory Board**" refers to the supervisory board of TUI AG;
- "**TEU**" means a 20-foot equivalent unit;
- "**THB**" refers to TUI-Hapag Beteiligungs GmbH, a wholly-owned subsidiary;
- "**Tourism**" segment refers to our segment that is comprised of the tourism sectors TUI Travel, TUI Hotels & Resorts and Cruises;

- "**Tranmere Financing**" means the financing arrangement under a contingent forward purchase agreement dated April 20, 2010 between Deutsche Bank AG, London Branch and the Issuer as amended from time to time, including by a first amendment agreement dated July 1, 2011, a second amendment agreement dated September 27, 2011 and a third amendment agreement dated August 8, 2013 in each case between Deutsche Bank AG, London Branch and the Issuer;
- "**Transactions**" refers to the Offering and the Refinancing Transactions;
- "**Trustee**" refers to Citibank, N.A, London Branch, in its capacity as trustee under the Indenture;
- "**TUI 2014 Convertible Bonds**" refers to the Company's €217,789,399.90 5.5% convertible bonds which are due in November 2014;
- "**TUI 2016 Convertible Bonds**" refers to the Company's €338,964,059.22 2.75% convertible bonds which are due in March 2016;
- "**TUI Cruises**" refers to TUI Cruises GmbH, and its subsidiaries and affiliates;
- "**TUI Group**" refers to the Issuer and its subsidiaries;
- "**TUI Hotels & Resorts**" refers to our sector that is comprised of (i) various hotel companies in which we hold a majority interest or in which we are subject to joint ventures or shareholders' agreements we have entered into with local partners, (ii) companies in which we hold a financial stake and (iii) hotels with management contracts. These include primarily RIUSA II S.A., RIU Hotels S.A. and Robinson Club GmbH, and their respective subsidiaries and affiliates;
- "**TUI Travel**" refers to our sector comprised of TUI Travel PLC and its subsidiaries;
- "**TUI Travel 2014 Convertible Bonds**" refers to TUI Travel PLC's £350,000,000 6.00% convertible bonds which are due in October 2014;
- "**TUI Travel 2017 Convertible Bonds**" refers to TUI Travel PLC's £400,000,000 4.90% convertible bonds which are due in April 2017;
- "**UKLA**" means the UK Listing Authority;
- "**United States**," "**USA**" or "**U.S.**" refer to the United States of America;
- "**Unrestricted Subsidiaries**" has the meaning as defined in "Description of the Notes;"
- "**U.S. GAAP**" refers to generally accepted accounting principles in the United States; and
- "**we**," "**us**," "**our**," the "**Group**," the "**TUI Group**" and other similar terms refer to TUI AG and its consolidated subsidiaries, except where the context otherwise requires.

PRESENTATION OF FINANCIAL AND OTHER DATA

Financial Information

Unless otherwise indicated, the financial information presented in this Offering Memorandum has been prepared in accordance with IFRS. This Offering Memorandum should be read and construed in conjunction with:

- the audited interim consolidated financial statements of the Issuer as of and for the nine-month period ended June 30, 2014, including comparable information for the nine-month period ended June 30, 2013, and the notes thereto ("**2014 Audited Nine Months Consolidated Financial Statements**"), which have been audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft ("**PwC**");
- the audited consolidated financial statements of the Issuer as of and for the financial year ended September 30, 2013, including comparable information for the year ended September 30, 2012, and the notes thereto ("**2013 Audited Consolidated Financial Statements**"), which have been audited by PwC; and
- the audited consolidated financial statements of the Issuer as of and for the financial year ended September 30, 2012, including comparable information for the year ended September 30, 2011, and the notes thereto ("**2012 Audited Consolidated Financial Statements**"), which have been audited by PwC.

The 2014 Audited Nine Months Consolidated Financial Statements, the 2013 Audited Consolidated Financial Statements and the 2012 Audited Consolidated Financial Statements are together referred to as the "**Audited Consolidated Financial Statements**."

The unaudited financial information for the twelve-month period ended June 30, 2014 included elsewhere in this Offering Memorandum is calculated by taking the results of operations for the nine-month period ended June 30, 2014 (as shown in the 2014 Audited Nine Months Consolidated Financial Statements) and adding it to the results of operations for the full financial year ended September 30, 2013 (as shown in the 2013 Audited Consolidated Financial Statements) and subtracting the results of operations for the nine-month period ended June 30, 2013 (as shown in the 2014 Audited Nine Months Consolidated Financial Statements). Effective as of January 1, 2013, the Company has applied IAS 19 (revised), relating to employee benefits. Figures for the nine-month period ended June 30, 2013 presented as comparable financial information in the 2014 Audited Nine Months Consolidated Financial Statements have been adjusted in accordance with IAS 19 (revised). In accordance with IFRS, the figures included in the 2013 Audited Consolidated Financial Statements have not yet been adjusted in accordance with IAS 19 (revised). See the Notes of the 2014 Audited Nine Months Consolidated Financial Statements. The unaudited financial information for the twelve-month period ended June 30, 2014 consists of non-IFRS financial measures.

IFRS differs in certain material respects from generally accepted accounting principles in the United States of America ("**U.S. GAAP**"). As a result, the results of operations and financial condition derived from the financial statements that are included or incorporated by reference in this Offering Memorandum may differ substantially from the results of operations and financial condition derived from financial statements prepared in accordance with U.S. GAAP. The Issuer has not prepared a reconciliation of its financial information to U.S. GAAP or a summary of significant accounting differences in the accounting and valuation methods of IFRS and U.S. GAAP nor has it otherwise reviewed the impact the application of U.S. GAAP would have on its financial reporting. Accordingly, in making an investment decision, investors must rely on their own examination of the Issuer's financial information.

Non-IFRS Financial Measures

This Offering Memorandum contains non-IFRS measures and ratios, including EBITA, Underlying EBITA, EBITDA, EBITDAR, working capital, net debt and leverage and coverage ratios, *pro forma* cash and cash equivalents, *pro forma* financial liabilities, *pro forma* net debt, ratio of *pro forma* financial liabilities to EBITDA, ratio of *pro forma* net debt to EBITDA, that are not required by, or presented in accordance with, IFRS. We present non-IFRS measures because we believe that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The non-IFRS measures may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating result as reported under IFRS. Non-IFRS measures and ratios such as EBITDA, working capital, net debt and leverage and coverage ratios are not measurements of our performance or liquidity under IFRS and should not be considered as alternatives to profit for the year or any other performance measures derived in accordance with IFRS or any other generally accepted accounting principles or as alternatives to cash flow from operating, investing or financing activities.

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

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

Certain numerical figures set out in this Offering Memorandum, including financial information presented in millions or thousands and percentages describing market shares, have been subject to rounding adjustments and, as a result, the totals of the data in this Offering Memorandum may vary slightly from the actual arithmetic totals of such information. Percentages and amounts reflecting changes over time periods relating to financial and other information set forth in "Management's Discussion and Analysis of Financial Conditions and Results of Operations" are calculated using the numerical data in the Audited Consolidated Financial Statements or the tabular presentation of other information (subject to rounding) contained in this Offering Memorandum, as applicable, and not using the numerical data in the narrative description thereof.

PRESENTATION OF INDUSTRY AND MARKET DATA

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

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

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

The following sources were used in the preparation of this Offering Memorandum:

- UNWTO, PR 14034, May 2014;
- UNWTO, Tourism Highlights, 2014 Edition;
- FVW, Dossier, Deutsche Veranstalter, 2013;
- Mintel, European Leisure Travel Industry, September 2013;
- DRV/CLIA Deutschland Der Hochsee-Kreuzfahrtmarkt Deutschland 2013;
- Mintel, Cruises International, June 2014;
- PhocusWright, German Online Travel Overview Ninth Edition, December 2013; PhocusWright European Online Travel Overview Ninth Edition, December 2013;
- UNWTO, World Tourism Barometer, April 2014;
- UNWTO, World Toursim Barometer, June 2014;
- Euromonitor Data as of 24/07/2014;
- Euromonitor International 2013;
- Global Hotel Review, STR Global, November 2013;
- Deloitte, Hospitality 2015;
- CLIA Europe, Statistics and Markets, 2013;
- European Cruise Council 2012/2013 Report;
- MDS Transmodal, July 2014; and
- Reader's Digest Trusted Brands 2006-2014.

EXCHANGE RATE INFORMATION

The following tables show, for the periods set forth below, the high, low, average and period end Bloomberg Composite Rate expressed as U.S. dollars per €1.00, U.S. dollar per £1.00 and euro per £1.00. The Bloomberg Composite Rate is a "best market" calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The rates may differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in this Offering Memorandum. Neither we nor the Initial Purchasers represent that the U.S. dollar amounts referred to below could be or could have been converted into euro or pound sterling or that the euro amounts referred to below could be or could have been converted into pound sterling at any particular rate indicated or any other rate.

The average rate for a year means the average of the Bloomberg Composite Rates on the last day of each month during a year. The average rate for a month, or for any shorter period, means the average of the daily Bloomberg Composite Rates during that month, or shorter period, as the case may be.

The Bloomberg Composite Rate of the euro at 12:00 p.m. (noon) New York time on September 17, 2014 was $1.2865 per €1.00.

	Period end	Average	High	Low
	U.S. dollars per €1.00			
Year				
2009	1.4326	1.3949	1.5134	1.2531
2010	1.3387	1.3266	1.4513	1.1923
2011	1.2959	1.3926	1.4830	1.2907
2012	1.3192	1.2860	1.3458	1.2061
2013	1.3743	1.3285	1.3804	1.2780
Month				
March 2014	1.3770	1.3826	1.3932	1.3733
April 2014	1.3867	1.3811	1.3886	1.3705
May 2014	1.3634	1.3733	1.3927	1.3591
June 2014	1.3692	1.3601	1.3692	1.3532
July 2014	1.3390	1.3537	1.3679	1.3390
August 2014	1.3132	1.3314	1.3430	1.3132
September 2014 (until September 17, 2014)	1.2865	1.2978	1.3150	1.2865

The Bloomberg Composite Rate of the pound sterling at 12:00 p.m. (noon) New York time on September 17, 2014 was $1.6276 per £1.00.

	Period end	Average	High	Low
	U.S. dollars per £1.00			
Year				
2009	1.6173	1.5670	1.6988	1.3753
2010	1.5612	1.5457	1.6362	1.4334
2011	1.5549	1.6041	1.6706	1.5343
2012	1.6248	1.5852	1.6279	1.5317
2013	1.6556	1.5649	1.6556	1.4867
Month				
March 2014	1.6662	1.6616	1.6740	1.6487
April 2014	1.6873	1.6747	1.6873	1.6574
May 2014	1.6754	1.6841	1.6975	1.6711
June 2014	1.7109	1.6918	1.7109	1.6738
July 2014	1.6886	1.7075	1.7166	1.6886
August 2014	1.6598	1.6699	1.6886	1.6540
September 2014 (until September 17, 2014)	1.6276	1.6302	1.6607	1.6105

The Bloomberg Composite Rate of the pound sterling at 12:00 p.m. (noon) New York time on September 17, 2014 was €1.2653 per £1.00.

	Period end	Average	High	Low
		Euro per £1.00		
Year				
2009	1.1288	1.1233	1.1855	1.0451
2010	1.1662	1.1663	1.2361	1.0965
2011	1.2012	1.1526	1.2045	1.1062
2012	1.2314	1.2332	1.2856	1.1775
2013	1.2045	1.1779	1.2343	1.1432
Month				
March 2014	1.2102	1.2019	1.2176	1.1907
April 2014	1.2169	1.2126	1.2186	1.2050
May 2014	1.2292	1.2264	1.2360	1.2157
June 2014	1.2493	1.2439	1.2528	1.2291
July 2014	1.2609	1.2614	1.2673	1.2538
August 2014	1.2640	1.2542	1.2640	1.2457
September 2014 (until September 17, 2014)	1.2653	1.2652	1.2653	1.2449

For information on the impact of fluctuations in exchange rates on our operations, see "Risk Factors—Risks Relating to our Business—Our business and results of operations are affected by fluctuations in exchange rates and interest rates."

SUMMARY

This summary highlights selected information about us and the Offering contained in this Offering Memorandum. This summary is not complete and does not contain all the information you should consider before investing in the Notes. The following summary should be read in conjunction with, and the following summary is qualified in its entirety by, the more detailed information included in this Offering Memorandum, including the Audited Consolidated Financial Statements of the Company. You should read carefully the entire Offering Memorandum to understand our business, the nature and terms of the Notes and the tax and other considerations which are important to your decision to invest in the Notes, including the risks discussed under the captions "Risk Factors" and "Forward Looking Statements."

Overview

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

Tourism is our core business segment, comprising TUI Travel and the sectors TUI Hotels & Resorts and Cruises. TUI Travel offers a broad array of holiday experiences for a wide range of travelers, from popular holiday brands to an extensive collection of specialist travel providers. The TUI Hotels & Resorts sector comprises our portfolio of hotels and resorts which we operate under brands associated with high levels of quality and service as well as high environmental standards, *i.e.,* Robinson, Riu, Grecotel, Grupotel, Iberotel and Dorfhotel. Our Cruises sector offers the maritime holiday experience for different target groups through Hapag-Lloyd Kreuzfahrten and TUI Cruises. In the financial year ended September 30, 2013, we reported turnover in our Tourism segment of €18,460.1 million and in the twelve-month period ended June 30, 2014, we reported turnover in our Tourism segment of €18,326.1 million accounting for over 99.9% of turnover of all our segments combined. In the same periods, our Tourism segment reported Underlying EBITA of €823.8 million and €879.0 million, respectively.

All Other Segments comprises our other non-tourism businesses, such as our real estate companies and our 22.04% indirect at-equity financial stake in Hapag-Lloyd AG, a container shipping company. All Other Segments reported negative Underlying EBITA of €61.9 million in the financial year ended September 30, 2013 and negative €47.2 million in the twelve-month period ended June 30, 2014, respectively.

As of June 30, 2014 we had 77,027 employees.

TUI Travel operates in approximately 180 countries around the world and serves over 30 million customers from over 30 source markets annually. We believe that we are also the leading tour operator in the United Kingdom, Germany, the Nordics region and France. TUI Travel offers a broad product portfolio, ranging from package holidays (*e.g.*, transport and accommodation advertised and sold by one tour operator) to a wide range of more specialist offerings. TUI Travel is organized and managed through three principal business sectors: (1) Mainstream, which is the largest business and covers all activities in the package through its vertically integrated business model; (2) Accommodation & Destinations, which sells globally sourced hotel and apartment accommodations to wholesale customers and consumers, while also providing incoming services (such as airport transfers) for tour operators through regional agencies and a wide range of services for the cruise sector; and (3) Specialist & Activity, which pools more than 100 specialist and adventure tour operators. In the financial year ended September 30, 2013, TUI Travel reported turnover of €17,796.0 million and Underlying EBITA of €640.5 million. In the twelve-month period ended June 30, 2014, TUI Travel reported turnover of €17,630.8 million, Underlying EBITA of €682.9 million and as of June 30, 2014 had 62,369 employees.

Our TUI Hotels & Resorts sector includes majority participations in hotels, joint ventures with local partners, companies in which we hold a financial stake and hotels operated under management contracts. TUI Hotels & Resorts is the link between tour operators and hotel partners. We have structured this sector into six different hotel groups: Riu, Robinson, Iberotel, Grupotel, Grecotel and all other hotel companies. In the financial year ended September 30, 2013, TUI Hotels & Resorts reported turnover of €403.1 million and Underlying EBITA of €197.2 million. In the twelve-month period ended June 30, 2014, TUI Hotels & Resorts reported turnover of €409.2 million, Underlying EBITA of €210.0 million and as of June 30, 2014 had 14,191 employees.

Our Cruises sector comprises two companies with distinct offerings and target markets. Hapag-Lloyd Kreuzfahrten holds a leading position in the German-speaking market with its fleet in the luxury and expedition cruise segments. In addition, TUI Cruises, which we operate as a joint venture with Royal Caribbean Cruises Ltd., offers a new and differentiated cruise format targeted at the German premium market. In the financial year ended September 30, 2013, our Cruises sector reported turnover of €261.0 million and negative Underlying EBITA of €13.9 million. In the twelve-month period ended June 30, 2014, our Cruises sector reported turnover of €286.1 million, negative Underlying EBITA of €13.9 million and as of June 30, 2014 had 230 employees.

All Other Segments comprises the corporate center functions of TUI and interim holdings, as well as other operative units, such as our real estate companies. As of the date of this Offering Memorandum we also hold our 22.04% stake in the container shipping company Hapag-Lloyd AG at equity in this segment. In the financial year ended September 30, 2013, All Other Segments reported turnover of €17.4 million and negative Underlying EBITA of €61.9 million. In the twelve-month period ended June 30, 2014, All Other Segments reported turnover of €17.4 million, negative Underlying EBITA of €47.2 million and as of June 30, 2014 had 237 employees.

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

Our Strengths

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

Market-leading positions and scale.

Based on turnover of €18,460.1 million generated in our Tourism segment in the financial year ended September 30, 2013 and €18,326.1 million generated in our Tourism segment in the twelve month period ended June 30, 2014, we are the largest integrated leisure travel group in Europe by turnover, serving around 30 million customers in over 30 source markets, *i.e.,* in the markets in which we sell our travel products to our customers. Each of our sectors has leading market shares in their individual lines of business. We believe that we are the leading tour operator in the United Kingdom, Germany, the Nordics and France, as well as several other source markets. We also believe that our TUI Hotels & Resorts sector is the world's largest leisure hotelier based on capacity. Finally, our Cruise sector, through Hapag-Lloyd Kreuzfahrten, includes a leading luxury and premium cruise operator in the German market (*source*: Mintel, Cruises International, June 2008) with its flagships (the Europa and Europa 2) being rated as the world's best cruise ships, in the case of the Europa, for the fourteenth consecutive year (*source*: Berlitz Cruise Guide 2013).

We believe our market-leading position and associated purchasing power enable us to secure attractive terms from airlines, hotels and destination service providers, as well as suppliers. Combined with our presence in a broad range of geographical markets, our differentiated product portfolio and our strong multi-channel distribution network, as well as our market position, also give us greater insight into customer behavior and enable us to detect new market trends and customer preferences as they occur and thus we are able to rapidly respond to them by adjusting our product range.

In addition, we believe that through our strong market position we have been able to establish an extensive multi-channel distribution network, which is comprised of our tour operators, our own and third-party travel agencies, and our direct sales activities. Our distribution channels include the internet, mobile applications, call centers and television. This network contributes to our brand recognition and enables us to reach a large number of potential customers in our Mainstream, Accommodation & Destinations and Specialist & Activity business lines.

Superior customer offering of unique holidays.

Our unique holidays form the backbone of our Mainstream businesses and are exclusive to us. 71% of Mainstream holidays in the nine-month period ended June 30, 2014 were unique, up three percentage points. Unique holidays provide value-added services and features which command a margin premium over commodity products. This in turn leads to higher customer loyalty and an increase in repeat bookings. Unique holidays are also booked earlier enabling us to manage our capacity and yield more effectively. Due to our experience in designing and operating new concepts, it is very difficult for our competitors to replicate these holidays.

A key part of our unique holiday offering is also the flight experience and we intend to continue to reshape the composition of our airline fleet to drive customer satisfaction and simplify the fleet to one short-haul and one long-haul aircraft type. It is strategically important to the Group to have a modern, cost-efficient and reliable fleet. We believe that we are strongly positioned with a young aircraft fleet compared to other leisure airlines. The average age of our fleet is eight years; however a significant portion of our narrow body fleet consists of Boeing 737-800 aircraft which have an average age of 5.5 years.

Strong brand recognition and customer loyalty.

We believe the strength of our brands throughout our Tourism segment's source markets and in our destination markets provides us with an important advantage over our competitors. We believe customers perceive us to be a quality provider of superior services. Based on our yearly brand performance study, we believe that our tour operator brands show very high brand awareness levels compared with the relevant competitor brands in our key European source markets of the United Kingdom, Germany and France and a high brand awareness level in the Nordic countries. In surveys carried out between 2006 and 2014, TUI was rated the most trusted travel brand in Germany (*source*: Reader's Digest Trusted Brands 2006-2014). In the TUI Hotels & Resorts sector, based on our own analysis, compared with the relevant competitor brands, the Robinson Club hotel brand shows the highest unaided brand awareness level since 2007. In the German cruise market we believe that Hapag-Lloyd Kreuzfahrten is one of the best known cruise brands. This strength, coupled with the stability of our local brands, ensures, in our view, a high rate of customer recognition and customer loyalty. We also believe that the consistent quality of our product offering, in particular of our hotels and cruises, promotes customer confidence and loyalty.

Focus on direct distribution, with growth driven by the online channel.

Our direct distribution channels are a key strength. By increasing the direct distribution of our holidays we lower distribution costs, reduce the reliance on third-party distributors and can build on our customer relationships. Our direct distribution mix improved by two percentage points over the nine-month period ended June 30, 2014 to 67% of Mainstream sales. The improvement in direct distribution was driven by the online channel which also increased by three percentage points in the nine-month period ended June 30, 2014 to 36% of Mainstream sales.

As an online-driven business, we focus on the online customer experience. We are in the process of moving to one core online platform across Mainstream, which has already resulted in significant improvements in conversion, and the websites in our core online markets are now tablet-and-mobile optimized as our customers increasingly use their tablets and mobile devices to search and book with us.

Flexible business model focused on an end-to-end customer experience.

Our Tourism business model follows an "asset-right" strategy at each stage of the value chain. Through this strategy, we control (*i.e.*, own, lease or manage on a long-term basis and franchise) flight capacity, hotel and cruise ship assets and distribution channels that are fundamental to our tourism business. As of June 30, 2014, we owned, leased or managed (independently or through third parties) 238 hotels and 158,333 beds and 217 of the hotels were in the four and five star category, some of which our tour operators have access to. As of September 30, 2013, we operated five tour operator-led airlines comprised of 138 aircraft (six owned, 123 leased on operating leases, nine leased on financing leases, and zero held for sale). Our tour operators have exclusive access to those aircraft, enabling us to fulfill customer demand. Any excess capacity is marketed on a standalone basis as individual seats or as component travel products. Our Cruises sector has successfully positioned itself in the German market segment for premium cruises. In our Cruises sector, as of June 30, 2014, we operated four cruise ships through Hapag-Lloyd Kreuzfahrten and three cruise ships through our joint venture, TUI Cruises. In June 2014 the Mein Schiff 3 was introduced. In 2015-2017, TUI Cruises is expected to expand its fleet by three ships adding the Mein Schiff 4, 5 and 6. In addition, TUI Travel operates five

Thomson cruise ships and five Quark Expeditions cruises. As of September 30, 2013, our retail network consisted of 3,246 travel agencies, of which 1,807 were owned and 1,439 were franchised.

We selectively invest in our own or joint venture hotels and cruise ships where this generates an appropriate return and allows us to enhance our unique holiday offering. Accommodation commitments with third parties are entered into only according to the level of exclusivity and differentiation. Even for a very highly differentiated and exclusive hotel, we would not enter into a 100% commitment. Where accommodation commitments are entered into, the associated contracts include *force majeure* clauses.

Having a portfolio of businesses means we are not reliant on any single source market. This means that strong performances in some source markets will mitigate performances in other markets. In addition, given the number of destinations we operate to and our long-established relationships with suppliers in these destinations, we have the flexibility to reduce capacity as needed and remix to alternative, more profitable destinations.

Our business model provides flexibility and enables us to adapt to short-term market developments, to exploit synergies at each stage of the value chain, ensure the overall quality of our product offering and to realize economies of scale arising from the collective management of certain aspects of our airlines, hotels and cruise ships. It also allows us to use dynamic production and product pricing tools as well as yield and capacity management techniques to maximize the passenger load factor of our airlines and the occupancy rates of our hotels and cruise ships.

We believe that this "asset-right" strategy together with our market-leading position, gives us a competitive advantage by allowing us to effectively monitor the utilization of our airline, hotel and cruise ship capacities and, among other things, by providing our tour operator customers with access to our hotels.

Strong and experienced management team.

We have a strong management team which has experienced many periods of change, evident in our successful transformation from an industrial conglomerate to a group focused on tourism. Our senior management has successfully built up a leading European tourism group both through organic growth and a number of well-integrated acquisitions and structural changes, including the successful merger of our distribution, tour operator, and airline and destination services operations with the First Choice Group in 2007. Our senior executives have spent many years in the leisure travel market and are highly experienced in all aspects of the tourism business. Friedrich Joussen was appointed TUI AG's Chairman of the Executive Board in February 2012. Peter Long, CEO of TUI Travel, has extensive experience in the tourism industry and was appointed managing director of the First Choice Holidays & Flights Limited in November 1996 before taking over as chief executive of First Choice Holidays PLC in 1999 and becoming appointed CEO of TUI Travel in 2007.

Our Strategy

Our business strategy includes the following key elements:

Deliver a superior end-to-end customer experience through our fully-integrated Mainstream tourism business.

Our Mainstream business will focus on broadening its customer offerings, exploiting its brands and implementing its unique proposition across 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." The new Executive Board of the Company expects 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 utilization 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.

Accelerate long-term growth supported by an asset-right business model based on an optimal mix of owned and managed hotels and cruise ships with a targeted minimum return on capital of 15% for new content.

The Combined Group intends to support long-term growth through the operation of a flexible, asset-right business model. In order to operate more efficiently and maximize the value of its assets, the Combined Group will continue to optimize the ownership structure of existing and new hotels and cruise ships, targeting a minimum return on capital of 15% for all new content.

It will aim to optimize the investment and refinancing needs, if any, of such new assets and it may also decide to operate them through existing or new joint venture structures. In this context, it is expected that less than 50% of the additional growth hotels mentioned in the section "The Merger Transactions—Reasons for the TUI Merger—Enhances and de-risks 'Mainstream' content growth as a result of integration" would be owned (either via a subsidiary or joint venture) and that the additional two cruise ships mentioned in the same section would be owned by TUI Cruises with approximately 80% debt, 20% equity finance.

As of financial year ended September 30, 2013, approximately 50% of the more than 230 hotels and resorts within Hotels & Resorts were operated under management contracts, approximately 9% were leased or franchised and the remainders were owned. In total, this represented an invested capital of approximately €1.9 billion (£1.5 billion) for its hotels and resorts portfolio.

Deliver synergies, cost savings and commercial benefits with the potential to unlock further value.

The TUI Merger is expected to deliver €45 million (£36 million) of annual synergies through corporate streamlining and recurring cash tax benefits, which based on the Combined Group's tax calculations for the financial year ended September 30, 2013 would have achieved a benefit of €35 million (£28 million) in that financial year had the two businesses been combined.

In addition, the integration of Inbound Services into the Mainstream tourism business is expected to deliver annual net cost savings of €20 million (£16 million).

It is also expected that the TUI Merger will result in material commercial benefits from increased occupancy, vertical integration and additional growth opportunities from an accelerated and broadened content portfolio.

Maximize the growth and value of the Online Accommodation and Specialist & Activity businesses.

Following the TUI Merger, the current Online Accommodation businesses and Specialist & Activity sector of TUI Travel will operate separately from the Mainstream tourism business, under the direct dedicated leadership of William Waggott. These businesses have a different business model to Mainstream, therefore managing them separately will enable the Combined Group to focus more effectively on maximizing their growth and value.

Treat the TUI AG stake in Hapag-Lloyd AG as a business for disposal.

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

Focus on balance sheet strength, flexibility and strong free cash flow generation.

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

The TUI Merger is expected to be EPS accretive for both sets of shareholders from the first full financial year post-Merger (with strong EPS accretion for TUI Travel Shareholders). Strong EPS accretion for both sets of shareholders is expected thereafter. In parallel, a strong cash flow/dividend benefit for TUI Shareholders will be delivered from the first full financial year post-TUI Merger.

Our History and Recent Transformation

We were originally founded as a state-owned entity by the Prussian state government in 1923 under the name "Preussische Bergwerks- und Hütten-Aktiengesellschaft" to own and operate the Prussian state's coal and non-ferrous metal mines, smelters and salt works. We were partially privatized in 1959 and fully privatized in 1969. In 1964, we changed our name to PREUSSAG Aktiengesellschaft. Until the mid-1990s, we were active predominantly in the areas of industry, transport and natural resources.

In the early 1990s, prospects for our traditional activities became less attractive. For this reason we made the strategic decision to concentrate on new growth sectors and dispose of most of our industrial activities. Accordingly, we implemented our strategy to reorient our focus on tourism and logistics from the mid-1990s on. In 2002, we changed our name to TUI AG. In 2006, we sold our last industrial holding. In 2007, we established TUI Travel by merging our distribution, tour operator and airline destination services operations with those of First Choice Holidays PLC. After selling a majority shareholding in our Hapag-Lloyd container shipping business in March 2009, we now focus fully on our core tourism business.

The recent major steps of our transformation to our current structure were:

2006	Establishment of the new airline TUIfly
2007	Establishment of TUI Travel by merging our distribution, tour operator, airline and destination services operations with those of First Choice Holidays PLC
2008	Establishment of TUI Cruises GmbH, a joint venture of TUI AG and Royal Caribbean Cruises Ltd.
2009	Sale of 56.7% indirect stake in Hapag-Lloyd AG
2009	Divestment of the city route network of TUIfly, which was taken over by Air Berlin plc
2010	Increase of our indirect stake in Hapag-Lloyd AG to 49.8% through conversion of Hybrid Capital I into equity
2011	Sale of 11.3% indirect stake in Hapag-Lloyd AG reducing our holding in Hapag-Lloyd to 38.4%
2012	Sale of indirect stake in Hapag-Lloyd AG reducing our holding in Hapag-Lloyd to 22.04%
2014	Announcement of intention to merge TUI AG and TUI Travel

As a result of the implementation of our reorientation strategy, we have transformed our Group from an industrial conglomerate to a tourism group with a strong focus on tour operating, hotels and resorts and cruises.

Recent Developments

Proposed Merger between TUI AG and TUI Travel

On September 15, 2014, the independent directors of TUI Travel and the Executive Board (*Vorstand*) of the Company announced that they had agreed on the terms of the TUI Merger (as defined herein). The terms of the TUI Merger will offer holders of TUI Travel Scheme Shares (as defined herein) 0.399 New TUI Shares for each TUI Travel Scheme Share held.

The TUI Merger will be effected by way of a UK Court-sanctioned scheme of arrangement of TUI Travel, involving TUI issuing new TUI shares as consideration. See "The Merger Transactions."

Stake in the Container Shipping business of Hapag-Lloyd

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

On April 16, 2014, Hapag-Lloyd and its Chilean competitor CSAV signed a business combination agreement, initiating a merger between the two shipping lines. Following the merger, TUI AG's stake in Hapag-Lloyd will decline from 22.04% to approximately 15% in the new company. It will decrease further to approximately 14% following a planned capital increase in the framework of the merger that TUI AG will not participate in. The rights of the TUI shareholders have been secured in this context. The shareholders of Hapag-Lloyd have come to a binding agreement to float the newly-formed company in the stock market in 2015. In the event of an IPO of the new company, TUI may benefit from priority placement of its shares over all other shareholders. Moreover, TUI will also be entitled in the run-up to the IPO to sell its shares in the form of a private placement or to sell them to individual investors.

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

Profit Forecast

The expected development of the Group in the financial year ending September 30, 2014 shown below is presented at constant currency, assuming a sterling exchange rate of £0.83/€ (average exchange rate in the financial year ended September 30, 2013: £0.84/€).

Underlying EBITA

The Group's underlying EBITA in the financial year ended September 30, 2014 was expected to rise by 6% to 12% year-on-year according to our original outlook. Against the background of the positive development, we now expect an improvement at least at the upper end of this range.

Adjustments

On balance, one-off expenses are expected to decline in the financial year ended September 30, 2014, despite unscheduled one-off expenses for the back payment of VAT on the margin for prior years at TUI Travel which had to be carried in the third quarter. The decline will result, in particular, from further expected one-off income from the curtailment of pension obligations at TUI Travel in the fourth quarter of the financial year ended September 30, 2014, to be adjusted in earnings.

EBITA

We expect an increase in reported EBITA at least at the upper end of the projected range of 16% to 23% in the financial year ending September 30, 2014 due to the decline in one-off effects to be carried as adjustments and the improvement in our operating result.

The statements above constitute profit forecasts published by the Company. Such statements are "forward-looking statements", which are based on assumptions and estimates. Although we are convinced that these forward-looking statements are realistic, they are not guarantees of future performance since our assumptions involve risks and uncertainties that could cause actual results to differ materially from those anticipated.

The members of the Executive Board of the Company confirm for the purposes of the City Code on Takeovers and Mergers in the United Kingdom that each such profit forecast remains valid, has been properly compiled on the basis of the assumptions stated and the basis of accounting used is consistent with the Company's accounting policies.

Peter Long, as CEO of TUI Travel is not participating in the Executive Board of TUI AG for the purposes of the recommended all-share nil-premium merger with TUI Travel announced on September 15, 2014 or the giving of these confirmations.

The prospective financial information included in this Offering Memorandum has been prepared by, and is the responsibility of, the Company's management. The Company and its management believe that profit forecast for EBITA and underlying EBITA has been prepared on a reasonable basis, reflecting the best estimates and judgments, and represent, to the best of management's knowledge and opinion, the Company's expected course of action. However, because this information is highly subjective, it should not be relied on as necessarily indicative of future results.

PricewaterhouseCoopers has neither examined, compiled nor performed any procedures with respect to the prospective financial information contained herein and, accordingly, *PricewaterhouseCoopers does not express an opinion or any other form of assurance on such information or its achievability. PricewaterhouseCoopers assumes no responsibility for and denies any association with the prospective financial information.*

The PricewaterhouseCoopers reports included in this Offering Memorandum refer exclusively to the Company's historical financial statements. It does not extend to the prospective financial information and should not be read to do so. This prospective financial information was not prepared with a view toward compliance with published guidelines of the U.S. Securities and Exchange Commission or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information.

The Merger Transactions

On September 15, 2014, the independent directors of TUI Travel and the Executive Board of the Company announced that they had agreed the terms of a recommended all-share nil-premium merger of TUI Travel and the Company (the "**TUI Merger**"). Peter Long has not participated in discussions of, or decisions in relation to, the TUI Merger by the Company's Executive Board. The terms of the TUI Merger will offer holders of TUI Travel shares other than those shares beneficially owned or controlled by the Company and certain connected parties (the "**TUI Travel Scheme Shares**") (the "**Scheme Shareholders**") 0.399 New TUI Shares in exchange for each TUI Travel Scheme Share held at the time of the Scheme Record Time (as defined herein) (the "**Offer**").

It is intended that the Merger will be implemented by way of a Court-sanctioned Scheme of Arrangement (the "**Scheme**") between TUI Travel and the TUI Travel Scheme Shareholders under Part 26 of the UK Companies Act 2006 (as amended from time to time) (the "**UK Companies Act**").

The purpose of the Scheme is to provide for the Company to become the holder of the entire issued and to be issued ordinary share capital of TUI Travel not already owned or controlled by the Company and certain connected parties. This is to be achieved by the cancellation of the TUI Travel Scheme Shares held by TUI Travel Scheme Shareholders involving a reduction of capital, with the reserve arising from such cancellation being used to pay up in full such number of New TUI Travel Shares as is equal to the number of TUI Travel Scheme Shares cancelled, which will be issued to the Company. In consideration, the TUI Travel Scheme Shareholders will receive consideration in the form of entitlements to new Company shares. Following completion of the TUI Merger, TUI Travel will be a wholly-owned subsidiary of the Company.

Upon completion of the TUI Merger, the enlarged share capital of the Company will be admitted to listing on the premium segment of the Official List of the UK Listing Authority and admitted to trading on the main market of the London Stock Exchange. The Combined Group will seek inclusion in the FTSE UK Index Series (including FTSE 100).

Taking into consideration the Company's existing stake in TUI Travel, the TUI Merger is expected to result in TUI Travel Shareholders (other than the Company and certain connected parties) owning 46% of the Combined Group and existing TUI Shareholders owning 54% of the Combined Group, on a fully diluted basis. It is expected that the TUI Merger will become effective in December 2014. See "The Merger Transactions."

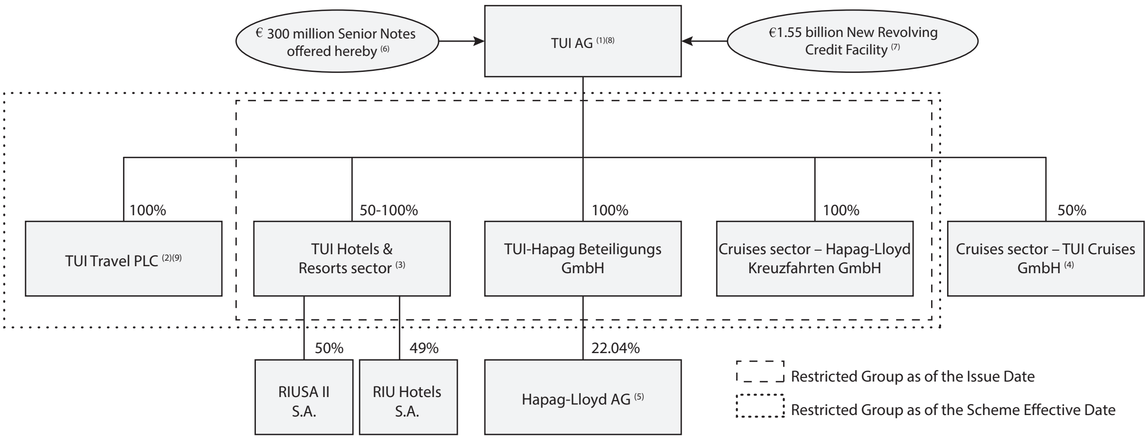
Escrow

Pending occurrence of the Escrow Release Date, the Issuer will direct the Initial Purchasers to deposit the gross proceeds from the offering into an escrow account held by the Escrow Agent for the benefit of the Trustee and the holders of the Notes. The Escrow Account will not be pledged in favor of the Trustee. The escrowed proceeds will be used for general corporate purposes and to refinance certain of the Company's existing indebtedness and will be subject to the escrow release conditions. If the Escrow Release Date has not or cannot occur by the Escrow Longstop Date, then all Notes will be subject to a special mandatory redemption at a price equal to 100%, if redeemed on or before June 30, 2015, or 101%, if redeemed thereafter, of the Notes' initial issue price, plus accrued and unpaid interest and additional amounts, if any, from the Issue Date to the special mandatory redemption date. See "Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption" and "Risk Factors—Risks Relating to the Scheme of Arrangement—Release of the proceeds from the Offering is subject to certain release conditions."

CORPORATE STRUCTURE AND CERTAIN FINANCING ARRANGEMENTS

Our Corporate and Financing Structure

The following diagram depicts, in simplified form, our corporate and financing structure after giving effect to the Transactions, including the issuance and sale of the Notes offered hereby and the application of the proceeds therefrom as set forth under "Use of Proceeds." Pending the occurrence of the Escrow Release Date and satisfaction of certain conditions as described under "The Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption," the gross proceeds of the Offering will be deposited into the Escrow Account. If the Escrow Release Date has not or cannot occur by the Escrow Longstop Date or in the case of certain other events, all Notes will be subject to a special mandatory redemption at a price equal to 100%, if redeemed on or before June 30, 2015, or 101%, if redeemed thereafter, of the Notes' initial issue price, plus accrued and unpaid interest and additional amounts, if any, from the Issue Date to the special mandatory redemption date. See "Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption."



(1) According to the notices made available to the Issuer in accordance with the German Securities Trading Act (*Wertpapierhandelsgesetz—WpHG*), the principal shareholders of the Issuer and their respective percentage ownership of the Issuer's shares are as follow: S-Group Travel Holding GmbH (23.41%), Riu Hotels S.A. (7.09%), Deutsche AWM Investment GmbH (3.09%) and Black Rock, Inc. (3.01%). In addition, Unifirm Limited (a limited liability company incorporated in Cyprus which is ultimately controlled by Alexey Mordashow) holds approximately 2.72% of the issued share capital of the Company. See "Principal Shareholders."

(2) We control 54.9% of the voting rights in TUI Travel. As of the Issue Date, all of the Company's subsidiaries will qualify as "Restricted Subsidiaries" and no subsidiary of the Company will constitute an "Unrestricted Subsidiary," however, provided that prior to the occurrence of the Scheme Effective Date neither TUI Travel nor any of its subsidiaries shall constitute a "Subsidiary" (as defined in "Description of the Notes") or "Restricted Subsidiary" for purposes of the Indenture (unless otherwise set forth under the relevant provisions of the Indenture). Therefore, during such period neither TUI Travel nor any of its subsidiaries will be subject to any of the restrictive covenants in the Indenture. Upon the occurrence of the Scheme Effective Date, TUI Travel and each of its subsidiaries will qualify as a "Subsidiary" (as defined in "Description of the Notes") and "Restricted Subsidiary," as applicable, under the Indenture. See "Description of the Notes—Restricted Subsidiaries; Issuer a Holding Company."

(3) The TUI Hotels & Resorts sector primarily provides hotel capacity for our Group's tour operators in strategically important destinations. It includes majority participations in hotels, joint ventures with local partners, companies where TUI holds a financial stake, and hotels operated under management contracts.

(4) TUI Cruises GmbH is a joint venture formed in 2008 between the Issuer and the U.S. shipping company Royal Caribbean Cruise Ltd., in which each joint venture partner holds a 50% interest. TUI Cruises GmbH is based in Hamburg, Germany, and offers cruises targeted at the German-speaking premium market. TUI Cruises GmbH will not be subject to any of the restrictive covenants in the Indenture.

(5) We currently hold an indirect 22.04% interest in Hapag-Lloyd. The remaining shares are held by a Hamburg-based consortium. The Issuer's holding in Hapag-Lloyd is considered a financial investment to be monetized; hence, the at-equity result is not included in the performance indicator EBITA of the Group. On April 16, 2014, Hapag-Lloyd and its Chilean competitor CSAV signed a business combination agreement, initiating a merger between the two shipping lines. Following the completion of such merger, the Issuer's stake in Hapag-Lloyd will decline from 22.04% to approximately 15% in the new company. It will decrease further to approximately 14% following a planned capital increase in the framework of the merger in which the Issuer will not participate. In the light of the completion of the merger, the Issuer accounts for its stake in Hapag-Lloyd as being held for sale under IFRS 5, starting April 29, 2014. At that time, equity accounting for this investment also ceased.

(6) The Notes will be senior unsecured obligations of the Issuer. The Issuer is a holding company with no material independent business operations or significant assets other than investments in its subsidiaries. The Issuer will be dependent upon

payments made by its subsidiaries as well as upstream loans or distributions to service its payment obligations under the Notes and the New RCF Agreement and to meet its other cash requirements. See "Risk Factors—Risks Relating to the Notes and the Notes Guarantees—The Issuer is a holding company dependent upon cash flow from subsidiaries to meet its obligations under the Notes." As of the Issue Date, the Notes will not be guaranteed by any of the Issuer's Restricted Subsidiaries. In the future, certain Restricted Subsidiaries of the Issuer may guarantee the Notes on a senior basis if and to the extent any of such Restricted Subsidiaries becomes a guarantor under the New RCF Agreement. Each such Notes Guarantee will be subject to contractual and legal limitations and may be released under certain circumstances. See "Risk Factors—Risks Relating to the Notes and the Notes Guarantees—Each Notes Guarantee will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability" and "Certain Insolvency Law Considerations and Limitations on Validity and Enforceability of Notes Guarantees." As of and for the financial year ended September 30, 2013 the Guarantors accounted on a consolidated basis for approximately 55% of the adjusted assets of our Group (total assets less goodwill and intangible assets), on a consolidated basis for approximately 60% of the total turnover of our Group and for more than 90% of the total EBITA of our Group.

(7) On September 10, 2014, the Issuer, as borrower, entered into a multicurrency revolving credit facility agreement for any amount of up to €1.55 billion (the "**New RCF Agreement**"), with Citigroup Global Markets Limited, J.P. Morgan Limited and UniCredit Bank AG as arrangers, the financial institutions named therein as original lenders and UniCredit Luxembourg S.A. as facility agent. The New RCF Agreement ranks *pari passu* with all the Issuer's other unsecured and unsubordinated indebtedness. The New RCF Agreement will be guaranteed by certain of the Company's subsidiaries which shall also become Guarantors under and in accordance with the terms of the Indenture. See "Description of Certain Financing Arrangements—TUI AG up to €1,550,000,000 revolving credit facility" and "Description of the Notes—Future Notes Guarantees."

(8) As of the Issue Date, the Company will have two convertible bonds outstanding, (i) 5.5% convertible bonds due November 2014 in an original principal amount of €217,789,399.90 and (ii) 2.75% convertible bonds due March 2016 in an original principal amount of €338,964,059.22. In addition, the Company will have outstanding 8.625% perpetual subordinated fixed to floating rate bonds which were issued by the Company in an original amount of €300,000,000. See "Description of Certain Financing Arrangements."

(9) As of the Issue Date, TUI Travel will have two convertible bonds outstanding, (i) 6.0% convertible bonds due October 2014 in an original principal amount of £350,000,000 and (ii) 4.90% convertible bonds due April 2017 in an original principal amount of €400,000,000. See "Description of Certain Financing Arrangements."

SUMMARY OF THE OFFERING

The following is a brief summary of certain terms of the Offering. It may not contain all the information that is important to you. For a more complete understanding of the Notes, including the definitions of terms used in this summary, please see "Description of the Notes."

Issuer . . . . TUI AG, incorporated as a public stock corporation (*Aktiengesellschaft*) under the laws of the Federal Republic of Germany.

Notes Offered . . . . €300 million aggregate principal amount of its 4.50% Senior Notes due 2019 (the "**Notes**").

Issue Date . . . . September 26, 2014.

Issue Price . . . . 100.000% (plus accrued and unpaid interest from the Issue Date).

Maturity Date . . . . October 1, 2019.

Interest Rate and Payment Dates . . . . The Notes will bear interest at a rate of 4.50% per annum, payable semi-annually in arrears on April 1 and October 1 of each year, beginning on April 1, 2015. Interest on the Notes will accrue from the Issue Date.

Form of Denomination . . . . The Notes will be issued in global form in denominations of €100,000 and in integral multiples of €1,000 in excess thereof, maintained in book-entry form. The Notes will be issued in registered form.

Ranking of the Notes . . . . The Notes will be general senior debt of the Issuer and will:

- rank *pari passu* in right of payment with any existing and future indebtedness of the Issuer that is not subordinated in right of payment to the Notes;
- rank senior in right of payment to any existing and future indebtedness of the Issuer that is subordinated in right of payment to the Notes;
- be effectively subordinated in right of payment to any existing and future secured indebtedness of the Issuer to the extent of the value of the assets securing such indebtedness; and
- be structurally subordinated to all existing and future obligations of the subsidiaries of the Issuer that are not Guarantors.

Notes Guarantees . . . . As of the Issue Date, the Notes will not be guaranteed by any of the Issuer's Restricted Subsidiaries. In the future, the following Restricted Subsidiaries of the Issuer (and any other of its Restricted Subsidiaries) may guarantee (the "**Notes Guarantees**") the Notes on a senior basis if and to the extent any of such Restricted Subsidiaries becomes a guarantor under the New RCF Agreement (each of the foregoing undefined terms as defined herein): TUI Travel, First Choice Holidays Finance Limited; First Choice Holidays Limited; Fritidsresor AB; Jetair NV; Leibniz Service GmbH; Preussag Beteiligungsverwaltungs GmbH IX; Preussag Immobilien GmbH; Sunshine Cruises Limited; Thomson Airways Limited; TUI Aviation GmbH; TUI Travel Belgium NV; TUI Deutschland GmbH; TUI Fly GmbH; TUI Nederland NV; TUI Travel Aviation Finance Limited; TUI Travel Holdings Limited; TUI UK Limited and TUI UK Retail Limited. Each such Notes Guarantee will be subject to contractual and legal limitations and may be released under certain circumstances. See "Risk Factors—Risks Relating to the Notes and the Notes Guarantees—Each Notes Guarantee will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability" and "Certain Insolvency Law Considerations and Limitations on Validity and Enforceability of Notes Guarantees."

Ranking of the Notes Guarantees . . . . The Notes Guarantees will be general senior unsecured obligations of the relevant Guarantor and will:

- rank equally in right of payment to any existing and future unsubordinated Indebtedness of such Guarantor;
- rank senior in right of payment to all existing and future Indebtedness of the Issuer that is subordinated to such Notes Guarantees, if any;
- be effectively subordinated to such Guarantor's existing and future secured Indebtedness to the extent of the value of the assets securing such Indebtedness; and
- be structurally subordinated to all existing and future Indebtedness of such Guarantor's Subsidiaries that are not also Guarantors.

As of and for the financial year ended September 30, 2013, the Guarantors accounted on a consolidated basis for approximately 55% of the adjusted assets of our Group (total assets less goodwill and intangible assets), on a consolidated basis for approximately 60% of the total turnover of our Group and for more than 90% of the total EBITA of our Group.

Use of Proceeds . . . . We will use the gross proceeds from the Offering for general corporate purposes and refinancing of certain of the Company's existing indebtedness and to pay fees and expenses in connection with the Offering. See "Use of Proceeds."

Additional Amounts; Tax Redemption . . . . Any payments made with respect to the Notes will be made without withholding or deduction for taxes in any relevant taxing jurisdiction unless required by law. If such taxes are required by law to be withheld or deducted with respect to a payment to the holders of Notes, we will pay the additional amounts necessary so that the net amount received by the holders of Notes after the withholding is not less than the amount that they would have received in the absence of the withholding, subject to certain exceptions. See "Description of the Notes—Payment of Additional Amounts."

If certain changes in the law of any relevant taxing jurisdiction become effective that would impose withholding taxes or other deductions on the payments on the Notes, the Issuer may redeem the Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption. See "Description of the Notes—Redemption for Changes in Taxes."

Optional Redemption . . . . At any time prior to October 1, 2016, we may redeem all or part of the Notes at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the applicable premium set forth in this Offering Memorandum, plus accrued and unpaid interest and additional amounts, if any. See "Description of the Notes—Optional Redemption."

In addition, on or prior to October 1, 2016, we may redeem up to 35% of the original principal amount of each of the Notes with the net cash proceeds from specified equity offerings at a redemption price equal to 104.500% of the principal amount of the Notes, plus accrued and unpaid interest and additional amounts, if any, to the redemption date provided that at least 65% of the original principal amount of the Notes remains outstanding after the redemption. See "Description of the Notes—Optional Redemption."

We may redeem the Notes on or after October 1, 2016, in whole or in part, at our option at the redemption prices set forth under the caption: "Description of the Notes—Optional Redemption," plus accrued and unpaid interest and additional amounts, if any.

Change of Control . . . . Upon the occurrence of certain change of control events, we will be required to offer to repurchase the Notes at 101% of their aggregate principal amount, plus accrued and unpaid interest and additional amounts, if any, to the date of the purchase. See "Description of the Notes—Repurchase at the Option of Holders upon a Change of Control."

Escrow of Proceeds; Special Mandatory Redemption . . . . The gross proceeds of the offering will be deposited into the Escrow Account held by the Escrow Agent for the benefit of the Trustee and the holders of the Notes pursuant to the Escrow Agreement. The escrow proceeds will be used for general corporate purposes and the refinancing of certain of the Company's existing indebtedness. The release of the escrowed proceeds will be subject to the satisfaction of certain conditions, including the occurrence of the Scheme Effective Date in accordance with the Scheme, the conditions and certain terms of which were set out in the announcement made on September 15, 2014 by the Issuer and TTP in relation to the merger of those companies (provided that any conditions to the Scheme may only be amended, waived or modified under certain circumstances and in accordance with the relevant provisions under the Indenture). All Notes will be subject to a special mandatory redemption if any of the following events occur on or before the Escrow Longstop Date: (1) the Escrow Release Date does not take place on or prior to the Escrow Longstop Date, (2) there occurs a repudiation by the Company of any of its obligations under the Escrow Agreement or the Escrow Agreement becomes unenforceable against the Company for any reason, (3) the Company has announced the termination of or its intention to abandon the Scheme prior to its completion, (4) in the reasonable judgment of the Company, the Scheme Effective Date cannot occur by the Escrow Longstop Date, (5) there occurs any insolvency or bankruptcy-related event of default or (6) any of the escrow release conditions become incapable of being satisfied on or prior to the Escrow Longstop Date. The special mandatory redemption price will be 100%, if redeemed on or before June 30, 2015, or 101%, if redeemed thereafter, of the Notes' initial issue price, plus accrued and unpaid interest and additional amounts, if any, from the Issue Date (as defined herein) to the special mandatory redemption date. See "Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption."

Certain Covenants	The indenture governing the Notes will contain certain covenants that restrict, among other things, our ability to: • incur additional indebtedness; • pay dividends on, redeem or repurchase our capital stock; • make certain restricted payments and investments; • guarantee certain indebtedness without also guaranteeing the Notes; • create certain liens; • transfer or sell assets; • merge or consolidate with other entities; and • engage in certain activities. Each of the covenants is subject to a number of important exceptions and qualifications. See "Description of the Notes—Certain Covenants."
Transfer Restrictions	The Notes have not been registered under the U.S. Securities Act or the securities laws of any other jurisdiction and will not be so registered. The Notes are subject to restrictions on transferability and resale. See "Transfer Restrictions." Holders of the Notes will not have the benefit of any exchange or registration rights.
No Prior Market	Although application has been made to admit the Notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market in accordance with its rules, the Notes will be new securities for which there is no market. Although the Initial Purchasers have informed us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market making at any time without notice. Accordingly, we cannot assure you that an active trading market for the Notes will develop or be maintained.
Governing Law and Jurisdiction	New York law and exclusive jurisdiction of the Courts of England and Wales. The Escrow Agreement will be governed by English law.
Trustee	Citibank, N.A., London Branch.
Escrow Agent	Citibank, N.A., London Branch.
Registrar	Citibank, N.A., London Branch.
Principal Paying Agent and Transfer Agent	Citibank, N.A., London Branch.
Listing Agent	Banque Internationale à Luxembourg S.A.
Risk Factors	Investing in the Notes involves substantial risks. You should carefully consider all the information in this Offering Memorandum, and, in particular, you should evaluate the specific risk factors set forth in the "Risk Factors" section in this Offering Memorandum before making a decision whether to invest in the Notes.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following tables present summary financial information of the Issuer as of and for the financial years ended September 30, 2013, 2012 and 2011 and as of and for the nine-month periods ended June 30, 2014 and 2013. Additionally, the tables below present other financial information for the twelve-month period ended June 30, 2014. For a detailed discussion of the presentation of financial information and other data, see "Presentation of Financial and Other Data."

The unaudited consolidated financial information presented for the twelve-month period ended June 30, 2014 is calculated by taking the results of operations for the nine-month period ended June 30, 2014 (as shown in the 2014 Audited Nine Months Consolidated Financial Statements) and adding it to the results of operations for the full financial year ended September 30, 2013 (as shown in the 2013 Audited Consolidated Financial Statements) and subtracting the results of operations for the nine-month period ended June 30, 2013 (as shown in the 2014 Audited Nine Months Consolidated Financial Statements). Effective as of January 1, 2013, the Company has applied IAS 19 (revised), relating to employee benefits. Figures for the nine-month period ended June 30, 2013 presented as comparable financial information in the 2014 Audited Nine Months Consolidated Financial Statements have been adjusted in accordance with IAS 19 (revised). In accordance with IFRS, the figures included in the 2013 Audited Consolidated Financial Statements have not yet been adjusted in accordance with IAS 19 (revised). See the Notes of the 2014 Audited Nine Months Consolidated Financial Statements. The unaudited financial information for the twelve-month period ended June 30, 2014 consists of non-IFRS financial measures.

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

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

The following summary financial information should be read together with the sections "Presentation of Financial and Other Data," "Use of Proceeds," "Capitalization," "Management's Discussion and Analysis of Financial Condition and Results of Operations," the Audited Consolidated Financial Statements including the related notes contained elsewhere in this Offering Memorandum. Results for the nine-month period ended June 30, 2014 are not indicative of results that may be expected for the entire year.

Summary Financial Information Relating to the Group

Income Statement Information

	Financial year ended September 30,			Nine-month period ended June 30,		Twelve-month period ended June 30,
	2011	2012	2013	2013(3)	2014	2014
	(in € million)					
	(audited)	(audited)	(audited)	(audited)	(audited)	(unaudited)
Turnover	**17,480.3**	**18,330.3**	**18,477.5**	**11,518.4**	**11,384.4**	**18,343.5**
Cost of sales	15,655.2	16,285.8	16,436.3	10,818.0	10,528.6	16,146.9
Gross profit	**1,825.1**	**2,044.5**	**2,041.2**	**700.4**	**855.8**	**2,196.6**
Administrative expenses	1,508.8	1,555.7	1,557.3	1,154.4	1,152.5	1,555.4
Other income/other expenses	77.1	71.1	26.3	22.1	21.5	25.7
Impairment of goodwill	—	13.8	8.3	8.3	—	0.0
Financial result	(239.5)	(284.7)	(235.7)	(206.1)	(187.6)	(217.2)
Financial income	*254.3*	*159.9*	*124.0*	*27.3*	*19.8*	*116.5*
Financial expenses	*493.8*	*444.6*	*359.7*	*233.4*	*207.4*	*333.7*
Share of result of joint ventures and associates	52.9	(8.7)	59.3	17.3	(9.2)	32.8
Earnings (loss) before income taxes (EBT)	**206.8**	**252.7**	**325.5**	**(629.0)**	**(472.0)**	**482.5**
Reconciliation to underlying earnings(1)						
Earnings (loss) before income taxes	206.8	252.7	325.5	(629.0)	(472.0)	482.5
plus: Loss on Container Shipping measured at equity	2.1	49.0	22.3	25.4	38.9	35.8
less: Gain on reduction and measurement of financial investment in Container Shipping(2)	(51.2)	(61.6)	—	—	—	0.0
plus: Net Interest expense and expense from measurement of interest hedges	286.8	284.9	238.7	203.5	184.7	219.9
plus: Impairment of goodwill	—	13.8	8.3	8.3	—	0.0
EBITA(1)	444.5	538.8	594.8	(391.8)	(248.4)	738.2
Adjustments:						
plus: Losses on disposals	—	*1.8*	*1.4*	*1.5*	*(2.3)*	*(2.4)*
plus: Restructuring expense	*70.8*	*63.2*	*62.3*	*29.4*	*32.0*	*64.9*
plus: Expense from purchase price allocation	*96.1*	*75.1*	*75.0*	*56.1*	*52.0*	*70.9*
plus: Expense (income) from other one off items	*(11.3)*	*66.8*	*28.4*	*52.6*	*(15.6)*	*(39.8)*
Underlying EBITA(1)	**600.1**	**745.7**	**761.9**	**(252.2)**	**(182.3)**	**831.8**
Earnings (loss) before income taxes	**206.8**	**252.7**	**325.5**	**(629.0)**	**(472.0)**	**482.5**
Tax expense (tax income)	88.6	110.8	139.0	(152.8)	(123.4)	168.4
Group profit (loss) for the period	**118.2**	**141.9**	**186.5**	**(476.2)**	**(348.6)**	**314.1**
Group result for the year attributable to shareholders of TUI AG	23.9	(15.1)	4.3	(376.2)	(249.2)	131.3
Group profit (loss) for the period attributable to non-controlling interests	94.3	157.0	182.2	(100.0)	(99.4)	182.8

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

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

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

Selected Information from the Balance Sheet

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

Selected Information from the Statement of Cash Flows

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

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

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

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

Other Financial Data

	As of and for the financial year ended September 30,			As of and for the nine-month period ended June 30,		As of and for the twelve-month period ended June 30,
	2011	2012	2013	2013[13]	2014	2014
	(in € million)					
	(audited)[10]	(audited)[10]	(audited)[10]	(audited)[10]	(audited)[10]	(unaudited)
Earnings before interest, taxes, and impairment of goodwill (EBITA)[1]	444.5	538.8	594.8	(391.8)[11]	(248.4)	738.2
Underlying EBITA[1]	600.1	745.7	761.9	(252.2)[11]	(182.3)	831.8
Net debt[2][3]	817.0	178.2	67.9	475.3	298.1	298.1
EBITDA[4]	850.1	924.1	1,010.6	(75.8)	38.3	1,124.7
EBITDAR[5]	1,690.7	1,698.7	1,808.4	484.3	632.0	1,956.1
Cash and cash equivalents						1,939.3
Total financial liabilities[6]						2,237.4
Pro forma cash and cash equivalents[7]						2,232.3
Pro forma total financial liabilities[8]						2,537.4
Pro forma net debt[9]						305.1
Ratio of pro forma total financial liabilities to EBITDA						2.3x
Ratio of pro forma net debt to EBITDA						0.3x

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

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

(3) Unaudited.

(4) The following table reconciles EBITA to EBITDA for the periods indicated and provides other key financial information.

	Financial year ended September 30,			Nine-month period ended June 30,		As of and for the twelve-month period ended June 30,
	2011	2012	2013	2013[2]	2014	2014
	(in € million)					
	(audited)	(audited)	(audited)	(audited)	(audited)	(unaudited)
EBITA	444.5	538.8	594.8	(391.8)	(248.4)	738.2
Amortizations of other intangible assets and depreciations of properties, plant, and equipment	405.6[3]	385.3	415.8[3]	316.0[3]	286.7[3]	386.5
EBITDA[1]	**850.1**	**924.1**	**1,010.6**	**(75.8)**	**38.3**	**1,124.7**

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

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

(3) Less writebacks.

(5) The following table reconciles EBITDA to EBITDAR for the periods indicated.

	Financial year ended September 30,			Nine-month period ended June 30,		Twelve-month period ended June 30,
	2011	2012[3]	2013	2013[1]	2014	2014
	(in € million)					
	(audited)	(audited)	(audited)	(audited)	(audited)	(unaudited)
EBITDA[2]	850.1	924.1	1,010.6	(75.8)	38.3	1,124.7
Rental expenses	840.6	774.6	797.8	560.1	593.7	831.4
EBITDAR	**1,690.7**	**1,698.7**	**1,808.4**	**484.3**	**632.0**	**1,956.1**

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

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

(3) Figures taken from the audited consolidated financial statements for the financial year ended September 30, 2013.

(6) Total financial liabilities represents the sum of current financial liabilities and non current financial liabilites.

(7) Pro forma cash and cash equivalents represents cash and cash equivalents including the net proceeds of the Offering in the amount of €293,000,000.

(8) Pro forma total financial liabilities represents the increase of financial liabilities in the nominal amount of €300,000,000 after giving pro forma effect to the Offering.

(9) Pro forma net debt represents pro forma total financial liabilities less pro forma cash and cash equivalents.

(10) Unless otherwise stated.

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

RISK FACTORS

An investment in the Notes involves a high degree of risk. In addition to the other information contained in this Offering Memorandum, you should carefully consider the following risk factors before purchasing the Notes. The risks and uncertainties we describe below are not the only ones we face. Additional risks and uncertainties of which we are not aware or that we currently believe are immaterial may also adversely affect our business, financial condition and results of operations. If any of the possible events described below were to occur, our business, financial condition and results of operations could be materially and adversely affected. If that happens, the trading prices of the Notes could decline and we may not be able to pay interest or principal on the Notes when due and you could lose all or part of your investment.

This Offering Memorandum also contains "forward-looking" statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this Offering Memorandum. Please see "Forward Looking Statements."

Risks Relating to our Business

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our business is subject to changes in customer behavior and preferences.

Our success depends on the introduction and expansion of products and services that meet customer demands and preferences. If our product and services fail to attract and/or retain customers across markets as anticipated, or if we are unable to adapt our products and services to rapidly changing customer demands and preferences, which may vary from market to market, this could have a material adverse effect on our business, results of operations and financial condition. For example, in recent years, customers have been increasingly booking holidays nearer the time of travel than has traditionally been the case. This change in booking behavior makes it considerably more difficult for tourism companies to engage in seasonal planning and adjust capacity to react to short-term changes in customer demand. For example, bad weather at any of our destinations, or unseasonably warm weather in our source markets, could reduce demand for travel to our "sun and beach" destinations, which are very important contributors to our turnover. There is also a risk that customers may choose to travel less by aircraft if they believe that aircraft travel is harmful to the environment. Historically, most of our business was generated through our integrated package tours allowing us to maximize the use of our aircraft, hotel and cruise line capacity efficiently. Nowadays, customers increasingly purchase component travel products, such as flights and hotel accommodation or flights and cruises, separately, particularly via online platforms. Online platforms increase price transparency and could lead to reduced margins throughout the tourism industry.

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

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

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

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

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

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

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

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

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

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

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

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

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

Our business depends on IT systems.

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

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

We are in the process of implementing a common enterprise resource planning ("**ERP**") platform for parts of our mainstream business to provide a more robust, controls-based approach to transaction processing as well as to improve the consistency of reporting and financial controls, starting with our largest source markets, the United Kingdom and Germany, with completion expected in the United

Kingdom in late 2015. However, the implementation of the ERP platform may not be successful, or may be significantly delayed and result in the incurrence of higher than expected costs, and we may not be able to realize the anticipated benefits of such implementation.

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

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

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

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

Our risk management policy requires us to hedge these foreign currency risks. The companies within the TUI Travel Group use financial derivatives to hedge their planned foreign exchange requirements. They aim to cover 80% to 100% of the planned currency requirements at the beginning of each tourism season, taking into account the different risk profiles of the Group companies operating in various source markets. The hedged volumes are changed in line with changes in planned requirements on the basis of reporting by the subsidiaries. Currency hedging in the TUI Hotels & Resorts and Cruise sector is also based on the reports submitted by the subsidiaries. The aim of the hedges is to cover 80% of the reported exposure. To the extent that we have not adequately hedged our currency exposure, a significant negative change in exchange rates could result in a mismatch between our costs and turnover that could significantly impact our results of operations.

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

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

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

Our business is vulnerable to rising fuel costs.

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

Our business is subject to seasonal fluctuations.

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

Our activities in foreign markets involve country-specific risks.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We may need to write down goodwill from our acquisitions.

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

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

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

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

As of the date of this Offering Memorandum we hold an indirect 22.04% stake in Hapag-Lloyd (which will decline to approximately 14% following the pending merger of Hapag-Lloyd with Compañía Sud America de Vapores ("**CSAV**") into one of the world's largest container shipping operators and the planned capital increase in connection therewith), which is accounted for at equity in our consolidated financial statements. Therefore, we are indirectly exposed to various risks relating to the container shipping business, including, among others:

- the highly cyclical nature of the container shipping industry and imbalances of supply and demand;
- negative effects of current and future market conditions on transport volumes and freight rates;
- the high level of competition in the container shipping industry;
- overcapacity and congestion in, or other access restrictions to, container shipping ports;
- considerable time lags between the ordering and the delivery of vessels, leading to heightened sensitivity to intermittent changes in shipping market conditions;
- changing trading patterns and sharpening trade imbalances;

- risks inherent in the operation of ocean-going vessels, such as marine disaster, environmental accidents, grounding, fire, explosions and collisions, cargo and property losses or damage, business interruptions caused by mechanical failure, human error, war, terrorism, political action in various countries, or adverse weather conditions, work stoppages or other labor problems with staff serving on vessels and at ports, piracy and terrorism; and
- the lack of securing sufficient sources of financing for Hapag-Lloyd's future capital needs in the capital-intensive container shipping industry.

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

We face risks associated with the restructuring of our business.

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

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

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

Labor disturbances could disrupt our business.

With over 77,000 employees around the world as of June 30, 2014, our relationships with employees, European and local works councils, trade unions and other employee representatives are important to our business. While we strive to maintain good relationships with our employees and their unions, there can be no assurance that such relationships will continue to be amicable or that we will not be affected by strikes, work stoppages, unionization efforts, or other types of conflict with labor unions or our employees. Our operations also depend on stevedores and other workers employed by third parties. Industrial action or other labor unrest with respect to our own employees or outside labor providers could prevent us from carrying out our operations according to our plans or needs. This could have material adverse effects on our business, financial condition and results of operations.

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

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

We are exposed to risks associated with online commerce security.

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

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

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

We are exposed to risks associated with payment fraud.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In a letter dated May 22, 2013, the German tax authorities have informed TUI AG and the German Travel Association ("**DRV**") that a provision of the German Trade Tax Act (*Gewerbesteuergesetz*, GewStG), amended with effect from financial year 2008, has to be interpreted such that the proportion of rentals, which may need to be estimated, from "hotel expenses" is not fully deductible in determining the tax base for trade tax payments. TUI does not share that view, in particular as hotel contracting agreements are mixed contracts also covering catering, cleaning, animation and other services characterizing the purchased service. Such mixed contracts are fully deductible according to judicial rulings and even according to the interpretation by the German tax authorities issued in 2012 (rental of manned ships). Should the tax authorities uphold their view, it is probable that tax court proceedings will take place in Germany over several years. As the Group has concluded many different contracts, quantifying this risk entails a substantial element of uncertainty. According to our current estimates, an essential risk might arise for the overall period since 2008.

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

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

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

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

Risks Relating to Our Structure

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

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

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

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

- making it more difficult for us to satisfy our debt obligations (including under the New RCF Agreement and the Notes);
- increasing our vulnerability to a downturn in our business or economic and industry conditions;
- limiting our ability to obtain additional financing to fund future operations, capital expenditures, business opportunities, acquisitions and other general corporate purposes and increasing the cost of any future borrowings;
- requiring the dedication of a substantial portion of our cash flows from operations to the payment of principal of, and interest on, our indebtedness, which means that these cash flows will not be available to fund our operations, capital expenditures, acquisitions or other corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business, the competitive environment and our industry; and
- placing us at a competitive disadvantage compared to our competitors that are not as highly leveraged.

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

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

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

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

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

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

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

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

Risks Relating to the Notes and the Notes Guarantees

The Issuer is a holding company dependent upon cash flow from subsidiaries to meet its obligations under the Notes.

The Issuer is a holding company with no material independent business operations or significant assets other than investments in its subsidiaries. The Issuer will be dependent upon payments made by its subsidiaries as well as upstream loans or distributions to service its payment obligations under the

Notes and the New RCF Agreement and to meet its other cash requirements. Accordingly, repayment of our indebtedness, including the Notes and the New RCF Agreement, depends on the generation of cash flow by our operating subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise. Our subsidiaries may not be able to make distributions to enable us to make payments in respect of our indebtedness, including the Notes and the New RCF Agreement. Each subsidiary is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. We cannot assure you that our subsidiaries will be able to, or be permitted to, pay to us the amounts necessary to service the Notes and the New RCF Agreement.

Despite our current level of indebtedness, we may still be able to incur substantially more debt in the future, which may make it difficult for us to service our debt, including the Notes, and impair our ability to operate our businesses.

We may incur substantial additional debt in the future. Any debt that we incur at our non-Guarantor subsidiary level would be structurally senior to the Notes, and other debt could be secured or could mature prior to the Notes. The terms of the indenture governing the Notes will permit us to incur future debt that may have substantially the same or more restrictive covenants as those of the indenture governing the Notes. Borrowings under other debt instruments that contain cross-acceleration or cross-default provisions, including the Notes, may as a result also be accelerated and become due and payable. If we incur any additional indebtedness that ranks equally with the Notes, the holders of that debt will be entitled to share ratably in any proceeds distributed in connection with our insolvency, liquidation, reorganization, dissolution or other winding-up. We may be unable to pay in full the Notes and these debts in such circumstances. The incurrence of additional debt would increase the leverage related risks described in this Offering Memorandum.

We may not be able to generate sufficient cash to service our indebtedness, including due to factors outside our control, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

We are highly leveraged and have significant debt service obligations. Our ability to make payments on or to refinance our debt obligations, including under the New RCF Agreement and the Notes, will depend on our future operating performance and ability to generate sufficient cash.

See also "Risk Relating to Our Business—Our substantial leverage and debt service obligations could materially adversely affect our business, financial condition or results of operations." Our business may not generate sufficient cash flows from operations to make payments on our debt obligations, and additional debt and equity financing may not be available to us in an amount sufficient to enable us to pay our debts when due, or to refinance such debts, including the Notes. If our future cash flows from operations and other capital resources are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to:

- reduce or delay our business activities or capital expenditures;
- sell assets;
- raise additional debt or equity financing in amounts that could be substantial, or
- restructure or refinance all or a portion of our debt, including the Notes, on or before maturity.

We cannot assure you that we would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all, or that those actions would yield sufficient funds to satisfy our obligations under our indebtedness.

In particular, our ability to restructure or refinance our debt will depend in part on our financial condition at such time as well as on many factors outside of our control, including then-prevailing conditions in the international credit and capital markets. Any refinancing of our debt could be at higher interest rates than our current debt and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments (including the New RCF Agreement) and the indenture governing the Notes may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest or principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness.

In the absence of operating results and resources sufficient to service our indebtedness we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. The terms of our indebtedness, including the New RCF Agreement and the indenture governing the Notes, restrict our ability to transfer or sell assets and the use of proceeds from any such disposition. We may not be able to consummate certain dispositions or to obtain the funds that we could have realized from the proceeds of such dispositions, and any proceeds we do realize from asset dispositions may not be adequate to meet any of our debt service obligations then due. These alternative measures may not be successful and may not permit us to meet our debt service obligations.

The Notes will be structurally subordinated to claims of existing and future creditors of non-Guarantor subsidiaries.

As of the Issue Date, the Notes will not be guaranteed by any of our Restricted Subsidiaries. In addition, any of our Restricted Subsidiaries (including the Future Guarantors) will only be obliged to provide a Notes Guarantee on behalf of the Notes under the Indenture if and to the extent such Restricted Subsidiary becomes a guarantor under the New RCF Agreement. Hence, several of our subsidiaries may not guarantee the Notes in the future at all. Our non-Guarantor subsidiaries will not have any obligations to pay amounts due under the Notes or to make funds available for that purpose. As of and for the financial year ended September 30, 2013, the Guarantors accounted on a consolidated basis for approximately 55% of the adjusted assets of our Group (total assets less goodwill and intangible assets), on a consolidated basis for approximately 60% of the total turnover of our Group and for more than 90% of the total EBITA of our Group. Holders of debt of, and trade creditors of, non-Guarantor subsidiaries, including lenders under bank financing agreements, are entitled to payment of their claims from the assets of such subsidiaries before these assets are made available for distribution to the Issuer or any Guarantor in its capacity as a direct or indirect shareholder.

In the event that any non-Guarantor subsidiary becomes insolvent, is liquidated, reorganized or dissolved or is otherwise wound up other than as part of a solvent transaction:

- the creditors of the Issuer (including the holders of the Notes) and the Guarantors will have no right to proceed against the assets of such subsidiary; and
- the creditors of such non-Guarantor subsidiary, including trade creditors, will be entitled to payment in full from the sale or other disposal of the assets of such subsidiary before the Issuer or any Guarantor, as a direct or indirect shareholder, will be entitled to receive any distributions from such subsidiary.

As such, the Notes and each Notes Guarantee will be structurally subordinated to the creditors (including trade creditors) of our non-Guarantor subsidiaries. In any of these cases, the relevant subsidiaries may not have sufficient funds to make payments to us, and holders of the Notes may receive less, rateably, than the holders of debt of such non-Guarantor subsidiaries.

Each Notes Guarantee will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability.

Each Notes Guarantee provided by any Guarantor may be subject to contractual and legal limitations, if and to the extent agreed in accordance with the agreed guarantee principles under the New RCF Agreement, and may be subject to certain generally available laws and defenses that may limit its validity and enforceability. These laws and defenses include those that relate to corporate benefit, fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally. For more information, see “Certain Insolvency Law Considerations and Limitations on Validity and Enforceability of Notes Guarantees.”

There are circumstances other than repayment or discharge of the Notes under which the Notes Guarantees will be released without your consent or the consent of the Trustee.

Under various circumstances, the Notes Guarantees will be released automatically and unconditionally, including, but not limited to:

- upon any sale or disposition of (a) capital stock of a Guarantor (or any parent entity thereof) following which such Guarantor is no longer a Restricted Subsidiary or (b) all or substantially all the properties and assets of a Guarantor (including by way of merger or consolidation) to a person that is not (either before or after giving effect to such transaction) the Issuer or a Restricted Subsidiary and that does not violate the covenant described in "Description of the Notes—Certain Covenants—Limitation on Sales of Assets;"

- upon the designation of such Guarantor (or any parent entity thereof) as an Unrestricted Subsidiary; and
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided below under the captions "Description of the Notes—Legal Defeasance and Covenant Defeasance of Indenture" and "Description of the Notes—Satisfaction and Discharge;"
- in the case of any Restricted Subsidiary that after the Issue Date is required to guarantee the Notes pursuant to the covenant described under "Description of the Notes—Certain Covenants—Future Note Guarantees", upon the release or discharge of the guarantee of Indebtedness by such Restricted Subsidiary which gave rise to the obligation to guarantee the Notes; and
- upon repayment of the Notes.

See "Description of the Notes—General—The Notes Guarantees."

Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

Fluctuations in interest rates may affect our interest on existing debt and the cost of new financing. As of June 30, 2014, we had financial liabilities of €2,237.4 million, of which approximately €551.8 million were floating rate (for further information on our indebtedness see "Description of Certain Financing Arrangements"). If interest rates increase, our debt service obligations on the variable rate indebtedness that is not hedged would increase even though the amount borrowed remained the same, which would require that we use more of our available cash to service our indebtedness. While we strive to manage our exposure to fluctuations in interest rates, we do not currently have any hedging arrangements or interest rate swaps to adjust interest rate risk exposure. If interest rates increase dramatically, we could be unable to service our indebtedness, which would exacerbate the risks associated with our leveraged capital structure. This could, in turn, have a material adverse effect on our business, financial condition, results of operations and cash flows.

The Issuer may not be able to finance a change of control offer.

The indenture governing the Notes will require the Issuer to make an offer to repurchase the Notes at 101% of their principal amount if we experience certain specified change of control events. The Issuer's failure to effect a change of control offer when required would constitute an event of default under the indenture governing the Notes. However, some important corporate events that might adversely affect the value of the Notes would not constitute a "change of control" under the indenture governing the Notes. In addition, the Issuer's ability to repurchase the Notes as may be required by the indenture governing the Notes will depend on its access to funds at such time, and it may not be able to secure access to enough cash to finance the repurchase. Upon a change of control event the Issuer may be required to also offer to repurchase certain other debt instruments, including the New RCF Agreement. It cannot be assured that there will be sufficient funds available upon a change of control to make these repayments and repurchases of tendered Notes. For a complete description of the events that would constitute a "change of control," you should read the section entitled "Description of the Notes—Repurchase at the Option of the Holders upon a Change of Control."

The change of control provisions contained in the indenture governing the Notes may not necessarily afford you protection in the event of certain corporate events, including reorganizations, restructurings, mergers or other similar transactions involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership, or, even if they do, may not constitute a "change of control" as defined in the indenture governing the Notes. Except as described in the section entitled "Description of the Notes—Repurchase at the Option of the Holders upon a Change of Control.," the indenture governing the Notes does not contain provisions that require us to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

The definition of "change of control" contained in the indenture governing the Notes includes a disposition of all or substantially all of the assets of the Issuer and its restricted subsidiaries, taken as a whole. Although there is a limited body of case law interpreting the phrase "all or substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the assets of the Issuer and its restricted subsidiaries, taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

The interests of our shareholders may be inconsistent with the interests of the holders of the Notes.

The interests of our ultimate shareholders could conflict with the interests of the holders of the Notes, particularly if we encounter financial difficulties or are unable to pay our debts when due. Our principal shareholders could also have an interest in pursuing acquisitions, divestitures, financings, dividend distributions or other transactions that, in their judgment, could enhance their equity investments, although such transactions might involve risks to the holders of the Notes. Finally, our direct and indirect shareholders may have strategic objectives or business interests that could conflict with our own strategies or interests. If the interests of our principal shareholders conflict with our interests or the interests of the holders of the Notes, or if our principal shareholders engage in activities or pursue strategic objectives that conflict with our interests or the interest of the holders of the Notes, we and you could be disadvantaged.

An active trading market may not develop for the Notes, in which case you may not be able to resell the Notes.

There is no existing trading market for the Notes and we cannot assure you that an active or liquid trading market will develop for the Notes. The Initial Purchasers have advised us that they intend to make a market in the Notes after completing the offering. However, the Initial Purchasers have no obligation to do so and may discontinue market making activities at any time without notice. We have made an application to list the Notes on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market. We cannot guarantee that the application we have made to the Official List of the Luxembourg Stock Exchange for the Notes to be listed and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange will be approved as of the Issue Date or at any time thereafter, and settlement of the Notes is not conditioned on obtaining this admission to trading. Future liquidity will depend, among other things, on the number of holders of the Notes, our financial performance, the market for similar securities and the interest of securities dealers in making a market in the Notes. In addition, changes in the overall market for high yield securities and changes in our financial performance or in the markets where we operate may adversely affect the liquidity of the trading market in these Notes and the market price quoted for these Notes. As a result, we cannot assure you that an active trading market will actually develop for these Notes. Historically, the markets for non-investment grade debt such as the Notes have been subject to disruptions that have caused substantial volatility in their prices. The market, if any, for the Notes may be subject to similar disruptions. Any disruptions may have an adverse effect on the holders of the Notes.

Transfer of the Notes will be restricted, which may adversely affect the value of the Notes.

Because the Notes have not been, and are not required to be, registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, they may not be offered or sold except to QIBs in accordance with Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and all other applicable laws. These restrictions may limit your ability to resell the Notes. It is your obligation to ensure that your offers and sales of the Notes within the U.S. and other countries comply with applicable securities laws. Please refer to the section entitled "Transfer Restrictions" for further information on these restrictions.

Your right to receive payments under the Notes will be effectively subordinated to claims of existing and future secured creditors of the Issuer, up to the value of the collateral securing such indebtedness.

The Notes will not be secured by any of the Issuer's assets. As a result, the indebtedness represented by the Notes will be effectively subordinated to any existing and future secured indebtedness we may incur, to the extent of the value of the assets securing such indebtedness. As of June 30, 2014, after giving effect to the Transactions, the Notes will effectively rank junior to €635.3 million of secured debt (including liabilities from finance leases), which is secured by €775.2 million of our total assets (including leased assets included in property, plant and equipment) and represents 10.96% of our total liabilities (excluding intercompany liabilities, provisions, income taxes, liabilities from derivatives and customer deposits). The terms of the indenture governing the Notes will permit us to incur additional secured indebtedness in the future subject to certain limitations. Accordingly, in the event of a bankruptcy, insolvency, liquidation, dissolution, reorganization or similar proceeding affecting the Issuer, your rights to receive payment will be effectively subordinated to those of secured creditors up to the value of the collateral securing such indebtedness. Holders of the Notes will participate ratably with all holders of our unsecured indebtedness that is deemed to be of the same class as the Notes, and potentially with all of our other general creditors, based on the respective amounts owed to each holder or creditor, in our remaining assets. In addition, if the secured lenders were to declare a default with respect to their loans and enforce their rights with respect to their collateral, there can be no assurance that our remaining assets would be sufficient to satisfy our other obligations, including our obligations with respect to the Notes. In any of the foregoing events, we cannot assure you that there will be sufficient assets to pay amounts due on the Notes. As a result, holders of the Notes may receive less, ratably, than holders of secured indebtedness.

The insolvency laws of Germany, the United Kingdom, the Netherlands, Belgium, Sweden and other jurisdictions may not be as favorable to holders of Notes as insolvency laws in the United States or other jurisdictions with which you may be familiar.

The Issuer is organized under the laws of Germany and headquartered there. In addition, several of our subsidiaries which may become Guarantors under the Indenture are incorporated under the laws of Germany, the United Kingdom, the Netherlands, Belgium, Sweden and other jurisdictions. Accordingly, in the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in Germany, the United Kingdom, the Netherlands, Belgium, Sweden or other relevant jurisdiction. The bankruptcy, insolvency, administrative and other laws of the Issuer's and the Guarantors' jurisdictions of organization or incorporation may be materially different from, or in conflict with, each other and those of the United States and other jurisdictions with which you may be familiar, including in the areas of rights of creditors, priority of governmental and other creditors, ability to obtain post-petition interest and duration of the proceeding. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's law should apply, adversely affect your ability to enforce your rights under the Notes and the Notes Guarantees in those jurisdictions or limit any amounts that you may receive.

Further, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. Pursuant to Council Regulation (EC) no. 1346/2000 on insolvency proceedings, "the courts of the member state within the territory of which the center of a debtor's main interests is situated" have jurisdiction to open insolvency proceedings. The European Court of Justice has held (Case C-396/09) that "where the bodies responsible for the management and supervision of a company are in the same place as its registered office and the management decisions of the company are taken, in a manner that is ascertainable by third parties," there is an irrebuttable presumption that the center of the company's main interests is located in that place. At the moment, the factual requirements of this presumption are fulfilled by the Issuer, however, it is not certain that this will continue to be the case.

A summary description of certain aspects of the insolvency laws of the European Union, Germany, the United Kingdom, the Netherlands, Belgium and Sweden are set out under "Certain Insolvency Law Considerations and Limitations on Validity and Enforceability of Notes Guarantees."

The Indenture and the Notes will be governed by New York law with the Courts of England and Wales having exclusive jurisdiction and you may have difficulty enforcing your rights against the Issuer, its directors and executive officers.

The Notes will be issued by the Issuer, which is organized under the laws of Germany. The Indenture and the Notes will be governed by the laws of the State of New York and will include the irrevocable submission of the Issuer to the exclusive jurisdiction of the Courts of England and Wales in respect of any suit, action or proceedings arising out of, related to, or in connection therewith or the transactions contemplated thereunder. We cannot assure you that the choice of the laws of the State of New York to govern the Indenture and the Notes would be recognized or upheld by the English courts and whether a foreign court (applying its own conflict of laws rules) will act in accordance with the parties' agreements as to jurisdiction and/or choice of law. Moreover, the Courts of England and Wales may not recognize submission to jurisdiction, and such submission may, therefore, not be valid and binding under English law, may not accept jurisdiction to determine the matter or may stay or strike out proceedings in certain circumstances. Finally, an English court may stay or set aside proceedings commenced in the Courts of England and Wales if it considers that it does not have jurisdiction by virtue of the application of the provisions of Council Regulation (EC) No. 44/2001 of 22 December 2000 on the Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters, the Brussels Convention of 1968, the Lugano Convention of 2007 and/or the English Civil Procedure Rules. See "Service of Process and Enforcement of Civil Liabilities."

If the Notes are rated investment grade by both Standard & Poor's and Moody's, certain covenants contained in the indenture governing the Notes will be suspended, and you will lose the protection of these covenants unless or until the Notes subsequently fall back below investment grade.

The indenture governing the Notes, contain certain covenants that will be suspended for so long as the Notes are rated investment grade by both Standard & Poor's and Moody's. These covenants include:

- Limitation on Debt;
- Limitation on Restricted Payments;
- Limitation on Sale of Certain Assets; and
- Certain provisions of Consolidation, Merger and Sale of Assets.

As a result, we will be able to incur additional indebtedness and consummate transactions that may impair our ability to satisfy our obligations with respect to the Notes. In addition, we will not have to make certain offers to repurchase the Notes. These covenants will only be restored if the credit ratings assigned to the Notes later fall below investment grade. See "Description of the Notes—Suspension of Certain Covenants When Notes Rated Investment Grade." Any actions taken during the period of suspension will remain in effect despite such a restoration of the covenants.

Changes in respect of the public debt ratings of the Notes may materially and adversely affect the availability, the cost and the terms and conditions of our debt.

The Notes will be, and any of our future debt instruments may be, publicly rated by the independent rating agencies Moody's and Standard & Poor's. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed herein and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. These public debt ratings affect our ability to raise debt. A negative change, or an indication of a possible negative change, in our ratings could have an adverse effect on the trading and market price of the Notes. Any future downgrading of the Notes or any other debt instruments we may have at such time by Moody's or Standard & Poor's may affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the Notes.

You may face foreign exchange risks or adverse tax consequences by investing in the Notes.

The Notes will be denominated and payable in euros. If you measure your investment returns by reference to a currency other than the currency in which your Notes are denominated, an investment in the Notes will entail foreign exchange related risks due to, among other factors, possible significant changes in the value of the euro relative to the currency by reference to which you measure the return on your investments, because of economic, political and other factors over which we have no control. Depreciation of the euro against the currency by reference to which you measure the return on your investments could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to you when the return on the Notes is translated into the currency by reference to which you measure the return on your investments. Investment in the Notes may also have important tax consequences as a result of any foreign currency exchange gains or losses. See "Taxation."

There may be withholding from payments under the Notes under the EU Savings Tax Directive.

Under Council Directive 2003/48/EC on the taxation of savings income ("**EU Savings Tax Directive**"), EU member states are required to provide to the tax authorities of other EU member states details of certain payments of interest or similar income paid or secured by a person established in an EU member state to or for the benefit of an individual resident in another EU member state or certain limited types of entities established in another EU member state.

On March 24, 2014, the Council of the EU adopted a Council Directive amending and broadening the scope of the requirements described above. EU member states are required to apply these new requirements from January 1, 2017. The changes will expand the range of payments covered by the EU Savings Tax Directive, in particular to include additional types of income payable on securities. The directive will also expand the circumstances in which payments that indirectly benefit an individual resident in an EU member state must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the EU.

For a transitional period, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those EU member states which still operate a withholding system when they are implemented. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from January 1, 2015, in favor of automatic information exchange under the EU Savings Tax Directive.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

If a payment were to be made or collected through an EU member state which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent (as defined in the Description of the Notes) nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in an EU member state that is not obliged to withhold or deduct tax pursuant to the EU Savings Tax Directive.

The Notes will be held in book-entry form and therefore the investor must rely on the procedures of the relevant clearing system to exercise any rights and remedies.

The Notes will be issued in fully registered global form. The global note(s) in registered form without interest coupons attached representing the Notes (the "**Global Notes**") will be deposited, on the closing date, with, or on behalf of, a common depositary for the accounts of Euroclear and Clearstream and registered in the name of the nominee of the common depositary.

Ownership of beneficial interests in the Global Notes (the "**Book-Entry Interests**") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants. Owners of beneficial interests in the Global Notes will not be entitled to receive definitive Notes in registered form, except under the limited circumstances described in "Book-Entry, Delivery and Form—Definitive Registered Notes." So long as the Notes are held in global form, holders of Book-Entry Interests will not be considered the owners or "holders" of Global Notes. The common depositary for Euroclear and/or Clearstream or its nominee, as applicable, will be considered the sole holder of Global Notes.

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest and additional amounts, if any) will be made by the Issuer to the Paying Agent. The Paying Agent will, in turn, make such payments to Euroclear and/or Clearstream or its nominee, which will, in turn, distribute such payments to participants in accordance with its procedures. After payment to Euroclear and/or Clearstream, we will have no responsibility or liability for the payment of interest, principal or other amounts to the holders of Book-Entry Interests. Accordingly, if the investor holds a Book-Entry Interest, it must rely on the procedures of Euroclear or Clearstream, as applicable, or the procedures of the participant through which the investor holds its interest, to exercise any rights and obligations of a holder of Notes under the Indenture governing the Notes.

Unlike the holders of the Notes themselves, holders of Book-Entry Interests will not have the direct right to act upon the Issuer's solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if the investor holds a Book-Entry Interest, it will be permitted to act only to the extent it has received appropriate proxies to do so from Euroclear or Clearstream, as applicable. The procedures implemented for the granting of such proxies may not be sufficient to enable the investor to vote on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture governing the Notes, unless and until definitive registered Notes are issued in respect of all Book-Entry Interests, if the investor holds a Book-Entry Interest, it will be restricted to acting through Euroclear or Clearstream. The procedures to be implemented through Euroclear or Clearstream may not be adequate to ensure the timely exercise of rights under the Notes.

Risks Relating to the Scheme of Arrangement

The Scheme of Arrangement may not be successfully completed.

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

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

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

Release of the proceeds from the Offering is subject to certain release conditions.

The occurrence of the Scheme Effective Date on the Escrow Release Date is one of the conditions to release of the proceeds from the Offering from the Escrow Account. If the Escrow Release Date does not occur for any reason on or prior to the Escrow Longstop Date (which may not occur prior to

November 30, 2015) or if certain other events occur, as a result the proceeds from the sale of the Notes to be held in escrow are not released, the Issuer will be required to redeem the Notes pursuant to the terms of the special mandatory redemption provided under the Indenture, and you may not obtain the investment return you expect on the Notes. The escrow funds will be initially limited to the gross proceeds of the Offering and will not be sufficient to pay the special mandatory redemption prices, which are equal to 100% and 101%, respectively, of the aggregate issue price of the Notes, plus accrued and unpaid interest and additional amounts, if any, from the Issue Date to the date of the special mandatory redemption. The Escrow Account will not be pledged in favor of the Trustee. See "Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption."

Your decision to invest in the Notes is made at the time of purchase. Changes in the business or financial condition of the Group, or amendments to the terms of the Scheme (see "Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption"), between the closing of the Offering and the Escrow Release Date may have an impact on our creditworthiness and you will not be able to rescind your decision to invest in the Notes as a result thereof.

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

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

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

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

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

THE MERGER TRANSACTIONS

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

It is intended that the TUI Merger will be effected by way of a scheme of arrangement (the "**Scheme**") of TUI Travel sanctioned by the High Court of Justice in England and Wales (the "**Court**") under Part 26 of the UK Companies Act 2006 (as amended from time to time) (the "**UK Companies Act**"). The purpose of the Scheme is to provide for the Company to become the holder of the entire issued and to be issued ordinary share capital of TUI Travel not already owned or controlled by the Company and certain connected parties. This is to be achieved by the cancellation of the TUI Travel Scheme Shares held by TUI Travel Scheme Shareholders involving a reduction of capital, with the reserve arising from such cancellation being used to pay up in full such number of New TUI Travel Shares as is equal to the number of TUI Travel Scheme Shares cancelled, which will be issued to the Company. In consideration, the TUI Travel Scheme Shareholders will receive consideration in the form of entitlements to new Company shares. Following completion of the TUI Merger, TUI Travel will be a wholly-owned subsidiary of the Company.

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

Summary of the Terms of the TUI Merger and the Offer

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

0.399 New TUI Shares in exchange for each TUI Travel Scheme Share

Taking into consideration the Company's existing stake in TUI Travel, the TUI Merger is expected to result in TUI Travel Shareholders (other than the Company and certain connected parties) owning 46% of the Combined Group and the Company's existing shareholders owning 54% of the Combined Group, on a fully diluted basis.

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

For technical legal reasons, all new Company shares will be issued to Capita IRG Trustees Limited (the "**Shares Trustee**"), as trustee for the Scheme Shareholders, rather than to the Scheme Shareholders directly. Immediately following the deposit by the Company of the global certificate with Clearstream, Capita IRG Trustees Limited will cease holding the New TUI Shares issued to it in its capacity as Shares Trustee and will, from such time, hold such New TUI Shares in its capacity as Depositary, following which the Depositary will create and issue TUI AG DIs representing entitlements to the new Company shares. The Scheme Shareholders will therefore be issued with (and become the registered holders of) TUI AG DIs, rather than new Company shares.

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

The Scheme and the Merger Conditions relating to the TUI Merger are summarized below.

Background to the TUI Merger

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

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

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

Reasons for the TUI Merger

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

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

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

Enhances certainty of supply for the continued growth of unique holidays

Unique holidays, which can only be bought or are only available from TUI Travel, are fundamental to the business' current success and would remain central to the strategy of the TUI Group. The Company believes unique holidays provide a superior customer offering and competitive advantage versus the Company's competition, through an earlier booking profile and higher levels of customer satisfaction and retention. Approximately 30% of Mainstream's unique holiday content is already supplied by TUI Travel and TUI hotels. TUI Travel currently targets a proportion of unique holidays of 76% by the financial year ending September 30, 2017, and plans to grow its core unique holidays offering by approximately 60 hotels by the financial year ending September 30, 2019. The Company expects the TUI Merger to provide certainty of supply for the continued growth of unique holidays.

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

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

The Company currently plans to add more than 30 new hotels and two new cruise ships to its current portfolio by the financial year ending September 30, 2019. In addition, the TUI Merger provides the potential for the Group to double the pace of existing Company content growth through further vertical integration, with more than 30 additional hotels and up to two additional new cruise ships. Historic annual performance suggests a potential contribution to EBITA of €1.4 million (£1.1 million) per hotel and a substantial contribution per ship (under the TUI Cruises business model). It is expected that the acceleration of content growth will drive customer and top-line growth for the Group.

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

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

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

Deliver significant synergies, increased occupancy and cost savings

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

Corporate streamlining

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

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

Cash tax benefits

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

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

In addition to the benefits arising as a result of the TUI Merger outlined above, the following net benefits have been identified by the independent directors of TUI Travel and the Executive Board (save for Peter Long, who has not participated in discussions of, or decisions in relation to, the TUI Merger) as follows. These cost savings could have been achieved independently of the TUI Merger, but the Company's strategy provides now an opportunity to optimize the Group's operating structure and achieve these benefits.

Integration of Inbound Services into the Mainstream tourism business

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

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

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

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

Increased occupancy from vertical integration

A significant increase in occupancy levels will be achievable following the TUI Merger through joint management of content. This is expected to drive further profit improvement.

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

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

Simplification of group structure to unlock value

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

Head Office Location

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

Irrevocable Undertakings

The Company has received irrevocable undertakings to vote in favor of the TUI Merger from the independent directors of TUI Travel, their families and related trusts, who hold or are beneficially entitled to TUI Travel Shares representing in aggregate approximately 0.100% of TUI Travel's ordinary share capital in issue on September 12, 2014 (being the last practicable date prior to the release of the announcement made by the Company required under Rule 2.7 of the City Code).

TUI AG has received an irrevocable undertaking to vote in favor of the TUI Merger at the relevant TUI Travel shareholder meetings from Peter Long (who is a director of TUI Travel but not one of the independent directors of TUI Travel), his family and related trusts, who hold or are beneficially entitled to TUI Travel Shares, representing in aggregate approximately 0.267% of TUI Travel's ordinary share capital in issue on September 12, 2014 (being the last practicable date prior to the release of the announcement made by the Company required under Rule 2.7 of the City Code).

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

The Scheme and Implementation of the TUI Merger

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

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

The TUI Travel Scheme Shares are those TUI Travel Shares:

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

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

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

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

Summary of the Merger Conditions to the TUI Merger

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Upon the Scheme becoming effective, it will be binding on all Scheme Shareholders, irrespective of whether they attended or voted at the TUI Travel Court Meeting or the TUI Travel General Meeting (and, if they attended and voted, whether they voted in favor).

On completion of the TUI Merger, TUI Travel will become a wholly-owned subsidiary of the Company and any share certificates in respect of TUI Travel Shares will cease to be valid and any entitlements to TUI Travel Shares held within the CREST system will be cancelled.

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

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

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

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

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

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

USE OF PROCEEDS

We estimate that the net proceeds from the sale of the Notes will amount to approximately €293.0 million after payment of the estimated commissions and other expenses related to the offering of the Notes that are to be borne by the Issuer, assuming an issuance of the Notes at par.

The gross proceeds of the Offering will be deposited into the Escrow Account held by the Escrow Agent for the benefit of the Trustee and the holders of the Notes pursuant to the Escrow Agreement. Upon the occurrence of the Escrow Release Date and following release of the escrowed proceeds deposited in the Escrow Account, the gross proceeds of the Offering, will be used for general corporate purposes and refinancing of certain of the Company's existing indebtedness and to pay fees and expenses in connection with the Offering.

CAPITALIZATION

The following table sets forth our consolidated cash and cash equivalents and our capitalization as of June 30, 2014 on a historical basis and as adjusted to give effect to the Offering as if the Offering had occurred on June 30, 2014. For the presentation of the as adjusted capitalization in the table below, we have assumed that the net proceeds from the Offering are applied to the cash reserves of the Company. The table below does, among others, not reflect (i) the entering into the New RCF Agreement and the 2014 High Yield Bridge and related transaction costs as well as the contemplated refinancing of the Existing RCF and the cancellation of the Bridge Facility, (ii) the likely treatment of financing costs in relation to the Notes and the New RCF Agreement as deferred financing expenses, and (iii) effects from the conversion of certain convertible bonds and the repayment of the private placement notes at maturity between June 30, 2014 and August 31, 2014. The as-adjusted information below is illustrative only and does not purport to be indicative of our capitalization on or following the Escrow Release Date.

This table should be read in conjunction with "Use of Proceeds," "Management's Discussion and Analysis of Financial Conditions and Results of Operations," "Description of Certain Financing Arrangements" and the Audited Consolidated Financial Statements and the accompanying notes included elsewhere in this Offering Memorandum. Except as set forth below, there have been no other material changes to our capitalization since June 30, 2014.

	As of June 30, 2014	Offering of the Notes	As of June 30, 2014
	Historical	Adjustments	As Adjusted
		(in € million)	
	(audited)	(unaudited)	(unaudited)
Cash and cash equivalents	**1,939.3**	**293.0**(1)	**2,232.3**
Notes offered hereby	**—**	**300.0**(2)	**300.0**(2)
Total convertible bonds(3)	**1,269.9**	**—**	**1,269.9**
Private placement notes(4)	100.2	—	100.2
Other bank loans	286.7		286.7
Total liabilities due to banks	**386.9**	**—**	**386.9**
Finance leases(5)	476.3	—	476.3
Other	104.3	—	104.3
Total other financial liabilities	**580.6**	**—**	**580.6**
Total financial liabilities	**2,237.4**	**300.0**	**2,537.4**
Subscribed Capital	713.4	—	713.4(6)
Capital reserves	1,034.4	—	1,034.4(6)
Revenue reserves	(334.4)	—	(334.4)
Hybrid Capital(7)	294.8	—	294.8
Non-controlling interest	(303.7)	—	(303.7)
Total equity	**1,404.5**	—	**1,404.5**
Total Capitalization	**3,641.9**	**300.0**	**3,941.9**

(1) Represents the net proceeds from the offering of the Notes, assuming the Notes are issued at par.

(2) Represents the aggregate principal amount of the Notes offered hereby.

(3) The nominal amounts are to be adjusted for conversion notices in the period from June 30, 2014 to August 31, 2014, as follows: (i) TU1 AG 2014 Convertible Bond €(35.4) million and (ii) TU1 Travel 2014 Convertible Bond GBP (55.3) million.

(4) The private placement notes were repaid in full at maturity in August 2014.

(5) Finance leases primarily comprise aircraft finance leases.

(6) Not reflecting the effect of the conversion notices as set out in footnote (3) above.

(7) Represents the book value for the €300 million Perpetual Subordinated Fixed to Floating Rate Bonds issued by the Issuer on December 9, 2005, which are classified as equity under IFRS standards.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The financial information contained in the following operating and financial review is taken or derived from the Issuers audited consolidated financial statements as of and for financial the years ended September 30, 2013, 2012 and 2011 and the audited interim consolidated financial statements as of and for the nine-month period ended June 30, 2014. These consolidated financial statements were prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and the additional requirements of German commercial law pursuant to Section 315a para. 1 of the German Commercial Code (HGB). For the Issuers audited consolidated financial statements as of and for the financial years ended September 30, 2013, 2012, and 2011 and the audited interim consolidated financial statements as of and for the nine-month period ended June 30, 2014, see "Financial Information" included elsewhere in this Offering Memorandum. The unaudited selected consolidated financial information as of and for the twelve-month period ended June 30, 2014 is calculated by taking the results of operations for the nine-month period ended June 30, 2014 (as shown in the 2014 Audited Nine Months Consolidated Financial Statements) and adding it to the results of operations for the full financial year ended September 30, 2013 (as shown in the 2013 Audited Consolidated Financial Statements) and subtracting the results of operations for the nine-month period ended June 30, 2013 (as shown in the 2014 Audited Nine Months Consolidated Financial Statements). Effective as of January 1, 2013, the Company has applied IAS 19 (revised), relating to employee benefits. Figures for the nine-month period ended June 30, 2013 presented as comparable financial information in the 2014 Audited Nine Months Consolidated Financial Statements have been adjusted in accordance with IAS 19 (revised). In accordance with IFRS, the figures included in the 2013 Audited Consolidated Financial Statemets have not yet been adjusted in accordance with IAS 19 (revised). See the Notes of the 2014 Audited Nine Months Consolidated Financial Statements. The unaudited financial information for the twelve-month period ended June 30, 2014 consists of non-IFRS financial measures.

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

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

The following selected financial information should be read together with the section "Management's Discussion and Analysis of Financial Condition and Results of Operations," the consolidated financial statements including the related notes contained in the section "Financial Information" of this Offering Memorandum and additional financial information contained elsewhere in this Offering Memorandum. Results for the nine-month period ended June 30, 2014 are not indicative of results that may be expected for the entire year.

Financial Information Relating to the Group

Selected Information from the Income Statement

	Financial year ended September 30,			Nine-month period ended June 30,		Twelve month ended June 30,
	2011	2012	2013	2013[3]	2014	2014
	(in € million)					
	(audited)	(audited)	(audited)	(audited)	(audited)	(unaudited)
Turnover	**17,480.3**	**18,330.3**	**18,477.5**	**11,518.4**	**11,384.4**	**18,343.5**
Cost of sales	15,655.2	16,285.8	16,436.3	10,818.0	10,528.6	16,146.9
Gross profit	**1,825.1**	**2,044.5**	**2,041.2**	**700.4**	**855.8**	**2,196.6**
Administrative expenses	1,508.8	1,555.7	1,557.3	1,154.4	1,152.5	1,555.4
Other income/other expenses	77.1	71.1	26.3	22.1	21.5	25.7
Impairment of goodwill	—	13.8	8.3	8.3	—	0.0
Financial result	(239.5)	(284.7)	(235.7)	(206.1)	(187.6)	(217.2)
Financial income	*254.3*	*159.9*	*124.0*	*27.3*	*19.8*	*116.5*
Financial expenses	*493.8*	*444.6*	*359.7*	*233.4*	*207.4*	*333.7*
Share of result of joint ventures and associates	52.9	(8.7)	59.3	17.3	(9.2)	32.8
Earnings (loss) before income taxes (EBT)	**206.8**	**252.7**	**325.5**	**(629.0)**	**(472.0)**	**482.5**
Reconciliation to underlying earnings[1]						
Earnings (loss) before income taxes	206.8	252.7	325.5	(629.0)	(472.0)	482.5
plus: Loss on Container Shipping measured at equity	2.1	49.0	22.3	25.4	38.9	35.8
less: Gain on reduction and measurement of financial investment in Container Shipping[2]	(51.2)	(61.6)	—	—	—	0.0
plus: Net Interest expense and expense from measurement of interest hedges	286.8	284.9	238.7	203.5	184.7	219.9
plus: Impairment of goodwill	—	13.8	8.3	8.3	—	0.0
EBITA[1]	444.5	538.8	594.8	(391.8)	(248.4)	738.2
Adjustments:						
plus: Losses on disposals	—	*1.8*	*1.4*	*1.5*	*(2.3)*	*(2.4)*
plus: Restructuring expense	*70.8*	*63.2*	*62.3*	*29.4*	*32.0*	*64.9*
plus: Expense from purchase price allocation	*96.1*	*75.1*	*75.0*	*56.1*	*52.0*	*70.9*
plus: Expense (income) from other one off items	*(11.3)*	*66.8*	*28.4*	*52.6*	*(15.6)*	*(39.8)*
Underlying EBITA[1]	**600.1**	**745.7**	**761.9**	**(252.2)**	**(182.3)**	**831.8**
Earnings (loss) before income taxes	**206.8**	**252.7**	**325.5**	**(629.0)**	**(472.0)**	**482.5**
Tax expense (tax income)	88.6	110.8	139.0	(152.8)	(123.4)	168.4
Group profit (loss) for the period	**118.2**	**141.9**	**186.5**	**(476.2)**	**(348.6)**	**314.1**
Group result for the year attributable to shareholders of TUI AG	23.9	(15.1)	4.3	(376.2)	(249.2)	131.3
Group profit (loss) for the period attributable to non-controlling interests	94.3	157.0	182.2	(100.0)	(99.4)	182.8

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

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

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

Selected Information from the Balance Sheet

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

Selected Information from the Statement of Cash Flows

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

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

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

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

Selected Segment Information

TUI Travel sector

	Financial year ended September 30,			Nine-month period ended June 30,		Twelve month period ended June 30,
	2011	2012	2013	2013[3]	2014	2014
	(in € million)					
	(audited)[5]	(audited)[5]	(audited)[5]	(audited[5])	(audited)[5]	(unaudited)
Turnover	**16,867.0**	**17,681.5**	**17,796.0**	**11,030.2**	**10,865.0**	**17,630.8**
Inter-segment turnover	26.0	36.0	27.4	20.5	19.4	26.3
Segment turnover	**16,893.0**	**17,717.5**	**17,823.4**	**11,050.7**	**10,884.4**	**17,657.1**
Earnings (loss) before income taxes (EBT)	**193.2**	**314.1**	**400.1**	**(459.9)**	**(451.4)**	**408.6**
of which share of result of joint ventures and associates	*24.4*	*6.9*	*21.3*	*16.5*	*4.1*	8.9
Net interest expense and expense from the measurement of interest hedges	128.2	126.9	132.7	113.3	121.9	141.3
Earnings before interest, taxes and impairment of goodwill (EBITA)[1]	**321.4**	**441.0**	**532.8**	**(346.6)**	**(329.5)**	**549.9**
Adjustments:	178.7	196.4	107.7	56.2	81.5	133.0
Losses on disposals[4]	—	—	1.4	1.5	(2.9)	(3.0)
Restructuring[4]	70.8	61.0	51.4	21.4	32.0	62.0
Purchase price allocation[2][4]	96.1	75.1	75.0	56.1	52.0	70.9
Other one-off items	11.8	60.3	(20.1)	(22.8)	0.4	3.1
Underlying EBITA[1]	**500.1**	**637.4**	**640.5**	**(290.4)**	**(248.0)**	**682.9**

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

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

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

(4) Unaudited.

(5) Unless otherwise stated.

TUI Hotels & Resorts sector

	Financial year ended September 30,			Nine-month period ended June 30,		Twelve-month period ended June 30,
	2011	2012	2013	2013[2]	2014	2014
	(in € million)					
	(audited)[4]	(audited)[4]	(audited)[4]	(audited)[4]	(audited)[4]	(unaudited)
Turnover	**362.6**	**384.7**	**403.1**	**288.8**	**294.9**	**409.2**
Inter-segment turnover	418.2	441.3	423.5	267.1	296.3	452.7
Segment turnover	**780.8**	**826.0**	**826.6**	**555.9**	**591.2**	**861.9**
Earnings (loss) before income taxes (EBT)	**116.5**	**138.8**	**141.4**	**55.6**	**102.0**	**187.8**
of which share of result of joint ventures and associates	*26.0*	*20.8*	*42.9*	19.3	16.1	*39.7*
Net interest expense and expense from the measurement of interest hedges	27.7	24.9	20.9	15.1	15.1	20.9
Impairment of goodwill	—	13.8	8.3	8.3	—	0.0
Earnings before interest, taxes and impairment of goodwill (EBITA)[1]	**144.2**	**177.5**	**170.6**	**79.0**	**117.1**	**208.7**
Adjustments:	1.1	1.1	26.6	25.9	0.6	1.3
Restructuring expense[3]	—	—	2.5	—	—	2.5
Losses (gains) on disposals[3]	—	—	—	—	0.6	0.6
Other one-off items	1.1	1.1	24.1	25.9	—	(1.8)
Underlying EBITA[1]	**145.3**	**178.6**	**197.2**	**104.9**	**117.7**	**210.0**

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

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

(3) Unaudited.

(4) Unless otherwise stated.

Cruises sector

	Financial year ended September 30,			Nine-month period ended June 30,		Twelve-month period ended June 30,
	2011	2012	2013	2013[2]	2014	2014
	(in € million)					
	(audited)[4]	(audited)[4]	(audited)[4]	(audited)[4]	(audited)[4]	(unaudited)
Turnover	**200.8**	**231.0**	**261.0**	**188.0**	**213.1**	**286.1**
Inter-segment turnover	—	—	—	—	1.0	1.0
Segment turnover	**200.8**	**231.0**	**261.0**	**188.0**	**214.1**	**287.1**
Earnings (loss) before income taxes (EBT)	**11.1**	**0.7**	**(30.6)**	**(59.1)**	**(1.6)**	**26.9**
of which share of result of joint ventures and associates	*4.6*	*12.6*	*17.4*	*6.9*	*9.5*	*20.0*
Net interest expense (income) and expense (income) from the measurement of interest hedges	0.1	0.1	0.2	(0.1)	(0.1)	0.2
Earnings before interest, taxes and impairment of goodwill (EBITA)[1]	**11.2**	**0.8**	**(30.4)**	**(59.2)**	**(1.7)**	**27.1**
Adjustments:	—	2.2	16.5	41.5	(16.0)	(41.0)
Restructuring expense[3]	—	2.2	0.5	—	—	0.5
Other one-off items	—	—	16.0	41.5	(16.0)	(41.5)
Underlying EBITA[1]	**11.2**	**3.0**	**(13.9)**	**(17.7)**	**(17.7)**	**(13.9)**

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

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

(3) Unaudited.

(4) Unless otherwise stated.

All Other Segments

	Financial year ended September 30,			Nine-month period ended June 30,		Twelve-month period ended June 30,
	2011	2012	2013	2013[2]	2014	2014
	(in € million)					
	(audited)[4]	(audited)[4]	(audited)[4]	(audited)[4]	(audited)[4]	(unaudited)
Turnover	**49.9**	**33.1**	**17.4**	**11.4**	**11.4**	**17.4**
Inter-segment turnover	31.9	8.5	22.5	17.2	14.8	20.1
Segment turnover	**81.8**	**41.6**	**39.9**	**28.6**	**26.2**	**37.5**
Earnings (loss) before income taxes (EBT)	**(114.0)**	**(200.9)**	**(185.4)**	**(165.6)**	**(121.0)**	**(140.8)**
of which share of result of joint ventures and associates	*(2.1)*	*(49.0)*	*(22.3)*	*(25.4)*	*(38.9)*	*(35.8)*
Net interest expense and expense from the measurement of interest hedges	130.8	133.0	84.9	75.2	47.8	57.5
Impairment of goodwill	—	—	—	—	—	0.0
Result from Container Shipping measured at equity	2.1	49.0	22.3	25.4	38.9	35.8
Effect the measurement of loans to Container Shipping	51.2	61.6	—	—	—	0.0
Earnings before interest, taxes and impairment of goodwill (EBITA)[1]	**(32.3)**	**(80.5)**	**(78.2)**	**(65.0)**	**(34.3)**	**(47.5)**
Adjustments:	(24.2)	7.2	16.3	16.0	—	0.3
Losses on disposals[3]	—	1.8	—	—	—	0.0
Restructuring expense[3]	—	—	7.9	8.0	—	(0.1)
Other one-off items	(24.2)	5.4	8.4	8.0	—	0.4
Underlying EBITA[1]	**(56.5)**	**(73.3)**	**(61.9)**	**(49.0)**	**(34.3)**	**(47.2)**

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

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

(3) Unaudited.

(4) Unless otherwise stated.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

We encourage you to read the following discussion in conjunction with the section entitled "Selected Consolidated Financial and Other Data" as well as with the Audited Consolidated Financial Statements included in this Offering Memorandum. The following discussion includes forward-looking statements which, although based on assumptions that we consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of some of those risks and uncertainties please refer to the sections entitled "Forward Looking Statements" and "Risk Factors."

Overview

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

Tourism is our core business segment, comprising TUI Travel and the sectors TUI Hotels & Resorts and Cruises. TUI Travel offers a broad array of holiday experiences for a wide range of travelers, from popular holiday brands to an extensive collection of specialist travel providers. The TUI Hotels & Resorts sector comprises our portfolio of hotels and resorts which we operate under brands associated with high levels of quality and service as well as high environmental standards, *i.e.,* Robinson, Riu, Grecotel, Grupotel, Iberotel and Dorfhotel. Our Cruises sector offers the maritime holiday experience for different target groups through Hapag-Lloyd Kreuzfahrten and TUI Cruises. In the financial year ended September 30, 2013, we reported a turnover in our Tourism segment of €18,460.1 million and in the twelve-month period ended June 30, 2014, we reported turnover in our Tourism segment of €18,326.1 million accounting for over 99.9% of turnover of all our segments combined. In the same periods, our Tourism segment reported Underlying EBITA of €823.8 million and €879.0 million, respectively.

All Other Segments comprises our other non-tourism businesses, such as our real estate companies and our 22.04% indirect at-equity financial stake in Hapag-Lloyd AG, a container shipping company. All Other Segments reported negative Underlying EBITA of €61.9 million in the financial year ended September 30, 2013 and negative €47.2 million in the twelve-month period ended June 30, 2014, respectively.

As of June 30, 2014 we had 77,027 employees.

TUI Travel operates in approximately 180 countries around the world and serves over 30 million customers from over 30 source markets annually. We believe that we are also the leading tour operator in the United Kingdom, Germany, the Nordics region and France. TUI Travel offers a broad product portfolio, ranging from package holidays (*e.g.*, transport and accommodation advertised and sold by one tour operator) to a wide range of more specialist offerings. TUI Travel is organized and managed through three principal business sectors: (1) Mainstream, which is the largest business and covers all activities in the package through its vertically integrated business model; (2) Accommodation & Destinations, which sells globally sourced hotel and apartment accommodations to wholesale customers and consumers, while also providing incoming services (such as airport transfers) for tour operators through regional agencies and a wide range of services for the cruise sector; and (3) Specialist & Activity, which pools more than 100 specialist and adventure tour operators. In the financial year ended September 30, 2013, TUI Travel reported turnover of €17,796.0 million and Underlying EBITA of €640.5 million. In the twelve-month period ended June 30, 2014, TUI Travel reported turnover of €17,630.8 million, Underlying EBITA of €682.9 million and as of June 30, 2014 had 62,369 employees.

Our TUI Hotels & Resorts sector includes majority participations in hotels, joint ventures with local partners, companies in which we hold a financial stake and hotels operated under management contracts. TUI Hotels & Resorts is the link between tour operators and hotel partners. We have structured this sector into six different hotel groups: Riu, Robinson, Iberotel, Grupotel, Grecotel and all other hotel companies. In the financial year ended September 30, 2013, TUI Hotels & Resorts reported turnover of €403.1 million and Underlying EBITA of €197.2 million. In the twelve-month period ended June 30, 2014, TUI Hotels & Resorts reported turnover of €409.2 million, Underlying EBITA of €210.0 million and as of June 30, 2014 had 14,191 employees.

Our Cruises sector comprises two companies with distinct offerings and target markets. Hapag-Lloyd Kreuzfahrten holds a leading position in the German-speaking market with its fleet in the luxury and expedition cruise segments. In addition, TUI Cruises, which we operate as a joint venture with Royal Caribbean Cruises Ltd., offers a new and differentiated cruise format targeted at the German premium market. In the financial year ended September 30, 2013, our Cruises sector reported turnover of €261.0 million and negative Underlying EBITA of €13.9 million. In the twelve-month period ended June 30, 2014, our Cruises sector reported turnover of €286.1 million, negative Underlying EBITA of €13.9 million and had as of June 30, 2014 had 230 employees.

All Other Segments comprises the corporate center functions of TUI and interim holdings, as well as other operative units, such as our real estate companies. As of the date of this Offering Memorandum we also hold our 22.04% stake in the container shipping company Hapag-Lloyd AG at equity in this segment. In the financial year ended September 30, 2013, All Other Segments reported turnover of €17.4 million and negative Underlying EBITA of €61.9 million. In the twelve-month period ended June 30, 2014, All Other Segments reported turnover of €17.4 million, negative Underlying EBITA of €47.2 million and as of June 30, 2014 had 237 employees.

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

Factors Affecting Our Results Of Operations

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

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

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

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

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

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

Seasonality. Our business operations are highly seasonal. Demand for our products and services fluctuates over the course of the calendar year, which causes our results of operation to fluctuate significantly from quarter to quarter. Demand has historically been highest in the summer season from May through October and lowest in the winter season from November through April (except for the days around Christmas, the New Year and Easter). Approximately two-thirds of our turnover in the Tourism segment is generated in the summer season. However, our fixed expenses are typically incurred more evenly throughout the year, generally resulting in higher gross profits during the summer season. The first and fourth quarters of the calendar year are affected by a decrease in consumer spending in our primary source markets after the holidays. Our liquidity position is also at its strongest during the summer season due to payments received from the greater number of customers that are travelling at that time, while payments to hotels for accommodation are typically made after the customer has travelled and therefore reduce our liquidity position to a low point during the winter season. Our working capital is also subject to significant seasonal fluctuations. As with similar businesses in the travel sector, we operate with negative working capital. Customer payments typically accumulate from January to a peak in June, in advance of the summer holiday season, when we typically have our greatest levels of negative working capital. Payments to hotels and flight costs typically occur during and after the peak season in summer. For this reasons our negative working capital decreases through to November and December before increasing as a result of inflows in respect of the following calendar year.

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

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

Our risk management policy requires us to hedge these foreign currency risks. The companies of TUI Travel use financial derivatives to hedge their planned foreign exchange requirements. They aim to cover 80% to 100% of the planned currency requirements at the beginning of the tourism season concerned. In this regard, account is taken of the different risk profiles of the Group companies operating in various source markets. The hedged volumes are changed in line with changes in planned requirements on the basis of reporting by the subsidiaries. Currency hedging in the TUI Hotels & Resorts and Cruises sectors is also based on the reports submitted by the subsidiaries. The aim is for the hedges to cover 80% of the reported exposure. Further, we use currency hedges for significant capital expenditure projects. As of June 30, 2014 the nominal amounts of our currency hedges amounted to €10,078.2 million (€10,776.6 million as of September 30, 2013 and €12,244.7 million as of September 2012).

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

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

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

Description of Key Line Items

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

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

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

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

Impairment of goodwill. Impairment of goodwill is recognized when the carrying amount of a cash generating unit exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and the present value of future payment flows of the tested entity based on continued use within the company (value in use).

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

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

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

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

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

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

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

Results of Operation

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

Group Profit and Loss Statement

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

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

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

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

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

Segment Turnover

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

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

The following table shows EBITA for the periods indicated:

EBITA[(1)]

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

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

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

The following table shows underlying EBITA for the periods indicated:

Underlying EBITA[1]

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Result from joint ventures and associates. Result from joint ventures and associates increased from a loss of €8.7 million in the financial year ended September 30, 2012, by €68.0 million, to income of €59.3 million in the financial year ended September 30, 2013. The improvement resulted from higher profit contributions from the Canadian tour operator Sunwing, the hotel companies RIU, Iberotel and Grecotel measured at equity, and TUI Cruises. In addition, the proportionate loss from the investment in Hapag-Lloyd declined from negative €49.0 million in the financial year ended September 30, 2012 by €26.7 million, or 54.5%, to negative €22.3 million in the financial year ended September 30, 2013 due to the reduction in the Groups ownership stake in Hapag-Lloyd from 38.4% to 22.04% effected in the prior year.

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

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

Underlying EBITA. Underlying EBITA increased from €745.7 million in the financial year ended September 30, 2012, by €16.2 million, or 2.2%, to €761.9 million in the financial year ended September 30, 2013. This increase is attributable to the sound performance of TUI Travel, especially in the UK and the Nordic countries, the persistent operating success of the largest hotel company RIU and income from the sale of a hotel.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial result. Financial result comprises financial income and financial expenses. Financial result decreased from negative €239.5 million in the financial year ended September 30, 2011, by €45.2 million, or 18.9%, to negative €284.7 million in the financial year ended September 30, 2012 and comprised financial income which decreased from €254.3 million in the financial year ended September 30, 2011, by €94.4 million, or 37.1%, to €159.9 million in the financial year ended September 30, 2012 and financial expenses which decreased from €493.8 million in the financial year ended September 30, 2011, by €49.2 million, or 10.0%, to €444.6 million in the financial year ended September 30, 2012.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Segment Analysis

Overview

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

Sectors

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

Sector accounting

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

TUI Travel

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

(1) EBITA and Underlying EBITA are non-IFRS financial measures. There are no generally accepted accounting principles governing the calculation of non-IFRS measures. We define EBITA as earnings before interest, taxes, goodwill impairment, losses incurred in the Container Shipping investment measured at equity, gains and losses from the sale of investments in Container Shipping, and Net Interest expense and expense from measurement of interest hedges. Our Underlying EBITA is derived by adjusting EBITA for gains (losses) on disposal of investments, expenses in the framework of restructuring measures, effects of purchase price allocations and other one-off items. EBITA and Underlying EBITA are not measures of operating income, operating performance or liquidity under IFRS. These measures should not be considered in isolation or

as substitute for Earnings (loss) before income taxes as determined by IFRS, or as an indicator of the Company's operating performance, or of cash flows from operating activities as determined in accordance with IFRS. The manner in which we measure EBITA and Underlying EBITA may not be consistent with the manner in which these measures or other measures with similar names are calculated by other companies. Accordingly, EBITA and Underlying EBITA as presented by us may not be comparable to these measures or other measures with similar names as presented by other companies.

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

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

(4) Unaudited.

(5) Unless otherwise stated.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

TUI Hotels & Resorts Sector

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

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

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

(3) Unaudited.

(4) Unless otherwise stated.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Cruises Sector

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

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

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

(3) Unaudited.

(4) Unless otherwise stated.

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

Segment turnover. Cruises segment turnover increased from €188.0 million in the nine-month period ended June 30, 2013, by €26.2 million, or 13.9%, to €214.1 million in the nine-month period ended June 30, 2014. This increase was mainly attributable to the capacity expansion due to the commissioning of the Europa 2. As the joint venture TUI Cruises is measured at equity in the consolidated financial statements, no turnover is recorded for TUI Cruises.

Earnings (loss) before income taxes (EBT). Earnings (loss) before income taxes increased from negative €59.1 million in the nine-month period ended June 30, 2013, by €57.5 million, or 97.3%, to negative €1.6 million in the nine-month period ended June 30, 2014. The change was primarily due to significant start-up costs for the market launch of the new Europa 2 in the previous year and, to a lesser extent, damages caused by a fire on board the Hanseatic during a scheduled dry-dock period, also in the previous year.

Net interest expense (income) and expense (income) from the measurement of interest hedges. The net interest income and income from the measurement of interest hedges remained unchanged at €0.1 million.

Earnings before interest, taxes and impairment of goodwill (EBITA). EBITA improved from negative €59.2 million in the nine-month period ended June 30, 2013, by €57.5 million, or 97.1%, to negative €1.7 million in the nine-month period ended June 30, 2014. This increase was primarily a result of the factors described above.

Adjustments. Adjustments decreased from €41.5 million in the nine-month period ended June 30, 2013, by €57.5 million, or 138.6%, to negative €16.0 million in the nine-month period ended June 30, 2014. The decrease of adjustments was related primarily to the set up of provisions formed in the prior year for pending losses from occupancy risks at Hapag-Lloyd Kreuzfahrten.

Underlying EBITA. Underlying EBITA remained unchanged at negative €17.7 million.

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

Segment turnover. Cruises' segment turnover increased from €231.0 million in the financial year ended September 30, 2012, by €30.0 million, or 13.0%, to €261.0 million in the financial year ended September 30, 2013. This increase was mainly attributable to the expansion of the Hapag-Lloyd fleet to include Europa 2 in May 2013. Moreover, the cruise vessel Columbus was replaced by Columbus 2, which has significantly greater capacity, in April 2012.

Earnings (loss) before income taxes (EBT). Earnings (loss) before income taxes decreased from €0.7 million in the financial year ended September 30, 2012, by €31.3 million, to negative €30.6 million in the financial year ended September 30, 2013 mainly due to Hapag-Lloyd Kreuzfahrten having been impacted by start-up costs for the launch of Europa 2 in the first half of the financial year ended September 30, 2013. As current trading fell short of the planned levels, above all for Europa 2, the resulting lower occupancy rates caused charter shortfalls, which led to the formation of a provision for pending losses from onerous contracts.

Net interest expense and expense from the measurement of interest hedges. The net interest expense and expense from the measurement of interest hedges increased from €0.1 million in the financial year ended September 30, 2012, by €0.1 million, to €0.2 million in the financial year ended September 30, 2013.

Earnings before interest, taxes and impairment of goodwill (EBITA). EBITA decreased from €0.8 million in the financial year ended September 30, 2012, by €31.2 million, to negative €30.4 million in the financial year ended September 30, 2013. This loss was mainly attributable to the factors described above.

Adjustments. Adjustments increased from €2.2 million in the financial year ended September 30, 2012, by €14.3 million to €16.5 million in the financial year ended September 30, 2013. These adjustments in the financial year ended September 30, 2013 were related primarily to provisions for onerous contracts from load factor risks for the new Europa 2.

Underlying EBITA. Underlying EBITA decreased from €3.0 million in the financial year ended September 30, 2012, by €16.9 million, to negative €13.9 million in the financial year ended September 30, 2013. While TUI Cruises sustained its positive performance in the financial year ended September 30, 2013 and increased its profit contribution by €4.8 million, this increase was entirely offset by Hapag-Lloyd Kreuzfahrten's decline in earnings, caused above all by startup costs for the market launch of the new Europa 2 and expenses related to damages caused by fire on board the Hanseatic during a scheduled dry-dock stay.

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

Segment turnover. Cruises' segment turnover increased from €200.8 million in the financial year ended September 30, 2011, by €30.2 million, or 15.0%, to €231.0 million in the financial year ended September 30, 2012. This increase was mainly attributable to the increased capacity of the Hapag-Lloyd Kreuzfahrten fleet, resulting from the replacement of the Columbus cruise vessel with the substantially larger Columbus 2.

Earnings (loss) before income taxes (EBT). Earnings (loss) before income taxes decreased from €11.1 million in the financial year ended September 30, 2011, by €10.4 million, or 93.7%, to €0.7 million in the financial year ended September 30, 2012. The financial year ended September 30, 2012 reflected start-up costs and price measures related to the fleet expansion in Hapag-Lloyd Kreuzfahrten. TUI Cruises recorded a high occupancy rate and again showed a positive performance.

Net interest expense and expense from the measurement of interest hedges. The net interest expense and expense from the measurement of interest hedges remained unchanged at €0.1 million.

Earnings before interest, taxes and impairment of goodwill (EBITA). EBITA decreased from €11.2 million in the financial year ended September 30, 2011, by €10.4 million, or 92.9%, to €0.8 million in the financial year ended September 30, 2012 as a result of the factors described above.

Adjustments. In the financial year ended September 30, 2012, adjustments were €2.2 million. In the financial year ended September 30, 2011 no adjustments were made. These adjustments were due to exit from the premium business of Hapag-Lloyd Kreuzfahrten.

Underlying EBITA. Underlying EBITA decreased from €11.2 million in the financial year ended September 30, 2011, by €8.2 million, or 73.2%, to €3.0 million in the financial year ended September 30, 2012. Whereas Hapag-Lloyd Kreuzfahrten incurred costs in connection with the introduction of the Columbus 2 and the Europa 2 and restructuring expenses in order to exit the premium business, TUI Cruises substantially increased its profit proportion for the Group. This increase was due to a capacity increase resulting from the operation of two ships for the whole financial year.

All Other Segments

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

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

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

(3) Unaudited.

(4) Unless otherwise stated.

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

Turnover. All Other Segments turnover remained unchanged at €11.4 million.

Inter-segment turnover. Inter-segment turnover decreased from €17.1 million in the nine-month period ended June 30, 2013, by €2.3 million, or 13.5%, to €14.8 million in the nine-month period ended June 30, 2014. This decrease is mainly attributable to reduced inter-segment services offered by central functions.

Earnings (loss) before income taxes (EBT). Earnings (loss) before income taxes increased from negative €165.6 million in the nine-month period ended June 30, 2013, by €44.6 million, or 26.9%, to negative €121.0 million in the nine-month period ended June 30, 2014. This increase was mainly a result of the introduction of the Lean Holding concept.

Net interest expense and expense from the measurement of interest hedges. Net interest expense and expense from the measurement of interest hedges decreased from €75.2 million in the nine-month period ended June 30, 2013, by €27.4 million, or 36.4%, to €47.8 million in the nine-month period ended June 30, 2014. The improvement was primarily attributable to further reduction in Group debt.

Earnings before interest, taxes and impairment of goodwill (EBITA). EBITA improved from negative €65.0 million in the nine-month period ended June 30, 2013, by €30.7 million, or 47.2%, to negative €34.3 million in the nine-month period ended June 30, 2014.

Adjustments. No adjustments were recorded for the nine-month period ended June 30, 2014, whereas in the nine-month period ended June 30, 2013 we recorded adjustments of €16.0 million, related to expenses mainly associated with the implementation of the Lean Holding concept of TUI AG.

Underlying EBITA. Underlying EBITA improved from negative €49.0 million in the nine-month period ended June 30, 2013, by €14.7 million, or 30.0%, to negative €34.3 million in the nine-month period ended June 30, 2014.

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

Turnover. All Other Segments turnover decreased from €33.1 million in the financial year ended September 30, 2012, by €15.7 million, or 47.4%, to €17.4 million in the financial year ended September 30, 2013. Turnover in the financial year ended September 30, 2013 was limited to rental and sale of real estate property following the sale of the remaining logistics business in the financial year ended September 30, 2012.

Inter-segment turnover. Inter-segment turnover increased from €8.5 million in the financial year ended September 30, 2012, by €14.0 million to €22.5 million in the financial year ended September 30, 2013, resulting from a release of bad debt provisions.

Earnings (loss) before income taxes (EBT). Earnings (loss) before income taxes decreased from negative €200.9 million in the financial year ended September 30, 2012, by €15.5 million, or 7.7%, to negative €185.4 million in the financial year ended September 30, 2013. This decrease was mainly due to higher expenses for consulting services and expert reports incurred in the financial year ended September 30, 2012.

Net interest expense and expense from the measurement of interest hedges. Net interest expense and expense from the measurement of interest hedges improved from €133.0 million in the financial year ended September 30, 2012, by €48.1 million, or 36.2%, to €84.9 million in the financial year ended September 30, 2013. The year-on-year decline in interest expenses mainly resulted from the reduction in financial liabilities in the financial year ended September 30, 2013. In the prior year, this item had included interest of €25.0 million in connection with the litigation against the Babcock Borsig AG administrator.

Earnings before interest, taxes and impairment of goodwill (EBITA). EBITA increased from negative €80.5 million in the financial year ended September 30, 2012, by €2.3 million, or 2.9%, to negative €78.2 million in the financial year ended September 30, 2013 as a result of the factors described above.

Adjustments. Adjustments increased from €7.2 million in the financial year ended September 30, 2012, by €9.1 million to €16.3 million in the financial year ended September 30, 2013. These adjustments related mainly to the implementation of the Lean Holding concept of TUI.

Underlying EBITA. Underlying EBITA increased from negative €73.3 million in financial year ended September 30, 2012, by €11.4 million, or 15.6%, to negative €61.9 million in financial year ended September 30, 2013. This increase was mainly a result of the factors described above.

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

Turnover. Turnover decreased from €49.9 million in the financial year ended September 30, 2011, by €16.8 million, or 33.7%, to €33.1 million in the financial year ended September 30, 2012. Turnover in the financial year ended September 30, 2012 was generated from the remaining logistics business as well as the rental and sale of real estate property. The year-over-year decrease resulted from the sale of a forwarding company during the financial year ended September 30, 2011.

Inter-segment turnover. Inter-segment turnover decreased from €31.9 million in the financial year ended September 30, 2011, by €23.4 million, or 73.4%, to €8.5 million in the financial year ended September 30, 2012. This decrease was due to a reduction of the number of aircraft leased from TUI AG to the Group's airlines.

Earnings (loss) before income taxes (EBT). Earnings (loss) before income taxes decreased from negative €114.0 million in the financial year ended September 30, 2011, by €86.9 million, or 76.2%, to negative €200.9 million in the financial year ended September 30, 2012.

Net interest expense and expense from the measurement of interest hedges. The net interest result and result from the measurement of interest hedges decreased from negative €130.8 million for the financial year ended September 30, 2011, by €2.2 million, or 1.7%, to €133.0 million in the financial year ended September 30, 2012.

Earnings before interest, taxes and impairment of goodwill (EBITA). EBITA decreased from negative €32.3 million in the financial year ended September 30, 2011, by €48.2 million, or 149.2%, to negative €80.5 million in the financial year ended September 30, 2012.

Adjustments. Adjustments increased from negative €24.2 million in the financial year ended September 30, 2011, by €31.4 million, or 129.8%, to €7.2 million in the financial year ended September 30, 2012. Whereas the one-off expenses in the financial year ended September 30, 2012 were in connection with the early retirement of two Executive Board members, the prior year number was affected by profits from the sale of administrative buildings of Hapag-Lloyd in the financial year ended September 30, 2011.

Underlying EBITA. Underlying EBITA decreased from negative €56.5 million in the financial year ended September 30, 2011, by €16.8 million, or 29.7%, to negative €73.3 million in financial year ended September 30, 2012.

Liquidity and Capital Resources

Our funding strategies and cash flow in the periods under review were primarily driven by our operating cash flow generation as well as our ability to borrow money in the bank and capital markets. Furthermore, we continued our strategy of monetization of our investment in container shipping. Parts of the proceeds were used to repay scheduled maturities or the early redemption of our financial liabilities. Factors relevant to understanding the development of our cash flow include:

- We derive cash flow from operating activities primarily through our activities in the Tourism segment. Cash flow from operating activities reflects the seasonal nature of the tourism business, particularly the payment cycles in the tourism industry. The tourism industry in principle consists of a summer season and a winter season, whereas the summer season is by far the more important season since most customers prefer to travel during the summer months. The bulk of our cash inflows occur in the months leading up to the summer months, since customers are required to make a prepayment on the cost of their holiday at the time of booking and make full payment three to four weeks prior to their departure date. This period is followed by increased cash outflow during the peak season and towards the end of the tourism season relating to variable expenses as we pay third-party service providers for their services. Late in the year, during the seasonal contraction of the travel business, we experience substantial cash outflow as we make initial payments for the forthcoming summer season. Significant cash-generating activities resume again early in the year as early-booking customers make prepayments on booked holidays for the forthcoming tourism season. As a result of this seasonal cash flow pattern, we build up cash reserves in spring and summer and use credit lines to fund our working capital needs to a much greater extent during the months of November through April. Cash received between February and August is usually used to repay amounts borrowed under our credit lines and to build up cash reserves.
- Regarding the investment in container shipping, TUI AG and the other shareholders of Hapag-Lloyd entered into an agreement for the reduction of TUI AG's stake in Hapag-Lloyd to 22.04% (which will be diluted to approximately 14.0% following the pending merger of Hapag-Lloyd with CSAV). Such agreement included a partial repayment and a partial disposal of a loan granted to Hapag-Lloyd in the aggregate amount of €225 million (the proceeds of which were received in the months of February through April 2012) as well as the disposal of shares in Hapag-Lloyd for €475 million in June 2012.
- The Company and TUI Travel issued convertible bonds in March 2011 and April 2010, respectively. During the periods under review, the Company has repaid some of its maturing capital market and bank indebtedness. Furthermore, TUI Travel renewed its revolving credit facility in March 2014.
- Liquid funds, money and capital market instruments as well as bilateral bank loans and syndicated credit facilities are used to meet the Group's funding requirements. Besides TUI AG, TUI Travel in particular has separate access to banks and the capital market and an independent ability to secure the liquidity of the tourism companies allocated to it. TUI Hotels & Resorts also takes out separate bank loans, primarily in order to finance investment activities carried out by its companies.
- As of June 30, 2014, we had cash and cash equivalents in the amount of €1,939.3 million. As of June 30, 2014, we had €1,528 million available for draw-down under our credit facilities.

- In addition, in connection with the planned TUI Merger, we have entered, or will enter, into certain refinancing agreements. See "Description of Certain Financing Agreements".

Cash Management System

Our Group's cash management system is designed to ensure that the Company and its subsidiaries can meet their payment obligations. Our cash management system monitors and manages the short-, medium- and long-term liquidity of the Company and its subsidiaries. The companies of our Group can move excess liquidity into the system and borrow money when liquid funds are needed.

Our cash management system provides a rolling twelve-month liquidity plan and current and projected analyses, based on the business plan and current forecasts for the Company and its subsidiaries.

Cash Flow

The following table sets forth our cash flow statements for the financial years ended September 30, 2011, 2012 and 2013 and the nine-month periods ended June 30, 2013 and 2014. In accordance with IFRS, cash flows from operating activities are determined indirectly from a reconciliation of Group profit to cash from operating activities. Consequently, the effects on operating cash flow caused by the initial recognition of changes to the group of consolidated companies are eliminated in the table.

	Financial year ended September 30,			Nine-month period ended June 30,	
	2011	2012(1)	2013	2013(2)	2014
			(in € million)		
	(audited)	(audited)	(audited)	(audited)	(audited)
Group profit (loss)	118.2	141.9	186.5	(476.2)	(348.6)
Depreciation, amortization and impairments (write-back)	412.2	398.7	429.4	324.1	287.1
Other non-cash expenses (income)	(112.7)	33.8	(40.9)	(3.9)	(12.2)
Interest expenses (excl. interest relating to pension obligations)	367.7	262.9	284.0	226.2	201.8
Dividends from joint ventures and associates	—	22.4	58.5	44.9	22.5
(Profit) loss from disposals of non-current assets	(47.0)	(66.1)	(24.1)	(21.9)	(19.8)
Change in non-financial assets/liabilities	347.1	47.9	(18.1)	333.2	255.0
Cash inflow from operating activities	**1,085.5**	**841.5**	**875.3**	**426.4**	**385.8**
Payments received from disposals of property, plant and equipment, investment property and intangible assets	456.6	171.7	270.5	171.9	261.6
Payments received from disposals of consolidated companies (excluding disposals of cash and cash equivalents due to divestments)	—	2.1	—	—	13.9
Payments received from disposals of other non-current assets	951.5(3)	679.2	8.7	4.8	37.6
Payments made for investments in property, plant and equipment, investment property and intangible assets	(444.8)	(480.1)	(597.7)	(419.4)	(399.9)
Payments made for investments in consolidated companies (excluding cash and cash equivalents received due to acquisition)	(50.7)	(27.5)	(14.4)	(20.0)	(22.6)
Payments made for investments in other non-current assets	(37.2)	(30.7)	(111.4)	(94.2)	(47.4)
Cash inflow/(outflow) from investing activities	**875.4**	**314.7**	**(444.3)**	**(356.9)**	**(156.8)**
Payments received from capital increases	0.6	0.4	0.4	0.7	0.6
Payments made for interest increase in consolidated companies	(34.8)	(23.7)	(25.4)	(6.2)	(40.5)
Dividend payment by TUI AG	(25.9)	(25.9)	(37.2)	(31.5)	(55.1)
Dividend payment by subsidiaries to other shareholders	(141.1)	(102.4)	(111.9)	(91.2)	(101.9)
Payments received from the issue of bonds and the raising of financial liabilities	524.1	18.3	228.5	86.1	39.0
Payments made for redemption of loans and financial liabilities	(2,304.1)	(560.8)	(573.1)	(474.1)	(99.1)
Interest paid	(268.0)	(200.1)	(102.2)	(131.1)	(131.5)
Cash outflow from financing activities	**(2,249.2)**	**(894.2)**	**(620.9)**	**(647.3)**	**(388.5)**
Net change in cash and cash equivalents	**(288.3)**	**262.0**	**(189.9)**	**(577.8)**	**(159.5)**
Cash and cash equivalents at beginning of period	**2,274.3**	**1,981.3**	**2,278.4**	**2,278.4**	**2,701.7**
Change in cash and cash equivalents due to exchange rate fluctuations	(4.7)	35.1	25.7	6.0	(15.4)
Change in cash and cash equivalents with cash effects	(288.3)	262.0	(189.9)	(577.8)	(159.5)
Change in cash and cash equivalents without cash effects	—	—	587.5	—	(587.5)
Cash and cash equivalents at end of period	**1,981.3**	**2,278.4**	**2,701.7**	**1,706.6**	**1,939.3**

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

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

(3) The payments received from disposals of other non-current assets for the financial year ended September 30, 2011 includes dividends from joint ventures and associates of €11.9 million. For the financial years ended September 30, 2012 and September 30, 2013, dividends from joint ventures and associates are recorded as a separate line item under the cash inflow from operating activities, instead.

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

Cash inflow from operating activities

The cash inflow from operating activities decreased from €426.4 million in the nine-month period ended June 30, 2013, by €40.6 million, or 9.5%, to €385.8 million in the nine-month period ended June 30, 2014. The reconciliation from Group profit to cash inflow from operating activities included amortization and impairments as of June 30, 2014 in the amount of €287.1 million, while in the nine-month period ended June 30, 2013, this position amounted to €324.1 million. Furthermore, €22.5 million dividends from joint ventures and associates were included in the nine-month period ended June 30, 2014, while in the nine-month period ended June 30, 2013 dividends from joint ventures and associates in the amount of €44.5 million were included.

Cash inflow from investing activities

The cash flows from investing activities changed from a cash outflow of €356.9 million in the nine-month period ended June 30, 2013, by €200.1 million, or 56.4%, to a cash outflow of €156.8 million in the nine-month period ended June 30, 2014. The cash flow from investing activities includes a cash outflow for capital expenditure related to property, plant and equipment and intangible assets of €300.8 million for the TUI Travel sector and €89.3 million for the TUI Hotels & Resorts sector but also a cash inflow from the sale of fixed assets of €202.9 million for the TUI Travel sector (in particular related to aircraft assets), and €56.2 million for central operations from the sale of real property.

The cash outflow from investing activities included cash payments of €27.4 million for the acquisition of companies to be included in consolidation. This amount includes payments of €7.4 million for acquisitions related to prior years. The cash and cash equivalents acquired through acquisitions total €4.9 million so that the total cash outflow amounts to €22.6 million. The cash outflow for investments in other non-current assets of €47.4 million relates to capital increases in companies measured at equity. The sale of a part of an investment and the sale of three consolidated companies generated an inflow of €37.6 million and €13.9 million, respectively.

Cash outflow from financing activities

Cash flows from financing activities improved from a cash outflow of €647.3 million in the nine-month period ended June 30, 2013, by €258.8 million, or 40.0%, to a cash outflow of €388.5 million in the nine-month period ended June 30, 2014. The credit facility drawn by TUI Travel to finance the tourism season at the beginning of the reporting period has now been fully redeemed. Moreover, the companies of the TUI Travel Sector redeemed further loans in the amount of €42.7 million and liabilities from finance leases in the amount of €22.3 million. The TUI Hotels & Resorts Sector took out loans in the amount of €52.3 million, while repaying loans in the amount of €34.1 million. Conversions of convertible bonds of TUI AG in the current financial year do not have an impact on the cash outflow from financing activities.

Additional outflows of €55.1 million relate to the interest on the hybrid capital issued by TUI AG, to be carried as a dividend according to the IFRSs, and dividends paid to TUI AG shareholders. In addition, dividends in the amount of €101.9 million were paid to non-controlling interests, in particular in TUI Travel and RIUSA II SA. The cash outflow for increases in stakes in consolidated companies includes an amount of €39.4 million spent by TUI Travel to acquire own shares to be passed on to employees under long-term incentive programmes. The cash outflow for interest payments totalled €131.5 million.

Development of cash and cash equivalents

Cash and cash equivalents increased from €1,706.6 million in the nine-month period ended June 30, 2013, by €232.7 million, or 13.6%, to €1,939.3 million in the nine-month period ended June 30, 2014. Certain amounts from a cash pooling agreement are presented on a net basis in the statement of financial position as at June 30, 2014, whereas a gross presentation of cash and cash equivalents in the statement of financial position in the nine-month period ended June 30, 2013 is shown. Within the cash flow statement a reconciliation is provided showing this non-cash change in cash and cash equivalents totalling €587.5 million.

As at June 30, 2014, cash and cash equivalents of €169.7 million were subject to restrictions on disposal. They included an amount of €116.3 million for cash collateral received, deposited in a Belgian subsidiary by Belgian tax authorities in the prior financial year in the framework of a longstanding litigation regarding VAT refunds for the years 2001 to 2011 without acknowledging guilt in order to stop the accrual of interest for both parties. In order to collateralise a potential repayment, the Belgian government was granted a bank guarantee. Due to the bank guarantee, TUI's ability to dispose of the cash and cash equivalents has been restricted. The other restrictions relate to cash and cash equivalents to be held due to legal or regulatory requirements.

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

Cash inflow from operating activities

The cash inflow from operating activities increased from €841.5 million in the financial year ended September 30, 2012, by €33.8 million, or 4.0%, to €875.3 million in the financial year ended September 30, 2013. The cash inflow from operating activities in the financial year ended September 30, 2013 included dividends from joint ventures and associates of €58.5 million and payments of the Belgium state of €116.3 million in connection with VAT payments made in the financial year ended September 30, 2013. The increase was partly offset by lower customer prepayments in TUI Travel and payments of TUI AG to settle the Babcock Borsig litigation. Cash inflows also included €30.9 million from interest payments and €61.8 million from dividends. Operating cash outflows included income tax payments of €158.0 million in the financial year ended September 30, 2013.

Cash inflow from investing activities

Cash flows from investing activities changed from a net inflow of €314.7 million in the financial year ended September 30, 2012, by €759.0 million, to a net outflow of €444.3 million in the financial year ended September 30, 2013. A net inflow from investing activities had been recorded in the financial year ended September 30, 2012 due to the reduction in the investment in container shipping. In the financial year ended September 30, 2012, the cash outflow from investing activities mainly included payments made by TUI Travel in connection with the ordering and delivery of new aircraft. On the other hand, a cash inflow was recorded from the sale of delivered aircraft for refinancing purposes. In the financial year ended September 30, 2013, the cash outflow from investing activities also included payments of €103.8 million made for capital increases in TUI Cruises, hotel companies and shareholdings of TUI Travel.

In the financial year ended September 30, 2013, the cash flow from investing activities included a cash outflow for capital expenditures related to property, plant and equipment and intangible assets of €501.2 million for TUI Travel and €80.7 million for the TUI Hotels & Resorts sector. This cash inflow was partly offset by a cash inflow from the sale of fixed assets of €220.1 million for the TUI Travel Group (in particular related to aircraft assets), and €19.9 million for the TUI Hotels & Resorts sector. A further inflow of cash of €10.1 million was received for property sold by central operations. The cash outflow from investing activities included cash payments, offset against acquired cash and cash equivalents, for the acquisition of shares in subsidiaries to be included in consolidation by the TUI Travel Group. The consolidated statement of financial position comprises additions of goodwill, assets and liabilities due to the acquisition of shares in subsidiaries to be included in consolidation. Total acquisitions of shares in subsidiaries to be included in consolidation (excluding shares in TUI Travel) and asset deals resulted in net cash payments of €14.4 million in the financial year ended September 30, 2013 compared to €27.5 million in the financial year ended September 30, 2012. Cash and cash equivalents acquired through these acquisitions totaled €8.5 million in the financial year ended September 30, 2013 compared to €3.4 million in the financial year ended September 30, 2012.

Cash payments made in the financial year ended September 30, 2013 for investments in consolidated companies (less cash and cash equivalents received) included payments for the acquisition of tourism shareholdings as well as payments of €4.8 million relating to acquisitions in the financial year ended September 30, 2012.

Cash outflow from financing activities

Cash flows from financing activities improved from a cash outflow of €894.2 million in the financial year ended September 30, 2012, by €273.3 million, or 30.6%, to a cash outflow of €620.9 million in the financial year ended September 30, 2013. The financial year ended September 30, 2013 was characterized by the reduction in net debt.

TUI AG paid €233.0 million for the scheduled redemption of bonds in December 2012 and €160.3 million to banks for liabilities due in April 2013. The non-current credit lines drawn in the financial year ended September 30, 2013 in order to cover the payments due in the tourism season were fully repaid so that they did not have a significant effect on the cash flow from financing activities.

The companies of the TUI Travel Group also repaid other financial indebtedness in the amount of €113.8 million and liabilities from finance leases of €30.6 million.

The hotel companies reported a cash outflow of €35.4 million for the repayment of loans. The cash outflow from financing activities included an amount of €19.2 million spent by TUI Travel to acquire own shares to be passed on to employees under long-term incentive programs. The cash outflow from financing activities also included the acquisition of additional shares in TUI Travel by TUI AG for €6.2 million. An amount of €102.2 million was used for interest payments. Additional outflows related to the remuneration for TUI AG's hybrid bond in the amount of €37.2 million and the dividends for non-controlling interests of €111.9 million, in particular TUI Travel and RIUSA II.

Development of cash and cash equivalents

Cash and cash equivalents increased from €2,278.4 million in the financial year ended September 30, 2012, by €423.3 million, or 18.6%, to €2,701.7 million in the financial year ended September 30, 2013. This increase primarily resulted from non-cash changes attributable to the gross presentation of certain balances in banks resulting from a cash pool, which were carried on a netted basis against short-term current account credit of this cash pool in the prior year. This extension in the balance sheet does not affect the Group's net financial position.

Cash and cash equivalents in an amount of €175.4 million were subject to restraints on disposal as of September 30, 2013. This amount included €116.3 million for cash collateral received, which was deposited in a Belgian subsidiary by Belgian tax authorities in the financial year ended September 30, 2013 in connection with long-standing litigation over VAT refunds for the years 2001 to 2011, the purpose being to prevent the accrual of interest for both parties. In order to collateralize a potential repayment, the Belgian government was granted a bank guarantee. Due to the bank guarantee, TUI's ability to dispose of the cash and cash equivalents was restricted. The remaining restraints on disposal related to cash and cash equivalents to be deposited due to legal or regulatory requirements.

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

Cash inflow from operating activities

The cash inflow from operating activities decreased from €1,085.5 million in the financial year ended September 30, 2011, by €244.0 million, or 22.5%, to €841.5 million in the financial year ended September 30, 2012. This decline was mainly due to a change in the terms and conditions for customer prepayments in TUI UK, which had generated a positive one-off effect in the financial year ended September 30, 2011, and lower interest received for the commitment in container shipping (€36.9 million in the financial year ended September 30, 2012 against €91.4 million in the financial year ended September 30, 2011). Furthermore, the cash inflow included a total of €87.7 million from interest payments and €25.7 million from dividends. Due to income tax payments, a cash outflow of €117.8 million occurred in the financial year ended September 30, 2012.

Cash inflow from investing activities

The inflow of cash from investing activities improved from an inflow of €875.4 million in the financial year ended September 30, 2011, by €560.7 million, or 64.1%, to an inflow of €314.7 million in the financial year ended September 30, 2012.

From February to April 2012, a loan in the amount of €225.0 million granted to Hapag-Lloyd was partly repaid and disposed with proceeds amounting €225.0 million in the aggregate. The divestment of 17.4% of the stake in container shipping caused an inflow of €469.8 million after deduction of transaction costs. The cash flow from investing activities included a cash outflow for capital expenditures related to property, plant and equipment of €414.9 million for the TUI Travel Group and €49.6 million for the TUI Hotels & Resorts sector hotel companies. This was offset by a cash inflow from one-off payments from the sale of fixed assets of €132.3 million for the TUI Travel Group sector, €10.5 million for the TUI Hotels & Resorts sector and €6.6 million for property sold by central operations.

The cash outflow from investing activities also included cash payments, offset against acquired cash and cash equivalents, for the acquisition of shares in subsidiaries to be included in consolidation by the TUI Travel Group. Total acquisitions of shares in subsidiaries to be included in consolidation (excluding shares in TUI Travel) and asset deals resulted in net cash payments of €27.5 million in the financial year ended September 30, 2012. Cash and cash equivalents acquired through these acquisitions totaled around €3.4 million. Cash payments made in the financial year ended September 30, 2012 for investments in consolidated companies (less cash and cash equivalents received) also included payments for the acquisition of Tourism shareholdings as well as payments relating to prior-year acquisitions in the financial year ended September 30, 2012. In the financial year ended September 30, 2012, the TUI Travel Group reported a cash outflow of €30.7 million for joint ventures.

The cash outflow for investments in property, plant and equipment and intangible assets and the cash inflow from corresponding divestments do not match the additions and disposals shown in the development of fixed assets, which also included non-cash investments and disposals.

Cash outflow from financing activities

Cash outflow from financing activities improved from a cash outflow of €2,249.2 million in the financial year ended September 30, 2011, by €1,355.0 million, or 60.2%, to a cash outflow of €894.2 million in the financial year ended September 30, 2012.

The Company paid €211.4 million for the early redemption of bonds maturing in 2012 and a further €226.1 million for liabilities to banks due in 2013. The non-current credit lines drawn in the financial year ended September 30, 2012 in order to cover the payments due in the tourism season were fully repaid so that they did not have a noteworthy effect on the cash flow from financing activities. The hotel companies reported a cash outflow of €80.0 million for the repayment of loans.

The cash outflow from financing activities in the financial year ended September 30, 2012 included the acquisition of additional shares in TUI Travel by the Company for €18.8 million. An amount of €200.1 million was used for interest payments. Additional outflows related to the remuneration for the Company's hybrid bond in the amount of €25.9 million and the dividends for non-controlling interests of €102.4 million, in particular TUI Travel and RIUSA II.

Development of cash and cash equivalents

Cash and cash equivalents increased from €1,981.3 million in the financial year ended September 30, 2011, by €297.1 million, or 15.0%, to €2,278.4 million at the end of the financial year ended September 30, 2012. This improvement was mainly caused by lower cash outflows from financing activities.

Changes in cash and cash equivalents due to exchange rate fluctuations amounted to an inflow of €35.1 million in the financial year ended September 30, 2012.

Capital Expenditures

Investments made by the individual segments and sectors in intangible and tangible assets for the financial years ended September 30, 2011, 2012 and 2013 and the nine-month periods ended June 30, 2013 and 2014 are set forth below:

	Financial year ended September 30,			Nine-month period ended June 30,	
	2011	2012	2013	2013[(1)]	2014
			(in € million)		
	(audited)	(audited)	(audited)	(audited)	(audited)
Tourism	469.0	630.6	787.9	599.5	577.7
TUI Travel	380.6	568.6	695.7	535.6	478.2
TUI Hotels & Resorts	79.9	53.1	80.7	56.1	90.0
Cruises	8.5	8.9	11.5	7.8	9.5
Other	2.7	2.5	3.5	1.1	1.8
Total	**471.7**	**633.1**	**791.4**	**600.6**	**579.5**

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

Our capital expenditures increased from €633.1 million in the financial year ended September 30, 2012, by €158.3 million, or 25.0%, to €791.4 million in the financial year ended September 30, 2013, following an increase of €161.4 million, or 34.2%, from €471.7 million in the financial year ended September 30, 2011. Capital expenditures in the Tourism segment increased from €630.6 million in the financial year ended September 30, 2012, by €157.3 million, or 25.0%, to €787.9 million in the financial year ended September 30, 2013, following an increase of €161.6 million, or 34.5%, from €469.0 million in the financial year ended September 30, 2011.

The expenditures of TUI Travel increased from €568.6 million in the financial year ended September 30, 2012, by €127.1 million, or 22.4%, to €695.7 million in the financial year ended September 30, 2013, following an increase of €188 million, or 49.4%, from €380.6 million in the financial year ended September 30, 2011. The increase in the financial year ended September 30, 2012 was mainly attributable to new aircraft deliveries or prepayments made for aircraft. Further, substantial investment had been made into the reservation system for Mainstream UK as well as the joint new financial accounting software SAP in the mainstream markets UK and Germany in the financial years ended September 30, 2012 and 2013.

In our TUI Hotels & Resorts sector, capital expenditures increased from €53.1 million in the financial year ended September 30, 2012, by €27.6 million, or 52.0%, to €80.7 million in the financial year ended September 30, 2013, following a decrease of €26.8 million, or 33.5%, from €79.9 million in the financial year ended September 30, 2011. This was mainly due to the phasing of renovations which had been limited in the financial year ended September 30, 2012.

In our Cruises sector, capital expenditures increased from €8.9 million in the financial year ended September 30, 2012, by €2.6 million, or 29.2%, to €11.5 million in the financial year ended September 30, 2013, following an increase of €0.4 million, or 4.7%, from €8.5 million in the financial year ended September 30, 2011. This increase was mainly due to payments made for the new cruise ship Europa 2.

Liabilities

We finance a significant portion of our funding through bank borrowings and the issuance of debt instruments, as well as through finance leases, primarily for aircraft.

Financial Liabilities

The tables below set out our financial liabilities as of September 30, 2011, 2012 and 2013 as well as June 30, 2014 as well as our maturity profile.

	As of September 30,			As of June 30,
	2011	2012	2013	2014
		(in € million)		
	(audited)	(audited)	(audited)	(audited)
Bonds	1,639.8	1,551.1	1,333.5	1,269.9
Convertible bonds	1,389.7	1,318.3	1,333.5	1,269.9
Other bonds	250.1	232.8	—	—
Liabilities to banks	886.7	566.1	1,004.3	386.9
Liabilities from finance leases	154.8	233.2	335.6	476.3
Financial liabilities due to non-consolidated Group companies	17.6	7.1	6.0	—
Financial liabilities due to affiliates[(1)]	11.2	11.6	—	0.2
Other financial liabilities	88.2	87.5	90.2	104.1
Total	**2,798.3**	**2,456.6**	**2,769.6**	**2,237.4**

(1) Consists of financial liabilities owed to companies in which we have a shareholding interest or which have a shareholding interest in any Group company.

	As of June 30,			As of September 30,						
	2014			2013			2012		2011	
	Up to 1 year	1-5 years	Total	Up to 1 year	1-5 years	Total	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
						(in € million)				
				(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)
Other liabilities due to non-consolidated Group companies	5.2	—	5.2	4.7	1.4	6.1	0.8	15.2	—	1.1
Other liabilities due to affiliates	27.6	—	27.6	33.6	—	33.6	—	12.2	—	10.6
Other miscellaneous liabilities	213.3	46.4	259.7	223.9	49.7	273.6	41.1	208.7	57.2	200.00
Other liabilities relating to other taxes	63.7	—	63.7	33.3	—	33.3	—	52.8	1.0	40.7
Other liabilities relating to social security	45.5	—	45.5	42.3	—	42.3	—	50.8	0.1	49.2
Other liabilities relating to employees	234.6	11.8	246.4	246.6	12.1	258.7	8.5	138.8	2.9	137.3
Other liabilities relating to members of the Boards	0.2	—	0.2	1.1	—	1.1	—	2.9	2.8	7.3
Advance payments received	4,100.7	10.6	4,111.3	2,179.8	9.1	2,188.9	2.1	2,149.1	—	2,013.7
Other liabilities	**4,690.8**	**68.8**	**4,759.6**	**2,765.3**	**72.3**	**2,837.6**	**52.5**	**2,630.5**	**64.0**	**2,459.9**
Deferred income	75.8	43.6	119.4	54.3	26.1	80.4	15.7	95.3	41.1	108.0
Total	**4,766.6**	**112.4**	**4,879.0**	**2,819.6**	**98.4**	**2,918.0**	**68.2**	**2,725.8**	**105.1**	**2,567.9**

In total, other liabilities increased from €2,918.0 million as of September 30, 2013, by €1,961 million to €4,879.0 million as of June 30, 2014. Such increase was due primarily to increases in customer deposits, which, due to the seasonal nature of the Group's business, primarily accrue prior to the summer season.

In total, other liabilities increased from €2,725.8 million as of September 30, 2012, by €192.2 million to €2,918.0 million as of September 30, 2013, following an increase of €157.9 million, from €2,567.9 million as of September 30, 2011.

Long-term financial liabilities

To fund our financing needs on a long-term basis, we have issued bonds in the past, with the table below showing our outstanding issuances as of June 30, 2014.

	Issuer	Nominal amount	Interest rate	Book value as per June 30, 2013	Book value as per June 30, 2014
		(in €/£ million)	*% p.a.*	*(in €/£ million)* (audited)	(audited)
2009/14 convertible bond	TUI AG	€217.8	5.500	€ 192.4	€ 65.0
2011/16 convertible bond	TUI AG	€339.0	2.750	€ 300.5	€ 313.7
2009/14 convertible bond	TUI Travel	£350.0	6.000	€ 391.0	€ 432.6
2010/17 convertible bond	TUI Travel	£400.0	4.900	€ 415.7	€ 458.6
2005/—hybrid capital(1)	TUI AG	€300.0	Until Jan 2013 8.625, subsequently 3M EURIBOR plus 7.300	€ 305.4	€ 294.6
Total				**€1,605.0**	**€1,564.8**

(1) In accordance with IAS 32, this bond constitutes equity. Accordingly, the interest paid on this bond is reported as dividends.

We also rely on loans from banks for a significant portion of our financing needs. As of June 30, 2014, total bank liabilities amounted to €386.9 million, of which €199.1 million had a remaining term of more than one year. As of December 31, 2013, we had €2,028.6 million liabilities to banks, of which €1,896.7 million were long-term liabilities.

Reconciliation of future lease payments to liabilities from finance leases

In addition to loans from banks and affiliates, a key part of our financing strategy involves the use of financial leases, primarily for aircraft and buildings. We also make use of these types of assets through operating leases, which are described under "—Liabilities-Other financial commitments."

We recognize liabilities from finance leases without consideration of future interest expenses. The following table reconciles our total future leasing payments to the carrying value of our liabilities from finance leases shown in the table above under "—Financial Liabilities":

	As of September 30, 2011	As of September 30, 2012	As of September 30, 2013			
	Total	Total	Up to 1 year	1 to 5 years	More than 5 years	Total
			(in € million)			
	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)
Total future lease payments	191.8	294.7	43.2	177.4	214.5	435.1
Interest portion	37.0	61.5	14.0	45.5	40.0	99.5
Liabilities from finance leases	154.8	233.2	29.2	131.9	174.5	335.6

The following table shows the development of property, plant and equipment held under finance leases, broken down by the type of asset financed:

Development of leased assets

	September 30, 2011	September 30, 2012	September 30, 2013	June 30, 2014
		(in € million)		
	(audited)	(audited)	(audited)	(audited)
Other real estate, land rights and buildings including buildings on third-party properties	9.8	7.8	14.5	14.6
Aircraft	30.1	144.5	250.9	393.8
Ships, yachts and boats	119.0	117.8	106.1	103.4
Machinery and fixtures	0.7	0.1	0.4	1.3
Other plants, operating and office equipment	8.9	10.8	11.6	17.5
Total	**168.5**	**281.0**	**383.5**	**530.6**

As of June 30, 2014, we recognized leased assets in the amount of €530.6 million measured at amortized cost.

As of September 30, 2013, we recognized leased assets in the amount of €383.5 million measured at amortized cost.

Information relating to development of leased assets is only calculated at the end of each respective financial year.

Other financial commitments

In addition to liabilities to banks and affiliates and under finance leases, we have significant financial commitments with respect to order commitments for capital expenditures, other financial commitments and tenancy contracts relating to hotel complexes, travel agencies, administrative buildings, aircraft, yachts and motor boats.

The fair value of other financial commitments as of June 30, 2014 has been determined by discounting future expenses on the basis of a customary market interest rate of 2.75% (as at September 30, 2013: 3.5%, as at September 30, 2012: 3.3%).

	Financial year ended September 30,						Nine-month period ended June 30,			
	2011	2012	2013				2014			
			Remaining term							
			Up to 1 year	1 to 5 years	More than 5 years	Total	Up to 1 year	1 to 5 years	More than 5 years	Total
	(in € million)									
	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)
Nominal values of other financial commitments										
Order commitments in respect of capital expenditure	2,258.9	1,945.8	541.5	1,333.6	1,359.3	3,234.4	642.1	1,479.6	905.6	3,027.3
Other financial commitments	201.7[(1)]	166.8	114.7	61.8	—	176.5	73.4	94.6	—	168.0
Commitments from lease, rental and leasing contracts	3,288.1	3,089.6	852.9	1,763.6	1,024.3	3,640.8	859.5	2,109.8	1,061.6	4,030.9
of which:										
Aircraft	1,377.7	1,391.3	352.3	861.1	508.8	1,722.2	336.6	966.3	526.9	1,829.8
Hotel complexes	859.6	688.9	217.6	420.1	97.9	735.6	248.5	545.6	120.8	914.9
Travel agencies	365.1	354.1	76.3	160.1	70.9	307.3	77.3	156.1	60.9	294.3
Administrative buildings	351.1	326.5	52.9	136.2	141.3	330.4	59.0	143.2	170.2	372.4
Ships, yachts and motor boats	269.3	216.2	116.4	147.0	177.4	440.8	108.3	266.1	157.3	531.7
Other	65.3	112.6	37.4	39.1	28.0	104.5	29.8	32.5	25.5	87.8
Total	**5,748.7**	**5,202.2**	**1,509.1**	**3,159.0**	**2,383.6**	**7,051.7**	**1,575.0**	**3,684.0**	**1,967.2**	**7,226.2**
Fair value	**4,938.7**	**4,738.9**	**1,486.9**	**2,849.3**	**1,799.2**	**6,135.4**	**1,532.8**	**3,403.5**	**1,638.6**	**6,511.9**

(1) Figures taken from the audited consolidated financial statements as of and for the year ended September 30, 2012.

As at 30 June 2014, order commitments in respect of capital expenditure relating almost exclusively to Tourism declined by €207.1 million as against September 30, 2013. This was due to various factors including the commissioning of new aircraft and aircraft equipment in the framework of TUI Travel's modernization strategy as well as current down payments. The increase in financial commitments from lease, rental and leasing contracts as against September 30, 2013 results above all from the commissioning of several aircraft and contract extensions for hotels and cruise ships in the TUI Travel sector.

The decrease in total commitments in the financial year ended September 30, 2012 compared to the prior year resulted mainly from reduced order commitments, primarily from prepayments made alongside the construction of the cruise ship Europa 2 and was due to current down payments and the delivery of two Boeing 737-800s.

The increase of €1,849.5 million of total commitments (+35.6%) in the financial year ended September 30, 2013 was due to a long-term order commitment, agreed to in July 2013, to purchase 60 narrow-body Boeing 737 MAX aircraft, to be delivered between January 2018 and March 2023. The existing option and right with Boeing to purchase up to a further 90 Boeing 737 MAX aircraft was not yet a commitment as of September 30, 2013 and hence not included in the figures above. The delivery and commissioning of the cruise ship Europa 2 in May 2013 caused a reduction in the order commitments. However, as the ship has been sold and leased back on a long-term basis, the lease commitments for cruise ships increased.

Pension obligations

We offer various types of retirement benefits to many of our employees worldwide, including both defined contribution pension plans and defined benefit pension plans. All defined contribution plans are funded by the payment of contributions to external insurance companies or funds, while defined benefit plans entail the formation of provisions within the Group or investment in funds outside the Group.

German employees enjoy benefits from a statutory defined contribution plan. Pension payments under this plan depend on the employees' income and paid contributions. Several additional pension organizations exist for companies of our Group. Once the contributions to state-run pension plans and defined contribution plans provided by private pension insurance organizations have been paid, our Group does not have further payment obligations. Current contribution payments are recognized as an expense. The pension costs for all defined contribution plans for the continuing operations increased from €34.9 million in the financial year ended September 30, 2012, by €3.0 million, to €37.9 million in the financial year ended September 30, 2013.

The pension costs for defined benefit obligations developed as follows:

	For the financial year ended September 30,		
	2011	2012	2013
		(in € million)	
	(audited)	(audited)	(audited)
Current service cost for employees service in the period	39.9	35.5	45.2
Curtailment gain	74.2	—	30.1
Interest cost	115.4	122.2	108.6
Expected return on external plan assets	85.5	89.5	81.3
Past service cost	0.4	(0.5)	5.9
Total	**(4.0)**	**67.7**	**48.3**

Information relating to pension costs for defined benefit obligations is only calculated at the end of each respective financial year.

The amount of €48.3 million includes a curtailment gain of €30.1 million, resulting mainly from a €28.8 million change in the pension arrangements in a Dutch subsidiary which resulted in a profit from a plan amendment and settlement. The increase in the past service cost was mainly attributable to an adjustment of the pension obligations in a German subsidiary following a decision of the European Court of Justice regarding the inadmissibility of the automatic termination of employment contracts for pilots when they reach the age of 60.

Other liabilities and derivatives

In addition to the liabilities described above, we reported €5,136.8 million in derivatives, other liabilities and deferred income at June 30, 2014. Other liabilities include mainly advance payments received, liabilities to related parties, liabilities to affiliates and, as well as general tax, social security, employee and other liabilities. The following table shows our other liabilities and derivatives.

	September 30,			June 30,
	2011	2012	2013	2014
		(in € million)		
	(audited)	(audited)	(audited)	(audited)
Derivative financial instruments	231.4	194.9	209.5	257.8
Advance payments received	2,013.7	2,149.1	2,188.9	4,111.3
Other liabilities relating to other taxes	40.7	52.8	33.3	63.7
Other liabilities due to non-consolidated Group companies	1.1	15.2	6.1	5.2
Other liabilities due to affiliates	10.6	12.2	33.6	27.6
Other liabilities(1)	393.8	401.2	575.7	551.8
Deferred income	108.0	95.3	80.4	119.4
Total	**2,799.3**	**2,920.7**	**3,127.5**	**5,136.8**

(1) Includes other liabilities relating to social security, relating to employees, relating to members of the Boards and other miscellaneous liabilities.

The Liabilities from derivative financial instruments include negative fair values of instruments that we use predominantly to hedge the operating businesses. Risk strategies are outlined in detail in "—Quantitative and Qualitative Disclosure about Risks Relating to Financial Instruments."

Contingent liabilities

In connection with the operation of our business, we incur liabilities with respect to bills, guarantees, bill and check guarantees and warranties.

Contingent liabilities under warranties are all contractual liabilities to third parties and are not to be classified as guarantees going beyond the typical scope of business and the industry.

Contingent liabilities are carried at an amount representing the best estimate of the expenditure that would be required to meet the present obligation as of the balance sheet date.

	September 30,			June 30,
	2011	**2012**	**2013**	**2014**
		(in € million)		
	(audited)	**(audited)**	**(audited)**	**(audited)**
Liabilities under guarantees, bill and check guarantees due to non-consolidated Group companies	0.4	0.4	0.4	0.4
Other liabilities under guarantee, bill and check guarantees	497.1	478.1	382.6	347.8
Other liabilities under warranties	0.9	2.3	1.2	0.4
Total	**498.4**	**480.8**	**384.2**	**348.6**

Contingent liabilities as at June 30, 2014 are all attributable to the granting of guarantees for the benefit of Hapag-Lloyd AG and TUI Cruises GmbH from the payment of collateralized ship financing schemes. Due to the cancellation of guarantees and ongoing redemptions, contingent liabilities declined as against September 30, 2013.

Contingent liabilities as of September 30, 2013 mainly related to the granting of guarantees for the benefit of Hapag-Lloyd and TUI Cruises from the payment of collateralized ship financing schemes. Due to the cancellation of guarantees and ongoing redemptions in the financial year ended September 30, 2013, contingent liabilities declined as of September 30, 2013 as compared with September 30, 2012.

Quantitative and Qualitative Disclosure about Risks Relating to Financial Instruments

One of the Company's goals is to control financial risk. In order to achieve this goal, universal policies and rules applicable throughout our Group have been implemented. These rules are applicable to all decisions in relation to financial transactions.

Upon the formation of TUI Travel in 2007 (by way of merger of our Tourism segment with First Choice Holidays PLC), responsibilities in relation to central cash management and central financial risk management were split between TUI Travel and the Company. TUI Travel now performs these tasks for TUI Travel, while the Company continues to be responsible for these functions for all other business operations of our Group.

Group internal policies and guidelines have been drawn up to define the individual financing units, rules, competencies and workflows as well as limits for transactions and risk positions. The trading, settlement and controlling functions have been segregated. Compliance with the policies and limits is regularly monitored.

All Group hedging activities are based on correspondingly recognized or future underlying transactions. Approved standard software is used for assessing, monitoring and reporting the hedges entered into. On an annual basis, the processes, the methods applied and the organization of risk management are reviewed for compliance with the relevant regulations by the internal audit department and external auditors.

Within our Group, financial risks primarily arose from cash flows in foreign currencies, fuel requirements (aircraft fuel and bunker oil) and financing via the bank and capital markets. In order to limit the risks from exchange rate fluctuations, market prices and interest rates for underlying transactions, the Company utilizes derivative over-the-counter financial instruments. These are primarily fixed-price transactions (*e.g.*, forward transactions and swaps). In addition, our Group also trades in options to a minor extent. Use of derivative financial instruments is confined to internally fixed limits and other regulations. As a matter of principle, the instruments used have to be controllable with the respective entity's own (organizational and systems) resources. The transactions are concluded on an arm's-length basis with counterparties with investment grade credit ratings operating in the financial sector whose counterparty risk is regularly monitored. Currency translation risks from the consolidation of Group companies not preparing their account in euros are not hedged.

Financial instruments

Financial instruments entail contractual claims or obligations that will lead to an outflow or inflow of financial assets or to the issue of equity rights. They also comprise derivative claims or obligations derived from primary financial instruments. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of a financial instrument is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's-length transaction.

Due to their monetary nature, financial instruments are subject to certain financial risks, including market risks (consisting of currency risks, interest rate risks and market price risks), credit risks and liquidity risks, that we seek to eliminate or limit by means of appropriate risk strategies and hedging methods.

Market risk

Market risks result in fluctuations in earnings, equity and cash flows. In order to limit or eliminate these risks, the Group has developed various hedging strategies, including the use of derivative financial instruments.

In accordance with IFRS 7, market risks have to be presented using sensitivity analyses showing the effects of hypothetical changes in relevant risk variables on profit or loss and equity. The effects for the period are determined by relating the hypothetical changes in risk variables to the portfolio of primary and derivative financial instruments as of the balance sheet date. Care is taken to ensure that the respective portfolio as of the balance sheet date was representative for the financial year.

The amounts determined using sensitivity analyses represent hypothetical, and thus uncertain, disclosures entailing risks. Due to unforeseeable developments in the global finance markets, actual results may deviate substantially from the disclosures provided.

Currency risk

The operations of companies within the Group generated payments denominated in foreign currencies, which were not always matched by payments with equivalent terms in the same currency. Using potential netting effects (netting of payments made and received in the same currency with identical or similar terms), the Company entered into hedges with external counterparties in order to limit the currency risk.

Hedges of currency transactions of TUI Travel were entered into when the calculated brochure prices had been fixed and generally covered 80% to 100% of the planned currency requirements for the respective tourism season, depending on the respective company's risk profile. The hedged volumes were changed in line with changes in planned requirements on the basis of monthly reporting by the subsidiaries.

Hedges of currency transactions in TUI Hotels & Resorts and Cruises sectors were also based on the planned exposure indicated in the monthly reports submitted by the companies. The aim is for the hedges to cover 80% of the reported exposure.

Risks from exchange rate fluctuations of more than 20 currencies were hedged within the Group, with the largest hedging volumes relating to U.S. dollar, euro and British pound sterling.

In the operational business the largest hedging volume related to U.S. dollars. In the Tourism segment, payments in U.S. dollars primarily related to the procurement of services in non-European destinations, purchases of aircraft fuel and purchases or rental of aircraft.

The Eurozone limited the currency risk from transactions in the key tourist destinations to Group companies whose functional currency was not the euro. The Tourism segment and primarily the Northern Region division were mainly affected by changes in the value of the U.S. dollar and the euro.

Currency risks arise from primary and derivative monetary financial instruments issued in a currency other than the functional currency of a company. Exchange rate-related differences from the translation of financial statements into the Group's currency were not taken into account. Taking account of the different functional currencies within the Group, the sensitivity analyses of the currencies identified as relevant risk variables are presented below. A 10% strengthening or weakening of the respective functional currencies, primarily euro and British pound sterling, against the other currencies would create the following effects on the revaluation reserve and earnings after income tax:

Sensitivity analysis—currency risk

	September 30, 2011		September 30, 2012		September 30, 2013		June 30, 2014	
Variable: Exchange rate	**+10%**	**-10%**	**+10%**	**-10%**	**+10%**	**-10%**	**+10%**	**-10%**
	(in € million)							
	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)
Exchange rates of key currencies								
€/U.S. dollar								
Revaluation reserve	(90.2)	90.2	(99.0)	98.6	(87.7)	86.8	(105.5)	105.7
Earnings (loss) after income taxes	(2.7)	2.7	3.3	(2.7)	(5.2)	5.4	(1.2)	1.5
€/British pound sterling								
Revaluation reserve	97.5	(97.5)	105.2	(105.2)	(91.7)	91.7	(116.7)	116.7
Earnings (loss) after income taxes	108.7	(108.7)	123.8	(123.8)	(35.3)	35.3	(90.6)	90.3
British pound sterling/U.S. dollar								
Revaluation reserve	(102.3)	102.3	1.4	(1.4)	(71.7)	71.7	(93.1)	93.1
Earnings (loss) after income taxes	(45.3)	45.3	11.1	(11.1)	(14.8)	14.8	(1.5)	1.5
€/Swiss franc								
Revaluation reserve	3.2	(3.2)	(2.5)	2.6	(3.0)	3.0	5.1	(5.6)
Earnings (loss) after income taxes	4.0	(4.0)	(11.6)	11.6	(0.2)	0.2	0.1	(0.1)
€/Swedish krona								
Revaluation reserve	16.7	(16.7)	20.8	(20.8)	25.2	(25.2)	16.7	(16.7)
Earnings (loss) after income taxes	(3.6)	3.6	(10.1)	10.1	(5.0)	5.0	—	—

Interest rate risk

Market value interest rate risks, or potential fluctuations in the fair value of a financial instrument due to movements in market interest rates, arose primarily from medium- and long-term fixed-interest receivables and liabilities. For bonds issued, the fair values deviated from recognized carrying amounts. However, these financial instruments were carried at amortized cost rather than at fair value. As a result, neither equity nor profit and loss were directly affected.

In the financial year ended September 30, 2013, the Group was exposed to earnings-related risks (cash flow interest rate risks) for balance sheet items and financial derivatives.

Sensitivity Analysis—Interest Rate Risk

	September 30, 2011		September 30, 2012		September 30, 2013	
Variable: Interest rate level for floating interest-bearing debt	**+100 basis points**	**-100 basis points**	**+100 basis points**	**-100 basis points**	**+100 basis points**	**-100 basis points**
	(in € million)					
	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)
Hedging reserve	1.5	(1.1)	0.2	—	1.0	(0.7)
Earnings after income taxes	2.8	(2.2)	(0.8)	1.6	(4.4)	3.4

Fuel price risk

Due to the nature of our business operations, the Group was exposed to market price risks from the procurement of fuels, both for the aircraft fleet and the cruise ships.

The Tourism companies use financial derivatives to hedge their exposure to market price risks for the planned purchase of fuel. When calculating the exposure at the beginning of a season, the goal is to hedge at least 80% of the relevant exposure. The different risk profiles of the Group companies operating in different source markets are taken into account, including possibilities of levying fuel surcharges. The hedging volumes are adjusted to changes in planned consumption on the basis of the reports from the Group companies. A 10% increase or decrease in the raw material prices underlying the fuel price hedges as of the balance sheet date would have had the following impact on equity and earnings.

Sensitivity analysis—fuel price risk

Variable: Fuel prices for aircraft and ships	September 30, 2011		September 30, 2012		September 30, 2013	
	+10%	-10%	+10%	-10%	+10%	-10%
	(in € million)					
	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)
Revaluation reserve	80.8	(84.2)	94.9	(94.9)	77.5	(79.1)
Earnings after income taxes	3.5	(3.8)	0.5	(0.3)	0.1	0.2

Other price risk

In the financial year ended September 30, 2011, TUI Travel issued a convertible bond for which the TUI Group entered into a buyback obligation. It is treated separately in the form of a forward transaction and included as a hedge in the framework of hedge accounting. A 10% increase or decrease in the bond price compared with the measurement as of September 30, 2013 would change the revaluation reserve by €+14.3/€-14.3 million (previous year €+12.6/€-12.6 million).

Moreover, an assumed change in the underlying price of +/-10% for the equity investment in AirBerlin would have an effect of €+0.6/€-0.6 million (previous year €+0.5 million revaluation reserve/ €-0.5 million earnings after tax) on the revaluation reserve as of September 30, 2013.

Credit risk

Credit risk in non-derivative financial instruments results from the risk of non-performance of contractual payment obligations by counterparties.

The maximum credit risk exposure was defined by the total of the recognized carrying amounts of the financial assets (including derivative financial instruments with positive market values) on the one hand and the granting of financial guarantees on the other. Legally enforceable possibilities of netting financial assets and liabilities were taken into account, whereas existing collateral was not considered. The credit risk was minimized due to the strict requirements placed on the counterparties' credit rating. Credit risks were reviewed closely on conclusion of the contract and regularly monitored thereafter so as to be able to swiftly respond to a potential downgrading of a counterparty's credit rating. Responsibility for handling the credit risk relating to the operative business was held by the individual Group companies. Depending on the type of business activity and level of the credit limit, additional monitoring and control activities were effected at the Group level.

Since the TUI Group operated in many different business areas and regions, significant credit risk concentrations of receivables from and loans to specific debtors or groups of debtors were not to be expected. A significant concentration of credit risks related to specific countries was not to be expected either. The maximum credit risk is reduced by collateral held and other credit enhancements of €1.1 million in the financial year ended September 30, 2013 (compared to €2.6 million in the financial year ended September 30, 2012). Collateral held relates exclusively to financial assets of the category trade accounts receivable and other receivables. The collateral mainly constitutes collateral for financial receivables granted and maturing in more than one year and/or with a volume of more than €1 million. Rights *in rem*, directly enforceable guarantees, bank guarantees and comfort letters are used as collateral.

Identifiable credit risks of individual receivables were covered by means of corresponding bad debt allowances. In addition, portfolios were impaired based on empirical values.

As of the balance sheet dates for the financial year ended September 30, 2011, the financial year ended September 30, 2012 and the financial year ended September 30, 2013, there were no financial assets that would be overdue or impaired unless the terms and conditions of the contract had been renegotiated.

Credit management also covered the TUI Group's derivative financial instruments. The maximum credit risk for derivative financial instruments entered into was limited to the total of all positive market values of these instruments, the rationale being that in the event of counterparty default asset losses would only be incurred up to that amount. Since derivative financial instruments were concluded with different debtors with good credit ratings, no credit risk exposure was to be expected. Nevertheless, the counterparty risk was frequently monitored and controlled.

Liquidity Risk

Liquidity risks consisted of potential financial bottlenecks and resulting increases in refinancing costs. For this reason, the key objectives of our Group's internal liquidity management system were to secure the Group's liquidity at all times, to consistently comply with contractual payment obligations and optimize cash management costs for the overall Group. The Group's liquidity requirements were determined by means of liquidity planning and were covered by committed credit lines and liquid funds so that the Group's liquidity is guaranteed at all times.

The tables provided below list the contractually agreed (non-discounted) cash flows of primary financial liabilities and derivative financial instruments.

Cash flow of financial instruments (September 30, 2013)

	Cash inflow/(outflow) until September 30,			
	2014	**2015**	**2016-2018**	**as of 2018**
		(in € million)		
	(audited)	**(audited)**	**(audited)**	**(audited)**
Financial liabilities				
Bonds	(21.2)	(1,070.7)	(343.7)	—
Liabilities to banks	(845.4)	(33.9)	(77.4)	(75.8)
Liabilities from finance leases	(29.3)	(35.5)	(96.4)	(174.5)
Financial liabilities due to non-consolidated Group companies	—	—	—	—
Financial liabilities due to affiliates	—	—	—	—
Other financial liabilities	(128.0)	—	—	—
Trade payables	(3,049.2)	—	—	—
Other liabilities	(218.9)	(6.3)	(13.5)	(11.8)
Derivative financial instruments				
Hedging transactions—inflows	6,172.5	1,102.4	29.1	—
Hedging transactions—outflows	(6,275.8)	(1,128.9)	(29.7)	—
Other derivative financial instruments—inflows	3,363.2	206.4	—	—
Other derivative financial instruments—outflows	(3,407.7)	(209.4)	(0.2)	—

Cash flow of financial instruments (September 30, 2012)

	Cash inflow/(outflow) until September 30,			
	2013	**2014**	**2015-2017**	**as of 2017**
		(in € million)		
	(audited)	**(audited)**	**(audited)**	**(audited)**
Financial liabilities				
Bonds	(260.1)	(21.2)	(1,419.7)	—
Liabilities to banks	(398.0)[(1)]	(213.1)	(54.9)	(41.3)
Liabilities from finance leases	(28.5)	(18.7)	(65.1)	(114.2)
Financial liabilities due to non-consolidated Group companies	—	—	—	—
Financial liabilities due to affiliates	(1.4)	—	(11.6)	—
Other financial liabilities	(124.4)	(12.7)	(1.3)	(0.2)
Trade payables	(3,260.0)[(1)]	—	—	—
Other liabilities	(58.5)	(2.2)	(13.2)	(1.4)
Derivative financial instruments				
Hedging transactions—inflows	6,001.4	1,064.2	7.3	—
Hedging transactions—outflows	(6,068.0)	(1,075.6)	(7.2)	—
Other derivative financial instruments—inflows	4,675.8	34.4	—	—
Other derivative financial instruments—outflows	(4,689.6)	(34.8)	—	—

(1) Figures taken from TUI's audited consolidated financial statements as of and for the year ended September 30, 2013.

Cash flow of financial instruments (September 30, 2011)

	Cash inflow/(outflow) until September 30,			
	2012	2013	2014-2016	as of 2016
		(in € million)		
	(audited)	(audited)	(audited)	(audited)
Financial liabilities				
Bonds	(232.3)	(278.7)	(1,351.4)	(483.5)
Liabilities to banks	(138.2)	(590.3)	(202.5)	(62.0)
Liabilities from finance leases	(47.7)	(17.5)	(54.3)	(66.5)
Financial liabilities due to non-consolidated Group companies	(17.4)	—	(0.2)	—
Financial liabilities due to affiliates	(11.2)	—	—	—
Other financial liabilities	(81.2)	—	(0.5)	(6.5)
Trade payables	(2,973.5)	—	—	—
Other liabilities	(1.1)	—	—	—
Derivative financial instruments				
Hedging transactions—inflows	6,457.2	942.5	17.5	—
Hedging transactions—outflows	(6,330.8)	(906.6)	(15.4)	—
Other derivative financial instruments—inflows	3,722.7	90.2	—	—
Other derivative financial instruments—outflows	(3,718.5)	(89.2)	—	—

The cash flow analysis covered all primary and derivative financial instruments as of the balance sheet date. Planned payments for new future liabilities were not taken into account. Where financial liabilities had a floating interest rate, the interest rates fixed as of the balance sheet date were also applied to subsequent periods in determining future interest payments. Such interest rates do not necessarily reflect the actual applicable interest rates in the future. Financial liabilities cancellable at any time were allocated to the earliest maturity band.

Derivative financial instruments and hedges

According to the implementing regulations of the TUI Group, derivatives may be used if they are based on underlying recognized assets or liabilities, firm commitments or forecasted transactions. Hedge accounting was based on the rules of IAS 39, in particular in the framework of hedging against exposure to fluctuations in future cash flows. In the financial year ended September 30, 2013, hedges exclusively consisted of cash flow hedges.

Cash flow hedges

As of September 30, 2013, underlying transactions existed to hedge cash flows in foreign currencies with maturities of up to three years (previous year up to three years). The planned underlying transactions of fuel price hedges had terms of up to three years (previous year up to three years). In order to hedge TUI AG’s variable interest payment obligations from the convertible bond issued by TUI Travel, interest hedges with a term of up to two years (previous year up to three years) were concluded in the financial year ended September 30, 2011 and in the financial year ended September 30, 2013.

In accounting for derivatives of cash flow hedges, the effective portion of the cumulative changes in market values is carried in the revaluation reserve outside profit and loss until the underlying transaction occurs. It is carried in the income statement through profit and loss when the hedged item is executed. In the financial year ended September 30, 2013, income of €11.0 million (compared to expenses of €21.7 million in the financial year ended September 30, 2012) for currency hedges and derivative financial instruments used as price hedges as well as for interest hedges was carried in the cost of sales and administrative expenses. Expense of €2.4 million in the financial year ended September 30, 2013 compared to income of €1.3 million in the financial year ended September 30, 2012 was carried from the ineffective portion of the cash flow hedges.

Nominal amounts of the derivative financial instruments used

	September 30, 2011		September 30, 2012[(1)]		September 30, 2013		
	Remaining term		Remaining term		Remaining term		
	More than 1 year	Total	More than 1 year	Total	Up to 1 year	More than 1 year	Total
				(in € million)			
	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)
Interest rate hedges							
Caps	207.7	207.7	212.7	212.7	59.8	222.0	281.8
Swaps	57.7	57.7	62.7	62.7	59.8	90.9	150.7
Currency hedges							
Forward	1,317.2	11,899.8	1,079.3	11,496.7	9,387.2	1,060.2	10,447.4
Options	—	—	77.6	100.4	39.2	—	39.2
Structured instruments	66.0	310.4	70.8	647.6	179.1	110.9	290.0
Commodity hedges							
Swaps	218.2	1,134.1	259.2	1,486.1	1,011.2	212.5	1,223.7
Options	137.5	137.5	19.8	129.5	31.1	—	31.1
Other financial instruments	173.1	173.1	188.0	188.0	—	179.4	179.4

(1) Figures taken from TUI's audited consolidated financial statements as of and for the year ended September 30, 2013.

The nominal amounts corresponded to the total of all purchase or sale amounts or the contract values of the transactions.

In principle, the fair values of derivative financial instruments corresponded to the market values. The market price determined for all derivative financial instruments was the price at which a contracting party would assume the rights and/or obligations of the respective counterparty. The fair value of over-the-counter derivatives was determined by means of appropriate calculation methods, *e.g.*, by discounting the expected future cash flows. The forward prices of forward transactions were based-on-the-spot or cash prices, taking account of forward premiums and discounts. The calculation of the fair values of currency options was based on the Black- Scholes model and the Turnbull & Wakeman model for optional fuel hedges. The fair values determined on the basis of the Group's own systems were regularly compared with fair value confirmations of external counterparties.

Positive and negative fair values of derivative financial instruments shown as receivables or liabilities

	September 30, 2011		September 30, 2012		September 30, 2013	
	Receivables	Liabilities	Receivables	Liabilities	Receivables	Liabilities
			(in € million)			
	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)
Cash flow hedges for currency risks	139.4	48.3	79.0	137.3	40.4	147.4
Cash flow hedges for market price risks	64.3	110.5	56.6	23.1	43.3	28.4
Cash flow hedges for interest risks	0.4	0.2	0.2	1.7	0.1	0.6
Hedges	**204.1**	**159.0**	**135.8**	**162.1**	**83.8**	**176.4**
Other derivative financial instruments	70.7	72.4	24.1	32.8	3.2	33.1
Total	**274.8**	**231.4**	**159.9**	**194.9**	**87.0**	**209.5**

Financial instruments which were entered into in order to hedge a risk position according to operational criteria but did not meet the strict criteria of IAS 39 to qualify as hedges were shown as other derivative financial instruments. They included in particular foreign currency transactions entered into in order to hedge against exposure to changes in the value of balance sheet items and foreign exchange fluctuations from future expenses in Tourism.

Critical Accounting Policies

Our accounting policies are in accordance with IFRS, which have been incorporated into domestic legislation by the endorsement process of the European Commission. The policies are applied on a consistent basis in all material respects. Management exercises its best judgment in selecting accounting policies for which alternative methods exist under IFRS. We have selected the accounting policies and topics below as those that, in our opinion, are critical to our consolidated financial statements in the present economic environment. In evaluating our present and future financial condition and results of operations, these influences and judgments, as well as the uncertainties to which they are subject, are likewise important factors to be considered.

Recognition of income

Turnover comprises the fair value of the consideration received or to be received for the sale of products and services during the course of ordinary business activities. Turnover is carried excluding value-added tax, returns, discounts and price rebates and after elimination of intra-Group sales.

Turnover and other income is accounted for upon rendering of the service or delivery of the assets and hence upon transfer of the risk.

The commission fees received by travel agencies for package tours are recognized upon payment by the customers or, at the latest, at the date of departure. Tour operator services mainly consist of organizing and coordinating package tours. Turnover from the organization of tours is therefore fully recognized when the customer departs. Turnover from individual travel modules booked directly from airlines, hotel companies or incoming agencies by customers is recognized when the customers use the respective services. Income from non-completed shipping tours is recognized according to the proportion of contract that has been performed at the balance sheet date. For cruises, the percentage of completion is determined as the ratio between travel days completed as of the balance sheet date and total travel days.

Interest income and interest expenses are reported on an accrual basis according to the effective interest method unless they are capitalized under IAS 23. Dividends are reported when the legal claim has arisen.

Goodwill and consolidation

The growth of the Group and our strategic realignment through acquisitions has created a significant amount of goodwill. As of September 30, 2013 (June 30, 2014), we carried goodwill of €2,976.4 million (€3,062.1 million), which represented 22.1% (22.2%) of our total assets.

Goodwill is not amortized. We regularly, and at least every twelve-month period, undertake a goodwill impairment analysis following the completion of the annual planning process. Additional impairment tests are undertaken if there are any indications of potential goodwill impairment. We conduct impairment tests in conjunction with the allocation of goodwill at the level of cash-generating units, which are the smallest identifiable groups of assets that generate cash inflows from continuing use and are largely independent of cash flows from other assets. We compare the carrying amounts plus the allocated goodwill of each unit with its recoverable amount. When the carrying amounts exceed the recoverable amount, we recognize an impairment of goodwill. The recoverable amount is the higher value of its fair value less costs of disposal and its value in use. In the Tourism segment, TUI Travel as a whole represents a cash generating unit. Goodwill in the TUI Hotels & Resorts sector is allocated to the individual hotel groups. In the periods under review, the goodwill impairment charges were limited to the hotel project Tenuta di Castelfalfi in response to reduced expectations regarding its marketability.

Property, Plant and Equipment

With a carrying value as of September 30, 2013 (June 30, 2014) of €2,682.0 million (€2,705.4 million), Property, Plant and Equipment represent a significant portion of total assets. Property, Plant and Equipment are measured at amortized cost.

Borrowing costs directly associated with the acquisition, construction or production of qualified assets are included in the costs to acquire or produce these assets until the assets are ready for their intended use. Other borrowing costs are recognized as current expenses.

Depreciation of property, plant and equipment is largely based on the straight-line method over customary useful lives. Use-related depreciation for our primary assets are based on the following useful lives:

Hotel buildings	30 to 40 years
Cruise ships	20 to 30 years
Yachts and boats	5 to 24 years

Aircraft:

Fuselages and engines up to 18 years

Major overhauls up to 5 years

Spare parts 12 years

Pension funding

We operate several defined contribution pension plans and defined benefit pension plans for employees. Benefit obligations depend on the legal, fiscal and economic situation in each individual country and are usually based on the employee's length of service and pay level. All defined contribution plans are funded externally, whereas defined benefit plans are financed either through provisioning or investments in funds outside the relevant company.

While fund assets are determined on the basis of the fair values of invested funds as of year-end, pension obligations are measured by actuarial calculations based on assumptions. These assumptions, which vary from country to country, include estimates of discount rates, life expectancies, salary and pension trends, and, in the case of funded pension obligations, projected returns on plan assets.

In addition to the critical accounting policies noted above, the preparation of our consolidated financial statements is based on a number of assumptions and estimates, which have an effect on the value and presentation of reported assets, liabilities, income and expenses as well as contingent liabilities. These assumptions and estimates mainly relate to the determination of fair values in relation to business combinations, the classification of lease accounting, the classification of non-current assets held for sale and discontinued operations, the accounting and measurement of provisions, the reliability of future tax savings and the effectiveness of hedge accounting. The actual values may vary from the assumptions and estimates made in individual cases. Changes in such values are reflected in the financial statements as soon as new information becomes available.

Recently Adopted Accounting Principles

The following standards revised or newly issued by the IASB and relevant for the TUI Group have been mandatory since the beginning of financial year ended September 30, 2014:

- Amendments to IAS 19: Employee Benefits
- IFRS 13: Fair Value Measurement
- Amendments to IFRS 7: Financial Instruments—Disclosures
- Annual Improvements Project (2009—2011)

In addition, the following standards amended by the IASB and transposed into European legislation by the European Union have been adopted ahead of the effective date as of the beginning of financial year ended September 30, 2014:

- Amendments to IAS 36: Impairment of Assets—Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to IAS 39: Financial Instruments—Recognition and Measurement: Novation of Derivatives and Continuation of Hedge Accounting

With the exception of the amendments to IAS 19, the first-time adoption of the standards listed above does not have any or has no significant impact on the Group's net assets, financial position and results of operations in the present audited interim consolidated financial statements as of and for the nine-month period ended June 30, 2014. The amendments to IFRS 1 are not relevant for the Group.

Amendments to IAS 19: Employee Benefits

The mandatory application of the amendments to IAS 19 on the accounting for employee benefits had a material impact on the Group's other financial income and results of operations so that the prior year numbers were restated as of October 1, 2013.

The amendments to IAS 19, published in June 2011, remove the existing option to apply the corridor method and lead to the immediate recognition of actuarial gains and losses in other income outside profit and loss. Due to the introduction of the net interest expense on defined benefit pension plans, the return on plan assets no longer has to be estimated as an expected return but must be determined as interest on the plan on the basis of the net interest rate used to determine the present value of the defined benefit obligations. Other amendments relate to the immediate recognition of past service cost through profit and loss in the event of future plan amendments and the presentation of the net interest result in defined benefit pension plans. Amendments also relate to the distinction between benefits provided in exchange for the termination of employment and other employer benefits. The amended standard also creates enhanced disclosure requirements regarding employee benefits.

In line with the transition guidance, the amendments were applied with retroactive effect as of the beginning of the reference period, *i.e.*, October 1, 2012. The tables below present the quantitative impact of the first-time application of the amended IAS 19 on the Group's net assets, financial position and results of operations:

Restated items of the income statement of the Group for the period from October 1, 2012 to June 30, 2013:

	Before Restatement	Restatement	Restated
	(in € million)		
	(audited)	(audited)	(audited)
Financial income	86.8	(59.5)	27.3
Financial expenses	282.3	(48.9)	233.4
Earnings (loss) before income taxes	(618.4)	(10.6)	(629.0)
EBITA	(391.8)		(391.8)
Underlying EBITA	(252.2)		(252.2)
Earnings (loss) before income taxes	(618.4)	(10.6)	(629.0)
Income taxes	(151.9)	(2.6)	(154.5)(1)
Group loss for the period	(466.5)	(8.0)	(474.5)(2)
Group loss for the period attributable to shareholders of TUI AG	(370.1)	(4.4)	(374.5)(3)
Group loss for the period attributable to non-controlling interest	(96.4)	(3.6)	(100.0)
Basic and diluted earnings per share (in €)	(1.54)	(0.02)	(1.56)

(1) Income taxes does not reconcile to income statement as of June 30, 2013. There is an additional adjustment resulting from deferred taxes of €1.7 million.

(2) Group loss for the year does not reconcile to income statement as of June 30, 2013. There is an additional adjustment resulting from deferred taxes of negative €1.7 million.

(3) Group loss for the year attributable to shareholders of TUI AG does not reconcile to income statement as of June 30, 2013. There is an additional adjustment resulting from deferred taxes of negative €1.7 million.

Elimination of the so-called corridor method does not have an impact as the immediate and full recognition of actuarial gains and losses reflects the method already used by TUI. The amendment therefore does not have an impact on the presentation of the consolidated statement of financial position. Changes in the TUI Group's cash flow statement only relate to the indirect approach to derive the cash inflow from operating activities.

If the previous version of IAS 19 had continued to be applied, the consolidated comprehensive income and Group financial position for the first half of the financial year ended September 30, 2014 would not differ from the presentation according to the new version. The only differences from the amounts calculated according to the new version would have related to the statement of comprehensive income, as follows:

- Reduction in Group loss after tax of €13.4 million with an increase in financial result of €20.2 million and a reduction in tax income of €6.8 million.
- Reduction in other comprehensive income within the items not to be reclassified to the income statement by the same amount of €13.4 million due to lower actuarial gains on fund assets and a reduction in attributable taxes.
- Increase in (basic and diluted) earnings per share of negative €0.02.

The amendments to the recognition of past service costs do not have an impact on the results of operations in the audited interim consolidated financial statements as of and for the nine-month period ended June 30, 2014. The Group has examined the impact of the changed definition of benefits provided in exchange for the termination of employment on the current and prior consolidated financial statements. For materiality reasons, provisions for part-time arrangements for employees approaching retirement were not retroactively restated.

IFRS 13: Fair Value Measurement

The amendments establish a uniform approach to determining fair value. According to IFRS 13, fair value is redefined as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between the market participants at the measurement date. Moreover, the disclosures in the notes to our consolidated financial statements in connection with fair value measurement are expanded to cover all standards. Apart from additional disclosures in the Notes, the prospective first-time application of the standard did not have any other material effects on the consolidated financial statements.

Amendments to IFRS 7: Financial Instruments—Disclosures

The amendments to IFRS 7 expand the existing qualitative and quantitative disclosure requirements in the notes to our consolidated financial statements on the offsetting of financial assets and financial liabilities affected. They also contain additional disclosure requirements for financial instruments subject to offsetting agreements, regardless of whether they have actually been offset according to IAS 32. The amendments give rise to additional disclosures in the notes to our consolidated financial statements.

Annual Improvements Project (2009—2011)

In the framework of the Annual Improvements Project (2009—2011), amendments to five standards (IFRS 1, IAS 1, IAS 16, IAS 32, and IAS 34) were decided. The amendments include minor changes in the contents and clarifications of the presentation, recognition and measurement. The Group does not expect the first-time application to have a material effect on the consolidated financial statements.

Amendments to IAS 36: Impairment of Assets

The amendments clarify and extend the disclosure requirements regarding the recoverable amount for non-financial assets. They make it clear that the recoverable amount of a cash generating unit to which substantial goodwill has been assigned only has to be disclosed if an impairment has been recorded for this unit in the period under review and if the recoverable amount is based on fair value less costs of disposal. It also introduces new disclosure requirements for impaired non-financial assets. The amendments were endorsed by the European Union in December 2013 and are effective for financial years beginning on or after January 1, 2014. The Group has applied these amendments ahead of the effective date as of October 1, 2013. The amendments give rise to additional disclosures in the notes to the audited interim consolidated financial statements as of and for the nine-month period ended June 30, 2014.

Amendments to IAS 39: Financial Instruments—Recognition and Measurement

As a result of the amendments to IAS 39 on the recognition and measurement of financial instruments, the novation of a hedge to a central counterparty due to legal requirements does not impose discontinuation of the hedging relationship if certain conditions are met. The amendments were transposed into European legislation by the EU in December 2013 and are effective for annual periods beginning on or after January 1, 2014. The Group has applied the amendments ahead of the effective date as of October 1, 2013. The retrospective first-time application has not had an impact on the Group’s net assets, financial position and results of operations.

As of today, TUI does not expect material effect on its financial statements from the application of new standards, already been issued and with a mandatory application from the beginning of the following financial year ended September 30, 2015 or later.

INDUSTRY AND MARKET DATA

Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We believe that these industry publications, surveys and forecasts are reliable but we have not independently verified them and cannot guarantee their accuracy or completeness.

The projections and forward-looking statements in this section are not guarantees of future performance and actual events and circumstances could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See "Risk Factors" and "Forward Looking Statements."

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. (*source*: UNWTO, PR 14034, May 2014).

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

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

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

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

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

Leisure Hotel Market

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

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

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

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

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

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

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

Cruise Market

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

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

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

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

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

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

Tourism Value Chain

The following sets out the primary elements of the "tourism value chain," through which a tourism group markets, distributes, assembles and provides tourism products and services.

Multi-channel Distribution. Most tourism companies sell a majority of their travel products and services through travel agencies, online distribution channels, or call centers. Travel agencies may be owned or franchised by the tourism company or by a third party. Travel agencies typically display brochures that provide details and pricing relating to the various travel offerings. They are geographically close to the customer and can assist them by doing much of the searching on their behalf. They are able to cater to the individual requirements of each tourist and can customize a holiday to suit each client. In addition to travel agencies, alternative means of distribution, including direct sales through online platforms, call centers and television advertising, are becoming increasingly important as customers tend to search for and book travel products through a variety of distribution channels.

Online Distribution Platforms. The internet has fueled a demand for an uncomplicated, reliable and accessible commercial marketplace where customers may easily compare prices and services and make informed choices when booking travel arrangements. Online distribution platforms include both proprietary and third-party websites. Online travel agencies focus on online distribution channels and predominantly follow a merchant business model. Based upon contracts negotiated with direct suppliers such as hotel companies, airlines, car rental companies and tour operators, they provide travel products, especially in the mainstream market, to customer groups driven by a price-oriented approach.

Tour Operators. Tour operators develop travel products ranging from package holidays to single seat flight bookings and other component products or services in order to meet the differing demands of customers. While certain component products such as flights or accommodation may be sold under their original brand names, whether provided by a tour operator or by a third party, more commonly a tour operator sells such products under its own brand name. Therefore, brand identity and a consistent branding strategy are crucial to tour operators' success. We believe that in most European source markets, customers closely associate tour operators' brand names with the quality of the products booked with the tour operator.

Air Travel. The air travel stage in the value chain is comprised of the transportation of customers to their destinations via charter or scheduled air services. Integrated tourism companies own and/or lease aircraft and operate them in selected source markets. Along with tour operators, they may contract with charter and scheduled airlines for the air travel component of holiday packages to the extent that they require additional aircraft capacity. Air travel is increasingly booked on a single seat component basis.

Destination Services. This stage of the value chain encompasses all of the services offered by destination agencies and hotels at the destination, including, in addition to hotel accommodation (and the related food and beverage services), transfers between the airport and hotels, local excursions and events, car hire and other services. While some integrated tourism companies own substantial portions of these service providers, the market is generally characterized by numerous local entities operating under contract with tour operators, *i.e.*, tour operators cooperate with local service providers which then operate under the established tour operator's name. Also, given the commoditized nature of destination services, offering differentiated services provides tour operators with a competitive advantage. As with air travel, accommodation is increasingly booked as a single component.

Hotels. As the hotel experience has the highest influence on the customer's satisfaction and recommendation rate on the overall holiday experience, the hotel is a very important element in the tourism value chain. In addition to the accommodation itself, hotel services include entertainment, food and beverages in restaurants and bars, spa and wellness services, fitness centers and many further ancillary services. Hotels can be offered to the customer in direct sales as well as through intermediaries and tour operators. Integrated tourism companies have the advantage to offer hotel and resort packages including flights and airport transfers.

Cruises. Cruises are a unique product in the value chain as they offer travel between destinations as well as accommodation for the duration of the cruise. Onboard entertainment, meals, spa services, fitness centers and shopping outlets provide opportunities for additional turnover. In addition, cruise packages are often bundled with excursions at various ports of call and transfer services to and from the departure and arrival ports. An integrated tourism company has the ability to offer customers cruise packages including round-trip transportation to the cruise ship and accommodation in the city of departure or arrival. Cruises can also be offered on a stand-alone basis, allowing customers to combine a cruise with their own broader travel itinerary.

Services at each stage of the value chain may be provided by separate companies as well as by integrated tourism companies as a holiday package or on a component basis.

Industry Trends

Internet. The internet has had a significant effect on the travel industry, allowing existing industry participants, including us, to sell directly online. The emergence of online platforms has enabled customers to shop online for flights, hotels and other travel services, and has made it easier for them to book last minute, to take advantage of special offers, to compare prices and to buy component products (such as flight- and-accommodation-only) instead of packaged holidays. In addition, the internet has fostered online travel communities which enable customers to access reviews of travel holiday experiences from other customers in order to better compare travel products offered by tour operators and direct suppliers from both price and service perspectives. The largest online travel markets are the United States and Europe, followed by the Asian Pacific economic region ("**APAC**"). For 2013, the expected booking volume in the European online travel market was estimated at €107.3 billion, of which about two-thirds were generated in Germany, the United Kingdom and France. For the future, the online market is expected to outgrow the overall market for travel. Germany will likely overtake the United Kingdom as Europe's largest online travel market within the next five years. Online booking growth expectations for 2014-2015 are the same for the APAC region and Europe, while the booking volume in the United States is expected to remain the same. (*source*: PhocusWright, German Online Travel Overview Ninth Edition, December 2013; PhocusWright European Online Travel Overview Ninth Edition, December 2013).

Disaggregation of Bookings. Customers choose to purchase packaged holidays for various reasons, such as convenience, access to particular hotels and resorts and the perception that package holidays are priced at a discount compared to the aggregate price of single component products. However, an increasing number of customers prefer to buy single component products rather than buying a pre-arranged holiday package. The rapid growth of low-cost airlines, online travel agencies, and direct supplier portals in the hotel market, as well as the continuous improvement of dynamic packaging systems implemented by tour operators, has accelerated this trend.

Late Bookings. Customers have traditionally booked their holidays four to six months in advance of the time of travel. In some source markets, such as the United Kingdom, some customers have traditionally booked even further in advance. However, in recent years, customers have increasingly booked their travel closer to the time of departure in pursuit of cheaper deals. Political and other events such as terrorist attacks, flu outbreaks, the Icelandic volcanic ash, civil unrest in Bangkok, the West Indies, and the Middle East, as well as general economic uncertainty have, in our opinion, furthered this trend; given more stable conditions, however, this trend may slow somewhat. In addition to the general trend of the shift to continuous rising of online bookings and social media usage leads to a power shift to the consumer and therefore to more flexible and spontaneous bookings by travelers as they have more information than ever about travel products and destinations (*source*: © Euromonitor International 2013).

Low-cost Airlines. Low-cost airlines have attracted a growing number of customers in Europe. By reducing the overall cost of some types of travel, they have contributed to the creation of incremental demand through, for instance, the emergence of short, city-break holidays. Low-cost airlines represented the fastest-growing segment of the airline industry in recent years.

Differentiation of Travel Products. Customers increasingly request differentiated travel products that provide a special, and in some cases unique, travel experience. This leads to the development of new and innovative hotel and cruise formats addressing such customer needs.

Vertical Integration. In recent years, a trend towards integration has become apparent in the European tourism industry, with tourism companies expanding into the retail sales sector (travel agencies, alternative distribution channels) as well as into airlines and hotels.

Industry Consolidation. Traditionally, several integrated tourism companies have competed in key source markets. However, numerous business combinations, such as Thomas Cook's merger with MyTravel and Carlson Wagonlit Travel's acquisition of Executive Travel Group as well as the merger of TUI AG with First Choice, have, especially in Germany and the United Kingdom, led to a high level of industry consolidation.

New Markets. Europe remains the largest source market and is still expected to grow its volume as a source market as well as a destination. Europe is expected to grow as a source market at a CAGR of 2.5% and about 2.2% as a destination. However, growth rates in Asia and the Pacific region are expected to grow even more with a CAGR of 5.0% as a source market and by 4.9% as a destination between 2010 and 2039. Especially the emerging markets show high rates in terms of outbound flows (*source*: UNWTO—Tourism towards 2030—Global Overview).

Industry Outlook

Tourism Market

Global

Global demand in the travel market showed a positive development in the first four months of the calendar year 2014. In the first four months of 2014, international arrivals increased by approximately 5% compared to the same period last year, based on comparatively scarce data reported so far. In 2013, the worldwide travel and tourism market grew by 5% (*source*: UNWTO, World Tourism Barometer, June 2014). This means that tourism is continuing to experience the growth trend of recent years.

