

ANNUAL REPORT 2011/12

1 October 2011 – 30 September 2012



Aktiengesellschaft

TUI Group – Financial Highlights

€ million	2011/12	2010/11	Var. %
Turnover			
TUI Travel	17,681.5	16,867.0	+ 4.8
TUI Hotels & Resorts	384.7	362.6	+ 6.1
Cruises	231.0	200.8	+ 15.0
Group	18,330.3	17,480.3	+ 4.9
EBITDA			
TUI Travel	745.1	640.0	+ 16.4
TUI Hotels & Resorts	245.1	215.6	+ 13.7
Cruises	11.0	19.7	- 44.2
Group	924.1	850.1	+ 8.7
Underlying EBITDA			
TUI Travel	833.9	718.4	+ 16.1
TUI Hotels & Resorts	246.2	234.8	+ 4.9
Cruises	13.2	19.7	- 33.0
Group	1,023.4	923.5	+ 10.8
EBITA			
TUI Travel	441.0	321.4	+ 37.2
TUI Hotels & Resorts	177.5	144.2	+ 23.1
Cruises	0.8	11.2	- 92.9
Group	538.8	444.5	+ 21.2
Underlying EBITA			
TUI Travel	637.4	500.1	+ 27.5
TUI Hotels & Resorts	178.6	145.3	+ 22.9
Cruises	3.0	11.2	- 73.2
Group	745.7	600.1	+ 24.3
Group earnings			
Net profit for the year	141.9	118.2	+ 20.1
Earnings per share	€ - 0.16	- 0.01	n/a
Assets			
Non-current assets	8,668.2	9,107.6	- 4.8
Current assets	4,544.4	4,384.3	+ 3.7
Total assets	13,212.6	13,491.9	- 2.1
Equity and liabilities			
Equity	2,067.1	2,547.8	- 18.9
Non-current liabilities	3,772.7	4,168.2	- 9.5
Current liabilities	7,372.8	6,775.9	+ 8.8
Total equity and liabilities	13,212.6	13,491.9	- 2.1
Key ratios			
EBITDA margin (underlying)	% 5.6	5.3	+ 0.3*
EBITA margin (underlying)	% 4.1	3.4	+ 0.6*
ROIC	% 15.98	11.44	+ 4.54*
Equity ratio	% 15.6	18.9	- 3.2*
Cash flow from operating activities	819.1	1,085.5	- 24.5
Capital expenditure	643.2	474.4	+ 35.6
Net debt	30.9.	178.2	816.7 - 78.2
Employees	30.9.	73,812	73,707 + 0.1

Differences may occur due to rounding
* percentage points

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- An online version (HTML) of this report is available at annualreport2011-12.tui-group.com. It offers PDF downloads of single chapters and all tables in Excel format.

For further information, follow these pictograms:



Web link Cross-reference within the report

Putting a smile on people's faces

Putting a smile on people's faces – that is our goal. With a high level of expertise, enthusiasm and commitment, our staff do their utmost to give our guests a unique holiday experience. From our technological service and innovative product worlds to the sustainable treatment of our destinations, we set new standards in the way we do business.



2 Impressive technology



4 Profitable growth



6 Sustainable business



8 Competent advice



10 Long-term thinking

One Group – three strong Sectors

TUI Travel, Europe's leading tourism company, TUI Hotels & Resorts, the leading holiday hotelier in Europe, and the cruise brands Hapag-Lloyd Kreuzfahrten and TUI Cruises make up the World of TUI.

Tour operators

TUI Travel comprises the World of TUI's tour operators, sales, airlines and incoming agency activities. TUI Travel is active in 180 countries around the world and looks after about 30 million customers a year from 31 source markets. That makes it Europe's leading international tour operator. TUI AG is the majority shareholder in the company, which is listed on the London Stock Exchange. It is structured around four Businesses: Mainstream, Accommodation & Destinations, Specialist & Activity and Emerging Markets. It consists of a wide array of offers ranging from package tours to special niche products such as yacht charters, expeditions and student travel.

✉ www.tuitravelplc.com



Hotels

With 248 hotels and over 157,000 beds, TUI Hotels & Resorts manages the World of TUI's hotel companies as Europe's largest holiday hotelier. TUI Hotels & Resorts consists of hotel brands with high performance, quality and environmental standards that offer a large number of hotel concepts at outstanding locations of choice. They include such well-known brands as Riu, Robinson, Grecotel, Grupotel, Iberotel. A large number of the hotels are among the best in their category at the location in question. Most of the hotels in the portfolio are four- or five-star establishments.