International tourist arrivals are estimated to grow by 4% to 4.5% in 2014, led by a robust performance of Asia and the Pacific, which is estimated to be the fastest-growing region in relative terms (plus 5% to 6%), followed by Africa (4% to 6%), Europe and the Americas (both 3% to 4%). In the past, emerging market destinations experienced faster growth than more developed economy destinations such as Europe and this trend is expected to continue. Between 2020 and 2030, arrivals to emerging market economies are expected to increase more than twice as fast (plus 4.4% a year) as developed economies (plus 2.2% a year) (*source*: UNWTO, Tourism Highlights, 2014 Edition).

In the long term, the number of tourists and worldwide tourism revenue (personal travel and tourism) are expected to exceed 3.3% per annum until 2030. This represents 43 million more international tourist arrivals every year, from only 677 million arrivals in the year 2000 to expected 1.8 billion arrivals by 2030. (*source*: UNWTO, Tourism Highlights, 2014 Edition).

Europe

The European tourism market has experienced a recovery. After recording a decline of 5% for outbound travel from Europe in 2009, the European outbound travel market grew at a pace of 5.3% in 2012/13, and is expected to grow by 2.7% per annum from 2010 to 2020 and 1.8% per annum from 2020 to 2030 (*source*: UNWTO, Tourism Highlights, 2014 Edition). Despite persistent economic difficulties, 563 million international tourists arrived in Europe in 2013 and Europe received $489 billion in international tourism receipts which represent 42% of the worldwide earnings from international arrivals. However, a part of the growth in Southern Mediterranean Europe was a benefit of a shifting of tourism away from the Middle East and North Africa. (*source*: UNWTO, World Tourism Barometer, June 2014).

Germany, the United Kingdom and France

The number of leisure trips from Germany in 2013 is expected to grow at a CAGR of 0.7% until 2017 to 83.0 million trips from 80.1 million trips in 2013. Leisure trips refer to all international trips by national residents for leisure purposes including recreational trips/holidays, visiting friends and relatives and other purposes (such as sports, education, medical, shopping, religion etc.).

The number of leisure trips from the United Kingdom in 2013 is expected to grow at a CAGR of 1.2% until 2017 to 52.0 million trips from 49.2 million trips in 2013.

The number of leisure trips from France in 2013 is expected to grow at a CAGR of 0.6% until 2017 to 25 million trips from 24.2 million trips in 2013 (*source*: Euromonitor Data as of 24/07/2014).

In addition to the economic environment, other key drivers will continue to have an impact on the industry, such as the evolution of disposable income, demographic trends, fuel prices and employment rates.

Leisure Hotel Market

The market for business and holiday hotels in Europe also showed a positive development, in line with international arrivals. Average hotel occupancy in Europe grew by 2.3% in the period from January to November 2013. As a result, average turnover per available room increased by 4.5% (based on data in U.S. dollars). The Northern and Eastern Europe regions showed above-average growth. However, despite the tight economic situation in many Southern European countries, hoteliers in these countries also reported growth in key indicators versus the prior year. The Southern European region recorded a decent growth in occupancy of almost 2% and the average rate per room increased by 5.8% in the period from January 2013 to November 2013. Turnover per available room rose above average by 7.9%. Northern Africa recorded a slump in the demand for accommodation, which had decreased due to the political unrest. At a 10.7% decrease in average prices, occupancy and turnover per available room decreased by 27.7% and 35.5%, respectively, in the period from November 2012 to November 2013 (*source*: Global Hotel Review, STR Global, November 2013).

Future hospitality trends are particularly influenced by increasing consumer brand awareness in the hospitality industry. Key trends will especially be driven by:

- Innovative life-style oriented hotel concepts and brand differentiation according to customer groups; brand is likely to become a more important choice factor for luxury travelers as key locations become increasingly saturated;
- increased use of internet sales channels, mobile distribution, location-based search as well as direct customer interaction driven by social media; customers will define the future technologies they require;
- implementation of available technology systems (*e.g.*, self-service touch screens, artificial intelligence-based tools to forecast food and beverage demand, in-room entertainment technology);
- hotel formats which meet customer demands for environmental sustainability;
- demographic changes across the existing mature source markets in the United States and Europe as well as an emerging middle class in new source markets, *e.g.*, India, China and Brazil. India is forecasted to have 50 million outbound tourists by 2020; and
- the right talent management plans are a key prerequisite prior to entering new markets by operators (*e.g.*, identify where to source the right talent) (*source*: Deloitte, Hospitality 2015).

Cruise Market

The European market for cruises remained a growth market. The number of European passengers on ocean cruises grew by 4% from 6.1 million in 2012 to 6.4 million in 2013. The German ocean cruises market grew significantly in this respect and again achieved strong results in terms of passenger and turnover figures for 2013. Passenger volumes grew by 9% from the 2012 volume to almost 1.7 million as against 2013 (*source*: CLIA Europe, Statistics and Markets, 2013). This growth was mainly attributable to the commissioning of new, larger ships in the volume market. For the future, the German ocean cruises market also shows strong growth potential: at 2.1%, market penetration is very low in relation to the overall population compared with more mature cruise markets such as the United Kingdom, where market penetration is 2.8% (*source*: Mintel, Cruises—International, June 2014). New ships were put into service in 2013 which helped the market to grow by 143,000 to almost 1.7 million passengers. Due to the commissioning of new ships in the next few years, the ocean cruises market is expected to continue to grow.

OUR BUSINESS

Overview

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

Tourism is our core business segment, comprising TUI Travel and the sectors TUI Hotels & Resorts and Cruises. TUI Travel offers a broad array of holiday experiences for a wide range of travelers, from popular holiday brands to an extensive collection of specialist travel providers. The TUI Hotels & Resorts sector comprises our portfolio of hotels and resorts which we operate under brands associated with high levels of quality and service as well as high environmental standards, *i.e.*, Robinson, Riu, Grecotel, Grupotel, Iberotel and Dorfhotel. Our Cruises sector offers the maritime holiday experience for different target groups through Hapag-Lloyd Kreuzfahrten and TUI Cruises. In the financial year ended September 30, 2013, we reported a turnover in our Tourism segment of €18,460.1 million and in the twelve-month period ended June 30, 2014, we reported turnover in our Tourism segment of €18,326.1 million accounting for over 99.9% of turnover of all our segments combined. In the same periods, our Tourism segment reported Underlying EBITA of €823.8 million and €879.0 million, respectively.

All Other Segments comprises our other, non-tourism businesses, such as our real estate companies and our 22.04% indirect at-equity financial stake in Hapag-Lloyd AG, a container shipping company. All Other Segments reported negative Underlying EBITA of €61.9 million in the financial year ended September 30, 2013 and negative €47.2 million in the twelve-month period ended June 30, 2014, respectively.

As of June 30, 2014 we had 77,027 employees.

TUI Travel operates in approximately 180 countries around the world and serves over 30 million customers from over 30 source markets. We believe that we are also the leading tour operator in the United Kingdom, Germany, the Nordics region and France. TUI Travel offers a broad product portfolio, ranging from package holidays (*e.g.*, transport and accommodation advertised and sold by one tour operator) to a wide range of more specialist offerings. TUI Travel is organized and managed through three principal business sectors: (1) Mainstream, which is the largest business and covers all activities in the package through its vertically integrated business model; (2) Accommodation & Destinations, which sells globally sourced hotel and apartment accommodations to wholesale customers and consumers, while also providing incoming services (such as airport transfers) for tour operators through regional agencies and a wide range of services for the cruise sector; and (3) Specialist & Activity, which pools more than 100 specialist and adventure tour operators. In the financial year ended September 30, 2013, TUI Travel reported turnover of €17,796.0 million and Underlying EBITA of €640.5 million. In the twelve-month period ended June 30, 2014, TUI Travel reported turnover of €17,630.8 million, Underlying EBITA of €682.9 million and as of June 30, 2014 had 62,369 employees.

Our TUI Hotels & Resorts sector includes majority participations in hotels, joint ventures with local partners, companies in which we hold a financial stake and hotels operated under management contracts. TUI Hotels & Resorts is the link between tour operators and hotel partners. We have structured this sector into six different hotel groups: Riu, Robinson, Iberotel, Grupotel, Grecotel and all other hotel companies. In the financial year ended September 30, 2013, TUI Hotels & Resorts reported turnover of €403.1 million and Underlying EBITA of €197.2 million. In the twelve-month period ended June 30, 2014, TUI Hotels & Resorts reported turnover of €409.2 million, Underlying EBITA of €210.0 million and as of June 30, 2014 had 14,191 employees.

Our Cruises sector comprises two companies with distinct offerings and target markets. Hapag-Lloyd Kreuzfahrten holds a leading position in the German-speaking market with its fleet in the luxury and expedition cruise segments. In addition, TUI Cruises, which we operate as a joint venture with Royal Caribbean Cruises Ltd., offers a new and differentiated cruise format targeted at the German premium market. In the financial year ended September 30, 2013, our Cruises sector reported turnover of €261.0 million and Underlying negative EBITA of €13.9 million. In the twelve-month period ended June 30, 2014, our Cruises sector reported turnover of €286.1 million, negative Underlying EBITA of €13.9 million and, as of June 30, 2014, had 230 employees.

All Other Segments comprises the corporate center functions of TUI and interim holdings, as well as other operative units, such as our real estate companies. As of the date of this Offering Memorandum we also hold our 22.04% stake in the container shipping company Hapag-Lloyd AG at equity in this segment. In the financial year ended September 30, 2013, All Other Segments reported turnover of €17.4 million and negative Underlying EBITA of €61.9 million. In the twelve-month period ended June 30, 2014, All Other Segments reported turnover of €17.4 million, negative Underlying EBITA of €47.2 million and, as of June 30, 2014, had 237 employees.

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

Our Strengths

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

Market-leading positions and scale. Based on turnover of €18,460.1 million generated in our Tourism segment in the financial year ended September 30, 2013 and €18,326.1 million generated in our Tourism segment in the twelve month period ended June 30, 2014, we are the largest integrated leisure travel group in Europe by turnover, serving around 30 million customers in over 30 source markets, *i.e.*, in the markets in which we sell our travel products to our customers. Each of our sectors has leading market shares in its individual lines of business. We believe that we are the leading tour operator in the United Kingdom, Germany, the Nordics and France, as well as several other source markets. We also believe that our TUI Hotels & Resorts sector is the world's largest leisure hotelier based on capacity. Finally, our Cruise sector, through Hapag-Lloyd Kreuzfahrten, includes a leading luxury and premium cruise operator in the German market (*source*: Mintel, Cruises International, June 2008) with its flagships (the Europa and Europa 2) being rated as the world's best cruise ships, in the case of the Europa, for the fourteenth consecutive year (*source*: Berlitz Cruise Guide 2013).

We believe our market-leading position and associated purchasing power enable us to secure attractive terms from airlines, hotels and destination service providers, as well as suppliers. Combined with our presence in a broad range of geographical markets, our differentiated product portfolio and our strong multi-channel distribution network, as well as our market position, give us greater insight into customer behavior and enable us to detect new market trends and customer preferences as they occur, meaning we are able to rapidly respond to them by adjusting our product range.

In addition, we believe that, through our strong market position, we have been able to establish an extensive multi-channel distribution network, which is comprised of our tour operators, our own and third-party travel agencies, and our direct sales activities. Our distribution channels include the internet, mobile applications, call centers and television. This network contributes to our brand recognition and enables us to reach a large number of potential customers in our Mainstream, Accommodation & Destinations and Specialist & Activity business lines.

Superior customer offering of unique holidays. Our unique holidays form the backbone of our Mainstream businesses and are exclusive to us. In the nine-month period ended June 30, 2014, 71% of Mainstream holidays were unique, up three percentage points. Unique holidays provide value-added services and features which command a margin premium over commodity products. This in turn leads to higher customer loyalty and an increase in repeat bookings. Unique holidays are also booked earlier, enabling us to manage our capacity and yield more effectively. Due to our experience in designing and operating new concepts, it is very difficult for our competitors to replicate these holidays.

A key part of our unique holiday offering is also the flight experience and we intend to continue to reshape the composition of our airline fleet to drive customer satisfaction and simplify the fleet to one short-haul and one long-haul aircraft type. It is strategically important to the Group to have a modern, cost-efficient and reliable fleet. We believe that we are strongly positioned with a young aircraft fleet compared to other leisure airlines. The average age of our fleet is eight years; however a significant portion of our narrow body fleet consists of Boeing 737-800 aircraft which have an average age of five and a half years.

Strong brand recognition and customer loyalty. We believe the strength of our brands throughout our Tourism segment's source markets and in our destination markets provides us with an important advantage over our competitors. We believe customers perceive us to be a quality provider of superior services. Based on our yearly brand performance study, we believe that our tour operator brands show very high brand awareness levels compared with the relevant competitor brands in our key European source markets of the United Kingdom, Germany, the Nordics and France and a high brand awareness level in the Nordic countries. In surveys carried out between 2006 and 2014, TUI was rated the most trusted travel brand in Germany (*source*: Reader's Digest Trusted Brands 2006-2014). In the TUI Hotels & Resorts sector, based on our own analysis, compared with the relevant competitor brands, the Robinson Club hotel brand shows the highest unaided brand awareness level since 2007. In the German cruise market we believe that Hapag-Lloyd Kreuzfahrten is one of the best known cruise brands. This strength, coupled with the stability of our local brands, ensures, in our view, a high rate of customer recognition and customer loyalty. We also believe that the consistent quality of our product offering, in particular our hotels and cruises, promotes customer confidence and loyalty.

Focus on direct distribution, with growth driven by the online channel. Our direct distribution channels are a key strength. By increasing the direct distribution of our holidays we lower distribution costs, reduce the reliance on third-party distributors and can build on our customer relationships. Our direct distribution mix improved by two percentage points over the nine-month period ended June 30, 2014 to 67% of Mainstream sales. The improvement in direct distribution was driven by the online channel, which also increased by three percentage points in the nine-month period ended June 30, 2014 to 36% of Mainstream sales.

As an online-driven business, we focus on the online customer experience. We are in the process of moving to one core online platform across Mainstream, which has already resulted in significant improvements in conversion, and the websites in our core online markets are now tablet-and mobile-optimized as our customers increasingly use their tablets and mobile devices to search our sites and book with us.

Flexible business model focused on an end-to-end customer experience. Our Tourism business model follows an "asset-right" strategy at each stage of the value chain. Through this strategy, we control (*i.e.*, own, lease or manage on a long-term basis and franchise) flight capacity, hotel and cruise ship assets and distribution channels that are fundamental to our tourism business. As of June 30, 2014, we owned, leased or managed (independently or through third parties) 238 hotels and 158,333 beds and 217 of the hotels were in the four and five star category, some of which our tour operators have access to. As of September 30, 2013, we operated five tour operator-led airlines comprised of 138 aircraft (six owned, 123 leased on operating leases, nine leased on financing leases, and zero held for sale). Our tour operators have exclusive access to those aircraft, enabling us to fulfill customer demand. Any excess capacity is marketed on a standalone basis as individual seats or as component travel products. Our Cruises sector has successfully positioned itself in the German market segment for premium cruises. In our Cruises sector, as of June 30, 2014, we operated four cruise ships through Hapag-Lloyd-Kreuzfahrten and three cruise ships through our joint venture, TUI Cruises. In June 2014 the Mein Schiff 3 was introduced. In 2015-2017, TUI Cruises is expected to expand its fleet by three ships adding the Mein Schiff 4, 5 and 6. In addition, TUI Travel operates five Thomson cruise ships and five Quark Expeditions cruises. As of September 30, 2013, our retail network consisted of 3,246 travel agencies, of which 1,807 were owned and 1,439 were franchised.

We selectively invest in our own or joint venture hotels and cruise ships where this generates an appropriate return and allows us to enhance our unique holiday offering. Accommodation commitments with third parties are entered into only according to the level of exclusivity and differentiation. Even for a very highly differentiated and exclusive hotel, we would not enter into a 100% commitment. Where accommodation commitments are entered into, the associated contracts include *force majeure* clauses.

Having a portfolio of businesses means we are not reliant on any single source market. This means that strong performances in some source markets will mitigate performances in other markets. In addition, given the number of destinations we cater to and our long-established relationships with suppliers in these destinations, we have the flexibility to reduce capacity as needed and remix to alternative, more profitable destinations.

Our business model provides flexibility and enables us to adapt to short-term market developments, to exploit synergies at each stage of the value chain, ensure the overall quality of our product offering and to realize economies of scale arising from the collective management of certain aspects of our airlines, hotels and cruise ships. It also allows us to use dynamic production and product pricing tools as well as yield and capacity management techniques to maximize the passenger load factor of our airlines and the occupancy rates of our hotels and cruise ships.

We believe that this "asset-right" strategy, together with our market-leading position, gives us a competitive advantage by allowing us to effectively monitor the utilization of our airline, hotel and cruise ship capacities and, among other things, providing our tour operator customers with access to our hotels.

Strong and experienced management team. We have a strong management team which has experienced many periods of change, evident in our successful transformation from an industrial conglomerate to a group focused on tourism. Our senior management has successfully built up a leading European tourism group both through organic growth and a number of well-integrated acquisitions and structural changes, including the successful merger of our distribution, tour operator, and airline and destination services operations with the First Choice Group in 2007. Our senior executives have spent many years in the leisure travel market and are highly experienced in all aspects of the tourism business. Friedrich Joussen was appointed TUI AG's Chairman of the Executive Board in February 2012. Peter Long, CEO of TUI Travel, has extensive experience in the tourism industry and was appointed managing director of the First Choice Holidays & Flights Limited in November 1996 before taking over as chief executive of First Choice Holidays PLC in 1999 and becoming appointed CEO of TUI Travel in 2007.

Our Strategy

Our business strategy includes the following key elements:

Deliver a superior end-to-end customer experience through our fully-integrated Mainstream tourism business.

Our Mainstream business will focus on broadening its customer offerings, exploiting its brands and implementing its unique proposition across 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." The new Executive Board of the Company expects 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 utilization 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.

Accelerate long-term growth supported by an asset-right business model based on an optimal mix of owned and managed hotels and cruise ships with a targeted minimum return on capital of 15% for new content.

The Combined Group intends to support long-term growth through the operation of a flexible, asset-right business model. In order to operate more efficiently and maximize the value of its assets, the Combined Group will continue to optimize the ownership structure of existing and new hotels and cruise ships, targeting a minimum return on capital of 15% for all new content.

It will aim to optimize the investment and refinancing needs, if any, of such new assets and it may also decide to operate them through existing or new joint venture structures. In this context, it is expected that less than 50% of the additional growth hotels mentioned in the section "The Merger Transactions—Reasons for the TUI Merger—Enhances and de-risks 'Mainstream' content growth as a result of integration" would be owned (either via a subsidiary or joint venture) and that the additional two cruise ships mentioned in the same section would be owned by TUI Cruises with approximately 80% debt, 20% equity finance.

As of financial year ended September 30, 2013, approximately 50% of the more than 230 hotels and resorts within Hotels & Resorts were operated under management contracts, approximately 9% were leased or franchised and the remainders were owned. In total, this represented an invested capital of approximately €1.9 billion (£1.5 billion) for its hotels and resorts portfolio.

Deliver synergies, cost savings and commercial benefits with the potential to unlock further value.

The TUI Merger is expected to deliver €45 million (£36 million) of annual synergies through corporate streamlining and recurring cash tax benefits, which based on the Combined Group's tax calculations for the financial year ended September 30, 2013 would have achieved a benefit of €35 million (£28 million) in that financial year had the two businesses been combined.

In addition, the integration of Inbound Services into the Mainstream tourism business is expected to deliver annual net cost savings of €20 million (£16 million).

It is also expected that the TUI Merger will result in material commercial benefits from increased occupancy, vertical integration and additional growth opportunities from an accelerated and broadened content portfolio.

Maximize the growth and value of the Online Accommodation and Specialist & Activity businesses.

Following the TUI Merger, the current Online Accommodation businesses and Specialist & Activity sector of TUI Travel will operate separately from the Mainstream tourism business, under the direct dedicated leadership of William Waggott. These businesses have a different business model to Mainstream, therefore managing them separately will enable the Combined Group to focus more effectively on maximizing their growth and value.

Treat the TUI AG stake in Hapag-Lloyd AG as a business for disposal.

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

Focus on balance sheet strength, flexibility and strong free cash flow generation.

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

The TUI Merger is expected to be EPS accretive for both sets of shareholders from the first full financial year post-Merger (with strong EPS accretion for TUI Travel Shareholders). Strong EPS accretion for both sets of shareholders is expected thereafter. In parallel, a strong cash flow/dividend benefit for TUI Shareholders will be delivered from the first full financial year post-TUI Merger.

Our History and Recent Transformation

We were originally founded as a state-owned entity by the Prussian state government in 1923 under the name "Preussische Bergwerks- und Hütten-Aktiengesellschaft" to own and operate the Prussian state's coal and non-ferrous metal mines, smelters and salt works. We were partially privatized in 1959 and fully privatized in 1969. In 1964, we changed our name to PREUSSAG Aktiengesellschaft. Until the mid-1990s, we were active predominantly in the areas of industry, transport and natural resources.

In the early 1990s, prospects for our traditional activities became less attractive. For this reason we made the strategic decision to concentrate on new growth sectors and dispose of most of our industrial activities. Accordingly, we implemented our strategy to reorient our focus on tourism and logistics from the mid-1990s on. In 2002, we changed our name to TUI AG. In 2006, we sold our last industrial holding. In 2007, we established TUI Travel by merging our distribution, tour operator and airline destination services operations with those of First Choice Holidays PLC. After selling a majority shareholding in our Hapag-Lloyd container shipping business in March 2009, we now focus fully on our core tourism business.

The recent major steps of our transformation to our current structure were:

2006	Establishment of the new airline TUIfly
2007	Establishment of TUI Travel by merging our distribution, tour operator, airline and destination services operations with those of First Choice Holidays PLC
2008	Establishment of TUI Cruises GmbH, a joint venture of TUI AG and Royal Caribbean Cruises Ltd.
2009	Sale of 56.7% indirect stake in Hapag-Lloyd AG
2009	Divestment of the city route network of TUIfly, which was taken over by Air Berlin plc
2010	Increase of our indirect stake in Hapag-Lloyd AG to 49.8% through conversion of Hybrid Capital I into equity
2011	Sale of 11.3% indirect stake in Hapag-Lloyd AG reducing our holding in Hapag-Lloyd to 38.4%
2012	Sale of indirect stake in Hapag-Lloyd AG reducing our holding in Hapag-Lloyd to 22.04%
2014	Announcement of intention to merge TUI AG and TUI Travel

As a result of the implementation of our reorientation strategy, we have transformed our Group from an industrial conglomerate to a tourism group with a strong focus on tour operating, hotels and resorts and cruises.

Our Tourism Business

As a vertically integrated leisure travel group, we offer a truly end-to-end holiday experience to the customer, from the inspiration and planning stage, through to booking, flights, accommodation (often on an all-inclusive basis), transfers and activities during stay.

Our tourism business comprises the TUI Travel business and the sectors TUI Hotels & Resorts and Cruises. The following table sets out the structure of our Tourism segment (including TUI Travel business lines, TUI Hotels & Resorts brands, and the companies of the Cruises sector).

TUI Travel	TUI Hotels & Resorts	Cruises
• Mainstream	• Riu	• Hapag-Lloyd Kreuzfahrten
• Accommodation & Destinations	• Robinson	• TUI Cruises
• Specialist & Activity	• Iberotel	
	• Grecotel	
	• Grupotel	
	• Other hotel brands	

TUI Travel

In 2007, the strategic merger of TUI AG's tour operating business with First Choice Holidays PLC created TUI Travel. Through its global brand portfolio and travel expertise TUI Travel is focused on delivering a wide variety of leisure travel experiences designed for its customers' ever-changing needs. In response to an increasing demand for more differentiated travel products, TUI Travel developed its unique holiday packages that include hotels and products and that have been tailored to offer additional services and facilities to our customers.

TUI Travel is domiciled in the United Kingdom and has been listed on the London Stock Exchange since September 3, 2007 and is a constituent of the FTSE 100 index. TUI AG holds legal title to 54.48% of the shares and controls an aggregate of 56% of the voting rights in TUI Travel. On a fully diluted basis, TUI still controls 50.001% of TUI Travel. By way of the TUI Merger, the Company intends to acquire the remaining shares in TUI Travel. Following the successful completion of the TUI Merger, the Company will own the entire issued share capital of TUI Travel.

In the financial year ended September 30, 2013, TUI Travel had turnover of €17,796.0 million and underlying EBITA of €640.5 million. In the nine-month period ended June 30, 2014, TUI Travel had turnover of €10,860.0 million and underlying EBITA of €248.0 million and, as of June 30, 2014, had 62,369 employees. TUI Travel operates in approximately 180 countries and serves over 30 million customers in over 30 source markets annually, with a portfolio of 220 brands of tour operators and destination agencies as of June 30, 2014.

TUI Travel is organized and managed through the following principal business units:

- Mainstream;
- Accommodation & Destinations; and
- Specialist & Activity.

Mainstream

Overview

The Mainstream business makes up the largest part of TUI Travel in terms of financial performance, scale, scope and number of employees, taking around 20 million customers on holiday each year. It includes TUI Travel's familiar tour operator "power" brands, such as TUI, Thomson and Fritidsresor. Mainstream operates as a vertically integrated tour operator, covering all activities in the package holidays segment from sales of holidays through to flight operations. The tour operators included in this business unit have market leading positions within their individual source markets, the largest of which are the UK & Ireland, Germany, the Nordics and France.

Main Markets

The Mainstream business reports through its source markets, with the largest four reporting separately: UK & Ireland, Germany, the Nordics and France.

Germany

We provide our services mainly through our key tour operator brands, which include TUI (rated the most trusted travel brand in Germany since 2006), 1-2-FLY, L'tur and Berge & Meer. By turnover, we were the largest tour operator in the German market in 2012 and 2013 (until October 31) (*source*: FVW dossier Deutsche Veranstalter, 2013).

The market in Germany is relatively fragmented, with a large number of smaller tour operators and travel retailers. As well as package holidays involving air travel, the German business also sells a significant volume of overland holidays. The German business is characterized by its growing volumes of unique holidays and relatively low levels of direct distribution and online penetration, with a large proportion of holidays sold by third-party retailers.

We believe, that approximately two-thirds of Germany's customers going on overseas holidays are flown on TUI Travel's airline, TUIfly, with the remainder (in particular long-haul) flown by non-group chartered and scheduled airlines.

In the financial year ended September 30, 2013, TUIfly sold approximately 66% of its seats through its tour operators, with the remaining capacity sold to Air Berlin on a long-term basis for use in scheduled operations.

Key Performance Indicators (%)	2013	2012	Change %
Unique mix (percentage of holidays only available from TUI Travel of entire holidays offered by TUI Travel)	51	47	+4pp
Direct distribution mix (percentage of holidays directly distributed to the customer of entire holidays offered by TUI Travel)	36	34	+2pp
Online mix (percentage of holidays distributed by online channels of entire holidays offered by TUI Travel)	8	4	+4pp

The business is focused on growing unique product through its core TUI "Reisewelten" labels (launched in 2013), increasing direct distribution through both the retail and online network, and on operational efficiency improvements. Significant progress has been made in the latter, with the delivery of all efficiencies from TUI Travel's business improvement program. TUI Travel also relaunched its TUI.com website during 2013, providing an enhanced search and booking experience for the customer and delivering significant growth in online bookings.

The key destinations that TUI Travel offers in Germany are the Balearic Islands, Turkey and the Canary Islands. In the financial year ended September 30, 2013, TUI Travel served 6.0 million customers in Germany compared to 6.4 million customers in the previous financial year as well as in the financial year ended September 30, 2011.

UK and Ireland

TUI Travel believes it has a number one market position in the highly-consolidated UK market, through its well-known and trusted tour operator brands Thomson and First Choice. The UK business is characterized by high levels of unique content and direct distribution, in particular through the online channel—the Thomson website is the second most visited travel website in the UK.

Key Performance Indicators (%)	2013	2012	Change %
Unique mix (percentage of holidays only available from TUI Travel of entire holidays offered by TUI Travel)	83	79	+4pp
Direct distribution mix (percentage of holidays directly distributed to the customer of entire holidays offered by TUI Travel)	89	87	+2pp
Online mix (percentage of holidays distributed by online channels of entire holidays offered by TUI Travel)	47	44	+3pp

TUI Travel's most successful unique brands include Sensatori and Holiday Villages. Over 90% of the UK's package holiday customers are flown on its own airline, Thomson Airways.

TUI Travel's key destinations offered in the UK and Ireland are the Canary Islands, the Balearic Islands and Greece. In the financial year ended September 30, 2013, TUI Travel served 5.2 million customers in the UK and Ireland compared to 5.2 million customers in the previous financial year and 5.4 million customers in the financial year ended September 30, 2011.

Nordics

TUI Travel believes that it has a number one market position in the Nordics (Norway, Finland, Sweden and Denmark) through its key brands Fritidsresor, StarTour, and Finnmatkat. The Nordics business is characterized by high levels of unique content and online distribution, with a small number of retail shops and no printed brochures for the core brands, which has helped to reduce distribution costs significantly. In the Nordics, TUI Travel flies approximately 50% of its customers with its own airline, TUIfly Nordic, and uses third parties to fulfill other flight capacity requirements.

Key Performance Indicators (%)	2013	2012	Change %
Unique mix (percentage of holidays only available from TUI Travel of entire holidays offered by TUI Travel)	93	92	+1pp
Direct distribution mix (percentage of holidays directly distributed to the customer of entire holidays offered by TUI Travel)	89	87	+2pp
Online mix (percentage of holidays distributed by online channels of entire holidays offered by TUI Travel)	67	65	+2pp

The key destinations that TUI Travel offers in the Nordics are the Canary Islands, Greece, and Turkey. In the financial year ended September 30, 2013, TUI Travel served 1.6 million customers in the Nordics compared to 1.5 million customers in the previous financial year and 1.4 million customers in the financial year ended September 30, 2011.

France

We believe that TUI Travel has a number one market position in the French tour operator market, through its key brands Nouvelles Frontières and Marmara. Based on own estimates and competitor benchmarks, we believe Nouvelles Frontières is the largest tour operator in France by turnover. The French tour operator market is relatively fragmented. France is characterized by relatively high levels of unique product and reasonably high levels of direct distribution, but with low online penetration. In addition, customer demand has been weak for several years as a result of the poor consumer environment, and subdued demand for North African destinations following recent political unrest. TUI Travel has therefore significantly reduced capacity to the region, as well as refocusing the portfolio on more profitable products and destinations. TUI Travel has also undertaken a wide-ranging restructuring program to rationalize the distribution network and reduce back-office overheads.

The tour operator does not have an in-house airline (and therefore sources capacity from third parties); however TUI Travel operates a small scheduled airline, Corsair, which mainly flies to destinations in the Caribbean, in Africa and in the Indian Ocean.

Key Performance Indicators (Tour operator) %	2013	2012	Change %
Unique mix (percentage of holidays only available from TUI Travel of entire holidays offered by TUI Travel)	81	74	+7pp
Direct distribution mix (percentage of holidays directly distributed to the customer of entire holidays offered by TUI Travel)	56	59	-3pp
Online mix (percentage of holidays distributed by online channels of entire holidays offered by TUI Travel)	18	21	-3pp

TUI Travel is focused on bringing France back to profitability by adjusting its mix towards more unique holidays (albeit in line with its rigorous capacity management), growth in direct distribution driven by the online channel, and delivering further operational efficiency improvements through the latest phase of the Convergence program.

The key destinations that TUI Travel offers in France are Morocco, Tunisia and Turkey. In the financial year ended September 30, 2013, TUI Travel served 1.6 million customers in France compared to 2.0 million in the previous financial year and 2.1 million in the financial year ended September 30, 2011.

Other

TUI Travel believes that it has market-leading positions through its tour operators in its other smaller source markets—Belgium, Netherlands, Canada, Austria, Switzerland, Poland and several countries in Southern Europe—and operates airlines in two of these (Belgium and Netherlands). In the financial year ended September 30, 2013 as well as in the previous financial year, TUI Travel served 5.1 million customers in other countries compared to 4.9 million customers in the financial year ended September 30, 2011.

TUI Travel also has an Emerging Markets business, which consists of its share in a tour operator joint venture in Russia and Ukraine (approximately 500,000 customers per annum), and a New Markets division which focuses on growth in fast growing emerging markets Brazil, India and China.

Accommodation & Destinations

The Accommodation & Destinations Business consists of the Accommodation Wholesaler, Accommodation OTA (Online Travel Agent) and Inbound Services.

Accommodation Wholesaler (main brands Hotelbeds and Bedsonline) sells globally sourced hotel and apartment accommodation online to wholesale customers such as travel agencies and tour operators via various internet portals. TUI Travel is the global leader in this sector by total transactional value (TTV). The business is focused on growth through existing destinations while accelerating expansion into new markets with particular focus on Asia, Latin America and Africa.

Accommodation OTA is focused on building on the strong brand positioning of LateRooms.com, the UK's second largest accommodation-only OTA, and expansion in the emerging markets through AsiaRooms.com across Asia and in Brazil with MalaPronta, Brazil's fourth largest accommodation-only OTA.

The Inbound Services business provides incoming services for tour operators, such as transfers and excursions, as well as operating a cruise handling business.

Specialist & Activity

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

In the financial year ended September 30, 2013, Specialist & Activity served approximately 1.4 million customers compared to 1.6 million in the previous year and 1.5 million in the financial year ended September 30, 2011.

TUI Hotels & Resorts Sector

With 238 hotels and 158,333 beds managed in the TUI Hotels & Resorts sector as of June, 2014, we believe we are globally the largest leisure hotelier based on capacity. We operate eleven hotel brands (including Robinson and RIU) covering a wide range of hotel concepts. 217 of our hotels are in the four or five star categories. As of September 2013, 50% were operated in the framework of management contracts, 41% were owned by the respective hotel company, 6% were leased and 3% of the hotels were managed under franchise agreements.

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

The TUI Hotels & Resorts sector primarily provides hotel capacity for our Group's tour operators in strategically important destinations. The occupancy rate of the hotels managed in our TUI Hotels & Resorts sector is therefore largely driven by our own tour operators. The quality level provided by our hotels also plays an important role in driving occupancy rates. In our experience, the overall customer satisfaction with respect to their holiday package depends to a large extent on the level of customer satisfaction with our hotels.

The conditions under which our hotels provide room capacity to our own and third-party tour operators (for example, in terms of pricing, level of exclusivity, capacity guarantees, quality levels etc.) are negotiated independently by our hotels and the tour operators. Pricing, exclusivity levels and capacity guarantees agreed between our hotels and the tour operators depend on the categories and the level of product differentiation the relevant hotels offer.

In the financial year ended September 30, 2013, TUI Hotels & Resorts generated turnover of €403.1 million and underlying EBITA of €197.2 million. In the nine-month period ended June 30, 2014, TUI Hotels & Resorts generated turnover of €294.9 million and underlying EBITA of €117.1 million and as of June 30, 2014 had 14,191 employees.

Overview TUI Hotels & Resorts as of June 30, 2014:

Hotel brand	Primary Countries	Total Hotels/Clubs	4 or 5 Star Hotels	Total Beds
Riu	Cape Verde, Caribbean, Mexico, Spain and Tunisia	102	97	88,286
Grupotel	Spain	34	20	13,533
Other hotel companies	Austria, Germany, Egypt, Greece, and Switzerland	33	31	18,902
Robinson	Spain and Turkey	23	23	13,557
Iberotel	Egypt, Germany and Turkey	24	24	13,329
Grecotel	Greece	22	22	10,726
Total		**238**	**217**	**158,333**

Riu

Most of the RIU hotels (which means all hotels mentioned under the Riu hotel brand in the table above) are in the premium and comfort market segments, located in Spain, Mexico and the Caribbean and have a high proportion of repeat customers. RIU hotels are marketed under several hotel product lines (RIU classic, RIU Clubhotel, RIU Palace, RIU Plaza and Luca Hotels & Resorts).

Both in terms of capacity and turnover, RIU branded hotels account for the largest part in the portfolio of TUI Hotels & Resorts. We have operated the RIU branded hotels through RIUSA II, S.A., in which we hold a 50% interest, since 1993 and our hotel development and investment firm RIU Hotels S.A., in which we hold a 49% interest, since 1976. All of our RIU branded hotels are managed through RIUSA II, S.A. The Mallorca-based RIU group is a family-owned hotels and resorts group founded in 1953.

In the financial year ended September 30, 2013, the RIU group operated 100 hotels with 87,373 beds. Capacity, defined as Group-owned or leased hotel beds multiplied by the number of days open per year, was 17.0 million in the financial year ended September 30, 2013 (17.3 million in the financial year ended September 30, 2012). Average occupancy rates in Riu hotels were 83.6% (83.0% in the financial year ended September 30, 2012) and average turnover per bed amounted to €48.4 in the respective year (€48.0 in the financial year ended September 30, 2012).

In the nine-month period ended June 30, 2014, the RIU group operated 102 hotels with 88,7286 beds. Capacity, defined as Group-owned or leased hotel beds multiplied by the number of days open per year, was 12.7 million in the nine-month period ended June 30, 2014 (12.5 million in the nine-month period ended June 30, 2013). Average occupancy rates in Riu hotels were 82.2% (80.6% in the nine-month period ended June 30, 2013) and average turnover per bed amounted to €50.7 in the respective year (€49.3 in the nine-month period ended June 30, 2013).

Robinson

Robinson operates in the premium club holiday market segment for club holidays. The Robinson clubs offer a differentiated product portfolio targeting a variety of customer groups and is characterized by its professional sport, entertainment, and event portfolio. Most of the clubs are located in Spain, Greece, Turkey, Switzerland and Austria. The clubs also promote sustainability development activities and meet specific environmental standards.

The Robinson-branded club hotels are mainly operated through our wholly owned subsidiary Robinson Club GmbH, which in turn holds majority and minority participations in the various subsidiaries which own Robinson club hotels. As of June 30, 2014 we do not hold any participation with respect to seven club hotels which are operated by us on the basis of management contracts.

In the financial year ended September 30, 2013, Robinson, operated a total of 24 (previous year: 25) club facilities with 13,585 beds in eleven countries. Capacity (as defined above) was 2.96 million in the financial year ended September 30, 2013 (2.94 million in the financial year ended September 30, 2012). Average occupancy rates in Robinson hotels were 73.0% (74.0% in the financial year ended September 30, 2012) and average turnover per bed amounted to €86 in the financial year ended September 30, 2013 (€84 in the financial year ended September 30, 2012).

In the nine-month period ended June 30, 2014, Robinson, operated a total of 23 club facilities with 13,557 beds in eleven countries. Capacity (as defined above) was 1.995 million in the nine-month period ended June 30, 2014 (2.01 million in the nine-month period ended June 30, 2013). Average occupancy rates in Robinson hotels were 68.3% (66.2% in the nine-month period ended June 30, 2013) and average turnover per bed amounted to €87.07 in the nine-month period ended June 30, 2014 (€87.17 in the nine-month period ended June 30, 2013).

Iberotel

Iberotel hotels are premium hotels located in Egypt, the United Arab Emirates, Turkey, Italy and Germany. We believe that Iberotel hotels offer a comprehensive level of comfort and excellent dining options. These hotels comply with the highest quality, safety and environmental standards.

In the financial year ended September 30, 2013, Iberotel had 24 hotels with 13,285 hotel beds, located in Egypt, the United Arab Emirates, Turkey, Italy and Germany. Capacity (as defined above) was 2.48 million in the financial year ended September 30, 2013 (2.52 million in the financial year ended September 30, 2012). Average occupancy rates in Iberotel hotels were 63.0% (66.0% in the financial year ended September 30, 2012) and average turnover per bed amounted to €44 in the financial year ended September 30, 2013 (€40 in the financial year ended September 30, 2012).

In the nine-month period ended June 30, 2014, Iberotel had 24 hotels with 13,329 hotel beds, located in Egypt, the United Arab Emirates, Turkey, Italy and Germany. Capacity (as defined above) was 1.78 million in the nine-month period ended June 30, 2014 (1.78 million in the nine-month period ended June 30, 2013). Average occupancy rates in Iberotel hotels were 48.5% (65.0% in the nine-month period ended June 30, 2013) and average turnover per bed amounted to €40.6 in the nine-month period ended June 30, 2014 (€43.5 in the nine-month period ended June 30, 2013).

Grupotel

Grupotel is a large hotel chain in the Balearic Islands, offering apartments, aparthotels and luxury resorts in Mallorca, Menorca and Ibiza. Most of its hotels are in the comfort quality level offering economic rates to its customers. We operate the Grupotel branded hotels through a 50% interest in the joint venture company GRUPOTEL DOS S.A. Our joint venture partner is a Mallorca-based, family-owned hotel group.

In the financial year ended September 30, 2013, the Grupotel chain operated 33 facilities on Mallorca, Menorca and Ibiza with 13,182 beds. Capacity (as defined above) was 824,000 in the financial year ended September 30, 2013 (840,000 in the financial year ended September 30, 2012). Average occupancy rates in Grupotel hotels were 85.0% (83.0% in the financial year ended September 30, 2012) and average turnover per bed amounted to €47 in the financial year ended September 30, 2013 (€45 in the financial year ended September 30, 2012).

In the nine-month period ended June 30, 2014, the Grupotel chain operated 34 facilities on Mallorca, Menorca and Ibiza with 13,533 beds. Capacity (as defined above) was 601,000 in the nine-month period ended June 30, 2014 (483,000 in the nine-month period ended June 30, 2013). Average occupancy rates in Grupotel hotels were 72.5% (72.7% in the nine-month period ended June 30, 2013) and average turnover per bed amounted to €40.3 in the nine-month period ended June 30, 2014 (€39.8 in the nine-month period ended June 30, 2013).

Grecotel

Grecotel offers premium hotel products in the Greek market. Its concept is based on traditional hotel management and focuses on cultural and environmental features. The Grecotel branded hotels are operated through a 50% interest in the joint venture company Grecotel S.A. Our joint venture partner is the N. Daskalantonakis Group, a Greek resort hotel management company.

In the financial year ended September 30, 2013, the Grecotel chain operated 19 holiday complexes with a total of 10,079 beds. Capacity (as defined above) was 746,000 in the financial year ended September 30, 2013 (664 thousand in the financial year ended September 30, 2012). Average occupancy rates in Grecotel hotels were 90.0% (86.0% in the financial year ended September 30, 2012) and average turnover per bed amounted to €74 in the financial year ended September 30, 2013 (€65 in the financial year ended September 30, 2012).

In the nine-month period ended June 30, 2014, the Grecotel chain operated 22 holiday complexes with a total of 10,726 beds. Capacity (as defined above) was 423,000 in the nine-month period ended June 30, 2014 (279,000 in the nine-month period ended June 30, 2013). Average occupancy rates in Grecotel hotels were 67.6% (63.5% in the nine-month period ended June 30, 2013) and average turnover per bed amounted to €51.0 in the nine-month period ended June 30, 2014 (€64.6 in the nine-month period ended June 30, 2013).

Other hotels

Other hotel companies include Dorfhotels in Germany and other brands such as Jaz or Sol Y Mar Hotels & Resorts, operating premium four-and five star resorts in Egypt. In the nine-month period ended June 30, 2014, other hotel companies operated 33 hotels with a total of 18,902 beds compared to 32 hotels with a total of 17,837 beds in the financial year ended September 30, 2013.

Cruises

The Cruises sector comprises Hapag-Lloyd Kreuzfahrten and the joint venture TUI Cruises. In the financial year ended September 30, 2013, the Cruises sector generated turnover of €261.0 million and a negative underlying EBITA of €13.9 million. In the nine-month period ended June 30, 2014, the Cruises sector generated turnover of €213.1 million, negative underlying EBITA of €17.7 million and as of June 30, 2014 had 230 employees.

Hapag-Lloyd Kreuzfahrten

Hamburg-based Hapag-Lloyd Kreuzfahrten GmbH is one of the leading cruise operators in the luxury and expedition cruises market in Germany (*source*: European Cruise Council 2012/2013 Report) and as of June 30, 2014 operates four cruise ships. In the nine-month period ended June 30, 2014 Hapag-Lloyd Kreuzfahrten had an occupancy rate for its ships of 66.8% and 315.0 thousand passenger cruise days (70.9% respectively 286.4 thousand for the nine month period ended June 30, 2013).

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

Hapag-Lloyd Kreuzfahrten is primarily targeted at wealthy customers in their mid-50s and older. The target group of the vessel Europa 2 is a younger and more international upscale clientele, including families. The main distribution channels for cruises offered by Hapag-Lloyd Kreuzfahrten are travel agencies, with direct bookings by customers also accounting for an important share.

TUI Cruises

TUI Cruises is a joint venture formed in 2008 between TUI AG and the U.S. shipping company Royal Caribbean Cruises Ltd., in which each partner holds a 50% stake (see "Material Agreements—Joint Venture Agreement with respect to TUI Cruises GmbH"). The Hamburg-based company offers cruises to the German-speaking premium market. TUI Cruises follows a concept primarily aimed at couples and families who attach particular importance to personal choice, generosity, quality and service on a cruise. As of June 30, 2014, TUI Cruises served this market with three ships, Mein Schiff 1 and Mein Schiff 2, with a third ship, Mein Schiff 3, commissioned in June 2014. TUI Cruises is planning to take advantage of additional growth opportunities by commissioning additional ships in 2015, 2016 and 2017, thereby further strengthening its position. In the nine-month period ended June 30, 2014 TUI Cruises had an occupancy rate for its ships of 101.0% and 1,070.8 thousand passenger cruise days (100.1% respectively 1,047.8 thousand for the nine month period ended June 30, 2013).

The Hamburg-based company has offered cruises to the German-speaking premium cruise submarket since May 2009 offering German as the main language onboard. TUI Cruises mainly targets the German speaking premium cruise submarket, combining the service of a traditional cruise with the more relaxed feeling and individual freedom of a club ship (for example no dress code). TUI Cruises follows a concept primarily aimed at couples and families who attach particular importance to personal choice, quality and service on a cruise. In general, TUI Cruises targets younger passengers than Hapag-Lloyd Kreuzfahrten (*i.e.*, 35 years and older). TUI Cruises uses our multi-channel distribution network and shares IT Services with Hapag-Lloyd Kreuzfahrten.

All Other Segments

All Other Segments comprises all other segments, including in particular TUI AG's head office functions and the interim holdings along with the Group's real estate companies. In addition, our 22.04% indirect stake in Hapag-Lloyd AG, a container shipping company we intend to hold for sale, is held at equity in this segment. All Other Segments also includes intersegment consolidation effects. In the financial year ended September 30, 2013, All Other Segments generated turnover of €17.4 million, underlying EBITA of €-61.9 million and had 405 employees as of September 30, 2013. In the nine-month period ended June 30, 2014, All Other Segment generated turnover of €11.4 million, negative underlying EBITA of €34.3 million and had 237 employees as of June 30, 2014.

Hapag-Lloyd AG

Hapag-Lloyd AG is a leading global container liner shipping company. Measured by the capacity of its fleet, it is the largest container shipping company based in Germany and one of the largest in the world (*source*: MDS Transmodal, July 2014). Hapag-Lloyd AG offers its customers a comprehensive range of services through an extensive network of 334 offices in 112 countries, as of June 30, 2014. It offers complete worldwide door-to-door container shipment services and port-to-port services, as well as a variety of possible combinations which are tailored to meet its customers' transport service requirements.

Hapag-Lloyd AG maintains a well-balanced portfolio of trades distributed among its main markets, including the high-volume East-West trades. In 2013, these trades contributed to its total transport volumes as follows: Transatlantic (21.9%), Far East (22.7%), Transpacific (22.7%), Latin America (21.3%) and Australasia (11.4%).

As of June 30, 2014, Hapag-Lloyd AG had a fleet of 154 container ships with a total capacity of 777,469 Twenty-foot equivalent container units (“**TEU**”), of which it owned 61, chartered 87 and leased six. Therefore, its entire fleet has a capacity of 777,469 TEU, as of June 30, 2014, representing one of the largest container ship fleets globally. As of June 30, 2014, Hapag-Lloyd AG also managed a fleet of 708,619 containers with a total capacity of 1,104,463 TEU.

Hapag-Lloyd is headquartered in Hamburg, Germany.

On April 16, 2014, Hapag-Lloyd AG and Compañía Sud America de Vapores (“**CSAV**”) entered into a business combination agreement to merge CSAV’s container shipping activities with Hapag-Lloyd AG. Following the integration, the new Hapag-Lloyd will rank among the four largest liner shipping companies in the world, with some 200 vessels with total transport capacity of approximately one million TEU and an annual transport volume of approximately 7.5 million TEU. The company’s head office will remain in Hamburg, Germany. In addition, Hapag-Lloyd will have a regional office in Chile for its Latin America business. Following a planned capital increase after the transaction has been concluded, CSAV’s share of Hapag-Lloyd will increase to 34.01% and our shareholding in Hapag-Lloyd will decrease to approximately 14.0%. The relevant corporate bodies of CSAV and Hapag-Lloyd have approved the merger. The closing of the transaction is subject to the approval of competition authorities.

Real Estate

We own or lease a number of administrative buildings. The carrying amount of real estate properties, other than hotels, amounted to €132.5 million as of September 30, 2013.

The following most important administrative buildings as of September 30, 2013 were the head offices of TUI Travel and TUI AG as well as the buildings of our largest tour operators in Germany and the United Kingdom:

Head Office of	Address	Description
TUI AG	Karl-Wiechert-Allee 4, Hanover	55,000 square meters of real estate, space suitable for lease: 44,000 square meters, leased by Preussag Immobilien GmbH, 99% occupied by TUI AG
German Tour Operator	Karl-Wiechert-Allee 23, Hanover	39,129 square meters of real estate, 44,496 square meters leased by Preussag Immobilien GmbH, 100% occupied by TUI Deutschland GmbH
TUI Travel	TUI Travel House, Crawley Business Quarter, Fleming Way Crawley West Sussex, United Kingdom	2,397 square meters leased by First Choice Holidays Ltd, fully occupied by TUI UK
UK Tour Operator	Wigmore House, Wigmore Lane, Luton, Bedfordshire	15,831 square meters leased by TUI Northern Europe Ltd, fully occupied by TUI UK

All real estate mentioned above is leased.

Our real estate companies that are part of All Other Segments own agricultural land and numerous commercial properties in Germany. As of June 30, 2014, TUI’s real estate portfolio comprised a total of approximately 1.55 million square meters.

There are no major encumbrances on properties we own, and we are not aware of any encumbrances on properties we lease that could materially affect our business.

Other Property

As of September 30, 2013, we operated 138 aircraft, of which six are owned and 132 are leased. We also operate nine cruise ships, of which two are owned and seven are leased.

Risk Management

Our risk policy is designed to steadily and persistently increase the Group's corporate value, achieve its medium-term financial goals and secure our ongoing existence in the long term. It is thus an integral component of our corporate policy.

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

Major risks selected from the internal risk report to TUI AG's Executive Board are presented in the form of an overview of key risks. The risks listed in the overview are allocated as far as possible to the risk categories contained in the Risk Report that forms part of the Management Report. The item "Miscellaneous other risks" in the Management Report comprises a number of unrelated individual risks that cannot be allocated to any other risk category. The COSO Framework, developed by the Committee of Sponsoring Organizations of the Treadway Commission ("**COSO**"), forms the conceptual basis for the Group-wide establishment of an integrated control and risk management system. The existing Internal Control System (ICS) is thus to be more closely dovetailed with the risk management system throughout the entire TUI Group.

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

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

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

Employees

The headcount in our Group and in each of our segments and sectors for the periods indicated was as follows:

	As of September 30,			As of June 30,	
	2011	2012	2013	2013	2014
Tourism	73,079	73,391	74,040	74,056	76,790
TUI Travel	58,378	57,961	59,756	59,623	62,369
TUI Hotels & Resorts	14,424	15,141	14,013	14,173	14,191
Cruises	277	289	271	260	230
All Other Segments	628	421	405	403	237
Total	**73,707**	**73,812**	**74,445**	**74,459**	**77,027**

As of June 30, 2014, we had 77,027 employees engaged in our operations around the world, compared to 74,445 as of September 30, 2013. Over 99% of our employees were employed in our Tourism segment, in particular TUI Travel, which alone employed approximately 80% of all of our employees, in both cases as of June 30, 2014.

At the end of the financial year ended September 30, 2013, the headcount in our Tourism segment totaled 74,040, which represents an increase of 0.9% year-on-year. The individual sectors recorded different trends. The headcount in TUI Travel increased by 3.1% year-on-year to 59,756. This was driven by the increase in headcount in travel agencies in Germany, capacity increases in Mainstream, expansion projects in Accommodation & Destinations and the reconsolidation of the IT service provider. On the other hand, due to the realignment of the tour operator and airline businesses and the effect of restructuring measures, the headcount was reduced in the United Kingdom, France and the Specialist & Activity Business. The headcount in TUI Hotels & Resorts declined by 7.4% year-on-year to 14,013. This headcount reduction was mainly attributable to terminating leases and the sale of hotel complexes. The Cruises sector reported a decrease in headcount of 6.2% to 271, primarily due to ongoing restructuring measures with a view to exiting the premium segment of Hapag-Lloyd Kreuzfahrten.

All Other Segments recorded a year-on-year decline in headcount of 3.8% to 405 as of September 30, 2013. In our head office, the headcount declined by 6.6%, in particular as the result of a cost-reduction program, to 198. The remaining Other Segments entities, comprised of real estate companies and the company health insurance scheme, recorded a decline in their headcount of 1.0% to 207 employees. In the next financial year, the headcount will decline significantly in All Other Segments due to the sale of a part of the real estate company, the transfer of the company health scheme to an external party and HR measures related to the realignment of the Corporate Centre.

We believe relations with our employees and labor unions Group-wide are positive, and we have not experienced significant issues in the past. Most of our companies have worker councils or union representation.

Insurance

TUI AG and TUI Travel have concluded, *inter alia*, liability and property insurance policies customary in the industry with a total coverage of:

- sums insured of €1.5 billion for TUI AG and £3.8 billion for TUI Travel for Property Damage and Business Interruption—with an Indemnity Limit €150 million per claim and partly in the aggregate; and
- €100 million for TUI AG and £101 million for Third-Party Liability, combined bodily injury and property damage.

In addition, TUI Travel has also concluded insurance policies for its airlines covering a hull value of $6.9 billion and limit of liability for damages to passenger and third parties of $2.25 billion. Further TUI AG and TUI Travel have concluded insurances for its maritime operations covering a hull value of $2.3 billion for TUI AG for eight cruises and $540 million and £76 million for TUI Travel and a limit of liability of $3 billion for passengers and crew with a sublimit of $1.0 million for oil pollution.

We also maintain insurance policies to cover certain environmental risks, where necessary. Our insurance policies are regularly reviewed and adjusted where necessary. We believe that we are, on an overall industry basis, adequately insured.

The above mentioned coverage and limit amounts are subject to full policy wording which include, amongst others, further sublimits, deductibiles and customary exclusions.

Trademarks and Licenses

We have introduced the “World of TUI” umbrella brand across our Tourism segment’s source markets to help us guarantee and further develop a clear and consistent brand identity for many of our travel products. We also operate over 200 brands of local and international tour operators and destination agencies in our source markets many of which have high rates of customer recognition and brand loyalty within their national markets. All trademarks of our master brand concept and other relevant trademarks for the European market are owned by TUI AG. Based on our annual brand performance study, we believe that our tour operator brands show the highest brand awareness levels compared with the relevant competitor brands in our key European source markets Germany, the United Kingdom, France, Belgium and the Netherlands and a high brand awareness level in the Nordic countries. Our tour operator brand “TUI” in Germany has been rated as the most trusted travel brands since 2006 (*source*: Reader’s Digest Trusted Brands 2006-2014). In the TUI Hotels & Resorts sector, the Robinson Club hotel brands show the highest unaided brand awareness level compared with the relevant competitor brands since 2007 based on our own analysis. In the Cruise sector, we also believe that Hapag-Lloyd Kreuzfahrten is the best known German brand after AIDA in the German market.

We own the trademark "Hapag-Lloyd" for tourism and related businesses whereas Hapag-Lloyd AG owns this trademark for the business field cargo logistics (container and cargo shipping) and any potential related future business areas, excluding air freight. Our activities that use the Hapag-Lloyd brand include Hapag-Lloyd Kreuzfahrten and travel agencies.

We have also entered into a trademark license agreement under which we have granted to TUI Travel an exclusive right to use the registered trademark, "TUI Travel" (both in word and logo form), in TUI Travel's corporate holding business, as well as the right to use "TUI Travel" as its company name. See "Material Agreements—Agreements related to TUI Travel—Trademark License Agreement."

We have a multi-level branding strategy where we align our individual brands more or less closely with our umbrella brand, depending on the strength of the individual brand in its local market and the nature of the target customer segments. Thus, while we have linked the "World of TUI" umbrella brand to many of our individual local brands, in some cases our niche brands continue to operate independently. We believe that our multi-level approach to branding permits us to exploit the strong brands that we have acquired while also providing us with flexibility in offering differentiated products that appeal to the tastes of different customers.

As is common in the tourism industry, we or our licensees license and/or franchise to third parties the use of some of our travel agency brands. We believe this is a cost-efficient way to increase our marketing impact and sales without incurring significant fixed costs.

We protect our major brands in the manner we believe is appropriate to best protect and advance our business interests in each jurisdiction, including the prolongation of our trademarks. We also monitor the unauthorized registration of our trademark and internet domain names (domain grabbing). From time to time we use third parties' services to monitor the internet for activity concerning our major trademarks. While our internet domain names are an important aspect of our market appearance and the online distribution of our products, we consider the maintenance and protection of our trademark portfolio as key elements of our business. We applied for the registry by ICANN for the new generic TOP Level Domain ".tui." We monitor TUI as well as Hapag-Lloyd as domain names. The monitoring refers to the essential generic TLDs, ccTLDs and new TLDs.

Apart from occasional trademark oppositions, similarities with existing trademarks in local markets and domain grabbing which we consider as part of our daily business given the size of our trademark and internet domain name portfolio, there have not been significant violations, disputes or litigation in relation to any of our intellectual property rights, including our master brands, in recent years.

Information Technology

Information technology is a major factor in the tourism industry, allowing operators to offer multiple tourism products and services economically and efficiently. Reservation systems and, to a lesser extent, financial accounting systems, need to be capable of securely handling large volumes of data, including holiday offers, all types of bookings and payments and cost numbers for touristic services. TUI InfoTec GmbH, a wholly-owned subsidiary, is the tourism IT service provider for the Group with responsibility for the development and maintenance of the software used by our companies as well as the operation of associated computers and networks. Approximately half of our IT infrastructure cost is incurred by TUI InfoTec GmbH. Its subsidiary travel-BA.Sys GmbH & Co. KG deals primarily with data management and process optimization by collecting, processing and evaluating business data, primarily for retail shops.

By linking the management of the various operating IT companies within the Group, we intend to ensure the efficient development of IT systems under Group-wide coordination. Recently, TUI agreed a strategy centered on digital transformation and alignment of technology solutions and platforms to drive an improved digital experience for our customers and organization, maintain a competitive advantage, provide relevant and intuitive technology and drive efficiency and scale benefit through the delivery of common technology solutions through shared capabilities and strategic partners. We also intend to continue to harmonize our IT systems across our Group to produce an efficient Group-wide system and to facilitate the rollout of new technologies. For example, we have integrated our airline fleet management systems and our hotel databases and reservations systems to optimize capacity management across our source markets. We have also developed an internet-backed marketing system that allows us to sell different product lines to different segments of our markets on different websites, while using the same underlying computer infrastructure and databases. We are currently in the process of harmonizing our reservation and financial accounting systems within the mainstream business sector, starting with our largest source markets of the United Kingdom and Germany, with an expected first completion in the United Kingdom in late 2015.

Legal Proceedings

During the ordinary course of its business activities, the Group is regularly involved in legal proceedings, both as a plaintiff and as a defendant.

Apart from the proceedings described below, our Group companies are not and have not been party to any governmental, legal or arbitration proceedings (including any pending or threatened proceedings) during the previous twelve-month period, which may have, or have had in the recent past, significant effects on the Company or the Group's financial position or profitability.

In 1999, the operator of the container terminal in Zeebrugge in Belgium filed an action for damages amounting to €65 million against CP Ships Ltd., still part of TUI Group, and several of its subsidiaries due to an alleged breach of contract in connection with switching the Belgian port of call from Zeebrugge to Antwerp. Following oral proceedings in September 2013, the court of first instance ruled against two subsidiaries of CP Ships Ltd in October 2013 and dismissed the action against the other defendants (including the United Kingdom-based CP Ships Ltd.). Following the first instance ruling, the only defendants further concerned by the proceedings will be the entities having lost in the first instance as well as the Canadian-based CP Ships Ltd. The proceedings are expected to continue by September 2014. Moreover, the CP Ships companies would have rights of recourse against solvent third parties in the event of a final adverse judgment.

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

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

As in previous years, the respective Group companies formed adequate provisions, partly covered by expected insurance benefits, to cover all potential financial charges from court or arbitration proceedings. Overall, the future financial position is therefore unlikely to be substantially affected by such charges.

In TUI Travel's group financial statements for 2010, 2011 and 2012, it was disclosed that the Spanish tax authorities were contesting the Spanish corporate income tax treatment of two transactions undertaken by two of TUI Travel's Spanish subsidiaries during the period from 2002 to 2006. Throughout the tax audit process, TUI Travel has engaged fully and openly with the Spanish tax authorities and has supplied considerable documentary support and Spanish technical tax analysis to explain the commercial and economic rationale and Spanish corporate income tax treatment for the transactions. These transactions were implemented after TUI Travel had taken specialist external advice.

On October 11, 2013, an agreement was reached on the terms of a settlement with the Spanish tax authorities. The total of tax, interest and penalties was €50 million. This figure resulted from a disputed tax of €30 million that was lodged with the authorities in earlier financial years while the case was progressing. As a result of the settlement, the TUI Travel group was required to make a further payment of interest and penalties totalling €20 million (€5 million in interest and €15 million in penalties). This settlement was concluded in March 2014.

Moroccan Hotel Resort Dispute

In December 2008, TUI France entered into a lease for a yet to be constructed hotel complex in Marrakech, Morocco. The complex was due to be completed by the summer of 2011 with the lease then to run for thirteen years. The opening of the hotel complex was delayed on a number of occasions due to a failure to complete the construction within the timeframe envisaged under the lease agreement. As a result of the delay, TUI France's Moroccan subsidiary Societé de Gestion du Resort Al Baraka, or SGRAB, terminated the lease and brought an arbitration claim for recovery of a €8 million deposit and prepayment previously made. In response to the claim, the contractual counterparty brought a counterclaim in an amount of €80 million for wrongful termination of the lease agreement. The matter is being arbitrated with a hearing scheduled for January 2015. TUI Travel has made provisions in respect of this claim that it believes to be materially adequate.

Mauritian Hotels Dispute

In April 2009, TUI France entered into allotment agreements with a hotel company in respect of a hotel complex located in Mauritius. TUI France agreed to purchase a certain number of bed-nights at the hotels and paid a deposit to the hotel company. The owner of the hotel company personally guaranteed performance of the hotel company's obligations. In 2011 and 2012, TUI France terminated the agreements on the basis of the hotel company's material breach. Following termination, TUI France brought an action before a French court against the guarantor personally for recovery of its deposit in an amount of approximately €3.5 million and a judgment was issued in favor of TUI France. In response, the hotel company brought an arbitration claim for €60 million against TUI France on the grounds of wrongful termination of the allotment agreements and TUI France brought a counterclaim for €13.8 million. Subsequently, the hotel company entered into judicial receivership. TUI France informed the arbitration panel of this fact and petitioned for the claim to be dismissed on the basis that the hotel company had no standing to issue, or maintain, the claim. On July 7, 2014, the arbitration panel ordered the suspension of the arbitration proceeding for the time being. The suspension of the arbitration proceedings may be lifted if the hotel company exits judicial receivership.

Belgian Competition Authority Investigation into the Belgian Tour Operators Organization

Two Belgian TUI Travel subsidiaries have been accused of participating in unlawful anti-competitive agreements in 2002 and 2003, together with various other members of the Belgian professional association of travel agents. It is alleged that the anti-competitive agreements were entered into at the travel agent level and relate to (i) discounts offered in connection with the sale of leisure travel and (ii) the charges levied for the delivery of tickets to customers. TUI Travel is contesting the validity of these allegations both on a procedural and a substantive basis.

REGULATORY MATTERS

Our business operations are subject to government regulation in the form of national, local and European Union laws and regulations and international conventions. Because government regulation is subject to continuous revision, we cannot predict the continuing cost of regulatory compliance or the future impact of government regulation on our business operations. New laws and regulations may be adopted, which could further increase the Group's compliance costs or affect our business. See "Risk Factors."

Regulation of our Airline Operations

Traffic Rights

The regulatory system for international air transport is based on principles established by the Convention on International Civil Aviation of 1944 ("**Chicago Convention**"). The Chicago Convention, which has been adopted by virtually every country worldwide, sets forth the general principle that each country has sovereignty over its airspace and therefore has the right to control the operation of air services over or into its territory. As a result, traffic rights between countries are governed by a large number of bilateral and multilateral air traffic agreements.

These agreements usually designate the airlines, the airports, authorized routes, the capacity to be offered by airlines and procedures for the agreement of tariffs. International air transport has been liberalized to a large extent within the European Union. Since 1997, there is a single European airspace and all European airlines have been allowed to operate on all routes within the European Union member states. Tariff restrictions have also been relaxed. Certain EU member states have also entered into so-called "open sky agreements" with non-EU countries, reducing restrictions contained in the Chicago Convention on flight routes and airline and airport designations. The European Court of Justice ("**ECJ**") decided in 2002 that certain provisions of these open sky agreements violate EU law. As a consequence, the EU and its member states have concluded a comprehensive Air Transport Agreement ("**ATA**") with the United States, the EU-U.S. Open Skies Agreement, which became effective in 2008. The European Union's ultimate objective is to create a transatlantic Open Aviation Area, *i.e.*, a single air transport market between the EU and the U.S. with free flows of investment and no restrictions on air services, including access to the domestic markets of both parties. The ATA was amended in 2010. Norway and Iceland joined the ATA in June 2011.

The International Civil Aviation Organization ("**ICAO**"), a specialized agency of the United Nations, has developed standards and recommended practices covering a wide range of matters, including aircraft operations, personnel licensing, security, accident investigations, navigation services, airport design and operation and environmental protection. Germany is a member of the ICAO.

The International Air Transport Association ("**IATA**") is a global trade organization of the air transport industry and represents 240 airlines, covering 84% of scheduled traffic. IATA provides a forum for the coordination of tariffs on international routes. IATA also facilitates international cooperation on areas of technical safety, security, navigation and flight operations and the development of communication standards and administrative procedures. IATA regulations are applicable to our airline business on two levels.

First, we must obtain IATA accreditation in order to act as an intermediary and sell tickets for and on behalf of an IATA airline. Second, our flight booking operations are required to continuously comply with the IATA Passenger Agency Rules and the terms of the Passenger Sales Agency Agreement.

In order to receive IATA accreditation, the IATA examines the applicant to determine whether it has the necessary qualifications (mainly qualified staff) and financial standing to become an "accredited" intermediary and maintain such status as "accredited" intermediary. Continued reporting obligations mainly involve the reporting of annual audited financial statements and the prior notification of certain changes affecting the IATA-accredited intermediary, some of which may require the entering into of a new Passenger Sales Agency Agreement, such as the acquisition of such IATA-accredited intermediary by a person who is not itself accredited or any change in the legal nature of the IATA-accredited intermediary. IATA-accredited intermediaries may also be subject to reviews initiated by IATA administrators, usually this occurs if the IATA administrator considers that it is likely that the IATA-accredited intermediary no longer has the necessary qualifications for accreditation or fails to meet certain financial requirements. In June 2012, IATA issued a new version of the Passenger Sales and Agency Rules, which resulted in certain countries modifying IATA accreditation criteria. We will be required to comply with such changes in the different jurisdictions where we operate, which may include changes to our capital structure or guarantees.

Additionally, under certain circumstances, namely, when operating under the merchant model, IATA may require us to post guarantees in order to minimize our airlines' credit risk. Parameters adopted by IATA to assess intermediaries' credit-worthiness may vary from one jurisdiction to another and based on its annual review of our financial statements, IATA may modify guarantee requirements applicable to us. The Group entities are materially compliant with IATA requirements in this respect. Upon the occurrence of certain events such as an acquisition, IATA may monitor compliance by intermediaries with its regulations, particularly the financial undertakings, in which case the guarantees posted may be amended or IATA may require additional guarantees.

IATA also regulates the frequency on which settlement (remittance) is due by accredited intermediaries. Such frequency varies between jurisdictions and is subject to amendment. IATA regulations currently provide that frequency of payment may vary from one jurisdiction to another and occurs at least once a month**.**

Licenses and Certificates

Our airlines are regulated by, and must hold operating licenses that are issued by, the aviation authorities in their home countries. For example, TUIfly is regulated and licensed by the German Federal Aviation Authority (*Luftfahrt-Bundesamt, LBA*) and Thomson Airways is regulated and licensed by the British Civil Aviation Authority. National airline licensing rules have been harmonized across the European Union. As a result, operating licenses are now valid throughout the European Union on the basis of Regulation (EC) No. 1008/2008. In order to receive an operating license, EU airlines must, *inter alia*, have their principal place of business and registered office in an EU member state, must have air transport as their principal activity and must effectively be controlled by EU member states or nationals of EU member states. Violations of these rules, in particular majority ownership or effective control by non-EU persons, may result in the withdrawal of the airline's operating license. According to Regulation (EC) No. 1008/2008 member states may restrict capacity on air traffic routes to distribute traffic more evenly between airports, to respond to sudden unavoidable and unforeseeable problems or for environmental reasons. In addition, airlines require further licenses, for example for the operation of routes outside the European Union and for the use of certain rights set forth in international aviation agreements. In 1995, by virtue of the European Economic Area Agreement, Norway, Iceland and Liechtenstein, although not members of the European Union, became subject to the air traffic regulation regime set up by the European Union, thus extending this regime to the European Economic Area ("**EEA**").

The national aviation authorities are also responsible for enforcing technical standards and safety rules concerning the operation and maintenance of aircraft. Aircraft may only be flown if they have a certificate of airworthiness and their engines, equipment and maintenance procedures must also be certified. All flight crew and certain maintenance staff must be licensed.

Security

According to Article 13 of Regulation (EC) No. 300/2008 and Section 9 of the German Air Security Act (*Luftsicherheitsgesetz*), an air carrier is required to demonstrate specific security measures as set out in and in compliance with a security program (*Luftsicherheitsplan*) approved by the German air traffic authority.

Slots

Access to the main international airports is allocated by the allotment of slots. At heavily used and congested airports, slots are a scarce commodity. Within the EU, slots at major airports are allocated according to Council Regulation (EEC) No. 95/93, as amended, among other things, by Regulation (EC) No. 545/2009, while at smaller airports, national law determines slot allocation. Under the EU regulations, slots are allocated twice a year, with priority given to the airline that held the equivalent slot in the preceding period. Airlines may exchange slots among themselves under certain circumstances, but under current EU practice, the pure trading of slots for payment (*i.e.*, without a corresponding exchange) is not permitted. The European Commission is currently exploring the possibilities of market oriented slot allocation schemes and to what extent potential mechanisms could be included in draft legislation.

Rights of Passengers

Passenger rights are regulated by national and EU law; in addition, international agreements may apply with regard to, for example, liability for accidents. At the European level, Regulation (EC) No. 261/2004 repealed Regulation (EC) No. 295/91 and broadened the rights of air travel passengers in case of the cancellation or substantial delay of flights in terms of compensation, support payments and other benefits. The Sturgeon judgment of the ECJ of November 19, 2009 reinterpreted Regulation (EC) No. 261/2004 so as to read into it an obligation on airlines to pay compensation of between €250 and €600 for flight delays exceeding three hours. Moreover, by judgment of October 23, 2012, for example, the ECJ ruled that Art. 5 to 7 of Regulation (EC) No. 261/2004 must be interpreted as meaning that passengers whose flights are delayed are entitled to compensation under that regulation where they suffer, on account of such flights, a loss of time equal to or in excess of three hours, that is, where they reach their final destination three hours or more after the arrival time originally scheduled by the air carrier. Such a delay does not, however, entitle passengers to compensation if the air carrier can prove that the long delay was caused by extraordinary circumstances which could not have been avoided even if all reasonable measures had been taken, namely circumstances beyond the actual control of the air carrier. The ECJ's jurisdiction, the EU Charter of Fundamental Rights that enshrines certain political, social and economic rights for EU citizens and factual changes were taken into consideration when issuing a proposal to amend Regulation (EC) No. 261/2004. The proposed regulation aims to eliminate grey zones and gaps in the current law and to ensure a better compliance and enforcement of the law. However, the legislative procedure has not been completed yet. The first reading in the EU parliament took place in February 2014; the EU Council discussed that proposal in June 2014.

Moreover, as regards the liability of an airline the Montreal Convention on the Unification of Certain Rules for International Air Carriage was adopted in May 1999. The convention consolidated, updated and replaced all previous agreements on air carrier liability, including the 1929 Warsaw Convention. The Montreal Convention came into force in all EU member states on June 28, 2004, and was implemented into German law in 2004. Passengers may claim up to 1,000 Special Drawing Rights ("**SDRs**") (currently approximately €1,135 as of July 15, 2014) for lost, damaged or delayed luggage. This compares with the previous weight-based compensation system under the 1929 Warsaw Convention, which continues to apply to cargo. Finally, in case of a passenger's death or bodily injury the Montreal Convention establishes strict carrier liability for damages of up to 100,000 SDRs (currently approximately €114,737 as of August 22, 2014) for each passenger while the carrier's liability for damages caused by delay in the carriage of persons is limited to 4,150 SDRs (currently approximately €4,762 as of August 22, 2014) for each passenger.

Ownership Structure and Compliance Documentation

The granting and maintenance of an operating license for a German air carrier is primarily governed by Regulation (EC) No. 1008/2008 and Section 20 of the German Air Traffic Act (*Luftverkehrsgesetz*). Regulation (EC) No. 1008/2008 requires that an air carrier must be owned and continue to be owned directly or through majority ownership by EU member states and/or nationals of EU member states and must at all times be effectively controlled by such EU member states or such nationals. It also provides that any entity, which directly or indirectly participates in the controlling shareholding of an air carrier, must meet the requirements set out above. The air carrier must at all times be able to demonstrate to the EU member state responsible for the operating license that it meets these requirements.

In addition to the national and EU regulations, bilateral air traffic agreements entered into between the Federal Republic of Germany and other countries also require a certain ownership structure. These agreements grant air traffic rights (for example the right for scheduled flights over the territory and the right to land) to the Federal Republic of Germany, which are then passed on to the German air carriers by way of designation. These bilateral agreements typically provide that the air carriers designated by the Federal Republic of Germany must be owned in a substantial part (*i.e.*, usually majority-owned) by German nationals or companies and effectively be controlled by German nationals. Some air traffic agreements do not require a certain ownership structure or refer to EU nationality rather than to German nationality.

Evidence of a compliant ownership structure has to be provided *e.g.*, in accordance with the German Aviation Compliance Documenting Act (*Luftverkehrsnachweissicherungsgesetz*) ("**LuftNaSiG**") which requires German airlines to be joint stock corporations with registered shares.

Environmental Regulation

Our airlines are subject to international, national and, in some cases, local environmental regulation standards. Since April 1, 2002, our aircraft must comply with the noise requirements set forth in Chapter 3 of Annex 16 to the Chicago Convention. Certain airports in Europe have established local noise restrictions, including limits on the number of hourly or daily operations or the time of such operations. These restrictions may cause curtailment of service or increases in operating costs and could limit our ability to expand our operations at affected airports. Directive 2002/49/EC sets a general framework for the assessment and management of noise. More recently, the European Commission has tabled a proposal for a regulation aimed at revising the rules on restricting operations at an EU airport because of noise.

Environmental regulation could be tightened further in the future. Pursuant to Directive 2008/101/EC, from January 1, 2012 all flights that arrive or depart from an airport situated in the territory of an EU member state have been included in the EU emissions trading scheme. The emissions trading scheme is a cap and trade system for carbon emissions to encourage industries to reduce their CO_2 emissions. Under the legislation, airlines are granted initial credits based on historical emissions and their shares of the total aviation market. Any shortage of credits will have to be purchased in the open market. The cost and amount of such credits that our airlines had to buy in 2012 and 2013 amounted to €4.6 million. This legislation continues to have a substantial negative impact on the European airline industry, including TUIfly.

In February 2013, the ICAO Committee on Aviation Environmental Protection (CAEP) agreed on a new CO_2 certification requirement, as well as new global noise standards that will result in quieter skies and airports. The CO_2 certification requirement will form the basis of future work to complete an Aircraft CO_2 Standard.

It has been discussed for many year within the European Union whether to extend the EU Emission Trading System ("**EU-ETS**") to the shipping industry. In 2013, the EU Commission introduced a legislative proposal with the objective not to include the shipping industry in the EU-ETS but to implement a system for monitoring, reporting and verification ("**MRV**"). However, the legislative process for the introduction of MRV is ongoing. The European Parliament's first reading took place in April 2014. Depending on the outcome of the legislative process, the European Union may take further measures.

Since January 2011 an air travel tax, known as "air traffic surcharge," applies to all flights departing from Germany. The current tax of either €7.50, €23.43 or €42.18 depends on the flight duration. For airlines, the new tax means considerably higher costs to the extent that such "air traffic surcharge" can be passed on to passengers.

In addition, some EU member states are considering abolishing the tax exemption for aviation gasoline. Directive 2003/96/EC allows EU member states to tax aviation fuel for domestic flights and, by means of bilateral agreements, fuel used for intra-member state flights.

Regulation Affecting our Tour Operator Business

ATOL Regulations

An Air Travel Organizer's License ("**ATOL**") granted by the Civil Aviation Authority is required by law in the United Kingdom in certain circumstances, including when a firm sells a flight package which it has organized itself or a flight from the United Kingdom plus overseas accommodation or overseas car hire (or both). ATOL holders generally must post a bond that covers all components of the package holidays they sell, in order to provide security if the tour operator goes out of business. A number of our businesses operating in the United Kingdom, including Thomson Holidays, hold ATOLs.

Package Travel Directive

Council Directive 90/314/EEC of June 13, 1990 on package travel, package holidays and package tours (the "**Package Travel Directive**") imposes liability on companies that sell package holidays for all components of the package holiday, including services to be provided by third parties such as airlines, hotel companies and local tour companies. This directive contains provisions that, *inter alia*, regulate claims of travel customers regarding the remedy of defects, damages and the withdrawal of customers from package holidays. The scope of the Package Travel Directive is limited to the non-occasional sale of package tours by an "organizer" (person who organizes packages and sells or offers them for sale, whether directly or through a retailer) or a "retailer" (person who sells or offers for sale packages put together by an organizer) to a consumer, to the exclusion of individually organized tours or to the delivery of single travel services, such as a scheduled flight or hotel accommodation.

For purposes of the Package Travel Directive, "package" means a combination previously put together by an organizer or a combination of elements tailored by the travel agent at the request of the consumer including not fewer than two of the following elements: transportation, accommodation or other tourist services not ancillary to transportation or accommodation but which account for a significant part of the package. Additionally, in order to be covered under the "package" definition, such combinations are required to be sold or offered for sale at an inclusive price and the services must cover a period of more than 24 hours or include overnight accommodation.

Insofar as we act as organizers or retailers, our activities are impacted by the Package Travel Directive and implementing national legislations, primarily with respect to (i) minimum standards concerning the information to be provided to consumers, (ii) formal requirements for package travel contracts, including mandatory rules concerning cancellation, modification and the civil liability of package tour organizers or retailers, and (iii) providing effective protection to consumers in the event of the package tour organizer's insolvency, namely repayment of the price and repatriation of consumers. Under the Travel Package Directive, member states were allowed to choose between mandatory joint liability of the organizer and the retailer or to split liabilities in consideration of organizers, and retailers' traditional roles and responsibilities; therefore, we may be subject to different standards of liability depending on the jurisdictions in which we operate.

The Package Travel Directive is currently under review by the European Commission. The modernization of the Package Travel Directive will notably broaden the definition of package holidays to encompass most types of travel arrangements made up of various elements, such as flights, hotel accommodation and car hire, so as to protect holidaymakers in the event of problems. This revision of the Package Travel Directive may result in additional and more stringent regulatory requirements applicable to our operations.

Regulation Affecting our Hotels and Destination Agencies

Our hotels and destination agencies are subject to a variety of laws and regulations in the countries in which they operate and, on a periodic basis, must obtain licenses and permits, for example those required for the construction and design of buildings and to sell alcoholic beverages. We are subject to a broad range of labor, environmental and health and safety regulations in each jurisdiction in which we operate. We believe that we have obtained all required licenses and permits and that our businesses are conducted in substantial compliance with applicable laws.

Regulation Affecting our Entire Business

National Level Regulation

The laws of certain jurisdictions set forth additional license or other requirements for the operation of our travel agency business. For instance, French law requires our travel agencies to be listed in a specific registry, whereas Italian law provides for local permit requirements.

In particular, we could become subject to the Cuban Assets Control Regulations ("**CACR**"). Travel service providers who are, or are owned or controlled by, U.S. citizens, U.S. residents, or U.S. corporations or their foreign branches or subsidiaries, are subject to the U.S. embargo against Cuba, expressed principally through CACR and administered by the U.S. Department of the Treasury's Office of Foreign Assets Control ("**OFAC**"). The CACR also extend to all persons physically located in the United States as well as all persons engaging in transactions that involve property in or otherwise subject to the jurisdiction of the United States. Currently, we are not subject to the CACR, but we could become subject to the CACR if U.S. citizens or residents or a U.S. company or its foreign subsidiary obtained control of the Issuer. The CACR provide that companies subject to the CACR must obtain authorization from OFAC before providing travel-related services in connection with authorized travel to or from Cuba. Criminal penalties for violating the CACR range up to ten years in prison, \$1,000,000 in corporate fines, and \$250,000 in individual fines. Civil penalties up to \$65,000 per violation may also be imposed. The CACR require those dealing with Cuba (including traveling to Cuba) to maintain records for five years and, upon request from OFAC, to furnish information regarding such dealings.

Data Protection and E-commerce Regulations

We, like other companies subject to European Union regulations, are subject to increasing regulation relating to customer privacy and data protection. In general terms, applicable data protection regulations limit the uses of data that we collect about customers, including the circumstances in which we may communicate with them. In addition, we are generally required to take reasonable steps to protect customer data while it is in our possession. Currently, it is being discussed on the European Union level whether to replace Directive 95/46/EC on the protection of individuals with regard to the processing of personal data and on the free movement of such data by a regulation on the protection of individuals with regard to the processing of personal data and on the free movement of such data (General Data Protection Regulation; COM(2011) 11 final) which aims, in particular, at harmonizing the data protection level within the European Union.

Additionally, the online nature of our business requires us to comply with European Union regulations and implementing national legislation on electronic commerce, primarily relating to (i) pre-contractual information to be provided to consumers on our activities, (ii) the regulation of commercial communications we send to consumers, (iii) formal rules for entering into electronic contracts, and (iv) the liability of intermediary service providers.

MANAGEMENT

Overview

In accordance with the German Stock Corporation Act (*Aktiengesetz*), the Issuer has a two-tier board system consisting of an Executive Board (*Vorstand*) and a Supervisory Board (*Aufsichtsrat*). The two boards are separate, and, subject to a limited exception, no individual may serve concurrently as a member of both boards.

The Executive Board is responsible for managing our day-to-day business in accordance with applicable German law and the Articles of Association (*Satzung*) as well as its rules of procedure (*Geschäftsordnung*). In addition, the Executive Board must ensure appropriate control of risk within the Company and its subsidiaries in order that any developments jeopardizing the Company's future as a going concern may be identified at an early stage. The Executive Board legally represents the Company in dealings with third parties and in court.

The Supervisory Board advises the Executive Board on the management of the Company, monitors its conduct of business and is responsible for appointing and dismissing the members of the Executive Board for good cause. It also represents the Company in transactions between a member of the Executive Board and the Company. While the Executive Board is responsible for submitting regular reports on our business activities and fundamental issues relating to corporate planning (including financial, investment and personnel planning) to the Supervisory Board, the Supervisory Board has the right to request special reports at any time from the Executive Board. The Executive Board is also obliged to duly report to the Supervisory Board such transactions as may be of considerable importance to the Company's profitability (in particular the return on equity) or liquidity, so that the Supervisory Board may have an opportunity to express its opinion on such transactions before they are concluded. The Supervisory Board may also request a report at any time on matters concerning the Company, on the legal and commercial relationships with affiliated companies or on commercial operations at these companies that may have a significant impact on the Company and its subsidiaries.

The Supervisory Board generally may not exercise management functions. The rules of procedure of the Executive Board, however, require that certain types of transactions may not be carried out by the Executive Board without the prior consent of the Supervisory Board. If the Supervisory Board refuses to approve a certain transaction or business activity contemplated by the Executive Board, the Executive Board can request that the general shareholders' meeting decides on the matter. However, the general shareholders' meeting of a German stock corporation may not issue directives to the Executive Board.

The members of the Executive Board and the Supervisory Board owe duties of loyalty and care *vis-à-vis* the Company. In discharging their duties, the members of these corporate bodies must consider a broad range of interests, including our interests, which in turn include the interests of our shareholders, employees, creditors and, to a certain extent, the general public. The Executive Board must also take due account of the shareholders' right to equal treatment and equal information. The members of the Executive Board or of the Supervisory Board are jointly and severally liable to the Company for any damages that may arise if they fail to discharge their duties.

As a basic principle under German law, a shareholder has no direct recourse against the members of the Executive Board or the Supervisory Board in the event that they breach a duty *vis-à-vis* the Company. Except for certain special circumstances, only the Company itself has the right to bring claims for damages against members of either board, whereby the Company is represented by the Executive Board when bringing claims against the Supervisory Board and by the Supervisory Board when bringing claims against the Executive Board. Pursuant to a ruling by the German Federal Court of Justice (*Bundesgerichtshof*), the Supervisory Board is obliged to bring claims which are likely to be successful against the Executive Board unless material considerations pertaining to the interest of the corporation outweigh or are at least equivalent to those in favor of enforcing such claim. Despite a refusal of the Supervisory Board to pursue a claim for damages, such a claim must be enforced (i) upon a resolution of the general shareholders' meeting, (ii) upon a petition with the competent court by minority shareholders meeting a certain minimum requirement as to their stake in the Company, or (iii) by the Company's creditors whose claims could not be settled by the Company. The Company may only waive or settle such claims for damages if at least three years have passed and if the shareholders approve the waiver or settlement at the general shareholders' meeting with a simple majority of the votes cast, provided that opposing shareholders do not hold, in the aggregate, one tenth or more of the share capital and do not have their opposition formally recorded in the minutes maintained by the notary.

Under German law, no individual shareholder (or any other person) may exert its influence on the Company to cause a member of the Executive Board or the Supervisory Board to engage in any act detrimental to the Company. Shareholders with a controlling interest may not use it to cause the Company to act against its own interest unless the prejudice to its interests is compensated for. Any shareholder using its interest in the Company to cause a member of the Executive Board, a member of the Supervisory Board or a person who holds a power of attorney (*Prokurist*) or is authorized to act for the Company (*Handlungsbevollmächtigter*) to engage in any act detrimental to the Company or to our shareholders must compensate the Company and the shareholders for any loss sustained thereby. In addition, the members of the Executive Board and the members of the Supervisory Board are jointly and severally liable if they act in breach of their obligations.

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

Executive Board

General Information

The Executive Board is responsible for managing the business of the Issuer in accordance with the German Stock Corporation Act, the Company's Articles of Association and the rules of procedure (*Geschäftsordnung*) for the Executive Board. The Executive Board also represents the Company in its dealings with third parties and in court. According to the Articles of Association and the provisions of the German Stock Corporation Act, the Executive Board must consist of a minimum of two members. The Supervisory Board determines the number of members of the Executive Board and appoints such members. It may also appoint the Chairman and Deputy Chairman of the Executive Board. Members of the Executive Board are appointed for a maximum term of five years. The Supervisory Board decided in October 2012 to specify an age limit for future appointments and extensions to the contracts of Executive Board members. They may be repeatedly reappointed or their term of office may be extended, in each instance for a period of up to five years. The Supervisory Board may revoke the appointment of a member of the Executive Board before the end of his or her term of office for good cause, such as gross breach of duty or in case of a vote of no confidence by the general shareholders' meeting.

The Executive Board has overall responsibility for the Company's business. In accordance with its rules of procedures (*Geschäftsordnung*), each member of the Executive Board is assigned an area of responsibility defined in a plan forming part of the rules of procedure, which sets out the allocation of duties. Notwithstanding the overall responsibility held by the Executive Board, each member of the Executive Board is responsible for the area allocated to him or her. Pursuant to the rules of procedure of the Executive Board, certain management actions may only be taken, and certain types of transactions may only be concluded, with the approval of the Supervisory Board or of a competent committee. As a rule, the Executive Board should meet every two weeks. The Executive Board has a quorum if a meeting has been called with due notice and more than half of the members are present or represented by proxy. If not otherwise required by law, the Executive Board decides by a simple majority of the votes cast. Members of the Executive Board may not deal with, or vote on, measures relating to proposals, arrangements or contracts between him/herself and the Company.

Individual board members serve as representatives with primary responsibility for the Company's various corporate functions and for the fields of business in which the Company operates. Despite this internal allocation of responsibilities, each member of the Executive Board has overall responsibility (*Gesamtverantwortung*) for the Company as a whole.

The Company's Articles of Association provide that the Company can be legally represented by two members of the Executive Board or by one member of the Executive Board in conjunction with an authorized signatory who holds a power of attorney (*Prokurist*).

Members of the Executive Board

The following table sets forth the current members of the Company's Executive Board.

Name	Age	Member since	Appointed until	Responsibility	Other principal positions
Friedrich Joussen	51	2012	October 14, 2015	Chairman of the Executive Board	TUI Travel
Horst Baier	58	2007	November 8, 2015	Finance, Human Resources, Personnel Director	Hapag-Lloyd AG Magic Life Assets AG TUIfly GmbH TUI Deutschland GmbH TUI Leisure Travel GmbH RIUSA II S.A. TUI Travel
Peter Long	62	2007	August 31, 2015	Tourism	Rentokil Initial plc TUI Deutschland GmbH TUI Nederland N.V. TUI Nederland Holding N.V. TUI Travel Belgium N.V. TUI Travel

Friedrich Joussen. Mr. Joussen studied electrical engineering at Rheinisch-Westfälische Technische Hochschule (RWTH) at Aachen and graduated as an engineer. After graduation, Mr. Joussen began his career in Portland, Oregon, United States and joined Mannesmann AG in Düsseldorf, Germany, in 1988. Mr. Joussen was one of the first managers of Mannesmann Mobilfunk GmbH, playing a crucial role in the establishment of the mobile industry in Germany and Europe. In 2003, Mr. Joussen took over as Chief Operating Officer of Vodafone Deutschland and, from 2005 until 2012, was the Chief Executive Officer of Vodafone Germany, the largest operating company in the global Vodafone Group. With the takeover of fixed-line carrier Arcor AG, he developed the company from a mobile phone group to an integrated telecommunications group. At an international level, Mr. Joussen was a member of the board of the group-owned venture capital company Vodafone Ventures and was a member of the CEO Council and the Strategy Board of the Vodafone Group. On February 14, 2013, Mr. Joussen was appointed as TUI AG's CEO. With TUI Travel, Mr. Joussen was appointed Non-Executive Chairman on March 25, 2013.

Horst Baier. Mr. Baier completed his education at the Leibniz-Akademie Hannover and at Continental AG with a degree in business administration. In 1979, he started his professional career as manager in the finance department of Continental AG. *Inter alia*, further roles brought him to General Tyre Inc., United States as well as to the Schickedanz Group, Germany, where he was responsible for running the finance department. Mr. Baier joined the TUI Group GmbH in 1996 as head of Finance and Accounting. In 2001, he was promoted to managing director in Finance and Administration of TUI Beteiligungsgesellschaft mbH. Subsequently, he became head of Accounting and Reporting of TUI AG. With effect from November 2007, Mr. Baier was appointed to the TUI AG Executive Board and was assigned a governing role and in February 2010, he was appointed CFO. Mr. Baier is also a non-executive director of TUI Travel and a member of the supervisory board of Hapag-Lloyd AG.

Peter Long. Mr. Long has held, among others, positions as chief executive of Sunworld Holidays, having previously been financial director, and later chief executive, of the Tour Operating division of the International Leisure Group. He was appointed managing director of Tour Operations at First Choice Holidays PLC (First Choice) in 1996 and joined the board of directors as chief executive in September 1999. Following the merger between First Choice and the Tourism Division of TUI AG in 2007, he was appointed Chief Executive Officer of TUI Travel.

The employment agreements of Friedrich Joussen and Horst Baier contain change of control clauses pursuant to which they are entitled to terminate their employment agreement in the event of a change of control. If the employment agreements are terminated due to a change of control (either by a third party or the members of the Executive Board) they remain entitled to receive the compensation under the terminated employment agreement as follows: (i) Friedrich Joussen would receive a compensation pursuant to the outstanding fixed salary for the regular agreement duration, but at maximum for 24 month (ii) Horst Baier would be remunerated for the period of the regular agreement duration but at maximum for 36 month.

The business address of each member of the Executive Board is TUI AG, Karl-Wiechert-Allee 4, 30625 Hanover, Germany.

Executive Board following the TUI Merger

Peter Long and Friedrich Joussen will become joint Chief Executives of the TUI Group until February 2016 and will be jointly responsible for achieving the envisaged synergy benefits from the TUI Merger. It is planned that Peter Long would thereafter become Chairman of the Supervisory Board of the TUI Group. Friedrich Joussen would thereafter lead the TUI Group as sole CEO from February 2016 onwards.

It is envisaged that the Executive Board of the TUI Group would have a balanced number of members drawn from the Company and TUI Travel. Apart from Peter Long and Friedrich Joussen it would further comprise from TUI Travel: Johan Lundgren (Deputy Group CEO responsible for Mainstream markets) and William Waggott (CEO of Online Accommodation businesses and the Specialist & Activity sector; and from the Company: Horst Baier (TUI Group CFO) and Sebastian Ebel (HR/Arbeitsdirektor and also responsible for TUI Group platforms & processes, including Hotels & Resorts, Cruises and IT).

Remuneration, Shareholdings

Remuneration of individual Executive Board members granted by TUI AG for the financial year ended September 30, 2013

	Fixed remuneration	Annual performance-based remuneration	Long-term incentive Plan	Supervisory Board mandates in the Group	Total ended September 30, 2013	Total 2011/12
			(€ thousands)			
Friedrich Joussen (since Oct 2012)	989.2	986.0	1,899.1	—	3,874.3	—
Horst Baier	692.8	563.1	701.8	—	1,957.7	2,176.4
Dr. Peter Engelen (until Aug 2012)	—	—	—	—	—	2,751.1
Dr. Michael Frenzel (until Feb 2013)	471.1	1,466.4	—	—	1,937.5	4,169.6
Total	**2,153.1**	**3,015.5**	**2,600.9**	**—**	**7,769.5**	**9,097.1**

The remuneration of Peter Long determined by the Remuneration Committee of TUI Travel for the financial year ended September 30, 2013, amounted to €1.0 million for fixed remuneration, €4.9 million for the annual performance-based remuneration and €1.5 million for the long-term incentive program and totaled €7.4 million.

In the financial year ended September 30, 2013, the level of remuneration paid under the annual performance bonus and the long-term incentive plan was partly driven by the increase in the value of the TUI Travel share price.

As in the prior year, the members of the Executive Board did not receive any loans or advances in the financial year ended September 30, 2013.

Shareholdings

The following table shows the shareholdings of the members of the Executive Board:

Member of Executive Board	Number of TUI AG shares	Percentage of existing TUI AG issued shares
Friedrich Joussen	138,081	0.05
Horst Baier	20,717	0.01
Peter Long	0	0

Exit payments on a change of control agreement

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

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

Supervisory Board

Overview

The Supervisory Board consists of 16 members. The Company's shareholders elect eight members of the Supervisory Board at the general shareholders' meeting. One of these eight seats is vacant at present. Pursuant to the German Co-Determination Act of 1976 (*Mitbestimmungsgesetz*), the Group employees or their delegates elect the remaining eight members, including two members of the Supervisory Board proposed by trade unions. The Supervisory Board members elect one of the members as Chairman (*Vorsitzender*) and another one as Vice-Chairman (*Stellvertreter*) with a majority of two thirds of its total number of members. If the majority of two thirds is not obtained, a second election is held in which the shareholder representatives on the Supervisory Board elect the Chairman and the employee representatives on the Supervisory Board elect the Vice-Chairman.

The term of a member of the Supervisory Board expires at the end of the fifth general shareholders' meeting following the general shareholders' meeting in which the member was elected. If a member of the Supervisory Board retires, or is removed from office prior to the end of its term of office, the substitute member's term of office expires at the end of the term of the resigning or removed board member, unless the general shareholders' meeting decides otherwise. There is no compulsory retirement age for the members of the Supervisory Board. However, the rules of procedure for the Supervisory Board provide that when appointed, Supervisory Board members should not be older than 68 years. There is a target for the future composition of the Supervisory Board to include four female members. No former Executive Board members of TUI AG are currently serving on the Supervisory Board.

Unless otherwise required by applicable law, resolutions of the Supervisory Board are passed by a simple majority of the votes cast. In the case of a tie, any member of the Supervisory Board may request that the vote be immediately repeated at the same meeting. In the event of a second tie, the Chairman of the Supervisory Board has the casting vote. In order to constitute a quorum, all members must be invited and at least half of the total number of members of the Supervisory Board must participate in the voting, including either the Chairman or the Vice-Chairman.

The Supervisory Board is required to meet at least twice in each half of every calendar year.

Members of the Supervisory Board

The following table sets forth the name, age, position and the year of appointment for each of the members of the Company's Supervisory Board.

Name	Age	Member since	Appointed until	Other principal positions
Prof. Dr. Klaus Mangold (Chairman)	71	2010	2016	Alstom Deutschland AG Baiterek Holding JSC Continental AG Alstom S.A. Ernst & Young Global Limited Rothschild GmbH (Chairman) Swarco AG
Frank Jakobi (Vice Chairman)	52	2007	2016	None
Andreas Barczewski	47	2011	2016	None
Peter Bremme	54	2014	2016	TÜV Nord AG
Arnd Dunse	44	2008	2016	None
Prof. Dr. Edgar Ernst	62	2011	2016	Deutsche Postbank AG Gildemeister AG Wincor Nixdorf AG
Angelika Gifford	49	2012	2016	None
Vladimir Lukin	36	2014	2016	OAO Severstal OJSC Power Machines
Michael Pönipp	58	2013	2016	MER—pension fund VVaG TULBKK
Carola Schwirn	54	2014	2016	None
Carmen Riu Güell	59	2005	2016	Hotel San Francisco S.A. Productores Hoteleros Reunidos, S.A. RIU Hotels, S.A. RIUSA II, S.A. (CEO)
Maxim G. Shemetov	32	2014	2016	LLC-Svoy-TT
Anette Strempel	48	2009	2016	TUI Deutschland GmbH
Christian Strenger	71	2011	2016	DWS Investment GmbH The Germany Funds, NY (Chairman)
Ortwin Strubelt	50	2009	2016	None

One seat of the Supervisory Board is vacant at present.

The business address of each member of the Supervisory Board is TUI AG, Karl-Wiechert-Allee 4, 30625 Hanover, Germany.

Prof. Dr. Klaus Mangold. Prof. Dr. Mangold studied law and economics at the universities of Munich, Geneva, Paris, London, Heidelberg and Mainz. Prof. Dr. Mangold received his doctorate in law in 1973. He began his career in 1983 as member of the Executive Board of Rhodia AG and, from 1985 to 1990, he was Chairman of the Executive Board of Rhodia AG. Prof. Dr. Mangold was a member of the Executive Board of Daimler Chrysler AG and CEO of Daimler Chrysler Services AG from 1995 to 2003. Also, since 2004, he has been Vice Chairman at Rothschild GmbH.

Frank Jakobi. Mr. Jakobi is a travel agent. He began his career in 1982 in travel agency distribution. Mr. Jakobi was Deputy Chairman of the TUI AG Group Works Council from 2005 to 2009. He has been Chairman of the TUI AG Works Council since 2008.

Andreas Barczewski. Mr. Barczewski studied in the field of aerospace in Aachen from 1987 to 1989. He trained from 1989 until 1991 as a commercial pilot at Deutsche Lufthansa AG in Bremen, Germany, and Arizona, USA. Mr. Barczewski began his career in 1991 as a First Officer and, since 1998, has been Flight Captain at TUIfly GmbH. He was Chairman of the staff association for flight crews at Hapag-Lloyd Flug from 2001 until 2008.

Peter Bremme. Mr. Bremme studied secondary education at the universities of Münster and Tübingen between 1980 and 1987. After passing his first state examination in 1988 he started his professional career as a commercial employee in a technical department of a market research company. In 1991 he became a trade union secretary with the Retail, Banking and Insurance Union (*HBV*). In 2001 Mr. Bremme started his current role as Regional Head of Special Services Division at ver.di (Hamburg), the head organization of the German services union.

Arnd Dunse**.** Mr. Dunse studied economics at Hanover University from 1990 to 1996. Mr. Dunse began his career in 1997 as an investment controller at TUI AG Group Controlling. He has been a member of the Supervisory Board since 2008. Mr. Dunse has been Head of Group Controlling at TUI AG since October 2008.

Prof. Dr. Edgar Ernst. Prof. Dr. Ernst received his doctorate in economics and social sciences at RWTH Aachen in 1982. In 1980, he graduated as a Master of Operations Research at RWTH Aachen. In 1977, Prof. Dr. Ernst graduated in mathematics at the University of Cologne. He began his career as a consultant at McKinsey & Co. From 1995 to 2007, he was a member of the Executive Board of Deutsche Post DHL AG. Prof. Dr. Ernst was a member of the Executive Board (CFO) within Deutsche Bundespost Postdienst. He has been president of the Financial Reporting Enforcement Panel in Berlin since July 2001. Prof. Dr. Ernst has been an honorary professor at WHU Koblenz since 2006.

Angelika Gifford. Angelika Gifford holds a degree in business administration (banking) from the University of Applied Sciences, in Frankfurt and Deutsche Bank Academy, and a master's degree from MCE Management Centre Europe in Brussels. She was Head of Department and team leader at Deutsche Bank from 1987 to 1990. From 2006 to 2011, Angelika Gifford was a member of the Executive Board/Senior Director of the Public Administration business unit at Microsoft Deutschland GmbH. Since April 2011, she has been on sabbatical.

Vladimir Lukin**.** From 1994 to 1999, Vladimir Lukin studied law at the Law Department of the Moscow State University and graduated with honors. He began his career in 1997 as a paralegal at Freshfields Bruckhaus Deringer and from January 2008 until May 2009, Mr. Lukin was Head of International Legal at OAO Severstal. He has been Senior Vice President of Legal Affairs and Deputy General Director of Legal Affairs at OAO "Power Machines" since May 2009. Mr. Lukin has been a member of the Board of Directors at ZAO Seversgroup since September 2009 and, since September 2013, he has been a member of the Board of Directors at OAO Severstal.

Michael Pönipp**.** From 1975 until 1978, Michael Pönipp trained at Hotel College Hannover and at Hotel Loccumer Hof Hanover and became a hotel administration employee. He began his career in 1978 at Guesthouse Volker Nordgoltern as a qualified hotel employee with Touristik Union International GmbH & Co. KG. From 2002 to 2013, Mr. Pönipp was Deputy Chairman of Works Council at TUI Deutschland GmbH and since 2013, he has been the Chairman. This year, Mr. Pönipp became Chairman of General Works Council at TUI Deutschland GmbH.

Carmen Riu Güell. Mrs. Riu Güell received her degree in economics and business studies at the Autonomus University of Barcelona in 1976. She has been joint CEO of the RIU Group alongside with her brother Luis Riu since 1998.

Carola Schwirn. Mrs. Schwirn holds a degree in education having studied at the universities of Cologne and Frankfurt graduating in 1995. After an early career in an employment agency Mrs. Schwirn worked as training officer for the Training Institute of the German trade union confederation between 1998 and 2002. Afterwards she started her career within ver.di, the head organization of the German services labor union. Here she held various positions, such as trade union secretary in the education sector, personal assistant to the ver.di Deputy Chairman and department coordinator for the financial services division. Since 2013 Mrs. Schwirn has been department coordinator for the transportation department.

Maxim G. Shemetov. Mr. Shemetov studied at the Finance Academy in Moscow and received a Master of Arts in Finance with distinction. From 2004 to 2005, he went to Cass Business School, at the City University London, and graduated as Master of Science with distinction. From 2013 to 2014, he attended Harvard Business School, in Boston Massachusetts, on an Executive Education (PLD Program). Mr. Shemetov began his career in 2003 as an analyst for investment banking at Trust Investment Bank Moscow. Mr. Shemetov has held the following roles since 2007: Director, CFO for Private Equity, Capital Markets, S-Group Capital Management in Moscow.

Anette Strempel. In 1998, Anette Strempel completed her training to become a travel agent. She began her career in 1992, at Fischer Reisen GmbH, at Hanover-Langenhagen airport. Since 2008, she has been a member and Deputy Chairperson of the Group Works Council of TUI Deutschland GmbH. Mrs. Strempel has been Vice Chairperson of the TUI AG Group Works Council since 2009.

Christian Strenger. From 1965 to 1969, Christian Strenger attended Cologne University. In 1964, he completed banking training at Merck Finck & Co., in Munich. Mr. Strenger began his career in 1970 as a trainee for Corporate Finance and Asset Management in New York and London. From 1986 to 1991, he was Chief Executive Investment Banking North America at Deutsche Bank New York. He was spokesperson of the executive at DWS Investment GmbH in Frankfurt, from 1991 to 1999. Afterwards he was appointed as member of the DWS supervisory board and amongst others at Fraport AG and Evonik Industries. Mr. Strenger also is a member of the German Corporate Governance Kodex Commission.

Ortwin Strubelt. In 1989, Ortwin Strubelt completed his training as a travel agent in Bremerhaven. Mr. Strubelt began his career in 1990 as an employee of Pan American Airways, at SATO-OS travel agency in Bremerhaven. From 2004 to 2006, Mr. Strubelt was a member of the Supervisory Board of Hapag-Lloyd and a member of the Presiding Committee of the Supervisory Board of Hapag-Lloyd.

Supervisory Board following the TUI Merger

The Company intends to increase the Supervisory Board members from 16 to 20 following the TUI Merger.

The Supervisory Board would comprise ten members representing the shareholders, drawn in equal number from the Company and TUI Travel, and ten employee representatives, including those elected pursuant to a proposal of the trade unions. The new Supervisory Board would be chaired by Prof. Dr. Klaus Mangold and Sir Michael Hodgkinson would be Co-Vice Chairman along with Frank Jakobi. Frank Jakobi would also be a representative of the employees.

Prof. Dr. Klaus Mangold’s term as Chairman of the Supervisory Board will end at the general shareholders’ meeting in February 2016, and he will then retire. Peter Long will then, by proposal of the Supervisory Board, be suggested as a member of the Supervisory Board at the general shareholders’ meeting in 2016. The Supervisory Board will undertake all necessary steps to achieve this, and the Company will inform its shareholders at the TUI AG EGM in 2014 about Peter Long’s future position.

It is foreseen that for a period of two years following the TUI Merger, the Supervisory Board would have an Integration Committee, initially chaired by Prof. Dr. Klaus Mangold and co-chaired by Sir Michael Hodgkinson. The primary responsibilities of this committee would be the monitoring of the TUI Merger and its implementation. It would advise the Executive Board as a whole but would not have decision-making power.

Members of the Supervisory Board Committees

The Supervisory Board has formed three committees, the Presiding Committee (*Präsidialausschuss*), the Audit Committee (*Prüfungsausschuss*) and the Nomination Committee (*Nominierungsausschuss*).

Presiding Committee

The Presiding Committee prepares the resolutions and issues to be resolved by the Supervisory Board, and consists of three shareholder representatives and three employee representatives. It also prepares the appointment of Executive Board members, including the terms and conditions of service contracts and remuneration proposals.

The following table sets forth the current members of the Presiding Committee.

Name	Position
Prof. Dr. Klaus Mangold	Chairman
Carmen Riu Güell	Member
Anette Strempel	Member
Andreas Barczewski	Member
Frank Jakobi	Member
Vladimir Lukin	Member

Audit Committee

The main responsibility of the Audit Committee is to approve the annual accounts of the Company and to prepare the review of the consolidated annual accounts by the Supervisory Board, to mandate the independent auditor elected by the general shareholders' meeting, to guarantee the auditor's independence and to determine the main points of the audit. The Audit Committee consists of six members with equal representation of shareholder and employee representatives. The Chairman of the Audit Committee is an independent financial expert and has particular knowledge and experience from its own professional practice of applying accounting principles and internal control methods. The chairman of the Supervisory Board must generally not be chairman of this committee.

The following table sets forth the current members of the Audit Committee.

Name	Position
Prof. Dr. Edgar Ernst	Chairman
Andreas Barczewski	Member
Arnd Dunse	Member
Prof. Dr. Klaus Mangold	Member
Christian Strenger	Member
Ortwin Strubelt	Member

Nomination Committee

The Nomination Committee proposes suitable candidates for election to the Supervisory Board, which then proposes them for election at the general shareholders' meeting. The Nomination Committee consists exclusively of shareholder representatives, in accordance with the German Corporate Governance Code.

The following table sets forth the current members of the Nomination Committee.

Name	Position
Prof. Dr. Klaus Mangold	Member
Carmen Riu Güell	Member
Vladimir Lukin	Member

Remuneration and Shareholdings

Remuneration of individual Supervisory Board members for the financial year ended September 30, 2013

	Fixed	Long-term variable	Committee membership	Attendance fee	Supervisory Board mandates in the Group	Total
				€'000		
Prof. Dr. Klaus Mangold (Chairman)	150.0	16.4	80.0	15.0	—	261.4
Petra Gerstenkorn (Deputy Chairwoman) (until May 2014)	75.0	8.2	40.0	11.0	15.0	149.2
Anass Houir Alami (until June 2014)	50.0	5.5	n/a	4.0	—	59.5
Andreas Barczewski	50.0	5.5	40.0	11.0	—	106.5
Arnd Dunse	50.0	5.5	40.0	9.0	—	104.5
Prof Dr. Edgar Ernst	50.0	5.5	120.0	9.0	—	184.5
Angelika Gifford	—	—	—	5.0	—	5.0
Frank Jakobi	50.0	5.5	40.0	11.0	—	106.5
Ingo Kronsfoth (until July 2014)	50.0	5.5	40.0	9.0	13.8	118.3
Christian Kuhn (until April 16, 2013)	27.2	—	n/a	2.0	—	29.2
Mikhail Noskov (until February 2014)	50.0	5.5	n/a	4.0	—	59.5
Michael Pönipp (since April 17, 2013)	22.8	2.5	n/a	2.0	14.9	42.2
Carmen Riu Güell	50.0	5.5	40.0	10.0	—	105.5
Anette Strempel	50.0	5.5	—	5.0	12.5	73.0
Christian Strenger	50.0	5.5	40.0	9.0	—	104.5
Ortwin Strubelt	50.0	5.5	40.0	9.0	—	104.5
Vladimir Yakushev (until February 2014)	50.0	5.5	40.0	10.0	—	105.5
Total	**875.0**	**93.1**	**560.0**	**135.0**	**56.2**	**1,719.3**

Shares held by members of the Supervisory Board

The following table shows the shareholdings of the members of the Supervisory Board (as of September 30, 2013):

Member of Supervisory Board	Number of TUI AG shares	Percentage of existing TUI AG issued shares
Prof. Dr. Klaus Mangold	19,040	0.01
Angelika Gifford	4,100	0.00
Anette Strempel	1,280	0.00
Arnd Dunse	485	0.00
Frank Jakobi	520	0.00
Michael Pönipp	280	0.00
Ortwin Strubelt	1,500	0.00

Certain Information about Members of the Executive Board and the Supervisory Board

During the last five years, no member of the Executive Board or the Supervisory Board has been convicted in relation to fraudulent offenses.

During the last five years, no member of the Executive Board or the Supervisory Board has acted in any capacity at any entity which was subject to any bankruptcies, receiverships or liquidations.

No official public incrimination and/or sanctions by any statutory or regulatory authority against any member of the Executive Board or the Supervisory Board has occurred. No member of the Executive Board or the Supervisory Board has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct the affairs of any issuer during the last five years.

TUI has not granted any loans to Executive Board or Supervisory Board members. The members of the two corporate bodies have not concluded any transactions with the Company that lie outside the Company's normal operating activities.

No members of the Executive Board nor the Supervisory Board have any conflicts of interest between their duties to the Company and their private or other interests. No Executive Board nor Supervisory Board member has concluded any service contract with any of the Group's companies that includes special benefits upon the end of the service. No family relationships exist among the members of the Executive Board and the Supervisory Board or within any of these bodies. Members of the Executive Board and the Supervisory Board (including persons closely related to them) currently hold shares in the Company, which in total account for less than 0.07% of all shares issued by TUI AG.

No family relationships exist among the members of the Executive Board and the Supervisory Board or within any of these bodies.

General Shareholders' Meetings

Pursuant to the Articles of Association, general shareholders' meetings are convened by the Executive Board or, in certain instances, by the Supervisory Board. Depending on the choice of the convening body, general shareholders' meetings take place at the Company's registered office or at the location of a German stock exchange. Each of the Existing Shares carries one vote at the Company's general shareholders' meeting. There are no restrictions on voting rights with respect to the Existing Shares. There are no restrictions on voting rights of the shares of the Company.

Unless mandatory provisions of the German Stock Corporation Act or the Articles of Association state otherwise, general shareholders' meeting resolutions are passed with a simple majority of the votes cast. In accordance with the German Stock Corporation Act, resolutions of fundamental importance require, in addition to a simple majority of the votes cast, a majority of at least three quarters of the share capital represented in order to pass such a resolution. Such resolutions of fundamental importance include in particular:

- changes in the corporate purpose;
- share capital increases with exclusion of pre-emptive rights;
- share capital decreases;
- the creation of authorized or contingent capital;
- divisions or split-offs as well as transfers of the entire assets of the Company;
- conclusions of inter-company agreements (in particular, domination agreements and profit and loss transfer agreements);
- changes in the legal form of the Company; and
- liquidation of the Company.

The general shareholders' meeting can be convened at the request of the Executive Board, the Supervisory Board, or shareholders whose shares together total at least 5% of the share capital. If the best interests of the Company require it, the Supervisory Board must call a general shareholders' meeting. The general shareholders' meeting takes place within the first eight months of every financial year. In accordance with the Articles of Association, shareholders are permitted to take part in the general shareholders' meeting and to exercise voting rights at such meeting if (i) they are entered in the Company's share register and their registration is delivered to the Company or to another place indicated in the invitation to the particular general shareholders' meeting, or (ii) they have proven their right to attend the shareholders' meeting by submitting, together with the registration, special proof of their share ownership by the institution maintaining the securities account. In each case the submission has to be made at least six days prior to the general shareholders' meeting in text form or in another form in German or in English as set out in the invitation to the particular general shareholders' meeting (*e.g.*, electronically).

Neither German law nor the Articles of Association restrict the right to own shares or to exercise the associated voting rights for German non-residents or for foreign owners of shares.

Corporate Governance

The Company supports the principles of proper and responsible corporate governance as set out in the German Corporate Governance Code (the "**GCGC**"). Under Section 161 of the German Stock Corporation Act in connection with Art. 15 para. 1 Council Regulation (EC) No. 2157/2001 on the statute for European Companies (SE), the executive board and supervisory board of a listed stock corporation must declare once a year that it has complied or will comply with the recommendations of the GCGC (published by the Federal Ministry for Justice in the official section of the German Federal Gazette), which recommendations have not been or will not be complied with, and the reasons for such non-compliance. This declaration of compliance (*Entsprechenserklärung*) must be made permanently publicly available on the Company's website. The declaration of conformity from December 2013 continues to apply as at the date of this Offering Memorandum.

In addition to a partial repetition of statutory requirements, the GCGC adopted in February 2002, as amended, contains recommendations (*Empfehlungen*) and suggestions (*Vorschläge*) for the management and supervision of German listed companies with respect to shareholders and the general meeting, executive board and supervisory board, transparency, reporting and the auditing of financial statements. Companies are permitted to deviate from recommendations, insofar as the recommendations do not reflect mandatory law. As regards the suggestions set out in the GCGC, no declaration of non-conformity with the suggestions is required. The Company's current declaration in relation to the GCGC is as follows:

> "In accordance with section 161 of the German Stock Corporation Act, the Executive Board and Supervisory Board of TUI AG hereby declare:
>
> For future appointments or extensions of the contracts of Executive Board members, the Supervisory Board has decided to specify an age limit (no. 5.1.2 GCGC). With the consent of the Executive Board members, the Supervisory Board decided in October 2013 that the caps for the total compensation and for the variable compensation components would also be contractually expressed in euros before the end of 2013 (no. 4.2.3 GCGC). The adopted amendments on publishing the compensation for the Executive Board members in the Remuneration Report, compulsory for financial years starting after December 31, 2013, will already be applied to financial year ended September 30, 2013 (no. 4.2.5 GCGC). Other than that, the recommendations of the Government Commission on the GCGC in its version of May 13, 2013, as published by the "Federal Ministry of Justice in the official section of the electronic Federal Gazette" on June 10, 2013, have been and continue to be fully observed."

The obligation to give a declaration of conformity under Section 161 of the German Stock Corporation Act applies for so long as its Shares are admitted to trading on the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), but also will continue following admission of the Company's Shares to the premium listing segment of the Official List of the UK Listing Authority and to trading on the main market of the London Stock Exchange.

Following admission of the Company's Shares to the premium listing segment of the Official List of the UK Listing Authority and to trading on the main market of the London Stock Exchange, pursuant to the UK Listing Rules, the Company will in addition be required to comply with the recommendations of the UKCGC, or explain any non-compliance with those recommendations. The Company will report periodically to its shareholders on its compliance with the UKCGC in accordance with the UK Listing Rules.

Given this background, following admission of the Company's Shares to the premium listing segment of the Official List of the UK Listing Authority and to trading on the main market of the London Stock Exchange, the Combined Group intends to adhere to both the GCGC and the UKCGC to the extent practicable.

The Company has considered a number of material matters relating to the UKCGC as set out below.

Chairman and CEO

The UKCGC references the separate positions of "Chairman" and "CEO." Following Completion of the TUI Merger the Company proposes to treat the Chairman of the Supervisory Board (*Vorsitzender des Aufsichtsrates*) as the "Chairman" for the purposes of the UKCGC (currently Prof. Dr. Klaus Mangold and proposed from 2016 to be Peter Long) and the Chairman of the Executive Board (*Vorsitzender des Vorstandes*) as the "CEO" for the purposes of the UKCGC (currently Friedrich Joussen and proposed from Completion of the TUI Merger to be Friedrich Joussen and Peter Long as Co-CEOs until 2016 and then Friedrich Joussen as sole CEO).

Board composition

The UKCGC recommends that at least half of a company's directors (excluding the chairman) should (i) comprise non-executive directors participating as members of a unitary board, and (ii) be independent in character and judgment and free from relationships or circumstances which are likely to affect, or could appear to affect, their judgment.

In accordance with the German Stock Corporation Act, the Company has a two-tier board system consisting of:

- an Executive Board (*Vorstand*), which is responsible for managing the day-to-day business of the Company in accordance with applicable German law and the Articles of Association (*Satzung*); and
- a Supervisory Board (*Aufsichtsrat*), which advises the Executive Board on the management of the Company, monitors its conduct of business and is responsible for appointing the members of the Executive Board. It also represents the Company in transactions between a member of the Executive Board and the Company.

The two boards are separate, and no individual may serve simultaneously as a member of both boards. For further details of the Executive Board and the Supervisory Board, including their composition, see "—Executive Board" and "—Supervisory Board" above.

The Company considers that the members of the Supervisory Board, who do not have any form of executive role, perform a function equivalent to that fulfilled by non-executive directors pursuant to the UKCGC. On completion of the TUI Merger, subject to the passing of a shareholder resolution to be proposed in connection with the TUI Merger, the Company intends to increase the number of Supervisory Board members from 16 to 20. The Supervisory Board would then comprise ten members representing the shareholders (initially selected in equal number from both the Company and TUI Travel) and ten employee representatives.

For the purposes of assessing compliance with the UKCGC, the Company considers that the independence of the members of the Supervisory Board for the purposes of the UKCGC will be as follows:

Member of the Supervisory Board as at completion of the TUI Merger	Employee Representative (Yes/No)	Independent (Yes/No)
Prof. Dr. Klaus Mangold (Chairman (*Vorsitzender*))	No	Yes
Frank Jakobi (Deputy Chairman (*Stellvertretender Vorsitzender*))	Yes	Yes
Andreas Barczewski	Yes	Yes
Peter Bremme	Yes	Yes
Arnd Dunse	Yes	No
Prof. Dr. Edgar Ernst	No	Yes
Michael Pönipp	Yes	Yes
Carmen Riu Guell	No	No
Carola Schwirn	Yes	Yes
Maxim G. Shemetov	No	No
Anette Strempel	Yes	Yes
Christian Strenger	No	Yes
Ortwin Strubelt	Yes	Yes
Sir Michael Hodgkinson	No	Yes
Valerie Gooding	No	Yes
Janis Kong	No	Yes
Coline McConville	No	Yes
Minnow Powell	No	Yes

In addition, two employee representatives will be elected by the employees following the TUI AG EGM.

The Company has taken into account the following in reaching this conclusion:

(a) Peter Bremme and Carola Schwirn are currently and as at closing of the TUI Merger will continue to be employee representatives. However, they are union representatives (*Verdi*) but not current or former employees of the Group, and are therefore considered to be "independent" for the purposes of the UKCGC;

(b) save as set out in paragraph (c) below, all other persons who are currently employee representatives, or will join the Supervisory Board as employee representatives as part of the

TUI Merger, are currently employees of the Company. However, this is a requirement of German law and each representative is fully independent of senior management (who, in accordance with German law, have no role in their appointment) and are free from any business or other relationship that could materially interfere with the exercise of his/her independent judgment. Therefore, all these representatives are considered to be "independent" for the purposes of the UKCGC;

(c) Arnd Dunse, who is currently and as at closing of the TUI Merger will continue to be an employee representative, is not considered to be "independent" for the purposes of the UKCGC due to his role as Head of Group Controlling at the Company. As a matter of German law, it is a requirement that one of the employee representatives is an executive employee (*leitender Angestellter*) of the Company;

(d) save as set out in paragraphs (e) and (f) below, all shareholder representatives who are currently members of the Supervisory Board or are proposed to join the Supervisory Board as part of the TUI Merger, are considered to be "independent" for the purposes of the UKCGC (the five members to be nominated by TUI Travel under the terms of the TUI Merger will be persons who are currently considered to be "independent" by TUI Travel);

(e) Carmen Riu Guell is not considered to be "independent" for the purposes of the UKCGC due to her connection with existing shareholder Riu Hotels S.A which is expected to hold in excess of 3% of the Company's issued share capital immediately after the TUI Merger;

(f) Maxim G. Shemetov is not considered to be "independent" for the purposes of the UKCGC due to his connection with existing shareholder S-Group Travel Holding GmbH which is expected to hold in excess of 10% of the Company's issued share capital immediately after the TUI Merger.

None of the members of the Executive Board are considered to be independent for the purposes of the UKCGC.

As a result, more than half of the total number of members of the Executive Board and Supervisory Board, and the majority of the members of the Supervisory Board (in each case, excluding the Chairman of the Supervisory Board) are considered to be independent, in accordance with the provisions of the UKCGC.

Independence of the Chairman of the Supervisory Board

The UKCGC recommends that the chairman of a board should be independent at the time of his appointment.

The Company considers Prof. Dr. Klaus Mangold as independent at the time of his appointment as Chairman of the Supervisory Board for the purposes of the UKCGC.

It is intended that Prof. Dr. Klaus Mangold's term as Chairman of the Supervisory Board will end at the Annual General Meeting to be held in February 2016 and he will then retire. As part of the TUI Merger it is intended that Peter Long will then be nominated by the Supervisory Board for appointment as a member of the Supervisory Board by shareholders representing at least 25% of the voting rights at the Annual General Meeting to be held in 2016. Peter Long will, prior to his appointment as Chairman of the Supervisory Board, be Co-CEO of the TUI Group and a member of the Executive Board, and so at the time of his appointment as Chairman of the Supervisory Board will not be considered to be independent. As a result, his appointment as Chairman of the Supervisory Board will not be in compliance with the UKCGC. However, his appointment and transition from the Executive Board to the Supervisory Board without any waiting period or gap will be subject to approval by the shareholders of the Company in accordance with German law, based on a proposal supported by shareholders representing at least 25% of the voting rights at the point at which the relevant shareholders' meeting is held.

The Executive Board and the Supervisory Board believe that, in order to ensure maximum continuity following the proposed TUI Merger, Peter Long's appointment as Chairman of the Supervisory Board is in the interests of the Company and that his significant knowledge and experience as Chief Executive of TUI Travel prior to the TUI Merger, and Co-CEO of the TUI Group after the TUI Merger, will provide significant value and benefit to the Company.

UKCGC Appointments and re-election of directors

The UKCGC recommends that there should be a formal, rigorous and transparent procedure for the appointment of new directors to the board, and that all directors of FTSE 350 companies should be subject to annual re-election.

In accordance with German law and the articles of association and the by-laws of the Supervisory Board, the Supervisory Board determines the number of members of the Executive Board and appoints such members. It may also appoint the Chairman and Deputy Chairman of the Executive Board. Members of the Executive Board are appointed for a maximum term of five years. The GCGC recommends that if an Executive Board member is appointed for the first time, the initial term of office should be less than the maximum permitted period of five years. In practice, in such cases the term of office does not typically exceed three years. Members of the Executive Board may be repeatedly appointed or their term of office may be extended by the Supervisory Board, in each instance for a maximum period of five years. The Supervisory Board decided in October 2012 to specify an age limit (68) for future appointments and extensions to the contracts of Executive Board members. The Supervisory Board may revoke the appointment of a member of the Executive Board before the end of his term of office for good cause, such as gross breach of duty or following a vote of no confidence by the general shareholders' meeting. German law requires that the shareholders vote annually on whether they consider the members of the Executive Board and Supervisory Board to have carried out their duties appropriately, although there is no automatic legal consequence if this vote fails.

Members of the Supervisory Board are appointed by the shareholders (in the case of the members representing the shareholders) and the Group employees or their delegates (in the case of the employee representatives). The term of a member of the Supervisory Board's appointment expires at the latest at the end of the fifth annual general shareholders' meeting following the general shareholders' meeting at which the member was elected. If a member of the Supervisory Board retires or is removed from office prior to the end of his term of office, the substitute member's term of office expires at the end of the term of the resigning or removed board member, unless the general shareholders' meeting decides otherwise. There is no compulsory retirement age for the members of the Supervisory Board. However, the GCGC recommends that an age limit is determined. The Company has complied with this recommendation and has set out in its Supervisory Board by-laws that, in principle, a Supervisory Board member should not be older than 68 at the time of the election. However, exemptions can be made for specific reasons, and the Supervisory Board has made such an exemption from the age limit set out in the by-laws of the Supervisory Board in the case of the proposal to elect Sir Michael Hogkinson to the Supervisory Board, as his election is considered to be important to ensure continuity following the proposed TUI Merger.

Committees

The UKCGC recommends that a board should establish an audit committee, comprising at least three independent non-executive directors, and a nomination committee, the majority of members of which are independent non-executive directors. It also recommends the establishment of a remuneration committee of at least three independent non-executive directors, as part of a formal and transparent procedure for fixing the remuneration packages of individual directors.

The Supervisory Board has formed five committees: the Presiding Committee, the Audit Committee, the Nomination Committee and a Mediation Committee (in accordance with section 27, paragraph 3 of the German Co-Determination Act), which is a standing committee. In addition, the Supervisory Board has also formed an Integration Committee, which will be constituted for two years after completion of the TUI Merger.

In relation to these committees:

(a) The Presiding Committee is responsible for the long-term succession planning of the Executive Board members and the appointment of the Executive Board members as well as the terms of their employment contracts and their remuneration. It submits respective proposals to the Supervisory Board which then resolves upon such matters. The Presiding Committee also prepares the Supervisory Board meetings.

(b) The Audit Committee is principally responsible for financial reporting issues, risk management and compliance, ensuring the necessary independence of the auditors, the issue of the audit mandate to the auditors, the determination of crucial auditing items and audit fee agreement.

(c) The Nomination Committee proposes suitable candidates for election to the Supervisory Board, which then proposes them for election at the shareholders' meeting.

(d) The Mediation Committee only meets in circumstances where there are opposing views regarding an election to the management board, or where an election fails. The main role of the Mediation Committee is to mediate a resolution to the opposition to the relevant election to the management board. Where an election fails, the Mediation Committee is entitled to nominate a candidate.

(e) The Integration Committee has been created for a period of two years following completion of the TUI Merger, and will monitor the TUI Merger and its implementation. Initially it will be chaired by Prof. Dr. Klaus Mangold and co-chaired by Sir Michael Hodgkinson. This committee will advise the Executive Board as a whole but will not have any decision-making power.

All members of these committees are selected from the members of the Supervisory Board, with the Audit and Mediation Committees comprising equal numbers of shareholder representatives and employee representatives, and the Nomination Committee comprising exclusively shareholder representatives. The Presiding Committee comprises the chairman and the deputy chairman of the Supervisory Board, those members of the Supervisory Board who are members of the Presiding Committee pursuant to section 27 para 3 of the German Co-Determination Act, one member of the Supervisory Board who is a shareholder representative, and one member of the Supervisory Board who is an employee representative; the Presiding Committee may also be comprised of up to two other members of the Supervisory Board on an optional basis.

The Company considers that the composition and roles of the Presiding, Audit and Nomination Committees provide a robust system of non-executive and independent review and control and are suitable for the Company under both the German and UK corporate governance regimes.

For further details regarding each Committee, please see "Supervisory Board-Members of the Supervisory Board Committees."

The Supervisory Board has not established a separate remuneration committee. However, as set out above, the Presiding Committee of the Supervisory Board carries out a number of the functions of a "Remuneration Committee" as envisaged by the UKCGC. Pursuant to mandatory German Law, the Supervisory Board as a whole determines the total remuneration (*Gesamtvergütung*) of the Executive Board in accordance with certain mandatory specific provisions in the German Stock Corporation Act and recommendations in the DCGC and, as a result, the Company considers that the procedure for setting the remuneration packages of the members of the Executive Board is a rigorous one in respect of which all members of the Supervisory Board are able to participate. No member of the Executive Board is involved in deciding his own remuneration, in accordance with the UKCGC. In accordance with German law, the remuneration of the Supervisory Board members is determined in accordance with section 18 of the Company's Articles of Association, which are made permanently accessible to the public on the internet. The remuneration of the members of the Supervisory Board includes a variable element which is linked to the performance of the Company's earnings per share over a specified period of time.

Remuneration reporting

The Company provides a detailed remuneration report in each Annual Report to shareholders in line with German law and the GCGC (in both German and English).

Additional requirements of the UK Listing Rules

Significant and related party transactions

Following admission of the Company's shares to the premium listing segment of the Official List of the UK Listing Authority, the Company will, in certain circumstances, be subject to obligations to provide shareholders and the market generally with details of transactions, and potentially obtain shareholder approval. For instance, where the Company proposes to enter into a transaction that is outside the ordinary course of its business and of sufficient size to constitute a "Class 1 transaction" (being a transaction the size of which results in a 25% threshold being reached under any one of the "class tests" contained in the Listing Rules), the Company must, amongst other things, provide shareholders with a circular setting out details of the relevant transaction) and obtain their approval before completing that transaction. In addition, if the Company proposes to enter into a transaction or arrangement with a related party or any of the related party's subsidiary undertakings (or a transaction between the Company and any other person the purpose and effect of which is to benefit a related party), it must typically first provide shareholders with an explanatory circular and obtain the approval of its independent shareholders.

Shares in public hands

The Company expects that, upon admission to the premium listing segment of the Official List of the UK Listing Authority and to trading on the main market of the London Stock Exchange, more than 25% of the Shares will be in public hands in one or more member states of the EEA. Following such admission, at least 25% of the Shares must be in public hands in one or more member states of the EEA at all times.

Model Code

The Company currently complies with German law and regulation in respect of dealings in securities by members of the Executive Board and the Supervisory Board. The Company will, with effect from admission to the premium listing segment of the Official List of the UK Listing Authority and to trading on the main market of the London Stock Exchange, implement a securities dealing policy based on, and at least as rigorous as, the Model Code set out in Annex 1 to Rule 9 of the Listing Rules. The securities dealing policy adopted will apply to members of the Executive Board and the Supervisory Board members and other relevant employees of the Group.

PRINCIPAL SHAREHOLDERS

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

Name of shareholder	Share of ordinary registered shares (%)
S-Group Travel Holding GmbH (A. Mordashov)(1)(2)	23.41
Riu Hotels S.A., Palma de Mallorca(2)	7.09
Deutsche AWM Investment GmbH(3)	3.09
BlackRock, Inc.(4)	3.01

(1) In addition, Unifirm Limited (a limited liability company incorporated in Cyprus which is also ultimately controlled by Alexey Mordashow) holds approximately 2.72% of the issued share capital of the Company.

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

(3) Notification pursuant to sec. 21 para. 1 WpHG (July 8, 2014).

(4) Notification pursuant to sec. 21 para. 1 WpHG (August 21, 2013).

The major shareholders do not have different voting rights.

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

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

General

We had business transactions with related parties in the fiscal years ended September 30, 2013, September 30, 2012 and September 30, 2011, as well as in the nine-month period ended June 30, 2014, in the ordinary course of business, in particular relating to management and consultancy services, the sale of tourism services, services within the framework of lease, rental and leasing agreements, as well as with respect to the purchase of hotel services, incoming services, and distribution services. All such transactions with related parties were in our view carried out at arm's length.

As of June 30, 2014, transactions with affiliated companies (*verbundene Unternehmen*) and companies in which an equity investment is held (*Beteiligungen*) resulted in receivables from affiliated companies and companies in which an equity investment is held of €242.5 million (September 30, 2013: €165.8 million; September 30, 2012: €141.1 million).

The following table sets forth further information on our transactions with related parties.

	Financial year ended September 30,			Nine-month period ended June 30,	Nine-month period ended June 30,
	2011	**2012**	**2013**	**2013**	**2014**
			(in € million)		
	(audited)	**(audited)**	**(audited)**	**(audited)**	**(audited)**
Services provided by the Group					
Management and consultancy services	56.3	68.2	68.4	46.7	45.0
Sales of tourism services	59.7	54.8	53.1	26.0	38.1
Total	**116.0**	**123.0**	**121.5**	**72.7**	**83.1**
Services received by the Group					
In the framework of lease, rental and leasing agreements	26.2	21.7	18.8	**9.4**	**15.1**
Purchase of hotel services	146.8	177.2	253.3	**151.0**	**200.6**
Incoming services	8.1	13.0	7.7	**7.0**	**5.3**
Distribution services	—	—	0.1	**0.1**	**—**
Other	77.6	43.2	42.2	**27.2**	**29.9**
Total	**258.7**	**255.1**	**322.1**	**194.7**	**250.9**

	Financial year ended September 30,			Nine-month period ended June 30,	Nine-month period ended June 30,
	2011	**2012**	**2013**	**2013**	**2014**
			(in € million)		
	(audited)	**(audited)**	**(audited)**	**(audited)**	**(audited)**
Services provided by the Group to					
non-consolidated Group companies	—	—	2.5	1.6	1.7
joint ventures	86.3	88.6	67.1	27.9	28.0
associates	3.1	3.0	18.4	20.1	30.8
other related parties	26.6	31.4	33.5	23.1	22.6
Total	**116.0**	**123.0**	**121.5**	**72.7**	**83.1**
Services received by the Group from					
non-consolidated Group companies	—	—	12.0	11.0	7.5
joint ventures	245.2	241.2	239.7	130.6	194.7
associates	3.6	4.0	60.4	47.6	43.1
other related parties	9.9	9.9	10.0	5.5	5.6
Total	**258.7**	**255.1**	**322.1**	**194.7**	**250.9**

All transactions with related parties were executed on an arm's-length basis, based on internal comparable uncontrolled price methods in accordance with IAS 24.

Relationship with Members of the Management Board

The current members of the Management Board only received remuneration relating to their function as persons in key positions.

For information on the remuneration paid to such related parties, see "Management-Executive Board-Remuneration, Shareholdings."

MATERIAL AGREEMENTS

The following is a summary of our material agreements other than those entered into in the ordinary course of business.

Agreements Related to TUI Travel

Trademark License Agreement

The Company and TUI Travel entered into a trademark license agreement dated August 14, 2007 (the "**Trademark License Agreement**"), under which the Company has granted to TUI Travel an exclusive right to use the registered trademark "TUI Travel" (both in word and logo form) solely in TUI Travel's corporate holding business (excluding the use of the trademarks in connection with the sale of any products or services), as well as the right to use "TUI Travel" as its company name. The Company's right to grant licenses to third parties other than members of TUI Travel to use the "TUI" name and logo and other trademarks from within the Company's portfolio of trademarks used in TUI Travel's business in the tourism field (with the exception of cruises and certain hotel assets) is subject to TUI Travel's consent. TUI Travel has a call option to acquire such trademark portfolio at fair value in case the Company is subject to a change of control (meaning ownership, directly or indirectly, of 30% of or more of the voting securities of the Company), provided that the Company retains the right to use "TUI" in its company name and to use the name and logo "TUI" for its corporate holding business.

The annual license fee payable by TUI Travel is €200,000. The Trademark License Agreement was entered into for an initial term of five years. As agreed the license term has been extended for a further five years. The Company's termination rights are limited to the right to terminate for TUI Travel's material breach or insolvency. On expiry of the additional five year term, the parties shall consider (without any obligation on either party) a further extension of the Trademark License Agreement on comparable terms.

In addition to the grant of the license relating to TUI Travel's corporate holding business, the Trademark License Agreement provides for the replacement of certain existing trademark licenses granted from the Company to members of TUI Travel in relation to use of the "TUI" name and logo and other trademarks from within the Company's portfolio of trademarks used in TUI Travel's business. These replacement licenses are based on the standard terms and conditions of a *pro forma* license agreement (to be entered into by the Company and the respective licensee) annexed to the Trademark License Agreement. It provides for a non-exclusive license to use such trademarks in connection with the offer for sale, the sale, promotion and/or advertising of specific contractual products by and on business documents and communication of the respective licensee. In addition, the *pro forma* license agreement standardizes the duration of the licenses (to a term of five years, with an option for the relevant licensee to extend once for a further five years) and the license fees payable under each license (to an annual fee equal to 0.02% of the average annual gross revenue of the relevant licensee under the relevant trademarks license measured over a three year period). Total license fees charged for the ended September 30, 2013 were €2.8 million.

The Trademark License Agreement also established a framework whereby members of TUI Travel can request rights from the Company under the "TUI" name and logo and other trademarks from within the Company's portfolio of trademarks used in TUI Travel's business based on the *pro forma* license agreement, including requests for additional licenses and requests for an extension of the territory of existing licenses. The Company must give its consent to such requests except in limited circumstances.

Agreements Related to Hapag-Lloyd

Shareholders' agreement regarding shareholding in Hapag-Lloyd AG

On July 30, 2013, the Company, TUI-Hapag Beteiligungs GmbH ("**THB**") and Hamburgische Seefahrtsbeteiligung "Albert Ballin" GmbH & Co. KG ("**Albert Ballin KG**") entered into an agreement (the "**Hapag-Lloyd Shareholder Agreement**") with the (former) shareholders of Albert Ballin KG, being: Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH ("**HGV**"), Kühne Maritime GmbH ("**Kühne**"), HanseMerkur Krankenversicherung AG, HanseMerkur Lebensversicherung AG, HanseMerkur Holding AG, Iduna Vereinigte Lebensversicherung a.G. für Handwerk, Handel und Gewerbe, Deutscher Ring Krankenversicherungsverein auf Gegenseitigkeit, HSH Nordbank AG, M.M. Warburg & CO Gruppe KGaA, Mr. Friedhelm Behn and Mr. Detlev Meyer (the "**Former AB Shareholders**"). The Hapag-Lloyd Shareholder Agreement governs the parties' cooperation with regard to their shareholding in Hapag-Lloyd AG. The Hapag-Lloyd Shareholder Agreement replaces the shareholder agreement dated March 20/21, 2009.

Albert Ballin KG has since been dissolved, and the shares in Hapag-Lloyd AG previously held by it have been transferred to the Former AB Shareholders. The Hapag-Lloyd Shareholder Agreement was, consequently, automatically terminated; however, the following provisions of the Hapag-Lloyd Shareholder Agreement survive such termination and continue to apply:

THB enjoys the following rights, among others, for as long as it continues to hold at least 12.5% in Hapag-Lloyd AG's share capital (the "**Continuing Rights**"):

(i) THB is entitled to demand that all measures required for the preparation and implementation of an IPO of Hapag-Lloyd AG are taken. The Former AB Shareholders are obliged to facilitate a primary offering (*i.e.*, by placing new shares issued by way of a capital increase) aiming at a placement volume amounting to up to 10% of Hapag-Lloyd AG's share capital (the "**Primary Placement Component**"). New equity raised in connection with the Primary Placement Component shall, as far as legally admissible, be used in order to enable the release of the Company and its subsidiaries from certain guarantees provided for the benefit of Hapag-Lloyd AG. The Former AB Shareholders shall enter into market standard lock-up arrangements (whereas THB is under no obligation to enter into such lock-up arrangements);

(ii) in the event of an IPO of Hapag-Lloyd AG prior to December 31, 2014, THB shall have the preferential right to place its shareholding in Hapag-Lloyd AG (in whole or in part) and THB is entitled to demand that—except for the Primary Placement Component—no further Hapag-Lloyd AG shares are placed in connection with the IPO ("**THB Placement Preference**");

(iii) no decision of Hapag-Lloyd's general shareholders' meeting shall be taken counter to THB's vote to the extent that there is a predominant degree of probability that such decision would either thwart an IPO of Hapag-Lloyd AG or delay it by more than twelve months. The following measures are automatically deemed to represent such thwarting or delaying decision: (a) a change of legal form of Hapag-Lloyd AG, (b) a split-up or spin-off to the extent that Hapag-Lloyd AG's container shipping business, in part or as a whole, is subject to such slit-up or spin-off, (c) an undertaking of Hapag-Lloyd AG to transfer its assets in their entirety, (d) a divestment of Hapag-Lloyd AG's container shipping business or (e) the conclusion of an inter-company agreement (*Unternehmensvertrag*) between Hapag-Lloyd AG and one of its shareholders. Furthermore, to the extent a thwarting or delaying decision is taken by Hapag-Lloyd's supervisory board the parties undertake to procure that no such decision is taken without the consent of the supervisory board member nominated by THB;

(iv) any annual profit of Hapag-Lloyd AG shall, as far as legally permissible, be distributed to its shareholders (subject to dividend payments restrictions etc. provided for in Hapag-Lloyd's relevant financing arrangements and credit facilities);

(v) THB may nominate one individual to Hapag-Lloyd AG's supervisory board, the actual election of which by Hapag-Lloyd AG's general meeting shall, as far as legally permissible, be procured by THB and the Former AB Shareholders.

In the event THB ceases to: (i) hold at least 12.5% in Hapag-Lloyd AG's share capital; or (ii) be an affiliate of the Company pursuant to Section 17 of the German Stock Corporation Act, THB's Continuing Rights shall be removed from Hapag-Lloyd AG's articles of incorporation.

The remaining valid provisions of the Hapag-Lloyd Shareholder Agreement, including THB's foregoing Continuing Rights, terminate upon the earlier of the implementation of Hapag-Lloyd AG's IPO or December 31, 2014.

Agreement regarding the Extension of Continuing Rights

On April 2014, in light of ongoing negotiations concerning a potential contribution of the container business of Compania Sud Americana de Vapores S.A. ("**CSAV**") to Hapag-Lloyd AG ("**Hapag-CSAV Transaction**"), the Company, THB and the Former AB Shareholders entered into an agreement extending the Continuing Rights enjoyed by THB under the Hapag-Lloyd Shareholder Agreement (see "Shareholder agreement regarding shareholding in Hapag-Lloyd AG") (the "**Extension Agreement**").

The contractual documentation consummating the Hapag-CSAV Transaction was signed on April 16, 2014. However, the Hapag-CSAV Transaction has not yet closed.

Pursuant to the Extension Agreement, the Continuing Rights enjoyed by THB under the Hapag-Lloyd Shareholder Agreement (including in particular the THB Placement Preference) are extended beyond December 31, 2014 for a period equal to the length of the negotiation period of the Hapag-CSAV Transaction. Such negotiation period is determined by calculating the time period from January 1, 2014 until: (i) such point in time upon which it has become evident that the Hapag-CSAV Transaction will not close successfully; (ii) September 30, 2014; or (iii) December 31, 2014 in the event that negotiations fail between signing and closing of the Hapag-CSAV Transaction. In return for the extension of the Continuing Rights, THB undertakes not to demand the implementation of Hapag-Lloyd AG's IPO during the negotiation period.

The Continuing Rights are extended by virtue of the Extension Agreement in the event that the Hapag-CSAV Transaction does not close on or before December 31, 2014. However, the Continuing Rights' extension pursuant to the Extension Agreement ceases to apply in the event that the Hapag-CSAV Transaction closes on or before December 31, 2014. In such event, the Continuing Rights will be replaced by THB's rights pursuant to the TUI Rights Agreement (see "Agreement regarding certain Rights of THB as a Shareholder of Hapag-Lloyd AG").

The Company and THB undertake, in principle, to support the Hapag-CSAV Transaction. They shall vote in favor of any resolutions to be passed by Hapag-Lloyd AG's general shareholders' meeting in connection with the Hapag-CSAV Transaction. They shall not contest any such resolutions.

Agreement regarding certain Rights of THB as a Shareholder of Hapag-Lloyd AG

On April 16, 2014, CSAV Germany Container Holding GmbH ("**CG HoldCo**"), HGV, Kühne and THB entered into an agreement regarding certain rights of THB as shareholder of Hapag-Lloyd AG (the "**TUI Rights Agreement**"). The TUI Rights Agreement includes provisions regarding THB's intended disposal of its shareholding in Hapag-Lloyd AG, the envisaged IPO of Hapag-Lloyd AG as well as provisions regarding certain THB rights.

The TUI Rights Agreement provides for certain THB rights in the event that the Hapag-CSAV Transaction closes on or before December 31, 2014. Consequently, the TUI Rights Agreement comes into effect only upon closing of the Hapag-CSAV Transaction.

Pursuant to the TUI Rights Agreement Hapag-Lloyd AG shall be listed on the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) by way of an IPO to be implemented as soon as possible after closing of the Hapag-CSAV Transaction and not later than December 31, 2015. The IPO shall consist: (i) of a primary offering of new shares issued by way of a capital; increase; and (ii) a secondary offering of existing shares, in the context of which THB shall have a preferential right to sell its shareholding in Hapag-Lloyd AG. With respect to the shares that cannot be placed at the same terms, THB accepts a lock-up period of up to six months under the condition that: (i) all parties to the TUI Rights Agreement owning shares in Hapag-Lloyd AG (save for Mr. Meyer and Mr. Behn) also accept the lock-up; and (ii) no party to the TUI Rights Agreement places any shares prior to THB's placement of its entire shareholding (or before the expiration of three months after the end of the lock-up period).

THB is also considering disposing of its shareholding other than through an IPO (i.e., by way of trade sale or private placement). The parties shall (to the extent legally permissible) support either way of disposal, as shall the management of Hapag-Lloyd AG to the extent such support does not interfere with its management duties.

THB will not sell or offer to sell any shares in Hapag-Lloyd AG in the period commencing with the formal decision of its management board and supervisory board to prepare for an IPO, however not earlier than four months prior to the planned listing date and ending the earlier of: (i) six months from the beginning of the period; (ii) the listing of the shares on the stock exchange; or (iii) the withdrawal from the offering proceedings (including the end of active preparations on the basis of a specific time table) (the "**Standstill Period**"). Nevertheless, THB shall remain entitled to offer and sell Hapag-Lloyd AG shares during the Standstill Period in a pre-IPO private placement to institutional financial investors until up to three months prior to the planned listing date provided that THB shall only sell to investors with respect to which THB does not have reason to believe that they will interfere with the IPO.

A sale of Hapag-Lloyd AG shares by THB to buyers which are direct or indirect subsidiaries of the following companies within the meaning of Section 17 of the German Stock Corporation Act requires the prior written consent of the other parties: A.P. Møller—Mærsk A/S, Hamburg Südamerikanische Dampfschifffahrts-Gesellschaft KG ("**Hamburg Süd**"), American President Lines Ltd. ("**APL**"), Orient Overseas container Line Ltd.("**OOCL**"), China Shipping Group ("**COSCO**"), China Shipping Group ("**China Shipping**") and SMA DGM S.A. ("**CMA/CGM**").

If the IPO of Hapag-Lloyd AG does not occur by December 31, 2015, THB is entitled to request a listing of its shares in Hapag-Lloyd AG the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the sub-segment of the regulated market of the Frankfurt Stock Exchange with additional post-admission obligations (Prime Standard) in accordance with applicable requirements (e.g., sufficient free float).

THB is entitled to nominate one of the supervisory board members of Hapag-Lloyd AG as long as THB holds at least 8.25 million shares in Hapag-Lloyd AG. The actual election of such supervisory board member by Hapag-Lloyd AG's general shareholders' meeting shall, as far as legally permissible, be procured by the parties. THB's representative shall, to the extent legally permissible, generally vote in line with the shareholder representatives nominated by the other parties (save for issues in connection with which THB enjoys a veto right).

As long as: (i) the Hapag-Lloyd shares are not listed on the Frankfurt Stock Exchange; and (ii) THB continues holding at least 8.25 million of the Hapag-Lloyd AG shares, resolutions on the following issues shall not be passed against THB's votes: (i) There is a predominant degree of probability that such decision would either thwart an IPO of Hapag-Lloyd AG or delay it be more than twelve months (a combination of Hapag-Lloyd AG with one or more further parties, such as Hamburg Südamerikanische Dampfschifffahrts-Gesellschaft KG, shall be deemed to represent such delay); (ii) a change of legal form of Hapag-Lloyd AG; (iii) a split-up or spin-off or divestment of Hapag-Lloyd AG's container shipping business; (iv) an undertaking of Hapag-Lloyd AG to transfer its assets in their entirety or (v) the conclusion of an inter-company agreement (Unternehmensvertrag) between Hapag-Lloyd AG and one of its shareholders. To the extent that any of these measures (i) to (v) requires a resolution at the level of Hapag-Lloyd AG's supervisory board the parties undertake to procure that no such decision is made without the consent of the supervisory board member nominated by THB.

The TUI Rights Agreement enters into effect upon closing of the Hapag-CSAV Transaction. It shall automatically terminate upon the earlier of: (i) nine-months following the consummation of the IPO of Hapag-Lloyd AG; and (ii) THB having disposed of all its shares in Hapag-Lloyd AG.

K-Sure-Financing Guarantee

By way of a senior term loan facility agreement originally dated November 12, 2007, as amended from time to time (the "**K-Sure Financing**"), between Hapag-Lloyd AG, as borrower, and KfW IPEX-Bank GmbH, Citibank N.A., London Branch, BNP Paribas (formerly Fortis Bank S.A./ N.V.), Singapore Branch, HSBC Bank plc Project and Export Finance, the Royal Bank of Scotland plc, Nordea Bank, Danmark A/S and Société Générale, as lenders, KfW IPEX-Bank GmbH, as the agent, and Citibank N.A., as security trustee, the lenders have made available term loan facilities of up to $660 million to Hapag-Lloyd AG, as borrower. The facilities under the K-Sure Financing consist of six separate tranches with each such tranche to be used to finance the acquisition cost of one vessel (acquisition costs for six 8,749 TEU container vessels that have been constructed by Hyundai Heavy Industries Co., Ltd. of Korea and delivered to Hapag-Lloyd AG).

As of June 30, 2014, the amount outstanding under the K-Sure-Financing was $309.7 million.

Each delivery tranche under the K-Sure Financing matures on the twelfth anniversary of the actual delivery date of the relevant financed vessel and is to be repaid in twenty four equal consecutive, semi-annual installments. The respective repayment installment becomes due on the date that falls six months after the date of the disbursement of the relevant delivery tranche.

TUI AG has unconditionally and irrevocably guaranteed all of Hapag-Lloyd AG's obligations under the K-Sure Financing by way of a separate guarantee (the "**K-Sure Guarantee**") (pertaining in particular to all due payments, including interest, under the K-Sure Financing, which are not made by Hapag-Lloyd AG). The Company has agreed that the lenders will not need to commence any legal proceedings under, or enforce any security created by, the K-Sure Financing before claiming or commencing proceedings under the K-Sure-Guarantee and thereby waived all applicable defenses.

Furthermore, TUI AG waived its rights to file counterclaims against, set-off, abate, defer or defend the guaranteed payments against the lenders or Hapag-Lloyd AG. TUI AG has agreed that all claims it may have against Hapag-Lloyd AG or its assets resulting from TUI AG making payments under the K-Sure Guarantee will be fully subordinated to the rights of the lenders under the K-Sure Financing.

TUI AG undertakes to make available its financial statements to the lenders after the end of each financial year. In addition, TUI AG is obliged to provide the lenders with details of any legal or administrative proceedings involving TUI AG which could result in a payment claim against TUI AG in excess of $10 million or that could have a material adverse effect on the TUI AG's ability to comply with its obligations under the K-Sure Guarantee.

TUI AG is entitled to be released from its obligations under the K-Sure Guarantee in the event that TUI AG and Hapag-Lloyd AG enter into a new profit and loss transfer agreement which is substantially identical to the profit and loss transfer agreement previously in force between them. The K-Sure Guarantee will remain in force as a continuing security at all times until the outstanding indebtedness under the K-Sure Financing is discharged in full.

Joint Venture Agreement with Respect to TUI Cruises GmbH

On December 17, 2007, the Company and Royal Caribbean Cruises Ltd. entered into a joint venture agreement with respect to the development and operation of a cruise line business targeting German-speaking countries through TUI Cruises GmbH which currently owns three cruise ships the "Mein Schiff", "Mein Schiff 2" and "Mein Schiff 3" (the latter commissioned in June 2014). This fleet will be expanded by three additional cruise ships to be commissioned in 2015 to 2017. Each of the joint venture partners holds 50% in TUI Cruises GmbH. Under the joint venture agreement, the parties have set up a shareholders' committee consisting of four members with two members to be appointed by each party. Certain matters with respect to the business operations of TUI Cruises GmbH are made subject to the consent of the shareholders' committee, including the approval of business plans, appointing members of the management, structural changes, capital expenditures, transactions between TUI Cruises GmbH and the joint venture partners and financing arrangements. TUI Cruises shall have two or three managing directors who operate through a managing committee consisting of the chief executive officer and the chief financial officer and, potentially, the third managing director and are responsible for the day-to-day business. The joint venture agreement furthermore contains provisions regarding deadlock situations in the shareholders' committee, pursuant to which the parties shall use reasonable efforts to resolve continuing disagreements in good faith. If the parties fail to resolve the deadlock in a certain period of time, the parties have the right to either buy from or sell to the other party all of their shares and proportional shares in shareholder loans. The joint venture agreement also contains a change of control clause pursuant to which each joint venture partner has the right to initiate the procedure set forth for deadlock situations as described above. Change of control with respect to the Company is defined as a person acquiring effective control over more than 30% of the Company's voting shares.

Agreements Related to Europa 2

The Europa 2, a five-star plus luxury cruise ship, entered service with Hapag-Lloyd Kreuzfahrten in May 2013. Hapag-Lloyd Kreuzfahrten GmbH charters the ship from Hapag-Lloyd (Bahamas) Ltd. ("**HLB**") under a twelve-year charter agreement. HLB charters the ship from the ship owner Omison S.A. (the "**Owner**"), pursuant to a bareboat charter agreement (*i.e.*, charter of the mere vessel, without crew or provisions) dated April 22, 2013.

The bareboat charter has a term of 12 years. HLB has an option to extend the bareboat charter for a period of two to five years at its sole discretion. The monthly charter paid by HLB to the Owner amounts to $2.25 million, as a fixed amount, plus certain variable components. HLB is obliged to keep the vessel in good maintenance and to uphold its classification throughout the charter period.

Joint Venture Agreement with Respect to Jaz Hotels & Resorts S.A.E.

On March 1, 2006, TUI AG acquired a majority participation in the Egyptian hotel management company Egypt Hotels S.A.E. and entered into a respective joint venture agreement with the remaining shareholders which all belong to the HEC Group, a group of companies controlled by the Egyptian citizen Mr. Hamed El Chiaty (the "**HEC Group**"). Previously, starting in May 1996, predecessor-companies of TUI AG had acquired a majority participation in an Egyptian hotel management company called Egyptotel S.A.E. and a 50% participation in an Egyptian hotel management company called

SolyMar for Management of Tourist Resorts S.A.E. and entered into respective joint venture agreements with the remaining shareholders of both companies, which all belonged to the HEC Group. In December 2008, the three aforementioned hotel management companies were merged into Egypt Hotels S.A.E. Subsequent to the merger, Egypt Hotels S.A.E. was renamed Jaz Hotels & Resorts S.A.E. As of the date of this Offering Memorandum, the Company holds 50.94% of the shares in Jaz Hotels & Resorts S.A.E. and the HEC Group holds the remaining 49.06%.

The purpose of Jaz Hotels & Resorts S.A.E. is to manage or operate specialized and first class hotels, resort hotels and restaurants in Egypt, Oman, Jordan and the United Arab Emirates under the brands Jaz and Iberotel. According to the joint venture agreement, profits are shared equally among the Company and the HEC Group. The Company is granted a certain level of exclusivity and transfers the right to use the trademark and trade name Iberotel to Egypt Hotels S.A.E. for the territory of Egypt, Oman, Jordan and the United Arab Emirates. The Company is entitled to appoint four members of the board; the HEC Group is entitled to appoint the remaining three board members. Mr. Hamed El Chiaty has been appointed chairman of the board. Certain important matters (for example the appointment of general managers, material borrowings, important agreements, substantial changes to the structure of the company) require a majority of 80% in the board with an affirmative vote of at least one director representing the Company and one director representing HEC Group. The joint venture agreement also includes a right of first refusal of the shareholders if another shareholder intends to sell its shares to a third party. If the HEC Group intends to sell any of their current hotel activities to third parties, they must first offer such hotels for sale to Egypt Hotels S.A.E. or to the Company.

In addition to the joint venture agreement, the Company is party to various shareholders' agreements with the HEC Group with respect to the various joint venture hotel owning and management companies which own the relevant hotels in Egypt and the United Arab Emirates. The Company has granted the HEC Group an option to purchase up to all shares held by the Company in Jaz Hotels & Resorts S.A.E. and other hotel owning and management companies if a change of control at the level of the Company occurs. Change of control in this context occurs if: (i) a shareholder or a group of shareholders holds or acquires shares or voting rights from shares in the Company provided that these shares would grant a *de facto* majority in the Company's shareholders' meetings based on the average presence in the annual general shareholders' meetings of the Company over the last three years; (ii) one third of the shareholders' representatives on the Company's Supervisory Board can be attributed to one shareholder or a group of shareholders; or (iii) the shareholders' meeting of the Company approves a transaction pursuant to which a shareholder or a group of shareholders of the Company would acquire either in the Company or in its tourism business shares or voting rights would grant a *de facto* majority in the Company's shareholders' meetings based on the average presence in the annual general shareholders' meetings of the Company over the last three years.

Shareholders' Agreement with S-Group Direct Investments Limited

On April 15, 2009, TUI Travel, TUI Travel Holdings Limited, S-Group Direct Investments Limited, Oscrivia Limited and Togebi Holdings Limited entered into a shareholders' agreement with respect to Togebi Holdings Limited, in which TUI Travel holds 49% and Oscrivia Limited (a member of the S-Group) holds 51% pursuant to a share purchase agreement between TUI Travel and S-Group Direct Investments Limited. The business of Togebi Holdings Limited is to develop the tour operator business in the commonwealth of independent states (CIS), *i.e.* countries of the former Soviet Union both through organic growth and acquisitions. Each of TUI Travel and Oscrivia Limited is entitled to appoint one member of the board (unless their shareholding (including the shareholding of any of their subsidiaries) falls below 33.3%. Certain important matters (for example business plans, the establishment of subsidiaries, financings and appointment of executive positions) require the unanimous approval of the shareholders. The joint venture agreement also includes rights of first offer, rights of first refusal and tag-along rights of the shareholders if another shareholder intends to sell its shares to a third party. Oscrivia Limited is granted a right to purchase the shares held by TUI Travel if: (i) TUI Travel ceases to be controlled by TUI AG; and if (ii) the person who was Chief Executive Officer (or equivalent) of TUI Travel immediately prior to the date on which such change of control takes effect ceases to be Chief Executive Officer (or equivalent) within 30 days of such change of control taking effect. Control in this context is defined as owning or controlling more than 50% of the voting share capital, being able (indirectly or directly) to direct the casting of more than 50% of the votes exercisable at the shareholders' meeting or having the right to appoint or remove directors holding a majority of the voting rights exercisable at meetings of the board on all or substantially all matters.

Joint Venture Agreement with Respect to RIU Hotels, S.A.

The Company holds through its subsidiary DEFAG Beteiligungsverwaltungs GmbH III ("**DEFAG III**"), 49% of the shares in RIU Hotels, a hotel development and investment firm, with the remaining 51% held by Saranja SL, a company incorporated in Mallorca, Spain ("**Saranja**").

There exists no dedicated joint venture or shareholder agreement with respect to RIU Hotels. Pursuant to the articles of association of RIU Hotels, if a shareholder wishes to sell its shares in RIU Hotels, there are pre-emption rights in favor of the remaining shareholders who may acquire the shares being disposed of (such shares to be allocated to the interested shareholders *pro rata* to their existing shareholdings). If no remaining shareholder wishes to acquire the shares, the shares may be offered to a third party. The selling shareholder has six months to complete the transfer or the pre-emption process described above will restart. Furthermore, any transfer of shares in DEFAG III requires the prior written consent of all shareholders.

Further, the Company has assigned in trust a minor partial share in DEFAG III to Saranja pursuant to an agreement between the Company, Saranja, Hotel Obelisco S.A., DEFAG III and DEFAG Beteiligungsverwaltungs GmbH I ("**DEFAG I**" dated December 14, 2012 ("**Trust Agreement**"). Pursuant to the terms of the Trust Agreement Saranja is not permitted to dispose of its share without the Company's written consent and any rights conferred to it as a shareholder of DEFAG III are to be exercised in accordance with instructions from the Company (unless such instructions require the consent of Saranja under the DEFAG III articles of association).

Either the Company or Saranja may generally terminate the Trust Agreement upon providing one year's prior notice, for the first time with effect as of December 31, 2027. Additionally, the Company and Saranja have agreed to enter into negotiations after December 31, 2024, in order to renew the Trust Agreement. If no agreement is reached by December 31, 2027, or if at any time the agreement is terminated for cause, DEFAG III will be obliged to offer its shares in RIU Hotels to Saranja without delay. If Saranja does not accept the offer within three months, DEFAG III will be free to dispose of the shares in accordance with RIU Hotel's articles of association. It is further noted that the Company may, at any time, transfer to itself the shares in RIU Hotels from DEFAG III at which point the Trust Agreement will cease to be valid.

In accordance with the articles of association of DEFAG III, Saranja has the right to appoint one of the two members of the DEFAG III advisory board with the remaining member being appointed by the Company. The role of the advisory board is to supervise DEFAG III's management board. The advisory board must also unanimously approve certain reserved matters in circumstances where the management board or either Saranja or the Company have an influence on such matters including any transfer of the shares in DEFAG III or a change of control of DEFAG III such that a party, which is not wholly-owned either directly or indirectly by the Company, acquires a legal or factual majority in the shareholders' meeting or designates at least one third of the members of the advisory board or a managing director of DEFAG III ("**DEFAG III Change of Control**"). In addition, DEFAG III's articles of association provide that:

- any transfer of the shares in DEFAG III requires the prior written consent of all shareholders;
- Saranja possesses a right of pre-emption if the Company wants to sell its shares in DEFAG III to a third party (unless, in either case, the transfer is to the Company); and
- Saranja must approve, among other things, any actual or potential DEFAG III Change of Control or a merger of DEFAG III with a third party or measures for a transformation (*Umwandlung*) of DEFAG III.

Saranja and the Company have furthermore agreed that the shares in RIU Hotels can only be disposed or transferred to a 100% subsidiary of the Company so long as the articles of association of that recipient subsidiary mirror those of DEFAG III (as described above and including the right of Saranja to appoint a member of the advisory board) and the subsidiary accedes to, and accepts joint and several liability for, all obligations of the Company and/or DEFAG III under the shareholder agreement entered into by, among others, the Company, DEFAG III and Saranja dated December 14, 2012 and in relation to the holding of the shares in RIU Hotels.

Joint Venture Agreement with Respect to RIUSA II, S.A.

RIUSA II S.A. ("**RIUSA II**") is a joint venture company through which the Company operates the RIU branded hotels. TUI AG holds, through its subsidiary DEFAG Beteiligungsverwaltungs GmbH I

("**DEFAG I**") 50% of the shares in RIUSA II with the remaining 50% being held by Hotel Obelisco S.A., a company wholly owned by the Riu family and incorporated in Mallorca, Spain ("**Obelisco**").

Pursuant to the articles of association of RIUSA II, if either of the shareholders wish to sell their shares in RIUSA II, there are pre-emption rights in favor of the remaining shareholders who may acquire the shares being disposed (such shares to be allocated to the interested shareholders) *pro rata* to their existing shareholdings in RIUSA II. If no shareholders wish to acquire the shares, the company itself shall have 30 days to acquire the shares and redeem them afterwards. The pre-emption rights outlined above will not apply in circumstances where the proposed transfer is in favor of a company in which the selling shareholder holds 100% of the share capital. Pursuant to the RIUSA II JV Agreement (as defined below) any limitations on the transfer of shares in RIUSA II contained in the articles of association do not apply to any transfer of the shares held by the Company in favor of: (i) a wholly owned company; or (ii) a company whose shareholders are the same individuals.

The Company entered into a joint venture agreement with Obelisco in respect of RIUSA II on September 28, 1993 ("**RIUSA II JV Agreement**"). The RIUSA II JV Agreement contains provisions pursuant to which the Company undertakes that any incorporation of any new hotel or touristic complex will have to be approved by the board of directors of RIUSA II and that all hotels and touristic complexes (except for those in Greece, Turkey, Tunisia, Austria and Germany) managed by either party to the joint venture agreement will be operated by RIUSA II. Obelisco undertakes not to compete with the Company in countries such as Austria or Greece where the Company already has established hotels and touristic complexes. In addition, upon the incorporation of any new hotel by RIUSA II, TUI AG will have the option to enter into an exclusivity, semi-exclusive or non-exclusive commercial arrangement with respect to that hotel (subject to certain occupancy thresholds being reached).

Pursuant to a purchase option agreement entered into by the Company and Obelisco on June 27, 2007, the Company granted Obelisco the right to acquire a minimum of 20% and a maximum of 50% of the RIUSA II share capital from the Company (*i.e.* up to 100% of the Company's interest in RIUSA II) if:

- any shareholder, or group of shareholders, obtains shares in the Company which allows such shareholder(s) to control the Company's general shareholders' meetings (to be calculated using the average majorities of shareholders in the Company's general shareholders' meetings over the last three years);
- a third of the members of the Company' supervisory board is controlled or appointed by a new shareholder or group of shareholders; or
- the Company's shareholders approve a merger or demerger causing a situation in which a shareholder, or group of shareholders, obtains a majority of the voting rights at a general shareholders' meeting of the Company's shareholders;

(each such event a "**RIUSA II Change of Control Event**").

The Company must promptly notify RIUSA II of the occurrence of a RIUSA II Change of Control Event. RIUSA II shall exercise its option within one month after the occurrence of such event. Should RIUSA II not make use of this right, it may do so in the same month of the following two years.

An amendment to the RIUSA II JV Agreement was entered into on June 27, 2007, and contains an additional purchase option in favor of Obelisco should the Company reduce the number of hosts it allocates to hotels managed by RIUSA II by 20% provided that the Company cannot prove that such reduction was not a result of the Company's performance. Should Obelisco acquire any additional shares in RIUSA II from the Company (irrespective of whether based on this amendment or following a RIUSA II Change of Control Event), the provisions of the RIUSA II JV Agreement will cease to have effect.

It is noted that the Company has assigned in trust a minor partial share in DEFAG I to Obelisco pursuant to the Trust Agreement. DEFAG I has acceded to all of the joint venture agreements as well as all other agreements entered into by the Company in respect of RIUSA II. On that basis, each of the provisions described above that relate to the Company will also apply to DEFAG I.

In accordance with the terms of the Trust Agreement, Obelisco is not permitted to dispose of its share in DEFAG I without the written consent of the Company and any rights conferred to it as a shareholder of DEFAG I will be exercised in accordance with instructions from the Company (unless such instructions require the consent of Obelisco under the DEFAG I articles of association).

Either the Company or Obelisco may generally terminate the Trust Agreement upon providing one year's notice, for the first time with effect December 31, 2027. But, additionally, the Company and Obelisco have agreed to enter into negotiations after December 31, 2024, in order to renew the Trust Agreement. If no agreement is reached by December 31, 2027, or if at any time the agreement is terminated for cause DEFAG I will be obliged to offer its shares in RIUSA II to Obelisco without delay. If Obelisco does not accept the offer within three months DEFAG I will be free to dispose of the shares in accordance with RIUSA II's articles of association. In accordance with the articles of association of DEFAG I, Obelisco has the right to appoint one of the two members of the DEFAG I advisory board with the remaining member being appointed by the Company. The role of the advisory board supervises DEFAG I's management board. The advisory board must also unanimously approve certain reserved matters in circumstances where the management board or either Obelisco or the Company have an influence on such matters including any transfer of the shares in DEFAG I or a change of control of DEFAG I such that a party, which is not wholly-owned either directly or indirectly by the Company, acquires a legal or factual majority in the shareholders' meeting or designates at least one third of the members of the advisory board or a managing director of DEFAG I (a "**DEFAG I Change of Control**"). In addition, DEFAG I's articles of association provide that:

- any transfer of the shares in DEFAG I requires the prior written consent of all shareholders;
- Obelisco possesses a right of pre-emption if the Company wants to sell its shares in DEFAG I to a third party (unless, in either case, the transfer is to the Company); and
- Obelisco must approve, among other things, any actual or potential DEFAG I Change of Control or a merger of DEFAG I with a third party or measures for a transformation (*Umwandlung*) of DEFAG I.

Obelisco and the Company have also agreed that the shares in RIUSA II can only be disposed or transferred to a 100% subsidiary of the Company so long as the articles of association of that recipient subsidiary mirror those of DEFAG I (as described above and including the right of Obelisco to appoint a member of the advisory board) and the subsidiary accedes to, and accepts joint and several liability for all obligations of the Company and/or DEFAG I under, the shareholder agreement entered into by, among others, the Company, DEFAG I and Obelisco dated December 14, 2012 and in relation to the holding of the shares in RIUSA II.

It is further noted that the Company may, at any time, transfer to itself the shares in RIUSA II from DEFAG I at which point the arrangements Trust Agreement will cease to be valid.

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The following summary of the material terms of certain financing arrangements to which we and certain of our subsidiaries are a party does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents. For further information regarding our existing indebtedness, see "Use of Proceeds," "Capitalization," and "Management's Discussion and Analysis of Financial Conditions and Results of Operations."

TUI Travel's £1,400,000,000 revolving credit facility

On March 28, 2014, TUI Travel PLC entered into a £1,400,000,000 multicurrency revolving credit facility agreement (the "**2014 Existing RCF**") for the purpose of: (i) refinancing four loan facilities, including a £1,150,000,000 working capital facility dated May 17, 2011; and (ii) the general corporate purposes of TUI Travel PLC and its subsidiaries. The 2014 Existing RCF was entered into by TUI Travel PLC as borrower, together with certain group companies as additional borrowers and guarantors, and The Royal Bank of Scotland PLC as facility agent. The 2014 Existing RCF provides for the availability of a revolving credit commitment of £1,225,000,000 by the original lenders, and a letter of credit commitment of £175,000,000 by the original issuing banks. Any voluntary prepayment of the 2014 Existing RCF may be re-borrowed on the terms of the 2014 Existing RCF, but mandatory or involuntary prepayments or cancellations may not be re-borrowed. The final maturity date is June 30, 2018, and the availability period ends on May 30, 2018. The rate of interest for the term of each cash borrowing is the percentage rate per annum equal to the aggregate of the applicable margin (1.6% *per annum*) and LIBOR/EURIBOR (as applicable).

Security is created in favor of the facility agent pursuant to a Scottish law fixed security agreement (the "**SLP Security Agreement**") over certain rights and interests of TUI UK Limited in and to certain distributions from TUI Travel Amber Scot L.P. (the "**SLP**") under a Scottish limited partnership agreement between TUI UK Limited, TUI Travel Amber Limited, Thomson Airways Trustee Limited, TUI Pension Scheme (UK) Limited and BAL Trustee Limited) (the "**SLP Agreement**"). Such security is held by the facility agent on trust for the finance parties. There are also further arrangements in place in connection with the 2014 Existing RCF under: (i) a control agreement between TUI Travel PLC as agent of the obligors and the facility agent relating to the obligors' rights under certain limited partnership agreements (including the SLP Agreement); and (ii) a direct agreement between, among others, TUI Travel PLC, the SLP, TUI Travel Amber E&W LLP (the "**LLP**") and the facility agent relating to certain obligations in connection with certain intellectual property rights held by the LLP.

In the event of a change of control of TUI Travel PLC, each lender and issuing bank has the right to cancel its commitment under the 2014 Existing RCF (as applicable) and demand, in the case of a lender, that a *pro rata* share of that lender's participations in all outstanding loans or, in the case of an issuing bank, the full amount of that issuing bank's instruments, is immediately repaid or prepaid. A change of control occurs where: (i) any person or group of persons acting in concert gains control (as defined in s. 450 of the Corporation Tax Act 2010) of TUI Travel PLC; or (ii) TUI AG (and any person acting in concert with it) acquires 75% or more of the voting shares in TUI Travel PLC. The 2014 Existing RCF will be cancelled and replaced by the 2014 RCF Bridge defined and described below and/or, to the extent committed, the New RCF Agreement (defined and described below) at the Scheme Effective Date.

The 2014 Existing RCF is governed by English law and the English courts have non-exclusive jurisdiction.

TUI AG €1,175,000,000 bridge term loan facility

On or about September 15, 2014, TUI AG entered into a €1,175,000,000 facility agreement concerning a corporate bridge facility (the "**2014 RCF Bridge**"). The 2014 RCF Bridge is initially provided by Citibank, N.A., London Branch, UniCredit Luxembourg S.A. and JP Morgan Chase Bank, N.A., London Branch but may be syndicated to other banks. The initial maturity date of the 2014 RCF Bridge is the date falling twelve months from the signing date of the 2014 RCF Bridge (the "**2014 RCF Signing Date**") and TUI AG has the right to extend the maturity date twice thereafter, for a period of six months each time, upon payment of an extension fee at each extension provided that there is no major default (for the first extension) and no event of default (for the second extension). Advances under the 2014 RCF Bridge can be used for refinancing the 2014 Existing RCF and for general corporate purposes. The initial interest rate on borrowings under the 2014 RCF Bridge equals a margin of 1.50% per annum plus EURIBOR, provided that if all amounts drawn under the facility are not repaid or cancelled in full by the following dates, the applicable margins will increase as follows: (i) by the end of the first three months following the 2014 RCF Bridge Signing Date, by 75 basis points; (ii) by the end of the first six months following the 2014 RCF Bridge Signing Date, by an additional 50 basis points; (iii) by the end of the first nine months following the 2014 RCF Bridge Signing Date, by an additional 75 basis points; (iv) by the end of the first twelve months following the 2014 RCF Bridge Signing Date, by an additional 75 basis points; (v) by the end of the first 15 months following the 2014 RCF Bridge Signing Date, by an additional 75 basis points; and (vi) by the end of the first 18 months following the 2014 RCF Bridge Signing Date, by an additional 75 basis points. The 2014 RCF Bridge will be automatically cancelled (or, to the extent drawn, prepaid) on a euro-for-euro basis upon raising certain other indebtedness. TUI AG also has the right to voluntarily cancel (or, to the extent drawn, prepay) the 2014 RCF Bridge. It is intended that the 2014 RCF Bridge will be cancelled (or, to the extent drawn, refinanced) by raising additional commitments under the New RCF Agreement (defined and described below) of up to €1,550,000,000 (including bonding facilities in an aggregate amount of €250,000,000) shortly after the funding of the Notes. The 2014 RCF Bridge ranks *pari passu* with all of TUI AG's other unsecured and unsubordinated indebtedness. The facility documentation is governed by English law and contains customary clauses for financings of this type. No security is granted in favor of the lenders under the 2014 RCF Bridge.

TUI AG €600,000,000 bridge term loan facility

On or about September 15, 2014, TUI AG entered into a €600,000,000 facility agreement concerning a corporate bridge facility (the "**2014 High Yield Bridge**"). The 2014 High Yield Bridge is initially provided by Citibank, N.A., London Branch, UniCredit Luxembourg S.A. and JP Morgan Chase Bank, N.A., London Branch but may be syndicated to other banks. The initial maturity date of the 2014 High Yield Bridge is the date falling twelve months from the signing date of the 2014 High Yield Bridge (the "**2014 High Yield Bridge Signing Date**") and TUI AG has the right to extend the maturity date twice thereafter, for a period of six months each time, upon payment of an extension fee at each extension provided that there is no major default (for the first extension) and no event of default (for the second extension). Advances under the 2014 High Yield Bridge can be used for the payment or refinancing of certain convertible bond and other financings, the payment of costs and expenses incurred by member of the Group in connection with the transaction, capital expenditure of the group and investments in subsidiaries or joint ventures. The initial interest rate on borrowings under the 2014 High Yield Bridge equals a margin of 1.50% per annum plus EURIBOR, provided that, if all amounts drawn under the facility are not repaid or cancelled in full by the following dates as follows: (i) by the end of the first three months following the 2014 High Yield Bridge Signing Date, by 75 basis points; (ii) by the end of the first six months following the 2014 High Yield Bridge Signing Date, by an additional 50 basis points; (iii) by the end of the first nine months following the 2014 High Yield Bridge Signing Date, by an additional 75 basis points; (iv) by the end of the first twelve months following the 2014 High Yield Bridge Signing Date, by an additional 75 basis points; (v) by the end of the first 15 months following the 2014 High Yield Bridge Signing Date, by an additional 75 basis points; and (vi) by the end of the first 18 months following the 2014 High Yield Bridge Signing Date, by an additional 75 basis points. The 2014 High Yield Bridge will be automatically cancelled (or, to the extent drawn, prepaid) on a euro-for-euro basis upon raising certain other indebtedness. TUI AG also has the right to voluntarily cancel (or, to the extent drawn, prepay) the 2014 High Yield Bridge. It is intended that the 2014 High Yield Bridge will be cancelled (or, to the extent drawn, refinanced) upon, among other things, the funding of the Notes. The 2014 High Yield Bridge ranks *pari passu* with all of TUI AG's other unsecured and unsubordinated indebtedness. The facility documentation is governed by English law and contains customary clauses for financings of this type. No security is granted in favor of the lenders under the 2014 High Yield Bridge.

TUI AG up to €1,550,000,000 revolving credit facility

On or about September 15, 2014, TUI AG entered into a multicurrency revolving credit facility agreement with an initial committed revolving credit facility amount of €375,000,000 (the "**New RCF Agreement**"). The total commitments under the New RCF Agreement can be increased by up to (a) €925,000,000 as revolving credit commitments under the revolving credit tranche and (b) €250,000,000 as letter of credit commitments under the letter of credit tranche, which in each case, once committed, will be available at the Scheme Effective Date. The facility agreement also includes a mechanism enabling the borrowers to add one or more incremental revolving credit commitments up to an aggregate principal amount of €350,000,000 upon the same terms and conditions as the revolving credit tranche. The New RCF Agreement may be used for the purpose of: (i) refinancing the 2014 Existing RCF and, to the extent the commitments received under the New RCF Agreement are increased above €375,000,000, first, the 2014 RCF Bridge and, second, the 2014 High Yield Bridge; and (ii) the general corporate purposes of TUI AG and its subsidiaries (including TUI Travel PLC and its subsidiaries after the Scheme Effective Date). The New RCF Agreement was entered into by TUI AG as an initial borrower. It is envisaged that after the Scheme Effective Date, TUI AG and some of its subsidiaries and TUI Travel PLC and some of its subsidiaries will accede to the New RCF Agreement as borrowers and (to the extent permitted by applicable law) guarantors. Any voluntary prepayment of the New RCF Agreement may be re-borrowed on the terms of the New RCF Agreement but mandatory or involuntary prepayments or cancellations may not be re-borrowed. The final maturity of the New RCF Agreement is June 29, 2018 and the availability period ends on May 29, 2018. Advances under the New RCF Agreement can be either requested in cash drawings from the revolving credit tranche or in the form of bank guarantees or letters of credit from the letter of credit tranche. The interest rate on cash drawings under the New RCF Agreement equals an initial margin of 2.30% per annum, plus EURIBOR in respect of euro-denominated advances, or LIBOR in respect of advances denominated in other currencies, subject to a margin ratchet-based on the long-term credit rating of TUI AG after the Scheme Effective Date. The New RCF Agreement ranks *pari passu* with all TUI AG's other unsecured and unsubordinated indebtedness. No security is granted in favor of the lenders under the New RCF Agreement. The facility documentation is governed by English law and the English courts have non-exclusive jurisdiction.

€300,000,000 Perpetual Subordinated Fixed to Floating Rate Bonds

In December 2005, TUI AG issued 8.625% perpetual subordinated fixed to floating rate bonds without maturity with an aggregate principal amount of €300,000,000 (the "**Bonds**"). Set forth below is a description of the principal terms of the Bonds.

Remuneration

The Bonds initially bore remuneration ("**Remuneration**") from December 9, 2005 at the rate of 8.625% per annum payable annually in arrears on January 30 of each year (the "**Fixed Remuneration Payment Dates**") up to the Fixed Remuneration Payment Date falling on January 30, 2013 and thereafter at the rate of 7.30% per annum over the European Interbank offered rate for three-month deposits in euro ("**EURIBOR**") payable quarterly in arrears on January 30, April 30, July 30 and October 30 of each year (the "**Floating Remuneration Payment Dates**").

In the event of a change of control with regard to TUI AG, the Remuneration is increased by 5% *per annum*. Change of control is defined as the acquisition of 50% or more of the shares in the capital of TUI AG, or of such number of shares representing 50% or more of the voting rights normally exercisable at general meetings of TUI AG by any person or persons acting in concert or any third person or persons acting on behalf of such persons, if such acquisition leads to a downgrade of any credit rating of TUI AG's senior unsecured obligations prepared by Moody's Investors Service Limited or Standard & Poor's Rating Services, a division of The McGraw-Hill Companies Inc. (or any successor entity) (a "**Change of Control**").

Deferral of Remuneration payments

In certain circumstances, accrued Remuneration will not be payable on the Floating Remuneration Payment Date immediately following its accrual but will instead constitute arrears of Remuneration that will not be payable until a later date unless TUI AG elects to pay such Remuneration ("**Arrears of Remuneration**"). Arrears of Remuneration will not themselves bear interest.

TUI AG may defer any Remuneration payable on the respective Floating Remuneration Payment Date if:

(i) no dividend, other distribution or payment (including for the purposes of a redemption or repurchase of shares) was resolved on in respect of any class of its shares at TUI AG's general shareholders' meeting immediately preceding such Fixed or Floating Remuneration Payment Date;

(ii) no such dividend, other distribution or payment (including for the purposes of a redemption or repurchase of shares) has been resolved on, paid or made in respect of: (a) any subordinated debt security issued or guaranteed by TUI AG ranking *pari passu* with the Bonds ("**Parity Security**") which, pursuant the applicable accounting standards qualifies in its entirety as "equity" in TUI AG's consolidated balance sheet ("**Parity as Equity treated Security**") since the day of TUI AG's general shareholders' meeting (inclusive); or (b) any security ranking junior to the Bonds ("**Junior Security**") or to any Parity Security which, pursuant to the applicable accounting standards, qualifies in its entirety as "equity" in TUI AG's consolidated balance sheet ("**Junior as Equity treated Security**"); and

(iii) TUI AG has not repurchased or otherwise acquired, or caused another of its Group companies to repurchase or otherwise acquire any Parity Security, Junior Security or any shares or any class of shares for any consideration except by conversion into or exchange for shares since the day of its annual shareholders' meeting (inclusive).

Payment of Arrears of Remuneration and conditions for such payment

Under certain circumstances, TUI AG is obliged to pay outstanding Arrears of Remuneration. Such circumstances include situations in which: (i) payment of a dividend or other distribution or payment (including for the purposes of a redemption or repurchase of shares) is resolved or paid by TUI AG; (ii) TUI AG makes any payment or remuneration or distribution on a Junior as Equity treated Security or a Parity as Equity-treated Security; or (iii) in which TUI AG repurchases or otherwise acquires any Parity Security, Junior Security or any shares or any class of shares.

Any obligation to pay Arrears of Remuneration is, however, subject to the condition precedent that for such payment, TUI AG uses only cash proceeds from the issuance or sale of its shares and/or the issuance of Junior Securities or Parity Securities. TUI AG is obliged, to the extent legally possible, to issue the relevant securities as soon as possible in order to meet the preceding condition and to use the proceeds to pay Arrears of Remuneration immediately thereafter.

Proceeds from the sale of shares cannot come from treasury shares acquired against cash within the last six months before the payment, and Junior Securities and Parity Securities can only be issued up to a nominal amount of 25% of the aggregate principal amount of the Bonds for this purpose. Any payment of Arrears of Remuneration is further subject to the condition that no compulsory provisions of German corporate law prevents TUI AG from raising capital in the manner just described.

Maturity and redemption

The Bonds do not have a final maturity date.

The Bonds are subject to redemption in whole, but not in part, at their principal amount at the option of TUI AG: (i) on January 30, 2013, or on any Floating Remuneration Payment Date thereafter; or (ii) at any time in case of a Change of Control or in case the principal amount of the Bonds still outstanding falls below 20% of the original principal amount. The Bonds are also subject to redemption (in whole, but not in part) at the option of the Issuer before January 30, 2013 at their principal amount in the event that:

(i) TUI AG has or will become obliged to pay additional amounts as a result of any change of the laws of the Federal Republic of Germany and such obligation cannot be avoided by TUI AG taking reasonable measures to avoid it ("**Gross-up Event**"); or

(ii) due to a change in the tax laws of the Federal Republic of Germany or a relevant official interpretation or pronouncement, the Remuneration is no longer (or will no longer be) deductible by TUI AG for German taxes on earnings (including corporate income and trade tax) to at least the same degree as upon issue of the Bonds ("**Tax Event**"); or

(iii) the funds raised through the issuance of the Bonds must not, or must no longer, be recorded as equity pursuant to the applicable accounting standards for the purposes of the annual consolidated financial statements of TUI AG ("**Accounting Event**").

In case of a redemption at the option of TUI AG or following a Gross-up, Tax Event or Accounting Event, the redemption is subject to TUI AG or any finance subsidiary guaranteed by TUI AG having, within the six months preceding the redemption becoming effective, issued securities ranking junior to or *pari passu* with the Bonds under terms and conditions similar to those of the Bonds and/or shares or sold treasury shares (except for treasury shares which have been acquired against cash within a period of six months before the relevant date of redemption) against proceeds at least equal to the nominal amount payable upon redemption, provided that in case of an Accounting Event, Tax Event or Gross-up Event modifications to the terms and conditions of the securities ranking junior to or *pari passu* with the Bonds may be made in order to obtain IFRS equity treatment, tax deductibility or eligibility to make payments free of withholding taxes otherwise with the same terms and conditions as the Bonds.

Status of the Bonds

The Issuer's obligations in respect of the Bonds are subordinated to all other creditors in insolvency, liquidation or similar proceedings and rank senior to claims of its shareholders. However, claims for payment of Arrears of Remuneration will rank *pari passu* with claims of the shareholders of the Issuer.

Events of default

The bondholders can only declare the Bonds due and payable in the event that TUI AG enters into liquidation, winding up or dissolution. There are no other events of default under the Bonds' conditions of issue.

Governing law

The Bonds are governed by German law.

TUI AG €217,789,399.90 5.5% Convertible Bonds of 2009/2014

In November 2009, the TUI AG issued €217,789,399.90 5.5% convertible bonds which are due in November 2014 of which €67.2 million was outstanding as of June 30, 2014. TUI AG's obligations under the bonds are unsecured and rank *pari passu* with all its outstanding unsecured and unsubordinated indebtedness. The bonds will be redeemed at their principal amount by TUI AG together with interest accrued on the principal amount until the maturity date unless they have previously been redeemed or converted or purchased and cancelled. The bonds' terms and conditions grant each bondholder the right to convert each bond in whole but not in part into ordinary shares of TUI AG during the conversion period, as set forth in the terms and conditions. The current conversion price per share is €5.5645, subject to further adjustments pursuant to Section 11 and/or Section 14 of the bonds' terms and conditions (dilution adjustment, change of control). The conversion ratio is calculated by dividing the principal amount of a bond (€56.30) by the conversion price applicable on the conversion date. TUI AG is entitled to redeem the remaining bonds in whole but not in part, at their principal amount plus interest accrued on their principal amount until the date of redemption, if at any time the aggregate principal amount of bonds outstanding falls below 15% of the aggregate principal amount of the bonds that were initially issued. If TUI AG has published a notice regarding a change of control pursuant to Section 14 of the bonds' terms and conditions, any bondholder may, at its option, demand the redemption of any or all of its bonds for which the conversion right was not exercised at their principal amount plus interest accrued on their principal amount. The bonds may be declared immediately due and payable in accordance with the terms and conditions customary for this kind of financial instrument, in particular if TUI AG defaults in its payment or other obligations under the bonds. The bonds' terms and conditions provide for a customary negative pledge and are governed by German law. The bonds will be redeemed at the principal amount on November 17, 2014, together with interest accrued on the principal amount until (but excluding) such date, unless they have previously been redeemed or converted or purchased and cancelled.

TUI AG €339,000,000 2.75% Convertible Bonds of 2011/2016

In March 2011, TUI AG issued €338,964,059.22 2.75% convertible bonds which are due in March 2016 of which €339.0 million was outstanding as of June 30, 2014. TUI AG's obligations under the bonds are unsecured and rank *pari passu* with all its outstanding unsecured and unsubordinated indebtedness. The bonds will be redeemed at their principal amount by TUI AG together with interest accrued on the principal amount until the maturity date unless they have previously been redeemed or converted or purchased and cancelled. The bonds' terms and conditions grant each bondholder the right to convert each bond in whole but not in part into ordinary shares of TUI AG during the conversion period, as set forth in the terms and conditions. The current conversion price per share is €11.7127, subject to further adjustments pursuant to Section 11 and/or Section 14 of the bonds' terms and conditions (dilution adjustment, change of control). The conversion ratio is calculated by dividing the principal amount of a bond (€59.26) by the conversion price applicable on the conversion date. TUI AG is entitled to redeem the remaining bonds in whole but not in part, at their principal amount plus interest accrued on their principal amount until the date of redemption, if at any time the aggregate principal amount of bonds outstanding falls below 15% of the aggregate principal amount of the bonds that were initially issued. If TUI AG has published a notice regarding a change of control pursuant to Section 14 of the bonds' terms and conditions, any bondholder may, at its option, demand the redemption of any or all of its bonds for which the conversion right was not exercised at their principal amount plus interest accrued on their principal amount. The bonds may be declared immediately due and payable in accordance with the terms and conditions customary for this kind of financial instrument, in particular if TUI AG defaults in its payment or other obligations under the bonds. The bonds' terms and conditions provide for a customary negative pledge and are governed by German law. The bonds will be redeemed at the principal amount on March 24, 2016, together with interest accrued on the principal amount until (but excluding) the such date, unless they have previously been redeemed or converted or purchased and cancelled.

TUI Travel PLC's £350 million Convertible Bond

In October 2009, TUI Travel issued £350,000,000 6.00% convertible bonds due October 5, 2014 (the "**TUI Travel 2014 Bonds**"), of which £350.0 million was outstanding as at June 30, 2014 (being the last practicable date prior to the date of this Offering Memorandum). Unless previously purchased and cancelled, redeemed or converted the TUI Travel 2014 Bonds are redeemable at their principal amount, together with accrued but unpaid interest to such date, on October 5, 2014.

Under the terms and conditions of the TUI Travel 2014 Bonds, each holder of the 2014 Bonds had the right to convert its bonds into ordinary shares of TUI Travel at any time up to the date falling seven calendar days prior to October 5, 2014, as set forth in the terms and conditions of the TUI Travel 2014 Bonds.

It is expected that the outstanding principal amount of the TUI Travel 2014 Bonds will be redeemed by October 5, 2014.

The terms and conditions of the TUI Travel 2014 Bonds are governed by English law.

TUI Travel PLC's £400 million Convertible Bond

In April 2010, TUI Travel issued £400,000,000 4.90% convertible bonds due April 27, 2017 ("**TUI Travel 2017 Bonds**"), of which £400,000,000 was outstanding as at June 30, 2014 (being the last practicable date prior to the date of this Offering Memorandum). The TUI Travel 2017 Bonds are unsubordinated and (subject to a customary negative pledge) unsecured obligations of TUI Travel, ranking *pari passu* with all TUI Travel's other existing and future unsecured and unsubordinated indebtedness. Unless previously purchased, redeemed or converted and cancelled, the TUI Travel 2017 Bonds will be redeemed at their principal amount, together with accrued but unpaid interest to such date, on April 27, 2017.

Under the terms and conditions of the TUI Travel 2017 Bonds each bondholder has the right to convert its bonds into ordinary shares of TUI Travel in the circumstances set forth in the terms and conditions of the TUI Travel 2017 Bonds, up to the date that falls seven calendar days prior to the final maturity date.

The conversion price in respect of the TUI Travel 2017 Bonds in effect as at June 30, 2014 (being the last practicable date prior to the date of this Offering Memorandum) was £3.8234, which is subject to adjustment in the circumstances described in the terms and conditions of the TUI Travel 2017 Bonds. The number of ordinary shares of TUI Travel to be issued on conversion of a 2017 bond is calculated by dividing the principal amount of that bond (£100,000) by the conversion price in effect on the relevant conversion date.

It is not expected that the interim dividend to be paid in respect of the TUI Travel shares to TUI Travel shareholders on October 3, 2014 will cause an adjustment to the conversion price. Should the Scheme become effective, the conversion price in effect as at June 30, 2014 (being the last practicable date prior to the date of this Offering Memorandum) will be adjusted, pursuant to the relevant adjustment provision provided in the terms and conditions of the TUI Travel 2017 Bonds, for a limited period of 60 days following the date of the occurrence of the Change of Control (as defined in the terms and conditions of the TUI Travel 2017 Bonds) or the date on which notice thereof is served to bondholders and certain other relevant persons (whichever is the later).

TUI Travel is entitled to redeem all but not some only of the 2017 Bonds, at their principal amount together with accrued but unpaid interest to the relevant date of redemption, if:

(a) the value of the TUI Travel ordinary shares underlying a 2017 Bond in the principal amount of £100,000 equals or exceeds £130,000 for at least 20 out of 30 consecutive dealing days; or

(b) at any time the aggregate principal amount of 2017 Bonds outstanding is 15% or less than the aggregate principal amount of 2017 Bonds that were initially issued.

The holder of a 2017 Bond is entitled to require TUI Travel to redeem its bonds at their principal amount together with accrued but unpaid interest to such redemption date:

(a) for a limited period of 60 days following the date of the occurrence of the Change of Control (as defined in the terms and conditions of the TUI Travel 2017 Bonds) or the date on which notice thereof is served to bondholders and certain other relevant persons (whichever is the later); and

(b) on October 27, 2015.

The terms and conditions of the 2017 Bonds are governed by English law.

The 2010/2017 Convertible Bond Financing Arrangement (Tranmere)

In April 2010, TUI Travel issued £400,000,000 4.90% convertible bonds which are due in April 2017 (the "**TUI Travel 2017 Convertible Bonds**"). (See "Material Agreements-TUI Travel's £400 million convertible bond.") To prevent potential dilution of its majority shareholding in TUI Travel, the Company subscribed for 50% of the TUI Travel 2017 Convertible Bonds. In order to finance this participation, the Company entered into a three-year financing arrangement with Deutsche Bank AG, pursuant to which Deutsche Bank AG subscribed for 50% of the TUI Travel 2017 Convertible Bonds with a value of £200 million. Further, Deutsche Bank AG bought from the Company 86,967,049 shares in TUI Travel for a purchase price of £250 million, representing the market value for these shares at that time. The TUI Travel 2017 convertible Bonds and the shares in TUI Travel were sold by Deutsche Bank AG to the Company by way of a contingent forward agreement and with regard to which the Company has made partial prepayments in an amount of £300 million. Periodic compensation is payable by the Company to Deutsche Bank AG on the remaining amount of £150 million. In return, the Company is entitled to receive the economic benefit of any dividend payments paid on the shares sold and the interest on the TUI Travel 2017 Convertible Bonds as part of this financing arrangement. If the Company were to default on its obligations under the agreement, Deutsche Bank AG, under certain conditions, would be entitled to dispose of the assets in the market. In addition, Deutsche Bank AG is entitled to terminate the arrangement in certain circumstances, which include the Company becoming the holder of 65% or more of TUI Travel and/or TUI Travel's shares ceasing to be publicly listed.

The assets which are the subject of the financing arrangement were previously held by Antium Finance Limited, a special purpose vehicle in which the Company held no interest. The Company, Deutsche Bank AG and Antium Finance Limited entered into voting rights agreements to ensure that any voting rights attached to the underlying TUI Travel shares would be exercised in accordance with the instructions given by the Company. In terms of the commercial balance sheet, both the shares contributed by the Company and the TUI Travel 2017 Convertible Bonds are attributable to the Company and therefore have to be recognized in the Company's statement of financial position. In addition, a mechanism has been put in place which allows for the TUI Travel 2017 Convertible Bonds held in connection with this financing arrangement to convert if any TUI Travel 2017 Convertible Bonds are converted by third-party bondholders in order to secure the Company's voting rights majority over TUI Travel. In August 2013, the Company amended the agreement with Deutsche Bank AG to extend the Company's right to acquire the assets of Antium Finance Ltd. (comprising the TUI Travel shares and the TUI Travel 2017 Convertible Bonds held pursuant to the financing arrangement), from Antium Finance Ltd. via Deutsche Bank AG until July 2016. It was also agreed that the assets of Antium Finance Ltd. were to be transferred to Deutsche Bank AG and Deutsche Bank AG was to assume the rights and obligations of Antium Finance Ltd. This transition took place in October 2013.

TUI Travel's £300 million Revolving Credit Facility

On June 28, 2013, TUI Travel entered into a £300 million revolving credit facility agreement (the**"£300 million RCF"**) made available for the sole purpose of refinancing, directly or indirectly, the costs of repaying all or part of TUI Travel's £350 million convertible bond or TUI Travel's £400 million convertible bond described above. The £300 million RCF was entered into by TUI Travel, TUI Travel Aviation Finance Limited, First Choice Holidays Finance Limited, TUI UK Limited (each as an "**Original Borrower**" and an "**Original Guarantor**", together the "**Borrowers**" and "**Guarantors**") and The Royal Bank of Scotland PLC (as "**Facility Agent**"), The Royal Bank of Scotland PLC, Bank of America, N.A, Barclays Bank PLC, UniCredit Luxembourg S.A., HSBC Bank PLC, Citibank N.A, London Branch and Lloyds TSB Bank PLC (as "**Lenders**").

Any voluntary prepayment of a loan under the £300 million RCF may be re-borrowed on the terms of the £300 million RCF but any mandatory or involuntary prepayment of a loan under the £300 million RCF (other than a mandatory prepayment prior to 31 October 2015 arising from net cash proceeds received by the Company from the issue of debt capital markets securities, convertible or equity securities) may not be re-borrowed. The final maturity date of all Loans under the £300 million RCF is 29 April 2016, with an intermediate requirement that TUI Travel must procure no loans under the £300 million RCF are outstanding on May 29, 2015. The availability period starts 5 October 2014 and ends on 29 March 2016 (the "**Availability Period**"). The rate of interest for the term of each cash borrowing under the £300 million RCF is the percentage rate per annum equal to the aggregate of the application margin (between 2.00% and 2.50% per annum) and LIBOR.

The £300 million RCF was reduced to £150 million on April 2014.

Under the £300 million RCF, wholly owned subsidiaries of the TUI Travel may become an additional obligor subject to certain conditions set out in the £300 million RCF. TUI Travel may request that an obligor (other than itself and TUI UK Limited) ceases to be an obligor under the £300 million RCF, subject to certain conditions set out in therein. TUI Travel functions as the agent of the obligors under the £300 million RCF. TUI Travel is obliged to, among other things: (i) provide certain financial information to the Facility Agent; (ii) ensure certain ratios of net borrowings to EBITDA and EBITDAR to net interest expense; and (iii) conduct its business and operations (and procure that its subsidiaries conduct their business and operations) in accordance with undertakings which are typical for a facility of this nature.

Among other things, a change of control of TUI Travel will trigger a right for any Lender to cancel its commitment under the £300 million RCF and demand that a pro-rata share of that Lender's participations in all outstanding loans are immediately repaid or prepaid to that Lender. A change of control occurs if: (i) any person or group of persons acting in concert (as defined in the City Code on Takeovers and Mergers) gains control (as defined in section 450 of the Corporation Tax Act 2010) of TUI Travel or (ii) TUI AG (and any person acting in concert with it) acquires 75%. or more of the voting shares in TUI Travel.

If TUI Travel receives any net cash proceeds from the issue of debt capital market securities, convertible securities or equity securities, it is obliged to apply an equivalent amount of such proceeds in pre-payment of any loans then outstanding (and in respect of any prepayment of any loans after 27 November 2015, in prepayment and cancellation of any loans then outstanding) under the £300 million RCF.

Any unutilized commitments under the £300 million RCF on the last day of the Availability Period will be automatically cancelled on that date. TUI Travel can also voluntarily cancel the unutilized amount of any commitment under the £300 million RCF in whole or part by giving not less than five business days' prior notice to the facility agent.

Framework Agreement regarding the Costs for Aircraft, Crew, Maintenance, Insurance and Overhead with Air Berlin plc & Co.

On March 27, 2009 TUIfly GmbH (formerly Hapag-Lloyd Fluggesellschaft mbH) and Air Berlin plc & Co. Luftverkehrs KG entered into a framework agreement regarding the costs for aircraft, crew, maintenance, insurance and overhead (the "**ACMIO-Agreement**"). The ACMIO-Agreement provides for the operation of TUIfly GmbH's entire fleet under ACMIO agreements exclusively with Air Berlin plc & Co. Luftverkehrs KG and with TUI Deutschland GmbH against a remuneration covering all of TUIfly GmbH's costs arising in connection with the services provided plus a flat surcharge of 4%. The

ACMIO-Agreement has an initial term of ten years with an automatic extension for another five years unless otherwise agreed 24 months prior to the end of the initial term. Each of the ACMIO agreements contains various representations and warranties, however, all rights and claims resulting from an incorrectness of those representations and warranties other than those relating to the valid existence of the parties, title-related claims and performance claims are now time-barred.

Boeing Contract for the Purchase of 60 Boeing 737 MAX Aircraft

On May 30, 2013, TUI Travel Aviation Finance Limited ("**TTAFL**"), a wholly owned subsidiary of TUI Travel, entered into an agreement with The Boeing Company ("**Boeing**") in connection with the purchase of Boeing 737MAX aircraft (the "**Boeing Contract**"). Under the terms of the Boeing Contract, TTAFL agreed to purchase 60 Boeing 737 MAX aircraft comprising 40 737MAX-8 variant and 20 737MAX-9 variant (the "**Aircraft**"), each with certain substitution rights which allow TTAFL to change the variant of a particular Aircraft (subject to certain limitations and notice periods). The Aircraft are for delivery commencing in January 2018 and ending in March 2023, although TTAFL has the flexibility to defer delivery dates subject to appropriate notice and certain other conditions. As at July 2012, the aircraft basic price (which is essentially the list price) for the 60 Boeing 737MAX Aircraft was approximately $6.9 billion (being $97,779,300 for each 737MAX-8 aircraft and $104,925,300 for each 737MAX-9 aircraft). The aircraft basic price for each Aircraft is increased by: (i) an escalation factor; and (ii) certain "buyer-furnished" or "seller purchased" equipment which TTAFL may request Boeing to install. The escalation factor is designed to increase the aircraft basic price, to account for economic fluctuations, of any individual Aircraft by applying a formula which reflects increases in certain published U.S. employment cost and consumer price indices between the time the aircraft basic price was set and the month of delivery of the relevant Aircraft. The final aircraft basic price is also subject to increases or decreases resulting from changes to the relevant specifications of the Aircraft. Boeing granted to TTAFL certain price concessions, allowances and other support items as part of the Boeing Contract. These price concessions take the form of credit memoranda issued to TTAFL which TTAFL may apply towards the final balance of the purchase price at delivery of the Aircraft or the purchase of goods and services from Boeing. The various credit memoranda, allowances and support will reduce the effective price of the Aircraft to TTAFL significantly below the aircraft basic price. Certain of the other allowances and support provided by Boeing (such as support for TTAFL promotional activities) also effectively reduce the price of each Aircraft.

The Boeing Contract requires that periodic advance payments be made in respect of each Aircraft. These advance payments secure the delivery positions and contribute to the costs incurred by Boeing in the construction of each Aircraft. Boeing's standard advance payment schedule requires Boeing customers to have paid 30% of the aircraft basic price, adjusted by the addition of escalation at 3% per annum until delivery. TTAFL agreed certain variations to the standard schedule which provides significant benefits to TTAFL. On delivery of each Aircraft, TTAFL is required to pay the outstanding balance of the Aircraft price.

Pursuant to the Boeing Contract, Boeing will provide TTAFL with a range of services and support in relation to the Aircraft which includes comprehensive flight, operation and maintenance training, manuals and technical data. Boeing provided TTAFL with warranties on the Aircraft, including certain warranties against defects in design, materials or workmanship and a warranty that the Aircraft conform to the agreed specifications, and agreed to indemnify TTAFL against certain intellectual property infringement claims that may be brought in respect of the Aircraft and any other claims in connection with any demonstration or test flights of the Aircraft. Boeing also provided certain guarantees, relating to matters such as fuel efficiency, in respect of the performance of the Aircraft and agreed to provide specified remedies in circumstances where an Aircraft fails to meet the performance guaranteed by Boeing. TTAFL provided Boeing with certain indemnities with respect to equipment furnished by TTAFL for installation in the Aircraft.

In addition to the Aircraft, TTAFL was granted, subject to certain conditions, the right to purchase up to a further 60 Boeing 737 MAX aircraft, comprising 50 737MAX-8 variant and 10 737MAX-9 variant (the "**Option Aircraft**"). The Option Aircraft are available at the same basic price and terms and conditions as apply to the Aircraft and have been allocated specific delivery positions which run largely concurrently with the Aircraft. The Option Aircraft require a deposit to be placed by TTAFL and if TTAFL wishes to exercise any of its rights in relation to Option Aircraft, it will be required to provide a minimum period of notice to Boeing.

TTAFL was also offered, subject to delivery positions being available, an additional 30 Boeing 737MAX purchase right aircraft (the "**Purchase Right Aircraft**"). The Purchase Right Aircraft do not have specific delivery positions allocated to them but are available for delivery until December 31, 2026. Delivery positions have not been reserved for the Purchase Right Aircraft. The Purchase Right Aircraft involved no commitment from TTAFL but, in contrast to the certainty of terms for the Aircraft and Option Aircraft, certain key commercial terms for the Purchase Right Aircraft will only be determined at the time such purchase rights would be exercised. Deposits would become payable if TTAFL exercised the option to acquire any Purchase Right Aircraft.

Either party may terminate the Boeing Contract if the other party becomes subject to insolvency proceedings or otherwise ceases trading or disposes of all or substantially all of its business. TTAFL has the right to terminate the Boeing Contract with respect to a particular Aircraft if the delivery of the relevant Aircraft is delayed for more than twelve months. If the delay is not classed as an 'excusable delay' (being broadly a delay caused by circumstances which are beyond the control of Boeing), TTAFL will also be entitled to receive liquidated damages at a daily rate for the duration of a non-excusable delay, subject to a cap. For delays which do not exceed such set period of time, the liquidated damages are in lieu of all rights and remedies which may otherwise be available to TTAFL under Washington State law, which is the governing law of the Boeing Contract. Boeing also has certain termination rights with respect to individual Aircraft which apply where there are long-term delays in delivery.

TTAFL also entered into an agreement with CFM International S.A. ("**CFM**" and the "**CFM Agreement**") on May 30, 2013, under which CFM will provide support for the LEAP-1B Engines installed on the Aircraft purchased direct from Boeing under the Boeing Contract and, in addition, TTAFL agreed to purchase eight spare LEAP-1B Engines at an aggregate escalated list price of approximately $104 million. The CFM Agreement provides TTAFL with the benefit of credits, concessions and special guarantees from CFM in respect of the LEAP-1B Engines for the Aircraft, spare LEAP-1B Engines and also for LEAP-1B Engines installed on any of the Option Aircraft and Purchase Right Aircraft purchased by TTAFL as well as spare LEAP-1B Engines for any such Option Aircraft and Purchase Right Aircraft. Under the CFM Agreement, CFM additionally provided certain concessions, guarantees and warranties, relating to both the installed engines purchased via Boeing and the spare engines purchased from CFM, in a direct agreement which is related to the Boeing Contract.

CERTAIN INSOLVENCY LAW CONSIDERATIONS AND LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF NOTES GUARANTEES

The following is a summary of certain insolvency law considerations regarding the European Union, Germany, the United Kingdom, the Netherlands, Belgium and Sweden. The descriptions below are only a summary and do not purport to be complete or to discuss all insolvency law considerations that may affect the enforceability of the obligations of the Issuer or any Guarantor. See "Risk Factors—Risks Relating to the Notes and the Notes Guarantees—The insolvency laws of Germany, the United Kingdom, the Netherlands, Belgium, Sweden and other jurisdictions may not be as favorable to holders of Notes as insolvency laws in the United States or other jurisdictions with which you may be familiar."

Insolvency Law Considerations

European Union

Pursuant to Council Regulation (EC) no. 1346/2000 on insolvency proceedings (the "**EU Insolvency Regulation**"), the court which shall have jurisdiction to open insolvency proceedings in relation to a company is the court of the member state (other than Denmark) where the company concerned has its "center of main interests" (as that term is used in Article 3(1) of the EU Insolvency Regulation). The determination of where any such company has its "center of main interests" is a question of fact on which the courts of the different member states may have differing and even conflicting views. Furthermore, "center of main interests" is not a static concept and may change from time to time. Although under Article 3(1) of the EU Insolvency Regulation there is a rebuttable presumption that a company would have its respective "center of main interests" in the member state in which it has its registered office, Preamble 13 of the EU Insolvency Regulation states that the "center of main interests" of a debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and "is therefore ascertainable by third parties." The European Court of Justice has ruled that a debtor company's main center of interests must be determined by attaching greater importance to the place of the company's central administration, as may be established by objective factors which are ascertainable by third parties. Where the bodies responsible for the management and supervision of a company are in the same place as its registered office and the management decisions of the company are taken, in a manner that is ascertainable by third parties, in that place, the presumption, that the center of the company's main interests is located in that place, shall be irrebuttable. Where a company's central administration is, however, not in the same place as its registered office, the presence of company assets and existence of contracts for the financial exploitation of those assets in a member state other than that in which the registered office is situated cannot be regarded as sufficient factors to rebut the above mentioned presumption, unless a comprehensive assessment of all relevant factors makes it possible to establish, in a manner that is ascertainable by third parties, that the company's actual center of management and supervision and of the management of its interests is located in that other member state. The factors to be taken into account include, in particular, all places in which the debtor company pursues economic activities and all those in which it holds assets, in so far as they are ascertainable by third parties.

If the center of main interests of a company is and will remain located in the state in which it has its registered office, the main insolvency proceedings in respect of the company under the EU Insolvency Regulation would be commenced in such jurisdiction and accordingly a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the EU Insolvency Regulation, with these proceedings governed by the *lex fori concursus*, *i.e.*, the local laws of the court opening such main insolvency proceeding. Insolvency proceedings opened in one member state under the EU Insolvency Regulation are to be recognized in the other member states (other than Denmark), although secondary proceedings may be opened in another member state. If the "center of main interests" of a debtor is in one member state (other than Denmark) under Article 3(2) of the EU Insolvency Regulation, the courts of another member state (other than Denmark) have jurisdiction to open "territorial proceedings" only in the event that such debtor has an "establishment" in the territory of such other member state. The effects of those territorial proceedings are restricted to the assets of the debtor situated in the territory of such other member state. If the company does not have an establishment in any other member state, no court of any other member state has jurisdiction to open territorial proceedings in respect of such company under the EU Insolvency Regulation.

Germany

In the event of insolvency of the Issuer or any Guarantor incorporated and having its registered office in Germany (a "**German Guarantor**"), subject to the statements made above under the heading "European Union," any main insolvency proceedings would most likely be initiated in Germany. Such proceedings would then be governed by German law. The insolvency laws of Germany and, in particular, the provisions of the German Insolvency Code (*Insolvenzordnung*) may not be as favorable to creditors as the insolvency laws of other jurisdictions, including, *inter alia*, in respect of priority of creditors, the ability to obtain post-petition interest as well as security interests and the duration of the insolvency proceedings, and hence may limit the ability of creditors to recover payments due on the Notes to an extent exceeding the limitations arising under other insolvency laws.

The following is a brief description of certain aspects of the insolvency laws of Germany.

Under German insolvency law, there is no group insolvency concept, which generally means that, despite the economic ties between various entities within one group of companies, there will be one separate insolvency proceeding for each of the entities if and to the extent there exists an insolvency reason on the part of the relevant entity. Each of these insolvency proceedings will be legally independent from all other insolvency proceedings (if any) within the group. In particular, there is no consolidation of assets and liabilities of a group of companies in the event of insolvency and no pooling of claims among the respective entities of a group. The German Government (*Bundesregierung*) has released a Draft Bill to Facilitate the Handling of Group Insolvencies (*Entwurf eines Gesetzes zur Erleichterung der Bewältigung von Konzerninsolvenzen*). While the draft bill does not propose to abolish the principle of separate insolvency proceedings in relation to each group entity, it stipulates four key amendments of the German Insolvency Code in order to facilitate an efficient administration of group insolvencies: (i) a single court may be competent for each group entity insolvency proceedings; (ii) the appointment of a single person as insolvency administrator for all group companies is facilitated; (iii) certain coordination obligations are imposed on insolvency courts, insolvency administrators and creditors' committees; and (iv) certain parties may apply for "coordination proceedings" (*Koordinationsverfahren*) and the appointment of a "coordination insolvency administrator" (*Koordinationsverwalter*) with the ability to propose a "coordination plan" (*Koordinationsplan*). It is currently unclear if and when, and whether in its current or modified form, this bill might be adopted by the German parliament.

Under German insolvency law, insolvency proceedings are not initiated by the competent insolvency court *ex officio*, but require that the debtor or a creditor files a petition for the opening of insolvency proceedings. Insolvency proceedings can be initiated either by the debtor or by a creditor in the event of the over-indebtedness (*Überschuldung*) of the debtor or in the event that the debtor is unable to pay its debts as and when they fall due (*Zahlungsunfähigkeit*). According to the relevant provision of the German Insolvency Code (*Insolvenzordnung*), a debtor is over-indebted when its liabilities exceed the value of its assets (based on their liquidation values), unless a continuation of the debtor's business as a going concern is predominantly likely (*positive Fortführungsprognose*). As a guideline, the debtor is deemed illiquid if it is unable to pay 10% or more of its due and payable liabilities during the subsequent three weeks, unless it is virtually certain that the company can close the liquidity gap shortly thereafter (*demnächst*) and it can be deemed acceptable to the creditor to continue to wait for the payments owed by such debtor. If a stock corporation (*Aktiengesellschaft—AG*), a European law stock corporation based in Germany (*Societas Europaea—SE*) or a limited liability company (*Gesellschaft mit beschränkter Haftung—GmbH*) becomes illiquid and/or over-indebteded, the management of such company and, under certain circumstances, its shareholders, are obligated to file for the opening of insolvency proceedings without undue delay, or at the latest within three weeks after the mandatory insolvency reason, (*i.e.*, illiquidity and/or over-indebtedness) has occurred. Non-compliance with these obligations exposes management to both severe damage claims as well as sanctions under criminal law. In addition, the debtor can file for insolvency proceedings if it is imminently at risk of being unable to pay its debts as and when they fall due (*drohende Zahlungsunfähigkeit*). However, in that case, only the debtor, and not the creditors, is entitled (and not obligated) to file for the opening of insolvency proceedings.

The insolvency proceedings are administered by the competent insolvency court, which monitors the due performance of the proceedings. Upon receipt of the insolvency petition, the insolvency court may take preliminary measures (*vorläufige Maßnahmen*) to secure the property of the debtor during the preliminary proceedings (*Insolvenzeröffnungsverfahren*). The insolvency court may prohibit or suspend any measures taken to enforce individual claims against the debtor's assets during these preliminary proceedings. In addition, the court will also appoint a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*) unless the debtor has petitioned for debtor-in-possession status (*Eigenverwaltung*)—an insolvency process in which the debtor's management generally remains in charge of administering the debtor's business affairs under the supervision of a custodian (*Sachwalter*)—and this petition is not obviously futile. Depending on the size of the debtor's business operations, the insolvency court must, or may appoint a preliminary creditors' committee (*vorläufiger Gläubigerausschuss*) to, form a view on the profile of the officeholder to be appointed or to suggest a particular individual be appointed by the court. If the members of the preliminary creditors' committee unanimously agree on an individual, such suggestion is binding on the court (unless the suggested individual is not eligible; *i.e.*, incompetent and/or not disinterested). To ensure that the preliminary creditors' committee reflects the interests of all creditor constituencies, it shall comprise a representative of the secured creditors, one for the large creditors and one for the small creditors as well as one for the employees. The duties of the preliminary insolvency administrator are, in particular, to safeguard and to preserve the debtor's assets (which includes the continuation of the business carried out by the debtor), to verify the existence of an insolvency reason and to assess whether the debtor's net assets will be sufficient to cover the costs of the insolvency proceedings. The court orders the opening (*Eröffnungsbeschluss*) of formal insolvency proceedings (*eröffnetes Insolvenzverfahren*) if certain requirements are met, particularly if there are sufficient assets to cover at least the cost of the insolvency proceedings. If the assets of the debtor are not expected to be sufficient, the insolvency court will only open formal insolvency proceedings if third parties (e.g., creditors) advance the costs themselves. In the absence of such advancement, the petition for the opening of insolvency proceedings will be dismissed for insufficiency of assets (*Abweisung mangels Masse*).

Upon the opening of formal insolvency proceedings, an insolvency administrator (usually the same person who acted as preliminary insolvency administrator) is appointed by the insolvency court unless debtor-in-possession status (*Eigenverwaltung*) is ordered. In the absence of debtor-in-possession status, the right to administer the debtor's business affairs and to dispose of the assets of the debtor passes to the insolvency administrator with the insolvency creditors (*Insolvenzgläubiger*) only being entitled to change the individual appointed as insolvency administrator upon the occasion of the first creditors' meeting (*erste Gläubigerversammlung*) with such change requiring that (i) a simple majority of votes cast (by head count and amount of insolvency claims) has voted in favor of the proposed individual becoming the insolvency administrator and (ii) the proposed individual is eligible as officeholder (*i.e.*, he or she is sufficiently qualified, business-experienced and impartial). The insolvency administrator may raise new financial indebtedness and incur other liabilities to continue the debtor's business. These new liabilities incurred by the insolvency administrator qualify as preferential claims against the estate (*Masseverbindlichkeiten*) which are preferred to any insolvency claim of an unsecured creditor (with the residual claim of a secured insolvency creditor remaining after realization of the available collateral (if any) also qualifying as unsecured insolvency claim).

From the perspective of the holders of the Notes, among others, some important consequences of such opening of formal insolvency proceedings against the Issuer, any Guarantor or any of their relevant subsidiaries that are subject to the German insolvency regime would be the following:

- the right to administer and dispose of the assets of the Issuer, such Guarantor or any of their relevant subsidiaries would generally pass to the insolvency administrator (*Insolvenzverwalter*) as sole representative of the insolvency estate;
- if the court does not order debtor-in-possession status (*Eigenverwaltung*) with respect to the Issuer, such Guarantor or any of their relevant subsidiaries, disposals effected by the management of the Issuer, such Guarantor or such subsidiary, after the opening of formal insolvency proceedings, are null and void by operation of law;
- if, during the final month preceding the date of filing for insolvency proceedings or thereafter, a creditor in the insolvency proceedings has acquired through execution (e.g., attachment) a security interest in part of the Issuer's, such Guarantor's or any of their relevant subsidiaries' property that would normally form part of the insolvency estate, such security becomes null and void by operation of law upon the opening of formal insolvency proceedings;
- claims against the Issuer, any Guarantor or any of their relevant subsidiaries may only be pursued in accordance with the rules set forth in the German Insolvency Code (*Insolvenzordnung*); and

- any person that has a right for separation (*Aussonderung*) (*i.e.*, the relevant asset of this person does not constitute part of the insolvency estate) does not participate in the insolvency proceedings; the claim for separation must be enforced in the course of ordinary court proceedings against the insolvency administrator.

All creditors, whether secured or unsecured (unless they have a right to separate an asset from the insolvency estate (*Aussonderungsrecht*)) as opposed to a preferential right (*Absonderungsrecht*), wishing to assert claims against the insolvent debtor need to participate in the insolvency proceedings. German insolvency proceedings are collective proceedings and creditors may generally no longer pursue their individual claims in the insolvency proceedings separately, but can instead only enforce them in compliance with the restrictions of the German Insolvency Code (*Insolvenzordnung*). Therefore, secured creditors are generally not entitled to enforce any security interest outside the insolvency proceedings. In the insolvency proceedings, however, secured creditors have certain preferential rights (*Absonderungsrechte*). Depending on the legal nature of the security interest entitlement to enforce such security is either vested with the secured creditor or the insolvency administrator. In this context, it should be noted that the insolvency administrator generally has the sole right to realize any movable assets in his, her or the debtor's possession which are subject to preferential rights (e.g., liens over movable assets (*Mobiliarsicherungsrechte*) or security transfer of title (*Sicherungsübereignung*)) as well as to collect any claims that are subject to security assignment agreements (*Sicherungsabtretungen*). If the enforcement right is vested with the insolvency administrator, the enforcement proceeds, less certain contributory charges for (i) assessing the value of the secured assets (*Feststellungskosten*) and (ii) realizing the secured assets (*Verwertungskosten*) which, in the aggregate, usually add up to 9% of the gross enforcement proceeds plus VAT (if any), are disbursed to the creditor holding a security interest in the relevant collateral up to an amount equal to its secured claims. With the remaining unencumbered assets of the debtor the insolvency administrator has to satisfy the creditors of the insolvency estate (*Massegläubiger*) first (including the costs of the insolvency proceedings as well as any preferred liabilities incurred by the insolvency estate after the opening of formal insolvency proceedings). Thereafter, all other claims (insolvency claims (*Insolvenzforderungen*)), particularly claims of unsecured creditors, will be satisfied on a pro rata basis if and to the extent there is cash remaining in the insolvent estate (*Insolvenzmasse*) after the security interest and the preferential claims against the estate have been settled and paid in full.

The right of a creditor to preferred satisfaction (*Absonderungsrecht*) may not necessarily prevent the insolvency administrator from using a movable asset that is subject to this right. The insolvency administrator must, however, compensate the creditor for any loss of value resulting from such use.

Other than secured and unsecured creditors, German insolvency law provides for certain creditors to be subordinated by law (including, but not limited to, claims made by shareholders (unless privileged) of the relevant debtor for the return of funds or the payment of a consideration), while claims of a person who become a creditor of the insolvency estate only after the opening of insolvency proceedings (*Massegläubiger*) generally rank senior to the claims of regular, unsecured creditors. Claims of subordinated creditors in the insolvency proceedings (*nachrangige Insolvenzgläubiger*) are satisfied only after the claims of other unsubordinated creditors (including the unsecured insolvency claims) have been fully satisfied.

The insolvency estate shall serve to satisfy the liquidated claims held by the personal creditors against the debtor on the date the insolvency proceedings were opened. The following claims shall be satisfied ranking below the other claims of insolvency creditors in the order given herein, and in proportion to their amounts if ranking with equal status: (i) interest and penalty payments accrued on the claims of the insolvency creditors from the opening of the insolvency proceedings; (ii) costs incurred by individual insolvency creditors due to their participation in the proceedings; (iii) fines, regulatory fines, coercive fines and administrative fines, as well as such incidental legal consequences of a criminal or administrative offense binding the debtor to pay money; (iv) claims on the debtor's gratuitous performance of a consideration; and (v) claims for the restitution of shareholder loans (*Gesellschafterdarlehen*) or claims resulting from legal transactions corresponding in economic terms to such a loan.

While in ordinary insolvency proceedings the value of the Issuer's, any Guarantor's or any of their relevant subsidiaries' assets will be realized by a piecemeal sale or, as the case may be, by a bulk sale of such entity's business as a going concern, a different approach aimed at the rehabilitation of such entity can be taken based on an insolvency plan (*Insolvenzplan*). Such plan can be submitted by the debtor or the insolvency administrator and requires, among other things and subject to certain exceptions, the consent of the Issuer, such Guarantor or any of their relevant subsidiaries and the consent of each class of creditors in accordance with specific majority rules and the approval of the insolvency court (while a group of dissenting creditors or the debtor can—under certain circumstances—be crammed down). If the debtor is a limited liability company (*Gesellschaft mit beschränkter Haftung—GmbH*), the shares in the debtor can also be included in the insolvency plan, e.g., they can be transferred to third parties, including a transfer to creditors based on a debt-to-equity swap. Moreover, if the debtor has filed a petition for the opening of insolvency proceedings based on an insolvency reason other than illiquidity (*i.e.*, imminent illiquidity or over-indebtedness), combined with a petition to initiate such process based on debtor-in-possession status and can prove that a restructuring of its business is not obviously futile, the court may grant a period of up to three months to utilize an insolvency plan for the debtor business (*Schutzschirm*). During this period, the creditors' rights to enforce security may—upon application of the filing debtor—be suspended. Under these circumstances, the insolvency court must appoint a custodian (*Sachwalter*) to supervise the process. The debtor is entitled to suggest an individual to be appointed as custodian with such suggestion being binding on the insolvency court unless the suggested person is obviously not eligible to become a custodian (*i.e.*, is obviously not competent or impartial).

Under the German Insolvency Code, the insolvency administrator (or in case of debtor-in-possession proceedings, the custodian) may void (*anfechten*) transactions, performances or other acts that are deemed detrimental to insolvency creditors and which were effected prior to the commencement of formal insolvency proceedings during applicable voidable periods. Generally, if transactions, performances or other acts are successfully voided by the insolvency administrator, any amounts or other benefits derived from such challenged transaction, performance or act will have to be returned to the insolvency estate. The administrator's right to void transactions can, depending on the circumstances, extend to transactions having occurred up to ten years prior to the filing for the commencement of insolvency proceedings. In the event of insolvency proceedings with respect to the Issuer, any Guarantor or any of their relevant subsidiaries based on and governed by the insolvency laws of Germany, the payment of any amounts to the holders of the Notes as well as the granting of collateral for or providing credit support for the benefit of the Notes could be subject to potential challenges (*i.e.*, clawback rights) by an insolvency administrator under the rules of voidness as set forth in the German Insolvency Code (*Insolvenzordnung*).

In particular, an act (*Rechtshandlung*) or a legal transaction (*Rechtsgeschäft*) (which term includes the granting of a guarantee, the provision of security and the payment of debt) detrimental to the creditors of the debtor may be voided according to the German Insolvency Code (*Insolvenzordnung*) in the following cases:

- any act granting an insolvency creditor, or enabling an insolvency creditor to obtain, security or satisfaction (*Befriedigung*) if such act was taken (i) during the last three months prior to the filing of the petition for the opening of insolvency proceedings, provided that the debtor was illiquid (*zahlungsunfähig*) at the time such act was taken and the creditor knew of such illiquidity (or of circumstances that clearly suggest that the debtor was illiquid) at such time, or (ii) after the filing of the petition for the opening of insolvency proceedings, if the creditor knew of the debtor's illiquidity or the filing of such petition (or of circumstances that clearly suggest such illiquidity or filing);

- any act granting an insolvency creditor, or enabling an insolvency creditor to obtain, security or satisfaction (*Befriedigung*) to which such creditor was not entitled, or which was granted or obtained in a form or at a time to which or at which such creditor was not entitled to such security or satisfaction, if (i) such act was taken during the last month prior to the filing of the petition for the opening of insolvency proceedings or after such filing, (ii) such act was taken during the second or third month prior to the filing of the petition and the debtor was illiquid at such time or (iii) such act was taken during the second or third month prior to the filing of the petition for the opening of insolvency proceedings and the creditor knew at the time such act was taken that such act was detrimental to the other insolvency creditors (or had acknowledge of circumstances that clearly suggest such detrimental effect);

- a legal transaction by the debtor that is directly detrimental to the insolvency creditors or by which the debtor loses a right or the ability to enforce a right or by which a proprietary claim against a debtor is obtained or becomes enforceable, if it was entered into (i) during the three months prior to the filing of the petition for the opening of insolvency proceedings and the debtor was illiquid at the time of such transaction and the counterparty to such transaction knew of the illiquidity at such time or (ii) after the filing of the petition for the opening of insolvency proceedings and the counterparty to such transaction knew either of the debtor's illiquidity or of such filing at the time of the transaction;

- any act by the debtor without (adequate) consideration (e.g., whereby a debtor grants security for a third-party debt, which might be regarded as having been granted gratuitously (*unentgeltlich*)), if it was effected in the four years prior to the filing of the petition for the opening of insolvency proceedings;
- any act performed by the debtor during the ten years prior to the filing of the petition for the opening of insolvency proceedings or at any time after the filing, if the debtor acted with the intention of prejudicing its insolvency creditors (*vorsätzliche Gläubigerbenachteiligung*) and the other party knew of such intention at the time of such act;
- any non-gratuitous contract concluded between the debtor and an affiliated party that directly operates to the detriment of the creditors can be voided unless such contract was concluded earlier than two years prior to the filing of the petition for the opening of insolvency proceedings or the other party had no knowledge of the debtor's intention to disadvantage its creditors as of the time the contract was concluded; in relation to corporate entities, the term "affiliated party" includes, subject to certain limitations, members of the management or supervisory board, general partners and shareholders owning more than 25% of the debtor's share capital, persons or companies holding comparable positions that give them access to information about the economic situation of the debtor, and other persons who are spouses, relatives or members of the household of any of the foregoing persons;
- any act that provides security or satisfaction (*Befriedigung*) for a shareholder loan made to the debtor or a similar claim if (i) in the case of the provision of security, the act took place during the ten years prior to the filing of the petition for the opening of insolvency proceedings or after the filing of such petition or (ii) in the case of satisfaction, the act took place during the last year prior to the filing of the petition for the opening of the insolvency proceedings or after the filing of such petition; or
- any act whereby the debtor grants satisfaction for a loan claim or an economically equivalent claim to a third party if (i) the satisfaction was effected in the last year prior to the filing of a petition for the opening of insolvency proceedings or thereafter, and (ii) a shareholder of the debtor had granted security or was liable as a guarantor or surety (*Garant oder Bürge*) (in which case the shareholder must compensate the debtor for the amounts paid (subject to further conditions)).

In this context, "knowledge" is generally deemed to exist if the other party is aware of the facts from which the conclusion must be drawn that the debtor was unable to pay its debts generally as they fell due, that a petition for the opening of insolvency proceedings had been filed, or that the act was detrimental to, or intended to prejudice, the insolvency creditors, as the case may be. A person deemed to have knowledge of the debtor's intention to prejudice the insolvency creditors if he or she knew of the debtor's imminent illiquidity and that the transaction prejudiced the debtor's creditors. With respect to a "affiliated party," there is a general statutory presumption that such party had "knowledge."

The granting of security concurrently with the incurrence of debt may be qualified as a "cash transaction" and may as such be privileged—under certain circumstances—under the German Insolvency Code (*Insolvenzordnung*) (*Bargeschäftsprivileg*) by not being subject to voidness rights.

Apart from the examples of an insolvency administrator voiding transactions according to the German Insolvency Code (*Insolvenzordnung*) described above, a creditor who has obtained an enforcement order (*Vollstreckungstitel*) could possibly also void any security right or payment performed under the relevant security right according to the German Law of Voidness (*Anfechtungsgesetz*) outside formal insolvency proceedings. The prerequisites vary to a certain extent from the rules described above and the voidable periods are calculated from the date a creditor exercises its rights of voidness in the courts.

United Kingdom

Certain of the Guarantors are incorporated in England and Wales. Provided these companies (each an "**English Guarantor**") conduct their business and the administration of their interests on a regular basis in and from England and Wales, an English court should conclude that the English Guarantors have their center of main interests, within the meaning of the EU Insolvency Regulation, in England. On this basis, "main insolvency proceedings" (within the meaning of article 3(1) of the EU Insolvency Regulation) in respect of an English Guarantor may only be commenced in England.

Applicable insolvency proceedings: administration and liquidation

For these purposes, the applicable insolvency regimes under English law are administration and liquidation. Administration is a flexible procedure the primary purpose of which is the rescue of the company as going concern although if that does not prove possible, the procedure can be converted to a form of winding up. In contrast, liquidation will result in the winding up of the company. The English legal regime (which is principally set out in the Insolvency Act 1986 (the "**UK Insolvency Act**")) that would apply in the event of any insolvency proceedings of a English Guarantor may not be as favourable to creditors as the insolvency laws of other jurisdictions with which creditors may be more familiar.

Formal insolvency proceedings under the laws of England and Wales may be initiated in a number of ways. The company or a creditor may apply to court for the making of an administration order in respect of the company or the company itself or certain secured creditors may appoint an administrator to the company using an out of court process. As the English Guarantors have not granted any security to or for the benefit of the Noteholders, the out of court appointment process will not be available to the Noteholders. Liquidation proceedings can be opened by a creditor filing a petition to wind up the company or the company's resolving to do so in a general meeting of shareholders. A company may be wound up if it is unable to pay its debts, and may be placed into administration if it is, or is likely to become, unable to pay its debts, and the administration is reasonably likely to achieve one of three statutory purposes. A company is unable to pay its debts if it is insolvent either on a "cash-flow" or "balance-sheet" basis. In broad terms, a company is cash-flow insolvent if it is unable to pay its debts as they fall due; a company is balance-sheet insolvent if the value of its assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities.

The administration of a company must achieve one of the following statutory objectives: (i) the rescue of the company (as distinct from the business carried on by the company) as a going concern (the primary objective); (ii) the achievement of a better result for the company's creditors as a whole than would be likely if the company were wound up (without first being in administration) (the second objective); or (iii) the realization of some or all of the company's property to make a distribution to one or more secured or preferential creditors (the third objective). An administrator must attempt to achieve the statutory objective of the administration process in the order set out above: unless he thinks either that it is not reasonably practicable to achieve the primary objective, or that the secondary objective would achieve a better result for the company's creditors as a whole, he must try to achieve the primary objective. Moreover, the administrator cannot pursue the third objective unless he thinks that it is not reasonably practicable to achieve either the first objective or the second objective and that it will not unnecessarily harm the interests of the creditors of the company as a whole to pursue the third objective.

Liquidation is a company dissolution procedure under which the assets of the company are realized and distributed by the liquidator to creditors in the statutory order of priority prescribed by the UK Insolvency Act. At the end of the liquidation process, the company will be dissolved.

For the holders of the Notes, indirectly benefiting from the guarantees granted by the English Guarantors, the most important consequences of the opening of formal insolvency proceedings in England and Wales against any English Guarantor would be that:

- the appointed insolvency practitioner (an administrator or liquidator) would have the right to administer and dispose of the assets of such English Guarantor as the representative of the insolvent estate;
- in certain circumstances, an administrator or a liquidator will have powers to challenge the guarantees granted by the English Guarantors and potentially certain intercompany obligations entered into by the English Guarantors; and

- in general terms, the Noteholders could only pursue their claims against the English Guarantor in accordance with the provisions in the Insolvency Act and the Insolvency Rules 1986, as amended.

The principal factors to be aware of are as follows.

Stay on proceedings

Broadly speaking, an interim moratorium comes into effect when an application for an administration order (in the case of court appointment) or a notice of intention to appoint an administrator is made and, when an administrator is appointed, a full statutory moratorium applies. Whilst there are a few exceptions, save where the court or the administrator consents, that moratorium prevents creditors taking any action against the company to recover their debts including, among other things, commencing or continuing any legal process against the company, winding up the company, enforcing security or repossessing goods in the company's possession under a hire purchase or similar agreement.

Equally, the court's making of an order for the winding-up of an English company brings into effect a stay on the commencement or continuation of any court proceedings against it (although security enforcement is not stayed). Where a liquidation is commenced by the shareholders of an English company, the liquidator will usually apply to court for a stay on the continuation of any on-going legal proceedings. Again though, creditors' right to enforce their security is not affected.

Foreign Currency

Under English insolvency law, where a company either (i) goes into liquidation or (ii) enters into administration and is subject to a winding up within the administration because a rescue is not possible, any debt of a company payable in a currency other than pounds sterling (such as euros in the case of the Notes) must be converted into pounds sterling at the "official exchange rate" prevailing at the date when the company went into liquidation or administration. This provision overrides any agreement between the parties. The "official exchange rate" for these purposes is the middle market rate in the London Foreign Exchange Market at close of business as published for the date in question or, if no such rate is published, such rate as the court determines. Accordingly, in the event that an English Guarantor goes into liquidation or administration, holders of the Notes may be subject to exchange rate risk between the date that such English company went into liquidation or administration and receipt of any amounts to which such holders of the Notes may become entitled.

Challenges to Guarantees

There are circumstances under English insolvency law in which the granting by an English company of a guarantee can be challenged. In most cases this will only arise if an administrator or liquidator is appointed to the company within a specified period (as set forth in more detail below) of the granting of the guarantee and, in addition, if the company was "unable to pay its debts" when the guarantee was granted or became "unable to pay its debts" as a result of granting the guarantee. A company will be "unable to pay its debts" if a statutory demand for over £750 is served on the company and remains unsatisfied for three weeks, or any execution against or other court process issued in respect of a court judgment debt in favour of a creditor is returned unsatisfied in whole or in part, or it is proved to the court's satisfaction that the company is not able to pay its debts as they fall due or that the value of the company's assets is less than the amount of its liabilities (taking into account its contingent and prospective liabilities). If the guarantee granted by an English Guarantor is challenged under the laws of England and Wales, and the court makes certain findings (as described further below), the court may:

- avoid or invalidate all or a portion of an English Guarantor's obligations under the guarantee provided by it;
- direct that the holders of the Notes return any amounts paid to them by an English Guarantor under the relevant guarantee, either directly to the relevant English Notes Guarantor or to a fund for the benefit of the English Guarantor's creditors generally; and/or
- take other action that may be detrimental to the holders of the Notes.

The following potential grounds of challenge may apply to the guarantees given by the English Guarantors under the UK Insolvency Act:

Transaction at an Undervalue

Under English insolvency law, a liquidator or administrator of a company could apply to the court for an order to set aside a guarantee granted by the company (or give other relief) on the grounds that the creation of such guarantee constituted a transaction at an undervalue. The grant of a guarantee will only be a transaction at an undervalue if the company either receives no consideration in return for the guarantee or receives consideration of significantly less value, in money or money's worth, than the consideration given by it. For a challenge to be made, the guarantee must be granted within a period of two years ending with the onset of the company's insolvency (as defined in section 240 of the U.K. Insolvency Act). The onset of insolvency is the date on which the first of the following occurs: an administrator is appointed, an application for an administration order is made to court, notice of intention to appoint an administrator through an out of court process is filed at court, a winding up petition is presented at court or a shareholders' resolution to wind up is passed. In addition the company must either be "unable to pay its debts" when it grants the guarantee or become "unable to pay its debts" as a result. Even if these tests are satisfied, a court will still not generally make an order in respect of a transaction at an undervalue if it is satisfied that the company entered into the transaction in good faith and for the purpose of carrying on its business and that, at the time it did so, there were reasonable grounds for believing the transaction would benefit the company. Subject to this, if the court determines that the transaction was a transaction at an undervalue, it can make such order as it thinks fit to restore the position to what it would have been if the transaction had not been entered into (which could include reducing payments under the relevant guarantee or setting it aside). In any challenge proceedings, it is for the administrator or liquidator to demonstrate that the English company was unable to pay its debts unless a beneficiary of the transaction is a "connected person" of the English company (as defined in the U.K. Insolvency Act), in which case there is a presumption the company was unable to pay its debts at the relevant time and the connected person must demonstrate the company was in fact solvent.

Preference

Under English insolvency law, a liquidator or administrator of a company could apply to the court for an order to set aside a guarantee granted by such company (or give other relief) on the grounds such guarantee constituted a preference. The grant of a guarantee will be a preference if it has the effect of placing a creditor (or a surety or guarantor of the company) in a better position in the event of the company's insolvent liquidation than if the guarantee had not been granted. The company must either have been unable to pay its debts at the time of the transaction or become so unable as a result of the transaction. A challenge can only be made if the guarantee was granted within the period of (i) six months ending with the onset of insolvency (as defined in section 240 of the U.K. Insolvency Act—see above) if the beneficiary of the guarantee is not a connected person or (ii) if the beneficiary is a connected person of the English company, two years ending with the onset of insolvency. A court should not make an order that a preference has been granted unless it is satisfied the company was influenced in deciding to enter into the relevant transaction by a desire to put the relevant creditor in a better position in the event of its liquidation. Case law suggests there must be a desire to prefer one creditor over another and not just other commercial motives even if they had the inevitable result of producing the better position. Moreover, a company can only grant a preference to an existing creditor. If the Noteholders only become creditors of the English Guarantors at the same time as they subscribe for the Notes and become creditors of the Issuer and it is a condition of their subscribing for the Notes that such guarantees are granted, it is very unlikely that any question of preference should arise. Subject to this, if the court determines that the transaction was a preference, it can make such order as it thinks fit to restore the position to what it would have been if that preference had not been given (which could include reducing payments under the guarantees or setting them aside). In any proceedings, it is for the administrator or liquidator to demonstrate that the English company was unable to pay its debts and that the company was influenced by a desire to produce the preferential effect, unless the beneficiary of the transaction was a connected person, in which case there is a presumption that the company was influenced by a desire to produce the preferential effect and the connected person must demonstrate in such proceedings that there was in fact no such influence.

Transaction Defrauding Creditors

Under English insolvency law, a liquidator or an administrator of a company, or a person who is a victim of the relevant transaction, could apply to the court for an order to set aside a guarantee on the grounds the guarantee was a transaction defrauding creditors. A transaction will constitute a transaction defrauding creditors if it satisfies the criteria for being a transaction at an undervalue (see above) and the court is satisfied that the substantial purpose of the company in entering into the transaction was to put assets beyond the reach of actual or potential claimants against the company or to prejudice the interests of such persons in relation to their claim. If the court determines the transaction was a transaction defrauding creditors, it may make such order as it sees fit to restore the position to what it was prior to the transaction or protect the victims of the transaction (including reducing payments under the guarantee or setting it aside) but the court has discretion not to make such an order if it would prejudice a third party to the relevant transaction that acted in good faith, for value and without notice of the relevant circumstances. Any "victim" of the transaction may (with the leave of the court if the company is in liquidation or administration) apply to court under this provision and not just the liquidator or administrator of the relevant company. There is no time limit in the English insolvency legislation within which the company must enter insolvency proceedings for this ground of challenge to be available (although general statutory limitation periods will apply) and the relevant company does not need to be unable to pay its debts at the time or as result of the relevant transaction for a challenge under this head of claim to be made out.

Dispositions after Winding-Up

Any disposition of an English company's property which is made after the compulsory winding-up of the company has commenced is void, unless the court orders otherwise. The compulsory winding-up of a company is deemed to start when a winding-up petition is presented by a creditor against the company, rather than the date on which the court makes the winding-up order (if any).

Priority of claims in UK insolvency proceedings

In the liquidation of any English Guarantor or its administration where such proceedings have been converted into a form of winding up because a rescue is not possible, the insolvent company's assets will be realized and distributed to its creditors. Creditors are placed into different classes and, with the exceptions and adjustments noted below, the proceeds from the realization of the insolvent company's property applied in a descending order of priority, as set out below. With the exception of the prescribed part (see below), distributions cannot be made to a class of creditors until the claims of the creditors in a prior ranking class have been repaid in full. Distributions are made on a *pari passu* basis, that is, the cash is distributed in proportion to the debts due to each creditor within a class.

The general priority of claims on insolvency is as follows (in descending order of priority):

- *First ranking claims*: holders of fixed charge security and creditors with a proprietary interest in specific assets in the possession (but not full legal and beneficial ownership) of the company but only to the extent of the realisations from those secured assets or with respect to the value of the asset in which they have a proprietary interest.
- *Second ranking claims*: expenses of the insolvent estate incurred during the relevant insolvency proceedings (there is a further statutory order of priority setting out the order in which those expenses are paid);
- *Third ranking claims*: preferential creditors. Preferential debts include (but are not limited to) debts owed by the insolvent company in relation to: (i) contributions to employees' occupational and state pension schemes; (ii) wages and salaries of employees for work done in the four months before the insolvency date, up to a maximum of c.£800 per person; and (iii) holiday pay due to any employee whose contract has been terminated, whether the termination takes place before or after the insolvency date;
- *Fourth ranking claims*: holders of floating charge security to the extent of the realizations from those secured assets, according to the priority of their security. However, before distributing such asset realizations to the holders of floating charges, the prescribed part must be set aside for distribution to unsecured creditors (see "Prescribed Part" below);
- *Fifth ranking claims*: general unsecured creditors. In addition, any secured creditor not repaid in full from the realization of assets subject to its security can also claim the remaining debt due to it (a shortfall) from the insolvent estate as an unsecured claim;

- *Sixth ranking claims*: subordinated creditors. Creditors whose claims are subordinated to the payment of all of the company's other creditors.
- *Seventh ranking claims*: shareholders. If after the repayment of all unsecured creditors in full, any remaining funds exist, these will be distributed to the shareholders of the insolvent company.

Prescribed Part

An administrator or liquidator of an insolvent company will be required to ring-fence a certain percentage of the proceeds of enforcement of assets subject to floating charge security for the benefit of the company's unsecured creditors (the "**Prescribed Part**"). Under current law, this applies to 50% of the first £10,000 of floating charge realizations and 20% of the remainder over £10,000, and the Prescribed Part is subject to a maximum aggregate cap of £600,000. The Prescribed Part must be made available to unsecured creditors unless the cost of doing so would be disproportionate to the resulting benefit to creditors. The Prescribed Part will not be available to satisfy any shortfall claims of secured creditors.

Netherlands

One of the Guarantors, TUI Nederland N.V., is incorporated under the laws of the Netherlands (the "**Dutch Guarantor**"). Accordingly, where the Dutch Guarantor has its "center of main interests" or an "establishment in the Netherlands", it may be subject to Dutch insolvency proceedings governed by Dutch insolvency laws, subject to certain exceptions as provided for in the EU Insolvency Regulation (no. 1346/2000/EC).

There are two applicable corporate insolvency regimes under Dutch law: (a) moratorium of payments (*surseance van betaling*), which is intended to facilitate the reorganization of a debtor's debts and enable the debtor to continue as a going concern, and (b) bankruptcy (*faillissement*), which is primarily designed to liquidate and distribute the debtor's assets to its creditors. Bankruptcy is the most commonly used insolvency regime and may result in the transfer of parts of the company as a going concern. A moratorium of payments almost always results in the debtor's bankruptcy. Both insolvency regimes are set forth in the Dutch Bankruptcy Act (*Faillissementswet*).

Only the debtor can make an application for a moratorium of payments, and only if it foresees that it will be unable to continue to pay its payable debts. Once the application has been filed, a court will immediately (*dadelijk*) grant a provisional moratorium of payments and appoint one or more administrators (*bewindvoerders*). A meeting of creditors is required to decide on the definitive moratorium of payments, but it will generally be granted, unless a qualified minority (*i.e.*, more than one- quarter of the amount of claims held by creditors represented at the creditors' meeting or more than one-third of the number of creditors of the amount of claims held by creditors) of the unsecured, non-preferential, creditors declare against it or if there is a valid fear that the debtor will try to prejudice the creditors during a moratorium of payments or if there is no prospect that the debtor will be able to satisfy its creditors in the (near) future. A moratorium of payments will only affect unsecured, non-preferential creditors.

Under Dutch law, a debtor can be declared bankrupt when it has ceased to pay its debts. Bankruptcy can be requested by a creditor of a claim when there is at least one other creditor. At least one of the claims (of the creditor requesting bankruptcy or the other creditor) needs to be due and payable. The debtor can also request the application of bankruptcy proceedings itself. Furthermore, the Public Prosecution Service (*het Openbaar Ministerie*) can request the application of bankruptcy proceedings for reasons of public interest (*openbaar belang*). In Dutch bankruptcy proceedings, a debtor's assets are generally liquidated and the proceeds distributed to the debtor's creditors according to the relative priority of those creditors' claims and, to the extent certain creditors' claims have equal priority, in proportion to the amount of such claims. Certain parties, such as secured creditors, will benefit from special rights. Secured creditors, such as pledgees and mortgagees, may enforce their rights separately from a moratorium of payments or bankruptcy and do not have to contribute to the liquidation costs; however, enforcement of the security interest might be subject to the following: (a) a statutory stay of execution of up to two months extendable by another period of up to two months imposed by court order pursuant to articles 63a of the Dutch Bankruptcy Act (*Faillissementswet*); (b) a receiver (curator) can force a secured party to foreclose its security interest within a reasonable time (as determined by the receiver pursuant to Article 58(1) of the Dutch Bankruptcy Act), failing which the receiver will be entitled to sell the relevant rights or assets and distribute the proceeds to the secured party after a deduction of liquidation costs; and (c) excess proceeds of enforcement must be returned to the company's receiver and may not be offset against an unsecured claim of the company's secured creditor.

Unlike Chapter 11 proceedings under U.S. bankruptcy law, where both secured and unsecured creditors are generally barred from seeking to recover on their claims, moratorium of payment and bankruptcy proceedings against the Dutch Guarantor would allow secured creditors (and in case of suspension of payments also preferential creditors (including tax and social security authorities)) to satisfy their claims by proceeding against the assets (that secure their claims) as if there were no bankruptcy or moratorium of payments. However, a statutory stay of execution of up to two months, extendable by another period of up to two months, may be declared applicable. Furthermore, certain preferred creditors have a preference by virtue of law. Unlike secured creditors, preferred creditors are not entitled to foreclose on assets of the bankrupt. They do have priority in the distribution of the proceeds of the bankrupt's assets.

A receiver in bankruptcy can force a secured creditor to enforce its security interest within a reasonable period of time. If such time is not met, the receiver will be entitled to sell the secured assets, if any, and the secured creditor will have a preferred claim in respect of the proceeds, meaning that the secured creditor will have to share in the bankruptcy costs, which may be significant. Excess proceeds of any enforcement must be returned to the bankrupt estate; they may not be set-off against an unsecured claim of the secured creditor. Such set-off may be allowed prior to the bankruptcy, although at that time it may be subject to claw-back in the case of fraudulent conveyance or bad faith in obtaining the claim used for set-off.

Any pending executions of judgments against the debtor will be suspended by operation of law when moratorium of payments is granted and terminate by operation of law when bankruptcy is declared. In addition, all attachments on the debtor's assets will cease to have effect upon the moratorium of payments having become definitive, a composition having been ratified by the court or the declaration of bankruptcy (as the case may be) subject to the ability of the court to set an earlier date for such termination. Litigation pending on the date of the bankruptcy order is automatically stayed.

Both in a definitive moratorium of payments and bankruptcy, a composition (*akkoord*) may be offered to creditors. A composition will be binding for all unsecured and non-preferential creditors if it is: (i) approved by a simple majority (*gewone meerderheid*) of the number of creditors represented at the creditors' meeting, representing at least 50% of the amount of the claims that are acknowledged and conditionally admitted, and (ii) subsequently ratified (*gehomologeerd*) by the court. Consequently, Dutch insolvency law could preclude or inhibit the ability of creditors to effect a restructuring and could reduce the recovery of a creditor in a Dutch moratorium of payments proceeding or bankruptcy. Interest accruing after the date on which a moratorium of payments or bankruptcy is granted, cannot be claimed in a composition.

All unsecured, pre-bankruptcy claims will have to be verified in the insolvency proceedings in order to be entitled to vote and, in a bankruptcy liquidation, to be entitled to distributions. "Verification" under Dutch law means, in the case of a moratorium of payments, that the treatment of a disputed claim for voting purposes is determined and, in the case of a bankruptcy, the unsecured, pre-bankruptcy claims are submitted to a receiver for verification, and the receiver then makes a determination as to the claim's existence, ranking and value and whether and to what extent it should be admitted in the bankruptcy proceedings (for voting). In the situation of bankruptcy, creditors that wish to dispute the receiver's verification of their claims will be referred to a claim validation proceeding (*renvooiprocedure*) in order to establish the amount and rank of the disputed claim, while in moratorium of payments the court will decide how a disputed claim will be treated for voting purposes. These procedures could cause creditors to recover less than the principal amount of their claims or less than they could recover in a U.S. liquidation proceeding. The claim validation proceedings could also cause payments to the creditors to be delayed. Interest accruing after the bankruptcy order date cannot be admitted unless secured by a pledge or mortgage, in which case interest will be admitted *pro memoria*. To the extent that an interest is not covered by the proceeds of the security, the creditor may not derive any rights from the admission. No interest is payable in respect of unsecured claims as of the date of a bankruptcy.

Sweden

Insolvency proceedings under Swedish law

Under Swedish law, a debtor company may be subject to one of two types of insolvency proceedings, bankruptcy pursuant to the Swedish Bankruptcy Act (1987:672), as amended (the "**Swedish Bankruptcy Act**"), and reorganization pursuant to the Swedish Company Reorganization Act (1996:764), as amended (the "**Swedish Reorganization Act**").

In addition, a Swedish party will in principle be subject to insolvency proceedings covered by the EU Insolvency Regulation if it has its center of main interest in Sweden. With regard to a party incorporated under the laws of Sweden any insolvency proceedings applicable to such party including any and all of its assets (in Sweden and abroad) will, as a starting point and by virtue of Article 4 of the EU Insolvency Regulation, be governed by Swedish insolvency law (*lex concursus*).

The insolvency laws of Sweden may not be as favorable to creditors as the insolvency laws of other jurisdictions, including, *inter alia*, the priority of creditors, the ability to obtain post-petition interest as well as security interests and the duration of the insolvency proceedings. Hence, Swedish law may limit the ability of creditors to recover payments due on the Notes to an extent exceeding the limitations arising under the laws of other jurisdictions. The following sections include a brief and limited description of certain aspects of the insolvency laws of Sweden.

Bankruptcy pursuant to the Swedish Bankruptcy Act

General

Pursuant to the Swedish Bankruptcy Act, if a company is unable to rightfully pay its debts as they fall due and such inability is not merely temporary, it is deemed insolvent and can be declared bankrupt following a bankruptcy petition filed with the court by the debtor or by a creditor of the debtor.

When declared bankrupt, a receiver in bankruptcy (*Sw. konkursförvaltare*) is appointed by the court and will work in the interest of all creditors with the objective of realizing the debtor's assets and distributing the proceeds among the creditors. The purpose of bankruptcy proceedings is to wind up the company in such a way that the company's creditors receive as high a proportion of their claims as possible. The receiver in bankruptcy is required to safeguard the assets and can decide to continue the business or to close it down, depending on what is deemed preferable for all the creditors. In general, the receiver in bankruptcy is required to sell the assets of the debtor as soon as possible and to distribute the proceeds in accordance with statutory rules. In the interim, the receiver will take over the management and control of the company and the company's directors and/or managing director will no longer be entitled to represent the company or dispose of the company's assets. All creditors (unless they have a right to separate an asset from the bankruptcy estate) wishing to assert claims against the company that is declared bankrupt need to participate in the bankruptcy proceedings.

Order of Priorities

When distributing the proceeds, the receiver must follow the mandatory provisions of the Swedish Rights of Priority Act (1970:979), as amended (the "**Swedish Rights of Priority Act**"), which states the order in which creditors have a right to be paid. As a general principle, in bankruptcy proceedings competing claims have equal right to payment, in relation to the size of the amount claimed, from the debtor's assets. However, preferential or secured creditors, where such preference follows by law, have the benefit of payment before other creditors. There are two types of preferential rights: specific and general preferential rights. Specific preferential rights are vested in certain specific property and give the creditor right to payment out of such property. Such preferential and secured creditors may also under certain circumstances enforce the security in accordance with the Swedish Enforcement Act (*Utsökningsbalken (1981:774)*), or if the security is provided by way of a pledge on movable assets (*handpanträtt*), enforcement through private enforcement procedures as permitted pursuant to the Swedish Bankruptcy Act. General preferential rights cover all property belonging to the insolvent company's estate in bankruptcy, which is not covered by specific preferential rights. Claims that do not carry any of the abovementioned preferential rights or exceed the value of the security provided for such claim (to the extent of such excess), are non-preferential and are of equal standing as against each other.

Limitations on Enforceability due to the Swedish Reorganization Act

(i) General

The Swedish Reorganization Act provides companies facing economic difficulty with an opportunity to resolve these without being declared bankrupt. A petition for company reorganization may be presented by the debtor or a creditor of the debtor. Corporate reorganization proceedings may as a main rule continue for an initial period of three months from commencement but may, under certain conditions, be extended for up to one year.

(ii) Administrator

An administrator is appointed by the court and supervises the day-to-day activities and safeguards the interests of creditors. However, the debtor remains in full possession of the business except that, for important decisions such as paying a debt that has fallen due prior to the order of reorganization, granting security for a debt that arose prior to the order, undertaking new obligations or transferring, pledging or granting rights in respect of assets of a substantial value for the business, the consent of the administrator is required. However, the absence of such consent does not affect the validity of the transaction.

(iii) Reorganization Plan, Creditors Meeting and Creditor's Committee

Upon an order by the court under the Swedish Reorganization Act, the administrator must notify the creditors of the reorganization proceedings and will draw up a reorganization plan specifying the proposed action to be taken to resolve the debtor's problems. A creditors' meeting will be held at which the creditors will be given the opportunity to express their opinions as to whether the reorganization should continue. Upon the request of any of the creditors, the court shall appoint a creditors' committee of at most three persons. The administrator shall, if possible, consult with the creditors' committee prior to taking any important decisions.

(iv) Moratorium

The corporate reorganization proceedings do not have the effect of terminating contracts with the debtor and, during the reorganization procedure, the debtor's business activities continue as normal. However, the procedure includes a suspension of payments to creditors and the debtor cannot pay a debt that fell due prior to the order without the consent of the administrator and such consent may only be granted should there be exceptional reasons for doing so and any petition for bankruptcy in respect of the debtor will be stayed. A moratorium also applies to execution in respect of a claim or enforcement of security during corporate reorganization proceedings unless the security assets are in the physical possession of the secured creditor or any agent acting on behalf of such creditor.

The debtor may apply to the court requesting public composition proceedings (*offentligt ackord*), which means that the amount of a creditor's claim may be reduced. The proposal for a public composition must meet certain requirements such as that a sufficient proportion of the creditors which are allowed to vote, in respect of a sufficient proportion of the outstanding claims, vote in favor of such public composition. Creditors with set-off rights and secured creditors will not participate in the composition unless they wholly or partly waive their set-off rights or priority rights. Should the security not cover a secured creditor's full claim, the remaining claim will, however, be part of a composition. A creditors' meeting is convened to vote on the proposed composition. The public composition is a binding proceeding.

Challengeable Transactions

In Swedish bankruptcy and, if certain conditions are met, company reorganization proceedings, transactions can (in certain circumstances and subject to different time limits) be recovered. The goods or monies shall then be re-distributed to the bankruptcy estate or the company subject to company reorganization. Broadly, these transactions include, among others, where the debtor has conveyed property fraudulently or preferentially to one creditor to the detriment of one or more of its other creditors before the initiation of the relevant insolvency proceedings, created a new security interest, granted a guarantee or security that was either not stipulated at the time when the secured obligation arose or not perfected without delay after such time and the delay is not considered to be ordinary or paid a debt that is considerable compared to the value of the debtor's assets or which is made by using unusual means of payment.

In the majority of situations, a claim for recovery can be made concerning actions which were made during the three months preceding the commencement of the relevant insolvency proceedings, notably in relation to such granting of security where perfection is delayed. In certain situations longer time limits apply and in others there are no time limits. These include, among others, situations where the other party to an agreement or other arrangement is deemed to be a closely related party to the debtor, such as a subsidiary or parent company.

Foreign Currency

Swedish courts may award judgments in currencies other than Swedish kronor, but the judgment debtor has the right to pay judgment debt, even though denominated in a foreign currency, in Swedish kronor at the rate of exchange prevailing at the date of payment.

Limitations on Validity and Enforceability of Notes Guarantees

Germany

Any grant of a Notes Guarantee by a Guarantor will be subject to certain German capital maintenance rules of the German Act regarding Companies with Limited Liability (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung*) (the "*GmbHG*") if that Guarantor is incorporated in Germany in the legal form of a German limited liability company (*Gesellschaft mit beschränkter Haftung*—a "**GmbH**") or a German limited partnership with a German limited liability company as general partner (a "**GmbH & Co. KG**"). As a general rule, sections 30 and 31 of the GmbHG ("**Sections 30 and 31**") prohibit a GmbH from disbursing its assets to its shareholders to the extent that the amount of the GmbH's net assets (*i.e.*, assets minus liabilities and liability reserves)—or, in case of a GmbH & Co. KG, its general partner's net assets—is or would fall below the amount of its stated share capital (*Stammkapital*). Guarantees or security interests granted by a GmbH or a GmbH & Co. KG in order to guarantee liabilities of a direct or indirect parent or sister company are considered disbursements under Sections 30 and 31. Therefore, in order to enable German subsidiaries to grant guarantees and to provide security interests to secure liabilities of a direct or indirect parent or sister company without the risk of violating Sections 30 and 31 and to limit any potential personal liability of management, it is standard market practice for credit agreements, indentures, guarantees and security documents to contain so-called "limitation language" in relation to subsidiaries incorporated in Germany in the legal form of a GmbH or a GmbH & Co. KG. Pursuant to such "limitation language", the beneficiaries of the guarantees contractually agree to enforce the guarantees and security interests against the German subsidiary only if and to the extent that such enforcement does not result in the subsidiary's—or, in case of a GmbH & Co. KG, in the general partner's—net assets falling below, or increasing an existing shortfall of, its stated share capital.

Accordingly, as a matter of German corporate law, the documentation in relation to the Notes Guarantee, to the extent provided by a Guarantor incorporated in Germany in a relevant corporate form as described above, contains such contractual limitation language and such Notes Guarantees are limited in the manner described. This could lead to a situation in which the respective Notes Guarantee granted by such Guarantor cannot be enforced at all.

German capital maintenance rules are subject to evolving case law. We cannot assure you that future court rulings may not further limit the access of shareholders to assets of its subsidiaries constituted in the form of a GmbH or a GmbH & Co. KG, which can negatively affect the ability of the Issuer to make payment on the Notes or of the German Guarantor to make payments on the Notes Guarantee.

In addition, it cannot be ruled out that the case law of the German Federal Supreme Court regarding so-called "destructive interference" (*existenzvernichtender Eingriff*) (*i.e.*, a situation where a shareholder deprives a GmbH of the liquidity necessary for it to meet its own payment obligations) may be applied by courts with respect to the enforcement of a Notes Guarantee granted by a Guarantor. In such case, the amount of proceeds to be realized in an enforcement process may be reduced, even to zero. According to a decision of the German Federal Supreme Court (*Bundesgerichtshof*), a security agreement may be void due to tortious inducement of breach of contract if a creditor knows about the distressed financial situation of the debtor and anticipates that the debtor will only be able to grant collateral by disregarding the vital interests of its other business partners. It cannot be ruled out that German courts may apply this case law with respect to the granting of Notes Guarantee by any of the German Guarantors. Furthermore, the beneficiary of a transaction effecting a repayment of the stated share capital of such German Guarantor could become personally liable under exceptional circumstances. The German Federal Supreme Court (*Bundesgerichtshof*) ruled that this could be the case if, for example, the creditor were to act with the intention of detrimentally influencing the position of the other creditors of the debtor in violation of the legal principle of *bonos mores* (*Sittenwidrigkeit*). Such intention could be present if the beneficiary of the transaction was aware of any circumstances indicating that the grantor of the guarantee and/or collateral was close to collapse (*Zusammenbruch*), or had reason to enquire further with respect thereto.

United Kingdom

Independent of provisions of UK insolvency law, the grant of a guarantee by any of the English Guarantors in respect of the obligations of another group company must satisfy certain legal requirements. More specifically, such a transaction must be allowed by the respective company's memorandum and articles of association. To the extent that the above do not allow such an action, there is the risk that the grant of the guarantee can be found to be void and the respective creditor's rights unenforceable. Some comfort may be obtained for third parties if they are dealing with the company in good faith, however the relevant legislation is not without difficulties in its interpretation. Further, corporate benefit must be established for the company in question by virtue of entering into the proposed transaction. Section 172 of the Companies Act 2006 provides that a director must act in the way that he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. If the directors enter into a transaction where there is no or insufficient commercial benefit, they may be found as abusing their powers as directors and such a transaction may vulnerable to being set aside by a court.

Netherlands

Under Dutch law, the obligations of the Dutch Guarantor may be affected by (a) the standards of reasonableness and fairness (*maatstaven van redelijkheid en billijkheid*); (b) force majeure (*niet-toerekenbare tekortkoming*) and unforeseen circumstances (*onvoorziene omstandigheden*); and (c) the other general defenses available to debtors under Dutch law in respect of the validity, binding effect and enforceability of the guarantee. Other general defenses include claims that a guarantee should be avoided because it was entered into through undue influence (*misbruik van omstandigheden*), fraud *(bedrog*), duress (*bedreiging*) or error (*dwaling*). Other impeding factors include dissolution of contract (*ontbinding*) and set-off (*verrekening*).

The validity and enforceability of the obligations of the Dutch Guarantor under the guarantee may be successfully contested by the Dutch company (or its administrator (*bewindvoerder*) in suspension of payments or its receiver (*curator*) in bankruptcy) on the basis of an *ultra vires* claim, which will be successful if both (i) the obligations of the company do not fall within the scope of the objects clause as set out in the company's articles of association (*doeloverschrijding*) and (ii) the company's counterparty knew or ought to have known (without inquiry) of this fact. In determining whether a transaction is in furtherance of the objects and purposes of a Dutch company, a court will consider (i) the text of the objects clause in the company's articles of association and (ii) all relevant circumstances including whether the transaction is in the company's corporate interests (*vennootschappelijk belang*) and to its benefit and whether the company's subsistence is jeopardized by the transaction. The mere fact that a certain legal act (*rechtshandeling*) is explicitly reflected in a Dutch company's objects clause may not be conclusive evidence that such legal act is not *ultra vires.*

A guarantee granted by a Dutch company may be suspended or avoided by the Enterprise Chamber of the Court of Appeal in Amsterdam (*Ondernemingskamer van het Gerechtshof te Amsterdam*) on the motion of (i) one or more holders of shares (or depository receipts issued for shares) in the Dutch company who, solely or jointly, represent: (a) if the issued capital does not exceed €22.5 million, at least one-tenth of the issued capital or a nominal value of €225,000 or such less amount as may be provided by the articles of association of the Dutch company, or (b) if the issued capital exceeds €22.5 million, at least one percent of the issued capital or, if the shares (or depositary receipts) are admitted to trading on a regulated market or multilateral trading facility (or comparable system in a non-EEA member state), at least €20 million as at the end of the last trading date prior to the filing of the application, or such lesser amount as is provided in the articles of association, (ii) the Dutch company; (iii) the supervisory board, or (if the Dutch company has established a one-tier board) the non-executive directors, of the Dutch company; (iv) any person authorized to do so by the articles of association of the Dutch company or under an agreement with the Dutch company; or (v) the liquidator in bankruptcy in the event of the Dutch company's bankruptcy. A trade union and other entities entitled thereto in the articles of association of the relevant Dutch company may also submit a motion to the Enterprise Chamber for this purpose. The guarantee itself may further be upheld by the Enterprise Chamber, yet actual payment under it may be suspended or avoided.

Under Dutch law, any creditor of the Dutch Guarantor or its receiver (*curator*) may nullify the guarantee, or any other transaction or legal act entered into by the Dutch Guarantor in connection with the guarantee, under certain circumstances, if (i) the granting of the guarantee, or any other transaction or legal act entered into by the Dutch Guarantor in connection with the guarantee was conducted without prior existing legal obligation to do so (*onverplicht*), (ii) the creditor(s) concerned or, in the case of its/their bankruptcy, any creditor was prejudiced as a consequence of such transactions or legal act (irrespective of whether a creditor's claim arose prior to or after such transactions) and (iii) at the time of the granting of the guarantee, or any other transaction or legal act entered into by the Dutch Guarantor in connection with the guarantee was conducted, the Dutch Guarantor and, unless the transactions were conducted for no consideration (*om niet*), the counterparty knew or should have known that one or more of the entities' creditors (existing or future) would be prejudiced (*actio pauliana*). A receiver (*curator*) may nullify a transaction on behalf of and for the benefit of the joint insolvent debtor's creditors, and the burden of proof of the abovementioned elements of fraudulent conveyance in principle rests on the receiver. Knowledge of prejudice is however presumed by law for certain transactions performed within a "suspect period" of one year prior to an adjudication of bankruptcy. This is applicable for certain transactions only, the most important application being in cases where the obligations of the bankrupt materially exceed those of the other party, the satisfaction of existing obligations of the bankrupt which are not yet due, and acts between the bankrupt and its counterparty when the shares in both are held (indirectly) by the same shareholder or if the bankrupt and its counterparty are part of the same group of companies. The foregoing requirements for invoking fraudulent transfer provisions outside of a bankruptcy apply *mutatis mutandis* when invoking fraudulent transfer provisions during a bankruptcy. In addition, the receiver may challenge a transaction if it was conducted on the basis of a prior existing legal obligation to do so (*verplichte rechtshandeling*), if (i) the transaction was conducted at a time when the counterparty knew that a request for bankruptcy had been filed, or (ii) if such transaction was conducted as a result of deliberation between the debtor and the counterparty with a view to giving preference to the counterparty over the debtor's other creditors. Consequently, the validity of any such transactions conducted by a Dutch legal entity may be challenged and it is possible that such a challenge would be successful.

Under Dutch rules on financial assistance, a Dutch N.V. may not grant loans, provide security, give a price guarantee or otherwise bind itself, whether jointly and severally or otherwise with or for third parties with a view to the subscription or acquisition by third parties of shares in its share capital. This prohibition also applies to subsidiaries. It is generally assured that a transaction entered into in violation of these rules is null and void.

Belgium

The maximum amount payable by a Guarantor organized under the laws of Belgium shall not include any liability which would constitute unlawful financial assistance (as determined in Article 329 or Article 629 of the Belgian Company Code, or any similar provision) and shall in all circumstances be limited to an amount equal to the greater of the following amounts:

(1) any amounts (principal plus any accrued interest thereon, commissions costs and fees) directly made available to such Guarantor (including by way of the on-lending to such Guarantor of any amounts made available to the Issuer) and which have not yet been repaid by such Guarantor at the time of the enforcement of its Guarantee; or

(2) an amount equal to 90 per cent. of the Net Assets (as defined hereafter) of such Guarantor certified by its statutory auditor on the basis of the last audited accounts available at the time of the enforcement of its Guarantee.

For the purposes of this section only, "Net Assets" (*netto- actief*) of a Guarantor organized under the laws of Belgium shall have the meaning defined in Article 617 of the Belgian Company Code.

Sweden

Corporate Benefit Rules

If a Swedish limited liability company provides any guarantee without receiving sufficient corporate benefit in return, such guarantee will, according to the Swedish Companies Act (the "**Swedish Companies Act**"), in whole or in part, constitute a transfer of value from a Swedish limited liability company (a "**Swedish Company**") which would be unlawful if: (i) the Swedish Guarantor would lack cover for its unrestricted equity capital after such value transfer; or (ii) if it would not be considered prudent by the Swedish Guarantor to undertake the value transfer after having taken into consideration the equity requirements imposed by the nature, scope and risks relating to the Swedish Company's business or the Swedish Guarantor's need to strengthen its balance sheet, liquidity or financial position.

This could be the case if, at the time the guarantee for the obligations of a third party is provided, (i) the obligor of such obligation could be deemed unable to fulfill its obligation to indemnify the Swedish Guarantor's if the guarantee is utilised and/or (ii) a Swedish company provides any security interest or guarantee in respect of debt owed by a non-subsidiary of that Swedish company without receiving sufficient corporate benefit in return.

The guarantee to be provided by the Swedish Guarantor will be limited in accordance with the above restrictions relating to corporate benefit and are subject to limitation language limiting the liability of the Swedish Company thereunder if required by the abovementioned restrictions relating to distribution of assets.

Financial Assistance

The Swedish Companies Act also prohibits the Swedish Guarantor from providing a guarantee for a loan that is provided to facilitate the acquisition of shares in the Swedish Guarantor or any of its group companies (with the exception of its subsidiaries) and a Swedish limited liability company may not provide a guarantee or any security for the obligations of a parent or sister company, unless the parent company of the group, to which the company and such parent or sister company belongs, is domiciled within the EEA.

DESCRIPTION OF THE NOTES

TUI AG (the "**Issuer**") will issue €300,000,000 aggregate principal amount of 4.50% senior notes due 2019 (the "**Notes**") under an indenture (the "**Indenture**") to be dated the Issue Date and among, *inter alios*, the Issuer and Citibank, N.A., London Branch, as trustee (the "**Trustee**"). The Notes will not be registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**") and will be subject to certain transfer restrictions. Unless the context requires otherwise, references in the "Description of the Notes" to the Notes include the Notes and any additional Notes that are issued. In this "Description of the Notes." the term "Issuer" refers to TUI AG only and not to any of its Subsidiaries.

The obligations under the Notes will be senior obligations of the Issuer ranking *pari passu* among themselves and *pari passu* in right of payment to all existing and future senior indebtedness of the Issuer, unless such obligations have been accorded priority under mandatory provisions of statutory law.

The gross proceeds of the offering of the Notes sold on the Issue Date will be used as set forth in this Offering Memorandum under the caption "Use of Proceeds." Pending occurrence of the Scheme Effective Date and the satisfaction of certain other conditions as described under the caption "—Escrow of Proceeds; Special Mandatory Redemption." the Initial Purchasers will, concurrently with the closing of the offering of the Notes on the Issue Date, deposit the gross proceeds of this offering into an escrow account (the "**Escrow Account**") pursuant to the terms of an escrow agreement (the "**Escrow Agreement**"), dated as of the Issue Date, among the Issuer, the Trustee and Citibank, N.A., London Branch, as escrow agent (the "**Escrow Agent**"). The Escrow Account will not be pledged in favor of the Trustee. If the conditions to the release of the Escrow Deposit (as defined below), as more fully described below under the caption "—Escrow of Proceeds; Special Mandatory Redemption." have not been satisfied on or prior to the Escrow Longstop Date (as defined below), or upon the occurrence of certain other events, the Notes will be redeemed at a price equal to 100%, if redeemed on or before June 30, 2015, or 101%, if redeemed thereafter, of the aggregate initial issue price of the Notes, plus accrued and unpaid interest from the Issue Date to the Special Mandatory Redemption Date (as defined below) and Additional Amounts (as defined below), if any. See "—Escrow of Proceeds; Special Mandatory Redemption."

The following description is a summary of the material provisions of the Notes and the Indenture and is subject, and is qualified in its entirety by reference, to all of the provisions of the Notes and the Indenture, including the definitions of certain terms contained therein. We urge you to read the Indenture and the Notes because they, and not this description, define your rights as holders of the Notes. Copies of the Indenture and the Notes are available as set forth under "Listing and General Information." You can find the definitions of certain terms used in this description under the subheading "—Certain Definitions."

The Indenture will not be qualified under the U.S. Trust Indenture Act of 1939, as amended (the "**TIA**"). Consequently, the Holders generally will not be entitled to the protections provided under such TIA to holders of debt securities issued under a qualified indenture, including those requiring the Trustee to resign in the event of certain conflicts of interest and to inform the Holders of certain relationships between it and the Issuer.

GENERAL

The Notes

The Notes will:

- be general senior unsecured obligations of the Issuer;
- rank equally in right of payment to any existing and future unsubordinated Indebtedness of the Issuer;
- rank senior in right of payment to all existing and future Indebtedness of the Issuer that is subordinated to the Notes, if any;

- be effectively subordinated to the Issuer's existing and future secured Indebtedness to the extent of the value of the assets securing such Indebtedness, including any Indebtedness Incurred by the Issuer under Credit Facilities, the Existing Backstop Facility Agreement and Existing RCF Agreement; and
- be structurally subordinated to all existing and future Indebtedness of the Issuer's Subsidiaries that are not Guarantors.

The Notes Guarantees

As of the Issue Date, the Notes will not be guaranteed by any of the Issuer's Restricted Subsidiaries. In the future, certain Restricted Subsidiaries of the Issuer including the Future Guarantors as defined below may guarantee the Notes on a senior basis if and to the extent any of such Restricted Subsidiaries becomes a guarantor under the New RCF Agreement. See "—Certain Covenants—Future Notes Guarantees." Each Guarantor will guarantee the due and punctual payment of all amounts payable under the Notes, including principal, premium, if any, and interest payable under the Notes.

The Notes Guarantees will:

- be general senior unsecured obligations of the relevant Guarantor;
- rank equally in right of payment to any existing and future unsubordinated Indebtedness of such Guarantor, including any Indebtedness Incurred by such Guarantor under the New RCF Agreement;
- rank senior in right of payment to all existing and future Indebtedness of the Issuer that is subordinated to such Notes Guarantees, if any;
- be effectively subordinated to such Guarantor's existing and future secured Indebtedness to the extent of the value of the assets securing such Indebtedness; and
- be structurally subordinated to all existing and future Indebtedness of such Guarantor's Subsidiaries that are not also Guarantors.

Each such Notes Guarantee will be limited to recognize, *inter alios*, certain defenses generally available to guarantors (corporate benefit, financial assistance, capital maintenance, fraudulent preference or thin capitalization laws or regulations (or analogous restrictions) of any applicable jurisdiction) or other considerations under applicable law if and to the extent agreed in accordance with the agreed guarantee principles under the New RCF Agreement. See "Risk Factors—Risks Relating to the Notes and the Notes Guarantees—Each Notes Guarantee will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability" and "Certain Insolvency Law Considerations and Limitations on Validity and Enforceability of Notes Guarantees."

A Guarantor's Notes Guarantee will be automatically and unconditionally released (and thereupon shall terminate and be discharged and be of no further force and effect):

(1) upon any sale or disposition of (a) Capital Stock of a Guarantor (or any parent entity thereof) following which such Guarantor is no longer a Restricted Subsidiary or (b) all or substantially all the properties and assets of a Guarantor (including by way of merger or consolidation) to a Person that is not (either before or after giving effect to such transaction) the Issuer or a Restricted Subsidiary and that does not violate the covenant described in "—Certain Covenants—Limitation on Sales of Assets;"

(2) upon the designation of such Guarantor (or any parent entity thereof) as an Unrestricted Subsidiary;

(3) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided below under the captions "—Legal Defeasance and Covenant Defeasance of Indenture" and "—Satisfaction and Discharge;"

(4) in the case of any Restricted Subsidiary that after the Issue Date is required to guarantee the Notes pursuant to the covenant described under "—Certain Covenants—Future Notes Guarantees", upon the release or discharge of the Guarantee of Indebtedness by such Restricted Subsidiary which gave rise to the obligation to guarantee the Notes; and

(5) upon repayment of the Notes.

Principal, Maturity and Interest

The Issuer will issue the Notes in this offering in denominations of €100,000. The Notes are only transferable in minimum aggregate principal amounts of €100,000 and integral multiples of €1,000 in excess thereof. The Notes will mature on October 1, 2019 (the "**Maturity Date**") at their principal amount, plus accrued and unpaid interest and Additional Amounts (as defined below), if any, to the Maturity Date.

Interest on the Notes will accrue at the rate of 4.50% per annum. Interest on the Notes will be payable semi-annually in arrears on April 1 and October 1 of each year commencing on April 1 2015.

Interest on overdue principal and liquidated damages for overdue interest including Additional Amounts will accrue at a rate that is 1% higher than the interest rate on the Notes. Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from and including the Issue Date. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months and, in the case of an incomplete month, the number of days elapsed.

Principal of, premium and Additional Amounts, if any, and interest on the Notes will be made to the Paying Agent for on-payment to the Clearing System or its order to the respective account holders of the Clearing System. See "—General—Book-Entry Delivery and Form." No service charge will be made for any registration of transfer or redemption of Notes, but the Issuer may require payment in certain circumstances of a sum sufficient to cover any transfer tax or other similar governmental charge that may be imposed in connection therewith.

Additional Notes

The Issuer may issue additional Notes ("**Additional Notes**") under the Indenture from time to time after this offering. Any issuance of Additional Notes is subject to all of the covenants in the Indenture, including the covenant described below under the caption "—Certain Covenants—Limitation on Indebtedness." The Notes and any Additional Notes subsequently issued under the Indenture will be treated as a single class for all purposes under the Indenture, including waivers, amendments, redemptions and offers to purchase. We cannot guarantee that Additional Notes will be fungible with the Notes offered hereby for U.S. federal income tax or other purposes, or that we will be able to identify any non-fungible Additional Notes so as to distinguish them from the Notes offered hereby and any other Additional Notes.

Restricted Subsidiaries; Issuer a Holding Company

As of the Issue Date, all of the Subsidiaries of the Issuer will be "Restricted Subsidiaries" and no Subsidiary of the Issuer will be an "Unrestricted Subsidiary", however, provided that prior to the occurrence of the Scheme Effective Date neither TTP nor any of its subsidiaries shall constitute a "Subsidiary" or "Restricted Subsidiary" for purposes of the Indenture unless otherwise set forth under the relevant provisions of the Indenture. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture. Upon the occurrence of the Scheme Effective Date, TTP and each of its subsidiaries will qualify as a "Subsidiary" and "Restricted Subsidiary," as applicable, under the Indenture. See "—Additional Covenants—Restricted and Unrestricted Subsidiaries."

The Issuer is a holding company with limited operating assets. Its primary assets are investments, including shares and other equity interests in, and loans to, its Restricted Subsidiaries and its other subsidiaries, and minority participations in, and shareholder and other loans to, affiliated entities. In particular, you should be aware that not all of the Issuer's Subsidiaries will guarantee the Notes after the Issue Date. Any right of the Issuer or any Guarantor to receive assets of any of its non-Guarantor Subsidiaries upon that non-Guarantor Subsidiary's bankruptcy, liquidation or reorganization (and the consequent right of the Holders to participate in the distribution of those assets) will be structurally subordinated to that non-Guarantor Subsidiary's Indebtedness and other obligations (including trade payables, preference shares and lease obligations, if any), except to the extent that the Issuer or such Guarantor is itself recognized as a creditor of the non-Guarantor Subsidiary. Even in this case, the claims of the Issuer or such Guarantor would still be effectively subordinated to any obligations secured over the assets of the non-Guarantor Subsidiary and subordinated in right of payment to any Indebtedness of the non-Guarantor Subsidiary that is senior to the claims held by the Issuer or such Guarantor. "Risk Factors—Risks Relating to the Notes and the Notes Guarantees—The Notes will be structurally subordinated to claims of existing and future creditors of non-Guarantor subsidiaries." As of and for the financial year ended September 30, 2013, the Guarantors accounted on a consolidated basis for approximately 55% of the adjusted assets of our Group (total assets less goodwill and intangible assets), on a consolidated basis for approximately 60% of the total turnover of our Group and for more than 90% of the total EBITA of our Group.

PAYMENTS ON THE NOTES; PAYING AGENT AND REGISTRAR

The Issuer will maintain a Paying Agent for the Notes. The initial Paying Agent will be Citibank, N.A., London Branch (the "**Paying Agent**"). The Issuer undertakes that, so long as the Notes are listed on the Luxembourg Stock Exchange, the Issuer will at all times ensure that a paying agent is appointed in Luxembourg, if so required by the rules of the Luxembourg Stock Exchange.

The Issuer will also maintain one or more registrars for so long as the Notes are listed on the Luxembourg Stock Exchange and its rules so require. The Issuer will also maintain a transfer agent. The initial registrar will be Citibank, N.A., London Branch. The initial transfer agent will be Citibank, N.A., London Branch. The registrar will maintain a register reflecting ownership of Definitive Registered Notes (as defined under "Book-Entry, Delivery and Form") outstanding from time to time and will make payments on and facilitate transfer of Definitive Registered Notes on behalf of the Issuer.

Title of ownership to the Notes will be evidenced through registration in the relevant register as described in the preceding paragraph, as reflected or respectively consolidated from time to time in the register of notes to be held at the registered office of the Issuer, and such registration, or respectively consolidation of registration, is a means of evidencing of title to the Notes for the purposes of Luxembourg law.

Upon prior notice to the Holders, the Issuer may change any Paying Agent, registrar or transfer agent and the Issuer may act as the Paying Agent; *provided, however*, that in no event may the Issuer act as Paying Agent or appoint a Paying Agent in any member state of the European Union where the Paying Agent would be obliged to withhold or deduct tax in connection with any payment made by it in relation to the Notes unless the Paying Agent would be so obliged if it were located in all other member states. For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and its rules so require, the Issuer will publish a notice of any change of Paying Agent, in accordance with the provisions set forth under "—Selection and Notices." All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of the Indenture by the Paying Agent will (in the absence of manifest error) be binding on the Issuer and the Holders.

TRANSFER AND EXCHANGE

The Notes will be issued in the form of several registered notes in global form, without interest coupons, as follows:

- Each series of Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the U.S. Securities Act will initially be represented by a global note in registered form without interest coupons attached (the "144A Global Notes"). The 144A Global Note will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear Bank SA./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream**").
- Each series of Notes sold outside the United States pursuant to Regulation S under the U.S. Securities Act will initially be represented by a global note in registered form without interest coupons attached (the "**Regulation S Global Notes**" and, together with the 144A Global Note, the "**Global Notes**"). The Regulation S Global Notes will, on the closing date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Global Notes (the "**Book-Entry Interests**") will be limited to persons that have accounts with Euroclear or Clearstream or Persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "Transfer Restrictions." In addition, transfers of Book-Entry Interests between participants in Euroclear or Clearstream will be effected by Euroclear or Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

Book-Entry Interests in the 144A Global Note, or the "**Restricted Book-Entry Interest**" may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Note, or the "**Regulation S Book-Entry Interests**," only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the U.S. Securities Act.

Regulation S Book-Entry Interest may be transferred to a person who takes delivery in the form of 144A Book-Entry Interest only upon delivery by the transfer of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "Transfer Restrictions" and in accordance with any applicable securities law of any other jurisdiction.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Rule 144A Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Notes from which it was transferred and will become a Book-Entry Interest in the Global Notes to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred. For a more detailed description, please see "Book-Entry; Delivery and Form."

If definitive registered Notes in certificated form ("**Definitive Registered Notes**") are issued, they will be issued only in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof, upon receipt by the applicable Registrar of instructions relating thereto and any certificates and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant that owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "Transfer Restrictions."

Subject to the restrictions on transfer referred to above, the Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof, to persons who take delivery thereof in the form of Definitive Registered Notes. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents to the Registrar, furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, furnish certain certificates and opinions and pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any Taxes payable in connection with such transfer or exchange; *provided* that if the Issuer is a party to the transfer or exchange, the Holder will not be required to pay such Taxes.

Notwithstanding the foregoing, the Issuer is not required to register the transfer of any Definitive Registered Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of the Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date; or

(4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Sale Offer.

PAYMENT OF ADDITIONAL AMOUNTS

All payments by or on behalf of the Issuer, any Guarantor or, in each case, any successor (each a "**Payor**") under or with respect to the Notes (whether or not in the form of definitive notes) or under or with respect to any Notes Guarantee will be made free and clear of and without withholding or deduction for, or on account of, any present or future Taxes unless the deduction or withholding of such Taxes is required by law. If any such deduction or withholding is imposed by or on behalf of or levied within (i) the Federal Republic of Germany, (ii) any jurisdiction from or through which payment on the Notes or any Notes Guarantee is made, (iii) any other jurisdiction in which a Payor is incorporated, organized or otherwise considered to be resident or engaged in business for tax purposes or (iv) in the case each of (i) through (iii), any province, municipality or other political subdivision or taxing authority in or of therein (any such jurisdiction under foregoing (i) through (iv) a "**Relevant Tax Jurisdiction**"), the Payor will pay or cause to be paid (together with such payment) additional amounts ("**Additional Amounts**") as may be necessary to ensure that the net amounts received by each Holder or beneficial owner after such withholding or deduction (including any deduction or withholding from such Additional Amounts), will not be less than the amounts the Holder or the beneficial owner would have received if such Taxes had not been withheld or deducted; provided, however, that no such Additional Amounts are payable on account of any Taxes to the extent such Taxes:

(1) are payable in a manner which does not constitute a deduction or withholding from payments of principal or interest,

(2) are payable by reason of the Holder being a citizen, resident or national of, incorporated in or carrying on a business in the Relevant Taxing Jurisdiction in which such Taxes are imposed or having any other present or former connection with the Relevant Tax Jurisdiction in which such Taxes are imposed (other than by the mere acquisition, ownership, holding or disposition of such Note or any Notes Guarantee, the enforcement of rights under or the receipt of any payments in respect of thereof) and not merely by reason of the fact that payments in respect of the Notes are, or for purposes of taxation are deemed to be, derived from sources in, or are secured in, the Relevant Tax Jurisdiction,

(3) are deducted or withheld pursuant to a payment to an individual that is required to be made pursuant to the European Counsel Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Counsel meeting of 26-27 November 2000 on the taxation of savings or any law implementing or complying with, or introduced to conform to, such Directive, or

(4) are payable by reason of a change in law that becomes effective more than 30 days after the relevant payment of principal or interest is first made available for payment to the Holder or beneficial owner, or is duly provided for and notice thereof is published in accordance with the procedures set forth in "—Selection and Notices," whichever occurs later.

The Payor will (i) make any required withholding or deduction for Taxes required by applicable law and (ii) remit the full amount deducted or withheld to the Relevant Tax Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any taxes so deducted or withheld from each Relevant Tax Jurisdiction imposing such taxes and will provide such certified copies to the Trustee within a reasonable time, but not later than 60 days, after the date on which payment of such Tax is due under applicable law. The Payor will attach to each certified copy a certificate stating (x) that the amount of Withholding Taxes evidenced by the certified copy was paid in connection with payments in respect of the principal amount of Notes then outstanding and (y) the amount of such Withholding Taxes paid per €1,000 principal amount of the Notes. Copies of such documentation will be available for inspection during ordinary business hours at the office of the Trustee by the Holders or beneficial owners upon request.

At least 30 days prior to each date on which any payment under or with respect to the Notes or any Notes Guarantee is due and payable (unless such obligation to pay Additional Amounts arises before or after the 30th day prior to such date, in which case it must be promptly thereafter), if the Payor will be obligated to pay Additional Amounts with respect to such payment, the Payor will deliver to the Paying

Agent an Officers' Certificate stating the fact that such Additional Amounts will be payable, the amounts so payable and will set forth such other information necessary to enable the Paying Agent to transmit such Additional Amounts to Holders or beneficial owners on the payment date. Each such Officers' Certificate shall be relied upon until receipt of a further Officers' Certificate addressing such matters.

The Payor will pay and indemnify the Holder and beneficial owners for any present or future stamp, issue, registration, transfer, court or documentary taxes, or any other excise or property taxes, charges or similar levies or Taxes (including penalties, interest and other liabilities related thereto) imposed by any jurisdiction on the execution, delivery, issuance, registration or enforcement of the Notes, any Notes Guarantee or any other document or instrument referred to therein (other than a transfer of the Notes) or the receipt of any payments with respect thereto. The foregoing obligations will survive any termination, defeasance or discharge of the Notes or any Notes Guarantee and any transfer by a Holder or beneficial owner of its Notes.

Whenever the Indenture or this "Description of the Notes" refers to, in any context, the payment of principal, interest, premium, if any, or any other amount payable under or with respect to any Note, such reference includes the payment of Additional Amounts, if applicable.

CURRENCY INDEMNITY

The euro is the sole currency of account and payment for all sums payable under the Notes and the Indenture. Any amount received or recovered in respect of the Notes in a currency other than euro (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding up or dissolution of the Issuer, any Subsidiary or otherwise) by a Holder in respect of any sum expressed to be due to such Holder from the Issuer will constitute a discharge of the Issuer's obligation only to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in such other currency on the date of that receipt or recovery (or, if it is not possible to purchase euro on that date, on the first date on which it is possible to do so). If the euro amount to be recovered is less than the euro amount expressed to be due to the recipient under any Note, the Issuer will indemnify the recipient against the cost of making such purchase. For the purposes of this paragraph, it will be sufficient for the Holder to certify that it would have suffered a loss had the actual purchase of euro been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of euro on that date had not been possible, on the first on which it would have been possible). These indemnities, to the extent permitted by law:

(a) constitute a separate and independent obligation from our other obligations;

(b) give rise to a separate and independent cause of action;

(c) apply irrespective of any waiver granted by any Holder; and

(d) will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order.

ESCROW OF PROCEEDS; SPECIAL MANDATORY REDEMPTION

Concurrently with the closing of the offering of the Notes on the Issue Date, the Issuer will enter into the Escrow Agreement, pursuant to which the Initial Purchasers will deposit the gross proceeds of the offering of the Notes sold on the Issue Date into the Escrow Account. All funds deposited in the Escrow Account, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the Escrow Account (less any property and/or funds paid in accordance with the Escrow Agreement) are referred to, collectively, as the "**Escrow Deposit**."

In order to cause the Escrow Agent to release the Escrow Deposit to the Issuer (the "**Escrow Release**"), each of the Escrow Agent, the Paying Agent and the Trustee must have received from the Issuer, at a time that is on or before the Escrow Longstop Date, an Officers' Certificate to the effect that all of the following conditions have been met or will be satisfied on the Escrow Release Date:

(1) the Scheme Effective Date will have occurred in accordance with the Scheme, the conditions and certain terms of which were set out in the announcement made on September 15, 2014 by the Issuer and TTP in relation to the merger of those companies, except for:

   (a) any amendment, waivers or modifications of any conditions to the Scheme to the extent that such amendments, waivers or modifications would not reasonably be expected to be material and prejudicial to the interests of the Holders unless required by the Takeover Panel, the Takeover Code, the rules or requirements of any securities exchange with jurisdiction over the Issuer or TTP or any other applicable law or regulation or an order of the Court; or

(b) any condition to the Scheme that has been waived or amended by the Issuer or TTP after permission granted by the Takeover Panel and in accordance with the terms of, as applicable, the New RCF Agreement and the Bridge Facility Agreement;

(2) the Escrow Deposit will be applied in the same manner as set forth in this Offering Memorandum under the caption "Use of Proceeds;" and

(3) as of the Escrow Release Date, no Event of Default set forth under clause (10) under the caption "—Events of Default" shall have occurred and be continuing.

The Escrow Release shall occur on the Business Day specified in such Officers' Certificate (which shall be delivered no later than 11.00 a.m. London time on the Escrow Release Date) (such date, the "**Escrow Release Date**"). Upon the Escrow Release, the Escrow Account shall be reduced to zero, and the Escrow Deposit shall be paid out in accordance with the Escrow Agreement. An Officers' Certificate properly delivered in accordance with the Escrow Agreement will be conclusive, and the Trustee will not be entitled to dispute the Escrow Deposit's release to the Issuer.

In the event that (1) the Escrow Release Date does not take place on or prior to the Escrow Longstop Date, (2) there occurs a repudiation by the Issuer of any of its obligations under the Escrow Agreement or the Escrow Agreement becomes unenforceable against the Issuer for any reason, (3) the Issuer has announced the termination of or its intention to abandon the Scheme prior to its completion, (4) in the reasonable judgment of the Issuer, the Scheme Effective Date cannot occur by the Escrow Longstop Date, (5) there occurs an Event of Default as set forth under clause (10) under the caption "—Events of Default," or (6) any of the conditions set forth above under the second paragraph under this caption "—Escrow of Proceeds; Special Mandatory Redemption," become incapable of being satisfied on or prior to the Escrow Longstop Date (the date of any such event being the "**Special Termination Date**"), the Issuer will redeem all of the Notes (the "**Special Mandatory Redemption**") at a price equal to (x) if the Special Termination Date is on or before June 30, 2015, 100% of the aggregate issue price of the Notes, or (y) if the Special Termination Date is thereafter, to 101% of the aggregate issue price of the Notes, plus accrued and unpaid interest from the Issue Date to the Special Mandatory Redemption Date (as defined below) (subject to the right of holders of record on the relevant record date to receive cash interest due on the relevant Interest Payment Date) and Additional Amounts, if any (such price, the "**Special Mandatory Redemption Price**").

Notice of the Special Mandatory Redemption will be delivered by the Issuer, no later than one Business Day following the Special Termination Date, to the Trustee, the Paying Agent and the Escrow Agent, and will provide that the Notes shall be redeemed one Business Day after such notice is received by the Escrow Agent in accordance with the terms of the Escrow Agreement (the "**Special Mandatory Redemption Date**"). On the Special Mandatory Redemption Date, the Special Mandatory Redemption Price will be paid in accordance with the Escrow Agreement and the Indenture.

If at the time of such Special Mandatory Redemption, the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer will notify the Luxembourg Stock Exchange that the Special Mandatory Redemption has occurred and any relevant details relating to such Special Mandatory Redemption and a note will be published.

No provisions of the Escrow Agreement (including, without limitation, those relating to the release of the Escrow Deposit) and, to the extent such provisions relate to the Issuer's obligation to redeem the Notes in a Special Mandatory Redemption, the Indenture, may be waived or modified in any manner materially adverse to the Holders of the Notes without the written consent of at least 90% in aggregate principal amount of Notes affected thereby.

OPTIONAL REDEMPTION

At any time prior to October 1, 2016, the Issuer may on any one or more occasions redeem all or a part of the Notes upon not less than 30 nor more than 60 days' notice, at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus the Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to the date of redemption, subject to the rights of holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date.

At any time prior to October 1, 2016, the Issuer may on any one or more occasions redeem up to 35% of the aggregate principal amount of Notes (calculated after giving effect to any issuance of Additional Notes) with the Net Cash Proceeds of one or more Equity Offerings at a redemption price of 104.500% of the principal amount of the Notes redeemed, plus accrued and unpaid interest to but excluding the applicable redemption date, and Additional Amounts, if any; *provided, however,* that:

(1) at least 65% of the original principal amount of the Notes (calculated after giving effect to any issuance of Additional Notes) remains outstanding after each such redemption; and

(2) the redemption occurs within 75 days after the closing of such Equity Offering upon not less than 30 nor more than 60 days' prior notice.

Except pursuant to the preceding two paragraphs and except pursuant to "—Redemption for Changes in Taxes," the Notes will not be redeemable at the Issuer's option prior to October 1, 2016.

At any time on or after October 1, 2016, the Issuer may on any one or more occasions redeem all or a part of the Notes, upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as a percentage of principal amount) set forth below, plus accrued and unpaid interest, if any, on the Notes redeemed, to the applicable date of redemption, if redeemed during the twelve month period beginning on October 1 of the years indicated below, subject to the rights of the Holders to receive interest on the relevant interest payment date:

2016	102.250%
2017	101.125%
2018 and thereafter	100.000%

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

Any redemption notice given in respect of such redemption may be given prior to completion of the related Equity Offering, and any such redemption or notice may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent, including but not limited to the completion of the related Equity Offering.

REDEMPTION FOR CHANGES IN TAXES

The Issuer may redeem the Notes, in whole but not in part, at its discretion at any time upon giving not less than 30 nor more than 60 days' prior notice to the holders of the Notes (which notice will be irrevocable and given in accordance with the procedures described in "—Selection and Notices"), at a redemption price equal to 100% of the aggregate principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Issuer for redemption (a "**Tax Redemption Date**") and all Additional Amounts (if any) then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the Notes, the Issuer is or would be required to pay Additional Amounts, and the Issuer cannot avoid any such payment obligation by taking reasonable measures available (*provided* that changing the jurisdiction of a paying agent is a reasonable measure), and the requirement arises as a result of:

(1) any amendment to, or change in, the laws or any regulations or rulings promulgated thereunder of a Relevant Tax Jurisdiction which change or amendment is announced and becomes effective on or after the Issue Date (or, if the Relevant Tax Jurisdiction became a Relevant Tax Jurisdiction on a date after the Issue Date, such later date); or

(2) any amendment to, or change in, an official written interpretation or application of such laws, regulations or rulings (including by virtue of a holding, judgment, order by a court of competent jurisdiction or a change in published administrative practice) which amendment or change is announced and becomes effective on or after the Issue Date (or, if the Relevant Tax Jurisdiction became a Relevant Tax Jurisdiction on a date after the Issue Date, such later date).

The Issuer will not give any such notice of redemption earlier than 60 days prior to the earliest date on which the Issuer would be obligated to make such payment or withholding if a payment in respect of the Notes was then due, and the obligation to pay Additional Amounts must be in effect at the time such notice is given. Prior to the publication or, where relevant, mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer will deliver to the Trustee an opinion of independent tax counsel qualified under the laws of the Relevant Tax Jurisdiction to the effect that there has been such amendment or change which would entitle the Issuer to redeem the Notes hereunder. In addition, before the Issuer publishes or mails notice of redemption of the Notes as described above, it will deliver to the Trustee an Officers' Certificate to the effect that it cannot avoid its obligation to pay Additional Amounts by the Issuer taking reasonable measures available to it.

The Trustee shall be entitled to rely on such Officers' Certificate and opinion of counsel as sufficient evidence of the existence and satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the holders of the Notes.

For the avoidance of doubt, the implementation of European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income or any law implementing or complying with or introduced in order to conform to, such directive will not be a change or amendment for such purposes.

NO MANDATORY REDEMPTION OR SINKING FUND

Except as set forth under the caption "—Escrow of Proceeds; Special Mandatory Redemption," the Issuer is not required to make mandatory redemption payments or sinking fund payments for the Notes.

REPURCHASE AT THE OPTION OF HOLDERS UPON A CHANGE OF CONTROL

If a Change of Control Triggering Event occurs, each Holder will have the right to require the Issuer to repurchase all or any part of such Holder's Notes in principal amount equal to €100,000 or any integral multiple of €1,000 in excess thereof pursuant to a Change of Control Offer on the terms set forth in the Indenture. In the Change of Control Offer, the Issuer will offer, which offer shall be open for a period of no less than 20 days, a payment in cash equal to 101% of the principal amount of the Notes repurchased plus accrued and unpaid interest to but excluding the date of purchase, and Additional Amounts, if any, subject to the rights of the Holders on the relevant record date to receive interest due on the relevant interest payment date.

Within 30 days following any Change of Control Triggering Event, the Issuer must give notice (in accordance with the procedures set forth in "—Selection and Notices") to the Holders, with a copy to the Trustee, stating:

(1) that a Change of Control Triggering Event has occurred or may occur and that such Holder has the right to require the Issuer to purchase such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of such Notes plus accrued and unpaid interest, if any, and Additional Amounts, if any, to the date of purchase (the "**Change of Control Payment**");

(2) the repurchase date (which may be no earlier than 30 days nor later than 60 days from the date such notice is published (in accordance with the procedures set forth in "—Selection and Notices") (the "**Change of Control Payment Date**");

(3) the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have its Notes repurchased; and

(4) that, if such notice is given prior to the occurrence of a Change of Control Triggering Event, the Change of Control Offer is conditional on the occurrence of such Change of Control.

(the offer so being made the "**Change of Control Offer**")

The Issuer is not required to make the Change of Control Offer upon a Change of Control Triggering Event if a third party (i) makes an offer in a manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and (ii) purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

The Issuer must publicly announce the results of the Change of Control Offer or any offer made in lieu thereof on or as soon as practicable after the Change of Control Payment Date; *provided, however,* that, if and for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish such public announcement in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, on the website of the Luxembourg Stock Exchange (www.bourse.lu).

The Change of Control provisions described above will be applicable whether or not any other provisions of the Indenture are applicable. Except as otherwise set forth under this heading "Repurchase at the Option Of Holders Upon A Change Of Control" with respect to a Change of Control Triggering Event, the Indenture do not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Issuer will comply with the requirements of any applicable securities laws or regulations in connection with the repurchase of Notes. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of the conflict.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of the Issuer and its Restricted Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "all or substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person. Accordingly, the ability of a holder of Notes to require the Issuer to repurchase its Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to another Person or group may be uncertain.

The Change of Control provisions described under this heading "Repurchase at the Option Of Holders Upon A Change Of Control" may deter certain mergers, tender offers and other takeover attempts involving the Issuer by increasing the capital required to effectuate such transactions.

If a Change of Control Offer is made, there can be no assurance that the Issuer will have sufficient funds or other resources to pay the Change of Control Payment for all the Notes that might be delivered by Holders thereof seeking to accept the Change of Control Offer, see "Risk Factors—Risks Relating to the Notes and the Notes Guarantees—The Issuer may not be able to finance a change of control offer."

CERTAIN COVENANTS

Limitation on Indebtedness

The Issuer shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Indebtedness (including Acquired Indebtedness); *provided, however*, that the Issuer may Incur Indebtedness (including Acquired Indebtedness) if (i) on the date thereof and after giving *pro forma* effect thereto (including *pro forma* application of the proceeds thereof) the Consolidated Coverage Ratio is at least 2.00 to 1.00 and (ii) no Event of Default shall have occurred and be continuing or would occur as a consequence of Incurring the Indebtedness.

The first paragraph of this covenant will not prohibit the Incurrence of the following item of Indebtedness (collectively, "**Permitted Debt**"):

(1) the Incurrence by the Issuer and its Restricted Subsidiaries of Indebtedness under Credit Facilities in an aggregate principal amount at any one time outstanding under this clause (1) not to exceed the greater of (x) €1,950 million and (y) 15.0% of the Issuer's consolidated

assets, plus, in the case of any Refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing;

(2) Indebtedness outstanding on the Issue Date and, if Incurred by TTP or any of its subsidiaries, outstanding on the Scheme Effective Date (in each case, other than the Indebtedness described in clauses (1) or (3)) of this paragraph;

(3) Indebtedness represented by the Notes issued on the Issue Date;

(4) Indebtedness Incurred in connection with Cash Management Arrangements;

(5) Indebtedness Incurred in connection with Productive Assets Financings;

(6) incurred by a member of the Group which is not part of the Core Mainstream Tourism Business; *provided* that such Indebtedness is Incurred on a non-recourse basis to the Core Mainstream Tourism Business;

(7) Indebtedness consisting of Capitalized Lease Obligations, mortgage financings or purchase money obligations, in each case, incurred for the purpose of financing all or any part of the purchase price or cost of design, construction, installation or improvement of property, plant or equipment (other than aircraft, ships and hotels) used in the business of the Issuer or a Restricted Subsidiary, in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (7), not to exceed €30 million at any time outstanding;

(8) Indebtedness of the Issuer or any Restricted Subsidiary owing to and held by the Issuer or any Restricted Subsidiary; *provided, however*, that:

  (a) (x) any subsequent issuance or transfer of Capital Stock that results in any such Indebtedness being held by a Person other than the Issuer or a Restricted Subsidiary and (y) any sale or other transfer of any such Indebtedness to a Person that is neither the Issuer nor a Restricted Subsidiary shall be deemed to constitute an Incurrence of such Indebtedness by the Issuer or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (8);

  (b) if the Issuer or a Guarantor is the obligor on such Indebtedness and the payee is not the Issuer or a Guarantor, such Indebtedness must be unsecured and expressly subordinated to the prior payment in full in cash of all obligations then due with respect to, as applicable, the Issuer's or such Guarantor's obligations under the Notes or the Notes Guarantees;

(9) Indebtedness arising from agreements of the Issuer or a Restricted Subsidiary providing for customary indemnification and guarantees in respect of earn-outs or other adjustments to the purchase price or similar obligations, in each case, Incurred or assumed in connection with the disposition or acquisition of any business or assets, including, without limitation, shares of Capital Stock; *provided* that the maximum aggregate liability in respect of all such disposition Indebtedness permitted pursuant to this clause (9) will at no time exceed the gross proceeds, including non-cash proceeds (the Fair Market Value of such non-cash proceeds being measured at the time received and without giving effect to any subsequent changes in value) actually received by the Issuer and its Restricted Subsidiaries in connection with such disposition;

(10) Indebtedness Incurred pursuant to any Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to refinance Indebtedness Incurred and that was permitted by the Indenture to be Incurred under the first paragraph of this covenant or clauses (2), (3), (5), (10) or (11) of this paragraph;

(11) Indebtedness of a Subsidiary Incurred and outstanding on the date on which such Subsidiary was acquired or such Subsidiary was designated a Restricted Subsidiary, other than Indebtedness Incurred (a) to provide all or any portion of the funds utilized to consummate the transaction or a series of related transactions pursuant to which such Subsidiary was acquired or (b) otherwise in connection with, or in contemplation of, such acquisition; *provided, however*, that in each such

case after giving effect, on a *pro forma* basis, to such acquisition or designation (x) the Issuer would be able to incur an additional €1.00 of Indebtedness pursuant to the first paragraph of the covenant described under "—Certain Covenants—Limitation on Indebtedness" or (y) the Consolidated Coverage Ratio would not be less than it was immediately prior to giving effect to such acquisition, designation or other transaction;

(12) Indebtedness resulting from any Currency Agreement, Commodity Agreement, Fuel Agreement or Interest Rate Agreement; *provided* that such agreements are entered into in the ordinary course of business and not for speculative purposes;

(13) Indebtedness in respect of current trade payables and accrued expenses Incurred and advance payments and customer deposits (*An- und Vorauszahlungen*) received in the ordinary course of business;

(14) Indebtedness Incurred in relation to the provision in the ordinary course of business of bonds, Guarantees, letters of credit or similar obligations that are required by governmental or regulatory agencies or trade associations (including, without limitation, the Relevant Agencies);

(15) Indebtedness arising from (i) the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided* that such Indebtedness is extinguished within 5 business days of Incurrence, (ii) bankers' acceptances, performance, surety, judgment, appeal or similar bonds, instruments or obligations in the ordinary course of business, (iii) completion or performance guarantees provided or letters of credit obtained in the ordinary course of business (iv) guarantees given in the ordinary course of trading and which are typical in respect of the business of the Issuer and its Restricted Subsidiaries; and (v) guarantees which arise under or in connection with the Scheme;

(16) Indebtedness Incurred in respect of workers' compensation claims, early retirement obligations, social security or wage taxes, or pursuant to self-insurance obligations and not in connection with the borrowing of money or the obtaining of advances or credit; and

(17) in addition to the items referred to in clauses (1) through (16) above, Indebtedness of the Issuer and its Restricted Subsidiaries in an aggregate amount at any time outstanding, including any Permitted Refinancing Indebtedness Incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness Incurred pursuant to this clause (17), not to exceed €150 million.

For purposes of determining compliance with this "Limitation on Indebtedness" covenant:

(1) in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including Indebtedness of the Issuer Incurred pursuant to the first paragraph of this covenant but excluding Indebtedness of Restricted Subsidiaries Incurred under clause (11) of the second paragraph of this covenant, which may not be reclassified, the Issuer, in its sole discretion, will be permitted to classify and from time to time may reclassify such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of the above clauses (1) through (17) or as Indebtedness Incurred pursuant to the first paragraph of this covenant;

(2) an item of Indebtedness, other than Indebtedness Incurred under clause (1) of the second paragraph of this covenant, may be divided and classified, or reclassified, in more than one of the types of Indebtedness described above;

(3) in the event Indebtedness relates to Guarantees of Indebtedness permitted by this covenant, such Guarantees are not treated as an additional Incurrence of Indebtedness; and

(4) Indebtedness Incurred under the Existing RCF Agreement and the New RCF Agreement, respectively, shall be deemed to be Incurred in reliance on the exception provided in clause (1) of the definition of Permitted Debt and, notwithstanding clause (1) above, cannot subsequently be reclassified.

Limitation on Restricted Payments

The Issuer will not, and will not cause or permit any Restricted Subsidiary, directly or indirectly, to:

(1) declare or pay any dividend or make any distribution (whether made in cash, securities or other property) by the Issuer or any Restricted Subsidiary on or in respect of its Capital Stock (including any payment in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) except:

(a) dividends or distributions payable in Capital Stock of the Issuer or in options, warrants or other rights to purchase such Capital Stock of the Issuer (but excluding Redeemable Capital and any debt security that is convertible into, or exchangeable for, Capital Stock); and

(b) dividends or distributions payable to the Issuer or a Restricted Subsidiary and, if such Restricted Subsidiary making the payment is not a Wholly-Owned Subsidiary, to its other holders of Capital Stock on a pro rata basis;

(2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) any Capital Stock of the Issuer or any direct or indirect parent of the Issuer held by Persons other than the Issuer or a Restricted Subsidiary (other than in exchange for Capital Stock of the Issuer);

(3) purchase, repurchase, redeem, defease or otherwise acquire for value any Indebtedness of the Issuer that is contractually subordinated to the Notes (excluding any intercompany Indebtedness between or among the Issuer and any of its Restricted Subsidiary), except (i) a payment of principal at the Stated Maturity thereof or (ii) the purchase, repurchase, redemption, defeasance or other acquisition of any Indebtedness of the Issuer that is contractually subordinated to the Notes purchased in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of such purchase, repurchase, redemption, defeasance or other acquisition;

(4) (i) declare or pay any dividend or make any interest payment in cash in respect of any Hybrid Capital (other than the Existing Hybrid) or (ii) purchase, repurchase, redeem, defease or otherwise acquire for value any Hybrid Capital (other than the Existing Hybrid); or

(5) make any Restricted Investment;

(any such dividend, distribution, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) shall be referred to herein as a "**Restricted Payment**"), if at the time the Issuer or such Restricted Subsidiary makes such Restricted Payment:

(a) a Default or Event of Default shall have occurred and be continuing (or would result from such Restricted Payment); or

(b) the Issuer is not able to Incur an additional €1.00 of Indebtedness pursuant to the first paragraph of the covenant described under "—Certain Covenants—Limitation on Indebtedness," after giving effect, on a *pro forma* basis, to such Restricted Payment; or

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (including Restricted Payments permitted below by clauses (1), (4), (6), (7) and (8) of the next succeeding paragraph, but excluding Restricted Payments permitted below by clauses (2), (3) and (5) of the next succeeding paragraph), would exceed

(i) 50% of Consolidated Net Income for the period (treated as one accounting period) from July 1, 2014 to the end of the Issuer's most recent fiscal quarter ending prior to the date of such Restricted Payment for which consolidated financial statements of the Issuer are available (or, in case such Consolidated Net Income is a deficit, minus 100% of such deficit); *plus*

(ii) the aggregate Net Cash Proceeds received by the Issuer from the issuance or sale of its Qualified Capital Stock or Hybrid Capital subsequent to the Issue Date; *plus*

(iii) the amount by which Indebtedness of the Issuer is reduced on the Issuer's balance sheet upon the conversion or exchange (other than by a Subsidiary), subsequent to the Issue Date of any Indebtedness of the Issuer convertible or exchangeable for Qualified Capital Stock of the Issuer (less the amount of any cash, or the fair value of any other property, distributed by the Issuer upon such conversion or exchange); *plus*

(iv) to the extent that any Unrestricted Subsidiary of the Issuer designated as such after the Issue Date is redesignated as a Restricted Subsidiary or is merged or consolidated into the Issuer or a Restricted Subsidiary, or all of the assets of such Unrestricted Subsidiary are transferred to the Issuer or a Restricted Subsidiary, the Fair Market Value of the property received by the Issuer or Restricted Subsidiary or the Issuer's Restricted Investment in such Subsidiary as of the date of such redesignation, merger, consolidation or transfer of assets, to the extent such investments reduced the restricted payments capacity under this clause (c) and were not previously repaid or otherwise reduced; *plus*

(v) 100% of any dividends or distributions received by the Issuer or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary, to the extent that such dividends or distributions were not otherwise included in the calculation pursuant to clause (c)(i) for such period.

The preceding provisions will not prohibit:

(1) so long as no Default or Event of Default has occurred and is continuing, dividends paid with respect to the Issuer's common stock on a *pro rata* basis in an amount not to exceed in any financial year the greater of (A) 6% of the Net Cash Proceeds received by the Issuer from the issuance or sale of its Qualified Capital Stock subsequent to the Issue Date and (B) the greater of (x) 5% of the Market Capitalization and (y) 5% of the TUI Merger Market Capitalization; *provided* that, with respect to the foregoing sub-clause (B), after giving *pro forma* effect to any such payment of a dividend (A) if made in respect of the financial year 2014/15, the Consolidated Leverage Ratio would not exceed 3.5 to 1.0, (B) if made in respect of the financial year 2015/16, the Consolidated Leverage Ratio would not exceed 3.25 to 1.0 and (C) if made in respect of the financial year 2016/17 or in respect of financial years thereafter, the Consolidated Leverage Ratio would not exceed 3.0 to 1.0;

(2) any purchase or redemption of Capital Stock, Hybrid Capital or Indebtedness of the Issuer that is contractually subordinated to the Notes made by exchange for, or out of the proceeds of the substantially concurrent sale of, Qualified Capital Stock of the Issuer or Hybrid Capital of the Issuer, *provided, however*, that the Net Cash Proceeds from such sale shall be excluded from the calculation of amounts under clause (c)(ii) of the first paragraph of this covenant;

(3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Indebtedness of the Issuer that is contractually subordinated to the Notes made by exchange for, or out of the proceeds of the substantially concurrent sale of, Permitted Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under "—Certain Covenants—Limitation on Indebtedness" above;

(4) dividends paid within 120 days after the date the Board of Directors publicly announces that such dividends will be proposed for approval to the next annual general meeting of shareholders of the Issuer if at such date of declaration such dividend would have complied with this covenant;

(5) any Investment made by exchange for or out of the proceeds of the substantially concurrent sale of, Qualified Capital Stock of the Issuer or a substantially concurrent contribution to the equity of the Issuer; *provided, however*, that any Net Cash Proceeds from such sale shall be excluded from the calculation of amounts under clause (c)(ii) of the first paragraph of this covenant;

(6) any purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of any Qualified Capital Stock of the Issuer held by any current or former officer, director, employee or consultant of the Issuer or any of its Restricted Subsidiaries pursuant to any equity subscription agreement, stock option agreement, restricted stock grant, shareholders' agreement or similar agreement; provided that the aggregate price paid for all such

repurchased, redeemed, acquired or retired Qualified Capital Stock may not exceed €10 million in any calendar year (with unused amounts in any calendar year being carried over to succeeding calendar years subject to a maximum carry over amount in any given year not to exceed €15 million); and provided further, that such amount in any calendar year may be increased by an amount not to exceed the cash proceeds from the sale of Qualified Capital Stock of the Issuer or a Restricted Subsidiary received by the Issuer or a Restricted Subsidiary during such calendar year, in each case to members of management, directors or consultants of the Issuer or any of its Restricted Subsidiaries or any direct or indirect parent company of the Issuer to the extent the cash proceeds from the sale of Qualified Capital Stock have not otherwise been applied to the making of Restricted Payments pursuant to clause (c)(ii) of the preceding paragraph or clauses (2) or (3) of this paragraph;

(7) so long as no Default or Event of Default has occurred and is occurring (or would result from), any Restricted Payments; *provided* that the Consolidated Leverage Ratio does not exceed 2.5 to 1.0 on a *pro forma* basis after giving effect to any such Restricted Payments and any related transaction;

(8) so long as no Default or Event of Default has occurred and is occurring, other Restricted Payments made under this clause (8) not to exceed €100 million since the Issue Date.

The amount of all Restricted Payments (other than cash) shall be the Fair Market Value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The Fair Market Value of any cash Restricted Payment shall be its face amount and any non-cash Restricted Payment shall be determined conclusively by the Board of Directors of the Issuer acting in good faith whose resolution with respect thereto shall be promptly delivered to the Trustee.

Future Notes Guarantees

As of the Issue Date, the Notes will not be guaranteed by any of the Issuer's Restricted Subsidiaries. However, the Indenture will provide that the Issuer shall cause each of its Restricted Subsidiaries (including the Future Guarantors) which will become a guarantor under the New RCF Agreement to simultaneously execute and deliver to the Trustee a supplemental indenture pursuant to which such Restricted Subsidiary will also become a Guarantor under the Indenture governing the Notes. Each such Notes Guarantee will be subject to any corporate benefit, financial assistance, capital maintenance, fraudulent preference or thin capitalisation laws or regulations (or analogous restrictions) of any applicable jurisdiction or other considerations under applicable law if and to the extent agreed in accordance with the agreed guarantee principles under the New RCF Agreement. See "Risk Factors—Risks Relating to the Notes and the Notes Guarantees—Each Notes Guarantee will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability" and "Certain Insolvency Law Considerations and Limitations on Validity and Enforceability of Notes Guarantees."

Limitation on Liens

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, assume, or permit to subsist any Lien or other security interest upon any of its or any of its Restricted Subsidiaries' present or future assets, or assign or otherwise convey any right to receive income or profits therefrom, to secure any Indebtedness (including any guarantees or indemnities in respect thereof), without at the same time according to the Holders (i) equally and ratably the same security interest or (ii) a fully equivalent security interest until such time as such Indebtedness is no longer secured by a Lien.

The following Liens are not prohibited by the Indenture ("**Permitted Liens**"):

(1) Liens incurred in connection with a Productive Assets Financing and any Permitted Refinancing Indebtedness in respect thereof;

(2) Liens on property or assets of a Restricted Subsidiary granted in favor of the Issuer or any other Restricted Subsidiary;

(3) Liens securing obligations of the Issuer or any Restricted Subsidiary under Interest Rate Agreements, Commodity Agreements, Fuel Agreements or Currency Agreements permitted pursuant to the terms of the Indenture;

(4) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security or other insurance (including unemployment insurance);

(5) Liens incurred in connection with a Cash Management Arrangement established in the ordinary course of business for the benefit of the Issuer or that of any Restricted Subsidiary in favor of a bank or trust company of the type permitted by clause (4) under the heading "—Limitation on Indebtedness;"

(6) statutory Liens of landlords and carriers, warehousemen, mechanics, suppliers, materialmen, repairmen, stevedores, masters, crew, employees, pension plan administrators or other like Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate proceedings and for which a reserve or other appropriate provision, if any, as shall be required in conformity with IFRS shall have been made or Liens arising solely by virtue of any statutory or common law provisions relating to bankers' liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depositary institution;

(7) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, surety and appeal bonds, government contracts, performance bonds, banker's acceptances, letters of credit and other obligations of a like nature incurred in the ordinary course of business; *provided, however*, that such letters of credit or other obligations do not constitute Indebtedness;

(8) zoning restrictions, easements, licenses, reservations, title defects, rights of others for rights of way, utilities, sewers, electrical lines, telephone lines, telegraph wires, restrictions and other similar charges or encumbrances not interfering in any material respect with the business of the Issuer or any Restricted Subsidiary incurred in the ordinary course of business;

(9) Liens arising by reason of any judgment, decree or order of any court so long as such Lien is adequately bonded and any appropriate legal proceedings that may have been duly initiated for the review of such judgment, decree or order shall not have been finally terminated or the period within which such proceedings may be initiated shall not have expired;

(10) Liens imposed by law;

(11) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with IFRS shall have been made;

(12) Liens arising solely by virtue of banks' standard business terms and conditions;

(13) Liens existing on the Issue Date and, if Incurred by TTP or any of its subsidiaries, existing on the Scheme Effective Date;

(14) Liens on property or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary; *provided, however*, that such Liens are not created, Incurred or assumed in connection with, or in contemplation of, such other Person becoming a Restricted Subsidiary; *provided further, however*, that any such Lien may not extend to any other property owned by the Issuer or any Restricted Subsidiary;

(15) Liens on property at the time the Issuer or a Restricted Subsidiary acquired the property, including any acquisition by means of a merger or consolidation with or into the Issuer or any Restricted Subsidiary; *provided, however, that* such Liens are not created, Incurred or assumed in connection with, or in contemplation of, such acquisition; *provided further, however, that* such Liens may not extend to any other property owned by the Issuer or any Restricted Subsidiary;

(16) Liens arising in connection with conditional sale, title retention (*Eigentumsvorbehalt*), consignment or similar arrangements for the sale of goods entered into in the ordinary course of business in accordance with such grantor's past practices prior to the Issue Date;

(17) Liens securing the Notes;

(18) Liens securing Permitted Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured; *provided, however*, that any such Lien is limited to all or part of the same security package that secured the Indebtedness being refinanced;

(19) Liens to secure Indebtedness (including Capitalized Lease Obligations) permitted by clause (7) of the second paragraph of the covenant entitled "—Certain Covenants—Limitation on Indebtedness" covering only the assets acquired with or financed by such Indebtedness;

(20) any extension, renewal or replacement, in whole or in part, of any Lien described in the foregoing clauses (1) through (19) above and (21) and (22) below; *provided* that any such extension, renewal or replacement shall be no more restrictive in any material respect than the Lien so extended, renewed or replaced and shall not extend in any material respect to any additional property or assets;

(21) the assignment for security of the rights of the Issuer under an operating sublease to a Restricted Subsidiary of property that the Issuer leases from a third party under an operating lease, so long as the property subject to such sublease is used by such Restricted Subsidiary in the ordinary course of business; and

(22) Liens Incurred with respect to any obligations which do not exceed the greater of (x) €50 million and (y) 10% of the gross fixed and current assets (after deducting from fixed and current assets the value of all Craft and any intangible assets) at any one time outstanding.

For the avoidance of doubt, the Issuer will not permit any Lien (other than any Permitted Lien) to be created, incurred or suffer to exist upon the Escrow Deposit.

Limitation on Sales of Assets

The Issuer may not, and may not permit any of its Restricted Subsidiaries to, make any Asset Disposition unless:

(1) the Issuer or such Restricted Subsidiary receives consideration at least equal to the Fair Market Value (such Fair Market Value to be determined on the date of contractually agreeing to such Asset Disposition), as determined in good faith by the Board of Directors of the Issuer (including as to the value of all non-cash consideration), of the shares and assets subject to such Asset Disposition;

(2) in any such Asset Disposition (except to the extent the Asset Disposition is a Permitted Asset Swap), at least 75% of the consideration is in the form of cash or Cash Equivalents. For purposes of this provision, each of the following shall be deemed cash:

  (a) any liabilities, as shown on the Issuer's most recent consolidated balance sheet, of the Issuer or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes) that are assumed by the transferee of any such assets pursuant to any agreement that releases the Issuer or the relevant Restricted Subsidiary from or indemnifies against further liability;

  (b) any securities, notes or other obligations received by the Issuer or a Restricted Subsidiary from such transferee that are converted by the Issuer or the relevant Restricted Subsidiary into cash or Cash Equivalents within 45 days following the closing of the Asset Disposition, to the extent of the cash or Cash Equivalents received in that conversion;

  (c) any Indebtedness of the Issuer or any Restricted Subsidiary, in each case that is no longer a Restricted Subsidiary as a result of such Asset Disposition, to the extent that the Issuer and the Restricted Subsidiaries following such Asset Disposition are released from any guarantee of such Indebtedness in connection with such Asset Disposition, and

  (d) any consideration consisting of Indebtedness of the Issuer or any Restricted Subsidiary which is either repaid in full or cancelled in connection with such Asset Disposition; and

(3) an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied by the Issuer or the relevant Restricted Subsidiary, as the case may be, to the extent the Issuer so elects:

   (a) within 365 days from the date of receipt of such Net Available Cash to prepay, repay or purchase secured Indebtedness (including, for the avoidance of doubt, under one or more Credit Facilities) or Indebtedness of a Restricted Subsidiary (other than Indebtedness owed to the Issuer or an Affiliate of the Issuer); *provided* that if the Indebtedness repaid is revolving credit Indebtedness, the commitments with respect thereto are correspondingly reduced;

   (b) to make an Investment in Additional Assets within 365 days from the date of receipt of such Net Available Cash or enter into an agreement to make such an Investment within the 365 day period; *provided* that such investment is actually made prior to the 180th day following the expiration of the 365 day period;

   (c) make a capital expenditure;

   (d) to make an Asset Sale Offer (as defined below); or

   (e) any combination of the foregoing.

Any Net Available Cash from Asset Dispositions that is not applied or invested or committed to be applied or invested as provided in the preceding paragraph will be deemed to constitute "**Excess Proceeds**." When the aggregate amount of Excess Proceeds exceeds €40 million, the Issuer will be required within 10 Business Days thereof to make an offer ("**Asset Sale Offer**") to all holders of Notes to purchase the maximum principal amount of Notes to which the Asset Sale Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Notes in an amount equal to 100% of the principal amount of the Notes plus accrued and unpaid interest, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Indenture and in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

To the extent that the aggregate amount of so validly tendered and not properly withdrawn pursuant to an Asset Sale Offer is less than the Excess Proceeds, the Issuer may use any remaining Excess Proceeds for general corporate purposes, subject to other covenants contained in the Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Sale Offer by Holders exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Notes to be purchased on a pro rata basis on the basis of the aggregate principal amount of tendered Notes. Pending the final application of any Net Available Cash, the Issuer may temporarily reduce revolving credit borrowings or otherwise invest such Net Available Cash in any manner that is not prohibited by the Indenture.

Notwithstanding any of the foregoing, the Issuer or any Subsidiary may engage in a Permitted Asset Swap and the provisions in clauses (2) and (3) above shall not apply to such Permitted Asset Swap except in respect of any Net Cash Proceeds received by the Issuer or any such Subsidiary. For the avoidance of doubt, the assets of, or shares of Capital Stock or other Investments in, Hapag-Lloyd cannot be the basis for a Permitted Asset Swap.

Merger and Consolidation

The Issuer

The Issuer may not consolidate with or merge with or into, or convey, transfer or lease all or substantially all of its assets to, any Person, unless:

(1) the resulting, surviving or transferee Person (the "**Successor Issuer**") will be a Person organized and existing under the laws of any member state of the European Union as of December 31, 2003, the United States of America, Norway or Switzerland and the Successor Issuer (if not the Issuer) will expressly assume in appropriate documentation delivered to the Holder Representative all the obligations of the Issuer under, as applicable, the Notes, the Indenture and the Escrow Agreement;

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Issuer or any Subsidiary of the Successor Issuer as a result of such transaction as having been Incurred by the Successor Issuer or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing; and

(3) immediately after giving effect to such transaction and any related financings the Successor Issuer would be able to Incur at least an additional €1.00 of Indebtedness pursuant to the first paragraph of the covenant of "—Certain Covenants—Limitation on Indebtedness."

Notwithstanding anything in this covenant to the contrary, nothing in this covenant shall prevent TTP from being fully consolidated with and into the Issuer in accordance with the terms of the Scheme.

The Guarantors

A Guarantor (other than a Guarantor whose Notes Guarantee is to be released in accordance with the terms of the Indenture) may not consolidate with or merge with or into, or convey, transfer or lease all or substantially all of its assets to, any Person (whether or not such Guarantor is the surviving Person) (the "**Successor Guarantor**"), unless:

(1) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Guarantor or any Subsidiary of the Successor Guarantor as a result of such transaction as having been Incurred by the Successor Guarantor or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing; and

(2) either:

(a) the other Person is the Issuer or any Restricted Subsidiary that is a Guarantor or becomes a Guarantor concurrently with the transaction; or

(b) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of such Guarantor or the sale or disposition of all or substantially all the assets of such Guarantor is otherwise permitted under the Indenture.

In the event of any transaction (other than a lease, in which case the predecessor Guarantor shall not be so discharged) described in and complying with the conditions of this covenant in which the Guarantor is not the continuing entity, the Successor Guarantor formed or remaining or to which such transfer is made shall succeed to, and be substituted for, and may exercise every right and power of, the predecessor Guarantor and the predecessor Guarantor will be discharged from all obligations and covenants under the Indenture and its Notes Guarantee to which the predecessor Guarantor is a party.

In addition, notwithstanding the preceding clause (1) and the provisions described above under "—The Issuer" (which do not apply to transactions referred to in this sentence), (i) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to the Issuer or a Guarantor and (ii) any Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to the Issuer or any other Guarantor. Notwithstanding the preceding clause (A) (which does not apply to the transactions referred to in this sentence), a Guarantor may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Guarantor, reincorporating the Guarantor in another jurisdiction or changing the legal form of the Guarantor.

Any Indebtedness that becomes an obligation of the Guarantor or any Restricted Subsidiary (or that is deemed to be Incurred by any Subsidiary that becomes a Restricted Subsidiary other than Indebtedness Incurred to provide all or any portion of the funds used to consummate the transaction) as a result of any such transaction undertaken in compliance with this covenant, and any Permitted Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with the covenant described under the caption "—Certain Covenants—Limitation on Indebtedness."

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

If and for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, the Issuer shall publish notice of the occurrence of any of the events described under this heading "—Certain Covenants—Merger and Consolidation" in a newspaper having a general circulation in Luxembourg (which is currently expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post it on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Reports to Holders

For so long as any Notes are outstanding, the Issuer must post on its website and provide to the Trustee:

(1) within 120 days after the end of each of the Issuer's fiscal years, annual reports containing the following information: (a) audited consolidated statement of financial position of the Issuer and its consolidated Subsidiaries (including TTP and its subsidiaries), audited consolidated income statements and audited consolidated cash flow statements of the Issuer and its consolidated Subsidiaries (including TTP and its subsidiaries) for such fiscal year and in each case including comparable numbers for the previous fiscal), (b) complete notes to such financial statements, including information on (i) critical accounting policies, (ii) all material related party transactions, and (iii) the Indebtedness and material financing arrangements and all material debt instruments; (c) the report of the independent auditors on the financial statements; (d) a group management report (*Konzernlageberich*t) containing an operating and financial review of the audited financial statements, including (i) a discussion of the business and the risks the business is exposed to, (ii) a discussion of the results of operations, (iii) a discussion of financial condition and liquidity and capital resources, and (iv) a discussion of material commitments and contingencies; (e) a description of material differences, if any, between IFRS in effect for the reporting period and IFRS in effect for the previous year and (f) financial and other information on the Issuer and its Restricted Subsidiaries (including TTP and its subsidiaries) at a level of detail substantially consistent with that contained in this Offering Memorandum;

(2) within 120 days after the end of each of the Issuer's fiscal years *pro forma* income statement and balance sheet information, together with any explanatory footnotes, for any Material Transactions that have occurred during the most recently completed fiscal year, *provided, however,* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, failing which the Issuer will provide, in the case of an acquisition or disposition, acquired or disposed company financial statements;

(3) within 60 days after the end of each of the first three fiscal quarters in each fiscal year of the Issuer, quarterly financial reports for the Issuer and its consolidated Subsidiaries (including TTP and its subsidiaries) containing: (a) an unaudited condensed consolidated statement of financial position as of the end of such quarter, (b) unaudited condensed consolidated income statement for the quarterly and year to date periods ending on the unaudited condensed balance sheet date, (c) unaudited condensed consolidated cash flow statement for the year to date period ending on the unaudited condensed balance sheet date (in each case of foregoing (a) through (c) with the comparable prior year periods), (d) condensed note disclosure, (e) information on material developments in the business of the Issuer and its Subsidiaries (including TTP and its subsidiaries), (f) material recent developments and any material changes to the risks disclosed in the most recent annual report with respect to the Issuer and (g) financial and other information on the Issuer and its Restricted Subsidiaries (including TTP and its subsidiaries) at a level of detail substantially consistent with that contained in this Offering Memorandum; and

(4) in each case as soon as reasonably practicable (a) any material events that the Issuer announces publicly (including, for the avoidance of doubt, the occurrence of the Scheme Effective Date), in each case, a report containing a description of such events, (b) information with respect to any Change of Control that has occurred, (c) information on any Material Transaction, (d) any change in the independent accountants of the Issuer, and (e) any resignation of a member of the Board of Directors of the Issuer.

If the Issuer has designated any of its Subsidiaries as Unrestricted Subsidiaries and such Subsidiaries are Significant Subsidiaries, then the quarterly and annual financial information required by the preceding paragraph will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and the Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

All financial statements shall be prepared in accordance with IFRS. Except as provided for above, no report need include separate financial statements for the Issuer or Subsidiaries of the Issuer or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this Offering Memorandum.

In addition, for so long as any Notes remain outstanding and during any period during which the Issuer is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Issuer has agreed that it will, furnish to the Holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act.

The Issuer will also make available copies of all reports required by clauses (1) through (3) of the first paragraph of the covenant (i) on a website of the Issuer; and (ii) if and so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and the rules and regulations of the Luxembourg Stock Exchange so require, at the specified office of the paying agent in Luxembourg or to the extent and in the manner required by such rules, post such reports on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

ADDITIONAL COVENANTS

Payments for Consent

The Issuer may not, and may not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fees or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement. Notwithstanding the foregoing, the Issuer and its Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes to exclude Holders in any jurisdiction where (i) the solicitation of such consent, waiver or amendment, including in connection with an offer to purchase for cash or (ii) the payment of the consideration therefor would require the Issuer or any of its Subsidiaries to file a registration statement, prospectus or similar document under any applicable securities laws (including, but not limited to, the United States federal securities laws and the laws of the European Union or its member states), which the Issuer in its sole discretion determines (acting in good faith) (A) would be materially burdensome (it being understood that it would not be materially burdensome to file the consent document(s) used in other jurisdictions, any substantially similar documents or any summary thereof with the securities or financial services authorities in such jurisdiction) or (B) such solicitation would otherwise not be permitted under applicable law in such jurisdiction.

Restricted and Unrestricted Subsidiaries

As of the Issue Date, all of the Subsidiaries of the Issuer will be “Restricted Subsidiaries” and no Subsidiary of the Issuer will be an “Unrestricted Subsidiary,” however, provided that prior to the occurrence of the Scheme Effective Date neither TTP nor any of its subsidiaries shall constitute a “Subsidiary” or “Restricted Subsidiary” for purposes of the Indenture unless otherwise set forth under the relevant provisions of the Indenture. For purposes of designating any Restricted Subsidiary as an Unrestricted Subsidiary, all outstanding Investments by the Issuer and the Restricted Subsidiaries (except to the extent repaid) in the Subsidiary so designated will be deemed to be Restricted Payments in an amount which shall be the Restricted Payment’s Fair Market Value at the time of such transfer.

The Board of Directors of the Issuer may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein) to be an Unrestricted Subsidiary only if:

(1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of or have any Investment in, or own or hold any Lien on any property of, any other Subsidiary of the Issuer which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary;

(2) no Indebtedness of such Subsidiary or any of its Subsidiaries shall, at the date of designation, or at any time thereafter, constitute Indebtedness pursuant to which the lender has recourse to any of the assets of the Issuer or any Restricted Subsidiary;

(3) a Restricted Payment in such amount would be permitted at such time under this covenant and under the covenant "—Certain Covenants—Limitation on Restricted Payments" or the definition of Permitted Investments and if such Subsidiary otherwise meets the definition of an Unrestricted Subsidiary; and

(4) after giving effect to, and as a result of, such designation there will be no Default or Event of Default.

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided, however*, that such designation shall be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation shall be permitted only if (i) immediately after giving effect to such designation, no Default or Event of Default shall have occurred and be continuing and (ii) the Issuer could Incur at least €1.00 of additional Indebtedness under the first paragraph of the covenant "—Certain Covenants—Limitation on Indebtedness," on a *pro forma* basis taking into account such designation as if it had occurred at the beginning of the applicable reference period. Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a resolution of the Board of Directors of the Issuer giving effect to such designation and an Officers' Certificate certifying that such designation complies with the foregoing conditions.

Upon the occurrence of the Scheme Effective Date, TTP and each of its subsidiaries shall qualify as a "Subsidiary" and "Restricted Subsidiary," as applicable, under the Indenture.

Maintenance of Listing

The Issuer will use its commercially reasonable efforts to maintain the listing of the Notes on the Euro MTF Market for so long as such Notes are outstanding; *provided* that if at any time the Issuer determines that it will not maintain such listing, it will obtain prior to the delisting of the Notes from the Euro MTF Market, and thereafter use its best efforts to maintain, a listing of such Notes on another "recognized stock exchange" as defined in Section 1005 of the Income Tax Act 2007 of the United Kingdom.

Suspension of Covenants

Beginning on the day that:

(1) the Notes have an Investment Grade Rating from Standard & Poor's Ratings Group, Inc. and Moody's Investors Service Inc.; and

(2) no Default or Event of Default has occurred and is continuing under the Indenture (together with clause (1), a "**Fall Away Event**");

then, beginning on that day and continuing until such time, if any, at which the Notes cease to have Investment Grade Rating (such period, the "**Suspension Period**"), the covenants specifically listed under the following captions in this Description of the Notes will no longer be applicable to the Notes and any related default provisions of the Indenture will cease to be effective and will not be applicable to the Issuer and its Restricted Subsidiaries:

- "—Certain Covenants—Limitation on Indebtedness;"
- "—Certain Covenants—Limitation on Restricted Payments;"
- "—Certain Covenants—Limitation on Sales of Assets;" and
- Clause (3) of the first paragraph of the covenant described under "—Certain Covenants—Merger and Consolidation."

Such covenants will not, however, be of any effect with regard to the actions of Issuer and the Restricted Subsidiaries properly taken during the continuance of the Suspension Period; *provided* that (1) with respect to the Restricted Payments made after any such reinstatement, the amount of Restricted Payments will be calculated as though the covenant described under the caption "—Certain Covenants—Limitation on Restricted Payments" had been in effect prior to, but not during, the Suspension Period and (2) all Indebtedness incurred during the Suspension Period will be classified to have been incurred or issued pursuant to clause (2) of the second paragraph of the caption "—Certain Covenants—Limitations on Indebtedness." Upon the occurrence of a Suspension Period, the amount of Excess Proceeds shall be reset at zero.

There can be no assurance that the Notes will ever achieve or maintain an Investment Grade Rating.

EVENTS OF DEFAULT

Each of the following is an "**Event of Default**" under the Indenture:

(1) default in any payment of interest or any Additional Amounts on any Note when due and payable, continued for 30 days;

(2) default in the payment of principal of or premium, if any, on any Note when due and payable at its Stated Maturity, upon optional redemption, upon required repurchase, upon acceleration or otherwise;

(3) failure by the Issuer to comply with any of its obligations under the covenants set forth in "—Repurchase at the Option Of Holders Upon A Change Of Control" above;

(4) failure by the Issuer or any Guarantor to comply with any of its obligations under the covenants set forth in "—Certain Covenants—Merger and Consolidation" above;

(5) failure to make or consummate an offer in accordance with the provisions described under "—Certain Covenants—Limitation on Sales of Assets";

(6) failure by the Issuer to comply for 30 days after notice with any of its obligations under the covenants set forth in "—Certain Covenants" above (other than as specified in clauses (1) through (5) above);

(7) failure by the Issuer to comply for 30 days after notice from the Trustee (upon instruction by the Holders) with its other agreements contained in the Indenture or the Notes;

(8) default under any agreement or bond with respect to any Indebtedness for money borrowed by the Issuer or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Issuer or any of its Restricted Subsidiaries), other than Indebtedness owed to the Issuer or a Restricted Subsidiary, whether such Indebtedness or guarantee now exists, or is created after the date of the Indenture, which default:

   (a) is caused by a failure to pay when due principal of, or interest or premium, if any, on such Indebtedness prior to the expiration of any applicable grace period provided for under the terms of such Indebtedness ("**payment default**"); or

   (b) results in the acceleration of such Indebtedness prior to its maturity (the "**cross-acceleration provision**");

   and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated aggregates €50 million or more;

(9) except as permitted by the Indenture (including with respect to any limitations), any Notes Guarantee is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Guarantor, or any Person acting on behalf of any Guarantor, denies or disaffirms its obligations under its Notes Guarantee;

(10) certain events of bankruptcy, insolvency or reorganization under bankruptcy laws of the Issuer or a group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer and its Restricted Subsidiaries), would constitute a Significant Subsidiary (the "**bankruptcy provisions**");

(11) one or more final judgments, orders or decrees (not subject to appeal and not covered by insurance) shall be rendered against the Issuer or any Restricted Subsidiary, either individually or in an aggregate amount, in excess of €50 million, and either a creditor shall have commenced an enforcement proceeding upon such judgment, order or decree or there shall have been a period of 30 consecutive days or more during which a stay of enforcement of such judgment, order or decree was not (by reason of pending appeal or otherwise) in effect; or

(12) failure by the Issuer to comply with any material term of the Escrow Agreement that is not cured within ten days.

However, a default under clauses (6) or (7) above does not constitute an Event of Default until the Trustee upon instruction of the Holders of at least 25% in principal amount of the outstanding Notes notifies the Issuer of the default in writing and, with regards to defaults specified in clauses (6) and (7) above, the Issuer does not cure such default within the time specified in clauses (6) or (7) above, as applicable, after receipt of such notice.

In the case of an Event of Default specified in clause (10), all outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the then outstanding Notes may and, if directed by holders of at least 25% in aggregate principal amount of the then outstanding Notes, the Trustee shall, declare all the Notes to be due and payable immediately.

Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from holders of the Notes notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal, interest or premium, if any.

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any holders of Notes unless such holders have offered to the Trustee, and the Trustee has received, indemnity and/or security satisfactory to it against any loss, liability or expense. Except (subject to the provisions described under "—Amendments and Waivers") to enforce the right to receive payment of principal, premium, if any, or interest when due, no holder of a Note may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such Holder has previously given the Trustee notice that an Event of Default is continuing;

(2) Holders of at least 25% in principal amount of the outstanding Notes have requested the Trustee to pursue the remedy;

(3) such Holders have offered the Trustee security and/or indemnity against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days following the receipt of the request and the offer of security or indemnity; and

(5) the Holders of a majority in principal amount of the outstanding Notes have not within such 60 day period given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request.

The Holders of not less than a majority in aggregate principal amount of the Notes outstanding may, on behalf of the Holders of all outstanding Notes, waive any past default under the Indenture and its consequences, except a continuing default in the payment of the principal of, premium, if any, or interest on any Note held by a non-consenting Holder (which may only be waived with the consent of each Holder of Notes affected).

If a Default occurs and is continuing and is known to the Trustee, the Trustee must give to the Holders notice in accordance with procedures set forth under "—Selection and Notices" of the Default within 90 days after it occurs and becomes known to the Trustee. The Issuer shall deliver to the Trustee, within 120 days after the end of each fiscal year, an Officers' Certificate stating whether the signers thereof know of any Default or Event of Default that occurred during the previous year. The Issuer also is required to deliver to the Trustee, after becoming aware of the occurrence thereof, written notice of any events of which it is aware which would constitute Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

AMENDMENTS AND WAIVERS

The Issuer and the Trustee may, without the consent of the Holders of the Notes, amend, waive or supplement the Indenture for certain specific purposes, including, among other things, curing ambiguities, defects or inconsistencies, or making any other provisions with respect to matters or questions arising under the Indenture or the Notes or making any other change that will not adversely affect the interest of any Holder of the Notes in any material respect.

Modifications and amendments of the Indenture may be made by the Issuer and the Trustee with the consent of the Holders of a majority in aggregate principal amount of the outstanding Notes; provided, however, that no such modification or amendment may, without the consent of the Holders of 90% of the aggregate principal amount of then outstanding Notes affected thereby:

(1) change the Stated Maturity or the principal of, or any installment of interest on, any Note;

(2) reduce the principal amount of, (or premium) or interest on (or rate thereof), any Note;

(3) change the place or currency of payment of principal of (or premium), or interest on, any Note;

(4) impair the right to institute suit for the enforcement of any payment on or with respect to any Note;

(5) reduce the above stated percentage of outstanding Notes necessary to modify or amend the Indenture;

(6) reduce the percentage of aggregate principal amount of Outstanding Notes necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;

(7) waive or modify any provision of the Escrow Agreement (including, without limitation, those relating to the release of the Escrow Deposit), to the extent such provisions relate to the Issuer's obligation to redeem the Notes in a Special Mandatory Redemption, in a manner that adversely affects the rights of any Holder of such Notes in any material respect;

(8) following the making of a Change of Control Offer or Asset Sale Offer, as applicable, modify any such offer required under the "—Repurchase at the Option of Holders Upon a Change of Control" and "—Certain Covenants—Limitation on Sales of Asset" covenants contained in the Indenture in a manner adverse to the Holders thereof; or

(9) release any Guarantor from any of its obligations under its Notes Guarantee or this Indenture, except in accordance with the terms of this Indenture.

The Holders of a majority in aggregate principal amount of the outstanding Notes, on behalf of all Holders of Notes, may waive compliance by the Issuer with certain restrictive provisions of the Indenture. Subject to certain rights of the Trustee, as provided in the Indenture, the Holders of a majority in aggregate principal amount of the outstanding Notes, on behalf of all Holders of the Notes, may waive any past default under the Indenture, except a default in the payment of principal, premium or interest or a default arising from failure to purchase any Note tendered pursuant to, as applicable, a Change of Control Offer or Asset Sale Offer.

LEGAL DEFEASANCE AND COVENANT DEFEASANCE OF INDENTURE

The Indenture will provide that the Issuer may, at the option of its Board of Directors as evidenced by a resolution set forth in an Officers' Certificate, elect to have the obligations of the Issuer and the Guarantors discharged with respect to the outstanding Notes and Notes Guarantees ("**Legal Defeasance**"). Legal Defeasance means that the Issuer will be deemed to have paid and discharged the entire Debt represented by the outstanding Notes and Notes Guarantees except as to:

(1) the rights of holders of outstanding Notes to receive payments in respect of the principal of, premium, if any, and interest on such Notes when such payments are due from the trust referred to below;

(2) the Issuer's obligations to issue temporary Notes, register, transfer or exchange any Notes, replace mutilated, destroyed, lost or stolen Notes, maintain an office or agency for payments in respect of the Notes and segregate and hold such payments in trust;

(3) the rights, powers, trusts, duties and immunities of the Trustee and the obligations of the Issuer and the Guarantors in connection therewith; and

(4) the Legal Defeasance and Covenant Defeasance provisions of the Indenture.

In addition, the Issuer may, at its option and at any time prior to the stated Maturity of the Notes, elect to have its obligations released with respect to certain covenants that are described in the Indenture ("**Covenant Defeasance**"), and thereafter any omission to comply with such obligations will not constitute a Default or an Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events described under "Event of Default" (except those relating to payments on the Notes or bankruptcy or insolvency events) will no longer constitute an Event of Default with respect to the Notes. These events do not include events relating to non-payment, bankruptcy, receivership and insolvency. The Issuer may exercise its Legal Defeasance option regardless of whether they previously exercised Covenant Defeasance.

In order to exercise either Legal Defeasance or Covenant Defeasance under the Indenture:

(1) the Issuer must irrevocably deposit or cause to be deposited in trust with the Trustee (or such other entity designated or appointed by it for this purpose), for the benefit of the holders of the Notes, cash in euros, non-callable European Government Obligations or a combination thereof, in such amounts as will be sufficient, in the opinion of internationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay and discharge the principal of, premium, if any, and interest, on the outstanding Notes on the Stated Maturity or on the applicable redemption date, as the case may be, and the Issuer must (x) specify whether the Notes are being defeased to such Stated Maturity or to a particular redemption date; and (y) if applicable, have delivered to the Trustee an irrevocable notice to redeem all the outstanding Notes of such principal, premium, if any, or interest;

(2) in the case of Legal Defeasance, the Issuer must have delivered to the Trustee an opinion of counsel reasonably acceptable to the Trustee stating that (i) the Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling, or (ii) since the date of the Indenture, there has been a change in applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the beneficial owners of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Issuer must have delivered to the Trustee an opinion of counsel reasonably acceptable to the Trustee to the effect that the holders of the Notes outstanding will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same time as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) will have occurred and be continuing on the date of such deposit;

(5) such Legal Defeasance Covenant Defeasance, as applicable, will not result in a breach or violation of, or constitute a default under (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit), any material agreement or instrument (other than the Indenture) to which the Issuer or any Restricted Subsidiary is a party or by which the Issuer or any Restricted Subsidiary is bound;

(6) the Issuer has delivered to the Trustee an opinion of independent counsel reasonably acceptable to the Trustee in the country of the Issuer's incorporation to the effect that after the 180th day following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally and an opinion of independent counsel reasonably acceptable to the Trustee that the Trustee shall have a perfected security interest in such trust funds for the ratable benefit of the Holders;

(7) the Issuer must have delivered to the Trustee an Officers' Certificate stating that the deposit was not made by the Issuer with the intent of preferring the Holders with the intent of defeating, hindering delaying or defrauding the Issuer's creditors or others, or removing its assets beyond the reach of its creditors or increasing the Issuer's debts to the detriment of the Issuer's creditors; and

(8) the Issuer will have delivered to the Trustee an Officers' Certificate and an opinion of counsel reasonably acceptable to the Trustee, each stating that all conditions precedent provided for relating to the Legal Defeasance or Covenant Defeasance, as applicable, have been complied with.

If the funds deposited with the Issuer to effect Legal Defeasance or Covenant Defeasance, as applicable, are insufficient to pay the principal of, premium, if any, and interest on the Notes when due because of any acceleration occurring after an Event of Default, the Issuer will remain liable for such payments.

SATISFACTION AND DISCHARGE

The Indenture, the Notes and the Notes Guarantees will be discharged and will cease to be of further effect when:

(1) either:

   (i) all the Notes that have been authenticated and delivered (other than destroyed, lost or stolen Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust or segregated and held in trust and thereafter repaid to the Issuer or discharged from such trust as provided for in the Indenture) have been delivered to the Trustee for cancellation; or

   (ii) all Notes that have not been delivered to the Trustee or the Paying Agent for cancellation (x) have become due and payable (by reason of the mailing of a notice of redemption or otherwise) or (y) will become due and payable within one year and the Issuer or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee (or each other entity designated as appointed by it for this purpose) as trust funds in trust solely for the benefit of the holders of the Notes, cash in euros, non-callable European Government Obligations or a combination thereof, in such amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Trustee for cancellation for principal, premium, if any, and accrued interest to the date of maturity or redemption;

(2) the Issuer has paid or caused to be paid all sums payable by the Issuer under the Indenture, the Notes and the Notes Guarantees; and

(3) the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

In addition, the Issuer must deliver to the Trustee an Officers' Certificate and an opinion of counsel reasonably acceptable to the Trustee, subject to customary assumptions and qualifications, each stating that all conditions precedent provided in the Indenture relating to the satisfaction and discharge of the Indenture have been satisfied; *provided* that any such counsel may rely on any Officers' Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

LISTING

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF Market. There can be no assurance that the application to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes on the Euro MTF Market will be approved and settlement of the Notes is not conditioned on obtaining this listing.

ADDITIONAL INFORMATION

Anyone who has received this Offering Memorandum may, following the Issue Date, obtain a copy of the Indenture and the Notes, without charge, in each case, by writing to the Issuer, care of Head of Capital Markets at TUI AG, Karl-Wiechert-Allee 4, D-30625 Hanover, Germany.

GOVERNING LAW

The Indenture and the Notes will be governed by, and construed in accordance with, the laws of the State of New York. The Escrow Agreement will be governed by, and construed with, the laws of England and Wales.

CONSENT TO JURISDICTION AND SERVICE

The Indenture will provide that the Issuer will irrevocably and unconditionally appoint TUI UK Limited as its agent for service of process in any suit, action or proceeding with respect to the Indenture and the Notes and for actions brought under any Courts of England and Wales and will submit to such jurisdiction.

ENFORCEABILITY OF JUDGMENTS

Since a substantial portion of the assets of the Issuer and several of the Guarantors are outside the United Kingdom, any judgment obtained in the United Kingdom against the Issuer, including judgments with respect to the payment of principal, premium, if any, interest, Additional Amounts, redemption price and any purchase price with respect to the Notes, may not be collectable within the United Kingdom.

SELECTION AND NOTICES

If less than all of the Notes are to be redeemed at any time, the Trustee will select Notes for redemption on a *pro rata* basis (or, in the case of Notes issued in global form as discussed under "Book-Entry; Delivery and Form," based on a method that most nearly approximates a *pro rata* selection as the Trustee deems fair and appropriate in accordance with Euroclear's and Clearstream's procedures), unless otherwise required by law or applicable stock exchange or depository requirements. The Trustee shall not be liable for selections made by it in accordance with this paragraph.

No Notes of €100,000 or less can be redeemed in part. Notices of redemption will be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount of that Note that is to be redeemed. A new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the holder of Notes upon cancellation of the original Note. In case of a Global Note, an appropriate notation will be made on such Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption.

For Notes which are represented by Global Notes held on behalf of Euroclear or Clearstream, notices may be given by delivery of the relevant notices to Euroclear or Clearstream for communication to entitled account holders in substitution for the aforesaid mailing. So long as any Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and the rules and regulations of the Luxembourg Stock Exchange so require, any such notice to the holders of the relevant Notes shall also be published in a newspaper having a general circulation in Luxembourg (which is currently expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange (www.bourse.lu) and, in connection with any redemption, the Issuer will notify the Luxembourg Stock Exchange of any change in the principal amount of Notes outstanding.

PRESCRIPTION

Claims against the Issuer for the payment of principal or Additional Amounts, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

CERTAIN DEFINITIONS

"**Acquired Indebtedness**" means Indebtedness of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary or is merged into or consolidated with any other Person or that is assumed in connection with such merger or consolidation or that is assumed in connection with the acquisition of assets from such Person and, in each case, not Incurred by such Person in connection with, or in anticipation or contemplation of, such Person becoming a Restricted Subsidiary or such merger, consolidation or acquisition.

"**Additional Assets**" means:

(1) any property or assets (other than Indebtedness and Capital Stock) in a Related Business;

(2) the Capital Stock of a Person that becomes a Restricted Subsidiary as a result of, or in connection with, the acquisition of such Capital Stock by the Issuer or a Restricted Subsidiary; or

(3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary;

provided, however, that, in the case of clauses (2) and (3), such Restricted Subsidiary is primarily engaged in a Related Business.

"**Adjusted EBITDA**" means, with respect to any specified Person for any period without duplication, the sum of Consolidated Net Income, plus in each case to the extent deducted in computing Consolidated Net Income for such period:

(1) provision for taxes based on income, profits or capital of such Person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was deducted in computing such Consolidated Net Income; *plus*

(2) the Adjusted Net Finance Charges of such Person and its Restricted Subsidiaries for such period; *plus*

(3) any expenses, charges or other costs related to any equity offering, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business; *provided* that such payments are made at the time of such acquisition and are consistent with the customary practice in the industry at the time of such acquisition), joint venture, disposition, recapitalization, Indebtedness permitted to be incurred by the Indenture, or the refinancing of any other Indebtedness of such Person or any of its Restricted Subsidiaries (whether or not successful) (including such fees, expenses or charges related to such transaction) and, in each case, deducted in such period in computing Consolidated Net Income; *plus*

(4) depreciation, amortization (including, without limitation, amortization of intangibles and deferred financing fees), and other non-cash expenses (including without limitation writedowns and impairment of property, plant, equipment and intangibles and other long-lived assets and the impact of purchase accounting on such Person and its Restricted Subsidiaries for such period), but excluding any non-cash items for which a future cash payment will be required and for which an accrual or reserve is required by IFRS to be made, to the extent that such depreciation, amortization and other non-cash expenses were deducted in computing such Consolidated Net Income; *plus*

(5) the minority interest expense consisting of subsidiary income attributable to minority equity interests of third parties in any non-wholly owned Subsidiary in such period or any prior period, except to the extent of dividends declared or paid on Capital Stock held by third parties; *plus*

(6) any charge (or minus any income) attributable to a post-employment benefit scheme other than the current service costs attributable to the scheme; *minus*

(7) non-cash items increasing such Consolidated Net Income for such period, other than any items which represent the reversal in such period of any accrual of, or cash reserve for, anticipated charges in any prior period where such accrual or reserve is no longer required,

in each case, on a consolidated basis and determined in accordance with IFRS.

"**Adjusted Net Finance Charges**" means, with respect to any specified Person for any period, without duplication and in each case determined on a consolidated basis in accordance with IFRS, the sum of:

(1) the Issuer's and the Restricted Subsidiaries' total interest expense for such period, including, without limitation:

(i) amortization of debt discount, but excluding amortization of debt issuance costs, fees and expenses and the expensing of any bridge or other financing fees;

(ii) the net payments (if any) of Interest Rate Agreements and Currency Agreements (excluding amortization of fees and discounts and unrealized gains and losses); and

(iii) the interest portion of any deferred payment obligation (classified as Indebtedness under the Indenture); *plus*

(2) the interest component of the Issuer's and the Restricted Subsidiaries' Capitalized Lease Obligations accrued or scheduled to be paid or accrued during such period other than the interest component of Capitalized Lease Obligations between or among the Issuer and any Restricted Subsidiary or between or among Restricted Subsidiaries; *plus*

(3) the Issuer's and the Restricted Subsidiaries non-cash interest expenses (but excluding any non-cash interest expense attributable to the movement in the mark to market valuation of Hedging Obligations or other derivative instruments) and interest that was capitalized during such period; *plus*

(4) the interest expense on Indebtedness of another Person to the extent such Indebtedness is guaranteed by the Issuer or any Restricted Subsidiary or secured by a Lien on the Issuer's or any Restricted Subsidiary's assets, but only to the extent that such interest is actually paid by the Issuer or such Restricted Subsidiary; *minus*

(5) the interest income of the Issuer and the Restricted Subsidiaries during such period.

Notwithstanding any of the foregoing, Adjusted Net Finance Charges shall not include any interest accrued, capitalized or paid in respect of the Existing Hybrid or any Hybrid Capital.

"**Affiliate**" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "**control**" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; *provided* that beneficial ownership of 10% or more of the Voting Stock of a Person will be deemed to be control and the terms "**controlling**" and "**controlled**" have meanings correlative to the foregoing.

"**Applicable Premium**" means the greater of:

(1) 1% of the principal amount of such Note and

(2) the excess (to the extent positive) of

(a) the present value on such redemption date of (i) the redemption price of such Note on October 1, 2016 (such redemption price being described under "—Optional Redemption" exclusive of any accrued and unpaid interest to the redemption date), plus (ii) all required remaining scheduled interest payments due on such Note on October 1, 2016 (but excluding accrued and unpaid interest to the redemption date), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points, over

(b) the principal amount of such Note on such redemption date.

The calculation of the Applicable Premium shall be made by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate.

"**Asset Disposition**" means any direct or indirect sale, conveyance, transfer, assignment or any other disposition, or series of related sales, conveyances, transfers, assignments, leases or other dispositions that form part of a common plan by the Issuer or any of its Restricted Subsidiaries to any Person other than the Issuer or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction (each referred to for the purposes of this definition as a "**disposition**"), of any shares of Capital Stock of any of the Issuer's Subsidiaries (other than directors' qualifying shares or shares required by applicable law to be held by a Person other than the Issuer or any of its Subsidiaries) or any other assets of the Issuer or any of its Restricted Subsidiaries, other than:

(1) a disposition of assets or issuance of Capital Stock by a Restricted Subsidiary to the Issuer;

(2) for purposes of the covenant described under the caption "—Certain Covenants—Limitation on Sales of Assets" only, a Restricted Payment permitted by the covenant described under the caption "—Certain Covenants—Limitation on Restricted Payments" or a Permitted Investment;

(3) transactions permitted by "—Certain Covenants—Merger and Consolidation;"

(4) dispositions in connection with Permitted Liens, foreclosures on assets and any release of claim which have been written off;

(5) dispositions of obsolete or worn out equipment or equipment that is no longer useful in the conduct of the business of the Issuer and its Restricted Subsidiaries;

(6) dispositions required by law or any governmental authority or agency;

(7) dispositions or lease of products, services or accounts receivable in the ordinary course of business;

(8) dispositions of receivables and related assets pursuant to a Permitted Receivables Financing in an aggregate amount at any time outstanding not exceeding 35% of Total Receivables;

(9) transfers, leases, sales or other dispositions of businesses or assets (including without limitation real property (or a leasehold interest or licence thereof)) which are not Core Mainstream Tourism Business; *provided* that any such transfer, lease, sale or other disposition is on arm's length terms; and

(10) the Fair Market Value of which in the aggregate does not exceed €25 million in any one transaction or series of related transactions.

"**Average Life**" means, as of the date of determination, with respect to any Indebtedness, the quotient obtained by dividing (i) the sum of the products of the numbers of years from the date of determination to the dates of each successive scheduled principal payment of such Indebtedness multiplied by the amount of such payment by (ii) the sum of all such payments.

"**Board of Directors**" means, with respect to the Issuer or a Subsidiary, as the case may be, the Board of Directors (or other body performing functions similar to any of those performed by a Board of Directors including those performed, in the case of a German stock corporation, by the Management Board) of such person or any committee thereof duly authorized to act on behalf of such Board (or other body).

"**Bridge Facility Agreement**" means the €600,000,000 term loan facility agreement entered into on or about September 15, 2014 and among, *inter alios*, the Issuer as borrower and original guarantor, Citigroup Global Markets Limited, J.P. Morgan Limited and UniCredit Bank AG as mandated lead arrangers and bookrunners, Citibank N.A., London Branch, JPMorgan Chase Bank N.A., London Branch and UniCredit Luxembourg S.A. as original lenders and UniCredit Luxembourg S.A. as facility agent.

"**Bund Rate**" means, as of any redemption date, the rate per annum equal to the equivalent yield to maturity as of such redemption date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such relevant date, where:

(1) "**Comparable German Bund Issue**" means the German Bundesanleihe security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to October 1, 2016, and that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of euro denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Notes and of a maturity most nearly equal to October 1, 2016; provided, however, that, if the period from such redemption date to October 1, 2016, is less than one year, a fixed maturity of one year shall be used;

(2) "**Comparable German Bund Price**" means, with respect to any relevant date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Issuer obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;

(3) "**Reference German Bund Dealer**" means any dealer of German Bundesanleihe securities appointed by the Issuer in good faith; and

(4) "**Reference German Bund Dealer Quotations**" means, with respect to each Reference German Bund Dealer and any relevant date, the average as determined by the Issuer of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference German Bund Dealer at 3:30 p.m. Frankfurt am Main, Germany time on the third Business Day preceding the relevant date.

"**Business Day**" means any day which is a day (other than a Saturday or a Sunday) on which the Clearing System as well as all relevant parts of the Trans-European Automated Real-time Gross Settlement Express Transfer System 2 (*TARGET2*) are operational to forward payments in euro.

"**Capital Stock**" means, with respect to any Person, any and all shares, interests, partnership interests (whether general or limited), participations, rights in or other equivalents (however designated) of such Person's equity, any other interest or participation that confers the right to receive a share of the profits and losses, or distributions of assets of, such Person and any rights (other than debt securities convertible into or exchangeable for Capital Stock), warrants or options exchangeable for or convertible into such Capital Stock, whether now outstanding or issued after the Issue Date.

"**Capitalized Lease Obligation**" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes in accordance with IFRS in effect on the Issue Date, and the amount of Indebtedness represented by such obligation shall be the capitalized amount of such obligation at the time any determination thereof is to be made as determined in accordance with IFRS in effect on the Issue Date, under such lease prior to the first date such lease may be terminated without penalty.

"**Cash Equivalents**" means:

(1) securities issued or directly and fully guaranteed or insured by the United States Government or any agency or instrumentality of the United States or a member state of the European Union on 31 December 2003 or any agency or instrumentality thereof (*provided, however*, that the full faith and credit of the United States or such member state of the European Union is pledged in support thereof); having maturities of not more than one year from the date of acquisition;

(2) certificates of deposit, time deposits, Eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by any commercial bank, the long term debt of which is rated at the time of acquisition "A-1" or higher by Moody's or "A+" or higher by S&P, and having combined capital and surplus in excess of €500,000,000;

(3) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) of this definition;

(4) commercial paper rated at the time of acquisition thereof at least "A-2" or the equivalent thereof by S&P or "P-2" or the equivalent thereof by Moody's, and in any case maturing within one year after the date of acquisition thereof; and

(5) interests in any investment company or money market fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (4) of this definition.

"**Cash Management Arrangements**" means the cash management arrangements of the Issuer and its Restricted Subsidiaries (including any Indebtedness arising thereunder) whereby debt and credit balances held in the Issuer's accounts, in the same or different currencies, are set off pursuant to arrangements made in the ordinary course of business consistent with past practice.

"**Change of Control**" means the occurrence of any of the following:

(1) the Issuer becoming aware of any "person" or "group" of persons acquiring and holding, directly or indirectly, the control over more than 50% of (1) the issued share capital of the Issuer, or (2) the voting rights in the shares of the Issuer, by ownership of the share capital, contract or otherwise; or

(2) (A) the Issuer consummates any transaction (including without limitation, any merger, consolidation, amalgamation or other combination) pursuant to which the Issuer's outstanding Voting Stock is converted into or exchange for cash, securities or other property, (B) the Issuer sells, leases, transfers, conveys or otherwise disposes (other than by way of merger, or consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to a Person other than a Restricted Subsidiary, in each case to any Person other than in a transaction:

    (a) where the Issuer's outstanding Voting Stock is not converted or exchanged at all (except to the extent necessary to reflect a change in the jurisdiction of the incorporation of the Issuer) or is converted into or exchanged for Voting Stock (other than Redeemable Capital Stock) of the surviving or transferee corporation; or

    (b) where the Person or Persons that, immediately prior to such transaction were the beneficial owners of the outstanding Voting Stock of the Issuer are, by virtue of such prior ownership, the beneficial owners in the aggregate of a majority of the total voting power of the then outstanding Voting Stock of the surviving or transferee corporation (or if such surviving or transferee corporation is a direct or indirect Wholly-Owned Subsidiary of another Person, such Person who is the ultimate parent entity), in each case whether or not such transaction is otherwise in compliance with the Indenture; or

(3) the Issuer is liquidated or dissolved or adopts a plan of liquidation or dissolution other than in a transaction which complies with the provisions described under "—Certain Covenants—Merger and Consolidation."

For the purposes of this definition, (i) "person" and "group" have the meanings they have in Sections 13(d) and 14(d) of the Exchange Act; (ii) "beneficial owner" is used as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a person shall be deemed to have "beneficial ownership" of all securities that such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time; and (iii) a person or group will be deemed to beneficially own all Voting Stock of an entity held by a parent entity, if such person or group is or becomes the beneficial owner, directly or indirectly, of more than 50% of the total voting power of the Voting Stock of such parent entity.

Although there is a limited body of case law interpreting the phrase "all or substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

"**Change of Control Triggering Event**" means the occurrence of a Change of Control other than at such time that the Notes have achieved an Investment Grade Rating, in which case "Change of Control Triggering Event" means the occurrence of a Change of Control and a Ratings Decline.

"**Commodity Agreement**" means any forward or option agreement or other type of derivative financial instrument relating to commodities.

"**Consolidated Coverage Ratio**" means, with respect to the Issuer and its Restricted Subsidiaries, the ratio of (i) the aggregate amount of Adjusted EBITDA for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which consolidated financial statements of the Issuer are available to (ii) Adjusted Net Finance Charges for such four fiscal quarters. In the event that the Issuer or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness subsequent to the commencement of the period for which the Consolidated Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Coverage Ratio is made (the "**Calculation Date**"), then the Consolidated Coverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer) to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period.

In addition, for purposes of calculating the Consolidated Coverage Ratio:

(1) acquisitions that have been made by the Issuer or any of its Restricted Subsidiaries, including through mergers or consolidations, or any Person acquired by the Issuer or any of its Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer and may include anticipated expense and cost reduction synergies) as if they had occurred on the first day of the four-quarter reference period;

(2) the Adjusted EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(3) the Adjusted Net Finance Charges attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Adjusted Net Finance Charges will not be obligations of the Issuer or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period; and

(6) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months, or, if shorter, at least equal to the remaining term of such Indebtedness).

"**Consolidated Leverage**" means the sum of the aggregate outstanding Indebtedness (excluding (i) Hedging Obligations entered into for *bona fide* hedging purposes and not for speculative purposes as determined in good faith by a responsible financial or accounting officer of the Issuer and (ii) Indebtedness Incurred in connection with Cash Management Arrangements) of the Issuer and its Restricted Subsidiaries.

"**Consolidated Leverage Ratio**" means, as of any date of determination, the ratio of (x) Consolidated Leverage at such date to (y) the aggregate amount of Adjusted EBITDA for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Issuer are available; *provided, however*, that for the purposes of calculating Adjusted EBITDA for such period, if, as of such date of determination:

(1) since the beginning of such period the Issuer or any Restricted Subsidiary has disposed of any company, any business, or any group of assets constituting an operating unit of a business

(any such disposition, a "**Sale**") or if the transaction giving rise to the need to calculate the Consolidated Leverage Ratio is such a Sale, Adjusted EBITDA for such period will be reduced by an amount equal to the Adjusted EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Adjusted EBITDA (if negative) attributable thereto for such period; *provided* that if any such sale constitutes "discontinued operations" in accordance with IFRS, Consolidated Net Income shall be reduced by an amount equal to the Consolidated Net Income (if positive) attributable to such operations for such period or increased by an amount equal to the Consolidated Net Income (if negative) attributable thereto for such period;

(2) since the beginning of such period, the Issuer or any Restricted Subsidiary (by merger or otherwise) has made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise has acquired any company, any business, or any group of assets constituting an operating unit of a business (any such Investment or acquisition, a "**Purchase**"), including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, Adjusted EBITDA for such period will be calculated after giving *pro forma* effect thereto as if such Purchase occurred on the first day of such period; and

(3) since the beginning of such period, any Person (that became a Restricted Subsidiary or was merged or otherwise combined with or into the Issuer or any Restricted Subsidiary since the beginning of such period) will have made any Sale or any Purchase that would have required an adjustment pursuant to clause (1) or (2) above if made by the Issuer or a Restricted Subsidiary since the beginning of such period, Adjusted EBITDA for such period will be calculated after giving *pro forma* effect thereto as if such Sale or Purchase occurred on the first day of such period.

For the purposes of this definition and the definitions of Adjusted EBITDA, Consolidated Interest Expense and Consolidated Net Income, (a) calculations will be as determined in good faith by a responsible financial or accounting officer of the Issuer (including in respect of anticipated expense and cost reductions and synergies) and (b) in determining the amount of Indebtedness outstanding on any date of determination, *pro forma* effect shall be given to any Incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness (other than ordinary working capital borrowings) as if such transaction had occurred on the first day of the relevant period.

"**Consolidated Net Income**" means, for any period, the profit (loss) for the period (without discontinued operations) of the Issuer and its Restricted Subsidiaries determined on a consolidated basis in accordance with IFRS; *provided, however*, that there shall not be included in such Consolidated Net Income:

(1) any profit (loss) for the period (without discontinued operations) of any Person (other than the Issuer) that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting, except that:

    (a) subject to the limitations contained in clauses (2), (3) and (4) below, the Issuer's equity in the net income of any such Person (including, without limitation, Hapag-Lloyd) for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Issuer or a Restricted Subsidiary as a dividend or other distribution or return on investment; and

    (b) the Issuer's equity in a net loss of any such Person (other than an Unrestricted Subsidiary) for such period shall be included in determining such Consolidated Net Income to the extent such loss has been funded with cash from the Issuer or a Restricted Subsidiary;

(2) any net after-tax gain (loss) realized (i) upon the sale or other disposition of any property, plant or equipment of the Issuer or its Restricted Subsidiaries which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Issuer) or (ii) in connection with the sale or disposition of securities;

(3) any net after-tax goodwill impairment;

(4) the cumulative effect of a change in accounting principles after the Issue Date;

(5) any deferred financing costs written off and premium paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness and any net loss from any write-off or forgiveness of Indebtedness;

(6) any non-cash charges or any increases in amortization or depreciation resulting from purchase accounting, in each case, in relation to any acquisition of another person or business or reserves in respect of any restructuring, redundancy, integration or any expenses, charges, reserves or other costs related to acquisitions or disposals; and

(7) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph under the caption "—Certain Covenants—Limitation on Restricted Payments," any net income (loss) of any Restricted Subsidiary will be excluded if such Restricted Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary , directly or indirectly, to the Issuer by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholder (other than restrictions that have been waived or otherwise released) except that the Issuer's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause).

Notwithstanding the forgoing, without double counting, (i) in the period during which TTP and its subsidiaries are not Restricted Subsidiaries, Consolidated Net Income shall include 100% of the cash dividends paid during the reference period from TTP (or any of its subsidiaries) to the Issuer and (ii) after the occurrence of the Scheme Effective Date, upon which TTP (and each of its subsidiaries) will qualify as a "Subsidiary" and "Restricted Subsidiary," as applicable, under the Indenture, Consolidated Net Income shall include the profit (loss) of TTP (and any of its subsidiaries) only during the period when TTP (and each of its subsidiaries) is a Restricted Subsidiary. However, for purposes of calculating "Consolidated Net Income" under sub-clause (c)(i) of the covenant described under the caption "—Certain Covenants—Limitation on Restricted Payments," each of TTP and RIUSA II S.A. and (their respective subsidiaries) shall constitute a "Restricted Subsidiary."

"**Core Mainstream Tourism Business**" means the leisure tourism business of the Group including hotel portfolio and cruise ship operations, but excluding, online accommodation businesses and the Specialist & Activity sector businesses of the Group.

"**Court**" means the High Court of Justice in England and Wales.

"**Credit Facilities**" means one or more debt facilities or arrangements (including, without limitation, the New RCF Agreement and any Credit Facility existing on the Issue Date) or commercial paper facilities with banks, insurance companies or other institutions providing for revolving credit loans, term loans, notes, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables), bonding facilities, letters of credit or other forms of Guarantees and assurances or other credit facilities, including overdrafts, in each case, as Refinanced from time to time; *provided* that (except in the case of a Refinancing by the Issuer) no such Refinancing may consist of or provide for the borrowing or issuance of Public Indebtedness.

"**Currency Agreement**" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement as to which such Person is a party or a beneficiary.

"**Default**" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"**Equity Offering**" means a sale for cash after the Issue Date of Capital Stock of the Issuer.

"**Escrow Longstop Date**" means:

(1) the earlier of:

(a) September 30, 2015; and

(b) the long stop date specified in the Scheme Circular in the form as the date of the Bridge Facility Agreement (the "**Original Escrow Longstop Date**"); or

(2) if the Original Escrow Longstop Date is extended by agreement between the Issuer and TTP (and (if required) permitted by the Takeover Panel and the Court (the "**Extended Escrow Longstop Date**"), the earlier of:

(a) the Extended Escrow Longstop Date;

(b) the date falling two months after the Original Escrow Longstop Date; and

(c) November 30, 2015.

"**euro**," "**EUR**" or "**€**" means the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union.

"**European Union**" means the European Union, including the countries of Austria, Belgium, Denmark, France, Finland, Germany, Greece, Ireland, Italy, Luxembourg, The Netherlands, Portugal, Spain, Sweden and the United Kingdom, but not including any country that becomes a member of the European Union after the Issue Date.

"**Existing Backstop Facility Agreement**" means the credit facility agreement with an original principal amount of £300,000,000 dated June 28, 2013 made between, among others, TTP as borrower and The Royal Bank of Scotland plc as facility agent.

"**Existing Hybrid**" means the €300 million principal amount Perpetual Subordinated Fixed to Floating Rate Bonds issued by the Issuer on December 9, 2005.

"**Existing RCF Agreement**" means the £1,400,000,000 credit facility agreement dated March 28, 2014 made between, among others, TTP and The Royal Bank of Scotland plc as facility agent.

"**Fair Market Value**" means, with respect to any asset or property, the sale value that would be obtained in an arm's-length transaction between a willing seller and a willing buyer in a transaction not involving distress or necessity of either party, as determined in good faith by the Issuer's Board of Directors.

"**Fuel Agreement**" means any spot, forward or other option price protection agreements and other types of derivative financial instruments relating to fuel prices.

"**Future Guarantor**" refers to any of the following Restricted Subsidiaries of the Issuer: TUI Travel, First Choice Holidays Finance Limited; First Choice Holidays Limited; Fritidsresor AB; Jetair NV; Leibniz Service GmbH; Preussag Beteiligungsverwaltungs GmbH IX; Preussag Immobilien GmbH; Sunshine Cruises Limited; Thomson Airways Limited; TUI Aviation GmbH; TUI Travel Belgium NV; TUI Deutschland GmbH; TUI Fly GmbH; TUI Nederland NV; TUI Travel Aviation Finance Limited; TUI Travel Holdings Limited; TUI UK Limited and TUI UK Retail Limited.

"**Group**" means:

(1) prior to the occurrence of the Scheme Effective Date, the Issuer and its Subsidiaries excluding TTP and its subsidiaries; and

(2) on and from the occurrence of the Scheme Effective Date, the Issuer and its Subsidiaries.

"**Guarantee**" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take–or–pay, or to maintain financial statement conditions or otherwise); or

(2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part);

provided, however, that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"**Guarantor**" means any Future Guarantor and any other Restricted Subsidiary that executes a Notes Guarantee under a supplemental indenture in accordance with the provisions of the Indenture, and their respective successors and assigns, in each case, until the Notes Guarantee of such Person has been released in accordance with the provisions of the Indenture.

"**Hapag-Lloyd**" means Hapag-Lloyd AG, a public stock corporation (*Akteingesellschaft*) incorporated under the laws of the Federal Republic of Germany.

"**Hedging Obligations**" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Commodity Agreement or Currency Agreement.

"**Holder**" means a Person in whose name a Note is registered.

"**Hybrid Capital**" means any Capital Stock or hybrid instrument of the Issuer (whether outstanding on the Issue Date or thereafter Incurred) which is subordinated in right of payment to the Notes pursuant to a written agreement; *provided, however*, that such Hybrid Capital (except in the case of the Existing Hybrid):

(1) does not (including upon the happening of any event) mature or require any amortization or other payment of principal (other than through conversion or exchange of any such security or instrument for Capital Stock of the Issuer or for any other security or instrument meeting the requirements of the definition);

(2) does not (including upon the happening of any event) require the payment of cash interest;

(3) does not (including upon the happening of any event) provide for the acceleration nor confers any right (including upon the happening of any event) to declare a Default or Event of Default or take any enforcement action;

(4) is not secured by a Lien on any assets of the Issuer or a Restricted Subsidiary and is not Guaranteed by any Subsidiary of the Issuer;

(5) is subordinated in right of payment to the prior payment in full in cash of the Notes in the event of any default, bankruptcy, reorganization, liquidation, winding up or other disposition of assets of the Issuer;

(6) does not (including upon the happening of any event) restrict the payment of amounts due in respect of the Notes or compliance by the Issuer with its obligations under the Notes;

(7) does not (including upon the happening of an event) constitute Voting Stock; and

(8) is not (including upon the happening of any event) mandatorily convertible or exchangeable, or convertible or exchangeable at the option of the holder, in whole or in part, prior to the date on which the Notes mature other than into or for Capital Stock of the Issuer.

provided, however, that upon any event or circumstance that results in such hybrid instrument ceasing to qualify as Hybrid Capital, such instrument shall constitute an Incurrence of Indebtedness by the Issuer which Incurrence will only be permitted to the extent permitted under "—Certain Covenants—Limitation on Indebtedness," and any and all Restricted Payments made through the use of the net proceeds from the Incurrence of such instrument since the date of the original issuance of such instrument shall constitute new Restricted Payments that are deemed to have been made after the date of the original issuance of such instrument.

"**IFRS**" means International Financial Reporting Standards as endorsed by the European Union and in effect on the date hereof, other than for purposes of the covenant described under "—Certain Covenants—Reports to Holders," in which case "IFRS" means the means International Financial Reporting Standards promulgated from time to time by the International Accounting Standards Board.

"**Incur**" means issue, create, assume, Guarantee, incur or otherwise become liable for; *provided, however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a

Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) shall be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary; and the terms "Incurred" and "Incurrence" have meanings correlative to the foregoing.

"**Indebtedness**"

(1) means, with respect to any Person on any date of determination (without duplication):

(a) the principal and premium amounts of any indebtedness of such Person in respect of borrowed money (including overdrafts), excluding any trade payables and other accrued current liabilities incurred in the ordinary course of business;

(b) obligations evidenced by bonds, debentures, notes or other similar instruments;

(c) all reimbursement obligations in respect of letters of credit, bankers' acceptances or other similar instruments (except to the extent such reimbursement obligation relates to a trade payable and such obligation is satisfied within 30 days of Incurrence);

(d) obligations to pay the deferred and unpaid purchase price of property (except trade payables or similar obligations to trade creditors), which purchase price is due more than six months after the date of placing such property in service or taking delivery and title thereto;

(e) Capitalized Lease Obligations;

(f) the principal component or liquidation preference of all obligations of such Person with respect to the redemption, repayment or other repurchases of any Redeemable Capital Stock (but excluding any accrued dividends and unless accounted for as equity under IFRS);

(g) the principal component of Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; provided, however, that the amount of such Indebtedness will be the lesser of (i) the Fair Market Value of such asset at such date of determination (as determined in good faith by the Issuer) and (ii) the amount of such Indebtedness of such other Persons;

(h) the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and

(i) to the extent not otherwise included in this definition, net obligations of such Person under Hedging Obligations (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described in this definition if and to the extent such obligations (other than under (h) or (i) would appear as liabilities on the balance sheet of that Person in accordance with IFRS and the maximum liability, upon the occurrence of the contingency giving rise to the obligation, of any contingent obligations at such date.

(2) In addition, "Indebtedness" of any Person shall include Indebtedness described in the preceding paragraph that would not appear as a liability on the balance sheet of such person if:

(a) such Indebtedness is the obligation of a partnership or joint venture that is not a Restricted Subsidiary (a "**Joint Venture**");

(b) such Person or a Restricted Subsidiary of such Person is a general partner of the Joint Venture (a "**General Partner**"); and

(c) there is recourse, by contract or operation of law, with respect to the payment of such Indebtedness to property or assets of such Person or a Restricted Subsidiary of such Person; and then such Indebtedness shall be included in an amount not to exceed:

(i) the lesser of (A) the net assets of the General Partner and (B) the amount of such obligations to the extent that there is recourse, by contract or operation of law, to the property or assets of such Person or a Restricted Subsidiary of such Person; or

(ii) if less than the amount determined pursuant to the preceding clause (3)(c)(i) of this definition, the actual amount of such Indebtedness that is recourse to such Person or a Restricted Subsidiary of such Person, if the Indebtedness is evidenced in writing and is for a determinable amount and the related interest expense shall be included in Adjusted Net Finance Charges to the extent actually paid by the Issuer or its Restricted Subsidiaries.

For the avoidance of doubt, Hybrid Capital and operating leases that would not have been treated as Capitalized Lease Obligations under IFRS as of the Issue Date shall not be considered Indebtedness.

"**Initial Purchasers**" means Citigroup Global Markets Limited, J.P. Morgan Securities plc, UniCredit Bank AG, Barclays Bank PLC, Merrill Lynch International, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, DNB Markets, a division of DNB Bank ASA, HSBC Bank plc, ING Bank N.V., London Branch, Lloyds Bank plc, Mediobanca – Banca di Credito Finanziario S.p.A., Natixis, Société Générale and BANK OF CHINA LIMITED Zweigniederlassung Frankfurt am Main Frankfurt Branch.

"**Interest Rate Agreement**" means any derivative financial instruments related to interest rates, including without limitation any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement .

"**Investment**" in any Person means any direct or indirect advance, loan (other than advances to customers in the ordinary course of business that are recorded as trade receivables on the balance sheet of such Person) or other extensions of credit (including by way of Guarantee or similar arrangement) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by such Person and all other items that are or would be classified as investments on a balance sheet prepared in accordance with IFRS; *provided, however*, that advances, loans or other extensions of credit arising under the Cash Management Arrangements shall not be deemed Investments.

For purposes of the definition of "Unrestricted Subsidiary" and the covenant set forth specifically under "—Certain Covenants—Limitation on Restricted Payments":

(1) "Investment" shall include the portion (proportionate to the Issuer's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the Fair Market Value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided, however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Issuer shall be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to the excess of the Issuer's "Investment" in such Subsidiary at the time of such redesignation less the portion (proportionate to the Issuer's equity interest in such Subsidiary) of the Fair Market Value of the net assets of such Subsidiary at the time that such Subsidiary is so re-designated a Restricted Subsidiary; and

(2) any property transferred to or from an Unrestricted Subsidiary shall be valued at its Fair Market Value at the time of such transfer, except as would otherwise be required in relation to the valuation of a Restricted Payment pursuant to the covenant set forth under "—Certain Covenants—Limitation on Restricted Payments."

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"**Investment Grade Rating**" means

(1) a rating of "BBB-" or higher from S&P; and

(2) a rating of "Baa3" or higher from Moody's.

"**Issue Date**" means the date of issuance of the Notes (other than Additional Notes).

"**Lien**" means any mortgage, pledge, encumbrance, easement, deposit arrangement, security interest, lien (statutory or otherwise) or charge of any other kind of encumbrance or security right in rem upon or with respect to any property of any kind, real or personal, movable or immovable, now owned or hereafter acquired (including with respect to any Capitalized Lease Obligation, conditional sales, or other title retention agreement having substantially the same economic effect as any of the foregoing).

"**Market Capitalization**" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the Issuer on the date of the declaration of the relevant dividend *multiplied by* (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"**Material Transaction**" means any acquisition or disposition by the Issuer of a significant amount of assets (including businesses) representing greater than 20% of the consolidated revenues, Adjusted EBITDA or consolidated assets of the Issuer on a *pro forma* basis.

"**Minority Shareholders**" means the shareholders of TTP other than holders of shares in TTP (a) beneficially owned by the Issuer or its subsidiary undertakings (excluding TTP and its subsidiary undertakings), (b) held by TTP in treasury or (c) in respect of which the Issuer controls the voting rights.

"**Moody's**" means Moody's Investors Service, Inc.

"**Net Available Cash**" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring Person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, and other fees and expenses Incurred, and all taxes required to be paid or accrued as a liability under IFRS as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders in any of the Issuer's Subsidiaries or joint ventures as a result of such Asset Disposition;

(4) the deduction of appropriate amounts to be provided for by the seller as a reserve, in accordance with IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Issuer or any Restricted Subsidiary after such Asset Disposition; and

(5) any portion of the purchase price from an Asset Disposition required by the terms of the sale agreements to be placed in escrow (A) to provide assurance to the purchaser that the seller will be able to satisfy its indemnification and other obligations with respect to such sale and (B) which escrow is not under the sole control of the Issuer or any of its Subsidiaries; *provided, however*, that upon the termination of that escrow, Net Available Cash shall be increased by any portion of funds in the escrow that are released to the Issuer or any Restricted Subsidiary.

"**Net Cash Proceeds**" means, with respect to any issuance or sale of Capital Stock or any issuance, sale or repayment of Indebtedness, the cash proceeds of such issuance, sale or repayment net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance, sale or repayment and net of taxes paid or payable as a result of such issuance, sale or repayment (after taking into account any available tax credit or deductions and any tax sharing arrangements).

"**New RCF Agreement**" means the up to €1,550,000,000 revolving facilities agreement dated on or about September 15, 2014 and made between, amongst others, the Issuer as borrower, Citigroup Global Markets Limited, J.P. Morgan Limited and UniCredit Bank AG as arrangers, the financial institutions named therein as original lenders and UniCredit Luxembourg S.A. as facility agent.

"**Notes Guarantee**" means the Guarantee by each Guarantor of the Issuer's obligations under the Indenture and the Notes, executed pursuant to the provisions of the Indenture.

"**Officer**" means, with respect to any Person, (1) the Chairman of the Board, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "Officer" for the purposes of the Indenture by the Board of Directors of such Person.

"**Officers' Certificate**" means, with respect to any Person, a certificate signed by two Officers of such Person.

"**Opinion of Counsel**" means a written opinion from legal counsel reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Issuer.

"**Permitted Asset Swap**" means the concurrent purchase and sale or exchange of assets (including Capital Stock) used or useful in a Related Business or a combination of such assets and cash or Cash Equivalents between the Issuer or any Restricted Subsidiary and another Person; *provided, however*, that any cash or Cash Equivalents received in excess of the value of any cash or Cash Equivalents sold or exchanged must be applied in accordance with the covenant described under the caption "—Certain Covenants—Limitation on Sales of Assets."

"**Permitted Investment**" means an Investment by the Issuer or any Restricted Subsidiary:

(1) in the Issuer, a Restricted Subsidiary or a Person that will, upon the making of such Investment, become a Restricted Subsidiary; *provided, however*, that the primary business of such Restricted Subsidiary is a Related Business;

(2) in a Person, if as a result of such Investment, such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all its assets to, the Issuer or a Restricted Subsidiary; *provided, however*, that such Person's primary business is a Related Business;

(3) in Capital Stock, obligations or securities received (i) in settlement of debts created in the ordinary course of business and owing to the Issuer or any Restricted Subsidiary, (ii) as a result of foreclosure, perfection or enforcement of any Lien, (iii) in satisfaction of judgments or (iv) pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of a debtor;

(4) made pursuant to legally binding commitments in existence on the Issue Date and, if made by TTP or any of its subsidiaries, in existence on the Scheme Effective Date and any extension, modification or renewal of any such Investments, but only to the extent not involving additional Investments;

(5) in or with respect to Hapag-Lloyd to exchange, refinance, amend, modify or otherwise restructure the Issuer's Investments in Hapag-Lloyd existing on the Issue Date; *provided, however*, any such Investment, taken as a whole, are no less favorable to the Holders than the arrangements in place on the Issue Date; *provided further* that any such Investment does not increase the amount of the Investment as of the Issue Date or the percentage beneficial or economic ownership interest in Hapag-Lloyd in excess of that as of the Issue Date;

(6) represented by loans or advances to the Issuer's or any Restricted Subsidiary's officers, directors or employees, in each case made in the ordinary course of business and consistent with past practices and in an aggregate principal amount not to exceed €10 million; and

(7) Investments in:

  (a) any Permitted Joint Venture which exists on the date of the Indenture or, in relation to any Permitted Joint Venture in which TTP or any of its subsidiaries has an ownership interest, the Scheme Effective Date;

  (b) form of any transfer of assets to a Permitted Joint Venture that has been committed to be made (but not completed) on or before the date of the Indenture or, in relation to any Permitted Joint Venture in which TTP or any of its subsidiaries has an ownership interest, the Scheme Effective Date;

  (c) form of any transfer of any cruise ship (and any assets specifically related to the operation of that cruise ship) of the Group or the shares of (or the equity interests in) Hapag-Lloyd Kreuzfahrten GmbH, Hapag-Lloyd (Bahamas) Ltd., Preussag Beteiligungsverwaltungs GmbH IX and Sunshine Cruise Limited (provided that, each such entity's only assets or substantially all of its assets are cruise ships and any assets specifically related to the operation of such cruise ships) to TUI Cruises GmbH or any of its Subsidiaries; or

(d) form of any loan or transfer of assets to, or other Investment in, any Permitted Joint Venture not otherwise permitted under sub-clauses (a) to (c) above, provided that the Permitted Joint Venture Investment Amount in respect of all such loans, asset transfers and other investments does not exceed the Permitted Joint Venture Basket at any time; or

(8) Investments, taken together with all other Investments made pursuant to this clause (8) and at any time outstanding, in an aggregate amount at the time of such Investment not to exceed €200 million.

"**Permitted Joint Venture**" means any joint venture entity, whether a company, unincorporated firm, undertaking, association, joint venture or partnership or any other entity which in each case is:

(1) not a member of the Group but in which a member of the Group directly or indirectly holds (or, upon making an initial investment will hold) shares or any equivalent ownership interest in such entity (including, for the purposes of the Indenture, RIUSA II S.A.) unless such Permitted Joint Venture becomes a Restricted Subsidiary of the Issuer for the purposes of Indenture; and

(2) prior to the Scheme Effective Date, neither TTP nor any of its subsidiaries.

"**Permitted Joint Venture Basket**" means the aggregate at any time of:

(1) €300,000,000;

(2) the amount of any dividends, redemption of shares, loan repayments and other distributions received by the Group in cash from a Permitted Joint Venture after the date of the Indenture;

(3) any amount received by any member of the Group in cash as consideration for any asset transferred to any Permitted Joint Venture after the date of the Indenture;

(4) the proceeds of sale of any Permitted Joint Venture received by any member of the Group including, to the extent that such proceeds include non-cash receipts or distributions, the fair market value of such receipts or distributions; and

(5) the fair market value of any assets transferred to any member of the Group from a Permitted Joint Venture after the date of the Indenture.

"**Permitted Joint Venture Investment Amount**" means the aggregate at any time of:

(1) any cash lent to, or invested in, any Permitted Joint Venture by any member of the Group; and

(2) the fair market value of any assets transferred by any member of the Group to any Permitted Joint Venture.

"**Permitted Receivables Financing**" means any financing pursuant to which the Issuer or a Restricted Subsidiary may sell, convey or otherwise transfer to any other Person or grant a security interest in, any trade accounts receivable (and related assets) in an aggregate principal amount equivalent to the Fair Market Value of such accounts receivable (and related assets) of the Issuer or any Restricted Subsidiary; provided that (a) the covenants, events of default and other provisions applicable to such financing shall be customary for such transactions and shall be on market terms (as determined in good faith by the Board of Directors of the Issuer) at the time such financing is entered into, (b) the interest rate applicable to such financing shall be a market interest rate (as determined in good faith by the Board of Directors of the Issuer) at the time such financing is entered into and (c) such financing shall be non-recourse to the Issuer or any Restricted Subsidiary except to a limited extent customary for such transactions.

"**Permitted Refinancing Indebtedness**" means any Indebtedness of the Issuer or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to amend, renew, extend, substitute, refinance or replace (each for purposes of this clause, a "Refinancing" and "Refinance", having a correlative meaning), any Indebtedness of the Issuer or a Restricted Subsidiary, including any successive Refinancings, so long as:

(1) such Indebtedness is in an aggregate principal amount (or if Incurred with original issue discount, an aggregate issue price) not in excess of the sum of (a) the aggregate principal

amount (or if Incurred with original issue discount, the aggregate accreted value) then outstanding of the indebtedness being refinanced and (b) an amount necessary to pay any fees and expenses, including premiums and defeasance costs, related to such Refinancing,

(2) the Average Life of such Indebtedness is equal to or greater than the Average Life of the Indebtedness being Refinanced,

(3) the Stated Maturity of such Indebtedness is no earlier than the Stated Maturity of the Indebtedness being Refinanced, and

(4) the new Indebtedness is not senior in right of payment to the Indebtedness that is being Refinanced,

provided that Permitted Refinancing Indebtedness will not include Indebtedness of a Restricted Subsidiary that Refinances the Indebtedness of the Issuer.

"**Person**" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"**Productive Assets Financing**" means Capitalized Lease Obligations, mortgage financings, purchase money obligations, or other financings, in each case, assumed in connection with the acquisition, construction, improvement or development of any aircraft, boat, vessel, yacht, cruise ship, aircraft engine, auxiliary power unit, aircraft related part, engine related part, boat, vessel or ship related part or any other vehicle or hotel or other tourism related real property (or a leasehold interest therein or licence thereof) (a "**Craft**"), or any indebtedness incurred by any member of the Group in connection with the acquisition of, and/or the lease or any sub-lease, hire or charter of any Craft.

"**Qualified Capital Stock**" of any Person means any and all Capital Stock of such Person other than Redeemable Capital Stock.

"**Rating Agencies**" means:

(1) S&P and

(2) Moody's.

"**Rating Category**" means:

(1) with respect to S&P, any of the following categories: BB, B, CCC, CC, C and D (or equivalent successor categories),

(2) with respect to Moody's, any of the following categories: Ba, B, Caa, Ca, C and D (or equivalent successor categories), and

(3) the equivalent of any such category of S&P or Moody's used by another rating agency in determining whether the rating of the notes has decreased by one or more gradations, gradations within rating categories (+ and − for S&P, 1, 2 and 3 for Moody's; or the equivalent gradations for another rating agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from BB+ to BB, as well as from BB− to B+, will constitute a decrease of one gradation).

"**Ratings Decline**" means the occurrence on or within 90 days after the date of the occurrence of an event specified in the definition of Change of Control (which period shall be extended so long as any of the Rating Agencies have publicly announced that the rating of the Notes is under consideration) of either (i) a decrease in the rating of the Notes by either Rating Agency by one or more gradations below either (x) the rating of the Notes issued by such Rating Agency as of the Issue Date or (y) the rating of the Notes immediately prior to such downgrade (including gradations within Rating Categories as well as between Rating Categories) or (2) the withdrawal by either Rating Agency of its rating of the Notes. If no Rating Agency announces an action with regard to its rating of the Notes as soon as reasonably practicable after the occurrence of an event specified in the definition of Change of Control, the Issuer shall request each Rating Agency to confirm its rating of the Notes before the end of such 90-day period.

"**Redeemable Capital Stock**" means any class or series of Capital Stock that, either by its terms, by the terms of any security into which it is convertible or exchangeable or by contract or otherwise, is, or upon the happening of an event or passage of time would be, required to be redeemed prior to 365 days after the final Stated Maturity of the Notes or is redeemable at the option of the holder thereof at any time prior to 365 days after such final Stated Maturity (other than upon a change of control of the Issuer in circumstances in which the Holders would have similar rights), or is convertible into or exchangeable for debt securities at any time prior to 365 days after such final Stated Maturity; provided that any Capital Stock that would constitute Qualified Capital Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of any "asset sale" or "change of control" occurring prior to 365 days after the Stated Maturity of the Notes will not constitute Redeemable Capital Stock if the "asset sale" or "change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions described in "—Certain Covenants—Limitation on Sale of Certain Assets" and "—Repurchase at the Option Of Holders Upon A Change Of Control" and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Issuer's repurchase of such Notes as are required to be repurchased pursuant to the provisions described in "—Certain Covenants—Limitation on Sale of Certain Assets" and "—Repurchase at the Option Of Holders Upon A Change Of Control."

"**Related Business**" means any of the businesses engaged in by the Issuer and its Subsidiaries on the Issue Date and by TTP and its subsidiaries on the Scheme Effective Date , and any services, activities or businesses incidental or directly related or similar thereto, or any line of business or business activity that is a reasonable extension, development, application or expansion thereof or ancillary thereto (including by way of geography or product or service line).

"**Restricted Investment**" means any Investment other than a Permitted Investment.

"**Restricted Subsidiary**" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"**S&P**" means Standard & Poor's Ratings Group.

"**Scheme**" means a scheme of arrangement made pursuant to Part 26 of the Companies Act 2006 between TTP and the Minority Shareholders in relation to the cancellation of the issued share capital of TTP held by the Minority Shareholders and the subsequent issue of new shares in TTP to the Issuer as contemplated by the Scheme Circular.

"**Scheme Circular**" means the circular to the shareholders of TTP to be issued by TTP setting out the proposals for the Scheme.

"**Scheme Effective Date**" means the date on which: (a) (i) an office copy of the Court order sanctioning the Scheme and confirming the associated reduction of the Issuer's share capital contemplated by the Scheme; and (ii) the requisite statement of capital (approved by the Court) showing the Issuer's share capital as altered by the Court order, are duly delivered on behalf of TTP to the Registrar of Companies in England and Wales (the "**Registrar of Companies**"); or (b) if the Court so orders for the Scheme to become effective, the above Court order and statement of capital are registered by the Registrar of Companies.

"**Significant Subsidiary**" means a Subsidiary of a Person, including its Subsidiaries, which meets any of the following conditions:

(1) the Person's and its other Subsidiaries' investments in and advances to the Subsidiary exceed 5% of the total assets of the Person and its Subsidiaries consolidated as of the end of the most recently completed fiscal year;

(2) the Subsidiaries' total assets (after intercompany eliminations) exceeds 5% of the total assets of the Person and its Subsidiaries consolidated as of the end of the most recently completed fiscal year; or

(3) the Person's and its other Subsidiaries' equity in the income of the Subsidiary from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle exclusive of amounts attributable to any non-controlling interests exceeds 5% of such income of the Person and its Subsidiaries consolidated for the most recently completed fiscal year.

"**Stated Maturity**" means, with respect to any installment of interest or principal of any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the Issue Date, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"**Subsidiary**" means in relation to any company, corporation or partnership, a company, corporation or partnership:

(1) which is controlled, directly or indirectly, by the first mentioned company or corporation or partnership;

(2) more than half of the voting share capital of which is beneficially owned, directly or indirectly by the first mentioned company, corporation or partnership; or

(3) which is a Subsidiary of another Subsidiary of the first mentioned company, corporation or partnership,

and for this purpose, a company or corporation or partnership shall be treated as being controlled by another if that other company or corporation or partnership is able to direct its affairs and/or to control the composition of its board of directors or equivalent body, provided that for the purpose of this definition:

(a) prior to the occurrence of the Scheme Effective Date, neither TTP nor any of its subsidiaries shall be considered, for the purposes of the Indenture, to be a direct or indirect Subsidiary of the Issuer; and

(b) unless after the date of the Indenture, the Issuer beneficially owns, directly or indirectly, more than half of the voting share capital of RIUSA II S.A. or any of its subsidiaries, neither RIUSA II S.A. nor any of its subsidiaries shall be considered, for the purposes of the Indenture, to be a direct or indirect Subsidiary of the Issuer.

"**Takeover Code**" means The City Code on Takeovers and Mergers.

"**Takeover Panel**" means the Panel on Takeovers and Mergers.

"**Tax**" means any tax, duty, levy, impost, assessment or other governmental charge (including, without limitation, penalties and interest and other similar liabilities related thereto).

"**Total Receivables**" means, at any date, (a) the trade accounts receivable of the Issuer and its Restricted Subsidiaries as of such date plus (b) the amount of trade accounts receivable of the Issuer and its Restricted Subsidiaries that has been sold, conveyed or otherwise transferred in Permitted Receivables Financings and is outstanding at such date.

"**TTP**" means TUI Travel PLC, a public limited company incorporated under the laws of England and Wales.

"**TUI Merger Market Capitalization**" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the Issuer on the Scheme Effective Date multiplied by (ii) the closing prices per share of such common stock or common equity interests on the Scheme Effective Date.

"**Unrestricted Subsidiary**" means:

(1) any Subsidiary of the Issuer that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors of the Issuer in the manner provided for under the covenant "—Certain Covenants—Restricted and Unrestricted Subsidiaries;" and

(2) any Subsidiary of an Unrestricted Subsidiary.

"**Voting Stock**" of a corporation or company means all classes of Capital Stock of such corporation or company then outstanding and normally entitled to vote in the election of directors.

"**Wholly-Owned Subsidiary**" means a Restricted Subsidiary, all of the Capital Stock of which (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer or another Wholly-Owned Subsidiary) is owned by the Issuer or another Wholly-Owned Subsidiary.

BOOK-ENTRY, DELIVERY AND FORM

General

Notes sold to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "**Rule 144A Global Note**"). Notes sold to non-U.S. persons outside the United States in reliance on Regulation S under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "**Regulation S Global Note**" and, together with the Rule 144A Global Note, the "**Global Notes**"). The Global Notes will be deposited, on the closing date, with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Rule 144A Global Note (the "**Rule 144A Book-Entry Interests**") and ownership of interests in the Regulation S Global Note (the "**Regulation S Book-Entry Interests**" and, together with the Rule 144A Book-Entry Interests, the "**Book-Entry Interests**") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that hold interests through such participants. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories. Except under the limited circumstances described below, the Notes will not be issued in definitive form.

Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical possession of those securities in definitive form. The foregoing limitations may impair your ability to own, transfer, pledge or grant any other security interest Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not be considered the owners or "holders" of Notes for any purpose.

So long as the Notes are held in global form, Euroclear and/or Clearstream (or their respective nominees), as applicable, will be considered the sole holders of the Global Notes for all purposes under the Indenture. Accordingly, participants must rely on the procedures of Euroclear and Clearstream, and indirect participants must rely on the procedures of Euroclear and Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders of Notes under the Indenture.

Neither the Issuer, the Registrar, the Transfer Agent, the Paying Agent nor the Trustee nor any of their respective agents will have any responsibility, or be liable, for any aspect of the records, or for payments made, relating to the Book-Entry Interests.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described above) only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, each of Euroclear and Clearstream, at the request of the holders of the Notes, reserve the right to exchange the Global Notes for definitive registered Notes in certificated form (the "**Definitive Registered Notes**"), and to distribute such Definitive Registered Notes to their participants.

Definitive Registered Notes

Under the terms of the Indenture, owners of the Book-Entry Interests will receive Definitive Registered Notes:

(1) if Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the Issuer within 120 days; or

(2) if the owner of a Book-Entry Interest requests such exchange in writing delivered through Euroclear or Clearstream following an event of default under the Indenture.

Euroclear and Clearstream have advised the Issuer that upon request by an owner of a Book-Entry Interest described in the immediately preceding clause (2), their current procedure is to request that the Issuer issues or causes to be issued Notes in definitive registered form to all owners of Book-Entry Interests and not only to the owner who made the initial request.

In such an event described in clauses (1) and (2), the Registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations requested by or on behalf of Euroclear, Clearstream or the Issuer, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend as provided in the Indenture, unless that legend is not required by the Indenture or applicable law.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Notes have been lost, destroyed or wrongfully taken, or if such Definitive Registered Notes are mutilated and are surrendered to the Registrar or at the office of a Paying Agent, the Issuer will issue and the Trustee (or an authenticating agent appointed by the Trustee) will authenticate a replacement Definitive Registered Note if the Trustee's and the Issuer's requirements are met. The Issuer or the Trustee may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both the Trustee and the Issuer to protect the Issuer, the Trustee, the Registrar or the Paying Agent appointed pursuant to the Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. The Issuer may charge for expenses in replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by the Issuer pursuant to the provisions of the Indenture, the Issuer in its discretion may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

To the extent permitted by law, the Issuer, the Trustee, the Registrar, the Transfer Agent and the Paying Agent shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Registrar, and such registration is a means of evidencing title to the Notes.

The Issuer will not impose any fees or other charges in respect of the Notes; however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and/or Clearstream.

Redemption of Global Notes

In the event that any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream, or their respective nominees, as applicable, will redeem an equal amount of the Book-Entry Interests in such Global Note from the amount received by them in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear and Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that, under the existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their participants' accounts on a proportionate basis (with adjustments to prevent fractions), by lot or on such other basis as they deem fair and appropriate, provided, however, that no Book-Entry Interest of less than €100,000 principal amount may be redeemed in part.

Payments on Global Notes

The Issuer will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, interest and additional amounts, if any) to the Paying Agent. The Paying Agent will, in turn make said payments to Euroclear and Clearstream. Euroclear and Clearstream will distribute such payments to participants in accordance with their respective customary procedures. The Issuer will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "Description of the Notes—Payment of Additional

Amounts.” If any such deduction or withholding is required to be made, then, to the extent described under “Description of the Notes—Payment of Additional Amounts” above, we will pay additional amounts as may be necessary in order for the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding will equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. The Issuer expects that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indenture, the Issuer, the Trustee, the Registrar, the Transfer Agent and the Paying Agent will treat the registered holders of the Global Notes (*e.g.*, Euroclear or Clearstream (or their respective nominee)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee, the Registrar, the Transfer Agent and the Paying Agent or any of its agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest or for maintaining, supervising or reviewing the records of Euroclear or Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest; or

- Euroclear, Clearstream or any participant or indirect participant.

Currency of Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interests to such Notes through Euroclear or Clearstream in euro.

Transfers

Transfers between participants in Euroclear or Clearstream will be effected in accordance with Euroclear and Clearstream’s rules and will be settled in immediately available funds. If a holder of Notes requires physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder of Notes must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set forth in the Indenture.

The Global Notes will bear a legend to the effect set forth under “Transfer Restrictions” Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under “Transfer Restrictions.”

Transfers of Rule 144A Book-Entry Interests to persons wishing to take delivery of Rule 144A Book-Entry Interests will at all times be subject to such transfer restrictions.

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144A under the U.S. Securities Act or any other exemption (if available under the U.S. Securities Act).

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a “qualified institutional buyer” within the meaning of Rule 144A under the U.S. Securities Act in a transaction meeting the requirements of Rule 144A under the U.S. Securities Act or otherwise in accordance with the transfer restrictions described under “Transfer Restrictions” and in accordance with any applicable securities laws of any other jurisdiction.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Rule 144A Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under "Description of the Notes—Transfer and Exchange," and, if required, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See "Transfer Restrictions."

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Information Concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of the settlement system are controlled by the settlement system and may be changed at any time. Neither we nor the Initial Purchasers are responsible for those operations or procedures.

The Issuer understands as follows with respect to Euroclear and Clearstream: Euroclear and Clearstream hold securities for participating organizations. They facilitate the clearance and settlement of securities transactions between their participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear and/or Clearstream system, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the Rule 144A Global Notes only through Euroclear or Clearstream participants.

Global Clearance and Settlement Under the Book-Entry System

The Notes represented by the Global Notes are expected to be listed on the LxSE and admitted for trading on the LxSE's Euro MTF Market. The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. The international securities identification numbers and common code numbers for the Notes are set out under "Listing and General Information." Transfers of interests in the Global Notes between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective system's rules and operating procedures.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Trustee, the Registrar, the Transfer Agent or the Paying Agent will have any responsibility for the performance by Euroclear, Clearstream or their participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Initial Settlement

Initial settlement for the Notes will be made in euro. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value of the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear and Clearstream and will settle in same day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

TAXATION

Responsibility of the Issuer for the withholding of taxes at source

The Issuer does not assume any responsibility for the withholding of taxes at source.

Certain German Tax Considerations

The following is a general discussion of certain German tax consequences of the acquisition, holding and disposal of the Notes. It does not purport to be a comprehensive description of all German tax considerations that may be relevant to a decision to purchase Notes, and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the tax laws of Germany currently in force and as applied on the date of this Offering Memorandum, which are subject to change, possibly with retroactive or retrospective effect.

Prospective purchasers of the Notes are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposition of the Notes, including the effect of any state, local or church taxes, under the tax laws of Germany and any country of which they are resident or whose tax laws apply to them for other reasons.

Taxation of Current Income and Capital Gains

Tax Residents

This subsection "Tax Residents" refers to persons who are tax residents of Germany (*i.e.*, persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany).

Income derived from capital investments under the Notes as well as capital gains from the disposal, redemption, repayment or assignment of the Notes held by an individual holder who is tax resident in Germany is in general subject to German income tax at a flat-tax rate of 25% (plus solidarity surcharge at a rate of 5.5% thereon and church tax, if applicable, thereon) (*Abgeltungsteuer*) if the Notes are held as private investment (*Privatvermögen*). Capital gains are the difference between the proceeds from the disposal, redemption, repayment or assignment of the Notes after deduction of expenses directly related to the disposal, redemption, repayment or assignment and the cost of acquisition. If Notes held or managed in the same custodial account were acquired at different points in time, the Notes first acquired will be deemed to have been sold first for the purposes of determining the capital gains. Where Notes are acquired and/or sold in a currency other than euro, the sales price and the acquisition costs have to be converted into euro on the basis of the foreign exchange rates prevailing on the sale date and the acquisition date respectively with the result that any currency gains or losses are part of the capital gains. If interest claims are disposed of separately (*i.e.*, without the Notes), the proceeds from the disposition are subject to tax. The same applies to proceeds from the payment of interest claims if the Notes have been disposed of separately.

Accrued interest (*Stückzinsen*) on the Notes or other securities paid separately upon the acquisition of the respective security is tax deductible as negative investment income. Individual holders who are tax resident in Germany are entitled to a maximum annual allowance (*Sparer-Pauschbetrag*) of €801 (€1,602 for married couples and for partners in accordance with the registered partnership law (*Gesetz über die Eingetragene Lebenspartnerschaft*) filing jointly), whereby actually incurred higher expenses directly attributable to a capital investment are not deductible. Subject to certain requirements and restrictions, foreign withholding tax levied on investment income in a given year may be credited against the income tax liability of the holder of the Notes.

The personal income tax liability of an individual holder who is tax resident in Germany on income from capital investments under the Notes will, in principle, be satisfied by the tax withheld (as described under the section "—Withholding Tax" below). To the extent withholding tax has not been levied, such as in the case of Notes kept in custody abroad or of no Disbursing Agent being involved in the payment process, the individual holder must include its income and capital gains derived from the Notes in its annual tax return and will then also be taxed at a rate of 25% (plus solidarity surcharge and where applicable, church tax thereon). Further, an individual holder may apply for a taxation of all investment income of a given year at its lower individual tax rate based upon an assessment to tax with any amounts over-withheld being refunded. In each case, the deduction of expenses (other than transaction costs) on an itemized basis is not permitted. Losses incurred with respect to the Notes can only be offset with investment income of the individual holder realized in the same or following assessment periods.

Pursuant to a tax decree issued by the German Federal Ministry of Finance dated October 9, 2012 a bad debt loss (*Forderungsausfall*) and a waiver of a receivable (*Forderungsverzicht*), to the extent the waiver does not qualify as a hidden capital contribution, shall not be treated as a disposal. Accordingly, losses suffered upon such bad debt loss or waiver shall not be tax-deductible if the Notes are held as private investment (*Privatvermögen*). The same rules should be applicable according to said tax decree, if the Notes are worthless at the time of expiry so that losses may not be tax-deductible at all. Losses suffered in a sale of Notes will only be recognized according to the view of the tax authorities, if the proceeds received in the sale exceed the respective transaction costs.

Where Notes form part of a trade or business of an individual or corporate holder, or where the income from the Notes qualifies as income from the letting or leasing of property, the withholding tax, if any, does not satisfy the personal or corporate income tax liability. Rather, the income is subject to personal or corporate income tax (plus solidarity surcharge and where applicable, church tax). Where Notes form part of a trade or business, interest (accrued) must be taken into account as income. The respective holder has to include income and related (business) expenses in the annual tax return and the balance will be taxed at the holder's applicable tax rate. Withholding tax levied, if any, will be credited as advance payment against the personal or corporate income tax liability of the holder or, to the extent exceeding this personal or corporate income tax liability, will be refunded. Where Notes form part of a German trade or business the current income and gains from the disposal, redemption, repayment or assignment of the Notes may also be subject to German trade tax. The trade tax liability depends on the municipal trade tax factor (*Gewerbesteuerhebesatz)*. If the holder is an individual or an individual partner of a partnership, the trade tax may generally be completely or partly credited against the personal income tax pursuant to a lump sum tax credit method.

Non-Tax Residents

Interest, including accrued interest, and capital gains (which include currency gains and losses, if any) from the disposal, redemption, repayment or assignment of the Notes received by holders who are not tax resident in Germany (*i.e.*, holders whose residence, habitual abode, statutory seat and place of effective management and control is not located in Germany) are generally not subject to German taxation, unless; (i) the Notes form part of the business property of a permanent establishment, including a permanent representative, or a fixed base maintained in Germany by the holder; or (ii) the income otherwise constitutes German source income. In cases (i) and (ii) a tax regime similar to that explained above under subsection "—Tax Residents" applies. Subject to certain requirements a holder who is not tax resident in Germany may benefit from tax reductions or tax exemptions provided by an applicable tax treaty.

Withholding Tax

Ongoing payments received by an individual holder of the Notes who is a German tax resident are subject to German withholding tax if the Notes are kept or administered in a custodial account with a German branch of a German or non-German bank or financial services institution, a German securities trading company or a German securities trading bank (each, a "**Disbursing Agent**," *auszahlende Stelle*). The tax rate is 25% (plus solidarity surcharge at a rate of 5.5% thereon, the total withholding being 26.375%). Individuals subject to church tax may apply in writing for church tax to be levied by way of withholding also. Absent such application, such individuals have to include their investment income in their income tax return and will then be assessed to church tax. In relation to investment income received after December 31, 2014, an electronic information system for church withholding tax purposes will apply with the effect that church tax will be collected by the Disbursing Agent by way of withholding unless the holders has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*) in which case the holders will be assessed to church tax.

The same treatment applies to capital gains derived by an individual holder who is a German resident irrespective of any holding period provided the Notes have been held in a custodial account with the same Disbursing Agent since the time of their acquisition. To the extent the Notes have not been kept in a custodial account with the same Disbursing Agent since the time of their acquisition, upon the disposal, redemption, repayment or assignment withholding tax applies at a rate of 26.375% (including solidarity surcharge, plus church tax, if applicable) on 30% of the disposal proceeds (plus interest accrued on the Notes (*Stückzinsen*), if any), unless the Disbursing Agent has been provided with evidence of the actual acquisition costs of the Notes by the previous Disbursing Agent or by a statement of a bank or financial services institution within the European Economic Area or certain other countries in accordance with Art. 17 para. 2 of the Council Directive 2003/48/EC dated June 3, 2003 on the Taxation of Savings Income in the form of interest payments (the "**EU Savings Tax Directive**") (*e.g.*, Switzerland or Andorra). If the withholding tax on a disposal, redemption, repayment or assignment of the Notes has been calculated on the basis of 30% of the disposal proceeds (rather than from the actual gain), a German tax resident individual holder may and in case the actual gain is higher than 30% of the disposal proceeds must also apply for an assessment on the basis of its actual acquisition costs.

In computing any German withholding tax, the Disbursing Agent may generally deduct from the basis of the withholding tax negative investment income realized by the individual holder of the Notes via the Disbursing Agent (*e.g.*, losses from the sale of other securities with the exception of shares). The Disbursing Agent may also deduct accrued interest on the Notes or other securities paid separately upon the acquisition of the respective security via the Disbursing Agent. In addition, subject to certain requirements and restrictions the Disbursing Agent may credit foreign withholding taxes levied on investment income in a given year regarding securities held by the individual holder in the custodial account with the Disbursing Agent.

Upon the individual holder filing an exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent, the Disbursing Agent will take a maximum annual allowance of €801 (€1,602 for married couples and for partners in accordance with the registered partnership law filing jointly) into account when computing the amount of tax to be withheld from the gross payment to be made by the Disbursing Agent. No withholding tax will be deducted if the holder of the Notes has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungs-Bescheinigung*) issued by the competent local tax office.

German withholding tax will not apply to gains from the disposal, redemption, repayment or assignment of Notes held by a corporate holder who is a German resident (including via a commercial partnership, as the case may be, and provided that in the case of corporations of certain legal forms the status of corporation has been evidenced by a certificate of the competent tax office) while ongoing payments, such as interest payments, are subject to withholding tax (irrespective of any deductions of foreign tax and losses incurred). The same may apply where the Notes form part of a trade or business (of an individual or of a commercial partnership) subject to further requirements being met.

Non-residents of Germany are, in general, not subject to German withholding tax on investment income and the solidarity surcharge thereon. However, where the investment income is subject to German taxation (as described above under subsection "—Taxation of Current Income and Capital Gains-Non-Tax Residents") and the Notes are held in a custodial account with a Disbursing Agent, withholding tax will be levied under certain circumstances. The withholding tax may be refunded based on an assessment to tax or under an applicable tax treaty.

Inheritance and Gift Tax

A gratuitous transfer of Notes by reason of death or as a gift will be subject to German inheritance or gift tax if the decedent or donor or the heir, donee or other beneficiary is at the time of the transfer a resident or deemed to be a resident of Germany. If neither the holder nor the recipient is a resident or deemed to be a resident of Germany at the time of the transfer, no German inheritance or gift taxes will be levied unless the Notes are attributable to a German trade or business for which a permanent establishment is maintained or a permanent representative has been appointed in Germany. Exceptions from this rule apply to certain German citizens who previously maintained a residence in Germany.

Other Taxes

No stamp, issue or registration taxes or such duties will be payable in Germany in connection with the issuance, delivery or execution of the Notes. Currently, net asset tax is not levied in Germany.

The European Commission and certain EU Member States (including Germany) are currently intending to introduce a financial transaction tax (FTT) (presumably on secondary market transactions involving at least one financial intermediary). It is currently uncertain when the proposed FTT will be enacted by the participating EU Member States and when the FTT will enter into force with regard to dealings with the Notes.

EU Savings Tax Directive

Under the EU Savings Tax Directive, EU member states are required to provide to the tax authorities of other EU member states details of certain payments of interest or similar income paid or secured by a person established in an EU member state to or for the benefit of an individual resident in another EU member state or certain limited types of entities established in another EU member state.

On March 24, 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. EU member states are required to apply these new requirements from January 1, 2017. The changes will expand the range of payments covered by the EU Savings Tax Directive, in particular to include additional types of income payable on securities. The Council Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a EU member state must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the EU.

For a transitional period, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those EU member states which still operate a withholding system when they are implemented. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from January 1, 2015, in favor of automatic information exchange under the EU Savings Tax Directive.

The end of the transitional period being is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

By legislative regulations dated January 26, 2004 the German Federal Government enacted provisions implementing the information exchange on the basis of the EU Savings Tax Directive into German law. These provisions apply from July 1, 2005.

The Proposed Financial Transactions Tax (FTT)

On February 14, 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common financial transactions tax ("**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**Participating EU Member States**").

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the Participating EU Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a Participating EU Member State. A financial institution may be, or be deemed to be, "established" in a Participating EU Member State in a broad range of circumstances, including: (a) by transacting with a person established in a Participating EU Member State; or (b) where the financial instrument which is subject to the dealings is issued in a Participating EU Member State.

A joint statement issued in May 2014 by ten of the eleven Participating EU Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by January 1, 2016. The FTT, as initially implemented on this basis, may not apply to dealings in the Notes.

The FTT proposal remains subject to negotiation between the Participating EU Member States. It may therefore be altered prior to any implementation. Additional EU member states may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

Certain United States Federal Income Tax Considerations

The following discussion is a summary of certain U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes by a U.S. holder (as defined below), but does not purport to be a complete analysis of all potential tax effects. This summary is based upon the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), Treasury regulations issued thereunder, and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. No rulings from the U.S. Internal Revenue Service (the "**IRS**") have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes or that any such position would not be sustained.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a holder in light of such holder's particular circumstances, including alternative minimum tax considerations or the impact of the unearned income Medicare contribution tax, or to holders subject to special rules, such as financial institutions, U.S. expatriates, insurance companies, dealers in securities or currencies, traders in securities, U.S. holders whose functional currency is not the U.S. dollar, tax-exempt organizations, regulated investment companies, real estate investment trusts, partnerships or other pass through entities (or investors in such entities) and persons holding the Notes as part of a "straddle," "hedge," "conversion transaction" or other integrated transaction for U.S. federal income tax purposes. In addition, this discussion is limited to persons who purchase the Notes for cash at original issue and at their "issue price" (*i.e.*, the first price at which a substantial amount of the Notes is sold to the public for cash, excluding to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and who hold the Notes as capital assets within the meaning of section 1221 of the Code.

For purposes of this discussion, a "**U.S. holder**" is a beneficial owner of a Note that is, for U.S. federal income tax purposes: (i) an individual who is a citizen or resident of the United States; (ii) a corporation created or organized in the United States or under the laws of the United States, any state thereof or the District of Columbia; (iii) any estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or if a valid election is in place to treat the trust as a U.S. person. If any entity treated as a partnership for U.S. federal income tax purposes holds the Notes, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A holder that is treated as a partnership for U.S. federal income tax purposes, and partners in such partnerships, should consult their tax advisors regarding the tax consequences of the purchase, ownership and disposition of the Notes.

Prospective purchasers of the Notes should consult their tax advisors concerning the tax consequences of holding Notes in light of their particular circumstances, including the application of the U.S. federal income tax considerations discussed below, as well as the application of U.S. federal estate and gift tax laws and state, local, non-U.S. or other tax laws.

Characterization of the Notes

In certain circumstances (see "Description of the Notes—Optional Redemption," "Description of the Notes—Repurchase at the Option of Holders upon a Change of Control," and "Description of the Notes—Additional Amounts") we may be obligated to make payments on the Notes in excess of stated principal and interest. We intend to take the position that the foregoing contingencies should not cause the Notes to be treated as contingent payment debt instruments. Assuming such position is respected, a U.S. holder would be required to include in income the amount of any such additional payments at the time such payments are received or accrued in accordance with such U.S. holder's method of accounting for U.S. federal income tax purposes. Our position is binding on a holder, unless the holder discloses in the proper manner to the IRS that it is taking a different position. If the IRS successfully challenged this position, and the Notes were treated as contingent payment debt instruments, U.S. holders could be required to accrue interest income at a rate higher than their yield to maturity, to treat as ordinary income, rather than capital gain, any gain recognized on a sale, exchange, retirement or redemption of a Note, and to recognize foreign currency exchange gain or loss with respect to such income. This disclosure assumes that the Notes will not be considered contingent payment debt instruments. U.S. holders are urged to consult their tax advisors regarding the potential application to the Notes of the contingent payment debt instrument rules and the consequences thereof.