✉ www.tui-group.com



Cruises

With Hapag-Lloyd Kreuzfahrten and TUI Cruises, TUI AG has two quality brands in its portfolio that offer a maritime holiday experience for various target groups. Hapag-Lloyd Kreuzfahrten is the leading organiser of expedition and luxury cruises in the German-speaking area. Its fleet includes the cruise liners Europa, Hanseatic, Bremen and Columbus 2. TUI Cruises offers feelgood holidays at sea for the German-speaking market on Mein Schiff 1 and Mein Schiff 2.

✉ www.hl-cruises.com, www.tuicruises.com





Thomas Berger, Digital Strategy & Transformation

Thomas Berger is one of the experts at TUI for digital holiday worlds. He manages the digital activities together with a group-wide team to make sure that in a rapidly growing digital market, holidays with TUI begin when customers log on to make their bookings.

HIGH-SPEED

IMPRESSIVE TECHNOLOGY

With our strong brands and exclusive products, we are well equipped for the digital future. Today, the TUI Group already generates sales of around €4.7 billion via its online portals.

The digital world is constantly changing. New technology gives rise to innovative ideas in business and sets new trends, and the same is true when it comes to holidays. An increasing number of our customers are users of digital media. And we want to be present wherever our customers expect to find us.

The digital strategy and transformation project enables us to transfer our strengths into the digital world of holidays and position TUI as the leading travel provider on this medium, just as it is on the high street. A team of experts at head office work with all pistons firing to synchronise the TUI Group's various e-commerce activities. Our digital strategy applies to all areas, spanning tour operators, hotel companies and cruise providers, and takes into account the particular requirements of each type of business.

SURFER



VIDEO:
Thomas Berger in a conversation







MARKET



Julian Yokoyama, International Market Research

What customers want varies greatly from country to country. Julian Yokoyama keeps an eye on international markets and analyses the specific trends in each region.

RESEARCHER

PROFITABLE GROWTH

As the leading tourism company in Europe, we have to reinvent ourselves every day.

How can we continue to excite our customers in the future? What do our customers expect from us? What can we offer to gain new business from holiday-makers in all our different markets, and how can we tap into the opportunities presented by new markets?

The best answers to these questions come from our customers themselves – in the form of increased demand for our broad range of exclusive products and specific enquiries for our own hotel brands and cruise liners.

Parallel to our existing lines of business, we are developing new markets. We have established ambitious plans for our future growth. With a clear focus and strategic priorities, we aim to launch and develop operations in emerging countries and acquire new customers. An example of this approach is the successful expansion of our hotel portals Hotelbeds and Bedsonline in Asia.



VIDEO:
Julian Yokoyama in a conversation



Mike Brauner, Group Environmental Management/Sustainable Development
Mike Brauner makes sure that sustainable development is not just lip service:
TUI leads the way in the tourism industry when it comes to environmental
responsibility.