Payments of Stated Interest

Payments of stated interest on the Notes (including any additional amounts in respect of withholding taxes and without reduction for any taxes withheld) generally will be taxable to a U.S. holder as ordinary income at the time that such payments are received or accrued, in accordance with such U.S. holder's method of accounting for U.S. federal income tax purposes.

A U.S. holder that uses the cash method of accounting for U.S. federal income tax purposes and that receives a payment of stated interest will be required to include in income the U.S. dollar value of the euro interest payment (translated at the "spot rate" on the date such payment is received) regardless of whether the payment is in fact converted to U.S. dollars. A cash method U.S. holder will not recognize exchange gain or loss with respect to the receipt of such payment, but may have exchange gain or loss attributable to the actual disposition of the euros so received.

A U.S. holder that uses the accrual method of accounting for U.S. federal income tax purposes will be required to include in its ordinary income the U.S. dollar value of the amount of interest income in euros that has accrued with respect to a Note during an accrual period. The U.S. dollar value of such accrued income will be determined by translating such income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within each taxable year. A U.S. holder may elect, however, to translate such accrued interest income using the rate of exchange on the last day of the accrual period or, with respect to an accrual period that spans two taxable years, using the rate of exchange on the last day of the taxable year. If the last day of an accrual period is within five business days of the date of receipt of the accrued interest, a U.S. holder that has made the election described in the prior sentence may translate such interest at the "spot rate" on the date of receipt. The above election will apply to other obligations held by the U.S. holder and may not be changed without the consent of the IRS. A U.S. holder hat uses the accrual method of accounting for U.S. federal income tax purposes will recognize exchange gain or loss with respect to accrued interest income on the date such interest is received. The amount of exchange gain or loss recognized will equal the difference, if any, between the U.S. dollar value of the euro payment received (translated at the "spot rate" on the date such payment is received) in respect of such accrual period and the U.S. dollar value of interest income that has accrued during such accrual period (as determined above), regardless of whether the payment is in fact converted to U.S. dollars. Such gain or loss will generally constitute ordinary income or loss and be treated, for foreign tax credit purposes, as U.S. source income or loss, and generally not as an adjustment interest income or expense.

Foreign Tax Credit

Subject to the discussion of exchange gain or loss above, interest income and OID, if any, on a Note generally will constitute foreign source income and generally will be considered "passive category income" or, in the case of certain U.S. holders, "general category income" in computing the foreign tax credit allowable to U.S. holders under U.S. federal income tax laws. Any non-U.S. withholding tax paid by a U.S. holder at the rate applicable to such holder may be eligible for foreign tax credits (or deduction in lieu of such credits) for U.S. federal income tax purposes, subject to applicable limitations. The calculation of foreign tax credits involves the application of complex rules that depend on a U.S. holder's particular circumstances. U.S. holders should consult their independent tax advisors regarding the availability of foreign tax credits.

Sale, Exchange, Redemption, Retirement or Other Taxable Disposition of Notes

Generally, upon the sale, exchange, redemption, retirement or other taxable disposition of a Note, a U.S. holder will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the disposition (less any amount attributable to accrued but unpaid interest not previously included in income, which will be taxable as such) and such U.S. holder's adjusted tax basis in the Note. If a U.S. holder receives foreign currency on such a sale, exchange, redemption, retirement or other taxable disposition of a Note, the amount realized generally will be based on the U.S. dollar value of the foreign currency translated at the "spot rate" on the date of disposition. In the case of a Note that is traded on an established securities market, a cash basis U.S. holder and, if it so elects, an accrual basis U.S. holder will determine the U.S. dollar value of the amount realized by translating such amount at the "spot rate" on the settlement date of the disposition. The special election available to accrual basis U.S. holders in regard to the sale or other disposition of Notes traded on an established securities market must be applied consistently to all debt instruments held by the U.S. holder and cannot be changed without the consent of the IRS. An accrual basis U.S. holder that does not make the special election will recognize gain or loss to the extent that there are exchange rate fluctuations between the sale date and the settlement date.

A U.S. holder's adjusted tax basis in a Note will generally equal the cost of such Note to such U.S. holder less any principal payments previously received by such U.S. holder. If a U.S. holder uses foreign currency to purchase a Note, the cost of the Note will be the U.S. dollar value of the foreign currency purchase price determined at the spot rate on the date of purchase. The conversion of U.S. dollars to a foreign currency and the immediate use of that currency to purchase a Note generally will not result in taxable gain or loss for a U.S. holder.

Subject to the discussion of exchange gain or loss below, gain or loss recognized upon the sale, exchange, redemption, retirement or other taxable disposition of a Note generally will be U.S. source gain or loss and generally will be capital gain or loss and will be long-term capital gain or loss if at the time of the sale, exchange, redemption, retirement or other disposition the Note has been held by such U.S. holder for more than one year. Long-term capital gain realized by a non-corporate U.S. holder will generally be subject to taxation at a reduced rate. The deductibility of capital losses is subject to limitation. Gain or loss recognized upon the sale, exchange, redemption, retirement or other taxable disposition of a Note generally will be U.S. source gain or loss. Prospective purchasers should consult their tax advisors as to the foreign tax credit implications of the sale, exchange, redemption or other taxable disposition of the Notes.

Upon the sale, exchange, redemption, retirement or other taxable disposition of a Note, a U.S. holder may recognize gain or loss that is attributable to fluctuations in currency exchange rates with respect to the principal amount of such Note. For these purposes, the principal amount of a Note is the U.S. holder's purchase price of the Note in euros. Gain or loss attributable to fluctuations in exchange rates with respect to the principal amount of such Note generally will equal the difference between: (i) the U.S. dollar value of the principal amount of the Note, determined on the date such payment is received for the Note or such Note is disposed of or on the settlement date, if the Notes are traded on an established securities market and the holder is either a cash basis U.S. holder or an accrual basis U.S. holder that has made the election described in the first paragraph of this subsection "—Sale, Exchange Redemption, Retirement or Other Taxable Disposition of Notes;" and (ii) the U.S. dollar value of the principal amount of the Note, determined on the date the U.S. holder acquired such Note. Such gain or loss generally will be treated as U.S. source ordinary income or loss, respectively. In addition, exchange gain or loss may be realized with respect to accrued interest or accrued OID as discussed under "—Payments of Stated Interest". However, upon a sale, exchange, redemption, retirement or other taxable disposition of a Note, a U.S. holder will realize exchange gain or loss with respect to principal and accrued interest only to the extent of the total gain or loss realized on the disposition.

Tax Return Disclosure Requirement

Treasury regulations issued under the Code meant to require the reporting of certain tax shelter transactions cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under the Treasury regulations, certain transactions are required to be reported to the IRS, including, in certain circumstances, a sale, exchange, retirement or other taxable disposition of a non-U.S. currency note to the extent that any such sale, exchange, retirement or other taxable disposition or receipt of non-U.S. currency results in a tax loss in excess of a threshold amount. U.S. holders should consult their tax advisors to determine the tax return disclosure obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Information Reporting and Backup Withholding

In general, payments of interest and the proceeds from sales or other dispositions (including retirements or redemptions) of Notes held by a U.S. holder may be required to be reported to the IRS unless the U.S. holder is an exempt recipient and, when required, demonstrates this fact. In addition, a U.S. holder that is not an exempt recipient may be subject to backup withholding unless it provides a taxpayer identification number and otherwise complies with applicable certification requirements.

Backup withholding is not an additional tax. Any amounts withheld as backup withholding may be credited against a holder's U.S. federal income tax liability or may entitle the holder to a refund, provided that the appropriate information is timely furnished to the IRS.

Certain U.S. holders that own "specified foreign financial assets" that meet certain U.S. dollar value thresholds are generally required to file an information report with respect to such assets with their tax returns. The Notes will generally constitute specified foreign financial assets subject to these reporting requirements unless the Notes are held in an account at certain financial institutions. U.S. holders are urged to consult their tax advisors regarding the application of these disclosure requirements to their ownership of the Notes.

CERTAIN ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase and holding of the Notes by employee benefit plans that are subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the Code, and entities whose underlying assets are considered to include "plan assets" of such employee benefit plans, plans accounts or arrangements (within the meaning of 29 C.F.R. Section 2510.3-103 as modified by Section 3(42) of ERISA or otherwise) (each, an "**ERISA Plan**"). Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA) are not subject to the requirements of ERISA or Section 4975 of the Code; however, such plans may be subject to non-U.S., federal, state, or local laws or regulations that are substantially similar to Title I of ERISA or Section 4975 of the Code ("**Similar Laws**") or which otherwise affect their ability to invest in the Notes (together with the ERISA Plans, "**Plans**"). Any fiduciary of such a governmental, church or non-U.S. plan considering an investment in the Notes should determine the need for, and, if necessary, the availability of, any exemptive relief under Similar Laws.

General Fiduciary Matters

ERISA and the Code impose certain duties on persons who are fiduciaries of an ERISA Plan and prohibit certain transactions involving the assets of an ERISA Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such an ERISA Plan or the management or disposition of the assets of such an ERISA Plan, or who renders investment advice for a fee or other compensation with respect to the assets of such an ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan.

In considering an investment in the Notes, a Plan fiduciary should determine whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any Similar Law relating to a fiduciary's duties to the Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other applicable Similar Laws.

Prohibited Transaction Issues

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans from engaging in specified transactions involving plan assets with persons or entities who are "parties in interest," within the meaning of ERISA, or "disqualified persons," within the meaning of Section 4975 of the Code, unless an exemption is available. A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise taxes and/or other penalties and liabilities under ERISA and/or the Code. In addition, the fiduciary of the ERISA Plan that engages in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code. The acquisition, holding and/or disposition of Notes by an ERISA Plan with respect to which we, the Initial Purchasers, the Trustee, the agents and our and their respective affiliates are each considered a party in interest or disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption.

Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable. Included among these exemptions are Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code (relating to transactions between a person that is a party in interest (other than a fiduciary or an affiliate that has or exercises discretionary authority or control or renders investment advice with respect to assets involved in the transaction) solely by reason of providing services to the plan, provided that there is adequate consideration for the transaction), Prohibited Transaction Class Exemption ("**PTCE**") 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a qualified professional asset manager), PTCE 95-60 (relating to transactions involving insurance company general accounts), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by in-house asset managers). There can be no assurance that any of these exemptions or any other exemption will be available with respect to any particular transaction involving any Notes.

Under a “look through rule” set forth in Section 3(42) of ERISA and United States Department of Labor Regulation 29 CFR Section 2510.3-101 (the “**Plan Assets Regulation**”), if a Plan invests in an “equity interest” of an entity and no other exception applies, the Plan’s assets include both the equity interest and an undivided interest in each of the entity’s underlying assets. This rule will not apply where less than 25% of the value of any class of equity interest in the entity is held by Benefit Plan Investors immediately after the most recent acquisition of any equity interest in the entity (disregarding equity interests held by certain persons, other than Benefit Plan Investors, with discretionary authority or control over the assets of the entity or who provide investment advice with respect to such assets for a fee, directly or indirectly, or any affiliates (within the meaning of 29 CFR Section 2510.3 101(f)(3) of the Plan Assets Regulation) of such persons). An equity interest does not include debt (as determined by applicable local law) which does not have substantial equity features. Under Section 3(42) of ERISA, a “Benefit Plan Investor” means: (1) an “employee benefit plan” (as defined in Section 3(3) of ERISA) subject to the provisions of part 4 of subtitle B of Title I of ERISA; (2) a “plan” as defined in and to which Section 4975 of the Code applies; or (3) any entity whose underlying assets include “plan assets” by reason of any such employee benefit plan’s or plan’s investment in the entity (to the extent of the percentage of the equity interests in such entity that are held by Benefit Plan Investors). Although there can be no assurance that the United States Department of Labor would agree, the Issuer intends to treat the Notes as debt for tax purposes, in which case the Plan Assets Regulation would not apply.

Because of the foregoing, the Notes should not be purchased or held by any person investing “plan assets” of any Plan, unless such acquisition, holding and subsequent disposition will not constitute a non-exempt prohibited transaction under ERISA and the Code or similar violation of any applicable Similar Laws.

Accordingly, by acceptance of a Note, each purchaser and subsequent transferee will be deemed to have represented and agreed that either: (i) no portion of the assets used by such purchaser or transferee to acquire and hold the Notes or an interest therein constitutes assets of any Plan; or (ii) the acquisition, holding and disposition by such purchaser or transferee of the Notes or an interest therein will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or similar violation under any applicable Similar Laws.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing the Notes (and holding the Notes) on behalf of, or with the assets of, any Plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such transactions and whether an exemption would be applicable.

PLAN OF DISTRIBUTION

We intend to offer the Notes through Citigroup Global Markets Limited, J.P. Morgan Securities plc and UniCredit Bank AG (together, the "**Joint Global Coordinators**" and Barclays Bank PLC, BANK OF CHINA LIMITED Zweigniederlassung Frankfurt am Main Frankfurt Branch, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, DNB Markets, a division of DNB Bank ASA, HSBC Bank plc, ING Bank N.V., Lloyds Bank plc, Mediobanca – Banca di Credito Finanziario S.p.A., Merrill Lynch International, Natixis and Société Générale (together, the "**Joint Bookrunners**" and, together with the Joint Global Coordinators, the "**Initial Purchasers**").

Subject to the terms and conditions contained in the purchase agreement between us and the Initial Purchasers dated the date of this Offering Memorandum, we have agreed to sell to the Initial Purchasers and the Initial Purchasers have agreed to purchase from us, severally and not jointly, Notes in an aggregate principal amount equal to the entire principal amount of the Notes. The obligations of the Initial Purchasers under the purchase agreement, including their agreement to purchase the Notes from the Issuer, are several and not joint. The purchase agreement provides that the Initial Purchasers are obligated, severally and not jointly, to purchase all of the Notes, if any are purchased. In the event that an Initial Purchaser fails or refuses to purchase the Notes which it has agreed to purchase, the purchase agreement provides that the purchase commitments of the other Initial Purchasers may be increased or that the purchase agreement may be terminated.

The Initial Purchasers are offering the Notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the Notes, and other conditions contained in the purchase agreement, such as the receipt by the Initial Purchasers of Officers' Certificates and legal opinions. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

The Initial Purchasers have advised us that they propose to offer the Notes initially at the offering price listed on the cover page of this Offering Memorandum and may also offer the Notes to selling group members at the offering price less a selling concession. After the initial offering, the Initial Purchasers may change the offering price and any other selling terms of the Notes at any time without notice.

The Initial Purchasers may offer and sell the Notes through certain of their affiliates.

We have agreed to pay the Initial Purchasers certain customary fees for their services in connection with this Offering and to reimburse them for certain out-of-pocket expenses. We also have agreed to indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, or to contribute to payments that the Initial Purchasers may be required to make in respect of those liabilities.

United States

The Notes and the Notes Guarantees have not been, and will not be, registered under the U.S. Securities Act and may not be offered or sold in the United States or to, or the account or benefit of, U.S. persons unless the Notes are registered under the U.S. Securities Act, or an exemption from the registration requirements of the U.S. Securities Act is available. Accordingly, each of the Initial Purchasers, severally and not jointly, has agreed that it will not offer or sell the Notes except: (i) to "qualified institutional buyers" (as defined in Rule 144A) ("**QIBs**") in reliance on Rule 144A; and (ii) to persons other than "U.S. persons" (as defined in Regulation S) outside the United States in offshore transactions (as defined in Regulation S) in reliance on Regulation S.

In addition, until the expiration of 40 days after the later of the commencement of the Offering and the closing date, an offer or sale of Notes within the United States by a broker/dealer (whether or not participating in this Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act or pursuant to another exemption from registration under the U.S. Securities Act. For a description of certain further restrictions on resale or transfer of the Notes, see "Transfer Restrictions."

United Kingdom

In the purchase agreement, each Initial Purchaser, severally and not jointly, has also represented and warranted to us that:

(1) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and

(2) it has only communicated or caused to be communicated and it will only communicate or cause to be communicated any invitation or instrument to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the Financial Services and Markets Act 2000 does not apply.

General

No Sale of Similar Securities

The Issuer has agreed, subject to certain limited exceptions, that it or its affiliates and subsidiaries will not, directly or indirectly, sell or offer to sell any of the Notes or any instrument relating to debt or preferred equity securities for a period of 120 days from the date the Notes are issued without first obtaining the written consent of the representatives of the Initial Purchasers.

New Issue of Notes

The Notes are a new issue of securities with no established trading market. We have applied to list the Notes on the Official List of the Luxembourg Stock Exchange for admission to trading on the Euro MTF Market, though we cannot assure you that the Notes will be approved for listing or that such listing will be maintained. The Initial Purchasers have advised us that they presently intend to make a market in the Notes after completion of this Offering. However, the Initial Purchasers are under no obligation to do so and may discontinue any market-making activities at any time without notice. In addition, any such market-making activity will be subject to the limits imposed by the U.S. Securities Act and the Exchange Act. Accordingly, we cannot assure you that any market for the Notes will develop, or that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you.

Stamp Tax

You should be aware that the laws and practices of certain countries require investors to pay stamp taxes and other charges in connection with purchases of securities.

Price Stabilization and Short Positions

In connection with the offering, J.P. Morgan Securities plc (the "**Stabilizing Manager**") (or persons acting on its behalf) may purchase and sell Notes in the open market. These transactions may include over-allotment, stabilizing transactions, syndicate covering transactions and penalty bids. Over-allotment involves sales in excess of the offering size, which creates a short position for the Initial Purchasers. Stabilizing transactions involve bids to purchase the Notes in the open market for the purpose of pegging, fixing or maintaining the price of the Notes. Syndicate-covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker/dealer when the Notes originally sold by such broker/dealer are purchased in a stabilizing or covering transaction to cover short positions. These transactions may be effected in the over-the-counter market or otherwise.

These activities may stabilize, maintain or otherwise affect the market price of the Notes. As a result, the price of the Notes may be higher than the prices that otherwise might exist in the open market. Neither we nor the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, there is no obligation on the Stabilizing Manager to engage in such transactions and neither we nor the Initial Purchasers make any representation that the Stabilizing Manager will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice. Any stabilizing action, if commenced, must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Notes.

Initial Settlement

It is expected that delivery of the Notes will be made against payment therefore on or about the date specified on the cover page of this Offering Memorandum, which will be the fifth business day following the date of pricing of the Notes (this settlement cycle is being referred to as "T+5"). Under Rule 15(c)6-1 under the Exchange Act trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing or the next succeeding business day will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or the next succeeding business day should consult their own advisor.

Other Relationships

In the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and instruments of ours or our affiliates. If the Initial Purchasers or their affiliates have a lending relationship with us, they routinely hedge their credit exposure to us consistent with their risk management policies. Typically, the Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. Certain of the Initial Purchasers and their affiliates may also make investment recommendations and publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and short positions in such securities and instruments. In addition, the Initial Purchasers or their respective affiliates have provided, and may in the future provide, investment banking, commercial banking, financial advisory and other services to us, our affiliates and our shareholders from time to time, including in capacities as bookrunner, arranger, financial advisor, M&A advisor, trustee and similar roles. In addition, certain of the Initial Purchasers may be lenders under existing facilities or other indebtedness of the Issuer (or any of its affiliates), including the 2014 Existing RCF, the 2014 RCF Bridge and the 2014 High Yield Bridge, which may be refinanced, in part or in whole, with the proceeds from the Offering.

TRANSFER RESTRICTIONS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes and the Notes Guarantees offered hereby.

The Notes and the Notes Guarantees are subject to restrictions on transfer as summarized below. By purchasing Notes, you will be deemed to have made the following acknowledgements, representations to and agreements with the Issuer and the Initial Purchasers:

(1) You acknowledge that:

(a) the Notes have not been registered under the U.S. Securities Act or any other securities laws and are being offered for resale in transactions that do not require registration under the U.S. Securities Act or any other securities laws; and

(b) unless so registered, the Notes may not be offered, sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in paragraphs 5 and 6 below.

(2) You acknowledge that this Offering Memorandum relates to an offering that is exempt from registration under the U.S. Securities Act and may not comply in important respects with SEC rules that would apply to an offering document relating to a public offering of securities.

(3) You represent that you are not an "affiliate" (as defined in Rule 144A under the U.S. Securities Act) of the Issuer, that you are not acting on our behalf and that either:

(a) you are a "qualified institutional buyer" (as defined in Rule 144A under the U.S. Securities Act) and are purchasing Notes for your own account or for the account of another qualified institutional buyer, and you are aware that the Initial Purchasers are selling the Notes to you in reliance on Rule 144A; or

(b) you are not a "U.S. person" (as defined in Regulation S under the U.S. Securities Act) or purchasing for the account or benefit of a U.S. person, other than a distributor, and you are purchasing Notes in an offshore transaction in accordance with Regulation S.

(4) You acknowledge that neither we, the Guarantors nor the Initial Purchasers nor any person representing the Issuer, the Guarantors or the Initial Purchasers have made any representation to you with respect to the Issuer, the Guarantors or the offering of the Notes other than the information contained in this Offering Memorandum. Accordingly, you acknowledge that no representation or warranty is made by the Initial Purchasers or any person representing the Initial Purchasers as to the accuracy or completeness of such materials. You represent that you are relying only on this Offering Memorandum in making your investment decision with respect to the Notes. You agree that you have had access to such financial and other information concerning the Issuer and the Notes as you have deemed necessary in connection with your decision to purchase Notes, including an opportunity to ask questions of and request information from the Issuer and the Initial Purchasers.

(5) You represent that you are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the U.S. Securities Act or any state securities laws, subject to any requirement of law that the disposition of your property or the property of that investor account or accounts be at all times within your or their control and subject to your or their ability to resell the Notes pursuant to Rule 144A or any other available exemption from registration under the U.S. Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing Notes, and each subsequent holder of the Notes by its acceptance of the Notes will agree that until the end of the Resale Restriction Period (as defined below), the Notes may be offered, sold or otherwise transferred only:

(a) to the Issuer, the Guarantors or any subsidiaries thereof;

(b) under a registration statement that has been declared effective under the U.S. Securities Act;

(c) for so long as the Notes are eligible for resale under Rule 144A, to a person the seller reasonably believes is a qualified institutional buyer that is purchasing for its own account or for the account of another qualified institutional buyer and to whom notice is given that the transfer is being made in reliance on Rule 144A;

(d) through offers and sales to non-U.S. persons that occur outside the United States within the meaning of Regulation S under the U.S. Securities Act;

(e) to an institutional accredited investor (within the meaning of Rule 501(a)(1), (2), (3) or (7) under the U.S. Securities Act) that is not a qualified institutional buyer and that is purchasing for its own account or for the account of another institutional accredited investor, in each case in a minimum principal amount of Notes of $250,000; or

(f) under any other available exemption from the registration requirements of the U.S. Securities Act,

subject in each of the above cases to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be at all times within the seller or account's control and to compliance with any applicable state securities laws and any applicable local laws and regulations.

You also acknowledge that to the extent that you hold the Notes through an interest in a global note, the Resale Restriction Period (as defined below) may continue until one year after the Issuer, or any affiliate of the Issuer, was the owner of such note or an interest in such global note, and so may continue indefinitely.

(6) You also acknowledge that:

(a) the above restrictions on resale will apply from the closing date until the date that is one year (in the case of Rule 144A Notes) after the later of the closing date, the closing date of the issuance of any additional Notes and the last date that we or any of our affiliates was the owner of the Notes or any predecessor of the Notes or 40 days (in the case of Regulation S Notes) after the later of the closing date and when the Notes or any predecessor of the Notes are first offered to persons other than distributors (as defined in Rule 902 of Regulation S) in reliance on Regulation S (the "**Resale Restriction Period**"), and will not apply after the applicable Resale Restriction Period ends;

(b) if a holder of Notes proposes to resell or transfer Notes under clause (5)(e) above before the applicable Resale Restriction Period ends, the seller must deliver to the Issuer and the Trustee a letter from the purchaser in the form set forth in the Indenture which must provide, among other things, that the purchaser is an institutional accredited investor that is acquiring the Notes not for distribution in violation of the U.S. Securities Act;

(c) the Issuer, the Registrar and the Trustee reserve the right to require in connection with any offer, sale or other transfer of Notes under clauses (5)(d), (e) and (f) above the delivery of an opinion of counsel, certifications and/or other information satisfactory to each of the Issuer, the Registrar and the Trustee; and

(d) each Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**U.S. SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE THAT IS IN THE CASE OF RULE 144A NOTES: ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF, THE ORIGINAL ISSUE DATE OF THE ISSUANCE OF ANY ADDITIONAL NOTES AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH

SECURITY), IN THE CASE OF REGULATION S NOTES: 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE DATE ON WHICH THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY) WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF REGULATION S) IN RELIANCE ON REGULATION S, ONLY: (A) TO THE ISSUER OR ANY SUBSIDIARY THEREOF; (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT ("**RULE 144A**"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A; (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE U.S. SECURITIES ACT; (E) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(a)(1), (2), (3) OR (7) UNDER THE U.S. SECURITIES ACT THAT IS NOT A QUALIFIED INSTITUTIONAL BUYER AND THAT IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER INSTITUTIONAL ACCREDITED INVESTOR, IN EACH CASE IN A MINIMUM PRINCIPAL AMOUNT OF SECURITIES; OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSES (D), (E) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THE HOLDER AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY SIMILAR TO THE EFFECT OF THIS LEGEND. IN THE CASE OF REGULATION S NOTES: BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS NOT A U.S. PERSON NOR IS IT PURCHASING FOR THE ACCOUNT OF A U.S. PERSON AND IT IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT.

BY ITS ACQUISITION OF THIS SECURITY, THE HOLDER HEREOF WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT EITHER: (1) NO PORTION OF THE ASSETS USED BY SUCH HOLDER TO ACQUIRE AND HOLD THIS SECURITY OR INTEREST HEREIN CONSTITUTES ASSETS OF ANY "EMPLOYEE BENEFIT PLAN" SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), ANY PLAN, INDIVIDUAL RETIREMENT ACCOUNT OR ARRANGEMENT SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), AN ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE "PLAN ASSETS" OF ANY SUCH EMPLOYEE BENEFIT PLAN, PLAN, ACCOUNT OR ARRANGEMENT (WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-103 AS MODIFIED BY SECTION 3(42) OF ERISA OR OTHERWISE) OR A GOVERNMENTAL PLAN, CHURCH PLAN OR NON-U.S. PLAN SUBJECT TO PROVISIONS UNDER ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO SUCH PROVISIONS OF ERISA OR THE CODE (COLLECTIVELY, "**SIMILAR LAWS**") OR; (2) THE ACQUISITION, HOLDING AND DISPOSITIONS OF THIS SECURITY OR INTEREST HEREIN WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR SIMILAR VIOLATION UNDER ANY APPLICABLE SIMILAR LAWS.

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

(1) You agree that you will give to each person to whom you transfer the Notes notice of any restrictions on the transfer of such Notes.

(2) You represent and warrant that either: (i) no portion of the assets used by you to acquire and hold such Notes or interest therein constitutes assets of any "employee benefit plan" subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended, ("**ERISA**"), any plan, individual retirement account or other arrangement subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "**Code**"),

an entity whose underlying assets are considered to include "plan assets" of any such employee benefit plan, plan, account or arrangement (within the meaning of 29 C.F.R. Section 2510.3-103 as modified by Section 3(42) of ERISA or otherwise) or a governmental plan, church plan or non-U.S. plan subject to provisions under any federal, state, local or non-U.S. laws or regulations that are substantially similar to such provisions of ERISA or the Code (collectively, "**Similar Laws**"); or (ii) the acquisition, holding and dispositions of the Notes or interest therein will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or similar violation under any applicable Similar Laws.

(3) You acknowledge until 40 days following the commencement of this offering an offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the U.S. Securities Act.

(4) You acknowledge that the Trustee will not be required to accept for registration or transfer any Notes acquired by you except upon presentation of evidence satisfactory to the Issuer and the Trustee that the restrictions set forth therein have been complied with.

(5) You acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of Notes are no longer accurate, you will promptly notify the Issuer and the Initial Purchasers. If you are purchasing any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

(6) You understand that no action has been taken in any jurisdiction (including the United States) by the Issuer or the Initial Purchasers that would result in a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for such purpose is required.

LEGAL MATTERS

Certain legal matters relating to the validity of the Notes and certain other legal matters are being passed upon for us by Allen & Overy LLP with respect to matters of U.S. federal, New York state law and German law. Certain legal matters relating to the Offering will be passed upon for the Initial Purchasers by Latham & Watkins (London) LLP with respect to matters of U.S. federal and New York state law and by Latham & Watkins LLP with respect to matters of German law.

INDEPENDENT AUDITORS

The Audited Consolidated Financial Statements included in this Offering Memorandum have been audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft ("**PwC**"), independent auditors, as stated in their reports appearing herein.

Each of the respective auditor's reports of PwC on the Audited Consolidated Financial Statements refers to the respective group management report combined with the management report of TUI AG. The Group management reports are not reprinted in this Offering Memorandum.

The examination of and the auditor's report upon such group management report are required under German auditing standards. This examination was not made in accordance with generally accepted auditing or attestation standards in the United States. Accordingly, PwC does not express any opinion on this information or on the consolidated financial statements included in this Offering Memorandum, in each case in accordance with U.S. generally accepted auditing standards or U.S. attestation standards.

AVAILABLE INFORMATION

Each purchaser of Notes from an Initial Purchaser will be furnished with a copy of this Offering Memorandum and any related amendments or supplements to this Offering Memorandum. Each person receiving this Offering Memorandum and any related amendments or supplements to this Offering Memorandum acknowledges that:

(1) such person has been afforded an opportunity to request from us and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;

(2) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and

(3) except as provided pursuant to clause (1) above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by either us or the Initial Purchasers.

For so long as any of the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, we will, during any period in which we are not subject to Section 13 or 15(d) under the Exchange Act, nor exempt from reporting thereunder pursuant to Rule 12g3-2(b), make available to any holder or beneficial holder of a Note, or to any prospective purchaser of a Note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the U.S. Securities Act upon the written request of any such holder or beneficial owner. Any such request should be directed to Horst Baier, Chief Financial Officer, at TUI AG, Karl-Wiechert-Allee 4, 30625 Hannover, Germany.

We are not are currently subject to the periodic reporting and other information requirements of the Exchange Act. However, pursuant to the Indenture governing the Notes, we will agree to furnish periodic information to the holders of the Notes. See "Description of the Notes—Reports to Holders."

So long as the Notes are admitted to trading on the Euro MTF Market and to listing on the Official List of the Luxembourg Stock Exchange, and the rules and regulations of such stock exchange so require, copies of such information will also be available for review during the normal business hours on any business day at the specified office of the Listing Agent.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a public stock corporation (*Aktiengesellschaft*) incorporated under the laws of the Federal Republic of Germany.

All of the Issuer's directors, officers and other executives are neither residents nor citizens of the United States. Furthermore, most of the Issuer's assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or the Issuer or to enforce against them or the Issuer judgments predicated upon the civil liability provisions of U.S. federal or state securities laws in particular because, pursuant to the terms of the Indenture, the Issuer will not appoint, an agent for the service of process in New York. It may be possible for investors to effect service of process within Germany upon those persons or the Issuer or its subsidiaries provided that The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with.

The Indenture, the Notes and the Escrow Agreement will include the irrevocable submission of the Issuer to the exclusive jurisdiction of the Courts of England and Wales in respect of any suit, action or proceedings arising out of, related to, or in connection therewith or the transactions contemplated thereunder. The Issuer will irrevocably designate TUI UK Limited as its agent for service of process in any such suit, action or proceeding brought against it in any Court of England and Wales with respect to its obligations, liabilities or any other matter arising out of or in connection with the Indenture, the Notes or the Escrow Agreement. The Issuer has been advised by its English counsel that the choice of the laws of the State of New York to govern the Indenture and the Notes would not be recognized or upheld by the English courts where to do so would be inconsistent with or overridden by the Regulation (EC) No 593/2008 on the Law Applicable to Contractual Obligations (Rome I). Moreover, the Courts of England and Wales may not recognize submission to jurisdiction (and such submission may, therefore, not be valid and binding under English law), may not accept jurisdiction to determine the matter or may stay or strike out proceedings in certain circumstances, including in each case where there is some other forum with competent jurisdiction which is more appropriate for the trial of the action, where proceedings involving the same cause of action and between the same parties are pending in another jurisdiction or where the merits of the issues in dispute have already been judicially determined or should have been raised in previous proceedings between the parties. An English court may also stay or set aside proceedings if it considers that it does not have jurisdiction by virtue of the application of the provisions of Regulations 44/2001 of 22 December 2000 or 1215/2012 of 12 December 2012 on the Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters, the Brussels Convention of 1968 or the Lugano Convention of 2007.

LISTING AND GENERAL INFORMATION

1. Application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Luxembourg Stock Exchange's Euro MTF Market in accordance with the rules of that exchange. Notice of any change in control, change in the rate of interest payable on the Notes, or early redemption of the Notes will be published in a Luxembourg newspaper of general circulation (expected to be the *Luxemburger Wort*) or on the official website of the Luxembourg Stock Exchange, at *www.bourse.lu*.

2. So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are traded on the Euro MTF Market and the rules of such exchange shall so require, copies of our Articles of Association, the Offering Memorandum and the Indenture will be available free of charge at the specified office of the Listing Agent. So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are traded on the Euro MTF Market and the rules of such exchange shall so require, copies the Issuers consolidated annual financial statements and its interim consolidated interim financial statements and those for all subsequent fiscal years will be available free of charge during normal business hours on any weekday at the offices of the Listing Agent.

3. We have obtained all necessary consents, approvals, authorizations or other orders for the issuance of Notes and other documents to be entered into by us in connection with the issuance of the Notes in Luxembourg.

4. We accept responsibility for the information contained in the Offering Memorandum. To the best of our knowledge, except as otherwise noted, the information contained in the Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of the Offering Memorandum.

5. There has been no material adverse change in our financial condition since June 30, 2014.

6. Neither we nor any of our subsidiaries has been involved in any litigation, administrative proceeding or arbitration relating to claims or amounts which are material in the context of the issue of the Notes, and, so far as we are aware, no such litigation, administrative proceeding or arbitration is pending or threatened.

7. We have appointed Citibank, N.A, London Branch,. as our Principal Paying Agent and Transfer Agent in London. We reserve the right to vary such appointment and/or appoint a Luxembourg Paying Agent and shall publish notice of such change of appointment in a newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or the Luxembourg Stock Exchange's official website, *www.bourse.lu*.

8. The Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance through the facilities of Euroclear and Clearstream under Common Codes 102894316 and 102894219, respectively. The international securities identification number (the "**ISIN Number**") for the Notes sold pursuant to Regulation S is XS1028943162 and the ISIN Number for the Notes sold pursuant to Rule 144A is XS1028942198.

THE ISSUER

Formation, Incorporation, Trade Name and Registered Office

TUI AG, a stock corporation (*Aktiengesellschaft*) established under German law, was formed in 2002 under the laws of the Federal Republic of Germany. The Issuer is registered in the commercial register (*Handelsregister*) of the district court (*Amtsgericht*) of Berlin-Charlottenburg under HRB 321 and the commercial register of the district court (*Amtsgericht*) of Hanover under HRB 6580.

Articles of association

Pursuant to Article 3 of the Articles of Association, the corporate purpose (*Unternehmensgegenstand*) of TUI AG is to engage on a commercial basis in tourism and shipping (including all associated services and project developments), the acquisition of interests in enterprises active in tour operating, commercial air transportation, passenger and freight shipping (in particular container shipping) as well as the container transport business, the hotel industry, the leisure industry, in travel agents as well as other services, namely in its own facilities or in affiliated companies, as well as the bundling of affiliated companies under a centralized management.

The Issuer is entitled to undertake all kinds of business and measures deemed necessary or expedient for achieving the purpose of the Issuer, in particular to establish or acquire other enterprises or to participate therein as well as to transfer its operations in total or in part to such enterprises, or put them into same, to establish, branches at home and abroad, and also to conclude joint interest agreements and inter-company agreements.

Administrative, Management and Supervisory Bodies

In accordance with the German Stock Corporation Act (*Aktiengesetz*), the Issuer has a two-tier board system consisting of an Executive Board (*Vorstand*) and a Supervisory Board (*Aufsichtsrat*). See "Management" for more information on its two boards.

Share Capital

As of September 12, 2014, the current issued share capital of the Issuer totaled €732,581,929.41. The share capital is divided into 286,561,143 ordinary shares without par value (no-par value shares). The share capital has been fully paid up.

Financial Statements

The fiscal year of the Issuer begins on October 1 and terminates on September 30 of the following year. The Issuer will produce consolidated interim reports on a quarterly and half-year basis.

Trend Information

There has been no material adverse change in the prospects of the Issuer since June 30, 2014.

Legal and Arbitration Proceedings

There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the twelve months preceding the date of this Offering Memorandum which may have, or have had in the recent past, significant effects on the Issuer's financial position or profitability.

Significant Change in the Financial or Trading Position

There has been no significant change in the financial or trading position of the Issuer since June 30, 2014.

INDEX OF FINANCIAL INFORMATION

Audited Interim Consolidated Financial Statements
of TUI AG
for the nine-month period ended June 30, 2014

CONSOLIDATED INCOME STATEMENT

	Notes	Q3 2013/14	Q3 2012/13 restated	9M 2013/14	9M 2012/13 restated
			€ million		
Turnover	(1)	4,825.3	4,679.0	11,384.4	11,518.4
Cost of sales	(2)	4,363.9	4,226.7	10,528.6	10,818.0
Gross profit		**461.4**	**452.3**	**855.8**	**700.4**
Administrative expenses	(2)	398.7	386.8	1,152.5	1,154.4
Other income/other expenses	(3)	+ 6.5	+ 5.3	+ 21.5	+ 22.1
Impairment of goodwill	(4)	—	—	—	8.3
Financial income	(5)	6.0	6.2	19.8	27.3
Financial expenses	(6)	66.8	66.1	207.4	233.4
Share of result of joint ventures and associates	(7)	16.9	23.4	− 9.2	17.3
Earnings before income taxes		**25.3**	**34.3**	**− 472.0**	**− 629.0**
Reconciliation to underlying earnings:					
Earnings before income taxes		25.3	34.3	− 472.0	− 629.0
plus: Losses/less: Gains on Container Shipping measured at equity		2.4	− 3.9	38.9	25.4
plus: Net interest expense and expense from measurement of interest hedges		63.3	56.8	184.7	203.5
plus: Impairment of goodwill		—	—	—	8.3
EBITA		91.0	87.2	− 248.4	− 391.8
Adjustments:	(8)				
less: Gains on disposals (prior year losses)		− 2.9	1.5	− 2.3	1.5
plus: Restructuring expense		16.3	3.9	32.0	29.4
plus: Expenses from purchase price allocation		18.0	19.1	52.0	56.1
plus: Expenses /less: Income from other one-off items		41.0	− 25.2	− 15.6	52.6
Underlying EBITA		**163.4**	**86.5**	**− 182.3**	**− 252.2**
Earnings before income taxes		**25.3**	**34.3**	**− 472.0**	**− 629.0**
Income taxes	(9)	23.9	21.9	− 123.4	− 152.8
Group gain /loss for the year		**1.4**	**12.4**	**− 348.6**	**− 476.2**
Group profit/ loss for the year attributable to shareholders of TUI AG	(10)	− 19.4	3.5	− 249.2	− 376.2
Group profit /loss for the year attributable to non-controlling interest	(11)	20.8	8.9	− 99.4	− 100.0

Earnings per share

	Notes	Q3 2013/14	Q3 2012/13 restated	9M 2013/14	9M 2012/13 restated
			€		
Basic and diluted earnings per share	(12)	− 0.09	− 0.01	− 1.04	− 1.56

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Q3 2013/14	Q3 2012/13 restated	9M 2013/14	9M 2012/13 restated
			€ million		
Group gain/loss		**1.4**	**12.4**	**− 348.6**	**− 476.2**
Actuarial gains and losses from pension provisions and related fund assets		− 132.4	121.8	− 149.2	74.9
Changes in the measurement of companies measured at equity		—	− 0.2	1.4	− 4.9
Income tax related to items that will not be reclassified	(13)	31.1	− 29.7	36.7	− 17.7
Items that will not be reclassified to profit or loss		**− 101.3**	**91.9**	**− 111.1**	**52.3**
Foreign exchange differences		− 54.1	− 50.7	− 145.1	56.0
Foreign exchange differences		− 54.1	− 51.1	− 142.9	55.6
Reclassification/adjustments		—	0.4	− 2.2	0.4
Financial instruments available for sale		− 1.6	− 2.5	− 0.9	1.9
Changes in the fair value of financial instruments available for sale		− 1.6	− 2.5	− 0.9	1.9
Cash flow hedges		19.9	− 73.4	10.5	89.1
Changes in the fair value of cash flow hedges		22.2	− 77.6	− 0.9	83.3
Reclassification/adjustments		− 2.3	4.2	11.4	5.8
Changes in the measurement of companies measured at equity		0.9	3.0	12.4	9.7
Changes in the measurement outside profit or loss		0.9	3.0	12.4	9.7
Income tax related to items that may be reclassified	(13)	− 6.2	15.8	− 6.5	− 20.5
Items that may be reclassified to profit or loss		**− 41.1**	**− 107.8**	**− 129.6**	**136.2**
Other comprehensive income		**− 142.4**	**− 15.9**	**− 240.7**	**188.5**
Total comprehensive income		**− 141.0**	**− 3.5**	**− 589.3**	**− 287.7**
attributable to shareholders of TUI AG		− 94.6	− 14.0	− 380.5	− 294.0
attributable to non-controlling interest		− 46.4	10.5	− 208.8	6.3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 Jun 2014	30 Sep 2013 restated	1 Oct 2012 restated
		€ million		
Assets				
Goodwill	(14)	3,062.1	2,976.4	3,046.4
Other intangible assets	(15)	908.9	866.2	890.9
Investment property	(16)	7.8	58.0	54.9
Property, plant and equipment	(17)	2,705.4	2,682.0	2,651.3
Investments in joint ventures and associates	(18)	931.7	1,386.4	1,3940.0
Financial assets available for sale	(19)	71.2	71.5	75.5
Trade receivables and other assets	(20)	394.2	342.8	358.1
Derivative financial instruments	(21)	52.4	37.9	28.4
Deferred tax asset	(22)	459.5	224.6	168.7
Non-current assets		**8,593.2**	**8,645.8**	**8,668.2**
Inventories	(23)	132.4	115.4	113.9
Trade receivables and other assets	(20)	2,443.4	1,876.8	1,956.0
Derivative financial instruments	(21)	83.5	49.1	131.5
Current tax asset	(22)	105.6	53.9	48.1
Cash and cash equivalents	(24)	1,939.3	2,701.7	2,278.4
Assets held for sale	(25)	476.6	11.6	16.5
Current assets		**5,180.8**	**4,808.5**	**4,544.4**
		13,774.0	**13,454.3**	**13,212.6**

	Notes	30 Jun 2014	30 Sep 2013 restated	1 Oct 2012 restated
		€ million		
Assets				
Equity and liabilities				
Subscribed capital	(26)	713.4	645.2	644.9
Capital reserves	(27)	1,034.4	957.7	957.4
Revenue reserves	(28)	− 334.4	118.7	162.1
Hybrid capital	(29)	294.8	294.8	294.8
Equity before non-controlling interest		**1,708.2**	**2,016.4**	**2,059.2**
Non-controlling interest	(30)	− 303.7	− 19.6	− 15.2
Equity		**1,404.5**	**1,996.8**	**2,044.0**
Pension provisions and similar obligations	(31)	1,138.8	1,102.2	1,146.9
Other provisions	(32)	556.3	575.0	537.5
Non-current provisions		**1,695.1**	**1,677.2**	**1,684.4**
Financial liabilities	(33)	1,417.7	1,834.1	1,810.5
Derivative financial instruments	(35)	18.9	30.7	31.8
Current tax liabilities	(36)	107.8	107.8	108.3
Deferred tax liabilities	(36)	145.1	109.2	92.6
Other liabilities	(37)	112.4	98.4	68.2
Non-current liabilities		**1,801.9**	**2,180.2**	**2,111.4**
Non-current provisions and liabilities		**3,497.0**	**3,857.4**	**3,795.8**
Pension provisions and similar obligations	(31)	30.7	33.8	39.7
Other provisions	(32)	460.9	449.2	509.8
Current provisions		**491.6**	**483.0**	**549.5**
Financial liabilities	(33)	819.7	935.5	646.1
Trade payables	(34)	2,490.0	3,049.2	3,260.0
Derivative financial instruments	(35)	238.9	178.8	163.1
Current tax liabilities	(36)	65.7	134.0	96.5
Other liabilities	(37)	4,766.6	2,819.6	2,657.6
Current liabilities		**8,380.9**	**7,117.1**	**6,823.3**
Current provisions and liabilities		**8,872.5**	**7,600.1**	**7,372.8**
		13,774.0	**13,454.3**	**13,212.6**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Subscribed capital (26)	Capital reserves (27)	Other revenue reserves	Foreign exchange differences	Financial instruments available for sale	Cash flow hedges	Revaluation reserve	Revenue reserves (28)	Hybrid capital (29)	Equity before non-controlling Interest	Non-controlling interest (30)	Total
						€ million						
Balance as at 1 Oct 2013	**645.2**	**957.7**	**897.0**	**−753.0**	**0.5**	**−47.5**	**21.7**	**118.7**	**294.8**	**2,016.4**	**− 19.6**	**1,996.8**
Dividends	—	—	−37.8	—	—	—	—	−37.8	—	−37.8	−89.9	−127.7
Hybrid capital dividend	—	—	−17.4	—	—	—	—	−17.4	—	−17.4	—	−17.4
Share-based payment schemes of TUI Travel PLC	—	—	7.4	—	—	—	—	7.4	—	7.4	7.8	15.2
Issue of employee shares	0.3	0.7	—	—	—	—	—	—	—	1.0	—	1.0
Conversion of convertible bonds	67.9	76.0	—	—	—	—	—	—	—	143.9	—	143.9
Taxes on convertible bonds	—	—	—	—	—	—	—	—	—	—	27.4	27.4
First-time consolidation	—	—	—	—	—	—	—	—	—	—	1.6	1.6
Deconsolidation	—	—	—	—	—	—	—	—	—	—	−1.8	−1.8
Written option on non-controlling interests	—	—	−2.6	—	—	—	—	−2.6	—	−2.6	−2.1	−4.7
Effects on the acquisition of non-controlling interests	—	—	−22.2	—	—	—	—	−22.2	—	−22.2	−18.3	−40.5
Group loss	**—**	**—**	**−249.2**	**—**	**—**	**—**	**—**	**−249.2**	**—**	**−249.2**	**−99.4**	**−348.6**
Foreign exchange differences	—	—	−12.4	−64.2	—	−1.3	−1.0	−78.9	—	−78.9	−66.2	−145.1
Financial Instruments available for sale	—	—	—	—	−0.5	—	—	−0.5	—	−0.5	−0.4	−0.9
Cash flow hedges	—	—	—	—	—	9.2	—	9.2	—	9.2	1.3	10.5
Actuarial losses from pension provisions and related fund assets	—	—	−94.6	—	—	—	—	−94.6	—	−94.6	−54.6	−149.2
Changes in the measurement of companies measured at equity	—	—	13.9	—	—	—	—	13.9	—	13.9	−0.1	13.8
Taxes attributable to other comprehensive income	—	—	24.3	—	—	−4.7	—	19.6	—	19.6	10.6	30.2
Other comprehensive income			**−68.8**	**−64.2**	**−0.5**	**3.2**	**−1.0**	**−131.3**	**—**	**−131.3**	**−109.4**	**−240.7**
Total comprehensive income			−318.0	−64.2	−0.5	3.2	−1.0	−380.5	—	−380.5	−208.8	−589.3
Balance as at 30 June 2014	**713.4**	**1,034.4**	**506.4**	**−817.2**	**—**	**−44.3**	**20.7**	**−334.4**	**294.8**	**1,708.2**	**−303.7**	**1,404.5**

Statement of changes in equity of the TUI Group for the period from 1 October 2012 to 30 June 2013 (restated)

	Subscribed capital (26)	Capital reserves (27)	Other revenue reserves	Foreign exchange differences	Financial instruments available for sale	Cash flow hedges	Revaluation reserve	Revenue reserves (28)	Hybrid capital (29)	Equity before non-controlling Interest	Non-controlling interest (30)	Total
						€ million						
Balance as at 1 Oct 2012	**644.9**	**957.4**	**820.5**	**−640.9**	**—**	**−38.4**	**20.9**	**162.1**	**294.8**	**2,059.2**	**−15.2**	**2,044.0**
Dividends	—	—	—	—	—	—	—	—	—	—	−128.6	−128.6
Hybrid capital dividend	—	—	−18.1	—	—	—	—	−18.1	—	−18.1	—	−18.1
Share-based payment schemes of TUI Travel PLC	—	—	7.5	—	—	—	—	7.5	—	7.5	6.0	13.5
Issue of employee shares	0.3	0.2	—	—	—	—	—	—	—	0.5	—	0.5
Effects on the acquisition of non-controlling interests	—	—	−17.0	—	—	—	—	−17.0	—	−17.0	−8.5	−25.5
Effects on the disposal of shares to non-controlling interests	—	—	102.7	−6.8	—	1.9	—	97.8	—	97.8	−31.5	66.3
Group loss	**—**	**—**	**−376.2**	**—**	**—**	**—**	**—**	**−376.2**	**—**	**−376.2**	**−100.0**	**−476.2**
Foreign exchange differences	—	—	31.5	−39.8	—	4.2	−1.2	−5.3	—	−5.3	61.3	56.0
Financial Instruments available for sale	—	—	—	—	1.1	—	—	1.1	—	1.1	0.8	1.9
Cash flow hedges	—	—	—	—	—	63.1	—	63.1	—	63.1	26.0	89.1
Actuarial gains from pension provisions and related fund assets	—	—	45.8	—	—	—	—	45.8	—	45.8	29.1	74.9
Changes in the measurement of companies measured at equity	—	—	4.8	—	—	—	—	4.8	—	4.8	—	4.8
Taxes attributable to other comprehensive income	—	—	−11.2	—	—	−16.1	—	−27.3	—	−27.3	−10.9	−38.2
Other comprehensive income	**—**	**—**	**70.9**	**−39.8**	**1.1**	**51.2**	**−1.2**	**82.2**	**—**	**82.2**	**106.3**	**188.5**
Total comprehensive income	—	—	−305.3	−39.8	1.1	51.2	−1.2	294.0	—	−294.0	6.3	−287.7
Balance as at 30 June 2013	**645.2**	**957.6**	**590.3**	**−687.5**	**1.1**	**14.7**	**19.7**	**−61.7**	**294.8**	**1,835.9**	**−171.5**	**1,664.4**

CONSOLIDATED STATEMENT OF CASH FLOW

	Note	9M 2013/14	9M 2012/13 restated
		€ million	
Group loss		− 348.6	− 476.2
Depreciation, amortisation and impairments (+) / write-backs (–)		287.1	324.1
Other non-cash expenses (+) / income (–)		− 12.2	− 3.9
Interest expenses		201.8	226.2
Dividend from joint ventures and associates		22.5	44.9
Profit (–) / loss (+) from disposals of non-current assets		− 19.8	− 21.9
Increase (–) / decrease (+) in inventories		2.7	− 8.5
Increase (–) / decrease (+) in receivables and other assets		− 918.5	− 872.9
Increase (+) / decrease (–) in provisions		− 187.4	− 113.4
Increase (+) / decrease (–) in liabilities (excl. financial liabilities)		1,358.2	1,328.0
Cash inflow from operating activities	(45)	**385.8**	**426.4**
Payments received from disposals of property, plant and equipment, investment property and intangible assets		261.6	171.9
Payments received from disposals of consolidated companies (excl. disposals of cash and cash equivalents due to divestments)		13.9	—
Payments received from the disposals of other non-current assets		37.6	4.8
Payments made for investments in property, plant and equipment, investment property and intangible assets		− 399.9	− 419.4
Payments made for investments in consolidated companies (excl. cash and cash equivalent received due to acquisitions)		− 22.6	− 20.0
Payments made for investments in other non-current assets		− 47.4	− 94.2
Cash outflow from investing activities	(46)	**− 156.8**	**− 356.9**
Payments received from capital increases		0.6	0.7
Payments made for interest increase in consolidated companies		− 40.5	− 6.2
Dividend payments			
TUI AG		− 55.1	− 31.5
subsidiaries to non-controlling interest		− 101.9	− 91.2
Payments received from the issue of bonds and the raising of financial liabilities		39.0	86.1
Payments made for redemption of loans and financial liabilities		− 99.1	− 474.1
Interest paid		− 131.5	− 131.1
Cash outflow from financing activities	(47)	**− 388.5**	**− 647.3**
Net change in cash and cash equivalents		**− 159.5**	**− 577.8**
Development of cash and cash equivalents	(48)		
Cash and cash equivalents at beginning of period		**2,701.7**	**2,278.4**
Change in cash and cash equivalents due to exchange rate fluctuations		− 15.4	6.0
Change in cash and cash equivalents with cash effects		− 159.5	− 577.8
Change in cash and cash equivalents without cash effects		− 587.5	—
Cash and cash equivalents at end of period		**1,939.3**	**1,706.6**

NOTES

Principles and methods underlying the consolidated financial statements

General

The TUI Group and its key subsidiaries and shareholdings operate in the tourism business, which comprises the touristic sectors TUI Travel, TUI Hotels & Resorts and Cruises.

TUI AG, based in Hanover, Karl-Wiechert-Allee 4, is the TUI Group's parent company and a listed stock corporation under German law. The Company has been registered in the commercial registers of the district courts of Berlin-Charlottenburg (HRB 321) and Hanover (HRB 6580).

The consolidated interim financial statements for the period from 1 October 2013 to 30 June 2014 are prepared in euros. Unless stated otherwise, all amounts are indicated in million euros (€m).

The present consolidated interim financial statements were approved for publication by TUI AG's Executive Board on 9 September 2014.

Accounting principles

In accordance with IAS 34, the Group's interim financial statements as at 30 June 2014 are published in a condensed form compared with the consolidated annual financial statements. As before, they are prepared on the historical cost basis, the only exception being the accounting method applied in measuring financial instruments.

The IFRSs are applied in the form in which they have been transposed into national legislation by means of the European Commission's endorsement procedure.

The accounting and measurement methods adopted in the preparation of these interim financial statements as at 30 June 2014 are generally consistent with those followed in the preparation of the preceding consolidated financial statements for the financial year ended 30 September 2013. Exceptions to this principle are the changes due to international financial reporting standards that have been required to be applied since 1 October 2013 and a change due to an agenda decision of the IFRS Interpretations Committee that is explained in the section changes in accounting and measurement methods.

Newly applied standards

The following standards and interpretations revised or newly issued by the IASB and relevant for the TUI Group have been mandatory since the beginning of financial year 2013/14:

- IFRS 13: Fair Value Measurement
- Amendments to IFRS 7: Financial Instruments—Disclosures
- Annual Improvements Project (2009 – 2011)
- Amendments to IAS 19: Employee Benefits

In addition, the following standards amended by the IASB and transposed into European legislation by the European Union have been adopted ahead of the effective date as of the beginning of financial year 2013/14:

- Amendments to IAS 36: Impairment of Assets—Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to IAS 39: Financial Instruments—Recognition and Measurement: Novation of Derivatives and Continuation of Hedge Accounting

With the exception of the amendments to IAS 19, the first-time adoption of the standards listed above has no significant impact on the TUI Group's net assets, financial position and results of operations in the present Interim Report. The amendments to IFRS 7 result in additional disclosures in the Notes to the offsetting of financial assets and liabilities.

IFRS 13: Fair Value Measurement

The amendments establish a uniform approach to determining fair value. According to IFRS 13, fair value is redefined as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between the market participants at the measurement date. Moreover, the disclosures in the Notes in connection with fair value measurement are expanded to cover all standards. Apart from additional disclosures in the Notes, the prospective first-time application of the standard did not have any other material effects on the consolidated interim financial statements.

Amendments to IFRS 7: Financial Instruments—Disclosures

The amendments to IFRS 7 expand the existing qualitative and quantitative disclosure requirements in the Notes to the offsetting of financial assets and financial liabilities effected. They also contain additional disclosure requirements for financial instruments subject to offsetting agreements, regardless of whether they have actually been offset according to IAS 32. The amendments give rise to additional disclosures in the Notes.

Annual Improvements Project (2009 – 2011)

The Annual Improvements Project (2009 – 2011) includes amendments to five standards (IFRS 1, IAS 1, IAS 16, IAS 32, and IAS 34). The amendments include minor changes in the contents and above all clarifications of the presentation, recognition and measurement. The amendments did not have a major impact on the consolidated interim financial statements.

Amendments to IAS 36: Impairment of Assets

The amendments clarify and extend the disclosure requirements regarding the recoverable amount for non-financial assets. They make it clear that the recoverable amount of a cash-generating unit to which substantial goodwill has been assigned only has to be disclosed if an impairment has been recorded for this unit in the period under review and if the recoverable amount is based on fair value less costs of disposal. They also introduce new disclosure requirements for non-financial assets for which the recoverable amount has been determined on the basis of fair value less costs of disposal. The amendments were endorsed by the European Union in December 2013 and are effective for annual periods beginning on or after 1 January 2014. The TUI Group has applied these amendments ahead of the effective date as of 1 October 2013. The amendments give rise to additional disclosures in the Notes to the present consolidated interim financial statements.

Amendments to IAS 39: Financial Instruments—Recognition and Measurement

As a result of the amendments to IAS 39 on the recognition and measurement of financial instruments, the novation of a hedge to a central counterparty due to legal requirements does not impose discontinuation of the hedging relationship if certain conditions are met. The amendments were transposed into European legislation by the European Union in December 2013 and are effective for annual periods beginning on or after 1 January 2014. The TUI Group has applied the amendments ahead of the effective date as of 1 October 2013. The retrospective first-time application has not had an impact on the TUI Group's net assets, financial position and results of operations.

Amendments to IAS 19: Employee Benefits

The mandatory application of the amendments to IAS 19 on the accounting for employee benefits has a material impact on the TUI Group's net assets, financial position and results of operations so that the prior-year numbers were restated as at 1 October 2013.

The amendments to IAS 19, published in June 2011, remove the existing option to apply the corridor method and lead to the immediate recognition of actuarial gains and losses in Other income outside profit and loss. Due to the introduction of the net interest expense on defined benefit pension plans, the return on plan assets no longer has to be estimated as an expected return but has to be determined as interest on the plan on the basis of the net interest rate used to determine the present value of the defined benefit obligations. Other amendments relate to the immediate recognition of past service cost through profit and loss in the event of future plan amendments and the presentation of the net interest result in defined benefit pension plans. Amendments also relate to the distinction between benefits provided in exchange for the termination of employment and other employer benefits. The amended standard also creates enhanced disclosure requirements regarding employee benefits.

Elimination of the so-called corridor method does not have an effect as the immediate full recognition of actuarial gains and losses reflects the accounting method already used by the TUI Group. Accordingly, the amendment does not have an impact on the presentation in the consolidated statement of financial position. Group result has changed by €−8.0m due to the changed calculation of the net interest on the defined liability, i. e. using the discount rate for the pension obligations for the calculation of the interest on pension assets instead of expected returns. Changes in the TUI Group's cash flow statement only relate to the indirect approach to derive the cash inflow from operating activities.

In line with the transition guidance, the amendments outlined above are applied with retroactive effect as of the beginning of the reference period, i.e. 1 October 2012. The section on "Restatement of figures from prior reporting periods" presents the quantitative impact of the first-time application of the amended IAS 19 on the TUI Group's net assets, financial position and results of operations.

If the old version of IAS 19 had continued to be applied in the reporting period under review, the consolidated comprehensive income and consolidated statement of financial position for the first nine months of 2013/14 would not differ from the presentation according to the new version. The only differences from the amounts calculated according to the new version would have related to the statement of comprehensive income, as follows:

- Reduction in Group loss after tax of €13.4m with an increase in financial result of €20.2m and a reduction in tax assets of €6.8m
- Reduction in other comprehensive income within the items not to be reclassified to the income statement by the same amount of €13.4m due to lower actuarial gains on fund assets and a reduction in attributable taxes.
- Increase in (basic and diluted) earnings per share of €0.02.

The amendments to the recognition of past service costs do not have an impact on the results of operations in the present Interim Report. The Group has examined the impact of the changed definition of benefits provided in exchange for the termination of employment on the current and prior consolidated financial statements. For materiality reasons, provisions for part-time arrangements for employees approaching retirement were not retroactively restated.

Standards and interpretations not yet effective

The table below provides an overview of the new standards or amendments to existing standards not yet mandatory for the TUI Group for the present interim financial statements:

Summary of new standards and interpretations not yet applied/applicable

Standard/Interpretation		Applicable for financial years from	Endorsement by the EU commission
Standard			
IAS 32	Financial Instruments – Presentation: Offsetting Financial Assets and Financial Liabilities	1 Jan 2014	Yes
IFRS 10	Consolidated Financial Statements	1 Jan 2014	Yes
IFRS 11	Joint Arrangements	1 Jan 2014	Yes
IFRS 12	Disclosures of Interests in Other Entities	1 Jan 2014	Yes
IAS 27	Separate Financial Statements	1 Jan 2014	Yes
IAS 28	Investments in Associates and Joint Ventures	1 Jan 2014	Yes
various	Transition Guidance to IFRS 10, IFRS 11 and IFRS 12	1 Jan 2014	Yes
various	Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	1 Jan 2014	Yes
various	Annual Improvement Project (2010 – 2012)	1 Jul 2014	No
various	Annual Improvement Project (2011 – 2013)	1 Jul 2014	No
IAS 19	Employee benefits: Defined Benefit Plans – Employee Contribution	1 Jul 2014	No
IFRS 14	Regulatory Deferral Accounts	1 Jan 2016	No
IFRS 11	Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations	1 Jan 2016	No
IAS 16 & IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 Jan 2016	No
IAS 16 & IAS 41	Agriculture: Bearer Plants	1 Jan 2016	No
IAS 27	Separate Financial Statements: Equity Method in Separate Financial Statements	1 Jan 2016	No
IFRS 15	Revenue from Contracts with Customers	1 Jan 2017	No
IFRS 9	Financial Instruments	1 Jan 2018	No
Interpretation			
IFRIC 21	Levies	1 Jan 2014	Yes

As a matter of principle, TUI does not intend to voluntarily apply these standards and interpretations or the resulting changes prior to their effective dates.

Comments concerning the contents and potential impacts on future periods are presented under Note 51 in Other notes.

Presentation

As the intention to offset certain items under a cash pooling agreement on a net basis existed as at 30 June 2014, these items are now reported as a net amount in the consolidated statement of financial position in accordance with IAS 32.42. These items are now also part of the cash management. In the consolidated statement of financial position as at 30 September 2013, bank balances of €587.5m and current financial liabilities of €570.0m were shown on a gross basis. Thus, cash and cash equivalents as at 30 June 2014 (in the consolidated cash flow statement) declined non-cash by €587.5m.

Changes in accounting and measurement methods

Due to an agenda decision by the IFRS Interpretation Committee and starting from the third quarter of financial year 2013/14, so-called minimum taxation requirements are also being considered when accounting for deferred tax assets on unused loss carryforwards in such situation where deferred tax assets are only recognised to the extent that a surplus of suitable deferred tax liabilities exists as there is no expectation of future taxable profits. This accounting change is applied with retrospective effect as of the beginning of the reference period, i.e. 1 October 2012. The prior-year numbers and the quarterly numbers for the first and second quarter of the current financial year 2013/14 have been restated accordingly.

The restatement of figures from the prior year and prior quarter resulting from this change are presented in the section on “Restatement of figures from prior reporting periods.”

In the three months of the third quarter of the current financial year 2013/14, the following changes to the income statement, financial position and statement of comprehensive income would have arisen if the recognition of deferred tax assets on loss carryforwards had not changed:

- Increase in Group loss after tax of €3.7m due to a decrease in tax income by the same amount
- Reduction in deferred tax liabilities of €27.7m
- Reduction in consolidated comprehensive income of €3.7m
- Decrease in (basic and diluted) earnings per share of €0.01.

Restatement of figures from prior reporting periods

The tables below present the restatements due to the amended IAS 19 and the change in the accounting for deferred taxes on prior reporting periods. The prior year values were restated as follows:

Restated items of the Income statement of the TUI Group for the period from 1 October 2012 to 30 June 2013

	9M 2012/13				Q3 2012/13				Q2 2012/13				Q1 2012/13			
		Restatements				Restatements				Restatements				Restatements		
	before restatement	IAS 19	Deferred tax	restated	before restatement	IAS 19	Deferred tax	restated	before restatement	IAS 19	Deferred tax	restated	before restatement	IAS 19	Deferred tax	restated
	€ million															
Financial income	86.8	−59.5	—	27.3	25.4	−19.2	—	6.2	30.9	−19.2	—	11.7	30.5	−21.1	—	9.4
Financial expenses	282.3	−48.9	—	233.4	81.8	−15.7	—	66.1	102.1	−15.7	—	86.4	98.4	−17.5	—	80.9
Earnings before income taxes	**−618.4**	**−10.6**	**—**	**−629.0**	**37.8**	**−3.5**	**—**	**34.3**	**−405.6**	**−3.5**	**—**	**−409.1**	**−250.6**	**−3.6**	**—**	**−254.2**
EBITA	−391.8	—	—	−391.8	87.2	—	—	87.2	−303.4	—	—	−303.4	−175.6	—	—	−175.6
Underlying EBITA	**−252.2**	**—**	**—**	**−252.2**	**86.5**	**—**	**—**	**86.5**	**−197.2**	**—**	**—**	**−197.2**	**−141.5**	**—**	**—**	**−141.5**
Earnings before income taxes	−618.4	−10.6	—	−629.0	37.8	−3.5	—	34.3	−405.6	−3.5	—	−409.1	−250.6	−3.6	—	−254.2
Income taxes	−151.9	−2.6	1.7	−152.8	12.4	−0.8	10.3	21.9	−97.5	−1.0	−5.8	−104.3	−66.8	−0.8	−2.8	−70.4
Group profit/loss for the year	**−466.5**	**−8.0**	**−1.7**	**−476.2**	**25.4**	**−2.7**	**−10.3**	**12.4**	**−308.1**	**−2.5**	**5.8**	**−304.8**	**−183.8**	**−2.8**	**2.8**	**−183.8**
Group profit/loss for the year attributable to shareholders of TUI AG	−370.1	−4.4	−1.7	−376.2	15.3	−1.5	−10.3	3.5	−248.4	−1.3	5.8	−243.9	−137.0	−1.6	2.8	−135.8
Group profit/loss for the year attributable to non-controlling interest	−96.4	−3.6	—	−100.0	10.1	−1.2	—	8.9	−59.7	−1.2	—	−60.9	−46.8	−1.2	—	−48.0
Basic and diluted earnings per share	−1.54	−0.02	—	−1.56	0.04	−0.01	−0.04	−0.01	−1.01	−0.01	0.03	−0.99	−0.57	—	0.01	−0.56

Restated items in the statement of comprehensive income of the TUI Group for the period from 1 Oct 2012 to 30 Jun 2013

	9M 2012/13				Q3 2012/13				Q2 2012/13				Q1 2012/13			
		Restatements				Restatements				Restatements				Restatements		
	before restatement	IAS 19	Deferred tax	restated	before restatement	IAS 19	Deferred tax	restated	before restatement	IAS 19	Deferred tax	restated	before restatement	IAS 19	Deferred tax	restated
	€ million															
Group profit/loss	**−466.5**	**−8.0**	**−1.7**	**−476.2**	**25.4**	**−2.7**	**−10.3**	**12.4**	**−308.1**	**−2.5**	**5.8**	**−304.8**	**−183.8**	**−2.8**	**2.8**	**−183.8**
Actuarial gains from pension provisions and related fund assets	64.3	10.6	—	74.9	118.3	3.5	—	121.8	17.6	3.5	—	21.1	−71.6	3.6	—	−68.0
Income tax related to items that will not be reclassified	−15.1	−2.6	—	−17.7	−28.9	−0.8	—	−29.7	−5.1	−1.0	—	−6.1	18.9	−0.8	—	18.1
Items that will not be reclassified	**44.3**	**8.0**	**—**	**52.3**	**89.2**	**2.7**	**—**	**91.9**	**12.9**	**2.5**	**—**	**15.4**	**−57.8**	**2.8**	**—**	**−55.0**
Total comprehensive income	**−286.0**	**—**	**−1.7**	**−287.7**	**6.8**	**—**	**−10.3**	**−3.5**	**−22.4**	**—**	**5.8**	**−16.6**	**−270.4**	**—**	**2.8**	**−267.6**
attributable to shareholders of TUI AG	−292.3	—	−1.7	−294.0	−3.7	—	−10.3	−14.0	−87.7	—	5.8	−81.9	−200.9	—	2.8	−198.1
attributable to non-controlling interest	6.3	—	—	6.3	10.5	—	—	10.5	65.3	—	—	65.3	−69.5	—	—	−69.5

Restated items in the balance sheet of the TUI Group as at 1 Oct 2012 and 30 Sep 2013

	1 Oct 2012 before restatement	1 Oct 2012 Restatement Deferred tax	1 Oct 2012 restated	30 Sep 2013 before restatement	30 Sep 2013 Restatement Deferred tax	30 Sep 2013 restated
	€ million					
Revenue Reserves	185.2	−23.1	162.1	151.3	−32.6	118.7
Equity	**2,067.1**	**−23.1**	**2,044.0**	**2,029.4**	**−32.6**	**1,996.8**
Deferred tax liabilities	69.5	23.1	92.6	76.6	32.6	109.2
Non-current provisions and liabilities	**3,772.7**	**23.1**	**3,795.8**	**3,824.8**	**32.6**	**3,857.4**

The change in the recognition of deferred taxes during the financial year results in the following impact on the prior quarters of the current financial year 2013/14:

Restated items of the Income statement of the TUI Group for the period from 1 October 2013 to 30 June 2014

	9M 2013/14			Q2 2013/14			Q1 2013/14		
	before restatement	Restatement Deferred tax	restated	before restatement	Restatement Deferred tax	restated	before restatement	Restatement Deferred tax	restated
					€ million				
Earnings before income tax	**−472.0**	**—**	**−472.0**	**−269.7**	**—**	**−269.7**	**−227.6**	**—**	**−227.6**
Income taxes	−118.5	−4.9	−123.4	−71.9	−1.8	−73.7	−74.2	0.6	−73.6
Group profit/loss for the year	**−353.5**	**4.9**	**−348.6**	**−197.8**	**1.8**	**−196.0**	**−153.4**	**−0.6**	**−154.0**
Group profit/loss for the year attributable to shareholders of TUI AG	−254.1	4.9	−249.2	−122.3	1.8	−120.5	−108.7	−0.6	−109.3
Group profit/loss for the year attributable to non-controlling interest	−99.4	—	−99.4	−75.5	—	−75.5	−44.7	—	−44.7
Basic and diluted earnings per share	−1.06	0.02	−1.04	−0.51	0.01	−0.50	−0.45	—	−0.45

Restated items in the statement of comprehensive income of the TUI Group for the period from 1 Oct 2013 to 30 June 2014

	9M 2013/14			Q2 2013/14			Q1 2013/14		
	before restatement	Restatement Deferred tax	restated	before restatement	Restatement Deferred tax	restated	before restatement	Restatement Deferred tax	restated
					€ million				
Group profit/loss	**−353.5**	**4.9**	**−348.6**	**−197.8**	**1.8**	**−196.0**	**−153.4**	**−0.6**	**−154.0**
Income tax related to items that will not be reclassified	36.7	—	36.7	12.2	—	12.2	−6.6	—	−6.6
Items that will not be reclassified	**−111.1**	**—**	**−111.1**	**−39.9**	**—**	**−39.9**	**30.1**	**—**	**30.1**
Total comprehensive income	**−594.2**	**4.9**	**−589.3**	**−280.8**	**1.8**	**−279.0**	**−168.7**	**−0.6**	**−169.3**

Principles and methods of consolidation

Principles

The consolidated financial statements include all major companies in which TUI AG is able, directly or indirectly, to govern the financial and operating policies so as to obtain benefits from the activity of these companies (subsidiaries). As a rule, the control is exercised by means of a majority of voting rights. The consolidation of the RIUSA II Group is based on de facto control, with TUI AG and the co-shareholder holding equal interests and voting rights. In the light of overall conditions and circumstances, TUI AG is able to govern the financial and operating policies so as to obtain benefits from the activity of this hotel group. In assessing control, the existence and effect of potential voting rights that are currently exercisable or convertible are taken into account. Consolidation of such companies starts as from the date at which the TUI Group gains control. When the TUI Group ceases to control the corresponding companies, they are removed from consolidation.

The consolidated financial statements are prepared from the separate or single-entity financial statements of TUI AG and its subsidiaries, drawn up on the basis of uniform accounting, measurement and consolidation methods and usually exclusively audited or reviewed by auditors.

Shareholdings in companies in which the Group is able to exert significant influence over the financial and operating decisions within these companies (associates, shareholdings of 20% to less than 50% as a matter of principle) are carried at equity. Stakes in companies managed jointly with one or several partners (joint ventures) are also measured at equity. The dates as of which associates and joint ventures are included in or removed from the group of companies measured at equity are determined in analogy to the principles applying to subsidiaries. At equity measurement in each case is based on the last annual financial statements available or the interim financial statements as at 30 June 2014

Group of consolidated companies

The interim financial statements as of 30 June 2014 included a total of 46 domestic and 583 foreign subsidiaries, besides TUI AG.

Thirty domestic and 59 foreign subsidiaries were not included in the consolidated interim financial statements. Even when taken together, these companies are not significant for the presentation of a true and fair view of the financial position, performance and changes in financial position of the Group.

Development of the group consolidated companies(1) and the Group companies measured at equity

	Balance 30 Sep 2013	Additions	Disposals	Balance 30 Jun 2014
Consolidated subsidiaries	**677**	**14**	**62**	**629**
Domestic companies	47	3	4	46
Foreign companies	630	11	58	583
Associated companies	**22**	**1**	**1**	**22**
Domestic companies	5	1	1	5
Foreign companies	17	—	—	17
Joint ventures	**40**	**—**	**5**	**35**
Domestic companies	7	—	1	6
Foreign companies	33	—	4	29

(1) excl. TUI AG

Since 1 October 2013, a total of 14 companies have been newly included in consolidation, with six companies added due to acquisitions and purchase of additional stakes and four companies due to an expansion of their business operations. Moreover, four companies were newly established. All additions relate to the Tourism Segment.

Since 30 September 2013, a total of 62 companies have been removed from consolidation. Six of the companies were removed from consolidation due to mergers, 53 due to liquidation and three due to divestments. All removals relate to companies operating in the Tourism Segment.

22 associated companies and 35 joint ventures were measured at equity. The group of associated companies measured at equity remained unchanged compared to 30 September 2013 due to the acquisition of one company and the reclassification of one entity to assets held for sale. Five

companies were removed from the group of joint ventures measured at equity due to the sale of one company and the inclusion of additional companies in the group of consolidated companies. There have not been any further changes within associates and joint ventures compared to the disclosure of the shareholdings of the TUI Group in the consolidated financial statements as at 30 September 2013.

The impact on the periods under review 2013/14 and 2012/13 of these changes to the list of companies consolidated in the current financial year 2013/14 is outlined below. While balance sheet values of companies deconsolidated in the current financial year 2013/14 are shown as per the closing date for the previous period, items in the income statement are also shown for the current financial year 2013/14 and for the previous year's periods due to prorated effects.

Impact of changes in the group of consolidated companies on the statement of financial position

	Additions 30 Jun 2014	Disposals 30 Sep 2013
	€ million	
Non-current assets	58.5	25.7
Current assets	26.3	9.6
Non-current provisions	1.0	—
Non-current financial liabilities	14.5	6.0
Current financial liabilities	2.6	1.7
Non-current other liabilities	4.3	—
Current other liabilities	24.9	5.0

Impact of changes in the group of consolidated companies on the consolidated income statement

	Additions 9M 2013/14	9M 2013/14	Disposals 9M 2012/13
		€ million	
Turnover with third parties	35.3	6.4	11.8
Turnover with consolidated Group companies	0.3	4.5	8.1
Cost of sales and administrative expenses	36.1	11.1	20.9
Other income/other expenses	1.3	15.5	1.0
Financial expenses	−0.1	—	0.1
Earnings before income taxes	**0.9**	**15.3**	**−0.1**
Income taxes	—	−0.3	—
Group profit for the year	**0.9**	**15.6**	**−0.1**

Acquisitions—divestments

In the first nine months of financial year 2013/14, the cost to purchase companies and business lines totalled €19.9m.

Summary presentation of acquisitions

Name and headquarters of the acquired company or business	Business activity	Acquirer	Date of acquisition	Acquired share %	Consideration transferred in € million
Le Passage to India Tours & Travels pvt. Ltd., New Delhi, India	Tour operator	Trina Group Limited	19.12.13	41.0%	11.9
Global Obi S.L., Palma de Mallorca, Spain	Online-Services	Hotelbeds Spain SLU	21.2.14	51.0%	4.7
6 Travel agencies in Germany	Travel agent	TUI Leisure Travel GmbH	1.10.13 – 30.6.14	n.a.	1.3
OFT REISEN GmbH, Rengsdorf, Deutschland	Tour operator	Leibniz Service GmbH	6.6.14	50%	1.2
Carlson Saint Martin SAS (Group), Anse Marcel, Saint Martin	Hotel operating company	RIUSA NED B.V.	30.5.14	100%	0.8
Total					**19.9**

In the first nine months of financial year 2013/14, acquisitions of travel agencies in Germany took the form of asset deals. All other acquisitions were carried out in the form of share deals.

Measurement of the companies Le Passage to India Tours &Travels pvt. Ltd. and OFT REISEN GmbH, previously measured at equity, at fair value totalling €12.2m directly before the acquisition of additional shares leading to classification as a fully consolidated subsidiary resulted in income of €10.5m. Taking account of expenses of €9.3m for the termination of business relationships with Le Passage to India Tours &Travels pvt. Ltd. that had existed prior to inclusion in consolidation, an overall profit of €1.2m arises.

The difference arising between the consideration transferred and the remeasured acquired net assets of €23.2m as at the acquisition date was carried as provisional goodwill. This goodwill essentially constitutes part of the future synergy, earnings and cost savings potential. The goodwill capitalised in the period under review includes an amount of €1.0m expected to be deductible for tax purposes.

Fair values of considerations transferred

	€ million
Purchase price	19.9
Total	**19.9**

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

	Fair value at date of first-time consolidation € million, translated
Intangible assets	13.6
Property, plant and equipment	1.5
Investments	1.8
Fixed assets	**16.9**
Inventories	0.2
Trade receivables	32.9
Other assets (including prepaid expenses)	4.4
Cash and cash equivalents	4.9
Deferred income tax liabilities	4.3
Financial liabilities	19.0
Liabilities and deferred income	25.6
Equity	**10.4**

Based on the information available, it was not possible to finalise measurement of several components of the acquired assets and liabilities of the acquisitions by the balance sheet date. The 12-month period permitted under IFRS 3 for finalising purchase price allocations was used; it allows for provisional allocation of the purchase price to the individual assets and liabilities until the end of that period.

The acquisitions did not have a major impact on the turnover and Group result for the ongoing period.

The present financial statements reflect the purchase price allocations for the following companies and businesses acquired between 1 October 2012 and 30 June 2013, finalised within the twelve-month timeframe provided under IFRS 3:

- TUI InfoTec GmbH, Hanover
- JBS Group, Pasadena, California
- TT Services Group
- Isango! Limited, London
- Manahé Ltd, Mauritius

- Tunisie Voyages SA, Tunisia
- 7 travel agencies in Germany

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

Final presentation of the statements of financial position as at first-time consolidation for acquisitions from 1 October 2012 to 30 June 2013

	Carrying amounts at date of acquisition	Revaluation of assets and liabilities	Carrying amounts at date of first-time consolidation
		€ million	
Other intangible assets	3.0	3.7	6.7
Property, plant and equipment	10.9	—	10.9
Investments	1.1	—	1.1
Fixed assets	**15.0**	**3.7**	**18.7**
Inventories	0.8	—	0.8
Trade receivables	25.8	—	25.8
Other assets (including prepaid expenses)	9.3	—	9.3
Cash and cash equivalents	4.8	—	4.8
Deferred tax provisions	1.0	—	1.0
Other provisions	28.6	—	28.6
Financial liabilities	2.7	—	2.7
Liabilities and deferred income	23.8	—	23.8
Equity	**−0.4**	**3.7**	**3.3**

The purchase price allocation has remained unchanged against the date of first-time consolidation. As a result, the goodwill arising on eliminating the consideration transferred against the acquirer's interest in the remeasured equity totals €30.9m, as before. The capitalised goodwill essentially represents a part of the expected synergy and earnings potentials.

The effects of the divestments on the TUI Group's net assets, financial position and results of operations were immaterial.

Foreign exchange translation

Transactions in foreign currencies are translated into the functional currency at the foreign exchange rates pertaining at the date of the transaction. Any gains and losses resulting from the execution of such transactions and the translation of monetary assets and liabilities denominated in foreign currencies at the foreign exchange rate pertaining at the date of the transaction are shown in the income statement, with the exception of gains and losses to be recognised in equity as qualifying cash flow hedges.

The financial statements of companies are prepared in the respective functional currency. The functional currency of a company is the currency of the primary economic environment in which the company operates. With the exception of a small number of companies in the Tourism Segment, the functional currencies of all subsidiaries correspond to the currency of the country of incorporation of the respective subsidiary.

Where subsidiaries prepare their financial statements in functional currencies other than the euro, i.e. the Group's reporting currency, the assets, liabilities and Notes to the statement of financial position are translated at the mean rate of exchange applicable at the balance sheet date (closing rate). Goodwill allocated to these companies and adjustments to the fair value arising on the acquisition of a foreign company are treated as assets and liabilities of the foreign company and also translated at the mean rate of exchange applicable at the balance sheet date.

Items in the income statement and hence the profit for the year shown in the income statement are always translated at the average rate of the month in which the respective transaction takes place.

Differences arising on the translation of the annual financial statements of foreign subsidiaries are carried outside profit and loss and separately shown as foreign exchange differences in the consolidated statement of changes in equity. When a foreign company or operation is sold, any foreign exchange differences previously carried in equity outside profit and loss are recognised as a gain or loss from disposal in the income statement through profit and loss.

Translation differences relating to non-monetary items with changes in their fair values eliminated through profit and loss (e.g. equity instruments measured at their fair value through profit and loss) are carried in the income statement. In contrast, translation differences for non-monetary items with changes in their fair values taken to equity (e.g. equity instruments classified as available for sale) are carried in revenue reserves.

The TUI Group did not hold any subsidiaries operating in hyperinflationary economies in the financial year under review, nor in the previous year.

The translation of the financial statements of foreign companies measured at equity follows the same principles for adjusting carrying amounts and translating goodwill as those used for consolidated subsidiaries.

Net investment in a foreign operation

Monetary items receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, form part of a net investment in this foreign operation. Foreign exchange differences from the translation of these monetary items are recognised in Other comprehensive income, i.e. in equity outside profit and loss.

Exchange rates of currencies of relevance to the TUI Group

	Closing rate		Annual average rate	
	30 Jun 2014	30 Sep 2013	9M 2013/14	9M 2012/13
	1 € equivalent			
Sterling	0.80	0.84	0.83	0.84
US dollar	1.37	1.35	1.37	1.31
Swiss franc	1.22	1.22	1.22	1.22
Swedish krona	9.18	8.66	8.93	8.56

Consolidation methods

The recognition of the net assets of acquired subsidiaries is based on the purchase method of accounting. Accordingly, irrespective of existing non-controlling interests, a complete fair value measurement of all identifiable assets, liabilities and contingent liabilities is initially effected as at the acquisition date. Subsequently, the consideration for the acquisition of the stake is measured at fair value and eliminated against the acquiree revalued equity attributable to the acquired share. Any excess of acquisition costs over net assets acquired is capitalised as goodwill and recognised as an asset for the acquired subsidiary in accordance with the provisions of IFRS 3. Any negative goodwill is immediately reversed through profit and loss as at the date on which it arises, with the reversal effect carried under Other income.

Changes in the fair value of contingent consideration are carried in the income statement through profit and loss.

Goodwill is not amortised. Goodwill is regularly tested for impairment, at least annually, following the completion of the annual planning process. Additional impairment tests are effected if there are any events or indications suggesting potential impairments in goodwill.

When additional shares are purchased after obtaining control (follow-up share purchases), the difference between the purchase price and the carrying amount of the stakes acquired is recognised directly in equity. The effects from sales of stakes not entailing a loss of control are also recognised directly in equity on an analogous basis. By contrast, when control is obtained or lost, the difference is recognised through profit and loss. This gain or loss effect results from step acquisitions (transactions involving a change of control), with the equity stake previously held in the acquired company revalued at the fair value applicable at the acquisition date. For transactions involving a loss of control, the profit or loss comprises not only the difference between the carrying amounts of the disposed stakes and the consideration received but also the effect of a revaluation of the remaining shares.

In the event of step acquisitions carried out before 31 December 2008, still treated in accordance with the old IAS 27 provisions, a complete fair value measurement of assets and liabilities of the acquired company was carried out at every acquisition date. The goodwill to be recognised arose from the elimination of the cost to purchase against the acquiree's revalued equity attributable to the acquired share at the respective acquisition date. Any changes in the fair values of assets and liabilities arising in between the acquisition dates were recognised in equity outside profit and loss in the consolidated statement of financial position in relation to the stake not yet resulting in consolidation of the company and were carried in the revaluation reserve. In the framework of the removal of a company from consolidation, this revaluation reserve is eliminated against Other revenue reserves.

The difference between the income from the disposal of the subsidiary and Group equity attributable to the stake, including any foreign exchange differences previously carried outside profit and loss, differences from the revaluation reserve, the reserve for changes in the value of financial instruments as well as eliminated intercompany results, is carried in the income statement as at the disposal date. This principle does not apply to remeasurements (especially actuarial gains or losses) carried in Group equity outside profit and loss in the framework of the recognition of pension obligations in accordance with IAS 19. If any subsidiaries are sold, the goodwill attributable to these subsidiaries is included in the determination of the gain or loss on disposal.

The Group's major associates and joint ventures are measured at equity and carried at the cost to purchase as at the acquisition date. The Group's stake in associates and joint ventures includes the goodwill arising from the respective acquisition transaction.

The Group's share in profits and losses of associates and joint ventures is carried in the income statement as from the date of acquisition (Result from joint ventures and associates), while the Group's share in changes in reserves is shown in its revenue reserves. Accumulated changes arising after the acquisition are shown in the carrying amount of the participation. Where the share in the loss of an associated company or joint venture equals or exceeds the Group's original stake in this company, including other unsecured receivables, no further losses are recognised. Any losses exceeding that stake are only recognised where obligations have been assumed or payments have been made for the associated company or joint venture.

Intercompany profits from transactions between subsidiaries are eliminated in full. Intercompany profits from transactions with companies measured at equity are eliminated in relation to the Group's stake in the company. Intercompany losses are also eliminated if the transaction does not suggest an impairment in the transferred asset.

Where the accounting and measurement methods applied by associates and joint ventures differ from the uniform accounting rules applied in the Group and the differences are sufficiently known and accessible, adjustments are consistently made.

Intercompany receivables and payables or provisions are eliminated. Intercompany turnover and other income as well as the corresponding expenses are eliminated. Intercompany results from intercompany deliveries and services are reversed through profit and loss, taking account of deferred taxes. However, intercompany losses are understood as suggesting that an impairment test is required for the transferred assets. Intercompany deliveries and services are provided in conformity with the arm's length principle.

Accounting and measurement methods

The financial statements of the subsidiaries included in the Group are prepared in accordance with uniform accounting and measurement principles. The amounts recognised in the consolidated interim financial statements are not determined by tax regulations but solely by the commercial presentation of the net assets, financial position and results of operations as set out in the rules of the IASB.

Turnover recognition

Turnover comprises the fair value of the consideration received or to be received for the sale of products and services in the framework of ordinary business activities. Turnover is carried excluding value-added tax, returns, discounts and price rebates and after elimination of intra-Group sales.

Turnover and other income is recognised upon rendering of the service or delivery of the assets and hence upon transfer of the risk.

The commission fees received by travel agencies for package tours are recognised upon payment by the customers or, at the latest, at the date of departure. The services of tour operators mainly consist in organising and coordinating package tours. Turnover from the organisation of package tours is therefore recognised in full when the customer departs. Turnover from individual travel modules booked directly by customers from airlines, hotel companies or incoming agencies is recognised when the customers use the services concerned. Income from non-completed cruises is recognised according to the proportion of contract performance at the balance sheet date. The percentage of completion is determined as the ratio between travel days completed by the balance sheet date and overall travel days.

Interest income is carried on a prorated basis according to the effective interest method. Dividends are recognised when the legal claim has arisen.

Goodwill and Other intangible assets

Acquired intangible assets are carried at cost. Self-generated intangible assets, primarily software for use by the Group itself, are capitalised at cost where an inflow of future economic benefits for the Group is probable and can be reliably measured. The cost to produce comprises direct costs and directly allocable overheads. Intangible assets with a limited service life are amortised on a straight-line basis over the expected useful life.

Intangible assets acquired in the framework of business combinations, such as order book, customer base or trademark rights, are carried at their fair value as at the date of acquisition and are also amortised on a straight-line basis.

Useful lives of intangible assets

	Useful lives
Concessions, property rights and similar rights	up to 20 years
Trademarks at acquisition date	15 to 20 years
Order book as at acquisition date	until departure date
Software	3 to 10 years
Customer base as at acquisition date	up to 15 years

If there are any events or indications suggesting potential impairment, the amortised carrying amount of the intangible asset is compared with the recoverable amount. Any losses in value going beyond wear-and-tear depreciation are taken into account through the recognition of impairment losses.

Depending on the functional area of the intangible asset, depreciation, amortisation and impairments are carried under Cost of sales or Administrative expenses. Where the original causes for impairments effected in previous years no longer apply, the impairment is written back to Other income.

Intangible assets with indefinite useful lives are not amortised but have to be tested for impairment at least annually. In addition, impairment tests are conducted if there are any events or indications suggesting potential impairment. The TUI Group's intangible assets with an indefinite useful life consist exclusively of goodwill.

Impairment tests for goodwill are conducted on the basis of cash generating units (CGU). According to the IASB rules, cash generating units are the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets. In the Tourism Segment, the TUI Travel Sector as a whole represents a cash generating unit. Allocation in the TUI Hotels & Resorts Sector is based on the individual hotel groups.

Impairments are additionally effected where the carrying amount of the tested units plus the allocated goodwill exceeds the recoverable amount. The recoverable amount is the higher of fair value less costs of disposal and the present value of future payment flows of the tested entity based on continued use within the company (value in use). The fair value less costs of disposal corresponds to the amount that could be generated between knowledgeable, willing, independent business partners after deduction of the costs of disposal. Due to the restrictions applicable to the determination of cash flows when deriving the value in use, e.g. the requirement not to account for earnings effects from investments in expansions or from restructuring activities for which no provision was formed according to IAS 37, the fair value less costs of disposal usually exceeds the value in use and therefore represents the recoverable amount.

Impairments of goodwill required are shown separately in the consolidated income statement. In accordance with IAS 36, reversals of impairment losses for goodwill are prohibited.

Property, plant and equipment

Property, plant and equipment are measured at amortised cost. The costs to purchase comprise the considerations spent to purchase an asset and to place it in a working condition. The costs to produce are determined on the basis of direct costs and appropriate allocations of overheads and depreciation.

Borrowing costs directly associated with the acquisition, construction or production of qualified assets are included in the costs to acquire or produce these assets until the assets are ready for their intended use. The capitalisation rate is 6.25% for the financial year under review, and 6.75% for the previous year. In the first nine months of financial year 2013/14, borrowing costs worth €7.8m (previous year €7.7m) were capitalised as part of the costs to purchase and costs to produce. Other borrowing costs are recognised as current expenses.

To the extent that funds are borrowed specifically for the purpose of obtaining a qualified asset, the underlying capitalisation rate is determined on the basis of the specific borrowing cost; in all other cases the weighted average of the borrowing costs applicable to the borrowings outstanding is applied.

Depreciation of property, plant and equipment is based on the straight-line method over customary useful lives. Use-related depreciation and amortisation is based on the following useful lives:

Useful lives of property, plant and equipment

	Useful lives
Hotel buildings	30 to 40 years
Other buildings	up to 50 years
Cruise ships	20 to 30 years
Yachts	5 to 15 years
Motorboats	15 to 24 years
Aircraft	
Fuselages and engines	up to 18 years
Engine overhaul	depending on intervals, up to 5 years
Major overhaul	depending on intervals, up to 5 years
Spare parts	12 years
Other machinery and fixtures	up to 40 years
Operating and business equipment	up to 10 years

Moreover, the level of depreciation is determined by the residual amounts recoverable at the end of the useful life of an asset. The residual value assumed in first-time recognition for cruise ships and their hotel complexes is 30% of the acquisition costs. The determination of the depreciation of aircraft fuselages, aircraft engines and spare parts in first-time recognition is based on a residual value of 20% of the costs of acquisition.

Both the useful lives and assumed residual values are reviewed on an annual basis when preparing the annual financial statements. The review of the residual values is based on comparable assets at the end of their useful lives as at the current point in time. Any adjustments required are effected as a correction of depreciation over the remaining useful life of the asset. The adjustment of depreciation is effected retrospectively for the entire financial year in which the review has taken place. Where the review results in an increase in the residual value so that it exceeds the remaining net carrying amount of the asset, depreciation is suspended. In this case, the amounts are not written back.

Any losses in value going beyond wear-and-tear depreciation are taken into account through the recognition of impairment losses. If there are any events or indications suggesting impairment, the required impairment test is performed to compare the carrying amount of an asset with the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and the present value of future payment flows of the tested entity based on continued use within the company (value in use).

Investment grants received are shown as reductions in the costs to purchase or produce items of property, plant or equipment where these grants are directly allocable to individual items. Where a direct allocation of grants is not possible, the grants and subsidies received are carried as deferred income under Other liabilities and reversed in accordance with the use of the investment project.

Leases

Finance leases

In accordance with IAS 17, leased property, plant and equipment in which the TUI Group carries all essential risks and rewards incident to ownership of the assets are capitalised. Capitalisation is based on the fair value of the asset or the present value of the minimum lease payments, if lower. Depreciation is charged over the useful life or the lease term, if shorter, on the basis of the depreciation method applicable to comparable purchased or manufactured assets. Payment obligations arising from future lease payments are carried as liabilities with no consideration of future interest expenses. Every lease payment is broken down into an interest portion and a redemption portion so as to produce a constant periodic rate of interest on the remaining balance of the liability. The interest portion is carried in the income statement through profit or loss.

Where companies of the TUI Group are lessors in finance leases, receivables equivalent to the net investment value are carried for the lease. The periodic distribution of the income from finance leases results in constant interest payments on the outstanding net investment volume of the leases over the course of time.

Operating leases

Both expenses made and income received under operating leases are recognised in the income statement on a straight-line basis over the term of the corresponding leases.

Sale and leaseback transactions

Gains from sale and leaseback transactions resulting in a finance lease are recognised in income over the term of the lease.

If a sale and leaseback transaction results in an operating lease, a gain or loss is recognised immediately if the transaction has demonstrably been carried out at fair value. If a loss is compensated for by future lease payments at below-market price, this loss is to be deferred and amortised over the term of the lease agreement. If the agreed purchase price exceeds fair value, the gain from the difference between these two values also has to be deferred and amortised.

Investment property

Property not occupied for use by subsidiaries and exclusively held to generate rental income and capital gains is recognised at amortised cost. This property is amortised over a period of up to 50 years.

Financial instruments

Financial instruments are contractual rights or obligations that will lead to an inflow or outflow of financial assets or the issue of equity rights. They also comprise (derivative) rights or obligations derived from primary assets.

In accordance with IAS 39, financial instruments are broken down into financial assets or liabilities to be measured at fair value through profit and loss, loans and receivables, financial assets available for sale, financial assets held to maturity and other liabilities.

In terms of financial instruments measured at fair value through profit and loss, the TUI Group holds derivative financial instruments mainly to be classified as held for trading as they do not meet the balance sheet-related criteria as hedges in the framework of a hedging relationship. The fair value option is not exercised. Moreover, the TUI Group holds financial assets in the loans and receivables and available for sale categories. However, the present financial statements do not comprise any assets held to maturity.

In the first nine months of financial year 2013/14 , no significant reclassifications were effected within the individual measurement categories (no reclassifications in the previous year).

Primary financial assets and financial liabilities

Primary financial assets are recognised at the value as at the trading date on which the Group commits to buy the asset. Primary financial assets are classified as loans and receivables or as financial assets available for sale when recognised for the first time. Loans and receivables as well as financial assets available for sale are initially recognised at fair value plus transaction costs.

Loans and receivables are non-derivative financial assets with fixed or fixable contractual payments not listed in an active market. They are shown under Trade accounts receivable and other assets in the statement of financial position and classified as current receivables if they mature within twelve months after the balance sheet date.

In the framework of follow-up measurement, loans and receivables are measured at amortised cost based on the effective interest method. Value adjustments are made to account for identifiable individual risks. Where objective information indicates that the value of some item is impaired, e.g. considerable financial difficulties of the counterparty, payment defaults or adverse changes in the regional industry environment impacting the Group's creditor based on empirical experience, impairments are effected at an amount corresponding to the expected loss. Impairments and reversals of impairments are carried under Cost of sales, Administrative expenses or Financial expenses, depending on the technical nature of the transaction.

Financial assets available for sale are non-derivative financial assets either individually expressly allocated to this category or not allocable to any other category of financial assets. In the TUI Group, they exclusively consist of stakes in companies and securities. They are allocated to Non-current assets unless the management intends to sell them within twelve months after the balance sheet date.

Financial assets available for sale are measured at their fair value upon initial measurement. Changes in fair values are carried in equity outside profit and loss until the disposal of the assets. A permanent reduction in fair value gives rise to impairments recognised through profit or loss. In the event of subsequent reversal of the impairment, the impairment carried through profit or loss is not reversed for equity instruments but eliminated against equity outside profit and loss. Where a listed market price in an active market is not available for shares held and other methods to determine an objective market value are not applicable, the shares are measured at cost.

A derecognition of assets is primarily effected as at the date on which the rights for payments from the asset expire or are transferred and therefore as at the date essentially all risks and rewards of ownership are transferred.

Primary financial liabilities are carried in the consolidated statement of financial position if an obligation exists to transfer cash and cash equivalents or other financial assets to another party. First-time recognition of a primary liability is effected at its fair value. For loans raised, the nominal amount received is reduced by discounts retained and borrowing costs paid. In the framework of subsequent measurement, primary financial liabilities are measured at amortised cost based on the effective interest method.

Derivative financial instruments and hedging

In the framework of initial measurement, derivative financial instruments are measured at the fair value attributable to them on the day of the conclusion of the agreement. The subsequent measurement is also effected at the fair value applicable at the respective balance sheet date. Where derivative financial instruments are not part of a hedge in connection with hedge accounting, they have to be classified as held for trading in accordance with IAS 39.

The method used to carry profits and losses depends on whether the derivative financial instrument has been classified as a hedge and on the type of underlying hedged item. Changes in the fair values of derivative financial instruments are immediately carried through profit and loss unless they are classified as a hedge in accordance with IAS 39. If, by contrast, they are classified as an effective hedge in accordance with IAS 39, the transaction is recognised as a hedge.

The TUI Group applies the hedge accounting provisions relating to hedging of balance sheet items and future cash flows. Depending on the nature of the underlying transaction, the Group classifies derivative financial instruments either as fair value hedges against exposure to changes in the fair value of assets or liabilities or as cash flow hedges against variability in cash flows from highly probable future transactions.

Upon conclusion of the transaction, the Group documents the hedge relationship between the hedge and the underlying item, the risk management goal and the underlying strategy. In addition, a record is kept of the assessment, both at the beginning of the hedge relationship and on a continual basis, as to whether the derivatives used for the hedge are highly effective in compensating for the changes in the fair values or cash flows of the underlying transactions.

Changes in the fair value of derivatives used as fair value hedges for the fair value of recognised assets or liabilities are carried through profit and loss. Moreover, the carrying amounts of the underlying transactions are adjusted through profit and loss for the gains or losses resulting from the hedged risk.

The effective portion of changes in the fair value of derivatives forming cash flow hedges is recognised in equity. Any ineffective portion of such changes in the fair value, by contrast, is recognised in the income statement through profit and loss. Amounts taken to equity are re-classified to the income statement and carried as income or expenses in the period in which the hedged item has an effect on results.

If a hedge expires, is sold or no longer meets the criteria for hedge accounting, the cumulative gain or loss remains in equity and is only carried in the income statement through profit and loss when the originally hedged future transaction occurs. If the future transaction is no longer expected to take place, the cumulative gains or losses recognised directly in equity outside profit and loss are recognised immediately through profit and loss.

Inventories

Inventories are measured at the lower of cost or net realisable value. Net realisable value is the estimated selling price less the estimated cost incurred until completion and the estimated variable costs required to sell. All inventories are written down individually where the net realisable value of inventories is lower than their carrying amounts. Where the original causes of inventory write-downs no longer apply, the write-downs are reversed. The measurement method applied to similar inventory items is the weighted average cost formula.

Cash and cash equivalents

Cash and cash equivalents comprise cash, call deposits, other current highly liquid financial assets with an original term of a maximum of three months and current account credits. Used credits in current accounts are shown as Liabilities to banks under Current financial liabilities.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if the associated carrying amount will be recovered principally through sale rather than through continued use.

The measurement is effected at the lower of carrying amount and fair value less costs to sell. Depreciation and at equity measurements have to be suspended. Impairments to fair value less costs to sell must be carried through profit and loss, with any gains on subsequent remeasurement resulting in the recognition of profits of up to the amount of the cumulative impairment cost.

Hybrid capital

In accordance with IAS 32, the hybrid capital issued at the end of financial year 2005 has to be recognised as one of the Group's equity components due to the bond terms. Accordingly, the tax-deductible interest payments are not shown under Interest expenses but treated in analogy to dividend obligations to TUI AG shareholders. Any borrowing costs incurred were directly deducted from the hybrid capital, taking account of deferred income taxes.

Provisions

Other provisions are formed when the Group has a current legal or constructive obligation as a result of a past event and where in addition it is probable that assets will be impacted by the settlement of the obligation and the level of the provision can be reliably determined. Provisions for restructuring measures comprise payments for the early termination of rental agreements and severance payments to employees. Provisions for environmental protection measures, in particular the disposal of legacy industry waste, are carried if future cash outflows are likely due to legal and public obligations to implement safeguarding or restoration measures, if the cost of these measures can be reliably estimated and the measures are not expected to lead to a future inflow of benefits.

Provisions for potential losses are recognised if the unavoidable costs of meeting contractual obligations exceed the expected economic benefit. Any assets concerned are impaired, if necessary, prior to forming the appropriate provision. No provisions are carried for future operating losses.

Where a large number of similar obligations exists, the probability of a charge over assets is determined on the basis of this group of obligations. A provision is also carried as a liability if the probability of a charge over assets is low in relation to an individual obligation contained in this group.

Provisions are measured at the present value of the expected expenses, taking account of a pre-tax interest rate, reflecting current market assessments of the time value of money and the risks specific to the liability. Risks already taken into account in estimating future cash flows do not affect the discount rate. Increases in provisions due to accrued interest are carried as Interest expenses through profit or loss.

The pension provision recognised for defined benefit plans corresponds to the net present value of the defined benefit obligations (DBOs) as at the balance sheet date less the fair value of the plan assets. Measurement of these assets is limited to the net present value of the value in use in the form of reimbursements from the plan or reductions in future contribution payments. The DBOs are calculated annually by independent actuaries using the projected unit credit method. The net present value of the DBOs is calculated by discounting the expected future outflows of cash with the interest rate of top-rated corporate bonds.

Past service cost is immediately recognised through profit or loss. Remeasurements (especially actuarial gains and losses) arising from the regular adjustment of actuarial parameters are eliminated against equity outside profit and loss in full when they occur.

For defined contribution plans, the Group pays contributions to public or private pension insurance plans on the basis of a statutory or contractual obligation or on a voluntary basis. The Group does not have any further payment obligations on top of the payment of the contributions. The contributions are carried under Personnel costs when they fall due.

Liabilities

Liabilities are consistently carried at the date on which they arise at fair value less borrowing and transaction costs. Over the course of time, liabilities are measured at amortised cost based on application of the effective interest method.

When issuing bonds comprising a debt component and a second component in the form of conversion options or warrants, the funds obtained for the respective components are recognised in accordance with their character. At the issuing date, the debt component is carried as a bond at a value that would have been generated for the issue of this debt instrument without corresponding conversion options or warrants on the basis of current market terms. If the conversion options or warrants have to be classified as equity instruments, the difference over the issuing proceeds generated is transferred to the capital reserve with deferred taxes taken into account.

The foreign exchange differences resulting from the translation of trade accounts payable are consistently reported as a correction of the cost of sales. Foreign exchange differences from the translation of liabilities not resulting from normal performance processes are carried under Other income/Other expenses, Financial expenses/income or Administrative expenses, depending on the nature of the underlying liability.

Income taxes

The determination of income taxes for interim reporting purposes is based on the use of the best estimate of the planned tax rate, according to IAS 34.

Based on that approach, the consolidated income statement does not distinguish between deferred and current income taxes. Moreover, the determination method of IAS 34 limits the possibility of presenting detailed disclosures in the Notes under IAS 12 for the interim financial statements as at 30 June 2014. Instead, in the cases concerned the only figures disclosed are the prior-year figures as at 30 September 2013.

In determining the planned tax rate according to IAS 34, the future recoverability of deferred tax assets, in particular for loss carryforwards, was taken into account.

The TUI Group has to pay income tax in various countries. The German companies of the TUI Group have to pay trade income tax of 15.2% or 15.7% (previous year 15.2% or 15.7%), depending on the applicable rate. As in the prior year, the corporation tax rate is 15.0%, plus a 5.5% solidarity surcharge on corporation tax. The income tax rates applied to companies abroad used in determining the planned tax rate vary from 0% to 39%.

Income tax is directly charged or credited to equity if the tax relates to items directly credited or charged to equity in the same period or some other period.

Share-based payments

All share-based payment schemes in the Group are payment schemes paid in cash or via equity instruments.

For transactions with cash compensation, the resulting liability for the Group is charged to expenses at its fair value as at the date of the performance of the service by the beneficiary. Until payment of the liability, the fair value of the liability is remeasured at every closing date and all changes in the fair value are carried through profit and loss.

In the Tourism Segment, share-based payment schemes exist in the form of share award programmes granted by TUI Travel PLC. Under these payment schemes, directors and employees are entitled to acquire shares in TUI Travel PLC. The fair value of the options granted is carried under Personnel costs with a corresponding direct increase in equity. The fair value is determined at the point when the options are granted and spread over the vesting period during which the employees become entitled to the options.

The fair value of the options granted is measured using option valuation models, taking into account the terms and conditions upon which the options were granted. The amount to be carried under Personnel costs is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to market-based performance conditions not meeting the thresholds for vesting.

Transactions to acquire shares in TUI Travel PLC to perform the share option plans are taken directly to revenue reserves in equity.

Summary of selected accounting and measurement methods

The table below lists the key accounting and measurement methods used by the TUI Group.

Summary of selected measurement methods

Item in the statement of financial position	Measurement method
Assets	
Goodwill	At cost (subsequent measurement: impairment test)
Other intangible assets with indefinite useful lives	At cost (subsequent measurement: impairment test)
Other intangible assets with definite useful lives	At amortised cost
Property, plant & equipment	At amortised cost
Equity accounted investments	At cost as adjusted for post-acquisition changes in the Group's share of the investment's net assets
Financial assets	
Loans and receivables	At amortised cost
Held to maturity	Not applicable
Held for trading/Derivatives	At fair value
Available for sale	Fair value (with gains or losses recognised within other comprehensive income) or at cost
Inventory	Lower of cost and net realisable value
Trade and other receivables	At amortised cost
Cash an cash equivalents	At cost
Liabilities and Provisions	
Loans and borrowings	At amortised cost
Provisions for pensions	Projected unit credit method
Other provisions	Present value of the settlement amount
Financial liabilities	
Non-derivative financial liabilities	At amortised cost
Derivative financial liabilities	At fair value
Trade payables and other liabilities	At amortised cost

Key estimates and judgements

The presentation of the assets, liabilities, provisions and contingent liabilities shown in the interim consolidated financial statements is based on estimates and judgements. Any uncertainties are appropriately taken into account in determining the values.

All estimates and judgements are based on the conditions and assessments as at the balance sheet date. In evaluating the future development of business, account was taken of the future economic environment in the business areas and regions in which the Group operates that was assumed to be realistic at that point in time.

Estimates and judgements that may have a material impact on the amounts carried for assets and liabilities in the TUI Group are mainly related to the following balance sheet-related facts and circumstances:

- establishment of assumptions in the framework of impairment tests, in particular for goodwill,
- determination of the fair values in the framework of acquisitions of companies and determination of the useful lives of acquired intangible assets,
- determination of useful lives and residual carrying amounts of property, plant and equipment,
- determination of parameters to measure pension obligations,
- recognition and measurement of other provisions,
- recoverability of future tax savings from tax loss carryforwards and tax-deductible temporary differences, and
- measurement of tax risks.

Other estimates and judgements relate, in particular, to the determination of the fair value of financial instruments and the determination of the recoverable amount in the framework of impairment tests for companies measured at equity.

Despite careful preparation of the estimates, actual developments may deviate from these. In such cases, the assumptions and the carrying amounts of the assets and liabilities concerned are adjusted as necessary. Changes in estimates are always taken into account in the financial year in which the changes occurred and in subsequent periods.

Goodwill

The goodwill reported as at 30 June 2014 was carried at €3,062.1m (as at 30 September 2013 €2,976.4m). As goodwill is not amortised, its carrying amount is compared with the recoverable amounts at the level of cash generating units in order to establish its value. The TUI Group carries out this impairment test at least once a year towards the end of the financial year. Unless the valuation based on a fair value is relevant, the determination of the recoverable amount of a CGU test requires periodic estimates and judgement with regard to the methodology used and the assumptions, which may have a considerable effect on the recoverable amount and the level of a potential impairment. They relate, in particular, to the weighted average cost of capital (WACC) after income taxes, used as the discounting basis, the growth rate of perpetuity and the forecasts for future cash flows including the underlying budget assumptions based on corporate planning. Changes in these assumptions may have a substantial impact on the recoverable amount and the level of a potential impairment.

Details concerning the implementation of goodwill impairment tests and the methods and assumptions used are presented in the section on Goodwill in the chapter on Notes to the consolidated statement of financial position and in the section on Goodwill and Other intangible assets in the chapter Accounting and measurement methods.

Acquisition of companies and intangible assets

In accounting for business combinations, the identifiable assets, liabilities and contingent liabilities acquired have to be measured at their fair values. In this context, cash flow-based methods are regularly used. Depending on the assumptions underlying such methods, different results may be generated. In particular, some judgement is required in estimating the economic useful lives of intangible assets and determining the fair values of contingent liabilities.

Details concerning acquisitions of companies and useful lives of intangible assets are outlined in the section on Acquisitions—divestments in the chapter Principles and methods of consolidation and in the section on Goodwill and other intangible assets in the chapter Accounting and measurement methods.

Property, plant and equipment

The measurement of wear-and-tear for property, plant and equipment items entails estimates. The carrying amount of property, plant and equipment as at 30 June 2014 totals €2,705.4m (as at 30 September 2013 €2,682.0m). In order to review the amounts carried, an evaluation is carried out on an annual basis to assess whether there are any indications of a potential impairment. These indications relate to numerous areas and factors, e.g. the market-related or technical environment but also physical condition. If any such indication exists, management must estimate the recoverable amount on the basis of expected payment flows and appropriate interest rates. Moreover, essential estimates and judgements relate to the definition of economic useful lives as well as the recoverable residual amounts of items of property, plant and equipment.

More detailed information on the useful lives and residual values of property, plant and equipment items is provided in the section Property, plant and equipment in the chapter on Accounting and measurement methods.

Pension provisions

As at 30 June 2014, the carrying amount of the provisions for pensions and similar liabilities totals €1,169.5m (as at 30 September 2013 €1,136.0m).

In order to determine the obligations under defined benefit pension schemes, actuarial calculations are used which depend among others on underlying assumptions about life expectancy and the discount rate. The discount rate used is the interest rate for first-class corporate bonds with a fixed interest rate denominated in the currencies in which the benefits are paid and with maturities corresponding to those of the pension obligations.

At the 30 June 2014, plan assets total €1,851.0m (as at 30 September 2013 €1,616.6m). As assets classified as plan assets are never held for short-term sale, the fair values of these plan assets may change significantly by the realisation date. The interest rate used to discount the liability is also used to determine the expected return on plan assets.

Detailed information on actuarial assumptions is provided in the Notes to balance sheet pension provisions under Note 31.

Other provisions

As at 30 June 2014, Other provisions of €1,017.2m (as at 30 September 2013 €1,024.2m) are shown. When recognising and measuring provisions, considerable assumptions are required about probability of occurrence, maturity and level of risk. Provisions are recognised if a past event has resulted in a present legal or constructive obligation, if an outflow of resources is probable in order to meet that obligation, and if a reliable estimate can be made of the amount of the obligation.

Determining whether a current obligation exists is usually based on estimates by internal or external experts. The amount of provisions is based on expected expenses, and is either calculated by assessing the specific case in the light of empirical values, outcomes from comparable facts and circumstances or potential bandwidths, or else estimated by experts. Due to the uncertainties associated with this assessment, actual expenses may deviate from estimates so that unexpected charges may result.

More detailed information on Other provisions is offered in the Notes to the statement of financial position under Note 32.

Deferred tax assets

The assessment of the usability of deferred tax assets is based on assumptions regarding the ability of the Group company concerned to generate sufficient taxable profits. TUI therefore assesses as at every balance sheet date whether the recoverability of expected future tax savings is sufficiently probable for the recognition of deferred tax assets. The assessment is based on various factors including internal forecasts regarding the Group company's future tax asset situation. If the assessment of the recoverability of future deferred tax assets changes, impairments may be effected, if necessary, for the deferred tax assets.

Current income taxes

The TUI Group is liable to pay income taxes in various countries. Key estimates are required when determining income tax liabilities. For certain business transactions and calculations the final tax charge cannot be determined during the ordinary course of business. The level of obligations for expected tax audits is based on an estimation of whether and to what extent additional income taxes will be due. Judgements are corrected, if necessary, in the period in which the final tax charge is determined.

NOTES

Segment reporting

Notes to the segments

The identification of operating segments is based on the internal organisational and reporting structure, built, inter alia, around the different products and services within the TUI Group. Allocation of individual organisational entities to operating segments is exclusively based on economic criteria, irrespective of the participation structure under company law. For the presentation of reportable segments in accordance with IFRS 8, both operating segments with comparable economic features and operating segments not meeting the quantitative thresholds are aggregated with other operating segments.

Tourism accounts for the Group's core business. The Tourism Segment consists of TUI Travel, TUI Hotels & Resorts and the Cruises Sector. The Sectors constitute the reportable segments according to IFRS 8.

TUI Travel comprises all distribution, tour operator, airline and incoming activities of the TUI Group. Operational management of the Mainstream, Specialist & Activity and Accommodation & Destinations Businesses is exercised by the management of TUI Travel PLC. TUI Hotels & Resorts comprises all hotel companies of the Group outside the TUI Travel Group.

The Cruises Sector consists of Hapag-Lloyd Kreuzfahrten and the TUI Cruises activities, a joint venture measured at equity.

The segment entitled "All other segments" carries the Group's real estate companies, all nonallocable business activities (in particular holding companies) and the result from the measurement of the stake in Container Shipping.

Expenses for and income from TUI AG's management tasks are allocated to the individual segments they are associated with.

Notes to the segment data

As a rule, inter-segment business transactions are based on the arm's length principle, as applied in transactions with third parties.

The operating segment assets and liabilities comprise assets and liabilities, excluding financial assets, financial liabilities, pension provisions and income taxes. Goodwill is also shown as segment assets.

Non-current assets comprise goodwill, other intangible assets, property, plant and equipment, and the non-current components of other assets.

Investments are additions of property, plant and equipment as well as intangible assets. Depreciation and amortisation relate to segment fixed assets and do not include goodwill impairments.

Non-cash expenses do not include depreciation or reversals of depreciation.

Proceeds from the disposal of subsidiaries are allocated to the individual segment revenues.

Financial assets as well as cash and cash equivalents are used to generate the financial result. Financial liabilities and pension provisions are carried as interest-bearing liabilities and are used to finance the operating and investing activities.

Reconciliation of segment assets and liabilities to the Group's assets or liabilities has to take account of income tax assets or income tax provisions and liabilities.

Segment reporting discloses in particular performance indicators such as EBITA, underlying EBITA, EBITDA and EBITDAR since these indicators are used as the control basis for value-oriented corporate management. EBITA represents the consolidated performance indicator within the meaning of IFRS 8. As the investment in Hapag-Lloyd Holding AG constitutes a financial investment from TUI AG's perspective, the at equity result from Container Shipping is not taken into account in calculating earnings by the segments.

Key Figures by Segment and Sector

	Tourism		All other Segments		Consolidation		Group	
	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013
	€ million							
Statement of results								
Turnover	11,373.0	11,507.0	11.4	11.4	—	—	11,384.4	11,518.4
Inter-segment turnover	10.0	13.5	14.8	17.2	−24.8	−30.7	—	—
Segment turnover	**11,383.0**	**11,520.5**	**26.2**	**28.6**	**−24.8**	**−30.7**	**11,384.4**	**11,518.4**
Group profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**−348.6**	**−476.2**
Income taxes	—	—	—	—	—	—	−123.4	−152.8
Earnings before taxes (EBT)	**−351.0**	**−463.4**	**−121.0**	**−165.6**	**—**	**—**	**−472.0**	**−629.0**
of which share of results of joint ventures and associates	29.7	42.7	−38.9	−25.4	—	—	−9.2	17.3
Net interest result and result from the measurement of interest hedges	136.9	128.3	47.8	75.2	—	—	184.7	203.5
Impairment of goodwill	—	8.3	—	—	—	—	—	8.3
Result from Container Shipping measured at equity	—	—	38.9	25.4	—	—	38.9	25.4
Earnings before interest, taxes and amortisation of goodwill (EBITA)	**−214.1**	**−326.8**	**−34.3**	**−65.0**	**—**	**—**	**−248.4**	**−391.8**
Adjustments	66.1	123.6	—	16.0	—	—	66.1	139.6
Underlying EBITA	**−148.0**	**−203.2**	**−34.3**	**−49.0**	**—**	**—**	**−182.3**	**−252.2**
Amortisation of other intangible assets and depreciation of property, plant and equipment	284.8	307.8	1.8	9.9	—	—	286.6	317.7
of which impairments	8.3	35.1	—	6.6	—	—	8.3	41.7
Other depreciation/amortisation and write-backs	−0.1	1.6	—	0.1	—	—	−0.1	1.7
of which write-backs	0.4	1.8	—	0.1	—	—	0.4	1.9
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**70.8**	**−20.6**	**−32.5**	**−55.2**	**—**	**—**	**38.3**	**−75.8**
Rental expenses	590.9	558.3	2.8	4.5	—	−2.7	593.7	560.1
Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)	**661.7**	**537.7**	**−29.7**	**−50.7**	**—**	**−2.7**	**632.0**	**484.3**

	Tourism		All other Segments		Consolidation		Group	
	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013
	€ million							
Assets and liabilities								
Segment assets	9,329.2	8,573.6	627.0	214.0	1.7	0.8	9,957.9	8,788.4
of which goodwill	3,062.1	2,976.4	—	—	—	—	3,062.1	2,976.4
Carrying amounts of joint ventures and associates	931.7	864.5		521.9	—	—	931.7	1,386.4
Interest-bearing Group receivables	45.2	57.5	871.3	989.3	−916.5	−1,046.8	—	—
Cash and cash equivalents	1,428.1	2,194.7	511.2	507.0	—	—	1,939.3	2,701.7
Other financial assets	310.7	236.3	2,509.9	2,451.7	−2,440.6	−2,388.7	380.0	299.3
Non-allocable taxes	—	—	—	—	—	—	565.1	278.5
Total assets	**—**	**—**	**—**	**—**	**—**	**—**	**13,774.0**	**13,454.3**
Segment liabilities	8,131.8	6,733.2	257.0	263.1	−2.6	−4.5	8,386.2	6,991.8
Third-party financial liabilities	1,735.6	2,145.9	501.8	623.7	—	—	2,237.4	2,769.6
Group financial liabilities	872.1	987.7	42.6	58.1	−914.7	−1,045.8	—	—
Other financial liability items	1,079.5	1,008.4	347.8	336.8	—	—	1,427.3	1,345.2
Non-allocable taxes	—	—	—	—	—	—	318.6	351.0
Total liabilities and provisions	**—**	**—**	**—**	**—**	**—**	**—**	**12,369.5**	**11,457.6**
Additional disclosures								
Non-cash expenses	49.2	36.9	48.2	25.4	—	—	97.4	62.3
Non-cash income	109.6	66.2	—	—	—	—	109.6	66.2
Return on sales (on EBITA) %	−1.9	−2.8	—	—	—	—	−2.2	−3.4
Investments	602.1	631.9	1.8	1.1	—	—	603.9	633.0
Investments in goodwill	24.4	32.4	—	—	—	—	24.4	32.4
Investments in other intangible assets and property, plant and equipment	577.7	599.5	1.8	1.1	—	—	579.5	600.6
Financing ratio %	47.3	50.0	100.0	900.0	—	—	47.5	51.5
Employees at year-end	76,790	74,040	237	405	—	—	77,027	74,445

Key Figures Tourism Segment

	TUI Travel		TUI Hotels & Resorts		Cruises		Consolidation		Tourism	
	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013
					€ million					
Statement of results										
Turnover	10,865.0	11,030.2	294.9	288.8	213.1	188.0	—	—	11,373.0	11,507.0
Inter-segment turnover	19.4	20.5	296.3	267.1	1.0	—	−306.7	−274.1	10.0	13.5
Segment turnover	**10,884.4**	**11,050.7**	**591.2**	**555.9**	**214.1**	**188.0**	**−306.7**	**−274.1**	**11,383.0**	**11,520.5**
Group profit for the year										
Income taxes	—	—	—	—	—	—	—	—	—	—
Earnings before taxes (EBT)	**−451.4**	**−459.9**	**102.0**	**55.6**	**−1.6**	**−59.1**	**—**	**—**	**−351.0**	**−463.4**
of which share of results of joint ventures and associates	4.1	16.5	16.1	19.3	9.5	6.9	—	—	29.7	42.7
Net interest result and result from the measurement of interest hedges	121.9	113.3	15.1	15.1	−0.1	−0.1	—	—	136.9	128.3
Impairment of goodwill	—	—	—	8.3	—	—	—	—	—	8.3
Earnings before interest, taxes and amortisation of goodwill (EBITA)	**−329.5**	**−346.6**	**117.1**	**79.0**	**−1.7**	**−59.2**	**—**	**—**	**−214.1**	**−326.8**
Adjustments	81.5	56.2	0.6	25.9	−16.0	41.5	—	—	66.1	123.6
Underlying EBITA	**−248.0**	**−290.4**	**117.7**	**104.9**	**−17.7**	**−17.7**	**—**	**—**	**−148.0**	**−203.2**
Amortisation of other intangible assets and depreciation of property, plant and equipment	227.6	229.3	47.3	70.9	9.9	7.6	—	—	284.8	307.8
of which impairments	8.3	13.9	—	21.2	—	—	—	—	8.3	35.1
Other depreciation/amortisation and write-backs	−0.2	1.7	0.1	—	—	−0.1	—	—	−0.1	1.6
of which write-backs	0.1	1.8	0.3	—	—	—	—	—	0.4	1.8
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**−101.7**	**−119.0**	**164.3**	**149.9**	**8.2**	**−51.5**	**—**	**—**	**70.8**	**−20.6**
Rental expenses	535.9	514.8	24.0	24.7	31.0	18.8	—	—	590.9	558.3
Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)	**434.2**	**395.8**	**188.3**	**174.6**	**39.2**	**−32.7**	**—**	**—**	**661.7**	**537.7**

	TUI Travel		TUI Hotels & Resorts		Cruises		Consolidation		Tourism	
	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013	9M 2013/14/ 30 Jun 2014	9M 2012/13/ 30 Sep 2013
	€ million									
Assets and liabilities										
Segment assets	7,578.8	6,844.6	1,616.9	1,599.8	179.8	187.6	−46.3	−58.4	9,329.2	8,573.6
of which goodwill	2,693.4	2,607.3	368.7	369.1	—	—	—	—	3,062.1	2,976.4
Carrying amounts of joint ventures and associates	297.4	281.8	415.6	385.3	218.7	197.4	—	—	931.7	864.5
Interest-bearing Group receivables	4.6	4.0	4.3	1.8	36.3	51.7	—	—	45.2	57.5
Cash and cash equivalents	1,271.7	2,096.9	152.5	93.4	3.9	4.4	—	—	1,428.1	2,194.7
Other financial assets	238.2	158.7	71.5	76.6	1.0	1.0	—	—	310.7	236.3
Non-allocable taxes										
Total assets										
Segment liabilities	7,932.6	6,555.1	142.2	119.4	103.9	116.9	−46.9	−58.2	8,131.8	6,733.2
Third-party financial liabilities	1,496.1	1,923.1	239.5	222.8	—	—	—	—	1,735.6	2,145.9
Group financial liabilities	6.9	8.8	678.5	802.2	186.7	176.7	—	—	872.1	987.7
Other financial liability items	1,065.1	994.6	1.8	2.3	12.6	11.5	—	—	1,079.5	1,008.4
Non-allocable taxes										
Total liabilities and provisions										
Additional disclosures										
Non-cash expenses	39.0	29.7	10.2	7.2	—	—	—	—	49.2	36.9
Non-cash income	71.0	32.8	29.1	26.5	9.5	6.9	—	—	109.6	66.2
Return on sales (on EBITA) %	−3.0	−3.1	19.8	14.2	−0.8	−31.5	—	—	−1.9	−2.8
Investments	502.6	568.0	90.0	56.1	9.5	7.8	—	—	602.1	631.9
Investments in goodwill	24.4	32.4	—	—	—	—	—	—	24.4	32.4
Investments in other intangible assets and property, plant and equipment	478.2	535.6	90.0	56.1	9.5	7.8	—	—	577.7	599.5
Financing ratio %	45.3	40.4	52.6	141.2	104.2	97.4	—	—	47.3	50.0
Employees at year-end	62,369	59,756	14,191	14,013	230	271	—	—	76,790	74,040

Key Figures by Region

	Germany		Great Britain		Spain		Other EU		Rest of Europe		North and South America		Other regions		Consolidation		Group	
	9M 2013/14 30 Jun 2014	9M 2012/13 30 Sep 2013	9M 2013/14 30 Jun 2014	9M 2012/13 30 Sep 2013	9M 2013/14 30 Jun 2014	9M 2012/13 30 Sep 2013	9M 2013/14 30 Jun 2014	9M 2012/13 30 Sep 2013	9M 2013/14 30 Jun 2014	9M 2012/13 30 Sep 2013	9M 2013/14 30 Jun 2014	9M 2012/13 30 Sep 2013	9M 2013/14 30 Jun 2014	9M 2012/13 30 Sep 2013	9M 2013/14 30 Jun 2014	9M 2012/13 30 Sep 2013	9M 2013/14 30 Jun 2014	9M 2012/13 30 Sep 2013
										€ million								
Consolidated turnover by customer	**3,047.0**	**3,101.7**	**3,455.7**	**3,450.4**	**169.2**	**116.5**	**3,296.1**	**3,564.1**	**425.5**	**472.8**	**669.9**	**596.7**	**321.0**	**216.2**	**—**	**—**	**11,384.4**	**11,518.4**
Consolidated turnover by domicile of companies	**3,197.4**	**3,272.6**	**3,347.3**	**3,365.6**	**391.9**	**369.9**	**3,250.3**	**3,308.8**	**303.4**	**352.4**	**559.7**	**538.3**	**334.4**	**310.8**	**—**	**—**	**11,384.4**	**11,518.4**
Long-term segment assets	**762.6**	**848.9**	**3,394.2**	**3,201.8**	**864.6**	**857.2**	**543.4**	**612.0**	**48.6**	**78.7**	**900.4**	**833.4**	**590.0**	**511.4**	**− 11.0**	**− 12.4**	**7,092.8**	**6,931.0**
Non-allocable taxes	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	565.1	278.5
Segment liabilities	**1,844.2**	**1,847.7**	**3,270.1**	**2,303.4**	**454.0**	**443.0**	**2,351.1**	**1,987.1**	**123.7**	**112.1**	**335.4**	**332.0**	**390.7**	**302.0**	**− 383.0**	**− 335.5**	**8,386.2**	**6,991.8**
Non-allocable taxes	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	318.6	351.0
Additional disclosures																		
Depreciation/ amortisation	39.7	43.9	104.5	103.0	37.7	39.2	56.3	77.9	1.5	2.9	21.4	22.2	25.5	28.6	—	—	286.6	317.7
Investments	43.1	93.8	359.2	329.6	40.4	29.3	45.5	80.7	1.3	1.8	25.9	59.1	88.5	38.7	—	—	603.9	633.0
Investments in goodwill	3.3	16.9	1.2	6.7	3.2	—	—	0.2	—	—	—	0.6	16.7	8.0	—	—	24.4	32.4
Investments in other tangible assets and property, plant and equipment	39.8	76.9	358.0	322.9	37.2	29.3	45.5	80.5	1.3	1.8	25.9	58.5	71.8	30.7	—	—	579.5	600.6
Employees at year-end	9,886	10,157	16,681	17,156	9,946	9,395	12,498	12,438	7,989	8,078	8,908	8,361	11,119	8,860	—	—	77,027	74,445

Turnover by divisions and sectors for the period from 1 October 2013 to 30 June 2014

	Q3 2013/14			9M 2013/14		
	External	Group	Total	External	Group	Total
	€ million					
Tourism	4,821.2	2.8	4,824.0	11,373.0	10.0	11,383.0
TUI Travel	4,663.1	5.9	4,669.0	10,865.0	19.4	10,884.4
TUI Hotels & Resorts	94.2	109.0	203.2	294.9	296.2	591.1
Cruises	63.9	0.1	64.0	213.1	1.1	214.2
Consolidation	—	−112.2	−112.2	—	−306.7	−306.7
All other segments	4.1	2.5	6.6	11.4	14.8	26.2
Consolidation	—	−5.3	−5.3	—	−24.8	−24.8
Total	**4,825.3**	**0.0**	**4,825.3**	**11,384.4**	**—**	**11,384.4**

Turnover by divisions and sectors for the period from 1 October 2012 to 30 June 2013

	Q3 2012/13			9M 2012/13		
	External	Group	Total	External	Group	Total
	€ million					
Tourism	4,674.0	3.4	4,677.4	11,507.0	13.5	11,520.5
TUI Travel	4,536.3	2.2	4,538.5	11,030.2	20.5	11,050.7
TUI Hotels & Resorts	70.3	114.9	185.2	288.8	267.1	555.9
Cruises	67.4	—	67.4	188.0	—	188.0
Consolidation	—	−113.7	−113.7	—	−274.1	−274.1
All other segments	5.0	10.2	15.2	11.4	17.2	28.6
Consolidation	—	−13.6	−13.6	—	−30.7	−30.7
Total	**4,679.0**	**0.0**	**4,679.0**	**11,518.4**	**—**	**11,518.4**

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

	Q3 2013/14	Q3 2012/13	9M 2013/14	9M 2012/13
	€ million			
Tourism	102.5	103.3	−214.1	−326.8
TUI Travel	58.0	72.1	−329.5	−346.6
TUI Hotels & Resorts	42.8	30.4	117.1	79.0
Cruises	1.7	0.8	−1.7	−59.2
All other segments	−11.5	−16.1	−34.3	−65.0
Total	**91.0**	**87.2**	**−248.4**	**−391.8**

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

	Q3 2013/14	Q3 2012/13	9M 2013/14	9M 2012/13
	€ million			
Tourism	174.9	102.0	−148.0	−203.2
TUI Travel	133.6	78.3	−248.0	−290.4
TUI Hotels & Resorts	42.8	30.4	117.7	104.9
Cruises	−1.5	−6.7	−17.7	−17.7
All other segments	−11.5	−15.5	−34.3	−49.0
Total	**163.4**	**86.5**	**−182.3**	**−252.2**

NOTES

Notes to the consolidated income statement

The Group's earnings position continued to show a positive performance in the current financial year 2013/14. Both operating earnings and consolidated after-tax profits rose significantly in the first nine months of financial year 2013/14 versus the prior year reference period. This positive development is due to lower expenses by TUI AG's corporate centre and, in particular, the earnings improvements by TUI Travel and a successful operating performance by the hotel companies Riu and Robinson and the cruise business. The sound operating performance by TUI Travel in the period under review was mainly driven by the persistently strong demand for differentiated products, a growing share of online sales and higher average selling prices in the Mainstream Business.

(1) Turnover

Group turnover is mainly generated from tourism services. A breakdown of turnover within the Tourism Segment into TUI Travel, TUI Hotels & Resorts and the Cruises Sector is provided by segment reporting.

(2) Cost of sales and administrative expenses

The cost of sales include the expenses incurred to provide the tourism services. Apart from the expenses for personnel, depreciation/amortisation and rental and lease expenses, they include in particular all costs incurred by the Group in connection with the provision and delivery of airline services, hotel accommodation and cruises, and distribution costs.

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

Administrative expenses

	Q3 2013/14	Q3 2012/13	9M 2013/14	9M 2012/13
	€ million			
Staff cost	229.6	205.9	651.9	614.4
Lease, rental and leasing expenses	18.3	15.5	53.5	49.4
Depreciation, amortisation and impairments	23.9	26.8	70.6	84.6
Others	126.9	138.6	376.5	406.0
Total	**398.7**	**386.8**	**1,152.5**	**1,154.4**

The cost of sales and administrative expenses include the following expenses for rent and leasing, personnel and depreciation/amortisation:

Lease, rental and leasing expenses

	Q3 2013/14	Q3 2012/13	9M 2013/14	9M 2012/13
	€ million			
Lease, rental and leasing expenses	**214.6**	**196.6**	**628.4**	**589.3**
thereof cost of sales	196.3	181.1	574.9	539.9
thereof administrative expenses	18.3	15.5	53.5	49.4

Where rental and lease expenses for operating leases are directly related to the turnover generated, these expenses are shown under the cost of sales. However, where rental and lease expenses are incurred for administrative buildings, they are shown under administrative expenses.

The increase in rental and lease expenses versus the nine-month reference period in the prior year mainly results from the commissioning of additional aircraft by TUI Travel and the fleet expansion in Hapag-Lloyd Kreuzfahrten to include Europa 2.

Staff cost

	Q3 2013/14	Q3 2012/13	9M 2013/14	9M 2012/13
		€ million		
Wages and salaries	536.9	506.0	1,514.7	1,480.8
thereof cost of sales	349.0	309.6	972.1	938.6
thereof administrative expenses	187.9	196.4	542.6	542.2
Social security contributions, pension costs and benefits	119.8	91.0	285.7	274.5
thereof cost of sales	78.1	81.5	176.4	202.3
thereof administrative expenses	41.7	9.5	109.3	72.2
Total	**656.7**	**597.0**	**1,800.4**	**1,755.3**

Pension costs include expenses for service costs for defined benefit pension obligations. The net interest on the net defined benefit liability is carried under financial expenses due to its financing character. A detailed presentation of pension obligations is provided in Note 31.

Personnel costs rose versus the comparative nine-month period in the prior year, in particular due to an increase in the headcount in the period under review. In the period under review, this item also included personnel expenses for companies included in consolidation for the first time in the current financial year 2013/14.

Social security contributions and pension costs and other benefits rose in the first nine months of financial year 2013/14, in particular due to an increase in the headcount and additional expenses for companies included in consolidation for the first time in the current financial year. Moreover, expenses in connection with restructuring measures within TUI Travel arose in the period under review.

On the other hand, social security contributions and pension costs and other benefits declined in the period under review due to further measures to optimise pension schemes within the Group. Recipients of pension schemes in the UK were offered the option to immediately receive a higher pension in return for lower pension increases in future by giving up some of their future pension increases. Furthermore, a defined benefit pension plan in Norway was transformed into a defined contribution plan. These measures generated income from the curtailment of pension plans of €45.2m. In the first nine months of the prior year, social security contributions and expenses for pensions and other benefits had already been reduced by income from the curtailment of pension plans in a Dutch subsidiary, which, however, was lower at €28.8m.

The development of the cost of sales and administrative expenses included in wages and salaries and of social security contributions and pension costs and other benefits reflects changes in the nature of this income compared with the prior year reference period as a result of the change and conversion of pension plans. The income from the curtailment of pension plans in the Netherlands included in the first nine months of the previous year mainly related to central functions and was therefore included in administrative expenses for the most part. The income from the change in pension plans in the UK in the current financial year mainly relates to operating functions. That is why the income for the current financial year 2013/14 is primarily carried under cost of sales.

The average annual headcount (excluding apprentices) developed as follows:

Average annual headcount in the financial year (excl. apprentices)

	9M 2013/14	9M 2012/13
Average annual – TUI group	68,728	66,553

Amortisation/depreciation/write-downs

Depreciation and amortisation include the amortisation of other intangible assets, depreciation of property, plant and equipment as well as write-downs of investment property. The uniform Group-wide useful lives underlying depreciation and amortisation and the principles for impairment are outlined under Accounting and measurement in the Notes.

Depreciation/amortisation/impairments

	Q3 2013/14	Q3 2012/13	9M 2013/14	9M 2012/13
		€ million		
Depreciation and amortisation	93.9	92.7	278.6	276.1
thereof cost of sales	70.0	71.3	208.1	205.5
thereof administrative expenses	23.9	21.4	70.5	70.6
Impairments of property, plant and equipment	7.7	11.0	7.9	41.6
thereof cost of sales	7.7	5.6	7.8	27.6
thereof administrative expenses	—	5.4	0.1	14.0
Total	**101.6**	**103.7**	**286.5**	**317.7**

An essential component of impairments of property, plant and equipment is an impairment of €7.7m on the cruise ship Island Escape.

The impairments carried for the prior-year reference period mainly related to impairments of €21.2m on property, plant and equipment in Tenuta di Castelfalfi S.p.A. and impairments of €6.6m in connection with the fair value measurement of an aircraft available for sale. A further €7.6m result from impairments of intangible assets and €1.8m from impairments of two spare engines.

(3) Other income/other expenses

Other income/other expenses

	Q3 2013/14	Q3 2012/13	9M 2013/14	9M 2012/13
		€ million		
Other income	6.9	10.5	23.4	28.5
Other expenses	0.4	5.2	1.9	6.4
Total	**6.5**	**5.3**	**21.5**	**22.1**

In the current financial year 2013/14, other income mainly results from book profits from the sale of the science park in Kiel and the industrial park in Berlin-Tempelhof and the sale of a hotel company in Switzerland. Other income also includes gains from sale and leaseback transactions with aircraft and gains on disposal from the sale of an investment and a subsidiary.

Other income carried in the nine-month reference period of the prior year mainly included book profits from the disposal of a hotel of the Riu Group and profits from sale and leaseback transactions with aircraft.

(4) Goodwill impairment

In the first nine months of financial year 2013/14, the implementation of impairment tests according to IAS 36 did not result in impairment requirements for the TUI Group's cash generating units.

The impairments carried in the prior-year reference period in TUI Hotels & Resorts resulted from the adjustment of the business plan of the Castelfalfi project.

(5) Financial income

Financial income

	9M 2013/14	9M 2012/13 restated
	€ million	
Income from non-consolidated Group companies including income from profit transfer agreements	2.5	1.3
Income from other investments	0.2	0.2
Income from investments	**2.7**	**1.5**
Other income from securities and loans	0.1	—
Other interest and similar income	17.0	22.7
Interest income	**17.1**	**22.7**
Income from the measurement of other financial instruments	—	0.2
Foreign exchange gains on financial items	—	2.9
Total	**19.8**	**27.3**

The decline in other interest income mainly results from lower interest received on bank balances due to lower interest rate levels.

(6) Financial expenses

	9M 2013/14	9M 2012/13 restated
	€ million	
Interest expenses from the measurement of pension obligations	28.7	31.7
Other interest and similar expenses	169.9	194.0
Expenses relating to the measurement of interest hedges	3.2	0.5
Interest expenses	**201.8**	**226.2**
Expenses relating to the measurement of other financial instruments	1.6	0.5
Foreign exchange losses on financial items	4.0	6.7
Total	**207.4**	**233.4**

The year-on-year decline in interest expenses in the period under review mainly results from redemptions and reductions in financial liabilities in the first nine months of financial year 2012/13.

(7) Share of results of joint ventures and associates

Share of result of joint ventures and associates

	9M 2013/14	9M 2012/13
	€ million	
Income from associated companies measured at equity	29.6	24.0
Expenses for associated companies measured at equity	43.3	25.2
Share of result of associates	**−13.7**	**−1.2**
Income from joint ventures measured at equity	41.9	38.5
Expenses for joint ventures measured at equity	37.4	20.0
Share of result of joint ventures	**4.5**	**18.5**
Total	**−9.2**	**17.3**

The share of results of joint ventures and associates comprises the net profit for the year attributable to the associated companies and joint ventures.

The decrease in the share of results of joint ventures and associates is attributable above all to the increase in the loss from Container Shipping attributable to TUI to €−38.9m (previous year reference period €−25.4m). Earnings also declined due to the uncertain political situation in Egypt and Ukraine, partly offset by higher profit contributions by TUI Cruises, measured at equity.

Group share in individual items of income statement of associated companies

	9M 2013/14	9M 2012/13
	€ million	
Operating income	1,504.3	1,739.1
Operating expenses	1,489.2	1,706.3
Operating result	**15.1**	**32.8**
Financial result	−16.8	−22.9
Profit on ordinary activities	**−1.7**	**9.9**
Income taxes	12.0	11.1
Profit/loss for the year	**−13.7**	**−1.2**
Share of result of associates	**−13.7**	**−1.2**

Group share in individual items of income statements of joint ventures

	9M 2013/14	9M 2012/13
	€ million	
Operating income	483.9	581.3
Operating expenses	458.8	545.9
Operating result	**25.1**	**35.4**
Financial result	− 7.5	− 8.3
Profit on ordinary activities	**17.6**	**27.1**
Income taxes	13.1	8.6
Profit/loss for the year	**4.5**	**18.5**
Share of result of joint ventures	**4.5**	**18.5**

(8) Adjustments

On top of the disclosures required under IFRS, the consolidated income statement comprises a reconciliation to underlying earnings. The one-off items show final consolidation profits under gains on disposal, events according to IAS 37 under restructuring, and all effects from purchase price allocations, ancillary acquisition costs and conditional purchase price payments on EBITA under purchase price allocations.

One-off items carried here include adjustments for income (–) and expense (+) items that reflect amounts and frequencies of occurrence rendering an evaluation of the operating profitability of the Sectors and the Group more difficult or causing distortions. These items include in particular major restructuring and integration expenses not meeting the criteria of IAS 37, major expenses for litigation, gains and losses from the sale of aircraft and other material business transactions with a one-off character.

One-off items by sector

	Q3 2013/14	Q3 2012/13	9M 2013/14	Q3 2012/13
		€ million		
Tourism	41.0	− 25.8	− 15.6	44.6
TUI Travel	44.2	− 18.3	0.4	− 22.8
TUI Hotels & Resorts	—	—	—	25.9
Cruises	− 3.2	− 7.5	− 16.0	41.5
All other segments	—	0.6	—	8.0
Total	**41.0**	**− 25.2**	**− 15.6**	**52.6**

The one-off items carried by TUI Travel for the first nine months of financial year 2013/14 relate above all to the income from the curtailment of pension plans in the UK and the Netherlands, outlined in the Notes to the personnel costs. An opposite effect mainly results from adjustments amounting to 50.4m € for expenses for the back payment of VAT on the margin for prior years in a subsidiary in Spain due to a changes in the legal assessment in the third quarter of the current financial year.

In the prior-year reference period, one-off items within TUI Travel had mainly related to income from the curtailment and settlement of pension plans in the Netherlands and income from sale and leaseback transactions with aircraft.

In the first nine months of the prior year, the Hotels & Resorts Sector recognised one-off impairments for the Castelfalfi hotel project.

In the prior year reference period, the one-off items carried as adjustments in the Cruises Sector related to expenses for risk provisioning at Hapag-Lloyd Kreuzfahrten for impending losses from occupancy risks of Europa 2. The income carried as adjustments in the current financial year 2013/14 mainly results from the use of the provision for onerous losses formed in the prior year.

The one-off items relating to other segments in the first nine months of the previous year comprised in particular one-off expenses for the fair value measurement of an aircraft held for sale.

(9) Income taxes

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

(10) Group profit/loss attributable to shareholders of TUI AG

The Group loss attributable to TUI AG shareholders declined from €376.2m in the prior year reference period to €249.2m in the current financial year. The increase is largely attributable to the improvement in earnings by the holding companies and the Cruises and TUI Travel & Resorts segments.

(11) Group profit/loss attributable to non-controlling interest

Group profit/loss attributable to non-controlling interest

	Q3 2013/14	Q3 2012/13 restated	9M 2013/14	9M 2012/13 restated
		€ million		
TUI Travel	9.1	0.7	− 144.5	− 138.2
TUI Hotels & Resorts	11.7	8.2	45.1	38.2
Total	**20.8**	**8.9**	**− 99.4**	**− 100.0**

The Group result attributable to non-controlling interests in the TUI Hotels & Resorts Sector mainly relates to the RIUSA II Group.

(12) Earnings per share

In accordance with IAS 33, basic earnings per share are calculated by dividing the Group's net profit for the year attributable to TUI AG shareholders by the weighted average number of registered shares outstanding during the financial year under review. The average number of shares is derived from the total number of shares at the beginning of the current financial year (252,375,570 shares), the prorated employee shares issued (78,152 new shares for 213 days) and the conversion of bonds into new shares (3,000,481 on a prorated basis).

In analogy to IAS 33.12, the dividend on the hybrid capital is deducted from the Group result for the year attributable to shareholders of TUI AG since the hybrid capital represents equity but does not constitute Group profit attributable to TUI AG shareholders. For the hybrid capital, accrued dividend obligations totalling €3.9m at the balance sheet date (as at 30 September 2013 €3.8m) are included in financial liabilities and will be paid in July 2014.

Earnings per share

		9M 2013/14	9M 2012/13
Group profit for the year attributable to shareholders of TUI AG	€ million	− 249.2	− 376.2
Dividend effect on hybrid capital	€ million	− 17.1	− 18.0
= Adjusted Group profit for the year attributable to shareholders of TUI AG	€ million	− 266.3	− 394.2
Weighted average number of shares		255,454,203	252,358,169
Basic earnings per share	**€**	**− 1.04**	**− 1.56**
Adjusted Group profit for the year attributable to shareholders of TUI AG	€ million	− 266.3	− 394.2
Interests savings from convertible bonds	€ million	+ 36.0	35.9
Diluted and adjusted share in Group profit for the year attributable to shareholders of TUI AG	€ million	− 230.3	− 358.3
Weighted average number of shares		255,454,203	252,358,169
Diluting effect from assumed exercise of conversion inputs		+ 64,201,579	+ 66,813,600
Weighted average number of shares (diluted)		319,655,782	319,171,769
Diluted earnings per share	**€**	**− 1.04**	**− 1.56**

As a rule, a dilution of earnings per share occurs when the average number of shares increases by adding the issue of potential shares from conversion options, and thus the earnings per share increase. Since the convertible bonds do not have a dilution effect in the current financial year 2013/14, basic and diluted earnings per share are identical.

The result derives exclusively from continuing operations.

(13) Taxes attributable to other results

Tax effects relating to other comprehensive income

	9M 2013/14			9M 2012/13		
	Gross	Tax effect	Net	Gross	Tax effect	Net
	€ million					
Foreign exchange differences	−145.1	—	−145.1	56.0	—	56.0
Available for sale financial instruments	−0.9	—	−0.9	1.9	—	1.9
Cash flow hedges	10.5	−6.5	4.0	89.1	−20.5	68.6
Actuarial losses from pension provisions and related fund assets	−149.2	36.7	−112.5	74.9	−17.7	57.2
Changes in the measurement of companies measured at equity outside profit or loss	13.8	—	13.8	4.8	—	4.8
Other comprehensive income	**−270.9**	**30.2**	**−240.7**	**226.7**	**−38.2**	**188.5**

NOTES

Notes to the consolidated statement of financial position

(14) Goodwill

Goodwill

	9M 2013/14	9M 2012/13
	€ million	
Historical cost		
Balance as at 1 Oct	**3,421.6**	**3,490.0**
Exchange differences	69.1	− 130.7
Additions	24.4	30.9
Disposals[1)]	2.5	—
Balance as at 30 Jun	**3,512.6**	**3,390.2**
Impairment		
Balance as at 1 Oct	**445.2**	**443.6**
Exchange differences	5.3	− 12.6
Impairments for the current year	—	8.3
Balance as at 30 Jun	**450.5**	**439.3**
Carrying amounts as at 30 Jun	**3,062.1**	**2,950.9**

1) of which disposals due to changes in the group of consolidated companies of €2.5m

The increase in the carrying amount is mainly attributable to the translation of goodwill not carried in the TUI Group's functional currency into euros.

The additions are mainly attributable to acquisitions in the TUI Travel Sector. Details concerning the acquisitions are presented under Principles and methods of consolidation.

In accordance with the rules of IAS 21, goodwill allocated to individual segments and Sectors was recognised in the functional currency of the subsidiaries and subsequently translated when preparing the consolidated financial statements. In analogy to the treatment of other differences from the translation of annual financial statements of foreign subsidiaries, differences due to exchange rate fluctuations between the exchange rate at the date of acquisition of the subsidiary and the exchange rate at the balance sheet date are taken directly to equity outside profit and loss and disclosed as a separate item. In the first nine months of financial year 2013/14, the carrying amount of goodwill increased by €63.8m (9M 2012/13 decrease of €118.1m) due to foreign exchange differences.

At €2,693.4m (as at 30 September 2013 €2,607.3m,) the largest portion of goodwill shown relates to the TUI Travel Sector.

Goodwill breaks down as follows for the individual cash generating units (CGUs).

Goodwill per cash generating unit

	30 Jun 2014	30 Sep 2013
	€ million	
CGU TUI Travel	2,693.4	2,607.3
TUI Travel	**2,693.4**	**2,607.3**
CGU RIU	351.7	351.7
CGU Robinson	9.8	9.8
CGU Iberotel	7.2	7.6
TUI Hotels & Resorts	**368.7**	**369.1**
Segment Tourism	**3,062.1**	**2,976.4**

Impairments are effected if the carrying amount of the tested units plus allocable goodwill exceeds the future recoverable amounts. As at 30 June 2014 a voluntary impairment test for goodwill is carried out on the basis of cash generating units (CGUs).

The recoverable amounts of all cash generating units were determined on the basis of fair value less costs of disposal. The fair value of the CGU TUI Travel was determined on the basis of the closing price of the TUI Travel share in the main market, the London Stock Exchange. If the closing price had been 10% lower, this would not have led to an impairment, either.

Since a fair value was not available in an active market for the other entities to be tested 30 September 2013 and amended as at 30 June 2014, it was determined by discounting the expected cash inflows. This was based on the medium-term plan for the entity under review, prepared at the balance sheet date 30 September 2013 and amended as at 30 June 2014, following deduction of income tax payments. Budgeted turnover and EBITA margins are based on empirical values from prior financial years and expectations with regard to the future development of the market. Future cash inflows beyond the planning period are determined using individual growth rates based on long-term business expectations.

The discount rates are calculated on the basis of external capital market information as the weighted average cost of capital, taking account of the risks associated with the cash generating unit. The cost of equity used in determining the rates reflects the shareholders' yield expectations. The cost of borrowing is derived from the terms and conditions governing the long-term financing of peer companies.

The table below provides an overview of the parameters used to determine the fair values per CGU. This concerns the period for the cash flow projections, the growth rates used to extrapolate the cash flow projections, the discount rates applied and the relevant measurement hierarchy according to IFRS 13. The table shows the main cash generating units to which goodwill is allocated.

Parameter for calculation of fair value

	Planning period in years	Growth rate revenues in %	EBITA-Margin in %	Growth rate after planning period in %	WACC in %[1)]	Level
CGU TUI Travel	—					1
CGU RIU	3	1.2	23.8	1.0	8.00	3
CGU Robinson	3	4.2	13.8	1.0	8.00	3
CGU Iberotel	3	3.6	17.9	1.0	8.00	3

1) As at 30 September 2013 the WACC for the sector TUI Hotels & Resorts was 8.25%.

The voluntary review of the amortised goodwill at the balance sheet date did not give rise to any impairments (9M 2012/13: €8.3m). Neither an increase in WACC by 50 base points nor a reduction in the growth rate of perpetuity of 50 base points would have resulted in an impairment of goodwill.

(15) Other intangible assets

Other intangible assets

	Concessions, industrial property rights and similar rights and values	Self-generated software	Transport and leasing contracts	Customer base	Total
	€ million				
Historical cost					
Balance as at 1 Oct 2012	**1,221.7**	**159.8**	**104.3**	**244.6**	**1,730.4**
Exchange differences	− 40.1	− 7.5	− 7.3	− 4.1	− 59.0
Additions due to changes in the group of consolidated companies	3.5	—	—	3.2	6.7
Additions	71.6	10.3	—	—	81.9
Disposals	158.0	71.9	—	4.6	234.5
Reclassifications	− 1.8	1.8	—	—	—
Balance as at 30 Jun 2013	**1,096.9**	**92.5**	**97.0**	**239.1**	**1,525.5**
Amortisation					
Balance as at 1 Oct 2012	**600.1**	**119.0**	**30.3**	**90.1**	**839.5**
Exchange differences	− 15.6	− 5.8	− 2.2	− 1.6	− 25.2
Amortisation for the current year	65.8	6.0	—	11.7	83.5
Impairments for the current year	8.1	2.2	—	—	10.3
Disposals	152.4	71.9	—	4.5	228.8[1)]
Balance as at 30 Jun 2013	**506.0**	**49.5**	**28.1**	**95.7**	**679.3**
Carrying amounts as at 30 Jun 2013	**590.9**	**43.0**	**68.9**	**143.4**	**846.2**
Historical cost					
Balance as at 1 Oct 2013	**1,116.1**	**117.4**	**99.5**	**242.3**	**1,575.3**
Exchange differences	23.2	− 0.1	4.3	1.7	29.1
Additions due to changes in the group of consolidated companies	9.4	—	—	4.2	13.6
Additions	89.4	16.3	—	—	105.7
Disposals	10.1	0.1	—	0.1	10.3[2)]
Reclassification as assets held for sale	− 0.4	—	—	—	− 0.4
Reclassifications	− 25.3	25.3	—	—	—
Balance as at 30 Jun 2014	**1,202.3**	**158.8**	**103.8**	**248.1**	**1,713.0**
Amortisation					
Balance as at 1 Oct 2013	**516.4**	**57.9**	**31.7**	**103.1**	**709.1**
Exchange differences	13.2	− 1.7	1.3	0.8	13.6
Amortisation for the current year	59.7	15.6	2.7	12.6	90.6
Disposals	8.8	—	—	0.1	8.9[2)]
Reclassification as assets held for sale	− 0.3	—	—	—	− 0.3
Reclassifications	− 0.3	0.3	—	—	—
Balance as at 30 Jun 2014	**579.9**	**72.1**	**35.7**	**116.4**	**804.1**
Carrying amounts as at 30 Jun 2014	**622.4**	**86.7**	**68.1**	**131.7**	**908.9**

1) of which no disposals due to changes in the group of consolidated companies

2) of which disposals due to changes in the group of consolidated companies of 0,6 € million (historical cost) and 0,5 € million (amortisation) respectively

Self-generated software consists of computer program for tourism applications exclusively used internally by the Group.

Other intangible assets, consisting in particular of trademarks and customer relationships, are amortised over the economic useful life.

As at 30 June 2014, the carrying amount of intangible assets with restrictions on title or being pledged as security totals €111.0m (as at 30 September 2013 €112.4m).

(16) Investment property

Investment Property

	9M 2013/14	9M 2012/13
	€ million	
Historical cost		
Balance as at 1 Oct	**95.1**	**94.1**
Additions	1.6	2.5
Disposals	0.7	0.4
Reclassifications	−73.2	7.9
Balance as at 30 Jun	**22.8**	**104.1**
Depreciation		
Balance as at 1 Oct	**37.1**	**39.2**
Depreciation for the current year	0.8	1.7
Disposals	0.5	0.2
Reclassifications	−22.4	—
Balance as at 30 Jun	**15.0**	**40.7**
Carrying amounts as at 30 Jun	**7.8**	**63.4**

Real estate owned by the Group is consistently occupied for use in the framework of the Group's ordinary business activities. In addition, the Group owns commercial property which meets the definition of investment property under IAS 40. The carrying amount of this property shown in fixed assets totals €7.8m (prior year reference period € 63.4m). The fair values totalling €8.3m (prior year reference period €64.0m) were calculated by the Group's own real estate company, without consulting an external expert, on the basis of comparable market rents. Investment property generated total income of €6.7m (prior year reference period €9.4m) in the current financial year. The generation of this income was associated with expenses of €4.6m (prior year reference period €5.9m) in the first nine months of financial year 2013/14. In the current financial year, the reclassifications relate to the science park in Kiel and an industrial park in Berlin-Tempelhof, which were reclassified to assets held for sale and sold in the course of the year.

(17) Property, plant and equipment

Property, plant and equipment

	Real estate with hotels	Other real estate, land rights and buildings incl. buildings on third-party properties	Aircraft	Ships	Machinery and fixtures	Other plants, operating and office equipment revised	Assets under construction	Payments on account	Total
					€ million				
Historical cost									
Balance as at 1 Oct 2012	**1,356.9**	**225.0**	**885.3**	**743.5**	**239.8**	**1,303.4**	**80.0**	**271.8**	**5,105.7**
Exchange differences	−19.3	−5.7	−18.6	−33.6	−1.1	−25.7	−1.5	−9.0	−114.5
Additions due to changes in the group of consolidated companies	—	—	—	—	—	13.3	—	—	13.3
Additions	13.5	2.3	180.4	36.2	3.9	47.7	62.4	152.7	499.1
Disposals	15.7	5.7	96.0	10.5	11.9	375.6	8.9	106.2	630.5[1)]
Reclassification as assets held for sale	—	—	14.2	−1.2	—	—	0.4	−9.0	4.4
Reclassifications	−7.7	9.3	83.6	−1.0	3.8	0.7	−28.4	−67.4	−7.1
Balance as at 30 Jun 2013	**1,327.7**	**225.2**	**1,048.9**	**733.4**	**234.5**	**963.8**	**104.0**	**232.9**	**4,870.4**
Depreciation									
Balance as at 1 Oct 2012	**401.3**	**65.6**	**560.0**	**281.0**	**160.4**	**986.1**	**—**	**—**	**2,454.4**
Exchange differences	−3.8	−1.3	−11.3	−12.4	−1.1	−15.0	—	—	−44.9
Depreciation for the current year	28.7	1.5	50.0	27.6	7.8	75.3	—	—	190.9
Impairments for the current year	—	22.7	8.6	—	—	—	—	—	31.3
Disposals	11.5	3.7	82.5	6.2	12.3	373.5	—	—	489.7[1)]
Reclassification as assets held for sale	—	—	13.9	−0.7	—	—	—	—	13.2
Reclassifications	—	1.1	—	−4.1	2.2	−1.3	—	—	−2.1
Balance as at 30 Jun 2013	**414.7**	**85.9**	**538.7**	**285.2**	**157.0**	**671.6**	**—**	**—**	**2,153.1**
Carrying amounts as at 30 Jun 2013	**913.0**	**139.3**	**510.2**	**448.2**	**77.5**	**292.2**	**104.0**	**232.9**	**2,717.3**

	Real estate with hotels	Other real estate, land rights and buildings incl. buildings on third-party properties	Aircraft	Ships	Machinery and fixtures	Other plants, operating and office equipment revised	Assets under construction	Payments on account	Total
					€ million				
Historical cost									
Balance as at 1 Oct 2013	**1,315.2**	**189.3**	**968.6**	**747.9**	**238.4**	**955.8**	**100.3**	**229.0**	**4,744.5**
Exchange differences	0.3	−0.1	2.8	18.6	−0.8	−0.7	−0.1	4.1	24.1
Additions due to changes in the group of consolidated companies	—	—	—	—	—	1.7	—	—	1.7[2)]
Additions	44.0	10.5	172.0	27.1	7.9	56.0	7.2	131.8	456.5
Disposals	1.2	3.0	18.1	20.7	—	24.9	1.7	188.4	258.0[3)]
Reclassification as assets held for sale	−53.7	−17.5	—	—	−2.0	−12.6	—	—	−85.8
Reclassifications	5.3	42.6	2.6	−7.3	7.2	10.8	−58.4	—	2.8
Balance as at 30 Jun 2014	**1,309.9**	**221.8**	**1,127.9**	**765.6**	**250.7**	**986.1**	**47.3**	**176.5**	**4,885.8**
Depreciation									
Balance as at 1 Oct 2013	**407.7**	**56.8**	**477.1**	**298.8**	**165.3**	**656.8**	**—**	**—**	**2,062.5**
Exchange differences	8.3	0.2	5.0	6.7	−0.5	0.1	—	—	19.8
Depreciation for the current year	24.4	2.6	54.0	33.3	10.9	62.0	—	—	187.2
Impairments for the current year	—	—	0.1	7.8	—	—	—	—	7.9
Disposals	0.5	2.9	13.6	15.3	—	19.8	—	—	52.1[3)]
Reclassification as assets held for sale	−40.0	−10.6	—	—	−1.8	−11.2	—	—	−63.6
Reclassifications	−9.4	26.0	—	−3.3	4.4	1.0	—	—	18.7
Balance as at 30 Jun 2014	**390.5**	**72.1**	**522.6**	**328.0**	**178.3**	**688.9**	**—**	**—**	**2,180.4**
Carrying amounts as at 30 Jun 2014	**919.4**	**149.7**	**605.3**	**437.6**	**72.4**	**297.2**	**47.3**	**176.5**	**2,705.4**

(1) Of which no disposals due to changes in the group of consolidated companies

(2) Of which additions due to first-time consolidation of non-consolidated companies

(3) Of which disposals due to changes in the group of consolidated companies of €0,3m (historical cost) and €0,2m (depeciation), respectively

As at 30 June 2014, the carrying amount of property, plant and equipment with restrictions on title or being pledged as security amounts to €314.9m (as at 30 September 2013 €298.3m).

Property, plant and equipment also comprised leased assets in which Group subsidiaries have assumed substantially all the risks and rewards of ownership of the assets.

Composition of leased assets

	Net carrying amounts	
	30 Jun 2014	30 Sep 2013
	€ million	
Other real estate, land rights and buildings incl. buildings on third-party properties	14.6	14.5
Aircraft	393.8	250.9
Ships, yachts and boats	103.4	106.1
Machinery and fixtures	1.3	0.4
Other plants, operating and office equipment	17.5	11.6
Total	**530.6**	**383.5**

The payment obligations resulting from future lease payments are carried as liabilities without taking account of future interest expenses for the carrying amount of the financial liabilities. Total payments due in future under finance leases amount to €585.7m (as at 30 September 2013 €435.0m). Group companies have not accepted any guarantees for the residual values of the leased assets, as in the prior year.

Reconciliation of future lease payments to liabilities from finance leases

				30 Jun 2014	30 Sep 2013
	up to 1 year	1-5 years	Remaining term more than 5 years	Total	Total
			€ million		
Total future lease payments	62.7	209.4	313.6	585.7	435.1
Interest portion	17.3	57.1	35.0	109.4	99.5
Liabilities from finance leases	45.4	152.3	278.6	476.3	335.6

(18) Investments in joint ventures and associates

Investments in joint ventures and associates

	Joint ventures	Associates	Total
		€ million	
Historical cost			
Balance as at 1 Oct 2012	**649.7**	**758.9**	**1,408.6**
Exchange differences	−4.8	−17.4	−22.2
Additions	92.7	55.0	147.7
Disposals	33.9	90.1	124.0
Balance as at 30 Jun 2013	**703.7**	**706.4**	**1,410.1**
Impairments			
Balance as at 1 Oct 2012	**14.6**	**—**	**14.6**
Balance as at 30 Jun 2013	**14.6**	**—**	**14.6**
Carrying amounts as at 30 Jun 2013	**689.1**	**706.4**	**1,395.5**
Historical cost			
Balance as at 1 Oct 2013	**685.1**	**714.1**	**1,399.2**
Exchange differences	−2.4	−19.3	−21.7
Additions	98.8	34.1	132.9
Disposals	43.6	54.9	98.5
Reclassifications	—	−467.4	−467.4
Balance as at 30 Jun 2014	**737.9**	**206.6**	**944.5**
Impairments			
Balance as at 1 Oct 2013	**12.8**	**—**	**12.8**
Balance as at 30 Jun 2014	**12.8**	**—**	**12.8**
Carrying amounts as at 30 Jun 2014	**725.1**	**206.6**	**931.7**

For associated companies and joint ventures measured at equity, proportionate profits for the year are shown under additions and disposals, while impairments of these investments are carried under impairments. Dividends worth €14.3m (previous year €69.5m) are included in disposals.

The expected merger between Hapag-Lloyd AG and Compania Sud Americana de Vapore will lead to a reduction in the stake in Hapag-Lloyd AG held by the Group. It is expected that the merger will be finalised in calendar year 2014. After the merger TUI will no longer have significant influence on Hapag-Lloyd AG. Accordingly, the investment will be classified as available-for-sale financial asset. As the nature of the investment changes, the investment amounting to €467.4m has been reclassified to non-current assets held for sale.

For joint ventures and associates, the stake held by the Group corresponds to its share in the individual assets and liabilities of the joint ventures.

Group share of assets and liabilities of joint ventures

	30 Jun 2014	30 Sep 2013
	€ million	
Goodwill from investment in joint ventures	79.1	75.5
Non-current assets	1,209.1	874.5
Current assets	270.3	261.2
Non-current provisions and liabilities	−478.8	−271.4
Current provisions and liabilities	−354.6	−267.5
Investment in joint ventures	**725.1**	**672.3**

Group share of assets and liabilities of associates

	30 Jun 2014	30 Sep 2013
	€ million	
Goodwill from investment in associates	53.9	209.4
Non-current assets	267.5	1,174.3
Current assets	199.9	514.3
Non-current provisions and liabilities	−123.8	−425.2
Current provisions and liabilities	−190.9	−758.7
Investment in associates	**206.6**	**714.1**

(19) Financial assets available for sale

Financial assets available for sale consist of stakes in non-consolidated Group companies, interests and other securities.

Financial assets available for sale

	30 Jun 2014	30 Sep 2013
	€ million	
Shares in non-consolidated Group companies	17.5	18.5
Shares in affiliated companies	35.9	35.6
Other securities	17.8	17.4
Total	**71.2**	**71.5**

Where a listed market price in an active market is not available for shares held and other methods to determine an objective market value do not produce any reliable results, the shares are measured at cost. In the current financial year 2013/14, financial assets that had to be classified as available for sale under IFRS 39 of €1.1m (prior year 2013 €1.1m) were impaired.

(20) Trade receivables and other assets

Trade receivables and other assets

	30 Jun 2014		30 Sep 2013	
	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
	€ million			
Trade receivables	—	666.1	—	616.1
Advances and loans	238.9	1,575.3	213.3	1,078.3
Other receivables and assets	155.3	596.2	129.5	525.2
Total	**394.2**	**2,837.6**	**342.8**	**2,219.6**

Ageing structure of the financial instruments included in trade receivables and other assets

	Carrying amount of financial instruments	of which not overdue and not impaired	of which not impaired and overdue in the following periods			
			less than 30 days	between 30 and 90 days	between 91 and 180 days	more than 180 days
	€ million					
Balance as at 30 Jun 2014						
Trade receivables	666.1	525.0	75.2	48.4	15.9	1.6
Advances and loans	170.5	163.9	—	0.3	—	6.3
Other receivables and assets	72.5	72.5	—	—	—	—
Total	**909.1**	**761.4**	**75.2**	**48.7**	**15.9**	**7.9**
Balance as at 30 Sep 2013						
Trade receivables	616.1	439.4	95.9	55.6	13.7	11.5
Advances and loans	93.5	93.5	—	—	—	—
Other receivables and assets	64.0	64.0	—	—	—	—
Total	**773.6**	**596.9**	**95.9**	**55.6**	**13.7**	**11.5**

For financial assets which are neither overdue nor impaired, the TUI Group assumes that the debtor concerned has a good credit standing.

Impairments on assets of the trade receivables and other assets category according to IFRS 7

	9M 2013/14	2012/13
	€ million	
Balance at the beginning of period	**135.9**	**214.0**
Additions	11.4	60.6
Disposals	11.5	77.8
Other changes	12.9	−60.9
Balance at the end of period	**148.7**	**135.9**

In the current financial year, as in the prior year reference period, no cash inflow was recorded from impaired interest-bearing trade accounts receivable and other receivables.

Trade receivables

	30 Jun 2014	30 Sep 2013
	€ million	
From third parties	628.7	563.9
From non-consolidated Group companies	3.9	3.2
From affiliates	33.5	49.0
Total	**666.1**	**616.1**

Advances and loans

	30 Jun 2014		30 Sep 2013	
	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
	€ million			
Advances to non-consolidated Group companies	0.5	24.2	2.7	25.6
Loans to non-consolidated Group companies	—	—	—	0.9
Advances to affiliates	0.1	2.5	1.7	23.0
Loans to affiliates	47.8	61.8	26.7	27.4
Advances to third parties	7.4	20.2	7.2	25.6
Loans to third parties	16.0	18.3	10.7	16.8
Payments on account to affiliates	—	44.8	—	20.0
Payments on account to third-parties	167.1	1,403.5	164.3	939.0
Total	**238.9**	**1,575.3**	**213.3**	**1,078.3**

Payments on account mainly relate to prepayments for future tourism services, in particular future hotel services payable by tour operators, customary in the industry.

Other receivables and assets

	30 Jun 2014		30 Sep 2013	
	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
	€ million			
Other receivables from non-consolidated Group companies	2.1	2.1	2.3	2.3
Other receivables from affiliates	37.9	69.1	32.1	35.3
Interest deferral	—	1.1	—	1.5
Other tax refund claims	35.5	106.9	28.1	83.6
Other assets	79.8	417.0	67.0	402.5
Total	**155.3**	**596.2**	**129.5**	**525.2**

(21) Derivative financial instruments

Derivative financial instruments

	30 Jun 2014		30 Sep 2013	
	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
	Mio. €			
Receivables from derivative financial instruments from third parties	52.4	135.9	37.9	87.0

Derivative financial instruments are carried at their fair values (market values). They mainly serve as hedges for future business operations and are detailed in the Notes to financial instruments.

(22) Deferred and current tax assets

Income tax assets

	30 Jun 2014	30 Sep 2013
	€ million	
Deferred tax assets	459.5	224.6
Current tax assets	105.6	53.9
Total	**565.1**	**278.5**

Due to the seasonality of the tourism business, the determination method according to IAS 34 leads to an increase in deferred tax assets for the operating losses generated in the first nine months of the current financial year. The increase in current income tax assets is mainly based on prepayments made in the current financial year.

Individual items of deferred tax assets and liabilities recognised in the financial position

	30 Sep 2013 restated	
	Asset	Liability
	€ million	
Finance lease transactions	—	2.4
Recognition and measurement differences for property, plant and equipment and other non-current assets	125.1	330.8
Recognition differences for receivables and other assets	17.1	27.6
Measurement of financial instruments	34.9	67.6
Measurement of pension provisions	138.0	—
Recognition and measurement differences for other provisions	85.5	9.4
Other transactions	73.4	81.6
Capitalised tax savings from recoverable loss carryforwards	160.8	—
Netting of deferred tax assets and liabilities	−410.2	−410.2
Balance sheet amount	**224.6**	**109.2**

Capitalised loss carryforwards and time limits for non-capitalised loss carryforwards

	30 Sep 2013 restated
	€ million
Capitalised loss carryforwards	**798.9**
Non-capitalised loss carryforwards	**4,807.9**
of which loss carryforwards forfeitable within one year	—
of which loss carryforwards forfeitable within 2 to 5 years	26.2
of which loss carryforwards forfeitable within more than 5 years (excluding non-forfeitable loss carryforwards)	—
Non-forfeitable loss carryforwards	4,781.7
Total unused loss carryforwards	**5,606.8**

Loss carryforwards for Geman companies comprise the cumulative amount of trade tax and corporation tax as well as interest carryforwards from the German earnings stripping rule. As at 30 September 2013, potential tax savings totalling €923.6m were not capitalised since use of the underlying loss carryforwards was not considered probable within the planning period.

The amount of the loss carryforwards capitalised as at 30 September 2013 was changed with retroactive effect due to an agenda decision by the IFRS Interpretations Committee. The associated agenda decision is outlined in detail in the section on Changes in accounting and measurement methods.

As income taxes are determined according to IAS 34, it is not possible to present the disclosures on loss carryforwards and the breakdown of deferred taxes by fact and circumstance for the interim financial statements ended 30 June 2014.

(23) Inventories

Inventories

	30 Jun 2014	30 Sep 2013
	€ million	
Marine inventory	30.1	26.1
Airline spares and operating equipment	32.3	27.7
Real estate for sale	28.8	20.0
Other inventories	41.2	41.6
Total	**132.4**	**115.4**

Other inventories included an amount of €18.8m for consumables used in hotels.

No major write-backs of inventories were effected in the current financial year, nor in the prior year reference period.

(24) Cash and cash equivalents

Cash and cash equivalents

	30 Jun 2014	30 Sep 2013
	€ million	
Bank deposits	1,902.4	2,670.8
Cash in hand and cheques	36.9	30.9
Total	**1,939.3**	**2,701.7**

The decrease in cash and cash equivalents is mainly attributable to the net presentation of certain bank balances resulting from a cash pool, which were not netted against short-term current account credits of this cash pool in the prior-year statement of financial position. This balance sheet reduction, detailed in the chapter on Accounting principles, does not affect the Group's net financial position.

At 30 June 2014, cash and cash equivalents of €169.7m (as at 30 September 2013 €175.4m) were subject to restrictions on disposal. They included an amount of €116.3m for cash collateral received, deposited in a Belgian subsidiary by Belgian tax authorities in the prior financial year in the framework of long-standing litigation over VAT refunds for the years 2001 to 2011 without inference of guilt, the purpose being to prevent the accrual of interest for both parties. In order to collateralise a potential repayment, the Belgian government was granted a bank guarantee. Due to the bank guarantee, TUI's ability to dispose of the cash and cash equivalents has been restricted.

(25) Assets held for sale

Assets held for sale

	30 Jun 2014	30 Sep 2013
	€ million	
Investment	467.4	—
Property and hotel facilities	6.3	6.6
Other assets	2.9	5.0
Total	**476.6**	**11.6**

In the current financial year, various properties and hotel complexes were reclassified to assets held for sale and sold in the course of the year. They include in particular an industrial park in Berlin-Tempelhof, the science park in Kiel and two hotel companies in Switzerland and Austria.

Property and hotel complexes mainly include a hotel facility in Bulgaria held for sale, as at 30 September 2013.

The expected merger between Hapag-Lloyd AG and Compania Sud Americana de Vapore will lead to a reduction in the stake in Hapag-Lloyd AG held by the Group. It is expected that the merger will be finalised in calendar year 2014. After the merger TUI will no longer have significant influence on Hapag-Lloyd AG. Accordingly, the investment will be classified as available for sale financial asset. As the nature of the investment changes, the investment included within other segments and amounting to €467.4m has been reclassified to non-current assets held for sale.

Other assets also include hotel assets, aircraft spare parts, yachts and boats. The changes mainly comprise the sale of various asset items of a French hotel group and sales of aircraft spare parts.

The cumulative income and expenses in connection with assets held for sale that are taken directly to equity amount to €-45.7m.

(26) Subscribed capital

The subscribed capital of TUI AG consists of no-par value shares, each representing an identical share in the capital stock. The proportionate share in the capital stock per no-par value share is around €2.56. Since the switch in July 2005, the shares have been registered shares, whose owners have been listed by name in the share register.

In the first nine months of the financial year, the subscribed capital of TUI AG rose by a total of €68.2m to around €713.4m due to the issue of 99,800 shares resulting from the issue of employee shares and due to conversions into 26,586,030 shares under the 2009/14 and 2011/16 convertible bonds. It thus consisted of 279,061,400 shares at the end of the third quarter of the financial year.

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

Conditional Capital

The Annual General Meetings of 7 May 2008 and 13 May 2009 had created conditional capital of €100.0m each and authorised the Company to issue bonds. These two authorisations to issue bonds with conversion options and warrants as well as profit-sharing rights and income bonds (with and without fixed terms) were limited to a total nominal amount of €1.0bn and expired on 6 May 2013 and 12 May 2014.

Further conditional capital for the issue of bonds of €120.0m was resolved at the Annual General Meeting on 15 February 2012. The authorisation to issue bonds with conversion options and warrants as well as profit-sharing rights and income bonds (with and without fixed terms) has been limited to a total nominal amount of €1.0bn and will expire on 14 February 2017.

Using the conditional capital of 13 May 2009, TUI AG issued unsecured non-subordinate convertible bonds worth €217.8m on 17 November 2009, maturing on 17 November 2014. The bonds were issued in denominations with nominal values of €56.30. Due to the cash dividend paid on 13 February 2014, the current conversion price is €5.5645 per no-par value share. The convertible bonds can hence be converted into a maximum of 39,116,600 shares. The bonds, which carry an interest coupon of 5.50% p.a., were issued at par. The bonds are traded on five German stock exchanges. By 30 June 2014, 2,674,596 bonds were converted into 27,055,166 new shares in TUI AG (including 26,584,436 in the current financial year).

Using the conditional capital of 7 May 2008, TUI AG issued unsecured non-subordinate convertible bonds worth €339.0m on 24 March 2011, maturing on 24 March 2016. The bonds were issued in denominations with nominal values of €59.26. Due to the cash dividend paid on 13 February 2014, the conversion price is €11.7127 per no-par value share. The convertible bonds can hence be converted into a maximum of 28,939,860 shares. The bonds, which carry an interest coupon of 2.75%, were issued at par. The bonds are traded on five German stock exchanges. By 30 June 2014, 321 bonds had been converted into 1,609 new shares in TUI AG (including 1,594 shares in the current financial year).

Overall, TUI AG held conditional capital of around €250.8m as at 30 June 2014, taking account of the conversions effected.

Authorised Capital

The Annual General Meeting of 9 February 2011 resolved to create authorised capital for the issue of new shares against cash contribution totalling €246.0m. The authorisation to use this authorised capital will expire on 8 February 2016.

The Annual General Meeting of 13 February 2013 resolved to issue new registered shares against cash contribution for up to a maximum of €64.5m. This authorisation will expire on 12 February 2018.

The Annual General Meeting of 13 February 2013 also resolved to create new authorised capital for the issue of employee shares worth €10.0m. The Executive Board of TUI AG has been authorised to use this authorised capital in one or several tranches by 12 February 2018 by issuing employee shares against cash contribution. In the current financial year 99,800 new employee shares were issued so that authorised capital now stands at €9.7m.

Accordingly, unused authorised capital totalled €320.2m as at 30 June 2014 (around €320.5m as at 30 September 2013).

(27) Capital reserves

The capital reserves comprise transfers of premiums. In addition, amounts entitling the holders to acquire shares in TUI AG in the framework of bonds issued for conversion options and warrants have to be transferred to the capital reserves if the conversion options and warrants have to be classified as equity instruments in accordance with IAS 32. Premiums from the issue of shares due to the exercise of conversion options and warrants are also transferred to the capital reserves.

Borrowing costs for the issue of conversion options and for the capital increase by means of the issue of new shares against cash contribution are eliminated against the transfers to the capital reserves resulting from these transactions.

The capital reserves rose by a total of €76.7m to €1,034.4m due to the issue of employee shares and the conversion of bonds into shares.

(28) Revenue reserves

Equity declined due to the payment of dividends to TUI AG shareholders. The interest paid on the hybrid capital issued by TUI AG also has to be shown as a dividend in accordance with IFRS rules.

In the framework of long-term incentive programmes, TUI Travel PLC operates stock option plans serviced with shares for its employees. Disclosures on these long-term incentive programmes are outlined under Note 42 in the chapter on Share-based payments in accordance with IFRS 2. In the current financial year, these stock option plans resulted in an increase in equity of €15.2m.

Transactions with non-controlling interests in the current financial year primarily include the acquisition of own shares by TUI Travel PLC in order to use them for its stock option programme. As the amounts of €39.4m used for this purpose have been eliminated against revenue reserves due to the acquisition of remaining interests in two subsidiaries by TUI Travel PLC, equity declined by €40.5m.

The Group loss in the first nine months of the current financial year is attributable to the seasonality of the tourism business.

Foreign exchange differences comprise differences from the translation of the financial statements of foreign subsidiaries as well as differences from the translation of goodwill denominated in foreign currencies.

The proportion of gains and losses from hedges used as effective hedges of future cash flows is carried in equity in other comprehensive income outside profit and loss. A reversal of this provision through profit and loss takes place in the same period in which the hedged item has an effect on profit and loss or is no longer assessed as probable. The after-tax result to be eliminated directly against equity totalled €4.0m.

The remeasurement (in particular actuarial gains and losses) is also carried in equity in other comprehensive income outside profit and loss. The after-tax results to be eliminated directly against equity totalled €-112.5m.

The revaluation reserve formed in accordance with IAS 27 (old version) in the framework of step acquisitions of companies is retained until the date of deconsolidation of the company concerned. In accordance with revised IAS 27, requiring prospective application, no new revaluation reserves are formed for step acquisitions since the changes in the fair values of the assets and liabilities of an acquired company arising in between the individual acquisition dates are taken through profit and loss based on the stake which had not yet triggered consolidation of the company concerned.

(29) Hybrid capital

In accordance with IAS 32, the subordinated hybrid capital issued by TUI AG in December of financial year 2005, worth a nominal volume of €300.0m, constitutes Group equity. The borrowing costs of €8.5m were deducted from the hybrid capital outside profit and loss, taking account of deferred taxes. Dividend entitlements of the hybrid capital investors are deferred as other financial liabilities until the payment date.

(30) Non-controlling interests

Non-controlling interests mainly relate to companies of the TUI Travel Sector and TUI Hotels & Resorts, in particular the RIUSA II Group. Non-controlling interests declined due to dividends, which mainly relate to TUI Travel PLC and RIUSA II S.A.

Other comprehensive income of non-controlling interests

	9M 2013/14	9M 2012/13
	€ million	
Foreign exchange differences	−66.2	61.3
Financial Instruments available for sale	−0.4	0.8
Cash flow hedges	−0.5	21.6
Actuarial losses from pension provisions and related fund assets	−42.2	22.6
Changes in the measurement of companies measured at equity	−0.1	—
Total	**−109.4**	**106.3**

(31) Pension provisions and similar obligations

A number of defined contribution plans and defined benefit pension plans are operated for Group employees. Pension obligations vary, reflecting the different legal, fiscal and economic conditions in each country of operation, and usually depend on employees' length of service and pay levels. All defined contribution plans are funded by the payment of contributions to external insurance companies or funds, whilst defined benefit plans entail the formation of provisions within the Company or investments in funds outside the Company.

German employees enjoy benefits from a statutory defined contribution plan paying pensions as a function of employees' income and the contributions paid in. Several additional industry pension organisations exist for companies of the TUI Group. Once the contributions to the state-run pension plans and private pension insurance organisations have been paid, the Company has no further payment obligations. The main private pension insurance organisations are the MER-Pensionskasse VVaG for German tourism companies and the Aegon Levensverzekering N.V. operating the defined contribution plans for the Dutch companies of the TUI Group. Current contribution payments are expensed for the respective period. For the reporting period, the pension costs for all defined contribution plans totalled €38.7m (previous year reference period €28.4m).

Apart from these defined contribution pension plans, the TUI Group also operates some defined benefit pension plans, in particular in Germany and the UK. The Group's tour operators in the UK operate by far the largest pension schemes. At the balance sheet date these schemes account for 74.3% (as at 30 September 2013 74.1%) of the Group's total pension obligations. German plans account for a further 21.5% (as at 30 September 2013 20.0%) of the obligations.

The defined benefit schemes in the UK are almost exclusively funded via external funds. These pension funds are managed by independent trustees. The trustees comprise independent members as well as beneficiaries of the scheme and employer representatives. The responsibilities of the trustees include investing fund assets, upholding the interests of the plan members, but also negotiating the level of contributions to the fund to be paid by the employer. The agreed contributions represent a minimum funding requirement to the funds. Apart from the regular payments, the contributions also comprise compensation payments in the event of a shortfall between the assets and the defined benefit pension obligation.

Material defined benefit plans in Great Britain

Scheme name	Status
Britannia Airways Limited Superannuation and Life Assurance Scheme	closed
TUI Pension Scheme (UK)	closed
Thomson Airways Pension Scheme	closed

By contrast, the defined benefit schemes in Germany are funded by the formation of provisions. The pension obligations entail the payment of a company pension once the recipient reaches the legal retirement age. The amount paid is usually linked to the employee's pay level at the retirement date. The pension entitlements regularly also comprise surviving dependants' and invalidity benefits.

Material defined benefit plans in Germany

Scheme Name	Status
Versorgungsordnung TUI AG	closed
Versorgungsordnung Hapag-Lloyd Fluggesellschaft GmbH	open
Versorgungsordnung TUI Deutschland GmbH	closed
Versorgungsordnung TUI Beteiligungs GmbH	closed
Versorgungsordnung Preussag Immobilien GmbH	closed

In the period under review, the Group carried a total expense of €15.7m for defined benefit pension plans, reflecting, in particular, measures to optimise pension schemes within the Group. Members of pension schemes in the UK were offered the option to immediately receive a higher pension in exchange for lower pension increases in future by giving up some of the future increases in their pension. This measure resulted in gains of €40.1m representing the major part of the total negative past service cost of €39.9m. Furthermore, a defined benefit pension plan in Norway was transformed into a defined contribution plan resulting in a settlement gain of €5.1m.

Pension costs for defined benefit obligations

	9M 2013/14	9M 2012/13
	€ million	
Current service cost for employee service in the period	32.0	33.9
Curtailment gains	5.1	29.9
Interest cost	82.9	80.5
Expected return on external plan assets	54.2	48.8
Past service cost	−39.9	0.2
Total	**15.7**	**35.9**

Provisions for pension obligations are established for benefits payable in the form of retirement, invalidity and surviving dependants' benefits. Provisions are exclusively formed for defined benefit schemes under which the Company guarantees employees a specific pension level. It also includes arrangements for early retirement and temporary assistance benefits.

Defined benefit obligation recognised on the balance sheet

	30 Jun 2014	30 Sep 2013
Defined benefit obligation recognised on the balance sheet	**1,169.2**	**1,135.7**
Overfunded plans in Other assets	0.3	0.3
Provisions for pensions and similar obligations	**1,169.5**	**1,136.0**
of which current	30.7	33.8
of which non-current	1,138.8	1,102.2

Due to the provision of the amended IAS 19 of immediately offsetting the remeasurements (especially actuarial gains and losses) against equity outside profit and loss in the year in which they arose, the TUI Group's total pension obligations were fully shown in the statement of financial position, netted against existing fund assets, as in prior years.

Where the defined benefit pension obligations are not financed via provisions, they are funded by external funds. This type of funding of pension obligations prevails to a considerable extent in the UK. The provision recognised for funded pension schemes only covers the shortfall between plan assets and the projected benefit obligation of the pension scheme.

Where plan assets exceed funded pension obligations, taking account of a difference due to past service cost, and where at the same time there is an entitlement to reimbursement or reduction of future contribution payments to the fund, the excess is capitalised in conformity with the upper limit defined by IAS 19.

Development of defined benefit obligations

	Present value of obligation	Fair value of plan assets	Total
		€ million	
Balance as at 1 Oct 2013	**2,752.3**	**− 1,616.6**	**1,135.7**
Current service cost	32.0		**32.0**
Past service cost	− 39.9		**− 39.9**
Curtailments and settlements	− 10.3	5.2	**− 5.1**
Interest expense (+) / interest income (−)	82.9	− 54.2	**28.7**
Pensions paid	− 88.2	60.8	**− 27.4**
Contributions paid by employer	—	− 122.2	**− 122.2**
Contributions paid by employees	0.8	− 0.8	**—**
Remeasurements	199.8	− 50.6	**149.2**
due to changes in financial assumptions	149.1		**149.1**
due to changes in demographic assumptions	13.7		**13.7**
due to experience adjustments	37.0		**37.0**
due to return on plan assets not included in group profit for the year	—	− 50.6	**− 50.6**
Exchange differences	90.0	− 72.6	**17.4**
Changes in the group of consolidated companies	0.8	—	**0.8**
Balance as at 30 Jun 2014	**3,020.2**	**− 1,851.0**	**1,169.2**

	Present value of obligation	Fair value of plan assets	Total
		€ million	
Balance as at 1 Oct 2012	**2,900.3**	**− 1,713.8**	**1,186.5**
Current service cost	33.9	—	**33.9**
Past service cost	0.2	—	**0.2**
Curtailments and settlements	− 160.9	131.0	**− 29.9**
Interest expense (+) / interest income (−)	80.5	− 48.8	**31.7**
Pensions paid	− 99.0	83.4	**− 15.6**
Contributions paid by employer	—	− 57.8	**− 57.8**
Contributions paid by employees	1.4	− 1.4	**—**
Remeasurements	− 4.3	− 79.2	**− 83.5**
due to changes in financial assumptions	− 4.3	—	**− 4.3**
due to changes in demographic assumptions	—	—	**—**
due to experience adjustments	—	—	**—**
due to return on plan assets not included in group profit for the year	—	− 79.2	**− 79.2**
Exchange differences	− 144.1	101.7	**− 42.4**
Changes in the group of consolidated companies	19.5	—	**19.5**
Balance as at 30 Jun 2013	**2,627.5**	**− 1,584.9**	**1,042.6**

In the financial year under review, pension obligations rose considerably by €267.9m to €3,020.2m. This was mainly due to the development of the discount rate, which continued to decline both in the Eurozone and in the UK. Mainly due to this decline, total remeasurements of €199.8m occured which were recognised in equity outside profit and loss . Due to foreign exchange effects, pension obligations rose by a further €90.0m. An opposite effect resulted from the optimisation of pension schemes in the Group outlined above.

Due to various effects, also the TUI Group's fund assets rose substantially by €234.4m in the current financial year. The considerable increase was driven by payments made by a UK subsidiary to reduce the existing underfunding, foreign exchange effects and the sound development of the prices of fund assets.

Composition of pension assets at the balance sheet date

	Quoted market price in an active market	30 Jun 2014
	€ million	
Fair value of fund assets at end of period		**1,851.0**
of which equities	yes	653.7
of which bonds	yes	762.2
of which bonds	no	106.4
of which investment funds	yes	89.1
of which property, plant and equipment	no	108.6
of which cash	no	11.3
of which other	no	119.7

As per 30 September 2013 the fair value of plan assets totalled €1,616.6m. This value mainly comprises equity instruments of €651.5m and bonds of €589.7m.

Pension obligations are measured on the basis of actuarial calculations and assumptions. The obligations under defined benefit plans are calculated on the basis of the internationally accepted projected unit credit method, taking account of expected future increases in salaries and pensions.

Actuarial assumptions

	30 Jun 2014		
	Germany	Great Britain	Other countries
	Percentage p.a.		
Discount rate	2.8	4.2	2.3
Projected future salary increases	2.5	2.5	2.4
Projected future pension increases	2.0	3.4	2.3

	30 Jun 2013		
	Germany	Great Britain	Other countries
	Percentage p.a.		
Discount rate	3.5	4.6	3.0
Projected future salary increases	2.5	2.5	2.7
Projected future pension increases	2.2	2.7	2.2

Determination of the interest rate applicable in discounting the provision for pensions is based on an index for corporate bonds adjusted for securities already downgraded and under observation by rating agencies as well as subordinate bonds in order to meet the criterion for first-rate bonds required under IAS 19 (i. e. bonds with a rating of AA and higher). In order to cover a correspondingly broad market, an index based on shorter-terms bonds is used (e.g. iBoxx € Corporates AA 7-10 for the Eurozone). The resulting interest rate structure is extrapolated on the basis of the yield curves for almost risk-free bonds, taking account of an appropriate risk mark-up reflecting the term of the obligation.

Actuarial calculations for companies abroad are based on specific parameters for each country concerned.

Apart from the parameters mentioned above, other essential assumptions relate to life expectancy and the pension trend. In Germany, the life expectancy is taken from the Heubeck Tafeln 2005G. For Great Britain, life expectancy is based on the S1NxA base tables improved by expected future increases based on the CMI 2013. The pension adjustment formulas strongly depend on the pension systems concerned. Apart from fixed rates of increase, various countries also operate different inflation-linked pension adjustment mechanisms. German plans were consistently based on an assumed pension trend of 2.0%, while the rate of increase in Great Britain was 3.4%. The average rate for all other countries was 2.3%.

Changes in the key actuarial assumptions mentioned above would lead to the changes in total pension obligations presented below. The methodology used to calculate the defined benefit obligation is also used to determine sensitivity. The assumptions were altered in isolation, without taking account of any interdependencies existing in reality. Due to the use of the Heubeck Tafeln 2005G, the effect from the increased life expectancy is calculated by lowering the mortality risk. In Great Britain the effect is calculated by increasing the life expectancy derived from the used mortality tables by one year.

Sensitivity of the defined benefit obligation due to changed actuarial assumptions

	30 Jun 2014	
	€ million	
	+ 50 Basis points	− 50 Basis points
Discount rate	− 262.4	+ 300.4
Salary increase	+ 18.3	− 17.0
Pension increase	+ 87.0	− 83.4
	+ 1 Jahr	
Life expectancy	+ 100.2	

The weighted average duration of defined benefit obligations was 18.8 years for the overall Group. In the UK, the weighted average duration was 20.6 years, whilst it only accounted for 15.1 years in Germany.

Fund assets are determined on the basis of the fair values of the assets invested as at 30 June 2014. The interest rate used to discount the defined benefit obligation is also used in order to determine the interest income on external fund assets.

For the forthcoming financial year, the companies of the TUI Group are expected to contribute around €160.9m to the pension funds and pay pensions worth €30.7m in the framework of unfunded plans. The TUI Group is not suffering any outflow of liquid funds from pension payments from funded obligations as all amounts are paid out of the plan assets.

The TUI Group’s defined benefit pension plans entail various risks, some of which may have substantial impacts on the Company.

Investment risk

The investment risk plays a particularly important role, in particular for the large funded schemes in the UK. Although shares usually produce higher returns than bonds, they also cause greater balance sheet volatility and create the risk of short-term underfunding. In order to limit that risk, the trustees are required to build a balanced investment portfolio and limit the concentration of risks.

Interest rate risk

The interest rate influences, in particular, unfunded plans in Germany as a decline in the interest rate leads to an increase in the pension obligation. Conversely, an increase in the interest rate leads to a decrease in the pension obligation. Funded schemes are less strongly affected by this development as the interest-bearing assets included in the plan assets regularly dampen the effects due to the development of their value.

Inflation risk

An increase in the inflation rate regularly causes higher benefit obligations for pension plans linked to employees’ final pay as inflation leads to pay rises which form the basis for assessment. It also causes higher inflation-linked pension increases provided for in the plan. Inflation risk is considered less significant due to the use of the caps and collars. Additionally, the major schemes in Great Britain collectively hold some inflation-linked assets, which provide a partial hedge against higher than expected increases in inflation.

Longevity risk

Increasing life expectancy leads to a longer-than-expected duration of the payments due under the pension obligation. This risk is met by using regularly updated mortality data in calculating the present values of the obligation.

Currency risk

For the TUI Group, the pension plans entail a currency risk as most pension schemes are operated in the UK and are therefore nominated in pounds sterling. The risk is limited as currency effects on the obligation and assets largely offset each other. The only currency risk that remains relates to the existing underfunding.

(32) Other provision

Development of provisions in the financial year 2013/14

	Balance as at 1 Oct 2013	Changes with no effect on profit and loss[1)]	Usage	Reversal	Additions	Balance as at 30 Jun 2014
			€ million			
Personnel costs	91.8	0.3	37.3	1.6	15.5	68.7
Typical operating risks	23.9	—	5.5	6.1	8.7	21.0
Maintenance provisions	437.3	3.4	91.0	6.9	94.1	436.9
Risks from onerous contracts	61.7	2.1	24.2	0.9	1.9	40.6
Guarantee and liability risks	7.1	—	3.3	0.1	1.7	5.4
Provisions for other taxes	60.1	—	0.5	—	9.2	68.8
Provisions for environmental protection	42.0	0.7	1.7	1.0	2.3	42.3
Miscellaneous provisions	300.3	4.8	43.6	17.9	89.9	333.5
Other provisions	**1,024.2**	**11.3**	**207.1**	**34.5**	**223.3**	**1,017.2**

1) reclassifications, transfers, exchange differences and changes in the group of consolidated companies.

Provisions for personnel costs comprise provisions for social plans and jubilee benefits as well as provisions for share-based payment schemes with cash compensation in accordance with IFRS 2. Information on these long-term incentive programmes is presented under Note 42 in the chapter on Share-based payments in accordance with IFRS 2.

Restructuring provisions mainly comprise restructuring projects with the TUI Travel sector at subsidiaries in France and Germany, for which detailed, formal restructuring plans had been agreed and communicated to the parties affected by it. At the balance sheet date, provisions for restructuring measures totalled €41.7m (as at 30 September 2013 €62.8m), which primarily included amounts for termination benefits.

Provisions for external maintenance primarily relate to contractual maintenance, overhaul and repair requirements for aircraft, engines and certain components from aircraft charter contracts. The measurement of these provisions is based on the expected cost of the next maintenance event, estimated on the basis of current prices, expected price increases and manufacturers' data sheets. In line with the arrangements of the individual contracts and the aircraft model, transfers are made on a prorated basis in relation to flight hours, the number of flights or the length of the complete maintenance cycle.

In the current financial year, the provisions for onerous losses declined by €21.1m due to the use of these provisions for the intended purpose.

The provisions for environmental protection measures primarily relate to public-law obligations to remediate sites contaminated with legacy waste from former mining and metallurgical activities. Estimating the future cost of the remediation of sites contaminated with industrial legacy waste entails many uncertainties, which may impact the level of the provisions. The measurement is based on assumptions regarding the future costs on the basis of empirical values, conclusions from environmental expert reports and the legal assessment of the Group as well as the expected duration of the restoration measures. Unwinding these obligations under environmental law takes a long time and constitutes a technically complex process. Accordingly, there are considerable uncertainties concerning the actual timeframe and the specific amount of expenses required so that actual costs may deviate from the provisions carried.

Where the difference between the present value and the settlement value of a provision is material for the measurement of a non-current provision as at the balance sheet date, the provision has to be recognised at its present value in accordance with IAS 37. Transfers to other provisions comprise an interest portion of €5.7m (9M 2012/13 €5.2m), recognised as interest expenses.

Terms to maturity of income tax provisions and other provisions

	30 Jun 2014		30 Sep 2013	
	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
	€ million			
Personnel costs	23.0	68.7	27.8	91.8
Typical operating risks	0.4	21.0	0.4	23.9
Maintenance provisions	323.7	436.9	318.1	437.3
Risks from onerous contracts	23.1	40.6	36.9	61.7
Guarantee and liability risks	2.0	5.4	2.0	7.1
Provisions for other taxes	21.9	68.8	21.5	60.1
provisions for environmental protection	39.5	42.3	36.9	42.0
Miscellaneous provisions	122.7	333.5	131.4	300.3
Other provisions	**556.3**	**1,017.2**	**575.0**	**1,024.2**

(33) Financial liabilities

Financial liabilities

	30 Jun 2014				30 Sep 2013	
	up to 1 year	1-5 years	Remaining term of more than 5 years	Total	Total	Remaining term of more than 1 year
	€ million					
Convertible bonds	497.6	772.3	—	1,269.9	1,333.5	1,333.5
Liabilities to banks	187.8	135.4	63.7	386.9	1,004.3	180.7
Liabilities from finance leases	45.4	152.3	278.6	476.3	335.6	306.4
Financial liabilities due to non-consolidated Group companies	—	—	—	—	6.0	—
Financial liabilities due to affiliates	—	0.2	—	0.2	—	—
Other financial liabilities	88.9	15.2	—	104.1	90.2	13.5
Total	**819.7**	**1,075.4**	**342.3**	**2,237.4**	**2,769.6**	**1,834.1**

The decrease in financial liabilities is mainly attributable to the net presentation of certain bank balances and current liabilities to banks under a cash pool, which were not offset in the prior year and thus shown on a gross basis. This effect, outlined in the chapter on Accounting principles, does not have an impact on the Group's net financial position.

Fair values and carrying amounts of the bonds issued (30 Jun 2014)

	Issuer	Volume initial	Volume outstanding	Interest rate % p.a.	Stock market value: Debt component	Stock market value: Conversion options	Stock market value: Total	Carrying amount
				€ million				
2009/14 convertible bond	TUI AG	217.8	67.2	5,500	68.9	79.7	148.6	65.0
2011/16 convertible bond	TUI AG	339.0	338.9	2,750	348.4	61.0	409.4	313.7
2009/14 convertible bond	TUI Travel	GB 350.0	GB 350.0	6,000	GB 354.6	GB 42.4	GB 397.0	432.6
2010/17 convertible bond	TUI Travel	GB 400.0	GB 400.0	4,900	GB 418.4	GB 63.2	GB 481.6	458.6
Total								**1,269.9**
2005/– hybrid capital	TUI AG	300.0	300.0	3M EURIBOR plus 7,300	312.0	—	312.0	294.6

On 17 November 2009, TUI AG issued a five-year convertible bond worth €217.8m. This bond carries a fixed-interest coupon of 5.5% per annum. It was issued in denominations of €56.30. The conversion price is €5.5645 per no-par value share. The volume outstanding as per 30 June 2014 for this bond totals €67.2m, taking account of conversions into shares.

A second convertible bond was issued on 24 March 2011 by TUI AG with a nominal value of €339.0m. The bond carries a fixed-interest coupon of 2.75% per annum and will mature on 24 March 2016. It was issued in denominations of €59.26. The conversion price is €11.7127 per share.

On 1 October 2009, TUI Travel PLC issued a convertible bond with a nominal value of £350m with a fixed-interest coupon of 6.0% per annum and a conversion price of £3.493 per no-par value share. It will mature in October 2014. The bond was issued in denominations of £100,000.

On 22 April 2010, TUI Travel PLC issued another convertible bond. It has a nominal volume of £400.0m and denominations of £100,000. At a fixed-interest coupon of 4.9% p.a., it will mature in April 2017. The conversion price is £3.8234 per share.

The debt component of the convertible bonds was carried at present value upon issuance, taking account of an interest rate in line with market rates, and is increased by the interest portion for the period at every balance sheet date in accordance with the internationally customary effective interest method.

(34) Trade payables

Trade payables

	30 Jun 2014	30 Sep 2013
	€ million	
To third parties	2,452.4	3,025.6
To non-consolidated Group companies	5.6	4.8
To affiliates	32.0	18.8
Total	**2,490.0**	**3,049.2**

(35) Derivative financial instruments

	30 Jun 2014			30 Sep 2013	
	up to 1 year	1-5 years	Total	Remaining term of more than 1 year	Total
			€ million		
Liabilities from derivative financial instruments to third parties	238.9	18.9	**257.8**	30.7	209.5

Derivative financial instruments are carried at their fair value (market value). They primarily serve to hedge future business operations and are outlined in detail in the Notes to the financial instruments.

(36) Deferred and current tax liabilities

Deferred and current tax liabilities

	30 Jun 2014	30 Sep 2013 restated
	€ million	
Deferred tax liabilities	145.1	109.2
Current tax liabilities	173.5	241.8
Total	**318.6**	**351.0**

During an ongoing tax audit of TUI Travel's Accommodation & Destination Business, the Spanish tax authorities objected in 2010 to the tax treatment of two transactions by the former First Choice Holidays PLC Group, undertaken in the period from 2000 to 2003, in determining Spanish income taxes. In the course of financial year 2012, a formal investigation procedure was initiated in order to examine potential tax offences.

Following the final hearing on 31 March 2014, the investigation procedure was closed. According to the settlement already reached in October 2013, a final payment of €20.6m in interest and fines was paid in March. This lead to a decline in other provisions of €15.3m and other liabilities of €5.3m.

(37) Other liabilities

Other liabilities

	30 Jun 2014			30 Sep 2013	
	up to 1 year	1-5 years	Total	Remaining term of more than 1 year	Total
			€ million		
Other liabilities due to non-consolidated Group companies	5.2	—	**5.2**	1.4	6.1
Other liabilities due to affiliates	27.6	—	27.6	—	33.6
Other miscellaneous liabilities	213.3	46.4	259.7	49.7	273.6
Other liabilities relating to other taxes	63.7	—	63.7	—	33.3
Other liabilities relating to social security	45.5	—	45.5	—	42.3
Other liabilities relating to employees	234.6	11.8	246.4	12.1	258.7
Other liabilities relating to members of the Boards	0.2	—	0.2	—	1.1
Advance payments received	4,100.7	10.6	4,111.3	9.1	2,188.9
Other liabilities	**4,690.8**	**68.8**	**4,759.6**	**72.3**	**2,837.6**
Deferred income	75.8	43.6	119.4	26.1	80.4
Total	**4,766.6**	**112.4**	**4,879.0**	**98.4**	**2,918.0**

(38) Liabilities related to assets held for sale

In the financial year under review, the Group did not carry any liabilities related to assets held for sale, as at 30 September 2013.

(39) Contingent liabilities

Contingent liabilities

	30 Jun 2014	30 Sep 2013
	€ million	
Liabilities under guarantees, bill and cheque guarantees due to non-consolidated Group companies	0.4	0.4
Other liabilities under guarantee, bill and cheque guarantees	347.8	382.6
Other liabilities under warranties	0.4	1.2
Total	**348.6**	**384.2**

Contingent liabilities are carried at an amount representing the best estimate of the expenditure that would be required to meet the present obligation as at the balance sheet date.

Liabilities under warranties are all contractual liabilities to third parties not to be classified as guarantees and going beyond the typical scope of the business and the industry.

Contingent liabilities as at 30 June 2014 are above all attributable to the granting of guarantees for the benefit of Hapag-Lloyd AG and TUI Cruises GmbH from the payment of collateralised ship financing schemes. Due to the cancellation of guarantees and ongoing redemptions, contingent liabilities declined as against 30 September 2013.

In the course of financial year 2011/12, the German tax administration issued a decree on the interpretation of the trade tax rate, changed with effect from financial year 2008. This decree, only binding on the tax administration, may be interpreted as indicating that expenses of German tour operators for the purchase of hotel beds are not fully deductible in determining the basis for the assessment of trade tax. In 2013 the tax administration clarified its view, informing TUI of its opinion that the rules of the decree are applicable to tourism activities of tour operators in Germany. TUI does not share that view, in particular as hotel purchasing contracts are mixed contracts also covering catering, cleaning, animation and other services characterising the purchased service.

The probability of fiscal court proceedings in Germany, which might take several years, has therefore risen.

As the Group has concluded many different contracts to purchase the same service, quantifying this risk in the event the tax administration enforces its view entails a strong element of uncertainty. As a result, there is a broad range of potential outcomes. Should TUI enforce its own legal interpretation, there is no risk.

Should TUI fail to do so, the risk might account for around €107m (as at 30 September 2013 around €96m) for the overall period since 2008.

(40) Litigation

Neither TUI AG nor any of its subsidiaries are or have been involved in pending or foreseeable court or arbitration proceedings which might have a significant impact on their economic position as at June 30, 2014. This also applies to actions claiming warranty, repayment or any other compensation brought forward in connection with the divestment of subsidiaries and businesses over the past few years.

In 1999, the operator of the container terminal in Zeebrugge in Belgium filed an action before a court in Bruges for damages against CP Ships Ltd.—still part of TUI AG—and several of its subsidiaries due to an alleged breach of agreement in connection with the change of the Belgian port of call from Zeebrugge to Antwerp. Following the date of oral proceedings in September 2013, the court passed down a ruling in October 2013, allowing the substance of the action, and dismissed the action against all other defendants (including CP Ships Ltd.). Both parties have filed an appeal against this ruling so that the action is now only pending against the two subsidiaries of CP Ships Ltd. and CP Ships Ltd. itself. Moreover, the CP Ships companies would have rights of recourse against solvent third parties in the event of a final judgment upholding the action.

As in previous years, the respective Group company formed adequate provisions, partly covered by expected insurance benefits, to cover all potential financial charges from court or arbitration proceedings. Overall, the future financial position is therefore unlikely to be substantially affected by such charges.

(41) Other financial commitments

Nominal values of other financial commitments

	30 Jun 2014				30 Sep 2013	
	up to 1 year	1-5 years	Remaining term of more than 5 years	Total	Remaining term of more than 1 year	Total
	€ million					
Order commitments in respect of capital expenditure	642.1	1,479.6	905.6	3,027.3	2,692.9	3,234.4
Other financial commitments	73.4	94.6	—	168.0	61.8	176.5
Total	**715.5**	**1,574.2**	**905.6**	**3,195.3**	**2,754.7**	**3,410.9**
Fair value	**696.3**	**1,458.6**	**729.2**	**2,884.1**	**2,290.8**	**2,924.8**

The fair value of other financial commitments was determined by means of discounting future expenses using a customary market interest rate of 2.75% per annum (as at 30 September 2013 3.5% p.a.). If the previous year's interest rate of 3.5% p.a. had been applied, the fair value would have been €75.6m lower.

As at 30 June 2014, order commitments in respect of capital expenditure relating almost exclusively to Tourism declined by €207.1m as against 30 September 2013. This was due to various factors including the commissioning of new aircraft and aircraft equipment in the framework of TUI Travel's modernisation strategy as well as current down payments.

Financial commitments from operating lease, rental and other charter contracts

	30 Jun 2014					30 Sep 2013	
	Up to 1 year	1-5 years	5-10 years	Remaining term of more than 10 years	Total	Remaining term of more than 1 year	Total
				€ million			
Aircraft	336.6	966.3	467.4	59.5	1,829.8	1,369.9	1,722.2
Hotel complexes	248.5	545.6	112.9	7.9	914.9	518.0	735.6
Travel agencies	77.3	156.1	51.0	9.9	294.3	231.0	307.3
Administrative buildings	59.0	143.2	100.2	70.0	372.4	277.5	330.4
Yachts and motor boats	108.3	266.1	135.2	22.1	531.7	324.4	440.8
Other	29.8	32.5	4.1	21.4	87.8	67.1	104.5
Total	**859.5**	**2,109.8**	**870.8**	**190.8**	**4,030.9**	**2,787.9**	**3,640.8**
Fair value	**836.5**	**1,944.9**	**701.0**	**145.4**	**3,627.8**	**2,357.7**	**3,181.7**

The fair value of other financial commitments from rental, lease and charter contracts was determined by means of discounting future expenses using a customary market interest rate of 2.75% per annum (as at 30 September 2013 3.50% p.a.). If the previous year's interest rate of 3.50% p.a. had been applied, the fair value would have been €97.9m lower.

The commitments from lease, rental and leasing agreements exclusively relate to leases that do not transfer all the risks and rewards of ownership of the assets to the companies of the TUI Group in accordance with IASB rules (operating leases).

As a rule, operating leases for aircraft do not include a purchase option. Current lease payments usually do not include any maintenance costs. The basic lease term is usually around 5 years.

The increase in liabilities as against 30 September 2013 results above all from the commissioning of several aircraft and contract extensions for hotels and cruise ships in the TUI Travel sector.

(42) Share-based payments in accordance with IFRS 2

Multi-annual bonus payment

The long-term incentive programme for Board members is based on phantom shares and has a general term of four years. Each of the Board members have their individual target amount fixed in their service contract; it is translated annually into phantom shares on the basis of the average price of TUI AG shares. The average share price is determined on the basis of the twenty days prior to the beginning of any financial year. The entitlement under the long-term incentive programme arises upon completion of the four-year service period, following the completion of financial year 2012/13 for the first time.

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

Upon completion of the condition mentioned above and expiry of the service period, the awards are automatically exercised. If the conditions are not met, the awards are forfeited. For individual plan participants, the lock-up period will be restricted to the period until the end of the service relationship if they leave the Company.

The fair value of the phantom stocks granted in the current financial year is carried as remuneration for the current financial year based on a degree of target achievement of 100%.

Stock option plan

Bonuses are granted to executive staff of the Group who are entitled to receiving a bonus; the bonuses are also translated into phantom shares in TUI AG on the basis of an average share price. For Executive Board members, the stock option plan was terminated upon the introduction of the multi-annual bonus. However, active and former Executive Board members still have entitlements under that bonus model.

The phantom shares are calculated on the basis of Group earnings before taxes and amortisation of goodwill (EBTA). The translation into phantom stocks is based on the average stock price of the TUI share on the 20 trading days following the Supervisory Board meeting at which the annual financial statements are approved. The number of phantom stocks granted in a financial year is therefore only determined in the subsequent year. Following a lock-up period of two years, the individual beneficiaries are free to exercise their right to cash payment from this bonus within predetermined timeframes. This lock-up period is not applicable if a beneficiary leaves the Company. The payment level depends on the average stock price of the TUI share over a period of 20 trading days after the exercise date. There are no absolute or relative return or stock price targets. A cap has been agreed for exceptional, unforeseen developments. Since the strike price is €0 and the incentive programme does not entail a vesting period, the fair value corresponds to the intrinsic value and hence the market price at the balance sheet date. Accordingly, the fair value of the obligation is determined by multiplying the number of phantom shares with the stock price at the respective closing date.

Phantom shares developed as follows for the two bonus schemes:

Development of phantom shares

	Number of shares	Present value € million
Balance as at 1 Oct 2012	**1,476,111**	**9.2**
Phantom shares granted	209,710	1.6
Phantom shares exercised	200,258	1.5
Measurement results	—	4.0
Balance as at 30 Jun 2013	**1,485,563**	**13.3**
Balance as at 1 Oct 2013	**1,724,055**	**15.1**
Phantom shares granted	150,020	1.8
Phantom shares exercised	891,695	8.7
Measurement results	—	2.6
Balance as at 30 Jun 2014	**982,380**	**10.8**

The multi-annual bonus and the stock option plan are recognised as compensation with cash compensation. Provisions regarding entitlements under these long-term incentive programmes as at 30 June 2014 totalled €12.1m, with no liabilities (30 September 2013 €14.6m and €2.0m, respectively).