ENVIRONMENTAL

GUARDIAN

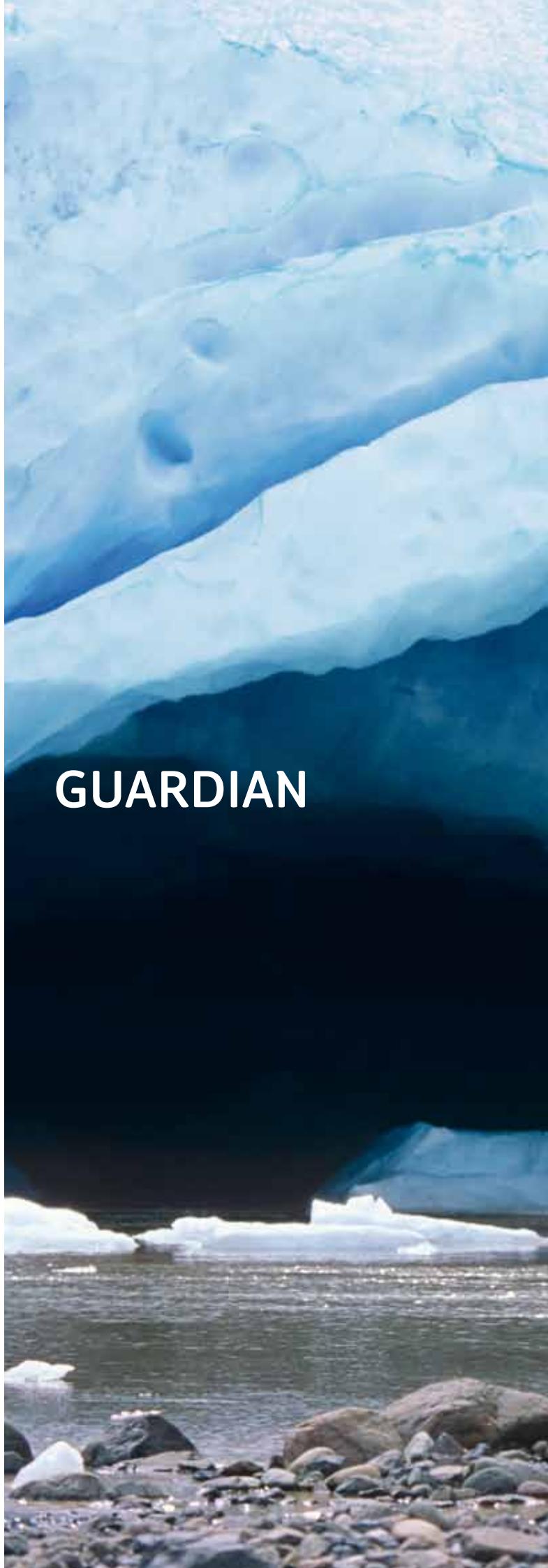
SUSTAINABLE BUSINESS

TUI has had a proactive approach to environmental protection for more than 20 years. Our aim is to minimise the ecological footprint of the holidays we offer while making a positive contribution to sustainable local development in the countries that host our guests. After all, an unspoilt environment and cohesive society are natural requirements for 'happy holidays' in the long run.

Environmental friendliness is a key component of the TUI quality standards for products, services and processes. In this context, issues relating to climate protection and the effects of climate change on tourism are of high strategic importance. Our environmental campaigns focus on reducing the greenhouse gas CO₂ and assessing the impact of climate change. Our business model enables us to identify ways to reduce emissions along the entire value creation chain in the tourism sector and to devise appropriate measures. Additionally, we campaign for the sustainable and careful use of resources as well as the conservation of plants and animals in and around our destinations.



VIDEO:
Mike Brauner in a conversation









CULTURE



Saskia Sanchez, travel agency World of TUI Berlin

An expert with a soft spot for North African countries and a wide range of local contacts for unconventional tours.

EXPERT

COMPETENT ADVICE

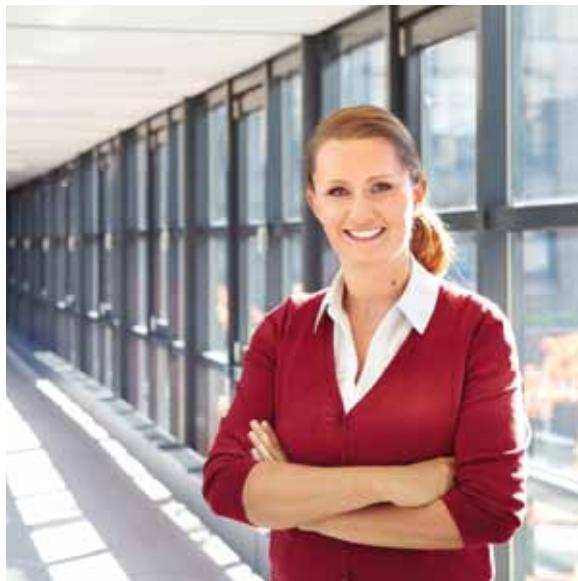
Expectations of a holiday are as diverse as the individuals who book them. As the market leader, we understand this like nobody else and offer our customers a broad array of possibilities so that they can make their individual dream holiday a reality.

With our various brands, we cover the whole range of holiday and travel services. Whether our experts are interacting with customers making an online booking using our travel portals, at a travel agency, or even at the destination itself, they always take the time to support our guests with useful first-hand tips and personal suggestions on where to go.

In short, our staff of approximately almost 74,000 people around the globe all share a single mission: putting a smile on people's faces.



VIDEO:
Saskia Sanchez in a conversation



Jessica Bruns, Group Strategy & Development

Before a new trend is born, we need the right solutions up our sleeve. For Jessica Bruns, these means fresh challenges by the day.

LONG-DISTANCE

LONG-TERM THINKING

If you want to keep reinventing yourself, you need a lot of stamina. What developments and trends will shape the decades to come? What effects will these trends have on the tourism industry? What will move and excite the customers of tomorrow?

Our planning process engages the whole Group. It enables us to define the concrete action we have to take in order to achieve our long-term strategic goals. This sets TUI on a path towards profitable growth, ensures a balanced portfolio and creates value in the long run for all our stakeholders.

TUI's Think Tank tackles tomorrow's big issues, bringing together external experts from tourism and related sectors, academics, market researchers and trend analysts. Be it demographic change, creating prosperity or digitisation – we seek to address these questions well ahead of time, so we are ready and waiting when the future arrives.



VIDEO:

Jessica Bruns in a conversation



RUNNER





Dr Michael Frenzel, Chairman of the Executive Board

Dear Shareholders,

The present Annual Report 2011/12 comprises the last annual financial statements of the TUI Group that I have the pleasure of presenting to you in my function as CEO of TUI AG. After 19 years at the helm of the TUI Group, I will pass the baton to my successor, Friedrich Joussen, in February 2013. Let me take this opportunity to thank you for the trust you have placed in me in all these years.

I will remain closely associated with tourism in my future work as Director of the German Tourism Association (BTW) and Chairman of the World Travel & Tourism Council (WTTC). In both these functions I hope to contribute the experience and contacts I have acquired over the past 15 years since we began transforming Preussag into TUI, the integrated tourism group that is now a global leader. One particular goal I wish to pursue is to help policy-makers and society at large deepen their understanding of the tourism sector with its tremendous economic significance as an international growth industry and job engine.

Tourism is and remains a growth sector, but it is nevertheless influenced by the macroeconomic environment.

Against the backdrop of the sovereign debt crisis, the outlook for global economic development grew bleaker in the course of financial year 2011/12. The volatility of financial markets reflected a general loss of confidence among all market participants in a rapid resolution of the complex problems facing Europe and the United States. Moreover, restrictive fiscal measures, in particular in the countries of southern Europe, resulted in higher unemployment and poorer consumer sentiment. Even in Germany, whose economy was still considered the driving force in Europe at the beginning of financial year 2011/12, signs of a forthcoming slowdown have intensified over recent months.

In the light of this challenging environment, tourism has again proven to be very resilient over the past twelve months. Throughout 2012, UNWTO expects the global travel and tourism market to grow by 3 to 4% (source: UNWTO, November 2012). In other words, the positive trends observed in tourism over recent years are set to continue.

Let me also emphasise another positive development that arose in the year under review, and one that I personally am very pleased about: as political calm took hold again in the countries of North Africa, many of our customers have returned to Egypt, Tunisia and Morocco. However, it will take quite some time for these attractive destinations to recover fully from the aftermath of the Arab Spring. Events in North Africa have shown, like the debates earlier in the year about a potential exit of Greece from the Eurozone, that external effects can have significant impacts on tourism.

In the completed financial year, tourism companies saw their costs driven up in particular by the high oil price. At the same time, in many countries the aviation market in particular still bears the hallmarks of structural overcapacity, resulting in fierce price competition, especially for me-too products. Against the backdrop of declining margins, some market participants have therefore been forced to initiate or reinforce restructuring measures.

However, in our opinion the difficult competitive environment also offers opportunities for strong tourism providers with a clear strategic alignment. Developments in other sectors, such as automotive and IT, have made one thing clear: tourism companies will only remain successful in the future if they extend beyond mere transportation or accommodation services and offer their customers added value. A further key to success are manageable and efficient in-house distribution channels, especially given the price transparency created by the web. Against a background of volatile financial markets, a third competition factor for companies, including those in tourism, are solid balance sheet and finance structures.

Despite the challenging environment, the TUI Group performed very well in financial year 2011/12. Group turnover rose by 4.9% to €18.3bn. The Group's operating earnings (underlying EBITA) rose considerably by 24% to around €746m. Reported earnings (EBITA) also climbed year-on-year by 21% to around €539m. This performance was not to be taken for granted in the environment outlined above and is also remarkable in comparison with some of our competitors.

We also succeeded in strengthening our financial structures. The Group's net debt was again substantially reduced by approximately €0.6bn to around €0.2bn in financial year 2011/12.

This deleveraging was essentially driven by the inflows of funds of around €700m from the further reduction in our investment in Hapag-Lloyd Containerschifffahrt. Having exercised our tender right, we came to an agreement with the Albert Ballin consortium in February 2012 that Hapag-Lloyd would fully repay the financing we had provided and that our financial stake in Hapag-Lloyd Holding AG would fall to 22%. This arrangement secures Hapag-Lloyd's existing strong shareholder base, while at the same time generating liquidity for the TUI Group based on a fair measurement of our shares and distinctly reducing our entrepreneurial risk in Container Shipping. We have thus progressed substantially on our path towards becoming a pure tourism group. The agreed rights also enable us to exit Container Shipping completely once the overall framework recovers.