As at 30 June 2014, personnel costs due to share-based payment schemes with cash compensation of €3.8m (as at 30 September 2013 €3.1m) were recognised through profit and loss.

Employee shares

TUI AG offers shares at favourable preferential terms for acquisition by eligible employees or former staff members (pensioners) in Germany and some European countries. The purchase entails a lock-up period of two years. In financial year 2013/14, a total of 99,800 employee shares subscribed to in the prior year were issued.

Share-based payment schemes in subsidiaries of TUI AG

The TUI Travel Sector operates three principal share-based payment schemes linking executive remuneration to the future performance of the Sector: a Performance Share Plan (PSP), a Deferred Annual Bonus Scheme (DABS) and a Deferred Annual Bonus Long-Term Incentive Scheme (DABLIS). These payment schemes are offered to participants free of charge and entail both lock-up periods and performance conditions.

As a matter of principle, the share options of all payment schemes will only vest if the average annual return on invested capital (ROIC) is at least equal to average weighted average cost of capital (WACC) over a period of three years. If this condition is fulfilled, the number of vesting options is determined as a function of the fulfilment of the following performance conditions:

Performance Share Plan (PSP)

In the framework of the Performance Share Plan (PSP), the Remuneration Committee of the Board of TUI Travel PLC can grant share awards of up to a maximum of four times the participant's basic remuneration. Up to 50% of these awards granted to the Executive Board will vest based on the development of earnings per share (EPS) versus the UK Retail Price Index. Up to 25% of the awards (prior to 1 October 2011 up to 50%) will vest based on the Company's total shareholder return (TSR) performance relative to the return of other capital market-oriented travel and tourism companies. Moreover, up to 25% of the share awards will vest if the average return on invested capital (ROIC) reaches certain defined targets.

Deferred Annual Bonus Scheme (DABS)

In the framework of the Deferred Annual Bonus Scheme (DABS), half the annual variable compensation of the Executive Board members is deferred into share-based awards. Matching awards may be offered as additional bonuses by the Remuneration Committee of the Board of TUI Travel PLC. The maximum number of additional shares is four times the share awards converted from the annual bonus. The awards granted under this scheme vest upon completion of a three-year period at the earliest.

Up to 50% of the granted awards (prior to 1 October 2011 up to 75%) will vest based on growth in earnings per share (EPS) relative to the UK Retail Price Index (RPI). 25% of the awards will vest based on total shareholder return (TSR) performance relative to the TSR performance of other capital market-oriented travel and tourism companies. More-over, up to 25% of the awards will vest if the average return on invested capital (ROIC) meets certain predefined targets.

Deferred Annual Bonus long-term Incentive Scheme (DABLIS)

The Deferred Annual Bonus Long-Term Incentive Scheme (DABLIS) is for executive staff (except for the Executive Board) and requires a deferral of 25% of any annual variable compensation into share awards. Matching shares may also be awarded by the Remuneration Committee of the Board of TUI Travel PLC. The maximum number of additional shares is four times the share awards converted from the annual bonus. The earliest exercise date for the share awards granted in this way is at the end of a three-year period.

Up to 50% of the awards will vest based on achievement of certain EBITA targets. Up to 25% of awards will vest each based on the earnings per share (EPS) performance relative to the UK Retail Price Index and the Total Shareholder Return (TSR) performance in relation to the TSR performance of other capital market-oriented travel and tourism companies.

The vesting schedule awards in TUI Travel PLC was as follows as at 30 June 2014:

Share award schemes and ordinary shares outstanding

	30 Jun 2014 Number of shares	30 Sep 2013 Number of shares	Date due to vest/date vested
Performance Share Plan (PSP)	—	1,851,300	6 Dec 2013
	3,042,857	3,042,857	7 Dec 2014
	193,242	193,242	1 Jun 2015
	1,851,734	1,851,734	6 Dec 2015
	1,281,570	—	6 Dec 2016
Deferred Annual Bonus Scheme (DABS)	—	3,535,905	6 Dec 2013
	5,200,660	5,200,660	7 Dec 2014
	3,604,844	3,604,844	6 Dec 2015
	2,448,328	—	6 Dec 2016
Deferred Annual Bonus Long Term Incentive Scheme (DABLIS)	—	2,032,726	6 Dec 2013
	3,608,273	3,601,638	7 Dec 2014
	2,179,340	2,211,179	6 Dec 2015
	1,951,360	—	6 Dec 2016
Total	**25,362,208**	**27,126,085**	

The development of awards granted is as follows:

Development of the number of share options

	Number
Outstanding at beginning of the financial year	27,126,085
Forfeited during the year	− 163,018
Exercised during the financial year	− 7,295,337
Granted during the financial year	5,694,478
Balance as at 30 Jun 2014	**25,362,208**

On top of the shares mentioned above, the deferral of variable compensation into share awards means that 2,813,458 shares (30 September 2013 3,118,873 shares) are still outstanding under DABS and 4,505,495 shares (30 September 2013 4,465,568) still outstanding under DABLIS. The awards will vest between 6 December 2014 and 6 December 2016.

The fair value of services received in return for shares awarded during the year was measured by reference to the fair value of the equity instruments awarded. The fair value at the date the share awards were granted is usually determined using a binominal methodology, except where there is a market-based performance condition attached to the vesting of stock option plans. In that case a Monte Carlo simulation is used.

Information relating to fair values of shares awarded

		30 June 2014	30 September 2013
Fair values at measurement date	£	1.65 – 3.28	1.45 – 2.45
Share price	£	3.77	2.84
Expected volatility	%	30.6	35.5
Award life		3 years	3 years
Expected dividends	%	4.67	4.94
Risk free interest rate	%	0.8	0.42

Beneficiaries are not entitled to dividends prior to vesting. Expected volatility is based on historic volatility adjusted for changes to future volatility indicated by publicly available information.

By 30 June of the current financial year, personnel costs of €18.0m (previous year reference period €13.4m) relating to share-based payment schemes involving compensation by equity instruments were carried through profit and loss.

Certain beneficiaries (except for the Executive Board members) may also decide to have their awards settled in cash. Calculation of the cash settlement is based on the same criteria as those used for settlement by equity instruments. By 30 June of the current financial year, this gave rise to personnel costs of 2.1m (previous year reference period 0.3m).

(43) Financial instruments

Risks and risk management

Risk management principles

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

In accordance with the Group’s financial goal, financial risks have to be limited. In order to achieve that goal, policies and rules applicable throughout the Group have been defined, fixing binding decision bases, competencies and responsibilities for all financial transactions.

In the framework of the merger of TUI’s tourism activities with First Choice to form TUI Travel PLC, responsibilities were divided up differently for central cash management, which was previously managed by TUI AG alone, and central financial risk management. TUI Travel PLC performs these tasks for the Group’s TUI Travel Sector, while TUI AG continues to be responsible for these functions for all other business operations of the Group.

The individual financing units, rules, competencies and workflows as well as limits for transactions and risk positions have been defined in policies. The trading, settlement and controlling functions have been segregated in functional and organisational terms. Compliance with the policies and limits is continually monitored. All hedges by the Group are consistently based on correspondingly recognised or future underlying transactions. Recognised standard software is used for assessing, monitoring and reporting as well as documenting and reviewing the efficiency of the hedging relationships for the hedges entered into. The processes, the methods applied and the organisation of risk management are reviewed for compliance with the relevant regulations on at least an annual basis by the internal audit departments and external auditors.

Within the TUI Group, financial risks primarily arise from payment flows in foreign currencies, fuel requirements (aircraft fuel and bunker oil) and financing via the money and capital markets. In order to limit the risks from changes in exchange rates, market prices and interest rates for underlying transactions, TUI uses derivative over-the-counter financial instruments. These are primarily fixed-price transactions. In addition, TUI also uses options and structured products. Use of derivative financial instruments is confined to internally fixed limits and other regulations. The instruments used always have to be controllable with the respective entity's own (HR, organisational and systems) resources. The transactions are concluded on an arm's length basis with contracting counterparties operating in the financial sector whose counterparty risk is regularly monitored. Foreign exchange translation risks from the consolidation of Group companies not preparing their accounts in euros are not hedged.

Accounting and measurement of financial instruments is in line with IAS 39.

Market risk

Market risks result in fluctuations in earnings, equity and cash flows. In order to limit or eliminate these risks, the TUI Group has developed various hedging strategies, including the use of derivative financial instruments.

According to IFRS 7, market risks have to be presented using sensitivity analyses showing the effects of hypothetical changes in relevant risk variables on profit or loss and equity. The effects for the period are determined by relating the hypothetical changes in risk variables to the portfolio of primary and derivative financial instruments as at the reporting date. Care is taken to ensure that the respective portfolio as at the reporting date is representative for the financial year.

The analyses of the TUI Group's risk reduction activities outlined below and the amounts determined using sensitivity analyses represent hypothetical and thus uncertain disclosures entailing risks. Due to unforeseeable developments in the global financial markets, actual results may deviate substantially from the disclosures provided. The risk analysis methods used must not be considered a projection of future events or losses, since the TUI Group is also exposed to risks of a non-financial or non-quantifiable nature. These risks primarily include country, business and legal risks not covered by the following presentation of risks.

Currency risk

The business operations of the TUI Group's companies generate payments denominated in foreign currencies, which are not always matched by congruent payments with equivalent terms in the same currency. Using potential netting effects (netting of payments made and received in the same currency with identical or similar terms), the TUI Group enters into appropriate hedges with external counterparties in order to protect the profit margin from the currency risk.

Within the TUI Group, risks from exchange rate fluctuations of more than 20 currencies are hedged, with the largest hedging volumes relating to US dollars, euros and pounds sterling. The Eurozone limits the currency risk from transactions in the key tourist destinations to Group companies whose functional currency is not the euro. The Tourism Segment is mainly affected by changes in the value of the US dollar and euro, the latter predominantly affecting the TUI tour operators in the UK and the Nordic countries. In the operating business in tourism, payments in US dollars primarily relate to the procurement of services in non-European destinations, purchases of aircraft fuel and ship bunker and aircraft purchases or respective charter rates.

The companies of the TUI Travel Sector use financial derivatives to hedge their planned currency requirements. The goal is hedge between 80% and 100% of the planned currency requirements at the beginning of the respective tourism season concerned, depending on the risk profile of the companies concerned operating in the individual source markets. The hedged currency volumes are changed in line with changes in the planned requirements on the basis of reporting by the subsidiaries. Currency hedging in the TUI Hotels & Resorts and Cruises Sectors is also based on the reports submitted by the companies. The target hedge cover is for 80% of the reported exposure.

Currency risks within the meaning of IFRS 7 arise from primary and derivative monetary financial instruments issued in a currency other than the functional currency of a company. Exchange 84 rate-related differences from the translation of financial statements into the Group's currency are not taken into account. Taking account of the different functional currencies within the TUI Group, the sensitivity analyses of the currencies identified as relevant risk variables are presented below. A 10% strengthening or weakening of the respective functional currencies, primarily euro and sterling, against the other currencies would create the following effects on the revaluation reserve and earnings after tax:

Sensitivity analysis—currency risk

	30 Jun 2014		30 Sep 2013	
	€ million			
Variable: Foreign exchange rate	+ 10%	− 10%	+ 10%	− 10%
Exchange rates of key currencies				
€/US dollar				
Revaluation reserve	− 105.5	+ 105.7	− 87.7	+ 86.8
Earnings after income taxes	− 1.2	+ 1.5	− 5.2	+ 5.4
€/Pound sterling				
Revaluation reserve	− 116.7	+ 116.7	− 91.7	+ 91.7
Earnings after income taxes	− 90.6	+ 90.3	− 35.3	+ 35.3
Pound sterling/US dollar				
Revaluation reserve	− 93.1	+ 93.1	− 71.7	+ 71.7
Earnings after income taxes	− 1.5	+ 1.5	− 14.8	+ 14.8
€/Swiss franc				
Revaluation reserve	+ 5.1	− 5.6	− 3.0	+ 3.0
Earnings after income taxes	+ 0.1	− 0.1	− 0.2	+ 0.2
€/Swedish krona				
Revaluation reserve	+ 16.7	− 16.7	+ 25.2	− 25.2
Earnings after income taxes	—	—	− 5.0	+ 5.0

Interest rate risk

The TUI Group is exposed to interest rate risks from floating-rate primary and derivative financial instruments. Where interest-driven cash flows of floating-rate primary financial instruments are converted into fixed cash flows due to derivative hedges, they are not exposed to an interest rate risk. No interest rate risk exists for fixed-interest financial instruments carried at amortised cost.

Changes in market interest rates mainly impact floating-rate primary financial instruments and derivative financial instruments entered into in order to reduce payment fluctuations driven by interest rates.

The table below presents the equity and earnings effects of an assumed increase or decrease in the market interest rate by 100 base points as at the reporting date:

Sensitivity analysis—interest rate risk

	30 Jun 2014		30 Sep 2013	
	€ million			
Variable: Interest rate level for floating interest-bearing debt and fixed-interest bearing loans	+ 100 basis points	− 100 basis points	+ 100 basis points	− 100 basis points
Revaluation reserve	+ 1.0	− 0.4	+ 1.0	− 0.7
Earnings after income taxes	− 4.9	+ 4.4	− 4.4	+ 3.4

Fuel price risk

Due to the nature of its business operations, the TUI Group is exposed to market price risks from the procurement of fuels, both for the aircraft fleet and the cruise ships.

The tourism companies use financial derivatives to hedge their exposure to market price risks for the planned purchase of fuel. When calculating the exposure at the beginning of the tourism season concerned, the goal is to hedge at least 80% of the relevant exposure. The different risk profiles of the Group companies operating in different source markets are taken into account, including possibilities of levying fuel surcharges. The hedging volumes are adjusted to changes in planned consumption on the basis of the reports from the Group companies.

A 10% increase or decrease in the raw material prices underlying the fuel price hedges as at the reporting date would have the following impact on equity and earnings, shown in the table below.

Sensitivity analysis—fuel price risk

	30 Jun 2014		30 Sep 2013	
	€ million			
Variable: Fuel prices for aircraft and ships	+ 10%	− 10%	+ 10%	− 10%
Revaluation reserve	+ 80.5	− 80.6	+ 77.5	− 79.1
Earnings after income taxes	− 0.1	+ 0.1	+ 0.1	+ 0.2

Other price risks

Apart from the financial risks that may result from changes in exchange rates, raw material prices and interest rates, the TUI Group is exposed to other price risks due to one-off items.

In financial year 2009/10, TUI Travel PLC issued, inter alia, a convertible bond worth £400.0m; the TUI Group entered into a buyback obligation for a partial amount of £200.0m. It is treated separately in the form of a forward transaction and included in a hedge in the framework of hedge accounting. The table below shows the impact of a 10% increase or decrease in the bond price on the revaluation reserve and earnings after tax.

The table also presents the impact of an assumed change in the underlying price of +/− 10% on the equity investment in AirBerlin.

Sensitivity analysis—other price risks

	30 Jun 2014		30 Sep 2013	
	€ million			
Variable: Other market values, cash flows	+ 10%	− 10%	+ 10%	− 10%
Revaluation reserve	+ 15.2	− 15.2	+ 14.3	− 14.3
Earnings after income taxes	—	—	—	—
Equity—Available for sale financial instruments	+ 0.5	− 0.5	+ 0.6	− 0.6

For the sensitivity analysis of the indirect shareholding in National Air Traffic Services (NATS) we refer to the comments on the development of the value of Level 3 financial instruments.

Credit risk

The credit risk in non-derivative financial instruments results from the risk of counterparties defaulting on their contractual payment obligations.

Maximum credit risk exposure corresponds in particular to the total of the recognised carrying amounts of the financial assets (including derivative financial instruments with positive market values). Credit risks also relate to the granting of financial guarantees for the discharge of liabilities. Details concerning the guarantees at the balance sheet date are presented in Note 39. Legally enforceable possibilities of netting financial assets and liabilities are taken into account. Credit risks are reviewed closely on conclusion of the contract and continually monitored thereafter so as to be able to swiftly respond to potential impairments in a counterparty's solvency. Responsibility for handling the credit risk is always held by the respective companies of the TUI Group.

Since the TUI Group operates in many different business areas and regions, significant credit risk concentrations of receivables from and loans to specific debtors or groups of debtors are not to be expected. A significant concentration of credit risks related to specific countries is not to be expected either. The maximum credit risk is reduced by collateral held and other credit enhancements of 0.0m (previous year €1.1m). Collateral held relates exclusively to financial assets of the category trade accounts receivable and other receivables. The collateral mainly constitutes collateral for financial receivables granted and maturing in more than one year and/or with a volume of more than €1m. Rights in rem, directly enforceable guarantees, bank guarantees and comfort letters are used as collateral.

Identifiable credit risks of individual receivables are covered by means of corresponding bad debt allowances. In addition, portfolios are impaired based on empirical values. An analysis of the aging structure of the category trade receivables and other assets is presented in Note 20.

At the reporting date, there were no financial assets that would be overdue or impaired unless the terms and conditions of the contract had been renegotiated, neither in financial year 2013/14 nor in 2012/13.

Credit management also covers the TUI Group's derivative financial instruments. The maximum credit risk for derivative financial instruments entered into is limited to the total of all positive market values of these instruments since in the event of counterparty default asset losses would only be incurred up to that amount. Since derivative financial instruments are concluded with different debtors, credit risk exposure is reduced. Nevertheless, the counterparty risk is continually monitored and controlled using internal bank limits.

Liquidity risk

Liquidity risks consist of potential financial shortages and resulting increases in refinancing costs. For this reason, the key objectives of TUI's internal liquidity management system are to secure the Group's liquidity at all times and consistently comply with contractual payment obligations. In accordance with IFRS 7.14, assets of €2.4m (previous year €41.0m) were deposited as collateral for liabilities. The participating Group companies are also jointly and severally liable for financial liabilities from a cash pooling agreement.

The tables provided below list the contractually agreed (undiscounted) cash flows of all primary financial liabilities and derivative financial instruments as at the reporting date. Planned payments for future new liabilities were not taken into account. Where financial liabilities have a floating interest rate, the forward interest rates fixed at the reporting rate were used to determine future interest payments. Financial liabilities cancellable at any time are allocated to the earliest maturity band.

Cash flow of financial instruments—financial liabilities (30 Jun 2014)

	Cash outflow until 30 Jun							
	up to 1 Year		1 – 2 years		2 – 5 years		more than 5 years	
	repayment	interest	repayment	interest	repayment	interest	repayment	interest
	€ million							
Financial liabilities								
Bonds	− 500.3	− 42.2	− 338.9	− 33.8	− 462.3	− 24.5	—	—
Liabilities to banks	− 187.8	− 4.0	− 35.9	− 0.2	− 99.5	− 0.6	− 63.7	− 0.5
Liabilities from finance leases	− 45.4	− 0.3	− 36.4	− 0.3	− 115.9	− 0.5	− 278.6	− 6.7
Financial liabilities due to affiliates	—	—	—	—	− 0.2	—	—	—
Other financial liabilities	− 88.9	—	− 15.2	—	—	—	—	—
Trade payables	− 2,490.0	—	—	—	—	—	—	—
Other liabilities	− 237.2	− 11.5	− 11.5	—	− 13.0	—	—	—

Cash flow of financial instruments—financial liabilities (30 Sep 2013)

	Cash outflow until 30 Jun							
	up to 1 Year		1 – 2 years		2 – 5 years		more than 5 years	
	repayment	interest	repayment	interest	repayment	interest	repayment	interest
	€ million							
Financial liabilities								
Bonds	—	− 69.8	− 577.1	− 63.8	− 817.4	− 51.6	—	—
Liabilities to banks	− 828.5	− 16.9	− 32.0	− 1.9	− 73.2	− 4.2	− 70.7	− 5.1
Liabilities from finance leases	− 29.2	− 0.1	− 35.5	—	− 96.4	—	− 174.5	—
Other financial liabilities	− 102.4	− 25.6	—	—	—	—	—	—
Trade payables	− 3,049.2	—	—	—	—	—	—	—
Other liabilities	− 218.9	—	− 6.3	—	− 12.1	− 1.4	− 11.8	—

Cash flow of derivative financial instruments (30 Jun 2014)

	Cash in-/outflow until 30 Jun			
	up to 1 year	1 – 2 years	2 – 5 years	more than 5 years
	€ million			
Derivative financial instruments				
Hedging transactions – inflows	+ 5,740.9	+ 1,221.7	+ 37.9	—
Hedging transactions – outflows	− 5,892.8	− 1,232.7	− 37.3	—
Other derivative financial instruments – inflows	+ 3,292.7	+ 11.0	+ 0.1	—
Other derivative financial instruments – outflows	− 3,338.7	− 9.6	− 0.9	—

Cash flow of derivative financial instruments (30 Sep 2013)

	Cash in-/outflow until 30 Sep			
	up to 1 year	1 – 2 years	2 – 5 years	more than 5 years
	€ million			
Derivative financial instruments				
Hedging transactions – inflows	+ 6,172.5	+ 1,102.4	+ 29.1	—
Hedging transactions – outflows	− 6,275.8	− 1,128.9	− 29.7	—
Other derivative financial instruments – inflows	+ 3,363.2	+ 206.4	—	—
Other derivative financial instruments – outflows	− 3,407.7	− 209.4	− 0.2	—

Derivative financial instruments and hedges

Strategy and goals

In accordance with the TUI Group's implementing regulations, derivatives are allowed to be used if they are based on underlying recognised assets or liabilities, firm commitments or forecasted transactions. Hedge accounting is based on the rules of IAS 39, in particular in the framework of hedging planned transactions. In the period under review, hedges exclusively consist of cash flow hedges.

Derivative financial instruments in the form of fixed-price transactions and options or structured instruments are used to limit currency, interest rate and fuel risks.

Cash flow hedges

As at 30 June 2014, underlying transactions existed to hedge cash flows in foreign currencies with maturities of up to three years (previous year up to three years). The planned underlying transactions of fuel price hedges had terms of up to four years (previous year up to three years). In order to hedge TUI AG's floating-rate interest payment obligations in connection with the funding to purchase part of a convertible bond issued by TUI Travel PLC, interest hedges with a term of up to two years (previous year up to three years) were concluded in financial years 2010/11 and 2012/13.

In accounting for derivatives of cash flow hedges, the effective portion of the cumulative changes in market values is carried in the revaluation reserve outside profit and loss until the underlying transaction occurs. It is carried in the income statement through profit and loss when the hedged item is executed. In the period under review, expenses of €8.8m (previous year expenses of €11.0m) for currency hedges and derivative financial instruments to hedge against exposure to price risks as well as for interest hedges was carried in the cost of sales. Income of €0.9m (previous year expenses of €2.4m) were carried for the ineffective portion of the cash flow hedges.

Nominal amounts of derivative financial instruments used

	30 Jun 2014			30 Sep 2013	
	up to 1 year	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
			€ million		
Interest rate hedges					
Caps	62.4	223.3	285.7	222.0	281.8
Swaps	87.4	88.0	175.4	90.9	150.7
Currency hedges					
Forwards	8,550.9	1,285.1	9,836.0	1,060.2	10,447.4
Options	3.7	—	3.7	—	39.2
Collected forwards	238.5	—	238.5	110.9	290.0
Commodity hedges					
Swaps	1,001.9	298.1	1,300.0	212.5	1,223.7
Options	6.9	—	6.9	—	31.1
Other financial instruments	**—**	**187.1**	**187.1**	**179.4**	**179.4**

The nominal amounts correspond to the total of all purchase or sale amounts or the contract values of the transactions.

Fair values of derivative financial instruments

The fair values of derivative financial instruments correspond to the market values. The market price determined for all derivative financial instruments is the price at which a contracting party would take over the rights and/or obligations of the respective counterparty. The fair value of over-the-counter derivatives is determined by means of appropriate calculation methods, e.g. by discounting the expected future cash flows. The forward prices of forward transactions are based on the spot or cash prices, taking account of forward premiums and discounts. The calculation of the fair values of options concluded for currency options is based on the Black & Scholes model and the Turnbull & Wakeman model for optional fuel hedges. The fair values determined on the basis of the Group's own systems are regularly compared with fair value confirmations of the external counterparties.

Positive and negative fair values of derivative financial instruments shown as receivables or liabilities

	30 Jun 2014		30 Sep 2013	
	Receivables	Liabilities	Receivables	Liabilities
		€ million		
Cash flow hedges for				
currency risks	45.6	207.2	40.4	147.4
other market price risks	68.3	1.8	43.3	28.4
interest rate risks	0.1	0.2	0.1	0.6
Hedging	**114.0**	**209.2**	**83.8**	**176.4**
Other derivative financial instruments	**21.9**	**48.6**	**3.2**	**33.1**
Total	**135.9**	**257.8**	**87.0**	**209.5**

Financial instruments which are entered into in order to hedge a risk position according to operational criteria but do not meet the strict criteria of IAS 39 to qualify as hedges are shown as other derivative financial instruments. They include in particular foreign currency transactions entered into in order to hedge against exchange rate-induced exposure to changes in the value of balance sheet items and foreign exchange fluctuations from future expenses in tourism.

Financial instruments—Additional disclosures

Carrying amounts and fair values

Where financial instruments are listed in an active market, e.g. above all shares held and bonds issued, the fair value or market value is the respective quotation in this market at the reporting date. For over-the-counter bonds, liabilities to banks, promissory notes and other non-current financial liabilities, the fair value is determined as the present value of future cash flows, taking account of yield curves and the respective credit spread, which depends on the credit rating.

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

The fair values of non-current trade receivables and other assets correspond to the present values of the cash flows associated with the assets, taking account of current interest parameters which reflect market- and counterparty-related changes in terms and expectations. There are no financial investments held to maturity.

Carrying amounts and fair values according to classes and measurement categories as at 30 Jun 2014

	Category under IAS 39							
	Carrying amount	At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss	Values according to IAS 17 (leases)	Carrying amount of financial instruments	Fair value of financial instruments
					€ million			
Assets								
Available for sale financial assets	71.2	—	53.4	17.8	—		71.2	71.2
Trade receivables and other assets	2,837.6	1,194.7	—	—	—		1,194.7	1,194.7
Derivative financial instruments					—			
Hedging	114.0	—	—	114.0	—	—	114.0	114.0
Other derivative financial instruments	21.9	—	—	—	21.9	—	21.9	21.9
Cash and cash equivalents	1,939.3	1,939.3	—	—	—	—	1,939.3	1,939.3
Liabilities								
Financial liabilities	2,237.4	1,761.1	—	—	—	476.3	2,237.4	2,621.6
Trade payables	2,490.0	2,489.9	—	—	—	—	2,489.9	2,489.9
Derivative financial instruments								
Hedging	209.2	—	—	209.2	—	—	209.2	209.2
Other derivative financial instruments	48.6	—	—	—	48.6	—	48.6	48.6
Other liabilities	4,879.0	174.8	—	—	54.6	—	229.4	229.4

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

	Category under IAS 39							
	Carrying amount	At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss	Values according to IAS 17 (leases)	Carrying amount of financial instruments	Fair value of financial instruments
					€ million			
Assets								
Available for sale financial assets	71.5	—	54.1	17.4	—	—	71.5	71.5
Trade receivables and other assets	2,219.6	1,090.2	—	—	40.6	—	1,130.8	1,130.8
Derivative financial instruments								
Hedging	83.8	—	—	83.8	—	—	83.8	83.8
Other derivative financial instruments	3.2	—	—	—	3.2	—	3.2	3.2
Cash and cash equivalents	2,701.7	2,701.7	—	—	—	—	2,701.7	2,701.7
Liabilities								
Financial liabilities	2,769.6	2,434.1	—	—	—	335.5	2,769.6	3,239.6
Trade payables	3,049.2	3,049.2	—	—	—	—	3,049.2	3,049.2
Derivative financial instruments								
Hedging	176.4	—	—	176.4	—	—	176.4	176.4
Other derivative financial instruments	33.1	—	—	—	33.1	—	33.1	33.1
Other liabilities	2,918.0	212.0	—	—	—	—	212.0	212.0

The financial investments classified as financial instruments available for sale include an amount of €53.4m (as at 30 September 2013 € 54.1m) for stakes in partnerships and corporations for which no active market exists. The fair value of these non-listed stakes cannot be determined using a measurement model since the future cash flows cannot be reliably determined. The stakes are shown at cost. In the period under review, there were no major disposals of stakes in partnerships and corporations measured at acquisition cost (as at 30 September 2013 no major disposals). TUI does not intend to sell or derecognise the stakes in these partnerships and corporations in the near future.

Aggregation according to measurement categories under IAS 39 as at 30 Jun 2014

			Fair value		Carrying amount	
	At amortised cost	At cost	with no effect on profit and loss	through profit and loss	Total	Fair value
			€ million			
Loans and receivables	3,134.0	—	—	—	3,134.0	3,134.0
Financial assets						
available for sale	—	53.4	17.8	—	71.2	71.2
held for trading	—	—	—	21.9	21.9	21.9
Financial liabilities						
at amortised cost	4,425.8	—	—	—	4,425.8	5,838.5
held for trading	—	—	—	103.2	103.2	103.2

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

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

Fair value measurement

The following table presents the fair values of the recurring and non-recurring accounted financial instruments corresponding to the underlying measurement level.

The individual levels have been defined as follows in accordance with the inputs:

- Level 1: quoted (non-adjusted) prices in active markets for similar assets or liabilities.
- Level 2: inputs for the measurement are quoted prices in markets other than those mentioned in Level 1 that are directly (as market price quotation) or indirectly (derived from market price quotations) observable in the market for the asset or liability.
- Level 3: inputs for the measurement of the asset or liability are not based on observable market data.

Classification of fair value measurement of financial instruments as of 30 Jun 2014

	Total	Fair value hierarchy Level 1	Level 2	Level 3
		€ million		
Assets				
Available for sale financial assets	**17.8**	12.5	—	5.3
Derivative financial instruments				
Hedging transactions	**114.0**	—	114.0	—
Other derivative financial instruments	**21.9**	—	21.9	—
At amortized cost				
Trade receivables and other assets	**1,194.7**	—	1,194.7	—
Cash and cash equivalents	**1,939.3**	1,939.3	—	—
Liabilities				
Derivative financial instruments				
Hedging transactions	**209.2**	—	209.2	—
Other derivative financial instruments	**48.6**	—	48.6	—
At amortized cost				
Financial liabilities	**2,149.0**	1,654.2	494.8	—
Trade payables	**2,489.9**	—	2,489.9	—
Other liabilities	**229.4**	—	229.4	—

Classification of fair value measurement of financial instruments as of 30 Sep 2013

	Total	Fair value hierarchy Level 1	Level 2	Level 3
		€ million		
Assets				
Other assets held for trading	**40.6**	—	—	40.6
Available for sale financial assets	**17.4**	17.4	—	—
Derivative financial instruments				
Hedging transactions	**83.8**	—	83.8	—
Other derivative financial instruments	**3.2**	—	3.2	—
At amortized cost				
Trade receivables and other assets	**1,090.2**	—	1,090.2	—
Cash and cash equivalents	**2,701.7**	2,701.7	—	—
Liabilities				
Derivative financial instruments				
Hedging transactions	**176.4**	—	176.4	—
Other derivative financial instruments	**33.1**	—	33.1	—
At amortized cost				
Financial liabilities	**2,898.1**	1,783.5	1,114.6	—
Trade payables	**3,049.2**	—	3,049.2	—
Other liabilities	**212.0**	—	212.0	—

At the end of every reporting period, TUI examines whether there are any reasons for a transfer to or from a measurement level. Financial assets and financial liabilities are consistently reclassified from Level 1 to Level 2 if the liquidity and trading activity no longer indicate the existence of an active market. The same approach applies, vice versa, to potential reclassifications from Level 2 to Level 1. In the period under review, no reclassifications were effected between Levels 1 and 2.

No reclassifications to or from measurement Level 3 were effected, either. Reclassifications from Level 3 to Level 2 or Level 1 are effected if any observable market price quotations become available for the asset or liability concerned. TUI records reclassifications to and from Level 3 on the day of the event or incident triggering the reclassification.

Level 1 financial instruments:

The fair value of financial instruments for which an active market is available is based on the market price quotation as at the reporting date. An active market exists if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service or regulatory agency and if those prices represent actual and regularly occurring market transactions on an arm's length basis. These financial instruments are allocated to Level 1. The fair values correspond to the nominal amounts multiplied by the quoted prices as at the reporting date. Financial instruments in Level 1 primarily comprise shares in listed companies classified as available for sale and bonds issued classified as financial liabilities measured at amortised cost.

Level 2 financial instruments:

The fair values of financial instruments not traded in an active market, such as over-the-counter derivatives (OTC), are determined using a valuation technique. These valuation techniques maximise the use of observable market data and minimise the use of Group-specific inputs. If all major inputs to determine the fair value of an instrument are observable, the instrument is classified as Level 2.

If one or several major inputs are not based on observable market data, the instrument is classified as Level 3.

Specific valuation techniques to measure financial instruments are:

- For over-the-counter bonds, liabilities to banks, promissory notes and other non-current financial liabilities, the fair value is determined as the present value of future cash flows, taking account of observable yield curves and the respective credit spread, which depends on the respective credit rating.
- The fair value of over-the-counter derivatives is determined by means of appropriate calculation methods, e.g. by discounting the expected future cash flows. The forward prices of forward transactions are based on the spot or cash prices, taking account of forward premiums and discounts. The calculation of the fair values of options concluded for currency options is based on the Black & Scholes model and the Turnbull & Wakeman model for optional fuel price hedges. The fair values determined on the basis of the Group's own systems are regularly compared with fair value confirmations of the external counterparties.
- Other valuation techniques, e.g. discounting future cash flows, are used for other financial instruments.

With the exception of the stakes in NATS outlined below, the fair values resulting from the use of the valuation assumptions are fully allocated to Level 2.

Level 3 financial instruments:

The table below shows the development of the values of Level 3 financial instruments measured at fair value on a recurring basis.

Financial assets measured at fair value in level 3

	Other assets held for trading	Available for sale financial assets
	€ million	
Balance as at 1 October 2012	**37.6**	**—**
Total comprehensive income	−3.2	—
recognised in income statement	−0.7	—
recognised in other comprehensive income	−2.5	—
Balance as at 30 June 2013	**34.4**	**—**
Net gains for financial instruments on the balance sheet as at the balance sheet date	**−0.7**	**—**
Balance as at 1 October 2013	**40.6**	**—**
Additions	—	5.2
Disposals	40.6	—
repayment/sale	35.5	—
conversion	5.2	—
Total comprehensive income	0.1	0.1
recognised in other comprehensive income	0.1	0.1
Balance as at 30 June 2014	**0.0**	**5.3**
Net gains for financial instruments on the balance sheet as at the balance sheet date	**—**	**—**

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

The changes in Level 3 financial instruments result from the sale of shares from the stake in National Air Traffic Services (NATS). The remaining stake in the company was measured at the transaction price of the shares sold. In the period under review the stake in NATS which is still in stock was reclassified in the category AfS.

An increase or decrease of + 10/ − 10% in the determined value of the stake in NATS results in a €0.4m increase/€ − 0.4m decrease in the value recognised for the asset in the TUI Group, taken directly in equity (as at 30 September 2013 though profit and loss and affecting earnings after tax €+ 2.8m/€ − 2.8m). Changes in unobservable parameters do not have a material effect on earnings.

Effects on results

The effects of the measurement of financial assets available for sale outside profit and loss and the effective portions of changes in fair values of derivatives designated in the framework of cash flow hedge accounting are listed in the statement of changes in equity.

The net results of the financial instruments by measurement category according to IAS 39 are as follows:

Net results of financial instruments

	9M 2013/14			9M 2012/13		
	from interest	other net results	net result	from interest	other net results	net result
	€ million					
Loans and receivables	− 7.4	38.9	31.5	− 31.0	50.1	19.1
Available for sale financial assets	− 1.1	1.6	0.5	—	0.4	0.4
Financial assets and liabilities held for trading	1.4	− 4.7	− 3.3	− 0.1	− 4.5	− 4.6
Financial liabilities at amortised cost	− 75.5	− 51.3	− 126.8	− 101.4	29.9	− 71.5
Total	**− 82.6**	**− 15.5**	**− 98.1**	**− 132.5**	**75.9**	**− 56.6**

Besides interest income and interest expenses, net results primarily include results from participations, gains/losses on disposal, effects of fair value measurements and impairments.

Financial instruments measured at fair value outside profit and loss did not give rise to any commission expenses in the reporting period in financial year 2013/14, nor in the previous year.

Netting

The financial assets and liabilities shown below are subject to contractual netting agreements:

Offsetting—financial assets

	Gross Amounts of financial assets	Gross amounts of recognised financial liabilities set off	Net amounts of financial assets presented in the balance sheet	Related amounts not set off in		Net Amount
				Financial Instruments	Cash Collateral received	
	€ million					
Financial assets as at 30 Jun 14						
Derivative financial assets	135.9	—	135.9	91.6	—	44.3
Cash and cash equivalents	4,951.5	− 3,012.1	1,939.3	—	—	1,939.3
Financial assets as at 30 Sep 13						
Derivative financial assets	87.0	—	87.0	53.4	—	33.6
Cash and cash equivalents	5,481.9	− 2,780.2	2,701.7	570.0	—	2,131.7

Offsetting—financial liabilities

	Gross Amounts of financial liabilities	Gross amounts of recognised financial assets set off	Net amounts of financial liabilities presented in the balance sheet	Related amounts not set off in		Net Amount
				Financial Instruments	Cash Collateral received	
			€ million			
Financial liabilities as at 30 Jun 14						
Derivative financial liabilities	257.8	—	257.8	91.6	—	166.2
Financial liabilities	2,237.4	—	2,237.4	—	—	2,237.4
Financial liabilities as at 30 Sep 13						
Derivative financial liabilities	209.5	—	209.5	53.4	—	156.1
Financial liabilities	2,769.6	—	2,769.6	587.5	—	2,182.1

Financial assets and financial liabilities are only offset in the statement of financial position if a legally enforceable right to set-off exists at the reporting date and there is an intention to settle on a net basis.

The contracts for derivative financial instruments are based on standardised framework agreements for financial futures (including ISDA Master Agreement, German framework agreement for financial futures) creating a right of set-off only if certain specified future events occur. Depending on the contractual agreements, all derivatives with positive or negative fair values contracted with the corresponding counterparty are offset in that case so that the balance is retained as net receivable or payable. As this conditional right to set-off is not enforceable in ordinary business transactions, the derivative financial assets and liabilities are shown on a gross basis in the statement of financial position at the reporting date.

Financial assets and liabilities from a cash pooling agreement in a UK subsidiary are shown on a net basis if a right to set-off exists in ordinary business transactions and the Group has the intention to settle on a net basis.

(44) Capital risk management

One of the key performance indicators in the framework of capital risk management is the IFRS-based gearing, i.e. the relationship between the Group’s net debt and Group equity. From a risk perspective, a balanced relation between net debt and equity is to be sought.

In order to exert active control over the capital structure, the TUI Group’s management may change dividend payments to the shareholders, repay capital to the shareholders, issue new shares or issue hybrid capital. The management may also sell assets in order to reduce Group debt.

Gearing calculation

	2012/13	2011/12
	€ million	
Average financial debt	2,767.6	2,989.6
Average cash and cash equivalent	1,788.8	1,655.6
Average Group net debt	**978.8**	**1,334.0**
Average Group equity	1,798.5	1,961.7
Gearing	**54.4%**	**68.0%**

Due to the seasonality in the tourism business the gearing for nine months does not have an informative value. Therefore the gearing for the nine-months period is not determined and instead the gearing for the two previous business years is shown.

NOTES TO THE CASH FLOW STATEMENT

Notes to the cash flow statement

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

(45) Cash inflow/outflow from operating activities

Based on Group earnings after tax, the cash flow from operating activities is derived using the indirect method. In the first nine months of the current financial year, the cash inflow from operating activities amounted to €385.8m (previous year reference period €426.4m).

In the period under review, the cash inflow included a total of €12.8m from interest payments and €25.2m from dividends. Income tax payments resulted in a cash outflow of €124.5m.

(46) Cash inflow/outflow from investing activities

In the financial year under review, the cash outflow from investing activities totalled €156.8m.

The cash flow from investing activities includes a cash outflow for capital expenditure related to property, plant and equipment and intangible assets of €300.8m for the TUI Travel Sector and €89.3m for the TUI Hotels & Resorts Sector but also a cash inflow from the sale of fixed assets of €202.9m for the TUI Travel Sector (in particular related to aircraft assets), and €56.2m for Central Operations from the sale of land.

The cash outflow for capital expenditure related to property, plant and equipment and intangible assets or the cash inflow from corresponding sales do not match the additions and disposals shown in the development of fixed assets, which also include non-cash investments and disposals.

The cash outflow from investing activities included cash payments of €27.4m for the acquisition of companies to be included in consolidation. This amount includes payments of €7.4m for acquisitions related to prior years. The cash and cash equivalents acquired through acquisitions total €4.9m so that the total cash outflow amounts to €22.6m.

The cash outflow for investments in other non-current assets of €47.4m relates to capital increases in companies measured at equity. The sale of a part of an investment and the sale of three consolidated companies generated an inflow of €37.6m and €13.9m, respectively.

(47) Cash inflow/outflow from financing activities

The cash outflow from financing activities totals €388.5m.

The credit facility drawn by TUI Travel PLC to finance the tourism season at the beginning of the reporting period has now been fully redeemed. Moreover, the companies of the TUI Travel Sector redeemed further loans worth €42.7m and liabilities from finance leases worth €22.3m. The TUI Hotels & Resorts Sector took out loans worth €52.3m, while repaying loans worth €34.1m. Conversions of convertible bonds of TUI AG in the current financial year do not have an impact on the cash outflow from financing activities.

Additional outflows worth €55.1m relate to the interest on the hybrid capital issued by TUI AG, to be carried as a dividend according to the IFRSs, and dividends paid to TUI AG shareholders. In addition, dividends worth €101.9m were paid to non-controlling interests, in particular in TUI Travel PLC and RIUSA II SA.

The cash outflow for increases in stakes in consolidated companies includes an amount of €39.4m spent by TUI Travel PLC to acquire own shares to be passed on to employees under long-term incentive programmes. The cash outflow for interest payments totalled €131.5m.

(48) Development of cash and cash equivalents

Cash and cash equivalents comprise all liquid funds, i.e. cash in hand, bank balances and cheques.

As certain amounts from a cash pooling agreement are now also part of the cash management, a reconciliation of cash and cash equivalents in the cash flow statement is provided accordingly. The effect totalling €587.5m is shown as a non-cash change in cash and cash equivalents.

As at 30. Juni 2014, cash and cash equivalents of €169.7m were subject to restrictions on disposal. They included an amount of €116.3m for cash collateral received, deposited in a Belgian subsidiary by Belgian tax authorities in the prior financial year in the framework of a longstanding litigation regarding VAT refunds for the years 2001 to 2011 without acknowledging guilt in order to stop the accrual of interest for both parties. In order to collateralise a potential repayment, the Belgian government was granted a bank guarantee. Due to the bank guarantee, TUI's ability to dispose of the cash and cash equivalents has been restricted. The other restrictions relate to cash and cash equivalents to be held due to legal or regulatory requirements.

NOTES

Other notes

(49) Related parties

Apart from the subsidiaries included in the consolidated financial statements, TUI AG, in carrying out its ordinary business activities, maintains indirect or direct relationships with related parties. Related parties controlled by the TUI Group or over which the TUI Group is able to exercise a significant influence are listed in the list of shareholdings as at 30 September 2013, published in the electronic Federal Gazette (www.ebanz.de). Apart from pure equity investments, related parties also include companies that supply goods or provide services for TUI Group companies.

Financial obligations from order commitments vis-à-vis related parties exclusively relate to the purchasing of hotel services.

In addition, there are obligations of €46.1m (as at 30 September 2013 €114.7m) from rental and lease agreements.

Transactions with related parties

	9M 2013/14	9M 2012/13
	€ million	
Services provided by the Group		
Management and consultancy services	45.0	46.7
Sales of tourism services	38.1	26.0
Total	**83.1**	**72.7**
Services received by the Group		
In the framework of lease, rental aund leasing agreements	15.1	9.4
Purchase of hotel services	200.6	151.0
Incoming services	5.3	7.0
Distribution services	—	0.1
Other services	29.9	27.2
Total	**250.9**	**194.7**

Transactions with related parties

	9M 2013/14	9M 2012/13
	€ million	
Services provided by the Group to		
non-consolidated Group companies	1.7	1.6
joint ventures	28.0	27.9
associates	30.8	20.1
other related parties	22.6	23.1
Total	**83.1**	**72.7**
Services received by the Group from		
non-consolidated Group companies	7.5	11.0
joint ventures	194.7	130.6
associates	43.1	47.6
other related parties	5.6	5.5
Total	**250.9**	**194.7**

Transactions with joint ventures and associates are effected in the Tourism Segment. They relate in particular to the tourism services of the hotel companies used by the Group's tour operators.

All transactions with related parties were executed on an arm's length basis, based on international comparable uncontrolled price methods in accordance with IAS 24.

As at 30 June 2014, receivables from related parties amounted to €242.5m (as at 30 September 2013 restated €186.1m) They are carried alongside liabilities worth €78.5m (as at 30 September 2013 €69.3m). As in the prior year, liabilities to related parties do not comprise any liabilities from finance leases. The receivables and payables as at the reporting date are comprised in the receivables from and liabilities to non-consolidated Group companies and investment companies.

The income and expenses resulting from equity investments and financing are carried under the financial result for all consolidated companies and presented in the segment report for the individual Sectors, alongside a separate presentation of the earnings by joint ventures and associates by Sector.

As at the balance sheet date, the joint venture Riu Hotels S.A. held at least 5% but less than 10% of the shares in TUI AG. Luis Riu Güell and Carmen Riu Güell (a member of TUI AG's Supervisory Board) hold 51% of the shares in Riu Hotels S.A.

In accordance with IAS 24, key management functions within the Group, the Executive Board and the Supervisory Board are related parties whose remuneration has to be listed separately.

Remuneration of Management, Executive and Supervisory Board

	9M 2013/14	9M 2012/13
	€ million	
Short-term benefits	6.2	10.0
Post-employment benefits	0.5	−0.9
Other long-term benefits	3.7	3.1
Termination benefits	—	3.9
Total	**10.4**	**16.1**

Post-employment benefits are transfers to or reversals of pension provisions for Executive Board members active in the period under review. The expenses mentioned do not meet the definition of remuneration for Executive and Supervisory Board members under German accounting rules.

Pension provisions for active executive board members totalled €6.4m as at the balance sheet date (as at 30 September 2013 €20.3m).

(50) International Financial Reporting Standards (IFRS) and Interpretations (IFRIC)

The following standards and interpretations have already been transposed into EU legislation but are only mandatory for the TUI Group for annual financial statements after 30 September 2014:

Amendments to IAS 32: Financial Instruments—Presentation

The amendments to IAS 32, issued in December 2011, specify that financial assets and financial liabilities should be offset in the statement of financial position only when the entity's current right of set-off is not contingent on a future event and is legally enforceable in the normal course of business but also in the event of default, insolvency or bankruptcy of a counterparty. They also clarify that a gross settlement system is equivalent to net settlement if it has features that eliminate credit and liquidity risk, and process receivables and payables in a single settlement process. TUI does not expect any material effects on its consolidated financial statements.

In 2011 and 2012, the IASB issued a total of five new or revised standards (IFRS 10, IFRS 11, IFRS 12, IAS 27, IAS 28) on group accounting and transition guidance for the first-time application of the new IFRSs. The key contents of these provisions are outlined below:

IFRS 10: Consolidated Financial Statements

IFRS 10 supersedes the provisions of IAS 27 Consolidated Financial Statements and Accounting for Investments in Subsidiaries, relevant for consolidated financial statements, and SIC-12 Consolidation—Special Purpose Entities with a uniform model to consolidate entities based on the concept of control of a parent company over a subsidiary. According to IFRS 10, control requires power over an investee, exposure to variable returns and the ability to affect those variable returns through power over an investee.

IFRS 11: Joint Arrangements

IFRS 11 supersedes SIC-13 Jointly Controlled Entities—Non-Monetary Contributions by Venturers and the previous IAS 31 Interests in Joint Ventures. The standard governs the classification and accounting for joint operations and joint ventures. The classification as a joint arrangement is effected based on subsidiarity in relation to control under IFRS 10. In the event of a joint arrangement, further classification as either a joint operation or a joint venture depends on the rights and obligations of the partners. Accounting for jointly controlled assets is subject to the rules for joint operations, which thus continue to be recognised on a proportionate basis. By contrast, proportionate consolidation, which was admissible in the past, will now no longer apply to joint ventures under IFRS 11; they must henceforth be consolidated on the basis of the equity method alone.

IFRS 12: Disclosure of Interests in Other Entities

This new standard pools the disclosure requirements regarding an entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. Some of the disclosures required under IFRS 12 go far beyond prior disclosure requirements. In particular, the type of interest, the risks associated with the interest and their impact on the Group's net assets, financial position and results of operations must be made evident.

Amendments to IAS 27: Separate Financial Statements

The revised IAS 27 exclusively governs accounting for interests in subsidiaries, associates and joint ventures and the associated disclosures in the notes to the separate financial statements of the parent or investor. The consolidation provisions included in the previous version are now included in the newly issued IFRS 10.

Amendment to IAS 28: Investments in Associates and Joint Ventures

The amendments to IAS 28 were issued in June 2011 and require application of the equity method in accounting for investments in associates and joint ventures. The rules on accounting for investments in joint ventures were included in IAS 31 before the adoption of IFRS 11.

Transition guidance for IFRS 10, IFRS 11 and IFRS 12

The transition guidance published in June 2012 includes relief for first-time adopters of the new standards. Adjusted comparative information now only has to be provided for the immediately preceding comparative period. The requirement to disclose comparative information for disclosures relating to unconsolidated structured entities for periods prior to first-time application of IFRS 12 has been removed.

The European Commission transposed IFRS 10, IFRS 11 and IFRS 12 as well as the revised IAS 27 and IAS 28 and the transition guidance into European legislation on 28 December 2012. Within the European Union, entities are required to apply the rules for the first time for financial years beginning on or after 1 January 2014. TUI is currently investigating the effects of these rules and presumes that the application of the new and amended standards will not have a material impact on the TUI Group's net assets, financial position and results of operations. It is too early at this point in time to quantify the expected effects. IFRS 12 will lead to increased disclosure requirements in the Notes. The revised IAS 27 will not have an impact on TUI as TUI does not prepare single-entity financial statements based on IFRS in accordance with section 325 (2a) of the German Commercial Code (HGB); nor will the elimination of proportionate consolidation for joint ventures have an effect, as these joint ventures are already included in TUI's consolidated financial statements based on the equity method.

Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities

The amendments, issued in October 2012, free many investment entities from the future requirement to consolidate the subsidiaries they control in their consolidated financial statements. Instead, they measure the interests held for investing at fair value. Moreover, new disclosure requirements have been introduced for investment entities. These amendments are of no relevance to TUI.

IFRIC 21: Levies

This interpretation, issued by IFRIC in May 2013, sets out how and when to recognise a liability or a levy imposed by a government other than income taxes under IAS 12. It clarifies that an obligation to pay a levy is to be recognised as soon as the obligating event that triggers the payment of the levy occurs. TUI is investigating the potential effects of this interpretation on its net assets, financial position and results of operations and currently does not expect it to have a material effect.

Amendments, standards or interpretations issued by the IASB but not yet transposed into European legislation:

IFRS 9: Financial Instruments

Publication of the fourth and final version of this new standard in July 2014 marks the completion of the project for the accounting for financial instruments, launched by the International Accounting Standards Board in 2008 in response to the financial crisis. The new standard replaces the provisions for the classification and measurement of financial assets previously included in IAS 39 Financial Instruments: Recognition and Measurement and comprises new rules on hedge accounting. The provisions to determine impairments are replaced by the expected loss model. The standard will be effective for annual periods beginning on or after 1 January 2018 as announced by the IASB. The process of transposing the provisions into European legislation is currently still suspended. TUI is investigating the potential impact of the first-time application of the standard on the Group's net assets, financial position and results of operations.

Amendments to IAS 19: Defined Benefit Plans—Employee Contributions

These amendments, published in November 2013, make it clear that contributions paid by employees (or third parties) themselves for defined benefit pension plans and not linked to the length of service may be recognised as a reduction in the service cost in the period in which the related service was rendered. They include, for instance, contributions determined as a fixed percentage of the annual remuneration. The amendments will not have a major impact on the consolidated financial statements of the TUI Group.

Annual Improvements Project 2010 – 2012

In December 2013, provisions from the annual improvements project were published; they contain amendments to the following seven standards: IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38 and IAS 24. The rules include minor changes to the contents and above all clarifications of the presentation, recognition and measurement. TUI does not expect the first-time application to have a material impact.

Annual Improvements Project 2011 – 2013

In December 2013, provisions from the annual improvements project were published; they contain amendments to four standards, including IFRS 3, IFRS 13 and IAS 40. The rules include minor changes to the contents and above all clarifications of the presentation, recognition and measurement. TUI does not expect the first-time application to have a material impact on its consolidated financial statements.

IFRS 14: Regulatory Deferral Accounts

This standard, issued in January 2014, allows first-time adopters of IFRSs to continue to use their current accounting for regulatory deferral accounts. The standard is of no relevance to the TUI Group.

Amendments to IFRS 11: Joint Arrangements

The provisions, issued in May 2014, specify how to account for the acquisition of an interest in a joint operation that constitutes a business operation within the meaning of IFRS 3. Accordingly, the acquirer has to measure identifiable assets and liabilities at fair value, recognise acquisition-related costs as expenses, recognise deferred tax assets and liabilities and capitalise any residual amounts as goodwill. The acquirer also has to observe the disclosure requirements of IFRS 3. The amendments apply prospectively. They are not expected to have a material impact on TUI's financial statements.

Amendments to IAS 16: Property, Plant and Equipment and IAS 38: Intangible Assets

The amendments, issued in May 2014, clarify the conditions under which the use of revenue-based methods to calculate the depreciation of property, plant and equipment or amortisation of intangible assets is acceptable. The amendments are of no relevance to TUI as revenue-based depreciation and amortisation methods are not used.

Amendments to IAS 16: Property, Plant and Equipment and IAS 41: Agriculture

Bearer plants that bear biological assets for more than one period without serving as an agricultural produce themselves, such as grape vines or olive trees, have this far been measured at fair value. The amendments, issued in June 2014, clarify that bearer plants will be treated as property, plant and equipment in the scope of IAS 16 in future and are to be measured at amortised cost. By contrast, the produce growing on the bearer plant will continue to be measured at fair value in accordance with IAS 41. The amendments will not have an impact on TUI's consolidated financial statements.

Amendments to IAS 27: Separate Financial Statements—Equity Method in Separate Financial Statements

The amendments, published in August 2014, allow the use of the equity method to account for investments in subsidiaries, joint ventures and associated companies in separate financial statements. The options to account for such investments according to IAS 39 or at cost remain intact. The amendments are of no relevance for TUI as no separate financial statements according to IFRS are prepared in accordance with section 325(2a) of the German Commercial Code (HGB).

IFRS 15: Revenue from Contracts with Customers

The standard, issued in May 2014, creates convergence of the provisions on revenue recognition comprised in various standards and interpretations this far. It also establishes a single, comprehensive framework for revenue recognition, to be applied consistently across transactions and industries, specifying the amount and point in time or period over which revenue has to be recognised. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts as well as Interpretations IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue—Barter Transactions Involving Advertising Services. TUI will investigate the impact of this standard on its net assets, financial position and results of operations in due time.

A decision about endorsement of these amendments or these new standards by the EU is currently still pending.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS / OTHER

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

Where the interim report contains statements relating to the possible all-share nil-premium merger with TUI Travel PLC announced by TUI AG on 27 June 2014, Peter Long, as CEO of TUI Travel PLC is not participating in the Executive Board (Vorstand) of TUI AG with respect to these statements.

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

AUDITORS' REPORT

To TUI AG, Hanover

Report on the Consolidated Interim Financial Statements

We have audited the accompanying consolidated interim financial statements of TUI AG and its subsidiaries, which comprise the consolidated statement of financial position as at 30 June 2014 and the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows for the period from 1 October 2013 to 30 June 2014, and notes, comprising a summary of significant accounting policies and other explanatory information.

These consolidated interim financial statements are part of the quarterly financial report pursuant to § (Article) 37x Abs. (paragraph) 3 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act).

Management's Responsibility for the Consolidated Interim Financial Statements

Management of TUI AG is responsible for the preparation of the consolidated interim financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("IFRS") for interim financial reporting, as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated interim financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated interim financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated interim financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated interim financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated interim financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated interim financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated interim financial statements give a true and fair view of the financial position of TUI AG and its subsidiaries as at 30 June 2014 and of their financial performance and cash flows for the period from 1 October 2013 to 30 June 2014 in accordance with IFRS for interim financial reporting, as adopted by the EU.

Report on the Interim Group Management Report

We have audited the accompanying interim group management report of TUI AG for the period from 1 October 2013 to 30 June 2014, which is part of the quarterly financial report pursuant to § (Article) 37x Abs. (paragraph) 3 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). Management of TUI AG is responsible for the preparation of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. We conducted our audit in accordance with German generally accepted standards for the audit of the group management report promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Accordingly, we are required to plan and perform the audit of the interim group management report to obtain reasonable assurance about whether the interim group management report has been prepared in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Our audit of the interim group management report has not led to any reservations.

In our opinion, based on the findings of our audit, the interim group management report has been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Hanover, 9 September 2014

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Thomas Stieve Auditor	Prof. Dr Mathias Schellhorn Auditor

Audited Consolidated Financial Statements
of TUI AG
as of and for the financial year ended September 30, 2013

CONSOLIDATED INCOME STATEMENT

	Notes	2012/13	2011/12
		€ million	
Turnover	(1)	18,477.5	18,330.3
Cost of sales	(2)	16,436.3	16,285.8
Gross profit		**2,041.2**	**2,044.5**
Administrative expenses	(2)	1,557.3	1,555.7
Other income/other expenses	(3)	+ 26.3	+ 71.1
Impairment of goodwill	(4)	8.3	13.8
Financial income	(5)	124.0	159.9
Financial expenses	(6)	359.7	444.6
Share of result of joint ventures and associates	(7)	+ 59.3	− 8.7
Earnings before income taxes		**325.5**	**252.7**
Reconciliation to underlying earnings:			
Earnings before income taxes		325.5	252.7
plus: Loss on Container Shipping measured at equity		22.3	49.0
less: Gain on reduction and measurement of financial investment in with Container Shipping		—	− 61.6
plus: Net Interest expense and expense from the measurement of interest hedges		238.7	284.9
plus: Impairment of goodwill		8.3	13.8
EBITA		594.8	538.8
Adjustments:	(8)		
plus: Loss on disposals		1.4	1.8
plus: Restructuring expense		62.3	63.2
plus: Expense from purchase price allocation		75.0	75.1
plus: Expense from other one-off items		28.4	66.8
Underlying EBITA		**761.9**	**745.7**
Earnings before income taxes		**325.5**	**252.7**
Income taxes	(9)	139.0	110.8
Group profit for the year		**186.5**	**141.9**
Group profit for the year attributable to shareholders of TUI AG	(10)	4.3	− 15.1
Group profit for the year attributable to non-controlling interest	(11)	182.2	157.0

Earning per share

	Notes	2012/13	2011/12
		€	
Basic and diluted earnings per share	(12)	− 0.08	− 0.16

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2012/13	2011/12
		€ million	
Group profit		**186.5**	**141.9**
Actuarial losses from pension provisions and related fund assets		− 19.5	− 284.4
Changes in the measurement of companies measured at equity		− 4.9	− 8.0
Income tax related to items that will not b reclassified	(13)	− 12.8	68.8
Items that will not be reclassified to profit or loss		**− 37.2**	**− 223.6**
Foreign exchange differences		− 66.2	− 27.4
Foreing exhange differences		− 67.4	− 4.3
Reclassification adjustments		1.2	− 23.1
Financial instruments available for sale		0.9	− 178.6
Changes in the fair value of financial instruments available for sale		0.9	− 34.4
Reclassification adjustments		—	− 144.2
Cash flow hedges		− 54.3	− 67.9
Changes in the fair value of cash flow hedges		− 59.7	− 46.2
Reclassification adjustments		5.4	− 21.7
Changes in the measurement of companies measured at equity		11.7	5.8
Changes in the measurement outside profit or loss		11.7	3.8
Reclassification adjustments		—	2.0
Income tax related to items that may be reclassified	(13)	10.6	6.1
Items that may be reclassified to profit or loss		**− 97.3**	**− 262.0**
Other comprehensive income		**− 134.5**	**− 485.6**
Total comprehensive income		**52.0**	**− 343.7**
attributable to shareholders of TUI AG		− 105.1	− 334.2
attributable to non-controlling interest		157.1	− 9.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 Sep 2013	30 Sep 2012
		€ million	
Assets			
Goodwill	(14)	2,976.4	3,046.4
Other intangible assets	(15)	866.2	890.9
Investment property	(16)	58.0	54.9
Property, plant and equipment	(17)	2,682.0	2,651.3
Investments in joint ventures and associates	(18)	1,386.4	1,394.0
Financial assets available for sale	(19)	71.5	75.5
Trade receivables and other assets	(20)	342.8	358.1
Derivative financial instruments	(21)	37.9	28.4
Deferred tax asset	(22)	224.6	168.7
Non-current assets		**8,645.8**	**8,668.2**
Inventories	(23)	115.4	113.9
Trade receivables and other assets	(20)	1,876.8	1,956.0
Derivative financial instruments	(21)	49.1	131.5
Current tax asset	(22)	53.9	48.1
Cash and cash equivalents	(24)	2,701.7	2,278.4
Assets held for sale	(25)	11.6	16.5
Current assets		**4,808.5**	**4,544.4**
		13,454.3	**13,212.6**

	Notes	30 Sep 2013	30 Sep 2012
		€ million	
Equity and liabilities			
Subscribed capital	(26)	645.2	644.9
Capital reserves	(27)	957.7	957.4
Revenue reserves	(28)	151.3	185.2
Hybrid capital	(30)	294.8	294.8
Equity before non-controlling interest		**2,049.0**	**2,082.3**
Non-controlling interest	(31)	− 19.6	− 15.2
Equity		**2,029.4**	**2,067.1**
Pension provisions and similar obligations	(32)	1,102.2	1,146.9
Other provisions	(33)	575.0	537.5
Non-current provisions		**1,677.2**	**1,684.4**
Financial liabilities	(34)	1,834.1	1,810.5
Derivative financial instruments	(36)	30.7	31.8
Current tax liabilities	(37)	107.8	108.3
Deferred tax liabilities	(37)	76.6	69.5
Other liabilities	(38)	98.4	68.2
Non-current liabilities		**2,147.6**	**2,088.3**
Non-current provisions and liabilities		**3,824.8**	**3,772.7**
Pension provisions and similar obligations	(32)	33.8	39.7
Other provisions	(33)	449.2	509.8
Current provisions		**483.0**	**549.5**
Financial liabilities	(34)	935.5	646.1
Trade payables	(35)	3,049.2	3,260.0
Derivative financial instruments	(36)	178.8	163.1
Current tax liabilities	(37)	134.0	96.5
Other liabilities	(38)	2,819.6	2,657.6
Current liabilities		**7,117.1**	**6,823.3**
Current provisions and liabilities		**7,600.1**	**7,372.8**
		13,454.3	**13,212.6**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Subscribed capital (26)	Capital reserves (27)	Other revenue reserves	Foreign exchange differences	Financial instruments available for sale	Cash flow hedges	Revaluation reserve	Revenue reserves (28)	Hybrid capital (30)	Equity before non-controlling interest	Non-controlling interest (31)	Total
	€ million											
Balance as at 1 October 2011	**643.5**	**956.1**	**1,085.6**	**−690.2**	**181.6**	**−21.0**	**19.6**	**575.6**	**294.8**	**2,470.0**	**77.8**	**2,547.8**
Dividends	—	—	—	—	—	—	—	—	—	—	−100.6	−100.6
Hybrid capital dividend	—	—	−25.6	—	—	—	—	−25.6	—	−25.6	—	−25.6
Share based payment schemes of TUI Travel PLC	—	—	9.3	—	—	—	—	9.3	—	9.3	7.1	16.4
Issue of employee shares and conversion of convertible bonds	1.4	1.3	—	—	—	—	—	—	—	2.7	—	2.7
Effects on the acquisition of non-controlling interests	—	—	−41.3	1.7	—	−0.3	—	−39.9	—	−39.9	10.0	−29.9
Group profit for the year	—	—	−15.1	—	—	—	—	−15.1	—	−15.1	157.0	141.9
Foreign exchange differences	—	—	−26.8	47.6	—	−0.2	1.3	21.9	—	21.9	−49.3	−27.4
Financial Instruments available for sale	—	—	—	—	−181.6	—	—	−181.6	—	−181.6	3.0	−178.6
Cash flow hedges	—	—	—	—	—	−12.8	—	−12.8	—	−12.8	−55.1	−67.9
Actuarial losses from pension provisions and related fund assets	—	—	−191.9	—	—	—	—	−191.9	—	−191.9	−92.5	−284.4
Changes in the measurement of companies measured at equity	—	—	−1.6	—	—	—	—	−1.6	—	−1.6	−0.6	−2.2
Income tax attributable to other comprehensive income	—	—	51.0	—	—	−4.1	—	46.9	—	46.9	28.0	74.9
Other comprehensive income	—	—	−169.3	47.6	−181.6	−17.1	1.3	−319.1	—	−319.1	−166.5	−485.6
Total comprehensive income	—	—	−184.4	47.6	−181.6	−17.1	1.3	−334.2	—	−334.2	−9.5	−343.7
Balance as at 30 September 2012	**644.9**	**957.4**	**843.6**	**−640.9**	**—**	**−38.4**	**20.9**	**185.2**	**294.8**	**2,082.3**	**−15.2**	**2,067.1**

	Subscribed capital (26)	Capital reserves (27)	Other revenue reserves	Foreign exchange differences	Financial instruments available for sale	Cash flow hedges	Revaluation reserve	Revenue reserves (28)	Hybrid capital (30)	Equity before non-controlling interest	Non-controlling interest (31)	Total
	€ million											
Dividends	—	—	—	—	—	—	—	—	—	—	−129.7	−129.7
Hybrid capital dividend	—	—	−23.9	—	—	—	—	−23.9	—	−23.9	—	−23.9
Share based payment schemes of TUI Travel PLC	—	—	10.1	—	—	—	—	10.1	—	10.1	8.3	18.4
Change of taxation of the equity component of convertible bonds	—	—	—	—	—	—	—	—	—	—	4.0	4.0
Issue of employee shares and conversion of convertible bonds	0.3	0.3	—	—	—	—	—	—	—	0.6	—	0.6
Deconsolidation	—	—	−2.5	—	—	—	2.5	—	—	—	—	—
Effects on the acquisition of non-controlling interests	—	—	−12.6	—	—	—	—	−12.6	—	−12.6	−12.8	−25.4
Effects on the disposal of shares to non-controlling interests	—	—	102.5	−6.8	—	1.9	—	97.6	—	97.6	−31.3	66.3
Group profit for the year	—	—	4.3	—	—	—	—	4.3	—	4.3	182.2	186.5
Foreign exchange differences	—	—	16.6	−105.3	—	3.4	−1.7	−87.0	—	−87.0	20.8	−66.2
Financial Instruments available for sale	—	—	—	—	0.5	—	—	0.5	—	0.5	0.4	0.9
Cash flow hedges	—	—	—	—	—	−15.7	—	−15.7	—	−15.7	−38.6	−54.3
Actuarial losses from pension provisions and related fund assets	—	—	−6.3	—	—	—	—	−6.3	—	−6.3	−13.2	−19.5
Changes in the measurement of companies measured at equity	—	—	6.8	—	—	—	—	6.8	—	6.8	—	6.8
Income tax attributable to other comprehensive income	—	—	−9.0	—	—	1.3	—	−7.7	—	−7.7	5.5	−2.2
Other comprehensive income	—	—	8.1	−105.3	0.5	−11.0	−1.7	−109.4	—	−109.4	−25.1	−134.5
Total comprehensive income	—	—	12.4	−105.3	0.5	−11.0	−1.7	−105.1	—	−105.1	157.1	52.0
Balance as at 30 September 2013	**645.2**	**957.7**	**929.6**	**−753.0**	**0.5**	**−47.5**	**21.7**	**151.3**	**294.8**	**2,049.0**	**−19.6**	**2,029.4**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2012/13	2011/12 revised	Var.
			€ million	
Group profit for the year		186.5	141.9	44.6
Depreciation, amortisation and impairments (+) / write-backs (–)		429.4	398.7	30.7
Other non-cash expenses (+) / income (–)		– 40.9	33.8	– 74.7
Interest expenses (excl. interest relating to pension obligations)		284.0	262.9	21.1
Dividends from joint ventures and associates		58.5	22.4	36.1
Profit (–) / loss (+) from disposals of non-current assets		– 24.1	– 66.1	42.0
Increase (–) / decrease (+) in inventories		7.2	– 0.1	7.3
Increase (–) / decrease (+) in receivables and other assets		53.9	73.1	– 19.2
Increase (+) / decrease (–) in provisions		– 204.8	22.2	– 265.7
Increase (+) / decrease (–) in liabilities (excl. financial liabilities)		125.6	– 47.3	211.6
Cash inflow from operating activities	(46)	**875.3**	**841.5**	**33.8**
Payments received from disposals of property, plant and equipment, investment property and intangible assets		270.5	171.7	98.8
Payments received from disposals of consolidated companies (excl. disposals of cash and cash equivalents due to divestments)		—	2.1	– 2.1
Payments received from the disposals of other non-current assets		8.7	679.2	– 670.5
Payments made for investments in property, plant and equipment, investment property and intangible assets		– 597.7	– 480.1	– 117.6
Payments made for investments in consolidated companies (excl. cash and cash equivalent received due to acquisitions)		– 14.4	– 27.5	13.1
Payments made for investments in other non-current assets		– 111.4	– 30.7	– 80.7
Cash inflow from investing activities	(47)	**– 444.3**	**314.7**	**– 759.0**
Payments received from capital increases		0.4	0.4	—
Payments made for interest increase in consolidated companies		– 25.4	– 23.7	– 1.7
Dividend payments				
TUI AG		– 37.2	– 25.9	– 11.3
subsidiaries to non-controlling interest		– 111.9	– 102.4	– 9.5
Payments received from the issue of bonds and the raising of financial liabilities		228.5	18.3	210.2
Payments made for redemption of loans and financial liabilities		– 573.1	– 560.8	– 12.3
Interest paid		– 102.2	– 200.1	97.9
Cash outflow from financing activities	(48)	**– 620.9**	**– 894.2**	**273.3**
Net change in cash and cash equivalents		**– 189.9**	**262.0**	**– 451.9**
Development of cash and cash equivalents	(49)			
Cash and cash equivalents at beginning of period		**2,278.4**	**1,981.3**	**297.1**
Change in cash and cash equivalents due to exchange rate fluctuations		25.7	35.1	– 9.4
Change in cash and cash equivalents with cash effects		– 189.9	262.0	– 451.9
Change in cash and cash equivalents without cash effects		587.5	—	587.5
Cash and cash equivalents at end of period		**2,701.7**	**2,278.4**	**423.3**

NOTES

NOTES ON THE PRINCIPLES AND METHODS UNDERLYING THE CONSOLIDATED FINANCIAL STATEMENTS

General

TUI AG, based in Hanover, Karl-Wiechert-Allee 4, is the TUI Group's parent company and a listed stock corporation under German law. The Company has been registered in the commercial registers of the district courts of Berlin-Charlottenburg (HRB 321) and Hanover (HRB 6580).

The members of the Executive Board and the Supervisory Board as well as other board mandates held by them are listed separately in the management report in the section Corporate Governance.

The Executive Board and the Supervisory Board have submitted the Declaration of Compliance with the German Corporate Governance Code required pursuant to section 161 of the German Stock Corporation Act (AktG) and made it permanently accessible to the general public on the Company's website (www.tui-group.com).

The financial year of the TUI Group and its major subsidiaries included in consolidation covers the period from 1 October of any one year to 30 September of the following year. Where any of TUI's subsidiaries (in particular those of the Riu Group) use financial years with other closing dates, interim financial statements were prepared in order to include these subsidiaries in TUI AG's consolidated financial statements.

The consolidated financial statements are prepared in euros. Unless stated otherwise, all amounts are indicated in million euros (€m).

The present consolidated financial statements were approved for publication by TUI AG's Executive Board on 9 December 2013.

Accounting principles

Pursuant to section 315a (1) of the German Commercial Code (HGB), in combination with Regulation EEC No. 1606/2002 of the European Union, TUI AG is legally obliged, as a listed company, to prepare consolidated financial statements in accordance with the rules of the International Accounting Standards Board (IASB), the International Financial Reporting Standards (IFRSs).

The IFRSs are applied in the form in which they are transposed into national legislation by means of the European Commission's endorsement procedure. Moreover, the commercial-law provisions listed in section 315a (1) of the German Commercial Code are also observed.

The following standards revised by the IASB have been mandatory since the beginning of financial year 2012/13:

- Amendments to IAS 1: Presentation of Financial Statements—Other Comprehensive Income
- Amendments to IAS 12: Deferred Tax—Recovery of Underlying Assets

The first-time application of these provisions does not have any material effects on the TUI Group's net assets, financial position and results of operations or the disclosures in the Notes to the present consolidated financial statements.

The amendments to IAS 1 relate to the presentation of items in other comprehensive income. Accordingly, separate subtotals are required for those elements which will have to be reclassified profit and loss in the framework of future derecognition from other comprehensive income (recycling) and those elements that will not be reclassified profit and loss. Tax associated with the items presented before tax is shown separately for each of these two groups.

The amendments to IAS 12 concerning deferred tax relating to investment property, measured using the fair value model in IAS 40, do not have an effect on the TUI Group's consolidated financial statements as such property is recognised at amortised cost by TUI.

Summary of new standards and interpretations not yet applied/applicable

Standard/Interpretation		Applicable for financial years from	Endorsement by the EU commission
Standard			
IAS 19	Employee benefits	1 Jan 2013	Yes
IFRS 13	Fair Value Measurement	1 Jan 2013	Yes
IFRS 7	Financial Instruments – Disclosures: Offsetting Financial Assets and Financial Liabilites	1 Jan 2013	Yes
IAS 32	Financial Instruments – Presentation: Offsetting Financial Assets and Financial Liabilities	1 Jan 2014	Yes
IFRS 10	Consolidated Financial Statements	1 Jan 2014	Yes
IFRS 11	Joint Arrangements	1 Jan 2014	Yes
IFRS 12	Disclosures of Interests in Other Entities	1 Jan 2014	Yes
IAS 27	Separate Financial Statements	1 Jan 2014	Yes
IAS 28	Investments in Associates and Joint Ventures	1 Jan 2014	Yes
various	Transition Guidance to IFRS 10, IFRS 11 and IFRS 12	1 Jan 2014	Yes
various	Annual Improvements Project (2009 – 2011)	1 Jan 2013	Yes
IAS 36	Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets	1 Jan 2014	No
IAS 39	Financial Instruments – Recognition and Measurement: Novation of Derivatives and Continuation of Hedge Accounting	1 Jan 2014	No
IAS 19	Contribution	1 Jul 2014	No
various	Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	1 Jan 2014	Yes
IFRS 9	Financial Instruments (will replace IAS 39: Financial Instruments: recognition and measurement) and subsequent amendments	not yet announced	No
Interpretation			
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1 Jan 2013	Yes
IFRIC 21	Levies	1 Jan 2014	No

With the exception of amendments to IAS 36, TUI does not generally intend to voluntarily apply these standards and interpretations or the resulting amendments before their effective date.

Detailed contents and potential effects on future periods, in particular the effects of the first-time application of IAS 19, are presented under Other disclosures in note 55.

The accounting and measurement methods and the explanatory information and Notes to these annual financial statements for financial year 2012/13 are basically consistent with those followed in preparing the previous consolidated financial statements for financial year 2011/12.

As the intention to offset certain items under a cash pooling agreement on a net basis had ceased at the balance sheet date, these items are no longer netted with a balance of 17.5 Mio. € in the consolidated statement of financial position in accordance with IAS 32.42, but are shown on a gross basis with a balance of 587.5 Mio. € in cash and cash equivalents and 570.0 Mio. € in current financial liabilities. This presentation change does not affect Group equity.

As the intention did not change until September 2013—so that the conditions for netting had been met up to that point—Group equity and the consolidated cash flow statement for the previous year were not affected, either. Due to gross recognition, the non-cash changes in cash and cash equivalent (in the consolidated cash flow statement) and cash and cash equivalents in the statement of financial position as at 30 September 2013 rose each by 587.5 Mio. €.

In order to improve comparability with companies already applying IAS 19 (2011) and in anticipation of the application of this standard by TUI in the forthcoming financial year, actuarial gains and losses from pension obligations are no longer shown in a separate column but are carried under other revenue reserves. The prior year disclosures were adjusted to reflect the new presentation.

Changes in accounting and measurement methods

In the interest of enhanced presentation of cash flows from operating activities and in order to increase comparability, dividends received from associates and joint ventures are shown in a separate line under cash inflows from operating activities in financial year 2012/13, in accordance with industry practice. The previous year's numbers were adjusted accordingly.

As most of the dividends received result from shareholdings in Tourism, TUI is of the view that this change in the method ensures that the cash flow statement presents more relevant information about the ability to generate cash flows from operating activities.

The change has resulted in the following reclassifications in the consolidated cash flow statement:

Impact on the cash flow statement

	2012/13	2011/12
	€ million	
Dividends from joint ventures and associates	+ 58.5	+ 22.4
Cash from operating activities	**+ 58.5**	**+ 22.4**
Payments received from the disposal of other non-current assets	− 58.5	− 22.4
Cash flow from investing activities	**− 58.5**	**− 22.4**
Net change in cash and cash equivalents	**—**	**—**

Principles and methods of consolidation

Principles

The consolidated financial statements include all major companies in which TUI AG is able, directly or indirectly, to govern the financial and operating policies so as to obtain benefits from the activity of these companies (subsidiaries). As a rule, the control is exercised by means of a majority of voting rights. The consolidation of the RIUSA II Group is based on de facto control, with TUI AG and the co-shareholder holding equal interests and voting rights. In the light of overall conditions and circumstances, TUI AG is able in this case to govern the financial and operating policies so as to obtain benefits from the activity of this hotel group. In assessing control, the existence and effect of potential voting rights that are currently exercisable or convertible are taken into account. Consolidation of such companies starts as from the date at which the TUI Group gains control. When the TUI Group ceases to control the corresponding companies, they are removed from consolidation.

The consolidated financial statements are prepared from the separate or consolidated financial statements of TUI AG and its subsidiaries, drawn up on the basis of uniform accounting, measurement and consolidation methods and usually exclusively audited or reviewed by auditors.

Shareholdings in companies in which the Group is able to exert significant influence over the financial and operating decisions within these companies (associates, shareholdings of 20% to less than 50% as a matter of principle) are carried at equity. Stakes in companies managed jointly with one or several partners (joint ventures) are also measured at equity. The dates as of which associates and joint ventures are included in or removed from the group of companies measured at equity are determined in analogy to the principles applying to subsidiaries. At equity measurement in each case is based on the last annual financial statements available or the interim financial statements as at 30 September if the balance sheet dates differ from TUI AG's balance sheet date. This approach affects 36 companies with a financial year from 1 January to 31 December, six companies with a financial year from 1 November to 31 October and two companies with a financial year from 1 April to 31 March of the subsequent year.

Group of consolidated companies

In financial year 2012/13, the consolidated financial statements included a total of 47 domestic and 630 foreign subsidiaries, besides TUI AG.

32 domestic and 64 foreign subsidiaries were not included in the consolidated financial statements. Even when taken together, these companies were not significant for the presentation of a true and fair view of the net assets, financial position and results of operations of the Group.

Development of the group consolidated companies[1] and the companies measured at equity

	Balance 30 Sep 2012	Additions	Disposals	Balance 30 Sep 2013
Consolidated subsidiaries	**725**	**33**	**81**	**677**
Domestic companies	43	6	2	47
Foreign companies	682	27	79	630
Associated companies	**20**	**6**	**4**	**22**
Domestic companies	5	3	3	5
Foreign companies	15	3	1	17
Joint ventures	**42**	**1**	**3**	**40**
Domestic companies	7	—	—	7
Foreign companies	35	1	3	33

1) excl. TUI AG

Since 1 October 2012, a total of 33 companies have been newly included in consolidation, with 20 companies added due to acquisitions and purchase of additional stakes and five companies due to an expansion of their business operations. Moreover, eight companies were newly established. With the exception of two companies, all these additions relate to the Tourism Segment.

Since 30 September 2012, a total of 81 companies have been removed from consolidation. 17 of the companies were removed from consolidation due to mergers, 62 to liquidation and two due to divestments. 79 of the removals relate to the companies operating in the Tourism Segment, with two companies related in the other segments.

22 associated companies and 40 joint ventures were measured at equity. The group of companies measured at equity rose by a total of two year-on-year. Five companies were newly included in at equity measurement due to acquisitions and expansion of business operations. One company was newly established. Meanwhile two companies were removed from the group of companies measured at equity due to sales or mergers, and two companies were included in the group of consolidated companies due to acquisitions of additional interests; they therefore were no longer measured at equity.

The number of joint ventures measured at equity declined by a total of two. Two companies were removed from at equity measurement due to sale and liquidation, and one company was no longer measured at equity as it was included in the group of consolidated companies. The number of joint ventures rose due to the foundation of one company.

The major direct and indirect subsidiaries, associated companies and joint ventures of TUI AG are listed under Other Notes—TUI Group Shareholdings.

The impact on financial years 2012/13 and 2011/12 of these changes to the list of companies consolidated in financial year 2012/13 is outlined below. While balance sheet values of companies deconsolidated in financial year 2012/13 are shown as per the closing date for the previous period, items in the income statement are also shown for financial year 2012/13 due to prorated effects.

Impact of changes in the group of consolidated companies on the statement of financial position

	Additions 30 Sep 2013	Disposals 30 Sep 2012
	€ million	
Non-current assets	65.5	2.5
Current assets	23.2	5.9
Non-current financial liabilities	1.7	—
Current financial liabilities	2.3	—
Non-current other liabilities	30.8	0.4
Current other liabilities	32.9	—

Impact of changes in the group of consolidated companies on the consolidated income statement

	Additions 2012/13	2012/13	Disposals 2011/12
		€ million	
Turnover with third parties	34.4	—	—
Turnover with consolidated Group companies	59.2	—	—
Cost of sales and administrative expenses	91.0	0.9	1.7
Financial expenses	1.5	—	—
Earnings before income taxes	**1.1**	**− 0.9**	**− 1.7**
Income taxes	0.5	—	− 0.1
Group profit for the year	**0.6**	**− 0.9**	**− 1.6**

Acquisitions—divestments

In financial year 2012/13, the cost to purchase companies and business lines converted into Euro totalled €22.9m.

Summary presentation of acquisitions

Name and headquarters of the acquired company or business	Business activity	Acquirer	Date of acquisition	Acquired share	Consideration transferred in € million
TUI InfoTec GmbH, Hanover, Germany	IT Provider	Leibniz Service GmbH	5 Nov 2012	50%	9.5
JBS Group, Pasadena California	Accommodation Service	First Choice Holding, Inc.	21 Dec 2012	100%	4.5
TT Services Group	Visa Service	Trina Group	21 Dec 2012	100%	2.0
9 Travel agents in Germany	Travel agent	TUI Leisure Travel GmbH	1 Oct 2012 – 31 Mar 2013	n/a	2.1
Isango! Limited, London, Great Britain	Online Service Provider	Trina Group	22 Feb 2013	100%	3.6
Manahé Ltd, Quatre Bornes, Mauritius	Destination Management	Leibniz Service GmbH	28 Mar 2013	1%	0.0
Tunisie Voyages SA, Tunis, Tunisia	Destination Management	Trina Group	6 May 2013	50%	1.2
Total					**22.9**

In financial year 2012/13 acquisitions of travel agencies in Germany took form of asset deals. All other acquisitions were carried out in the form of share deals.

Following acquisition of the stakes mentioned above, TUI AG now holds 100% of the shares in InfoTec GmbH, Hanover. In the framework of the acquisition, TUI AG also acquired a majority stake in travel-BA.Sys GmbH & Co. KG, Mülheim/Ruhr, and two other shareholdings. The consideration transferred for the acquisition by the TUI Group includes paid purchase prices as well as liabilities of €3.5m taken over from the former owner of the acquired company.

Where companies had previously been measured at equity, the fair value of €12.6m measured directly before the acquisition of additional shares triggering their classification as fully consolidated subsidiaries led to a loss of €2.0m.

The difference arising between the consideration transferred and the remeasured acquired net assets of €29.4m as at the acquisition date was temporarily carried as goodwill. This goodwill essentially constitutes part of the future synergy, earnings and cost savings potential. The goodwill capitalised in the period under review includes an amount of €1.7m expected to be tax-deductible.

Fair values of considerations transferred

	€ million
Purchase price	19.4
Liabilities taken over	3.5
Total	**22.9**

In accordance with the rules of IFRS 3, incidental acquisition costs and the remuneration for future services of employees (up to €5.2m) of the acquired companies are carried as administrative expenses in the income statement.

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

	Fair value at date of € million, translated
Intangible assets	10.6
Property, plant and equipment	12.6
Fixed assets	**23.2**
Inventories	0.8
Trade receivables	26.1
Deferred tax assets	6.3
Other assets (including prepaid expenses)	4.7
Cash and cash equivalents	8.5
Deferred income tax liabilities	1.0
Pension provisions and similar obligations	20.0
Financial liabilities	2.7
Liabilities and deferred income	38.1
Equity	**7.8**

Based on the information available, it was not possible to finalise measurement by the balance sheet date of several components of the acquired assets and liabilities under the acquisitions, in particular the acquisition of TT Services Group. The twelve-month period permitted under IFRS 3 for finalising purchase price allocations was taken up; this allows for provisional allocation of purchase price to individual assets and liabilities until the end of that period.

The acquisitions contributed around €27.1m to consolidated turnover in the period under review as from the individual acquisition dates. Their effect on the Group result is €0.3m. If these companies had been included in the consolidated financial statements since 1 October 2012, additional turnover of €8.3m would have been generated (with an immaterial additional effect on the Group result).

The present annual financial statements reflect purchase price allocations for the following companies and groups acquired between 1 October 2011 and 30 September 2012, finalised within the twelve-month timeframe provided under IFRS 3:

- Eurolink Viagens e Turismo Ltda, Jundiai, São Paulo, Brazil
- Intrepid Connections Pty Ltd. Winnellie, Australia
- Boomerang-Reisen Vermögensverwaltungsgesellschaft mbH, Trier
- Mala Pronta Viagens e Turismo Ltda, Curitiba, Brazil
- Travel agencies in Germany and Poland

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

Final presentation of the statements of financial position as at first-time consolidation for acquisitions of the financial year 2011/12

	Carrying amounts at date of acquisition	Revaluation of assets and liabilities	Carrying amounts consolidation
		€ million	
Other intangible assets	0.5	9.8	10.3
Property, plant and equipment	3.0	0.5	3.5
Fixed assets	**3.5**	**10.3**	**13.8**
Receivables and other assets including deferred tax receivables	2.3	—	2.3
Cash and cash equivalents	3.4	—	3.4
Deferred tax liabilities	0.4	—	0.4
Other provisions	0.4	—	0.4
Financial liabilities	2.3	—	2.3
Liabilities and deferred income	5.8	0.3	6.1
Equity	**0.3**	**10.0**	**10.3**

No material changes in purchase price allocation have exerted an effect on the consolidated statement of financial position as at 30 September 2012.

The effects of the divestments on the TUI Group's net assets, financial position and results of operations were immaterial.

Foreign exchange translation

Transactions in foreign currencies are translated into the functional currency at the foreign exchange rates pertaining at the date of the transaction. Any gains and losses resulting from the execution of such transactions and the translation of monetary assets and liabilities denominated in foreign currencies at the foreign exchange rate pertaining at the date of the transaction are shown in the income statement, with the exception of gains and losses to be recognised in equity as qualifying cash flow hedges.

The financial statements of companies are prepared in the respective functional currency. The functional currency of a company is the currency of the primary economic environment in which the company operates. With the exception of a small number of companies in the Tourism Segment, the functional currencies of all subsidiaries correspond to the currency of the country of incorporation of the respective subsidiary.

Where subsidiaries prepare their financial statements in functional currencies other than the Euro, i. e. the Group's reporting currency, the assets, liabilities and Notes to the statement of financial position are translated at the mean rate of exchange applicable at the balance sheet date (closing rate). Goodwill allocated to these companies and adjustments to the fair value arising on the acquisition of a foreign company are treated as assets and liabilities of the foreign company and also translated at the mean rate of exchange applicable at the balance sheet date. Items in the income statement and hence the profit for the year shown in the income statement are always translated at the average rate of the month in which the respective transaction takes place.

Translation differences relating to non-monetary items with changes in their fair values eliminated through profit and loss (e. g. equity instruments measured at their fair value through profit and loss) are carried in the income statement. In contrast, translation differences for non-monetary items with changes in their fair values taken to equity (e. g. equity instruments classified as held for sale) are carried in revenue reserves.

The TUI Group did not hold any subsidiaries operating in hyperinflationary economies in the financial year under review, nor in the previous year.

The translation of the financial statements of foreign companies measured at equity follows the same principles for adjusting carrying amounts and translating goodwill as those used for consolidated subsidiaries.

Differences arising on the translation of the annual financial statements of foreign subsidiaries are carried outside profit and loss and separately shown as foreign exchange differences in the consolidated statement of changes in equity. When a foreign company or operation is sold, any foreign exchange differences previously carried in equity outside profit and loss are recognised as a gain or loss from disposal in the income statement through profit and loss.

Net investment in a foreign operation

Monetary items receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, essentially form part of a net investment in this foreign operation. Foreign exchange differences from the translation of these monetary items are recognised in Other comprehensive income, i. e. in equity outside profit and loss.

Exchange rates of currencies of relevance to the TUI Group

	Closing rate		Annual average rate	
	30 Sep 2013	30 Sep 2012	2012/13	2011/12
	1 € equivalent			
Sterling	0.84	0.80	0.84	0.83
US dollar	1.35	1.29	1.31	1.32
Swiss franc	1.22	1.21	1.23	1.21
Swedish krona	8.66	8.45	8.59	8.85

Consolidation methods

The recognition of the net assets of acquired subsidiaries is based on the purchase method of accounting. Accordingly, irrespective of existing non-controlling interests, a complete fair value measurement of all identifiable assets, liabilities and contingent liabilities is initially effected as at the acquisition date. Subsequently, the consideration for the acquisition of the stake is measured at fair value and eliminated against the acquiree's revalued equity attributable to the acquired share. Any excess of acquisition costs over net assets acquired is capitalised as goodwill and recognised as an asset for the acquired subsidiary in accordance with the provisions of IFRS 3. Any negative goodwill is immediately reversed through profit and loss as at the date on which it arises, with the reversal effect carried under Other income.

Changes in the fair value of contingent consideration are carried in the income statement through profit and loss.

Goodwill is not amortised. Goodwill is regularly tested for impairment, at least annually, following the completion of the annual planning process. Additional impairment tests are effected if there are any events or indications suggesting potential impairments in goodwill.

When additional shares are purchased after obtaining control (follow-up share purchases), the difference between the purchase price and the carrying amount of the stakes acquired is recognised directly in equity. The effects from sales of stakes not entailing a loss of control are also recognised directly in equity on an analogous basis. By contrast, when control is obtained or lost, the difference is realised through profit and loss. This gain or loss effect results from step acquisitions (transactions involving a change of control), with the equity stake previously held in the acquired company revalued at the fair value applicable at the acquisition date. For transactions involving a loss of control, the profit or loss comprises not only the difference between the carrying amounts of the disposed stakes and the consideration received but also the effect of a revaluation of the remaining shares.

In the event of step acquisitions carried out before 31 December 2008, still treated in accordance with the old IAS 27 provisions, a complete fair value measurement of assets and liabilities of the acquired company was carried out at every acquisition date. The goodwill to be recognised arose from the elimination of the cost to purchase against the acquiree's revalued equity attributable to the acquired share at the respective acquisition date. Any changes in the fair values of assets and liabilities arising in between the acquisition dates were recognised in equity outside profit and loss in the consolidated statement of financial position in relation to the stake not yet resulting in consolidation of the company and were carried in the revaluation reserve. In the framework of the removal of a company from consolidation, this revaluation reserve is eliminated against other revenue reserves.

The difference between the income from the disposal of the subsidiary and Group equity attributable to the stake, including any foreign exchange differences previously carried outside profit and loss, differences from the reserve for changes in the value of financial instruments as well as eliminated intercompany results, is carried in the income statement as at the disposal date. This principle does not apply to actuarial gains or losses carried in Group equity outside profit and loss in the framework of the recognition of pension obligations in accordance with IAS 19. If any subsidiaries are sold, the goodwill attributable to these subsidiaries is included in the determination of the gain or loss on disposal.

The Group's major associates and joint ventures are measured at equity and carried at the cost to purchase as at the acquisition date. The Group's stake in associates and joint ventures includes the goodwill arising from the respective acquisition transaction.

The Group's share in profits and losses of associates and joint ventures is carried in the income statement as from the date of acquisition (Result from joint ventures and associates), while the Group's share in changes in reserves is shown in its revenue reserves. Accumulated changes arising after the acquisition are shown in the carrying amount of the participation. Where the share in the loss of an associated company or joint venture equals or exceeds the Group's original stake in this company, including other unsecured receivables, no further losses are recognised. Any losses exceeding that stake are only recognised where obligations have been assumed or payments have been made for the associated company or joint venture.

Intercompany profits from transactions between subsidiaries are eliminated in full. Intercompany profits from transactions with companies measured at equity are eliminated in relation to the Group's stake in the company. Intercompany losses are also eliminated if the transaction does not suggest an impairment in the transferred asset.

Where the accounting and measurement methods applied by associates and joint ventures differ from the uniform accounting rules applied in the Group and the differences are sufficiently known and accessible, adjustments are consistently made.

Intercompany receivables and payables or provisions are eliminated. Where the conditions for the consolidation of third-party debt are met, this option is used. Intercompany turnover and other income as well as the corresponding expenses are eliminated. Intercompany results from intercompany deliveries and services are reversed through profit and loss, taking account of deferred taxes. However, intercompany losses are understood as suggesting that an impairment test is required for the transferred assets. Intercompany deliveries and services are provided in conformity with the arm's length principle.

Accounting and measurement methods

The financial statements of the subsidiaries included in the Group are prepared in accordance with uniform accounting and measurement principles. The amounts recognised in the consolidated financial statements are not determined by tax regulations but solely by the commercial presentation of the net assets, financial position and results of operations as set out in the rules of the IASB.

Turnover recognition

Turnover comprises the fair value of the consideration received or to be received for the sale of products and services in the framework of ordinary business activities. Turnover is carried excluding value-added tax, returns, discounts and price rebates and after elimination of intra-Group sales.

Turnover and other income is recognised upon rendering of the service or delivery of the assets and hence upon transfer of the risk.

The commission fees received by travel agencies for package tours are recognised upon payment by the customers or, at the latest, at the date of departure. The services of tour operators mainly consist in organising and coordinating package tours. Turnover from the organisation of package tours is therefore recognised in full when the customer departs. Turnover from individual travel modules booked directly by customers from airlines, hotel companies or incoming agencies is recognised when the customers use the services concerned. Income from non-completed cruises is recognised according to the proportion of contract performance at the balance sheet date. The percentage of completion is determined as the ratio between travel days completed by the balance sheet date and overall travel days.

Interest income is carried on a prorated basis according to the effective interest method. Dividends are recognised when the legal claim has arisen.

Goodwill and other intangible assets

Acquired intangible assets are carried at cost. Self-generated intangible assets, primarily software for use by the Group itself, are capitalised at cost where an inflow of future economic benefits for the Group is probable and can be reliably measured. The cost to produce comprises direct costs and directly allocable overheads. Intangible assets with a limited service life are amortised on a straight-line basis over the expected useful life.

Intangible assets acquired in the framework of business combinations, such as order book, customer base or trademark rights, are carried at their fair value as at the date of acquisition and are also amortised on a straight-line basis.

Useful lives if intangible assets

	Useful lives
Concessions, property rights and similar rights	up to 20 years
Trademarks at acquisition date	15 to 20 years
Order book as at acquisition date	until departure date
Software	3 to 10 years
Customer base as at acquisiton date	up to 15 years

If there are any events or indications suggesting potential impairment, the amortised carrying amount of the intangible asset is compared with the recoverable amount. Any losses in value going beyond wear-and-tear depreciation are taken into account through the recognition of impairment losses.

Depending on the functional area of the intangible asset, depreciation, amortisation and impairments are carried under cost of sales or administrative expenses. Where the original causes for impairments effected in previous years no longer apply, the impairment is written back to other income.

Intangible assets with indefinite useful lives are not amortised but have to be tested for impairment at least annually. In addition, impairment tests are conducted if there are any events or indications suggesting potential impairment. The TUI Group's intangible assets with an indefinite useful life consist exclusively of goodwill.

Impairment tests for goodwill are conducted on the basis of cash generating units (CGUs). According to the IASB rules, cash generating units are the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets. In the Tourism Segment, the TUI Travel sector as a whole represents a cash generating unit. Allocation in the TUI Hotels & Resorts sector is based on the individual hotel groups.

Impairments are effected where the carrying amount of the tested units plus the allocated goodwill exceeds the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and the present value of future payment flows of the tested entity based on continued use within the company (value in use). The fair value less costs to sell corresponds to the amount that could be generated between knowledgeable, willing, independent business partners after deduction of the costs to sell. Due to the restrictions applicable to the determination of cash flows when deriving the value in use, e.g. the requirement not to account for earnings effects from investments in expansions or from restructuring activities for which no provision was formed according to IAS 37, the fair value less costs to sell usually exceeds the value in use and therefore represents the recoverable amount.

Since a fair value was not available in an active market for the entities to be tested, with the exception of TUI Travel, it was determined by discounting the expected cash surpluses. This was based on the medium-term plan for the entity under review, prepared at the balance sheet date, following deduction of income tax payments. Budgeted turnover and EBITA margins are based on empirical values from the prior financial year and expectations with regard to the future development of the market. Average turnover growth of 5% is expected for the TUI Travel Sector. The expected EBITA margin is between 4% and 5%. The budget for TUI Hotels & Resorts is based on average turnover growth of 5%. The expected EBITA margin will be 20% to 22%. Cash surpluses after the detailed planning period of three to five years are extrapolated at a growth rate of 1%.

For the detailed planning periods from 2013/14 to 2015/16, the weighted average cost of capital after income taxes used as the discounting basis is 8.5% p.a. for TUI Travel and 8.25% per annum for TUI Hotels & Resorts; taking account of a growth markdown, the corresponding figures are 7.5% p. a. and 7.25% p. a., respectively, for the longer-term period. The fair values determined were tested against analysts' estimates for TUI AG at segment level (sum-of-the-parts measurements).

They were also tested against multiples customary in the market. The tests did not give rise to any material deviations between the fair values determined and the market assessment. The costs to sell to be taken into account were determined on the basis of empirical values related to past transactions.

If the fair value of TUI Travel had been determined on the basis of the closing price of the TUI Travel share in the main market, the London Stock Exchange, no impairment would have arisen either. If this closing price were to decline by 10%, this would not have led to an impairment either.

Impairments of goodwill required are shown separately in the consolidated income statement. In accordance with IAS 36, reversals of impairment losses for goodwill are prohibited.

Property, plant and equipment

Property, plant and equipment are measured at amortised cost. The costs to purchase comprise the considerations spent to purchase an asset and to place it in a working condition. The costs to produce are determined on the basis of direct costs and appropriate allocations of overheads and depreciation.

Borrowing costs directly associated with the acquisition, construction or production of qualified assets are included in the costs to acquire or produce these assets until the assets are ready for their intended use. The capitalisation rate is 6.75% for the financial year under review, and 6.5% for the previous year. In financial year 2012/13, borrowing costs worth €9.6m (previous year €10.7m) were capitalised as part of the costs to purchase and costs to produce. Other borrowing costs are recognised as current expenses.

To the extent that funds are borrowed specifically for the purpose of obtaining a qualified asset, the underlying capitalisation rate is determined on the basis of the specific borrowing cost; in all other cases the weighted average of the borrowing costs applicable to the borrowings outstanding is applied.

Depreciation of property, plant and equipment is largely based on the straight-line method over customary useful lives. Use-related depreciation and amortisation is based on the following useful lives:

Useful lives of property, plant and equipment

	Useful lives
Hotel buildings	30 to 40 years
Other buildings	up to 50 years
Cruise ships	20 to 30 years
Yachts	5 to 15 years
Motorboats	15 to 24 years
Aircraft	
Fuselages and engines	up to 18 years
Engine overhaul	depending on intervals, up to 5 years
Major overhaul	depending on intervals, up to 5 years
Spare parts	12 years
Other machinery and fixtures	up to 40 years
Operating and business equipment	up to 10 years

Moreover, the level of depreciation is determined by the residual amounts recoverable at the end of the useful life of an asset. The residual value assumed in first-time recognition for cruise ships and their hotel complexes is 30% of the acquisition costs. The determination of the depreciation of aircraft fuselages, aircraft engines and spare parts in first-time recognition is based on a residual value of 20% of the costs of acquisition.

Both the useful lives and assumed residual values are reviewed on an annual basis when preparing the annual financial statements. The review of the residual values is based on comparable assets at the end of their useful lives as at the current point in time. Any adjustments required are effected as a correction of depreciation over the remaining useful life of the asset. The adjustment of depreciation is effected retrospectively for the entire financial year in which the review has taken place. Where the review results in an increase in the residual value so that it exceeds the remaining net carrying amount of the asset, depreciation is suspended. In this case, the amounts are not written back.

Any losses in value going beyond wear-and-tear depreciation are taken into account through the recognition of impairment losses. If there are any events or indications suggesting impairment, the required impairment test is performed to compare the carrying amount of an asset with the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the value of future payment flows attributable to the asset (value in use).

Investment grants received are shown as reductions in the costs to purchase or produce items of property, plant or equipment where these grants are directly allocable to individual items. Where a direct allocation of grants is not possible, the grants and subsidies received are carried as deferred income under other liabilities and reversed in accordance with the use of the investment project.

Leases

Finance leases

In accordance with IAS 17, leased property, plant and equipment in which the TUI Group carries all essential risks and rewards incident to ownership of the assets are capitalised. Capitalisation is based on the fair value of the asset or the present value of the minimum lease payments, if lower. Depreciation is charged over the useful life or the lease term, if shorter, on the basis of the depreciation method applicable to comparable purchased or manufactured assets. Payment obligations arising from future lease payments are carried as liabilities with no consideration of future interest expenses. Every lease payment is broken down into an interest portion and a redemption portion so as to produce a constant periodic rate of interest on the remaining balance of the liability. The interest portion is carried in the income statement through profit or loss.

Where companies of the TUI Group are lessors in finance leases, receivables equivalent to the net investment value are carried for the lease. The periodic distribution of the income from finance leases results in constant interest payments on the outstanding net investment volume of the leases over the course of time.

Operating Leases

Both expenses made and income received under operating leases are recognised in the income statement on a straight-line basis over the term of the corresponding leases.

Sale and Leaseback transactions

Gains from sale and leaseback resulting in a finance lease are recognised in income over the term of the lease.

If a sale and leaseback results in an operating lease, a gain or loss is recognised immediately if the transaction has demonstrably been carried out at fair value. If a loss is compensated for by future lease payments at below-market price, this loss is to be deferred and amortised over the term of the lease agreement. If the agreed purchase price exceeds fair value, the gain from the difference between these two values also has to be deferred and amortised.

Investment property

Property not occupied for use by subsidiaries and exclusively held to generate rental income and capital gains is recognised at amortised cost. This property is amortised over a period of up to 50 years.

Financial instruments

Financial instruments are contractual rights or obligations that will lead to an inflow or outflow of financial assets or the issue of equity rights. They also comprise (derivative) rights or obligations derived from primary assets.

In accordance with IAS 39, financial instruments are broken down into financial assets or liabilities to be measured at fair value through profit and loss, loans and receivables, financial assets available for sale, financial assets held to maturity and other liabilities.

In terms of financial instruments measured at fair value through profit and loss, the TUI Group holds derivative financial instruments mainly to be classified as held for trading as they do not meet the balance sheet-related criteria as hedges in the framework of a hedging relationship. It also holds an investment measured at fair value, held for sale in the short term. The fair value option is not exercised. Moreover, the TUI Group holds financial assets in the loans and receivables and available for sale categories. However, the present annual financial statements do not comprise any assets held to maturity.

In financial year 2012/13 and in the previous financial year, no reclassifications were effected within the individual measurement categories.

Primary financial assets and financial liabilities

Primary financial assets are recognised at the value as at the trading date on which the Group commits to buy the asset. Primary financial assets are classified as loans and receivables or as financial assets available for sale when recognised for the first time. Loans and receivables as well as financial assets available for sale are initially recognised at fair value plus transaction costs.

Loans and receivables are non-derivative financial assets with fixed or fixable contractual payments not listed in an active market. They are shown under trade accounts receivable and other assets in the statement of financial position and classified as current receivables if they mature within twelve months after the balance sheet date.

In the framework of follow-up measurement, loans and receivables are measured at amortised cost based on the effective interest method. Value adjustments are made to account for identifiable individual risks. Where objective information indicates that the value of some item is impaired, e. g. considerable financial difficulties of the counterparty, payment defaults or adverse changes in the regional industry environment, impairments are effected at an amount corresponding to the expected loss. Impairments and reversals of impairments are carried under cost of sales, administrative expenses or financial expenses, depending on the technical nature of the transaction.

Financial assets available for sale are non-derivative financial assets either individually expressly allocated to this category or not allocable to any other category of financial assets. In the TUI Group, they exclusively consist of stakes in companies and securities. They are allocated to non-current assets unless the management intends to sell them within twelve months after the balance sheet date.

Financial assets available for sale are measured at their fair value upon initial measurement. Changes in fair values are carried in equity outside profit and loss until the disposal of the assets. A permanent reduction in fair value gives rise to impairments recognised through profit or loss. In the event of subsequent reversal of the impairment, the impairment carried through profit or loss is not reversed for equity instruments but eliminated against equity outside profit and loss. Where a listed market price in an active market is not available for shares held and other methods to determine an objective market value are not applicable, the shares are measured at cost.

A derecognition of assets is primarily effected as at the date on which the rights for payments from the asset expire or are transferred and therefore as at the date essentially all risks and rewards of ownership are transferred.

Primary financial liabilities are carried in the consolidated statement of financial position if an obligation exists to transfer cash and cash equivalents or other financial assets to another party. First-time recognition of a primary liability is effected at the fair value of the consideration received. For loans raised, the nominal amount received is reduced by discounts obtained and borrowing costs paid. In the framework of follow-up measurement, primary financial liabilities are measured at amortised cost based on the effective interest method.

Derivative financial instruments and hedging

In the framework of initial measurement, derivative financial instruments are measured at the fair value attributable to them on the day of the conclusion of the agreement. The follow-up measurement is also effected at the fair value applicable at the respective balance sheet date. Where derivative financial instruments are not part of a hedge in connection with hedge accounting, they have to be classified as held for trading in accordance with IAS 39.

The method used to carry profits and losses depends on whether the derivative financial instrument has been classified as a hedge and on the type of underlying hedged item. Changes in the fair values of derivative financial instruments are immediately carried through profit and loss unless they are classified as a hedge in accordance with IAS 39. If, by contrast, they are classified as an effective hedge in accordance with IAS 39, the transaction is recognised as a hedge.

The TUI Group applies the hedge accounting provisions relating to hedging of balance sheet items and future cash flows. Depending on the nature of the underlying transaction, the Group classifies derivative financial instruments either as fair value hedges against exposure to changes in the fair value of assets or liabilities or as cash flow hedges against variability in cash flows from highly probable future transactions. The present consolidated financial statements do not include any fair value hedges of assets and liabilities.

Upon conclusion of the transaction, the Group documents the hedge relationship between the hedge and the underlying item, the risk management goal and the underlying strategy. In addition, a record is kept of the assessment, both at the beginning of the hedge relationship and on a continual basis, as to whether the derivatives used for the hedge are highly effective in compensating for the changes in the fair values or cash flows of the underlying transactions.

Changes in the fair value of derivatives used as fair value hedges for the fair value of recognised assets or liabilities are carried through profit and loss. Moreover, the carrying amounts of the underlying transactions are adjusted through profit and loss for the gains or losses resulting from the hedged risk.

The effective portion of changes in the fair value of derivatives forming cash flow hedges is recognised in equity. Any ineffective portion of such changes in the fair value, by contrast, is recognised in the income statement through profit and loss. Amounts taken to equity are reclassified to the income statement and carried as income or expenses in the period in which the hedged item has an effect on results.

If a hedge expires, is sold or no longer meets the criteria for hedge accounting, the cumulative gain or loss remains in equity and is only carried in the income statement through profit and loss when the originally hedged future transaction occurs. If the future transaction is no longer expected to take place, the cumulative gains or losses recognised directly in equity outside profit and loss are recognised immediately through profit and loss.

Inventories

Inventories are measured at the lower of cost or net realisable value. Net realisable value is the estimated selling price less the estimated cost incurred until completion and the estimated variable costs required to sell. All inventories are written down individually where the net realisable value of inventories is lower than their carrying amounts. Where the original causes of inventory write-downs no longer apply, the write-downs are reversed. The measurement method applied to similar inventory items is the weighted average cost formula.

Cash and cash equivalents

Cash and cash equivalents comprise cash, call deposits, other current highly liquid financial assets with an original term of a maximum of three months and current account credits. Used credits in current accounts are shown as liabilities to banks under current financial liabilities.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if the associated carrying amount will be recovered principally through sale rather than through continued use.

The measurement is effected at the lower of carrying amount and fair value less costs to sell. Depreciation and at equity measurements have to be suspended. Impairments to fair value less costs to sell must be carried through profit and loss, with any gains on subsequent remeasurement resulting in the recognition of profits of up to the amount of the cumulative impairment cost.

Hybrid capital

In accordance with IAS 32, the hybrid capital issued at the end of financial year 2005 has to be recognised as one of the Group's equity components due to the bond terms. Accordingly, the tax-deductible interest payments are not shown under interest expenses but treated in analogy to dividend obligations to TUI AG shareholders. Any borrowing costs incurred were directly deducted from the hybrid capital, taking account of deferred income taxes.

Provisions

Provisions are formed when the Group has a current legal or constructive obligation as a result of a past event and where in addition it is probable that assets will be impacted by the settlement of the obligation and the level of the provision can be reliably determined. Provisions for restructuring measures comprise payments for the early termination of rental agreements and severance payments to employees. Provisions for environmental protection measures, in particular the disposal of legacy industry waste, are carried if future cash outflows are likely due to legal and public obligations to implement safeguarding or restoration measures, if the cost of these measures can be reliably estimated and the measures are not expected to lead to a future inflow of benefits.

Provisions for onerous losses are formed if the unavoidable costs of meeting contractual obligations exceed the expected economic benefit. Any assets concerned are impaired, if necessary, prior to forming the appropriate provision. No provisions are carried for future operating losses.

Where a large number of similar obligations exists, the probability of a charge over assets is determined on the basis of this group of obligations. A provision is also carried as a liability if the probability of a charge over assets is low in relation to an individual obligation contained in this group.

Provisions are measured at the present value of the expected expenses, taking account of a pre-tax interest rate, reflecting current market assessments of the time value of money and the risks specific to the liability. Risks already taken into account in estimating future cash flows do not affect the discount rate. Increases in provisions due to accrued interest are carried as interest expenses through profit or loss.

The pension provision recognised for defined benefit plans corresponds to the net present value of the defined benefit obligations (DBOs) as at the balance sheet date less the fair value of the plan assets. Measurement of these assets is limited to the net present value of the value in use in the form of reimbursements from the plan or reductions in future contribution payments. The DBOs are calculated annually by independent actuaries using the projected unit credit method. The net present value of the DBOs is calculated by discounting the expected future outflows of cash with the interest rate of top-rated corporate bonds.

Past service cost is immediately recognised through profit or loss if the changes in the pension plan do not depend on the employee remaining in the company for a defined period of time (vesting period). In this case, the past service cost is recognised through profit or loss on a straight-line basis over the vesting period.

The option to carry actuarial gains and losses arising from the regular adjustment of actuarial parameters is exercised by eliminating these gains and losses against equity outside profit and loss in full when they occur. This method is preferred by TUI as it avoids earnings volatilities and provides a higher information content compared with the alternative corridor method.

For defined contribution plans, the Group pays contributions to public or private pension insurance plans on the basis of a statutory or contractual obligation or on a voluntary basis. The Group does not have any further payment obligations on top of the payment of the contributions. The contributions are carried under personnel costs when they fall due.

Liabilities

Liabilities are consistently carried at the date on which they arise at fair value less borrowing and transaction costs. Over the course of time, liabilities are measured at amortised cost based on application of the effective interest method.

When issuing bonds comprising a debt component and a second component in the form of conversion options or warrants, the funds obtained for the respective components are recognised in accordance with their character. At the issuing date, the debt component is carried as a bond at a value that would have been generated for the issue of this debt instrument without corresponding conversion options or warrants on the basis of current market terms. If the conversion options or warrants have to be classified as equity instruments, the difference over the issuing proceeds generated is transferred to the capital reserve with deferred taxes taken into account.

The foreign exchange differences resulting from the translation of trade accounts payable are consistently reported as a correction of the cost of sales. Foreign exchange differences from the translation of liabilities not resulting from normal performance processes are carried under other income/other expenses, financial income/expenses or administrative expenses, depending on the nature of the underlying liability.

Deferred taxes

In accordance with IAS 12, deferred taxes were determined using the balance sheet liability method. Accordingly, probable future tax reliefs and charges are recognised for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Expected tax savings from the use of loss carryforwards assessed as recoverable in the future are capitalised. Although there is still no time limit for German loss carryforwards, the annual use of such carryforwards is restricted by means of minimum taxation. Foreign loss carryforwards frequently had to be used within a given country-specific time limit and were subject to restrictions on the use of these loss carryforwards for profits on ordinary activities, which were taken into account accordingly in the measurement.

Deferred taxes are directly charged or credited to equity if the tax relates to items directly credited or charged to equity in the same or some other period.

Deferred tax assets are carried to the extent that it is probable that future taxable profits will be available against which the temporary difference or an unused tax loss can be utilised.

Deferred taxes are measured at the tax rates and tax provisions applicable at the balance sheet date or adopted by law and expected to be applicable at the date of recognition of the deferred tax asset or the payment of the deferred tax liability.

Current income taxes

The German companies of the TUI Group have to pay trade income tax of 15.2% or 15.7% (previous year 15.2% or 15.7%), depending on the applicable rate. As in the prior year, the corporation tax rate is 15.0%, plus a 5.5% solidarity surcharge on corporation tax.

The calculation of foreign income taxes is based on the laws and provisions applicable in the individual countries. The income tax rates applied to foreign companies vary from 10.0% to 40.0%.

Deferred and current income tax liabilities are offset against the corresponding tax refund claims where they exist in the same fiscal territory and have the same nature and maturity.

Share-based payments

All share-based payment schemes in the Group are payment schemes paid in cash or via equity Instruments.

For transactions with cash compensation, the resulting liability for the Group is charged to expenses at its fair value as at the date of the performance of the service by the beneficiary. Until payment of the liability, the fair value of the liability is remeasured at every closing date and all changes in the fair value are carried through profit and loss.

In the Tourism Segment, share-based payment schemes exist in the form of share award programmes granted by TUI Travel PLC. Under these payment schemes, directors and employees are entitled to acquire shares in TUI Travel PLC. The fair value of the options granted is carried under personnel costs with a corresponding direct increase in equity. The fair value is determined at the point when the options are granted and spread over the vesting period during which the employees become entitled to the options.

The fair value of the options granted is measured using option valuation models, taking into account the terms and conditions on which the options were granted. The amount to be carried under Personnel costs is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to market-based performance conditions not meeting the thresholds for vesting.

Transactions to acquire shares in TUI Travel PLC to perform the share option plans are taken directly to revenue reserves in equity.

Summary of selected accounting and measurement methods

The table below lists the key accounting and measurement methods used by the TUI Group:

Summary of selected measurement bases

Item in the statement of financial position	Measurement base
Assets	
Goodwill	At cost (subsequent measurement: impairment test)
Other intangible assets with indefinite useful lives	At cost (subsequent measurement: impairment test)
Other intangible assets with definite useful lives	At amortised cost
Property, plant and equipment	At amortised cost
Equity accounted investments	At cost as adjusted for post-acquisition changes in the Group's share of the investment's net assets
Financial assets	
Loans and receivables	At amortised cost
Held to maturity	Not applicable
Held for trading/Derivatives	At fair value
Available for sale	Fair value (with gains or losses recognised within other comprehensive income) or at cost
Inventory	Lower of cost and net realisable value
Trade and other receivables	At amortised cost
Cash and cash equivalents	At cost
Liabilities and Provisions	
Loans and borrowings	At amortised cost
Provision for pensions	Projected unit credit method
Other provisions	Present value of the settlement amount
Financial liabilities	
Non-derivative financial liabilities	Amortised cost
Derivative financial liabilities	At fair value
Payables, trade and other liabilities	Amortised cost

Key estimates and judgements

The presentation of the assets, liabilities, provisions and contingent liabilities shown in the consolidated financial statements is based on estimates and judgements. Any uncertainties are appropriately taken into account in determining the values.

All estimates and judgements are based on the conditions and assessments as at the balance sheet date. In evaluating the future development of business, account was taken of the future economic environment in the business areas and regions in which the Group operates that was assumed to be realistic as at that point in time.

Estimates and judgements that may have a material impact on the amounts carried for assets and liabilities in the TUI Group are mainly related to the following balance sheet-related facts and circumstances:

- establishment of assumptions in the framework of impairment tests, in particular for goodwill
- determination of the fair values in the framework of acquisitions of companies and determination of the useful lives of acquired intangible assets
- determination of useful lives and residual carrying amounts of property, plant and equipment
- determination of parameters to measure pension obligations
- recognition and measurement of other provisions

- recoverability of future tax savings from tax loss carryforwards and tax-deductible temporary differences
- measurement of tax risks

Other estimates and judgements relate, in particular, to the determination of the fair value of financial instruments and the determination of the recoverable amount in the framework of impairment tests for companies measured at equity.

Despite careful preparation of the estimates, actual developments may deviate from these. In such cases, the assumptions and the carrying amounts of the assets and liabilities concerned are adjusted as necessary. Changes in estimates are always taken into account in the financial year in which the changes occurred and in subsequent periods.

Goodwill

The goodwill reported as at 30 September 2013 was carried as €2,976.4m (previous year €3,046.4m). As goodwill is not amortised, its carrying amount is compared with the recoverable amounts at the level of cash generating units in order to establish its value. The TUI Group carries out this impairment test at least once a year towards the end of the financial year. The determination of the recoverable amount of a CGU for the implementation of the impairment test requires estimates and judgement with regard to the methodology used and the assumptions, which may have a considerable effect on the recoverable amount and the level of a potential impairment. They relate, in particular, to the weighted average cost of capital (WACC) after income taxes, used as the discounting basis, the growth rate of perpetuity and the forecasts for future cash flows including the underlying budget assumptions based on corporate planning. Changes in these assumptions may have a substantial impact on the recoverable amount and the level of a potential impairment.

In the course of the year, the goodwill of the Castelfalfi CGU (in TUI Hotels & Resorts) was written off in full due to an impairment. The annual review of the amortised goodwill at the end of the financial year did not give rise to any further impairments. Neither an increase in WACC by 50 base points nor a reduction in the growth rate of perpetuity of 50 base points would have resulted in an impairment of goodwill.

Detailed disclosures about the implementation of the impairment test and the methods and assumptions used are provided in the section on Goodwill and other intangible assets in the chapter on accounting and measurement methods.

Acquisition of companies and intangible assets

In accounting for business combinations, the identifiable assets, liabilities and contingent liabilities acquired have to be measured at their fair values. In this context, cash flow-based methods are regularly used. Depending on the assumptions underlying such methods, different results may be produced. In particular, some judgement is required in estimating the economic useful lives of intangible assets and determining the fair values of contingent liabilities.

Details concerning acquisitions of companies and useful lives of intangible assets are outlined in the section on acquisitions—divestments in the chapter Principles and methods of consolidation and in the section on Goodwill and other intangible assets in the chapter Accounting and measurement methods.

Property, plant and equipment

The measurement of wear-and-tear for property, plant and equipment items entails estimates. The carrying amount of property, plant and equipment as at 30 September 2013 totals €2,682.0m (previous year €2,651.3m). In order to review the amounts carried, an evaluation is carried out on an annual basis to assess whether there are any indications of a potential impairment. These indications relate to numerous areas and factors, e. g. the market-related or technical environment but also physical condition. If any such indication exists, management must estimate the recoverable amount on the basis of expected payment flows and appropriate interest rates. Moreover, essential estimates and judgements relate to the definition of economic useful life as well as the recoverable residual amounts of items of property, plant and equipment.

More detailed information on the useful lives and residual values of property, plant and equipment items is provided in the section Property, plant and equipment in the chapter on Accounting and measurement methods.

Pension provisions

As at 30 September 2013, the carrying amount of the provisions for pensions and similar obligation totals €1,136.0m (previous year €1,186.6m).

In order to determine the obligations under defined benefit pension schemes, actuarial calculations are used which depend heavily on underlying assumptions about life expectancy and the discount rate. The discount rate used is the interest rate for first-class corporate bonds denominated in the currencies in which the benefits are paid and with maturities corresponding to those of the pension obligations. If the discount rate were increased by 25 base points, pension obligations would decrease by €114.6m. A reduction in the discount rate by 25 base points would result in an increase in liabilities of €122.3m. An increase in life expectancy by one year would result in an increase in pension obligations of €87.3m, based on otherwise identical assumptions.

At the balance sheet date, plan assets total €1,616.6m (previous year €1,713.8m). As assets classified as plan assets are never available for short-term sale, the market values of these plan assets may change significantly by the realisation date. Current market expectations of yields are used to determine expected income from plan assets, taking account of the current fund structure and observable long-term yields.

Detailed information on actuarial assumptions is provided in the Notes to balance sheet pension provisions under Note 32.

Other provisions

As at 30 September 2013, other provisions of €1,024.2m (previous year €1,047.3m) are shown. When recognising and measuring provisions, considerable assumptions are required about probability of occurrence, maturity and level of risk. Provisions are formed if a past event has resulted in a current legal or factual obligation, if an outflow of assets is probable in order to meet that obligation, and if a reliable estimate can be made of the amount of liability.

Determining whether a current obligation exists is usually based on estimates by internal or external experts. The amount of provisions is based on expected expenses, and is either calculated by assessing the specific case in the light of empirical values, outcomes from comparable facts and circumstances or potential bandwidths, or else estimated by experts. Due to the uncertainties associated with this assessment, actual expenses may deviate from estimates so that unexpected charges may result.

More detailed information on other provisions is offered in the Notes to the statement of financial position under Note 33.

Deferred tax claims

As at 30 September 2013, a total of €224.6m (previous year €168.7m) deferred tax assets were carried. Prior to offsetting against deferred tax liabilities, deferred tax assets total €667.4m, including an amount of €193.4m (previous year €154.9m) for capitalised loss carryforwards. The assessment of the usability of deferred tax assets is based on the ability of the respective Group company to generate sufficient taxable income. TUI therefore assesses as at every balance sheet date whether the recoverability of expected future tax savings is sufficiently probable for the recognition of deferred tax assets. The assessment is based on various factors including internal forecasts regarding the future tax asset situation of the Group. If the assessment of the recoverability of future deferred tax assets changes, impairment may be effected, if necessary, for the capitalised deferred taxes.

More detailed information on deferred tax assets is available in the Notes to the Statement of financial position under Note 22.

Current income taxes

The Group is liable to pay income taxes in various countries. Key estimates are required when determining income tax liabilities. For certain transactions and calculations the final tax charge cannot be determined during the ordinary course of business. The level of obligations for expected tax audits is based on an estimation of whether and to what extent additional income taxes will be due. Judgements are corrected, if necessary, in the period in which the final tax charge is determined.

NOTES

NOTES ON THE SEGMENT REPORTING

Notes to the segments

The identification of operating segments is based on the internal organisational and reporting structure, built around the different products and services within the TUI Group. Allocation of individual organisational entities to operating segments is exclusively based on economic criteria, irrespective of the participation structure under company law. For the presentation of reportable segments in accordance with IFRS 8, both operating segments with comparable economic features and operating segments not meeting the quantitative thresholds are aggregated with other operating segments.

The Group's core business is the Tourism Segment. The Tourism Segment consists of TUI Travel, TUI Hotels & Resorts and the Cruises Sector. The Sectors constitute the reportable segments according to IFRS 8.

TUI Travel comprises all distribution, tour operator, airline and incoming activities of the TUI Group. Operational management of the Mainstream, Specialist & Activity and Accommodation& Destinations Businesses is exercised by the management of TUI Travel PLC. TUI Hotels & Resorts comprises all hotel companies of the Group outside the TUI Travel Group.

The Cruises Sector consists of Hapag-Lloyd Kreuzfahrten and the TUI Cruises activities, a joint venture measured at equity.

The segment entitled "All other segment" carries the Group's real estate companies, all non-allocable business activities (in particular holding companies) and the result from the measurement of the stake in Container Shipping. The Holdings Sector also carries turnover from and expenses for the intra-group aircraft charter business.

Expenses for and income from TUI AG's management tasks are allocated to the individual segments they are associated with.

Notes to the segment data

As a rule, inter-segment business transactions are based on the arm's length principle, as applied in transactions with third parties.

The operating segment assets and liabilities comprise assets and liabilities, excluding financial assets, financial liabilities, pension provisions and income taxes. Goodwill is also shown as segment assets.

Non-current assets comprise goodwill, other intangible assets, property, plant and equipment and the non-current components of other assets.

Investments are additions of property, plant and equipment as well as intangible assets. Depreciation and amortisation relate to segment fixed assets and do not include goodwill impairments.

Non-cash expenses do not include depreciation or reversals of depreciation.

Proceeds from the disposal of subsidiaries are allocated to the individual segment revenues.

Financial assets as well as cash and cash equivalents are used to generate the financial result. Financial liabilities and pension provisions are carried as interest-bearing liabilities and are used to finance the operating and investing activities.

Reconciliation of segment assets and liabilities to the Group's assets or liabilities has to take account of income tax assets or income tax provisions and liabilities.

Segment reporting discloses in particular performance indicators such as EBITA, underlying EBITA, EBITDA and EBITDAR since these indicators are used as the control basis for value-oriented corporate management. EBITA represents the consolidated performance indicator within the meaning of IFRS 8. As the investment in Hapag-Lloyd Holding AG constitutes a financial investment from TUI AG's perspective, the at equity result from Container Shipping (plus, in the prior year, the income from the reduction in and measurement of the investment in Container Shipping) is not taken into account in calculating earnings by the segments.

Key figures by segment and sector

	Tourism		All other Segments			Consolidation	Group	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
					€ million			
Statement of results								
Turnover	18,460.1	18,297.2	17.4	33.1	—	—	18,477.5	18,330.3
Inter-segment turnover	18.0	18.0	22.5	8.5	−40.5	−26.5	—	—
Segment turnover	**18,478.1**	**18,315.2**	**39.9**	**41.6**	**−40.5**	**−26.5**	**18,477.5**	**18,330.3**
Group profit for the year							**186.5**	**141.9**
Income taxes							139.0	110.8
Earnings before taxes (EBT)	**510.9**	**453.6**	**−185.4**	**−200.9**	**—**	**—**	**325.5**	**252.7**
of which share of results of joint ventures and associates	81.6	40.3	−22.3	−49.0	—	—	59.3	−8.7
Loss on Container Shipping measured at equity	—	—	—	−61.6	—	—	—	−61.6
Gain on the reduction and measurement of financial investment in Container Shipping	153.8	151.9	84.9	133.0	—	—	238.7	284.9
Net interest expense and expense from the measurement of interest hedges	8.3	13.8	—	—	—	—	8.3	13.8
Impairment of goodwill	—	—	22.3	49.0	—	—	22.3	49.0
Earnings before interest, taxes and amortisation of goodwill (EBITA)	**673.0**	**619.3**	**−78.2**	**−80.5**	**—**	**—**	**594.8**	**538.8**
Adjustments	150.8	199.7	16.3	7.2	—	—	167.1	206.9
Underlying EBITA	**823.8**	**819.0**	**−61.9**	**−73.3**	**—**	**—**	**761.9**	**745.7**
Amortisation of other intangible assets and depreciation of property, plant and equipment	408.2	369.5	10.7	4.1	—	—	418.9	373.6
of which impairments	36.3	26.3	6.6	0.1	—	—	42.9	26.4
Other depreciation/amortisation and write-backs of which write-backs	1.0	−12.3	2.1	—	—	0.6	3.1	−11.7
of which write-backs	3.3	—	2.1	—	—	—	5.4	—
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**1,080.2**	**1,001.1**	**−69.6**	**−76.4**	**—**	**−0.6**	**1,010.6**	**924.1**
Rental expenses	795.4	766.8	5.5	12.2	−3.1	−4.4	797.8	774.6
Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)	**1,875.6**	**1,767.9**	**−64.1**	**−64.2**	**−3.1**	**−5.0**	**1,808.4**	**1,698.7**

	Tourism		All other Segments			Consolidation	Group	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
					€ million			
Assets and liabilities								
Segment assets	8,573.6	8,870.5	214.0	231.5	0.8	−19.0	8,788.4	9,083.0
of which goodwill	2,976.4	3,046.4	—	—	—	—	2,976.4	3,046.4
Carrying amounts of joint ventures and associates	864.5	820.1	521.9	573.9	—	—	1,386.4	1,394.0
Interest-bearing Group receivables	57.5	72.8	989.3	736.3	−1,046.8	−809.1	—	—
Cash and cash equivalents	2,194.7	1,148.3	507.0	1,130.1	—	—	2,701.7	2,278.4
Other financial assets	236.3	208.1	2,451.7	2,215.0	−2,388.7	−2,182.7	299.3	240.4
Non-allocable taxes							278.5	216.8
Total assets							**13,454.3**	**13,212.6**
Segment liabilities	6,733.2	6,936.9	263.1	332.6	−4.5	−41.4	6,991.8	7,228.1
Third-party financial liabilities	2,145.9	1,405.0	623.7	1,051.6	—	—	2,769.6	2,456.6
Group financial liabilities	987.7	719.6	58.1	67.6	−1,045.8	−787.2	—	—
Other financial liability items	1,008.4	823.5	336.8	363.1	—	—	1,345.2	1,186.6
Non-allocable taxes							318.4	274.3
Total liabilities and provisions							**11,425.0**	**11,145.6**
Additional disclosures								
Non-cash expenses	38.4	52.2	22.3	49.0			60.7	101.2
Non-cash income	101.6	67.5	—	—			101.6	67.5
Return on sales (on EBITA)	3.6	3.4	—	—			3.2	2.9
Investments	817.3	640.7	3.5	2.5			820.8	643.2
Investments in goodwill	29.4	10.1	—	—			29.4	10.1
Investments in other intangible assets and property, plant and equipment	787.9	630.6	3.5	2.5			791.4	633.1
Financing ratio	51.0	59.8	305.7	164.0			52.0	60.2
Employees at year-end	74,040	73,391	405	421			74,445	73,812

Key figures Tourism Segment

	TUI Travel		TUI Hotels & Resorts		Cruises		Consolidation		Tourism	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
	€ million									
Statement of results										
Turnover	17,796.0	17,681.5	403.1	384.7	261.0	231.0	—	—	18,460.1	18,297.2
Inter-segment turnover	27.4	36.0	423.5	441.3	—	—	− 432.9	− 459.3	18.0	18.0
Segment turnover	**17,823.4**	**17,717.5**	**826.6**	**826.0**	**261.0**	**231.0**	**− 432.9**	**− 459.3**	**18,478.1**	**18,315.2**
Group profit for the year										
Income taxes	—	—	—	—						
Earnings before taxes (EBT)	**400.1**	**314.1**	**141.4**	**138.8**	**− 30.6**	**0.7**	**0.0**	**0.0**	**510.9**	**453.6**
of which share of result of joint ventures and associates	21.3	6.9	42.9	20.8	17.4	12.6	—	—	81.6	40.3
plus: Net interest expense and expense from the measurement of interest hedges	132.7	126.9	20.9	24.9	0.2	0.1	—	—	153.8	151.9
plus: Impairment of goodwill	—	—	8.3	13.8	—	—	—	—	8.3	13.8
Earnings before interest, taxes and amortisation of goodwill (EBITA)	**532.8**	**441.0**	**170.6**	**177.5**	**− 30.4**	**0.8**	**—**	**—**	**673.0**	**619.3**
Adjustments	107.7	196.4	26.6	1.1	16.5	2.2	—	—	150.8	199.7
Underlying EBITA	**640.5**	**637.4**	**197.2**	**178.6**	**− 13.9**	**3.0**	**—**	**—**	**823.8**	**819.0**
Amortisation of other intangible assets and depreciation of property, plant and equipment	313.9	291.8	82.9	67.6	11.4	10.2	—	− 0.1	408.2	369.5
of which impairments	20.0	26.3	16.3	—	—	—	—	—	36.3	26.3
Other depreciation/amortisation and write-backs	2.2	− 12.3	− 1.3	—	0.1	—	—	—	1.0	− 12.3
of which write-backs	2.7	—	0.5	—	0.1	—	—	—	3.3	—
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**844.5**	**745.1**	**254.8**	**245.1**	**− 19.1**	**11.0**	**—**	**− 0.1**	**1,080.2**	**1,001.1**
Rental expenses	730.2	713,7	33.5	38.5	31.7	14.6	—	—	795.4	766.8
Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)	**1,574.7**	**1,458.8**	**288.3**	**283.6**	**12.6**	**25.6**	**—**	**− 0.1**	**1,875.6**	**1,767.9**

		TUI Travel		TUI Hotels & Resorts		Cruises		Consolidation		Tourism	
		2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
		€ million									
Assets and liabilities											
Segment assets		6,844.6	7,054.2	1,599.8	1,661.5	187.6	217.6	− 58.4	− 62.8	8,573.6	8,870.5
of which goodwill		2,607.3	2,667.6	369.1	378.8	—	—	—	—	2,976.4	3,046.4
Carrying amounts of joint ventures and associates		281.8	314.2	385.3	360.1	197.4	145.8	—	—	864.5	820.1
Interest-bearing Group receivables		4.0	—	1.8	12.8	51.7	60.0	—	—	57.5	72.8
Cash and cash equivalents		2,096.9	1,039.9	93.4	105.3	4.4	3.1	—	—	2,194.7	1,148.3
Other financial assets		158.7	153.2	76.6	55.0	1.0	0.1	—	− 0.2	236.3	208.1
Non-allocable taxes											
Total assets											
Segment liabilities		6,555.1	6,708.6	119.4	151.8	116.9	139.2	− 58.2	− 62.7	6,733.2	6,936.9
Third-party financial liabilities		1,923.1	1,177.7	222.8	227.3	—	—	—	—	2,145.9	1,405.0
Group financial liabilities		8.8	—	802.2	580.5	176.7	139.2	—	− 0.1	987.7	719.6
Other financial liability items		994.6	812.6	2.3	1.0	11.5	9.9	—	—	1,008.4	823.5
Non-allocable taxes											
Total liabilities and provisions											
Additional disclosures											
Non-cash expenses		37.5	51.4	0.9	0.8	—	—	—	—	38.4	52.2
Non-cash income		40.4	33.3	43.8	21.6	17.4	12.6	—	—	101.6	67.5
Return on sales (on EBITA)	%	3.0	2.5	20.6	21.5	− 11.6	0.3			3.6	3.4
Investments		725.1	578.7	80.7	53.1	11.5	8.9			817.3	640.7
Investments in goodwill		29.4	10.1	—	—	—	—			29.4	10.1
Investments in other intangible assets and property, plant and equipment		695.7	568.6	80.7	53.1	11.5	8.9			787.9	630.6
Financing ratio	%	43.3	50.4	113.0	153.3	99.1	114.6			51.0	59.8
Employees at year-end		59,756	57,961	14,013	15,141	271	289			74,040	73,391

Key figures by region

	Germany		Great Britain		Spain		Other EU		Rest of Europe		North and South America		Other regions		Consolidation		Group	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
										€ million								
Consolidated turnover by customer	**4,847.3**	**4,815.3**	**5,763.6**	**5,661.2**	**266.2**	**226.9**	**5,669.7**	**5,777.7**	**724.3**	**736.2**	**748.9**	**741.9**	**457.5**	**371.1**	**—**	**—**	**18,477.5**	**18,330.3**
Consolidated turnover by domicile of companies	**5,200.4**	**5,026.3**	**5,578.0**	**5,522.2**	**570.8**	**524.1**	**5,396.5**	**5,591.7**	**577.7**	**565.2**	**715.4**	**682.8**	**438.7**	**418.0**	**—**	**—**	**18,477.5**	**18,330.3**
Long-term segment assets	**848.9**	**793.4**	**3,201.8**	**2,929.9**	**857.2**	**1,001.6**	**612.0**	**751.4**	**78.7**	**104.0**	**833.4**	**747.7**	**511.4**	**483.3**	**−12.4**	**1.1**	**6,931.0**	**6,812.4**
Non-allocable taxes	—	—	—	—	—	—	—	—									278.5	216.8
Segment liabilities	**1,847.7**	**1,865.7**	**2,303.4**	**2,609.5**	**443.0**	**445.8**	**1,987.1**	**1,917.6**	**112.1**	**111.2**	**332.0**	**292.3**	**302.0**	**332.3**	**−335.5**	**−346.3**	**6,991.8**	**7,228.1**
Non-allocable taxes	—	—	—	—	—	—	—	—									318.4	274.3
Additional disclosures																		
Depreciation/amortisation	62.9	40.3	141.8	141.8	51.9	51.8	94.9	69.4	4.3	4.1	28.8	31.2	36.6	46.7	—	—	421.2	385.3
Investments	147.1	129.3	429.5	305.2	50.3	24.6	103.4	101.4	3.2	16.4	38.1	34.5	49.2	31.8	—	—	820.8	643.2
Investments in goodwill	18.2	4.8	1.3	3.5	—	0.6	—	—	—	—	0.6	—	9.3	1.2	—	—	29.4	10.1
Investments in other tangible assets and property, plant and equipment	128.9	124.5	428.2	301.7	50.3	24.0	103.4	101.4	3.2	16.4	37.5	34.5	39.9	30.6	—	—	791.4	633.1
Employees at year-end	10,157	9,882	17,156	17,318	9,395	9,226	12,438	12,830	8,078	8,480	8,361	8,199	8,860	7,877	—	—	74,445	73,812

NOTES TO THE CONSOLIDATED INCOME STATEMENT

The Group earnings position showed a positive development in financial year 2012/13. Earnings rose above all due to a sound business performance in TUI Travel and the continued successful operating performance of Riu, the largest hotel company. In financial year 2012/13, earnings also benefited from income from the sale of a hotel. These positive developments went hand in hand with adverse earnings impacts in the Cruises Sector caused above all by start-up costs for the fleet expansion in Hapag-Lloyd Kreuzfahrten and damage caused by fire on board a vessel during a scheduled dry-dock stay.

(1) Turnover

Group turnover is mainly generated from tourism services. A breakdown of turnover within the Tourism Segment into TUI Travel, TUI Hotels & Resorts and the Cruises Sector is provided by segment reporting.

(2) Cost of sales and administrative expenses

The cost of sales and administrative expenses includes the expenses incurred to provide the tourism services. Apart from the expenses for personnel, depreciation/amortisation and lease rental and leasing expenses, they include in particular all costs incurred by the Group in connection with the provision and delivery of airline services, hotel accommodation and distribution costs.

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

Administrative expenses

	2012/13	2011/12
	€ million	
Staff cost	860.2	893.5
Lease, rental and leasing expenses	68.1	71.9
Depreciation, amortisation and impairments	110.0	83.9
Others	519.0	506.4
Total	**1,557.3**	**1,555.7**

The cost of sales and administrative expenses include the following expenses for lease, rent and leasing, personnel and depreciation/amortisation:

Lease, rental and leasing expenses

	2012/13	2011/12
	€ million	
Lease, rental and leasing expenses	**850.5**	**850.1**
thereof cost of sales	782.4	778.2
thereof administrative expenses	68.1	71.9

Where lease, rental and leasing expenses for operating leases are directly related to the turnover generated, these expenses are shown under the cost of sales. However, where lease, rental and leasing expenses are incurred for administrative buildings, they are shown under administrative expenses.

Staff costs

	2012/13	2011/12
	€ million	
Wages and salaries	2,041.6	1,987.0
thereof cost of sales	1,308.6	1,250.8
thereof administrative expenses	733.0	736.2
Social security contributions, pension costs and benefits	391.7	429.0
thereof cost of sales	264.5	271.7
thereof administrative expenses	127.2	157.3
Total	**2,433.3**	**2,416.0**

Pension costs include expenses for defined benefit pension obligations. The interest portion of the measurement of pension obligations is carried under financial expenses due to its financing character. The expected income from the associated fund assets is carried under financial income. A detailed presentation of pension obligations is provided in Note 32.

Staff costs rose year-on-year, in particular due to restructuring measures in TUI Travel and expenses in connection with the conversion of the Corporate Centre of TUI AG. In the period under review, this item also included personnel expenses for companies included in consolidation for the first time in financial year 2012/13.

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

The changes in administrative expenses included in both wages and salaries and social security contributions, pension costs and other benefits, reflect changes in the nature of restructuring expenses compared with the prior year. In the prior year, the expenses for restructuring measures mainly related to central functions; most of them were therefore included in administrative expenses. The restructuring measures in TUI Travel in financial year 2012/13 mainly relate to operational functions. The restructuring expenses for financial year 2012/13 are therefore largely carried under cost of sales.

The average annual headcount (excluding apprentices) developed as follows:

Average annual headcount in the financial year (excl. apprentices)

	2012/13	2011/12
Average annual—TUI Group	68,580	68,388

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

Depreciation and amortisation include the amortisation of other intangible assets, depreciation of property, plant and equipment as well as write-downs of investment property. The uniform Group-wide useful lives underlying depreciation and amortisation and the principles for impairment are outlined in the section Accounting and measurement methods.

Depreciation/amortisation/impairments

	2012/13	2011/12
	€ million	
Depreciation and amortisation	376.0	347.2
thereof cost of sales	282.2	267.3
thereof administrative expenses	93.8	79.9
Impairment of other intangible assets, property, plant and equipment and investment property	42.9	26.4
thereof cost of sales	26.7	22.4
thereof administrative expenses	16.2	4.0
Total	**418.9**	**373.6**

Essential components of impairments of property, plant and equipment are impairments of €16.3m on property, plant and equipment in Tenuta di Castelfalfi S.p.A. and impairments of €6.6m in connection with the fair value measurement of an aircraft available for sale. A further €2.4m result from impairments of two spare engines.

Essential impairments of other intangible assets include an amount of €9.5m for software and €2.8m for impairments of brand names.

(3) Other income/other expenses

Other income/other expenses

	2012/13	2011/12
	€ million	
Other income	37.1	77.8
Other expenses	10.8	6.7
Total	**26.3**	**71.1**

In financial year 2012/13, other income mainly resulted from the book profit from a Riu Group hotel sold in December 2012 and profits in connection with sale and leaseback transactions with aircraft.

Other income carried in the prior year mainly included income from the disposal of the hybrid instrument granted to Hapag-Lloyd AG and the measurement of the investment in Container Shipping.

Other expenses in financial year 2012/13 mainly relate to losses from sale and leaseback transactions in connection with the delivery of aircraft and losses from the disposal of shareholdings.

(4) Goodwill impairment

In financial year 2012/13, the implementation of impairment tests according to IAS 36 only resulted in goodwill impairments of €8.3m in TUI Hotels & Resorts for Tenuta di Castelfalfi S.p.A. Due to this impairment, the goodwill of Tenuta di Castelfalfi was written off in full as at the balance sheet date.

The background to the impairment is an adjustment to the medium-term sales and investment planning in the business plan for the Castelfalfi project as a result of a strategic review completed in the second quarter of 2012/13. The main reasons for the adjustment to the medium-term sales planning were changes in the concept and a reassessment of the marketability of highquality properties. The investment plan was adjusted to reflect the sales ratios now envisaged, and to optimise planned infrastructure investments.

Based on the adjusted business plan, impairments of €34.1m arose for financial year 2012/13. They include an amount of €8.3m for goodwill. The other impairments comprise €16.3m for property, plant and equipment and €9.5m for current assets. In the prior year, impairments of €13.8m were carried for Tenuta di Castelfalfi S.p.A.

In financial year 2012/13, no impairments had to be recognised by the TUI Group for any other cash generating units, as in the previous financial year.

(5) Financial income

Financial income

	2012/13	2011/12
	€ million	
Income from non-consolidated Group companies including income from profit transfer agreements	3.2	3.3
Income from other investments	0.6	0.2
Income from investments	**3.8**	**3.5**
Other income from securities and loans	—	17.2
Interest on pension scheme assets	81.3	89.5
Other interest and similar income	34.5	43.5
Interest income	**115.8**	**150.2**
Income from the measurement of other financial instruments	4.4	6.2
Total	**124.0**	**159.9**

In the previous year, other income from securities and loans had included measurement effects of €5.1m from the hybrid instruments granted to Hapag-Lloyd AG and interest income worth €11.9m in connection with these hybrid instruments. The hybrid instruments were fully redeemed in financial year 2011/12.

The decline in other interest income mainly results from lower interest paid on bank balances on account due to the decline in interest rate levels.

The income from the measurement of other financial instruments includes income from the reversal of write-downs of a shareholding held for trading.

(6) Financial expenses

Financial expenses

	2012/13	2011/12
	€ million	
Impairments of available-for-sale financial instruments and loans	**1.1**	**12.1**
Interest expenses from the measurement of pension obligations	108.6	122.2
Other interest and similar expenses	244.6	303.9
Expenses relating to the measurement of interest hedges	1.3	3.9
Interest expenses	**354.5**	**430.0**
Expenses relating to the measurement of other financial instruments	4.1	2.5
Total	**359.7**	**444.6**

The impairments of financial instruments and loans available for sale comprise the changes in value shown in fixed assets and the changes in value carried in revenue reserves outside profit and loss until the disposal of the assets.

The year-on-year decline in interest expenses mainly results from the reduction in financial liabilities in financial year 2012/13. In the prior year, this item had included interest of €25.0m in connection with the litigation with the Babcock Borsig AG administrator.

(7) Share of results of joint ventures and associates

Share of result of joint ventures and associates

	2012/13	2011/12
	€ million	
Income from associated companies measured at equity	32.8	21.7
Expenses for associated companies measured at equity	25.1	52.1
Share of result of associates	**7.7**	**−30.4**
Income from joint ventures measured at equity	68.7	42.4
Expenses for joint ventures measured at equity	17.1	20.7
Share of result of joint ventures	**51.6**	**21.7**
Total	**59.3**	**−8.7**

The share of results of joint ventures and associates comprises the net profit for the year attributable to the associated companies and joint ventures.

The considerable increase in the share of results of joint ventures and associates was driven above all by the reduction of the loss from Container Shipping attributable to TUI to €−22.3m (previous year €−49.0m). A further rise in earnings results from higher profit contributions by the canadian tour operator sunwing, the RIU hotel companies measured at equity and TUI Cruises.

In the completed financial year, no impairments had to be recognised under share of results of joint ventures and associates (previous year €7.0m). An impairment recognised in prior years was reversed in the financial year under review at an amount of €1.8m.

Group share in individual items of income statement of associated companies

	2012/13	2011/12
	€ million	
Operating income	2,216.9	2,145.4
Operating expenses	2,165.4	2,149.1
Operating result	**51.5**	**−3.7**
Financial result	−33.0	−22.6
Profit on ordinary activities	**18.5**	**−26.3**
Income taxes	10.8	4.1
Profit/loss for the year	**7.7**	**−30.4**
Share of result of associates	**7.7**	**−30.4**

Group share in individual items of income statements of joint ventures

	2012/13	2011/12
	€ million	
Operating income	879.6	859.3
Operating expenses	796.3	812.7
Operating result	**83.3**	**46.6**
Financial result	− 15.0	− 14.9
Profit on ordinary activities	**68.3**	**31.7**
Income taxes	16.7	10.0
Profit/loss for the year	**51.6**	**21.7**
Share of result of joint ventures	**51.6**	**21.7**

(8) Adjustments

On top of the disclosures required under IFRS, the consolidated profit and loss statement comprises a reconciliation to underlying earnings. The one-off items show final consolidation profits under gains on disposal, events according to IAS 37 under restructuring, and all effects from purchase price allocations, ancillary acquisition costs and conditional purchase price payments on EBITA under purchase price allocations.

One-off items carried here include adjustments for income (–) and expense (+) items that reflect amounts and frequencies of occurrence rendering an evaluation of the operating profitability of the sectors and the Group more difficult or causing distortions. These items include in particular major restructuring and integration expenses not meeting the criteria of IAS 37, major expenses for litigation, gains and losses from the sale of aircraft and other material business transactions with a one-off character.

Other one-off items by Sector

	2012/13	2011/12
	€ million	
Tourism	**20.0**	**61.4**
TUI Travel	− 20.1	60.3
TUI Hotels & Resorts	24.1	1.1
Cruises	16.0	—
All other segments	**8.4**	**5.4**
Total	**28.4**	**66.8**

The one-off items carried by TUI Travel for financial year 2012/13 relate above all to the income from the curtailment and settlement of pension plans in the Netherlands and income from sale and leaseback transactions with aircraft. An opposite effect mainly results from expenses in connection with the restructuring of the flight operations in France and the Specialist & Activity Business.

In the prior year, TUI Travel had mainly carried adjustments for expenses in connection with the restructuring of the tour operator business in France and the reorganisation of the Specialist & Activity Business.

The TUI Hotels & Resorts sector recognised one-off impairments for the Castelfalfi project. In financial year 2012/13, the one-off adjusted impairments in Cruises mainly relate to expenses for risk provisioning at Hapag-Lloyd Kreuzfahrten for an impending excess of obligations under long-term charter contracts.

One-off items carried for other segments in financial year 2012/13 comprise in particular one-off expenses for the fair value measurement of an aircraft held for sale.

In the prior year, one-off items carried for other segments had comprised adjustments of expenses for the formation of provisions, in particular in connection with the early retirement of two Executive Board members.

(9) Income taxes

Breakdown of income taxes

	2012/13	2011/12
	€ million	
Current tax expense		
in Germany	44.2	31.9
abroad	146.8	36.5
Deferred tax income (previous year tax expense)	−52.0	42.4
Total	**139.0**	**110.8**

The increase in current tax expenses was largely attributable to the TUI Travel sector. The deferred tax assets in the period under review was mainly driven by the capitalisation of tax loss carryforwards. Effective income taxes related to prior periods amounted to €42.4m in financial year 2012/13 (previous year income of €63.2m).

In financial year 2012/13, total income taxes of €139.0m (previous year €110.8m) were derived as follows from an "expected" income tax expense that would have arisen if the statutory income tax rate of TUI AG as the parent company (aggregate income tax rate) had been applied to earnings before tax:

Reconciliation of expected to actual income taxes

	2012/13	2011/12
	€ million	
Earnings before income taxes	+ 325.5	+ 252.7
Expected income tax (current year 31.5%, previous year 31.5%)	**102.5**	**79.6**
Variation from the difference between actual and expected tax rates	−27.8	−23.5
Changes in tax rates and tax law	11.3	14.2
Income not taxable	−73.4	−96.1
Expenses not deductible	120.1	103.5
Effects from loss carryforwards	−7.1	92.8
Temporary differences for which no deferred taxes were recognised	0.7	1.1
Deferred and current tax relating to other periods (net)	12.8	−59.0
Other differences	−0.1	−1.8
Income taxes	**139.0**	**110.8**

In the prior year, the effects of loss carryforwards mainly resulted from current impaired losses. In the period under review, this item also includes opposite amounts from the capitalisation of loss carryforwards previously considered as non-realisable.

(10) Group profit for the year attributable to shareholders of TUI AG

The Group profit for the year attributable to TUI AG shareholders improved from €−15.1m in the prior year to €4.3m in financial year 2012/13. The increase is largely attributable to the improvement in earnings by TUI Travel and the holding companies.

(11) Group profit for the year attributable to non-controlling interest

Group profit for the year attributable to non-controlling interest

	2012/13	2011/12
	€ million	
TUI Travel	119.0	100.8
TUI Hotels & Resorts	63.2	56.2
Total	**182.2**	**157.0**

Group profit for the year attributable to non-controlling interest in the TUI Hotels & Resorts sector mainly relates to the RIUSA II Group.

(12) Earnings per share

In accordance with IAS 33, basic earnings per share are calculated by dividing the Group's net profit for the year attributable to TUI AG shareholders by the weighted average number of registered shares outstanding during the financial year under review. The average number of shares is derived from the total number of shares at the beginning of the financial year (252,273,710 shares), the prorated employee shares issued (87,515 new shares for 319 days) and the conversion of bonds into new shares (1,328 on a prorated basis).

In analogy to IAS 33.12, the dividend on the hybrid capital is deducted from Group profit for the year attributable to shareholders of TUI AG since the hybrid capital represents equity but does not constitute Group profit attributable to TUI AG shareholders. For the hybrid capital, accrued dividend obligations totalling €3.8m at the balance sheet date (previous year €17.2m) are included in financial liabilities and will be paid in October 2013 (the mechanism was changed from annual to quarterly payments as of January 2013).

Earnings per share

		2012/13	2011/12
Group profit for the year attributable to shareholders of TUI AG	€ million	4.3	− 15.1
Dividend effect on hybrid capital	€ million	− 23.5	− 25.4
Adjusted Group profit for the year attributable to shareholders of TUI AG	€ million	− 19.2	− 40.5
Weighted average number of shares		252,362,552	251,953,439
Basic earnings per share	**€**	**− 0.08**	**− 0.16**
Adjusted Group profit for the year attributable to shareholders of TUI AG	€ million	− 19.2	− 40.5
Interests savings from convertible bonds	€ million	47.6	53.2
Diluted and adjusted share in Group profit for the year attributable to shareholders of TUI AG	€ million	28.4	12.7
Weighted average number of shares		252,362,552	251,953,439
Diluting effect from assumed exercise of conversion inputs		+ 66,813,392	+ 68,158,250
Weighted average number of shares (diluted)		319,175,944	320,111,689
Diluted earnings per share	**€**	**− 0.08**	**− 0.16**

As a rule, a dilution of earnings per share occurs when the average number of shares increases by adding the issue of potential shares from conversion options. Since the convertible bonds do not have a dilution effect in financial year 2012/13, basic and diluted earnings per share are identical.

The result derives exclusively from continuing operations.

(13) Taxes attributable to other results

Tax effects relating to other comprehensive income

	2012/13			2011/12		
	Gross	Tax effect	Net	Gross	Tax effect	Net
	€ million					
Foreign exchange differences	− 66.2	—	− 66.2	− 27.4	—	− 27.4
Available for sale financial instruments	0.9	—	0.9	− 178.6	—	− 178.6
Cash flow hedges	− 54.3	10.6	− 43.7	− 67.9	6.1	− 61.8
Actuarial losses from pension provisions and related fund assets	− 19.5	− 12.8	− 32.3	− 284.4	68.8	− 215.6
Changes in the measurement of companies measured at equity outside profit or loss	6.8	—	6.8	− 2.2	—	− 2.2
Other comprehensive income	**− 132.3**	**− 2.2**	**− 134.5**	**− 560.5**	**74.9**	**− 485.6**

In addition, income tax of €4.0m outside profit and loss arose in the period under review; it is allocable to the equity component of a convertible bond and was therefore directly charged to equity.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(14) Goodwill

Goodwill

	2012/13	2011/12
	€ million	
Historical cost		
Balance as at 1 Oct	**3,490.0**	**3,321.5**
Exchange differences	−97.8	157.5
Additions	29.4	10.1
Disposals[1)]	—	1.0
Reclassifications	—	1.9
Balance as at 30 Sep	**3,421.6**	**3,490.0**
Impairment		
Balance as at 1 Oct	**443.6**	**414.3**
Exchange differences	−6.7	15.5
Impairments for the current year	8.3	13.8
Balance as at 30 Sep	**445.2**	**443.6**
Carrying amounts as at 30 Sep	**2,976.4**	**3,046.4**

1) of which no disposals from changes in the group of consolidated companies

The decline in the carrying amount is mainly attributable to the translation of goodwill not carried in the TUI Group's functional currency into euros.

The additions are exclusively attributable to acquisitions in the TUI Travel Sector. Details concerning the acquisitions are presented under Principles and methods of consolidation.

Disclosures relating to impairments in the period under review are presented in the Notes to the consolidated income statement.

In accordance with the rules of IAS 21, goodwill allocated to individual Segments and Sectors was recognised in the functional currency of the subsidiaries and subsequently translated when preparing the consolidated financial statements. In analogy to the treatment of other differences from the translation of annual financial statements of foreign subsidiaries, differences due to exchange rate fluctuations between the exchange rate at the date of acquisition of the subsidiary and the exchange rate at the balance sheet date are taken directly to equity outside profit and loss and disclosed as a separate item. In financial year 2012/13, the carrying amount of goodwill declined by €91.1m (previous year increase of €142.0m) due to exchange differences.

At €2,607.3m (previous year €2,667.6m) the largest portion of goodwill shown relates to the TUI Travel Sector.

Goodwill breaks down as follows for the individual cash generating units (CGUs).

Goodwill per cash generating unit

	30 Sep 2013	30 Sep 2012
	€ million	
CGU TUI Travel	2,607.3	2,667.6
TUI Travel	**2,607.3**	**2,667.6**
CGU Riu	351.7	351.7
CGU Robinson	9.8	9.8
CGU Iberotel	7.6	9.0
CGU Castelfalfi	—	8.3
TUI Hotels & Resorts	**369.1**	**378.8**
Segment Tourism	**2,976.4**	**3,046.4**

(15) Other intangible assets

Other intangible assets

	Concessions, industrial property rights and similar rights and values	Self-generated software	Transport and leasing contracts	Customer base	Payments on account	Total
			€ million			
Historical cost						
Balance as at 1 Oct 2011	**1,058.0**	**176.8**	**96.0**	**237.0**	**1.2**	**1,569.0**
Exchange differences	63.4	12.3	8.3	5.7	—	89.7
Additions due to changes in the group of consolidated companies	9.3	—	—	0.3	—	9.6
Additions	101.7	6.6	—	1.6	0.7	110.6
Disposals	36.2	1.8	—	—	—	38.0[1)]
Reclassifications	25.5	−34.1	—	—	−1.9	−10.5
Balance as at 30 Sep 2012	**1,221.7**	**159.8**	**104.3**	**244.6**	**—**	**1,730.4**
Exchange differences	−38.3	−3.9	−4.8	−4.2	—	−51.2
Additions due to changes in the group of consolidated companies	8.4	—	—	2.2	—	10.6
Additions	104.3	18.4	—	1.8	—	124.5
Disposals	163.9	73.2	—	1.9	—	239.0[2)]
Reclassifications	−16.1	16.3	—	−0.2	—	0.0
Balance as at 30 Sep 2013	**1,116.1**	**117.4**	**99.5**	**242.3**	**—**	**1,575.3**
Amortisation						
Balance as at 1 Oct 2011	**496.4**	**121.3**	**23.4**	**71.3**	**—**	**712.4**
Exchange differences	30.0	8.5	6.9	2.0	—	47.4
Amortisation for the current year	86.6	8.6	—	16.8	—	112.0
Impairments for the current year	11.9	—	—	—	—	11.9
Disposals	33.8	1.8	—	—	—	35.6[1)]
Reclassifications	9.0	−17.6	—	—	—	−8.6
Balance as at 30 Sep 2012	**600.1**	**119.0**	**30.3**	**90.1**	**—**	**839.5**
Exchange differences	−16.3	−3.8	−1.4	−1.7	—	−23.2
Amortisation for the current year	77.2	12.8	2.8	16.8	—	109.6
Impairments for the current year	11.7	2.1	—	—	—	13.8
Disposals	155.9	72.9	—	1.8	—	230.6[2)]
Reclassifications	−0.4	0.7	—	−0.3	—	—
Balance as at 30 Sep 2013	**516.4**	**57.9**	**31.7**	**103.1**	**—**	**709.1**
Carrying amounts as at 30 Sep 2012	**621.6**	**40.8**	**74.0**	**154.5**	**—**	**890.9**
Carrying amounts as at 30 Sep 2013	**599.7**	**59.5**	**67.8**	**139.2**	**—**	**866.2**

1) of which disposals due to changes in the group of consolidated companies of €0.2m (historical cost) and €0.2m (amortisation), respectively

2) of which no disposals due to changes in the group of consolidated companies

Self-generated software consists of computer programmes for tourism applications exclusively used internally by the Group.

Other intangible assets, consisting in particular of trademarks and customer relationships, are amortised annually over the estimated economic useful life of the corresponding asset.

As at the balance sheet date, the carrying amount of intangible assets subject to ownership restrictions or pledged as security totals €112.4m (previous year €126.3m).

As in the previous year, immaterial write-backs to other intangible assets were effected in the period under review.

(16) Investment property

Investment property

	2012/13	2011/12
	€ million	
Historical cost		
Balance as at 1 Oct	**94.1**	**102.2**
Additions	3.0	0.7
Disposals	9.9	8.8
Reclassifications	7.9	—
Balance as at 30 Sep	**95.1**	**94.1**
Depreciation		
Balance as at 1 Oct	**39.2**	**43.0**
Depreciation for the current year	2.4	2.6
Disposals	4.5	6.4
Balance as at 30 Sep	**37.1**	**39.2**
Carrying amounts as at 30 Sep	**58.0**	**54.9**

Real estate owned by the Group is usually occupied for use in the framework of the Group's ordinary business activities. In addition, the Group owns commercial property and apartments which meet the definition of investment property under IAS 40. The carrying amount of this investment property shown in fixed assets totals €58.0m (previous year €54.9m). The fair values totalling €62.0m (previous year €64.7m) were calculated by the Group's own real estate company, without consulting an external expert, on the basis of comparable market rents. Investment property generated total external income of €11.4m (previous year €10.3m). The generation of this income was associated with external expenses of €7.4m (previous year: €7.5m) in financial year 2012/13.

(17) Property, plant and equipment

Property, plant and equipment

	Real estate with hotels	Other real estate, land rights and buildings incl. buildings on third-party properties	Aircraft	Ships, yachts and boats	Machinery	Other plants, operating and office equipment	Assets under construction	Payments on account	Total
					€ million				
Historical cost									
Balance as at 1 Oct 2011	**1,294.8**	**258.8**	**864.9**	**681.8**	**239.0**	**1,251.2**	**44.6**	**197.1**	**4,832.2**
Exchange differences	21.3	4.0	31.7	37.2	−0.4	54.4	0.9	8.4	157.5
Additions due to changes in the group of consolidated companies	—	0.1	—	—	—	3.1	—	—	3.2
Additions	35.2	4.4	131.6	45.5	1.8	77.0	52.0	162.7	510.2
Disposals	20.3	10.2	115.1	28.5	2.1	80.6	0.6	96.4	353.8[1)]
Reclassifications	25.9	−32.1	−27.8	7.5	1.5	−1.7	−16.9	—	−43.6
Balance as at 30 Sep 2012	**1,356.9**	**225.0**	**885.3**	**743.5**	**239.8**	**1,303.4**	**80.0**	**271.8**	**5,105.7**
Exchange differences	−42.1	−8.6	−22.9	−24.5	−2.2	−34.2	−1.9	−8.6	−145.0
Additions due to changes in the group of consolidated companies	—	1.5	—	—	—	11.1	—	—	12.6
Additions	26.6	6.4	225.7	43.8	6.4	89.8	74.0	170.4	643.1
Disposals	19.6	7.3	186.5	12.2	10.1	414.7	10.6	162.0	823.0[2)]
Reclassification as assets held for sale	−6.9	−0.4	12.6	−1.2	—	−1.9	—	−9.0	−6.8
Reclassifications	0.3	−27.3	54.4	−1.5	4.5	2.3	−41.2	−33.6	−42.1
Balance as at 30 Sep 2013	**1,315.2**	**189.3**	**968.6**	**747.9**	**238.4**	**955.8**	**100.3**	**229.0**	**4,744.5**
Depreciation									
Balance as at 1 Oct 2011	**386.7**	**56.5**	**623.8**	**251.0**	**147.2**	**921.9**	**—**	**—**	**2,387.1**

	Real estate with hotels	Other real estate, land rights and buildings incl. buildings on third-party properties	Aircraft	Ships, yachts and boats	Machinery	Other plants, operating and office equipment	Assets under construction	Payments on account	Total
					€ million				
Exchange differences	4.6	–	21.0	13.1	1.4	37.6	—	—	77.7
Depreciation for the current year	35.2	4.8	54.1	34.9	12.5	91.0	—	—	232.5
Impairments for the current year	0.6	—	6.4	—	—	7.6	—	—	14.6
Disposals	14.8	4.0	112.7	17.3	1.1	65.1	—	—	215.0[1)]
Reclassifications	−11.0	8.3	−32.6	−0.7	0.4	−6.9	—	—	−42.5
Balance as at 30 Sep 2012	**401.3**	**65.6**	**560.0**	**281.0**	**160.4**	**986.1**	**—**	**—**	**2,454.4**
Exchange differences	−12.4	−0.9	−8.1	−8.9	−1.6	−22.6	—	—	−54.5
Depreciation for the current year	34.7	2.4	70.2	38.5	14.2	104.0	—	—	264.0
Impairments for the current year	—	15.9	9.1	—	0.6	3.5	—	—	29.1
Disposals	14.6	3.9	164.5	6.9	10.4	410.9	—	—	611.2[2)]
Reclassification as assets held for sale	−1.3	—	12.9	−0.7	—	−1.3	—	—	9.6
Reclassifications	—	−22.3	−2.5	−4.2	2.1	−2.0	—	—	−28.9
Balance as at 30 Sep 2013	**407.7**	**56.8**	**477.1**	**298.8**	**165.3**	**656.8**	**—**	**—**	**2,062.5**
Carrying amounts as at 30 Sep 2012	**955.6**	**159.4**	**325.3**	**462.5**	**79.4**	**317.3**	**80.0**	**271.8**	**2,651.3**
Carrying amounts as at 30 Sep 2013	**907.5**	**132.5**	**491.5**	**449.1**	**73.1**	**299.0**	**100.3**	**229.0**	**2,682.0**

1) of which disposals due to changes in the group of consolidated companies of €1.3m and €1.0m, respectively

2) of which no disposals due to changes in the group of consolidated companies

At the balance sheet date, the carrying amount of property, plant and equipment subject to restraints on ownership or pledged as security amounted to €298.3m (previous year €113.9m).

The Group effected immaterial reversals of depreciation of property, plant and equipment, as in the previous year.

Property, plant and equipment also comprised leased assets in which Group subsidiaries have assumed substantially all the risks and rewards of ownership of the assets.

Development of leased assets

	Net carrying amounts	
	30 Sep 2013	30 Sep 2012
	€ million	
Real estate, land rights and buildings incl. buildings on third-party properties	14.5	7.8
Aircraft	250.9	144.5
Ships, yachts and boats	106.1	117.8
Machinery and fixtures	0.4	0.1
Other plants, operating and office equipment	11.6	10.8
Total	**383.5**	**281.0**

The payment obligations resulting from future lease payments are carried as liabilities without taking account of future interest expenses for the carrying amount of the financial liabilities. Total payments due in future under finance leases amount to €435.0m (previous year €294.7m). Group companies have not accepted any guarantees for the residual values of the leased assets (previous year €2.7m).

Reconciliation of future lease payments to liabilities from finance leases

	up to 1 year	1 – 5 years	Remaining term more than 5 years	30 Sep 2013 Total	30 Sep 2012 Total
			€ million		
Total future lease payments	43.2	177.4	214.5	435.1	294.7
Interest portion	14.0	45.5	40.0	99.5	61.5
Liabilities from finance leases	29.2	131.9	174.5	335.6	233.2

(18) Investments in joint ventures and associates

Investments in joint ventures and associates

	Joint ventures	Associates	Total
		€ million	
Historical cost			
Balance as at 1 Oct 2011	**558.5**	**1,184.6**	**1,743.1**
Exchange differences	7.4	18.8	26.2
Additions	104.5	26.0	130.5
Disposals	20.7	470.5	491.2
Balance as at 30 Sep 2012	**649.7**	**758.9**	**1,408.6**
Exchange differences	−36.4	−41.5	−77.9
Additions	151.9	75.1	227.0
Disposals	80.1	78.4	158.5
Balance as at 30 Sep 2013	**685.1**	**714.1**	**1,399.2**

	Joint ventures	Associates	Total
		€ million	
Impairments			
Balance as at 1 Oct 2011	**7.6**	**—**	**7.6**
Impairments for the current year	7.0	—	7.0
Balance as at 30 Sep 2012	**14.6**	**—**	**14.6**
Reversal of Impairments	− 1.8	—	− 1.8
Balance as at 30 Sep 2013	**12.8**	**—**	**12.8**
Carrying amounts as at 30 Sep 2012	**635.1**	**758.9**	**1,394.0**
Carrying amounts as at 30 Sep 2013	**672.3**	**714.1**	**1,386.4**

For associated companies and joint ventures measured at equity, proportionate profits for the year are shown under additions and disposals, while impairments of these investments are carried under impairments. Dividends worth €69.5m (previous year €11.7m) are included in disposals.

For joint ventures and associates, the stake held by the Group corresponds to its share in the individual assets and liabilities of the joint ventures.

Group share of assets and liabilities of joint ventures

	30 Sep 2013	30 Sep 2012
	€ million	
Goodwill from investment in joint ventures	75.5	68.8
Non-current assets	874.5	839.8
Current assets	261.2	281.6
Non-current provisions and liabilities	− 271.4	− 311.0
Current provisions and liabilities	− 267.5	− 244.1
Investment in joint ventures	**672.3**	**635.1**

Group share of assets and liabilities of associates

	30 Sep 2013	30 Sep 2012
	€ million	
Goodwill from investment in associates	209.4	218.4
Non-current assets	1,174.3	1,045.8
Current assets	514.3	472.0
Non-current provisions and liabilities	− 425.2	− 640.6
Current provisions and liabilities	− 758.7	− 336.7
Investment in associates	**714.1**	**758.9**

(19) Financial assets available for sale

Financial assets available for sale consist of stakes in non-consolidated Group companies, interests and other securities.

Financial assets available for sale

	30 Sep 2013	30 Sep 2012
	€ million	
Shares in non-consolidated Group companies	18.5	28.9
Shares in affiliated companies	35.6	31.9
Other securities	17.4	14.7
Total	**71.5**	**75.5**

Where a listed market price in an active market is not available and other methods to determine an objective market value do not produce any reliable results, the shares are measured at cost. In financial year 2012/13, financial assets classified as available for sale under IAS 39 of €1.1m (previous year €3.9m) were impaired.

(20) Trade accounts receivable and other receivables

Trade receivables and other assets

	30 Sep 2013 Remaining term of more than 1 year	30 Sep 2013 Total	30 Sep 2012 Remaining term of more than 1 year	30 Sep 2012 Total
	€ million			
Trade receivables	—	616.1	—	688.6
Advances and loans	213.3	1,078.3	242.7	1,047.9
Other receivables and assets	129.5	525.2	115.4	577.6
Total	**342.8**	**2,219.6**	**358.1**	**2,314.1**

Ageing structure of the financial instruments included in trade receivables and other assets

	Carrying amount of instruments	of which not overdue and not impaired	of which not impaired and overdue in the following periods: less than 30 days	between 30 and 90 days	between 91 and 180 days	more than 180 days
	€ million					
Balance as at 30 Sep 2013						
Trade receivables	616.1	439.4	95.9	55.6	13.7	11.5
Advances and loans	93.5	93.5	—	—	—	—
Other receivables and assets	64.0	64.0	—	—	—	—
Total	**773.6**	**596.9**	**95.9**	**55.6**	**13.7**	**11.5**
Balance as at 30 Sep 2012						
Trade receivables	688.6	424.3	164.3	79.6	9.5	10.9
Advances and loans	158.2	157.9	0.3	—	—	—
Other receivables and assets	50.3	50.0	0.3	—	—	—
Total	**897.1**	**632.2**	**164.9**	**79.6**	**9.5**	**10.9**

For financial assets which are neither overdue nor impaired, the TUI Group assumes a good credit standing of the debtor concerned.

Impairments on assets of the trade receivables and other assets category according to IFRS 7

	2012/13	2011/12
	€ million	
Impairments at the beginning of period	**214.0**	**268.1**
Additions	60.6	66.7
Disposals	77.8	66.0
Other changes	−60.9	−54.8
Impairments at the end of period	**135.9**	**214.0**

In financial year 2012/13, as in the prior year, no cash inflow was recorded from impaired interest-bearing trade accounts receivable and other receivables.

Trade receivables

	30 Sep 2013	30 Sep 2012
	€ million	
From third parties	563.9	657.2
From non-consolidated Group companies	3.2	1.1
From affiliates	49.0	30.3
Total	**616.1**	**688.6**

Advances and loans

	30 Sep 2013		30 Sep 2012	
	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
	€ million			
Advances to non-consolidated Group companies	2.7	25.6	1.7	25.0
Loans to non-consolidated Group companies	—	0.9	—	—
Advances to affiliates	1.7	23.0	1.2	15.7
Loans to affiliates	26.7	27.4	21.0	21.5
Advances to third parties	7.2	25.6	48.0	74.7
Loans to third parties	10.7	16.8	17.4	21.3
Payments on account	164.3	959.0	153.4	889.7
Total	**213.3**	**1,078.3**	**242.7**	**1,047.9**

Payments on account mainly relate to prepayments for future tourism services, in particular future hotel services payable by tour operators, customary in the industry.

Other receivables and assets

	30 Sep 2013		30 Sep 2012	
	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
	€ million			
Other receivables from non-consolidated Group companies	2.3	2.3	—	0.4
Other receivables from affiliates	32.1	35.3	35.3	47.1
Interest deferral	—	1.5	—	2.8
Other tax refund claims	28.1	83.6	22.8	106.8
Other assets	67.0	402.5	57.3	420.5
Total	**129.5**	**525.2**	**115.4**	**577.6**

(21) Derivative financial instruments

Derivative financial instruments

	30 Sep 2013		30 Sep 2012	
	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
	€ million			
Receivables from derivative financial instruments from third parties	37.9	87.0	28.4	159.9

Derivative financial instruments are carried at their fair values (market values). They mainly serve as hedges for future business operations and are detailed in the Notes under Financial instruments.

(22) Deferred and current tax assets

The determination of deferred and current taxes is outlined in detail in the section "Accounting and measurement methods."

Income tax assets

	30 Sep 2013	30 Sep 2012
	€ million	
Deferred tax assets	224.6	168.7
Current tax assets	53.9	48.1
Total	**278.5**	**216.8**

Deferred income tax assets include an amount of €173.8m (previous year €124.9m) to be realised in more than twelve months.

Individual items of deferred tax assets and liabilities recognised in the financial position

	30 Sep 2013		30 Sep 2012	
	Asset	Liability	Asset	Liability
	€ million			
Finance lease transactions	—	2.4	—	2.4
Recognition and measurement differences for property, plant and equipment and other non-current assets	125.1	330.8	116.1	353.5
Recognition differences for receivables and other assets	17.1	27.6	35.6	—
Measurement of financial instruments	34.9	67.6	33.2	86.1
Measurement of pension provisions	138.0	—	167.8	—
Recognition and measurement differences for other provisions	85.5	9.4	107.4	7.8
Other transactions	73.4	81.6	104.4	170.4
Capitalised tax savings from recoverable loss carryforwards	193.4	—	154.9	—
Netting of deferred tax assets and liabilities	−442.8	−442.8	−550.7	−550.7
Balance sheet amount	**224.6**	**76.6**	**168.7**	**69.5**

No deferred tax liabilities were carried for temporary differences of €37.4m (previous year €65.2m) between the net assets of subsidiaries and the respective carrying amounts carried in the tax balance sheet since these temporary differences are not expected to be reversed in the near future.

Capitalised loss carryforwards and time limits for non-capitalised loss carryforwards

	30 Sep 2013	30 Sep 2012
	€ million	
Capitalised loss carryforwards	**1,006.0**	**736.8**
Non-capitalised loss carryforwards	**4,600.8**	**4,526.5**
of which loss carryforwards forfeitable within one year	—	—
of which loss carryforwards forfeitable within two to five years	26.2	57.3
of which loss carryforwards forfeitable within more than five years (excluding non-forfeitable loss carryforwards)	—	—
Non-forfeitable loss carryforwards	4,574.6	4,469.2
Total unused loss carryforwards	**5,606.8**	**5,263.3**

Loss carryforwards for Geman companies comprise the cumulative amount of trade tax and corporation tax as well as interest carryforwards from the German earnings stripping rule. Potential tax savings totalling €891.0m (previous year €852.9m) were not capitalised since use of the underlying loss carryforwards was not considered probable within the planning period.

In financial year 2012/13, the use of loss carryforwards previously assessed as non-realisable and for which therefore no asset had been carried for the resulting potential tax savings as at 30 September 2012 did not lead to any tax savings (previous year €0.1m). In financial year 2012/13, no tax reductions (previous year €0.9m) were realised by means of loss carrybacks.

Development of deferred tax assets from loss carryforwards

	2012/13	2011/12
	€ million	
Capitalised tax savings at the beginning of the year	**154.9**	**168.1**
Exchange adjustments	−13.3	−1.1
Use of loss carryforwards	−14.4	−2.5
Capitalisation of tax savings from tax loss carryforwards	+66.2	+4.1
Write-down of capitalised tax savings from tax loss carryforwards	—	−13.7
Capitalised tax savings at financial year-end	**193.4**	**154.9**

The capitalised deferred tax asset from temporary differences and loss carryforwards assessed as recoverable of €7.3m (previous year €107.6m), which arose in the TUI Travel Sector, is covered by expected future taxable income even for companies that generated losses in the period under review (or the prior year).

(23) Inventories

Inventories

	30 Sep 2013	30 Sep 2012
	€ million	
Marine inventory	26.1	35.6
Airline spares and operating equipment	27.7	27.3
Real estate for sale	20.0	12.4
Other inventories	41.6	38.6
Total	**115.4**	**113.9**

Other inventories included an amount of €14.1m for consumables used in hotels.

In financial year 2012/13, impairments worth €13.2m (previous year €4.9m) were effected in order to carry them at the lower net realisable value. These impairments included an amount of €9.5m related to property held for sale in connection with the Castelfalfi project, as outlined under Note 4.

No major write-backs of inventories were effected in 2012/13, nor in the prior year.

(24) Cash and cash equivalents

Cash and cash equivalents

	30 Sep 2013	30 Sep 2012
	€ million	
Bank deposits	2,670.8	2,229.1
Cash in hand and cheques	30.9	49.3
Total	**2,701.7**	**2,278.4**

The increase in cash and cash equivalents is attributable to the gross presentation of certain balances in banks resulting from a cash pool, which were carried on a netted basis against short-term current account credit of this cash pool in the prior year. This extension in the balance sheet, detailed in the chapter on "Accounting principles", does not affect the Group's net financial position.

At 30 September 2013, cash and cash equivalents of €175.4m (previous year €45.4m) were subject to restraints on disposal. They included an amount of €116.3m for cash collateral received, which was deposited in a Belgian subsidiary by Belgian tax authorities in the period under review in the framework of long-standing litigation over VAT refunds for the years 2001 to 2011 without inference of guilt, the purpose being to prevent the accrual of interest for both parties. In order to collateralise a potential repayment, the Belgian government was granted a bank guarantee. Due to the bank guarantee, TUI's ability to dispose of the cash and cash equivalents has been restricted.

(25) Assets held for sale

Assets held for sale

	30 Sep 2013	30 Sep 2012
	€ million	
Aircrafts and engines	—	6.1
Property and hotel facilities	6.6	—
Other assets	5.0	10.4
Total	**11.6**	**16.5**

In the period under review, a plane and two engines were reclassified to the category held for sale and were sold in the course of the year. The change in the aircraft and engines category results from the reclassification of an aircraft back to property, plant and equipment. In March 2013, the aircraft no longer met the criteria for assets held for sale.

The increase in property and hotel complexes is largely due to the reclassification of the Bulgarian hotel "Serenity Bay Beach Resort."

Other assets held for sale largely consist of hotel complexes, aircraft spare parts, yachts and boats. The change mainly comprises the sale of various asset items of a French hotel group, as well as sales of yachts and boats.

In the period under review, material measurement effects worth €6.6m arose from the fair value measurement of an aircraft held for sale in connection with the reclassification of assets held for sale. These measurement losses are carried as impairments under administrative expenses in the consolidated income statement.

(26) Subscribed capital

The subscribed capital of TUI AG consists of no-par value shares, each representing an identical share in the capital stock. The proportionate share in the capital stock per no-par value share is around €2.56. Since the switch in July 2005, the shares have been registered shares, whose owners have been listed by name in the share register.

The subscribed capital of TUI AG, registered in the commercial registers of the district courts of Berlin-Charlottenburg and Hanover, rose by a total of €0.3m to around €645.2m due to the issue of 99,860 shares resulting from the issue of employee shares and due to conversions into 2,000 shares under the 2009/2014 and 2011/2016 convertible bonds. It thus consist of 252,375,570 shares at the end of the financial year.

The Annual General Meeting on 13 February 2013 authorised the Executive Board of TUI AG to acquire own shares of up to 10% of the capital stock. The authorisation will expire on 12 August 2014. The authorisation to acquire own shares has not been used to date.

Conditional capital

The Annual General Meetings of 7 May 2008 and 13 May 2009 had created conditional capital for the issue of bonds of €100.0m each and authorised the group to issue bonds. The two above mentioned authorisations for the issue of bonds with conversion options and warrants as well as profit-sharing rights and income bonds (with and without fixed terms) have been limited to a total nominal amount of €1.0bn and they will expire on 6 May 2013 and on 12 May 2014, respectively.

Further conditional capital for the issue of bonds of €120.0m was resolved at the Annual General Meeting on 15 February 2012. The authorisation for the issue of bonds with conversion options and warrants as well as profit-sharing rights and income bonds (with and without fixed terms) has been limited to a total nominal amount of €1.0bn and matures on 14 February 2017.

Using the conditional capital of 13 May 2009, TUI AG issued unsecured non-subordinate convertible bonds worth €217.8m on 17 November 2009, maturing on 17 November 2014. The bonds were issued in denominations with nominal values of €56.30. The conversion price is €5.63 per no-par value share. The convertible bonds can hence be converted into a maximum of 38,683,730 shares. The bonds, which carry an interest coupon of 5.50% p. a., were issued at par. The bonds are traded at five German stock exchanges. By 30 September 2013, 47,073 bonds were converted into 470,730 new shares in TUI AG (including 1,990 in the period under review).

Using the conditional capital of 7 May 2008, TUI AG issued unsecured non-subordinate convertible bonds worth €339.0m on 24 March 2011, maturing on 24 March 2016. The bonds were issued in denominations with nominal values of €59.26. The conversion price is €11.8506 per no-par value share. The convertible bonds can hence be converted into a maximum of 28,599,735 shares. The bonds, which carry an interest coupon of 2.75%, were issued at par.

The bonds are traded at five German stock exchanges. By 30 September 2013, three bonds had been converted into 15 new shares in TUI AG (including ten shares in financial year 2012/13).

Overall, TUI AG held conditional capital of €318.8m as at 30 September 2013, taking account of the conversions effected.

Authorised capital

The Annual General Meeting of 9 February 2011 resolved to create authorised capital for the issue of new shares against cash contribution totalling €246.0m. The authorisation to use this authorised capital will expire on 8 February 2016.

The Annual General Meeting of 13 February 2013 resolved to issue new bearer shares against cash contribution for up to a maximum of €64.5m. This authorisation will expire on 12 February 2018.

The Annual General Meeting of 13 February 2013 also resolved to create new conditional capital for the issue of employee shares worth €10.0m. The Executive Board of TUI AG is authorised to use this conditional capital in one or several tranches by 12 February 2018 by issuing employee shares against cash contribution. Taking account of the conditional capital from 2008, 99,860 new employee shares were issued in the completed financial year.

Accordingly, total unused authorised capital was around €320.5m at the balance sheet date (around €318.6m as at 30 September 2012).

(27) Capital reserves

The capital reserves comprise transfers of premiums. In addition, amounts entitling the holders to acquire shares in TUI AG in the framework of bonds issued for conversion options and warrants have to be transferred to the capital reserves if the conversion options and warrants have to be classified as equity instruments in accordance with IAS 32. Premiums from the issue of shares due to the exercise of conversion options and warrants are also transferred to the capital reserve.

Borrowing costs for the issue of conversion options and warrants and for the capital increase by means of an issue of new shares against cash contribution are eliminated against the transfers to the capital reserves resulting from these transactions.

The capital reserves also rose by a total of €0.3m due to the issue of employee shares and the conversion of bonds into shares.

(28) Revenue reserves

Equity declined due to the payment of dividends to non-Group shareholders. Most of these dividends relate to the dividends paid by TUI Travel PLC and RIUSA II S.A. The interest paid on the hybrid capital issued by TUI AG also has to be shown as a dividend in accordance with IFRS rules.

In the framework of long-term incentive programmes, TUI Travel PLC operates stock option plans serviced with shares for its employees. Disclosures on these long-term incentive programmes are outlined under Note 43 in the chapter on share-based payments in accordance with IFRS 2. In financial year 2012/13, these stock option plans resulted in an increase in equity of €18.4m.

The revaluation reserve formed in accordance with IAS 27 (old version) in the framework of step acquisitions of companies is retained until the date of deconsolidation of the company concerned. In accordance with revised IAS 27, requiring prospective application, no new revaluation reserves are formed for step acquisitions since the changes in the fair values of the assets and liabilities of an acquired company arising in between the individual acquisition dates are taken through profit and loss based on the stake which had not yet triggered consolidation of the company concerned. Due to the sale of a company, a part of the revaluation reserve is reclassified to revenue reserves.

TUI AG has had a part of the interim dividend paid by TUI Travel PLC in October paid out in the form of shares and has thus acquired additional shares in TUI Travel PLC. TUI Travel PLC itself has acquired own shares in order to use them for its stock option programme. As the amounts used for this purpose have to be eliminated against revenue reserves, equity declined by €25.4m.

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

Foreign exchange differences comprise differences from the translation of the financial statements of foreign subsidiaries as well as differences from the translation of goodwill denominated in foreign currencies.

The proportion of gains and losses from hedges used as effective hedges of future cash flows is carried in equity in other comprehensive income outside profit and loss. A reversal of this provision through profit and loss takes place in the same period in which the hedged item has an effect on profit and loss or is no longer assessed as probable. The after-tax result to be eliminated directly against equity totalled €−43.7m.

The gains and losses from changes in actuarial parameters in connection with the measurement of pension obligations and related fund assets, if applicable, are also carried in equity in other comprehensive income outside profit and loss. The after-tax results to be eliminated directly against equity totalled €−32.3m.

(29) Use of Group profit available for distribution

In accordance with the Stock Corporation Act, the Annual General Meeting decides on the appropriation of the Group profit available for distribution carried in TUI AG's commercial-law annual financial statements. A proposal will be submitted to the Annual General Meeting to use the profit available for distribution for the financial year under review of €308.6m to pay a dividend of €0.15 per no-par value share and carry the amount of €270.7m remaining after deduction of the dividend total of €37.9m forward on new account. The final dividend total will depend on the number of dividend-bearing no-par value shares at the date on which the resolution regarding the use of Group profit available for distribution is taken by the Annual General Meeting.

(30) Hybrid capital

In accordance with IAS 32, the subordinated hybrid capital issued by TUI AG in December of financial year 2005, worth a nominal volume of €300.0m, constitutes Group equity. The borrowing costs of €8.5m were deducted from the hybrid capital outside profit and loss, taking account of deferred taxes. Dividend entitlements of the hybrid capital investors are deferred as other financial liabilities until the payment date.

(31) Non-controlling interests

Non-controlling interests mainly relate to companies of TUI Travel PLC and TUI Hotels & Resorts, in particular the RIUSA II Group.

Negative non-controlling interests which arose before the balance sheet date of 31 December 2008 were eliminated against other revenue reserves. Interests that have newly arisen since 1 January 2009 are directly carried in the balance sheet item Non-controlling interests.

Other comprehensive income of non-controlling interests

	2012/13	2011/12
	€ million	
Foreign exchange differences	20.8	−49.3
Financial Instruments available for sale	0.4	3.0
Cash flow hedges	−29.3	−44.9
Actuarial losses from pension provisions and related fund assets	−17.0	−74.7
Changes in the measurement of companies measured at equity	—	−0.6
Total	**−25.1**	**−166.5**

(32) Pension provisions and similar obligations

A number of defined contribution plans and defined benefit pension plans are operated for Group employees. Pension obligations vary, reflecting the different legal, fiscal and economic conditions in each country of operation, and usually depend on employees' length of service and pay levels. All defined contribution plans are funded by the payment of contributions to external insurance companies or funds, whilst defined benefit plans entail the formation of provisions within the company or investments in funds outside the company.

German employees enjoy benefits from a statutory defined contribution plan paying pensions as a function of employees' income and the contributions paid in. Several additional industry pension organisations exist for companies of the TUI Group. Once the contributions to the state-run pension plans and private pension insurance organisations have been paid, the company has no further payment obligations. Current contribution payments are expensed for the respective period. In financial year 2012/13, the pension costs for all defined contribution plans totalled €37.9m (previous year €34.9m).

In the period under review, a total expense of €48.3m arose for the Group for defined benefit pension plans. This amount includes income of €28.8m, resulting from a change in the pension arrangements in a Dutch subsidiary. The increase in the past service cost is mainly attributable to an adjustment of the pension obligations in a German subisidary against the backdrop of the ruling passed down by the European Court of Justice regarding the inadmissibility of the automatic termination of employment contracts for pilots when they reach the age of 60.

Pension costs for defined benefit obligations

	2012/13	2011/12
	€ million	
Current service cost for employee service in the period	45.2	35.5
Curtailment gains	30.1	—
Interest cost	108.6	122.2
Expected return on external plan assets	81.3	89.5
Past service cost	5.9	− 0.5
Total	**48.3**	**67.7**

Provisions for pension obligations are established for benefits payable in the form of retirement, invalidity and surviving dependants' benefits. Provisions are exclusively formed for defined benefit schemes under which the company guarantees employees a specific pension level. It also includes arrangements for early retirement and temporary assistance benefits.

Development of pension provisions and similar obligations

	Balance as at 30 Sep 2012	Changes with no and loss[1)]	Actuarial gains and losses	Utilisation	Addition	Balance as at 30 Sep 2013
	€ million					
Development of pension provisions and similar obligations	1,186.6	− 8.2	19.5	135.0	73.1	**1,136.0**

1) reclassifications, transfers, exchange differences and changes in group of consolidated companies

The actuarial gains and losses which arose in financial year 2012/13 were taken to or eliminated against equity outside profit and loss, causing the indicated movement in pension provisions outside profit and loss.

Where the defined benefit pension obligations are not financed by provisions, they are funded externally. This type of funding of pension obligations prevails to a considerable extent in the UK and in Switzerland.

While the fund assets are determined on the basis of the fair values of invested funds as at 30 September 2013, pension obligations are measured on the basis of actuarial calculations and assumptions. The obligations under defined benefit plans are calculated on the basis of the internationally accepted projected unit credit method, taking account of expected future increases in salaries and pensions.

Actuarial parameters for German companies

	2012/13	2011/12
	Percentage p. a.	
Discount rate	3.5	3.25
Projected future salary increases	2.0 – 2.5	2.0 – 2.5
Projected future pension increases	2.0	2.0 – 2.17

Determination of the interest rate applicable in discounting the provision for pensions is based on an index for corporate bonds adjusted for securities already downgraded and under observation by rating agencies as well as subordinate bonds in order to meet the criterion for first-rate bonds required under IAS 19. In order to cover a correspondingly broad market, an index based on shorter-terms bonds is used. The resulting interest rate structure is extrapolated on the basis of the yield curves for almost risk-free bonds, taking account of an appropriate risk mark-up reflecting the term of the obligation.

Actuarial calculations for companies abroad are based on specific parameters for each country concerned.

Actuarial assumptions for foreign companies

	2012/13			2011/12		
	Discount rate	Expected return on plan assets	Projected future salary increases	Discount rate	Expected return on plan assets	Projected future salary increases
	Percentage p. a.					
Eurozone	3.5	5.9	2.0 – 3.0	3.25	2.6	2.0 – 3.0
UK	4.4	6.1	2.5	4.5	5.6	2.5
Rest of Europe	2.5	2.4	1.0 – 3.8	2.0	2.0	1.0 – 2.0
North America	4.3	4.3	3.5	3.5	3.5	3.5

Development of projected benefit obligations

	2012/13	2011/12
	€ million	
Net present value of actual pension obligations at beginning of year	**2,900.3**	**2,350.9**
Current pension obligations	45.2	35.5
Past service cost	5.9	− 0.5
Curtailments and settlements	− 160.9	—
Interest cost	108.6	122.2
Pensions paid	− 132.0	− 130.6
Contributions paid by pension beneficiaries	1.9	2.6
Actuarial losses (+)	61.3	377.5
Exchange differences	− 98.0	143.3
Other	20.0	− 0.6
Net present value of actual pension obligations at year-end	**2,752.3**	**2,900.3**

In the financial year under review, pension obligations declined considerably by €148.0m to €2,752.3m. This was mainly due to the change in the pension arrangements in a Dutch subsidiary, which entailed conversion of the previously funded pension plan into a defined contribution plan.

Development of the fair value of fund assets

	2012/13	2011/12
	€ million	
Fair value of fund assets at beginning of period	**1,713.8**	**1,437.1**
Expected return on external plan assets (–)	− 81.3	− 89.5
Actuarial gains (–)/losses (+) of the current year	− 41.8	− 93.1
Effects from curtailments & settlements	− 131.0	—
Exchange differences	− 70.0	113.6
Employer’s contributions paid in	78.5	73.0
Contributions paid by the beneficiaries of the plan	1.9	2.6
Pensions paid	− 99.7	− 95.1
Fair value of fund assets at end of period	**1,616.6**	**1,713.8**
of which dividend-carrying securities	651.5	625.0
of which bonds	589.7	713.7
of which property, plant and equipment	89.4	87.5
of which cash	5.2	18.8
of which other	280.8	268.8

In connection with the restructuring of pension plans in the Netherlands, the TUI Group’s fund assets dropped substantially by €131.0m. By contrast, assets rose due to the sound development of fund asset prices. The funds generated actual returns of €123.1m (previous year €182.6m). Actuarial gains of €41.8m arose on an expected income of €81.3m (previous year €89.5m).

The assumptions used in determining the expected return on external fund assets are based on the actual fund structure and are oriented to the future long-term returns for the individual fund categories. Further factors taken into account are the current interest rate level and the inflation trend.

For the forthcoming financial year, the companies of the TUI Group are expected to contribute around €140.8m to the pension funds and pay pensions worth €33.8m in the framework of non-funded plans.

Reconciliation of projected benefit obligations to pension obligations recognised in the statement of financial position

	30 Sep 2013			30 Sep 2012		
	Plans with obligation in excess of assets	Plans with assets in excess of obligation	Total	Plans with obligation in excess of assets	Plans with assets in excess of obligation	Total
	€ million					
Actual projected benefit of fully or partly funded pension obligations	2,132.9	15.4	2,148.3	2,286.6	10.7	2,297.3
Fair value of external plan assets	1,600.9	15.7	1,616.6	1,703.0	10.8	1,713.8
Deficit respectively excess	**532.0**	**− 0.3**	**531.7**	**583.6**	**− 0.1**	**583.5**
Actual net present value of non- funded pension obligations			604.0			603.0
Net projected benefit obligation			**1,135.7**			**1,186.5**
Adjustment for past service cost			—			—
Net recognised liability			**1,135.7**			**1,186.5**
of which capitalised assets			0.3			0.1
Provisions for pensions and similar obligations			**1,136.0**			**1,186.6**
of which provisions for pensions for non-funded obligations			604.0			603.0
of which provisions for pensions for funded obligations			532.0			583.6

Since the TUI Group used the option of immediately offsetting the actuarial gains and losses against equity in the year in which they arose, the TUI Group's total pension obligations were fully shown in the statement of financial position, netted against existing fund assets.

Where plan assets exceed funded pension obligations, taking account of a difference due to past service cost, and where at the same time there is an entitlement to reimbursement or reduction of future contribution payments to the fund, the excess is capitalised in conformity with the upper limit defined by IAS 19.

Year-on-year comparison of the principal amounts related to pension obligations

	2012/13	2011/12	2009/10	SFJ 2009	2009
	€ million				
Projected benefit obligations at year-end	2,752.3	2,900.3	2,350.9	2,349.6	2,071.7
Fund assets at year-end	1,616.6	1,713.8	1,437.1	1,437.7	1,202.8
Excess (–)/deficit (+) at year-end	1,135.7	1,186.5	913.8	911.9	868.9
Actuarial gains (–)/losses (+) of the current year from the obligations	61.3	377.5	22.7	122.1	296.2
of which experience adjustments	50.7	15.3	26.5	− 3.8	4.0
Actuarial gains (–)/losses (+) of the current year from fund assets	− 41.8	− 93.1	72.9	− 46.1	− 93.6

At 30 September 2013, the net actuarial losses before deferred taxes carried and eliminated against equity outside profit and loss by that date totalled €1,011.8m (previous year €1,091.8m).

(33) Other provisions

Development of provisions in the financial year 2012/13

	Balance as at 30 Sep 2012	Changes with no effect and loss[1)]	Usage	Reversal	Additions	Balance as at 30 Sep 2013
			€ million			
Personnel costs	112.9	2.5	66.9	3.8	47.1	91.8
Typical operating risks	13.5	− 1.5	4.0	1.9	17.8	23.9
Maintenance provisions	500.1	− 17.6	200.8	17.0	172.6	437.3
Risks from onerous contracts	25.3	− 1.4	6.9	1.3	46.0	61.7
Guarantee and liability risks	8.4	—	2.6	0.6	1.9	7.1
Provisions for other taxes	53.2	− 0.3	1.6	0.5	9.3	60.1
Provisions for environmental protection	43.5	—	2.4	5.9	6.8	42.0
Miscellaneous provisions	290.4	− 1.6	99.3	16.5	127.3	300.3
Other provisions	**1,047.3**	**− 19.9**	**384.5**	**47.5**	**428.8**	**1,024.2**

1) reclassifications, transfers, exchange differences and changes in the group of consolidated companies

Other provisions

Provisions for personnel costs comprise provisions for social plans and jubilee benefits as well as provisions for share-based payment schemes with cash compensation in accordance with IFRS 2. Information on these long-term incentive programmes is presented under Note 43 in the chapter on "Share-based payments" in accordance with IFRS 2.

Restructuring provisions were formed where individual measures were sufficiently concrete and where a factual restructuring obligation existed. In financial year 2012/13, restructuring measures mainly implemented in the TUI Travel Sector resulted in expenses of €62.3m (previous year €63.2m). At the balance sheet date, provisions for restructuring measures totalled €62.8m, primarily for HR measures.

Provisions for external maintenance primarily relate to contractual maintenance, overhaul and repair requirements for aircraft, engines and specific components from aircraft charter contracts. The measurement of these provisions is based on the expected cost of the next maintenance event, estimated on the basis of current prices, expected price increases and manufacturers' data sheets. In line with the arrangements of the individual contracts and the aircraft model, transfers are made on a prorated basis in relation to flight hours, the number of flights or the length of the complete maintenance cycle. The provision declined by €62.8m, primarily due to the replacement of older aircraft by newer planes as well as foreign exchange effects.

In the current financial year, the provisions for onerous losses rose by €36.4m. Onerous losses from long-term purchase commitments to North African hoteliers resulted in an increase in the provision of €14.3m. In addition, provisions of €16.0m were formed for onerous losses from leasing contracts for two cruise ships.

The provisions for environmental protection measures primarily relate to public-law obligations to remediate sites contaminated with legacy waste from former mining and smelting activities. Estimating the future cost of remediating contaminated sites entails many uncertainties, which may also impact the size of provisions. The measurement is based on assumptions about future costs derived from empirical values, conclusions from environmental expert reports and the legal assessment of the Group as well as the expected duration of the remediation measures. Unwinding these obligations under environmental law takes a long time and constitutes a technically complex process. Accordingly, there are considerable uncertainties about the actual timeframe and the specific amount of expenses required so that actual costs may deviate from the provisions carried.

In the period under review, other provisions rose above all due to the formation of provisions for litigation risks from compensation entitlements in the event of delays in flight operations, which affected several subsidiaries following the latest case law on air passenger rights from the Court of Justice of the European Union.

Where the difference between the present value and the settlement value of a provision is material for the measurement of a non-current provision as at the balance sheet date, the provision has to be recognised at its present value in accordance with IAS 37. The discount rate to be applied should take account of the specific risks of the provision and of future price increases. This criterion applies to some items contained in the TUI Group's other provisions. Transfers to other provisions comprise an interest portion of €8.3m (previous year €16.5m), recognised as interest expenses.

Terms to maturity of income tax provisions and other provisions

	30 Sep 2013		30 Sep 2012	
	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
	€ million			
Personnel costs	27.8	91.8	19.3	112.9
Typical operating risks	0.4	23.9	1.6	13.5
Maintenance provisions	318.1	437.3	294.7	500.1
Risks from onerous contracts	36.9	61.7	15.2	25.3
Guarantee and liability risks	2.0	7.1	3.8	8.4
Provisions for other taxes	21.5	60.1	20.5	53.2
Provisions for environmental protection	36.9	42.0	38.4	43.5
Miscellaneous provisions	131.4	300.3	144.0	290.4
Other provisions	**575.0**	**1,024.2**	**537.5**	**1,047.3**

(34) Financial liabilities

Financial liabilities

	30 Sep 2013				30 Sep 2012	
	up to 1 year	1 – 5 years	Remaining term more than 5 years	Total	Total	Remaining term more than 1 year
	€ million					
Convertible bonds	—	1,333.5	—	1,333.5	1,318.3	1,318.3
Other bonds	—	—	—	—	232.8	—
Liabilities to banks	823.6	110.0	70.7	1,004.3	566.1	260.0
Liabilities from finance leases	29.2	131.9	174.5	335.6	233.2	204.6
Financial liabilities due to non-consolidated Group companies	6.0	—	—	6.0	7.1	0.3
Financial liabilities due to affiliates	—	—	—	—	11.6	11.6
Other financial liabilities	76.7	13.5	—	90.2	87.5	15.7
Total	**935.5**	**1,588.9**	**245.2**	**2,769.6**	**2,456.6**	**1,810.5**

The increase in financial liabilities in financial year 2012/13 is solely attributable to the gross presentation of short-term liabilities to banks from a cash pool, which were eliminated against certain assets within the cash pool in the prior year and thus shown on a net basis. This effect, outlined in detail in the chapter on "Accounting principles" does not have an impact on the Group's net financial position.

Fair values and carrying amounts of the bonds issued (30 Sep 2013)

	Issuer	Volume initial	Volume outstanding	Interest	Stock market value Debt component	Conversion options	Total	Carrying amount
				€ million				
2009/14 convertible bond	TUI AG	217.8	215.1	5.500	229.8	141.7	371.5	196.0
2011/16 convertible bond	TUI AG	339.0	339.0	2.750	339.9	20.5	360.4	303.6
2009/14 convertible bond	TUI Travel PLC	GBP 350.0	GBP 350.0	6.000	GBP 364.6	GBP 39.6	GBP 404.2	402.2
2010/17 convertible bond	TUI Travel PLC	GBP 400.0	GBP 400.0	4.900	GBP 421.0	GBP 54.0	GBP 475.0	431.7
Total								**1,333.5**
2005/ – hybrid capital	TUI AG	300.0	300.0	3M EURIBOR plus 7.300	303.8	—	303.8	294.8

On 17 November 2009, TUI AG issued a five-year convertible bond worth €217.8m. This bond carries a fixed-interest coupon of 5.5% p. a. It was issued in denominations of €56.30. The conversion price is €5.63 per no-par value share. The volume outstanding as per 30 September 2013 for this bond totals €215.1m, taking account of conversions into shares.

A second convertible bond was issued on 24 March 2011 by TUI AG with a nominal value of €339.0m. The bond carries a fixed-interest coupon of 2.75% p. a. and will mature on 24 March 2016. It was issued in denominations of €59.26. The conversion price is €11.85 per share.

On 1 October 2009, TUI Travel PLC issued a convertible bond with a nominal value of £350.0m with a fixed-interest coupon of 6.0% p. a. and a conversion price of £3.493 per no-par value share. It will mature in October 2014. The bond was issued in denominations of £100,000.

On 22 April 2010, TUI Travel PLC issued another convertible bond. It has a nominal volume of £400.0m and denominations of £100,000. At a fixed-interest coupon of 4.9%, it will mature in April 2017. The conversion price is £3.8234 per share.

The debt component of the convertible bonds was carried at present value upon issuance, taking account of an interest rate in line with market rates, and is increased by the interest portion for the period at every balance sheet date in accordance with the internationally customary effective interest method.

In accordance with the rules of IAS 32, the subordinated hybrid capital issued in December 2005 without a fixed term to maturity is not carried as a bond but shown as a separate Group equity item.

The remaining amount of the senior fixed rate notes issued in December 2005 worth €233.0m was redeemed in December 2012, as scheduled.

(35) Trade payables

Trade payables

	30 Sep 2013	30 Sep 2012
	€ million	
To third parties	3,025.6	3,216.9
To non-consolidated Group companies	4.8	4.9
To affiliates	18.8	38.2
Total	**3,049.2**	**3,260.0**

(36) Derivative financial instruments

Derivative financial instruments

	30 Sep 2013 up to 1 year	1 – 5 years	Total	30 Sep 2012 Remaining term of more than 1 year	Total
			€ million		
To third parties	178.8	30.7	209.5	31.8	194.9

Derivative financial instruments are carried at their fair value (market value). They primarily serve to hedge future business operations and are outlined in detail in the Notes to the financial instruments.

(37) Deferred and current tax liabilities

Deferred and current tax liabilities

	30 Sep 2013	30 Sep 2012
	€ million	
Deferred tax liabilities	76.6	69.5
Current tax liabilities	241.8	204.8
Total	**318.4**	**274.3**

The deferred tax liabilities include an amount of €61.9m (previous year €56.5m) to be realised in more than twelve months.

During an ongoing tax audit of TUI Travel's Accommodation & Destinations Business, the Spanish tax authorities objected in 2010 to the tax treatment of two transactions by the former First Choice Holidays PLC Group, undertaken in the period from 2000 to 2003, in determining Spanish income taxes. In the course of financial year 2012, a formal investigation procedure was initiated in order to examine potential tax offences.

On 11 October 2013, TUI Travel agreed on the terms of a settlement with the Spanish tax authorities. The total of tax, interest and penalties totals €50m. The disputed tax of €30m has been lodged with the authorities in earlier financial years whilst the case was progressing, meaning that that the settlement involves a further payment of interest and penalties totalling €20m. The tax (€30m) and interest (€5m) amounts have been provided in previous years within the taxation charge and financial expenses respectively, whilst the penalties of €15m have been accrued within administrative expenses in the year ended 30 September 2013 and included within separately disclosed items (note 8).

(38) Other liabilities

Other liabilities

	30 Sep 2013			30 Sep 2012	
	up to 1 year	1 – 5 years	Total	Remaining term of more than 1 year	Total
			€ million		
Other liabilities due to non-consolidated Group companies	4.7	1.4	6.1	0.8	15.2
Other liabilities due to affiliates	33.6	—	33.6	—	12.2
Other miscellaneous liabilities	223.9	49.7	273.6	41.1	208.7
Other liabilities relating to other taxes	33.3	—	33.3	—	52.8
Other liabilities relating to social security	42.3	—	42.3	—	50.8
Other liabilities relating to employees	246.6	12.1	258.7	8.5	138.8
Other liabilities relating to members of the Boards	1.1	—	1.1	—	2.9
Advance payments received	2,179.8	9.1	2,188.9	2.1	2,149.1
Other liabilities	**2,765.3**	**72.3**	**2,837.6**	**52.5**	**2,630.5**
Deferred income	54.3	26.1	80.4	15.7	95.3
Total	**2,819.6**	**98.4**	**2,918.0**	**68.2**	**2,725.8**

(39) Liabilities related to assets held for sale

In the period under review, the Group did not carry any liabilities related to assets held for sale, as in the previous year.

(40) Contingent liabilities

Contingent liabilities

	30 Sep 2013	30 Sep 2012
	€ million	
Liabilities under guarantees, bill and cheque guarantees due to non-consolidated Group companies	0.4	0.4
Other liabilities under guarantee, bill and cheque guarantees	382.6	478.1
Other liabilities under warranties	1.2	2.3
Total	**384.2**	**480.8**

Contingent liabilities are carried at an amount representing the best estimate of the expenditure that would be required to meet the present obligation as at the balance sheet date.

Liabilities under warranties are all contractual liabilities to third parties not to be classified as guarantees and going beyond the typical scope of the business and the industry.

Contingent liabilities as at 30 September 2013 are above all attributable to the granting of guarantees for the benefit of Hapag-Lloyd AG and TUI Cruises GmbH from the payment of collateralised ship financing schemes. Due to the cancellation of guarantees and ongoing redemptions, contingent liabilities declined as at 30 September 2013.

In the course of financial year 2011/12, the German tax administration issued a decree on the interpretation of the trade tax rate, changed with effect from financial year 2008. This decree, only binding for the tax administration, may be interpreted as indicating that expenses of German tour operators for the purchase of hotel beds are not fully deductible in determining the basis for the assessment of trade tax. In 2013 the tax administration clarified its view and informed TUI of its opinion that the rules of the decree are applicable to tourism activities of tour operators in Germany. TUI does not share that view, in particular as hotel purchasing contracts are mixed contracts also covering catering, cleaning, entertaining guests and other services characterising the purchased service.

The probability of fiscal court proceedings in Germany, which might take several years, has therefore risen.

As the Group has concluded many different contracts to purchase the same service, quantifying this risk in the event the tax administration enforces its view entails a strong element of uncertainty. As a result, there is a broad range of potential outcomes. Should TUI enforce its own legal interpretation, there is no risk.

Should TUI fail to do so, a risk of around €96m (previous year €80m) might arise for the period since 2008.

(41) Litigation

Neither TUI AG nor any of its subsidiaries have been involved in pending or foreseeable court or arbitration proceedings which might have a significant impact on their economic position or which have had such an impact in the past two years. This also applies to actions claiming warranty, repayment or any other compensation brought forward in connection with the divestment of subsidiaries and businesses over the past few years.

In the litigation with the insolvency administrator of Babcock Borsig AG, which has been pending since 2004, relating to the transfers of various shareholdings in 1999, the parties have meanwhile settled as suggested by the higher regional court of Frankfurt/Main. The settlement has not caused any charges beyond the provision formed in the previous year.

In 1999, the operator of the container terminal in Zeebrugge in Belgium filed an action for damages against CP Ships Ltd.—still part of TUI Group—and several of its subsidiaries due to an alleged breach of contract in connection with switching the Belgian port of call from Zeebrugge to Antwerp. Following the oral proceedings in September 2013, the court ruled against two subsidiaries of CP Ships Ltd in October 2013 and dismissed the action against all other defendants (including CP Ships Ltd.). Both parties have the option to appeal. Moreover, the CP Ships companies would have rights of recourse against solvent third parties in the event of a final judgment.

As in previous years, the respective Group companies formed adequate provisions, partly covered by expected insurance benefits, to cover all potential financial charges from court or arbitration proceedings. Overall, the future financial position is therefore unlikely to be substantially affected by such charges.

(42) Other financial commitments

Nominal values of other financial commitments

	30 Sep 2013				30 Sep 2012	
	up to 1 year	1 – 5 years	Remaining term of more than 5 years	Total	Remaining term of more than 1 year	Total
	€ million					
Order commitments in respect of capital expenditure	541.5	1,333.6	1,359.3	3,234.4	1,000.3	1,945.8
Other financial commitments	114.7	61.8	—	176.5	96.5	166.8
Total	**656.2**	**1,395.4**	**1,359.3**	**3,410.9**	**1,096.8**	**2,112.6**
Fair value	**634.0**	**1,258.5**	**1,032.3**	**2,924.8**	**984.9**	**1,968.6**

The fair value of other financial commitments was determined by means of discounting future expenses using a customary market interest rate of 3.5% p. a. (previous year 3.25% p. a.). If the previous year's interest rate of 3.25% p. a. had been applied, the fair value would have been €30.8m higher.

Order commitments in respect of capital expenditure relating almost exclusively to Tourism rose by €1,288.6m year-on-year as at 30 September 2013. This was due to various factors including orders for new aircraft and aircraft equipment in the framework of TUI Travel's modernisation strategy. Current down payments and the scheduled delivery of aircraft had an opposite effect.

Financial commitments from operating lease, rental and charter contracts

	30 Sep 2013					30 Sep 2012	
	up to 1 year	1 – 5 years	5 – 10 years	Remaining term of more than 10 years	Total	Remaining term of more than 1 year	Total
	€ million						
Aircraft	352.3	861.1	445.8	63.0	1,722.2	1,033.6	1,391.3
Hotel complexes	217.6	420.1	97.4	0.5	735.6	485.2	688.9
Travel agencies	76.3	160.1	54.5	16.4	307.3	270.9	354.1
Administrative buildings	52.9	136.2	71.2	70.1	330.4	277.0	326.5
Ships, yachts and motor boats	116.4	147.0	135.0	42.4	440.8	120.8	216.2
Other	37.4	39.1	6.0	22.0	104.5	74.9	112.6
Total	**852.9**	**1,763.6**	**809.9**	**214.4**	**3,640.8**	**2,262.4**	**3,089.6**
Fair value	**824.0**	**1,590.8**	**615.0**	**151.9**	**3,181.7**	**1,969.2**	**2,770.3**

The fair value of financial commitments from lease, rental and leasing agreements was determined by means of discounting future expenses using a customary market interest rate of 3.5% p. a. (previous year 3.25% p. a.). If the previous year's interest rate of 3.25% p. a. had been applied, the fair value would have been €29.4m higher.

The commitments from lease, rental and leasing agreements exclusively relate to leases that do not transfer all the risks and rewards of ownership of the assets to the companies of the TUI Group in accordance with IFRS rules (operating leases).

As a rule, operating leases for aircraft do not include a purchase option. Current lease payments usually do not include any maintenance costs. The basic lease term is usually around five years.

The increase as against 30 September 2012 results above all from the commissioning of several aircraft and the Europa 2 in the completed financial year. An opposite effect was driven above all by the scheduled redemption of rental and lease obligations for hotel and club facilities as well as aircraft.

(43) Share-based payments in accordance with IFRS 2

Multi-annual bonus payment

The long-term incentive programme for Board members is based on phantom shares and has a general term of four years. All Board members have their individual target amount fixed in their service contract; it is translated annually into phantom shares on the basis of the average price of TUI AG shares. The average share price is determined on the basis of the twenty days prior to the beginning of any financial year. The entitlement under the long-term incentive programme arises upon completion of the four-year service period, and this occurred for the first time following the completion of financial year 2012/13.

Upon the completion of the four-year period, the degree of target achievement is determined by comparing the change in total shareholder return (TSR) at TUI AG with the change in the Dow Jones Stoxx 600 Travel & Leisure index. If the degree of target achievement is less than 25% of the reference value, no phantom shares are granted. If the degree of target achievement exceeds 25%, it is multiplied by the number of phantom stocks granted; however, a cap of 175% applies.

At the end of the four-year service period, the number of phantom stocks determined in this way is multiplied by the average price of TUI AG shares (20 trading days), and the resulting amount is paid out in cash. The maximum amount payable under the long-term incentive programme has been capped for each individual.

Upon completion of the condition mentioned above and expiry of the service period, the awards are automatically exercised. If the conditions are not met, the awards are forfeited. For individual plan participants, the lock-up period will be restricted to the period until the end of the service relationship if they leave the Company.

The fair value of the phantom stocks granted in the completed financial year is carried as remuneration for the current financial year based on a degree of target achievement of 100%.

Stock option plan

Bonuses are granted to executive staff of the Group who are entitled to receive a bonus; the bonuses are also translated into phantom shares in TUI AG on the basis of an average share price. For Executive Board members, the stock option plan was terminated upon the introduction of the multi-annual bonus. However, active and former Executive Board members still have entitlements under that bonus model.

The phantom shares are calculated on the basis of Group earnings before taxes and amortisation of goodwill (EBTA). The translation into phantom stocks is based on the average stock price of the TUI share on the 20 trading days following the Supervisory Board meeting at which the annual financial statements are approved. The number of phantom stocks granted in a financial year is therefore only determined in the subsequent year. Following a lock-up period of two years, the individual beneficiaries are free to exercise their right to cash payment from this bonus within predetermined timeframes. This lock-up period is not applicable if a beneficiary leaves the Company. The payment level depends on the average stock price of the TUI share over a period of 20 trading days after the exercise date. There are no absolute or relative return or stock price targets. A cap has been agreed for exceptional, unforeseen developments. Since the strike price is €0 and the incentive programme does not entail a vesting period, the fair value corresponds to the intrinsic value and hence the market price at the balance sheet date. Accordingly, the fair value of the obligation is determined by multiplying the number of phantom shares with the stock price at the respective reporting date.

Phantom shares developed as follows for the two bonus schemes:

Development of phantom shares

	Number of shares	Present value € million
Balance as at 30 Sep 2011	**1,310,475**	**4.7**
Phantom shares granted	475,479	2.7
Phantom shares exercised	309,843	1.6
Measurement results	—	3.4
Balance as at 30 Sep 2012	**1,476,111**	**9.2**
Phantom shares granted	495,208	4.2
Phantom shares exercised	247,264	2.3
Measurement results	—	4.0
Balance as at 30 Sep 2013	**1,724,055**	**15.1**

The multi-annual bonus and the stock option plan are recognised as payments with cash compensation. As at 30 September 2013 provisions and liabilities relating to entitlements under these long-term incentive programmes totalled €14.6m and €2.0m respectively (previous year €13.6m and no liability).

In financial year 2012/13, total provisions for share-based payment schemes with cash compensation of €8.2m (previous year €4.2m) were recognised through profit and loss.

Employee shares

TUI AG offers shares at favourable preferential conditions for purchase by eligible employees or former staff members (pensioners) in Germany and some European countries. The purchase entails a lock-up period of two years. In financial year 2012/13, a total of 99,860 employee shares were sold (previous year 159,490). Personnel costs recognised through profit and loss, i. e. the difference between the current share price as at the balance sheet date and the reduced purchase price, amount to €0.3m.

Share-based payment schemes in subsidiaries of TUI AG

The TUI Travel sector operates three principal share-based payment schemes linking employee remuneration to the future performance of the sector: A Performance Share Plan (PSP), a Deferred Annual Bonus Scheme (DABS) and a Deferred Annual Bonus Long-Term Incentive Scheme (DABLIS). These payment schemes are offered to participants free of charge and entail both lock-up periods and performance conditions.

The share options of all remuneration schemes will only vest if the average annual return on invested capital (ROIC) is at least equal to average weighted average cost of capital (WACC). If this condition is fulfilled, the number of vesting options is determined as a function of the fulfilment of the following performance conditions.

Performance Share Plan (PSP)

Up to 50% of these awards granted to the Executive Board will vest based on growth in the company's reported earnings per share (EPS) in excess of growth in the UK Retail Price Index. Up to 25% of the awards (prior to 1 October 2011 up to 50%) will vest based on the company's total shareholder return (TSR) performance relative to an average of the TSR performance of an index of other capital market-oriented companies. Since 1 October 2011, calculation of the benchmark has exclusively been based on the TRS values of travel and tourism companies.

Likewise since 1 October 2011, up to 25% of the awards vest if the company's average return on invested capital (ROIC) meets predefined targets.

Deferred Annual Bonus Scheme (DA BS)

Under the Deferred Annual Bonus Scheme (DABS), half the annual variable compensation of the Executive Board members is deferred into share-based awards. Matching awards may be offered as additional bonuses. Matching awards are limited to four times the deferred amount. The awards granted under this scheme vest upon completion of a three-year period at the earliest.

If the ROIC/WACC hurdle is met, up to 50% of the granted awards (prior to 1 October 2011 up to 75%) will vest based on growth in earnings per share (EPS) relative to the UK Retail Price Index (RPI). 25% of the awards will vest based on total shareholder return (TSR) performance relative to the TSR performance of other capital market-oriented companies. Since 1 October 2011, the benchmark has been calculated exclusively on the basis of the TSR of travel and tourism companies.

Likewise since 1 October 2011, up to 25% of the awards will vest if the average return on invested capital (ROIC) meets certain targets.

Deferred Annual Bonus long-term Incentive Scheme (DA BLIS)

The Deferred Annual Bonus Long-Term Incentive Scheme (DABLIS) is for executive staff (except for the Executive Board) and requires a 25% deferral of any annual variable compensation into shares. Matching shares are limited to four times the deferred amount. The earliest point for the shares to be eligible for release is similarly at the end of a three-year period.

Up to 50% of the awards will vest based on achievement of certain EBITA targets. Up to 25% of awards will vest based on the earnings per share (EPS) performance relative to the UK Retail Price Index and up to 25% based on the Total Shareholder Return (TSR) performance in relation to the TSR performance of other capital market-oriented companies. Since 1 October 2011, the benchmark has exclusively been calculated on the basis of the TSR performance of travel and tourism companies.

The vesting schedule for awards in TUI Travel PLC was as follows as at 30 September 2013:

Share award schemes and ordinary shares outstanding

	30 Sep 2013 Number of shares	30 Sep 2012 Number of shares	Date due to vest/date vested
Performance Share Plan (PSP)	—	1,864,433	4 Dec 2012
	—	695,082	19 Mar 2013
	1,851,300	1,988,854	6 Dec 2013
	3,042,857	3,234,113	7 Dec 2014
	193,242	193,242	1 Jun 2015
	1,851,734	—	6 Dec 2015
Deferred Annual Bonus Scheme (DABS)	—	3,148,956	4 Dec 2012
	3,535,905	3,825,685	6 Dec 2013
	5,200,660	5,376,936	7 Dec 2014
	3,604,844	—	6 Dec 2015
Deferred Annual Bonus Long Term Incentive Scheme (DABLIS)	—	1,924,199	4 Dec 2012
	2,032,726	2,131,122	6 Dec 2013
	3,601,638	3,866,944	7 Dec 2014
	2,211,179	—	6 Dec 2015
Total	**27,126,085**	**28,249,566**	

The development of awards granted is as follows:

Development of the number of share options

	Number
Outstanding at beginning of the financial year	28,249,566
Forfeited during the year	−3,846,931
Reclassified as share appreciation rights	—
Exercised during the financial year	−5,076,118
Granted during the financial year	7,799,568
Balance as at 30 Sep 2013	**27,126,085**

On top of the shares mentioned above, the deferral of variable compensation into share awards means that 3,118,873 shares (previous year 2,491,300 shares) are still outstanding under DABS and 4,465,568 (previous year 4,406,287) under DABLIS. The awards will vest between 6 December 2013 and 6 December 2015.

The fair value of services received in return for shares awarded during the year was measured by reference to the fair value of the shares awarded. The fair value at the date the shares were awarded is usually estimated using a binominal methodology, except where there is a marketbased performance condition attached to vesting. In that case a Monte Carlo simulation is used.

Information relating to fair values of shares awarded

		2012/13	2011/12
Fair values at measurement date	GBP	1.45 – 2.45	0.85 – 1.46
Share price	GBP	2.84	1.66
Expected volatility	%	35.5	36.10
Award life		3 years	3 years
Expected dividends	%	4.94	4.47
Risk free interest rate	%	0.42	0.54

Participants are not entitled to dividends prior to vesting. Expected volatility is based on historic volatility adjusted for changes to future volatility indicated by publicly available information.

In financial year 2012/13, personnel costs of €18.2m (previous year €19.0m) relating to sharebased payment schemes involving compensation by equity instruments were carried through profit and loss.

Certain beneficiaries (except for the Executive Board members) may also decide to have their awards settled in cash. Calculation of the cash settlement is based on the same criteria as those used for settlement by equity instruments. In financial year 2012/13, this gave rise to personnel costs of €2.9m (previous year €0.4m).

(44) Financial instruments

Risks and risk management

Risk management principles

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

In accordance with the Group's financial goals, financial risks have to be limited. In order to achieve that goal, policies and rules applicable throughout the Group have been defined, fixing binding decision bases, competencies and responsibilities for all financial transactions. In the framework of the merger of TUI's tourism activities with First Choice to form TUI Travel PLC, responsibilities were divided up differently for central cash management, which was previously managed by TUI AG alone, and central financial risk management. TUI Travel PLC performs these tasks for the TUI Travel Sector within the Group, while TUI AG continues to be responsible for these functions for all other business operations of the Group.

The individual financing units, rules, competencies and workflows as well as limits for transactions and risk positions have been defined in policies. The trading, settlement and controlling functions have been segregated in functional and organisational terms. Compliance with the policies and limits is continually monitored. All hedges by the Group are consistently based on correspondingly recognised or future underlying transactions. Recognised standard software is used for assessing, monitoring and reporting as well as documenting and reviewing the efficiency of the hedging relationships for the hedges entered into. The processes, the methods applied and the organisation of risk management are reviewed for compliance with the relevant regulations on at least an annual basis by the internal audit departments and external auditors.

Within the TUI Group, financial risks primarily arise from cash flows in foreign currencies, fuel requirements (aircraft fuel and bunker oil) and financing via the money and capital markets. In order to limit the risks from changes in exchange rates, market prices and interest rates for underlying transactions, TUI uses derivative over-the-counter financial instruments. These are primarily fixed-price transactions. In addition, TUI also uses options and structured products. Use of derivative financial instruments is confined to internally fixed limits and other regulations. The instruments used always have to be controllable with the respective entity's own (HR, organisational and systems) resources. The transactions are concluded on an arm's length basis with contracting counterparties operating in the financial sector, whose counterparty risk is regularly monitored. Foreign exchange translation risks from the consolidation of Group companies not preparing their accounts in euros are not hedged.

Accounting and measurement of financial instruments is in line with IAS 39.

Market risk

Market risks result in fluctuations in earnings, equity and cash flows. In order to limit or eliminate these risks, the TUI Group has developed various hedging strategies, including the use of derivative financial instruments.

According to IFRS 7, market risks have to be presented using sensitivity analyses showing the effects of hypothetical changes in relevant risk variables on profit or loss and equity. The effects for the period are determined by relating the hypothetical changes in risk variables to the portfolio of primary and derivative financial instruments as at the balance sheet date. Care is taken to ensure that the respective portfolio as at the balance sheet date is representative for the financial year.

The analyses of the TUI Group's risk reduction activities outlined below and the amounts determined using sensitivity analyses represent hypothetical and thus uncertain disclosures entailing risks. Due to unforeseeable developments in the global financial markets, actual results may deviate substantially from the disclosures provided. The risk analysis methods used must not be considered a projection of future events or losses, since the TUI Group is also exposed to risks of a non-financial or non-quantifiable nature. These risks primarily include country, business and legal risks not covered by the following presentation of risks.

Currency risk

The business operations of the TUI Group's companies generate cash flows denominated in foreign currencies, which are not always matched by congruent cash flows with equivalent terms in the same currency. Using potential netting effects (netting of payments made and received in the same currency with identical or similar terms), the TUI Group enters into appropriate hedges with external counterparties in order to limit the currency risk on the result margin.

Within the TUI Group, risks from exchange rate fluctuations of more than 20 currencies are hedged, with the largest hedging volumes relating to US dollars, euros and sterling. The Eurozone limits the currency risk from transactions in the key tourist destinations to Group companies whose functional currency is not the euro. The Tourism Segment is mainly affected by changes in the value of the US dollar and the euro, the latter predominantly affecting the TUI tour operators in the UK and the Nordic countries. In the Tourism business, payments in US dollars primarily relate to the procurement of services in non-European destinations, purchases of aircraft fuel and ship bunker and aircraft purchases or respective charter rates.

The companies of the TUI Travel Sector use financial derivatives to hedge their planned foreign exchange requirements. They aim to cover 80% to 100% of the planned currency requirements at the beginning of the tourism season concerned. In this regard, account is taken of the different risk profiles of the Group companies operating in various source markets. The hedged currency volumes are changed in line with changes in planned requirements on the basis of reporting by subsidiaries. Currency hedging in the TUI Hotels & Resorts and Cruises Sectors is also based on the reports submitted by the companies. The aim is for the hedges to cover 80% of the reported exposure.

Currency risks within the meaning of IFRS 7 arise from primary and derivative monetary financial instruments issued in a currency other than the functional currency of a company. Exchange rate-related differences from the translation of financial statements into the Group's currency are not taken into account. Taking account of the different functional currencies within the TUI Group, the sensitivity analyses of the currencies identified as relevant risk variables are presented below. A 10% strengthening or weakening of the respective functional currencies, primarily euro and sterling, against the other currencies would create the following effects on the hedging reserve and earnings after tax:

Sensitivity analysis—currency risk

€ million	30 Sep 2013		30 Sep 2012	
Variable: Foreign exchange rate	+ 10%	− 10%	+ 10%	− 10%
Exchange rates of key currencies				
€/US dollar				
Hedging reserve	− 87.7	+ 86.8	− 99.0	+ 98.6
Earnings after income taxes	− 5.2	+ 5.4	+ 3.3	− 2.7
€/Pound sterling				
Hedging reserve	− 91.7	+ 91.7	+ 105.2	− 105.2
Earnings after income taxes	− 35.3	+ 35.3	+ 123.8	− 123.8
Pound sterling/US dollar				
Hedging reserve	− 71.7	+ 71.7	+ 1.4	− 1.4
Earnings after income taxes	− 14.8	+ 14.8	+ 11.1	− 11.1
€/Swiss franc				
Hedging reserve	− 3.0	+ 3.0	− 2.5	+ 2.6
Earnings after income taxes	− 0.2	+ 0.2	− 11.6	+ 11.6
€/Swedish krona				
Hedging reserve	+25.2	− 25.2	+ 20.8	− 20.8
Earnings after income taxes	− 5.0	+ 5.0	− 10.1	+ 10.1

Interest rate risk

The TUI Group is exposed to interest rate risks from floating-rate primary and derivative financial instruments. Where interest-driven cash flows of floating-rate primary financial instruments are converted into fixed cash flows due to derivative hedges, they are not exposed to an interest rate risk. No interest rate risk exists for fixed-interest financial instruments carried at amortised cost.

Changes in market value interest rates mainly impact floating-rate primary financial instruments and derivative financial instruments entered into in order to reduce interest-induced cash flows fluctuations.

The table below presents the equity and earnings effects of an assumed increase or decrease in the market interest rate by 100 base points as at the balance sheet date.

Sensitivity analysis—interest rate risk

	30 Sep 2013		30 Sep 2012	
Variable: Interest rate level for floating interest-bearing debt and fixed-interest bearing loans	**+ 100 basis points**	**− 100 basis points**	**+ 100 basis points**	**− 100 basis points**
	€ million			
Hedging reserve	+ 1.0	− 0.7	+ 0.2	—
Earnings after income taxes	− 4.4	+ 3.4	− 0.8	+ 1.6

Fuel price risk

Due to the nature of its business operations, the TUI Group is exposed to market price risks from the procurement of fuels, both for the aircraft fleet and the cruise ships.

The Tourism companies use financial derivatives to hedge their exposure to market price risks for the planned purchase of fuel. When calculating the exposure at the beginning of the season concerned, the goal is to hedge at least 80% of the relevant exposure. The different risk profiles of the Group companies operating in different source markets are taken into account, including possibilities of levying fuel surcharges. The hedging volumes are adjusted to changes in planned consumption on the basis of the reports from the Group companies.

A 10% increase or decrease in the raw material prices underlying the fuel price hedges as at the balance sheet date would have the following impact on equity and earnings, shown in the table below.

Sensitivity analysis—fuel price risk

€ million	30 Sep 2013		30 Sep 2012	
Variable: Fuel prices for aircraft and ships	**+ 10%**	**− 10%**	**+ 10%**	**− 10%**
Hedging reserve	+ 77.5	− 79.1	+ 94.9	− 94.9
Earnings after income taxes	+ 0.1	+ 0.2	+ 0.5	− 0.3

Other price risks

Apart from the financial risks that may result from changes in exchange rates, raw material prices and interest rates, the TUI Group is exposed to other price risks due to one-off items.

In financial year 2009/10, TUI Travel PLC issued, inter alia, a convertible bond worth £400.0m; the TUI Group entered into a buyback obligation for a partial amount of £200.0m. It is treated separately in the form of a forward transaction and included in a hedge in the framework of hedge accounting. The table below shows the impact of a 10% increase or decrease in the bond price on the hedging reserve and earnings after tax.

The table also presents the impact of an assumed change in the underlying price of +/-10% on the investment in AirBerlin.

Sensitivity analysis—other price risks

€ million	30 Sep 2013		30 Sep 2012	
Variable: Other market values, cash flows	**+ 10%**	**− 10%**	**+ 10%**	**− 10%**
Hedging reserve	+ 14.3	− 14.3	+ 12.6	− 12.6
Earnings after income taxes	—	—	—	− 0.5
Equity—Available for sale financial instruments	+ 0.6	− 0.6	+ 0.5	—

For the sensitivity analysis of the indirect shareholding in National Air Traffic Services (NATS) we refer to the comments on the development of the value of Level 3 financial instruments.

Credit risk

The credit risk in non-derivative financial instruments results from the risk of counterparties defaulting on their contractual payment obligations.

Maximum credit risk exposure corresponds in particular to the total of the recognised carrying amounts of the financial assets (including derivative financial instruments with positive market values). It also relates to the granting of financial guarantees for the discharge of liabilities. Details concerning the guarantees at the balance sheet date are presented in Note 40. Legally enforceable possibilities of netting financial assets and liabilities are taken into account. Credit risks are reviewed closely on conclusion of the contract and continually monitored thereafter so as to be able to swiftly respond to potential impairments in a counterparty's solvency. Responsibility for handling the credit risk is always held by the respective Group companies of the TUI Group.

Since the TUI Group operates in many different business areas and regions, significant credit risk concentrations of receivables from and loans to specific debtors or groups of debtors are not to be expected. A significant concentration of credit risks related to specific countries is not to be expected either. The maximum credit risk is reduced by collateral held and other credit enhancements of 1.1m (previous year €2.6m). Collateral held relates exclusively to financial assets of the category Trade accounts receivable and other receivables. The collateral mainly constitutes collateral for financial receivables granted and maturing in more than one year and/or with a volume of more than €1m. Rights in rem, directly enforceable guarantees, bank guarantees and comfort letters are used as collateral.

Identifiable credit risks of individual receivables are covered by means of corresponding bad debt allowances. In addition, portfolios are impaired based on empirical values. An analysis of the ageing structure of the category Trade receivables and other assets is presented in Note 20.

At the balance sheet date, there were no financial assets that would be overdue or impaired unless the terms and conditions of the contract had been renegotiated, neither in financial year 2012/13 nor in 2011/12.

Credit management also covers the TUI Group's derivative financial instruments. The maximum credit risk for derivative financial instruments entered into is limited to the total of all positive market values of these instruments since in the event of counterparty default asset losses would only be incurred up to that amount. Since derivative financial instruments are concluded with different debtors, credit risk exposure is reduced. Nevertheless, the counterparty risk is continually monitored and controlled using internal bank limits.

Liquidity risk

Liquidity risks consist of potential financial shortages and resulting increases in refinancing costs. For this reason, the key objectives of TUI's internal liquidity management system are to secure the Group's liquidity at all times and consistently comply with contractual payment obligations. In accordance with IFRS 7.14, assets of €41.0m (previous year €0.0m) were deposited as collateral for liabilities. The participating Group companies are also jointly and severally liable for financial liabilities from a cash pooling agreement. At the balance sheet date, net liabilities of €570.0m and bank balances of €587.5m existed under this cash pool. More detailed information on the liquidity risk is provided in the section on Liquidity safeguarding in the Risk Report of the Management Report.

The tables provided below list the contractually agreed (undiscounted) cash flows of all primary financial liabilities and derivative financial instruments as at the balance sheet date. Planned payments for future new liabilities were not taken into account. Where financial liabilities have a floating interest rate, the forward interest rates fixed at the balance sheet rate were used to determine future interest payments. Financial liabilities cancellable at any time are allocated to the earliest maturity band.

Cash flow of financial instruments—financial liabilities (30 Sep 2013)

	2014		2015		2016 – 2018		as of 2018	
	repayment	interest	repayment	interest	repayment	interest	repayment	interest
	€ million							
Financial liabilities								
Bonds	—	− 21.2	− 1.055.5	− 15.2	− 339.0	− 4.7	—	—
Liabilities to banks	− 828.5	− 16.9	− 32.0	− 1.9	− 73.2	− 4.2	− 70.7	− 5.1
Liabilities from finance leases	− 29.2	− 0.1	− 35.5	—	− 96.4	—	− 174.5	—
Financial liabilities due to non-consolidated Group companies	—	—	—	—	—	—	—	—
Financial liabilities due to affiliates	—	—	—	—	—	—	—	—
Other financial liabilities	− 102.4	− 25.6	—	—	—	—	—	—
Trade payables	− 3,049.2	—	—	—	—	—	—	—
Other liabilities	− 218.9	—	− 6.3	—	− 12.1	− 1.4	− 11.8	—

Cash flow of financial instruments—financial liabilities (30 Sep 2012)

	2013		2014		2015 – 2017		as of 2017	
	Repayment	interest	repayment	interest	repayment	interest	repayment	interest
	€ million							
Financial liabilities								
Bonds	− 233.0	− 27.1	—	− 21.2	− 1,399.8	− 19.9	—	—
Liabilities to banks	− 369.6	− 28.4	− 195.7	− 17.4	− 49.9	− 5.0	− 35.9	− 5.4
Liabilities from finance leases	− 26.6	− 1.9	− 18.6	− 0.1	− 64.4	− 0.7	− 114.2	—
Financial liabilities due to non-consolidated Group companies	—	—	—	—	—	—	—	—
Financial liabilities due to affiliates	− 1.4	—	—	—	− 11.6	—	—	—
Other financial liabilities	− 98.4	− 26.0	− 12.7	—	− 1.3	—	− 0.2	—
Trade payables	− 3,260.0	—	—	—	—	—	—	—
Other liabilities	− 58.5	—	− 2.2	—	− 13.2	—	− 1.4	—

Cash flow of derivative financial instruments (30 Sep 2013)

	2014	2015	2016 – 2018	as of 2018
	€ million			
Derivative financial instruments				
Hedging transactions – inflows	+ 6,172.5	+ 1,102.4	+ 29.1	—
Hedging transactions – outflows	− 6,275.8	− 1,128.9	− 29.7	—
Other derivative financial instruments – inflows	+ 3,363.2	+ 206.4	—	—
Other derivative financial instruments – outflows	− 3,407.7	− 209.4	− 0.2	—

Cash flow of derivative financial instruments (30 Sep 2012)

	2013	2014	2015 – 2017	as of 2017
	€ million			
Derivative financial instruments				
Hedging transactions – inflows	+ 6,001.4	+ 1,064.2	+ 7.3	—
Hedging transactions – outflows	− 6,068.0	− 1,075.6	− 7.2	—
Other derivative financial instruments – inflows	+ 4,675.8	+ 34.4	—	—
Other derivative financial instruments – outflows	− 4,689.6	− 34.8	—	—

Derivative financial instruments and hedges

Strategy and goals

In accordance with the TUI Group's implementing regulations, derivatives are allowed to be used if they are based on underlying recognised assets or liabilities, firm commitments or forecasted transactions. Hedge accounting is based on the rules of IAS 39, in particular in the framework of hedging planned transactions. In the financial year under review, hedges exclusively consisted of cash flow hedges.

In order to limit currency, interest rate and fuel risks, derivative financial instruments in the form of fixed-price transactions and options are used.

Cash flow hedges

As at 30 September 2013, underlying transactions existed to hedge cash flows in foreign currencies with maturities of up to three years (previous year up to three years). The planned underlying transactions of fuel price hedges had terms of up to three years (previous year up to three years). In order to hedge TUI AG's floating-rate interest payment obligations in connection with the funding to purchase part of a convertible bond issued by TUI Travel PLC, interest hedges with a term of up to three years (previous year up to three two) were concluded in financial years 2010/11 and 2012/13.

In accounting for derivatives of cash flow hedges, the effective portion of the cumulative changes in market values is carried in the hedging reserve outside profit and loss until the underlying transaction occurs. It is carried in the income statement through profit and loss when the hedged item is executed. In the financial year under review, expenses of €11.0m (previous year income of €21.7m) for currency hedges and derivative financial instruments used as price hedges as well as for interest hedges was carried in the cost of sales. Expenses of €2.4m (previous year income of €1.3m) were carried for the ineffective portion of the cash flow hedges.

Nominal amounts of derivative financial instruments used

	30 Sep 2013			30 Sep 2012	
	up to 1 year	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
			€ million		
Interest rate hedges					
Caps	59.8	222.0	281.8	212.7	212.7
Swaps	59.8	90.9	150.7	62.7	62.7
Currency hedges					
Forwards	9,387.2	1,060.2	10,447.4	1,079.3	11,496.7
Options	39.2	—	39.2	77.6	100.4
Collected forwards	179.1	110.9	290.0	70.8	647.6
Commodity hedges					
Swaps	1,011.2	212.5	1,223.7	259.2	1,486.1
Options	31.1	—	31.1	19.8	129.5
Other financial instruments	**—**	**179.4**	**179.4**	**188.0**	**188.0**

The nominal amounts correspond to the total of all purchase or sale amounts or the contract values of the transactions.

Fair values of derivative financial instruments

The fair values of derivative financial instruments correspond to the market values. The market price determined for all derivative financial instruments is the price at which a contracting party would take over the rights and/or obligations of the respective counterparty. The fair value of over-the-counter derivatives is determined by means of appropriate calculation methods, e. g. by discounting the expected future cash flows. The forward prices of forward transactions are based on the spot or cash prices, taking account of forward premiums and discounts. The calculation of the fair values of options concluded for currency options is based on the Black & Scholes model and the Turnbull & Wakeman model for optional fuel hedges. The fair values determined on the basis of the Group's own systems are regularly compared with fair value confirmations of the external counterparties.

Positive and negative fair values of derivative financial instruments shown as receivables or liabilities

	30 Sep 2013		30 Sep 2012	
	Receivables	Liabilities	Receivables	Liabilities
	€ million			
Cash flow hedges for				
currency risks	40.4	147.4	79.0	137.3
other market price risks	43.3	28.4	56.6	23.1
interest rate risks	0.1	0.6	0.2	1.7
Hedging transactions	**83.8**	**176.4**	**135.8**	**162.1**
Other derivative financial instruments	**3.2**	**33.1**	**24.1**	**32.8**
Total	**87.0**	**209.5**	**159.9**	**194.9**

Financial instruments which are entered into in order to hedge a risk position according to operational criteria but do not meet the strict criteria of IAS 39 to qualify as hedges are shown as other derivative financial instruments. They include in particular foreign currency transactions entered into in order to hedge against foreign currency-induced exposure to changes in the value of balance sheet items and foreign exchange fluctuations from future expenses in Tourism.

Financial instruments—Additional disclosures

Carrying amounts and fair values

Where financial instruments are listed in an active market, e. g. above all shares held and bonds issued, the fair value or market value is the respective quotation in this market. For over-the-counter bonds, liabilities to banks, promissory notes and other non-current financial liabilities, the fair value is determined as the present value of future cash flows, taking account of yield curves and the respective credit spread, which depends on the credit rating.

Due to the short remaining terms of Cash and cash equivalents, Current trade receivables and other assets, Current trade payables and other payables, the carrying amounts are taken as realistic estimates of the fair value.

The fair values of Non-current trade receivables and other assets correspond to the present values of the cash flows associated with the assets, taking account of current interest parameters which reflect market- and counterparty-related changes in terms and expectations.

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

		Category under IAS 39						
	Carrying amount	At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss	Values according to IAS 17 (leases)	Carrying amount of financial instruments	Fair value of financial instruments
	€ million							
Assets								
Availanle for sale financial assets	71.5	—	54.1	17.4	—	—	71.5	71.5
Trade receivables and other assets	2,219.6	1,090.2	—	—	40.6	—	1,130.8	1,130.8
Derivative financial instruments								
Hedging transactions	83.8	—	—	83.8	—	—	83.8	83.8
Other derivative financial instruments	3.2	—	—	—	3.2	—	3.2	3.2
Cash and cash equivalents	2,701.7	2,701.7	—	—	—	—	2,701.7	2,701.7
Assets held for sale	11.6	—	—	—	—	—	—	—
Liabilities								
Financial liabilities	2,769.6	2,434.1	—	—	—	335.5	2,769.6	3,239.6
Trade payables	3,049.2	3,049.2	—	—	—	—	3,049.2	3,049.2
Derivative financial instruments								
Hedging transactions	176.4	—	—	176.4	—	—	176.4	176.4
Other derivative financial instruments	33.1	—	—	—	33.1	—	33.1	33.1
Other liabilities	2,918.0	212.0	—	—	—	—	212.0	212.0

Carrying amounts and fair values according to classes and measurement categories as at 30 Sep 2012

		Category under IAS 39						
	Carrying amount	At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss	Values according to IAS 17 (leases)	Carrying amount of financial instruments	Fair value of financial instruments
	€ million							
Assets								
Availanle for sale financial assets	75.5	—	60.9	14.6	—	—	75.5	75.5
Trade receivables and other assets	2,314.1	1,142.4	—	—	37.6	—	1,180.0	1,180.0
Derivative financial instruments								
Hedging transactions	135.8	—	—	135.8	—	—	135.8	135.8
Other derivative financial instruments	24.1	—	—	—	24.1	—	24.1	24.1
Cash and cash equivalents	2,278.4	2,278.4	—	—	—	—	2,278.4	2,278.4
Assets held for sale	16.5	—	—	—	—	—	—	—
Liabilities								
Financial liabilities	2,456.6	2,223.4	—	—	—	233.2	2,456.6	2,527.2
Trade payables	3,260.0	3,256.5	—	—	—	—	3,256.5	3,256.5
Derivative financial instruments								
Hedging transactions	162.1	—	—	162.1	—	—	162.1	162.1
Other derivative financial instruments	32.8	—	—	—	32.8	—	32.8	32.8
Other liabilities	2,725.8	223.3	—	—	—	—	223.3	223.3

The financial investments classified as Financial instruments available for sale include an amount of €54.1m (previous year € 60.9m) for stakes in partnerships and corporations. The fair value of these non-listed stakes was not determined since the cash flows could not be reliably determined. It was not possible, either, to determine reliable fair values on the basis of comparable transactions.

In the period under review, there were no major disposals of shares classified as Financial assets available for sale, measured at acquisition cost (previous year no major disposals).

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

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

Aggregation according to measurement categories under IAS 39 as at 30 Sep 2012

	At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss	Carrying amount Total	Fair value
			€ million			
Loans and receivables	3,420.8	—	—	—	3,420.8	3,420.8
Financial assets						
available for sale	—	60.9	14.6	—	75.5	75.4
held for trading	—	—	—	61.7	61.7	61.7
Financial liabilities						
at amortised cost	5,703.2	—	—	—	5,703.2	6,007.0
held for trading	—	—	—	32.8	32.8	32.8

The following table presents the key measurement parameters for the financial instruments recognised at fair value. The individual levels have been defined as follows in accordance with IFRS 7:

- Level 1: quoted (non-adjusted) prices in active markets for similar assets or liabilities.
- Level 2: processes in which all inputs significant to recognised fair values are directly or indirectly observable in the market.
- Level 3: processes in which the inputs significant to the recognised fair value are not based on observable market data.

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

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

Hierarchy of financial instruments measured at fair value as of 30 Sep 2012

	Total	Fair value hierarchy Level 1	Level 2	Level 3
	€ million			
Assets				
Other assets held for trading	37.6	—	—	37.6
Available for sale financial assets	14.6	14.6	—	—
Derivative financial instruments				
Hedging transactions	135.8	—	135.8	—
Other derivative financial instruments	24.1	—	24.1	—
Liabilities				
Derivative financial instruments				
Hedging transactions	162.1	—	162.1	—
Other derivative financial instruments	32.8	—	32.8	—

The following table indicates the development of the values of Level 3 financial instruments:

Financial assets measured at fair value in level 3

	Other assets held for trading	assets
	€ million	
Balance as at 30 Sep 2011	**33.9**	**411.6**
Additions	—	—
Disposals	—	—
repayment/sale	—	249.0
conversion	—	138.3
Total comprehensive income	3.7	−24.3
recognised in income statement	0.7	5.1
recognised in other comprehensive income	3.0	−29.4
Balance as at 30 Sep 2012	**37.6**	**—**
Additions	—	—
Disposals	—	—
repayment/sale	—	—
conversion	—	—
Total comprehensive income	3.0	—
recognised in income statement	4.9	—
recognised in other comprehensive income	−1.9	—
Balance as at 30 Sep 2013	**40.6**	**—**

The change in Level 3 assets measured at fair value results from a higher value recognised for the stake in National Air Traffic Services (NATS).

A change of +10/−10% in the determined corporate value of NATS results in a €2.8m increase/ € 2.8m decrease in the value recognised for the asset in the TUI Group, taken though profit and loss and affecting earnings after tax (previous year €+2.6m/€−2.6m).

Effects on results

The effects of the measurement of financial assets available for sale outside profit and loss and the effective portions of changes in fair values of derivatives designated in the framework of cash flow hedge accounting are listed in the statement of changes in equity.

The net results of the financial instruments by measurement categories according to IAS 39 are as follows:

Net results of financial instruments

	2012/13			2011/12		
	from interest	other net results	net result	from interest	other net results	net result
	€ million					
Loans and receivables	−20.2	33.0	12.8	−1.4	18.2	16.8
Available for sale financial assets	−0.9	1.4	0.5	17.0	68.4	85.4
Financial assets and liabilities held for trading	4.9	−5.6	−0.7	−6.1	31.3	25.2
Financial liabilities at amortised cost	−113.5	20.1	−93.4	−215.4	−6.7	−222.1
Total	**−129.7**	**48.9**	**−80.8**	**−205.9**	**111.2**	**−94.7**

Besides interest income and interest expenses, net results primarily include results from participations, gains/losses on disposal, effects of fair value measurements and impairments.

Financial instruments measured at fair value outside profit and loss did not give rise to any commission expenses in financial year 2012/13, just as in the previous year.

(45) Capital risk management

One of the key performance indicators in the framework of capital risk management is the relationship between the Group's net debt and Group equity under IFRS (gearing). From a risk perspective, a balanced relation between net debt and equity is to be sought.

In order to exert active control over the capital structure, the TUI Group's management may change dividend payments to the shareholders, repay capital to the shareholders, issue new shares or issue hybrid capital. The management may also sell assets in order to reduce Group debt.

Gearing calculation

		2012/13	2011/12
		€ million	
Average financial debt		2,767.6	2,989.6
Average cash and cash equivalents		1,788.8	1,655.6
Average Group net debt		**978.8**	**1,334.0**
Average Group equity		1,798.5	1,961.7
Gearing	%	**54.4**	**68.0**

NOTES TO THE CASH FLOW STATEMENT

Notes to the cash flow statement

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

(46) Cash inflow/outflow from operating activities

Based on Group earnings after tax, the cash flow from operating activities is derived using the indirect method. In the financial year under review, the cash inflow from operating activities amounted to €875.3m (previous year €841.5m). It includes the dividends from joint ventures and associates of €58.5m. In the prior year, this amount totalled €22.4m.

In the period under review, the cash inflow included a total of €30.9m from interest payments and €61.8m from dividends. Due to income tax payments, a cash outflow of €158.0m was carried in financial year 2012/13.

(47) Cash inflow/outflow from investing activities

In the financial year under review, the cash outflow from investing activities totalled €444.3m. The cash flow from investing activities includes a cash outflow for capital expenditure related to property, plant and equipment and intangible assets of €501.2m for the TUI Travel Group and €80.7m for the hotel companies but also a cash inflow from the sale of fixed assets of €220.1m for the TUI Travel Group (in particular related to aircraft assets), and €19.9m for the hotel companies. A further inflow of cash of €10.1m was received for property sold by central operations.

The cash outflow from investing activities included cash payments—offset against acquired cash and cash equivalents—for the acquisition of shares in subsidiaries to be included in consolidation by the TUI Travel Group. The consolidated statement of financial position comprises additions of goodwill, assets and liabilities due to the acquisition of shares in subsidiaries to be included in consolidation. Total acquisitions of shares in subsidiaries to be included in consolidation (excluding shares in TUI Travel PLC) and asset deals resulted in net cash payments of €14.4m (previous year €27.5m) in financial year 2012/13. Cash and cash equivalents acquired through these acquisitions totalled around €8.5m (previous year €3.4m). Cash payments made in the financial year under review for investments in consolidated companies (less cash and cash equivalents received) also include payments for the acquisition of Tourism shareholdings as well as payments of €4.8m relating to prior-year acquisitions. In the period under review, TUI Group reported a cash outflow of €103.8m for capital increases in TUI Cruises, hotel companies and shareholdings of the TUI Travel Group.

The cash outflow for investments in property, plant and equipment and intangible assets and the cash inflow from corresponding divestments do not match the additions and disposals shown in the development of fixed assets, which also include non-cash investments and disposals.

(48) Cash inflow/outflow from financing activities

The cash outflow from financing activities totalled €620.9m.

TUI AG paid €233.0m for the scheduled redemption of bonds maturing in December 2012 and a further €160.3m to repay liabilities to banks due in April 2013. The non-current credit lines drawn in the period under review in order to cover the payments due in the tourism season were fully repaid so that they did not have a noteworthy effect on the cash flow from financing activities. The companies of the TUI Travel Group also repaid other credits worth €113.8m and liabilities from finance leases of €30.6m. The hotel companies reported a cash outflow of €35.4m for the repayment of loans.

The cash outflow from financing activities includes an amount of €19.2m spent by TUI Travel PLC to acquire own shares to be passed on to employees under long-term incentive programmes. The cash outflow from financing activities also includes acquisition of additional shares in TUI Travel PLC by TUI AG (€6.2m). An amount of €102.2m was used for interest payments. Additional outflows relate to the dividend for TUI AG’s hybrid bond (€37.2m) and the dividends for non-controlling interests (€111.9m), in particular TUI Travel PLC and RIUSA II SA.

(49) Development of cash and cash equivalents

Cash and cash equivalents comprise all liquid funds, i. e. cash in hand, bank balances and cheques. As certain amounts from a cash pool agreement are now presented on a gross basis in the statement of financial provision, a reconciliation is shown from cash and cash equivalents in the cash flow statements to cash and cash equivalents as presented in the statement of financial position. The effect of gross presentation worth €587.5m is carried as a non-cash change in cash and cash equivalents.

As at 30 September 2013, cash and cash equivalents of €175.4m were subject to restraints on disposal. This amount includes €116.3m for cash collateral received, which was deposited in a Belgian subsidiary by Belgian tax authorities in the period under review in the framework of long-standing litigation over VAT refunds for the years 2001 to 2011 without inference of guilt, the purpose being to prevent the accrual of interest for both parties. In order to collateralise a potential repayment, the Belgian government was granted a bank guarantee. Due to the bank guarantee, TUI´s ability to dispose of the cash and cash equivalents has been restricted. The remaining restraints on disposal relate to cash and cash equivalents to be deposited due to legal or regulatory requirements.

OTHER NOTES

(50) Significant transactions after the balance sheet date

After the balance sheet date, sales negotiations about the shareholding in the British air traffic control organisation NATS were completed. According to the agreement, TUI will sell 87.4% of its 6% stake in NATS to a British pension fund. TUI will retain a 0.8% stake in NATS after the transaction.

The implementation of the sale is still subject to a condition precedent of the British antitrust authorities.

(51) Services of the auditors of the consolidated financial statements

Total expenses for the services provided by the auditors of the consolidated financial statements in financial year 2012/13, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, can be broken down as follows:

Services of the auditors of the consolidated financial statements

	2012/13	2011/12
	€ million	
Audit fees for TUI AG and subsidiaries in Germany	2.0	1.9
Audit Fees	**2.0**	**1.9**
Review of interim financial statements	1.0	1.0
Other audit related services	0.6	0.8
Other certification and diligence services	**1.6**	**1.8**
Consulting fees	1.3	0.1
Tax advisor services	0.1	0.1
Other services	**1.4**	**0.2**
Total	**5.0**	**3.9**

(52) Remuneration of Executive and Supervisory Board members

In the financial year under review, total remuneration paid to Executive Board members totalled €15,169.7 thousand (previous year €13,645.6 thousand).

In the framework of the long-term incentive programme, the Executive Board members received compensation of €4,051.6 thousand (previous year €3,327.8 thousand) for the financial year under review.

Pension provisions for active Executive Board members totalled €20,253.6 thousand as at the balance sheet date (previous year €28,132.4 thousand).

Total remuneration for Supervisory Board members in the financial year under review amounted to €1,719.3 thousand (previous year €1,356.6 thousand).

Remuneration for former Executive Board members or their surviving dependants totalled €3,963.8 thousand (previous year €3,992.6 thousand) in the financial year under review. Pension obligations for former Executive Board members and their surviving dependants amounted to €49,587.7 thousand (previous year €43,118.9 thousand) at the balance sheet date.

Disclosures of the relevant amounts for individual Board members and further details on the remuneration system are provided in the Remuneration Report included in the Management Report.

(53) Exemption from disclosure and preparation of a management report in accordance with section 264 (3) of the German Commercial Code (HGB)

The following German subsidiaries fully included in consolidation have met the condition required under section 264 (3) of the German Commercial Code and were therefore exempted from the requirement to disclose their annual financial statements and prepare a management report:

- DEFAG Beteiligungsverwaltungs GmbH I, Hanover
- DEFAG Beteiligungsverwaltungs GmbH III, Hanover

- Hapag-Lloyd Kreuzfahrten GmbH, Hamburg
- Preussag Beteiligungsverwaltungs GmbH IX, Hanover
- Preussag Immobilien GmbH, Salzgitter
- Robinson Club GmbH, Hanover
- TUI Beteiligungs GmbH, Hanover
- TUI Group Services GmbH, Hanover
- TUI-Hapag Beteiligungs GmbH, Hanover

(54) Related parties

Apart from the subsidiaries included in the consolidated financial statements, TUI AG, in carrying out its ordinary business activities, maintains indirect or direct relationships with related parties.

Related parties controlled by the TUI Group or over which the TUI Group is able to exercise a significant influence are listed in the list of shareholdings published in the electronic Federal Gazette (www.ebanz.de). Apart from pure equity investments, related parties also include companies that supply goods or provide services for TUI Group companies.

Financial obligations from order commitments vis-à-vis related parties exclusively relate to the purchasing of hotel services.

In addition, there are obligations of €114.7m (previous year €76.5m) from rental and lease agreements.

Transactions with related parties

	2012/13	2011/12
	€ million	
Services provided by the Group		
Management and consultancy services	68.4	68.2
Sales of tourism services	53.1	54.8
Total	**121.5**	**123.0**
Services received by the Group		
In the framework of lease, rental and leasing agreements	18.8	21.7
Purchase of hotel services	253.3	177.2
Incoming services	7.7	13.0
Distribution services	0.1	—
Other services	42.2	43.2
Total	**322.1**	**255.1**

Transactions with related parties

	2012/13	2011/12
	€ million	
Services provided by the Group to		
non-consolidated Group companies	2.5	—
joint ventures	67.1	88.6
associates	18.4	3.0
other related parties	33.5	31.4
Total	**121.5**	**123.0**
Services received by the Group from		
non-consolidated Group companies	12.0	0.0
joint ventures	239.7	241.2
associates	60.4	4.0
other related parties	10.0	9.9
Total	**322.1**	**255.1**

Transactions with joint ventures and associates are effected in the Tourism segment. They relate in particular to the tourism services of the hotel companies used by the Group's tour operators.

All transactions with related parties are executed on an arm's length basis, based on international comparable price methods in accordance with IAS 24.

Receivables from related parties amount to €165.8m as at 30 September 2013 (as at September 2012 €141.1m). This compares to liabilities sold to related parties totalling €69.3m (as at 30 September 2012 € 89.3m). Liabilities to related parties did not comprise any liabilities from finance leases, as in the prior year. Receivables and liabilities existing as at the balance sheet date are comprised in receivables from and liabilities to non-consolidated Group companies and associated companies.

The income and expenses resulting from equity investments and financing are carried under the financial result for all consolidated companies and presented in the segment report for the individual Sectors, alongside a separate presentation of the earnings of joint ventures and associates by Sector.

As at the balance sheet date, the associated company Riu Hotels S.A. held at least 5% but less than 10% of the shares in TUI AG. Luis Riu Güell and Carmen Riu Güell (a member of TUI AG's Supervisory Board) hold 51% of the shares in Riu Hotels S.A.

In accordance with IAS 24, key management functions within the Group, the Executive Board and the Supervisory Board are related parties whose remuneration has to be listed separately.

Remuneration of Management, Executive and Supervisory Board

	2012/13	2011/12
	€ million	
Short-term benefits	12.7	11.8
Post-employment benefits	−0.8	4.0
Other long-term benefits	4.1	3.8
Termination benefits	3.9	6.7
Total	**19.9**	**26.3**

Post-employment benefits are transfers to and releases of pension provisions for active Executive Board members in the period under review. These expenses do not meet the definition of Executive and Supervisory Board remuneration under the German accounting rules.

(55) International Financial Reporting Standards (IFRS) and Interpretations (IFRIC)

The following standards have already been transposed into EU legislation but are only mandatory for annual financial statements after 30 September 2013:

Amendments to IAS 19: Employee Benefits

The amendments to the standard published in June 2011 have eliminated the existing option to use the corridor approach and have led to the immediate recognition of actuarial gains and losses in other comprehensive income outside profit and loss. In determining the net interest expense for defined benefit pension plans, income from plan assets will no longer have to be estimated as the expected return but will have to be determined as the interest on the plan based on the rate of interest used to determine the present value. Other amendments relate to the immediate recognition through profit and loss of past service costs in the event of future changes to plan arrangements or the presentation of the net interest on defined benefit pension plans. Amendments have furthermore been made to the distinction between termination benefits and other benefits provided by the employer. The revised standard also includes an extension of disclosure requirements in connection with employee benefits.

TUI will apply the revised IAS 19 as of the financial year beginning on 1 October 2013. The amendments are applicable with retroactive effect. First-time application of the provisions is expected to have the following effects on the Group net assets, financial position and results of operations:

Elimination of the so-called corridor method does not have an impact as the immediate and full recognition of actuarial gains and losses reflects the method already used by TUI.

The amendments related to the recognition of past service costs are not expected to have a material effect on the Group's earnings position in the forthcoming financial year.

If the revised provisions to determine the net interest expense for defined benefit pension plans had already been applied in financial year 2012/13, the financial result would have declined by approx. €14.9m. This would have led to deferred tax assets of approx. €4.6m. Compared with the reported expected income from plan assets of around €81.3m, an assumed use of the current discount rates for the projected benefit obligation to determine the return from plan assets would only lead to an expected income of €66.4m. At the same time, the actuarial gains for the year would have risen by €14.9m. Equity would not change. For financial year 2013/14, the revised provisions will lead to a reduction in the financial result of €26.9m in the income statement. At the same time, they will probably result in a deferred tax asset of €8.5m through profit and loss. Overall the revised provisions do not affect consolidated other comprehensive income or Group equity.

Due to the amended definition of termination benefits, bonus payments in part-time arrangements concluded with employees approaching retirement will have to be collected on a prorated basis in future over the entire vesting period. To date, the present value of bonus payments had been fully expensed upon conclusion of these pre-retirement part-time agreements. This amendment will lead an adjustment outside profit and loss of the provision for obligations towards preretirement part-timers as at 1 October 2012 by about €5.4m. This reduction goes hand in hand with an increase in deferred tax liabilities of around €1.7m and equity of around €3.7m. Due to the retransfer of the bonus payments to the provision for these old-age part-time arrangements on a prorated basis through profit and loss, the operating result/EBITA for financial year 2012/13 will decrease by around €1.2m retrospectively. The result for financial year 2013/14 will also be around €2.5m lower. To a lesser extent, there will be effects on the financial result and deferred taxes as well as earnings per share.

In addition, application of the amendments will lead to extended disclosures, e. g. on the nature and risks of defined-benefit pension plans, in the Notes to TUI's consolidated financial statements.

In 2011 and 2012, the IASB issued a total of five new or revised standards (IFRS 10, IFRS 11, IFRS 12, IAS 27, IAS 28) on group accounting and transition guidance for the first-time application of the new IFRSs. The key contents of these provisions are outlined below:

IFRS 10: Consolidated Financial Statements

IFRS 10 supersedes the provisions of IAS 27 Consolidated Financial Statements and Accounting for Investments in Subsidiaries, relevant for consolidated financial statements, and SIC-12 Consolidation—Special Purpose Entities with a uniform model to consolidate entities based on the concept of control of a parent company over a subsidiary. According to IFRS 10, control requires power over an investee, exposure to variable returns and the ability to affect those returns through power over an investee.

IFRS 11: Joint Arrangements

IFRS 11 supersedes SIC-13 Jointly Controlled Entities—Non-Monetary Contributions by Venturers and the previous IAS 31 Interests in Joint Ventures. The standard governs the classification and accounting for joint operations and joint ventures. The classification as a joint arrangement is effected based on subsidiarity in relation to control under IFRS 10. In the event of a joint arrangement, further classification as either a joint operation or a joint venture depends on the rights and obligations of the partners. Accounting for jointly controlled assets is subject to the rules for joint operations, which thus continue to be recognised on a proportionate basis. By contrast, proportionate consolidation, which was admitted in the past, will now no longer apply to joint ventures under IFRS 11; they must henceforth be consolidated on the basis of the equity method alone.

IFRS 12: Disclosure of Interests in Other Entities

This new standard pools the disclosure requirements regarding an entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. Some of the disclosures required under IFRS 12 go far beyond prior disclosure requirements. In particular, the type of interest, the risks associated with the interest and their impact on the Group's net assets, financial position and results of operations must be made evident.

Amendments to IAS 27: Separate Financial Statements

The revised IAS 27 exclusively governs accounting for interests in subsidiaries, associates and joint ventures and the associated disclosures in the notes to the separate financial statements of the parent or investor. The consolidation provisions included in the previous version are now included in the newly adopted IFRS 10.

Amendment to IAS 28: Investments in Associates and Joint Ventures

The amendments to IAS 28 were issued in June 2011 and require application of the equity method to investments in associates and joint ventures. The rules on accounting for investments in joint ventures were included in IAS 31 before the adoption of IFRS 11.

Transition guidance for IFRS 10, IFRS 11 and IFRS 12

The transition guidance published in June 2012 includes relief for first-time adopters of the new standards. Adjusted comparative information now only has to be provided for the immediately preceding comparative period. The requirement to disclose comparative information for disclosures relating to unconsolidated structured entities for periods prior to first-time application of IFRS 12 has been removed.

The European Commission transposed IFRS 10, IFRS 11 and IFRS 12 as well as the revised IAS 27 and IAS 28 and the transition guidance into European legislation on 28 December 2012. Within the European Union, entities are required to apply the rules for the first time for financial years beginning on or after 1 January 2014. TUI is currently investigating the effects of these rules and presumes that the application of the new and amended structures will have an impact on the TUI Group's net assets, financial position and results of operations. It is too early at this point in time to quantify the expected effects. The revised IAS 27 will not have an impact on TUI as TUI does not prepare single-entity financial statements based on IFRS in accordance with section 325 (2a) of the German Commercial Code (HGB); nor will the elimination of proportionate consolidation for joint ventures have an effect, as these joint ventures are already included in TUI's consolidated financial statements based on the equity method.

Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities

The amendments, issued in October 2012, free many investment entities from the future requirement to consolidate the subsidiaries they control in their financial statements. Instead, they measure the interests held for investing at fair value. Moreover, new disclosure requirements have been introduced for investment entities. These changes are of no relevance to TUI.

IFRS 13: Fair Value Measurement

The standard, issued in May 2011, establishes a uniform approach to determining fair value, which had hitherto been subject to different methods in different standards. According to IFRS 13, fair value is redefined as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between the market participants at the measurement date. Moreover, the disclosures in the Notes in connection with fair value measurement are expanded to cover all standards. Apart from expanded disclosures in the Notes, TUI does not expect the firsttime application of this standard to have any material effect on the Group's net assets, financial position or results of operations.

Annual Improvements Project 2009 – 2011

In May 2012, provisions from the annual improvements project were published; they contain amendments to five standards, including IAS 1, IAS 16, IAS 32 and IAS 34. The rules include minor changes in the contents and above all clarifications of the presentation, recognition and measurements. TUI does not expect the first-time application to have a material impact on the consolidated financial statements.

Amendments to IAS 32: Financial Instruments—Presentation

The amendments to IAS 32, issued in December 2011, make it clear that financial assets and financial liabilities can only be offset in the statement of financial position if the current right to offsetting does not depend on a future event and is enforceable both in ordinary business operations but also in the event of a default, insolvency or bankruptcy of a contracting party. It is also established that gross offsetting mechanisms are to be considered equivalent to net offsetting as long as no exposure to credit or liquidity risks remains and receivables and payables are processed in a settlement system. TUI is investigating the impact on its consolidated financial statements and currently does not expect any major effects.

Amendments to IFRS 7: Financial Instruments—Disclosures

The amendments, issued in December 2011, expand the existing quantitative disclosure requirements in the Notes on the offsetting of financial assets and financial liabilities effected. They also contain additional disclosure requirements for financial instruments subject to offsetting agreements, regardless of whether they have actually been offset according to IAS 32. TUI does not expect an impact on its consolidated financial statements, apart from the expanded disclosure requirements.

IFRIC 20: Stripping Costs in the Production Phase of a Surface Mine

The interpretation, issued in October 2011, sets out the conditions under which stripping costs in the production phase of a surface mine represent an asset and how this asset is to be measured. The interpretation is not relevant for the TUI Group.

Amendments, standards or interpretations issued by the IASB but not yet transposed into European legislation:

IFRS 9: Financial Instruments—Classification and Measurement

The standard, issued in November 2009 and expanded in November 2013 to include hedge accounting provisions, pursues the medium-term goal of replacing IAS 39 following further revisions. In future, financial assets will only be classified in two rather than four categories, based on the individual business model (amortised cost and fair value). The new standard also provides that embedded derivatives must no longer be accounted for separately from the host but jointly with it, and it does not allow reclassification unless the entity’s business model changes. Moreover, there has been discussion of new requirements for impairment of financial assets based on a three-step approach. There have also been numerous other amendments, mainly with a view to simplification. The effective date, previously published as 1 January 2015, was cancelled by the IASB in November 2013 and will only be fixed once the standard has been completed. TUI is observing developments around IFRS 9 and will analyse the impact of the standard on the Group’s net assets, financial position and results of operations in due time.

Amendment to IAS 36: Impairment of Assets

With IFRS 13, applicable by TUI as of 1 October 2013, IAS 36 introduces a requirement, for every cash generating unit to which substantial goodwill or major intangible assets with an unlimited useful life have been assigned, to disclose the recoverable amount in the notes. This disclosure requirement exists regardless of whether an impairment or reversal of impairment was effected in the period under review. The amendments issued in May 2013 make it clear that this disclosure requirement only applies to cash generating units for which an impairment or reversal of impairment has been recorded for the period under review and whose recoverable amount is based on fair value less costs of disposal. In the event of an impairment or reversal of impairment there are also additional disclosure requirements for non-financial assets for which the recoverable amount has been determined on the basis of fair value less costs to sell. As soon as these amendments have been transposed into European legislation, TUI intends to apply these ahead of the effective date. With the exception of expanded disclosure requirements for impairments and reversals of impairments of non-financial assets falling under the scope of this standard, TUI does not expect the standard to impact its consolidated financial statements.

Amendments to IAS 39: Financial Instruments—Recognition and Measurement

As a result of these amendments, issued in June 2013, a novation of a hedge to a central counterparty due to legal requirements does not impose discontinuation of a hedging relationship if the novation is required under a new law or the introduction of a law, a central counterparty becomes a contracting partner to each of the parties to the derivative due to the novation, and—apart from any amendments that are a necessary consequence of the novation—there are no amendments to the original contract terms of the derivative. The TUI Group currently does not expect any material effects on the presentation of the Group's net assets, financial position and results of operations.

Amendments to IAS 19: Defined Benefit Plans—Employee Contributions

These amendments, published in November 2013, make it clear that contributions paid by employees (or third parties) themselves for defined benefit pension plans and therefore not linked to the length of service may be recognised as a reduction in the service cost in the period in which the related service was rendered. They include, for instance, contributions determined as a fixed percentage of the annual remuneration. TUI will investigate the impact of the changes on its net assets, financial position and results of operations in due time, but currently does not expect it to have any effect.

IFRIC 21: Levies

This interpretation, issued by IFRIC in May 2013, sets out how and when to recognise a liability for a levy imposed by a government other than income taxes under IAS 12. It clarifies that an obligation to pay a levy is to be recognised as soon as the obligating event that triggers the payment of the levy occurs. TUI is investigating the potential effects of this interpretation on its net assets, financial position and results of operations and currently does not expect it to have a material effect.

No decision about endorsement of these amendments or new standards and interpretations has yet been taken by the EU.

(56) TUI Group Shareholdings

Disclosure of the TUI Group's shareholdings is required under section 313 of the German Commercial Trading Act. Comparative information for the prior-year reference period is therefore not provided.

Company	Country	Capital share
Consolidated companies		
Tourism—TUI Travel		
AB Caller & Sons Ltd., Crawley	UK	100.0
Abbey International Insurance PCC Limited (Absolut Cell), Malta	Malta	100.0
Absolut Holding Limited, Malta	Malta	99.9
Absolut Insurance Limited, Guernsey	Guernsey	100.0
Acampora Travel S.r.l., Sorrento	Italy	51.0
Active Safari Pty Ltd, West Leederville	Australia	100.0
Adehy Limited, Dublin	Ireland	100.0
Adventure Center (First Choice) Inc, Emeryville, CA	US	100.0
Adventure Tours Australia Group Pty Ltd, Wayville, SA	Australia	100.0
Adventures Worldwide Limited, Crawley	UK	100.0
Africa Focus Tours Namibia Pty. Ltd., Windhoek	Namibia	100.0
Air Two Thousand (Ireland) Limited, Dublin	Ireland	100.0
Alcor Yachting SA, Geneva	Switzerland	100.0
Alkor Yat Turizm Isletmacileri A.S., Izmir	Turkey	99.7
Ambassador Tours S.A., Barcelona	Spain	100.0
Amber Nominee GP Limited, Crawley	UK	100.0
American Holidays (NI) Limited, Belfast	UK	100.0
Americas Rooms Holding Participacoes Ltda., Curitiba	Brazil	100.0
AMP Management Ltd., Crawley	UK	100.0
Antigua Charter Services, St. John's	Antigua	100.0
Apart Hotel Zarevo EOOD, Varna	Bulgaria	100.0
Aragon Tours Limited, Crawley	UK	100.0
Aran Travel International Limited, Dublin	Ireland	100.0
Arccac Eurl, Bourg St. Maurice	France	100.0
AsiaRooms Business Services (Thailand) Co., Ltd, Bangkok	Thailand	100.0
AsiaRooms Pte Ltd, Singapore	Singapore	100.0
ATC African Travel Concept Pty. Ltd., Cape Town	South Africa	100.0

Company	Country	Capital share
ATC Namibian Reflections Pty. Ltd., Cape Town	South Africa	100.0
Audio Tours and Travel Hong Kong Limited, Kowloon	Hong Kong	99.0
Australian Adventure Tours Pty Ltd, Sydney	Australia	100.0
Australian Sports Tours Pty Ltd, Ballarat, Victoria	Australia	100.0
BAL Trustee Limited, Crawley	UK	100.0
BDS Destination Services Company, Cairo	Egypt	67.0
Beds on line SL, Palma de Mallorca	Spain	100.0
Berge & Meer Touristik GmbH, Rengsdorf	Germany	100.0
Blue Scandinavia Holding AB, Stockholm	Sweden	100.0
Blue Travel Partner Services S.A., Santo Domingo	Dominican Republic	99.0
Boomerang Reisen GmbH, Trier	Germany	100.0
Boomerang Reisen Vermögensverwaltungs GmbH, Trier	Germany	75.0
Brightspark Travel Inc, State of Delaware	US	100.0
Britannia Airways Limited, Crawley	UK	100.0
Britannia Sweden AB, Stockholm	Sweden	100.0
C & C Yacht Management Limited, Cayman Islands	Grand Cayman Islands	100.0
Callers-Pegasus Pension Trustee Ltd., Crawley	UK	100.0
Callers-Pegasus Travel Service Ltd., Crawley	UK	100.0
Cassata Travel s.r.l., Cefaú (Palermo)	Italy	66.0
Cel Obert SL, Sant Joan de Caselles	Andorra	33.0
Cheqqer B.V., Rijswijk	Netherlands	100.0
CHS Tour Services GmbH, Innsbruck	Austria	100.0
CHS Tour Services Ltd, Crawley	UK	100.0
Citirama Ltd., Quatre Bornes	Mauritius	100.0
Club Turavia SA de CV, Cancún	Mexico	100.0
Connoisseur Belgium BVBA, Nieuwpoort	Belgium	100.0
Corsair S.A., Rungis	France	100.0
Country Walkers, Inc., State of Delaware	US	100.0
Crown Blue Line France SA, Castelnaudary	France	100.0
Crown Blue Line GmbH, Kleinzerlang	Germany	100.0
Crown Blue Line Limited, Crawley	UK	100.0
Crown Holidays Limited, Crawley	UK	100.0
Crown Travel Limited, Crawley	UK	100.0
Crystal Holidays, Inc., Breckenridge	US	100.0
Crystal Holidays Ltd., Crawley	UK	100.0
Crystal International Travel Group Ltd., Crawley	UK	100.0
Discover Australian Adventures Pty Ltd, Wayville, SA	Australia	100.0
EAC Activity Camps Limited, Edinburgh	UK	100.0
EAC Language Centres (UK) Limited, Edinburgh	UK	100.0
EAC Language Centres (US) Limited, Delaware	US	100.0
Easy Market S.p.A., Rimini	Italy	100.0
Educatours Limited, Mississauga, Ontario	Canada	100.0
Edwin Doran (UK) Limited, Crawley	UK	100.0
EEFC, Inc., State of Delaware	US	100.0
ELC English Limited, Crawley	UK	100.0
Elena SA, Palma de Mallorca	Spain	100.0
Emerald Star Limited, Dublin	Ireland	100.0
Entreprises Hotelières et Touristique PALADIEN Lena Mary S.A., Argolis	Greece	100.0
Event Logistics International Limited, Crawley	UK	100.0
Event Logistics (UK) Limited, Crawley	UK	100.0
Events International Limited, Crawley	UK	100.0
Events International (Sports Travel) Limited, Crawley	UK	100.0
Exodus Travels Limited, Crawley	UK	100.0
Expediciones Amazonicas, S.A.C., Iquitos	Peru	100.0
Explorers Travel Club Ltd, Crawley	UK	100.0
Falcon Leisure Group (Overseas) Limited, Crawley	UK	100.0
Fanatics Sports & Party Tours UK Limited, Crawley	UK	100.0

Company	Country	Capital share
Fanatics Sports & Party Tours PTY Limited, Banksia	Australia	100.0
FanFirm Pty Ltd, Banksia	Australia	100.0
Fantravel.com, Inc., Wilmington	US	100.0
FC Expeditions Canada, Inc., British Columbia	Canada	100.0
First Choice Airways Limited, Crawley	UK	100.0
First Choice Aviation Limited, Crawley	UK	100.0
First Choice (Euro) Limited, Crawley	UK	100.0
First Choice Expedition Cruising Limited, Crawley	UK	100.0
First Choice Expeditions, Inc., State of Delaware	US	100.0
First Choice Holdings Australia Pty Ltd, Melbourne	Australia	100.0
First Choice Holdings, Inc., Delaware	US	100.0
First Choice Holiday Hypermarkets Limited, Crawley	UK	100.0
First Choice Holidays & Flights Limited, Crawley	UK	100.0
First Choice Holidays Finance Limited, Crawley	UK	100.0
First Choice Holidays Limited, Crawley	UK	100.0
First Choice Holidays Quest Limited, Crawley	UK	100.0
First Choice Investments LLC, Wilmington	US	100.0
First Choice Land (Ireland) Limited, Dublin	Ireland	100.0
First Choice Leisure Limited, Crawley	UK	100.0
First Choice Marine (BVI) Ltd, British Virgin Islands	British Virgin Islands	100.0
First Choice Marine Limited, Crawley	UK	100.0
First Choice Marine (Malaysia) Snd Bhd, Malaysia	Malaysia	100.0
First Choice Office Services Limited, Crawley	UK	100.0
First Choice Olympic Limited, Crawley	UK	100.0
First Choice Orlando, Inc., State of Delaware	US	100.0
First Choice Overseas Holding BV, Amsterdam	Netherlands	100.0
First Choice Overseas Holdings Limited, Crawley	UK	100.0
First Choice Overseas Limited, Limassol	Cyprus (Greek part)	100.0
First Choice Retail Limited, Crawley	UK	100.0
First Choice Sailing, Inc. (USA) (also known as Sunsail, Inc.), State of Delaware	US	100.0
First Choice Spain Limited, Crawley	UK	100.0
First Choice Travel Shops Limited, Crawley	UK	100.0
First Choice Travel Shops (SW) Limited, Crawley	UK	100.0
First Choice (Turkey) Limited, Crawley	UK	100.0
First Choice, Unijet & Air 2000 Limited, Crawley	UK	100.0
First Choice USA, Crawley	UK	100.0
FOX-TOURS Reisen GmbH, Rengsdorf	Germany	100.0
Francotel Limited, Crawley	UK	100.0
Fritidsresor AB, Stockholm	Sweden	100.0
Fritidsresor Holding Spain S.A.U., San Bartolomé de Tirajana	Spain	100.0
Fritidsresor Ltd., Crawley	UK	100.0
Fritidsresor Tours & Travels India Pvt Ltd, Bardez, Goa	India	100.0
GeBeCo Gesellschaft für internationale Begegnung und Cooperation mbH & Co. KG, Kiel	Germany	50.1
GEI/Moorings, LLC, State of Delaware	US	100.0
Germanair Flugzeug Leasing GmbH, Hamburg	Germany	100.0
Great Atlantic Travel and Tour, Inc., Virginia Beach	US	75.0
Groupement Touristique International S.A.S., Lille	France	100.0
Gulliver Rent-A-Car d.o.o., Cavtat	Croatia	100.0
Gulliver Travel d.o.o., Dubrovnik	Croatia	70.0
Gullivers Group Limited, Crawley	UK	100.0
Gullivers Sports Travel Limited, Crawley	UK	100.0
Hannibal Tour SA, Tunis	Tunisia	100.0
Hapag-Lloyd Executive GmbH, Hanover	Germany	100.0
Hayes & Jarvis (Travel) Limited, Crawley	UK	100.0
Headwater Holidays Limited, Crawley	UK	100.0

Company	Country	Capital share
Hellenic Sailing Holidays SA, Athens	Greece	100.0
Hellenic Sailing SA, Athens	Greece	100.0
Holiday Hypermarkets (2000) Limited, Crawley	UK	100.0
Holidays Services S.A., Agadir	Morocco	100.0
Horizon Holidays Ltd., Crawley	UK	100.0
Horizon Midlands (Properties) Ltd., Crawley	UK	100.0
Hotel Restaurant Les Trois Vallées SAS, Courchevel 1850, Savoie	France	100.0
Hotelbeds Accommodation & Destination Services – Hawaii & Pacific Islands, Inc, State of Delaware	US	100.0
Hotelbeds Costa Rica SA, San José	Costa Rica	100.0
Hotelbeds Dominicana SA, Santo Domingo	Dominican Republic	100.0
Hotelbeds Hong Kong Limited, Kowloon	Hong Kong	100.0
Hotelbeds Product SLU, Puerto de la Cruz, Teneriffe	Spain	100.0
Hotelbeds (Shanghai) Commercial Services Co., Limited, Shanghai	China	100.0
Hotelbeds, S.L.U., Palma de Mallorca	Spain	100.0
Hotelbeds Spain, S.L.U., Palma de Mallorca	Spain	100.0
Hotelbeds Technology SLU, Palma de Mallorca	Spain	100.0
Hotelbeds (Thailand) Limited, Bangkok	Thailand	100.0
Hotelbeds UK Limited, Crawley	UK	100.0
Hotelbeds USA Inc, Orlando	US	100.0
Hotelopia SL, Palma de Mallorca	Spain	100.0
Hotels London Ltd, Crawley	UK	100.0
Hurricane Hole Hotel Ltd, St. Lucia	Windward Islands St. Lucia	100.0
I TO I INTERNATIONAL PROJECTS LTD, Crawley	UK	100.0
I Viaggi del Turchese S.r.l., Fidenza	Italy	100.0
iExplore, Inc., Chicago	US	100.0
iExplore Limited, Crawley	UK	100.0
Imperial Cruising Company SARL, Heliopolis-Cairo	Egypt	90.0
Inter Hotel SARL, Tunis	Tunisia	100.0
Intercruises Shoreside & Port Services Canada Inc., Quebec	Canada	100.0
Intercruises Shoreside & Port Services, Inc., State of Delaware	US	100.0
Intercruises Shoreside & Port Services PTY LTD, Stanmoree NSW	Australia	100.0
Intercruises Shoreside & Port Services Sam, Monaco	Monaco	100.0
Intercruises Shoreside & Port Services S.a.r.l., Paris	France	100.0
Intercruises Shoreside & Port Services, SLU, Barcelona	Spain	100.0
International Expeditions, Inc., State of Delaware	US	100.0
Interspecialists, SLU, Palma de Mallorca	Spain	100.0
Intrav, Inc., State of Delaware	US	100.0
Intrepid Adventures Limited, Wiltshire	UK	100.0
Intrepid Andes S.A.C., Cusco	Peru	100.0
Intrepid Bundu (Pty) Ltd, Roodeport	South Africa	72.0
Intrepid (Cambodia) CO. LTD, Siem Reap	Cambodia	100.0
Intrepid Connections PTY LTD, Winnellie	Australia	100.0
Intrepid Guerba Tanzania Limited, Arusha	Tanzania	100.0
Intrepid HK Limited, Hong Kong	Hong Kong	100.0
Intrepid Holdings (Thailand) Limited, Bangkok	Thailand	49.0
Intrepid Marrakech SARL, Marrakesh	Morocco	100.0
Intrepid Tours and Travel India Private Ltd, New Delhi	India	100.0
Intrepid Travel Australia Pty Ltd, Fitzroy, VIC	Australia	100.0
Intrepid Travel Beijing Co. Ltd, Beijing	China	100.0
Intrepid Travel Cairo, Cairo	Egypt	100.0
Intrepid Travel GmbH, Holzkirchen	Germany	100.0
Intrepid Travel Inc, Vancouver	Canada	95.0
Intrepid Travel Incorporated, Venice, CA	US	100.0
Intrepid Travel New Zealand Limited, Auckland	New Zealand	100.0
Intrepid Travel Pty Ltd, Fitzroy, VIC	Australia	100.0

Company	Country	Capital share
Intrepid Travel SA (Pty) Ltd, Summerveld	South Africa	100.0
Intrepid Travel UK Limited, Crawley	UK	100.0
Intrepid US, Inc., Wilmington	US	99.2
Isango India Private Limited, New Delhi	India	99.9
Isango! Limited, Crawley	UK	100.0
Itaria Limited, Nicosia	Cyprus (Greek part)	100.0
i-To-i, Inc., Los Angeles	US	100.0
i-To-i Placements Limited, Carrick-on-Suir	Ireland	100.0
i-To-i PTY Ltd., Sydney	Australia	100.0
i-To-i UK Limited, Crawley	UK	100.0
JBS Group, Inc., Pasadena	US	100.0
JetAir N.V., Oostende	Belgium	100.0
Jetair Real Estate N.V., Brussels	Belgium	100.0
Jetair Travel Distribution N.V., Oostende	Belgium	100.0
Jetaircenter N.V., Mechelen	Belgium	100.0
Jetsave International Ltd., Crawley	UK	100.0
JNB (Bristol) Limited, Crawley	UK	100.0
Journeys Adventure Travel Limited, Rangun	Myanmar	60.0
JWT Holidays Limited, Crawley	UK	100.0
Kilquade Limited, Dublin	Ireland	100.0
Kras B.V., Ammerzoden	Netherlands	100.0
Label Tour EURL, Montreuil	France	100.0
Lapter Eurl, Macot La Plagne	France	100.0
LateRooms Limited, Crawley	UK	100.0
LateRooms Services Australia PTY LTD, Dawes Point	Australia	100.0
LateRooms Group Holding (Brazil) Limited, Crawley	UK	100.0
LateRooms Group Holding Limited, Crawley	UK	100.0
LateRooms Group Holding (UK) Limited, Crawley	UK	100.0
Le Boat Netherlands B.V., Rotterdam	Netherlands	100.0
Le Piolet SCI, St Martin de Belleville, Savoie	France	100.0
Leibniz-Service GmbH, Hanover	Germany	100.0
Leisure International Airways Limited, Crawley	UK	100.0
Les Tours Jumpstreet Tours, Inc., Montreal	Canada	100.0
Liberate SLU, Palma de Mallorca	Spain	100.0
Lima Tours S.A.C., Lima	Peru	100.0
Lincoln Travel Ltd., Crawley	UK	100.0
Lirotel SARL, Turin	Italy	100.0
Lodges & Mountain Hotels SARL, Notre Dame de Bellecombe, Savoie	France	100.0
l'tur tourismus Aktiengesellschaft, Baden-Baden	Germany	70.0
Lunn Poly (Jersey) Ltd., St. Helier	UK	100.0
Lunn Poly Ltd., Crawley	UK	100.0
Lusomice, Unipessoal Lda., Lisbon	Portugal	100.0
Magic Life Egypt for Hotels LLC, South Nabq	Egypt	100.0
Magic Life Greece S.A., Athens	Greece	100.0
Magic Life Tunisie S.A., Tunis	Tunisia	100.0
Magic Tourism International S.A., Tunis	Tunisia	100.0
Mala Pronta Viagens e Turismo Ltda., Curitiba	Brazil	93.3
Manahe Ltd., Quatre Bornes	Mauritius	51.0
Manchester Academy Holdings Limited, Crawley	UK	100.0
Manchester Academy Teacher Training (UK) Limited, Crawley	UK	100.0
Manchester Academy Tours Limited, Crawley	UK	100.0
Mango Event Management Limited, Crawley	UK	100.0
Manufacturer's Serialnumber 852 Limited, Dublin	Ireland	100.0
Marina Travel Limited, Dublin	Ireland	100.0
Mariner International Asia Limited, Hong Kong	Hong Kong	100.0
Mariner International Travel, Inc., State of Delaware	US	100.0

Company	Country	Capital share
Mariner Operations USA Inc, State of Delaware	US	100.0
Mariner Travel GmbH, Bad Vilbel	Germany	100.0
Mariner Travel SARL, Paris	France	100.0
Mariner Yacht Services SA, Le Marin	Morocco	100.0
Master-Yachting GmbH, Eibelstadt	Germany	100.0
Maxi Yen SL, Palma de Mallorca	Spain	100.0
Medico Flugreisen GmbH, Baden-Baden	Germany	100.0
Meetings & Events International Limited, Crawley	UK	100.0
Meetings & Events Spain S.L.U., Palma de Mallorca	Spain	100.0
Meetings & Events UK Limited, Crawley	UK	100.0
Meon (Holdings) Limited, Crawley	UK	100.0
Meon Travel Limited, Crawley	UK	100.0
MicronNexus GmbH, Hamburg	Germany	100.0
Molay Travel SARL, Molay-Littry, Calvados	France	100.0
Molay Travel SCI, Molay-Littry, Calvados	France	100.0
Mont Charvin Ski SARL, Paris	France	100.0
Moorings Grenadines Ltd., St. Vincent and Grenadines	Windward Islands St. Vincent	100.0
Moorings Mexico SA de CV, La Paz	Mexico	100.0
Moorings (Seychelles) Limited, Mahé	Seychelles	100.0
Moorings Yachting SAS, Paris	France	100.0
Moorings Yat Isletmecilgi Turizm Ve Tic Ltd, Mugla	Turkey	100.0
MyPlanet Holding A/S, Holstebro	Denmark	100.0
MyPlanet International A/S, Holstebro	Denmark	90.0
MyPlanet Sweden AB, Gothenburg	Sweden	100.0
Nazar Nordic AB, Malmö	Sweden	100.0
Nordotel S.A.U., San Bartolomé de Tirajana	Spain	100.0
Nouvelles Frontières Senegal S.R.L., Dakar	Senegal	95.0
Ocean College LLC, Sharm el Sheikh	Egypt	90.0
Ocean Technical LLC, Cairo	Egypt	100.0
Ocean Ventures for Hotels and Tourism Services SAE, Sharm el Sheikh	Egypt	98.0
Olympic Holidays Limited, Crawley	UK	100.0
Olympic Vacations Limited, Crawley	UK	100.0
Orion Airways Ltd., Crawley	UK	100.0
Orion Airways Pension Trustees Ltd., Crawley	UK	100.0
Owners Abroad España, S.A., Las Palmas	Spain	100.0
Oy Finnmatkat AB, Helsinki	Finland	100.0
Pacific World (Beijing) Travel Agency Co., Ltd., Beijing	China	100.0
Pacific World Destination East Sdn. Bhd., Penang	Malaysia	30.0
Pacific World Meetings & Events Hellas Travel Limited, Athens	Greece	100.0
Pacific World Meetings & Events Hong Kong, Limited, Hong Kong	China	100.0
Pacific World Meetings & Events Singapore Pte. Ltd, Singapore	Singapore	100.0
Pacific World Meetings & Events (Thailand) Limited, Bangkok	Thailand	49.0
Pacific World (Shanghai) Travel Agency Co. Limited, Shanghai	China	100.0
Pacific World Singapore Pte Limited, Singapore	Singapore	100.0
Paradise Hotels Management Company, Cairo	Egypt	100.0
Pasion, Excelencia, Aventura, Y Konocimiento Ecuador Travelpasion S.A. (Trading as PEAK Ecuador), Quito	Ecuador	100.0
PATS N.V., Oostende	Belgium	100.0
Peak Adventure Financing Pty Ltd, Melbourne	Australia	100.0
Peak Adventure Travel Group Limited, Fitzroy Victoria	Australia	60.0
PEAK Adventure Travel (Malaysia) SDN BHD, Kota Kinabalu	Malaysia	100.0
Peak Adventure Travel Turizm ve Seyahat Anonim Sirketi, Istanbul	Turkey	100.0
PEAK Adventure Travel (UK) Limited, Crawley	UK	100.0
Peak Adventure Travel USA Inc, Wilmington	US	100.0
PEAK DMC North America Inc, Santa Rosa, CA	US	100.0

Company	Country	Capital share
PEAK (East Africa) Limited, Nairobi	Kenya	100.0
PEAK South America S.A.C., Lima	Peru	100.0
Peregrine Adventures Pty Ltd, Melbourne	Australia	100.0
Peregrine Tours Ltd, Crawley	UK	100.0
Petit Palais Srl, Valtournenche	Italy	100.0
Platinum Event Travel Limited, Crawley	UK	100.0
Port Philip Group Ltd., Crawley	UK	100.0
Porter and Haylett Limited, Crawley	UK	100.0
Portland Holidays Direct Ltd., Crawley	UK	100.0
Portland Holidays Ltd., Crawley	UK	100.0
Portland Travel Ltd., Crawley	UK	100.0
Premier Holidays Afloat Limited, Dublin	Ireland	100.0
Premiere International Corp, Gardena	US	100.0
Prestige Boating Holidays Limited, Dublin	Ireland	100.0
Professor Kohts Vei 108 AS, Stabekk	Norway	100.0
ProTel Gesellschaft für Kommunikation mbH, Rengsdorf	Germany	100.0
PT. Pacific World Nusantara, Bali	Indonesia	100.0
Quark Expeditions, Inc., State of Delaware	US	100.0
Real Travel Ltd, Crawley	UK	100.0
Real Travel Pty Ltd, Melbourne	Australia	100.0
Revoli Star SA, San Bartolomé de Tirajana	Spain	100.0
Royal Tours Travel Center Luxembourg S.A., Oostende	Belgium	100.0
Sawadee Amsterdam BV, Amsterdam	Netherlands	100.0
SERAC Travel GmbH, Zermatt	Switzerland	100.0
Simply Travel Holdings Ltd., Crawley	UK	100.0
Sir Henry Lunn Ltd., Crawley	UK	100.0
Ski Bound Limited, Crawley	UK	100.0
Skibound France SARL, Notre Dame de Bellecombe	France	100.0
Skibound Holidays Limited, Crawley	UK	100.0
Sky Tours Ltd., Crawley	UK	100.0
Skylerphonic Ltd., George Town	Grand Cayman Islands	0.0[1]
Skymead Leasing Ltd., Crawley	UK	100.0
Société d'Exploitation du Paladien Marrakech SA, Marrakesh	Morocco	100.0
Société d'Investissement Aérien S.A., Casablanca	Morocco	100.0
Société d'Investissement et d'Exploration du Paladien de Calcatoggio (SIEPAC), Montreuil	France	100.0
Société d'investissement hotelier Almoravides S.A., Marrakesh	Morocco	100.0
Société Marocaine pour le Developpement des Transports Touristiques S.A., Agadir	Morocco	100.0
Something Special Holidays Ltd., Crawley	UK	100.0
Sons of South Sinai for Tourism Services and Supplies SAE, Sharm el Sheikh	Egypt	84.1
Sovereign Tour Operations Limited, Crawley	UK	100.0
Specialist Holidays Group Ireland Ltd., Dublin	Ireland	100.0
Specialist Holidays Contracting Ltd., Crawley	UK	100.0
Specialist Holidays Group Ltd., Crawley	UK	100.0
Specialist Holidays, Inc., Mississauga, Ontario	Canada	100.0
Specialist Holidays Ltd., Crawley	UK	100.0
Specialist Holidays (Travel) Limited, Crawley	UK	100.0
SplashLine Event und Vermarktungs GmbH, Vienna	Austria	100.0
Sport Abroad (UK) Limited, Crawley	UK	100.0
Sports Events Travel Limited, Crawley	UK	100.0
Sports Executive Travel Limited, Crawley	UK	100.0
Sportsworld (Beijing) Sports Management Consulting Limited Company, Beijing	China	70.0

1) Special Purpose Entity

Company	Country	Capital share
Sportsworld Group Limited, Crawley	UK	100.0
Sportsworld Holdings Limited, Crawley	UK	100.0
Sportsworld Pacific PTY Limited, North Sydney	Australia	100.0
Star Club SA, San Bartolomé de Tirajana	Spain	100.0
Star Tour A/S, Copenhagen	Denmark	100.0
Star Tour Holding A/S, Copenhagen	Denmark	100.0
Star Tour of Scandinavia Ltd., Crawley	UK	100.0
Startour-Stjernereiser AS, Stabekk	Norway	100.0
Student City S.a.r.l., Paris	France	100.0
Student City Travel Limited, Crawley	UK	100.0
Student Skiing Limited, Crawley	UK	100.0
Student Skiing Transport Limited, Crawley	UK	100.0
Studentcity.com, Inc., State of Delaware	US	100.0
Summer Times International Ltd., Quatre Bornes	Mauritius	100.0
Summer Times Ltd., Quatre Bornes	Mauritius	100.0
Summit Professional Services (Private) Limited, Nugegoda	Sri Lanka	100.0
Suncars Limited, Crawley	UK	100.0
Sunquest Holidays (UK) Limited, Crawley	UK	100.0
Sunsail Adriatic d.o.o., Split	Croatia	100.0
Sunsail (Antigua) Limited, Antigua	Antigua	100.0
Sunsail (Australia) Pty Ltd, Hamilton Island, Queensland	Australia	100.0
Sunsail Hellas MEPE, Athens	Greece	100.0
Sunsail International B.V., Rotterdam	Netherlands	100.0
Sunsail Limited, Crawley	UK	100.0
Sunsail SAS, Castelnaudary	France	100.0
Sunsail (Seychelles) Limited, Mahé	Seychelles	100.0
Sunsail (Thailand) Company Ltd, Phuket	Thailand	30.0
Sunsail Worldwide Sailing Limited, Crawley	UK	100.0
Sunsail Worldwide Sailing St. Vincent Limited, St. Vincent and Grenadines	Windward Islands St. Vincent	100.0
Sunshine Cruises Limited, Crawley	UK	100.0
Tantur Turizm Seyahat A.S., Istanbul	Turkey	100.0
TCS & Starquest Expeditions, Inc., Seattle	US	100.0
TCS Expeditions, Inc., State of Delaware	US	100.0
TCV Touristik-Computerverwaltungs GmbH, Baden-Baden	Germany	100.0
Team Lincoln Ltd., Crawley	UK	100.0
Team Travel Ltd., Crawley	UK	100.0
Teamlink Travel Limited, Crawley	UK	100.0
Tec4Jets B.V., Rijswijk ZH	Netherlands	100.0
Tec4Jets NV, Oostende	Belgium	100.0
The English Language Centre York Limited, York	UK	100.0
The Imaginative Traveller Australia Pty Limited, Melbourne	UK	100.0
The Imaginative Traveller Limited, Crawley	UK	100.0
The International Academy Ltd., Crawley	UK	100.0
The Magic of Travel Ltd., Crawley	UK	100.0
The Magic Travel Group (Holidays) Ltd., Crawley	UK	100.0
The Magic Travel Group Ltd., Crawley	UK	100.0
The Moorings (Bahamas) Ltd, Nassau	Bahamas	100.0
The Moorings Belize Limited, Belize City	Belize	100.0
The Moorings d.o.o., Split	Croatia	100.0
The Moorings Limited, British Virgin Islands	British Virgin Islands	100.0
The Moorings Sailing Holidays Ltd, Crawley	US	100.0
The Moorings SAS, Utoroa, Raiatea	UK	100.0
The Moorings (St. Lucia) LTD, St. Lucia	Windward Islands St. Lucia	100.0
TheFirstResort Limited, Crawley	UK	100.0
TheFirstResort Operations Limited, Crawley	UK	100.0

Company	Country	Capital share
THG Holidays Limited, Crawley	UK	100.0
Thomson Air Limited, Crawley	UK	100.0
Thomson Airways Limited, Crawley	UK	100.0
Thomson Airways (Services) Limited, Crawley	UK	100.0
Thomson Airways Trustee Limited, Crawley	UK	100.0
Thomson Holidays Ltd., Crawley	UK	100.0
Thomson Holidays Ltd. (Ireland), Dublin	Ireland	100.0
Thomson Holidays Services, Inc., Orlando	US	100.0
Thomson Overseas Services Ltd., Crawley	UK	100.0
Thomson Reisen GmbH, St. Johann	Austria	100.0
Thomson Services Ltd., St. Peter Port/Guernsey	UK	100.0
Thomson Sport (UK) Limited, Crawley	UK	100.0
Thomson Travel Group (Holdings) Ltd., Crawley	UK	100.0
Thomson Travel Holdings SA, Luxembourg	Luxembourg	100.0
Thomson Travel International Ltd., Crawley	UK	100.0
Thomson Travel International SA, Luxembourg	Luxembourg	100.0
Thomson Viagens e Turismo Lda., Lisbon	Portugal	100.0
Thomsonfly Limited, Crawley	UK	100.0
TICS GmbH Touristische Internet und Call Center Services, Baden-Baden	Germany	100.0
Tigdiv Eurl, Tignes	France	100.0
TKJ Pty Limited, Perth	Australia	100.0
TLT Reisebüro GmbH, Hanover	Germany	100.0
Tolkien Limited, British Virgin Islands	British Virgin Islands	100.0
Transfar—Agencia de Viagens e Turismo Lda., Faro	Portugal	99.9
TRAVCOA Corporation, State of Delaware	US	100.0
Travel Choice Limited, Crawley	UK	100.0
Travel Class Holdings Limited, Crawley	UK	100.0
Travel Class Limited, Crawley	UK	100.0
Travel Class Transport Limited, Crawley	UK	100.0
Travel Contracting Limited, Crawley	UK	100.0
Travel Partner Bulgaria EOOD, Varna	Bulgaria	100.0
Travel Scot World Limited, Crawley	UK	100.0
Travel Sense A/S, Copenhagen	Denmark	100.0
Travel Services Europe Spain SL, Barcelona	Spain	100.0
Travel Turf, Inc., Allentown	US	100.0
travel-Ba.Sys GmbH & Co KG, Mülheim an der Ruhr	Germany	83.5
Travelbound European Tours Limited, Crawley	UK	100.0
Travelmood Limited, Crawley	UK	100.0
Treasure Isle Yacht Charter Ltd, British Virgin Islands	British Virgin Islands	100.0
Trek America Travel Limited, Crawley	UK	100.0
Trek Investco Limited, Crawley	UK	100.0
Trina Group Limited, Crawley	UK	100.0
Tropical Places Ltd., Crawley	UK	100.0
TT Enterprises Private Ltd, Chennai	India	100.0
TT Hotels Turkey Otel Hizmetleri Turizm ve ticaret Anonim Sirketi, Istanbul	Turkey	100.0
TT International Software Services LLC, Abu Dhabi	United Arab Emirates	49.0
TT Services AB, Stockholm	Sweden	90.0
TT Services Kiribati Ltd, South Tarawa	Kiribati	100.0
TT Services Nauru Ltd, Yaren	Nauru	100.0
TT Services New Zealand Ltd, Auckland	New Zealand	100.0
TT Services Samoa Ltd, Apia	Samoa	100.0
TT Services Vanuatu Ltd, Port Vila	Vanuatu	100.0
TT Visa Outsourcing Limited, Crawley	UK	100.0
TT Visa Services, Inc., Wilmington DE	US	100.0
TT Visa Services Limited, Crawley	UK	100.0

Company	Country	Capital share
TT Visa Services Pte Limited, Singapore	Singapore	100.0
TTG (No. 14), Dublin	Ireland	100.0
TTG (No. 2) Ltd. Crawley	UK	100.0
TTS Consultancy Services Private Ltd., Chennai	India	76.0
TTSS Limited, Crawley	UK	100.0
TTSS Transportation Limited, Crawley	UK	100.0
TUI Airlines Belgium N.V., Oostende	Belgium	100.0
TUI Airlines Nederland B.V., Rijswijk	Netherlands	100.0
TUI aqtiv GmbH, Hanover	Germany	100.0
TUI Austria Holding GmbH, Vienna	Austria	100.0
TUI Aviation GmbH, Hanover	Germany	100.0
TUI Canada Holdings Inc, Toronto	Canada	100.0
TUI China Travel CO. Ltd., Beijing	China	75.0
TUI Consulting & Services GmbH, Hanover	Germany	100.0
TUI Curaçao N.V., Curaçao	Dutch Antilles	100.0
TUI Denmark Holding A/S, Copenhagen	Denmark	100.0
TUI Deutschland GmbH, Hanover	Germany	100.0
TUI Dienstleistungsgesellschaft mbH, Hanover	Germany	100.0
TUI España Turismo S.A., Barcelona	Spain	100.0
TUI France SAS, Montreuil	France	100.0
TUI Hellas Travel and Tourism SA, Athens	Greece	100.0
TUI HOLDING SPAIN S.L., Barcelona	Spain	100.0
TUI Holdings (Australia) PTY Limited, Queensland	Australia	100.0
TUI InfoTec GmbH, Hanover	Germany	100.0
TUI (IP) Ltd., Crawley	UK	100.0
TUI Italia S.R.L., Milano	Italy	100.0
TUI Leisure airport sales GmbH, Hanover	Germany	90.0
TUI Leisure Travel GmbH, Hanover	Germany	100.0
TUI Leisure Travel Service GmbH, Neuss	Germany	100.0
TUI Leisure Travel Special Tours GmbH, Hanover	Germany	100.0
TUI Marine Grenada Limited, St. George's	Grenada	100.0
TUI Nederland Holding N.V., Rijswijk	Netherlands	100.0
TUI Nederland N.V., Rijswijk	Netherlands	100.0
TUI Nordic Administration AB, Stockholm	Sweden	100.0
TUI Nordic Holding AB, Stockholm	Sweden	100.0
TUI Northern Europe Ltd., Crawley	UK	100.0
TUI Norway Holding AS, Stabekk	Norway	100.0
TUI Österreich GmbH, Vienna	Austria	100.0
TUI Pension Scheme (UK) Ltd., Crawley	UK	100.0
TUI Poland Dystrybucja Sp. z o.o., Warsaw	Poland	100.0
TUI Poland Sp. z o.o., Warsaw	Poland	100.0
TUI PORTUGAL – Agencia de Viagens e Turismo S.A., Faro	Portugal	100.0
TUI Reisebüro GmbH, Hanover	Germany	100.0
TUI Reisecenter Austria Business Travel GmbH, Vienna	Austria	74.9
TUI Service AG, Altendorf	Switzerland	100.0
TUI (Suisse) AG, Zurich	Switzerland	100.0
TUI (Suisse) Holding AG, Zurich	Switzerland	100.0
TUI Suisse Retail AG, Zurich	Switzerland	100.0
TUI Travel Accommodation & Destinations SL, Palma de Mallorca	Spain	100.0
TUI Travel Amber E&W LLP, Crawley	UK	100.0
TUI Travel Amber Limited, Edinburgh	UK	100.0
TUI Travel Amber Scot LP, Edinburgh	UK	100.0
TUI Travel Aviation Finance Limited, Crawley	UK	100.0
TUI Travel Belgium N.V., Oostende	Belgium	100.0
TUI Travel Common Investment Fund Trustee Limited, Crawley	UK	100.0
TUI Travel Group Management Services Limited, Crawley	UK	100.0
TUI Travel Group Solutions Limited, Crawley	UK	100.0

Company	Country	Capital share
TUI Travel Healthcare Limited, Crawley	UK	100.0
TUI Travel Holdings Limited, Crawley	UK	100.0
TUI Travel Holdings Sweden AB, Stockholm	Sweden	100.0
TUI Travel (Ireland), Dublin	Ireland	100.0
TUI Travel Nominee Limited, Crawley	UK	100.0
TUI Travel Overseas Holdings Limited, Crawley	UK	100.0
TUI Travel Partner Services Japan KK, Tokyo	Japan	100.0
TUI TRAVEL PLC, Crawley	UK	54.9
TUI Travel SAS Adventure Limited, Crawley	UK	100.0
TUI Travel SAS Benelux B.V., Rotterdam	Netherlands	100.0
TUI Travel SAS Holdings Limited, Tring, Hertfordshire	UK	100.0
TUI Travel SAS Services Limited, Crawley	UK	100.0
TUI TRAVEL SAS Transport Limited, Crawley	UK	100.0
TUI UK Italia S.r.L., Turin	Italy	100.0
TUI UK Ltd., Crawley	UK	100.0
TUI UK Retail Limited, Crawley	UK	100.0
TUI UK Transport Ltd., Crawley	UK	100.0
TUI Vertrieb & Service GmbH, Hanover	Germany	100.0
TUI 4 U GmbH, Bremen	Germany	100.0
TUI.com GmbH, Berlin	Germany	100.0
TUIfly GmbH, Langenhagen	Germany	100.0
TUIfly Nordic AB, Stockholm	Sweden	100.0
TUIfly Vermarktungs GmbH, Langenhagen	Germany	100.0
Tunisie Investment Services Holding S.A., Tunis	Tunisia	100.0
Tunisie Voyages S.A., Tunis	Tunisia	100.0
Turismo Asia Company Ltd., Bangkok	Thailand	100.0
Ultramar Express Transport S.A., Palma de Mallorca	Spain	100.0
Unijet Group Limited, Crawley	UK	100.0
Unijet Leisure Limited, Crawley	UK	100.0
Unijet Travel Limited, Crawley	UK	100.0
Versun Yachts NSA, Athens	Greece	100.0
Viagens Aurora Limitada, Albufeira	Portugal	95.0
Viagens Elena Limitada, Albufeira	Portugal	100.0
Viking Aviation Limited, Crawley	UK	100.0
We Love Rugby Pty Ltd, Banksia	Australia	100.0
Williment Travel Group Limited, Wellington	New Zealand	100.0
Wolters Reisen GmbH, Stuhr/Brinkum	Germany	100.0
Wonder Cruises AB, Stockholm	Sweden	100.0
Wonder Holding AB, Stockholm	Sweden	51.0
World Challenge Expeditions, Inc., Cambridge, MA	US	100.0
World Challenge Expeditions Limited, Crawley	UK	100.0
World Challenge Expeditions Pty Ltd, Victoria	Australia	100.0
World Challenge Holdings Limited, Crawley	UK	100.0
World Challenge NZ Limited, Wellington	New Zealand	100.0
World of TUI Ltd., Crawley	UK	100.0
Yachts International Limited, British Virgin Islands	British Virgin Islands	100.0
YIL, LLC, State of Delaware	US	100.0
Your Man Tours, Inc., El Segundo, CA	US	100.0
Zegrahm Expeditions, Inc., Seattle	US	100.0
100% Adventure Pty Ltd, Wayville, SA	Australia	100.0
600035 B.C. LTD, Canada	UK	100.0
Tourism—TUI Hotels & Resorts		
BU RIUSA II EOOD, Sofia	Bulgaria	100.0
Cabotel-Hoteleria e Turismo Lda., Santiago/Cape Verde	Spain	100.0
CLUBHOTEL GESELLSCHAFT MBH., Hermagor	Austria	77.5
Daidalos Hotel- und Touristikunternehmen A.E., Athens	Greece	89.8

Company	Country	Capital share
Dominicanotel S.A., Puerto Plata	Dominican Republic	100.0
Egyptian Germany Co. for Hotels (L.T.D), Cairo	Egypt	66.6
GEAFOND Número Dos Fuerteventura S.A., Las Palmas, Gran Canaria	Spain	100.0
GEAFOND Número Uno Lanzarote S.A., Las Palmas, Gran Canaria	Spain	100.0
Holiday Center S.A., Cala Serena/Cala d'Or	Spain	100.0
Iberotel International A.S., Antalya	Turkey	100.0
Iberotel Otelcilik A.S., Istanbul	Turkey	100.0
Jandia Playa S.A., Morro Jable/Fuerteventura	Spain	100.0
Jaz Hotels & Resorts S.A.E., Cairo	Egypt	50.9
MAGIC LIFE Assets AG, Vienna	Austria	100.0
Magic Life GmbH & Co KG, Vienna	Austria	100.0
MX RIUSA II S.A. de C.V., Cabo San Lucas	Mexiko	100.0
Promociones y Edificaciones Chiclana S.A., Palma de Mallorca	Spain	100.0
Puerto Plata Caribe Beach S.A., Puerto Plata	Dominican Republic	100.0
RCHM S.A.S., Agadir	Morocco	100.0
Rideway Investment Ltd., London	UK	100.0
Riu Jamaicotel Ltd., Negril	Jamaica	100.0
RIUSA II S.A., Palma de Mallorca	Spain	50.0
RIUSA NED B.V., Amsterdam	Netherlands	100.0
ROBINSON AUSTRIA Clubhotel GmbH, Hermagor	Austria	100.0
Robinson Club GmbH, Hanover	Germany	100.0
Robinson Club Italia S.p.A., Marina di Ugento	Italy	100.0
Robinson Club Maldives Private Limited, Malé	Maldives	100.0
Robinson Club (Schweiz) AG, Vulpera	Switzerland	100.0
Robinson Clubhotel Turizm Ltd. Sti., Istanbul	Turkey	100.0
Robinson Hoteles España S.A., Cala d'Or	Spain	100.0
Robinson Hotels Portugal S.A., Vila Nova de Cacela	Portugal	67.0
Robinson Otelcilik A.S., Istanbul	Turkey	100.0
STIVA RII Ltd., Dublin	Ireland	100.0
TdC Agricoltura Società Agricola a r.l., Florence	Italy	100.0
TdC Amministrazione S.r.l., Florence	Italy	100.0
Tenuta di Castelfalfi S.p.A., Florence	Italy	100.0
Tunisotel S.A.R.L., Tunis	Tunisia	100.0
Turcotel Turizm A.S., Istanbul	Turkey	100.0
Turkuaz Insaat Turizm A.S., Ankara	Turkey	100.0
Tourism—Cruises		
Hapag-Lloyd (Bahamas) Ltd., Nassau	Bahamas	100.0
Hapag-Lloyd Kreuzfahrten GmbH, Hamburg	Germany	100.0
Preussag Beteiligungsverwaltungs GmbH IX, Hanover	Germany	100.0
Central Operations		
Canada Maritime Services Limited, Crawley	UK	100.0
Canadian Pacific (UK) Limited, Crawley	UK	100.0
Cast Agencies Europe Limited, Crawley	UK	100.0
Cast Group Services Limited, Crawley	UK	100.0
Cast Terminal Europe N.V., Antwerpen	Belgium	100.0
Contship Holdings Limited, Crawley	UK	100.0
CP Ships (Bermuda) Ltd., Hamilton	Bermudas	100.0
CP Ships Ltd., Saint John	Canada	100.0
CP Ships (UK) Limited, Crawley	UK	100.0
CPS Holdings (No. 2) Limited, Crawley	UK	100.0
CPS Number 4 Limited, Crawley	UK	100.0
DEFAG Beteiligungsverwaltungs GmbH I, Hanover	Germany	100.0
DEFAG Beteiligungsverwaltungs GmbH III, Hanover	Germany	100.0
PM Peiner Maschinen GmbH, Hanover	Germany	100.0
Preussag Immobilien GmbH, Salzgitter	Germany	100.0

Company	Country	Capital share
Preussag UK Ltd., Crawley	UK	100.0
TUI Beteiligungs GmbH, Hanover	Germany	100.0
TUI Group Services GmbH, Hanover	Germany	100.0
TUI-Hapag Beteiligungs GmbH, Hanover	Germany	100.0
Joint Ventures and associated companies		
Tourism—TUI Travel		
ACCON-RVS Accounting & Consulting GmbH, Berlin	Germany	50.0
Aeolos Travel LLP, Nicosia	Cyprus (Greek part)	50.1
Aitken Spence Travels Ltd, Colombo	Sri Lanka	50.0
Alpha Tourism and Marketing Services Ltd., Port Louis	Mauritius	25.0
Alpha Travel (U.K.) Limited, Harrow	UK	25.0
alps & cities 4ever GmbH, Vienna	Austria	50.0
Atlantica Hellas S.A., Rhodos	Greece	50.0
Atlantica Hotels and Resorts S.A., Lemesos	Cyprus (Greek part)	50.0
Bartu Turizm Yatirimlari Anonim Sirketi, Istanbul	Turkey	50.0
Belgium Travel Network cvba, Sint-Martens-Latem	Belgium	50.0
Blue Diamond Hotels and Resorts Inc., St Michael	Barbados	49.0
Bonitos GmbH & Co KG, Frankfurt	Germany	50.0
.BOSYS SOFTWARE GMBH, Hamburg	Germany	25.2
DER Reisecenter TUI GmbH, Berlin	Germany	50.0
Himalayan Encounters PVT LTD, Kathmandu	Nepal	33.0
Holiday Travel (Israel) Limited, Airport City	Israel	50.0
InteRes Gesellschaft für Informationstechnologie mbH, Darmstadt	Germany	25.2
Intrepid Connections Investments PTY LTD, South Melbourne	Australia	50.0
Intrepid Vietnam Travel Company Ltd, Hanoi	Vietnam	49.0
Karisma Hotels Adriatic d.o.o., Zagreb	Croatien	33.3
Le Passage to India Tours and Travels Pvt Ltd, New Delhi	India	50.0
OFT REISEN GmbH, Ditzingen	Germany	50.0
Pollman's Tours and Safaris Limited, Nairobi	Kenya	25.0
Raiffeisen-Tours RT-Reisen GmbH, Burghausen	Germany	25.1
Ranger Safaris Ltd., Arusha	Tanzania	25.0
Safeharbour Investments S.L., Barcelona	Spain	50.0
Sunwing Travel Group Inc, Toronto	Canada	49.0
Teckcenter Reisebüro GmbH, Kirchheim/T.	Germany	50.0
Togebi Holdings Ltd, Cyprus	Cyprus (Greek part)	49.0
Travco Group Holding S.A.E., Cairo	Egypt	50.0
TRAVELStar GmbH, Hanover	Germany	50.0
TT Services Lanka Private Ltd., Colombo	Sri Lanka	50.0
Urban Adventures Limited, Hong Kong	Hong Kong	50.0
Vacation Express USA Corp., Atlanta	US	49.0
Voukouvalides Travel & Tourism S.A., Kos	Greece	50.0
2332491 Ontario Inc, Toronto	Canada	49.0
Tourism—TUI Hotels & Resorts		
aQi Hotel Schladming GmbH, Bad Erlach	Austria	49.0
aQi Hotelmanagement GmbH, Bad Erlach	Austria	51.0
ENC for touristic Projects Company S.A.E., Sharm el Sheikh	Egypt	50.0
Etapex, S.A., Agadir	Morocco	35.0
Fanara Residence for Hotels S.A.E., Sharm el Sheikh	Egypt	50.0
First Om El Gorayfat Company for Hotels S.A.E., Mersa Allam	Egypt	50.0
GBH Turizm Sanayi Isletmecilik ve Ticaret A.S., Istanbul	Turkey	50.0
Golden Lotus Hotel Company S.A.E., Luxor	Egypt	50.0
Grecotel S.A., Rethymnon	Greece	50.0
GRUPOTEL DOS S.A., Can Picafort	Spain	50.0
Kamarayat Nabq Company for Hotels S.A.E., Sharm el Sheikh	Egypt	50.0
Makadi Club for Hotels S.A.E., Hurghada	Egypt	50.0

Company	Country	Capital share
Mirage Resorts Company S.A.E., Hurghada	Egypt	50.0
Oasis Company for Hotels S.A.E., Hurghada	Egypt	50.0
Phaiax A.E.T.A., Corfu	Greece	50.0
Quinta da Ria Empreendimentos do Algarve, S.A., Vila Nova de Cacela	Portugal	33.0
Riu Hotels S.A., Palma de Mallorca	Spain	49.0
Sharm El Maya Touristic Hotels Co. S.A.E., Cairo	Egypt	50.0
Sun Oasis for Hotels Company S.A.E., Hurghada	Egypt	50.0
Tikida Bay S.A., Agadir	Morocco	34.0
TIKIDA DUNES S.A., Agadir	Morocco	30.0
Tikida Palmeraie S.A., Marrakesh	Morocco	33.3
UK Hotel Holdings FZC L.L.C., Fujairah	United Arab Emirates	50.0
Tourism—Cruises		
TUI Cruises GmbH, Hamburg	Germany	50.0
Central Operations		
Hapag-Lloyd Holding AG, Hamburg	Germany	22.0

Excerpt from TUI AG's group management report

The disclosures of the relevant amounts for individual Board members and further details on the remuneration system as included in Note 52 by reference to the Management Report form an integral part of the consolidated financial statements of TUI AG as of and for the financial year ended September 30, 2013.

Reproduced below, as excerpt from TUI AG's group management report as of and for the fiscal year ended September 30, 2013, are the disclosures of the relevant amounts for individual Board members and further details on the remuneration system.

Remuneration Report

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

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

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

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

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

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

Remuneration of the Executive Board in financial year 2012/13

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

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

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

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

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

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

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

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

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

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

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

Development of aggregate phantom stocks in TUI AG (incl. four-year model)

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

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

Remuneration of individual Executive Board members

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

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

The remuneration of Peter Long determined by the Remuneration Commitee for the financial year 2012/13 of TUI Travel PLC amounted to €1,011.4 thousand for fixed remuneration (previous year

€1,036.5 thousand), €4,938.1 thousand for the annual performance-based remuneration (previous year €2,675.2 thousand), €1,450.7 thousand for the long-term incentive programme (previous year €836.8 thousand) and totalled to €7,400.2 thousand (previous year €4,548.5 thousand).

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

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

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

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

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

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

	Friedrich Joussen (since 15 Oct 2012)	Horst Baier
	€ '000	
Fixed remuneration	963.8	680.0
Perquisites	25.4	12.8
Total	**989.2**	**692.8**
Annual perfomance-based remuneration	986.0	273.3
Cash deferral	—	289.8
Total	**986.0**	**563.1**
Long-term incentive programme	1,280.0	767.4
Total	**2,266.0**	**1,330.5**
Pension	189.4	267.7
Total numeration	**3,444.6**	**2,291.0**

Exit payments

1. Pension entitlements

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

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

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

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

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

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

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

2. Change of control agreement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5. Pension obligations

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

Pension of current Executive Board members

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

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

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

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

Remuneration of the Supervisory Board

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

The members of the Supervisory Board receive a fixed remuneration of €50 thousand for a full financial year, payable upon completion of the financial year, besides reimbursement of their expenses. The fixed compensation was increased by €10 thousand with effect from 1 October 2012 based on an amendment to the Articles of Association resolved by the Annual General Meeting in February 2013.

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

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

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

Following the amendment of the Articles of Association, the members of the Supervisory Board and the committees receive a meeting fee of €1.0 thousand per meeting for participating in meetings as of the financial year 2012/13.

The remuneration of the Supervisory Board for financial year ended September 30, 2013, in comparison with the prior year, broke down as follows:

Remuneration of the Supervisory Board

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

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

Remuneration for individual Supervisory Board members for the Financial Year 2012/13

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

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

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

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

The following auditor‘s report (Bestätigungsvermerk) has been issued in accordance with Section 322 German Commercial Code (Handelsgesetzbuch) on the consolidated financial statements and group management report (Konzernlagebericht) of TUI AG combined with the management report (Lagebericht) of TUI AG as of and for the financial year ended September 30, 2013. The group management report combined with the management report is neither included nor incorporated by reference in this Prospectus.

INDEPENDENT AUDITOR’S REPORT

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of TUI AG, Berlin and Hanover, and its subsidiaries, which comprise the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the consolidated financial statements for the business year from 1 October 2012 to 30 September 2013.

Board of Managing Directors’ Responsibility for the Consolidated Financial Statements

The Board of Managing Directors of TUI AG, Berlin and Hanover, is responsible for the preparation of these consolidated financial statements. This responsibility includes that these consolidated financial statements are prepared in accordance with International Financial Reporting Standards, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB (“Handelsgesetzbuch”: German Commercial Code) and that these consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The Board of Managing Directors is also responsible for the internal controls as the Board of Managing Directors determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standards on Auditing (ISA). Accordingly, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of audit procedures depends on the auditor’s professional judgment. This includes the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system relevant to the entity’s preparation of consolidated financial statements that give a true and fair view. The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group’s internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

According to § 322 Abs. 3 Satz (sentence) 1 HGB, we state that our audit of the consolidated financial statements has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply, in all material respects, with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets and financial position of the Group as at 30 September 2013 as well as the results of operations for the business year then ended, in accordance with these requirements.

Report on the Group Management Report

We have audited the accompanying group management report, which is combined with the management report of the company, of TUI AG, Berlin and Hanover, for the business year from 1 October 2012 to 30 September 2013. The Board of Managing Directors is of TUI AG, Berlin and Hanover, is responsible for the preparation of the combined management report in accordance with the requirements of German commercial law applicable pursuant to § 315a Abs. 1 HGB. We conducted our audit in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of the combined management report promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Accordingly, we are required to plan and perform the audit of the combined management report to obtain reasonable assurance about whether the combined management report is consistent with the consolidated financial statements and the audit findings, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

According to § 322 Abs. 3 Satz 1 HGB we state, that our audit of the combined management report has not led to any reservations.

In our opinion based on the findings of our audit of the consolidated financial statements and combined management report, the combined management report is consistent with the consolidated financial statements, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hanover, 11 December 2013

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Thomas Stieve
Wirtschaftsprüfer
(German Public Auditor)

Thomas Berger
Wirtschaftprüfer
(German Public Auditor)

Audited Consolidated Financial Statements
of TUI AG
as of and for the financial year ended September 30, 2012

CONSOLIDATED INCOME STATEMENT

	Notes	2011/12	2010/11
		€ million	
Turnover	(1)	18,330.3	17,480.3
Cost of sales	(2)	16,285.8	15,655.2
Gross profit		**2,044.5**	**1,825.1**
Administrative expenses	(2)	1,555.7	1,508.8
Other income/Other expenses	(3)	+ 71.1	+ 77.1
Impairment of goodwill	(4)	13.8	—
Financial income	(5)	159.9	254.3
Financial expenses	(6)	444.6	493.8
Share of result of joint ventures and associates	(7)	− 8.7	+ 52.9
Earnings before income taxes		**252.7**	**206.8**
Reconciliation to underlying earnings:			
Earnings before income taxes		252.7	206.8
plus: Loss on Container Shipping measured at equity		49.0	2.1
less: Gain on reduction and measurement of financial investment in Container Shipping		− 61.6	− 51.2
plus: Net Interest expense and expense from the measurement of interest hedges		284.9	286.8
plus: Impairment of goodwill		13.8	—
EBITA		538.8	444.5
Adjustments:	(8)		
plus: Loss on disposals		1.8	—
plus: Restructuring expense		63.2	70.8
plus: expense from purchase price allocation		75.1	96.1
plus: Expense (previous year Income) from other one-off items		66.8	− 11.3
Underlying EBITA		**745.7**	**600.1**
Earnings before income taxes		**252.7**	**206.8**
Income taxes	(9)	110.8	88.6
Group profit for the year		**141.9**	**118.2**
Group result for the year attributable to shareholders of TUI AG	(10)	− 15.1	+ 23.9
Group profit for the year attributable to non-controlling interest	(11)	+ 157.0	+ 94.3

Earning per share

	Notes	2011/12	2010/11
		€	
Basic and diluted earnings per share	(12)	− 0.16	− 0.01

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2011/12	2010/11
		€ million	
Group profit		**141.9**	**118.2**
Foreign exchange differences		−27.4	−45.5
Foreing exchange differences		−4.3	−72.0
Reclassification/adjustments		−23.1	26.5
Financial instruments available for sale		−178.6	176.1
Changes in the fair value of financial instruments available for sale		−34.4	238.1
Reclassification/adjustments		−144.2	−62.0
Cash flow hedges		−67.9	105.5
Changes in the fair value of cash flow hedges		−46.2	111.9
Reclassification/adjustments		−21.7	−6.4
Actuarial losses from pension provisions and related fund assets		−284.4	−102.2
Changes in the measurement of companies measured at equity		−2.2	−25.7
Changes in the measurement outside profit or loss		−4.2	−13.3
Reclassification/adjustments		2.0	−12.4
Taxes attributable to other comprehensive income	(13)	74.9	−21.9
Other comprehensive income		**−485.6**	**86.3**
Total comprehensive income		**−343.7**	**204.5**
attributable to shareholders of TUI AG		−334.2	133.6
attributable to non-controlling interest		−9.5	70.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 Sep 2012	30 Sep 2011
		€ million	
Assets			
Goodwill	(14)	3,046.4	2,907.2
Other intangible assets	(15)	890.9	856.6
investment property	(16)	54.9	59.2
Property, plant and equipment	(17)	2,651.3	2,445.1
investments in joint ventures and associates	(18)	1,394.0	1,735.5
Financial assets available for sale	(19)	75.5	487.8
Trade receivables and other assets	(20)	358.1	409.1
Derivative financial instruments	(21)	28.4	43.6
Deferred tax asset	(22)	168.7	163.5
Non-current assets		**8,668.2**	**9,107.6**
Inventories	(23)	113.9	106.7
Trade receivables and other assets	(20)	1,956.0	1,950.9
Derivative financial instruments	(21)	131.5	231.2
Current tax asset	(22)	48.1	90.0
Cash and cash equivalents	(24)	2,278.4	1,981.3
Assets held for sale	(25)	16.5	24.2
Current assets		**4,544.4**	**4,384.3**
		13,212.6	**13,491.9**

	Notes	30 Sep 2012	30 Sep 2011
		€ million	
Equity and liabilities			
Subscribed capital	(26)	644.9	643.5
Capital reserves	(27)	957.4	956.1
Revenue reserves	(28)	185.2	575.6
Hybrid capital	(29)	294.8	294.8
Equity before non-controlling interest		**2,082.3**	**2,470.0**
Non-controlling interest	(30)	− 15.2	77.8
Equity		**2,067.1**	**2,547.8**
Pension provisions and similar obligations	(31)	1,146.9	878.2
Other provisions	(32)	537.5	548.6
Non-current provisions		**1,684.4**	**1,426.8**
Financial liabilities	(33)	1,810.5	2,324.7
Derivative financial instruments	(35)	31.8	73.7
Current tax liabilities	(36)	108.3	117.2
Deferred tax liabilities	(36)	69,5	120.7
Other liabilities	(37)	68.2	105.1
Non-current liabilities		**2,088.3**	**2,741.4**
Non-current provisions and liabilities		**3,772.7**	**4,168.2**
Pension provisions and similar obligations	(31)	39.7	35.9
Other provisions	(32)	509.8	471.9
Current provisions		**549.5**	**507.8**
Financial liabilities	(33)	646.1	473.6
Trade payables	(34)	3,260.0	2,973.5
Derivative financial instruments	(35)	163.1	157.7
Current tax liabilities	(36)	96.5	198.3
Other liabilities	(37)	2,657.6	2,462.8
Current liabilities		**6,823.3**	**6,265.9**
Liabilities related to assets held for sale	(38)	**—**	**2.2**
Current provisions and liabilities		**7,372.8**	**6,775.9**
		13,212.6	**13,491.9**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Subscribed capital (26)	Capital reserves (27)	Other revenue reserves	Foreign exchange differences	Financial instruments available for sale	Cash flow hedges	Revaluation reserve	Reserve according to IAS 19	Revenue reserves (28)	Hybrid capital (29)	Equity before non-controlling interest	Non-controlling interest (30)	Total
							€ million						
Balance as at 1 October 2010	**643.1**	**913.5**	**1,469.2**	**−658.2**	**5.6**	**−56.9**	**19.6**	**−289.8**	**489.5**	**294.8**	**2,340.9**	**93.3**	**2,434.2**
Dividends	—	—	—	—	—	—	—	—	—	—	—	−141.1	−141.1
Hybrid capital dividend	—	—	−25.9	—	—	—	—	—	−25.9	—	−25.9	—	−25.9
Share-based payment schemes of TUI Travel PLC	—	—	12.0	—	—	—	—	—	12.0	—	12.0	9.4	21.4
Issue of employee shares	0.4	0.7	—	—	—	—	—	—	—	—	1.1	—	1.1
Issue of convertible bonds	—	41.9	—	—	—	—	—	—	—	—	41.9	2.6	44.5
First-time consolidation	—	—	24.8	—	—	—	—	—	24.8	—	24.8	20.1	44.9
Deconsolidation	—	—	—	—	—	—	—	—	—	—	—	−0.7	−0.7
Effects on the acquisition of non-controlling interests	—	—	−25.9	—	—	−0.8	—	−1.3	−28.0	—	−28.0	−7.1	−35.1
Effects on the transfer to non-controlling interests	—	—	−21.9	−8.4	—	−0.1	—	—	−30.4	—	−30.4	30.4	—
Group profit for the year	—	—	23.9	—	—	—	—	—	23.9	—	23.9	94.3	118.2
Other comprehensive income	—	—	−25.8	−23.6	176.0	36.8	—	−53.7	109.7	—	109.7	−23.4	86.3
Total comprehensive income	—	—	−1.9	−23.6	176.0	36.8	—	−53.7	133.6	—	133.6	70.9	204.5
Balance as at 30 September 2011	**643.5**	**956.1**	**1,430.4**	**−690.2**	**181.6**	**−21.0**	**19.6**	**−344.8**	**575.6**	**294.8**	**2,470.0**	**77.8**	**2,547.8**
Dividends	—	—	—	—	—	—	—	—	—	—	—	−100.6	−100.6
Hybrid capital dividend	—	—	−25.6	—	—	—	—	—	−25.6	—	−25.6	—	−25.6
Share based payment schemes of TUI Travel PLC	—	—	9.3	—	—	—	—	—	9.3	—	9.3	7.1	16.4
Issue of employee shares and conversion of convertible bonds	1.4	1.3	—	—	—	—	—	—	—	—	2.7	—	2.7
Effects on the acquisition of non-controlling interests	—	—	−36.6	1.7	—	−0.3	—	−4.7	−39.9	—	−39.9	10.0	−29.9
Group profit for the year	—	—	−15.1	—	—	—	—	—	−15.1	—	−15.1	157.0	141.9
other comprehensive income	—	—	−1.6	47.6	−181.6	−17.1	1.3	−167.7	−319.1	—	−319.1	−166.5	−485.6
Total comprehensive income	—	—	−16.7	47.6	−181.6	−17.1	1.3	−167.7	−334.2	—	−334.2	−9.5	−343.7
Balance as at 30 September 2012	**644.9**	**957.4**	**1,360.8**	**−640.9**	**—**	**−38.4**	**20.9**	**−517.2**	**185.2**	**294.8**	**2,082.3**	**−15.2**	**2,067.1**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2011/12	2010/11	Var.
		€ million		
Group profit		141.9	118.2	23.7
Depreciation, amortisation and impairments (+) / write-backs (–)		398.7	412.2	− 13.5
Other non-cash expenses (+) / income (–)		33.8	− 112.7	146.5
Interest expenses (excl. interest relating to pension obligations)		262.9	367.7	− 104.8
Profit (–) / loss (+) from disposals of non-current assets		− 66.1	− 47.0	− 19.1
Increase (–) / decrease (+) in inventories		− 0.1	− 16.2	16.1
Increase (–) / decrease (+) in receivables and other assets		73.1	80.1	− 7.0
Increase (+) / decrease (–) in provisions		22.2	101.5	− 79.3
Increase (+) / decrease (–) in liabilities (excl. financial liabilities)		− 47.3	181.7	− 229.0
Cash inflow from operating activities	(42)	**819.1**	**1,085.5**	**− 266.4**
Payments received from disposals of property, plant and equipment, investment property and intangible assets		171.7	456.6	− 284.9
Payments received from disposals of consolidated companies (excl. disposals of cash and cash equivalents due to divestments)		2.1		2.1
Payments received from the disposals of other non-current assets		701.6	951.5	− 249.9
Payments made for investments in property, plant and equipment, investment property and intangible assets		− 480.1	− 444.8	− 35.3
Payments made for investments in consolidated companies (excl. cash and cash equivalent received due to acquisitions)		− 27.5	− 50.7	23.2
Payments made for investments in other non-current assets		− 30.7	− 37.2	6.5
Cash inflow from investing activities	(43)	**337.1**	**875.4**	**− 538.3**
Payments received from capital increases		0.4	0.6	− 0.2
Payments made for interest increase in consolidated companies		− 23.7	− 34.8	11.1
Dividend payments				
TUI AG		− 25.9	− 25.9	—
subsidiaries to non-controlling interest		− 102.4	− 141.1	38.7
Payments received from the issue of bonds and the raising of financial liabilities		18.3	524.1	− 505.8
Payments made for redemption of loans and financial liabilities		− 560.8	− 2,304.1	1,743.3
Interest paid		− 200.1	− 268.0	67.9
Cash outflow from financing activities	(44)	**− 894.2**	**− 2,249.2**	**1,355.0**
Net change in cash and cash equivalents		**262.0**	**− 288.3**	**550.3**
Development of cash and cash equivalents	(45)			
Cash and cash equivalents at beginning of period		**1,981.3**	**2,274.3**	**− 293.0**
Change in cash and cash equivalents due to exchange rate fluctuations		35.1	− 4.7	39.8
Change in cash and cash equivalents with cash effects		262.0	− 288.3	550.3
Cash and cash equivalents at end of period		**2,278.4**	**1,981.3**	**297.1**

NOTES

PRINCIPLES AND METHODS UNDERLYING THE CONSOLIDATED FINANCIAL STATEMENTS

General

TUI AG, based in Hanover, Karl-Wiechert-Allee 4, is the TUI Group's parent company and a listed stock corporation under German law. The Company has been registered in the commercial registers of the district courts of Berlin-Charlottenburg (HRB 321) and Hanover (HRB 6580).

The members of the Executive Board and the Supervisory Board as well as other board mandates held by them are listed separately in an annex to the Notes in the section Corporate Governance.

The Executive Board and the Supervisory Board have submitted the Declaration of Compliance with the German Corporate Governance Code required pursuant to section 161 of the German Stock Corporation Act (AktG) and made it permanently accessible to the general public on the Company's website (www.tui-group.com).

The financial year of the TUI Group and its major subsidiaries included in consolidation covers the period from 1 October of any one year to 30 September of the following year. Where any of TUI's subsidiaries (in particular those of the Riu Group) use financial years with other closing dates, audited interim financial statements were prepared in order to include these subsidiaries in TUI AG's consolidated financial statements.

The consolidated financial statements are prepared in euros. Unless stated otherwise, all amounts are indicated in million euros (€m).

The present consolidated financial statements were approved for publication by TUI AG's Executive Board on 3 December 2012.

Accounting principles

Pursuant to section 315a (1) of the German Commercial Code (HGB), in combination with Regulation EEC No. 1606/2002 of the European Union, TUI AG is legally obliged, as a listed company, to prepare consolidated financial statements in accordance with the rules of the International Accounting Standards Board (IASB), the International Financial Reporting Standards (IFRSs).

The IFRSs are applied in the form in which the European Commission has transposed them into national legislation in the framework of the endorsement process. Moreover, the commercial-law provisions listed in section 315a (1) of the German Commercial Code are also observed.

The following standards and interpretations revised or newly published by the IASB have been mandatory since the beginning of financial year 2011/12:

- Revised version of IAS 24: Related Party Disclosures
- Amendments to IFRS 7: Financial Instruments: Disclosures—transfers of financial assets
- Improvements to IFRS from the Annual Improvements Project (2010) not yet mandatory as at 30 September 2011
- IFRIC 14: Prepayments of a Minimum Funding Requirement of Pension Plans

The revised IAS 24 provides a fundamentally revised and expanded definition of related parties. The revision clarifies that subsidiaries of associated companies and joint ventures count among related parties. The revised standard also provides a partial exemption for entities controlled, jointly controlled or significantly influenced by a government from certain disclosures in the notes.

With the amendments to IFRS 7, the disclosure requirements for transactions involving a transfer of financial assets, e. g. securitisations or factoring transactions, are expanded to include more far-reaching quantitative and qualitative disclosure obligations. The amended disclosure requirements are to allow users of financial statements to improve their evaluation of the opportunities and risks associated with the transfer of financial assets. The additional disclosures required relate in particular to transactions in which financial assets are derecognised in their entirety with assets and liabilities retained by or newly arising for the transferring entity from the transfer, representing its continuing involvement. The required disclosures include these assets and liabilities, the maximum exposure to loss as well as maturity analysis and the amounts of payments made.

The third collection of amendments issued under the annual improvements process to make minor amendments to IFRSs was issued in May 2010. The provisions were transposed into EU legislation on

18 February 2011. Some of the amendments and clarifications are only effective for financial years beginning after 31 December 2010. This applies to IFRS 1 with regard to the use of the revaluation basis to replace the costs of purchase or produce, IFRS 7 with regard to the type and scope of risks from financial instruments, IAS 1 with regard to the statement of changes in equity, IAS 34 with regard to disclosures in the notes about significant transactions and IFRIC 13 with regard to measurement of award credits.

Application of the provisions outlined above does not result in any material effects on net assets, financial position or results of operations or on the disclosures in the Notes to the present consolidated financial statements.

In November 2009, the IASB issued amendments to IFRIC 14 provisions to account for pension plans, transposed into European legislation by the European Union in July 2010. The amendments relate to entities subject to minimum funding requirements in the framework of their pension plans due to which the entity makes prepaid contributions. IFRIC 14 allows such entities to capitalise as an asset the reduction in future contribution payments on account of prepayments for minimum funding requirements.

Application of these new interpretations does not result in any material effects on the TUI Group's net assets, financial position and results of operations.

Summary of new standards and interpretations not yet applied/applicable

	Standard/Interpretation	Applicable for financial years from	Endorsement by the EU commission
Standard			
IAS 1	Presentation of Items of other Comprehensive Income	1 Jul 2012	Yes
IAS 19	Employee benefits	1 Jan 2013	Yes
IFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters	1 Jul 2011	No
IAS 12	Deferred Tax: Recovery of Underlying Assets	1 Jan 2012	No
IFRS 9	Financial Instruments (will replace IAS 39: Financial Instruments: recognition and measurement) and subsequent amendments	1 Jan 2015	No
IFRS 10	Consolidated Financial Statements	1 Jan 2013	No
IFRS 11	Joint Arrangements	1 Jan 2013	No
IFRS 12	Disclosures of Interests in Other Entities	1 Jan 2013	No
IFRS 13	Fair Value Measurement	1 Jan 2013	No
IAS 27	Separate Financial Statements	1 Jan 2013	No
IAS 28	Investments in Associates and Joint Ventures	1 Jan 2013	No
IAS 32	Financial Instruments – Presentation: Offsetting Financial Assets and Financial Liabilities	1 Jan 2014	No
IFRS 7	Financial Instruments – Disclosures: Offsetting Financial Assets and Financial Liabilites	1 Jan 2013	No
various	Annual Improvements Project (2009 – 2011)	1 Jan 2013	No
various	Transition Guidance to IFRS 10, IFRS 11 and IFRS 12	1 Jan 2013	No
IFRS 1	Government Loans	1 Jan 2013	No
various	Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	1 Jan 2014	No
Interpretation			
IFRIC 20	Stripping Costs in the Production Phase of a Surcface Mine	1 Jan 2013	No

Comments concerning the contents and potential impacts on future periods are presented under other notes.

Principles and methods of consolidation

Principles

The consolidated financial statements include all major companies in which TUI AG is able, directly or indirectly, to govern the financial and operating policies so as to obtain benefits from the activity of these companies (subsidiaries). As a rule, the control is exercised by means of a majority of voting rights. The consolidation of the RIUSA II Group is based on de facto control, with TUI AG and the co-shareholder holding equal interests and voting rights. In the light of overall conditions and circumstances, TUI AG is able in this case to govern the financial and operating policies so as to obtain benefits from the activity of this hotel group. In assessing control, the existence and effect of potential voting rights that are currently exercisable or convertible are taken into account. Consolidation of such companies starts as from the date at which the TUI Group gains control. When the TUI Group ceases to control the corresponding companies, they are removed from consolidation.

The consolidated financial statements are prepared from the separate or single-entity financial statements of TUI AG and its subsidiaries, drawn up on the basis of uniform accounting, measurement and consolidation methods and usually exclusively audited or reviewed by auditors.

Shareholdings in companies in which the Group is able to exert significant influence over the financial and operating decisions within these companies (associates, shareholdings of 20% to less than 50% as a matter of principle) are carried at equity. Stakes in companies managed jointly with one or several partners (joint ventures) are also measured at equity. The dates as of which associates and joint ventures are included in or removed from the group of companies measured at equity are determined in analogy to the principles applying to subsidiaries. At equity measurement in each case is based on the last annual financial statements available or the interim financial statements as at 30 September if the balance sheet dates differ from TUI AG's balance sheet date. This approach affects 41 companies with a financial year from 1 January to 31 December, seven companies with a financial year from 1 November to 31 October and two companies with a financial year from 1 April to 31 March of the subsequent year.

Group of consolidated companies

In financial year 2011/12, the consolidated financial statements included a total of 43 domestic and 682 foreign subsidiaries, besides TUI AG.

36 domestic and 66 foreign subsidiaries were not included in the consolidated financial statements. Even when taken together, these companies were not significant for the presentation of a true and fair view of the net assets, financial position and results of operations of the Group.

Development of the Group consolidated companies[1] and the Group companies measured at equity

	Balance 30 Sep 2011	Additions	Disposals	Balance 30 Sep 2012
Consolidated subsidiaries	**766**	**14**	**55**	**725**
Domestic companies	45	2	4	43
Foreign companies	721	12	51	682
Associated companies	**17**	**4**	**1**	**20**
Domestic companies	5	1	1	5
Foreign companies	12	3	—	15
Joint ventures	**40**	**3**	**1**	**42**
Domestic companies	7	—	—	7
Foreign companies	33	3	1	35

1) Excl. TUI AG

Since 1 October 2011, a total of 14 companies have been newly included in consolidation, with six companies added due to acquisitions and purchase of additional stakes and one company due to an expansion of its business operations. Moreover, seven companies were newly established. All additions relate to the Tourism Segment.

Since 30 September 2011, a total of 55 companies have been removed from consolidation. 20 of the companies were removed from consolidation due to mergers, 29 due to liquidation and six due to divestments. 50 of the removals relate to the companies operating in the Tourism Segment, with five companies related to Other segments.

20 associated companies and 42 joint ventures were measured at equity. The group of companies measured at equity rose by a total of three year-on-year. Four companies were newly included in at equity measurement due to an expansion of their business operations. On the other hand, one company was included in consolidation due to the purchase of additional interests; it therefore was no longer measured at equity. The number of joint ventures measured at equity rose by two companies. One company was newl founded and two companies were newly included in at equity measurement due to an expansion of their business operations. One company was included in consolidation due to purchases of additional interests; it was therefore no longer measured at equity.

The major direct and indirect subsidiaries, associated companies and joint ventures of T UI AG are listed under Other notes—TUI Group shareholdings.

The effects of the changes in the group of consolidated companies in financial year 2011/12 on financial years 2011/12 and 2010/11 are outlined below. While balance sheet values of companies deconsolidated in financial year 2011/12 are shown as per the closing date for the previous period, items of the income statement are also shown for financial year 2011/12 due to prorated effects.

Impact of changes in the group of consolidated companies on the statement of financial position

	Additions 30 Sep 2012	Disposals 30 Sep 2011
	€ million	
Non-current assets	15.0	2.4
Current assets	7.9	18.1
Non-current provisions	0.2	4.1
Current financial liabilities	1.3	—
Non-current other liabilities	0.6	0.2
Current other liabilities	9.0	13.5

Impact of changes in the group of consolidated companies on the consolidated income statement

	Additions 2011/12	2011/12	Disposals 2010/11
		€ million	
Turnover with third parties	19.5	22.9	36.2
Turnover with consolidated Group companies	0.6	—	1.1
Cost of sales and administrative expenses	20.4	28.8	41.5
Financial expenses	0.1	—	−0.1
Earnings before income taxes	**−0.4**	**−5.9**	**−4.1**
Income taxes	−0.2	−0.3	0.7
Group profit for the year	**−0.2**	**−5.6**	**−4.8**

Acquisitions—divestments

In financial year 2011/11, the cost to purchase companies and business lines totalled around €16.1m.

Summary presentation of acquisitions

Name and headquarters of the acquired company or business	Business activity	Acquirer	Date of acquisition	Acquired share	Consideration transferred in € million
Eurolink Viagens e Turismo Ltda, Jundiai, Sao Paulo	B2B-Agency Business	Booking Ja Agencia de Turismo E Viagens Ltda	6 Oct 2011	n/a	0.3
Intrepid Connections Pty Ltd	Tour Operator	Intrepid Travel Pty Ltd	1 Nov 2011	50%	1.4
2 travel shops in Poland	Travel agent	TUI Poland Dystrybucja Sp. z o.o.	11 Oct 2011 – 31 Mar 2012	n/a	0.4
Boomerang-Reisen Vermögensverwaltungs-gesellschaft mbH, Trier	tour operator	TUI Deutschland GmbH	24 Apr 2012	26%	1.2
Mala Pronta Viagens e Turismo Ltda	Online accomo-dation	LateRooms Group Holding (Brazil) Ltd	25 Sep 2012	93%	9.7
19 Travel shops in Germany	Travel Agent	TUI Leisure Travel GmbH	1 Oct 2011 – 30 Sep 2012	n/a	3.1
Total					**16.1**

The acquisitions of travel agencies in Germany and Poland and the acquisition of Eurolink Viagens e Turismo Ltda were carried out in the form of asset deals.

Following acquisition of the stakes mentioned above, TUI AG now holds 100% of the shares in Intrepid Connections Pty Ltd and 75% of the shares in Boomerang-Reisen Vermögensverwaltungsgesellschaft mbH. Measurement of the previously held stake at fair value as at the acquisition date did not give rise to any earnings effects.

The difference arising between the consideration transferred and the remeasured acquired net assets of €10.1m (after foreign exchange differences) as at the acquisition date was temporarily carried as goodwill. This goodwill essentially constitutes part of the future synergy, earnings and cost savings potential. The goodwill capitalised in the period under review includes an amount of €2.8m expected to be tax-deductible.

Fair values of considerations transferred

	€ million
Purchase price paid	16.1
Total	**16.1**

In accordance with the rules of IFRS 3, incidental acquisition costs of €3.8m and the remuneration for future services of employees (up to €10.6m) of the acquired companies are carried as administrative expenses in the income statement.

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

	Fair value at date of first-time consolidation € million, translated
Intangible assets	10.3
Property, plant and equipment	3.5
Fixed assets	**13.8**
Trade receivables	0.2
Other assets (including prepaid expenses)	2.1
Cash and cash equivalents	3.4
Deferred income tax provisions	0.4
Other provisions	0.4
Financial liabilities	2.3
Liabilities and deferred income	6.1
Equity	**10.3**

Based on the information available, it was not possible to finalise measurement of several components of the acquired assets and liabilities of the other acquisitions by the balance sheet date. The 12-month period permitted under IFRS 3 for finalising purchase price allocations was used; it allows for provisional allocation of the purchase price to the individual assets and liabilities until the end of that period.

Other acquisitions contributed around €20.1m to consolidated turnover in the period under review as from the individual acquisition dates. Their effect on the Group result was €−0.2m. If these companies had been included in the consolidated financial statements since 1 October 2011, additional turnover of €5.6m would have been generated (with an immaterial additional effect on the Group result).

On 5 November 2012, TUI AG acquired 50.1% of the shares in TUI InfoTec GmbH, Hanover, an IT services provider, now holding 100% of this company. This acquisition also entailed purchasing a majority stake in travel-BA.Sys GmbH & Co. KG, Mülheim/Ruhr, and two other shareholdings.

The consideration transferred for the 50.1% amounts to €9.5m and breaks down as follows:

Consideration transferred

	€ million
Purchase price paid	2.0
Deferred consideration	4.0
Liabilities incurred	3.5
Total	**9.5**

The table below provides an overview of the carrying amounts of the InfoTec Group as at the date of first-time consolidation:

Statement of financial position of TUI InfoTec at the date of first time consolidation

	Book value at date of first-time consolidation
	€ million
Intangible assets	10.3
Property, plant and equipment	9.6
Investments	0.3
Fixed assets	**20.2**
Trade receivables	13.6
Other assets (including prepaid expenses)	18.2
Cash and cash equivalents	4.3
Deferred income tax provisions	28.9
Other provisions	2.7
Financial liabilities	13.6
Equity	**11.1**

At the reporting date, accounting for the business combination, in particular the fair value measurement of assets and liabilities, was not yet completed.

If the InfoTec Group had already been included in the consolidated financial statements as at 1 October 2011, additional turnover of €10.2m would have been generated (with an immaterial additional effect on the Group result).

The present annual financial statements reflect purchase price allocations of the following companies and groups acquired between 1 October 2010 and 30 September 2011 and finalised within the twelve-month timeframe provided under IFRS 3:

- Top Class—European Cruise Services S.a.r.l., Monaco
- Centrum Podrozy SA, Poland
- Lima Tours S.A.C., Peru
- Travel & More GmbH, Germany
- Intrepid Travel Group Limited, Australia
- TMS Gateway, USA and Canada
- Great Atlantic Travel and Tour Inc., USA
- English Language Centre York Limited, UK
- Travel agencies in Germany and Austria

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

Final presentation of the statements of financial position as at first-time consolidation for acquisitions of the financial year 2010/11

	Carrying amounts at date of acquisition	Revaluation of assets and liabilities	Carrying amounts at date of first-time consolidation
		€ million	
Other intangible assets	2.2	19.8	22.0
Property, plant and equipment	3.0	− 0.1	2.9
Investments	3.7	− 1.2	2.5
Fixed assets	**8.9**	**18.5**	**27.4**
Receivables and other assets including deferred tax receivables	26.5	− 1.3	25.2
Cash and cash equivalents	12.5	—	12.5
Deferred tax provisions	0.2	2.9	3.1
Other provisions	0.7	1.3	2.0
Financial liabilities	2.2	—	2.2
Liabilities and deferred income	42.4	1.2	43.6
Equity	**2.4**	**11.8**	**14.2**

The goodwill arising in the consolidated statement of financial position from the elimination of the acquisition costs against the acquiree's revalued equity attributable to the acquired share rose by €0.9m as against 30 September 2011 due to changes in the purchase price allocation. Capitalised goodwill essentially represents a portion of the expected synergy and earnings potential.

Taking account of the changes in purchase price allocation, the following changes in the consolidated statement of financial position arose as at 30 September 2011:

Impact of changes in purchase price allocations and adjustments on the consolidated statement of financial position

	Adjustment 30 Sep 2011
	€ million
Goodwill	+ 0.9
Property, plant and equipment	+ 1.0
Investments	− 0.2
Non-current assets	**+ 1.7**
Trade accounts receivable and other receivables	+ 1.7
Other assets (including prepaid expenses)	− 1.7
other provisions	+ 2.0
Non-current provisions and liabilities	**+ 2.0**
Other liabilities	− 0.3
Current liabilities	**− 0.3**

These final purchase price allocations did not have any major effects on the consolidated statement of financial position as at 30 September 2011 and the consolidated income statement for the prior-year period.

Effects of divestments on the TUI Group's net assets, financial position and results of operations mainly result from the sale in June 2012 of 17.4% of the stakes in Hapag-Lloyd to the Albert Ballin consortium. For more detailed information on the effects, reference is made to the Notes to the consolidated income statement and consolidated statement of financial position.

Foreign exchange differences

Transactions in foreign currencies are translated into the functional currency at the foreign exchange rates pertaining at the date of the transaction. Any gains and losses resulting from the execution of such transactions and the translation of monetary assets and liabilities denominated in foreign currencies at the foreign exchange rate pertaining at the date of the transaction are shown in the income statement, with the exception of gains and losses to be recognised in equity as qualifying cash flow hedges.

The financial statements of companies are prepared in the respective functional currency. The functional currency of a company is the currency of the primary economic environment in which the company operates. With the exception of a small number of companies in the Tourism Segment, the functional currencies of all subsidiaries correspond to the currency of the country of incorporation of the respective subsidiary.

Where subsidiaries prepare their financial statements in functional currencies other than the euro, i. e. the Group's reporting currency, the assets, liabilities and notes to the statement of financial position are translated at the mean rate of exchange applicable at the balance sheet date (closing rate). Goodwill allocated to these companies and adjustments of the fair value arising on the acquisition of a foreign company are treated as assets and liabilities of the foreign company and also translated at the mean rate of exchange applicable at the balance sheet date. As a matter of principle, the items of the income statement and hence the profit for the year shown in the income statement are translated at the average rate of the month in which the respective transaction takes place.

Translation differences relating to non-monetary items with changes in their fair values eliminated through profit and loss (e. g. equity instruments measured at their fair value through profit and loss) are carried in the income statement. In contrast, translation differences for non-monetary items with changes in their fair values taken to equity (e. g. equity instruments classified as held for sale) are carried in revenue reserves.

The TUI Group did not hold any subsidiaries operating in hyperinflationary economies in the financial year under review, nor in the previous year.

The translation of the financial statements of foreign companies measured at equity follows the same principles for adjusting carrying amounts and translating goodwill as those used for consolidated subsidiaries.

Differences arising on the translation of the annual financial statements of foreign subsidiaries are carried outside profit and loss and separately shown as foreign exchange differences in the statement of changes in equity. When a foreign company or operation is sold, any foreign exchange differences previously carried in equity outside profit and loss are recognised as part of a gain or loss from disposal in the income statement.

Net investment in a foreign operation

Monetary items receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, essentially form part of a net investment in this foreign operation. Foreign exchange differences from the translation of these monetary items are recognised directly in equity outside profit and loss.

Exchange rate of currencies of relevance to the TUI Group

	Closing rate		Annual average rate	
	30 Sep 2012	**30 Sep 2011**	**2011/12**	**2010/11**
		1 € equivalent		
Sterling	0.80	0.87	0.83	0.87
US dollar	1.29	1.35	1.32	1.39
Swiss franc	1.21	1.22	1.21	1.26
Swedish krona	8.45	9.26	8.85	9.06

Consolidation methods

The recognition of the net assets of acquired subsidiaries is based on the purchase method of accounting. Accordingly, irrespective of existing non-controlling interests, a complete fair value measurement of all identifiable assets, liabilities and contingent liabilities is initially effected as at the acquisition date. Subsequently, the consideration for the stake is measured at fair value and eliminated against the acquiree's revalued equity attributable to the acquired share. Any excess of acquisition costs over net assets acquired is capitalised as goodwill and recognised as an asset for the acquired subsidiary in accordance with the provisions of IFRS 3. Any negative goodwill is immediately reversed through profit and loss as at the date on which it arises, with the reversal effect carried under Other income.

Changes in the fair value of contingent consideration are carried in the income statement through profit and loss.

Goodwill is not amortised. Goodwill is regularly tested for impairment, at least annually, following the completion of the annual planning process. Additional impairment tests are effected if there are any events or indications suggesting potential impairments in goodwill.

When additional shares are purchased after obtaining control (follow-up share purchases), the difference between the purchase price and the carrying amount of the stakes acquired is recognised directly in equity. The effects from sales of stakes not entailing a loss of control are also recognised directly in equity on an analogous basis. By contrast, when control is obtained or lost, the difference is realised through profit and loss. This gain or loss effect results from step acquisitions (transactions involving a change of control), with the equity stake previously held in the acquired company revalued at the fair value applicable at the acquisition date. For transactions involving a loss of control, the profit or loss does not only comprise the difference between the carrying amounts of the disposed stakes and the consideration received but also the effect of a revaluation of the remaining shares.

In the event of step acquisitions carried out before 31 December 2008, still treated in accordance with the old IAS 27 provisions, a complete fair value measurement of assets and liabilities of the acquired company was carried out at every acquisition date. The goodwill to be recognised arose from the elimination of the acquisition cost against the acquiree's revalued equity attributable to the acquired share at the respective acquisition date. Any changes in the fair values of assets and liabilities arising in between the acquisition dates were recognised in equity outside profit and loss in the consolidated statement of financial position in relation to the stake not yet resulting in consolidation of the company and were carried in the revaluation reserve. In the framework of the removal of a company from consolidation, this revaluation reserve is eliminated against other revenue reserves.

The difference between the income from the disposal of the subsidiary and Group equity attributable to the stake, including any foreign exchange differences previously carried outside profit and loss, differences from the revaluation reserve, the reserve for changes in the value of financial instruments as well as eliminated interim profits, is carried in the income statement as at the disposal date. This principle does not apply to actuarial gains or losses carried in Group equity outside profit and loss in the framework of the recognition of pension obligations in accordance with IAS 19. If any subsidaries are sold, the goodwill attributable to these subsidiaries is included in the determination of the gain or loss on disposal.

The Group's major associates and joint ventures are measured at equity and carried at the cost to purchase as at the acquisition date. The group's stake carried for associates and joint ventures includes the goodwill arising from the respective acquisition transaction.

The Group's share in profits and losses of associates and joint ventures is carried in the income statement as from the date of acquisition (Result from joint ventures and associates), while the Group's share in changes in reserves is shown in its revenue reserves. Accumulated changes arising after the acquisition are shown in the carrying amount of the participation. Where the share in the loss of an associated company or joint venture equals or exceeds the Group's stake in this company, including other unsecured receivables, no further losses are recognised as a matter of principle. Any losses exceeding that stake are only recognised where obligations have been assumed or payments have been made for the associated company or joint venture.

Intercompany profits from transactions between subsidiaries and companies measured at equity are eliminated in relation to the Group's stake in the company. Intercompany losses are also eliminated if the transaction does not suggest an impairment in the transferred asset.

Where the accounting and measurement methods applied by associates and joint ventures differ from the uniform accounting rules applied in the Group and the differences are sufficiently known and accessible, amendments are made as a matter of principle.

Intercompany receivables and payables or provisions are eliminated. Where the conditions for the consolidation of third-party debt are met, this option is used. Intercompany turnover and other income as well as the corresponding expenses are eliminated. Intercompany results from intercompany deliveries and services are reversed through profit and loss, taking account of deferred taxes. However, intercompany losses are understood as suggesting that an impairment test is required for the transferred assets. Intercompany deliveries and services are provided in conformity with the arm's length principle.

Accounting and measurement

The financial statements of the subsidiaries included in the Group are prepared in accordance with uniform accounting and measurement principles. The amounts recognised in the consolidated financial statements are not determined by tax regulations but solely by the commercial presentation of the net assets, financial position and results of operations as set out in the rules of the IASB.

Turnover recognition

Turnover comprises the fair value of the consideration received or to be received for the sale of products and services in the framework of ordinary business activities. Turnover is carried excluding value-added tax, returns, discounts and price rebates and after elimination of intra-Group sales.

As a matter of principle, turnover and other income is recognised upon rendering of the service or delivery of the assets and hence upon transfer of the risk.

The commission fees received by travel agencies for package tours are recognised upon payment by the customers or, at the latest, at the date of departure. The services of tour operators mainly consist in organising and coordinating package tours. Turnover from the organisation of tours is therefore recognised in full when the customer departs. Turnover from individual travel modules booked directly from airlines, hotel companies or incoming agencies by customers is recognised when the customers use the services concerned. Income from non-completed cruises is recognised according to the proportion of contract performance at the balance sheet date. The percentage of completion is determined as the ratio between travel days completed by the balance sheet date and overall travel days.

Interest income is reported on a prorated basis according to the effective interest method. Dividends are recognised when the legal claim has arisen.

Goodwill and other intangible assets

Acquired intangible assets are carried at cost. Self-generated intangible assets, primarily software for use by the Group itself, are capitalised at cost where an inflow of future economic benefits for the Group is probable and can be reliably measured. The cost to produce comprises direct costs and directly allocable overheads. Intangible assets with a limited service life are amortised over the expected useful life.

Intangible assets acquired in the framework of business combinations, such as order book, customer base or trademark rights, are carried at their fair value as at the date of acquisition and amortised.

Useful lives of intangible assets

	Useful liver
Concessions, property rights and similar rights	up to 20 years
Trademarks at acquisition date	15 to 20 years
Order book as at acquisition date	until departure date
Software	3 to 10 years
Customer base as at acquisiton date	up to 15 years

Intangible assets with indefinite useful lives are not amortised but have to be tested for impairment at least annually. In addition, impairment tests are conducted if there are any events or indications suggesting potential impairment. The TUI Group's intangible assets with an indefinite useful life consist exclusively of goodwill.

Impairment tests for goodwill are conducted on the basis of cash generating units. According to the IASB rules, cash generating units are the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets. In the Tourism Segment, TUI Travel PLC as a whole represents a cash generating unit. Allocation in the TUI Hotels & Resorts Sector is based on the individual hotel groups.

Impairments are effected where the carrying amount of the tested units plus the allocated goodwill exceeds the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and the present value of future payment flows of the tested entity based on continued use within the company (value in use). The fair value less cost to sell corresponds to the amount that could be generated between knowledgeable, willing, independent business partners after deduction of the cost to sell. Due to the restrictions applicable to the determination of cash flows when deriving the value in use, e. g. the requirement not to account for earnings effects from investments in expansions or from restructuring activities for which no provision was formed according to IAS 37, the fair value less costs to sell usually exceeds the value in use and therefore represents the recoverable amount.

Since a fair value was not available in an active market for the entities to be tested, with the exception of TUI Travel, it was determined by discounting the expected cash surpluses. This was based on the medium-term plan for the entity under review, prepared at the balance sheet date, following deduction of income tax payments. Budgeted turnover and EBITA margins are based on empirical values from the prior financial year and expectations with regard to the future development of the market. Average turnover growth of 5% is expected for the TUI Travel Sector. The EBITA margin is expected to grow between 4% and 5%. The budget for TUI Hotels & Resorts is based on average turnover growth of 5%. The expected EBITA margin will represent growth of 20% and 22%. Cash surpluses after the detailed planning period of three to five years are extrapolated at a growth rate of 1.0%.

For the detailed planning periods from 2012/13 to 2014/15, the weighted average cost of capital after income taxes used as the discounting basis is 8.5% p. a. for TUI Travel and 8.25% p. a. for TUI Hotels & Resorts; taking account of a growth markdown, the corresponding figures are 7.5% p. a. and 7.25% p. a., respectively, for the longer-term period. The fair values determined were tested against analysts' estimates for TUI AG at Segment level (sum-of-the-parts measurements). They were also tested against multiples customary in the market. The tests did not give rise to any material deviations between the fair values determined and the market assessment. The costs to sell to be taken into account were determined on the basis of empirical values related to past transactions.

Where the original causes for impairments effected in previous years no longer apply, the impairment is written back to Other income. In accordance with IAS 36, reversals of impairment losses for goodwill are prohibited.

Property, plant and equipment

Property, plant and equipment are measured at amortised cost. The costs to purchase comprise the considerations spent to purchase an asset and to place it in a working condition. The costs to produce are determined on the basis of direct costs and appropriate allocations of overheads and depreciation.

Borrowing costs directly associated with the acquisition, construction or production of qualified assets are included in the costs to acquire or produce these assets until the assets are ready for their intended use. The capitalisation rate is 6.5% p. a. for the financial year under review and 6.75% p. a. for the previous year. In financial year 2011/12, borrowing costs worth €10.7m (previous year €8.1m) were capitalised as part of the costs to purchase and costs to produce. Other borrowing costs are recognised as current expenses.

To the extent that funds are borrowed specifically for the purpose of obtaining a qualified asset, the underlying capitalisation rate is determined on the basis of the specific borrowing cost; in all other cases the weighted average of the borrowing costs applicable to the borrowings outstanding is applied.

Use-related depreciation and amortisation is based on the following useful lives:

Useful lives of property, plant and equipment

	Useful lives
Hotel buildings	30 to 40 years
Other buildings	up to 50 years
Cruise ships	20 to 30 years
Yachts	5 to 15 years
Motorboats	15 to 24 years
Aircraft	
Fuselages and engines	up to 18 years
Engine overhaul	depending on intervals, up to 5 years
Major overhaul	depending on intervals, up to 5 years
Spare parts	12 years
Other machinery and fixtures	up to 40 years
Operating and business equipment	up to 10 years

Moreover, the level of depreciation is determined by the residual amounts recoverable at the end of the useful life of an asset. The residual value assumed in first-time recognition for cruise ships and their hotel complexes is 30% of the acquisition costs. The determination of the depreciation of aircraft fuselages, aircraft engines and spare parts in first-time recognition is based on a residual value of 20% of the cost of acquisition.

Both the useful lives and assumed residual values are reviewed on an annual basis when preparing the annual financial statements. The review of the residual values is based on comparable assets at the end of their useful lives as at the current point in time. Any adjustments required are effected as a correction of depreciation over the remaining useful life of the asset. The adjustment of depreciation is effected retrospectively for the entire financial year in which the review has taken place. Where the review results in an increase in the residual value so that it exceeds the remaining net carrying amount of the asset, depreciation is suspended. In this case, the amounts are not written back.

Any losses in value expected to be permanent and going beyond wear-and-tear depreciation are taken into account through the recognition of impairment losses. If there are any events or indications suggesting impairment, the required impairment test is performed to compare the carrying amount of an asset with the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the value of future payment flows attributable to the asset (value in use).

Investment grants received are shown as reductions in the costs to purchase or produce items of property, plant or equipment where these grants are directly allocable to individual items. Where a direct allocation of grants is not possible, the grants and subsidies received are carried as deferred income under Other liabilities and reversed in accordance with the use of the investment project.

Leases

Finance leases

In accordance with IAS 17, leased property, plant and equipment in which the TUI Group carries all essential risks and rewards incident to ownership of the assets are capitalised. Capitalisation is based on the fair value of the asset or the present value of the minimum lease payments, if lower. Depreciation is charged over the useful life or the lease term, if shorter, on the basis of the depreciation method applicable to comparable purchased or manufactured assets. Payment obligations arising from future lease payments are carried as liabilities with no consideration of future interest expenses. Every lease payment is broken down into an interest portion and a redemption portion so as to produce a constant periodic rate of interest on the remaining balance of the liability. The interest portion is carried in the income statement through profit or loss.

Where companies of the TUI Group are lessors in finance leases, receivables equivalent to the net investment value are carried for the lease. The periodic distribution of the income from finance leases results in constant interest payments on the outstanding net investment volume of the leases over the course of time.

Operating leases

Both expenses made and income received under operating leases are recognised in the income statement on a straight-line basis over the term of the corresponding leases.

Sale-and-lease-back transactions

Gains from sale-and-lease-back transactions resulting in a finance lease are recognised in income over the term of the lease. Losses are immediately recognised in the income statement as at the date of the transaction.

If a sale-and-lease-back transaction is classified as an operating lease, a gain or loss is recognised immediately if the transaction has demonstrably been carried out at fair value. If a loss is compensated for by future lease payments at below-market price, this loss is to be deferred and amortised over the term of the lease agreement. If the agreed purchase price exceeds fair value, the gain from the difference between these two values also has to be deferred and amortised.

Investment property

Property not occupied for use by subsidiaries and exclusively held to generate rental income and capital gains is recognised at amortised cost. This property is amortised over a period of up to 50 years.

Financial instruments

Financial instruments are contractual rights or obligations that will lead to an inflow or outflow of financial assets or the issue of equity rights. They also comprise (derivative) rights or obligations derived from primary assets.

In accordance with IAS 39, financial instruments are broken down into financial assets or liabilities to be measured at fair value through profit and loss, loans and receivables, financial assets available for sale, financial assets held to maturity and other liabilities.

In terms of financial instruments measured at fair value through profit and loss, the TUI Group holds derivative financial instruments mainly to be classified as held for trading. It also holds an investment measured at fair value and held for sale. The fair value option was not exercised. Moreover, the TUI Group holds financial assets in the loans and receivables and available for sale categories. However, the present financial statements do not include any assets held to maturity.

In financial year 2011/12 and in the previous financial year, no reclassifications were effected within the individual measurement categories.

Primary financial assets

Financial assets are recognised at the value as at the trading date on which the Group commits to buy the asset. Primary financial assets are classified as loans and receivables or as financial assets available for sale when recognised for the first time. Loans and receivables as well as financial assets available for sale are initially recognised at fair value plus transaction costs.

Loans and receivables are non-derivative financial assets with fixed or fixable contractual payments not listed in an active market. They are shown under Trade accounts receivable and Other assets in the statement of financial position and classified as current receivables if they mature within twelve months after the balance sheet date.

In the framework of follow-up measurement, loans and receivables are measured at amortised cost based on the effective interest method. Value adjustments are made to account for identifiable individual risks. Where objective information indicates that default of a certain portion of the receivables portfolio is probable, impairments are effected at an amount corresponding to the expected loss. Impairments and reversals of impairments are carried under Cost of sales, Administrative expenses or Financial expenses, depending on the technical nature of the transaction.

Financial assets available for sale are non-derivative financial assets either individually expressly allocated to this category or not allocable to any other category of financial assets. In the TUI Group, they exclusively consist of stakes in companies and securities. They have to be allocated to non-current assets unless the management intends to sell them within twelve months after the balance sheet date.

Financial assets available for sale are measured at their fair value upon initial measurement. Changes in fair values are carried in equity outside profit and loss until the disposal of the assets. A permanent reduction in fair value gives rise to impairments recognised through profit or loss. In the event of subsequent reversal of the impairment, the impairment carried through profit or loss is not reversed for equity instruments but eliminated against equity outside profit and loss. Where a listed market price in an active market is not available for shares held and other methods to determine an objective market value are not applicable, the shares are measured at amortised cost.

A derecognition of assets is primarily effected as at the date on which the rights for payments from the asset expire or are transferred and therefore as at the date essentially all risks and rewards of ownership are transferred.

Primary financial liabilities are carried in the consolidated statement of financial position if an obligation exists to transfer cash and cash equivalents or other financial assets to another party. First-time recognition of a primary liability is effected at its fair value. For loans raised, the nominal amount received is reduced by retained discounts and borrowing costs paid. In the framework of follow-up measurement, primary financial liabilities are measured at amortised cost based on the effective interest method.

Derivative financial instruments and hedging

In the framework of initial measurement, derivative financial instruments are measured at the fair value attributable to them on the day of the conclusion of the agreement. The follow-up measurement is also effected at the fair value applicable at the respective balance sheet date. Where derivative financial instruments are not part of a hedge in connection with hedge accounting, they have to be classified as held for trading in accordance with IAS 39.

The method used to carry profits and losses depends on whether the derivative financial instrument has been classified as a hedge and on the type of underlying hedged item. Changes in the fair values of derivative financial instruments are immediately carried through profit and loss unless they are classified as a hedge in accordance with IAS 39. If, by contrast, they are classified as an effective hedge in accordance with IAS 39, the transaction is recognised as a hedge.

The TUI Group applies the hedge accounting provisions relating to hedging of balance sheet items and future cash flows. Depending on the nature of the underlying transaction, the Group classifies derivative financial instruments either as fair value hedges against exposure to changes in the fair value of assets or liabilities or as cash flow hedges against variability in cash flows from highly probable future transactions. The present consolidated financial statements did not include any fair value hedges of assets and liabilities.

Upon conclusion of the transaction, the Group documents the hedge relationship between the hedge and the underlying item, the risk management goal and the underlying strategy. In addition, a record is kept of the assessment, both at the beginning of the hedge relationship and on a continual basis, as to whether the derivatives used for the hedge are highly effective in compensating for the changes in the fair values or cash flows of the underlying transactions.

The effective portion of changes in the fair value of derivatives forming cash flow hedges is recognised in equity. Any ineffective portion of such changes in the fair value, by contrast, is recognised immediately in the income statement through profit and loss, depending on the nature of the transaction. Amounts taken to equity are reclassified to the income statement and carried as income or expenses in the period in which the hedged item has an effect on results.

If a hedge expires, is sold or no longer meets the criteria for hedge accounting, the cumulative gain or loss remains in equity and is only carried in the income statement through profit and loss when the originally hedged future transaction occurs. If the future transaction is no longer expected to take place, the cumulative gain or loss recognised directly in equity is recognised immediately through profit and loss.

Inventories

Inventories are measured at the lower of cost or net realisable value. Net realisable value is the estimated selling price less the estimated cost incurred until completion and the estimated variable costs required to sell. All inventories are written down individually where the net realisable value of inventories is lower than their carrying amounts. Where the original causes of inventory write-downs no longer apply, the write-downs are reversed. The measurement method applied to similar inventory items is the weighted average cost formula.

Cash and cash equivalents

Cash and cash equivalents comprise cash, call deposits, other current highly liquid financial assets with an original term of a maximum of three months and current accounts. Used credits in current accounts are shown as Liabilities to banks under Current financial liabilities.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if the associated carrying amount will be recovered principally through sale rather than through continued use.

The measurement is effected at the lower of carrying amount and fair value less costs to sell. Depreciation and at equity measurements have to be suspended. Impairments to fair value less costs to sell must be carried through profit and loss, with any gains on subsequent remeasurement resulting in the recognition of profits of up to the amount of the cumulative impairment cost.

Hybrid capital

In accordance with IAS 32, the hybrid capital issued at the end of financial year 2005 has to be recognised as one of the Group's equity components due to the bond terms. Accordingly, the tax-deductible interest payments are not shown under interest expenses but treated in analogy to dividend obligations to TUI AG shareholders. Any borrowing costs incurred were directly deducted from the hybrid capital, taking account of deferred income taxes.

Provisions

Provisions are formed when the Group has a current legal or constructive obligation as a result of a past event and where in addition it is probable that assets will be impacted by the settlement of the obligation and the level of the provision can be reliably determined. Provisions for restructuring measures comprise payments for the early termination of rental agreements and severance payments to employees. No provisions are carried for future operating losses.

Where a large number of similar obligations exists, the probability of a charge over assets is determined on the basis of this group of obligations. A provision is also carried as a liability if the probability of a charge over assets is low in relation to an individual obligation contained in this group.

Provisions are measured at the present value of the expected expenses, taking account of a pre-tax interest rate, reflecting current market assessments of the time value of money and the risks specific to the liability. Risks already taken into account in estimating future cash flows do not affect the discount rate. Increases in provisions due to accrued interest are carried as interest expenses through profit or loss.

The pension provision recognised for defined benefit plans corresponds to the net present value of the defined benefit obligations (DBOs) as at the balance sheet date less the fair value of the plan assets. Measurement of these assets is limited to the net present value of the value in use in the form of reimbursements from the plan or reductions in future contribution payments. The option to carry actuarial gains and losses arising from the regular adjustment of actuarial parameters is exercised by eliminating these gains and losses against equity outside profit and loss when they occur. The DBOs are calculated annually by independent actuaries using the projected unit credit method. The net present value of the DBOs is calculated by discounting the expected future outflows of cash with the interest rate of first-class corporate bonds.

Past service cost is immediately recognised through profit or loss if the changes in the pension plan do not depend on the employee remaining in the Company for a defined period of time (vesting period). In this case, the past service cost is recognised through profit or loss on a straight-line basis over the vesting period.

For defined contribution plans, the Group pays contributions to public or private pension insurance plans on the basis of a statutory or contractual obligation or on a voluntary basis. The Group does not have any further payment obligations on top of the payment of the contributions. The contributions are carried under Personnel costs when they fall due.

Liabilities

As a matter of principle, liabilities are carried at the date on which they arise at fair value less borrowing and transaction costs. Over the course of time, liabilities are measured at amortised cost based on application of the effective interest method.

When issuing bonds comprising a debt component and a second component in the form of conversion options or warrants, the funds obtained for the respective components are recognised in accordance with their character. At the issuing date, the debt component is carried as a bond at a value that would have been generated for the issue of this debt instrument without corresponding conversion options or warrants on the basis of current market terms. If the conversion options or warrants have to be classified as equity instruments, the difference over the issuing proceeds generated is transferred to the capital reserve with deferred taxes taken into account.

As a matter of principle, foreign exchange differences resulting from the translation of trade accounts payable are reported as a correction of the cost of sales. Foreign exchange differences from the translation of liabilities not resulting from normal performance processes are carried under Other income/Other expenses or Administrative expenses, depending on the nature of the underlying liability.

Deferred taxes

In accordance with IAS 12, deferred taxes were determined using the balance sheet liability method. Accordingly, probable future tax reliefs and charges are recognised for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Expected tax savings from the use of loss carryforwards assessed as recoverable in the future are capitalised. Although there continues to be no time limit for German loss carryforwards, the annual use of such carryforwards was restricted by means of minimum taxation. Foreign loss carryforwards frequently had to be used within a given country-specific time limit and were subject to restrictions concerning the use of these loss carryforwards for profits on ordinary activities, which were taken into account accordingly in the measurement.

Deferred taxes are directly charged or credited to equity if the tax relates to items directly credited or charged to equity in the same or some other period.

Deferred tax assets are carried to the extent that it is probable that future taxable profits will be available against which the temporary difference or an unused tax loss can be utilised.

Deferred taxes are measured at the tax rates and tax provisions applicable at the balance sheet date or adopted by law and expected to be applicable at the date of recognition of the deferred tax claim or the payment of the deferred tax liability.

Current income taxes

The German companies of the TUI Group have to pay trade income tax of 15.2% or 15.7% (previous year 15.2% or 15.7%), depending on the applicable rate. As in the prior year, the corporation tax rate is 15.0%, plus a 5.5% solidarity surcharge on corporation tax.

The calculation of foreign income taxes is based on the laws and provisions applicable in the individual countries. The income tax rates applied to foreign companies vary from 0.0% to 40.0%.

Deferred and current income tax liabilities are offset against the corresponding tax refund claims where they exist in the same fiscal territory and have the same nature and maturity.

Share-based payments

All share-based payment schemes in the Group are payment schemes paid in cash or via equity instruments.

For transactions with cash compensation, the resulting liability for the Group is charged to expenses at its fair value as at the date of the performance of the service by the beneficiary. Until payment of the liability, the fair value of the liability is remeasured at every closing date and all changes in the fair value are carried through profit and loss.

In the Tourism Segment, share-based payment schemes exist in the form of share award programmes granted by TUI Travel PLC. Under these payment schemes, directors and employees are entitled to acquire shares in TUI Travel PLC. The fair value of the options granted is carried under Personnel costs with a corresponding direct increase in equity. The fair value is determined at the point when the options are granted and spread over the vesting period during which the employees become entitled to the options.

The fair value of the options granted is measured using option valuation models, taking into account the terms and conditions upon which the options were granted. The amount to be carried under

Personnel costs is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to market-based performance conditions not meeting the thresholds for vesting.

Transactions to acquire shares in TUI Travel PLC to perform the share option plans are directly taken to revenue reserves in equity.

Key estimates and judgements

The presentation of the assets, liabilities, provisions and contingent liabilities shown in the consolidated financial statements is based on estimates and judgements. Any uncertainties are appropriately taken into account in determining the values.

All estimates and judgements are based on the conditions and assessments as at the balance sheet date. In evaluating the future development of business, account was taken of the future economic environment in the business areas and regions in which the Group operates, assumed to be realistic as at that point in time.

Despite careful preparation of the estimates, actual developments may deviate from the estimates. In such cases, the assumptions and the carrying amounts of the assets and liabilities concerned, if necessary, are adjusted accordingly.

Goodwill was tested for impairment as at the balance sheet date. Details concerning the implementation of goodwill impairment tests are presented in the sections on Goodwill and Other intangible assets in the chapter Accounting and measurement methods.

In order to review the carrying amounts for property, plant and equipment, an annual assessment for signs of potential impairment is performed. These indications relate to numerous areas, e. g. the market-related or technical environment but also physical condition. If such signs are identified, management has to assess the recoverable amount on the basis of expected future cash flows and appropriate interest rates. Moreover, key estimates and judgements are made in determining useful economic lives and residual values of property, plant and equipment items, to be tested at least on an annual basis. Details concerning useful lives and residual values of property, plant and equipment items are provided in the section Property, plant and equipment in the chapter Accounting and measurement methods.

In accounting for business combinations, the identifiable assets, liabilities and contingent liabilities acquired have to be measured at their fair values. In this context, cash flow-based methods are regularly used. Depending on the assumptions underlying such methods, different results may be produced. In particular, some judgement is required in estimating the economic useful lives of intangible assets and determining the fair values of contingent liabilities.

The classification of non-current assets or disposal groups as held for sale requires judgement in determining whether the planned disposal is highly probable and able to be realised within twelve months. The measurement of these assets or disposal groups at their fair value less costs to sell also requires estimates and judgement if there is no active market.

In accounting for and measuring provisions, judgement is required in determining likelihood of occurrence, maturity and level of the risk. In order to determine the obligation under defined benefit pension schemes, actuarial calculations are used. They depend heavily on underlying mortality assumptions and the choice of discount rate, newly determined every year. The discount rate used is the interest rate for first-class corporate bonds denominated in the currencies in which the benefits are paid and with maturities corresponding to those of the pension obligations. At the same time, current market expectations are used in determining the expected return on plan assets. Detailed information is outlined in the explanatory notes to recognised pension provisions under Note 31.

Judgement is required in assessing the effectiveness of hedges at hedge inception and during the period over which hedge accounting is adopted. Moreover, the assessment of the probability of the expected forecast transactions underlying the cash flow hedges can involve judgement. Details on the measurement of derivative financial instruments and hedges are presented in the section Financial instruments in the chapter Accounting and measurement methods.

The Group is liable to pay income taxes in various countries. Key estimates are required in determining income tax liabilities. For certain transactions and calculations the final tax charge cannot be determined during the ordinary course of business. The level of obligations for expected tax audits is based on an estimation of whether and to what extent additional income taxes will be due. Judgements are corrected, if necessary, in the period in which the final tax charge is determined.

NOTES

SEGMENT REPORTING

Notes to the segments

The identification of operating segments is based on the internal organisational and reporting structure, built around the different products and services within the TUI Group. Allocation of individual organisational entities to operating segments is exclusively based on economic criteria, irrespective of the participation structure under company law. For the presentation of reportable segments in accordance with IFRS 8, both operating segments with comparable economic features and operating segments not meeting the quantitative thresholds are aggregated with other operating segments.

Tourism accounts for the Group's core business. The Tourism Segment consists of TUI Travel, TUI Hotels & Resorts and the Cruises Sector. The Sectors constitute the reportable segments according to IFRS 8.

TUI Travel comprises all distribution, tour operator, airline and incoming activities of the TUI Group. Operational management of the Mainstream, Specialist & Activity, Accommodation & Destinations and Emerging Markets Businesses is exercised by the boards and the management of TUI Travel PLC. TUI Hotels & Resorts comprises all hotel companies of the Group outside the TUI Travel Group.

The Cruises Sector consists of Hapag-Lloyd Kreuzfahrten and the TUI Cruises activities, a joint venture measured at equity.

The segment entitled All other segments carries the Group's real estate companies, all non-allocable business activities (in particular holding companies) and the result from the measurement of the stake in Container Shipping. The Holdings Sector also carries turnover from and expenses for the intra-Group aircraft charter business.

Expenses for and income from TUI AG's management tasks are allocated to the individual segments they are associated with.

Notes to the segment data

As a rule, inter-segment business transactions are based on the arm's length principle, as applied in transactions with third parties.

The operating segment assets and liabilities comprise assets and liabilities, excluding financial assets, financial liabilities, pension provisions and income taxes. Goodwill is also shown as a segment asset.

Non-current assets comprise goodwill, other intangible assets, property, plant and equipment, carrying amounts of assets measured at equity and the non-current components of other assets.

Investments are additions of property, plant and equipment as well as intangible assets. Depreciation and amortisation relate to segment fixed assets and also include goodwill impairments.

Non-cash expenses do not include depreciation or reversals of depreciation.

Proceeds from the disposal of subsidiaries are allocated to the individual segment revenues.

Financial assets as well as cash and cash equivalents are used to generate the financial result. Financial liabilities (including pension provisions) are carried as interest-bearing liabilities and are used to finance the operating and investing activities.

Reconciliation of segment assets and liabilities to the Group's assets or liabilities has to take account of income tax assets or income tax provisions and liabilities.

Segment reporting discloses in particular performance indicators such as EBITA , underlying EBITA , EBITDA and EBITDA R since these indicators are used as the control basis for value-oriented corporate management. EBITA represents the consolidated performance indicator within the meaning of IFRS 8. As the investment in Hapag-Lloyd Holding AG constitutes a financial investment from TUI AG's perspective, the at equity result from Container Shipping and the income from the reduction in and measurement of the investment in Container Shipping are not taken into account in calculating earnings by the segments. If the results from the investment in Container Shipping were included, this would result in earnings before interest, taxes and amortisation of goodwill (EBITA) of €551.4m (previous year €493.6m).

Key figures by Segment and Sector

	Tourism		All other segments		Consolidation		Group	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
	€ million							
Statement of results								
Turnover	18,297.2	17,430.4	33.1	49.9	—	—	18,330.3	17,480.3
Inter-segment turnover	18.0	16.7	8.5	31.9	−26.5	−48.6	—	—
Segment turnover	**18,315.2**	**17,447.1**	**41.6**	**81.8**	**−26.5**	**−48.6**	**18,330.3**	**17,480.3**
Group profit for the year							**141.9**	**118.2**
Income taxes							110.8	88.6
Earnings before taxes (EBT)	**453.6**	**320.8**	**−200.9**	**−114.0**	**—**	**—**	**252.7**	**206.8**
of which share of results of joint ventures and associates	*40.3*	*55.0*	*−49.0*	*−2.1*	—	—	*−8.7*	*52.9*
Net interest result and result from the measurement of interest hedges	−151.9	−156.0	−133.0	−130.8	—	—	−284.9	−286.8
Impairment of goodwill	13.8	—	—	—	—	—	13.8	—
Result from Container Shipping measured at equity	—	—	−49.0	−2.1	—	—	−49.0	−2.1
Effect of the measurement of loans to Container Shipping	—	—	61.6	51.2	—	—	61.6	51.2
Earnings before interest, taxes and amortisation of goodwill (EBITA)	**619.3**	**476.8**	**−80.5**	**−32.3**	**—**	**—**	**538.8**	**444.5**
Adjustments	199.7	179.8	7.2	−24.2	—	—	206.9	155.6
Underlying EBITA	**819.0**	**656.6**	**−73.3**	**−56.5**	**—**	**—**	**745.7**	**600.1**
Amortisation of other intangible assets and depreciation of property, plant and equipment	369.5	406.4	4.1	8.4	—	—	373.6	414.8
of which impairments	*26.3*	*39.2*	*0.1*	*3.7*	—	—	*26.4*	*42.9*
other depreciation/amortisation and write-backs	−12.3	7.8	—	1.4	0.6	—	−11.7	9.2
of which write-backs	—	*7.8*	—	*1.4*	—	—	—	*9.2*
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**1,001.1**	**875.4**	**−76.4**	**−25.3**	**−0.6**	**—**	**924.1**	**850.1**
Rental expenses	817.1	824.9	12.2	28.8	−4.4	−13.1	824.9	840.6
Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)	**1,818.2**	**1,700.3**	**−64.2**	**3.5**	**−5.0**	**−13.1**	**1,749.0**	**1,690.7**

	Tourism		All other segments		Consolidation		Group	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
	€ million							
Assets and liabilities								
Segment assets	8,870.5	8,533.8	231.5	250.5	−19.0	−8.7	9,083.0	8,775.6
of which goodwill	*3,046.4*	*2,907.2*	—	—	—	—	*3,046.4*	*2,907.2*
Carrying amounts of joint ventures and associates	820.1	724.8	573.9	1,010.7	—	—	1,394.0	1,735.5
Interest-bearing Group receivables	72.8	86.6	736.3	848.2	−809.1	−934.8	—	—
Cash and cash equivalents	1,148.3	1,152.5	1,130.1	828.8	—	—	2,278.4	1,981.3
Other financial assets	208.1	270.4	2,215.0	2,679.6	−2,182.7	−2,204.0	240.4	746.0
Non-allocable taxes	—	—	—	—	—	—	216.8	253.5
Total assets							**13,212.6**	**13,491.9**
Segment liabilities	6,936.9	6,480.3	332.6	321.7	−41.4	−7.5	7,228.1	6,794.5
Third-party financial liabilities	1,405.0	1,328.0	1,051.6	1,476.2	—	−5.9	2,456.6	2,798.3
Group financial liabilities	719.6	883.9	67.6	67.6	−787.2	−951.5	—	—
Other financial liability items	823.5	600.6	363.1	314.5	—	—	1,186.6	915.1
Non-allocable taxes	—	—	—	—	—	—	298.2	436.2
Total liabilities and provisions							**11,169.5**	**10,944.1**
Additional disclosures								
Non-cash expenses	52.2	14.4	49.0	2.1	—	—	101.2	16.5
Non-cash income	67.5	69.5	—	—	—	—	67.5	69.5
Return on sales (on EBITA) %	3.4	2.7	—	—		—	2.9	2.5
Investments	640.7	471.7	2.5	2.7	—	—	643.2	474.4
Investments in goodwill	10.1	2.7	—	—	—	—	10.1	2.7
Investments in other intangible assets and property, plant and equipment	630.6	469.0	2.5	2.7	—	—	633.1	471.7
Financing ratio %	59.8	86.2	164.0	311.1	—	—	60.2	87.4
Employees at year-end	73,391	73,079	421	628	—	—	73,812	73,707

Key Figures Tourism Segment

	TUI Travel		TUI Hotels & Resorts		Cruises		Consolidation		Tourism	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
					€ million					
Statement of results										
Turnover	17,681.5	16,867.0	384.7	362.6	231.0	200.8	—	—	18,297.2	17,430.4
Inter-segment turnover	36.0	26.0	441.3	418.2	—	—	−459.3	427.5	18.0	16.7
Segment turnover	**17,717.5**	**16,893.0**	**826.0**	**780.8**	**231.0**	**200.8**	**−459.3**	**−427.5**	**18,315.2**	**17,447.1**
Group profit for the year										
Income taxes	—	—	—	—	—	—	—	—	—	—
Earnings before taxes (EBT)	**314.1**	**193.2**	**138.8**	**116.5**	**0.7**	**11.1**	**—**	**—**	**453.6**	**320.8**
of which share of result of joint ventures and associates	*6.9*	*24.4*	*20.8*	*26.0*	*12.6*	*4.6*	—	—	*40.3*	*55.0*
Net interest result and result from the measurement of interest hedges	−126.9	−128.2	−24.9	−27.7	−0.1	−0.1			−151.9	−156.0
Impairment of goodwill	—	—	13.8	—	—	—	—	—	13.8	
Result from Container shipping measured at equity	—	—	—	—	—	—	—	—	—	
Effect from the measurement of loans to Container Shipping										
Earnings before interest, taxes and amortisation of goodwill (EBITA)	**441.0**	**321.4**	**177.5**	**144.2**	**0.8**	**11.2**	**—**	**—**	**619.3**	**476.8**
Adjustments	196.4	178.7	1.1	1.1	2.2	—	—	—	199.7	179.8
Underlying EBITA	**637.4**	**500.1**	**178.6**	**145.3**	**3.0**	**11.2**	**—**	**—**	**819.0**	**656.6**
Amortisation of other intangible assets and depreciation of property, plant and equipment	291.8	321.0	67.6	76.8	10.2	8.5	−0.1	0.1	369.5	406.4
of which impairments	*26.3*	*31.2*	—	*8.0*	—	—	—	—	*26.3*	*39.2*
Other depreciation/amortisation and write-backs	−12.3	2.4	—	5.4	—	—	—	—	−12.3	7.8
of which write-backs	—	*2.4*	—	*5.4*	—	—	—	—	—	*7.8*
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**745.1**	**640.0**	**245.1**	**215.6**	**11.0**	**19.7**	**−0.1**	**0.1**	**1,001.1**	**875.4**
Rental expenses	764.0	764.6	38.5	52.3	14.6	8.0	—	—	817.1	824.9
Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)	**1,509.1**	**1,404.6**	**283.6**	**267.9**	**25.6**	**27.7**	**−0.1**	**0.1**	**1,818.2**	**1,700.3**

	TUI Travel		TUI Hotels & Resorts		Cruises		Consolidation		Tourism	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
	€ million									
Assets and liabilities										
Segment assets	7,054.2	6,738.1	1,661.5	1,672.6	217.6	177.5	−62.8	−54.4	8,870.5	8,533.8
of which goodwill	*2,667.6*	*2,515.3*	*378.8*	*391.9*	—	—	—	—	*3,046.4*	*2,907.2*
Carrying amounts of joint ventures and associates	314.2	270.8	360.1	320.0	145.8	134.0	—	—	820.1	724.8
Interest-bearing Group receivables	—	0.7	12.8	32.4	60.0	53.5	—	—	72.8	86.6
Cash and cash equivalents	1,039.9	1,041.3	105.3	107.6	3.1	3.6	—	—	1,148.3	1,152.5
Other financial assets	153.2	180.1	55.0	89.8	0.1	0.5	−0.2	—	208.1	270.4
Non-allocable taxes										
Total assets										
Segment liabilities	6,708.6	6,305.6	151.8	133.9	139.2	95.3	−62.7	−54.5	6,936.9	6,480.3
Third-party financial liabilities	1,177.7	1,017.9	227.3	310.1	—	—	—	—	1,405.0	1,328.0
Group financial liabilities	—	51.8	580.5	692.9	139.2	139.2	−0.1	—	719.6	883.9
Other financial liability items	812.6	592.3	1.0	0.9	9.9	7.4	—	—	823.5	600.6
Non-allocable taxes										
Total liabilities and provisions										
Additional disclosures										
Non-cash expenses	51.4	12.5	0.8	1.9	—	—	—	—	52.2	14.4
Non-cash income	33.3	36.9	21.6	28.0	12.6	4.6	—	—	67.5	69.5
Return on sales (on EBITA) %	2.5	1.9	21.5	18.5	0.3	5.6	—	—	3.4	2.7
Investments	578.7	383.3	53.1	79.9	8.9	8.5	—	—	640.7	471.7
Investments in goodwill	10.1	2.7	—	—	—	—	—	—	10.1	2.7
Investments in other intangible assets and property, plant and equipment	568.6	380.6	53.1	79.9	8.9	8.5			630.6	469.0
Financing ration %	50.4	83.7	153.3	96.1	114.6	100.0	—	—	59.8	86.2
Employees at year-end	57,961	58,378	15,141	14,424	289	277	—	—	73,391	73,079

Key Figures by Region

	Germany		Great Britain		Spain		Other EU		Rest of Europe		North and South America		Other regions		Consolidation		Group	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
										€ million								
Consolidated turnover by customer	**4,815.3**	**4,790.7**	**5,661.2**	**5,073.6**	**226.9**	**261.2**	**5,777.7**	**5,558.7**	**736.2**	**646.3**	**741.9**	**741.8**	**371.1**	**408.0**	**—**	**—**	**18,330.3**	**17,480.3**
Consolidated turnover by domicile of companies	**5,026.3**	**4,710.4**	**5,522.2**	**5,182.7**	**524.1**	**582.5**	**5,591.7**	**5,330.6**	**565.2**	**466.7**	**682.8**	**629.2**	**418.0**	**578.2**			**18,330.3**	**17,480.3**
Long-term segment assets	**793.4**	**941.9**	**2,929.9**	**2,690.8**	**1,001.6**	**1,144.6**	**751.4**	**921.1**	**104.0**	**34.1**	**747.7**	**542.2**	**483.3**	**333.4**	**1.1**	**21.5**	**6,812.4**	**6,629.6**
Non-allocable taxes	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	216.8	253.5
Segment liabilities	**1,865.7**	**1,829.2**	**2,609.5**	**2,268.7**	**445.8**	**482.9**	**1,917.6**	**1,688.6**	**111.2**	**118.2**	**292.3**	**380.9**	**332.3**	**176.9**	**−346.3**	**−150.9**	**7,228.1**	**6,794.5**
Non-allocable taxes	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	298.2	436.2
Additional disclosures																		
Depreciation/amortisation	40.3	32.5	141.8	171.7	51.8	57.8	69.4	84.7	4.1	4.7	31.2	32.8	46.7	30.6	—	—	385.3	414.8
Investments	129.3	74.6	305.2	162.1	24.6	82.4	101.4	119.0	16.4	5.4	34.5	16.2	31.8	14.7	—	—	643.2	474.4
Investments in goodwill	4.8	—	3.5	2.7	0.6	—	—	—	—	—	—	—	1.2	—	—	—	10.1	2.7
Investments in other tangible assets and property, plant and equipment	124.5	74.6	301.7	159.4	24.0	82.4	101.4	119.0	16.4	5.4	34.5	16.2	30.6	14.7			633.1	471.7
Employees at year-end	9,882	9,846	17,318	18,201	9,226	9,392	12,830	12,398	8,480	8,639	8,199	8,149	7,877	7,082	—	—	73,812	73,707

NOTES

NOTES TO THE CONSOLIDATED INCOME STATEMENT

In a challenging overall market environment, earnings by Tourism showed a positive development. Earnings grew above all due to persistently strong demand for differentiated product in the TUI Travel Sector and higher average travel prices in combination with the successful cost management of the Riu Group. In the second half of the financial year, earnings also benefited from higher occupancy of hotels in Egypt as demand for North Africa picked up again. These positive effects were accompanied by earnings impacts in the Cruises Sector caused by lower average rates and start-up costs in connection with the fleet expansion in Hapag-Lloyd Kreuzfahrten. These effects were partly offset by higher occupancy and average rates in TUI Cruises.

Due to strong competitive pressure and a significant rise in energy costs, only partly passed on to customers, earnings by Container Shipping were down year-on-year. These negative effects were not offset by higher transport volumes in financial year 2011/12. This development is reflected in a prorated loss to be carried on the basis of the at equity method. The stake in Container Shipping was reduced to 22.0% in the financial year under review due to the sale of 17.4% of the shares in Hapag-Lloyd Holding AG.

(1) Turnover

Group turnover was mainly generated from tourism services. A breakdown of turnover within the Tourism Segment to TUI Travel, TUI Hotels & Resorts and the Cruises Sector is provided by segment reporting.

(2) Cost of sales and administrative expenses

The cost of sales and administrative expenses includes:

Lease, rental and leasing expenses

	2011/12	2010/11
	€ million	
Lease, rental and leasing expenses	933.3	905.6

Where rental and lease expenses for operating leases are directly related to the turnover generated, these expenses are shown under the cost of sales. However, where rental and lease expenses are incurred for administrative buildings, they are shown under administrative expenses.

The increase in rental and lease expenses mainly results from the rise in expenses for aircraft leases driven by the delivery of additional aircraft. The increase in expenses was further reinforced by the development of the exchange rate of the euro against sterling.

Staff costs

	2011/12	2010/11
	€ million	
Wages and salaries	1,987.0	1,878.0
Social security contributions, pension costs and benefits	429.0	325.2
Total	**2,416.0**	**2,203.2**

Pension costs include expenses for defined benefit pension obligations. The interest portion of the measurement of pension obligations is carried under financial expenses due to its financing character. The expected income from the associated fund assets is carried under financial income. A detailed presentation of pension obligations is provided in Note 31.

Personnel costs rose year-on-year, in particular due to restructuring measures in France and the one-off income from the reduction in pension plans in the UK included in the prior year, which impacted above all expenses for pension. They also increased due to exchange rate parities , i. e. the development of the exchange rate of euro versus sterling in financial year 2011/12.

The average annual headcount (excluding apprentices) developed as follows:

Average annual headcount in the financial year (excl. apprentices)

	2011/12	2010/11
Average annual – TUI Group	68,388	66,688

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

Depreciation and amortisation include the amortisation of other intangible assets, depreciation of property, plant and equipment as well as write-downs of investment property. The uniform Group-wide useful lives underlying depreciation and amortisation and the principles for impairment are outlined under Accounting and measurement in the Notes.

Depreciation/amortisation/impairments

	2011/12	2010/11
	€ million	
Depreciation and amortisation	347.2	371.9
Impairment of other intangible assets, property, plant and equipment and investment property	26.4	42.9
Total	**373.6**	**414.8**

In the financial year under review, impairments included an amount of €6.4m for aircraft assets and €5.9m for vehicle fleet assets. Further impairments of intangible assets included €9.2m for value adjustments of licences and €2.4m for brand names.

(3) Other income/other expenses

Other income/other expenses

	2011/12	2010/11
	€ million	
Other income	77.8	88.3
Other expenses	6.7	11.2
Total	**71.1**	**77.1**

In financial year 2011/12, other income amounted to €56.6m from the disposal of the hybrid instrument granted to Hapag-Lloyd Holding AG and the measurement of the investment in Container Shipping, taking account of a conservatively measured discount in connection with a potential IPO.

Other income carried in the prior year related above all to the gain on disposal from the sale of four Turkish hotel facilities, the gain on disposal from the sale of the administrative buildings at Ballindamm and Rosenstrasse in Hamburg and the gain on disposal from the sale of 11.33% of the stake in Hapag-Lloyd held by TUI to the Albert Ballin consortium.

(4) Goodwill impairment

In financial year 2011/12, the implementation of impairment tests according to IAS 36 only resulted in goodwill impairments of €13.8m in the sector TUI Hotels & Resorts for Tenuta di Castelfalfi SpA. In the previous year, no impairments had to be recognised by the TUI Group.

If the cost of capital applied in the sensitivity analysis had been 0.5 percentage point p. a. higher, additional impairments of €2.8m would have been required for the company mentioned above. A decrease in the growth rate of 0.5 percentage point p. a. would have resulted in additional impairments of €1.0m.

Even applying the above-mentioned sensitivities, no impairments would have been required for any of the other cash generating units of the TUI Group.

(5) Financial income

Financial Income

	2011/12	2010/11
	€ million	
Income from non-consolidated Group companies including income from profit transfer agreements	3.3	6.3
income from other investments	0.2	0.3
Income from investments	**3.5**	**6.6**
Other income from securities and loans	17.2	87.2
interest on pension scheme assets	89.5	85.5
Other interest and similar income	43.5	70.9
Interest income	**150.2**	**243.6**
Income from the measurement of interest hedges	—	4.1
Income from the measurement of other financial instruments	6.2	—
Total	**159.9**	**254.3**

Other income from securities and loans mainly includes the measurement effects of €5.1m (previous year €51.2m) from the hybrid instruments granted to Hapag-Lloyd Holding AG. This item also includes interest income worth €11.9m (previous year €34.1m) in connection with the hybrid instrument. The hybrid instruments were fully redeemed in the financial year under review.

The decline in other interest income mainly results from lower interest paid on bank balances on account of the decline in interest rate levels.

(6) Financial expenses

Financial expenses

	2011/12	2010/11
	€ million	
Expenses relating to losses taken over from non-consolidated Group companies	**—**	**0.7**
Impairments of available-for-sale financial instruments and loans	**12.1**	**9.2**
Interest expenses from the measurement of pension obligations	122.2	115.4
Other interest and similar expenses	303.9	367.8
Interest expenses	**426.1**	**483.2**
Expenses relating to the measurement of interest hedges	3.9	—
Expenses relating to the measurement of other financial instruments	2.5	0.7
Total	**444.6**	**493.8**

The impairments of financial instruments and loans available for sale comprise the changes in value shown in fixed assets and the changes in value carried in revenue reserves until the disposal of the assets.

The year-on-year decline in interest expenses results from the reduction in financial liabilities in financial year 2011/12. An opposite effect was caused by the interest effects of the measurement of provisions.

(7) Share of results of joint ventures and associates

Share of result of joint ventures and associates

	2011/12	2010/11
	€ million	
Income from associated companies measured at equity	21.7	28.6
Expenses for associated companies measured at equity	52.1	3.2
Share of result of associates	**− 30.4**	**25.4**
income from joint ventures measured at equity	42.4	40.9
Expenses for joint ventures measured at equity	20.7	13.4
Share of result of joint ventures	**21.7**	**27.5**
Total	**− 8.7**	**52.9**

The share of results of joint ventures and associates comprises the net profit for the year attributable to the associated companies and joint ventures.

The considerable decrease in the share of result of joint ventures and associates was driven above all by the profit contribution of €− 49.0m (previous year €− 2.1m) from the stake in the Container Shipping group.

In the completed financial year, the share of result of joint ventures and associates comprised impairments of €7.0m (previous year €0.0m).

Group share in individual items of income statement of associated companies

	2011/12	2010/11
	€ million	
Operating income	1,675.1	3,360.9
Operating expenses	1,678.8	3,295.6
Operating result	**− 3.7**	**65.3**
Financial result	− 22.6	− 29.5
Profit/loss on ordinary activities	**− 26.3**	**35.8**
Income taxes	4.1	10.4
Profit/loss for the year	**− 30.4**	**25.4**
Share of result of associates	**− 30.4**	**25.4**

Group share in individual items of income statements of joint ventures

	2011/12	2010/11
	€ million	
Operating income	859.3	602.4
Operating expenses	812.7	558.7
Operating result	**46.6**	**43.7**
Financial result	− 14.9	− 8.5
Profit on ordinary activities	**31.7**	**35.2**
Income taxes	10.0	7.7
Profit for the year	**21.7**	**27.5**
Share of result of joint ventures	**21.7**	**27.5**

(8) Adjustments

On top of the disclosures required under IFRS, the consolidated profit and loss statement comprises a reconciliation to underlying earnings. The one-off items show final consolidation profits under gains on disposal, events according to IAS 37 under restructuring, and all effects from purchase price allocations, ancillary acquisition costs and conditional purchase price payments on EBITA under purchase price allocations.

One-off items carried here include adjustments for income (–) and expense (+) items that reflect amounts and frequencies of occurrence rendering an evaluation of the operating profitability of the Sectors and the Group more difficult or causing distortions. These items include in particular major restructuring and integration expenses not meeting the criteria of IAS 37, major expenses for litigation, gains and losses from the sale of aircraft and other material business transactions with a one-off character.

Other one-off items by Sector

	2011/12	2010/11
	€ million	
Tourism	**61.4**	**12.9**
TUI Travel	60.3	11.8
TUI Hotels & Resorts	1.1	1.1
All other segments	**5.4**	**−24.2**
Total	**66.8**	**−11.3**

The one-off items carried by TUI Travel for financial year 2011/12 relate above all to the adjustment of expenses for the restructuring of the tour operator business in France (Convergence project) of €33.2m and expenses for the reorganisation of the Specialist & Activity Business of €33.2m. An opposite effect mainly results from the reversal of provisions.

The year-on-year increase in adjusted one-off items results primarily from one-off income from plan curtailments in pension plans in the UK included in the prior year figures.

One-off items carried for other segments in financial year 2011/12 comprise adjustments of expenses for the formation of provisions, in particular in connection with the early retirement of two Executive Board members. In the previous year, this item mainly comprised the gain on disposal from the sale of the administrative buildings in Hamburg.

(9) Income taxes

Breakdown of income taxes

	2011/12	2010/11
	€ million	
Current tax expense		
in Germany	31.9	8.2
abroad	36.5	115.9
Deferred tax expense (previous year tax income)	42.4	−35.5
Total	**110.8**	**88.6**

The decrease in current tax expenses is largely driven by income from effective income taxes abroad related to other periods. Deferred tax expenses in the period under review mainly arose in TUI Travel PLC. Effective income taxes related to prior periods amounted to €−63.2m in financial year 2011/12 (previous year expense of €1.0m).

In financial year 2011/12, total income taxes of €110.8m (previous year €88.6m) were derived as follows from an “expected” income tax expense that would have arisen if the statutory income tax rate of TUI AG as the parent company (aggregate income tax rate) had been applied to earnings before tax.

Reconciliation of expected to actual income taxes

	2011/12	2010/11
	€ million	
Earnings before income taxes	+ 252.7	+ 206.8
Expected income tax (current year 31,5 %, previous year 31,5 %)	**79.6**	**65.1**
Variation from the difference between actual and expected tax rates	− 23.5	− 3.2
Changes in tax rates and tax law	14.2	16.0
income not taxable	− 96.1	− 113.0
Expenses not deductible	103.5	104.9
Effects from loss carryforwards	92.8	61.8
Temporary differences for which no deferred taxes were recognised	1.1	− 8.1
Deferred and current tax relating to other periods (net)	− 59.0	− 34.7
Other differences	− 1.8	− 0.2
Income taxes	**110.8**	**88.6**

The effects of loss carryforwards mainly result from current impaired losses. In the previous year, this item also included opposite amounts from the use of carryforwards previously considered as non-realisable.

(10) Group profit for the year attributable to shareholders of TUI AG

The Group result for the year attributable to TUI AG shareholders declined from €23.9m in the prior year to €− 15.1m in the completed financial year 2011/12. The decrease was largely attributable to the considerable reduction in the profit contribution from Container Shipping included under the at equity method.

(11) Group profit for the year attributable to non-controlling interests

Group profit for the year attributable to non-controlling interest

	2011/12	2010/11
	€ million	
TUI Travel	100.8	48.2
TUI Hotels & Resorts	56.2	46.1
Total	**157.0**	**94.3**

Group result for the year attributable to non-controlling interests in the TUI Hotels & Resorts Sector mainly related to the RIUSA II Group.

(12) Earnings per share

In accordance with IAS 33, basic earnings per share are calculated by dividing the Group's net profit for the year attributable to TUI AG shareholders by the weighted average number of registered shares outstanding during the financial year under review. The average number of shares is derived from the total number of shares at the beginning of the financial year (251,696,745 shares), the prorated employee shares issued (133,709 new shares for 306 days) and the conversion of bonds into new shares (417,475).

In analogy to IAS 33.12, the dividend on the hybrid capital is deducted from Group profit for the year attributable to shareholders of TUI AG since the hybrid capital represents equity but does not constitute Group profit attributable to TUI AG shareholders. For the hybrid capital, accrued dividend obligations totalling €17.2m at the balance sheet date (previous year €17.2m) are included in financial liabilities and will be paid in January 2013.

Earnings per share

		2011/12	2010/11
Group profit for the year attributable to shareholders of TUI AG	€ million	− 15.1	+ 23.9
Dividend effect on hybrid capital	€ million	− 25.4	− 25.3
= Adjusted Group profit for the year attributable to shareholders of TUI AG	€ million	− 40.5	− 1.4
Weighted average number of shares		251,953,439	251,683,128
Basic earnings per share	**€**	**− 0.16**	**− 0.01**
Adjusted Group profit for the year attributable to shareholders of TUI AG	€ million	− 40.5	− 1.4
Interests savings from convertible bonds	€ million	+ 53.2	+ 90.2
Diluted and adjusted share in Group profit for the year attributable to shareholders of TUI AG	€ million	12.7	88.8
Weighted average number of shares		251,953,439	251,683,128
Diluting effect from assumed exercise of conversion inputs		+ 68,158,250	+ 71,422,383
Weighted average number of shares (diluted)		320,111,689	323,105,511
Diluted earnings per share	**€**	**− 0.16**	**− 0.01**

As a rule, a dilution of earnings per share occurs when the average number of shares increases by adding the issue of potential shares from conversion options. Since the convertible bonds do not have a dilution effect in financial year 2011/12, basic and diluted earnings per share are identical.

(13) Taxes attributable to other results

Tax effects relating to other comprehensive income

	2011/12			2010/11		
	Gross	Tax effect	Net	Gross	Tax effect	Net
	€ million					
Foreign exchange differences	− 27.4	—	− 27.4	− 45.5	—	− 45.5
Available for sale financial instruments	− 178.4	—	− 178.4	176.1	—	176.1
Cash flow hedges	− 67.9	6.1	− 61.8	105.5	− 22.9	82.6
Actuarial losses from pension provisions and related fund assets	− 284.4	68.8	− 215.6	− 102.2	1.0	− 101.2
Changes in the measurement of companies measured at equity outside profit or loss	− 2.2	—	− 2.2	− 25.7	—	− 25.7
Other comprehensive income	**− 560.3**	**74.9**	**− 485.4**	**108.2**	**− 21.9**	**86.3**

In addition, income tax of €16.6m outside profit and loss arose in the previous financial year from the issue of a convertible bond; it was therefore directly charged to equity.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(14) Goodwill

Goodwill

	2011/12	2010/11
	€ million	
Historical cost		
Balance as at 1 Oct	**3,321.5**	**3,269.3**
Exchange differences	157.5	−11.2
Additions	10.1	65.9
Disposals[1)]	1.0	16.0
Reclassifications	1.9	13.5
Balance as at 30 Sep	**3,490.0**	**3,321.5**
Impairment		
Balance as at 1 Oct	**414.3**	**406.7**
Exchange differences	15.5	−1.3
Impairments for the current year	13.8	—
Reclassifications	—	8.9
Balance as at 30 Sep	**443.6**	**414.3**
Carrying amounts as at 30 Sep	**3,046.4**	**2,907.2**

1) Of which no disposals from changes in the group of consolidated companies

The increase in the carrying amount is largely attributable to the translation of goodwill not carried in the TUI Group's functional currency into euros.

The additions are exclusively attributable to acquisitions in the TUI Travel Sector. Details concerning the acquisitions are presented under Principles and methods of consolidation.

Disclosures relating to the impairments of the period under review are presented in the Notes to the consolidated income statement.

In accordance with the rules of IAS 21, goodwill allocated to individual Segments and Sectors was recognised in the functional currency of the subsidiaries and subsequently translated when preparing the consolidated financial statements. In analogy to the treatment of other differences from the translation of annual financial statements of foreign subsidiaries, differences due to exchange rate fluctuations between the exchange rate at the date of acquisition of the subsidiary and the exchange rate at the balance sheet date are taken directly to equity outside profit and loss and disclosed as a separate item. In financial year 2011/12, the carrying amount of goodwill rose by €142.0m (previous year €−9.9m) due to foreign exchange differences.

At €2,667.6m, the largest portion of goodwill shown relates to the TUI T ravel Sector. Within TUI Hotels & Resorts, goodwill of €351.7m is carried for the RIUSA II Group, as before.

(15) Other intangible assets

Other intangible assets

	Concessions, industrial property rights and similar rights and values	self-generated software	Transport and leasing contracts	Customer base	Payments on account	Total
			€ million			
Historical cost						
Balance as at 1 Oct 2010	**1,071.7**	**129.5**	**88.5**	**233.0**	**—**	**1,522.7**
Exchange differences	−2.5	−3.1	−0.8	0.6	—	−5.8
Additions due to changes in the group of consolidated companies	21.7	—	—	0.2	—	21.9
Additions	41.8	13.5	8.2	1.4	1.2	66.1
Disposals	25.5	10.3	0.1	—	—	35.9[1]
Reclassifications	−49.2	47.2	0.2	1.8	—	—
Balance as at 30 Sep 2011	**1,058.0**	**176.8**	**96.0**	**237.0**	**1.2**	**1,569.0**
Exchange differences	63.4	12.3	8.3	5.7	—	89.7
Additions due to changes in the group of consolidated companies	9.3	—	—	0.3	—	9.6
Additions	101.7	6.6	—	1.6	0.7	110.6
Disposals	36.2	1.8	—	—	—	38.0[2]
Reclassifications	25.5	−34.1	—	—	−1.9	−10.5
Balance as at 30 Sep 2012	**1,221.7**	**159.8**	**104.3**	**244.6**	**—**	**1,730.4**
Amortisation						
Balance as at 1 Oct 2010	**454.2**	**90.5**	**17.8**	**53.0**	**—**	**615.5**
Exchange differences	−1.4	−1.5	−0.1	0.8	—	−2.2
Additions due to changes in the group of consolidated companies	1.0	—	—	—	—	1.0
Amortisation for the current year	95.9	14.5	5.7	17.5	—	133.6
Disposals	27.1	8.4	—	—	—	35.5[1]
Reclassifications	−26.2	26.2	—	—	—	—
Balance as at 30 Sep 2011	**496.4**	**121.3**	**23.4**	**71.3**	**—**	**712.4**
Exchange differences	30.0	8.5	6.9	2.0	—	47.4
Amortisation for the current year	98.5	8.6	—	16.8	—	123.9
Disposals	33.8	1.8	—	—	—	35.6[2]
Reclassifications	9.0	−17.6	—	—	—	−8.6
Balance as at 30 Sep 2012	**600.1**	**119.0**	**30.3**	**90.1**	**—**	**839.5**
Carrying amounts as at 30 Sep 2011	**561.6**	**55.5**	**72.6**	**165.7**	**1.2**	**856.6**
Carrying amounts as at 30 Sep 2012	**621.6**	**40.8**	**74.0**	**154.5**	**—**	**890.9**

1) Of which no disposals due to changes in the group of consolidated companies

2) Of which disposals due to changes in the group of consolidated companies of €0.2m and €0.2m, respectively

Self-generated software consists of computer programmes for tourism applications exclusively used internally by the Group.

Other intangible assets, consisting in particular of trademarks and customer relationships, are amortised annually over the estimated economic useful life on the basis of the economic value of the corresponding asset.

As at the balance sheet date, the carrying amount of intangible assets subject to restraints on ownership or pledged as security totals €126.3m (previous year €124.6m).

In the completed financial year, impairments of €11.9m (previous year €11.7m) were carried. As in the previous year, immaterial (previous year no) write-backs to other intangible assets were effected.

(16) Investment property

Investment property

	2011/12	2010/11
	€ million	
Historical cost		
Balance as at 1 Oct	**102.2**	**105.3**
Additions	0.7	0.7
Disposals	8.8	4.2
Reclassifications	—	0.4
Balance as at 30 Sep	**94.1**	**102.2**
Depreciation		
Balance as at 1 Oct	**43.0**	**39.1**
Depreciation for the current year	2.6	6.2
Disposals	6.4	2.5
Reclassifications	—	0.2
Balance as at 30 Sep	**39.2**	**43.0**
Carrying amounts as at 30 Sep	**54.9**	**59.2**

As a matter of principle, real estate owned by the Group is occupied for use in the framework of the Group's ordinary business activities. In addition, the Group owns commercial property and apartments which meet the definition of investment property under IAS 40. The carrying amount of this investment property shown in fixed assets totals €54.9m (previous year €59.2m). The fair values totalling €64.7m (previous year €71.6m) were calculated by the Group's own real estate companies, without consulting an external expert, on the basis of comparable market rents. The fair value of property for which purchase contracts had already been concluded was the selling price. Investment property generated total external income of €10.3m (previous year €13.0m). The generation of this income was associated with external expenses of €7.5m (previous year €8.4m) in financial year 2011/12.

(17) Property, plant and equipment

Property, plant and equipment

	Real estate with hotels	other real estate, land rights and buildings incl. buildings on third-party properties	Aircraft	Ships	Machinery and fixtures	Other plants, operating and office equipment revised	Assets under construction	Payments on account	Total
					€ million				
Historical cost									
Balance as at 1 Oct 2010	**1,282.2**	**214.0**	**1,110.9**	**602.7**	**220.1**	**1,214.0**	**86.8**	**160.5**	**4,891.2**
Exchange differences	−15.9	5.8	—	−2.4	—	−10.2	0.1	−1.8	−24.4
Additions due to changes in the group of consolidated companies	—	0.4	—	0.1	—	5.5	—	—	6.0
Additions	32.9	14.7	32.3	76.4	24.3	103.6	36.9	83.9	405.0
Disposals	3.5	—	229.5	10.0	2.9	47.3	24.1	45.5	362.8[1)]
Reclassifications	−0.9	23.9	−48.8	15.0	−2.5	−14.4	−55.1	—	−82.8
Balance as at 30 Sep 2011	**1,294.8**	**258.8**	**864.9**	**681.8**	**239.0**	**1,251.2**	**44.6**	**197.1**	**4,832.2**
Exchange differences	21.3	4.0	31.7	37.2	−0.4	54.4	0.9	8.4	157.5
Additions due to changes in the group of consolidated companies	—	0.1	—	—	—	3.1	—	—	3.2
Additions	35.2	4.4	131.6	45.5	1.8	77.0	52.0	162.7	510.2
Disposals	20.3	10.2	115.1	28.5	2.1	80.6	0.6	96.4	353.8[2)]
Reclassifications	25.9	−32.1	−27.8	7.5	1.5	−1.7	−16.9	—	−43.6
Balance as at 30 Sep 2012	**1,356.9**	**225.0**	**885.3**	**743.5**	**239.8**	**1,303.4**	**80.0**	**271.8**	**5,105.7**
Depreciation									
Balance as at 1 Oct 2010	**366.8**	**47.0**	**763.7**	**198.8**	**138.2**	**876.9**	**—**	**—**	**2,391.4**
Exchange differences	−7.4	4.7	0.8	−0.6	—	−5.4	—	—	−7.9
Additions due to changes in the group of consolidated companies	—	0.2	—	—	—	3.9	—	—	4.1
Depreciation for the current year	44.5	4.3	63.2	47.2	14.7	101.2	—	—	275.1
Disposals	2.8	0.5	153.7	2.3	2.8	46.2	—	—	208.3[1)]
Reclassifications	−14.4	0.8	−50.2	7.9	−2.9	−8.5	—	—	−67.3
Balance as at 30 Sep 2011	**386.7**	**56.5**	**623.8**	**251.0**	**147.2**	**921.9**	**—**	**—**	**2,387.1**
Exchange differences	4.6	—	21.0	13.1	1.4	37.6	—	—	77.7
Depreciation for the current year	35.8	4.8	60.5	34.9	12.5	98.6	—	—	247.1
Disposals	14.8	4.0	112.7	17.3	1.1	65.1	—	—	215.0[2)]
Reclassifications	−11.0	8.3	−32.6	−0.7	0.4	−6.9	—	—	−42.5
Balance as at 30 Sep 2012	**401.3**	**65.6**	**560.0**	**281.0**	**160.4**	**986.1**	**—**	**—**	**2,454.4**
Carrying amounts as at 30 Sep 2011	**908.1**	**202.3**	**241.1**	**430.8**	**91.8**	**329.3**	**44.6**	**197.1**	**2,445.1**
Carrying amounts as at 30 Sep 2012	**955.6**	**159.4**	**325.3**	**462.5**	**79.4**	**317.3**	**80.0**	**271.8**	**2,651.3**

1) Of which no disposals due to changes in the group of consolidated companies

2) Of which disposals due to changes in the group of consolidated companies of €1.3m and €1.0m, respectively

At the balance sheet date, the carrying amount of property, plant and equipment subject to restraints on ownership or pledged as security amounted to €113.9m (previous year €103.9m).

The Group effected immaterial reversals of depreciation of property, plant and equipment, as in the previous year. Impairments of €14.6m (previous year €31.2m) mainly relate to aircraft assets (€6.4m) and vehicle fleet assets (€5.9m).

Property, plant and equipment also comprised leased assets in which Group subsidiaries have assumed substantially all the risks and rewards of ownership of the assets.

Development of leased assets

	Net carrying amounts	
	30 Sep 2012	30 Sep 2011
	€ million	
Other real estate, land rights and buildings incl. buildings on third-party properties	7.8	9.8
Aircraft	144.5	30.1
Ships, yachts and boats	117.8	119.0
Machinery and fixtures	0.1	0.7
Other plants, operating and office equipment	10.8	8.9
Total	**281.0**	**168.5**

The payment obligations resulting from future lease payments are carried as liabilities without taking account of future interest expenses for the carrying amount of the financial liabilities. Total payments due in future under finance leases amount to €294.7m (previous year €191.8m). Group companies have accepted guarantees for the residual values of the leased assets totalling €2.7m (previous year €9.9m).

Reconciliation of future lease payments to liabilities from finance leases

	up to 1 year	1 – 5 years	Remaining term more than 5 years	30 Sep 2012 Total	30 Sep 2011 Total
			€ million		
Total future lease payments	38.9	115.4	140.4	294.7	191.8
Interest portion	10.3	31.0	20.2	61.5	37.0
Liabilities from finance leases	28.6	84.4	120.2	233.2	154.8

(18) Investments in joint ventures and associates

Investments in joint ventures and associates

	Joint ventures	Associates	Total
		€ million	
Historical cost			
Balance as at 1 Oct 2010	**567.7**	**1,215.1**	**1,782.8**
Exchange differences	−32.1	−5.2	−37.3
Additions	69.6	39.2	108.8
Disposals	46.7	317.6	364.3[1)]
Reclassifications	—	253.1	253.1
Balance as at 30 Sep 2011	**558.5**	**1,184.6**	**1,743.1**
Exchange differences	7.4	18.8	26.2
Additions	104.5	26.0	130.5
Disposals	20.7	470.5	491.2[1)]
Balance as at 30 Sep 2012	**649.7**	**758.9**	**1,408.6**
Impairments			
Balance as at 1 Oct 2010	**7.6**	**—**	**7.6**
Balance as at 30 Sep 2011	**7.6**	**—**	**7.6**
Impairments for the current year	7.0	—	7.0
Balance as at 30 Sep 2012	**14.6**	**—**	**14.6**
Carrying amounts as at 30 Sep 2011	**550.9**	**1,184.6**	**1,735.5**
Carrying amounts as at 30 Sep 2012	**635.1**	**758.9**	**1,394.0**

1) of which no disposals due to changes in the group of consolidated companies

For associated companies and joint ventures measured at equity, proportionate profits for the year are shown under additions and disposals, while impairments of these investments are carried under impairments. Dividends worth €11.7m (previous year €20.5m) are included in disposals.

For joint ventures and associates, the stake held by the Group corresponds to the share in the individual assets and liabilities of the joint ventures.

Group share of assets and liabilities of joint ventures

	30 Sep 2012	30 Sep 2011
	€ million	
Goodwill from investment in joint ventures	68.8	80.6
Non-current assets	839.8	733.8
Current assets	281.6	298.3
Non-current provisions and liabilities	−311.0	−356.2
Current provisions and liabilities	−244.1	−205.6
Investment in joint ventures	**635.1**	**550.9**

Group share of assets and liabilities of associates

	30 Sep 2012	30 Sep 2011
	€ million	
Goodwill from investment in associates	218.4	317.4
Non-current assets	1,045.8	1,496.6
Current assets	472.0	695.1
Non-current provisions and liabilities	−640.6	−789.0
Current provisions and liabilities	−336.7	−535.5
Investment in associates	**758.9**	**1,184.6**

(19) Financial assets available for sale

Financial assets available for sale consist of stakes in non-consolidated Group companies, interests and other securities. In the previous year, this item also included hybrid instruments granted to Container Shipping, which were fully redeemed in financial year 2011/12.

Where a listed market price in an active market is not available and other methods to determine an objective market value do not produce any reliable results, the shares are measured at cost. In financial year 2011/12, financial assets classified as available for sale under IFRS 7 of €3.9m (previous year €7.5m) were impaired.

(20) Trade receivables and other assets

Trade receivables and other assets

	30 Sep 2012		30 Sep 2011	
	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
	€ million			
Trade receivables	—	688.6	—	627.6
Advances and loans	242.7	1,047.9	315.0	1,213.8
Other receivables and assets	115.4	577.6	94.1	518.6
Total	**358.1**	**2,314.1**	**409.1**	**2,360.0**

Ageing structure of the financial instruments included in trade receivables and other assets

	Carrying amount of financial instruments	of which not overdue and not impaired	of which not impaired and overdue in following periods: less than 30 days	between 30 and 90 days	between 91 and 180 days	more than 180 days
			€ million			
Balance as at 30 Sep 2012						
Trade receivables	688.6	424.3	164.3	79.6	9.5	10.9
Advances and loans	158.2	157.9	0.3	—	—	—
Other receivables and assets	50.3	50.0	0.3	—	—	—
Total	**897.1**	**632.2**	**164.9**	**79.6**	**9.5**	**10.9**
Balance as at 30 Sep 2011						
Trade receivables	627.6	352.7	155.9	62.1	16.8	40.1
Advances and loans	194.4	194.4	—	—	—	—
Other receivables and assets	69.9	66.4	2.4	0.7	0.3	0.1
Total	**891.9**	**613.5**	**158.3**	**62.8**	**17.1**	**40.2**

For financial assets that are neither overdue nor impaired TUI Group assumes a good credit standing of the respective debtor.

Impairments on assets of the trade receivables and other assets category according to IFRS 7

	2011/12	2010/11
	€ million	
Balance at the beginning of period	**268.1**	**760.7**
Additions	66.7	59.6
Disposals	66.0	488.5
Other changes	−54.8	−63.7
Balance at the end of period	**214.0**	**268.1**

In financial year 2011/12, as in the prior year, no cash inflow was recorded from impaired interest-bearing trade accounts receivable or other receivables.

Trade receivables

	30 Sep 2012	30 Sep 2011
	€ million	
From third parties	657.2	624.4
From non-consolidated Group companies	1.1	2.3
From affiliates	30.3	0.9
Total	**688.6**	**627.6**

Advances and loans

	30 Sep 2012		30 Sep 2011	
	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
	€ million			
Advances to non-consolidated Group companies	1.7	25.0	17.3	26.6
Advances to affiliates	1.2	15.7	—	20.0
Loans to affiliates	21.0	21.5	—	11.7
Advances to third parties	48.0	74.7	45.9	100.4
Loans to third parties	17.4	21.3	33.0	35.7
Payments on account	153.4	889.7	218.8	1,019.4
Total	**242.7**	**1,047.9**	**315.0**	**1,213.8**

Payments on account mainly relate to prepayments for future tourism services, in particular future hotel services payable by tour operators, customary in the industry.

Other receivables and assets

	30 Sep 2012		30 Sep 2011	
	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
	€ million			
Other receivables from non-consolidated Group companies	—	0.4	—	—
Other receivables from affiliates	35.3	47.1	—	44.3
Interest deferral	—	2.8	—	25.6
Other tax refund claims	22.8	106.8	—	89.9
Other assets	57.3	420.5	94.1	358.8
Total	**115.4**	**577.6**	**94.1**	**518.6**

(21) Derivative financial instruments

Derivative financial instruments

	30 Sep 2012		30 Sep 2011	
	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
	€ million			
Receivables from derivative financial instruments from third parties	28.4	159.9	43.6	274.8

Derivative financial instruments are carried at their fair values (market values). They mainly serve as hedges for future business operations and are detailed in the Notes under Financial instruments.

(22) Deferred and current tax assets

The determination of deferred and current taxes is outlined in detail in the section Accounting and measurement methods.

Income tax assets

	30 Sep 2012	30 Sep 2011
	€ million	
Deferred tax assets	168.7	163.5
Current tax assets	48.1	90.0
Total	**216.8**	**253.5**

Deferred income tax assets include an amount of €124.9m (previous year €115.3m) to be realised in more than twelve months.

Individual items of deferred tax assets and liabilities recognised in the financial position

	30 Sep 2012		30 Sep 2011	
	Asset	Liability	Asset	Liability
	€ million			
Finance lease transactions	—	2.4	—	2.1
Recognition and measurement differences for property, plant and equipment and other non-current assets	116.1	353.5	157.5	235.1
Recognition differences for receivables and other assets	35.6	—	13.7	228.0
Measurement of financial instruments	33.2	86.1	29.0	107.1
Measurement of pension provisions	167.8	0	123.2	2.6
Recognition and measurement differences for other provisions	107.4	7.8	72.4	41.6
Other transactions	104.4	170.4	124.1	28.7
Capitalised tax savings from recoverable loss carryforwards	154.9	—	168.1	—
Netting of deferred tax assets and liabilities	−550.7	−550.7	−524.5	−524.5
Balance sheet amount	**168.7**	**69.5**	**163.5**	**120.7**

No deferred tax liabilities were carried for temporary differences of €65.2m (previous year €80.0m) between the net assets of subsidiaries and the respective carrying amounts carried in the tax balance sheet since these temporary differences are not expected to be reversed in the near future.

Capitalised loss carryforwards and time limits for non-capitalised loss carryforwards

	30 Sep 2012	30 Sep 2011
	€ million	
Capitalised loss carryforwards	**736.8**	**773.6**
Non-capitalised loss carryforwards	**4,526.5**	**3,295.1**
of which loss carryforwards forfeitable within one year	—	0.4
of which loss carryforwards forfeitable within two to five years	57.3	59.3
of which loss carryforwards forfeitable within more than five years (excluding non-forfeitable loss carryforwards)	—	20.2
Non-forfeitable loss carryforwards	4,469.2	3,215.2
Total unused loss carryforwards	**5,263.3**	**4,068.7**

Loss carryforwards for German companies comprise the cumulative amount of trade tax and corporation tax as well as interest carryforwards from the German earnings stripping rule. Potential tax savings totalling €852.9m (previous year €681.3m) were not capitalised since use of the underlying loss carryforwards was not considered probable within the planning period.

In financial year 2011/12, the use of loss carryforwards previously assessed as non-realisable and for which therefore no asset had been carried for the resulting potential tax savings as at 30 September 2011 led to tax savings of €0.1m (previous year €34.5m). In financial year 2011/12, tax reductions worth €0.9m (previous year €0.0m) were realised by means of loss carrybacks.

Development of capitalised tax savings from realisable loss carryforwards

	2011/12	2010/11
	€ million	
Capitalised tax savings at the beginning of the year	**168.1**	**171.6**
Exchange adjustments	− 1.1	5.2
Use of loss carryforwards	− 2.5	− 9.3
Capitalisation of tax savings from tax loss carryforwards	+ 4.1	+ 8.8
Write-down of capitalised tax savings from tax loss carryforwards	− 13.7	− 8.2
Reclassification to discontinued operation	—	—
Capitalised tax savings at financial year-end	**154.9**	**168.1**

The capitalised deferred tax asset from temporary differences and loss carryforwards assessed as recoverable of €107.6m (previous year €126.0m), which arose in the TUI Travel Sector, is covered by expected future taxable income even for companies that generated losses in the period under review (or prior periods).

(23) Inventories

Inventories

	30 Sep 2012	30 Sep 2011
	€ million	
Marine inventory	35.6	35.4
Airline spares and operating equipment	27.3	28.0
Real estate for sale	12.4	8.0
Other inventories	38.6	35.3
Total	**113.9**	**106.7**

Other inventories included an amount of €15.8m for consumables used in hotels.

In financial year 2011/12, impairments worth €4.9m (previous year €0.0m) were effected in order to carry them at the lower net realisable value. No major write-backs of inventories were effected in 2011/12, nor in the prior year.

(24) Cash and cash equivalents

Cash and cash equivalents

	30 Sep 2012	30 Sep 2011
	€ million	
Bank deposits	2,229.1	1,912.7
Cash in hand and cheques	49.3	68.6
Total	**2,278.4**	**1,981.3**

At 30 September 2012, cash and cash equivalents of €0.1bn (previous year €0.1bn) were subject to restraints on disposal.

(25) Assets held for sale

Assets held for sale

	30 Sep 2012	30 Sep 2011
	€ million	
Aircrafts and engines	6.1	13.0
Dorfhotel	—	6.9
Other assets	10.4	4.3
Total	**16.5**	**24.2**

The decline in assets held for sale is driven by the sale of the Dorfhotel hotel complex, meanwhile completed, and the disposal of an aircraft.

Other assets primarily comprise hotel complexes held for sale, licences and aircraft spare parts.

In segment reporting, aircraft and aircraft engines as well as other assets are mainly carried in the Tourism segment.

(26) Subscribed capital

The subscribed capital of TUI AG consists of no-par value shares, each representing an identical share in the capital stock. The proportionate share in the capital stock per no-par value share is around €2.56. In July 2005, the previous bearer shares were converted to registered shares, whose owners have been registered by name in the share register.

The subscribed capital of TUI AG, registered in the commercial registers of the district courts of Berlin-Charlottenburg and Hanover, rose by a total of €1.4m to around €644.9m due to the issue of 159,490 shares resulting from the issue of employee shares and due to conversions into 417,755 shares under the 2009/14 and 2011/16 convertible bonds. It thus consisted of 252,273,710 shares at the end of the financial year.

Conditional capital

The conditional capital of €100.0m authorised in 2006 was terminated in December 2011 following early redemption of the amount still outstanding of the convertible bonds of €694.0m issued in 2007.

In addition, the Annual General Meetings of 7 May 2008 and 13 May 2009 resolved to create additional conditional capital for the issue of bonds of €100.0m each, expiring by 6 May 2013 and 12 May 2014, respectively. The issue of bonds with conversion options and warrants as well as profit-sharing rights and income bonds (with and without fixed terms) under the two abovementioned authorisations has been limited to a total nominal amount of €1.0bn.

Further conditional capital for the issue of bonds of €120.0m maturing on 14 February 2017 was resolved at the Annual General Meeting on 15 February 2012. The issue of bonds with conversion options and warrants as well as profit-sharing rights and income bonds (with and without fixed terms) has been limited to a total nominal amount of €1.0bn.

Using the conditional capital of 13 May 2009, TUI AG issued unsecured non-subordinate convertible bonds worth €217.8m on 17 November 2009, maturing on 17 November 2014. The bonds were issued in denominations with nominal values of €56.30. The conversion price is €5.63 per no-par value share. The convertible bonds can hence be converted into a maximum of 38,683,730 shares. The bonds, which carry an interest coupon of 5.50% p. a., were issued at par. The bonds are traded at four German stock exchanges. By 30 September 2012, 46,874 bonds were converted into 468,740 new shares in TUI AG (including 417,740 in the period under review).

Using the conditional capital of 7 May 2008, TUI AG issued unsecured non-subordinate convertible bonds worth €339.0m on 24 March 2011, maturing on 24 March 2016. The bonds were issued in denominations with nominal values of €59.26. The conversion price is €11.8506 per no-par value share. The convertible bonds can hence be converted into a maximum of 28,599,735 shares. The bonds, which carry an interest coupon of 2.75% p. a., were issued at par. The bonds are traded at five German stock exchanges. By 30 September 2012, one bond had been converted into five new shares in TUI AG.

Overall, TUI AG held conditional capital of €318.8m as at 30 September 2012, taking account of the conversions effected.

Authorised capital

The Annual General Meeting of 7 May 2008 adopted a resolution on the issue of new registered shares against cash contribution for up to a maximum of €64.0m. This authorisation will expire on 6 May 2013.

The Annual General Meeting of 7 May 2008 also resolved to create new authorised capital for the issue of employee shares, which stood at around €8.6m at the balance sheet date. The Executive Board of TUIAG has been authorised to use this capital in one or several transactions for the issue of employee shares against cash contribution by 6 May 2013. In the completed financial year, 159,490 employee shares were issued.

In addition, the Annual General Meeting of 9 February 2011 resolved to create authorised capital for the issue of new shares against cash contribution totalling €246.0m. The authorisation to use this authorised capital will expire on 8 February 2016.

Accordingly, total unused authorised capital was around €318.6m at the balance sheet date (around €319.0m as at 30 September 2011).

(27) Capital reserves

The capital reserves comprise transfers of premiums. In addition, amounts entitling the holders to acquire shares in TUI AG in the framework of bonds issued for conversion options and warrants have to be transferred to the capital reserves if the conversion options and warrants have to be classified as equity instruments in accordance with IAS 32. Premiums from the issue of shares due to the exercise of conversion options and warrants are also transferred to the capital reserve.

Borrowing costs for the issue of conversion options and warrants and for the capital increase by means of an issue of new shares against cash contribution are eliminated against the transfers to the capital reserves resulting from these transactions.

The capital reserves also rose by a total of €1.3m due to the issue of employee shares and the conversion of bonds into shares.

(28) Revenue reserves

Equity rose due to the payment of dividends to non-Group shareholders. Most of these dividends relate to the dividends paid by TUI Travel PLC and RIUSA II S.A. The interest paid on the hybrid capital issued by TUI AG also has to be shown as a dividend in accordance with IFRS rules.

In the framework of long-term incentive programmes, TUI Travel PLC operates stock option plans serviced with shares for its employees. In financial year 2011/12, these stock option plans resulted in an increase in other revenue reserves of €16.4m outside profit and loss.

The differences (€ − 29.9m) between acquired equity and costs to purchase which arose from the acquisition of non-controlling interests, in particular in TUI Travel PLC, were directly eliminated against other revenue reserves.

Foreign exchange differences comprise differences from the translation of the financial statements of foreign subsidiaries as well as differences from the translation of goodwill denominated in foreign currencies.

Changes in the value of financial assets available for sale are taken to or eliminated against revenue reserves outside profit and loss. With the disposal of the hybrid instrument granted to Hapag-Lloyd Holding AG, the changes in the value of financial assets, previously carried outside profit and loss, had to be reclassified to the consolidated income statement through profit and loss.

The revaluation reserve for cash flow hedges comprises the portion of gains and losses from hedges determined as effective hedges of future cash flows. When a hedged transaction has an effect on results or is no longer assessed as probable, the reserve is reversed through profit and loss in the same period. Pre-tax results directly to be eliminated against equity totalled €−67.9m.

The revaluation reserve formed in accordance with IAS 27 (old version) in the framework of step acquisitions of companies is retained until the date of deconsolidation of the company concerned. In accordance with IAS 27 (revised), requiring prospective application, no new revaluation reserves are formed for step acquisitions since the changes in the fair values of the assets and liabilities of an acquired company arising in between the individual acquisition dates are taken through profit and loss based on the stake, which had not yet resulted in consolidation of the company concerned.

The reserve according to IAS 19 comprises gains and losses from changes in actuarial parameters in connection with the measurement of pension obligations and the associated fund assets, carried outside profit and loss. In financial year 2011/12, the reserve in accordance with IAS 19 decreased by €284.4 before taxes mainly because of lower long-term interest rate levels.

(29) Hybrid capital

In accordance with IAS 32, the subordinated hybrid capital issued by TUI AG in December of financial year 2005, worth a nominal volume of €300.0m, constitutes Group equity. The borrowing costs of €8.5m were deducted from the hybrid capital outside profit and loss, taking account of deferred taxes. Dividend entitlements of the hybrid capital investors are deferred as Other financial liabilities until the payment date.

(30) Non-controlling interests

Non-controlling interests mainly relate to companies of TUI Travel PLC and TUI Hotels & Resorts, in particular the RIUSA II Group.

Negative non-controlling interests which arose before the balance sheet date of 31 December 2008 were eliminated against other revenue reserves. Interests that have newly arisen since 1 January 2009 are directly carried in the balance sheet item Non-controlling interests.

Other comprehensive income of non-controlling interests

	2011/12	2010/11
	€ million	
Foreign exchange differences	−49.3	−23.7
Financial instruments available for sale	3.0	−0.4
Cash flow hedges	−44.9	46.2
Actuarial losses from pension provisions and related fund assets	−74.7	−45.5
Changes in the measurement of companies measured at equity	−0.6	—
Total	**−166.5**	**−23.4**

(31) Pension provisions and similar obligations

A number of defined contribution plans and defined benefit pension plans are operated for Group employees. Pension obligations vary, reflecting the different legal, fiscal and economic conditions in each country of operation and usually depend on employees' length of service and pay levels. All defined contribution plans are funded by the payment of contributions to external insurance companies or funds, whilst defined benefit plans entail the formation of provisions within the Company or investments in funds outside the Company.

German employees enjoy benefits from a statutory defined contribution plan paying pensions as a function of employees' income and the contributions paid in. Several additional industry pension organisations exist for companies of the TUI Group. Once the contributions to the staterun pension plans and private pension insurance organisations have been paid, the Company has no further payment obligations. Current contribution payments are expensed for the respective period. In financial year 2011/12, the pension costs for all defined contribution plans totalled €34.9m (previous year €31.4m).

In the period under review, a total expense of €67.7m arose for the Group for defined benefit pension plans. The income of €4.0m posted in the prior year was essentially attributable to changes in defined benefit pension plans in the UK.

Pension costs for defined benefit obligations

	2011/12	2010/11
	€ million	
Current service cost for employee service in the period	35.5	39.9
Curtailment gains	—	74.2
Interest cost	122.2	115.4
Expected return on external plan assets	89.5	85.5
Past service cost	−0.5	0.4
Total	**67.7**	**−4.0**

Provisions for pension obligations are established for benefits payable in the form of retirement, invalidity and surviving dependants' benefits. Provisions are exclusively formed for defined benefit schemes under which the Company guarantees employees a specific pension level. Provisions for similar obligations cover in particular early retirement and temporary assistance benefits.

Development of pension provisions and similar obligations

	Balance as at 30 Sep 2011	Changes with no effect on profit and loss[1)]	Actuarial gains and losses	Utilisation	Addition	Balance as at 30 Sep 2012
			€ million			
Pension provisions	863.9	27.6	271.7	94.5	52.3	1,121.0
Similar obligations	50.2	−0.4	11.6	1.0	5.2	65.6
Total	**914.1**	**27.2**	**283.3**	**95.5**	**57.5**	**1,186.6**

(1) Reclassifications, transfers, exchange differences and changes in group of consolidated companies

The actuarial gains and losses which arose in financial year 2011/12 were taken to or eliminated against equity outside profit and loss, causing the indicated movement in pension provisions outside profit and loss.

Where the defined benefit pension obligations are not financed by provisions, they are funded externally. This type of funding of pension obligations prevails to a considerable extent in the UK, but also in Switzerland and the Netherlands.

While the fund assets are determined on the basis of the fair values of invested funds as at 30 September 2012, pension obligations are measured on the basis of actuarial calculations and assumptions. The obligations under defined benefit plans are calculated on the basis of the internationally accepted projected unit credit method, taking account of expected future increases in salaries and pensions.

Actuarial parameters for German companies

	2011/12	2010/11
	Percentage p. a.	
Discount rate	3.25	4.75
Projected future salary increases	2.0 – 2.5	2.0 – 2.5
Projected future pension increases	2.0 – 2.17	1.0 – 2.17

Determination of the interest rate applicable in discounting the provision for pensions is based on an index for corporate bonds adjusted for securities already downgraded and under observation by rating agencies as well as subordinate bonds in order to meet the criterion for first-rate bonds required under IAS 19. In order to cover a correspondingly broad market, an index based on shorter-terms bonds is used. The resulting interest rate structure is extrapolated on the basis of the yield curves for almost risk-free bonds, taking account of an appropriate risk mark-up reflecting the term of the obligation.

Actuarial calculations for companies abroad are based on specific parameters for each country concerned.

Actuarial assumptions for foreign companies

	2011/12			2010/11		
	Discount rate	Expected return on plan assets	Projected future salary increases	Discount rate	Expected return on plan assets	Projected future salary increases
	Percentage p. a.					
Eurozone	3.25	2.6	2.0 – 3.0	4.75	4.9 – 5.9	3.0 – 5.0
UK	4.5	5.6	2.5	5.25	6.1 – 6.2	2.5
Rest of Europe	2.0	2.0	1.0 – 2.0	2.5	2.5	1.0 – 2.0
North America	4.5	3.5	3.5	4.55	4.0	3.5

Development of projected benefit obligations

	2011/12	2010/11
	€ million	
Net present value of actual pension obligations at beginning of year	**2,350.9**	**2,349.6**
Current service cost	35.5	39.9
Curtailments	—	− 74.2
Interest cost	122.2	115.4
Pensions paid	− 130.6	− 113.5
Contributions paid by pension beneficiaries	2.6	5.0
Actuarial losses (+)	377.5	22.7
Exchange differences	143.3	− 7.8
Other	− 1.1	13.8
Net present value of actual pension obligations at year-end	**2,900.3**	**2,350.9**

In the financial year under review, pension obligations rose by €549.4m to €2,900.3m, mainly due to considerably lower interest rates in the UK and the Eurozone.

Development of the fair value of fund assets

	2011/12	2010/11
	€ million	
Fair value of fund assets at beginning of period	**1,437.1**	**1,437.7**
Expected return on external plan assets (–)	− 89.5	− 85.5
Actuarial gains (–) / losses (+) of the current year	− 93.1	72.9
Exchange differences	113.6	− 4.4
Employer’s contributions paid in	73.0	65.2
Contributions paid by the beneficiaries of the plan	2.6	5.0
Pensions paid	− 95.1	− 79.0
Fair value of fund assets at end of period	**1,713.8**	**1,437.1**
of which dividend-carrying securities	625.0	673.1
of which bonds	713.7	561.8
of which property, plant and equipment	87.5	17.8
of which cash	18.8	24.5
of which other	268.8	159.9

The fair values of fund assets increased considerably year-on-year. At expected returns of €89.5m (previous year €85.5m), the funds generated actual returns of €182.6m (previous year €12.6m). The resulting actuarial gains are primarily based on the year-on-year increase in prices in the international securities markets.

The assumptions used in determining the expected return on external fund assets are based on the actual fund structure and are oriented to the future long-term returns for the individual fund categories. Further factors taken into account are the current interest rate level and the inflation trend.

For the forthcoming financial year, the companies of the TUI Group are expected to contribute around €73.8m to the pension funds and pay pensions worth €39.7m in the framework of nonfunded plans.

Reconciliation of projected benefit obligations to pension obligations recognised in the statement of financial position

	30 Sep 2012			30 Sep 2011		
	Plans with obligation in excess of assets	Plans with assets in excess of obligation	Total	Plans with obligation in excess of assets	Plans with assets in excess of obligation	Total
	€ million					
Actual projected benefit of fully or partly funded pension obligations	2,286.6	10.7	2,297.3	1,852.9	9.6	1,862.5
Fair value of external plan assets	1,703.0	10.8	1,713.8	1,426.3	10.8	1,437.1
Deficit respectively excess	**583.6**	**– 0.1**	**583.5**	**426.6**	**– 1.2**	**425.4**
Actual net present value of non-funded pension obligations			603.0			488.4
Net projected benefit obligation			**1,186.5**			**913.8**
Adjustment for past service cost			—			– 0.9
Net recognised liability			**1,186.5**			**912.9**
of which capitalised assets			0.1			1.2
Provisions for pensions and similar obligations			**1,186.6**			**914.1**
of which provisions for pensions for non-funded obligations			603.0			487.5
of which provisions for pensions for funded obligations			583.6			426.6

Since the TUI Group used the option of immediately recognising the actuarial gains and losses directly in equity in the year in which they arose, the TUI Group's total pension obligations were fully shown in the statement of financial position, netted against existing fund assets.

Where plan assets exceed obligations with regard to funded pension obligations, taking account of a difference due to past service cost, and where at the same time there is an entitlement to reimbursement or reduction of future contribution payments to the fund, the excess is capitalised in conformity with the upper limit defined by IAS 19.

Year-on-year comparison of the principal amounts related to pension obligations

	2011/12	2010/11	2009/10	SFY 2009	2008
	€ million				
Projected benefit obligations at year-end	2,900.3	2,350.9	2,349.6	2,071.7	1,696.2
Fund assets at year-end	1,713.8	1,437.1	1,437.7	1,202.8	980.4
Excess (–)/deficit (+) at year-end	1,186.5	913.8	911.9	868.9	715.8
Actuarial gains (–)/losses (+) of the current year from the obligations	377.5	22.7	122.1	296.2	– 192.8
of which experience adjustments	15.3	26.5	– 3.8	4.0	22.7
Actuarial gains (–)/losses (+) of the current year from fund assets	– 93.1	72.9	– 46.1	– 93.6	298.9

At 30 September 2012, the net actuarial losses before deferred taxes carried and eliminated against equity outside profit and loss by that date totalled €1,091.8m (previous year €746.6m).

(32) Other provisions

Development of provisions in the financial year 2011/12

	Balance as at 30 Sep 2011	Changes with no effect on profit and loss[1)]	Usage	Reversal	Addition	Balance as at 30 Sep 2012
			€ million			
Personnel costs	89.7	6.2	27.7	18.1	62.8	112.9
Typical operating risks	32.7	− 18.9	2.7	2.0	4.4	13.5
Maintenance provisions	509.0	2.0	189.3	39.3	217.7	500.1
Risks from onerous contracts	65.3	3.0	46.1	—	3.1	25.3
Guarantee and liability risks	11.8	− 3.9	1.6	0.3	2.4	8.4
Provisions for other taxes	47.7	− 15.7	8.9	0.4	30.5	53.2
Miscellaneous provisions	264.3	20.9	43.0	52.2	143.9	333.9
Other provisions	**1,020.5**	**− 6.4**	**319.3**	**112.3**	**464.8**	**1,047.3**

1) Reclassificatons, transfers, exchange difference and changes in the group of consolidated companies

Other provisions

Provisions for personnel costs comprise provisions for redundancy plans and jubilee benefits as well as provisions for share-based payment schemes with cash compensation in accordance with IFRS 2.

In the framework of a long-term incentive programme, an Executive Board member and other senior executive staff of the Group are granted bonuses, translated into phantom stocks in TUIAG on the basis of an average share price. The phantom shares are calculated on the basis of Group earnings before taxes and amortisation of goodwill (underlying EBTA). The translation into phantom stocks is based on the average stock price of the TUI share on the 20 trading days following the Supervisory Board meeting at which the annual financial statements are approved. The number of phantom stocks granted in a financial year is therefore only determined in the subsequent year. Following a lock-up period of two years, the individual beneficiaries are free to exercise their right to cash payment from this bonus within predetermined timeframes. This lockup period is not applicable if a beneficiary leaves the Company. The payment level depends on the average stock price of the TUI share over a period of 20 trading days after the exercise date. There are no absolute or relative return or stock price targets. A cap has been agreed for exceptional, unforeseen developments. Since the strike price is €0 and the incentive programme does not entail a vesting period, the fair value corresponds to the intrinsic value and hence the market price at the balance sheet date. Accordingly, the fair value of the obligation is determined by multiplying the number of phantom shares with the stock price at the respective reporting date.

Executive Board members whose remuneration was changed to a new remuneration system as from 1 January 2010 take part in a long-term incentive programme also based on phantom stocks. Under this programme, phantom shares are granted upon completion of a four-year service period—for the first time at the close of financial year 2012/13—and are determined by comparing the development of Total Shareholder Return (TSR) of TUI AG with the development of the Dow Jones Stoxx 600 Travel & Leisure. The fair value of the phantom stocks granted in the completed financial year is carried as remuneration for the current financial year based on a degree of target achievement of 100%.

Development of phantom shares

	Number of shares	Present value
	€ million	
Balance as at 30 Sep 2010	**981,765**	**8.8**
Phantom shares granted	169,924	1.7
Phantom shares exercised	145,424	− 1.0
Measurement results	—	− 6.0
Balance as at 30 Sep 2011	**1,006,265**	**3.5**
Phantom shares granted	349,553	1.6
Phantom shares exercised	157,738	− 1.0
Measurement results	—	3.4
Balance as at 30 Sep 2012	**1,198,080**	**7.5**

In financial year 2011/12, personnel expenses of €4.2m (previous year income of €3.5m) were carried through profit and loss due to share-based payments with cash compensation.

The TUI Travel Sector operates three principal share-based payment schemes linking employee remuneration to the future performance of the Sector: a Deferred Annual Bonus Scheme (DABS), a Deferred Annual Bonus Long-Term Incentive Scheme (DABLIS) and a Performance Share Plan (PSP).

Under the DA BS, DA BLIS and PSP, executive staff receive variable remuneration as a function of the relative development of three corporate performance indicators. Up to half the variable remuneration is determined by comparing the development of the return on invested capital (ROIC) to the development of the weighted average cost of capital (WACC). The remaining remuneration is determined by comparing the development of earnings per share (EPS) to the UK Retail Price Index and the total shareholder return (TSR) performance to the return in other capital market-oriented companies. This scheme will be exercised at the end of three years at the earliest and ten years at the latest.

Awards and shares granted and outstanding

	Number of shares	Date of first exercisability
Deferred Annual Bonus Scheme (DABS)	3,148,956	4 Dec 2012
	3,825,685	6 Dec 2013
	5,376,936	7 Dec 2014
Deferred Annual Bonus Long-term Incentive Scheme (DABLIS)	1,924,199	4 Dec 2012
	2,131,122	6 Dec 2013
	3,866,944	7 Dec 2014
Performance Share Plan (PSP)	1,864,433	4 Dec 2012
	695,082	19 Mar 2013
	1,988,854	6 Dec 2013
	3,234,113	7 Dec 2014
	193,242	1 Jun 2015
Total	**28,249,566**	

The table below lists the number of share options.

Development of the number of share options

	Number of shares
Outstanding at beginning of the financial year	26,346,949
Expired during the financial year	−4,784,495
Reclassified as share appreciation rights	−219,552
Exercised during the financial year	−5,882,575
Issued during the financial year	12,789,239
Balance as at 30 Sep 2012	**28,249,566**

The weighted average share price of the stock options exercised in the financial year under review is £1.66.

The fair value of services received in return for share options granted is measured by reference to the fair value of the share options granted. The estimate of the fair value of services received is usually determined using binomial models, depending on the vesting criteria, with the exception of the calculation of the fair value of plans only to be exercised under certain market conditions. The fair value of such plans is estimated using a Monte Carlo simulation.

Information relating to fair values of shares awarded

		2011/12	2010/11
Fair values at measurement date	£	0.90 – 1.50	1.50 – 1.90
Share price	£	1.70	2.30
Expected volatility	%	36.10	56.10
Expected dividends	%	4.50	5.60
Risk free interest rate	%	0.50	1.00

Participants are not entitled to dividends prior to vesting. Expected volatility is based on historic volatility adjusted for changes to future volatility indicated by publicly available information. Share options are granted under a service condition.

In financial year 2011/12, personnel costs of €19.4m (previous year €22.7m) relating to sharebased payment schemes were carried through profit and loss.

Restructuring provisions were formed where individual measures were sufficiently specific and a factual restructuring obligation existed. In financial year 2011/12, restructurings, mainly in the TUI Travel Sector, resulted in expenses of €63.2m (previous year €70.8m). At the balance sheet date, provisions for restructuring measures totalled €81.4m.

Maintenance provisions mainly comprise provisions for maintenance of leased aircraft. The provision declined by €27.5m in the period under review due to an adjustment of expected maintenance rates on account of improved fleet management. This decline was largely offset by foreign exchange effects.

Provisions for necessary environmental protection measures included in typical operating risks amounted to €9.1m (previous year €4.7m) at the balance sheet date.

In the period under review, other provisions rose above all due to the formation of provisions for litigation risks in several subsidiaries.

Where the difference between the present value and the settlement value of a provision is material for the measurement of a non-current provision as at the balance sheet date, the provision has to be recognised at its present value in accordance with IAS 37. The discount rate to be applied should take account of the specific risks of the provision and of future price increases. This criterion applies to some items contained in the TUI Group’s other provisions. Additions to other provisions comprise an interest portion of €16.5m (previous year €15.1m), recognised as interest expenses. The largest portion relates to additions to provisions for maintenance.

Terms to maturity of other provisions

	30 Sep 2012		30 Sep 2011	
	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
	€ million			
Personnel costs	19.3	112.9	33.4	89.7
Typical operating risks	1.6	13.5	15.6	32.7
Maintenance provisions	294.7	500.1	303.5	509.0
Risks from onerous contracts	15.2	25.3	13.6	65.3
Guarantee and liability risks	3.8	8.4	7.4	11.8
Provisions for other taxes	20.5	53.2	31.4	47.7
Miscellaneous provisions	182.4	333.9	143.7	264.3
Other provisions	**537.5**	**1,047.3**	**548.6**	**1,020.5**

(33) Financial liabilities

Financial liabilities

	30 Sep 2012				30 Sep 2011	
	up to 1 year	1 – 5 years	Remaining term more than 5 years	Total	Total	Remaining term more than 1 year
	€ million					
Convertible bonds	—	1,318.3	—	1,318.3	1,389.7	1,204.3
Other bonds	232.8	—	—	232.8	250.1	250.1
Liabilities to banks	306.1	175.5	84.5	566.1	886.7	730.4
Liabilities from finance leases	28.6	84.4	120.2	233.2	154.8	132.7
Financial liabilities due to nonconsolidated Group companies	6.8	0.3	—	7.1	17.6	0.2
Financial liabilities due to affiliates	—	11.6	—	11.6	11.2	—
Other financial liabilities	71.8	15.7	—	87.5	88.2	7.0
Total	**646.1**	**1,605.8**	**204.7**	**2,456.6**	**2,798.3**	**2,324.7**

Fair values and carrying amounts of the bonds issued (30 Sep 2012)

	Issuer	Volume initial	Volume outstanding	interest rate % p. a.	Debt component	Stock market value: Conversion options	Stock market value: Total	Carrying amount
				€ million				
2009/14 convertible bond	TUI AG	217.8	215.2	5.500	228.2	63.6	291.8	181.5
2011/16 convertible bond	TUI AG	339.0	339.0	2.750	312.6	7.6	320.2	291.1
2009/14 convertible bond	TUI Travel PLC	GBP 350.0	GBP 350.0	6.000	357.0	—	357.0	408.4
2010/17 convertible bond	TUI Travel PLC	GBP 400.0	GBP 400.0	4.900	392.0	—	392.0	437.3
2005/12 bond	TUI AG	450.0	233.0	5.125	233.8	—	233.8	232.8
2005/– hybrid capital	TUI AG	300.0	300.0	until Jan 2013 8.625 subsequently 3M EURIBOR plus 7.300	294.8	—	294.8	294.6

In accordance with the rules of IAS 32, the subordinated hybrid capital issued in December 2005 without a fixed term to maturity is not carried as a bond but shown as a separate Group equity item.

The nominal amount outstanding of €193.0m of the convertible bond issued on 1 July 2007 following early redemption transactions in financial year 2010/11 was also bought back ahead of maturity in the completed financial year so that the total acquired volume of €694.0m has been fully redeemed.

On 17 November 2009, TUI AG issued a five-year convertible bond worth €217.8m. This bond carries a fixed-interest coupon of 5.5% p. a. It was issued in denominations of €56.30. The conversion price is €5.63 per no-par value share. The volume outstanding as per 30 September 2012 for this bond totals €215.2m, taking account of conversions into shares.

A third convertible bond was issued on 24 March 2011 by TUI AG with a nominal value of €339.0m. The bond carries a fixed-interest coupon of 2.75% p. a. and will mature on 24 March 2016. It was issued in denominations of €59.26. The conversion price is €11.85 per share.

On 1 October 2009, TUI Travel PLC issued a convertible bond with a nominal value of £350.0m with a fixed-interest coupon of 6.0% p. a. and a conversion price of £3.493 per no-par value share. It will mature in October 2014. The bond was issued in denominations of £100,000.

On 22 April 2010, TUI Travel PLC issued another convertible bond. It has a nominal volume of £400.0m and denominations of £100,000. At a fixed-interest coupon of 4.9% p. a., it will mature in April 2017. The conversion price is £3.8234 per share.

The debt component of the convertible bonds was carried at present value upon issuance, taking account of an interest rate in line with market rates, and is increased by the interest portion for the period at every balance sheet date in accordance with the internationally customary effective interest method.

The senior fixed rate notes worth €450.0m issued in December 2005 carry a fixed nominal interest rate of 5.125% p. a. and are repayable in December 2012. The bonds have denominations of at least €50,000 with higher integral multiples of €1,000m. In financial year 2011/12, parts of the bonds with a nominal value of €18.2m were redeemed early.

(34) Trade payables

Trade payables

	30 Sep 2012	30 Sep 2011
	€ million	
To third parties	3,216.9	2,939.9
To non-consolidated Group companies	4.9	5.5
To affiliates	38.2	28.1
Total	**3,260.0**	**2,973.5**

(35) Derivative financial instruments

Derivative financial instruments

	30 Sep 2012				30 Sep 2011	
	up to 1 year	1 – 5 years	Remaining term of more than 5 years	Total	Remaining term of more than 1 year	Total
	€ million					
To third parties	163.1	30.9	0.9	194.9	73.7	231.4

Derivative financial instruments are carried at their fair value (market value). They primarily serve to hedge future business operations and are outlined in detail in the Notes to the financial instruments.

(36) Deferred and current tax liabilities

Deferred and current tax liabilities

	30 Sep 2012	30 Sep 2011
	€ million	
Deferred tax liabilities	69.5	120.7
Current tax liabilities	204.8	315.5
Total	**274.3**	**436.2**

The deferred tax liabilities include an amount of €56.5m (previous year €72.5m) to be realised in more than twelve months.

During an ongoing tax audit of TUI Travel's Accommodation & Destinations Business, the Spanish tax authorities objected in 2010 to the tax treatment of two transactions by the former First Choice Holidays PLC Group, undertaken in the period from 2000 to 2003, in determining Spanish income taxes. In the course of financial year 2012, a formal investigation procedure was initiated in order to examine potential tax offences. A judicial process may be instituted against managers involved in this matter, and penalties may be established, for which a Spanish subsidiary will be liable.

Not least due to independent legal and tax advice taken, TUI Travel PLC and the managers potentially concerned firmly believe that the risk of a potential judicial process is low.

A provision is held under the item Current income tax liabilities in order to cover the risk of nonrecognition of the tax deduction arising from the expenses for the two transactions.

(37) Other liabilities

Other liabilities

	30 Sep 2012				30 Sep 2011	
	up to 1 year	1 – 5 years	Remaining term of more than 5 years	Total	Remaining term of more than 1 year	Total
	€ million					
Other liabilities due to non-consolidated Group companies	14.4	0.8	—	15.2	—	1.1
Other liabilities due to affiliates	12.2	—	—	12.2	—	10.6
Other miscellaneous liabilities	167.6	40.9	0.2	208.7	57.2	200.0
Other liabilities relating to other taxes	52.8	—	—	52.8	1.0	40.7
Other liabilities relating to social security	50.8	—	—	50.8	0.1	49.2
Other liabilities relating to employees	130.3	8.5	—	138.8	2.9	137.3
Other liabilities relating to members of the Boards	2.9	—	—	2.9	2.8	7.3
Advance payments received	2,147.0	2.1	—	2,149.1	—	2,013.7
Other liabilities	**2,578.0**	**52.3**	**0.2**	**2,630.5**	**64.0**	**2,459.9**
Deferred income	79.6	15.7	—	95.3	41.1	108.0
Total	**2,657.6**	**68.0**	**0.2**	**2,725.8**	**105.1**	**2,567.9**

(38) Liabilities related to assets held for sale

In the period under review, the Group did not carry any liabilities related to assets held for sale (previous year €2.2m).

(39) Contingent liabilities

Contingent liabilities

	30 Sep 2012	30 Sep 2011
	€ million	
Liabilities under guarantees, bill and cheque guarantees due to non-consolidated Group companies	0.4	0.4
Other liabilities under guarantee, bill and cheque guarantees	478.1	497.1
Other liabilities under warranties	2.3	0.9
Total	**480.8**	**498.4**

Contingent liabilities are carried at an amount representing the best estimate of the expenditure that would be required to meet the present obligation as at the balance sheet date.

Liabilities under warranties are all contractual liabilities to third parties not to be classified as guarantees and going beyond the typical scope of the business and the industry.

Contingent liabilities as at 30 September 2012 are above all attributable to the granting of guarantees for the benefit of Hapag-Lloyd AG and TUI Cruises GmbH from the payment of collateralised ship financing schemes.

In the course of financial year 2012, the German tax administration issued a decree on the interpretation of the trade tax rate, changed with effect from financial year 2008. This decree, only binding on the tax administration, may be interpreted as indicating that expenses of German tour operators for the purchase of hotel beds are not fully deductible in determining the basis for the assessment of trade tax. In TUIAG's view, this interpretation of the law would be inappropriate, in particular because hotel purchasing contracts are mixed contracts also covering catering, cleaning, entertaining guests and other services characterising the purchased service. Such mixed contracts are fully deductible even according to the opinion voiced by the administration in 2012. TUI AG and other German tour operators have jointly requested the tax authorities to clarify their interpretation. Should the German tax authorities not share the opinion of the German travel industry, it is probable that fiscal court proceedings will take place over several years. As the Group has concluded many different contracts, quantifying this risk entails an element of uncertainty. According to our estimates, a risk of around €80m might arise for the period since 2008.

(40) Litigation

Neither TUIAG nor any of its subsidiaries have been involved in pending or foreseeable court or arbitration proceedings which might have a significant impact on their economic position or which has had such an impact in the past two years, with the exception of the litigation of the insolvency administrator of Babcock Borsig AG mentioned below. This also applies to actions claiming warranty, repayment or any other compensation brought forward in connection with the divestment of subsidiaries and businesses over the past few years.

In connection with the transfer in 1999 of various shareholdings to Babcock Borsig AG, which later became insolvent, the insolvency administrator of Babcock Borsig AG filed a claim against TUI AG in 2004 for alleged differential liability. When the action had been dismissed by the regional court of Frankfurt/Main and the higher regional court of Frankfurt, the Federal Supreme Court overturned the judgment of the higher regional court of Frankfurt in response to the plaintiff's appeal and remitted the case to the appeal court for further investigation. TUIAG continues to consider the action unfounded but nevertheless has formed an appropriate provision.

In 1999, the operator of the container terminal in Zeebrugge in Belgium filed an action for damages against CP Ships Ltd.—still part of TUI AG—and several of its subsidiaries due to an alleged breach of agreement in connection with the change of the Belgian port of call from Zeebrugge to Antwerp. To date, a court ruling has not yet been handed down. Meanwhile, the court has determined the timeframe for the documents to be submitted by the parties and fixed the date of the first oral proceedings in September 2013.

As in previous years, the respective Group companies formed adequate provisions, partly covered by expected insurance benefits, to cover all potential financial charges from court or arbitration proceedings. Overall, the future financial position is therefore unlikely to be substantially affected by such charges.

(41) Other financial commitments

Nominal and fair values of other financial commitments

	30 Sep 2011				30 Sep 2010	
	up to 1 year	1 – 5 years	Remaining term of more than 5 years	Total	Remaining term of more than 1 year	Total
	€ million					
Order commitments in respect of capital expenditure	945.5	913.6	86.7	1,945.8	1,907.1	2,258.9
Other financial commitments	126.2	96.5	—	222.7	86.3	201.7
Total	**1,071.7**	**1,010.1**	**86.7**	**2,168.5**	**1,993.4**	**2,460.6**
Fair value	**983.7**	**917.7**	**67.2**	**1,968.6**	**1,711.0**	**2,109.5**

The fair value of Other financial commitments was determined by means of discounting future expenses using a customary market interest rate of 3.25% p. a. (previous year 4.75% p. a.). If the previous year's interest rate of 4.75% p. a. had been applied, the fair value would have been €60.4m lower.

Order commitments in respect of capital expenditure relating almost exclusively to Tourism declined by €313.1m year-on-year as at 30 September 2012. This was due to current downpayments and the delivery of two B737-800s.

Financial commitments from operating lease, rental and charter contracts

	30 Sep 2012					30 Sep 2011	
	up to 1 year	1 – 5 years	5 – 10 years	Remaining term of more than 10 years	Total	Remaining term of more than 1 year	Total
				€ million			
Aircraft	357.7	785.1	248.5		1,391.3	1,028.2	1,377.7
Hotel complexes	203.7	405.0	69.4	10.8	688.9	535.3	859.6
Travel agencies	83.2	180.8	67.1	23.0	354.1	283.5	365.1
Administrative Buildings	49.5	133.7	76.9	66.4	326.5	297.8	351.1
Ships, Yachts and motor boats	95.4	118.8	2.0	—	216.2	188.9	269.3
Other	37.7	42.6	8.5	23.8	112.6	37.8	65.3
Total	**827.2**	**1,666.0**	**472.4**	**124.0**	**3,089.6**	**2,371.5**	**3,288.1**
Fair value	**801.1**	**1,513.4**	**365.7**	**90.1**	**2,770.3**	**1,954.2**	**2,829.2**

The fair value of Other financial commitments was determined by means of discounting future expenses using a customary market interest rate of 3.25% p. a. (previous year 4.75% p. a.). If the previous year's interest rate of 4.75% p. a. had been applied, the fair value would have been €127.5m lower.

The commitments from lease, rental and leasing agreements exclusively relate to leases that do not transfer all the risks and rewards of ownership of the assets to the companies of the TUI Group in accordance with IASB rules (operating leases).

As a rule, operating leases for aircraft do not include a purchase option. Current lease payments usually do not include any maintenance costs. The basic lease term is usually around five years.

The decrease as against 30 September 2011 results above all from the contractual payment of rental obligations for hotel and club facilities.

Financial instruments

Risk and risk management

Risk management principles

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

In accordance with the Group's corporate financial goal, financial risks have to be limited. In order to achieve that goal, policies and rules applicable throughout the Group have been defined, fixing binding decision bases, competencies and responsibilities for all financial transactions.

In the framework of the merger of TUI's tourism activities with First Choice to form TUI Travel PLC in 2007, responsibilities were divided up differently for central cash management, which was previously managed by TUI AG alone, and central financial risk management. TUI Travel PLC performs these tasks for the Group's Tourism Segment, while TUIAG continues to be responsible for these functions for all other business operations of the Group.

The individual financing units, rules, competencies and workflows as well as limits for transactions and risk positions have been defined in policies. The trading, settlement and controlling functions have been segregated in functional and organisational terms. Compliance with the policies and limits is continually monitored. As a matter of principle, all hedges by the Group are based on correspondingly recognised or future underlying transactions. Recognised standard software is used for assessing, monitoring and reporting the hedges entered into. The processes, the methods applied and the organisation of risk management are reviewed for compliance with the relevant regulations on at least an annual basis by the internal audit departments and external auditors.

Within the TUI Group, financial risks primarily arise from payment flows in foreign currencies, fuel requirements (aircraft fuel and bunker oil) and financing via the money and capital markets. In order to limit the risks from changes in exchange rates, market prices and interest rates for underlying transactions, TUI uses derivative over-the-counter financial instruments. These are primarily fixed-price transactions. In addition, TUI also uses options and structured products to a minor extent. Use of derivative financial instruments is confined to internally fixed limits and other regulations. As a matter of principle, the instruments used have to be controllable with the respective entity's own (HR, organisational and systems) resources. The transactions are concluded on an arm's length basis with contracting counterparties operating in the financial sector whose counterparty risk is regularly monitored. Foreign exchange translation risks from the consolidation of Group companies not preparing their accounts in euros are not hedged.

Market risk

Market risks result in fluctuations in earnings, equity and cash flows. In order to limit or eliminate these risks, the TUI Group has developed various hedging strategies, including the use of derivative financial instruments.

According to IFRS 7, market risks have to be presented using sensitivity analyses showing the effects of hypothetical changes in relevant risk variables on profit or loss and equity. The effects for the period are determined by relating the hypothetical changes in risk variables to the portfolio of primary and derivative financial instruments as at the balance sheet date. Care is taken to ensure that the respective portfolio as at the balance sheet date is representative for the financial year.

The analyses of the TUI Group's risk reduction activities outlined below and the amounts determined using sensitivity analyses represent hypothetical and thus uncertain disclosures entailing risks. Due to unforeseeable developments in the global financial markets, actual results may deviate substantially from the disclosures provided. The risk analysis methods used must not be considered a projection of future events or losses, since the TUI Group is also exposed to risks of a non-financial or non-quantifiable nature. These risks primarily include country, business and legal risks not covered by the following presentation of risks.

Currency risk

The operational business of the TUI Group's companies generates payments denominated in foreign currencies, which are not always matched by congruent payments with equivalent terms in the same currency. Using potential netting effects (netting of payments made and received in the same currency with identical or similar terms), the TUI Group enters into appropriate hedges with external counterparties in order to limit the currency risk.

Currency hedges in Tourism are entered into when the calculated brochure prices have been fixed and cover 50% to 100% of the planned currency requirements for the respective tourism season, depending on the risk profile of the company concerned. The hedged volumes are changed in line with changes in planned requirements on the basis of reporting by the subsidiaries.

Currency hedging in the Cruises Sector is also based on the reports submitted by the companies. The hedges cover 80% to 100% of the reported exposure.

Within the TUI Group, risks from exchange rate fluctuations of more than 20 currencies are hedged, with the largest hedging volumes relating to US dollars, euros and sterling.

The largest hedging volume in the operational business relates to US dollars. In the tourism business, payments in US dollars primarily relate to the procurement of services in non-European destinations, purchases of aircraft fuel and aircraft purchases or respective lease rates.

The Eurozone limits the currency risk from transactions in the key tourist destinations to Group companies whose functional currency is not the euro. The Tourism Segment and primarily the Northern Region are mainly affected by changes in the value of the US dollar and the euro.

Currency risks within the meaning of IFRS 7 arise from primary and derivative monetary financial instruments issued in a currency other than the functional currency of a company. Exchange rate-related differences from the translation of financial statements into the Group's currency are not taken into account. Taking account of the different functional currencies within the TUI Group, the sensitivity analyses of the currencies identified as relevant risk variables are presented below.

A 10% strengthening or weakening of the respective functional currencies, primarily euro and sterling, against the other currencies would create the following effects on the revaluation reserve and earnings after tax.

Sensitivity analysis—currency risk

Variable: Foreign exchange rate	30 Sep 2012		30 Sep 2011	
	+ 10%	− 10%	+ 10%	− 10%
	€ million			
Exchange rates of key currencies				
€/US dollar				
Revaluation reserve	− 99.0	+ 98.6	− 90.2	+ 90.2
Earnings after income taxes	+ 3.3	− 2.7	− 2.7	+ 2.7
€/Pound sterling				
Revaluation reserve	+ 105.2	− 105.2	+ 97.5	− 97.5
Earnings after income taxes	+ 123.8	− 123.8	+ 108.7	− 108.7
Pound sterling/US dollar				
Revaluation reserve	+ 1.4	− 1.4	− 102.3	+ 102.3
Earnings after income taxes	+ 11.1	− 11.1	− 45.3	+ 45.3
€/Swiss franc				
Revaluation reserve	− 2.5	+ 2.6	+ 3.2	− 3.2
Earnings after income taxes	− 11.6	+ 11.6	+ 4.0	− 4.0
€/Swedish krona				
Revaluation reserve	+ 20.8	− 20.8	+ 16.7	− 16.7
Earnings after income taxes	− 10.1	+ 10.1	− 3.6	+ 3.6

Interest rate risk

Market value interest rate risks, i. e. exposure to potential fluctuations in the fair value of a financial instrument resulting from changes in market interest rates, arise primarily from medium- and long-term fixed-interest receivables and liabilities. For bonds issued, the fair values deviate from recognised carrying amounts. However, since these financial instruments are carried at amortised cost rather than at fair value as a matter of principle, no direct effects arise for either equity nor profit and loss.

In the period under review, the TUI Group was exposed to earnings-related risks (cash flow interest rate risks) for balance sheet items and financial derivatives.

Sensitivity analysis—interest rate risk

Variable: Interest rate level for floating interest-bearing debt and fixed-interest bearing loans	30 Sep 2012		30 Sep 2011	
	+ 100 basis points	− 100 basis points	+ 100 basis points	− 100 basis points
	€ million			
Revaluation reserve	+ 0.2	—	+ 1.5	− 1.1
Earnings after income taxes	− 0.8	+ 1.6	+ 2.8	− 2.2
Equity—available for sale financial instruments	—	—	− 13.6	+ 14.2

Fuel price risk

Due to the nature of its business operations, the TUI Group is exposed to market price risks from the procurement of fuels, both for the aircraft fleet and the cruise ships. Hedging of market price risks from the purchase of aircraft fuel is based on the hedging model of the Tourism companies. When calculating the exposure for the season concerned, at least 80% of the exposure is hedged. Possibilities of levying fuel surcharges are taken into account.

Hedging of fuel price risks in the Cruises Sector is based on financial derivatives. At least 80% of the relevant exposure is hedged.

Sensitivity analysis—fuel price risk

Variable: Fuel prices for aircraft and ships	30 Sep 2012		30 Sep 2011	
	+ 10%	− 10%	+ 10%	− 10%
	€ million			
Revaluation reserve	+ 94.9	− 94.9	+ 80.8	− 84.2
Earnings after income taxes	+ 0.5	− 0.3	+ 3.5	− 3.8

Other price risk

Apart from the currency, interest rate and fuel price risk, the TUI Group is exposed to other price risks due to one-off items.

In financial year 2009/10, TUI Travel PLC issued a convertible bond for which the TUI Group entered into a buyback obligation. It is treated separately in the form of a forward transaction and included as a hedge in the framework of hedge accounting. A 10% increase or decrease in the bond price compared with the measurement as at 30 September 2012 would change the revaluation reserve by €+ 12.6m/€ − 12.6m (previous year €+ 7.8/€ − 7.8m).

Moreover, an assumed change in the underlying price of + / − 10% for the equity investment in AirBerlin would have an effect of €+ 0.5m (previous year €+ / − 0.9m) on the revaluation reserve as at 30 September 2012 or € − 0.5m on earnings after tax.

For the sensitivity analysis of the indirect shareholding in National Air Traffic Services (NATS), reference is made to the comments on the performance of Level 3 financial instruments.

Credit risk

The credit risk in non-derivative financial instruments results from the risk of counterparties defaulting on their contractual payment obligations.

Maximum credit risk exposure is defined by the total of the recognised carrying amounts of the financial assets (including derivative financial instruments with positive market values) on the one hand and the granting of financial guarantees on the other. Details concerning the guarantees at the balance sheet date are presented in Note 39. Legally enforceable possibilities of netting financial assets and liabilities are taken into account. The credit risk is minimised due to the strict requirements placed on the counterparties' solvency. Credit risks are reviewed closely on conclusion of the contract and continually monitored thereafter so as to be able to swiftly respond to potential impairments in a counterparty's solvency. As a matter of principle, responsibility for handling the credit risk relating to the operative business is held by the individual Group companies of the TUI Group. Depending on the type of business activity and level of the credit limit, additional monitoring and control activities are effected at Group level.

Since the TUI Group operates in many different business areas and regions, significant credit risk concentrations of receivables from and loans to specific debtors or groups of debtors are not to be expected. A significant concentration of credit risks related to specific countries is not to be expected either. The maximum credit risk is reduced by collateral held and other credit enhancements of €2.6m (previous year €0.0m). Collateral held relates exclusively to financial assets of the category trade accounts receivable and other receivables. The collateral mainly constitutes collateral for financial receivables granted and maturing in more than one year and/or with a volume of more than €1m. Rights in rem, directly enforceable guarantees, bank guarantees and comfort letters are used as collateral.

Identifiable credit risks of individual receivables are covered by means of corresponding bad debt allowances. In addition, portfolios are impaired based on empirical values. An analysis of the aging structure of the category trade receivables and other assets is presented in Note 20.

At the balance sheet date, there were no financial assets that would be overdue or impaired unless the terms and conditions of the contract had been renegotiated, neither in financial year 2011/12 nor in 2010/11.

Credit management also covers the TUI Group's derivative financial instruments. The maximum credit risk for derivative financial instruments entered into is limited to the total of all positive market values of these instruments since in the event of counterparty default asset losses would only be incurred up to that amount. Since derivative financial instruments are concluded with different debtors, credit risk exposure is reduced. Nevertheless, the counterparty risk is continually monitored and controlled using internal bank limits.

Liquidity risk

Liquidity risks consist of potential financial shortages and resulting increases in refinancing costs. For this reason, the key objectives of TUI's internal liquidity management system are to secure the Group's liquidity at all times, consistently comply with contractual payment obligations and optimise the cost situation for the overall Group. The Group's liquidity requirements are determined by means of liquidity planning and are covered by committed credit lines and liquid funds so that the Group's liquidity is guaranteed at all times.

The tables provided below list the contractually agreed (undiscounted) cash flows of primary financial liabilities and derivative financial instruments.

Cash flow of financial instruments (30 Sep 2012)

		Cash in-/outflow until 30 Sep		
	2013	2014	2015-2017	as of 2017
	€ million			
Financial liabilities				
Bonds	− 260.1	− 21.2	− 1,419.7	—
Liabilities to banks	− 308.0	− 213.1	− 54.9	− 41.3
Liabilities from finance leases	− 28.5	− 18.7	− 65.1	− 114.2
Financial liabilities due to non-consolidated Group companies	—	—	—	—
Financial liabilities due to affiliates	− 1.4	—	− 11.6	—
Other financial liabilities	− 124.4	− 12.7	− 1.3	− 0.2
Trade payables	− 3,256.5	—	—	—
Other liabilities	− 58.5	− 2.2	− 13.2	− 1.4
Derivative financial instruments				
Hedging transactions – inflows	+ 6,001.4	+ 1,064.2	+ 7.3	—
Hedging transactions – outflows	− 6,068.0	− 1,075.6	− 7.2	—
Other derivative financial instruments – inflows	+ 4,675.8	+ 34.4	—	—
Other derivative financial instruments – outflows	− 4,689.6	− 34.8	—	—

Cash flow of financial instruments (30 Sep 2011)

		Cash in-/outflow until 30 Sep		
	2012	2013	2014 – 2016	as of 2016
	€ million			
Financial liabilities				
Bonds	− 232.3	− 278.7	− 1,351.4	− 483.5
Liabilities to banks	− 138.2	− 590.3	− 202.5	− 62.0
Liabilities from finance leases	− 47.7	− 17.5	− 54.3	− 66.5
Financial liabilities due to non-consolidated Group companies	− 17.4	—	− 0.2	—
Financial liabilities due to affiliates	− 11.2	—	—	—
Other financial liabilities	− 81.2	—	− 0.5	− 6.5
Trade payables	− 2,973.5	—	—	—
Other liabilities	− 1.1	—	—	—
Derivative financial instruments				
Hedging transactions – inflows	+ 6,457.2	+ 942.5	+ 17.5	—
Hedging transactions – outflows	− 6,330.8	− 906.6	− 15.4	—
Other derivative financial instruments – inflows	+ 3,722.7	+ 90.2	—	—
Other derivative financial instruments – outflows	− 3,718.5	− 89.2	—	—

The cash flow analysis covers all primary and derivative financial instruments as at the balance sheet date. Planned payments for new future liabilities have not been taken into account. Where financial liabilities have a floating interest rate, the forward interest rates fixed as at the balance sheet date are applied. Financial liabilities cancellable at any time are allocated to the earliest maturity band.

Derivative financial instruments and hedges

Strategy and goals

In accordance with the TUI Group's implementing regulations, derivatives are allowed to be used if they are based on underlying recognised assets or liabilities, firm commitments or forecasted transactions. Hedge accounting is based on the rules of IAS 39, in particular in the framework of hedging against exposure to fluctuations in future cash flows. In the financial year under review, hedges primarily consisted of cash flow hedges.

Price hedging instruments in the form of forward transactions and options are used to limit currency, interest rate and fuel risks.

Cash flow hedges

As at 30 September 2012, underlying transactions existed to hedge cash flows in foreign currencies with maturities of up to three years (previous year up to four years). The planned underlying transactions of fuel price hedges had terms of up to three years (previous year up to three years). In order to hedge TUIAG's variable interest payment obligations from the convertible bond issued by TUI Travel PLC, interest hedges with a term of up to two years (previous year up to three years) were concluded in financial year 2010/11.

In accounting for derivatives of cash flow hedges, the effective portion of the cumulative changes in market values is carried in the revaluation reserve outside profit and loss until the underlying transaction occurs. It is carried in the income statement through profit and loss when the hedged item is executed. In the financial year under review, income of €21.7m (previous year expenses of €20.6m) for currency hedges and derivative financial instruments used as price hedges as well as for interest hedges was carried in the cost of sales and administrative expenses. Income of €1.3m (previous year expenses of €1.3m) was carried from the ineffective portion of the cash flow hedges.

Nominal amounts of derivative financial instruments used

	30 Sep 2012			30 Sep 2011	
	up to 1 year	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
			€ million		
Interest rate hedges					
Caps	—	212.7	212.7	207.7	207.7
Swaps	—	62.7	62.7	57.7	57.7
Currency hedges					
Forwards	10,417.4	1,079.3	11,496.7	1,317.2	11,899.8
Options	22.8	77.6	100.4	—	—
Collected forwards	576.8	70.8	647.6	66.0	310.4
Commodity hedges					
Swaps	1,226.9	259.2	1,486.1	218.2	1,134.1
Options	109.7	19.8	129.5	137.5	137.5
Other financial instruments	**—**	**—**	**—**	**173.1**	**173.1**

The nominal amounts correspond to the total of all purchase or sale amounts or the contract values of the transactions.

Fair values of derivative financial instruments

As a matter of principle, the fair values of derivative financial instruments correspond to the market values. The market price determined for all derivative financial instruments is the price at which a contracting party would take over the rights and/or obligations of the respective counterparty. The fair value of over-the-counter derivatives is determined by means of appropriate calculation methods, e. g. by discounting the expected future cash flows. The forward prices of forward transactions are based on the spot or cash prices, taking account of forward premiums and discounts. The calculation of the fair values of currency options is based on the Black & Scholes model and the Turnbull & Wakeman model for optional fuel hedges. The fair values determined on the basis of the Group's own systems are regularly compared with fair value confirmations of external counterparties.

Positive and negative fair values of derivative financial instruments shown as receivables or liabilities

	30 Sep 2012		30 Sep 2011	
	Receivables	Liabilities	Receivables	Liabilities
		€ million		
Cash flow hedges for currency risks	79.0	137.3	139.4	48.3
other market price risks	56.6	23.1	64.3	110.5
interest rate risks	0.2	1.7	0.4	0.2
Hedging	**135.8**	**162.1**	**204.1**	**159.0**
Other derivative financial instruments	**24.1**	**32.8**	**70.7**	**72.4**
Total	**159.9**	**194.9**	**274.8**	**231.4**

Financial instruments which are entered into in order to hedge a risk position according to operational criteria but do not meet the strict criteria of IAS 39 to qualify as hedges are shown as other derivative financial instruments. They include in particular foreign currency transactions entered into in order to hedge against exposure to changes in the value of balance sheet items and foreign exchange fluctuations from future expenses in Tourism.

Financial instruments—additional disclosures

Carrying amounts and fair values

The fair value of a financial instrument is the amount for which an asset could be exchanged, sold or purchased, or a liability settled, between knowledgeable and willing parties in an arm's length transaction. Where financial instruments are listed in an active market, e. g. above all shares held and bonds issued, the fair value is the respective quotation in this market. For over-the-counter bonds, liabilities to banks, promissory notes and other non-current financial liabilities, the fair value is determined as the present value of future cash flows, taking account of yield curves and the TUI Group's credit spread, which depends on its credit rating.

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

The fair values of non-current trade receivables and other assets correspond to the present values of the cash flows associated with the assets, taking account of current interest parameters which reflect market- and counterparty-related changes in terms and expectations.

Carrying amounts and fair values according to classes and measurement categories as at 30 Sep 2012

		Category under IAS 39						
	Carrying amount	At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss	Values according to IAS 17 (leases)	Carrying amount of financial instruments	Fair value of financial instruments
	€ million							
Assets								
Available for sale financial assets	75.5	—	60.9	14.6	—	—	75.5	75.5
Trade receivables and other assets	2,314.1	1,142.4	—	—	37.6	—	1,180.0	1,180.0
Derivative financial instruments								
Hedging	135.8	—	—	135.8	—	—	135.8	135.8
Other derivative financial instruments	24.1	—	—	—	24.1	—	24.1	24.1
Cash and cash equivalents	2,278.4	2,278.4	—	—	—	—	2,278.4	2,278.4
Assets held for sale	16.5	—	—	—	—	—	—	—
Liabilities								
Financial liabilities	2,456.6	2,223.4	—	—	—	233.2	2,456.6	2,527.2
Trade payables	3,260.0	3,256.5	—	—	—	—	3,256.5	3,256.5
Derivative financial instruments								
Hedging	162.1	—	—	162.1	—	—	162.1	162.1
Other derivative financial instruments	32.8	—	—	—	32.8	—	32.8	32.8
Other liabilities	2,725.8	223.3	—	—	—	—	223.3	223.3

Carrying amounts and fair values according to classes and measurement categories as at 30 Sep 2011

	Category under IAS 39							
	Carrying amount	At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss	Values according to IAS 17 (leases)	Carrying amount of financial instruments	Fair value of financial instruments
	€ million							
Assets								
Available for sale financial assets	487.8	—	59.3	428.5	—	—	521.7	521.7
Trade receivables and other assets	2,360.0	730.3	—	—	33.9	—	764.2	764.2
Derivative financial instruments								
Hedging	204.1	—	—	204.1	—	—	204.1	204.1
Other derivative financial instruments	70.7	—	—	—	70.7	—	70.7	70.7
Cash and cash equivalents	1,981.3	1,981.3	—	—	—	—	1,981.3	1,981.3
Assets held for sale	24.2	24.2	—	—	—	—	24.2	24.2
Liabilities								
Financial liabilities	2,798.3	2,643.5	—	—	—	154.8	2,798.3	2,090.9
Trade payables	2,973.5	2,973.5	—	—	—	—	2,973.5	2,973.5
Derivative financial instruments								
Hedging	159.0	—	—	159.0	—	—	159.0	159.0
Other derivative financial instruments	72.4	—	—	—	72.4	—	72.4	72.4
Other liabilities	2,567.9	57.0	—	—	—	—	57.0	57.0

The financial investments classified as financial instruments available for sale include an amount of €60.9m (previous year €59.3m) for stakes in partnerships and corporations. The fair value of these non-listed stakes was not determined since the cash flows could not be reliably determined. It was not possible, either, to determine reliable fair values on the basis of comparable transactions.

In the period under review, there were no major disposals of shares classified as financial assets available for sale, measured at acquisition cost (previous year income of €1.2m).

Aggregation according to measurement categories under IAS 39 as at 30 Sep 2012

	At amortised cost	At cost	Fair value		Carrying amount	Fair value
			with no effect on profit and loss	through profit and loss	Total	
	€ million					
Loans and receivables	3,420.8	—	—	—	3,420.8	3,420.8
Financial assets						
available for sale	—	60.9	14.6	—	75.5	75.4
held for trading	—	—	—	61.7	61.7	61.7
Financial liabilities						
at amortised cost	5,703.2	—	—	—	5,703.2	6,007.0
held for trading	—	—	—	32.8	32.8	32.8

Aggregation according to measurement categories under IAS 39 as at 30 Sep 2011

	At amortised cost	At cost	Fair value		Carrying amount	Fair value
			with no effect on profit and loss	through profit and loss	Total	
	€ million					
Loans and receivables	2,735.8	—	—	—	2,735.8	2,735.8
Financial assets						
available for sale	—	59.3	428.5	—	487.8	487.8
held for trading	—	—	—	104.6	104.6	104.6
Financial liabilities						
at amortised cost	5,674.0	—	—	—	5,674.0	5,121.4
held for trading	—	—	—	72.4	72.4	72.4

The following table presents the key measurement parameters for the financial instruments recognised at fair value. The individual levels have been defined as follows in accordance with IFRS 7:

- Level 1: quoted (non-adjusted) prices in active markets for similar assets or liabilities.
- Level 2: processes in which all inputs significant to recognised fair values are directly or indirectly observable in the market.
- Level 3: processes in which the inputs significant to the recognised fair value are not based on observable market data.

Hierarchy of financial instruments measured at fair value as of 30 September 2012

	Fair value hierarchy			
	Total	Level 1	Level 2	Level 3
	€ million			
Assets				
Other assets held for trading	37.6	—	—	37.6
Available for sale financial assets	14.6	14.6	—	—
Derivative financial instruments				
Hedging transactions	135.8	—	135.8	—
Other derivative financial instruments	24.1	—	24.1	—
Liabilities				
Derivative financial instruments				
Hedging transactions	162.1	—	162.1	—
Other derivative financial instruments	32.8	—	32.8	—

Hierarchy of financial instruments measured at fair value as of 30 September 2011

	Fair value hierarchy			
	Total	Level 1	Level 2	Level 3
	€ million			
Assets				
other assets held for trading	33.9	—	—	33.9
Available for sale financial assets	428.5	16.9	—	411.6
Derivative financial instruments				
Hedging transactions	204.1	—	204.1	—
Other derivative financial instruments	70.7	—	70.7	—
Liabilities				
Derivative financial instruments				
Hedging transactions	159.0	—	159.0	—
Other derivative financial instruments	72.4	—	72.4	—

The following table indicates the development of the values of Level 3 financial instruments:

Financial assets measured at fair value in level 3

Financial assets measured at fair value in level 3	30 Sep 2012 Other assets held for trading	Available for sale financial assets	Derivative financial instruments
Balance as at 1 Oct 2010	**34.2**	**527.1**	**123.3**
Additions	—	—	—
Disposals	—	—	—
repayment/sale	—	—	—
conversion	—	—	123.3
Total comprehensive income	−0.3	−115.5	—
recognised in income statement	—	−296.1	—
recognised in other comprehensive income	−0.3	180.6	—
Balance as at 30 Sep 2011	**33.9**	**411.6**	**—**
Additions	—	—	—
Disposals	—	—	—
repayment/sale	—	249.0	—
conversion	—	138.3	—
Total comprehensive income	3.7	−24.3	
recognised in income statement	—	5.1	—
recognised in other comprehensive income	3.7	−29.4	—
Balance as at 30 Sep 2012	**37.6**	**—**	**—**

A change of + 10/−10% in the determined corporate value of National Air Traffic Services (NATS), in the category held for trading, results in a €2.6m increase / €2.6m decrease in the recognition of the asset in the TUI Group, taken though profit and loss and affecting earnings after tax (previous year €+ 3.4m/€−3.4m).

Effects on results

The effects of the measurement of financial assets available for sale outside profit and loss and the effective portions of changes in fair values of derivatives designed in the framework of cash flow hedge accounting are listed in the statement of changes in equity.

The net results of the financial instruments by measurement category according to IAS 39 are as follows:

Net results of financial instruments

	2011/12			2010/11		
	from interest	other net results	net result	from interest	other net results	net result
			€ million			
Loans and receivables	−1.4	18.2	16.8	52.0	−11.9	40.1
Available for sale financial assets	17.0	68.4	85.4	51.5	37.9	89.4
Financial assets and liabilities held for trading	−6.1	31.3	25.2	4.1	44.0	48.1
Financial liabilities at amortised cost	−215.4	−6.7	−222.1	−284.4	—	−284.4
Total	**−205.9**	**111.2**	**−94.7**	**−176.8**	**70.0**	**−106.8**

Besides interest income and interest expenses, net results primarily include results from participations, gains/losses on disposal, effects of fair value measurements and impairments.

Financial instruments measured at fair value outside profit and loss did not give rise to any commission expenses in financial year 2011/12, just as in the previous year.

Capital risk management

One of the key performance indicators in the framework of capital risk management is the IFRS based gearing, i. e. the relationship between the Group's net debt and Group equity. From a risk perspective, a balanced relation between net debt and equity is to be sought. The medium-term target of the TUI Group is for a gearing of around 100%.

In order to exert active control over the capital structure, the TUI Group's management may change dividend payments to the shareholders, repay capital to the shareholders, issue new shares or issue hybrid capital. The management may also sell assets in order to reduce Group debt.

Gearing calculation

		2011/12	2010/11
		€ million	
Average financial debt		2,989.6	3,682.3
Average cash and cash equivalent		1,655.6	1,639.9
Average Group net debt		**1,334.0**	**2,042.5**
Average Group equity		1,961.7	2,441.4
Gearing	%	**68.0**	**83.7**

NOTES TO THE CASH FLOW STATEMENT

Notes to the cash flow statement

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

(42) Cash inflow/outflow from operating activities

Based on Group earnings after tax, the cash flow from operating activities is derived using the indirect method. In the financial year under review, the cash inflow from operating activities amounted to €819.1m. The corresponding amount for the prior year was €1,085.5m. This decline was mainly due to a change in the terms and conditions for customer prepayments in TUI UK, which had generated a positive one-off effect in the prior year, and lower interest received for the commitment in Container Shipping (€36.9m as against €91.4m in the prior year).

In the period under review, the cash inflow included a total of €87.7m from interest payments and €25.7m from dividends. Due to income tax payments, a cash outflow of €117.8m was carried in financial year 2011/12.

(43) Cash inflow/outflow from investing activities

In the financial year under review, the cash inflow from investing activities totalled €337.1m.

From February to April 2012, a part of the hybrid II instrument worth €225.0m granted to Container Shipping was repaid. The divestment of 17.4% of the stake in Container Shipping caused an inflow of €469.8m after deduction of transaction costs. The cash flow from investing activities includes a cash outflow for capital expenditure related to property, plant and equipment of €414.9m for the TUI Travel Group and €49.6m for the hotel companies but also a cash inflow from one-off payments from the sale of fixed assets of €132.3m for the TUI Travel Group, €10.5m for the hotel companies and €6.6m for property sold by Central Operations.

The cash outflow from investing activities also included cash payments—offset against acquired cash and cash equivalents—for the acquisition of shares in subsidiaries to be included in consolidation by the TUI Travel Group. The consolidated statement of financial position comprises additions of goodwill, assets and liabilities due to the acquisition of shares in subsidiaries to be included in consolidation. Total acquisitions of shares in subsidiaries to be included in consolidation (excluding shares in TUI Travel PLC) and asset deals resulted in net cash payments of €27.5m (previous year €50.7m) in financial year 2011/12. Cash and cash equivalents acquired through these acquisitions totalled around €3.4m (previous year €21.9m). Cash payments made in the financial year under review for investments in consolidated companies (less cash and cash equivalents received) also include payments for the acquisition of Tourism shareholdings as well as payments relating to prior-year acquisitions in the financial year under review. In the period under review, the TUI Travel Group reported a cash outflow of €30.7m for joint ventures.

The cash outflow for investments in property, plant and equipment and intangible assets and the cash inflow from corresponding divestments do not match the additions and disposals shown in the development of fixed assets, which also include non-cash investments and disposals.

(44) Cash inflow/outflow from financing activities

The cash outflow from financing activities totalled €894.2m.

TUI AG paid €211.4m for the early redemption of bonds maturing in 2012 and a further €226.1m for liabilities to banks due in 2013. The non-current credit lines drawn in the period under review in order to cover the payments due in the tourism season were fully repaid so that they did not have a noteworthy effect on the cash flow from financing activities. The hotel companies reported a cash outflow of €80.0m for the repayment of loans.

The cash outflow from financing activities includes the acquisition of additional shares in TUI Travel PLC by TUI AG (€18.8m). An amount of €200.1m was used for interest payments. Additional outflows relate to the dividend for TUI AG's hybrid bond (€25.9m) and the dividends for non-controlling interests (€102.4m), in particular TUI Travel PLC and RIUSA II S.A.

(45) Development of cash and cash equivalents

Cash and cash equivalents comprise all liquid funds, i. e. cash in hand, bank balances and cheques. Due to exchange rate fluctuations, cash and cash equivalents increased by €35.1m.

As at 30 September 2012, cash and cash equivalents of €0.1bn were subject to restraints on disposal. These monies had to be deposited by tour operators due to national provisions related to the collateralisation of tourism services.

OTHER NOTES

Significant events after the balance sheet date

Following approval by the Federal Cartel Office on 25 October 2012, Leibniz-Service GmbH, a wholly-owned subsidiary of TUI AG, acquired the remaining 50.1% stake in TUI InfoTec GmbH with effect from 5 November 2012. Due to the acquisition of this stake, TUI AG now holds 100% of the shares in the IT services provider after the balance sheet date. The investment in TUI Info-Tec GmbH, carried as a joint venture until 30 September 2012, has therefore been included in consolidation since 5 November 2012.

In November 2012, TUI AG acquired a part of an exchangeable bond issued by Nero Finance Ltd. with a nominal value of €63.9m so that its liabilities to banks in connection with this exchangeable bond decreased accordingly. Following acquisitions in prior financial years, the remaining nominal amount of this exchangeable bond, maturing on 15 April 2013, is €142.4m.

Services of the auditors of the consolidated financial statements

Total expenses for the services provided by the auditors of the consolidated financial statements in financial year 2011/12, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, can be broken down as follows:

Services of the auditors of the consolidated financial statements

	2011/12	2010/11
	€ million	
Audit fees for TUI AG and subsidiaries in Germany	1.9	1.8
Other audit fees	—	0.3
Audit fees	**1.9**	**2.1**
Review of interim financial statements	1.0	0.9
Other audit related services	0.8	0.4
Other certification and measurement services	**1.8**	**1.3**
Consulting fees	0.1	0.9
Tax advisor services	0.1	—
Other services	**0.2**	**0.9**
Total	**3.9**	**4.3**

Remuneration of Executive and Supervisory Board members

In the financial year under review, total remuneration paid to Executive Board members totalled €14,161.7 thousand (previous year €8,932.2 thousand).

In the framework of the long-term incentive programme, the Executive Board members received a compensation of €3,327.8 thousand (previous year €1,047.5 thousand) for the financial year under review.

Pension provisions for active Executive Board members totalled €28,132.4 thousand as at the balance sheet date (previous year €24,105.8 thousand).

Total remuneration for Supervisory Board members in the financial year under review amounted to €1,356.6 thousand (previous year €1,365.9 thousand).

Remuneration for former Executive Board members or their surviving dependants totalled €3,992.6 thousand (previous year €4,409.0 thousand) in the financial year under review. Pension obligations for former Executive Board members and their surviving dependants amounted to €43,118.9 thousand (previous year €45,350.8 thousand) at the balance sheet date.

Disclosures of the relevant amounts for individual Board members and further details on the remuneration system are provided in the Remuneration Report included in the Management Report.

Related parties

Apart from the subsidiaries included in the consolidated financial statements, TUI AG, in carrying out its ordinary business activities, maintains indirect or direct relationships with related parties.

Related parties controlled by the TUI Group or over which the TUI Group is able to exercise a significant influence are listed in the list of shareholdings published in the electronic Federal Gazette (www.ebanz.de). Apart from pure equity investments, related parties also include companies that supply goods or provide services for TUI Group companies.

Financial obligations from purchase commitments against related parties amount to €56.0m (previous year €49.8m).

Additionally, there are commitments amounting to €76.5m (previous year €97.5m) arising from leasing and rental agreements.

Transactions with related parties

	2011/12	2010/11
	€ million	
Services provided by the Group		
Management and consultancy services	68.2	56.3
Sales of tourism services	54.8	59.7
Total	**123.0**	**116.0**
Services received by the Group		
In the framework of lease, rental and leasing agreements	21.7	26.2
Purchase of hotel services	177.2	146.8
Incoming services	13.0	8.1
Other services	43.2	77.6
Total	**255.1**	**258.7**

Transactions with related parties

	2011/12	2010/11
	€ million	
Services provided by the Group to		
joint ventures	88.6	86.3
associates	3.0	3.1
other shareholdings	—	—
other related parties	31.4	26.6
Total	**123.0**	**116.0**
Services received by the Group from		
joint ventures	241.2	245.2
associates	4.0	3.6
other related parties	9.9	9.9
Total	**255.1**	**258.7**

Transactions with joint ventures and associates are effected in the Tourism Segment. They relate in particular to the tourism services of the hotel companies used by the Group's tour operators.

All transactions with related parties are executed on an arm's length basis, based on international comparable uncontrolled price methods in accordance with IAS 24.

Liabilities to related parties did not comprise any liabilities from finance leases, as in the prior year. Receivables and liabilities existing as at the balance sheet date are comprised in receivables from and liabilities to non-consolidated Group companies and associated companies.

The income and expenses resulting from equity investments and financing are carried under the financial result for all consolidated companies and presented in the segment report for the individual Sectors, alongside a separate presentation of the earnings of joint ventures and associates by Sector.

As at the balance sheet date, the associated company Riu Hotels S.A. held at least 5% but less than 10% of the shares in TUI AG. Luis Riu Güell and Carmen Riu Güell (a member of TUI AG's Supervisory Board) held 51% of the shares in Riu Hotels S.A.

In accordance with IAS 24, key management functions within the Group, the Executive Board and the Supervisory Board are related parties whose remuneration has to be listed separately.

Remuneration of Management, Executive and Supervisory Board

	2011/12	2010/11
	€ million	
Short-term benefits	11.8	9.0
Post-employment benefits	4.0	1.4
Other long-term benefits	3.8	1.3
Termination benefits	6.7	—
Total	**26.3**	**11.7**

Post-employment benefits are transfers to pension provisions for active Executive Board members. These expenses do not meet the definition of Executive and Supervisory Board remuneration under the German accounting rules.

International Financial Reporting Standards (IFRS) and Interpretations (IFRIC)

The following standards have already been transposed into EU legislation but are only mandatory for annual financial statements after 30 September 2012:

Amendments to IAS 1: Presentation of Financial Statements—Other Income

In June 2011 amendments relating to the presentation of other income were published. Accordingly, other comprehensive income has to be classified into two groups, requiring separate subtotals for those elements which may be recycled and those that will not. The option to present items of OCI either before tax or net of tax remains unchanged; however, tax associated with items presented before tax has to be shown separately for each of the two groups of OCI items. The amendments to IAS 1 are mandatory for financial years beginning on or after 1 July 2012.

Amendments to IAS 19: Employee Benefits

The amendment to the standard, published in June 2011, removes existing options for the recognition of actuarial gains and losses. As the corridor approach will no longer be permitted, actuarial gains and losses are immediately fully recognised in equity outside profit and loss. This is in line with the current approach of TUI Group. Other amendments relate to the treatment of past service cost and the presentation of the net interest result in defined benefit pension plans as well as the distinction between benefits on the occasion of a termination of the employment relationship and other employer benefits. The amended standard also entails enhanced disclosure requirements about employee benefits. The amendments to IAS 19 are applicable with retroactive effect for financial years beginning on or after 1 January 2013.

TUI is examining the effects on the presentation of the Group’s net assets, financial position and results of operations.

Standards and interpretations published by the IASB but not yet transposed into EU legislation are:

Amendments to IFRS 1: First-time Adoption of IFRS: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters

These two amendments were published in December 2010. The first amendment replaced the previously applicable fixed transition date with regard to IAS 39 by a flexible transition date for first-time adopters. Another amendment relates to entities temporarily unable to meet the IFRS provisions because of hyperinflation. The amendments are not relevant for the TUI Group.

Amendments to IAS 12: Deferred Tax—Recovery of Underlying Assets

The amendments, published in December 2010, offer a practical solution to the question of recovering the carrying amount of an asset through use or sale. Deferred taxes have to be measured on the basis of the tax consequences resulting from the type of intended use of an asset. For companies with investment property measured at fair value, however, it may be difficult to assess the amount of the carrying value that can be recovered through rental income (i. e. through use) and the amount that may be recovered through sale. For the purposes of deferred tax, the presumption has now been introduced that the carrying amount of investment property, measured at fair value according to IAS 40, will usually be fully recovered through sale. The amendments to IAS 12 are mandatory for financial years beginning on or after 1 January 2012.

IFRS 9: Financial Instruments: Classification and Measurement

The purpose of the standard, published in November 2009, is to replace IAS 39 in the medium term following further revisions. For the time being, the new requirements of IFRS 9 exclusively relate to financial assets. In future, based on the individual entity's business model, these assets will only be divided into two classifications rather than four (amortised cost and fair value). According to the new standard, embedded derivatives will no longer be separated from the financial host asset but instead will be assessed with the financial host asset in its entirety, and reclassifications will no longer be permitted unless they result from changes in the individual entity's business model. In addition, aiming to simplify existing rules, the new standard only allows for one single method to determine impairments for all financial assets and provides a general ban on the reversal of impairments. It also comprises a large number of additional amendments, most of which are provided in order to simplify existing rules.

IFRS 10: Consolidated Financial Statements

The standard, newly published in May 2011, replaces the consolidation provisions of IAS 27 and supersedes SIC 12 for the consolidation of special-purpose entities with a uniform consolidation model. The new standard does not contain any amendments to accounting rules; however, the concept of control is now expanded to also include the question of consolidating special-purpose entities. There is also a new definition of control. Accordingly, control exists when an entity can exercise power over an investee, is exposed to variable returns and is able to use its power over the investee to affect the amount of these returns.

IFRS 11: Joint Arrangements

IFRS 11 was published in May 2011 and supersedes SIC 13: Jointly Controlled Entities—Non-Monetary Contributions by Venturers as well as the previous IAS 31. The standard sets out the classification of and accounting for joint operations and joint ventures. Classification as a joint arrangement is based on subsidiarity, with the definition of control in IFRS 10 having to be checked first. In the case of a joint arrangement, the further classification as a joint operation or a joint venture depends upon the rights and obligations of the parties. Jointly controlled assets are accounted for in line with the rules governing joint operations and hence continue to be recognised in relation to the joint operator's interest in a joint operation. By contrast, under IFRS 11 joint ventures now have to be accounted for using the equity method; the previous proportionate consolidation option has been eliminated.

IFRS 12: Disclosure of Interests in Other Entities

The standard, also published in May 2011, sets out minimum disclosure requirements for subsidiaries, associates, joint arrangements and unconsolidated structured entities. It constitutes a minimum framework which, however, goes beyond previous disclosure requirements. Its objective is, in particular, to ensure disclosure of the nature of, and risks associated with, interests in other entities and the effects of those interests on the financial position, financial performance and cash flows.

IFRS 13: Fair Value Measurement

The standard, published in May 2011, sets out in a single IFRS a framework for measuring fair value, previously governed by several standards. It also introduces comprehensive disclosure requirements for fair value measurements.

Amendments to IAS 27: Separate Financial Statements

Since the amendments were published in May 2011, IAS 27 now only governs accounting for investments in subsidiaries, associates and joint ventures in the investor's separate financial statements. The consolidation provisions previously contained in IAS 27 are now set out in the newly published IFRS 10.

Amendment to IAS 28: Investments in Associates and Joint Ventures

The amendments to IAS 28 were published in June 2011 and stipulate that the equity method has to be used in accounting for investments in associates and joint ventures. The provisions relating to accounting for investments in joint ventures had been included in IAS 31 until IFRS 11 was published.

IFRIC 20: Stripping Costs in the Production Phase of a Surface Mine

This standard is not relevant to TUI's consolidated financial statements.

Amendments to IAS 32: Financial Instruments—Presentation

The amendments to IAS 32, issued in December 2011, clarify that financial assets and financial liabilities may only be offset in the statement of financial position if the current right of set-off does not depend on a future event and is enforceable both in the event of ordinary business operations and in the event of default, insolvency or bankruptcy of the counterparty. The standard also sets out that gross settlement mechanisms are equivalent to net settlement if they do not result in credit or liquidity risks and the receivables and payables are processed in a single settlement process.

Amendments to IFRS 7: Financial Instruments—Disclosure

The amendments, issued in December 2011, expand existing quantitative disclosure requirements relating to financial instruments carried, offset against one another in the statement of financial position. They also comprise additional disclosure requirements for financial instruments subject to master netting arrangements, irrespective of whether or not they are set-off in accordance with IAS 32.

Amendments to IFRS 10, IFRS 12 and IAS 27: Investment entities

The amendments published in October 2012 provide investments entities with an exception to the requirement to consolidate all subsidiaries that they control in their consolidated financial statements. Rather, investment entities are required to measure particular investments at fair value. Furthermore, the amendments set out additional disclosure requirements for investment entities. The amendments are not relevant for TUI Group.

Transition guidance for IFRS 10, IFRS 11 and IFRS 12

The transition guidance, issued in June 2012, provide relief for first-time adopters. Adjusted comparative information now only has to be presented for the immediately preceding period. The requirement to present comparative information for unconsolidated structured entities for periods prior to the first-time application of IFRS 12 is removed.

Annual Improvements Project 2009 – 2011

In May 2012, provisions from the annual improvements project comprising amendments to five standards were issued. The provisions relate to minor substantive changes and above all clarifications concerning recognition, presentation and measurement.

Amendments to IFRS 1: Government loans

The amendments, issued in March 2012, govern recognition and measurement of government loans with a below-market rate of interest for first-time adoption. The amendments enable firsttime adopters to use the previous GAAP carrying amount of such loans as the carrying amount in the opening IFRS statement of financial position and prospectively measure them at fair value. The amendments are not relevant for the TUI Group.

The TUI Group is currently examining the potential impact of all relevant amendments and new provisions on its net assets, financial position and results of operations.

A decision about endorsement by the EU of these amendments and these new standards and interpretations is still pending.

NOTES

TUI Group Shareholdings

Disclosure of the TUI Group's shareholdings is required under section 313 of the German Commercial Trading Act. Comparative information for the prior-year reference period is therefore not provided.

Company	Country	Capital share in %
Consolidated companies		
Tourism – TUI Travel		
AB Caller & Sons Ltd., Crawley	UK	100.0
Abbey International Insurance PCC Limited (Absolut Cell), Malta	Malta	100.0
Absolut Holding Limited, Malta	Malta	99.9
Absolut Insurance Limited, Guernsey	Guernsey	100.0
Acampora Travel S.r.l., Sorrento	Italy	51.0
Active Safari Pty Ltd, West Leederville	Australia	100.0
Active Travel & Recruitment Pty Ltd, West Leederville	Australia	100.0
A&D Peru Company Limited S.A., Lima	Peru	99.9
Adehy Limited, Dublin	Ireland	100.0
Adventure Center (First Choice) Inc, Emeryville, CA	US	100.0
Adventure Tours Australia Group Pty Ltd, Wayville, SA	Australia	100.0
Adventures Worldwide Limited, Crawley	UK	100.0
Africa Focus Tours Namibia Pty. Ltd., Windhoek	Namibia	100.0
Air Two Thousand (Ireland) Limited, Dublin	Ireland	100.0
Airlink International Ltd., Crawley	UK	100.0
Alcor Yachting SA, Geneva	Switzerland	100.0
Alkor Yat Turizm Isletmacileri A.S., Izmir	Turkey	99.6
Ambassador Tours S.A., Barcelona	Spain	100.0
Amber Nominee GP Limited, Crawley	UK	100.0
American Holidays (NI) Limited, Belfast	UK	100.0
Americas Rooms Holding Participacoes Ltda., Curitiba	Brazil	100.0
AMP Management Ltd., Crawley	UK	100.0
Antigua Charter Services, St. John's	Antigua	100.0
Apart Hotel Zarevo EOOD, Varna	Bulgaria	100.0
Aragon Tours Limited, Crawley	UK	100.0
Aran Travel International Limited, Dublin	Ireland	100.0
Arccac Eurl, Bourg St. Maurice	France	100.0
AsiaRooms Business Services (Thailand) Co., Ltd, Bangkok	Thailand	100.0
AsiaRooms Pte Ltd, Singapore	Singapore	100.0
ATC African Travel Concept Pty. Ltd., Cape Town	South Africa	100.0
ATC Namibian Reflections Pty. Ltd., Cape Town	South Africa	100.0
Audio Tours and Travel Hong Kong Limited, Kowloon	Hong Kong	99.0
Australian Adventure Tours Pty Ltd, Sydney	Australia	100.0
Australian Pinnacle Holidays Pty Limited, Fremantle	Australia	100.0
Australian Sports Tours Pty Ltd, Ballarat, Victoria	Australia	100.0
Bakers Dolphin Group Tours Limited, Crawley	UK	100.0
BAL Trustee Limited, Crawley	UK	100.0
Bass Travel Ltd., Crawley	UK	100.0
B.A.T.H. Investments Limited, Crawley	UK	100.0
BDS Destination Services Company, Cairo	Egypt	67.0
Beds on line SL, Palma de Mallorca	Spain	100.0
Berge und Meer Touristik GmbH, Rengsdorf	Germany	100.0
Blue Scandinavia Holding AB, Stockholm	Sweden	100.0
Blue Travel Partner Services S.A., Santo Domingo	Dominican Republic	99.0
BOSS Tours Ltd., Mississauga, Ontario	Canada	100.0
Brightspark Travel Inc, State of Delaware	US	100.0
Britannia Airways Limited, Crawley	UK	100.0

Company	Country	Capital share in %
Britannia Sweden AB, Stockholm	Sweden	100.0
C & C Yacht Management Limited, Cayman Islands	Grand Cayman Islands	100.0
Callers-Pegasus Pension Trustee Ltd., Crawley	UK	100.0
Callers-Pegasus Travel Service Ltd., Crawley	UK	100.0
Caradonna Dive Adventures, Inc., State of Delaware	US	100.0
Cassata Travel s.r.l., Cefalu (Palermo)	Italy	66.0
Cel Obert SL, Sant Joan de Caselles	Andorra	100.0
Chantier Naval Raiarea Carenages Services SARL, Utoroa, Raiatea	Polynesia	100.0
Cheqqer B.V., Rijswijk	Netherlands	100.0
CHS Tour Services GmbH, Innsbruck	Austria	100.0
CHS Tour Services Ltd, Crawley	UK	100.0
Citalia Transport Limited, Crawley	UK	100.0
Clipper Cruise Line, LLC, State of Delaware	US	100.0
Club Turavia SA de CV, Cancún	Mexico	100.0
Connoisseur Belgium BVBA, Nieuwpoort	Belgium	100.0
Contentdot Company Ltd., Crawley	UK	100.0
Continental Boating Holidays Ltd, Dublin	Ireland	100.0
Corsair S.A., Rungis	France	98.9
Country Walkers, Inc., State of Delaware	US	100.0
Crown Blue Line France SA, Castelnaudary	France	100.0
Crown Blue Line GmbH, Kleinzerlang	Germany	100.0
Crown Blue Line Limited, Crawley	UK	100.0
Crown Cruisers Limited, Crawley	UK	100.0
Crown Holidays Limited, Crawley	UK	100.0
Crown Travel Limited, Crawley	UK	100.0
Crystal Holidays, Inc., Breckenridge	US	100.0
Crystal Holidays Ltd., Crawley	UK	100.0
Crystal international Travel Group Ltd., Crawley	UK	100.0
Discover Australian Adventures Pty Ltd, Wayville, SA	Australia	100.0
EAC Activity Camps Limited, Edinburgh	UK	100.0
EAC Language Centres (UK) Limited, Edinburgh	UK	100.0
EAC Language Centres (US) Limited, Delaware	US	100.0
Easy Market S.p.A., Rimini	Italy	100.0
Educatours Limited, Mississauga, Ontario	Canada	100.0
Edwin Doran (UK) Limited, Crawley	UK	100.0
EEFC, Inc., State of Delaware	US	100.0
ELC English Limited, Crawley	UK	100.0
Elena SA, Palma de Mallorca	Spain	100.0
Emerald Star Limited, Dublin	Ireland	100.0
Entreprises Hotelières et Touristique PALADIEN Lena Mary SA., Argolis	Greece	100.0
Event Logistics international Limited, Crawley	UK	100.0
Event Logistics (UK) Limited, Crawley	UK	100.0
Events international Limited, Crawley	UK	100.0
Events International (Sports Travel) Limited, Crawley	UK	100.0
Exclusive Destinations Limited, Crawley	UK	100.0
Exodus Travels Limited, Crawley	UK	100.0
Expediciones Amazonicas, S.A.C., Iquitos	Peru	100.0
Explorers Travel Club Ltd, Crawley	UK	100.0
Falcon Leisure Group (Overseas) Limited, Crawley	UK	100.0
Fanatics Sports & Party Tours UK Limited, Crawley	UK	100.0
Fanatics Sports & Party Tours PTY Limited, Banksia	Australia	100.0
FanFirm Pty Ltd, Banksia	Australia	100.0
Fantravel.com, Inc., Wilmington	US	100.0
FC Adventures Canada, Inc., Vancouver	Canada	100.0
FC Expeditions Canada, Inc., British Columbia	Canada	100.0

Company	Country	Capital share in %
First Choice Airways Limited, Crawley	UK	100.0
First Choice Aviation Limited, Crawley	UK	100.0
First Choice (Euro) Limited, Crawley	UK	100.0
First Choice Expedition Cruising Limited, Crawley	UK	100.0
First Choice Expeditions, Inc., State of Delaware	US	100.0
First Choice Holdings Australia Pty Ltd, Melbourne	Australia	100.0
First Choice Holdings, Inc., Delaware	US	100.0
First Choice Holiday Hypermarkets Limited, Crawley	UK	100.0
First Choice Holidays & Flights Limited, Crawley	UK	100.0
First Choice Holidays Finance Limited, Crawley	UK	100.0
First Choice Holidays Limited, Crawley	UK	100.0
First Choice Holidays Quest Limited, Crawley	UK	100.0
First Choice Investments LLC, Wilmington	US	100.0
First Choice Land (Ireland) Limited, Dublin	Ireland	100.0
First Choice Leisure Limited, Crawley	UK	100.0
First Choice Marine (BVI) Ltd, British Virgin Islands	British Virgin Islands	100.0
First Choice Marine Limited, Crawley	UK	100.0
First Choice Marine (Malaysia) Snd Bhd, Malaysia	Malaysia	100.0
First Choice Office Services Limited, Crawley	UK	100.0
First Choice Olympic Limited, Crawley	UK	100.0
First Choice Overseas Holding BV, Amsterdam	Netherlands	100.0
First Choice Overseas Holdings Limited, Crawley	UK	100.0
First Choice Overseas Limited, Limassol	Cyprus (Greek part)	100.0
First Choice Retail Limited, Crawley	UK	100.0
First Choice Retail (Management Services) Limited, Crawley	UK	100.0
First Choice Sailing, Inc. (USA) (also known as Sunsail, Inc.), State of Delaware	US	100.0
First Choice Spain Limited, Crawley	UK	100.0
First Choice Travel Shops Limited, Crawley	UK	100.0
First Choice Travel Shops (SW) Limited, Crawley	UK	100.0
First Choice (Turkey) Limited, Crawley	UK	100.0
First Choice, Unijet & Air 2000 Limited, Crawley	UK	100.0
First Choice USA, Crawley	UK	100.0
FlexiGroup Holdings Limited, Crawley	UK	100.0
FlexiGroup Travel Limited, Crawley	UK	100.0
FOX-TOURS Reisen GmbH, Rengsdorf	Germany	100.0
Francotel Limited, Crawley	UK	100.0
Fritidsresor AB, Stockholm	Sweden	100.0
Fritidsresor Holding Spain S.A.U., San Bartolomé de Tirajana	Spain	100.0
Fritidsresor Ltd., Crawley	UK	100.0
Fritidsresor Tours & Travels India Pvt Ltd, Bardez, Goa	India	100.0
Gap Year for Grown Ups Limited, Crawley	UK	100.0
GeBeCo Gesellschaft fur internationale Begegnung und Cooperation mbH & Co. KG, Kiel	Germany	50.1
GEI/Moorings, LLC, State of Delaware	US	100.0
Gerance de L'Hotel Manganao S.R.L., Paris	France	100.0
Germanair Flugzeug Leasing GmbH, Hamburg	Germany	100.0
Globesavers Limited, Crawley	UK	100.0
Gold Case Travel Ltd., Crawley	UK	100.0
Great Atlantic Travel and Tour, Inc., Virginia Beach	US	75.0
Groupement Touristique International S.A.S., Lille	France	100.0
Gulliver Rent-A-Car d.o.o., Cavtat	Croatia	100.0
Gulliver Travel d.o.o., Dubrovnik	Croatia	70.0
Gullivers Group Limited, Crawley	UK	100.0
Gullivers Sports Travel Limited, Crawley	UK	100.0
Hapag-Lloyd Executive GmbH, Hanover	Germany	100.0
Hayes & Jarvis Holdings Limited, St. Helier	Bailiwick of Jersey	100.0

Company	Country	Capital share in %
Hayes & Jarvis (Travel) Limited, Crawley	UK	100.0
Headwater Holidays Limited, Crawley	UK	100.0
Hellenic Sailing Holidays SA, Athens	Greece	100.0
Hellenic Sailing SA, Athens	Greece	100.0
Holiday Hypermarkets (2000) Limited, Crawley	UK	100.0
Holidays Services S.A., Agadir	Morocco	100.0
Holidays Uncovered Limited, Crawley	UK	100.0
Holidaytime Ltd., Crawley	UK	100.0
Horizon Holidays Ltd., Crawley	UK	100.0
Horizon Midlands (Properties) Ltd., Crawley	UK	100.0
Horizon Travel Centres Ltd., Crawley	UK	100.0
Hotel Restaurant Les Trois Vallées SAS, Courchevel 1850, Savoie	France	100.0
Hotelbeds Accommodation & Destination Services – Hawaii & Pacific Islands, Inc, State of Delaware	US	100.0
Hotelbeds Costa Rica SA, San José	Costa Rica	100.0
Hotelbeds Dominicana SA, Santo Domingo	Dominican Republic	100.0
Hotelbeds Product SLU, Puerto de la Cruz, Teneriffe	Spain	100.0
Hotelbeds (Shanghai) Commercial Services Co., Limited, Shanghai	China	100.0
Hotelbeds, S.L.U., Palma de Mallorca	Spain	100.0
Hotelbeds Spain, S.L.U., Palma de Mallorca	Spain	100.0
Hotelbeds Technology SLU, Palma de Mallorca	Spain	100.0
Hotelbeds UK Limited, Crawley	UK	100.0
Hotelbeds USA Inc, Orlando	US	100.0
Hotelopia SL, Palma de Mallorca	Spain	100.0
Hotelreisen Limited, Crawley	UK	100.0
Hotels London Ltd, Crawley	UK	100.0
Hurricane Hole Hotel Ltd, St. Lucia	Windward Islands St. Lucia	100.0
I TO I INTERNATIONAL PROJECTS LTD, Crawley	UK	100.0
I Viaggi del Turchese S.r.l., Fidenza	Italy	100.0
iExplore, Inc., Chicago	US	100.0
iExplore Limited, Crawley	UK	100.0
Imperial Cruising Company SARL, Heliopolis-Cairo	Egypt	90.0
Inter Commerce Trading AB, Stockholm	Sweden	100.0
Inter Hotel SARL, Tunis	Tunisia	100.0
Intercruises Shoreside & Port Services Canada Inc., Quebec	Canada	100.0
Intercruises Shoreside & Port Services, Inc., State of Delaware	US	100.0
Intercruises Shoreside & Port Services PTY LTD, Stanmoree NSW	Australia	100.0
Intercruises Shoreside & Port Services, SLU, Barcelona	Spain	100.0
Intercruises Shoreside & Port Services S.a.r.l., Monaco	Monaco	100.0
Intercruises Shoreside & Port Services S.a.r.l., Paris	France	100.0
International Expeditions, Inc., State of Delaware	US	100.0
Interspecialists, SLU, Palma de Mallorca	Spain	100.0
Intrav Holdings, LLC, State of Delaware	US	100.0
INTRAV, Inc., State of Delaware	US	100.0
Intrepid Adventures Limited, Wiltshire	UK	100.0
Intrepid Andes S.A.C., Cusco	Peru	100.0
Intrepid Bundu (Pty) Ltd, Roodeport	South Africa	72.0
Intrepid (Cambodia) CO. LTD, Siem Reap	Cambodia	100.0
Intrepid Connections PTY LTD, Winnellie	Australia	100.0
Intrepid Guerba Tanzania Limited, Arusha	Tanzania	100.0
Intrepid HK Limited, Hong Kong	Hong Kong	100.0
Intrepid Marrakech SARL, Marrakesh	Morocco	100.0
Intrepid Tours and Travel India Private Ltd, New Delhi	India	100.0
Intrepid Travel Australia Pty Ltd, Fitzroy, VIC	Australia	100.0

Company	Country	Capital share in %
Intrepid Travel Beijing Co. Ltd, Beijing	China	100.0
Intrepid Travel Cairo, Cairo	Egypt	100.0
Intrepid Travel Canada Inc, Vancouver	Canada	100.0
Intrepid Travel GmbH, Holzkirchen	Germany	100.0
Intrepid Travel Inc, Vancouver	Canada	95.0
Intrepid Travel Incorporated, Venice (CA)	US	100.0
Intrepid Travel New Zealand Limited, Auckland	New Zealand	100.0
Intrepid Travel Pty Ltd, Fitzroy, VIC	Australia	100.0
Intrepid Travel SA (Pty) Ltd, Summerveld	South Africa	100.0
Intrepid Travel UK Limited, Crawley	UK	100.0
Intrepid US, Inc., Wilmington	US	99.2
Itaria Limited, Nikosia	Cyprus (Greek part)	100.0
i-To-i, Inc., Los Angeles	US	100.0
i-To-i Placements Limited, Carrick-on-Suir, co. Tipperary	Ireland	100.0
i-To-i PTY Ltd., Sydney	Australia	100.0
i-To-i UK Limited, Crawley	UK	100.0
JetAir N.V., Oostende	Belgium	100.0
Jetair Real Estate C.V., Brussels	Belgium	100.0
Jetair Travel Distribution N.V., Oostende	Belgium	100.0
Jetaircenter N.V., Mechelen	Belgium	100.0
Jetsave International Ltd., Crawley	UK	100.0
JNB (Bristol) Limited, Crawley	UK	100.0
J.S. Courtney Ltd., Crawley	UK	100.0
JWT Holidays Limited, Crawley	UK	100.0
Kilquade Limited, Dublin	Ireland	100.0
Kras B.V., Ammerzoden	Netherlands	100.0
Label Tour EURL, Montreuil	France	100.0
Lapter Eurl, Macot La Plagne	France	100.0
LateRooms Limited, Crawley	UK	100.0
LateRooms Services Australia PTY LTD, Dawes Point	Australia	100.0
LateRooms Group Holding (Brazil) Limited, Crawley	UK	100.0
LateRooms Group Holding Limited, Crawley	UK	100.0
LateRooms Group Holding (UK) Limited, Crawley	UK	100.0
Le Boat Netherlands B.V., Rotterdam	Netherlands	100.0
Le Piolet SCI, St Martin de Belleville, Savoie	France	100.0
Leibniz-Service GmbH, Hanover	Germany	100.0
Leisure International Airways Limited, Crawley	UK	100.0
Les Tours Jumpstreet Tours, Inc., Montreal	Canada	100.0
Liberate SLU, Palma de Mallorca	Spain	100.0
Liberty Cruise Line, LLC, State of Delaware	US	100.0
Lima Tours S.A.C., Lima	Peru	100.0
Lincoln Travel Ltd., Crawley	UK	100.0
Lirotel SARL, Turin	Italy	100.0
Lodges & Mountain Hotels SARL, Notre Dame de Bellecombe, Savoie	France	100.0
Lorimer Investments Ltd., Crawley	UK	100.0
I'tur tourismus Aktiengesellschaft, Baden-Baden	Germany	70.0
Lunn Poly (Jersey) Ltd., St. Helier	UK	100.0
Lunn Poly Ltd., Crawley	UK	100.0
Lusomice, Unipessoal Lda., Lisbon	Portugal	100.0
L.W. Morland & Co. Ltd., Crawley	UK	100.0
Magic Connoisseurs Ltd., Crawley	UK	100.0
MAGIC LIFE DER CLUB INTERNATIONAL Turizm Hizmetleri A.S., Istanbul	Turkey	100.0
Magic Life For Hotels. LLC, South Nabq	Egypt	100.0
Magic Life Greece S.A., Athens	Greece	100.0
Magic Life Tunisie S.A., Tunis	Tunisia	100.0

Company	Country	Capital share in %
Magic of the Orient Limited, Crawley	UK	100.0
Mala Pronta Viagens e Turismo Ltda., Curitiba	Brazil	93.3
Manchester Academy Holdings Limited, Crawley	UK	100.0
Manchester Academy Teacher Training (UK) Limited, Crawley	UK	100.0
Manchester Academy Tours Limited, Crawley	UK	100.0
Manchester Flights Ltd., Crawley	UK	100.0
Mango Event Management Limited, Crawley	UK	100.0
Maraheath Limited, Crawley	UK	100.0
Marina Travel Limited, Dublin	Ireland	100.0
Mariner International Asia Limited, Hong Kong	Hong Kong	100.0
Mariner International Travel, Inc., State of Delaware	US	100.0
Mariner Operations USA Inc, State of Delaware	US	100.0
Mariner Travel GmbH, Bad Vilbel	Germany	100.0
Mariner Travel SAS, Paris	France	100.0
Mariner Yacht Services SA, Le Marin	Morocco	100.0
Martin Rooks Limited, Crawley	UK	100.0
Master-Yachting GmbH, Eibelstadt	Germany	100.0
Maxi Yen SL, Palma de Mallorca	Spain	100.0
Medico Flugreisen GmbH, Baden-Baden	Germany	100.0
Meetings & Events International Limited, Crawley	UK	100.0
Meetings & Events Spain S.L.U., Palma de Mallorca	Spain	100.0
Meetings & Events UK Limited, Crawley	UK	100.0
Meon (Holdings) Limited, Crawley	UK	100.0
Meon Transport Services Limited, Crawley	UK	100.0
Meon Travel Limited, Crawley	UK	100.0
MicronNexus GmbH, Hamburg	Germany	100.0
Molay Travel SARL, Molay-Littry, Calvados	France	100.0
Molay Travel SCI, Molay-Littry, Calvados	France	100.0
Mont Charvin Ski SARL, Paris	France	100.0
Moorings Grenadines Ltd., St. Vincent and Grenadines	Windward Islands St. Vincent	100.0
Moorings Mexico SA de CV, La Paz	Mexico	100.0
Moorings (Seychelles) Limited, Mahe	Seychelles	100.0
Moorings Yachting SAS, Paris	France	100.0
Moorings Yat Isletmecilgi Turizm Ve Tic Ltd, Mugla	Turkey	100.0
More Sense A/S, Copenhagen	Denmark	66.7
MS Tours ApS, Copenhagen	Denmark	100.0
MyPlanet Holding A/S, Holstebro	Denmark	100.0
MyPlanet International A/S, Holstebro	Denmark	90.0
MyPlanet Sweden AB, Gothenburg	Sweden	100.0
Nacka Worldwide Holding AB, Stockholm	Sweden	100.0
NACL LLC, State of Delaware	US	100.0
Nazar Nordic AB, Malmö	Sweden	100.0
New World Ship Management Company LLC, St. Louis, Missouri	US	100.0
New World Ships LLC, St. Louis, Missouri	US	100.0
Nordotel S.A.U., San Bartolomé de Tirajana	Spain	100.0
Nouvelles Frontières Senegal S.R.L., Dakar	Senegal	95.0
Ocean College LLC, Sharm el Sheikh	Egypt	90.0
Ocean Technical LLC, Cairo	Egypt	100.0
Ocean Ventures for Hotels and Tourism Services SAE, Sharm el Sheikh	Egypt	100.0
Olympic Holidays Limited, Crawley	UK	100.0
Olympic Vacations Limited, Crawley	UK	100.0
Orion Airways Ltd., Crawley	UK	100.0
Orion Airways Pension Trustees Ltd., Crawley	UK	100.0
Owners Abroad España, S.A., Las Palmas	Spain	100.0

Company	Country	Capital share in %
Oy Finnmatkat AB, Helsinki	Finland	100.0
Pacific World (Beijing) Travel Agency Co., Ltd., Beijing	China	100.0
Pacific World Destination East Sdn. Bhd., Penang	Malaysia	100.0
Pacific World Limited, Kowloon	Hong Kong	100.0
Pacific World Meetings & Events Hellas Travel Limited, Athens	Greece	100.0
Pacific World Meetings & Events Hong Kong, Limited, Hong Kong	China	100.0
Pacific World Meetings & Events Singapore Pte. Ltd, Singapore	Singapore	100.0
Pacific World (Shanghai) Travel Agency Co. Limited, Shanghai	China	100.0
Pacific World Singapore Pte Limited, Singapore	Singapore	100.0
Pacific World (Thailand) Limited, Bangkok	Thailand	100.0
Paradise Hotels Management Company, Cairo	Egypt	100.0
Parador Travel Limited, Crawley	UK	100.0
Pasion, Excelencia, Aventura, Y Konocimiento Ecuador Travelpasion S.A. (Trading as PEAK Ecuador), Quito	Ecuador	100.0
PATS N.V., Oostende	Belgium	100.0
Peak Adventure Financing Pty Ltd, Melbourne	Australia	100.0
Peak Adventure Travel Group Limited, Fitzroy Victoria	Australia	60.0
PEAK Adventure Travel (Malaysia) SDN BHD, Kota Kinabalu	Malaysia	100.0
PEAK Adventure Travel (UK) Limited, Crawley	UK	100.0
Peak Adventure Travel USA Inc, Wilmington	US	100.0
PEAK DMC North America Inc, Santa Rosa, CA	US	100.0
PEAK (East Africa) Limited, Nairobi	Kenya	100.0
PEAK South America S.A.C., Lima	Peru	100.0
Peregrine Adventures Pty Ltd, Melbourne	Australia	100.0
Peregrine Shipping Pty Ltd, Melbourne	Australia	100.0
Peregrine Tours Ltd, Crawley	UK	100.0
Phoenicia Travel Ltd., Crawley	UK	100.0
Pinnacle Services Pty Limited, Fremantle	Australia	100.0
Pinnacle Tours Pty Limited, Fremantle	Australia	100.0
Pinnacle Travel Centre (1987) Pty Limited, Fremantle	Australia	100.0
Plantravel Ltd., Crawley	UK	100.0
Platinum Event Travel Limited, Crawley	UK	100.0
Pointe Gros Boeuf S.N.C., Pointe-à-Pitre	France	100.0
Port Philip Group Ltd., Crawley	UK	100.0
Porter and Haylett Limited, Crawley	UK	100.0
Portland Camping, Crawley	UK	100.0
Portland Holidays Direct Ltd., Crawley	UK	100.0
Portland Holidays Ltd., Crawley	UK	100.0
Portland Travel Ltd., Crawley	UK	100.0
Premier Holidays Afloat Limited, Dublin	Ireland	100.0
Premiere International Corp, Gardena	US	100.0
Prestige Boating Holidays Limited, Dublin	Ireland	100.0
Primworth Enterprises Limited, Limassol	Cyprus (Greek part)	100.0
Professor Kohts Vei 108 AS, Stabekk	Norway	100.0
ProTel Gesellschaft für Kommunikation mbH, Rengsdorf	Germany	100.0
PT. Pacific World Nusantara, Bali	Indonesia	100.0
Quark Expeditions, Inc., State of Delaware	US	100.0
Quill Travel Services Limited, Crawley	UK	100.0
Real Travel Ltd, Crawley	UK	100.0
Real Travel Pty Ltd, Melbourne	Australia	100.0
Renwicks Travel Ltd., Crawley	UK	100.0
Republic Cruise Line, LLC, State of Delaware	US	100.0

Company	Country	Capital share in %
Revoli Star SA, San Bartolomé de Tirajana	Spain	100.0
Riviera Holidays Ltd., Crawley	UK	100.0
Robert Sibbald Travel Agents Ltd., Edinburgh	UK	100.0
Royal Tours Travel Center Luxembourg S.A., Oostende	Belgium	100.0
Sawadee Amsterdam BV, Amsterdam	Netherlands	100.0
Scan Holiday Tours Ltd., Crawley	UK	100.0
Schools Abroad Limited, Crawley	UK	100.0
SERAC Travel GmbH, Bagnes	Switzerland	100.0
Simply Travel Holdings Ltd., Crawley	UK	100.0
Simply Travel Ltd., Crawley	UK	100.0
Sir Henry Lunn Ltd., Crawley	UK	100.0
Ski Bound Limited, Crawley	UK	100.0
Skibound France SARL, Notre Dame de Bellecombe	France	100.0
Skibound Holidays Limited, Crawley	UK	100.0
Skibound Leisure Group Limited, Crawley	UK	100.0
Sky Tours Ltd., Crawley	UK	100.0
Skymead Leasing Ltd., Crawley	UK	100.0
Skymead Ltd., Crawley	UK	100.0
Société d'Exploitation du Paladien Marrakech SA, Marrakesh	Morocco	100.0
Société d'investissement Aérien S.A., Casablanca	Morocco	100.0
SOCIETE D'iNVESTISSEMENT ET D'EXPLOITATION DU PALADIEN DE CALCATOGGIO (S I E P A C), Paris	France	100.0
Société d'investissement hotelier Almoravides S.A., Marrakesh	Morocco	100.0
Société Marocaine pour le Developpement des Transports Touristiques S.A., Agadir	Morocco	95.0
Société polynesienne promotion hotelière S.A.S, Tamanu	Polynesia	100.0
Something Special Holidays Ltd., Crawley	UK	100.0
Sons of South Sinai Tourism and Food Supply SAE, Sharm el Sheikh	Egypt	64.9
Sovereign Tour Operations Limited, Crawley	UK	100.0
Spanish Harbour Holidays Ltd., Crawley	UK	100.0
Specialist Holidays Group Ireland Ltd., Dublin	Ireland	100.0
Specialist Holidays Contracting Ltd., Crawley	UK	100.0
Specialist Holidays Group Ltd., Crawley	UK	100.0
Specialist Holidays, inc., Mississauga, Ontario	Canada	100.0
Specialist Holidays Ltd., Crawley	UK	100.0
Specialist Holidays (Travel) Limited, Crawley	UK	100.0
SplashLine Event und Vermarktungs GmbH, Vienna	Austria	100.0
Sport Abroad (UK) Limited, Crawley	UK	100.0
Sports Events Travel Limited, Crawley	UK	100.0
Sports Executive Travel Limited, Crawley	UK	100.0
Sportsworld (Beijing) Sports Management Consulting Limited Company, Beijing	China	70.0
Sportsworld Group Limited, Crawley	UK	100.0
Sportsworld Holdings Limited, Crawley	UK	100.0
Sportsworld Pacific PTY Limited, North Sydney	Australia	100.0
Star Club SA, San Bartolomé de Tirajana	Spain	100.0
Star Tour A/S, Copenhagen	Denmark	100.0
Star Tour Holding A/S, Copenhagen	Denmark	100.0
Star Tour Hotel A.S., Antalya	Turkey	100.0
Star Tour of Scandinavia Ltd., Crawley	UK	100.0
Startour-Stjernereiser AS, Stabekk	Norway	100.0
Student City Travel Limited, Crawley	UK	100.0
Student Skiing Limited, Crawley	UK	100.0
Student Skiing Transport Limited, Crawley	UK	100.0
Studentcity.com, Inc., State of Delaware	US	100.0

Company	Country	Capital share in %
Suncars Limited, Crawley	UK	100.0
Sunquest Holidays (UK) Limited, Crawley	UK	100.0
Sunsail Adriatic d.o.o., Split	Croatia	100.0
Sunsail (Antigua) Limited, Antigua	Antigua	100.0
Sunsail (Australia) Pty Ltd, Hamilton Island, Queensland	Australia	100.0
Sunsail Germany GmbH i.L., Munich	Germany	100.0
Sunsail Hellas MEPE, Athens	Greece	100.0
Sunsail International B.V., Rotterdam	Netherlands	100.0
Sunsail Limited, Crawley	UK	100.0
Sunsail SAS, Castelnaudary	France	100.0
Sunsail (Seychelles) Limited, Mahé	Seychelles	100.0
Sunsail (Thailand) Company Ltd, Phuket	Thailand	30.0
Sunsail Worldwide Sailing Limited, Crawley	UK	100.0
Sunsail Worldwide Sailing St. Vincent Limited, St. Vincent and Grenadines	Windward Islands St. Vincent	100.0
Sunshine Cruises Limited, Crawley	UK	100.0
Suntopia Otel Hizmetleri Turizm ve Ticaret A.S., Istanbul	Turkey	100.0
Supernova Expeditions Ltd., Anguilla	Crown Colony of Anguilla	100.0
Tantur Turizm Seyahat A.S., Istanbul	Turkey	100.0
TCS & Starquest Expeditions, Inc., Seattle	US	100.0
TCS Expeditions, Inc., State of Delaware	US	100.0
TCV Touristik-Computerverwaltungs GmbH, Baden-Baden	Germany	100.0
Team Lincoln Ltd., Crawley	UK	100.0
Team Lincoln Services Ltd., Crawley	UK	100.0
Team Travel Ltd., Crawley	UK	100.0
Teamlink Transport Limited, Crawley	UK	100.0
Teamlink Travel Limited, Crawley	UK	100.0
Tec4Jets B.V., Rijswijk ZH	Netherlands	100.0
Tec4Jets NV, Oostende	Belgium	100.0
The English Language Centre York Limited, York	UK	100.0
The Imaginative Traveller Australia Pty Limited, Melbourne	UK	100.0
The Imaginative Traveller Limited, Crawley	UK	100.0
The International Academy Ltd., Crawley	UK	100.0
The Magic of Travel Ltd., Crawley	UK	100.0
The Magic Travel Group (Holidays) Ltd., Crawley	UK	100.0
The Magic Travel Group Ltd., Crawley	UK	100.0
The Moorings (Bahamas) Ltd, Nassau	Bahamas	100.0
The Moorings Belize Limited, Belize City	Belize	100.0
The Moorings d.o.o., Split	Croatia	100.0
The Moorings Limited, British Virgin Islands	British Virgin Islands	100.0
The Moorings Sailing Holidays Ltd, Crawley	US	100.0
The Moorings SARL, Utoroa, Raiatea	Polynesia	100.0
The Moorings (St. Lucia) LTD, St. Lucia	Windward Islands St. Lucia	100.0
The Moorings (Tonga) Ltd., Tonga	Tonga	100.0
TheFirstResort Limited, Crawley	UK	100.0
TheFirstResort Operations Limited, Crawley	UK	100.0
THG Holidays Limited, Crawley	UK	100.0
Thomson Air Limited, Crawley	UK	100.0
Thomson Airways Limited, Crawley	UK	100.0
Thomson Airways (Services) Limited, Crawley	UK	100.0
Thomson Airways Trustee Limited, Crawley	UK	100.0
Thomson Flights Ltd., Crawley	UK	100.0
Thomson Holidays Ltd., Crawley	UK	100.0
Thomson Holidays Ltd. (Ireland), Dublin	Ireland	100.0
Thomson Holidays Services, Inc., Orlando	US	100.0
Thomson Overseas Services Ltd., Crawley	UK	100.0
Thomson Reisen GmbH, St. Johann	Austria	100.0

Company	Country	Capital share in %
Thomson Services Ltd., St. Peter Port/Guernsey	UK	100.0
Thomson Sport (UK) Limited, Crawley	UK	100.0
Thomson Travel Group (Holdings) Ltd., Crawley	UK	100.0
Thomson Travel Holdings SA, Luxembourg	Luxembourg	100.0
Thomson Travel International Ltd., Crawley	UK	100.0
Thomson Travel International SA, Luxembourg	Luxembourg	100.0
Thomson Viagens e Turismo Lda., Lisbon	Portugal	100.0
Thomsonfly Limited, Crawley	UK	100.0
TICS GmbH Touristische Internet und Call Center Services, Baden-Baden	Germany	100.0
Tigdiv Eurl, Tignes	France	100.0
TKJ Pty Limited, Perth	Australia	100.0
Tolkien Limited, British Virgin Islands	British Virgin Islands	100.0
Transfar – Agencia de Viagens e Turismo Lda., Faro	Portugal	99.9
TRAVCOA Corporation, State of Delaware	US	100.0
Travel Choice Limited, Crawley	UK	100.0
Travel Class Holdings Limited, Crawley	UK	100.0
Travel Class Limited, Crawley	UK	100.0
Travel Class Transport Limited, Crawley	UK	100.0
Travel Contracting Limited, Crawley	UK	100.0
Travel Partner Bulgaria EOOD, Varna	Bulgaria	100.0
Travel Scot World Limited, Crawley	UK	100.0
Travel Sense A/S, Copenhagen	Denmark	100.0
Travel Services Europe Limited, Crawley	UK	100.0
Travel Services Europe Spain SL, Barcelona	Spain	100.0
Travel Turf, Inc., Allentown	US	100.0
Travelbound European Tours Limited, Crawley	UK	100.0
Travelmood Limited, Crawley	UK	100.0
Treasure Isle Yacht Charter Ltd, British Virgin Islands	British Virgin Islands	100.0
Trek America Travel Limited, Crawley	UK	100.0
Trek Investco Limited, Crawley	UK	100.0
Trina Group Limited, Crawley	UK	100.0
Trina Tours Limited, Crawley	UK	100.0
Trips Worldwide Limited, Crawley	UK	100.0
Tropical Car Rental Pty Limited, Fremantle	Australia	100.0
Tropical Places Ltd., Crawley	UK	100.0
TT Visa Services Pte Limited, Singapore	Singapore	100.0
TTG (No. 14), Dublin	Ireland	100.0
TTG (No. 15) Limited, Crawley	UK	100.0
TTG (No. 2) Ltd., Crawley	UK	100.0
TTSS Limited, Crawley	UK	100.0
TTSS Transportation Limited, Crawley	UK	100.0
TUI Airlines Belgium N.V., Oostende	Belgium	100.0
TUI Airlines Nederland B.V., Rijswijk	Netherlands	100.0
TUI aqtiv GmbH, Hanover	Germany	100.0
TUI Austria Holding GmbH, Vienna	Austria	100.0
TUI Aviation GmbH, Hanover	Germany	100.0
TUI Canada Holdings Inc, Toronto	Canada	100.0
TUI China Travel CO. Ltd., Beijing	China	75.0
TUI Consulting & Services GmbH, Hanover	Germany	100.0
TUI Curaçao N.V., Curaçao	Dutch Antilles	100.0
TUI Denmark Holding A/S, Copenhagen	Denmark	100.0
TUI Germany GmbH, Hanover	Germany	100.0
TUI Dienstleistungsgesellschaft mbH, Hanover	Germany	100.0
TUI España Turismo S.A., Barcelona	Spain	100.0
TUI France SAS, Montreuil	France	100.0
TUI Hellas Travel and Tourism SA, Athens	Greece	100.0

Company	Country	Capital share in %
TUI HOLDING SPAIN S.L., Barcelona	Spain	100.0
TUI Holdings (Australia) PTY Limited, Queensland	Australia	100.0
TUI (IP) Ltd., Crawley	UK	100.0
TUI Italia S.R.L., Milano	Italy	100.0
TUI Leisure airport sales GmbH, Hanover	Germany	90.0
TUI Leisure Travel GmbH, Hanover	Germany	100.0
TUI Leisure Travel Service GmbH, Neuss	Germany	100.0
TUI Leisure Travel Special Tours GmbH, Hanover	Germany	100.0
TUI Marine Grenada Limited, St. George's	Grenada	100.0
TUI Nederland Holding N.V., Rijswijk	Netherlands	100.0
TUI Nederland N.V., Rijswijk	Netherlands	100.0
TUI Nordic Holding AB, Stockholm	Sweden	100.0
TUI Nordic Specialist Holidays AB, Stockholm	Sweden	100.0
TUI Northern Europe Ltd., Crawley	UK	100.0
TUI Norway Holding AS, Stabekk	Norway	100.0
TUI Austria GmbH, Vienna	Austria	100.0
TUI Pension Scheme (UK) Ltd., Crawley	UK	100.0
TUI Poland Dystrybucja Sp. z o.o., Warsaw	Poland	100.0
TUI Poland Sp. z o.o., Warsaw	Poland	100.0
TUI PORTUGAL – Agencia de Viagens e Turismo S.A., Faro	Portugal	100.0
TUI Reisecenter Austria Business Travel GmbH, Vienna	Austria	74.9
TUI Service AG, Altendorf	Switzerland	100.0
TUI Students & Schools France S.a.r.l., Paris	France	100.0
TUI (Suisse) AG, Zurich	Switzerland	100.0
TUI (Suisse) Holding AG, Zurich	Switzerland	100.0
TUI Suisse Retail AG, Zurich	Switzerland	100.0
TUI Travel Accommodation & Destinations SL, Palma de Mallorca	Spain	100.0
TUI Travel Amber E&W LLP, Crawley	UK	100.0
TUI Travel Amber Limited, Edinburgh	UK	100.0
TUI Travel Amber Scot LP, Edinburgh	UK	100.0
TUI Travel Aviation Finance Limited, Crawley	UK	100.0
TUI Travel Belgium N.V., Oostende	Belgium	100.0
TUI Travel Common investment Fund Trustee Limited, Crawley	UK	100.0
TUI Travel Group Management Services Limited, Crawley	UK	100.0
TUI Travel Healthcare Limited, Crawley	UK	100.0
TUI Travel Holdings Limited, Crawley	UK	100.0
TUI Travel Holdings Sweden AB, Stockholm	Sweden	100.0
TUI Travel (Ireland), Dublin	Ireland	100.0
TUI Travel Nominee Limited, Crawley	UK	100.0
TUI Travel Overseas Holdings Limited, Crawley	UK	100.0
TUI Travel Partner Services Japan KK, Tokyo	Japan	100.0
TUI TRAVEL PLC, Crawley	UK	56.7
TUI Travel SAS Adventure Limited, Crawley	UK	100.0
TUI Travel SAS Benelux B.V., Rotterdam	Netherlands	100.0
TUI Travel SAS Holdings Limited, Tring, Hertfordshire	UK	100.0
TUI Travel SAS Services Limited, Crawley	UK	100.0
TUI TRAVEL SAS Transport Limited, Crawley	UK	100.0
TUI UK Italia S.r.L., Turin	Italy	100.0
TUI UK Ltd., Crawley	UK	100.0
TUI UK Retail Limited, Crawley	UK	100.0
TUI UK Transport Ltd., Crawley	UK	100.0
TUI Vertrieb & Service GmbH, Hanover	Germany	100.0
TUI 4 U GmbH, Bremen	Germany	100.0
TUI.com GmbH, Berlin	Germany	100.0
TUIfly GmbH, Langenhagen	Germany	100.0

Company	Country	Capital share in %
TUIfly Nordic AB, Stockholm	Sweden	100.0
TUIfly Vermarktungs GmbH, Langenhagen	Germany	100.0
Turismo Asia Company Ltd., Bangkok	Thailand	100.0
Ultramar Express Transport S.A., Palma de Mallorca	Spain	100.0
Unijet Group Limited, Crawley	UK	100.0
Unijet Leisure Limited, Crawley	UK	100.0
Unijet Travel Limited, Crawley	UK	100.0
Versun Yachts NSA, Athens	Greece	100.0
Viagens Elena LDA, Albufeira	Portugal	100.0
Viking Aviation Limited, Crawley	UK	100.0
Voile Voyage SARL, Paris	France	100.0
Waymark Holidays Limited, Crawley	UK	100.0
We Love Rugby Pty Ltd, Banksia	Australia	100.0
Williment Travel Group Limited, Wellington	New Zealand	100.0
Wonder Cruises AB, Stockholm	Sweden	100.0
Wonder Holding AB, Stockholm	Sweden	51.0
World Challenge Expeditions, Inc., Cambridge, MA	US	100.0
World Challenge Expeditions Limited, Crawley	UK	100.0
World Challenge Expeditions Pty Ltd, Victoria	Australia	100.0
World Challenge Holdings Limited, Crawley	UK	100.0
World Challenge NZ Limited, Wellington	New Zealand	100.0
World of TUI Ltd., Crawley	UK	100.0
Yachts International Limited, British Virgin Islands	British Virgin Islands	100.0
YIL, LLC, State of Delaware	US	100.0
YOCL LLC, State of Delaware	US	100.0
Your Man Tours, Inc., EI Segundo, CA	US	100.0
Zegrahm Expeditions, Inc., Seattle	US	100.0
100% Adventure Pty Ltd, Wayville, SA	Australia	100.0
600035 B.C. LTD, Canada	UK	100.0
Tourism – TUI Hotels & Resorts		
BU RIUSA II EOOD, Sofia	Bulgaria	100.0
Cabotel-Hoteleria e Turismo Lda., Santiago	Cape Verde	100.0
CLUBHOTEL GESELLSCHAFT MBH., Hermagor	Austria	77.5
Daidalos Hotel – und Touristikunternehmen A.E., Athens	Greece	89.8
Dominicanotel S.A., Puerto Plata	Dominican Republic	100.0
Egyptian Germany Co. for Hotels (L.T.D), Cairo	Egypt	66.6
GEAFOND Número Dos Fuerteventura S.A., Las Palmas, Gran Canaria	Spain	100.0
GEAFOND Número Uno Lanzarote S.A., Las Palmas, Gran Canaria	Spain	100.0
Holiday Center S.A., Cala Serena/Cala d'Or	Spain	100.0
Iberotel International A.S., Antalya	Turkey	100.0
Iberotel Otelcilik A.S., Istanbul	Turkey	100.0
Jandia Playa S.A., Morro Jable/Fuerteventura	Spain	100.0
Jaz Hotels & Resorts S.A.E., Cairo	Egypt	50.9
"MAGIC LIFE" Assets AG, Vienna	Austria	100.0
Magic Life GmbH & Co KG, Vienna	Austria	100.0
MX RIUSA II S.A. de C.V., Cabo San Lucas	Mexiko	100.0
Promociones y Edificaciones Chiclana S.A., Palma de Mallorca	Spain	100.0
Puerto Plata Caribe Beach S.A., Puerto Plata	Dominican Republic	100.0
RCHM S.A.S., Agadir	Morocco	100.0
Rideway Investment Ltd., London	UK	100.0
Riu Jamaicotel Ltd., Negril	Jamaica	100.0
RIUSA II S.A., Palma de Mallorca	Spain	50.0
RIUSA NED B.V., Amsterdam	Netherlands	100.0
ROBINSON AUSTRIA Clubhotel GmbH, Hermagor	Austria	100.0

Company	Country	Capital share in %
Robinson Club GmbH, Hanover	Germany	100.0
Robinson Club Italia S.p.A., Marina di Ugento	Italy	100.0
Robinson Club Maldives Private Limited, Malé	Maldives	100.0
Robinson Club (Schweiz) AG, Vulpera	Switzerland	100.0
Robinson Clubhotel Turizm Ltd. Sti., Istanbul	Turkey	100.0
Robinson Hoteles España S.A., Cala d'Or	Spain	100.0
Robinson Hotels Portugal S.A., Vila Nova de Cacela	Portugal	67.0
Robinson Otelcilik A.S., Istanbul	Turkey	100.0
STIVA RII Ltd., Dublin	Ireland	100.0
TdC Agricoltura Società Agricola a r.l., Florence	Italy	100.0
TdC Amministrazione S.r.l., Florence	Italy	100.0
Tenuta di Castelfalfi S.p.A., Florence	Italy	100.0
Tunisotel S.A.R.L., Tunis	Tunisia	100.0
Turcotel Turizm A.S., Istanbul	Turkey	100.0
Turkuaz Insaat Turizm A.S., Ankara	Turkey	100.0
Tourism – Cruises		
Hapag-Lloyd (Bahamas) Ltd., Nassau	Bahamas	100.0
Hapag-Lloyd Kreuzfahrten GmbH, Hamburg	Germany	100.0
Preussag Beteiligungsverwaltungs GmbH IX, Hanover	Germany	100.0
Central Operations		
Canada Maritime Limited, Barking	UK	100.0
Canada Maritime Services Limited, Crawley	UK	100.0
Canadian Pacific (UK) Limited, Crawley	UK	100.0
Cast Agencies Europe Limited, Crawley	UK	100.0
Cast Group Services Limited, Crawley	UK	100.0
Cast Terminal Europe N.V., Antwerpen	Belgium	100.0
Contship Holdings Limited, Crawley	UK	100.0
CP Ships (Bermuda) Ltd., Hamilton	Bermudas	100.0
CP Ships Ltd., Saint John	Canada	100.0
CP Ships (UK) Limited, Crawley	UK	100.0
CPS Holdings (No. 2) Limited, Crawley	UK	100.0
CPS Number 2 Limited, Barking	UK	100.0
CPS Number 4 Limited, Crawley	UK	100.0
PM Peiner Maschinen GmbH, Hanover	Germany	100.0
Preussag Finanz – und Beteiligungs-GmbH, Hanover	Germany	100.0
Preussag Immobilien GmbH, Salzgitter	Germany	100.0
Preussag UK Ltd., Crawley	UK	100.0
TUI Beteiligungs GmbH, Hanover	Germany	100.0
TUI-Hapag Beteiligungs GmbH, Hanover	Germany	100.0
WAG Salzgitter Wohnungs-GmbH, Salzgitter	Germany	100.0
Joint Ventures and associated companies		
Tourism – TUI Travel		
Aeolos Travel LLP, Nicosia	Cyprus (Greek part)	49.9
Aitken Spence Travels Ltd, Colombo	Sri Lanka	50.0
Alpha Tourism and Marketing Services Ltd., Port Louis	Mauritius	25.0
Alpha Travel (U.K.) Limited, Harrow	UK	25.0
alps & cities 4ever GmbH, Vienna	Austria	50.0
Atlantica Hellas S.A., Rhodos	Greece	50.0
Atlantica Hotels and Resorts S.A., Lemesos	Cyprus (Greek part)	50.0
Bartu Turizm Yatirimlari Anonim Sirketi, Istanbul	Turkey	50.0
Belgium Travel Network cvba, Sint-Martens-Latem	Belgium	50.0
Blue Diamond Hotels and Resorts Inc., St Michael	Barbados	49.0
Bonitos GmbH & Co KG, Frankfurt	Germany	50.0
DER Reisecenter TUI GmbH, Berlin	Germany	50.0
Himalayan Encounters PVT LTD, Kathmandu	Nepal	33.0
HLX Touristik GmbH, Baden-Baden	Germany	49.0

Company	Country	Capital share in %
Holiday Travel (Israel) Limited, Airport City	Israel	50.0
Intrepid Connections Investments PTY LTD, South Melbourne	Australia	50.0
Intrepid Retail Group PTY LTD, Brisbane	Australia	50.0
Intrepid Vietnam Travel Company Ltd, Hanoi	Vietnam	49.0
Le Passage to India Tours and Travels Pvt Ltd, New Delhi	India	50.0
Manahe Ltd., Quatre Bornes	Mauritius	50.0
Pollmans Tours & Safaris Ltd., Nairobi	Kenya	25.0
Raiffeisen-Tours RT-Reisen GmbH, Burghausen	Germany	25.1
Ranger Safaris Ltd., Arusha	Tanzania	25.0
Safeharbour Investments S.L., Barcelona	Spain	50.0
Sunwing Travel Group Inc, Toronto	Canada	49.0
Teckcenter Reisebüro GmbH, Kirchheim/T.	Germany	50.0
Togebi Holdings Ltd, Cyprus	Cyprus (Greek part)	49.0
Travco Group Holding S.A.E., Cairo	Egypt	50.0
TRAVELStar GmbH, Hanover	Germany	50.0
TUI InfoTec GmbH, Hanover	Germany	49.9
Tunisie Voyages S.A., Tunis	Tunisia	50.0
Urban Adventures Limited, Hong Kong	Hong Kong	50.0
Voukouvalides Travel & Tourism S.A., Kos	Greece	50.0
Tourism – TUI Hotels & Resorts		
aQi Hotel Schladming GmbH, Bad Erlach	Austria	49.0
aQi Hotelmanagement GmbH, Bad Erlach	Austria	51.0
ENC for touristic Projects Company S.A.E., Sharm el Sheikh	Egypt	50.0
Etapex, S.A., Agadir	Morocco	35.0
Fanara Residence for Hotels S.A.E., Sharm el Sheikh	Egypt	50.0
First Om El Gorayfat Company for Hotels S.A.E., Mersa Allam	Egypt	50.0
GBH Turizm Sanayi Isletmecilik ve Ticaret A.S., Istanbul	Turkey	50.0
Golden Lotus Hotel Company S.A.E., Luxor	Egypt	50.0
Grecotel S.A., Rethymnon	Greece	50.0
GRUPOTEL DOS S.A., Can Picafort	Spain	50.0
Kamarayat Nabq Company for Hotels S.A.E., Sharm el Sheikh	Egypt	50.0
Makadi Club for Hotels S.A.E., Hurghada	Egypt	50.0
M.H. Cyprotel Management Ltd., Limassol	Cyprus (Greek part)	50.0
Mirage Resorts Company S.A.E., Hurghada	Egypt	50.0
Oasis Company for Hotels S.A.E., Hurghada	Egypt	50.0
Phaiax A.E.T.A., Corfu	Greece	50.0
Quinta da Ria Empreendimentos do Algarve, S.A., Vila Nova de Cacela	Portugal	33.0
Riu Hotels S.A., Palma de Mallorca	Spain	49.0
Sharm EI Maya Touristic Hotels Co. S.A.E., Cairo	Egypt	50.0
Sun Oasis for Hotels Company S.A.E., Hurghada	Egypt	50.0
Tikida Bay S.A., Agadir	Morocco	34.0
TIKIDA DUNES S.A., Agadir	Morocco	30.0
Tikida Palmeraie S.A., Marrakesh	Morocco	33.3
UK Hotel Holdings FZC L.L.C., Fujairah	United Arab Emirates	50.0
Tourism – Cruises		
TUI Cruises GmbH, Hamburg	Germany	50.0
Central Operations		
Hapag-Lloyd Holding AG, Hamburg	Germany	22.0

Excerpt from TUI AG's group management report

The disclosures of the relevant amounts for individual Board members and further details on the remuneration system as included in Note 52 by reference to the Management Report form an integral part of the consolidated financial statements of TUI AG as of and for the financial year ended September 30, 2012.

Reproduced below, as excerpt from TUI AG's group management report as of and for the fiscal year ended September 30, 2012, are the disclosures of the relevant amounts for individual Board members and further details on the remuneration system.

Remuneration Report

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

For Executive Board members based in Germany, a new remuneration system was drawn up in the financial year ended September 30, 2010. Its purpose is to promote sustained corporate development, and it applies to new or amended service contracts. This new remuneration system was approved by TUI AG's Annual General Meeting on 17 February 2010.

Dr Frenzel's service contract was changed to the new system following the completion of the term of his current contract, which expired in March 2012. The remuneration of Mr Long, based in the UK, is fixed by the Remuneration Committee of TUI Travel.

Remuneration of the Executive Board in the financial year 2011/12

The remuneration granted to TUI AG's Executive Board members for the financial year 2011/12 comprises fixed and variable components. Executive Board members are also entitled to a company car with driver services as well as travel benefits. The variable components consist of an annual management bonus and a multi-annual bonus covering a period of four years under a long-term incentive programme.

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

The annual management bonus determined in this way is adjusted by the Supervisory Board by means of a factor ranging between 0.8 and 1.2 in order to take account of the Board member's personal performance. 50% of the management bonus for the financial year 2011/12 is paid upon adoption of the annual financial statements of the Company. The remaining 50% of the management bonus is carried forward in equal tranches to the two subsequent years and adjusted in accordance with the degree of target achievement in those two years. The amount carried forward from financial years 2009/10 and 2010/11, was adjusted and paid out. This is shown as remuneration for 2011/12 in the table below.

For Dr Frenzel and Dr Engelen, the amount of the management bonus for financial year 2011/12 was determined on the basis of the adopted annual plan and contractually fixed in the respective termination agreement.

The long-term incentive programme is based on phantom stocks and covers a period of four years. For Executive Board members, an individual target amount has been fixed in their service contracts. This amount is translated annually into phantom stocks based on the average price of TUI AG shares over a period of twenty days prior to the beginning of any financial year. Entitlements for the beneficiary arise upon completion of the four-year service period.

Upon the completion of the four-year period, the degree of target achievement is determined by comparing the change in total shareholder return (TSR) at TUI AG with the change in the Dow Jones Stoxx 600 Travel & Leisure index. If the degree of target achievement is less than 25% of the reference value, no phantom shares are granted. If the degree of target achievement exceeds 25%, it is multiplied by the number of phantom stocks granted; however, a cap of 175% applies. At the end of the four-year service period, the number of phantom stocks determined in this way is multiplied by the average price of TUI AG shares, and the resulting amount is paid out in cash. The maximum amount payable is limited to three times the individual target amount. The remuneration carried for the financial year under review is the fair value as at 30 September 2012 of the phantom shares granted in the completed year on the basis of an assumed degree of target achievement of 100%. However, an entitlement for a cash payment does not arise until after the completion of the four-year service period in the month following the adoption of the annual financial statements of TUI AG as at 30 September 2015 and solely depends on the degree of future target achievement for the period from 1 October 2011 to 30 September 2015. The amounts payable in cash from the phantom shares granted since financial year 2009/10 will be outlined in detail in the Remuneration Reports, starting with the Remuneration Report for financial year 2012/13.

For Dr Frenzel the entitlement from the long-term remuneration for financial year 2011/12 was determined on the basis of the adopted plan for the year and contractually fixed in the termination agreement. The entitlements of Dr Engelen for the current year and the two previous years, paid out at the end of August 2012, were determined on the basis of target achievement of 100%.

The long-term incentive programme for Mr Long entails the granting of shares in TUI Travel PLC based on personal assessment factors established by the Remuneration Committee of TUI Travel PLC. As at 1 October 2011, Mr Long held vesting rights to 6.1m shares in TUI Travel PLC. In financial year 2011/12, 1.3m shares were allocated to Mr Long at a price of 166 pence/share on account of having achieved the performance goals established by the Remuneration Committee. Vesting rights to 0.7m shares lapsed. Mr Long was granted new vesting rights to 3.3m shares for the financial year. As at 30 September 2012, he held total vesting rights to 7.4m shares in TUI Travel PLC.

As at 1 October 2011, Mr Long also held a portfolio of 3.1 million shares in TUI Travel eligible for release. As 1.3 million units from vesting rights granted in prior years also became eligible for release and 0.6m units were sold at a price of 166 pence/share, the total amount of released shares rose to 3.8 million units as at 30 September 2012.

As at 30 September 2012 former Executive Board members held 436,927 phantom stocks of TUI AG (previous year: 281,902 phantom stocks).

Provisions totalling €7,928 thousand (previous year: €6,202 thousand) were formed to cover entitlements under the long-term incentive programme. The total expense for share-based payments and the portion attributable to each individual Executive Board member is shown in the table on Remuneration of individual Executive Board members.

Development of aggregate phantom stocks in TUI AG

	Units
Balance as at 30 Sept 2011	**538,965**
Phantom stocks granted for the 2010/11 financial year	77,436
Phantom stocks exercised	—
Increase/decrease of phantom stocks	−155,025
Balance as at 30 Sept 2012	**461,376**

Remuneration of individual of Executive Board members

	Non-performance related	Performance related	Long-term incentive programme	Supervisory Board mandates in the Group	Individual remuneration Total 2011/12	Total 2010/11
			€'000			
Dr. Michael Frenzel (Chairman)	1,260.5	2,241.2	419.3	248.6	4,169.6	3,111.2
Horst Baier	694.0	648.8	833.6	—	2,176.4	1,215.9
Dr. Peter Engelen (until 31 Aug 2012)	654.7	851.8	1,238.1	6.5	2,751.1	1,101.8
Peter Long	1,552.6	2,675.2	836.8	—	5,064.6	3,503.3
Total	**4,161.8**	**6,417.0**	**3,327.8**	**255.1**	**14,161.7**	**8,932.2**
Previous year	4,142.9	3,356.1	1,047.5	385.7	8,932.2	

As in the prior year, the members of the executive Board did not receive any loans or advances in the financial year 2011/12.

Benefits in the event of a termination of position

1. Pension entitlements

Pensions are paid to former Executive Board members if they reach the predefined age limit or are permanently incapacitated. Since the adjustment of the service contracts as from 1 January 2010, the active executive Board members have not been entitled to receive transition payments.

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

Contributions to the company pension scheme

	Pension contribution
	€'000
Horst Baier	267.7
Dr. Peter Engelen	267.7

The pension for Dr Frenzel is calculated in line with his pensionable pay based on non-performance-related remuneration. Dr Frenzel's pension entitlement is €800.0 thousand per annum.

Mr Long does not have a pension entitlement vis-à-vis TUI AG. Instead of granting a pension entitlement, TUI Travel PLC pays an amount of 50% of his fixed remuneration into a pension fund. This payment is included in the amount recognised as Mr long's non-performance-related remuneration.

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

2. Change of control agreement

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

The performance-related remuneration and the phantom stocks granted for the remainder of the contract term are based on the average remuneration received in the last three financial years. The same provision applies to the remuneration hitherto received for Supervisory Board mandates.

3. Termination and severance agreements

In order to secure a timely succession arrangement, Dr Frenzel will retire as CEO from TUI AG's Executive Board upon the close of the annual General Meeting on 13 February 2013. At the end of July 2012, the Supervisory Board approved the early termination of his appointment as executive Board member and CEO and termination of his service contract upon the close of TUI AG's ordinary annual General Meeting in 2013.

On 14 February 2013, by way of compensation for early termination of the service contract, the Company shall pay Dr Frenzel a once-off severance payment equivalent to his fixed compensation (€104.2 thousand per month) from 14 February 2013 until the regular end of his service contract on 31 March 2014 .

On 14 February 2013, Dr Frenzel shall receive the annual management bonus described in the section on remuneration of the Executive Board in the financial year 2011/12 and an annual management bonus for the financial year 2012/13 also determined on the basis of the budgeted figures, of €3,369.3 thousand (taking account of a 4.0% p. a. discount). For the financial year ended September 30, 2014, Dr Frenzel shall receive a prorated annual management bonus, expected to amount to €1,540.2 thousand, at the end of December 2014, reflecting target achievement and based on assumed compliance with the budget.

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

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

Upon completion of his executive Board mandate, TUI AG shall provide Dr Frenzel with an appropriate office and company car for use under the conditions applicable to date until 31 December 2016 for the performance of his duties as Chairman of the World Travel & Tourism Council (WTTC) and as director of the German Tourism association (BTW). TUI AG shall provide Dr Frenzel with a set annual budget to reimburse the confirmed costs incurred.

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

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

The service contract of Mr Baier limits potential severance payments upon early termination of his service contract by the Company without good cause to an amount corresponding to two annual remuneration payments.

Mr Long's service contract can be terminated serving twelve months' notice and does not include provisions for severance payments.

4. Pension obligations

At 30 September 2012, pension obligations for active members of the executive Board totalled €28,132.5 thousand (previous year balance sheet date: €24,105.8 thousand) according to IAS 19 and €23,967.2 thousand (previous year balance sheet date €23,289.4 thousand) according to commercial law. In the period under review, an amount of €4,026.3 thousand (previous year €1,443.4 thousand) was transferred to the provision according to IAS 19, with €677.9 thousand (previous year €2,667.6 thousand) transferred according to commercial law provisions.

Pension of Executive Board members

	Addition to pension provisions			Net present value
	2011/12	2010/11	30 Sep 12	30 Sep 11
	€'000			
Dr.. Michael Frenzel (Chairman)	2,130.4	814.7	15,496.3	13,365.9
Horst Baier	909.5	353.6	5,598.2	4,688.8
Dr.. Peter Engelen (until 31 August 2012)	986.4	275.1	7,037.9	6,051.1
Total	**4,026.3**	**1,443.4**	**28,132.4**	**24,105.8**

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

Pension provisions for former members of the Executive Board and their dependents amounted to €43,118.9 thousand (previous year: €45,350.8 thousand) as measured according to IAS 19 at the balance sheet date, and €44,698.4 thousand (previous year €45,711.3 thousand) as measured according to commercial law provisions'. In the financial year ended September 30, 2012, obligations for this group of persons decreased by €2,231.9 thousand (in 2010/11 €447.8 thousand) according to IAS 19 and €1,012.9 thousand (in 2010/11 €3,949.9 thousand) according to commercial law provisions.

In the financial year ended September 30, 2012, the remuneration paid to former Executive Board members and their surviving dependents totalled €3,992.6 thousand (previous year €4,409.0 thousand).

5. Benefits promised to Dr. Engelen in connection with the termination of his activity and granted in the course of the financial year 2011/12

In May 2012, the Supervisory Board approved the early termination of Dr Engelen's appointment as an Executive Board member and his service contract, otherwise expiring at the end of August 2013, upon the close of 31 August 2012.

On 31 August 2012, by way of compensation for early termination of the service contract, TUI AG paid Dr Engelen a severance payment amounting to €2,030.0 thousand.

Dr Engelen has acquired a vested right to a company pension. The amount of the vested pension right corresponds to the right to benefits from pension contributions granted and interest credit achieved by the retirement date.

The pension level achieved by Dr Engelen will be increased to reflect the pension contributions he would have achieved if he had continued to work for the Company until reaching his normal pensionable age. These pension contributions—like the pension level achieved—shall be subject to interest payments of 5.0% p. a. in line with the arrangement made. Taking account of pension contributions and interest received in the period until Dr Engelen reaches normal retirement age, the status of the pension account will amount to €8,436.6 thousand (1 October 2016).

The retirement capital equivalent to this pension credit is strictly to be paid in ten annual instal-ments, taking account of additional interest of 5.0% p. a. at the request by Dr Engelen, TUI AG shall make its best efforts to pay out any amounts accrued for the pension in 2014. If such a decision is taken in 2014, a minimum volume of 50% shall be paid out.

Remuneration of the Supervisory Board

The remuneration of Supervisory Board members comprises a fixed component and variable components. These are determined in accordance with section 18 of TUI AG's articles of association, which have been made permanently accessible to the public on the internet.

The members of the Supervisory Board receive a fixed remuneration of €40,000, payable upon completion of the financial year, besides reimbursement of their expenses. The remuneration is prorated for parts of a financial year or a short financial year.

The Supervisory Board also receives remuneration oriented to the short-term performance of the Company of €100 per €0.01 of the earnings per share reported for the completed financial year.

The Supervisory Board members also receive remuneration related to the Company's long-term performance. This long-term variable remuneration is based on an annual base sum of €20,000. The amount is paid upon completion of the third financial year following the granting of the remuneration and increases or decreases in line with the percentage increase or decrease in earnings per share in the third year following the year for which the amount was granted. Thereby a change in earnings per share of €0.01 results in an increase or decrease of the base amount of €100. However, the sum payable may not under any circumstances exceed 250% of the base amount.

The chairman of the Supervisory Board receives three times the remuneration of a regular member, the deputy chair and the other members of the Chairman's Committee one and a half times the total remuneration of a regular member. Separate remuneration is paid for membership and chairing of committees.

The remuneration of the Supervisory Board broke down as follows:

Remuneration of the Supervisory Board

	2010/11	2009/10
	€'000	
Fixed remuneration	793.6	877.9
Short-term variable remuneration	—	—
Long-term variable remuneration	348.4	277.5
Remuneration for committee memberships	160.0	160.6
Remuneration for TUI AG Supervisory Board mandate	**1,302.0**	**1,316.0**
Remuneration for Supervisory Board mandates in the Group	54.6	49.9
Total	**1,356.6**	**1,365.9**

In addition, travel and other expenses totalling €443.2 thousand (previous year: €148.9 thousand) were reimbursed. Total remuneration of the Supervisory Board members thus amounted to €1,799.8 thousand (previous year: €1,514.8 thousand).

Remuneration of individual Supervisory Board members for the financial year 2011/12

					Individual remuneration	
	Fixed	Short-term variable	Long-term variable	Committee membership	Supervisory Board mandates in the Group	Total
				€'000		
Prof. Dr. Klaus Mangold (Chairman)	120.0	—	54.0	20.0	—	194.0
Petry Gerstenkorn (Deputy Chairwoman)	60.0	—	25.5	—	16.0	101.5
Anass Houir Alami	40.0	—	17.0	—	—	57.0
AnDr.eas Barczewski	58.6	—	29.3	—	—	87.9
Arnd Dunse	40.0	—	15.5	20.0	—	75.5
Prof. Dr. Edgar Ernst	40.0	—	18.5	60.0	—	118.5
Angelika Gifford (since 26 Mar 2012)	—	—	—	—	—	—
Frank Jakobi	60.0	—	23.2	—	—	83.2
Ingo Kronsfoth	40.0	—	15.5	20.0	11.0	86.5
Christian Kuhn	40.0	—	18.5	—	16.6	75.1
Roberto López Abad	15.0	—	9.3	—	—	24.3
Mikhail Noskov	40.0	—	18.5	—	—	58.5
Carmen Riu Güell	60.0	—	30.8	—	—	90.8
Anette Strempel	40.0	—	15.5	—	11.0	66.5
Christian Strenger	40.0	—	18.5	20.0	—	78.5
Ortwin Strubelt	40.0	—	15.5	20.0	—	75.5
Vladimir Yakushev	60.0	—	23.3	—	—	83.3
Total	**793.6**	**—**	**348.4**	**160.0**	**54.6**	**1,356.6**

In keeping with agreements with her employer, Ms Gifford refrained from claiming remuneration for her Supervisory Board mandate pursuant to section 18 of TUI AG's articles of association. Ms Gifford's travel and other expenses were reimbursed in the financial year ended September 30, 2012.

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

Apart from the work performed by the employees' representatives pursuant to their contracts, the members of the Supervisory Board did not provide any personal services such as consultation or agency services for TUI AG or its subsidiaries in the financial year ended September 30, 2012, and thus did not receive any remuneration.

The following auditor's report (Bestätigungsvermerk) has been issued in accordance with Section 322 German Commercial Code (Handelsgesetzbuch) on the consolidated financial statements and group management report (Konzernlagebericht) of TUI AG combined with the management report (Lagebericht) of TUI AG as of and for the financial year ended September 30, 2012. The group management report combined with the management report is neither included nor incorporated by reference in this Prospectus.

INDEPENDENT AUDITOR'S REPORT

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of TUI AG, Berlin and Hanover, and its subsidiaries, which comprise the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the consolidated financial statements for the business year from 1 October 2011 to 30 September 2012.

Board of Managing Directors' Responsibility for the Consolidated Financial Statements

The Board of Managing Directors of TUI AG, Berlin and Hanover, is responsible for the preparation of these consolidated financial statements. This responsibility includes that these consolidated financial statements are prepared in accordance with International Financial Reporting Standards, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) and that these consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The Board of Managing Directors is also responsible for the internal controls as the Board of Managing Directors determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standards on Auditing (ISA). Accordingly, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of audit procedures depends on the auditor's professional judgment. This includes the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system relevant to the entity's preparation of consolidated financial statements that give a true and fair view. The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

According to § 322 Abs. 3 Satz (sentence) 1 HGB, we state that our audit of the consolidated financial statements has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply, in all material respects, with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets and financial position of the Group as at 30 September 2012 as well as the results of operations for the business year then ended, in accordance with these requirements.

Report on the Group Management Report

We have audited the accompanying group management report, which is combined with the management report of the company, of TUI AG, Berlin and Hanover, for the business year from 1 October 2011 to 30 September 2012. The Board of Managing Directors is of TUI AG, Berlin and Hanover, is responsible for the preparation of the combined management report in accordance with the requirements of German commercial law applicable pursuant to § 315a Abs. 1 HGB.

We conducted our audit in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of the combined management report promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Accordingly, we are required to plan and perform the audit of the combined management report to obtain reasonable assurance about whether the combined management report is consistent with the consolidated financial statements and the audit findings, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

According to § 322 Abs. 3 Satz 1 HGB we state, that our audit of the combined management report has not led to any reservations.

In our opinion based on the findings of our audit of the consolidated financial statements and combined management report, the combined management report is consistent with the consolidated financial statements, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hanover, 17 December 2012

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Prof. Dr Norbert Winkeljohann
Wirtschaftsprüfer
(German Public Auditor)

Sven Rosorius
Wirtschaftsprüfer
(German Public Auditor)

Audited Consolidated Financial Statements
of TUI AG
as of and for the financial year ended September 30, 2011

CONSOLIDATED FINANCIAL STATEMENT

	Notes	2010/11	2009/10
		€ million	
Turnover	(1)	17,480.3	16,350.1
Cost of sales	(2)	15,655.2	14,680.1
Gross profit		**1,825.1**	**1,670.0**
Administrative expenses	(2)	1,508.8	1,536.0
Other income/other expenses	(3)	+ 77.1	+ 53.6
Impairment of goodwill	(4)	—	18.2
Financial income	(5)	254.3	319.0
Financial expenses	(6)	493.8	481.2
Share of result of joint ventures and associates	(7)	+ 52.9	+ 170.6
Earnings before income taxes		**206.8**	**177.8**
Reconciliation to underlying earnings:			
Earnings before income taxes		206.8	177.8
plus: Loss (previous year gain) on Container Shipping measured at equity		2.1	− 150.3
less: Gain on measurement of financial instruments with Container Shipping		− 51.2	− 135.0
plus: Net interest expense and expense from the measurement of interest hedges		286.8	304.8
plus: impairment of goodwill		—	18.2
Group EBITA		444.5	215.5
Adjustments:	(8)		
less: Gains on disposals		—	− 24.0
plus: Restructuring expense		70.8	124.9
plus: Expense from purchase price allocation		96.1	69.8
less: income (previous year expense) from other one-off items		− 11.3	203.0
Underlying Group EBITA		**600.1**	**589.2**
Earnings before income taxes		**206.8**	**177.8**
Income taxes	(9)	88.6	64.2
Group profit for the year		**118.2**	**113.6**
Group profit for the year attributable to shareholders of TUI AG	(10)	+ 23.9	+ 101.8
Group profit for the year attributable to non-controlling interest	(11)	+ 94.3	+ 11.8
Group profit for the year		**118.2**	**113.6**

Earnings per share

	Notes	2010/11	2009/10
		€	
Basic and diluted earnings per share	(12)	− 0.01	+ 0.30

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2010/11	2009/10
		€ million	
Group profit		**118.2**	**113.6**
Foreign exchange differences		−45.5	78.8
Foreign exchange differences		−72.0	127.2
Reclassification/adjustments		26.5	−48.4
Financial instruments available for sale		176.1	4.6
Changes in the fair value of financial instruments available for sale		238.1	4.6
Reclassification/adjustments		−62.0	—
Cash flow hedges		105.5	95.8
Changes in the fair value of cash flow hedges		111.9	96.8
Reclassification/adjustments		−6.4	−1.0
Actuarial losses from pension provisions and related fund assets		−102.2	−77.4
Changes in the measurement of companies measured at equity		−25.7	13.2
Changes in the measurement outside profit or loss		−13.3	13.2
Reclassification/adjustments		−12.4	—
Taxes attributable to other comprehensive income	(13)	−21.9	3.2
Other comprehensive income		**86.3**	**118.2**
Total comprehensive income		**204.5**	**231.8**
attributable to shareholders of TUI AG		+133.6	+245.6
attributable to non-controlling interest		+70.9	−13.8
Total comprehensive income		**204.5**	**231.8**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 Sep 2011	30 Sep 2010 revised	1 Oct 2009 revised
			€ million	
Assets				
Goodwill	(14)	2,907.2	2,862.6	2,712.3
Other intangible assets	(15)	856.6	907.2	887.9
Investment property	(16)	59.2	66.2	76.7
Property, plant and equipment	(17)	2,445.1	2,499.8	2,370.9
Investments in joint ventures and associates	(18)	1,735.5	1,775.2	1,184.0
Financial assets available for sale	(19)	487.8	612.0	105.0
Trade receivables and other assets	(20)	409.1	334.8	1,369.0
Derivative financial instruments	(21)	43.6	165.3	111.4
Deferred tax asset	(22)	163.5	133.6	277.9
Non-current assets		**9,107.6**	**9,356.7**	**9,095.1**
Inventories	(23)	106.7	89.5	81.5
Trade receivables and other assets	(20)	1,950.9	2,328.2	2,066.6
Derivative financial instruments	(21)	231.2	203.3	338.1
Current tax asset	(22)	90.0	71.1	21.2
Cash and cash equivalents	(24)	1,981.3	2,274.3	1,452.0
Assets held for sale	(25)	24.2	292.4	405.7
Current assets		**4,384.3**	**5,258.8**	**4,365.1**
		13,491.9	**14,615.5**	**13,460.2**

	Notes	30 Sep 2011	30 Sep 2010 revised	1 Oct 2009 revised
			€ million	
Equity and liabilities				
Subscribed capital	(26)	643.5	643.1	642.8
Capital reserves	(27)	956.1	913.5	871.3
Revenue reserves	(28)	575.6	489.5	356.7
Hybrid capital	(29)	294.8	294.8	294.8
Equity before non-controlling interest		**2,470.0**	**2,340.9**	**2,165.6**
Non-controlling interest	(30)	77.8	93.3	75.2
Equity		**2,547.8**	**2,434.2**	**2,240.8**
Pension provisions and similar obligations	(31)	878.2	878.5	838.6
Other provisions	(32)	548.6	520.2	482.8
Non-current provisions		**1,426.8**	**1,398.7**	**1,321.4**
Financial liabilities	(33)	2,324.7	2,827.5	3,175.1
Derivative financial instruments	(35)	73.7	47.8	78.7
Current tax liabilities	(36)	117.2	114.5	169.5
Deferred tax provisions	(36)	120.7	80.2	181.3
Other liabilities	(37)	105.1	86.4	101.2
Non-current liabilities		**2,741.4**	**3,156.4**	**3,705.8**
Non-current provisions and liabilities		**4,168.2**	**4,555.1**	**5,027.2**
Pension provisions and similar obligations	(31)	35.9	32.8	29.8
Other provisions	(32)	471.9	383.5	287.0
Current provisions		**507.8**	**416.3**	**316.8**
Financial liabilities	(33)	473.6	1,684.4	539.7
Trade payables	(34)	2,973.5	2,847.4	2,640.8
Derivative financial instruments	(35)	157.7	147.4	363.4
Current tax liabilities	(36)	198.3	138.0	89.4
Other liabilities	(37)	2,462.8	2,296.8	2,061.9
Current liabilities		**6,265.9**	**7,114.0**	**5,695.2**
Liabilities related to assets held for sale	(38)	**2.2**	**95.9**	**180.2**
Current provisions and liabilities		**6,775.9**	**7,626.2**	**6,192.2**
		13,491.9	**14,615.5**	**13,460.2**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Subscribed capital (26)	Capital reserves (27)	Other revenue reserves	Foreign exchange differences	Financial instruments available for sale	Cash flow hegdes	Revaluation reserve	Reserve according to IAS 19	Revenue reserves (28)	Hybrid capital (29)	Equity before non-controlling interest	Non-controlling interest (30)	Total
							€ million						
Balance as at 1 Oct 2009 (revised)	**642.8**	**871.3**	**1,461.5**	**−815.8**	**−1.2**	**−92.9**	**19.4**	**−214.3**	**356.7**	**294.8**	**2,165.6**	**75.2**	**2,240.8**
Dividend payments	—	—	—	—	—	—	—	—	—	—	—	−84.8	−84.8
Hybrid capital dividend	—	—	−25.9	—	—	—	—	—	−25.9	—	−25.9	—	−25.9
Share-based payment schemes of TUI Travel PLC	—	—	12.7	—	—	—	—	—	12.7	—	12.7	10.2	22.9
Issue of employee shares	0.3	0.4	—	—	—	—	—	—	—	—	0.7	—	0.7
Issue of convertible bonds	—	41.8	—	—	—	—	—	—	—	—	41.8	93.8	135.6
Reduction of capital	—	—	—	—	—	—	—	—	—	—	—	−2.2	−2.2
Effects on the acquisition of non-controlling interests			−93.0			−2.9		−3.7	−99.6		−99.6	14.9	−84.7
Other comprehensive income	—	—	12.1	157.6	6.8	38.9	0.2	−71.8	143.8	—	143.8	−25.6	118.2
Group profit for the year	—	—	101.8	—	—	—	—	—	101.8	—	101.8	11.8	113.6
Total comprehensive income	—	—	113.9	157.6	6.8	38.9	0.2	−71.8	245.6	—	245.6	−13.8	231.8
Balance as at 30 Sep 2010	**643.1**	**913.5**	**1,469.2**	**−658.2**	**5.6**	**−56.9**	**19.6**	**−289.8**	**489.5**	**294.8**	**2,340.9**	**93.3**	**2,434.2**
Dividend payments	—	—	—	—	—	—	—	—	—	—	—	−141.1	−141.1
Hybrid capital dividend	—	—	−25.9	—	—	—	—	—	−25.9	—	−25.9	—	−25.9
Share-based payment schemes of TUI Travel PLC	—	—	12.0	—	—	—	—	—	12.0	—	12.0	9.4	21.4
Issue of employee shares	0.4	0.7	—	—	—	—	—	—	—	—	1.1	—	1.1
Issue of convertible bonds	—	41.9	—	—	—	—	—	—	—	—	41.9	2.6	44.5
First-time consolidation	—	—	24.8	—	—	—	—	—	24.8	—	24.8	20.1	44.9
Deconsolidation	—	—	—	—	—	—	—	—	—	—	—	−0.7	−0.7
Effects on the acquisition of non-controlling interests	—	—	−25.9	—	—	−0.8	—	−1.3	−28.0	—	−28.0	−7.1	−35.1
Effects on the transfer to non-controlling interests	—	—	−21.9	−8.4	—	−0.1	—	—	−30.4	—	−30.4	30.4	—
other comprehensive income	—	—	−25.8	−23.6	176.0	36.8	—	−53.7	109.7	—	109.7	−23.4	86.3
Group profit for the year	—	—	23.9	—	—	—	—	—	23.9	—	23.9	94.3	118.2
Total comprehensive income	—	—	−1.9	−23.6	176.0	36.8	—	−53.7	133.6	—	133.6	+70.9	204.5
Balance as at 30 Sep 2011	**643.5**	**956.1**	**1,430.4**	**−690.2**	**181.6**	**−21.0**	**19.6**	**−344.8**	**575.6**	**294.8**	**2,470.0**	**77.8**	**2,547.8**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2010/11	2009/10	Var.
			€ million	
Group profit		118.2	113.6	4.6
Depreciation, amortisation and impairments (+) / write-backs (−)		412.2	456.5	−44.3
Other non-cash expenses (+) / income (−)		−112.7	−310.8	198.1
Interest expenses (excl. interest relating to pension obligations)		367.7	352.2	15.5
Profit (−) / loss (+) from disposals of non-current assets		−47.0	6.5	−53.5
Increase (−) / decrease (+) in inventories		−16.2	0.9	−17.1
Increase (−) / decrease (+) in receivables and other assets		80.1	178.2	−98.1
Increase (+) / decrease (−) in provisions		101.5	−213.0	314.5
Increase (+) / decrease (−) in liabilities (excl. financial liabilities)		181.7	234.0	−52.3
Cash inflow from operating activities	(42)	**1,085.5**	**818.1**	**267.4**
Payments received from disposals of property, plant and equipment, investment property and intangible assets		456.6	67.3	389.3
Payments received from disposals of consolidated companies (excl. disposals of cash and cash equivalents due to divestments)		—	—	—
Payments received from the disposals of other non-current assets		951.5	236.8	714.7
Payments made for investments in property, plant and equipment, investment property and intangible assets		−444.8	−302.4	−142.4
Payments made for investments in consolidated companies (excl. cash and cash equivalents received due to acquisitions)		−50.7	−67.6	16.9
Payments made for investments in other non-current assets		−37.2	−235.2	198.0
Cash inflow / outflow from investing activities	(43)	**875.4**	**−301.1**	**1,176.5**
Payments received from capital increases		0.6	0.4	0.2
Payments made for interest increase in consolidated companies		−34.8	−142.6	107.8
Payments made for capital reductions		—	−2.2	2.2
Dividend payments		—	—	—
TUI AG		−25.9	−25.9	—
subsidiaries to non-controlling interest		−141.1	−85.4	−55.7
Payments received from the issue of bonds and the raising of financial liabilities		524.1	1,245.0	−720.9
Payments made for redemption of loans and financial liabilities		−2,304.1	−454.7	−1,849.4
Interest paid		−268.0	−251.3	−16.7
Cash outflow/inflow from financing activities	(44)	**−2,249.2**	**283.3**	**−2,532.5**
Net change in cash and cash equivalents		**−288.3**	**800.3**	**−1,088.6**
Development of cash and cash equivalents	(45)			
Cash and cash equivalents at beginning of period		**2,274.3**	**1,458.3**	**816.0**
Change in cash and cash equivalents due to exchange rate fluctuations		−4.7	15.7	−20.4
Change in cash and cash equivalents with cash effects		−288.3	800.3	−1,088.6
Cash and cash equivalents at end of period		**1,981.3**	**2,274.3**	**−293.0**

NOTES

PRINCIPLES AND METHODS UNDERLYING THE CONSOLIDATED FINANCIAL STATEMENTS

General

TUI AG, based in Hanover, Karl-Wiechert-Allee 4, is the TUI Group's parent company and a listed stock corporation under German law. The Company has been registered in the commercial registers of the district courts of Berlin-Charlottenburg (HRB 321) and Hanover (HRB 6580).

The members of the Executive Board and the Supervisory Board as well as other board mandates held by them are listed separately in an annex to the Notes in the section on Corporate Governance.

The Executive Board and the Supervisory Board have submitted the Declaration of Compliance with the German Corporate Governance Code required pursuant to section 161 of the German Stock Corporation Act (AktG) and made it permanently accessible to the general public on the Company's website (www.tui-group.com).

The financial year of the TUI Group and its major subsidiaries included in consolidation covers the period from 1 October of any one year to 30 September of the following year. Where any of TUI's subsidiaries (in particular those of the Riu Group) use financial years with other closing dates, audited interim financial statements were prepared in order to include these subsidiaries in TUI AG's consolidated financial statements.

The consolidated financial statements are prepared in euros. Unless stated otherwise, all amounts are indicated in million euros (€m).

The present consolidated financial statements were approved for publication by TUI AG's Executive Board on 5 December 2011.

Accounting principles

Pursuant to section 315a (1) of the German Commercial Code (HGB), in combination with Regulation EEC No. 1606/2002 of the European Union, TUI AG is legally obliged, as a listed company, to prepare consolidated financial statements in accordance with the rules of the International Accounting Standards Board (IASB), the International Financial Reporting Standards (IFRSs).

The IFRSs are applied in the form in which the European Commission has transposed them into national legislation in the framework of the endorsement process. Moreover, the commercial-law provisions listed in section 315a (1) of the German Commercial Code are also observed.

The following standards and interpretations revised or newly published by the IASB have been mandatory since the beginning of financial year 2010/11:

- Revision of IFRS 1: First-time Adoption of International Financial Reporting Standards
- Amendments to IFRS 1: Additional Exemptions for First-time Adopters
- Amendments to IFRS 1: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
- Amendments to IFRS 2: Group Cash-Settled Share-based Payment Transactions
- IAS 32: Classification of Rights Issues
- Improvements to IFRS (2009)
- Improvements to IFRS (2010) concerning clarification of effective dates and transition for IAS 21, IAS 28, IAS 31, IFRS 7, IAS 32 and IAS 39 resulting from amendments to IFRS 3 (rev.), and two other amendments to IFRS 3 itself.
- IFRIC 15: Agreements for the Construction of Real Estate
- IFRIC 17: Distributions of Non-cash Assets to Owners
- IFRIC 18: Transfers of Assets from Customers
- IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments

The revision of IFRS 1 exclusively embraced structural amendments to enhance the clarity of the standard. The other amendments to IFRS 1 relate to additional exemptions from the fundamentally obligatory retrospective application of all standards and interpretations applicable at the closing date as the date of the first-time preparation of IFRS-based financial statements. IFRS 1 was also amended to relieve first-time adopters from providing the comparative prior-period information required by IFRS 7 for comparative periods ending before 31 December 2009.

The amendments to IFRS 2 set out that entities receiving goods or services in a share-based payment arrangement must account for those goods and services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.

The amendment to IAS 32 clarifies that rights, options and warrants offered for a fixed number of own shares in return for a fixed amount of foreign currency have to be accounted for as equity if such rights are issued pro rata to all existing shareholders in the same class.

The provisions of the Annual Improvements Project (2009) comprise minor contents-related changes and, above all, clarifications concerning the recording, presentation and valuation of items in the financial statements.

The following provisions of the Annual Improvements Project (2010) are mandatory for the current financial year:

- Follow-up amendments with regard to the effective dates for IAS 21, IAS 28 and IAS 31 as a result of amendments to IAS 27 in the framework of Business Combinations Phase II
- Clarification concerning transition requirements in IFRS 7, IAS 32 and IAS 39 as a result of amendments to IFRS 3 (rev.)
- Amendments to IFRS 3 in connection with the measurement of non-controlling interests and accounting for unreplaced and voluntarily replaced share-based awards

The application of the above-mentioned amendments to IFRS provisions either does not affect the TUI Group's net assets, financial position and results of operations or has no relevance for the TUI Group.

IFRIC 15 (Agreements for the Construction of Real Estate) provides guidance on how to determine whether revenue from an agreement for the construction of real estate is within the scope of IAS 11 or IAS 18 and thus has to be recognised accordingly in the financial statements of the real estate developer. If the developer is selling completed apartments or houses, the revenue is recognised according to IAS 18 following the agreed transfer of the risks and rewards of ownership. This usually corresponds to completion of the real estate. If, however, the buyer has a material influence on the specification of the product, the revenue is recognised on a percentage-of-completion basis according to IAS 11. This provision is not currently relevant to the TUI Group. Potential effects on future financial statements will be taken into account accordingly.

IFRIC 17 (Distributions of Non-cash Assets to Owners) determines that a dividend payable should be recognised when the dividend is appropriately authorised and should be measured at the fair value of the non-cash assets to be distributed. Any difference between the carrying amount and the fair value of the assets should be recognised in profit or loss.

IFRIC 18 (Transfers of Assets from Customers) deals with the accounting for and recognition of revenue from agreements in which an entity receives from a customer assets or cash in advance that must be used to acquire assets in order for the customer to be able to obtain the service (e.g. connection to the grid for supplies of electricity, gas or water).

IFRIC 19 (Extinguishing Financial Liabilities with Equity Instruments) addresses accounting by the debtor when the terms of a financial liability are renegotiated with the creditor so that a financial liability is extinguished in full or in part by the issue of equity instruments (debt for equity swaps) if the creditor is an independent third party. The equity instruments now have to be measured at their fair value and the difference between the carrying amount of the financial liability extinguished and the initial measurement amount has to be included in the entity's profit or loss for the period.

Application of these new interpretations currently does not affect the TUI Group's net assets, financial position and results of operations, or is not relevant for the TUI Group.

Summary of new standards and interpretations not yet applied/applicable

Standard/Interpretation		Applicable for financial years from	Endorsement by the EU commission
Standard			
IAS 24 (rev.)	Related Party Disclosures	1 Jan 2011	Yes
various	Improvements to IFRSs (2010)	1 Jan 2011	Yes
IFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 Jul 2011	No
IFRS 7	Financial Instruments – Disclosure: Transfer of financial assets	1 Jul 2011	No
IAS 1	Presentation of Financial Statements: Other comprehensive income	1 Jul 2012	No
IAS 12	Deferred Tax: Recovery of Underlying Assets	1 Jan 2012	No
IFRS 9	Financial Instruments (will replace IAS 39: Financial Instruments: recognition and measurement)	1 Jan 2013	No
IFRS 10	Consolidated Financial Statements	1 Jan 2013	No
IFRS 11	Joint Arrangements	1 Jan 2013	No
IFRS 12	Disclosures of Interests in Other Entities	1 Jan 2013	No
IFRS 13	Fair Value Measurement	1 Jan 2013	No
IAS 19	Employee benefits	1 Jan 2013	No
IAS 27	Separate Financial Statements	1 Jan 2013	No
IAS 28	Investments in Associates and Joint Ventures	1 Jan 2013	No
Interpretation			
IFRIC 14	Prepayments of a Minimum Funding Requirement of Pension Plans	1 Jan 2011	Yes
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1 Jan 2013	No

Comments concerning the contents and potential impacts on future periods are presented under Other Notes.

Changes in recognition

Existing income tax liabilities and future income tax charges are now carried as a single line item under liabilities. They are no longer shown separately as income tax provisions and income tax liabilities. IAS 12 itself does not distinguish between income tax provisions and liabilities; however, the current accounting practice gives preference to recognition as a single line item under liabilities. This approach gave rise to the following reclassifications in the consolidated statement of financial position:

Impact on the consolidated statement of financial position

	30 Sep 2011	30 Sep 2010	1 Oct 2009
		€ million	
Current tax provisions – long-term	− 117.2	− 114.5	− 169.5
Deferred tax provisions – long-term	− 120.7	− 80.2	− 181.3
Non-current provisions	**− 237.9**	**− 194.7**	**− 350.8**
Current tax liability – long-term	+ 117.2	+ 114.5	+ 169.5
Deferred tax liability – long-term	+ 120.7	+ 80.2	+ 181.3
Non-current liabilities	**+ 237.9**	**+ 194.7**	**+ 350.8**
Non-current provisions and liabilities	—	—	—
Current tax provision – short-term	− 198.1	− 137.8	− 85.9
Current provisions	**− 198.1**	**− 137.8**	**− 85.9**
Current tax liabilities – short-term	+ 198.3	+ 138.0	+ 89.4
Other liabilities – from income taxes	− 0.2	− 0.2	− 3.5
Current liabilities	**+ 198.1**	**+ 137.8**	**+ 85.9**
Current provisions and liabilities	—	—	—
Total equity and liabilities	—	—	—

Principles and methods of consolidation

Principles

The consolidated financial statements include all major companies in which TUI AG is able, directly or indirectly, to govern the financial and operating policies so as to obtain benefits from the activity of these companies (subsidiaries). As a rule, the control is exercised by means of a majority of voting rights. The consolidation of the RIUSA II Group is based on de facto control, with TUI AG and the co-shareholder holding equal interests and voting rights. In the light of overall conditions and circumstances, TUI AG is able in this case to govern the financial and operating policies so as to obtain benefits from the activity of this hotel group. In assessing control, the existence and effect of potential voting rights that are currently exercisable or convertible are taken into account. Consolidation of such companies starts as from the date at which the TUI Group gains control. When the TUI Group ceases to control the corresponding companies, they are removed from consolidation.

The consolidated financial statements are prepared from the separate or single-entity financial statements of TUI AG and its subsidiaries, drawn up on the basis of uniform accounting, measurement and consolidation methods and, as a rule, exclusively audited or reviewed by auditors.

Shareholdings in companies in which the Group is able to exert significant influence over the financial and operating decisions within these companies (associates, shareholdings of 20% to less than 50% as a matter of principle) are carried at equity. Stakes in companies managed jointly with one or several partners (joint ventures) are also measured at equity. The dates as of which associates and joint ventures are included in or removed from the group of companies measured at equity are determined in analogy to the principles applying to subsidiaries. At equity measurement in each case is based on the last annual financial statements available, or the interim financial statements as at 30 September if the balance sheet dates differ from TUI AG's balance sheet date. This approach affects 42 companies with a financial year from 1 January to 31 December, seven companies with a financial year from 1 November to 31 October and two companies with a financial year from 1 April to 31 March of the subsequent year.

Group of consolidated companies

In financial year 2010/11, the consolidated financial statements included a total of 45 domestic and 721 foreign subsidiaries, besides TUI AG.

A total of 34 domestic and 72 foreign subsidiaries were not included in the consolidated financial statements. Even when taken together, these companies were not significant for the presentation of a true and fair view of the net assets, financial position and results of operations of the Group.

Development of the Group consolidated companies[1] and the Group companies measured at equity

	Balance 30 Sep 2010	Additions	Disposals	Balance 30 Sep 2011
Consolidated subsidiaries	**748**	**58**	**40**	**766**
Domestic companies	45	1	1	45
Foreign companies	703	57	39	721
Associated companies	**18**	**2**	**3**	**17**
Domestic companies	4	2	1	5
Foreign companies	14	—	2	12
Joint ventures	**36**	**4**	**—**	**40**
Domestic companies	7	—	—	7
Foreign companies	29	4	—	33

1) excl. TUI AG

Since 1 October 2010, a total of 58 companies have been newly included in consolidation, with three companies added due to an expansion of their business operations and 36 companies due to acquisitions, while 19 companies had been newly established. All additions relate to the Tourism Segment.

Since 30 September 2010, a total of 40 companies have been removed from consolidation, all of which related to the Tourism Segment. Five of the companies were removed from consolidation due to mergers, 31 due to liquidation and three due to divestments. One company was deconsolidated due to a reduction of its business operations.

A total of 17 associated companies and 40 joint ventures were measured at equity. Due to purchase of interests, the group of joint ventures measured at equity rose by a total of four year-on-year. The newly included associated companies were included in at equity measurement due to the formation of new companies or the purchase of interests. The removals consisted of one company divested as well as two companies no longer included in at equity measurement due to a reduction of their business operations.

The major direct and indirect subsidiaries, associates and joint ventures of TUI AG are listed under "Other Notes—Major subsidiaries, associated companies and joint ventures of the TUI Group."

The effects of the changes in the group of consolidated companies in financial year 2010/11 on financial years 2010/11 and 2009/10 are outlined below. While balance sheet values of companies deconsolidated in financial year 2010/11 are shown as per the closing date for the previous period, items of the income statement are also shown for financial year 2010/11 due to prorated effects.

Impact of changes in the group of consolidated companies on the statement of financial position

	Additions 30 Sep 2011	Disposals 30 Sep 2010
	€ million	
Non-current assets	79.6	1.2
Current assets	38.1	1.2
Non-current provisions	1.0	—
Non-current financial liabilities	2.1	—
Current financial liabilities	1.0	—
Non-current other liabilities	2.6	—
Current other liabilities	41.2	1.0

Impact of changes in the group of consolidated companies on the consolidated income statement

	Additions 2010/11	2010/11	Disposals 2009/10
		€ million	
Turnover with third parties	74.7	1.2	1.6
Turnover with consolidated Group companies	—	—	0.1
Cost of sales and administrative expenses	67.9	1.5	1.7
Financial expenses	0.2	—	—
Earnings before income taxes	**6.6**	**−0.3**	**—**
Income taxes	1.5	−0.2	—
Group profit for the year	**5.1**	**−0.1**	**—**

Acquisitions—divestments

In financial year 2010/11, companies and business lines were acquired at acquisition costs totalling around €76.7m.

Summary presentation of acquisitions

Name and headquarters of the acquired company or business	Business Activity	Acquirer	Date of acquisition	Acquired share %	Consideration transferred in € million
Top Class – European Cruise Services S.a.r.l., Monaco	Cruise handling	Trina Group Limited	1 Oct 2010	100%	0.5
Centrum Podróży SA, Warsaw	Travel agent	TUI Poland sp Zoo	8 Dec 2010	100%	1.7
Travel shop business in Austria	Travel agent	TUI Austria Holding GmbH	1 Oct – 31 Dec 10	n. a.	2.6
Lima Tours S.A.C., Peru	Tour operator	Trina Group Limited	21 Jan 2011	100%	6.2
Travel & More GmbH, Germany	Travel agent	TUI Leisure Travel GmbH	1 Mar 2011	100%	0.2
Intrepid Travel Group Limited (23 companies)	Tour operator	TUI Travel SAS Adventure Limited	4 Apr 2011	60%	42.8
TMS Gateway (six companies)	Cruise handling	Intercruises Shoreside & Port Services Inc.	2 Jun 2011	100%	14.8
Great Atlantic Travel and Tour Inc, Virginia	Tour operator	First Choice Holdings Inc	2 Jun 2011	75%	0.2
English Language Centre York Limited, York	Language teaching	TUI Travel SAS Holdings Limited	1 Jul 2011	100%	3.4
27 Travel shops in Germany and one Travel shop in Austria	Travel agent	TUI Leisure Travel GmbH	1 Oct 2010 – 30 Sep 11	n. a.	4.3
Total					**76.7**

The acquisitions of travel agencies in Germany and Austria were carried out in the form of asset deals.

On 4 April 2011, the TUI Group acquired a 60% stake in Intrepid Travel Group Limited, Australia. Following the transfer of parts of TUI's adventure business and the Intrepid activities to the newly formed PEAK Group, the TUI Group now holds 60% of the shares in the PEAK Group following issuance of 40% of the shares to the previous shareholders of the Intrepid Group.

The transfer of parts of TUI's adventure travel business had to be treated as a transaction under common control in accordance with IFRS 3; it was therefore expressly excluded from the scope of IFRS 3 with regard to the parts of TUI's adventure travel business. The disposal of the 40% stake in parts of TUI's adventure travel business was carried as a transaction among investors in accordance with IAS 27.

The equity of the Intrepid Group, provisionally determined as at the acquisition date, is equivalent to €1.5m. In accordance with IFRS 3, the fair values of the acquired assets, liabilities and contingent liabilities, as well as the values of the consideration transferred, have only been determined on a provisional basis because of the short period that has elapsed since the acquisition of the Intrepid

Group. The prorated net assets of TUI's transferred adventure travel business, measured at fair value as at the date of the interest swap, were equivalent to €42.8m. The consideration transferred was offset against the prorated provisionally remeasured assets; as a result, goodwill of €42.4m was capitalised in the consolidated statement of financial position.

In the period from April to September, the Intrepid Group generated turnover worth the equivalent of €43.2m and a profit contribution of €2.3m. If the Intrepid Group had already been included in consolidation since 1 October 2010, the turnover would have been €30.2m higher, while the additional effect on Group earnings would have been immaterial.

The consideration transferred for the remaining acquisitions in some cases includes the fair value of contingent consideration, i.e. consideration depending on the future development of business (€7.3m in total), apart from the purchase price already paid.

The difference arising between the consideration transferred and the remeasured acquired net assets of €20.8m (after foreign exchange differences) as at the acquisition date was temporarily carried as goodwill. This goodwill essentially constitutes part of the future synergy, earnings and cost savings potential. The goodwill capitalised in the period under review includes an amount of €3.9m expected to be tax-deductible.

Fair values of considerations transferred

	€ million
Purchase price paid	26.6
Net assets of TUI'S adventure travel business	42.8
Deferred or contingent consideration	7.3
Total	**76.7**

In accordance with the amended provisions of IFRS 3, incidental acquisition costs of €13.0m and the remuneration for future services of employees of the acquired companies (up to €9.5m) are carried as administrative expenses in the income statement. In the period under review, this resulted in total expenses of €15.5m.

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

	Fair value at date of first-time consolidation € million, translated
Intangible assets	21.1
Property, plant and equipment	1.9
Investments	2.8
Fixed assets	**25.8**
Trade receivables	22.3
Other assets (including prepaid expenses)	3.0
Cash and cash equivalents	12.5
Deferred income tax provisions	1.7
Other provisions	1.3
Financial liabilities	2.2
Liabilities and deferred income	43.8
Equity	**14.6**

Based on the information available, it was not possible to finalise measurement of several components of the acquired assets and liabilities by the balance sheet date. The twelve-month period permitted under IFRS 3 for finalising purchase price allocations was used; it allows for provisional allocation of the purchase price to the individual assets and liabilities until the end of that period.

Other acquisitions contributed around €31.5m in total to consolidated turnover in the period under review as from the individual acquisition dates. Their effect on the Group result was €2.8m. If these companies had already been included in the consolidated financial statements since 1 October 2010, turnover would have been €17.9m higher; the additional effect on the Group result would have been immaterial.

The present annual financial statements reflect purchase price allocations for the following companies and groups acquired between 1 October 2009 and 30 September 2010, and finalised within the twelve-month time frame provided under IFRS 3:

- Select World Pty Ltd., Australia
- Sport Executive Travel-Group, UK
- The Hampstead School of English Ltd., UK
- TUI Travel Hotel Management Services Ltd., Turkey
- TURKUAZ Insaat Turizm A.S., Turkey
- Hilario Tours S.A., Dominican Republic
- Wonderholding-Group, Sweden
- Manchester Academy-Group, UK
- Tortola Yacht Services Limited, UK
- 23 travel agencies in Germany
- Other acquisitions (8 companies in total)

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

Final presentation of the statements of financial position as at first-time consolidation for acquisitions of the financial year 2009/10

	Carrying amounts at date of acquisition	Revaluation of assets and liabilities	Carrying amounts at date of first-time consolidation
		€ million	
Other intangible assets	0.1	48.5	48.6
Property, plant and equipment	17.3	1.8	19.1
Fixed assets	**17.4**	**50.3**	**67.7**
Inventories	0.4	—	0.4
Receivables and other assets including deferred tax receivables	4.2	−0.1	4.1
Cash and cash equivalents	5.8	—	5.8
Deferred tax provisions	0.2	3.3	3.5
Other provisions	3.6	−0.4	3.2
Financial liabilities	8.1	—	8.1
Liabilities and deferred income	42.5	—	42.5
Equity	**−26.6**	**47.3**	**20.7**

The goodwill arising in the consolidated statement of financial position from the elimination of the acquisition costs against the acquiree’s revalued equity attributable to the acquired share rose by €1.1m as against 30 September 2010, due to changes in the purchase price allocation. Capitalised goodwill essentially represents a portion of the expected synergy and profit potential.

Taking account of the changes in purchase price allocation, the following changes in the consolidated statement of financial position arose as at 30 September 2010:

Impact of changes in purchase price allocations and adjustments on the consolidated statement of financial position

	Adjustment 30 Sep 2010
	€ million
Goodwill	+ 1.1
Other intangible assets	− 0.4
Property, plant and equipment	+ 0.1
Non-current assets	**+ 0.8**
Trade accounts receivable and other receivables	+ 1.1
Other assets (including prepaid expenses)	+ 0.1
Cash and cash equivalents	+ 0.2
Current assets	**+ 1.4**
Other provisions	− 0.3
Non-current provisions and liabilities	**− 0.3**
Other liabilities	+ 2.5
Current liabilities	**+ 2.5**

These final purchase price allocations did not have any major effects on the consolidated statement of financial position as at 30 September 2010 or the consolidated income statement for the prior-year period.

The divestments did not have a material effect on the TUI Group's net assets, financial position and results of operations.

Foreign exchange differences

Transactions in foreign currencies are translated into the functional currency at the foreign exchange rates applicable at the date of the transaction. Any gains and losses resulting from the execution of such transactions and the translation of monetary assets and liabilities denominated in foreign currencies at the foreign exchange rate applicable at the date of the transaction are shown in the income statement, with the exception of gains and losses to be recognised in equity as qualifying cash flow hedges.

The financial statements of companies are prepared in the respective functional currency. The functional currency of a company is the currency of the primary economic environment in which the company operates. With the exception of a small number of companies in the Tourism Segment, the functional currencies of all subsidiaries correspond to the currency of the country of incorporation of the respective subsidiary.

Where subsidiaries prepare their financial statements in functional currencies other than the euro, the Group's reporting currency, the assets, liabilities and Notes to the statement of financial position are translated at the mean rate of exchange applicable at the balance sheet date (closing rate). Goodwill allocated to these companies and adjustments of the fair value arising on the acquisition of a foreign company are treated as assets and liabilities of the foreign company and also translated at the mean rate of exchange applicable at the balance sheet date. As a matter of principle, the items of the income statement and hence the profit for the year shown in the income statement are translated at the average rate of the month in which the respective transaction takes place.

Translation differences relating to non-monetary items with changes in their fair values eliminated through profit and loss (e. g. equity instruments measured at their fair value through profit and loss) are carried in the income statement. In contrast, translation differences for non-monetary items with changes in their fair values taken to equity (e. g. equity instruments classified as held for sale) are carried in revenue reserves.

The TUI Group did not hold any subsidiaries operating in hyperinflationary economies in the financial year under review, nor in the previous year.

The translation of the financial statements of foreign companies measured at equity follows the same principles for adjusting the carrying amount of the shareholding and translating goodwill as those used for consolidated subsidiaries.

Differences arising on the translation of the annual financial statements of foreign subsidiaries are carried outside profit and loss and separately shown as foreign exchange differences in the statement of changes in equity. When a foreign company or operation is sold, any foreign exchange differences previously carried in equity outside profit and loss are recognised as a gain or loss from disposal in the income statement.

Net investment in a foreign operation

Monetary items receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, form part of a net investment in this foreign operation. Foreign exchange differences from the translation of these monetary items are carried in other comprehensive income, i.e. recognised directly in equity outside profit and loss.

Exchange rates of currencies of relevance to the TUI Group

	Closing rate		Annual average rate	
	30 Sep 2011	30 Sep 2010	2010/11	2009/10
	1 € equivalent			
Sterling	0.87	0.86	0.87	0.87
US dollar	1.35	1.36	1.39	1.36
Swiss franc	1.22	1.33	1.26	1.43
Swedish krona	9.26	9.19	9.06	9.83

Consolidation methods

The recognition of the net assets of acquired subsidiaries is based on the purchase method of accounting. Accordingly, irrespective of existing non-controlling interests, a complete fair value measurement of all identifiable assets, liabilities and contingent liabilities is initially effected as at the acquisition date. Subsequently, the consideration for the acquisition of the stake is measured at fair value and eliminated against the acquiree's revalued equity attributable to the acquired share. Any excess of acquisition costs over net assets acquired is capitalised as goodwill and recognised as an asset for the acquired subsidiary in accordance with the provisions of IAS 21. Any negative goodwill is immediately reversed through profit and loss as at the date on which it arises, with the reversal effect carried under Other income.

Changes in the fair value of contingent consideration are carried in the income statement through profit or loss.

Goodwill is not amortised. Goodwill is regularly tested for impairment, at least annually, following the completion of the annual planning process. Additional impairment tests are effected if there are any events or indications suggesting potential impairments in goodwill.

When additional shares are purchased after obtaining control (follow-up share purchases), the difference between the purchase price and the carrying amount of the stakes acquired is recognised directly in equity. The effects from sales of stakes not entailing a loss of control are also recognised directly in equity on an analogous basis. By contrast, when control is obtained or lost, the difference is realised through profit and loss. This gain or loss effect results from step acquisitions (transactions involving a change of control), with the equity stake previously held in the acquired company revalued at the fair value applicable at the acquisition date. For transactions involving a loss of control, the profit or loss does not only comprise the difference between the carrying amounts of the disposed stakes and the consideration received, but also the effect from a revaluation of the remaining shares.

In the event of step acquisitions carried out before 31 December 2008, still treated in accordance with the old IAS 27 provisions, a complete fair value measurement of assets and liabilities of the acquired company was carried out at every acquisition date. The goodwill to be recognised arose from the elimination of the acquisition cost against the acquiree's revalued equity attributable to the acquired share at the respective acquisition date. Any changes in the fair values of assets and liabilities arising in between the acquisition dates were recognised in equity outside profit and loss in the consolidated statement of financial position, in relation to the stake not yet resulting in consolidation of the company, and were carried in the revaluation reserve. In the framework of the removal of a company from consolidation, this revaluation reserve is eliminated against other revenue reserves.

The difference between the income from the disposal of the subsidiary and the Group equity attributable to the stake, including any foreign exchange differences previously carried outside profit and loss, differences from the revaluation reserve, the reserve for changes in the value of financial instruments as well as eliminated interim profits, is carried in the income statement as at the disposal date. This principle does not apply to actuarial gains or losses carried in Group equity outside profit and loss in the framework of the recognition of pension obligations in accordance with IAS 19. If any subsidiaries are sold, the goodwill attributable to these subsidiaries is included in the determination of the gain or loss on disposal.

The Group's major associates and joint ventures are measured at equity and carried at the cost of acquisition as at the acquisition date. The Group's stake in associates and joint ventures includes the goodwill arising from the respective acquisition transaction.

The Group's share in profits and losses of associates and joint ventures is carried in the income statement as from the date of acquisition (Result from joint ventures and associates), while the Group's share in changes in reserves is shown in its revenue reserves. Accumulated changes arising after the acquisition are shown in the carrying amount of the participation. Where the share in the loss of an associated company or joint venture equals or exceeds the Group's original stake in this company, including other unsecured receivables, no further losses are recognised as a matter of principle. Any losses exceeding that stake are only recognised where obligations have been assumed or payments have been made for the associated company or joint venture.

Intercompany profits from transactions between subsidiaries and companies measured at equity are eliminated in full in relation to the Group's stake in the company. Intercompany losses are also eliminated if the transaction does not suggest an impairment in the transferred asset.

Where the accounting and measurement methods applied by associates and joint ventures differ from the uniform accounting rules applied in the Group and the differences are sufficiently known and accessible, restatements are made as a matter of principle.

Intercompany receivables and payables or provisions are eliminated. Where the conditions for the consolidation of third-party debt are met, this option is used. Intercompany turnover and other income as well as the corresponding expenses are eliminated. Intercompany results from intercompany deliveries and services are reversed through profit and loss, taking account of deferred taxes. However, intercompany losses may be understood as suggesting that an impairment test is required for the transferred assets. Intercompany deliveries and services are provided in conformity with the arm's length principle.

Accounting and measurement

The financial statements of the subsidiaries included in the Group are prepared in accordance with uniform accounting and measurement principles. The amounts stated in the consolidated financial statements are not determined by tax regulations but solely by the commercial presentation of the net assets, financial position and results of operations as set out in the IASB rules.

Turnover recognition

Turnover comprises the fair value of the consideration received or to be received for the sale of products and services in the framework of ordinary business activities. Turnover is carried excluding value-added tax, returns, discounts and price rebates, and after elimination of intra-Group sales.

As a matter of principle, turnover and other income is recognised upon rendering of the service or delivery of the assets and hence upon transfer of the risk.

The commission fees received by travel agencies for package tours are recognised upon payment by the customer or, at the latest, at the date of departure. The services of tour operators mainly consist in organising and coordinating package tours. Turnover from the organisation of tours is therefore recognised in full when the customer departs. Turnover from individual travel modules booked directly by the customer from airlines, hotel companies or incoming agencies is recognised when the customer takes up the service concerned. Income from non-completed cruises is recognised according to the proportion of contract performance at the balance sheet date. The percentage of completion is determined as the ratio between travel days completed by the balance sheet date and overall travel days.

Interest income is reported on a prorated basis according to the effective interest method. Dividends are recognised when the legal claim has arisen.

Goodwill and other intangible assets

Acquired intangible assets are carried at cost. Self-generated intangible assets, primarily software for use by the Group itself, are capitalised at cost where an inflow of future economic benefits for the Group is probable and can be reliably measured. The cost of production comprises direct costs and directly allocable overheads. Intangible assets with a limited service life are amortised over the expected useful life.

Intangible assets acquired in the framework of business combinations, such as order book, customer base or trademark rights, are carried at their fair value as at the date of acquisition and amortised.

Useful lives of Intangible assets

	Useful lives
Concessions, property rights and similar rights	up to 20 years
Trademarks at acquisition date	15 to 20 years
Order book as at acquisition date	until departure date
Software	3 to 10 years
Customer base as at acquisition date	up to 15 years

Intangible assets with indefinite useful lives are not amortised but have to be tested for impairment at least annually. In addition, impairment tests have to be conducted if there are any events or indications suggesting potential impairment. The TUI Group's intangible assets with an indefinite useful life consisted exclusively of goodwill.

Impairment tests for goodwill are conducted on the basis of cash generating units. According to the IASB rules, cash generating units are the smallest identifiable group of assets to generate cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets. In the Tourism Segment, TUI Travel as a whole has been defined as a cash generating unit. Allocation in the TUI Hotels & Resorts Sector is based on the individual hotel groups.

Impairments are effected where the carrying amount of the tested units plus the allocated goodwill exceeds the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and the present value of future payment flows of the tested entity based on continued use within the company (value in use). The fair value less cost to sell corresponds to the amount that could be generated between knowledgeable, willing, independent business partners in an arm's length transaction after deduction of the cost to sell. Due to the restrictions applicable to the determination of cash flows when deriving the value in use, e.g. the requirement not to account for earnings effects from investments in expansions or from restructuring activities for which no provision was formed according to IAS 37, the fair value less costs to sell usually exceeds the value in use and therefore represents the recoverable amount.

Since a fair value was not available in an active market for the entities to be tested, with the exception of TUI Travel, it was determined by discounting the expected cash surpluses. This was based on the medium-term plan for the entity under review, prepared at the balance sheet date, following deduction of income tax payments.

For the detailed planning periods from 2011/12 to 2013/14, the weighted average cost of capital after income taxes used as the discounting basis was 8.5% p. a. for TUI Travel and 8.0% p. a. for TUI Hotels & Resorts; taking account of a growth markdown of 1.0% p. a., the corresponding figures were 7.5% p. a. and 7.0% p. a., respectively, for the longer-term period. The fair values determined were tested against analysts' estimates for TUI AG at Segment level (sum-of-the-parts measurements). They were also tested against multiples customary in the market. The costs to sell to be taken into account were determined on the basis of empirical values related to past transactions.

Where the original causes for impairments effected in previous years no longer applied, the impairment was written back to Other income. In accordance with IAS 36, reversals of impairment losses for goodwill are prohibited.

Property, plant and equipment

Property, plant and equipment are measured at amortised cost. The costs to purchase comprise the considerations spent to purchase an asset and to place it in a working condition. The costs to produce are determined on the basis of direct costs and appropriate allocations of overheads and depreciation.

Borrowing costs directly associated with the acquisition, construction or production of qualified assets are included in the costs to acquire or produce these assets until the assets are ready for their intended use. The capitalisation rate applied in the event of intercompany financing is 6.75% p. a. for the financial year under review and 6.3% p. a. for the previous year. Other borrowing costs are recognised as current expenses.

To the extent that funds are borrowed specifically for the purpose of obtaining a qualified asset, the underlying capitalisation rate is determined on the basis of the specific borrowing cost; in all other cases the weighted average of the borrowing costs applicable to the borrowings outstanding is applied.

Use-related depreciation and amortisation is based on the following useful lives:

Useful lives of property, plant and equipment

	Useful lives
Hotel buildings	30 to 40 years
Other buildings	up to 50 years
Cruise ships	20 to 30 years
Yachts	5 to 15 years
Motorboats	15 to 24 years
Aircraft	
Fuselages and engines	up to 18 years
Engine overhaul	depending on intervals, up to 5 years
Major overhaul	depending on intervals, up to 5 years
Spare parts	12 years
Other machinery and fixtures	up to 40 years
Operating and business equipment	up to 10 years

Moreover, the level of depreciation is determined by the residual amounts recoverable at the end of the useful life of an asset. The residual value assumed in first-time recognition for cruise ships and their hotel complexes is 30% of the acquisition costs. The determination of the depreciation of aircraft fuselages, engines and spare parts in first-time recognition is based on a residual value of 20% of the cost of acquisition.

Both the useful lives and assumed residual values are reviewed on an annual basis when preparing the annual financial statements. The review of the residual values is based on comparable assets at the end of their useful lives as at the current point in time. Any adjustments required are effected as a correction of depreciation over the remaining useful life of the asset. The adjustment of depreciation is effected retrospectively for the entire financial year in which the review has taken place. Where the review results in an increase in the residual value so that it exceeds the remaining net carrying amount of the asset, depreciation is suspended. In this case, the amounts are not written back.

Any losses in value expected to be permanent and going beyond wear-and-tear depreciation are taken into account through the recognition of impairment losses. If there are any events or indications suggesting impairment, the required impairment test is performed to compare the carrying value of an asset with the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the value of future cash flows attributable to the asset (value in use).

Investment grants received are shown as reductions in the costs to purchase or produce items of property, plant or equipment where these grants are directly attributable to individual items. Where a direct allocation of grants is not possible, the grants and subsidies received are carried as deferred income under Other liabilities and reversed in accordance with the use of the investment project.

Leases

Finance leases

In accordance with IAS 17, leased property, plant and equipment in which the TUI Group carries all essential risks and rewards incident to ownership of the assets are capitalised. Capitalisation is based on the fair value of the asset or the present value of the minimum lease payments, if lower. Depreciation is charged over the useful life or the lease term, if shorter, on the basis of the depreciation method applicable to comparable purchased or manufactured assets. Payment obligations arising from future lease payments are carried as liabilities, with no consideration of future interest expenses. Every lease payment is broken down into an interest portion and a redemption portion so as to produce a constant periodic rate of interest on the remaining balance of the liability. The interest portion is carried in the income statement through profit or loss.

Where companies of the TUI Group are lessors in finance leases, receivables equivalent to the net investment value are carried for the lease. The periodic distribution of the income from finance leases results in constant interest payments on the outstanding net investment volume of the leases over the course of time.

Operating leases

Both expenses made and income received under operating leases are recognised in the income statement on a straight-line basis over the term of the corresponding leases.

Sale-and-lease-back transactions

Gains from sale-and-lease-back transactions resulting in a finance lease are recognised in income over the term of the lease. Losses are immediately recognised in the income statement as at the date of the transaction.

If a sale-and-lease-back transaction results in an operating lease, a gain or loss is recognised immediately as a matter of principle if the transaction has demonstrably been carried out at fair value. If a loss is compensated for by future lease payments at below-market price, this loss is to be deferred and amortised over the term of the lease agreement. If the agreed purchase price exceeds fair value, the gain from the difference between these two values also has to be deferred and amortised.

Investment property

Property not occupied for use and exclusively held to generate rental income and capital gains is recognised at amortised cost. This property is amortised over a period of up to 50 years.

Financial instruments

Financial instruments are contractual rights or obligations that will lead to an inflow or outflow of financial assets or the issue of equity rights. They also comprise (derivative) rights or obligations derived from primary financial instruments.

In accordance with IAS 39, financial instruments are broken down into the following measurement categories: financial assets or liabilities to be measured at fair value through profit and loss, loans and receivables, financial assets available for sale, financial assets held to maturity and other liabilities.

In terms of financial instruments measured at fair value through profit and loss, the TUI Group holds derivative financial instruments which have to be classified as held for trading. It also holds an investment measured at fair value and held for sale. The fair value option was not exercised. Moreover, the TUI Group holds financial assets in the "loans and receivables" and "available for sale" categories. However, it did not hold any assets held to maturity in the period under review.

In financial year 2010/11, and in the previous short financial year, no reclassifications were effected within the individual measurement categories.

Primary financial assets

Financial assets are recognised at the value as at the trading date on which the Group commits to buy the asset. Primary financial assets are classified as loans and receivables or as financial assets available for sale when recognised for the first time. Loans and receivables as well as financial assets available for sale are initially recognised at fair value plus transaction costs.

Loans and receivables are non-derivative financial assets with fixed or fixable contractual payments not listed in an active market. They are shown under "Trade accounts receivable" and "Other assets" in the statement of financial position and classified as current receivables if they mature within twelve months after the balance sheet date.

In the framework of follow-up measurement, loans and receivables are measured at amortised cost based on the effective interest method. Value adjustments are made to account for identifiable individual risks. Where objective information indicates that default of a certain portion of the receivables portfolio is probable, impairments are effected at an amount corresponding to the expected loss. Impairments and reversals of impairments are carried under "Cost of sales", "Administrative expenses" or "Financial expenses", depending on the technical nature of the transaction.

Financial assets available for sale are non-derivative financial assets either individually expressly allocated to this category or not allocable to any other category of financial assets. In the TUI Group, they exclusively consist of stakes in companies, securities and hybrid instruments to Container Shipping. They have to be allocated to non-current assets unless the management intends to sell them within twelve months after the balance sheet date.

Financial assets available for sale are measured at their fair value in the framework of initial measurement. Changes in fair values are carried in equity outside profit and loss until the disposal of the assets. A permanent reduction in fair value gives rise to impairments recognised through profit or loss. In the event of subsequent reversal of the impairment, the impairment carried through profit or loss is not reversed for equity instruments but eliminated against equity outside profit and loss. Where a listed market price in an active market is not available for shares held, and other methods to determine an objective market value are not applicable, the shares are measured at amortised cost.

A derecognition of assets is effected as at the date on which the rights for payments from the asset expire or are transferred and therefore as at the date essentially all risks and rewards of ownership are transferred.

Derivative financial instruments and hedging

In the framework of initial measurement, derivative financial instruments are measured at the fair value attributable to them on the day of the conclusion of the agreement. The follow-up measurement is also effected at the fair value applicable at the respective balance sheet date. Where derivative financial instruments are not part of a hedge in connection with hedge accounting, they have to be classified as held for trading in accordance with IAS 39. The method used to carry profits and losses depends on whether the derivative financial instrument has been classified as a hedge and on the type of underlying hedged item. As a matter of principle, the Group classifies derivative financial instruments either as fair value hedges to hedge against exposure to changes in the fair value of assets or liabilities or as cash flow hedges to hedge against variability in cash flows from highly probable future transactions.

Upon conclusion of the transaction, the Group documents the hedge relationship between the hedge and the underlying item, the risk management goal and the underlying strategy. In addition, a record is kept of the assessment, both at the beginning of the hedge relationship and on a continual basis, as to whether the derivatives used for the hedge are highly effective in compensating for the changes in the fair values or cash flows of the underlying transactions.

The changes in the fair values of derivative financial instruments designated to hedge against exposure to changes in the fair value (fair value hedges) are carried in the income statement alongside the changes in the fair values of the hedged assets or liabilities allocable to the hedged risk. If the conditions for hedge accounting are no longer met and the previously designated underlying item is measured by means of the effective interest method, the necessary adjustment to the carrying amount of the underlying transaction has to be effected over its remaining term. The present annual financial statements did not include any fair value hedges of assets and liabilities.

The effective portion of changes in the fair value of derivatives forming cash flow hedges is recognised in equity. The ineffective portion of such changes in the fair value, by contrast, is recognised immediately in the income statement through profit and loss, depending on the nature of the transaction. Amounts taken to equity are reclassified to the income statement and carried as income or expenses in the period in which the hedged item had an effect on results.

If a hedge expires, is sold or no longer meets the criteria for hedge accounting, the cumulative gain or loss remains in equity and is only carried in the income statement with an effect on results when the originally hedged future transaction occurs. If the future transaction is no longer expected to take place, the cumulative gain or loss recognised directly in equity has to be recognised immediately through profit and loss.

Changes in the fair values of derivative financial instruments not meeting the criteria for hedge accounting are immediately carried in the income statement through profit or loss.

Inventories

Inventories are measured at the lower of cost or net realisable value. Net realisable value is the estimated selling price less the estimated cost incurred until completion and the estimated variable costs required to sell. All inventories are written down individually where the net realisable value of inventories is lower than their carrying amounts. Where the original causes of inventory write-downs no longer apply, the write-downs are reversed. The measurement method applied to similar inventory items is the weighted average cost formula.

Cash and cash equivalents

Cash and cash equivalents comprise cash, call deposits, other current highly liquid financial assets with an original term of a maximum of three months and current accounts. Used credits in current accounts are shown as Liabilities to banks under Current financial liabilities.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if the associated carrying amount will be, or was, recovered principally through sale rather than through continued use.

The measurement is effected at the lower of carrying amount and fair value less costs to sell. Depreciation and at equity measurements have to be suspended. Impairments to fair value less costs to sell must be carried through profit and loss, with any gains on subsequent remeasurement resulting in the recognition of profits of up to the amount of the cumulative impairment cost.

Hybrid capital

In accordance with IAS 32, the hybrid capital issued at the end of financial year 2005 has to be recognised as one of the Group's equity components due to the bond terms. Accordingly, the tax-deductible interest payments were not shown under interest expenses but treated in analogy to dividend obligations to TUI AG shareholders. Any borrowing costs incurred were directly deducted from the hybrid capital, taking account of deferred income taxes.

Provisions

Provisions are formed when the Group has a current legal or constructive obligation as a result of a past event and where in addition it is probable that assets will be impacted by the settlement of the obligation and the level of the provision can be reliably determined. Provisions for restructuring measures comprise payments for the early termination of rental agreements and severance payments to employees. No provisions are carried for future operating losses.

Where a large number of similar obligations exists, the probability of a charge over assets is determined on the basis of this group of obligations. A provision is also carried as a liability if the probability of a charge over assets is low in relation to an individual obligation contained in this group.

Provisions are measured at the present value of the expected expenses, taking account of a pre-tax interest rate, reflecting current market assessments of the time value of money and the risks specific to the liability. Risks already taken into account in estimating future cash flows do not affect the discount rate. Increases in provisions due to accrued interest are carried as interest expenses through profit or loss.

The pension provision recognised for defined benefit plans corresponds to the net present value of the defined benefit obligations (DBOs) as at the balance sheet date, less the fair value of the plan assets. Measurement of these assets is limited to the net present value of the value in use in the form of reimbursements from the plan or reductions in future contribution payments. Actuarial gains and losses arising from the regular adjustment of actuarial parameters are eliminated against equity outside profit and loss when they occur. The DBOs are calculated annually by independent actuaries using the projected unit credit method. The net present value of the DBOs is calculated by discounting the expected future outflows of cash with the interest rate of high-quality corporate bonds.

Past service cost is immediately recognised through profit or loss if the changes in the pension plan do not depend on the employee remaining in the Company for a defined period of time (vesting period). In this case, the past service cost is recognised through profit or loss on a straight-line basis over the vesting period.

For defined contribution plans, the Group pays contributions to public or private pension insurance plans on the basis of a statutory or contractual obligation or on a voluntary basis. The Group does not have any further payment obligations on top of the payment of the contributions. The contributions are carried under personnel costs when they fall due.

Liabilities

As a matter of principle, liabilities are carried at the date on which they arise at fair value less borrowing and transaction costs. Over the course of time, liabilities are measured at amortised cost based on application of the effective interest method.

When issuing bonds comprising a debt component and a second component in the form of conversion options or warrants, the funds obtained for the respective components are recognised in accordance with their character. At the issuing date, the debt component is carried as a bond at a value that would have been generated for the issue of this debt instrument without corresponding conversion options or warrants on the basis of current market terms. If the conversion options or warrants have to be classified as equity instruments, the difference over the issuing proceeds generated is transferred to the capital reserve with deferred taxes taken into account.

As a matter of principle, the currency differences resulting from the translation of trade accounts payable are reported as a correction of the cost of sales. Currency differences from the translation of liabilities not resulting from normal performance processes are carried under Other income/Other expenses or Administrative expenses, depending on the nature of the underlying liability.

Deferred taxes

In accordance with IAS 12, deferred taxes were determined using the balance sheet liability method. Accordingly, probable future tax reliefs and charges are recognised for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Expected tax savings from the use of tax loss carryforwards assessed as recoverable in the future are capitalised. Although there continues to be no time limit for German tax loss carryforwards, the annual use of such carryforwards was restricted by means of minimum taxation. Foreign tax loss carryforwards frequently had to be used within a given country-specific time limit and were subject to restrictions concerning the use of these tax loss carryforwards for profits on ordinary activities, which were taken into account accordingly in the measurement.

Deferred taxes are directly charged or credited to equity if the tax relates to items directly credited or charged to equity in the same or some other period.

Deferred tax assets are carried to the extent that it is probable that future taxable profits will be available against which the temporary difference or an unused tax loss can be utilised.

Deferred taxes are measured at the tax rates and tax provisions applicable at the balance sheet date or essentially adopted by law and expected to be applicable at the date of realisation of the deferred tax claim or the payment of the deferred tax liability.

Current income taxes

The German companies of the TUI Group have to pay average trade income tax of approx. 15.2% or 15.7% (previous year 15.2% or 15.7%), depending on the applicable trade tax multiples. As in the prior year, the corporation tax rate was 15.0%, plus a 5.5% solidarity surcharge on corporation tax.

The calculation of foreign income taxes was based on the laws and provisions applicable in the individual countries. The income tax rates applied to foreign companies varied from 0.0% to 42.1%.

Income tax liabilities were offset against the corresponding tax refund claims where they existed in the same fiscal territory and had the same nature and maturity.

Share-based payments

All share-based payment schemes in the Group were payment schemes paid in cash or via equity instruments.

For transactions with cash compensation, the resulting liability for the Group was charged to expenses at its fair value as at the date of the performance of the service by the beneficiary. Until payment of the liability, the fair value of the liability was remeasured at every closing date and all changes in the fair value were carried through profit and loss.

In the Tourism Segment, share-based payment schemes exist in the form of share award programmes granted by TUI Travel PLC. Under these payment schemes, directors and employees are entitled to acquire shares in TUI Travel PLC. The fair value of the options granted is carried under Personnel costs with a corresponding direct increase in equity. The fair value is determined at the point when the options are granted and spread over the vesting period during which the employees become entitled to the options.

The fair value of the options granted is measured using option valuation models, taking into account the terms and conditions upon which the options were granted. The amount to be carried under personnel costs is adjusted to reflect the actual number of share options that vest, except where forfeiture is due only to market-based performance conditions not meeting the thresholds for vesting.

Transactions to acquire shares in TUI Travel PLC to perform the share option plans were taken directly to the revenue reserve in equity.

Key estimates and judgements

All estimates and judgements are reviewed on an ongoing basis and are founded on historical experience and other factors, including expectations concerning future events.

Goodwill was tested for impairment as at the balance sheet date. Details concerning the implementation of goodwill impairment tests are presented in the section Goodwill and other intangible assets in the chapter Accounting and measurement methods.

In order to review the carrying amounts for property, plant and equipment, an annual assessment for signs of potential impairment is performed. These indications relate to various areas, e. g. the market-related or technical environment but also physical condition. If such signs are identified, management has to assess the recoverable amount on the basis of expected future cash flows and appropriate interest rates. Moreover, key estimates and judgements are made in determining useful economic lives and residual values of property, plant and equipment items, to be tested at least on an annual basis. Details concerning useful lives and residual values of property, plant and equipment items are provided in the section property, plant and equipment in the chapter Accounting and Measurement Methods.

In accounting for business combinations, the identifiable assets, liabilities and contingent liabilities acquired have to be measured at their fair values. In this context, cash flow-based methods are regularly used. Depending on the assumptions underlying such methods, different results may be produced. In particular, judgement and estimation is required in determining the economic useful lives of intangible assets and the fair values of contingent liabilities.

The classification of non-current assets or disposal groups as “held for sale” requires judgement in determining whether the planned disposal is highly probable and able to be realised within twelve months. The measurement of these assets or disposal groups at their fair value less costs to sell can also require judgement if there is no active market.

In accounting for provisions, judgement is required in determining likelihood of occurrence, maturity and level of the risk. In order to determine the obligation under defined benefit pension schemes, actuarial calculations are used. They depend heavily on underlying mortality assumptions and the choice of discount rate, newly determined at the end of every year. The discount rate used is the interest rate for first-rate corporate bonds denominated in the currencies in which the benefits are paid and with maturities corresponding to those of the pension obligations. At the same time, current market expectations are used in determining the expected return on plan assets. Detailed information is outlined in the explanatory notes on recognised pension provisions under Note 31.

Judgement is required in assessing the effectiveness of hedges at hedge inception and during the period over which hedge accounting is adopted. Moreover, the assessment of the probability of the expected forecast transactions underlying the cash flow hedges can involve judgement.

The Group is liable to pay income taxes in various countries. Judgement is required in determining income tax liabilities. For certain transactions and calculations the final tax charge cannot be determined during the ordinary course of business. The level of obligations for expected tax audits is based on an estimation of whether, and to what extent, additional income taxes will be due. Judgements are corrected, if necessary, in the period in which the final tax charge is determined.

SEGMENT REPORTING

Notes to the segments

The identification of operating segments is based on the internal organisational and reporting structure, also built around the different products and services within the TUI Group. Allocation of individual organisational entities to operating segments is exclusively based on economic criteria, irrespective of the participation structure under company law. For the presentation of reportable segments in accordance with IFRS 8, both operating segments with comparable economic features and operating segments not meeting the quantitative thresholds are aggregated with other operating segments.

Tourism is the Group's core business and consists of three Sectors: TUI Travel, TUI Hotels & Resorts and Cruises. The Sectors constitute the reportable segments according to IFRS 8.

TUI Travel comprises all distribution, tour operator, airline and incoming activities of the TUI Group. Operational management of the Mainstream, Specialist & Activity, Accommodation & Destinations and Emerging Markets Businesses is exercised by the management of TUI Travel PLC. The Sector TUI Hotels & Resorts comprises all hotel companies of the Group outside of the TUI Travel Group.

Due to the divestment of the Magic Life hotel company to TUI Travel PLC, completed in June 2011, and the associated change in the internal organisational and reporting structure, segment reporting was adjusted accordingly. The Magic Life Group has therefore no longer been shown under the Sector TUI Hotels & Resorts but under TUI Travel. The prior-year numbers were also restated accordingly.

The Cruises Sector consists of Hapag-Lloyd Kreuzfahrten and the TUI Cruises activities, a joint venture measured at equity.

The segment entitled All other segments carries the Group's real estate companies, all non-allocable business activities (in particular holding companies) and the result from the measurement of the stake in Container Shipping. The Holdings Sector also carries turnover from, and expenses for, the intra-Group aircraft charter business.

Expenses for, and income from, TUI AG's management tasks were allocated to the individual segments they were associated with.

Notes to the segment data

As a rule, inter-segment business transactions are based on the arm's length principle, as applied in transactions with third parties.

The operating segment assets and liabilities comprise assets or liabilities, excluding financial assets, financial liabilities, pension provisions and income taxes. Goodwill is also shown as segment assets.

Non-current assets comprise goodwill, other intangible assets, property, plant and equipment, carrying amounts of assets measured at equity and the non-current components of other assets.

Investments are additions of property, plant and equipment as well as intangible assets. Depreciation and amortisation relate to segment fixed assets and also include goodwill impairments.

Non-cash expenses do not comprise depreciation.

Proceeds from the disposal of subsidiaries are allocated to the individual segment revenues. The recognition of foreign exchange differences in connection with capital reductions through profit or loss was attributed to the holding activities in the prior year and carried accordingly in segment reporting.

Financial assets as well as cash and cash equivalents are used to generate the financial result. Financial liabilities (including pension provisions) are carried as interest-bearing liabilities and are used to finance the operating and investing activities.

Reconciliation of segment assets and liabilities to the Group's assets or liabilities has to take account of income tax assets or income tax provisions and liabilities.

Segment reporting discloses, in particular, performance indicators such as EBITA, underlying EBITA, EBITDA and EBITDAR since these indicators are used for value-oriented corporate management.

Key Figures by Segment and Sector

	Tourism		All other Segments		Consolidation		Group	
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
	€ million							
Statement of results								
Turnover	17,430.4	16,286.7	49.9	63.4	—	—	17,480.3	16,350.1
Inter-segment turnover	16.7	15.5	31.9	105.8	−48.6	−121.3	—	—
Segment turnover	**17,447.1**	**16,302.2**	**81.8**	**169.2**	**−48.6**	**−121.3**	**17,480.3**	**16,350.1**
Group profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**118.2**	**113.6**
Income taxes	—	—	—	—	—	—	88.6	64.2
Earnings before taxes (EBT)	**320.8**	**66.0**	**−114.0**	**111.8**	**—**	**—**	**206.8**	**177.8**
of which share of results of joint ventures and associates	*55.0*	*20.3*	*−2.1*	*150.3*	—	—	*52.9*	*170.6*
Net interest result and result from the measurement of interest hedges	−156.0	−161.4	−130.8	−143.4	—	—	−286.8	−304.8
Impairment of goodwill	—	18.2	—	—	—	—	—	18.2
Segment results according to IFRS 8	**476.8**	**245.6**	**16.8**	**255.2**	**—**	**—**	**493.6**	**500.8**
Result from Container shipping measured at equity	—	—	−2.1	150.3	—	—	−2.1	150.3
Effect of the measurement of loans to Container Shipping	—	—	51.2	135.0	—	—	51.2	135.0
Earnings before interest, taxes and amortisation of goodwill (EBITA)	**476.8**	**245.6**	**−32.3**	**−30.1**	**—**	**—**	**444.5**	**215.5**
Adjustments	179.8	394.6	−24.2	−20.9	—	—	155.6	373.7
Underlying EBITA	**656.6**	**640.2**	**−56.5**	**−51.0**	**—**	**—**	**600.1**	**589.2**
Amortisation of other intangible assets and depreciation of property, plant and equipment	406.4	413.3	8.4	14.5			414.8	427.8
of which impairments	*39.2*	*30.7*	*3.7*	*8.3*	—	—	*42.9*	*39.0*
Other depreciation/amortisation and write-back	7.8	−5.1	1.4	−1.4	—	—	9.2	−6.5
of which write-backs	*7.8*	*3.9*	*1.4*	—	—	—	*9.2*	*3.9*
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**875.4**	**664.0**	**−25.3**	**−14.2**	**—**	**—**	**850.1**	**649.8**
Rental expenses	824.9	797.3	28.8	93.4	−13.1	−85.2	840.6	805.5
Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)	**1,700.3**	**1,461.3**	**3.5**	**79.2**	**−13.1**	**−85.2**	**1,690.7**	**1,455.3**

		Tourism		All other Segments		Consolidation		Group	
		2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
		€ million							
Assets and liabilities									
Segment assets		8,533.8	8,610.9	250.5	513.2	−8.7	−6.6	8,775.6	9,117.5
of which goodwill		*2,907.2*	*2,862.6*	—	—	—	—	*2,907.2*	*2,862.6*
Carrying amounts of joint ventures and associates		724.8	714.9	1,010.7	1,060.3	—	—	1,735.5	1,775.2
Interest-bearing Group receivables		86.6	68.2	848.2	1,111.2	−934.8	−1,179.4	—	—
Cash and cash equivalents		1,152.5	1,232.2	828.8	1,042.1	—	—	1,981.3	2,274.3
Other financial assets		270.4	198.0	2,679.6	3,204.8	−2,204.0	−2,158.9	746.0	1,243.9
Non-allocable taxes		—	—	—	—	—	—	253.5	204.6
Total assets								**13,491.9**	**14,615.5**
Segment liabilities		6,480.3	6,185.2	321.7	330.1	−7.5	−89.9	6,794.5	6,425.4
Third-party financial liabilities		1,328.0	1,427.9	1,476.2	3,089.0	−5.9	−5.0	2,798.3	4,511.9
Group financial liabilities		883.9	1,047.2	67.6	59.0	−951.5	−1,106.2	—	—
Other financial liability items		600.6	581.7	314.5	329.6	—	—	915.1	911.3
Non-allocable taxes								436.2	332.7
Total liabilities and provisions								**10,944.1**	**12,181.3**
Additional disclosures									
Non-cash expenses		14.4	32.1	2.1	—	—	—	16.5	32.1
Non-cash income		69.5	47.0	—	200.9	—	—	69.5	247.9
Return on sales (on EBITA)	%	2.7	1.5	—	—	—	—	2.5	1.3
Investments		471.7	512.1	2.7	4.1	—	—	474.4	516.2
Investments in goodwill		2.7	46.1	—	—	—	—	2.7	46.1
Investments in other intangible assets and property, plant and equipment		469.0	466.0	2.7	4.1	—	—	471.7	470.1
Financing ratio	%	86.2	84.3	311.1	353.7	—	—	87.4	86.4
Employees at year-end		73,079	70,745	628	653	—	—	73,707	71,398

Key Figures Tourism Segment

	TUI Travel		TUI Hotels & Resorts		Cruises		Consolidation		Tourism	
	2010/11	2009/10 revised	2010/11	2009/10 revised	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
	€ million									
Statement of results										
Turnover	16,867.0	15,754.8	362.6	353.2	200.8	178.7	0.0	0.0	17,430.4	16,286.7
Inter-segment turnover	26.0	81.6	418.2	418.4	—	—	−427.5	−484.5	16.7	15.5
Segment turnover	**16,893.0**	**15,836.4**	**780.8**	**771.6**	**200.8**	**178.7**	**−427.5**	**−484.5**	**17,447.1**	**16,302.2**
Group profit for the year										
Income taxes	—	—	—	—	—	—	—	—	—	—
Earnings before taxes (EBT)	**193.2**	**−39.5**	**116.5**	**100.3**	**11.1**	**5.2**	**0.0**	**—**	**320.8**	**66.0**
of which share of result of joint ventures and associates	*24.4*	*−6.0*	*26.0*	*26.7*	*4.6*	*−0.4*	—	*0.0*	*55.0*	*20.3*
Net interest result and result from the measurement of interest hedges	−128.2	−132.0	−27.7	−27.8	−0.1	−1.6	−0.0	−0.0	−156.0	−161.4
Impairment of goodwill	—	9.1	—	9.1	—	—	—	—	—	18.2
Segment results according to IFRS 8	**321.4**	**101.6**	**144.2**	**137.2**	**11.2**	**6.8**	**0.0**	**0.0**	**476.8**	**245.6**
Result from Container Shipping measured at equity	—	—	—	—	—	—	—	—	—	—
Effect from the measurement of loans to Container Shipping	—	—	—	—	—	—	—	—	—	—
Earnings before interest, taxes and amortisation of goodwill (EBITA)	**321.4**	**101.6**	**144.2**	**137.2**	**11.2**	**6.8**	**0.0**	**0.0**	**476.8**	**245.6**
Adjustments	178.7	383.0	1.1	10.8	—	0.8	—	—	179.8	394.6
Underlying EBITA	**500.1**	**484.6**	**145.3**	**148.0**	**11.2**	**7.6**	**0.0**	**0.0**	**656.6**	**640.2**
Amortisation of other intangible assets and depreciation of property, plant and equipment	321.0	328.2	76.9	76.7	8.5	8.4	−0.0	0.0	406.4	413.3
of which impairments	*31.2*	*22.9*	*8.0*	*7.8*	—	—	*0.0*	*0.0*	*39.2*	*30.7*
Other depreciation/amortisation and write-backs	2.4	−8.0	5.4	2.9	—	—	—	0.0	7.8	−5.1
of which write-backs	*2.4*	—	*5.4*	*3.9*	—	—	—	—	*7.8*	*3.9*
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**640.0**	**437.8**	**215.7**	**211.0**	**19.7**	**15.2**	**0.0**	**0.0**	**875.4**	**664.0**
Rental expenses	764.6	739.3	52.3	49.7	8.0	8.3	−0.0	0.0	824.9	797.3
Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)	**1,404.6**	**1,177.1**	**268.0**	**260.7**	**27.7**	**23.5**	**−0.0**	**0.0**	**1,700.3**	**1,461.3**

		TUI Travel		TUI Hotels & Resorts		Cruises		Consolidation		Tourism	
		2010/11	2009/10 revised	2010/11	2009/10 revised	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
						€ million					
Assets and liabilities											
Segment assets		6,738.1	6,729.8	1,672.6	1,798.3	177.5	151.1	−54.4	−68.3	8,533.8	8,610.9
of which goodwill		*2,515.3*	*2,468.5*	*391.9*	*394.1*	—	—	*−0.0*	*−0.0*	*2,907.2*	*2,862.6*
Carrying amounts of joint ventures and associates		270.8	233.8	320.0	337.9	134.0	143.2	—	—	724.8	714.9
Interest-bearing Group receivables		0.7	19.0	32.4	10.4	53.5	38.8	—	—	86.6	68.2
Cash and cash equivalents		1,041.3	1,092.9	107.6	135.2	3.6	4.1	0.0	−0.0	1,152.5	1,232.2
Other financial assets		180.1	124.8	89.8	72.7	0.5	0.5	−0.0	—	270.4	198.0
Non-allocable taxes											
Total assets											
Segment liabilities		6,305.6	5,868.7	133.9	327.1	95.3	57.7	−54.5	−68.3	6,480.3	6,185.2
Third-party financial liabilities		1,017.9	1,149.5	310.1	278.4	—	—	—	0.0	1,328.0	1,427.9
Group financial liabilities		51.8	266.5	692.9	626.5	139.2	154.2	—	—	883.9	1,047.2
Other financial liability items		592.3	573.6	0.9	0.7	7.4	7.4	0.0	0.0	600.6	581.7
Non-allocable taxes											
Total liabilities and provisions											
Additional disclosures											
Non-cash expenses		12.5	25.0	1.9	6.7	—	0.4	0.0	0.0	14.4	32.1
Non-cash income		36.9	13.9	28.0	33.1	4.6	—	—	—	69.5	47.0
Return on sales (on EBITA)	%	1.9	0.6	18.5	17.8	5.6	3.8	−0.0	−0.0	2.7	1.5
Investments		383.3	442.0	79.9	61.3	8.5	8.8	−0.0	0.0	471.7	512.1
Investments in goodwill		2.7	46.1	—	—	—	—	—	—	2.7	46.1
Investments in other intangible assets and property, plant and equipment		380.6	395.9	79.9	61.3	8.5	8.8	−0.0	0.0	469.0	466.0
Financing ration	%	83.7	76.3	96.2	140.0	100.0	95.5	—	—	86.2	84.3
Employees at year-end		58,378	56,318	14,424	14,202	277	225	—	—	73,079	70,745

Key Figures by Region

	Germany		Great Britain		Spain		Other EU		Rest of Europe		North and South America		Other regions		Consolidation		Group	
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
	€ million																	
Consolidated turnover by customer	**4,790.7**	**4,353.5**	**5,073.6**	**4,780.1**	**261.2**	**254.4**	**5,558.7**	**5,149.5**	**646.3**	**595.0**	**741.8**	**635.9**	**408.0**	**581.7**			**17,480.3**	**16,350.1**
Consolidated turnover by domicile of companies	**4,710.4**	**4,529.8**	**5,182.7**	**5,014.8**	**582.5**	**577.5**	**5,330.6**	**5,093.1**	**466.7**	**232.1**	**629.2**	**542.0**	**578.2**	**360.8**			**17,480.3**	**16,350.1**
Segment assets	**941.9**	**978.0**	**2,690.8**	**2,597.0**	**1,144.6**	**1,174.8**	**921.1**	**861.0**	**34.1**	**40.6**	**542.2**	**560.0**	**333.4**	**470.0**	**21.5**	**23.0**	**6,629.6**	**6,704.4**
Non-allocable taxes	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	253.5	204.6
Segment liabilities	**1,829.2**	**1,683.3**	**2,268.7**	**2,174.5**	**482.9**	**392.1**	**1,688.6**	**1,694.6**	**118.2**	**116.1**	**380.9**	**407.7**	**176.9**	**350.1**	**– 150.9**	**– 393.0**	**6,794.5**	**6,425.4**
Non-allocable taxes	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	436.2	332.7
Additional disclosures																		
Depreciation/ amortisation	32.5	72.5	171.7	130.9	57.8	51.9	84.7	102.6	4.7	5.4	32.8	38.8	30.6	25.7	—	—	414.8	427.8
Investments	74.6	67.6	162.1	282.3	82.4	57.7	119.0	74.9	5.4	6.4	16.2	17.5	14.7	9.8	—	—	474.4	516.2
Investments in goodwill	—	—	2.7	46.1	—	—	—	—	—	—	—	—	—	—	—	—	2.7	46.1
Investments in other tangible assets and property, plant and equipment	74.6	67.6	159.4	236.2	82.4	57.7	119.0	74.9	5.4	6.4	16.2	17.5	14.7	9.8	—	—	471.7	470.1
Employees at year- end	9,846	9,585	18,201	18,515	9,392	9,647	12,398	12,133	8,639	8,778	8,149	6,850	7,082	5,890	—	—	73,707	71,398

NOTES

NOTES ON THE CONSOLIDATED INCOME STATEMENT

Earnings by Tourism showed a positive development in an overall challenging market environment. Growth in earnings was recorded due to the sound level of current trading in the first half of the year, in particular, as well as cost savings in the Mainstream Business. These positive effects went along with the impact of the North Africa crisis on earnings, which, however, was largely contained thanks to flexible capacity management.

Due to higher transport capacity and the associated strong competitive pressure, the performance in Container Shipping declined year-on-year. This is reflected in the proportionate loss to be carried under the at equity method. The measurement results from financial instruments granted to Container Shipping by TUI generated a positive profit contribution.

(1) Turnover

Group turnover by business activity

	2010/11	2009/10
	€ million	
Tourism services	17,293.3	16,166.3
Transport services	33.4	39.2
Trading in merchandise	48.2	38.5
Letting and leasing	15.7	23.9
Other turnover	89.7	82.2
Total	**17,480.3**	**16,350.1**

Other turnover included costs of brochures and advertising materials charged to hotels and travel agencies as well as income from sideline operations, primarily the sale of travel insurance.

(2) Cost of sales and administrative expenses

In the current financial year, TUI Travel PLC identified two accounting errors for financial year 2009/10.

One of the errors related to the erroneous non-derecognition of current trade accounts payable in the framework of consolidation, which would have reduced the cost of sales by €42.6m in financial year 2009/10. Due to the second error, earnings by the tour operator business of the French Nouvelles Frontières Group were overstated due to the non-formation and inappropriate settlement of current liabilities for tourism services purchased in the previous year, so that the cost of sales was understated by €50.9m.

Since the two errors almost offset one another in the same line item in the consolidated financial statements, i.e. cost of sales and current trade accounts payable, and they did not cause any changes in the assessment of the net assets, financial position and results of operations, the prior-year numbers were not restated. The correction of the errors was carried through profit and loss in the consolidated financial statements for financial year 2010/11.

The cost of sales and administrative expenses include:

Lease, rental and leasing expenses

	2010/11	2009/10
	€ million	
Lease, rental and leasing expenses	905.6	812.1

Where rental and lease expenses for operating leases are directly related to the turnover generated, these expenses are shown under the cost of sales. However, where rental and lease expenses are incurred for administrative buildings, they are shown under administrative expenses.

The increase in rental and lease expenses mainly results from the rise in expenses for aircraft leases and hotel rental.

Staff costs

	2010/11	2009/10
	€ million	
Wages and salaries	1,878.0	1,925.7
Social security contributions, pension costs and benefits	325.2	332.6
Total	**2,203.2**	**2,258.3**

Pension costs include expenses for defined benefit pension obligations. The interest portion of the measurement of pension obligations is carried under Financial expenses due to its financing character. The expected income from the associated fund assets is carried under financial income. A detailed presentation of pension obligations is provided in Note 31.

Personnel costs declined, in particular due to the settlement of income from plan changes in pension plans in the UK. The income results from a reduction in the pay increases on the pensionable pay taken into account.

The average annual headcount (excluding apprentices) developed as follows:

Average annual headcount in the financial year (excl. apprentices)

	2010/11	2009/10
Average annual – TUI Group	66,688	65,740

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

Depreciation and amortisation include the amortisation of other intangible assets, depreciation of property, plant and equipment as well as write-downs of investment property. The uniform Group-wide useful lives underlying depreciation and amortisation and the principles for impairment are outlined under "Accounting and measurement" in the Notes.

Depreciation/amortisation/impairments

	2010/11	2009/10
	€ million	
Depreciation and amortisation	371.9	388.8
Impairment of other intangible assets, property, plant and equipment and investment property	42.9	39.0
Total	**414.8**	**427.8**

In the financial year under review, impairments include an amount of €13.5m for the Island Escape cruise ship operated by TUI Travel. Further impairments of property, plant and equipment include €8.0m for a hotel facility, €4.1m for aircraft assets and €3.6m for real estate assets.

Concerning other intangible assets, impairments of €6.4m are carried for the Island Cruise brand and €4.2m for software development costs of TUI Travel.

(3) Other income/other expenses

Other income/other expenses

	2010/11	2009/10
	€ million	
Other income	88.3	58.9
Other expenses	11.2	5.3
Total	**77.1**	**53.6**

In the period under review, other income relates above all to the gain on disposal from the sale of four Turkish hotel facilities, the gain on disposal from the sale of the administrative buildings at Ballindamm and Rosenstrasse in Hamburg, and the gain on disposal from the sale of 11.33% of TUI's stake in Hapag-Lloyd to the Albert Ballin consortium. Other income also includes carrying amounts from the disposal of aircraft assets. In the previous year, this item mainly comprised foreign exchange differences from capital reduction schemes in subsidiaries and the gains on disposal from the sale of a hotel facility and of Canada Mainstream, carried through profit or loss.

(4) Goodwill impairment

The implementation of impairment tests according to IAS 36 did not result in any impairments in financial year 2010/11. The impairments carried in the previous year consisted of amounts of €9.1m each for the Sector TUI Travel and Sector TUI Hotels & Resorts.

Even applying sensitivities to the main parameters of the impairment test (a reduction in the growth rate of 0.5% p. a. or an increase in the interest rate of 0.5% p. a.) did not result in any impairments.

(5) Financial income

Financial income

	2010/11	2009/10
	€ million	
Income from non-consolidated Group companies	4.7	3.2
Income from other investments	0.3	0.6
Income from profit transfer agreements with non-consolidated Group companies	1.6	8.6
Income from investments	**6.6**	**12.4**
Other income from securities and loans	87.2	149.2
Interest and similar income from non-consolidated Group companies	0.1	0.1
Interest on pension scheme assets	85.5	78.2
Other interest and similar income	70.8	73.4
Interest income	**243.6**	**300.9**
Income from the measurement of interest hedges	4.1	—
Income from the measurement of other financial instruments	—	5.7
Total	**254.3**	**319.0**

The change in other income from securities and loans mainly results from the measurement effects of €51.2m (previous year €135.0m) from write-backs on loans and hybrid instruments granted to Hapag-Lloyd AG (previously Albert Ballin Holding GmbH & Co. KG) and granted by Hapag-Lloyd.

(6) Financial expenses

Financial expenses

	2010/11	2009/10
	€ million	
Expenses relating to losses taken over from non-consolidated Group companies	**0.7**	**—**
Impairments of available-for-sale financial instruments and loans	**9.2**	**10.5**
Interest and similar expenses to non-consolidated Group companies	0.1	0.6
Interest expenses from the measurement of pension obligations	115.4	117.7
Other interest and similar expenses	367.7	352.0
Interest expenses	**483.2**	**470.3**
Expenses relating to the measurement of interest hedges	—	0.4
Expenses relating to the measurement of other financial instruments	0.7	—
Total	**493.8**	**481.2**

The interest expenses include expenses for the early repayment of parts of the 2007/12 convertible bond and the 2005/12 bond. Interest expenses to be recognised until final maturity for the debt component of the convertible bond were already carried through profit or loss due to the buy-back in the period under review.

(7) Share of result of joint ventures and associates

Share of result of joint ventures and associates

	2010/11	2009/10
	€ million	
Income from associated companies measured at equity	28.6	158.8
Expenses for associated companies measured at equity	3.2	15.4
Share of result of associates	**+ 25.4**	**+ 143.4**
Income from joint ventures measured at equity	40.9	38.1
Expenses for joint ventures measured at equity	13.4	10.9
Share of result of joint ventures	**+ 27.5**	**+ 27.2**
Total	**+ 52.9**	**+ 170.6**

The share of result of joint ventures and associates comprises the net profit for the year attributable to the associated companies and joint ventures.

The considerable decrease in the share of result of joint ventures and associates was driven by the profit contribution of €−2.1m (previous year €+ 150.3m) from the stake in the Container Shipping group.

In the completed financial year, the share of result of joint ventures and associates did not comprise any impairments (previous year €4.3m).

Group share in individual items of income statement of associated companies

	2010/11	2009/10
	€ million	
Operating income	3,360.9	2,909.3
Operating expenses	3,295.6	2,703.5
Operating result	**65.3**	**205.8**
Financial result	−29.5	−59.4
Profit on ordinary activities	**35.8**	**146.4**
Income taxes	10.4	3.0
Profit/loss for the year	**25.4**	**143.4**
Share of result of associates	**25.4**	**143.4**

Group share in individual items of income statements of joint ventures

	2010/11	2009/10
	€ million	
Operating income	602.4	631.7
Operating expenses	558.7	592.4
Operating result	**43.7**	**39.3**
Financial result	−8.5	−0.6
Profit on ordinary activities	**35.2**	**38.7**
Income taxes	7.7	11.5
Profit for the year	**27.5**	**27.2**
Share of result of joint ventures	**27.5**	**27.2**

(8) Adjustments

On top of the disclosures required under IFRS, the consolidated income statement comprises a reconciliation to underlying earnings. The one-off items show final consolidation profits under gains on disposal, events according to IAS 37 under restructuring, and all effects from purchase price allocations, incidental acquisition costs and conditional purchase price payments on EBITA under purchase price allocations.

One-off items carried here include adjustments for income (−) and expense (+) items that reflect amounts and frequencies of occurrence rendering an evaluation of the operating profitability of the

Sectors and the Group more difficult or causing distortions. These items include, in particular, major restructuring and integration expenses not meeting the criteria of IAS 37, major expenses for litigation, gains and losses from the sale of aircraft, and other material business transactions with a one-off character.

Other one-off items by Sector

	2010/11	2009/10 revised
	€ million	
Tourism	**12.9**	**223.9**
TUI travel	11.8	212.3
TUI Hotels & Resorts	1.1	10.8
Cruises	—	0.8
All other segments	**−24.2**	**−20.9**
Total	**−11.3**	**203.0**

The one-off items carried by TUI Travel for financial year 2010/11 include an amount of €68.7m for adjustments of income from plan changes in pension plans in the UK. An opposite effect was caused by adjustments to expenses for the restructuring of tour operator activities in the UK and TUI Travel PLC as well as the net effect of the item described under Note 2.

TUI Hotels & Resorts carried adjustments for the gain on disposal from the sale of Turkish hotel facilities and impairments on receivables and hotel facilities.

One-off items carried for Other segments in financial year 2010/11 mainly comprised the gain on disposal from the sale of the administrative buildings in Hamburg.

(9) Income taxes

Breakdown of income taxes

	2010/11	2009/10
	€ million	
Current tax expense		
in Germany	8.2	17.8
abroad	115.9	26.3
Deferred tax income (previous year expense)	−35.5	20.1
Total	**88.6**	**64.2**

The increase in tax expenses is driven by effective taxes abroad. In the previous year, the reversal of tax provisions for tax risks had resulted in a decrease in effective taxes abroad. The tax income in the period under review arose both within TUI AG and TUI Travel PLC. Effective taxes relating to prior periods amount to €1.0m (previous year income of €40.7m) in financial year 2010/11.

In financial year 2010/11, total income taxes of €88.6m (previous year €64.2m) were derived as follows from “expected” income tax expenses that would have arisen if the statutory tax rate of TUI AG as the parent company (aggregate income tax) had been applied to earnings before tax:

Reconciliation of expected to actual income taxes

	2010/11	2009/10
	€ million	
Earnings before income taxes	+206.8	+177.8
Expected income tax (current year 31.5%, previous year 31.5%)	**65.1**	**56.0**
Variation from the difference between actual and expected tax rates	−3.2	−20.4
Changes in tax rates and tax law	16.0	0.1
Income not taxable	−113.0	−146.3
Expenses not deductible	104.9	62.6
Effects from tax loss carryforwards	61.8	94.5
Temporary differences for which no deferred taxes were recognised	−8.1	7.2
Deferred and current tax relating to other periods (net)	−34.7	9.0
Other differences	−0.2	1.5
Income taxes	**88.6**	**64.2**

The decline in the tax effect arising from tax-free income is largely attributable to the positive tax-free at equity result in Container Shipping generated in the previous year. The tax effect of non-tax-deductible expenses increased in particular in the TUI Travel Sector as against the previous year.

Unlike in the previous year, the effects of tax loss carryforwards comprised considerably higher amounts from the use of tax loss carryforwards previously considered as non-realisable. Tax income relating to other periods, above all deferred tax income, mainly arose within TUI Travel PLC.

(10) Group profit for the year attributable to TUI AG shareholders

Group profit for the year attributable to TUI AG shareholders declined from €101.8m in the prior year to €23.9m in the completed financial year 2010/11. The decrease is largely attributable to the considerable reduction in the profit contribution from Container Shipping included under the at equity method.

(11) Group profit for the year attributable to non-controlling interests

Group profit for the year attributable to non-controlling interest

	2010/11	2009/10
	€ million	
Profit attributable to non-controlling interest	94.4	67.2
Loss attributable to non-controlling interest	0.1	55.4
Total	**94.3**	**11.8**

Group profit for the year attributable to non-controlling interests mainly relates to companies of the TUI Travel PLC Group and the RIUSA II Group.

(12) Earnings per share

In accordance with IAS 33, basic earnings per share are calculated by dividing the Group's net profit for the year attributable to TUI AG shareholders by the weighted average number of registered shares outstanding during the financial year under review. The average number of shares is derived from the total number of shares at the beginning of the financial year (251,548,525 shares), the prorated effect of the employee shares issued (96,533 new shares for 319 days) and the conversion of bonds into new shares (38,070).

In analogy to IAS 33.12, the after-tax dividend on the hybrid capital is deducted from Group profit for the year attributable to shareholders of TUI AG since the hybrid capital represents equity but does not constitute Group profit attributable to TUI AG shareholders. For the hybrid capital, accrued dividend obligations totalling €17.2m at the balance sheet date (previous year €17.2m) were included in financial liabilities and will be paid in January 2012.

Earnings per share

		2010/11	2009/10
Group profit for the year attributable to shareholders of TUI AG	€ million	+ 23.9	+ 101.8
Dividend effect on hybrid capital	€ million	− 25.3	− 25.4
= Adjusted Group profit for the year attributable to shareholders of TUI AG	€ million	− 1.4	76.4
Weighted average number of shares		251,683,128	251,523,322
Basic earnings per share	**€**	**− 0.01**	**+ 0.30**
Adjusted Group profit for the year attributable to shareholders of TUI AG	€ million	− 1.4	76.4
Interests savings from convertible bonds	€ million	+ 90.2	+ 61.9
Diluted and adjusted share in Group profit for the year attributable to shareholders of TUI AG	€ million	88.8	138.3
Weighted average number of shares		251,683,128	251,523,322
Diluting effect from assumed exercise of conversion inputs		+ 71,422,383.0	+ 59,108,329.0
Weighted average number of shares (diluted)		323,105,511	310,631,651
Diluted earnings per share	**€**	**− 0.01**	**0.30**

As a rule, a dilution of earnings per share occurs when the average number of shares increases by adding the issue of potential shares from conversion options. As the convertible bonds did not have a dilution effect in financial year 2010/11, basic and diluted earnings per share are identical.

(13) Other results allocable taxes

Tax effects relating to other comprehensive income

	Gross	Tax effect	2010/11 Net	Gross	Tax effect	2009/10 Net
			€ million			
Foreign exchange differences	−45.5	—	−45.5	78.8	—	78.8
Available for sale financial instruments	176.1	—	176.1	4.6	—	4.6
Cash flow hedges	105.5	−22.9	82.6	95.8	−17.0	78.8
Actuarial losses from pension provisions and related fund assets	−102.2	1.0	−101.2	−77.4	20.2	−57.2
Changes in the measurement of companies measured at equity outside profit or loss	−25.7	—	−25.7	13.2	—	13.2
Other comprehensive income	**108.2**	**−21.9**	**86.3**	**115**	**3.2**	**118.2**

In addition, income taxes of €16.6m (previous year €54.5m) arose outside profit and loss in financial year 2010/11. They resulted from the issue of convertible bonds and were directly charged to equity.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(14) Goodwill

Goodwill

	2010/11	2009/10
	€ million	
Historical cost		
Balance as at 1 Oct	**3,269.3**	**3,110.3**
Exchange differences	− 11.2	112.9
Additions	65.9	46.1
Disposals[1]	16.0	—
Reclassifications	13.5	—
Balance as at 30 Sep	**3,321.5**	**3,269.3**
Impairment		
Balance as at 1 Oct	**406.7**	**398.0**
Exchange differences	− 1.3	− 4.8
Impairments for the current year	—	13.5
Disposals[1]	—	—
Reclassifications	8.9	—
Balance as at 30 Sep	**414.3**	**406.7**
Carrying amounts as at 30 Sep	**2,907.2**	**2,862.6**

1) of which no disposals from changes in the group of consolidated companies

The increase in the carrying amount is largely attributable to acquisitions made by TUI Travel. Details concerning the acquisitions are presented under Principles and methods of consolidation.

The reclassifications mainly relate to the goodwill of Jet4You (TUI Travel), which no longer has to be classified as held for sale due to the discontinuation of the sales negotiations.

In accordance with the rules of IAS 21, goodwill allocated to individual Segments and Sectors was recognised in the functional currency of the subsidiaries and subsequently translated in the framework of the preparation of the consolidated financial statements. In analogy to the treatment of other differences from the translation of annual financial statements of foreign subsidiaries, differences due to exchange rate fluctuations between the exchange rate at the date of acquisition of the subsidiary and the exchange rate at the balance sheet date are taken directly to equity outside profit and loss and disclosed as a separate item.

At €2,515.3m, the largest portion of goodwill shown relates to the TUI Travel Sector. Within TUI Hotels & Resorts, goodwill of €351.7m is carried for the RIUSA II Group.

(15) Other intangible assets

Other intangible assets

	Concessions, industrial property rights and similar rights and values	Self-generated software	Transport and leasing contracts	Customer base	Payments on account	Total
			€ million			
Historical cost						
Balance as at 1 Oct 2009	**955.1**	**126.2**	**83.3**	**230.4**	**—**	**1,395.0**
Exchange differences	41.7	4.9	5.2	0.2	—	52.0
Additions due to changes in the group of consolidated companies	29.8	—	—	—	—	29.8
Additions	53.0	16.8	—	2.4	—	72.2
Disposals	37.7	—	—	—	—	37.7[1)]
Reclassifications	29.8	−18.4	—	—	—	11.4
Balance as at 30 Sep 2010	**1,071.7**	**129.5**	**88.5**	**233.0**	**—**	**1,522.7**
Exchange differences	−2.5	−3.1	−0.8	0.6	—	−5.8
Additions due to changes in the group of consolidated companies	21.7	—	—	0.2	—	21.9
Additions	41.8	13.5	8.2	1.4	1.2	66.1
Disposals	25.5	10.3	0.1	—	—	35.9[1)]
Reclassifications	−49.2	47.2	0.2	1.8	—	—
Balance as at 30 Sep 2011	**1,058.0**	**176.8**	**96.0**	**237.0**	**1.2**	**1,569.0**
Amortisation						
Balance as at 1 Oct 2009	**365.6**	**92.6**	**11.6**	**37.3**	**—**	**507.1**
Exchange differences	16.7	4.8	0.7	0.2	—	22.4
Amortisation for the current year	77.6	13.4	5.5	15.5	—	112.0
Disposals	34.5	—	—	—	—	34.5[1)]
Reclassifications	28.8	−20.3	—	—	—	8.5
Balance as at 30 Sep 2010	**454.2**	**90.5**	**17.8**	**53.0**	**—**	**615.5**
Exchange differences	−1.4	−1.5	−0.1	0.8	—	−2.2
Additions due to changes in the group of consolidated companies	1.0	—	—	—	—	1.0
Amortisation for the current year	95.9	14.5	5.7	17.5	—	133.6
Disposals	27.1	8.4	—	—	—	35.5[1)]
Reclassifications	−26.2	26.2	—	—	—	—
Balance as at 30 Sep 2011	**496.4**	**121.3**	**23.4**	**71.3**	**—**	**712.4**
Carrying amounts as at 30 Sep 2010	**617.5**	**39.0**	**70.7**	**180.0**	**—**	**907.2**
Carrying amounts as at 30 Sep 2011	**561.6**	**55.5**	**72.6**	**165.7**	**1.2**	**856.6**

1) of which no disposals due to changes in the group of consolidated companies

Self-generated software consists of computer programmes for tourism applications exclusively used internally by the Group.

Other intangible assets, consisting in particular of trademarks and customer relationships, are amortised annually over the estimated economic useful life on the basis of the economic value of the corresponding asset.

In the completed financial year, impairments of €11.7m (previous year €3.4m) were eliminated. As in the previous year, no write-backs to other intangible assets were effected.

(16) Investment property

Investment property

	2010/11	2009/10
	€ million	
Historical cost		
Balance as at 1 Oct	**105.3**	**118.5**
Additions	0.7	3.1
Disposals	4.2	16.6
Reclassifications	0.4	0.3
Balance as at 30 Sep	**102.2**	**105.3**
Depreciation		
Balance as at 1 Oct	**39.1**	**41.8**
Depreciation for the current year	6.2	2.8
Disposals	2.5	5.5
Reclassifications	0.2	—
Balance as at 30 Sep	**43.0**	**39.1**
Carrying amounts as at 30 Sep	**59.2**	**66.2**

As a matter of principle, real estate owned by the Group is occupied for use in the framework of the Group's ordinary business activities. In addition, the Group owns commercial property and apartments which meet the definition of investment property under IAS 40. The carrying amount of this investment property shown in fixed assets totals €59.2m (previous year €66.2m). The fair values totalling €59.6m (previous year €67.0m) were calculated by the Group's own real estate companies, without consulting an external expert, on the basis of comparable market rents. The fair value of property for which purchase contracts had already been concluded was the selling price. Investment property generated total income of €38.6m (previous year €43.7m). The generation of this income was associated with expenses of €34.0m (previous year €28.6m) in financial year 2010/11.

(17) Property, plant and equipment

Property, plant and equipment

	Real estate with hotels	Other real estate, land rights and buildings incl. buildings on third-party properties	Aircraft	Ships	Machinery and fixtures	other plants, operating and office equipment revised	Assets under construction	Payments on account	Total
					€ million				
Historical cost									
Balance as at 1 Oct 2009	**1,199.4**	**269.5**	**1,083.5**	**451.3**	**212.5**	**1127.4**	**82.0**	**118.5**	**4,544.1**
Exchange differences	51.7	1.5	18.2	14.7	0.4	44.6	1.3	1.9	134.3
Additions due to changes in the group of consolidated companies	16.0	3.7	1.2	—	—	13.4	0.1	—	34.4
Additions	11.9	22.1	37.6	160.7	5.2	78.2	36.2	42.9	394.8
Disposals	0.1	12.6	56.9	23.9	2.3	73.4	0.2	—	169.4[1)]
Reclassifications	3.3	−70.2	27.3	−0.1	4.3	23.8	−32.6	−2.8	−47.0
Balance as at 30 Sep 2010	**1,282.2**	**214.0**	**1,110.9**	**602.7**	**220.1**	**1,214.0**	**86.8**	**160.5**	**4,891.2**
Exchange differences	−15.9	5.8	—	−2.4	—	−10.2	0.1	−1.8	−24.4
Additions due to changes in the group of consolidated companies	—	0.4	—	0.1	—	5.5	—	—	6.0
Additions	32.9	14.7	32.3	76.4	24.3	103.6	36.9	83.9	405.0
Disposals	3.5	—	229.5	10.0	2.9	47.3	24.1	45.5	362.8[1)]
Reclassifications	−0.9	23.9	−48.8	15.0	−2.5	−14.4	−55.1	—	−82.8
Balance as at 30 Sep 2011	**1,294.8**	**258.8**	**864.9**	**681.8**	**239.0**	**1,251.2**	**44.6**	**197.1**	**4,832.2**
Depreciation									
Balance as at 1 Oct 2009	**319.1**	**71.6**	**702.0**	**158.9**	**119.7**	**801.9**	**—**	**—**	**2,173.2**
Exchange differences	11.1	0.4	12.0	5.4	0.3	34.4	—	—	63.6
Depreciation for the current year	36.2	15.0	97.4	47.0	17.3	99.4	—	—	312.3
Disposals	0.1	4.3	47.7	12.4	2.0	68.6	—	—	135.1[1)]
Reclassifications	0.5	−35.7	—	−0.1	2.9	9.8	—	—	−22.6
Balance as at 30 Sep 2010	**366.8**	**47.0**	**763.7**	**198.8**	**138.2**	**876.9**	**—**	**—**	**2,391.4**
Exchange differences	−7.4	4.7	0.8	−0.6	—	−5.4	—	—	−7.9
Additions due to changes in the group of consolidated companies		0.2	—	—	—	3.9	—	—	4.1
Depreciation for the current year	44.5	4.3	63.2	47.2	14.7	101.2	—	—	275.1
Disposals	2.8	0.5	153.7	2.3	2.8	46.2	—	—	208.3[1)]
Reclassifications	−14.4	0.8	−50.2	7.9	−2.9	−8.5	—	—	−67.3
Balance as at 30 Sep 2011	**386.7**	**56.5**	**623.8**	**251.0**	**147.2**	**921.9**	**—**	**—**	**2,387.1**
Carrying amounts as at 30 Sep 2010	**915.4**	**167.0**	**347.2**	**403.9**	**81.9**	**337.1**	**86.8**	**160.5**	**2,499.8**
Carrying amounts as at 30 Sep 2011	**908.1**	**202.3**	**241.1**	**430.8**	**91.8**	**329.3**	**44.6**	**197.1**	**2,445.1**

1) of which no disposals due to changes in the group of consolidated companies

At the balance sheet date, the carrying amount of property, plant and equipment subject to restraints on ownership amounted to €17.4m (previous year €49.3m). In the period under review, property, plant and equipment was not pledged as security (previous year €31.9m).

The Group effected immaterial reversals of depreciation of property, plant and equipment (previous year €0.0m). Impairments total €31.2m (previous year €35.6m) and relate to the Island Escape cruise ship operated by TUI Travel (€13.5m), land with hotels and other buildings (€11.6m) and aircraft assets (€4.1m).

Property, plant and equipment also comprises leased assets in which Group subsidiaries assumed substantially all the risks and rewards of ownership of the assets.

Development of leased assets

	Net carrying amounts 30 Sep 2011	Net carrying amounts 30 Sep 2010
	€ million	
Other real estate, land rights and buildings incl. buildings on third-party properties	9.8	24.0
Aircraft	30.1	91.7
Ships, yachts and boats	119.0	126.5
Machinery and fixtures	0.7	4.4
Other plants, operating and office equipment	8.9	10.5
Total	**168.5**	**257.1**

The payment obligations resulting from future lease payments are carried as liabilities without taking account of future interest expenses for the carrying amount of the financial liabilities. Total payments due in future under finance leases amount to €191.8m (previous year €368.3m). Group companies accepted guarantees for the residual values of the leased assets totalling €9.9m (previous year €167.3m).

Reconciliation of future lease payments to liabilities from finance leases

	up to 1 year	1 – 5 years	Remaining term more than 5 years	30 Sep 2011 Total	30 Sep 2010 Total
			€ million		
Total future lease payments	30.2	96.9	64.7	191.8	368.3
Interest portion	5.8	15.0	16.2	37.0	48.1
Liabilities from finance leases	24.4	81.9	48.5	154.8	320.2

(18) Investments in joint ventures and associates

Investments in joint ventures and associates

	Joint ventures	Associates	Total
		€ million	
Historical cost			
Balance as at 1 Oct 2009	**521.8**	**665.5**	**1,187.3**
Exchange differences	18.6	78.0	96.6
Additions due to changes in the group of consolidated companies	7.3	120.4	127.7
Additions	57.7	436.7	494.4
Disposals	34.7	83.0	117.7[1)]
Reclassifications	−3.0	−2.5	−5.5
Balance as at 30 Sep 2010	**567.7**	**1,215.1**	**1,782.8**
Exchange differences	−32.1	−5.2	−37.3
Additions	69.6	39.2	108.8
Disposals	46.7	317.6	364.3[1)]
Reclassifications	—	253.1	253.1
Balance as at 30 Sep 2011	**558.5**	**1,184.6**	**1,743.1**

	Joint ventures	Associates	Total
		€ million	
Impairments			
Balance as at 1 Oct 2009	**3.3**	**—**	**3.3**
Impairments for the current year	4.3	—	4.3
Disposals	—	—	—
Balance as at 30 Sep 2010	**7.6**	**—**	**7.6**
Impairments for the current year	—	—	—
Disposals	—	—	—
Balance as at 30 Sep 2011	**7.6**	**—**	**7.6**
Carrying amounts as at 30 Sep 2010	**560.1**	**1,215.1**	**1,775.2**
Carrying amounts as at 30 Sep 2011	**550.9**	**1,184.6**	**1,735.5**

1) of which no disposals due to changes in the group of consolidated companies

For investments in joint ventures and associates, proportionate profits for the year are shown under additions and disposals, while impairments of these investments have to be carried under impairments. Dividends worth €20.5m (previous year €26.4m) are included in disposals.

For joint ventures and associates, the stake held by the Group corresponds to the share in the individual assets and liabilities of the joint ventures.

Group share of assets and liabilities of joint ventures

	30 Sep 2011	30 Sep 2010
	€ million	
Goodwill from investment in joint ventures	80.6	59.0
Non-current assets	733.8	655.6
Current assets	298.3	205.6
Non-current provisions and liabilities	− 356.2	− 149.0
Current provisions and liabilities	− 205.6	− 211.1
Investment in joint ventures	**550.9**	**560.1**

Group share of assets and liabilities of associates

	30 Sep 2011	30 Sep 2010
	€ million	
Goodwill from investment in associates	317.4	358.2
Non-current assets	1,496.6	1,914.3
Current assets	695.1	822.3
Non-current provisions and liabilities	− 789.0	− 1,078.9
Current provisions and liabilities	− 535.5	− 800.8
Investment in associates	**1,184.6**	**1,215.1**

(19) Financial assets available for sale

Financial assets available for sale consist of shares in non-consolidated Group companies, hybrid instruments to Container Shipping, participations and other securities.

Where a listed market price in an active market is not available and other methods to determine an objective market value do not produce any reliable results, the shares are measured at cost. In financial year 2010/11, financial assets classified as available for sale under IFRS 7 of €7.5m (previous year €9.1m) were impaired.

(20) Trade receivables and other assets

Trade receivables and other assets

	30 Sep 2011		30 Sep 2010	
	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
	€ million			
Trade receivables	—	627.6	—	724.9
Advances and loans	315.0	1,213.8	256.3	1,447.8
Other receivables and assets	94.1	518.6	78.5	490.3
Total	**409.1**	**2,360.0**	**334.8**	**2,663.0**

Ageing structure of the financial instruments included in trade receivables and other assets

	Carrying amount of financial instruments	of which not overdue and not impaired	of which not impaired and overdue in the following periods			
			less than 29 days	between 30 and 90 days	between 91 and 180 days	more than 181 days
	€ million					
Balance as at 30 Sep 2011						
Trade receivables	627.6	352.7	155.9	62.1	16.8	40.1
Advances and loans	194.4	194.4	—	—	—	—
Other receivables and assets	69.9	66.4	2.4	0.7	0.3	0.1
Total	**891.9**	**613.5**	**158.3**	**62.8**	**17.1**	**40.2**
Balance as at 30 Sep 2010						
Trade receivables	724.9	474.2	155.5	58.7	12.0	24.5
Advances and loans	581.9	581.9	—	—	—	—
Other receivables and assets	83.1	80.5	1.0	0.6	0.6	0.4
Total	**1,389.9**	**1,136.6**	**156.5**	**59.3**	**12.6**	**24.9**

Impairments on assets of the trade receivables and other assets category according to IFRS 7

	2010/11	2009/10
	€ million	
Balance at the beginning of period	**760.7**	**599.4**
Additions	59.6	145.6
Disposals	488.5	93.2
Other changes	−63.7	108.9
Balance at the end of period	**268.1**	**760.7**

In financial year 2010/11, as in the prior year, no cash inflow was recorded from impaired interest-bearing trade accounts receivable and other receivables. The disposal included in the balance mainly results from the impairment and subsequent disposal of a hybrid loan.

Trade receivables

	30 Sep 2011	30 Sep 2010
	€ million	
From third parties	624.4	718.5
From non-consolidated Group companies	2.3	5.5
From affiliates	0.9	0.9
Total	**627.6**	**724.9**

Advances and loans

	30 Sep 2011		30 Sep 2010	
	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
	€ million			
Advances to non-consolidated Group companies	17.3	26.6	—	0.1
Loans to non-consolidated Group companies	—	—	1.0	1.0
Advances to affiliates	—	20.0	—	18.8
Loans to affiliates	—	11.7	10.8	412.7
Advances to third parties	45.9	100.4	47.7	109.2
Loans to third parties	33.0	35.7	32.2	40.1
Payments on account	218.8	1,019.4	164.6	865.9
Total	**315.0**	**1,213.8**	**256.3**	**1,447.8**

Prepayments made mainly relate to prepayments for future tourism services, in particular future hotel services payable by tour operators, customary in the industry.

Other receivables and assets

	30 Sep 2011		30 Sep 2010	
	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
	€ million			
Other receivables from non-consolidated Group companies	—	—	0.7	21.6
Other receivables from affiliates	—	44.3	3.6	27.3
Interest deferral	—	25.6	—	10.7
Other tax refund claims	—	89.9	1.0	100.9
Other assets	94.1	358.8	73.2	329.8
Total	**94.1**	**518.6**	**78.5**	**490.3**

(21) Derivative financial instruments

Derivative financial instruments

	30 Sep 2011		30 Sep 2010	
	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
	€ million			
Receivables from derivative financial instruments from third parties	43.6	274.8	165.3	368.6

Derivative financial instruments are carried at their fair values (market values). They mainly serve as hedges for future business operations and are detailed in the Notes under financial instruments.

(22) Deferred and current tax assets

The determination of deferred and current taxes is outlined in detail in the section "Accounting and measurement methods."

Income tax assets

	30 Sep 2011	30 Sep 2010
	€ million	
Deferred tax assets	163.5	133.6
Current tax assets	90.0	71.1
Total	**253.5**	**204.7**

Deferred tax assets include an amount of €115.3m (previous year €72.7m) to be realised in more than twelve months.

Individual items of deferred tax assets and liabilities recognised in the financial position

	30 Sep 2011		30 Sep 2010	
	Asset	Liability	Asset	Liability
	€ million			
Finance lease transactions	—	2.1	—	35.7
Recognition and measurement differences for property, plant and equipment and other non-current assets	157.5	235.1	133.4	332.5
Recognition differences for receivables and other assets	13.7	228.0	46.1	50.3
Measurement of financial instruments	29.0	107.1	26.8	98.6
Measurement of pension provisions	123.2	2.6	159.4	0.2
Recognition and measurement differences for other provisions	72.4	41.6	71.5	7.1
Other transactions	124.1	28.7	4.1	35.1
Capitalised tax savings from recoverable tax loss carryforwards	168.1	—	171.6	—
Netting of deferred tax assets and liabilities	− 524.5	− 524.5	− 479.3	− 479.3
Balance sheet amount	**163.5**	**120.7**	**133.6**	**80.2**

No deferred tax liabilities were carried for temporary differences of €80.0m (previous year €78.3m) between the net assets of subsidiaries and the respective carrying amounts carried in the tax balance sheet since these temporary differences are not expected to be reversed in the near future.

Capitalised tax loss carryforwards and time limits for non-capitalised tax loss carryforwards

	30 Sep 2011	30 Sep 2010
	€ million	
Capitalised tax loss carryforwards	**773.6**	**771.6**
Non-capitalised tax loss carryforwards	**3,295.1**	**3,589.3**
of which tax loss carryforwards forfeitable within one year	0.4	10.9
of which tax loss carryforwards forfeitable within 2 to 5 years	59.3	65.9
of which tax loss carryforwards forfeitable within more than 5 years (excluding non-forfeitable tax loss carryforwards)	20.2	13.5
Non-forfeitable tax loss carryforwards	3,215.2	3,499.0
Total unused tax loss carryforwards	**4,068.7**	**4,360.9**

Loss carryforwards for German companies comprise the cumulative amount of trade tax and corporation tax as well as interest carryforwards from the German earnings stripping rule. Potential tax savings totalling €681.3m (previous year €714.8m) were not capitalised since the use of the underlying tax loss carryforwards was not considered probable within the planning period.

In financial year 2010/11, the use of tax loss carryforwards previously assessed as non-realisable, and for which therefore no asset had been carried for the resulting potential tax savings as at 30 September 2010, led to tax savings of €34.5m (previous year €0.8m). In financial year 2010/11, no material tax reductions were realised by means of loss carrybacks, as in the previous year.

Development of capitalised tax savings from realisable tax loss carryforwards

	2010/11	2009/10
	€ million	
Capitalised tax savings at the beginning of the year	**171.6**	**179.3**
Exchange adjustments	5.2	− 6.2
Use of tax loss carryforwards	− 9.3	− 3.6
Capitalisation of tax savings from tax loss carryforwards	+ 8.8	+ 42.8
Write-down of capitalised tax savings from tax loss carryforwards	− 8.2	− 41.1
Reclassification to discontinued operation	—	0.4
Capitalised tax savings at financial year-end	**168.1**	**171.6**

The capitalised deferred tax asset from temporary differences and tax loss carryforwards assessed as recoverable of €126.0m (previous year: €84.6m), which arose in the TUI Travel Sector, is covered by expected future taxable income even for companies that generated losses in the period under review (or prior periods).

(23) Inventories

Inventories

	30 Sep 2011	30 Sep 2010
	€ million	
Raw materials and supplies	74.2	61.0
Work in progress	5.8	7.2
Finished goods and merchandise	26.7	21.3
Total	**106.7**	**89.5**

In financial year 2010/11, as in the prior year, no major impairments of inventories were effected in order to carry them at the lower net realisable value. No major write-backs of inventories were effected in 2010/11, nor in the prior year.

(24) Cash and cash equivalents

Cash and cash equivalents

	30 Sep 2011	30 Sep 2010
	€ million	
Bank deposits	1,912.7	2,269.1
Cash in hand and cheques	68.6	5.2
Total	**1,981.3**	**2,274.3**

At 30 September 2011, cash and cash equivalents of €0.1bn (previous year €0.1bn) were subject to restraints on disposal.

(25) Assets held for sale

Assets held for sale

	30 Sep 2011	30 Sep 2010
	€ million	
Dorfhotel	6.9	—
Property and hotel facilities	—	225.0
Jet4You	—	35.0
Other assets	17.3	32.4
Total	**24.2**	**292.4**

The decline in assets held for sale is driven by the sale of administrative buildings and Turkish hotel complexes, which has meanwhile been completed. Moreover, the sales negotiations to sell Jet4You have been discontinued so that the assets and liabilities of this disposal group have been reclassified to the corresponding balance sheet items.

Other assets primarily comprise aircraft assets held for sale.

In segment reporting, real estate is carried in other segments with other assets carried in the Tourism segment.

(26) Subscribed capital

The subscribed capital of TUI AG consists of no-par value shares, each representing an identical share in the capital stock. The proportionate share in the capital stock per no-par value share is around €2.56. In July 2005, the previous bearer shares were converted to registered shares, whose owners have been registered by name in the share register.

The subscribed capital of TUI AG, registered in the commercial registers of the district courts of Berlin-Charlottenburg and Hanover, rose by a total of €0.4m to around €643.5m, due to the issue of 148,220 shares resulting from the issue of employee shares and due to conversions under the 2009/14 convertible bond. It thus consisted of 251,696,745 shares at the end of the financial year.

The Annual General Meeting of 9 February 2011 authorised the Executive Board of TUI AG to purchase own shares of up to 10% of the capital stock. The authorisation will expire on 8 August 2012. The possibility of acquiring own shares has not been used to date.

Conditional capital

On 1 June 2007, using part of the conditional capital of €100.0m authorised in 2006, TUI AG issued an unsecured non-subordinate convertible bond of €694.0m maturing on 1 September 2012. The bonds were issued in denominations with nominal values of €50,000 each. Following an adjustment in November 2009, the conversion price is €27.1147 per no-par value share. The bonds, which carry an interest coupon of 2.75% p.a., were issued at par. The bonds are traded at five German stock exchanges. By 30 September 2011, no conversions had been effected under the bond. Via early redemption of this convertible bond in financial year 2010/11 and in October and November 2011, TUI AG reduced the outstanding nominal volume by €40.1m and called in the remaining volume early on account of immateriality. It will be redeemed by 19 December 2011.

In order to provide additional opportunities to issue bonds, the Annual General Meetings of 7 May 2008 and 13 May 2009 resolved to create additional conditional capital for the issue of bonds of €100.0m each, expiring by 6 May 2013 and 12 May 2014, respectively. The issue of bonds with conversion options and warrants as well as profit-sharing rights and income bonds (with and without fixed terms) under the two above-mentioned authorisations has been limited to a total nominal amount of €1.0bn.

Using the conditional capital of 13 May 2009, on 17 November 2009 TUI AG issued unsecured non-subordinate convertible bonds worth €217.8m maturing on 17 November 2014. The bonds were issued in denominations with nominal values of €56.30. The conversion price is €5.63 per no-par value share. The convertible bonds may thus be converted into a maximum of 38,683,730 shares. The bonds, which carry an interest coupon of 5.50% p.a., were issued at par. The bonds are traded at four German stock exchanges. By 30 September 2011, 5,127 bonds were converted into 51,270 new shares in TUI AG (including 38,070 in the period under review).

Using the conditional capital of 7 May 2008, TUI AG on 24 March 2011 issued unsecured nonsubordinate convertible bonds worth €339.0m maturing on 24 March 2016. The bonds were issued in denominations with nominal values of €59.26. The conversion price is €11.8506 per no-par value share. The convertible bonds may thus be converted into a maximum of 28,599,735 shares. The bonds, which carry an interest coupon of 2.75%, were issued at par. The bonds are traded at four German stock exchanges. By 30 September 2011, no bonds had been converted.

Overall, TUI AG held conditional capital of €299.9m as at 30 September 2011, taking account of the conversions effected.

Authorised capital

The Annual General Meeting of 7 May 2008 adopted a resolution on the issue of new registered shares against cash contribution for up to a maximum of €64.0m. This authorisation will expire on 6 May 2013.

The Annual General Meeting of 7 May 2008 also resolved to create new authorised capital for the issue of employee shares, which stood at around €9.0m at the balance sheet date. In the completed financial year, 110,150 employee shares were issued. The Executive Board of TUI AG has been authorised to use this capital in one or several transactions for the issue of employee shares against cash contribution by 6 May 2013.

In addition, the Annual General Meeting of 9 February 2011 resolved to create authorised capital for the issue of new shares against cash contribution totalling €246.0m. The authorisation to use this authorised capital will expire on 8 February 2016.

Accordingly, total unused authorised capital was around €319.0m at the balance sheet date (around €319.3m as at 30 September 2010).

(27) Capital reserves

The capital reserves comprise transfers of premiums. In addition, amounts entitling the holders to acquire shares in TUI AG in the framework of bonds issued for conversion options and warrants have to be transferred to the capital reserves if the conversion options and warrants have to be classified as equity instruments in accordance with IAS 32. Premiums from the issue of shares due to the exercise of conversion options and warrants are also transferred to the capital reserves.

Borrowing costs for the issue of conversion options and warrants and for the capital increase by means of the issue of new shares against cash contribution are eliminated against the transfers to the capital reserves resulting from these transactions.

On 24 March 2011, TUI AG issued convertible bonds. The corresponding conversion rights had to be classified as equity instruments under IAS 32 and resulted in an increase in the capital reserves of €41.9m.

The capital reserves also rose by a total of €0.7m due to the issue of employee shares and, to a lesser extent, the conversion of bonds into shares.

(28) Revenue reserves

Other revenue reserves comprise transfers from the results of the financial year under review or previous years.

Negative non-controlling interest which arose before the balance sheet date of 31 December 2008 were eliminated against other revenue reserves. Interests that have newly arisen since 1 January 2009 are directly carried in the balance sheet item "Non-controlling interests" in equity.

In accordance with section 58 (2) of the German Stock Corporation Act, dividend payments to TUI AG shareholders are based on net profit available for distribution shown in the commerciallaw annual financial statements of TUI AG. In financial year 2010/11, dividends were distributed to non-Group shareholders of subsidiaries, in particular of TUI Travel PLC and RIUSA II.

Foreign exchange differences comprise differences from the translation of the financial statements of foreign subsidiaries as well as differences from the translation of goodwill denominated in foreign currencies.

The revaluation reserve formed in accordance with IAS 27 (old version) in the framework of step acquisitions of companies is retained until the date of deconsolidation of the company concerned. In accordance with IAS 27 (revised), requiring prospective application, no new revaluation reserves are formed for step acquisitions since the changes in the fair values of the assets and liabilities of an acquired company arising in between the individual acquisition dates are taken through profit and loss based on the stake held, which did not yet result in consolidation of the company concerned.

The addition from first-time consolidation comprises the increase in equity which arose from the acquisition of 60% of the shares in Intrepid Travel Group Limited, Australia. As a consideration, the existing shareholders of the Intrepid Group acquired a 40% stake in parts of TUI's Adventure travel business. Accordingly, the prorated equity of TUI's Adventure travel business was reclassified to non-controlling interest. The reclassifications to non-controlling interests also include the reclassification of the prorated equity of the Magic Life Group as a result of the sale of the Magic Life Group to TUI Travel PLC.

The differences between acquired equity and acquisition costs, which have arisen from the acquisition of non-controlling interests (€ – 28.0m), are directly eliminated against Other revenue reserves.

Changes in the value of financial assets available for sale are taken to, or eliminated against, revenue reserves outside profit and loss.

The revaluation reserve for cash flow hedges comprises the portion of gains and losses from hedges determined as effective hedges of future cash flows. When a hedged transaction has an effect on results or is no longer assessed as probable, the reserve is reversed through profit and loss in the same period.

The reserve according to IAS 19 comprises gains and losses from changes in actuarial parameters in connection with the measurement of pension obligations and the associated fund assets, carried outside profit and loss. In financial year 2010/11, the reserve in accordance with IAS 19 decreased mainly because of actuarial losses on the fund assets.

Taking account of non-controlling interests and deferred taxes, the reserves stood at € – 344.8m (previous year € – 289.8m) at the end of financial year 2010/11.

(29) Hybrid capital

In accordance with IAS 32, the subordinated hybrid capital issued by TUI AG in December 2005, worth a nominal volume of €300.0m, constitutes Group equity. The borrowing costs of €8.5m were deducted from the hybrid capital outside profit and loss, taking account of deferred taxes. Dividend entitlements of the hybrid capital investors are deferred as other financial liabilities until the payment date.

(30) Non-controlling interests

Non-controlling interests mainly relate to companies of TUI Travel PLC and TUI Hotels & Resorts, in particular the RIUSA II Group.

(31) Pension provisions and similar obligations

A number of defined contribution plans and defined benefit pension plans are operated for Group employees. Pension obligations vary, reflecting the different legal, fiscal and economic conditions in each country of operation and usually depend on employees' length of service and pay levels. All defined contribution plans are funded by the payment of contributions to external insurance companies or funds, whilst defined benefit plans entail the formation of provisions within the company or investments in funds outside the company.

German employees enjoy benefits from a statutory defined contribution plan paying pensions as a function of employees' income and the contributions paid in. Several additional industry pension organisations exist for companies of the TUI Group. Once the contributions to the state-run pension plans and private pension insurance organisations have been paid, the Company has no further payment obligations. Current contribution payments are expensed for the respective period. In financial year 2010/11, the pension costs for all defined contribution plans totalled €31.4m (previous year €48.4m).

In the period under review, material contractual changes arose in the defined benefit pension plans in the UK. In April, a plan curtailment was resolved for the British pension plans, resulting in income of €73.5m. Total income of €4.0m (previous year expense of €87.1m) therefore arose for the Group as a whole in defined benefit pension obligations.

Pension costs for defined benefit obligations

	2010/11	2009/10
	€ million	
Current service cost for employee service in the period	39.9	46.3
Curtailment gains	74.2	—
Interest cost	115.4	117.7
Expected return on external plan assets	85.5	78.2
Past service cost due to plan changes	0.4	1.3
Total	**−4.0**	**87.1**

In addition, an agreement was concluded in May 2011 between several British subsidiaries as employers and the managing pension funds in order to reduce the deficits of British pension schemes in the long term. The biggest British brands Thomson and First Choice were transferred to a Pension Funding Partnership (PFP). Via annual royalty payments from the British tour operators to the PFP, the pension deficit will be reduced over 15 years. At the end of the term of the agreement, any remaining deficit at that time will have to be repaid. The PFP is included in the consolidated financial statements so that the agreement does not have any effects on the statement, of financial position, pension obligations in accordance with IAS 19 and the income statement, other than those resulting from direct payment to the funds. The participation of the funds in the PFP does not meet the criteria for pension assets in accordance with IAS 19 and is therefore not taken into account in the development of the fair value of fund assets described below.

Provisions for pension obligations are established for benefits payable in the form of retirement, invalidity and surviving dependants' benefits. Provisions are exclusively formed for defined benefit schemes under which the Company guarantees employees a specific pension level. Provisions for similar obligations cover in particular early retirement and temporary assistance benefits.

Development of pension provisions and similar obligations

	Balance as at 30 Sep 2010	Changes with no effect on profit and loss[1]	Actuarial gains and losses	Utilisation	Release	Addition	Balance as at 30 Sep 2011
				€ million			
Pension provisions	874.2	−6.1	99.5	89.7	74.2	60.2	863.9
Similar obligations	37.1	12.2	−3.9	0.5		5.3	50.2
Total	**911.3**	**6.1**	**95.6**	**90.2**	**74.2**	**65.5**	**914.1**

1) reclassifications, transfers, exchange differences and changes in group of consolidated companies

The actuarial gains and losses which arose in financial year 2010/11 were taken to, or eliminated against, equity outside profit and loss, causing the indicated movement in pension provisions outside profit and loss.

Where the defined benefit pension obligations are not financed by provisions, they are funded externally. This type of funding of pension obligations prevails to a considerable extent in the UK, Switzerland and the Netherlands.

While the fund assets are determined on the basis of the fair values of invested funds as at 30 September 2011, pension obligations are measured on the basis of actuarial calculations and assumptions. The obligations under defined benefit plans are calculated on the basis of the internationally accepted projected unit credit method, taking account of expected future increases in salaries and pensions.

Actuarial parameters for German companies

	2010/11	2009/10
	Percentage p. a.	
Discount rate	4.75	4.25
Projected future salary increases	2.0 – 2.5	1.0 – 2.5
Projected future pension increases	1.0 – 2.17	1.0 – 1.83

Determination of the interest rate applicable in discounting the provision for pensions is based on an index for corporate bonds adjusted for securities already downgraded and under observation by rating agencies as well as subordinate bonds in order to meet the criterion for first-rate bonds required under IAS 19. In order to cover a correspondingly broad market, an index based on shorter-terms bonds is used. The resulting interest rate structure is extrapolated on the basis of the yield curves for almost risk-free bonds, taking account of an appropriate risk mark-up reflecting the term of the obligation.

Actuarial calculations for companies abroad are based on specific parameters for each country concerned.

Actuarial parameters for German companies

	2010/11			2009/10		
	Discount rate	Expected return on plan assets	Projected future salary increases	Discount rate	Expected return on plan assets	Projected future salary increases
			Percentage p. a.			
Eurozone	4.75	4.9 – 5.9	3.0 – 5.0	4.25	5.9 – 6.3	2.8 – 5.0
UK	5.25	6.1 – 6.2	2.5	5.3	6.3 – 6.8	3.7 – 4.2
Rest of Europe	2.5	2.5	1.0 – 2.0	2.8 – 3.2	2.5	1.3 – 2.0
North America	4.55	4.0	3.5	4.75	5.0	3.5

Development of projected benefit obligations

	2010/11	2009/10
	€ million	
Net present value of actual pension obligations at beginning of year	**2,349.6**	**2,071.7**
Current pension obligations	39.9	46.3
Curtailments	−74.2	—
Interest cost	115.4	117.7
Pensions paid	−113.5	−112.1
Contributions paid by pension beneficiaries	5.0	7.2
Actuarial losses (+)	22.7	122.1
Exchange differences	−7.8	102.9
Other	13.8	−6.2
Net present value of actual pension obligations at year-end	**2,350.9**	**2,349.6**

Pension obligations were almost flat in the financial year under review. There were only minor actuarial gains and losses due to opposite interest rate trends in the UK and the Eurozone.

Development of the fair value of fund assets

	2010/11	2009/10
	€ million	
Fair value of fund assets at beginning of period	**1,437.7**	**1,202.8**
Expected return on external plan assets (−)	−85.5	−78.2
actuarial gains (−) / losses (+) of the current year	72.9	−46.1
Exchange differences	−4.4	74.1
Employer's contributions paid in	65.2	110.4
Contributions paid by the beneficiaries of the plan	5.0	7.2
Pensions paid	−79.0	−76.6
Other	—	−4.5
Fair value of fund assets at end of period	**1,437.1**	**1,437.7**
of which dividend-carrying securities	673.1	678.2
of which bonds	561.8	557.4
of which property, plant and equipment	17.8	15.5
of which cash	24.5	25.3
of which Other	159.9	161.3

The fair values of fund assets were also almost flat year-on-year. At expected returns of €85.5m (previous year €78.2m), the funds generated actual returns of €12.6m (previous year €124.3m). The resulting actuarial losses are primarily based on the year-on-year weakening of prices in the international securities markets.

The assumptions used in determining the expected return on external fund assets are based on the actual fund structure and are oriented to the future long-term returns for the individual fund categories. Further factors taken into account are the current interest rate level and the inflation trend.

For the forthcoming financial year, the companies of the TUI Group are expected to contribute around €69.8m to the pension funds.

Reconciliation of projected benefit obligations to pension obligations recognised in the statement of financial position

	30 Sep 2011			30 Sep 2010		
	Plans with obligation in excess of assets	Plans with assets in excess of obligation	Total	Plans with obligation in excess of assets	Plans with assets in excess of obligation	Total
	€ million					
Actual projected benefit of fully or partly funded pension obligations	1,852.9	9.6	1,862.5	1,846.1	11.8	1,857.9
Fair value of external plan assets	1,426.3	10.8	1,437.1	1,425.4	12.3	1,437.7
Deficit respectively excess	**426.6**	**−1.2**	**425.4**	**420.7**	**−0.5**	**420.2**
Actual net present value of non-funded pension obligations			488.4			491.7
Net projected benefit obligation			**913.8**			**911.9**
Adjustment for past service cost			−0.9			−1.1
Net recognised liability			**912.9**			**910.8**
of which capitalised assets			1.2			0.5
Provisions for pensions and similar obligations			**914.1**			**911.3**
of which provisions for pensions for non-funded obligations			487.5			490.6
of which provisions for pensions for funded obligations			426.6			420.7

Since the TUI Group used the option of immediately offsetting the actuarial gains and losses against equity in the year in which they arose, the TUI Group's total pension obligations were fully shown in the statement of financial position, netted against existing fund assets. There was only a difference of €−0.9m due to past service cost that was not yet recognised in the statement of financial position. This off-balance difference will be charged to expenses and successively amortised over the next few financial years.

Where plan assets exceed obligations with regard to funded pension obligations, taking account of a difference due to past service cost, and where at the same time there is an entitlement to reimbursement or reduction of future contribution payments to the fund, the excess is capitalised in conformity with the upper limit defined by IAS 19.

Year-on-year comparison of the principal amounts related to pension obligations

	2010/11	2009/10	SFY 2009	2008	2007
			€ million		
Projected benefit obligations at year-end	2,350.9	2,349.6	2,071.7	1,696.2	2,323.5
Fund assets at year-end	1,437.1	1,437.7	1,202.8	980.4	1,471.5
Excess (−) / deficit (+) at year-end	913.8	911.9	868.9	715.8	852.0
Actuarial gains (−) / losses (+) of the current year from the obligations	22.7	122.1	296.2	−192.8	214.9
of which experience adjustments	26.5	−3.8	4.0	22.7	24.5
Actuarial gains (−) / losses (+) of the current year from fund assets	72.9	−46.1	−93.6	298.9	19.5

At 30 September 2011, the actuarial gains and losses before deferred taxes carried and eliminated against equity outside profit and loss by that date totalled €−746.6m (previous year €−652.0m).

(32) Other provisions

Development of provisions in the financial year 2011

	Balance as at 30 Sep 2010	Changes with no effect on profit and loss[1)]	Usage	Reversal	Addition	Balance as at 30 Sep 2011
			€ million			
Personnel costs	108.5	− 14.9	38.8	5.9	40.8	89.7
Typical operating risks	31.9	5.2	4.9	8.0	8.5	32.7
Maintenance provisions	397.0	4.1	163.7	25.8	297.4	509.0
Risks from onerous contracts	61.5	− 0.3	36.9	2.5	43.5	65.3
Guarantee and liability risks	10.4	—	3.7	1.4	6.5	11.8
Provisions for other taxes	46.5	0.7	3.9	0.1	4.5	47.7
Miscellaneous provisions	247.9	5.2	47.9	21.3	80.4	264.3
Other provisions	**903.7**	**—**	**299.8**	**65.0**	**481.6**	**1,020.5**

1) reclassifications, transfers, exchange differences and changes in the group of consolidated companies

Other provisions

Other provisions comprise provisions for personnel costs, typical operating risks, maintenance risks (in particular maintenance of leased aircraft), risks from onerous contracts, guarantee and liability risks, provisions for other taxes and other provisions.

Provisions for personnel costs comprise provisions for social plans and jubilee benefits as well as provisions for share-based payment schemes with cash compensation in accordance with IFRS 2.

In the framework of a long-term incentive programme, an Executive Board member and other senior executive staff of the Group are granted bonuses, translated into phantom stocks in TUI A G on the basis of an average share price. The phantom shares are calculated on the basis of Group earnings before taxes and amortisation of goodwill (underlying EBTA). The translation into phantom stocks is based on the average stock price of the TUI share on the 20 trading days following the Supervisory Board meeting at which the annual financial statements are approved. The number of phantom stocks granted in a financial year is therefore only determined in the subsequent year. Following a lock-up period of two years, the individual beneficiaries are free to exercise their right to cash payment from this bonus within predetermined time frames. This lockup period is not applicable if a beneficiary leaves the Company. The payment level depends on the average stock price of the TUI share over a period of 20 trading days after the exercise date. There are no absolute or relative return or stock price targets. A cap has been agreed for exceptional, unforeseen developments. Since the strike price is €0 and the incentive programme does not entail a vesting period, the fair value corresponds to the intrinsic value and hence the market price at the balance sheet date. Accordingly, the fair value of the obligation is determined by multiplying the number of phantom shares with the stock price at the respective reporting date.

Executive Board members whose remuneration was changed to a new remuneration system as from 1 January 2010 take part in a long-term incentive programme also based on phantom stocks. Under this programme, phantom shares are granted upon completion of a four-year service period—upon completion of financial year 2012/13 for the first time—and are determined by comparing the development of Total Shareholder Return (TS R) of TUI AG with the development of the Dow Jones Stoxx 600 Travel & Leisure.

Development of phantom shares

	Number of shares	Present value € million
Balance as at 31 Dec 2009	**1,158,946**	**8.2**
Phantom shares granted	216,069	1.5
Phantom shares exercised	393,250	− 3.4
Measurement results	—	2.5
Balance as at 30 Sep 2010	**981,765**	**8.8**
Phantom shares granted	169,924	1.7
Phantom shares exercised	145,424	− 1.0
Measurement results	—	− 6.0
Balance as at 30 Sep 2011	**1,006,265**	**3.5**

The TUI Travel Sector operates three principal share-based payment schemes linking employee remuneration to the future performance of the Sector: a Deferred Annual Bonus Scheme (DA BS), a Deferred Annual Bonus Long-Term Incentive Scheme (DA BLIS) and a Performance Share Plan (PSP).

Under the bonus incentive plan newly introduced in financial year 2009/10, executive staff receive variable remuneration as a function of the relative development of three corporate performance indicators. Up to half the variable remuneration is determined by comparing the development of the return on invested capital (ROIC) to the development of the weighted average cost of capital (WACC). The remaining remuneration is determined by comparing the development of earnings per share (EPS) to the UK Retail Price Index and the total shareholder return (TS R) performance, to the return in other capital market-oriented companies. This scheme will be exercised at the end of three years at the earliest and ten years at the latest.

Awards and shares granted and outstanding

	Number of shares	Date of first exercisability
Deferred Annual Bonus Scheme (DABS)	3,829,912	28 Nov 11
	3,202,607	2 Dec 12
	3,959,768	6 Dec 13
Deferred Annual Bonus Long-term incentive Scheme (DABLIS)	2,171,283	2 Dec 12
	2,468,921	6 Dec 13
Performance Share Plan (PSP)	1,020,602	28 Nov 11
	5,139,613	28 Nov 11
	1,852,876	2 Dec 12
	712,513	19 Mar 13
	1,988,854	6 Dec 13
Total	**26,346,949**	

On 30 September 2011, 12,700,211 shares (previous year 13,191,246 shares) were held by Employee Benefit Trusts.

Development of the number of share options

	Number
Outstanding at beginning of the financial year	29,575,371
Expired during the financial year	− 6,401,065
Exercised during the financial year	− 5,346,542
Issued during the financial year	8,519,185
Balance as at 30 Sep 2011	**26,346,949**

The fair value of services received in return for share options granted is measured by reference to the fair value of the share options granted. The estimate of the fair value of services received is usually determined using binomial models, depending on the vesting criteria, with the exception of the calculation of the fair value of plans only to be exercised under certain market conditions. The fair value of such plans is estimated using a Monte Carlo simulation.

Information relating to fair values of shares awarded

		2010/11
Fair values at measurement date	£	1.50 – 1.90
Share price	£	2.30
Expected volatility	%	56.10
Expected dividends	%	5.60
Risk free interest rate	%	1.00

Participants are not entitled to dividends prior to vesting. Expected volatility is based on historic volatility adjusted for changes to future volatility indicated by publicly available information. Share options are granted under a service condition.

In financial year 2010/11, personnel costs of £20.0m (€23.1m) relating to share-based payment schemes were carried through profit and loss.

In financial year 2010/11, the restructuring measures implemented above all in the TUI Travel Sector resulted in total expenses of €70.8m (previous year €124.9m). In this framework provisions were formed where the individual measures were sufficiently specific and a factual restructuring obligation existed. At the balance sheet date, provisions for restructuring measures totalled €92.7m.

Provisions for necessary environmental protection measures included in typical operating risks amounted to €4.7m (previous year €1.6m) at the balance sheet date.

Where the difference between the present value and the settlement value of a provision is material for the measurement of a non-current provision as at the balance sheet date, the provision has to be recognised at its present value in accordance with IAS 37. The discount rate to be applied should take account of the specific risks of the provision and of future price increases. This criterion applies to some items contained in the TUI Group's Other provisions. Transfers to Other provisions comprise an interest portion of €15.1m (previous year €19.4m), recognised as interest expenses. The largest portion relates to additions to provisions for maintenance.

Terms to maturity of income tax provisions and other provisions

	30 Sep 2011		30 Sep 2010	
	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
	€ million			
Personnel costs	33.4	89.7	62.4	108.5
Typical operating risks	15.6	32.7	13.3	31.9
Maintenance provisions	303.5	509.0	274.4	397.0
Risks from onerous contracts	13.6	65.3	4.6	61.5
Guarantee and liability risks	7.4	11.8	3.5	10.4
Provisions for other taxes	31.4	47.7	33.2	46.5
Miscellaneous provisions	143.7	264.3	128.8	247.9
Other provisions	**548.6**	**1,020.5**	**520.2**	**903.7**

(33) Financial liabilities

Financial liabilities

	30 Sep 2011				30 Sep 2010	
	up to 1 year	1 – 5 years	Remaining term more than 5 years	Total	Total	Remaining term more than 1 year
	€ million					
Convertible bonds	185.4	802.0	402.3	1,389.7	1,534.4	1,534.4
Other bonds	—	250.1	—	250.1	1,503.9	446.5
Liabilities to banks	156.3	669.1	61.3	886.7	1,001.5	690.9
Liabilities from finance leases	22.1	0.1	132.6	154.8	320.2	152.1
Financial liabilities due to nonconsolidated Group companies	17.4	0.2	—	17.6	28.1	0.3
Financial liabilities due to affiliates	11.2	—	—	11.2	7.8	—
Other financial liabilities	81.2	0.5	6.5	88.2	116.0	3.3
Total	**473.6**	**1,722.0**	**602.7**	**2,798.3**	**4,511.9**	**2,827.5**

Fair values and carrying amounts of the bonds issued (30 Sep 2011)

	Issuer	Volume initial	Volume outstanding	Interest rate % p. a.	Stock market value: Debt component	Stock market value: Conversion options	Stock market value: Total	Carrying amount
				€ million				
2007/12 convertible bond	TUI AG	694.0	193.0	2.750	187.2	—	187.2	185.4
2009/14 convertible bond	TUI AG	217.7	217.5	5.500	173.4	27.5	200.9	170.5
2011/16 convertible bond	TUI AG	339.0	339.0	2.750	179.8	—	179.8	279.4
2009/14 convertible bond	TUI Travel PLC	GBP 350.0	GBP 350.0	6.000	269.5		269.5	352.1
2010/17 convertible bond	TUI Travel PLC	GBP 400.0	GBP 400.0	4.900	276.0		276.0	402.3
2005/12 bond	TUI AG	450.0	251.2	5.125	250.7	—	250.7	250.1
2005/– hybrid capital	TUI AG	300.0	300.0	until Jan 2013 8.625 subsequently 3m EURIBOR plus 7.300	216.0		216.0	294.6

In accordance with the rules of IAS 32, the subordinated hybrid capital issued in December 2005 without a fixed term to maturity is not carried as a bond but shown as a separate Group equity item.

Convertible bonds comprise a total of five convertible bonds. The convertible bond originally worth €694.0m issued on 1 June 2007 will mature on 1 September 2012. The convertible bond was issued in denominations of €50,000 and has a conversion price of €27.1147 per no-par value share. In the completed financial year, bonds worth a nominal amount of €501.1m were bought back.

On 17 November 2009, TUI AG issued a five-year convertible bond worth €217.7m. This bond carries a fixed-interest coupon of 5.5% per annum. It was issued in denominations of €56.30. The conversion price is €5.63 per no-par value share. The volume outstanding as per 30 September 2011 for this bond totals €217.5m due to conversions of €0.2m.

A third convertible bond was issued on 24 March 2011 by TUI AG with a nominal value of €339.0m. The bond carries a fixed-interest coupon of 2.75% per annum and will mature on 24 March 2016. It was issued in denominations of €59.26. The conversion price is €11.85 per share.

On 1 October 2009, TUI Travel PLC issued a convertible bond with a nominal value of £350m with a fixed-interest coupon of 6.0% per annum and a conversion price of £3.493 per no-par value share. It will mature in October 2014. The bond was issued in denominations of £100,000. On 22 April 2010, TUI Travel PLC issued another convertible bond. It has a nominal volume of £400.0m and denominations of £100,000. At a fixed-interest coupon of 4.9%, it will mature in April 2017. The conversion price is £3.8234.

The debt component of the convertible bonds was carried at present value upon issuance, taking account of an interest rate in line with market rates, and is increased by the interest portion for the period at every balance sheet date in accordance with the internationally customary effective interest method.

The bonds issued in May 2004 and maturing in May 2011 worth €625.0m were redeemed as at the due date on 16 May 2011.

Two further bonds with an aggregate volume of €1,000.0m were issued in December 2005. The senior floating-rate notes worth €550.0m carried a floating interest rate (3-month E URIBOR + 1.55% p.a.) and were redeemed in December 2010, as scheduled. The senior fixed rate notes worth €450.0m carry a fixed nominal interest rate of 5.125% p.a. and are repayable in December 2012. In financial year 2010/11, parts of the bonds with a nominal volume of €198.8m were redeemed early. The bonds have denominations of at least €50,000.0, with higher integral multiples of thousand.

(34) Trade payables

Trade payables

	30 Sep 2011	30 Sep 2010
	€ million	
To third parties	2,939.9	2,821.9
To non-consolidated Group companies	5.5	1.9
To affiliates	28.1	23.6
Total	**2,973.5**	**2,847.4**

Concerning the accounting errors of the TUI Travel Group identified in the period under review, with regard to current trade payables to third parties as per 30 September 2010 and the correction of these errors in the financial statements for financial year 2010/11, we refer to the Notes to the cost of sales.

(35) Derivative financial instruments

Derivative financial instruments

	30 Sep 2011				30 Sep 2010	
	up to 1 year	1 – 5 years	Remaining term of more than 5 years	Total	Remaining term of more than 1 years	Total
	€ million					
To third parties	157.7	52.8	20.9	231.4	47.8	195.2

Derivative financial instruments are carried at their fair value. They primarily serve to hedge future business operations and are outlined in detail in the Notes to the financial instruments.

(36) Deferred and current tax liabilities

Deferred and current tax liabilities

	30 Sep 2011	30 Sep 2010 revised
	€ million	
Deferred tax liabilities	120.7	80.2
Current tax liabilities	315.5	252.5
Total	**436.2**	**332.7**

A total of €72.5m of the deferred tax liabilities (previous year €39.4m) will realise in more than twelve month.

In the framework of an ongoing tax audit of the TUI Travel Accommodation & Destinations Business, the Spanish tax authorities notified the Group in 2010 that they disagree with the tax treatment of two transactions of the former First Choice Holidays PLC Group, undertaken in the period from 2000 to 2003, in determining Spanish income taxes. It is currently not be ruled out that Spanish authorities may seek to pursue a judicial process against managers involved in this matter and that penalties may be established, which a Spanish subsidiary will be liable for.

Not least on the basis of independent legal and tax advice taken, TUI Travel PLC and the managers that may be concerned firmly believe that the risk from a potential judicial process is low.

A provision is held to cover the risk of non-recognition of the tax deduction arising from the expenses for the two transactions.

(37) Other liabilities

Other liabilities

	30 Sep 2011				30 Sep 2010 revised	
	up to 1 year	1 – 5 years	Remaining term of more than 5 years	Total	Remaining term of more than 1 year	Total
	€ million					
Other liabilities due to non-consolidated Group companies	1.1	—	—	1.1	—	22.4
Other liabilities due to affiliates	10.6	—	—	10.6	—	—
Other miscellaneous liabilities	142.8	31.1	26.1	200.0	38.3	258.8
Other liabilities relating to other taxes	39.7	1.0	—	40.7	0.8	30.9
Other liabilities relating to social security	49.1	0.1	—	49.2	0.8	47.2
Other liabilities relating to employees	134.4	1.4	1.5	137.3	3.1	132.7
Other liabilities relating to members of the Boards	4.5	2.8		7.3	—	4.1
Advance payments received	2,013.7	—	—	2,013.7	11.2	1,773.1
Other liabilities	**2,395.9**	**36.4**	**27.6**	**2,459.9**	**54.2**	**2,269.2**
Deferred income	66.9	3.3	37.8	108.0	32.2	114.0
Total	**2,462.8**	**39.7**	**65.4**	**2,567.9**	**86.4**	**2,383.2**

(38) Liabilities related to assets held for sale

Liabilities related to assets held for sale

	30 Sep 2011	30 Sep 2010
	€ million	
Disposal group Turcotel	—	60.0
Dorfhotel	2.2	—
Jet4You	—	35.9
Total	**2.2**	**95.9**

(39) Contingent liabilities

Contingent liabilities

	30 Sep 2011	30 Sep 2010
	€ million	
Liabilities under guarantees, bill and cheque guarantees due to non-consolidated Group companies	0.4	6.8
Other liabilities under guarantee, bill and cheque guarantees	497.1	445.7
Other liabilities under warranties	0.9	1.2
Total	**498.4**	**453.7**

Contingent liabilities are carried at an amount representing the best estimate of the expenditure that would be required to meet the present obligation as at the balance sheet date.

Liabilities under warranties are all contractual liabilities to third parties not to be classified as guarantees and going beyond the typical scope of the business and the industry.

Contingent liabilities as at 30 September 2011 are, above all, attributable to the granting of guarantees for the benefit of Hapag-Lloyd AG from the payment of collateralised ship financing schemes granted in September 2010. The year-on-year increase as against 30 September 2010 is due to the assumption of liability for the benefit of TUI Cruises GmbH.

(40) Litigation

Neither TUI AG nor any of its subsidiaries have been involved in pending or foreseeable court or arbitration proceedings which might have a significant impact on their economic position, or had such an impact in the past two years. This also applies to actions claiming warranty, repayment or any other compensation brought forward in connection with the divestment of subsidiaries and businesses over the past few years.

The action submitted by the insolvency trustee of Babcock Borsig AG (in insolvency) in 2004 was dismissed by the regional court of first instance in Frankfurt/Main at the end of 2007. The appeal by the plaintiff was dismissed by the regional appeal court of Frankfurt/Main in July 2010. On 6 December 2011 the Federal Supreme Court issued its ruling about the appeal lodged by the plaintiff. TUI AG continues to assume that no claim exists. The provision formed in this regard only covers an amount representing the anticipated non-refundable cost of the proceedings, as before.

In 1999, the operator of the container terminal in Zeebrugge in Belgium filed an action for damages against CP Ships Ltd.—still forming part of TUI AG—and several of its subsidiaries due to an alleged breach of agreement in connection with the change of the Belgian port of call from Zeebrugge to Antwerp. To date, a court ruling has not yet been given. Meanwhile, the court has determined the time frame for the documents to be submitted by the parties and fixed the date of the first oral proceedings in September 2013.

As in previous years, the respective Group companies formed adequate provisions, partly covered by expected insurance benefits, to cover all potential financial charges from court or arbitration proceedings. Overall, the future financial position is therefore unlikely to be substantially affected by such charges.

(41) Other financial commitments

Nominal values of other financial commitments

	30 Sep 2011				30 Sep 2010	
	up to 1 year	1 – 5 years	Remaining term of more than 5 years	Total	Remaining term of more than 1 year	Total
	€ million					
Order commitments in respect of capital expenditure	351.8	1,792.4	114.7	2,258.9	1,549.3	1,857.7
Other financial commitments	65.6	71.7	14.6	151.9	65.3	199.8
Total	**417.4**	**1,864.1**	**129.3**	**2,410.8**	**1,614.6**	**2,057.5**
Fair value	**398.5**	**1,621.8**	**89.2**	**2,109.5**	**1,425.1**	**1,849.9**

The fair value of other financial commitments was determined by means of discounting future expenses using a customary market interest rate of 4.75% per annum (previous year 4.25% p.a.). If the previous year's interest rate of 4.25% p.a. had been applied, the fair value would have been €28.9m higher.

Order commitments in respect of capital expenditure relating almost exclusively to Tourism rose by €401.2m year-on-year as at 30 September 2011; this was due to ordering five additional B737-800 aircraft and two A330 aircraft, while seven B737-800 aircraft have been delivered since 30 September 2010.

Order commitments also rose due to a planned hotel project of the RIUSA II Group.

Moreover, Hapag-Lloyd Kreuzfahrten ordered a new build, the MS Europa 2, from a French shipyard in the framework of the expansion of its fleet; the ship is to enter service in the spring of 2013.

Financial commitments from operating lease, rental and charter contracts

	30 Sep 2011					30 Sep 2010	
	up to 1 year	1 – 5 years	5 – 10 years	Remaining term of more than 5 years	Total	Remaining term of more than 1 years	Total
				€ million			
Aircraft	349.5	807.8	216.3	4.1	1,377.7	909.7	1,239.0
Hotel complexes	324.3	450.8	72.5	12.0	859.6	602.0	798.7
Travel agencies	81.6	193.3	68.5	21.7	365.1	314.2	397.9
Administrative Buildings	53.3	137.9	88.7	71.2	351.1	230.5	277.1
Yachts and motor boats	80.4	183.0	5.9	—	269.3	53.7	139.5
Other	27.5	30.4	6.8	0.6	65.3	30.7	55.1
Total	**916.6**	**1,803.2**	**458.7**	**109.6**	**3,288.1**	**2,140.8**	**2,907.3**
Fair value	**875.0**	**1,568.9**	**316.4**	**68.9**	**2,829.2**	**1,805.0**	**2,540.3**

The fair value of financial commitments from lease, rental and charter agreements was determined by means of discounting future expenses using a customary market interest rate of 4.75% p.a. (previous year 4.25% p.a.). If the previous year's interest rate of 4.25% p.a. had been applied, the fair value would have been €42.6m higher.

The commitments from lease, rental and leasing agreements exclusively relate to leases that do not transfer all the risks and rewards of ownership of the assets to the companies of the TUI Group in accordance with IASB rules (operating leases).

As a matter of principle, operating leases for aircraft do not include a purchase option. As a general rule current lease payments do not include maintenance costs. The average lease duration is approximately five years.

The increase as against 30 September 2010 results partly from the additional charter of aircraft by TUI Travel. It is also due to additional financial liabilities from the extension of contract terms for cruise ships already operated by TUI Travel and to charter commitments for a further cruise ship by Hapag-Lloyd Kreuzfahrten. The increase is also driven by the long-term lease-back of an administrative building sold in 2010/11. In addition, it is due to additional obligations for hotel rental by TUI Travel.

Financial instruments

Risk and risk management

Risk management principles

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

In accordance with the Group's corporate financial goal, financial risks have to be limited. In order to achieve that goal, policies and rules applicable throughout the Group have been defined, fixing binding decision bases, competencies and responsibilities for all financial transactions.

In the framework of the merger of TUI's Tourism activities with First Choice to form TUI Travel PLC in 2007, responsibilities were divided up differently for central cash management, which was previously managed by TUI AG alone, and central financial risk management. TUI Travel PLC performs these tasks for the Sector TUI Travel, while TUI AG continues to be responsible for these functions for all other business operations of the Group.

The individual financing units, rules, competencies and workflows, as well as limits for transactions and risk positions, have been defined in policies. The trading, settlement and controlling functions have been segregated in functional and organisational terms. Compliance with the policies and limits is continually monitored. As a matter of principle, all hedges by the Group are based on correspondingly recognised or future underlying transactions. Recognised standard software is used for assessing, monitoring and reporting the hedges entered into. The processes, the methods applied and the organisation of risk management are reviewed for compliance with the relevant regulations at least on an annual basis by the internal audit departments and external auditors.

Within the TUI Group, financial risks primarily arise from payment flows in foreign currencies, fuel requirements (aircraft fuel and bunker oil) and financing via the money and capital markets. In order to limit the risks from changes in exchange rates, market prices and interest rates for underlying transactions, TUI uses derivative over-the-counter financial instruments. These are primarily fixed-price transactions. In addition, TUI also trades in options and structured products to a minor extent. Use of derivative financial instruments is confined to internally fixed limits and other regulations. As a matter of principle, the instruments used have to be controllable with the respective entity's own (HR, organisational and systems) resources. The transactions are concluded on an arm's length basis with contracting counterparties operating in the financial sector, whose counterparty risk is regularly monitored. Currency translation risks from the consolidation of Group companies not preparing their accounts in Euros are not hedged.

Market risk

Market risks result in fluctuations in earnings, equity and cash flows. In order to limit or eliminate these risks, the TUI Group has developed various hedging strategies, including the use of derivative financial instruments.

According to IFRS 7, market risks have to be presented using sensitivity analyses showing the effects of hypothetical changes in relevant risk variables on profit or loss and equity. The effects for the period are determined by relating the hypothetical changes in risk variables to the portfolio of primary and derivative financial instruments as at the balance sheet date. Care is taken to ensure that the respective portfolio as at the balance sheet date is representative for the financial year.

The analyses of the TUI Group's risk reduction activities outlined below and the amounts determined using sensitivity analyses represent hypothetical and thus uncertain disclosures entailing risks. Due to unforeseeable developments in the global financial markets, actual results may deviate substantially from the disclosures provided. The risk analysis methods used must not be considered a projection of future events or losses, since the TUI Group is also exposed to risks of a non-financial or non-quantifiable nature. These risks primarily include country, business and legal risks not covered by the following presentation of risks.

Currency risk

The operational business of the TUI Group's companies generate payments denominated in foreign currencies, which are not always matched by congruent payments with equivalent terms in the same currency. Using potential netting effects (netting of payments made and received in the same currency with identical or similar terms), the TUI Group enters into appropriate hedges with external counterparties in order to limit the currency risk.

Currency hedges in Tourism are entered into when the calculated brochure prices have been fixed and cover 50% to 100% of the planned currency requirements for the respective tourism season, depending on the risk profile of the company concerned. The hedged volumes are changed in line with changes in planned requirements on the basis of reporting by the subsidiaries.

Currency hedging in the Cruises Sector is also based on the reports submitted by the companies. The hedges cover 80% to 100% of the reported exposure.

Within the TUI Group, risks from exchange rate fluctuations of more than 20 currencies are hedged, with the largest hedging volumes relating to US dollars, euros and sterling.

The largest hedging volume in the operational business relates to US dollars. In the tourism business, payments in US dollars primarily relate to the procurement of services in non-European destinations, purchases of aircraft fuel and aircraft purchases or respective lease rates.

The Eurozone limits the currency risk from transactions in the key tourist destinations to Group companies whose functional currency is not the Euro. The Tourism Segment, and primarily the Northern Region, are mainly affected by changes in the value of the US dollar and the euro.

Currency risks within the meaning of IFRS 7 arise from primary and derivative monetary financial instruments issued in a currency other than the functional currency of a company. Exchange rate-related differences from the translation of financial statements into the Group's currency are not taken into account. Taking account of the different functional currencies within the TUI Group, the sensitivity analyses of the currencies identified as relevant risk variables are presented below. A 10% strengthening or weakening of the respective functional currencies, primarily euro and sterling, against the other currencies would create the following effects on the revaluation reserve and earnings after tax.

Sensitivity analysis—currency risk

Variable: Foreign exchange rate	30 Sep 2011 + 10%	30 Sep 2011 − 10%	30 Sep 2010 + 10%	30 Sep 2010 − 10%
	€ million			
Exchange rates of key currencies				
€/US dollar				
Revaluation reserve	− 90.2	+ 90.2	− 116.1	+ 120.1
Earnings after income taxes	− 2.7	+ 2.7	+ 3.4	− 5.6
€/Pound sterling				
Revaluation reserve	+ 97.5	− 97.5	+ 204.3	− 204.3
Earnings after income taxes	+ 108.7	− 108.7	− 75.0	+ 75.0
Sterling/US dollar				
Revaluation reserve	− 102.3	+ 102.3	+ 0.6	− 0.3
Earnings after income taxes	− 45.3	+ 45.3	+ 2.9	− 3.1
€/Swiss franc				
Revaluation reserve	+ 3.2	− 3.2	+ 7.7	− 7.4
Earnings after income taxes	+ 4.0	− 4.0	+ 4.4	− 4.6
€/Swedish krona				
Revaluation reserve	+ 16.7	− 16.7	+ 25.0	− 25.0
Earnings after income taxes	− 3.6	+ 3.6	− 2.5	+ 2.5

Interest rate risk

Market value interest rate risks, i.e. exposure to potential fluctuations in the fair value of a financial instrument resulting from changes in market interest rates, arise primarily from medium- and long-term fixed-interest receivables and liabilities. Concerning the bonds issued, the fair values deviate from recognised carrying amounts. However, since these financial instruments are carried at amortised cost rather than at fair value as a matter of principle, no direct effects arise for equity or profit and loss.

By contrast, for balance sheet items and financial derivatives based on floating interest rates, the TUI Group is exposed to earnings-related risks (cash flow interest rate risks). These risks relate in particular to the Group's variable-rate debt. In order to minimise this risk, the Group enters into interest rate hedges, where necessary. The Group is also exposed to fair value risks from hybrid loans to Container Shipping.

Sensitivity analysis—interest rate risk

Variable: Interest rate level for floating interest-bearing debt and fixed-interest-bearing loans	30 Sep 2011 + 100 basis points	30 Sep 2011 − 100 basis points	30 Sep 2010 + 100 basis points	30 Sep 2010 − 100 basis points
	€ million			
Revaluation reserve	+ 1.5	− 1.1	—	—
Earnings after income taxes	+ 2.8	− 2.2	− 33.5	+ 37.7
Equity – available for sale financial instruments	− 13.6	+ 14.2	− 26.5	+ 30.7

Fuel price risk

Due to the nature of its business operations, the TUI Group is exposed to market price risks from the procurement of fuels, both for the aircraft fleet and the cruise ships.

Hedging of market price risks from the purchase of aircraft fuel is based on the hedging model of the Tourism companies. When calculating the exposure for the season concerned, at least 80% of the exposure is hedged. Possibilities of levying fuel surcharges are taken into account.

Hedging of fuel price risks in the Cruises Sector is based on financial derivatives. At least 80% of the relevant exposure is hedged.

Sensitivity analysis—fuel price risk

Variable: Fuel prices for aircraft and ships	30 Sep 2011 + 10%	30 Sep 2011 − 10%	30 Sep 2010 + 10%	30 Sep 2010 − 10%
	€ million			
Revaluation reserve	+ 80.8	− 84.2	+ 78.1	− 83.8
Earnings after income taxes	+ 3.5	− 3.8	+ 10.7	− 5.9

Apart from the currency, interest rate and fuel price risk, the TUI Group is exposed to other price risks due to one specific item.

In the financial year 2009/10, TUI Travel PLC issued a convertible bond for which the TUI Group entered into a buy-back obligation. It is treated separately in the form of a forward transaction and included as a hedge in the framework of hedge accounting. A 10% increase or decrease in the bond price compared with the measurement as at 30 September 2011 would change the revaluation reserve by €+ 7.8m/€ – 7.8m (previous year €+ 20.4m/€ – 20.4m).

Credit risk

The credit risk in non-derivative financial instruments results from the risk of counterparties defaulting on their contractual payment obligations.

Maximum credit risk exposure is defined by the total of the recognised carrying amounts of the financial assets (including derivative financial instruments with positive market values), on the one hand, and the granting of financial guarantees, on the other. Details concerning the guarantees at the balance sheet date are presented in Note 39. Legally enforceable possibilities of netting financial assets and liabilities are taken into account, whereas existing collateral is not considered. The credit risk is minimised due to the strict requirements placed on the counterparties' solvency. Credit risks are reviewed closely on conclusion of the contract and continually monitored thereafter so as to be able to swiftly respond to potential impairments in a counterparty's solvency. As a matter of principle, responsibility for handling the credit risk relating to the operative business is held by the individual Group companies of the TUI Group. Depending on the type of business activity and level of the credit limit, additional monitoring and control activities are effected at Group level.

Since the TUI Group operates in many different business areas and regions, significant credit risk concentrations of receivables from, and loans to, specific debtors or groups of debtors are not to be expected. A significant concentration of credit risks related to specific countries is not to be expected either. Wherever possible, collateral is negotiated with the business partners as part of credit risk management in order to reduce the credit risk. Guarantees by the respective parent company, bank guarantees and the deposit of cash and securities are accepted as collateral to reduce the credit risk.

Identifiable credit risks of individual receivables are covered by means of corresponding bad debt allowances. In addition, portfolios are impaired based on empirical values. An analysis of the aging structure of the category Trade receivables and other assets is presented in Note 20.

At the balance sheet date, there were no financial assets that would be overdue or impaired unless the terms and conditions of the contract had been renegotiated, neither in financial year 2010/11 nor in 2009/10.

Credit management also covers the TUI Group's derivative financial instruments. The maximum credit risk for derivative financial instruments entered into is limited to the total of all positive market values of these instruments since in the event of counterparty default asset losses would only be incurred up to that amount. As derivative financial instruments are concluded with different debtors, credit risk exposure is reduced. Nevertheless, the counterparty risk is continually monitored and controlled using internal bank limits.

Liquidity risk

Liquidity risks consist of potential financial shortages and resulting increases in refinancing costs. For this reason, the key objectives of TUI's internal liquidity management system are to secure the Group's liquidity at all times, consistently comply with contractual payment obligations and optimise the cost situation for the overall Group. The Group's liquidity requirements are determined by means of liquidity planning and are covered by committed credit lines and liquid funds so that the Group's liquidity is guaranteed at all times.

The tables provided below list the contractually agreed (undiscounted) cash flows of primary financial liabilities and derivative financial instruments.

Cash flow of financial instruments (30 Sep 2011)

		Cash in-/outflow until 30 Sep		
	2012	2013	2014 – 2016	as of 2016
	€ million			
Financial liabilities				
Bonds	− 232.3	− 278.7	− 1,351.4	− 483.5
Liabilities to banks	− 138.2	− 590.3	− 202.5	− 62.0
Liabilities from finance leases	− 47.7	− 17.5	− 54.3	− 66.5
Financial liabilities due to non-consolidated Group companies	− 17.4	—	0.2	—
Financial liabilities due to affiliates	− 11.2	—	—	—
Other financial liabilities	− 81.2	—	− 0.5	− 6.5
Trade payables	− 2,973.5	—	—	—
Other liabilities	− 1.1	—	—	—
Derivative financial instruments				
Hedging transactions – inflows	+ 6,457.2	+ 942.5	+ 17.5	—
Hedging transactions – outflows	− 6,330.8	− 906.6	− 15.4	—
Other derivative financial instruments – inflows	+ 3,722.7	+ 90.2	—	—
Other derivative financial instruments – outflows	− 3,718.5	− 89.2	—	—

Cash flow of financial instruments (30 Sep 2010)

		Cash in-/outflow until 30 Sep		
	2011	2012	2013 – 2015	as of 2015
	€ million			
Financial liabilities				
Bonds	− 1,184.0	− 782.1	− 1,227.9	− 509.3
Liabilities to banks	− 321.7	− 78.7	− 672.2	− 91.7
Liabilities from finance leases	− 178.8	− 26.1	− 88.2	− 75.5
Financial liabilities due to non-consolidated Group companies	− 27.8	—	− 0.3	—
Financial liabilities due to affiliates	− 7.8	—	—	—
Other financial liabilities	− 115.9	—	—	—
Trade payables	− 2,847.3	—	—	—
Other liabilities	− 21.9	—	—	—
Derivative financial instruments				
Hedging transactions – inflows	+ 4,929.8	+ 1,211.8	+ 108.9	—
Hedging transactions – outflows	− 4,830.6	− 1,213.3	− 107.1	—
Other derivative financial instruments – inflows	+ 4,449.9	+ 93.4	—	—
Other derivative financial instruments – outflows	− 4,359.1	− 90.0	—	—

The cash flow analysis covers all primary and derivative financial instruments as at the balance sheet date. Planned payments for new future liabilities are not taken into account. Where financial liabilities have a floating interest rate, the forward interest rates fixed as at the balance sheet date are applied. Financial liabilities cancellable at any time are allocated to the earliest maturity band.

Derivative financial instruments and hedges

Strategy and goals

In accordance with the TUI Group's implementing regulations, derivatives are allowed to be used if they are based on underlying recognised assets or liabilities, firm commitments or forecasted transactions. Hedge accounting is based on the rules of IAS 39, in particular in the framework of hedging against exposure to fluctuations in future cash flows. In the financial year under review, hedges primarily consisted of cash flow hedges.

Price hedging instruments in the form of forward transactions and options are used to limit currency and fuel risks.

Cash flow hedges

As at 30 September 2011, underlying transactions existed to hedge cash flows in foreign currencies with maturities of up to four years (previous year up to four years). The planned underlying transactions of fuel price hedges had terms of up to three years (previous year up to three years). In order to hedge TUI AG's variable interest payment obligations from the convertible bond issued by TUI Travel PLC, interest hedges with a term of up to three years were concluded in financial year 2010/11.

In accounting for derivatives of cash flow hedges, the effective portion of the cumulative changes in market values is carried in the revaluation reserve outside profit and loss until the underlying transaction occurs. It is carried in the income statement through profit and loss when the hedged item is executed. In the financial year under review, expenses of €20.6m (previous year income of €1.0m) for currency hedges and derivative financial instruments used as price hedges as well as for interest hedges were carried in the cost of sales and administrative expenses. Expenses of €1.3m (previous year income of €10.0m) was carried from the ineffective portion of the cash flow hedges.

Nominal amounts of derivative financial instruments used

	30 Sep 2011			30 Sep 2010	
	up to 1 year	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
			€ million		
Interest rate hedges					
Caps	—	207.7	207.7	—	—
Swaps	—	57.7	57.7	—	28.6
Currency hedges					
Forwards	10,582.6	1,317.2	11,899.8	1,276.3	7,348.1
Options	—	—	—	1.7	49.6
Collected forwards	244.4	66.0	310.4	88.0	747.9
Commodity hedges					
Swaps	915.9	218.2	1,134.1	198.1	927.0
Options	—	137.5	137.5	—	42.8
Other financial instruments	—	173.1	173.1	232.6	337.6

The nominal amounts correspond to the total of all purchase or sale amounts or the contract values of the transactions.

Fair values of derivative financial instruments

As a matter of principle, the fair values of derivative financial instruments correspond to the market values. The market price determined for all derivative financial instruments is the price at which a contracting party would take over the rights and/or obligations of the respective counterparty. The fair value of over-the-counter derivatives is determined by means of appropriate calculation methods, e.g. by discounting the expected future cash flows. The forward prices of forward transactions are based on the spot or cash prices, taking account of forward premiums and discounts. The calculation of the fair values of currency options is based on the Black & Scholes model and the Turnbull & Wakeman model for optional fuel hedges. The fair values determined on the basis of the Group's own systems are regularly compared with fair value confirmations of external counterparties.

Positive and negative fair values of derivative financial instruments shown as receivables or liabilities

	30 Sep 2011		30 Sep 2010	
	Receivables	Liabilities	Receivables	Liabilities
		€ million		
Cash flow hedges for				
currency risks	139.4	48.3	98.8	121.5
other market price risks	64.3	110.5	15.2	40.7
interest rate risks	0.4	0.2	—	—
Hedging	**204.1**	**159.0**	**114.0**	**162.2**
Other derivative financial instruments	**70.7**	**72.4**	**254.6**	**33.0**
Total	**274.8**	**231.4**	**368.6**	**195.2**

Financial instruments which are entered into in order to hedge a risk position according to operational criteria but do not meet the strict criteria of IAS 39 to qualify as hedges are shown as other derivative financial instruments. They include, in particular, foreign currency transactions entered into in order to hedge against exposure to changes in the value of balance sheet items and foreign exchange fluctuations from future expenses in tourism.

Financial instruments—additional disclosures

Carrying amounts and fair values

The fair value of a financial instrument is the amount for which an asset could be exchanged, sold or purchased, or a liability settled, between knowledgeable and willing parties in an arm's length transaction. Where financial instruments are listed in an active market, e.g. above all shares held and bonds issued, the fair value is the respective quotation in this market. For over-the-counter bonds, liabilities to banks, promissory notes and other non-current financial liabilities, the fair value is determined as the present value of future cash flows, taking account of yield curves and the TUI Group's credit spread which depended on its credit rating.

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

The fair values of non-current trade receivables and other assets correspond to the present values of the cash flows associated with the assets, taking account of current interest parameters which reflect market- and counterparty-related changes in terms and expectations.

Carrying amounts and fair values according to classes and measurement categories as at 30 Sep 2011

		Category under IAS 39						
	Carrying amount	At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss	Values according to IAS 17 (leases)	Carrying amount of financial instruments	Fair value of financial instruments
				€ million				
Assets								
Available for sale financial assets	487.8	—	59.3	428.5	—	—	521.7	521.7
Trade receivables and other assets	2,360.0	730.3	—	—	33.9	—	764.2	764.2
Derivative financial instruments								
Hedging	204.1	—	—	204.1	—	—	204.1	204.1
Other derivative financial instruments	70.7				70.7		70.7	70.7
Cash and cash equivalents	1,981.3	1,981.3	—	—	—	—	1,981.3	1,981.3
Assets held for sale	24.2	24.2	—	—	—	—	24.2	24.2
Liabilities								
Financial liabilities	2,798.3	2,643.5	—	—	—	154.8	2,798.3	2,090.9
Trade payables	2,973.5	2,973.5	—	—	—	—	2,973.5	2,973.5
Derivative financial instruments								
Hedging	159.0	—	—	159.0	—	—	159.0	159.0
Other derivative financial instruments	72.4	—	—	—	72.4	—	72.4	72.4
Other liabilities	2,567.9	57.0	—	—	—	—	57.0	57.0

Carrying amounts and fair values according to classes and measurement categories as at 30 Sep 2010

	Carrying amount	Category under IAS 39: At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss	Values according to IAS 17 (leases)	Carrying amount of financial instruments	Fair value of financial instruments
	€ million							
Assets								
Available for sale financial assets	612.0	—	51.4	560.6	—	—	612.0	612.0
Trade receivables and other assets	2,663.0	1,355.8	—	—	34.2	—	1,390.0	1,389.9
Derivative financial instruments								
Hedging	114.0	—	—	114.0	—	—	114.0	114.0
Other derivative financial instruments	254.6				254.6		254.6	254.6
Cash and cash equivalents	2,274.3	2,274.3	—	—	—	—	2,274.3	2,274.3
Assets held for sale	292.4	—	—	—	—	—	—	—
Liabilities								
Financial liabilities	4,511.9	4,191.7	—	—	—	320.2	4,511.9	4,712.9
Trade payables	2,847.4	2,847.4	—	—	—	—	2,847.4	2,847.4
Derivative financial instruments								
Hedging	162.2	—	—	162.2	—	—	162.2	162.2
Other derivative financial instruments	33.0				33.0		33.0	32.9
Other liabilities	2,383.2	22.4	—	—	—	—	22.4	22.4

The financial investments classified as financial instruments available for sale include an amount of €59.3m (previous year €51.4m) for stakes in partnerships and corporations. The fair value of these non-listed stakes was not determined since the cash flows could not be reliably determined. It was not possible, either, to determine reliable fair values on the basis of comparable transactions.

The disposal of shares classified as “Financial assets available for sale”, measured at acquisition cost, entailed disposals of carrying amounts of €21.8m (previous year €2.2m). The disposal gave rise to income of €1.2m (previous year no material income or expenses).

Aggregation according to measurement categories under IAS 39 as at 30 Sep 2011

	At amortised cost	At cost	Fair value: with no effect on profit	Fair value: through profit and loss and loss	Carrying amount Total	Fair value
	€ million					
Loans and receivables	2,735.8	—	—	—	2,735.8	2,735.8
Financial assets						
available for sale	—	59.3	428.5	—	487.8	487.8
held for trading	—	—	—	104.6	104.6	104.6
Financial liabilities						
at amortised cost	5,674.0	—	—	—	5,674.0	5,121.4
held for trading	—	—	—	72.4	72.4	72.4

Aggregation according to measurement categories under IAS 39 as at 30 Sep 2010

	At amortised cost	At cost	Fair value with no effect on profit	Fair value through profit and loss and loss	Carrying amount Total	Fair value
	€ million					
Loans and receivables	3,630.0				3,630.0	3,630.0
Financial assets						
available for sale	—	51.4	560.6	—	612.0	612.0
held for trading	—	—	—	288.8	288.8	288.8
Financial liabilities						
at amortised cost	7,061.4	—	—	—	7,061.4	7,582.7
held for trading	—	—	—	33.0	33.0	32.9

The following table presents the key measurement parameters for the financial instruments recognised at fair value. The individual levels have been defined as follows in accordance with IFRS 7:

- Level 1: quoted (non-adjusted) prices in active markets for similar assets or liabilities.
- Level 2: processes in which all inputs significant to recognised fair values are directly or indirectly observable in the market.
- Level 3: processes in which the inputs significant to the recognised fair value are not based on observable market data.

Hierarchy of financial instruments measured at fair value as of 30 September 2011

	Total	Level 1	Fair value hierarchy Level 2	Level 3
	€ million			
Assets				
Other assets held for trading	33.9	—	—	33.9
Available for sale financial assets	428.5	16.9	—	411.6
Derivative financial instruments	—			
Hedging transactions	204.1	—	204.1	—
Other derivative financial instruments	70.7		70.7	
Liabilities				
Derivative financial instruments				
Hedging transactions	159.0	—	159.0	—
Other derivative financial instruments	72.4	—	72.4	—

Hierarchy of financial instruments measured at fair value as of 30 September 2010

	Total	Level 1	Fair value hierarchy Level 2	Level 3
	€ million			
Assets				
Other assets held for trading	34.2	—	—	34.2
Available for sale financial assets	560.6	33.5	—	527.1
Derivative financial instruments	—			
Hedging transactions	114.0	—	114.0	—
Other derivative financial instruments	254.6		131.3	123.3
Liabilities				
Derivative financial instruments				
Hedging transactions	162.2	—	162.2	—
Other derivative financial instruments	32.8	—	32.8	—

The following table indicates the development of the values of Level 3 financial instruments.

Financial assets measured at fair value in level 3

	30 Sep 2011		
	Other assets held for trading	Available for sale financial assets	Derivative financial instruments
		€ million	
Balance as at 1 October 2009	**0.4**	**—**	**—**
Additions	—	501.8	105.1
Total comprehensive income	33.8	25.3	18.2
recognised in income statement	33.8	15.7	18.2
recognised in other comprehensive income	—	9.6	—
Balance as at 30 September 2010	**34.2**	**527.1**	**123.3**
Additions	—	—	—
Total comprehensive income	−0.3	−115.5	−123.3
recognised in income statement	—	−296.1	—
recognised in other comprehensive income	−0.3	180.6	−123.3
Balance as at 30 September 2011	**33.9**	**411.6**	**—**

A change in the determined corporate value in National Air Traffic Services (NATS) by +10/−10% results in a €3.4m increase/€−3.4m decrease in the recognition of the asset in the TUI Group, taken though profit and loss.

The sensitivity analysis for the financial assets held for sale (hybrid loans) is included in the sensitivity analysis of the interest rates risk.

Effects on results

The effects of the measurement of the assets available for sale outside profit and loss are listed in the statement of changes in equity.

The net results of the financial instruments by measurement category according to IAS 19 are as follows:

Net results of financial instruments

	2010/11			2009/10		
	from interest	other net results	net result	from interest	other net results	net result
			€ million			
Loans and receivables	52.0	−11.9	40.1	81.9	76.8	158.7
Available for sale financial assets	51.5	37.9	89.4	15.7	18.6	34.3
Financial assets and liabilities held for trading	4.1	44.0	48.1	—	90.3	90.3
Financial liabilities at amortised cost	−284.4	—	−284.4	−295.0	—	−295.0
Total	**−176.8**	**70.0**	**−106.8**	**−197.4**	**185.7**	**−11.7**

Besides interest income and interest expenses, net results primarily include results from participations, gains/losses on disposal, effects of fair value measurements and impairments.

Financial instruments measured outside profit and loss did not give rise to any commission expenses in financial year 2010/11 (previous year no expenses).

Capital risk management

One of the key performance indicators in the framework of capital risk management is the IFRs based gearing, i.e. the relationship between the Group's net debt and Group equity. From a risk perspective, a balanced relation between net debt and equity is to be sought. The medium-term target of the TUI Group is for a gearing of around 100%.

In order to actively control the capital structure, the TUI Group's management may change dividend payments to the shareholders, repay capital to the shareholders, issue new shares or issue hybrid capital. The management may also sell assets in order to reduce Group debt.

Gearing calculation

	30 Sep 2011	30 Sep 2010
Average financial debt	3,682.3	4,587.7
Average cash and cash equivalent	1,639.9	1,535.3
Average Group net debt	**2,042.5**	**3,052.4**
Average Group equity	2,441.4	2,216.6
Gearing	**83.7%**	**137.7%**

NOTES

NOTES ON THE CASH FLOW STATEMENT

Notes to the cash flow statement

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

(42) Cash inflow/outflow from operating activities

Based on Group earnings after tax, the cash flow from operating activities is derived on the basis of the indirect method. In the financial year under review, the cash inflow from operating activities amounted to €1,085.5m. The corresponding amount for the prior year was €818.1m. This was due, inter alia, to a change in the terms and conditions for customer down payments in TUI UK. In the period under review, the interest payments received totalled €114.7m, thereof €83.5m from container shipping. Income tax payments resulted in a total outflow of cash of €85.0m in financial year 2011.

(43) Cash inflow/outflow from investing activities

In the financial year under review, the cash inflow from investing activities totalled €875.4m. This was largely driven by the reduction in the financial instruments granted to Container Shipping and the sale of shares in Container Shipping totalling €917.4m. A further payment received of €15.0m relates to a capital reduction scheme by TUI Cruises GmbH.

The payments include a cash outflow for capital expenditure related to property, plant and equipment in the TUI Travel Group of €357.0m and the hotel companies of €58.8m, as well as payments received from the sale of property by Central Operations totalling €174.9m and from the sale of hotel facilities of €108.6m.

The cash outflow from investing activities includes cash payments—offset against acquired cash and cash equivalents—for the acquisition of shares in subsidiaries to be included in consolidation by the TUI Travel Group. The consolidated statement of financial position comprises additions of goodwill, assets and liabilities due to the acquisition of shares in subsidiaries to be included in consolidation. Total acquisitions of shares in subsidiaries and investments in financial year 2010/11 (excluding shares in TUI Travel PLC) resulted in net cash payments of around €50.7m (previous year €67.6m). Cash and cash equivalents acquired through these acquisitions totalled around €21.9m (previous year €5.9m). Cash payments for investments in consolidated companies (less cash and cash equivalents received) also include payments for the acquisition of Tourism shareholdings as well as payments relating to prior-year acquisitions in the financial year under review.

The cash outflow for investments in property, plant and equipment and intangible assets, and the cash inflow from corresponding divestments, do not match the additions and disposals shown in the development of fixed assets, which also include non-cash investments and disposals.

(44) Cash inflow/outflow from financing activities

The cash outflow from financing activities totalled €2,249.2m. In March 2011, TUI AG recorded an inflow of €334.8m (after deduction of borrowing costs) from the issue of a new convertible bond. TUI AG redeemed a bond maturing in December 2010 of €440.0m and a further bond maturing in May 2011 of €620.0m as scheduled. A further outflow of funds of €918.9m related to the buy-back of bonds and notes and the repayment of loans. The TUI travel Group repaid liabilities from finance leases worth €167.0m. The non-current credit lines drawn in the period under review in order to cover the payments due in the tourism season were fully repaid so that they did not have a noteworthy effect on the cash inflow/outflow from financing activities. The hotel companies received an inflow of cash and cash equivalents of €132.4m from new financing schemes; an amount of €148.4m was used for redemption.

The cash outflow from financing activities includes the acquisition of additional shares in TUI travel PLC by TUI AG (€34.8m). An amount of €268.0m was used for interest payments. Thereof €9.8m correspond to premiums for the cancellation of put bonds. Additional outflows relate to the dividend for TUI AG’s hybrid bond (€25.9m) and the dividends for non-controlling interests (€141.1m), in particular TUI Travel PLC and RIUSA II SA.

Dividend payments received, including dividends from companies measured at equity, caused an inflow of cash of €18.5m (previous year €38.6m) in the period under review.

(45) Development of cash and cash equivalents

Cash and cash equivalents comprise all liquid funds, i.e. cash in hand, bank balances and cheques. Due to exchange rate fluctuations, cash and cash equivalents decreased by €4.7m.

As at 30 September 2011, cash and cash equivalents of €0.1bn were subject to restraints on disposal. These monies had to be deposited by tour operators due to national provisions related to the collateralisation of tourism services.

OTHER NOTES

Significant transactions after the balance sheet date

On 9 November 2011, TUI AG extended a cash tender offer to the holders of convertible bonds due in September 2012 with an outstanding total nominal volume of around €193m and an original total nominal volume of €694m at an interest rate of 2.75% p.a. The purpose of the tender offer was to use the Company's cash and cash equivalents to repay existing debt ahead of its due date and reduce current interest payments.

In the framework of this tender offer, TUI repurchased existing convertible bonds with a nominal volume of €151.9m at their full value plus accrued interest on 17 November 2011. Subsequently, an amount of €40.9m from these convertible bonds was still outstanding.

TUI AG subsequently called in the bonds worth a total of €653.2m purchased in financial year 2010/11 and in October 2011 in a volume of €0.2bn and the bonds acquired in the framework of this tender offer. Moreover, on account of the immateriality of the amount, TUI AG called in the remaining bonds outstanding, as set out in the terms and conditions of the bonds, and will repay them on 19 December 2011 ahead of the due date at 100% of the nominal value plus accrued interest.

Services of the auditors of the consolidated financial statements

Total expenses for the services provided by the auditors of the consolidated financial statements in financial year 2010/11, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, can be broken down as follows:

Services of the auditors of the consolidated financial statements

	2010/11	2009/10
	€ million	
Audit fees for TUI AG and subsidiaries in Germany	1.8	1.6
other audit fees	0.3	0.4
Audit fees	**2.1**	**2.0**
Review of interim financial statements	0.9	1.0
services related to capital increases/decreases	—	0.4
other audit-related services	0.4	0.3
Other certification and measurement services	**1.3**	**1.7**
Consulting fees	0.9	0.4
Tax advisor services	—	—
Other services	**0.9**	**0.4**
Total	**4.3**	**4.1**

Remuneration of Executive and Supervisory Board members

In the financial year under review, total remuneration paid to Executive Board members totalled €8,932.2 thousand (previous year €11,117.8 thousand).

In the framework of the long-term incentive programme, the Executive Board members receive a compensation of €1,047.5 thousand (previous year €1,850.0 thousand) for the financial year under review.

Pension provisions for active Executive Board members totalled €24,105.8 thousand as at the balance sheet date (previous year €22,662.0 thousand).

Total remuneration for Supervisory Board members in the financial year under review amounted to €1,495.8 thousand (previous year €1,772.9 thousand).

Remuneration for former Executive Board members or their surviving dependants totalled €4,409.0 thousand (previous year €4,303.9 thousand) in the financial year under review. Pension obligations for former Executive Board members and their surviving dependants amounted to €45,350.8 thousand (previous year €45,798.6 thousand) at the balance sheet date.

Disclosures of the relevant amounts for individual Board members and further details on the remuneration system are provided in the Remuneration Report included in the Management Report.

Related parties

Apart from the subsidiaries included in the consolidated financial statements, TUI AG, in carrying out its ordinary business activities, maintains indirect or direct relationships with related parties. Related parties controlled by the TUI Group or over which the TUI Group is able to exercise a significant influence are listed in the list of shareholdings published in the electronic Federal Gazette (www.ebanz.de). Apart from pure equity investments, related parties also include companies that supply goods or provide services for TUI Group companies.

Transactions with related parties (excl. key management)

	2010/11	2009/10
	€ million	
Services provided by the Group		
Management and consultancy services	56.3	53.0
Sales of tourism services	59.7	14.8
Total	**116.0**	**67.8**
Services received by the Group		
In the framework of lease, rental and leasing agreements	26.2	31.7
Purchase of hotel services	146.8	180.6
Incoming services	8.1	35.2
Distribution services	—	3.3
Other services	77.6	38.1
Total	**258.7**	**288.9**

Transactions with related parties (excl. key management)

	2010/11	2009/10
	€ million	
Services provided by the Group to		
non-consolidated Group companies	—	0.9
joint ventures	86.3	28.2
associates	3.1	10.9
other shareholdings	—	27.8
natural persons	26.6	—
Total	**116.0**	**67.8**
Services received by the Group from		
non-consolidated Group companies	—	6.9
joint ventures	245.2	213.8
associates	3.6	57.9
other shareholdings	—	—
natural persons	9.9	10.3
Total	**258.7**	**288.9**

Transactions with associated companies in which shareholdings are held and joint ventures are primarily transacted in the Tourism Segment. They relate in particular to the tourism services of the hotel companies used by the Group's tour operators.

All transactions with related parties are executed on an arm's length basis, based on international comparable uncontrolled price methods in accordance with IAS 24.

Liabilities to related parties did not comprise any liabilities from finance leases, as in the prior year. Receivables and liabilities existing as at the balance sheet date are comprised of receivables from and liabilities to non-consolidated Group companies and associated companies.

The income and expenses resulting from equity investments and financing are carried under the financial result for all consolidated companies and presented in the segment report for the individual sectors, alongside a separate presentation of the earnings of associated companies by sector.

As at the balance sheet date, the joint venture Riu Hotels S.A. held at least 5% but less than 10% of the shares in TUI AG. Luis Riu Güell and Carmen Riu Güell (member of TUI's Supervisory Board) held 51% of the shares in Riu Hotels S.A.

In accordance with IAS 24, key management functions within the Group, the Executive Board and the Supervisory Board, are related parties whose remuneration has to be listed separately.

Remuneration of Management, Executive and Supervisory Board

	2010/11	2009/10
	€ million	
Short-term benefits	9.0	9.1
Post-employment benefits	1.4	7.9
Other long-term benefits	1.3	1.9
Total	**11.7**	**18.9**

Post-employment benefits are transfers to pension provisions for active Executive Board members. These expenses do not meet the definition of Executive and Supervisory Board remuneration under the German accounting rules.

International Financial Reporting Standards (IFRS) and Interpretations (IFRIC)

The following standards and interpretations have already been transposed into EU legislation but are only mandatory for annual financial statements after 30 September 2011:

Revision of IAS 24: Related Party Disclosures

The revision simplifies the reporting obligations on state-controlled entities. It also provides a revised and extended definition of related parties.

Amendments to IFRIC 14: Prepayments of a Minimum Funding Requirement

The amendments relate to circumstances in which pension plans entail minimum funding requirements and an entity makes prepayments of contributions to cover those requirements. Unlike existing provisions, the economic benefit of such prepayments of contributions, which reduce future contributions payments due to the minimum funding requirement, is now capitalised as an asset.

Amendments to IFRS 7: Financial Instruments—Disclosure Requirements in Connection with the Transfer of Financial Assets

The amendments to the standard, issued in October 2010, set out the disclosure requirements in connection with the transfer of financial assets, e.g. the sale of trade accounts receivable (factoring) or asset-backed securities (ABS) transactions. IFRS 7 stipulates that, even if financial assets are derecognised in their entirety, comprehensive qualitative and quantitative disclosures on the rights and obligations that may remain with, or be assumed by, the entity, e.g. default guarantees, are required.

Annual Improvements Project (2010)

The third annual collective standard to carry out minor amendments to the IFRSs was published in May 2010. The provisions were transposed into EU legislation on 18 February 2011. Some amendments and clarifications are effective retrospectively for annual periods beginning after 31 December. This applies to IFRS 1 concerning application of the revaluation basis to replace cost, IFRS 7 in connection with disclosures on the type and extent of risks from financial instruments, IAS 1 concerning equity reconciliation statements, disclosures in the notes to significant events and transactions in accordance with IAS 34, and IFRIC 13 concerning the measurement of award credits.

These amendments do not affect the TUI Group's net assets, financial position and results of operation and only have an immaterial effect on its disclosure requirements.

Standards and interpretations published by the IASB but not yet transposed into EU legislation are:

Amendments to IFRS 1: First-time Adoption of IFRS:

Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters

These two minor amendments were published in December 2010. The first amendment replaced the previously applicable fixed transition date with regard to IAS 39 by a flexible transition date for first-time adopters. Another amendment relates to entities temporarily unable to meet the IFRS provisions because of hyperinflation.

Amendments to IAS 1: Presentation of Financial Statements—Other Income

In June 2011 amendments relating to the presentation of other income were published. Accordingly, other comprehensive income (OCI) has to be classified into two groups, requiring separate subtotals for those elements which may be recycled and those that will not. The option to present items of OCI either before tax or net of tax remains unchanged; however, tax associated with items presented before tax has to be shown separately for each of the two groups of OCI items.

Amendments to IAS 12: Deferred Tax—Recovery of Underlying Assets

The amendments, published in December 2010, offer a practical solution to the question of recovering the carrying amount of an asset through use or sale. Deferred taxes have to be measured on the basis of the tax consequences resulting from the type of intended use of an asset. For companies with investment property measured at fair value, however, it may be difficult to asses the amount of the carrying value that can be recovered through rental income (i.e. through use) and the amount that may be recovered through sale. For the purposes of deferred tax, the presumption has now been introduced that the carrying amount of investment property, measured at fair value according to IAS 40, will usually be fully recovered through sale.

IFRS 9: Financial Instruments: Classification and Measurement

The purpose of the standard, published in November 2009, is to replace IAS 39 in the medium term following further revisions. For the time being, the new requirements of IFRS 9 exclusively relate to financial assets. In future, based on the individual entity's business model, these assets will only be divided into two classifications rather than four (amortised cost and fair value). According to the new standard, embedded derivatives will no longer be separated from the financial host asset but instead will be assessed with the financial host asset in its entirety, and reclassifications will no longer be permitted unless they result from changes in the individual entity's business model. In addition, aiming to simplify existing rules, the new standard only allows for one single method to determine impairments for all financial assets and provides a general ban on the reversal of impairments. It also comprises a large number of additional amendments, most of which are provided in order to simplify existing rules.

IFRS 10: Consolidated Financial Statements

The standard, newly published in May 2011, replaces the consolidation provisions of IAS 27 and supersedes SIC 12 for the consolidation of special-purpose entities. The new standard does not contain any amendments to accounting rules; however, the concept of control is now expanded to also include the question of consolidating special-purpose entities. There is also a new definition of control. Accordingly, control exists when an entity can exercise power over an investee, is exposed to variable returns and is able to use its power over the investee to affect the amount of these returns.

IFRS 11: Joint Arrangements

IFRS 11 was published in May 2011 and supersedes SIC 13: Jointly Controlled Entities—Non-Monetary Contributions by Venturers as well as the previous IAS 31. The standard sets out the classification of, and accounting for, joint operations and joint ventures. Classification as a joint arrangement is based on subsidiarity, with the definition of control in IFRS 10 having to be checked first. In the case of a joint arrangement, the further classification as a joint operation or a joint venture depends upon the rights and obligations of the parties. Jointly controlled assets are accounted for in line with the rules governing joint operations and hence continue to be recognised in relation to the joint operator's interest in a joint operation. By contrast, under IFRS 11 joint ventures now have to be accounted for using the equity method; the previous proportionate consolidation option has been eliminated.

IFRS 12: Disclosure of Interests in Other Entities

The standard, also published in May 2011, sets out minimum disclosure requirements for subsidiaries, associates, joint arrangements and unconsolidated structured entities. It constitutes a minimum framework which, however, goes beyond previous disclosure requirements. Its objective is, in particular, to ensure disclosure of the nature of, and risks associated with, interests in other entities and the effects of those interests on the financial position, financial performance and cash flows.

IFRS 13: Fair Value Measurement

The standard, published in May 2011, sets out in a single IFRS a framework for measuring fair value, previously governed by several standards. It also introduces comprehensive disclosure requirements for fair value measurements.

Amendments to IAS 19: Employee Benefits

The amendment to IAS 19 was published in June 2011. Actuarial gains and losses have to be recognised in OCI; the corridor approach previously available has thus been eliminated. Plan curtailments will be treated in the same way as past service cost, i.e. they will be fully recognised in the period in which the plan amendment has taken place. The separately calculated parameters of interest expense and expected income from plan assets are replaced by net interest expense, calculated at a uniform interest rate. In addition, the amended standard introduces enhanced disclosure requirements about employee benefits.

Amendments to IAS 27: Consolidated and Separate Financial Statements

Since the amendments were published in May 2011, IAS 27 now only governs accounting for investments in subsidiaries, associates and joint ventures in the investor's separate financial statements. The consolidation provisions previously contained in IAS 27 are now set out in the newly published IFRS 10. Apart from editorial changes, the provisions for separate financial statements were not changed.

Amendment to IAS 28: Investments in Associates and Joint Ventures

The amendments to IAS 28 were published in June 2011 and stipulate that the equity method has to be used in accounting for investments in associates and joint ventures. The provisions relating to accounting for investments in joint ventures had been included in IAS 31 until IFRS 11 was published.

IFRIC 20: Stripping Costs in the Production Phase of a Surface Mine

This standard is not relevant to TUI's consolidated financial statements.

The TUI Group is currently examining the potential impact of all relevant amendments and new provisions on its net assets, financial position and results of operations.

A decision about endorsement by the EU of these amendments and these new standards and interpretations is still pending.

NOTES

TUI GROUP SHAREHOLDINGS

Disclosure of the TUI Group's shareholdings is required under section 313 of the German Commercial Trading Act. Comparative information for the prior-year reference period is therefore not provided.

Consolidated companies	Country	Capital share in %
Tourism – TUI Travel		
AB Caller & Sons Ltd., Crawley	UK	100.0
Absolut Holdings Limited, Malta	Malta	100.0
Absolut Insurance Limited, Guernsey	Guernsey	100.0
Acampora Travel S.r.l., Sorrento	Italy	51.0
Active Safari Pty Ltd, West Leederville	Australia	100.0
Active Travel & Recruitement Pty Ltd, West Leederville	Australia	100.0
A&D Peru Company Limited S.A., Lima	Peru	99.9
Adehy Limited, Dublin	Ireland	100.0
Adventure Center (First Choice) Inc, Emeryville, CA	US	100.0
Adventure Tours Australia Group Pty Ltd, Wayville, SA	Australia	100.0
Adventures Worldwide Limited, Crawley	UK	100.0
Africa Focus Tours Namibia Pty. Ltd., Windhock	Namibia	100.0
Air Two Thousand (Ireland) Limited, Dublin	Ireland	100.0
Air 2000 Aviation Limited, Crawley	UK	100.0
Air 2000 Limited, Crawley	UK	100.0
Airlink International Ltd., Crawley	UK	100.0
Alcor Yachting SA, Geneva	Switzerland	100.0
Alkor Yat Turizm Isletmacileri A.S., Izmir	Turkey	99.6
Ambassador Tours S.A., Barcelona	Spain	100.0
Amber Nominee GP Limited, Crawley	UK	100.0
American Holidays (NI) Limited, Belfast	UK	100.0
AMP Management Ltd., Crawley	UK	100.0
Antigua Charter Services, St. John's	Antigua	100.0
Apart Hotel Zarevo EOOD, Varna	Bulgaria	100.0
Apollo Investment Management Ltd., Crawley	UK	100.0
Aragon Tours Limited, Crawley	UK	100.0
Aran Travel International Limited, Dublin	Ireland	100.0
AsiaRooms Business Services (Thailand) Co., Ltd, Bangkok	Thailand	100.0
Asiarooms Pte Ltd, Singapore	Singapore	100.0
ATC African Travel Concept Pty. Ltd., Cape Town	South Africa	100.0
ATC Namibian Reflections Pty. Ltd., Cape Town	South Africa	100.0
Audio Tours and Travel Hong Kong Limited, Kowloon	Hongk Kong	99.0
Australian Adventure Tours Pty Ltd, Sydney	Australia	100.0
Australian Pinnacle Holidays Pty Limited, Fremantle	Australia	100.0
Australian Sports Tours Pty Ltd, Ballarat, Victoria	Australia	100.0
Austravel Ltd., Crawley	UK	100.0
Aventuria SASU, Lyon	France	100.0
Bakers Dolphin Group Tours Limited, Crawley	UK	100.0
BAL Trustee Limited, Crawley	UK	100.0
Bass Travel Ltd., Crawley	UK	100.0
B.A.T.H. Investments Limited, Crawley	UK	100.0
BDS Destination Services Company, Cairo	Egypt	67.0
Beds on line SL, Palma de Mallorca	Spain	100.0
Berge und Meer Touristik GmbH, Rengsdorf	Germany	100.0
Blue Scandinavia Holding AB, Stockholm	Sweden	100.0
Blue travel Partner services S.A., santo Domingo	Dominican Republic	99.0
BMIT, LLC, state of Delaware	US	100.0
Boss Tours Ltd., Mississauga, Ontario	Canada	100.0

Consolidated companies	Country	Capital share in %
Brightspark Travel Inc, State of Delaware	US	100.0
Britannia Airways Limited, Crawley	UK	100.0
Britannia Sweden AB, Stockholm	Sweden	100.0
C & C Yacht Management Limited, Cayman Islands	Grand Cayman Islands	100.0
Callers-Pegasus Pension Trustee Ltd., Crawley	UK	100.0
Callers-Pegasus Travel Service Ltd., Crawley	UK	100.0
Callisto Investment Management Ltd., Crawley	UK	100.0
Caradonna Dive Adventures, Inc., State of Delaware	US	100.0
Cel Obert SL, Sant Joan de Caselles	Andorra	100.0
CHAMELEON WORLDWIDE Travel Limited, Alresford	UK	53.3
Chantier Naval Raiarea Carenages Services SARL, Utoroa, Raiatea	Polynesia	100.0
CHS Tour Services GmbH, Innsbruck	Austria	100.0
CHS Tour Services Ltd, Crawley	UK	100.0
Citalia Transport Limited, Crawley	UK	100.0
Clipper Adventurer Ltd, Bahamas	Bahamas	100.0
Clipper Cruise Line, LLC, state of Delaware	US	100.0
Clipper Odyssey Ltd, Bahamas	Bahamas	100.0
Club Turavia SA de CV, Cancun	Mexico	100.0
Colline SASU, Lyon	France	100.0
Connoisseur Belgium BVBA, Nieuwpoort	Belgium	100.0
Contentdot Company Ltd., Crawley	UK	100.0
Continental Boating Holidays Ltd, Dublin	Ireland	100.0
Corsair S.A., Rungis	France	98.9
Country Walkers, Inc., state of Delaware	US	100.0
Crown Blue Line GmbH, Kleinzerlang	Germany	100.0
Crown Blue Line, Inc., Annapolis	US	100.0
Crown Blue Line Limited, Crawley	UK	100.0
Crown Blue Line SA, Castelnaudary	France	100.0
Crown Cruisers Limited, Crawley	UK	100.0
Crown Holidays Limited, Crawley	UK	100.0
Crown Travel Limited, Crawley	UK	100.0
Crystal Holidays, Inc., Breckenridge	US	100.0
Crystal Holidays Ltd., Crawley	UK	100.0
Crystal International Travel Group Ltd., Crawley	UK	100.0
Digital Travel Group (Holdings) Ltd., Crawley	UK	100.0
Digital Travel Group Ltd., Crawley	UK	100.0
Discover Australian Adventures Pty Ltd, Wayville, sA	Australia	100.0
EAC Activity Camps Limited, Edinburgh	UK	100.0
EAC Language Centres (UK) Limited, Edinburgh	UK	100.0
EAC Language Centres (US) Limited, Delaware	US	100.0
Easy Market S.p.A., Rimini	Italy	100.0
Educatours Limited, Mississagua ON	Canada	100.0
Edwin Doran (UK) Limited, Crawley	UK	100.0
EEFC, Inc., State of Delaware	US	100.0
Elena SA, Palma de Mallorca	spain	100.0
Emerald Star Limited, Dublin	Ireland	100.0
Entreprises Hotelieres et Touristique PALADIEN Lena Mary S.A., Argolis	Greece	100.0
Event Logistics International Limited, Crawley	UK	100.0
Event Logistics (UK) Limited, Crawley	UK	100.0
Events International Limited, Crawley	UK	100.0
Events International (Sports Travel) Limited, Crawley	UK	100.0
Ever 2457 Limited, Crawley	UK	100.0
Ever 2519 Limited, Crawley	UK	100.0
Exclusive Destinations Limited, Crawley	UK	100.0
Exodus Travels Limited, Crawley	UK	100.0

Consolidated companies	Country	Capital share in %
Explorers Travel Club Ltd, Crawley	UK	100.0
Falcon Leisure Group (Overseas) Limited, Crawley	UK	100.0
Fanatics Sports & Party Tours UK Limited, Crawley	UK	100.0
Fanatics Sports and Party Tours PTY Limited, Banksia	Australia	100.0
FanFirm Pty Ltd, Banksia	Australia	100.0
Fantravel.com, Inc., Wilmington	US	100.0
FC Adventures Canada, Inc., Vancouver	Canada	100.0
FC Expeditions Canada, Inc., British Columbia	Canada	100.0
First Choice Airways Limited, Crawley	UK	100.0
First Choice Aviation Limited, Crawley	UK	100.0
First Choice Deutschland GmbH i.L., Düsseldorf	Germany	100.0
First Choice (Euro) Limited, Crawley	UK	100.0
First Choice Expedition Cruising Limited, Crawley	UK	100.0
First Choice Expeditions, Inc., State of Delaware	US	100.0
First Choice (France) SAS, Paris	France	100.0
First Choice Holdings Australia Pty Ltd, Melbourne	Australia	100.0
First Choice Holdings, Inc., Delaware	US	100.0
First Choice Holiday Cars Limited, Crawley	UK	100.0
First Choice Holiday Hypermarkets Limited, Crawley	UK	100.0
First Choice Holidays & Flights Limited, Crawley	UK	100.0
First Choice Holidays Finance Limited, Crawley	UK	100.0
First Choice Holidays Limited, Crawley	UK	100.0
First Choice Holidays Quest Limited, Crawley	UK	100.0
First Choice Investments LLC, Wilmington	US	100.0
First Choice Land (Ireland) Limited, Dublin	Ireland	100.0
First Choice Leisure Limited, Crawley	UK	100.0
First Choice Lyon SAS, Lyon	France	100.0
First Choice Marine (BVI) Ltd, British Virgin Islands	British Virgin Islands	100.0
First Choice Marine Limited, Crawley	UK	100.0
First Choice Marine (Malaysia) Snd Bhd, Malaysia	Malaysia	100.0
First Choice Office Services Limited, Crawley	UK	100.0
First Choice Olympic Limited, Crawley	UK	100.0
First Choice Overseas Holding BV, Amsterdam	Netherlands	100.0
First Choice Overseas Holdings Limited, Crawley	UK	100.0
First Choice Overseas Limited, Limassol	Cyprus (Greek part)	100.0
First Choice Retail Limited, Crawley	UK	100.0
First Choice Retail (Management Services) Limited, Crawley	UK	100.0
First Choice Sailing, Inc. (USA) (also known as Sunsail, Inc.), State of Delaware	US	100.0
First Choice Spain Limited, Crawley	UK	100.0
First Choice Tour Operations Limited, Crawley	UK	100.0
First Choice Travel Shops Limited, Crawley	UK	100.0
First Choice Travel Shops (SW) Limited, Crawley	UK	100.0
First Choice (Turkey) Limited, Crawley	UK	100.0
First Choice, Unijet & Air 2000 Limited, Crawley	UK	100.0
First Choice USA, Crawley	UK	100.0
FlexiGroup Holdings Limited, Crawley	UK	100.0
FlexiGroup Travel Limited, Crawley	UK	100.0
Fly Thomson Ltd., Crawley	UK	100.0
FOX-TOURs Reisen GmbH, Rengsdorf	Germany	100.0
Francotel Limited, Crawley	UK	100.0
Fritidsresor AB, Stockholm	Sweden	100.0
Fritidsresor Holding Spain S.A.U., San Bartolome De Tirajana	Spain	100.0
Fritidsresor Ltd., Crawley	UK	100.0
Fritidsresor Touts & travels India Pvt ltd, Bardez, Goa	India	100.0
Gap Year for Grown Ups Limited, Crawley	UK	100.0

Consolidated companies	Country	Capital share in %
Gateway Guest Services USA LLC, Washington	US	100.0
GeBeCo Gesellschaft für internationale Begegnung und Cooperation mbH & Co. KG, Kiel	Germany	50.1
GEI/Moorings, LLC, State of Delaware	US	100.0
Gerance de L'Hotel Manganao S.R.L., Paris	France	100.0
Germanair Flugzeug Leasing GmbH, Hamburg	Germany	100.0
Globesavers Limited, Crawley	UK	100.0
Gold Case Travel Ltd., Crawley	UK	100.0
Great Atlantic Travel and Tour, Inc., Virginia Beach	US	75.0
Groupe Marmara SAS, Paris	France	100.0
Groupement Touristique International S.A.S., Lille	France	100.0
Gulliver Rent-A-Car d.o.o., CAVTAT	Croatia	100.0
Gulliver Travel d.o.o., Dubrovnik	Croatia	70.0
Gullivers Group Limited, Crawley	UK	100.0
Gullivers Sports Travel Limited, Crawley	UK	100.0
Hampstead School of English Limited, Crawley	UK	100.0
Hapag-Lloyd Executive GmbH, Hanover	Germany	100.0
Havas Loisirs SASU, Montreuil	France	100.0
Hayes & Jarvis Holdings Limited, St. Helier	Jersey	100.0
Hayes & Jarvis (Travel) Limited, Crawley	UK	100.0
Headwater Holidays Limited, Crawley	UK	100.0
Hellenic Island Holidays SA, Athens	Greece	100.0
Hellenic Sailing Holidays SA, Athens	Greece	100.0
Hellenic Sailing SA, Athens	Greece	100.0
Holding Nouvelles Frontieres SASU, Montreuil	France	100.0
Holiday Hypermarkets (2000) Limited, Crawley	UK	100.0
Holidays Services S.A., Agadir	Morocco	100.0
Holidays Uncovered Limited, Crawley	UK	100.0
Holidaytime Ltd., Crawley	UK	100.0
Horizon Holidays Ltd., Crawley	UK	100.0
Horizon Midlands (Properties) Ltd., Crawley	UK	100.0
Horizon Travel Centres Ltd., Crawley	UK	100.0
Hotelbeds Accommadation & Destination Services – Hawaii & Pacific Islands, Inc, State of Delaware	US	100.0
Hotelbeds Brasil Agencia de Turismo e Viagens Ltda., Sao Paulo	Brazil	100.0
Hotelbeds Costa Rica SA, San José	Costa Rica	100.0
Hotelbeds Dominicana SA, Santo Domingo	Dominican Republic	100.0
Hotelbeds Product SLU, Porto de la Cruz, Teneriffe	Spain	100.0
Hotelbeds (Shanghai) Commercial Services Co., Limited, Shanghai	China	100.0
Hotelbeds, S.L.U., Palma de Mallorca	Spain	100.0
Hotelbeds Spain, S.L.U., Palma de Mallorca	Spain	100.0
Hotelbeds Technology SLU, Palma de Mallorca	Spain	100.0
Hotelbeds UK Limited, Crawley	UK	100.0
Hotelbeds USA Inc, Orlando	US	100.0
Hotelopia SL, Palma de Mallorca	Spain	100.0
Hotelreisen Limited, Crawley	UK	100.0
Hotels London Ltd, Crawley	UK	100.0
Hurricane Hole Hotel Ltd, St. Lucia	Windward Islands St. Lucia	100.0
I TO I INTERNATIONAL PROJECTS LTD, Crawley	UK	100.0
I Viaggi del Turchese S.r.l., Fidenza	Italy	100.0
Ideal Breaks Ltd., Crawley	UK	100.0
iExplore, Inc., Chicago	US	100.0
iExplore Limited, Crawley	UK	100.0
Imperial Cruising Company SARL, Heliopolis-Cairo	Egypt	90.0
Inter Commerce Trading AB, Stockholm	Sweden	100.0

Consolidated companies	Country	Capital share in %
Inter Hotel SARL, Tunis	Tunisia	100.0
Intercruises Shoreside & Port Services Canada Inc., Quebec	Canada	100.0
Intercruises Shoreside & Port Services, Inc., State of Delaware	US	100.0
Intercruises Shoreside & Port Services PTY LTD, Stanmore NSW	Australia	100.0
Intercruises Shoreside & Port Services, SLU, Barcelona	Spain	100.0
International Expeditions, Inc., State of Delaware	US	100.0
Interspecialists, SLU, Palma de Mallorca	Spain	100.0
Intrav Holdings, LLC, State of Delaware	US	100.0
INTRAV, Inc., State of Delaware	US	100.0
Intrepid Adventures Limited, Wiltshire	UK	100.0
Intrepid Andes S.A.C., Cusco	Peru	100.0
Intrepid Bundu (Pty) Ltd, Roodeport	South Africa	72.0
Intrepid (Cambodia) CO. LTD, Siem Reap	Cambodia	100.0
Intrepid Guerba Kenya Limited, Nairobi	Kenya	100.0
Intrepid Guerba Limited, Wiltshire	UK	100.0
Intrepid Guerba Tanzania Limited, Arusha	Tanzania	100.0
Intrepid HK Limited, Hong Kong	Hong Kong	100.0
Intrepid HR Services Limited, Wiltshire	UK	100.0
Intrepid Marrakech SARL, Marrakesh	Morocco	100.0
Intrepid Tours and Travel India Private Ltd, New Delhi	India	100.0
Intrepid Travel Australia Pty Ltd, Fitzroy VIC	Australia	100.0
Intrepid Travel Beijing Co. Ltd, Beijing	China	100.0
Intrepid Travel Cairo, Cairo	Egypt	100.0
Intrepid Travel Canada Inc, Vancouver	Canada	100.0
Intrepid Travel Inc, Vancouver	Canada	95.0
Intrepid Travel Incorporated, Venice (CA)	US	100.0
Intrepid Travel New Zealand Limited, Auckland	New Zealand	100.0
Intrepid Travel Pty Ltd, Fitzroy VIC	Australia	100.0
Intrepid Travel SA (Pty) Ltd, Summerveld	South Africa	100.0
Intrepid US, Inc., Wilmington	US	99.2
i-To-i, Inc., Los Angeles	US	100.0
i-To-i Placements Limited, CARRICK-ON-SUIR, CO. TIPPERARY	Ireland	100.0
i-To-i PTY Ltd., Sydney	Australia	100.0
i-To-i UK Limited, Crawley	UK	100.0
JetAir N.V., Oostende	Belgium	100.0
Jetair Travel Distribution N.V., Oostende	Belgium	100.0
Jetaircenter N.V., Mechelen	Belgium	100.0
Jetsave International Ltd., Crawley	UK	100.0
JNB (Bristol) Limited, Crawley	UK	100.0
J.S. Courtney Ltd., Crawley	UK	100.0
JWT Holidays Limited, Crawley	UK	100.0
Kilquade Limited, Dublin	Ireland	100.0
Kras B.V., Ammerzoden	Netherlands	100.0
Label Tour EURL, Montreuil	France	100.0
Late Rooms Limited, Crawley	UK	100.0
Late Rooms Services Australia PTY LTD, Dawes Point	Australia	100.0
Le Boat Netherlands B.V., Rotterdam	Netherlands	100.0
Le Piolet SCI, St Martin de Belleville, Savoie	France	100.0
Leibniz-Service GmbH, Hanover	Germany	100.0
Leisure International Airways Limited, Crawley	UK	100.0
Les Tours Jumpstreet Tours, Inc., Montreal	Canada	100.0
Liberate SLU, Palma de Mallorca	Spain	100.0
Liberty Cruise Line, LLC, State of Delaware	US	100.0
Lima Tours S.A.C., Lima	Peru	100.0
Lincoln Travel Ltd., Crawley	UK	100.0

Consolidated companies	Country	Capital share in %
Lirotel SARL, turin	Italy	100.0
Lodges & Mountain Hotels SARL, Notre Dame de Bellecombe, Savoie	France	100.0
Lorimer Investments Ltd., Crawley	UK	100.0
l’tur tourismus Aktiengesellschaft, Baden-Baden	Germany	70.0
Lunn Poly (Jersey) Ltd., St. Helier	UK	100.0
Lunn Poly Ltd., Crawley	UK	100.0
L.W. Morland & Co. Ltd., Crawley	UK	100.0
Magic Connoisseurs Ltd., Crawley	UK	100.0
MAGIC LIFE DER CLUB INTERNATIONAL Turizm Hizmetleri A.S., Istanbul	Turkey	100.0
Magic Life For Hotels. LLC, South Nabq	Egypt	100.0
Magic Life Greece S.A., Athens	Greece	100.0
Magic Life Tunisie S.A., Tunis	Tunisia	100.0
Magic of the Orient Limited, Crawley	UK	100.0
Manchester Academy Holdings Limited, Crawley	UK	100.0
Manchester Academy Teacher Training (UK) Limited, Crawley	UK	100.0
Manchester Academy Tours Limited, Crawley	UK	100.0
Manchester Flights Ltd., Crawley	UK	100.0
Mango Event Management Limited, Crawley	UK	100.0
Maraheath Limited, Crawley	UK	100.0
Marina Travel Limited, Dublin	Ireland	100.0
Mariner International Asia Limited, Hong Kong	Hong Kong	100.0
Mariner International Travel, Inc., State of Delaware	US	100.0
Mariner Travel GmbH, Bad Vilbel	Germany	100.0
Mariner Travel SAS, Paris	France	100.0
Mariner Yacht Services SA, Le Marin	Morocco	100.0
Martin Rooks Limited, Crawley	UK	100.0
Master – Yachting GmbH, Eibelstadt	Germany	100.0
Maxi Yen SL, Palma de Mallorca	Spain	100.0
Medico Flugreisen GmbH, Baden-Baden	Germany	100.0
Meetings & Events International Limited, Crawley	UK	100.0
Meetings & Events Spain S.L.U., Palma de Mallorca	Spain	100.0
Meetings & Events UK Limited, Crawley	UK	100.0
Meon (Holdings) Limited, Crawley	UK	100.0
Meon Transport Services Limited, Crawley	UK	100.0
Meon Travel Limited, Crawley	UK	100.0
MicronNexus GmbH, Hamburg	Germany	100.0
Molay Travel SARL, Molay Littri, Calvados	France	100.0
Molay Travel SCI, Molay Littry, Calvados	France	100.0
Mont Charvin Ski SARL, Paris	France	100.0
Moorings Grenadines Ltd., st. Vincent and Grenadines	Windward Islands st. Vincent	100.0
Moorings Mexico SA de CV, La Paz	Mexico	100.0
Moorings (Seychelles) Limited, Mahe	Seychelles	100.0
Moorings Yachting SAS, Paris	France	100.0
Moorings Yat Isletmecilgi Turizm Ve Tic Ltd, Mugla	Turkey	100.0
More Sense A/S, Copenhagen	Denmark	66.7
MS Tours ApS, Copenhagen	Denmark	100.0
MyPlanet Holding A/S, Holstebro	Denmark	100.0
MyPlanet International A/S, Holstebro	Denmark	90.0
MyPlanet Sweden AB, Gothenburg	Sweden	100.0
Nacka Worldwide Holding AB, Stockholm	Sweden	100.0
NACL LLC, State of Delaware	US	100.0
Nazar Nordic AB, Malmö	Sweden	100.0
New Land Viaggi S.r.l., Calcinato	Italy	100.0

Consolidated companies	Country	Capital share in %
New World Ship Management Company LLC, St. Louis, Missouri	US	100.0
New World Ships LLC, St. Louis, Missouri	US	100.0
Nordotel S.A.U., San Bartolome De Tirajana	Spain	100.0
Nouvelles Frontiéres Senegal S.R.L., Dakar	Senegal	95.0
Ocean College LLC, Sharm el Sheikh	Egypt	90.0
Ocean Technical LLC, Cairo	Egypt	100.0
Ocean Ventures for Hotels and Tourism Services SAE, Sharm el Sheikh	Egypt	100.0
Olympic Holidays Limited, Crawley	UK	100.0
Olympic Vacations Limited, Crawley	UK	100.0
Orion Airways Ltd., Crawley	UK	100.0
Orion Airways Pension Trustees Ltd., Crawley	UK	100.0
Owners Abroad España, S.A., Las Palmas	Spain	100.0
Oy Finnmatkat AB, Helsinki	Finland	100.0
Pacific World (Beijing) Travel Agency Co., Ltd., Beijing	China	100.0
Pacific World Company Limited, HCM City	Vietnam	90.0
Pacific World Destination East Sdn. Bhd., Penang	Malaysia	100.0
Pacific World Limited, Kowloon	Hong Kong	100.0
Pacific World Meetings & Events Singapore Pte. Ltd, Singapore	Singapore	100.0
Pacific World Singapore Pte Limited, Singapore	Singapore	100.0
Pacific World (Thailand) Limited, Bangkok	Thailand	100.0
Paradise Hotels Management Company, Cairo	Egypt	100.0
Parador Travel Limited, Crawley	UK	100.0
Park East Tours, Inc., State of Delaware	US	100.0
PATS N.V., Oostende	Belgium	100.0
Peak Adventure Financing Pty Ltd, Fitzroy Victoria	Australia	100.0
Peak Adventure Travel Group Limited, Fitzroy Victoria	Australia	60.0
Peak Adventure Travel USA Inc, Wilmington	US	100.0
PEAK South America S.A.C., Lima	Peru	100.0
Peregrine Adventures Pty Ltd, Melbourne	Australia	100.0
Peregrine Shipping Pty Ltd, Melbourne	Australia	100.0
Peregrine Tours Ltd, Crawley	UK	100.0
Phoenicia Travel Ltd., Crawley	UK	100.0
Pinnacle Services Pty Limited, Fremantle	Australia	100.0
Pinnacle Tours Pty Limited, Fremantle	Australia	100.0
Pinnacle Travel Centre (1987) Pty Limited, Fremantle	Australia	100.0
Plantravel Ltd., Crawley	UK	100.0
Platinum Event Travel Limited, Crawley	UK	100.0
Pointe Gros Boeuf S.N.C., Pointe a Pitre	France	100.0
Port Philip Group Ltd., Crawley	UK	100.0
Porter and Haylett Limited, Crawley	UK	100.0
Portland Camping, Crawley	UK	100.0
Portland Holidays Direct Ltd., Crawley	UK	100.0
Portland Holidays Ltd., Crawley	UK	100.0
Portland Travel Ltd., Crawley	UK	100.0
Premier Holidays Afloat Limited, Dublin	Ireland	100.0
Premiere International Corp, Gardena	US	100.0
Prestige Boating Holidays Limited, Dublin	Ireland	100.0
Primworth Enterprises Limited, Limassol	Cyprus (Greek part)	100.0
Professor Kohts Vei 108 AS, Stabekk	Norway	100.0
ProTel Gesellschaft für Kommunikation mbH, Rengsdorf	Germany	100.0
PT PACIFIC WORLD NUSANTARA, Bali	Indonesia	100.0
Quark Expeditions, Inc., State of Delaware	US	100.0
Quill Travel Services Limited, Crawley	UK	100.0
Real Travel Ltd, Crawley	UK	100.0

Consolidated companies	Country	Capital share in %
Real Travel Pty Ltd, Melbourne	Australia	100.0
Redwing Holdings Limited, Crawley	UK	100.0
Redwing Holidays Limited, Crawley	UK	100.0
Renwicks Travel Ltd., Crawley	UK	100.0
Republic Cruise Line, LLC, State of Delaware	US	100.0
Revoli Star SA, San Bartolome de Tirajana	Spain	100.0
Riviera Holidays Ltd., Crawley	UK	100.0
Robert Sibbald Travel Agents Ltd., Edinburgh	UK	100.0
Royal Tours Travel Center Luxembourg S.A., Oostende	Belgium	100.0
Sawadee Amsterdam BV, Amsterdam	Netherlands	100.0
SC Hotel Beds Travel Agency S.R.L., Constanta	Romania	100.0
Scan Holiday Tours Ltd., Crawley	UK	100.0
Schools Abroad Limited, Crawley	UK	100.0
Segue, Inc., State of Delaware	US	100.0
SERAC Travel GmbH, Bagnes	Switzerland	100.0
Simply Aviation Ltd., Crawley	UK	100.0
Simply Travel Holdings Ltd., Crawley	UK	100.0
Simply Travel Ltd., Crawley	UK	100.0
Sir Henry Lunn Ltd., Crawley	UK	100.0
Ski Bound Limited, Crawley	UK	100.0
Skibound France SARL, Notre Dame de Bellecombe	France	100.0
Skibound Holidays Limited, Crawley	UK	100.0
Skibound Leisure Group Limited, Crawley	UK	100.0
Sky Tours Ltd., Crawley	UK	100.0
Skydeals (M/CR) Ltd., Crawley	UK	100.0
Skymead Leasing Ltd., Crawley	UK	100.0
Skymead Ltd., Crawley	UK	100.0
Skymead Maintenance Ltd., Crawley	UK	100.0
Smart Choice Manager, LLC, Clearwater, FL	US	100.0
Smart Choice Yachting, LLC, Clearwater, FL	US	100.0
Société des Hotels Clubs Nouvelles Frontières SARL, Montreuil	France	100.0
Société d'Exploitation du Paladien Marrakech SA, Marrakesh	Morocco	100.0
Société d'Investissement Aérien S.A., Casablanca	Morocco	100.0
SOCIETE D'INVESTISSEMENT ET D'EXPLOITAION DU PALADIEN DE CALCATOGGIO (S I E P A C), Paris	France	100.0
Société d'investissement hotelier Almoravides S.A., Marrakesh	Morocco	100.0
Société Marocaine pour le Developpement des Transports Touris-tiques S.A., Agadir	Morocco	95.0
Société polynesienne promotion hotelière S.A.S, Tamanu	Polynesia	100.0
Something Special Holidays Ltd., Crawley	UK	100.0
Something Special (Transport) Limited, Crawley	UK	100.0
Sons of South Sinai Tourism and Food Supply SAE, Sharm el Sheikh	Egypt	64.9
Sovereign Tour Operations Limited, Crawley	UK	100.0
Spanish Harbour Holidays Ltd., Crawley	UK	100.0
Spanish Harbour Travel Services Ltd., Crawley	UK	100.0
Specialist Holiday Group Ireland Ltd., Dublin	Ireland	100.0
Specialist Holidays Contracting Ltd., Crawley	UK	100.0
Specialist Holidays Group Ltd., Crawley	UK	100.0
Specialist Holidays, Inc., Mississauga	Canada	100.0
Specialist Holidays Ltd., Crawley	UK	100.0
Specialist Holidays (Travel) Limited, Crawley	UK	100.0
splashLine Event und Vermarktungs GmbH, Vienna	Austria	100.0
Sport Abroad (UK) Limited, Crawley	UK	100.0
Sports Events Travel Limited, Crawley	UK	100.0
Sports Executive Travel Limited, Crawley	UK	100.0

Consolidated companies	Country	Capital share in %
Sportsworld (Beijing) Sports Management Consulting Limited Company, Beijing	China	70.0
Sportsworld Group Limited, Crawley	UK	100.0
Sportsworld Holdings Limited, Crawley	UK	100.0
Sportsworld Pacific PTY Limited, North Sydney	Australia	100.0
Star Club SA, San Bartolome De Tirajana	Spain	100.0
Star Tour A/S, Copenhagen	Denmark	100.0
Star Tour Holding A/S, Copenhagen	Denmark	100.0
Star Tour Hotel A.S., Antalya	Turkey	100.0
Star Tour of Skandinavia Ltd., Crawley	UK	100.0
Startour-Stjernereiser AS, Stabekk	Norway	100.0
Step Into Africa Ltd., Crawley	UK	100.0
Student City Travel Limited, Crawley	UK	100.0
STUDENT SKIING LIMITED, Crawley	UK	100.0
STUDENT SKIING TRANSPORT LIMITED, Crawley	UK	100.0
Studentcity.com, Inc., State of Delaware	US	100.0
Sun Car Rentals Corporation, Santa Rosa CA	US	100.0
Suncars Limited, Crawley	UK	100.0
Sunquest Holidays (UK) Limited, Crawley	UK	100.0
Sunsail Adriatic d.o.o., Split	Croatia	100.0
Sunsail (Antigua) Limited, Antigua	Antigua	100.0
Sunsail (Australia) Pty Ltd, Hamilton Island, Queensland	Australia	100.0
Sunsail Deutschland GmbH i.L., Munich	Germany	100.0
Sunsail Hellas MEPE, Athens	Greece	100.0
Sunsail International B.V., Rotterdam	Netherlands	100.0
Sunsail International Limited, Crawley	UK	100.0
Sunsail Limited, Crawley	UK	100.0
Sunsail SAS, Castelnaudary	France	100.0
Sunsail (Seychelles) Limited, Mahe (Seychelles)	Seychelles	100.0
Sunsail (Thailand) Company Ltd, Phuket	Thailand	30.0
Sunsail Worldwide Sailing Limited, Crawley	UK	100.0
Sunsail Worldwide Sailing St. Vincent Limited, St. Vincent and Grenadines	Windward Islands St. Vincent	100.0
Sunshine Cruises Limited, Crawley	UK	100.0
SUNTOPIA OTEL HIZMETLERI TURIZM ve TICARET ANONIM SIRKETI, Istanbul	Turkey	100.0
Suntrek Tours GmbH, Holzkirchen	Germany	100.0
Suntrek Tours, Inc., Santa Rosa CA	US	100.0
Supernova Expeditions Ltd., Anguilla	Crown Colony of Anguilla	100.0
Symi Investments Limited, Crawley	UK	100.0
Tantur Turizm Seyahat Ltd.Sti., Istanbul	Turkey	100.0
TCS & Starquest Expeditions, Inc., Seattle	US	100.0
TCS Expeditions, Inc., State of Delaware	US	100.0
TCV Touristik-Computerverwaltungs GmbH, Baden-Baden	Germany	100.0
Team Lincoln Ltd., Crawley	UK	100.0
Team Lincoln Services Ltd., Crawley	UK	100.0
Team Travel Ltd., Crawley	UK	100.0
Teamlink Transport Limited, Crawley	UK	100.0
Teamlink Travel Limited, Crawley	UK	100.0
Tec4Jets B.V., Rijswijk ZH	Netherlands	100.0
Tec4Jets NV, Oostende	Belgium	100.0
THE ENGLISH LANGUAGE CENTRE YORK LIMITED, York	UK	100.0
The Imaginative Traveller Australia Pty Limited, Melbourne	UK	100.0
The Imaginative Traveller Limited, Crawley	UK	100.0
The International Academy Ltd., Crawley	UK	100.0
The London Cup Ltd., Crawley	UK	100.0

Consolidated companies	Country	Capital share in %
The Magic of Travel Ltd., Crawley	UK	100.0
The Magic Travel Group (Holidays) Ltd., Crawley	UK	100.0
The Magic Travel Group Ltd., Crawley	UK	100.0
The Moorings (Bahamas) Ltd, Bahamas	Bahamas	100.0
The Moorings Belize Limited, Belize	Belize	100.0
The Moorings d.o.o., Kroatien	Croatia	100.0
The Moorings Limited, British Virgin Islands	British Virgin islands	100.0
The Moorings Sailing Holidays Ltd, Crawley	US	100.0
The Moorings SARL, Utoroa, Raiatea	Polynesia	100.0
The Moorings (St Lucia) Ltd, St. Lucia	Windward islands st. Lucia	100.0
The Moorings (Tonga) Ltd., Tonga	Tonga	100.0
The FirstResort Limited, Crawley	UK	100.0
The FirstResort Operations Limited, Crawley	UK	100.0
THG Holidays Limited, Crawley	UK	100.0
Thomson Air Limited, Crawley	UK	100.0
Thomson Airways Limited, Crawley	UK	100.0
Thomson Airways (Services) Limited, Crawley	UK	100.0
Thomson Airways Trustee Limited, Crawley	UK	100.0
Thomson Flights Ltd., Crawley	UK	100.0
Thomson Holidays Ltd., Crawley	UK	100.0
Thomson Holidays Ltd. (Ireland), Dublin	Ireland	100.0
Thomson Overseas Services Ltd., Crawley	UK	100.0
Thomson Reisen GmbH, St. Johann	Austria	100.0
Thomson Services Ltd., St. Peter Port/ Guernsey	UK	100.0
Thomson Sport (UK) Limited, Crawley	UK	100.0
Thomson Travel Group (Holdings) Ltd., Crawley	UK	100.0
Thomson Travel Holdings SA, Luxembourg	Luxembourg	100.0
Thomson Travel International Ltd., Crawley	UK	100.0
Thomson Travel international SA, Luxembourg	Luxembourg	100.0
Thomson Viagens e Turismo Lda., Lisbon	Portugal	100.0
Thomsonfly Limited, Crawley	UK	100.0
TICS GmbH Touristische Internet und Call Center Services, Baden-Baden	Germany	100.0
TKJ Pty Limited, Perth	Australia	100.0
TMS Anchor Canada Inc, Vancouver	Canada	100.0
TMS Anchor LLC, Washington	US	100.0
TMS Gateway Canada Inc, Vancouver	US	100.0
Tolkien Limited, British Virgin Islands	British Virgin islands	100.0
Top Class – European Cruise Services S.a.r.l., Monaco	Monaco	100.0
Top Class France Sarl, Paris	France	100.0
Tourinter SA, Lyon	France	100.0
Trailway Tours Inc, Washington	US	100.0
Transfar – Agencia de Viagens e Turismo Lda., Faro	Portugal	99.9
TRAVCOA Corporation, State of Delaware	US	100.0
Travel Choice Limited, Crawley	UK	100.0
Travel Class Holdings Limited, Crawley	UK	100.0
Travel Class Limited, Crawley	UK	100.0
Travel Class Transport Limited, Crawley	UK	100.0
Travel Contracting Limited, Crawley	UK	100.0
Travel Partner Bulgaria EOOD, Varna	Bulgaria	100.0
Travel Scot World Limited, Crawley	UK	100.0
Travel Sense A/S, Copenhagen	Denmark	85.0
Travel Services Europe Limited, Crawley	UK	100.0
Travel Services Europe Spain SL, Barcelona	Spain	100.0
Travel Turf, Inc., Allentown	US	100.0
Travelbound European Tours Limited, Crawley	UK	100.0
Travellers Joy Travel Services Ltd., Crawley	UK	100.0

Consolidated companies	Country	Capital share in %
Travelmood Limited, Crawley	UK	100.0
Treasure Isle Yacht Charter Ltd, British Virgin Islands	British Virgin Islands	100.0
Trek America Travel Limited, Crawley	UK	100.0
Trek Investco Limited, Crawley	UK	100.0
Trina Group Limited, Crawley	UK	100.0
Trina Tours Limited, Crawley	UK	100.0
Trips Worldwide Limited, Crawley	UK	100.0
Tropical Car Rental Pty Limited, Fremantle	Australia	100.0
Tropical Places Ltd., Crawley	UK	100.0
TT Holdings France SA, Montreuil	France	100.0
TTG (No. 13) Limited, Crawley	UK	100.0
TTG (No. 14), Dublin	Ireland	100.0
TTG (No. 15) Limited, Crawley	UK	100.0
TTG (No. 2) Ltd., Crawley	UK	100.0
TTG Retail Development Ltd., Crawley	UK	100.0
TTSS Limited, Crawley	UK	100.0
TTSS Transportation Limited, Crawley	UK	100.0
TUI Airlines Belgium N.V., Oostende	Belgium	100.0
TUI Airlines Nederland B.V., Rijswijk	Netherlands	100.0
TUI aqtiv GmbH, Hanover	Germany	100.0
TUI Austria Holding GmbH, Vienna	Austria	100.0
TUI Aviation GmbH, Hanover	Germany	100.0
TUI Canada Holdings Inc, Toronto	Canada	100.0
TUI China Travel CO. Ltd., Beijing	China	75.0
TUI Consulting & Services GmbH, Hanover	Germany	100.0
TUI Curaçao N.V., Curaçao	Dutch Antilles	100.0
TUI Denmark Holding A/S, Copenhagen	Denmark	100.0
TUI Deutschland GmbH, Hanover	Germany	100.0
TUI Dienstleistungsgesellschaft mbH, Hanover	Germany	100.0
TUI España Turismo S.A., Barcelona	Spain	99.0
TUI Finance Northern Europe Ltd., Crawley	UK	100.0
TUI Hellas Travel and Tourism SA, Athens	Greece	100.0
TUI HOLDING SPAIN S.L., Barcelona	Spain	100.0
TUI Holdings (Australia) PTY Limited, Queensland	Australia	100.0
TUI interactive GmbH, Hanover	Germany	100.0
TUI (IP) Ltd., Crawley	UK	100.0
TUI Italia S.R.L., Milan	Italy	100.0
TUI Leisure airport sales GmbH, Hanover	Germany	90.0
TUI Leisure Travel GmbH, Hanover	Germany	100.0
TUI Leisure Travel Service GmbH, Neuss	Germany	100.0
TUI Leisure Travel Special Tours GmbH, Hanover	Germany	100.0
TUI Marine Grenada Limited, St. George's	Grenada	100.0
TUI Nederland Holding N.V., Rijswijk	Netherlands	100.0
TUI Nederland N.V., Rijswijk	Netherlands	100.0
TUI Nordic Holding AB, Stockholm	Sweden	100.0
TUI Nordic Specialist Holidays AB, Stockholm	Sweden	100.0
TUI Northern Europe Ltd., Crawley	UK	100.0
TUI Norway Holding AS, Stabekk	Norway	100.0
TUI Österreich GmbH, Vienna	Austria	100.0
TUI Pension Scheme (UK) Ltd., Crawley	UK	100.0
TUI Poland Dystrybucja Sp.zo.o., Warsaw	Poland	100.0
TUI Poland Sp.z o.o., Warsaw	Poland	100.0
TUI PORTUGAL – Agencia de Viagens e Turismo S.A., Faro	Portugal	100.0
TUI Service AG, Altendorf	Switzerland	100.0
TUI Students & Schools France S.a.r.l., Paris	France	100.0
TUI (Suisse) AG, Zurich	Switzerland	100.0
TUI (Suisse) Holding AG, Zurich	Switzerland	100.0

Consolidated companies	Country	Capital share in %
TUI Suisse Retail AG, Zurich	Switzerland	100.0
TUI Travel Accommodation & Destinations SL, Palma de Mallorca	Spain	100.0
TUI Travel Amber E&W LLP, Crawley	UK	100.0
TUI Travel Amber Limited, Edinburgh	UK	100.0
TUI Travel Amber Scot LP Edinburgh	UK	100.0
TUI Travel Amber Scot Old LP, Edinburgh	UK	100.0
TUI Travel Aviation Finance Limited, Crawley	UK	100.0
TUI Travel Belgium N.V., Oostende	Belgium	100.0
TUI Travel Common Investment Fund Trustee Limited, Crawley	UK	100.0
TUI Travel Group Management Services Limited, Crawley	UK	100.0
TUI Travel Healthcare Limited, Crawley	UK	100.0
TUI Travel Holdings Limited, Crawley	UK	100.0
TUI Travel Holdings Sweden AB, Stockholm	Sweden	100.0
TUI Travel (Ireland), Dublin	Ireland	100.0
TUI Travel Nominee Limited, Crawley	UK	100.0
TUI Travel Overseas Holdings Limited, Crawley	UK	100.0
TUI Travel PLC, Crawley	UK	56.1
TUI TRAVEL SAS ADVENTURE LIMITED, Crawley	UK	100.0
TUI Travel SAS Benelux B.V., Rotterdam	Netherlands	100.0
TUI Travel SAS Holdings Limited, Tring, Hertfordshire	UK	100.0
TUI Travel SAS Services Limited, Crawley	UK	100.0
TUI TRAVEL SAS Transport Limited, Crawley	UK	100.0
TUI UK Italia S.r.L., Turin	Italy	100.0
TUI UK Ltd., Crawley	UK	100.0
TUI UK Retail Limited, Crawley	UK	100.0
TUI UK Transport Ltd., Crawley	UK	100.0
TUI Vertrieb & Service GmbH, Hanover	Germany	100.0
TUI 4 U GmbH, Bremen	Germany	100.0
TUIfly GmbH, Langenhagen	Germany	100.0
TUIfly Nordic AB, Stockholm	Sweden	100.0
TUIfly Vermarktungs GmbH, Langenhagen	Germany	100.0
Turismo Asia Company Ltd., Bangkok	Thailand	100.0
Ultra Montes C.V., Brussels	Belgium	100.0
Ultramar Express Transport S.A., Palma de Mallorca	Spain	100.0
Unijet Group Limited, Crawley	UK	100.0
Unijet Leisure Limited, Crawley	UK	100.0
Unijet Travel Limited, Crawley	UK	100.0
Universal Sky Tours ltd., Crawley	UK	100.0
Versun Yachts NSA, Athens	Greece	100.0
Viagens Elena LDA, Albufeira	Portugal	100.0
Viking Aviation Limited, Crawley	UK	100.0
Viking Freight Limited, Crawley	UK	100.0
Villa Options Ltd., Crawley	UK	100.0
Visit USA Limited, Crawley	UK	100.0
Voile Voyage SARL, Paris	France	100.0
Voyages Touraventures S.A., Montreuil	France	100.0
Waymark Holidays Limited, Crawley	UK	100.0
WE LOVE RUGBY PTY LIMITED, Banksia	Australia	100.0
Williment Travel Group Limited, Wellington	New Zealand	100.0
Wings Travel Ltd., Crawley	UK	100.0
Wolters Reisen GmbH, Stuhr/Brinkum	Germany	100.0
WonderCruises AB, Stockholm	Sweden	100.0
WonderHolding AB, Stockholm	Sweden	51.0
World Challenge Expeditions, Inc., Cambridge, MA	US	100.0
World Challenge Expeditions Limited, Crawley	UK	100.0

Consolidated companies	Country	Capital share in %
World Challenge Expeditions Pty Ltd, Victoria	Australia	100.0
World Challenge Holdings Limited, Crawley	UK	100.0
World Challenge NZ Limited, Wellington	New Zealand	100.0
World of TUI Ltd., Crawley	UK	100.0
Yachts International Limited, British Virgin Islands	British Virgin Islands	100.0
YOCL LLC, State of Delaware	US	100.0
Your Man Tours, Inc., El Segundo, CA	US	100.0
Your Sporting Challenge Limited, Crawley	UK	100.0
Zegrahm Expeditions, Inc., Seattle	US	100.0
100% Adventure Pty Ltd, Wayville, SA	Australia	100.0
600035 B.C. LTD, Canada	UK	100.0
9187 – 4404 Quebec Inc. (in liquidation), Montreal	Canada	100.0
TUI Hotels & Resorts		
BU RIUSA II EOOD, Sofia	Bulgaria	100.0
Cabotel-Hoteleria e Turismo Lda., Santiago/Cape Verde	Spain	100.0
CLUBHOTEL GESELLSCHAFT MBH., Hermagor	Austria	77.5
Daidalos Hotel- und Touristikunternehmen A.E., Athens	Greece	59.0
Dominicanotel S.A., Puerto Plata	Dominican Republic	100.0
Dorfhotel GesmbH, Villach	Austria	100.0
Egyptian Germany Co. for Hotels (L.T.D), Cairo	Egypt	66.6
GEAFOND Número Dos Fuerteventura S.A., Las Palmas, Gran Canaria	Spain	100.0
GEAFOND Número Uno Lanzarote S.A., Las Palmas, Gran Canaria	Spain	100.0
Holiday Center S.A., Cala Serena/Cala D'OR	Spain	100.0
Iberotel International A.S., Antalya	Turkey	100.0
Iberotel Otelcilik A.S., Istanbul	Turkey	100.0
Jandia Playa S.A., Morro Jable/Fuerteventura	Spain	100.0
Jaz Hotels & Resorts S.A.E., Cairo	Egypt	50.9
"MAGIC LIFE" Assets AG, Vienna	Austria	100.0
Magic Life GmbH & Co KG, Vienna	Austria	100.0
MX RIUSA II S.A. de C.V., Cabo San Lucas	Mexico	100.0
Promociones y Edificaciones Chiclana S.A., Palma de Mallorca	Spain	100.0
Puerto Plata Caribe Beach S.A., Puerto Plata	Dominican Republic	100.0
RCHM S.A.S., Agadir	Morocco	100.0
Rideway Investment Ltd., London	UK	100.0
RIU Jamaicotel Ltd., Negril	Jamaica	100.0
RIUSA II S.A., Palma de Mallorca	Spain	50.0
RIUSA NED B.V., Amsterdam	Netherlands	100.0
ROBINSON AUSTRIA Clubhotel GmbH, Hermagor	Austria	100.0
Robinson Club GmbH, Hanover	Germany	100.0
Robinson Club Italia S.p.A., Marina di Ugento	Italy	100.0
Robinson Club Maldives Private Limited, Malé	Maldives	100.0
Robinson Club (Schweiz) AG, Vulpera	Switzerland	100.0
Robinson Clubhotel Turizm Ltd. Sti., Istanbul	Turkey	100.0
Robinson Hoteles España S.A., Cala d'Or	Spain	100.0
Robinson Hotels Portugal S.A., Vila Nova de Cacela	Portugal	67.0
Robinson Otelcilik A.S., Istanbul	Turkey	100.0
STIVA RII Ltd., Dublin	Ireland	100.0
TdC Agricoltura Società agricola a r.l., Florence	Italy	100.0
TdC Amministrazione S.r.l., Florence	Italy	100.0
Tenuta di Castelfalfi S.p.A., Florence	Italy	100.0
Tunisotel S.A.R.L., Tunis	Tunisia	100.0
Turcotel Turizm A.S., Istanbul	Turkey	100.0
Turkuaz Insaat Turizm A.S., Ankara	Turkey	100.0

Consolidated companies	Country	Capital share in %
Cruises		
Hapag Cruise Ship GmbH, Hamburg	Germany	100.0
Hapag-Lloyd (Bahamas) Ltd., Nassau	Bahamas	100.0
Hapag-Lloyd Kreuzfahrten GmbH, Hamburg	Germany	100.0
Preussag Beteiligungsverwaltungs GmbH IX, Hanover	Germany	100.0
Central Operations		
Canada Maritime Limited, Barking	UK	100.0
Canada Maritime Services Limited, Crawley	UK	100.0
Canadian Pacific (UK) Limited, Crawley	UK	100.0
Cast Agencies Europe Limited, Crawley	UK	100.0
Cast Group Services Limited, Crawley	UK	100.0
Cast Terminal Europe N.V., Antwerp	Belgium	100.0
Contship Holdings Limited, Crawley	UK	100.0
CP Ships (Bermuda) Ltd., Hamilton	Bermuda	100.0
CP Ships Logistics N.V., Antwerp	Belgium	100.0
CP Ships Ltd., Saint John	Canada	100.0
CP Ships Trucking (Germany) GmbH, Neuss	Germany	100.0
CP Ships (UK) Limited, Crawley	UK	100.0
CPS Holdings (No. 2) Limited, Crawley	UK	100.0
CPS Number 2 Limited, Barking	UK	100.0
CPS Number 4 Limited, Crawley	UK	100.0
Paul Bellack, Inc., Philadelphia	US	100.0
PM Peiner Maschinen GmbH, Hanover	Germany	100.0
Preussag Finanz- und Beteiligungs-GmbH, Hanover	Germany	100.0
Preussag Immobilien GmbH, Salzgitter	Germany	100.0
Preussag UK Ltd., Crawley	UK	100.0
R.O.E. Logistics, Inc., Montreal	Canada	100.0
Salzgitter Grundstücks- und Beteiligungsgesellschaft mbH, Salzgitter	Germany	100.0
TUl Beteiligungs GmbH, Hanover	Germany	100.0
TUl-Hapag Beteiligungs GmbH, Hanover	Germany	100.0
WAG Salzgitter Wohnungs-GmbH, Salzgitter	Germany	100.0
Joint ventures and associated companies		
TUI Travel		
Aeolos Travel LLP, Nicosia	Cyprus (Greek part)	49.9
Aitken Spence Travels Ltd, Colombo	Sri Lanka	50.0
Alpha Tourism and Marketing Services Ltd., Port Louis	Mauritius	25.0
Alpha Travel (U.K.) Limited, Harrow	UK	25.0
alps & cities 4 ever GmbH, Vienna	Austria	50.0
Atlantica Hellas S.A., Rhodes	Greece	50.0
Atlantica Hotels and Resorts S.A., Lemesos	Cyprus (Greek part)	50.0
Belgium Travel Network cvba, Sint Martens Latem	Belgium	50.0
Bonitos GmbH & Co KG, Frankfurt	Germany	50.0
Boomerang Reisen Vermögensverwaltungs GmbH, Trier	Germany	49.0
DER Reisecenter TUI GmbH, Berlin	Germany	50.0
HLX Touristik GmbH, Baden-Baden	Germany	49.0
Holiday Travel (Israel) Limited, Airport City	Israel	50.0
InteRes Gesellschaft für Informationstechnologie mbH, Darmstadt	Germany	25.2
Intrepid Connections PTY LTD, Winnellie	Australia	50.0
Intrepid Retail Group PTY LTD, Brisbane	Australia	50.0
Intrepid Vietnam Travel Company Ltd, Hanoi	Vietnam	49.0
Le Passage to India Tours and Travels Pvt Ltd, New Delhi	India	50.0
Manahe Ltd., Quatre Bornes	Mauritius	50.0
OFT REISEN GmbH, Ditzingen	Germany	50.0

Consolidated companies	Country	Capital share in %
Pollman's tours and safaris Ltd., Nairobi	Kenya	25.0
Raiffeisen-Tours RT-Reisen GmbH, Burghausen	Germany	25.1
Ranger Safaris Ltd., Arusha	Tanzania	25.0
Safeharbour Investments S.L., Barcelona	Spain	50.0
Sunwing Travel Group Inc, Toronto	Canada	49.0
Teckcenter Reiseburo GmbH, Kirchheim/T.	Germany	50.0
Togebi Holdings Ltd, Cyprus	Cyprus (Greek part)	49.0
Travco Group Holding S.A.E., Cairo	Egypt	50.0
TRAVELStar GmbH, Hanover	Germany	50.0
TUI InfoTec GmbH, Hanover	Germany	49.9
Tunisie Voyages S.A., Tunis	Tunisia	50.0
Voukouvalides Travel & Tourism S.A., Kos	Greece	50.0
TUI Hotels & Resorts		
aQi Hotel Schladming GmbH, Bad Erlach	Austria	49.0
ENC for touristic Projects Company S.A.E., Sharm el Sheikh	Egypt	50.0
Etapex, S.A., Agadir	Morocco	35.0
Fanara Residence for Hotels S.A.E., Sharm el Sheikh	Egypt	50.0
First Om El Gorayfat Company for Hotels S.A.E., Mersa Allam	Egypt	50.0
GBH Turizm Sanayi Isletmecilik ve Ticaret A.S., Istanbul	Turkey	50.0
Golden Lotus Hotel Company S.A.E., Luxor	Egypt	50.0
Grecotel S.A., Rethymnon	Greece	50.0
GRUPOTEL DOS S.A., Can Picafort	Spain	50.0
Kamarayat Nabq Company for Hotels S.A.E., Sharm el Sheikh	Egypt	50.0
Makadi Club for Hotels S.A.E., Hurghada	Egypt	50.0
M.H. Cyprotel Management Ltd., Limassol	Cyprus (Greek part)	50.0
Mirage Resorts Company S.A.E., Hurghada	Egypt	50.0
Oasis Company for Hotels S.A.E., Hurghada	Egypt	50.0
Phaiax A.E.T.A., Corfu	Greece	50.0
Quinta da Ria Empreendimentos do Algarve, S.A., Vila Nova de Cacela	Portugal	33.0
RIU Hotels S.A., Palma de Mallorca	Spain	49.0
Sharm El Maya Touristic Hotels Co. S.A.E., Cairo	Egypt	50.0
Sun Oasis for Hotels Company S.A.E., Hurghada	Egypt	50.0
Tikida Bay S.A., Agadir	Morocco	34.0
TIKIDA DUNES S.A., Agadir	Morocco	30.0
Tikida Palmeraie S.A., Marrakesh	Morocco	33.3
UK Hotel Holdings FZC L.L.C., Fujairah	United Arab Emirates	50.0
Cruises		
TUI Cruises GmbH, Hamburg	Germany	50.0
Central Operations		
Hapag-Lloyd Holding AG, Hamburg	Germany	38.4

EXCERPT FROM TUI AG'S GROUP MANAGEMENT REPORT

The disclosures of the relevant amounts for individual Board members and further details on the remuneration system as included in Note 52 by reference to the Management Report form an integral part of the consolidated financial statements of TUI AG as of and for the financial year ended September 30, 2011.

Reproduced below, as excerpt from TUI AG's group management report as of and for the fiscal year ended September 30, 2011, are the disclosures of the relevant amounts for individual Board members and further details on the remuneration system.

Remuneration Report

Upon the proposal of the Chairman's Committee, the Supervisory Board determines the total remuneration of the individual executive Board members; it regularly adopts and reviews the remuneration system for the executive Board.

The criteria governing the appropriateness of remuneration are the tasks of each individual Board member, their personal performance, the economic position, the performance and sustainable development of the Company, the benchmark remuneration customary in the peer environment, and the remuneration structure otherwise applied in German companies. Moreover, remuneration is set at a level that is competitive in the market for highly qualified managerial staff.

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

The service contracts of Mr Baier and Dr Engelen were changed to the new system as from 1 January 2010. Dr Frenzel's service contract will be amended following the completion of the term of his contract, which will expire in March 2012. The remuneration of Mr Long, based in the UK, is fixed by the remuneration Committee of TUI Travel PLC.

Remuneration of the Executive Board in financial year 2010/11

The remuneration granted to TUI AG's Executive Board members for financial year 2010/11, comprises fixed and variable components. Executive Board members are also entitled to a company car with driver services as well as travel benefits. The variable components consist of an annual management bonus and a multi-annual bonus covering a period of four years under a long-term incentive programme.

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

The annual management bonus determined in this way is adjusted by the Supervisory Board by means of a factor ranging between 0.8 and 1.2 in order to take account of the Board member's personal performance. A total of 50% of the management bonus for the financial year 2010/11, is paid upon adoption of the annual financial statements of the Company. The remaining 50% of the management bonus is carried forward in equal tranches to the two subsequent years and adjusted in accordance with the degree of target achievement and the individual performance in those two years.

The amount carried forward from financial year 2009/10, was adjusted and paid out. This is shown as remuneration for 2010/11 in the table below. For Dr Frenzel, the amount of the management bonus depends on underlying EBITA and personal assessment factors. This management bonus is paid in full upon adoption of the annual financial statements.

The long-term incentive programme with a maturity of four years is based on phantom stocks. For Executive Board members, an individual target amount has been fixed in their service contracts. This amount is translated annually into phantom stocks based on the average price of TUI AG shares over a period of twenty days prior to the beginning of any financial year. Entitlements for the beneficiaries arise upon the completion of the four-year vesting period.

Upon the completion of a four-year period, the degree of target achievement is determined by comparing the change in total shareholder return (TSR) at TUI AG with the change in the Dow Jones Stoxx 600 Travel & Leisure index. If the degree of target achievement is less than 25% of the reference value, no phantom shares are granted. If the degree of target achievement exceeds 25%, it is multiplied by the number of phantom stocks granted; however, a cap of 175% applies. At the end of the four-year service period, the number of phantom stocks determined in this way is multiplied by the average price of TUI AG shares, and the resulting amount is paid out in cash. The maximum amount payable is limited to three times the individual target amount.

Dr Frenzel receives a bonus translated into phantom stocks of TUI AG on the basis of an average share price. These phantom stocks are calculated from underlying earnings before tax and amortisation of goodwill (underlying EBTA). The phantom stocks can be sold to the Company after a lock-up period, taking account of a number of rules to prevent the use of insider knowledge. The level of the cash payment depends on the average price of TUI AG shares over a period of 20 trading days following the date of exercise. There are no absolute or relative return or price targets. Provision has been made for a cap to apply in the event of extraordinary, unexpected developments. The long-term incentive programme for Mr long entails the granting of shares in Tui Travel PlC based on personal assessment factors established by the remuneration Committee of TUI Travel.

On 30 September 2011, Mr long held vesting rights to 6,755,673 shares in TUI Travel PLC. On 30 September 2011, former Board members held 281,902 phantom stocks in TUI AG (previous year 271,250 shares).

Provisions totalling €2,700 thousand (previous year: €5,368 thousand) were formed to cover entitlements under the long-term incentive programme.

Development of aggregate phantom stocks in TUI AG

	Units
Balance as at 30 Sept 2010	**501,106**
Phantom stocks granted for the 2009/10 financial year	54,832
Phantom stocks exercised	—
Increase/decrease of phantom stocks	– 16,973
Balance as at 30 Sept 2011	**538,965**

Individual Renumeration of Executive Board members

	Non-performance related	Performance related	Long-term incentive programme	Supervisory Board mandates in the Group	Individual remuneration Total 2010/11	Individual remuneration Total 2009/10
			€'000			
Dr. Michael Frenzel (Chairman)	1,262.4	1,256.3	206.8	385.7	3,111.2	3,454.1
Horst Baier	692.5	523.4	—	—	1,215.9	1,205.1
Dr. Peter Engelen	715.6	386.2	—	—	1,101.8	1,247.1
Rainer Feuerhake (until 17 Feb 2010)	—	—	—	—	—	903.0
Peter Long	1,472.4	1,190.2	840.7	—	3,503.3	4,308.5
Total	**4,142.9**	**3,356.1**	**1,047.5**	**385.7**	**8,932.2**	**11,117.8**
Previous year	4,380.1	4,412.1	1,850.0	475.6	11,117.8	

As in the prior year, the members of the executive Board did not receive any loans or advances in the financial year 2010/11.

Benefits in the event of a termination of position

1. Pension entitlements

Pensions are paid to former Executive Board members if they reach the predefined age limit or are permanently incapacitated. Since the adjustment of the service contracts as from 1 January 2010, the active Executive Board members have not been entitled to receive transition payments.

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

Contributions to the company pension scheme

	Pension contribution
	€'000
Horst Baier	267.7
Dr. Peter Engelen	267.7

The pension for Dr. Frenzel is calculated in line with his pensionable pay based on non-performance-related remuneration. Dr. Frenzel's pension entitlement is €800,000 per annum.

Mr Long does not have a pension entitlement vis-à-vis TUI AG. Instead of granting a pension entitlement, TUI Travel PLC pays an amount of 50% of his fixed remuneration into a pension fund. This payment is included in the amount recognised as Mr Long's non-performance-related remuneration.

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

2. Change of control agreement

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

The performance-related remuneration and the phantom stocks granted for the remainder of the contract term are based on the average remuneration received in the last three financial years. The same provision applies to the remuneration hitherto received for Supervisory Board mandates.

3. Severance payments

Under the new service contracts for Mr Baier and Dr Engelen, the entitlement to severance payments upon premature termination of the contract by the Company for no material reason has been limited to twice the annual remuneration.

4. Pension obligations

At the balance sheet date, pension obligations for active members of the Executive Board totalled €24,105.8 (previous year €22,662.4 thousand). Pension provisions for former members of the Executive Board and their dependants amounted to €43,350.8 thousand (previous year €45,798.6 thousand) at the balance sheet date. The provisions were discounted at an interest rate of 4.75%.

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

In financial year 2010/11, the remuneration paid to former Executive Board members and their surviving dependants totalled €4,409.0 thousand (previous year €4,303.9 thousand).

Remuneration of the Supervisory Board

The remuneration of Supervisory Board members comprises a fixed component and variable components. These are determined in accordance with section 18 of TUI AG's Articles of Association, which have been made permanently accessible to the public on the internet.

The members of the Supervisory Board receive a fixed remuneration of €40,000, payable upon the completion of the financial year, besides reimbursement of their expenses. The remuneration is prorated for parts of a financial year or a short financial year.

The Supervisory Board also receives remuneration oriented to the short-term performance of the Company of €100 per €0.01 of the earnings per share reported for the completed financial year.

The Supervisory Board members also receive remuneration related to the Company's long-term performance. This long-term variable remuneration is based on an annual base sum of €20,000. The amount is paid upon the completion of the third financial year following the granting of the remuneration and increases or decreases in line with the percentage increase or decrease in earnings per share in the third year following the year for which the amount was granted. Thereby a change in earnings per share of €0.01 results in an increase or decrease of the base amount of €100. However, the sum payable may not under any circumstances exceed 250% of the base amount.

The Chairman of the Supervisory Board receives three times the remuneration of a regular member, the deputy chair and the other members of the Chairman's Committee one and a half times the total remuneration of a regular member. Separate remuneration is paid for membership and chairing of committees.

The remuneration of the Supervisory Board is made up as follows:

Remuneration of the Supervisory Board

	2010/11	2009/10
	€'000	
Fixed remuneration	877.9	977.7
Short-term variable remuneration	—	73.2
Long-term variable remuneration	277.5	400.1
Remuneration for committee memberships	160.6	160.0
Remuneration for TUI AG Supervisory Board mandate	**1,316.0**	**1,611.0**
Remuneration for Supervisory Board mandates in the Group	49.9	53.4
Total	**1,365.9**	**1,664.4**

In addition, travel and other expenses totalling €148.9 thousand (previous year €108.5 thousand) were reimbursed. Total remuneration of the Supervisory Board members thus amounted to €1,514.8 thousand (previous year €1,772.9 thousand).

Individual remuneration of Supervisory Board members for the financial year 2010/11

	Individual remuneration					
	Fixed	Short-term variable	Long-term variable	Committee membership	Supervisory Board mandates in the Group	Total
				€'000		
Prof. Dr. Klaus Mangold (Chairman, since 9 Feb 2011)	91.5	—	42.7	12.9	—	147.1
Dr. Dietmar Kuhnt (Chairman, until 9 Feb 2011)	43.0	—	6.5	7.2	0.1	56.8
Petra Gerstenkorn (Deputy Chairwoman)	60.0	—	20.7	—	—	80.7
Anass Houir Alami	40.0	—	16.1	—	—	56.1
Andreas Barczewski (until 9 Feb 2011)	14.3	—	− 2.1	7.2	—	19.4
Dr. Peter Barrenstein (until 9 Feb 2011)	14.3	—	1.0	21.5	—	36.8
Jella Susanne Benner-Heinacher (until 9 Feb 2011)	14.3	—	− 2.1	7.2	—	19.4
Arnd Dunse	40.0	—	14.1	20.0	—	74.1
Prof. Dr. Edgar Ernst (since 9 Feb 2011)	25.8	—	12.9	38.7	—	77.4
Frank Jakobi	60.0	—	17.6	—	—	77.6
Ingo Kronsfoth	40.0	—	13.8	12.9	11.0	77.7
Christian Kuhn (since 9 Feb 2011)	25.8	—	12.9	—	22.3	61.0
Roberto López Abad	40.0	—	5.0	—	—	45.0
Dr. h.c. Abel Matutes Juan (until 9 Feb 2011)	14.3	—	− 2.1	—	—	12.2
Mikhail Noskov (since 9 Feb 2011)	25.8	—	12.9	—	—	38.7
Carmen Riu Güell	60.0	—	41.3	—	—	101.3
Hans-Dieter Rüster	52.9	—	17.1	—	—	70.0
Dr. Manfred Schneider (until 9 Feb 2011)	14.3	—	− 2.1	—	—	12.2
Roland Schneider (until 9 Feb 2011)	21.5	—	− 3.2	—	—	18.3
Henry Sieb (until 9 Feb 2011)	14.3	—	− 2.1	7.2	5.5	24.9
Anette Strempel	40.0	—	13.8	—	11.0	64.8
Christian Strenger	25.8	—	12.9	12.9	—	51.6
Ortwin Strubelt	40.0	—	13.8	12.9	—	66.7
Vladimir Yakushev	60.0	—	16.1	—	—	76.1
Total	**877.9**	**—**	**277.5**	**160.6**	**49.9**	**1,365.9**

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

Apart from the work performed by the employees' representatives pursuant to their contracts, the members of the Supervisory Board did not provide any personal services such as consultation or agency services for TUI AG or its subsidiaries in the financial year 2010/11 and thus did not receive any remuneration.

The following auditor's report (Bestätigungsvermerk) has been issued in accordance with Section 322 German Commercial Code (Handelsgesetzbuch) on the consolidated financial statements and group management report (Konzernlagebericht) of TUI AG combined with the management report (Lagebericht) of TUI AG as of and for the financial year ended September 30, 2011. The group management report combined with the management report is neither included nor incorporated by reference in this Prospectus.

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by TUI AG, Berlin and Hanover, comprising the statement of financial position, the income statement and the statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the Group management report, which is combined with the management report of TUI AG, for the financial year from 1 October 2010 to 30 September 2011. The preparation of the consolidated financial statements and the combined management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German Commercial Law pursuant to section 315a (1) of the German Commercial Code (HGB) are the responsibility of the parent company's Executive Board. Our responsibility is to express an opinion on the consolidated financial statements and the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 of the German Commercial Code and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW) and additionally observed the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Executive Board, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German Commercial Law pursuant to section 315a (1) of the German Commercial Code (HGB) and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these provisions. The combined management report is consistent with the consolidated Financial statements and, as a whole, provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hanover, 6 December 2011

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

ISSUER

TUI AG
Karl-Wiechert-Allee 4
30625 Hannover
Germany

LEGAL ADVISORS TO THE ISSUER

As to U.S. and German law

Allen & Overy LLP
Haus am OpernTurm
Bockenheimer Landstrasse 2
60306 Frankfurt am Main
Germany

LEGAL ADVISORS TO THE INITIAL PURCHASERS

As to U.S. law

Latham & Watkins (London) LLP
99 Bishopsgate
London EC2M 3XF
United Kingdom

As to German law

Latham & Watkins LLP
Reuterweg 20
60323 Frankfurt am Main
Germany

INDEPENDENT AUDITORS

Pricewaterhouse Coopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft
Fuhrberger Strasse 5
30625 Hannover
Germany

TRUSTEE

Citibank, N.A., London Branch
Citigroup Centre
25 Canada Square—Canary Wharf
London E15 5LB
United Kingdom

LEGAL ADVISORS TO THE TRUSTEE

As to New York law

Clifford Chance
10 Upper Bank Street
London E14 5JJ
United Kingdom

REGISTRAR, PRINCIPAL PAYING AGENT AND TRANSFER AGENT

Citibank, N.A., London Branch
Citigroup Centre
25 Canada Square—Canary Wharf
London E15 5LB
United Kingdom

LISTING AGENT

Banque International à Luxembourg S.A.
69, route d`Esch
L-2953 Luxembourg
Grand Duchy of Luxembourg

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TUI Aktiengesellschaft

€300,000,000 4.50% Senior Notes due 2019

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Joint Bookrunners

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BofA Merrill Lynch
Bank of China Frankfurt Branch
Commerzbank
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DNB Markets
HSBC
ING
Lloyds Bank
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NATIXIS
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September 26, 2014