Despite the positive developments outlined above, we propose to the Annual General Meeting not to pay a dividend for the completed financial year 2011/12. Although this would not on principle be ruled out in the light of the improvement in most of the Group's performance indicators, we wish to focus on further strengthening the Company's substance in weighing off opportunities and risks for the current financial year. Following intense debates, this is the predominant view held by the Executive Board and Supervisory Board.

At underlying EBITA of around €819m in Tourism, we significantly outperformed the prior year's earnings level by €162m in our core business. The success of TUI Travel, TUI Hotels & Resorts and TUI Cruises shows that we took the right decision in consistently focusing on exclusive and differentiated product, a further expansion of online distribution channels and an attractive portfolio of Group-owned hotels. Tailored products are indispensable for us to be able to offer our customers unique holiday experiences.

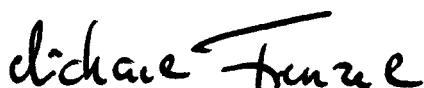
Our German cruise business also has unique selling propositions. In the period under review, we aligned this business even more closely to the strategic market segments of luxury and expedition cruises under the Hapag-Lloyd brand and premium cruises under the TUI Cruises brand. With the market launch of our new Europa 2, we positioned ourselves clearly in the five-star-plus segment in May 2013. TUI Cruises is also set for growth: in 2014 and 2015, the fleet will expand to include two attractive newbuilds that will set new standards in the premium segment.

With our strong brands and products we now have an excellent position in Tourism. We also intend to use this potential to even greater effect in the online world, which is growing in importance all the time. To this end, we launched a Group-wide initiative in the completed financial year for the digital transformation of our tourism business. Our team of experts is working full steam ahead to synchronise the various e-commerce activities in the TUI Group and create a common infrastructure. Our overall digital strategy applies to all TUI companies and takes account of the particularities of the individual business areas of tour operation, hotels and resorts, and cruises.

How can TUI expand its position, even in the digital world? This is a question that my successor, Friedrich Joussen, will likewise take up as a personal cause. Over the past few months, Friedrich Joussen has been working closely with me as he prepares for his new tasks at the top of the TUI Group. I am convinced that he is the right person to tap TUI's potential and continue growing the Group's value.

The TUI Group is very well positioned for the challenges ahead. With our strong brands, excellent products, committed employees and clear strategic orientation, we intend to shape the future.

My colleagues and myself cordially invite you to accompany us on this journey.



Dr Michael Frenzel,
Chairman of the Executive Board



From left to right, top: Christian Strenger, Frank Jakobi, Ingo Kronsforth, Anette Strempel, Ortwin Strubelt, Angelika Gifford, Prof. Dr Edgar Ernst, Prof. Dr Klaus Mangold (Chairman), Petra Gerstenkorn (Deputy Chairwoman)

Bottom: Arnd Dunse, Andreas Barczewski, Christian Kuhn, Vladimir Yakushev, Carmen Riu Güell, Anass Houir Alami

Not in the picture: Mikhail Noskov

CORPORATE GOVERNANCE

REPORT OF THE SUPERVISORY BOARD

Ladies and Gentlemen,

The Report of the Supervisory Board presented below informs you about our activities in financial year 2011/12. We performed our duties carefully in accordance with the law, the Articles of Association and our rules of procedure. Our duties included in particular discussing and deciding the Group's strategic development, various technical issues and transactions requiring our approval, working on the committees, monitoring compliance with the German Corporate Governance Code, reviewing the financial statements of TUI AG and the Group and deciding changes in the membership of the Company's boards.



Current composition of the
Supervisory Board at
[www.tui-group.com/en/
company/management](http://www.tui-group.com/en/company/management)

Cooperation between the Supervisory and the Executive Board

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

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

Deliberations in the Supervisory Board

In financial year 2011/12, five regular and two extraordinary Supervisory Board meetings were held. Two resolutions were passed by written circulation procedure.

Prior to Supervisory Board meetings, the shareholder representatives on the Supervisory Board met seven times, and the employees' representatives fifteen times in separate meetings. One Supervisory Board member attended fewer than half of the Supervisory Board meetings in financial year 2011/12. Average attendance at plenary meetings was 87.5%.

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

Plenary meetings

At our meeting on 26 October 2011, our agenda included the corporate budget for financial year 2011/12 and the forecast accounts for 2012/13 and 2013/14. Deliberations also focused on corporate governance issues. The declaration of compliance with the German Corporate Governance Code for 2011 was adopted in accordance with section 161 of the German Stock Corporation Act.

The meeting on 13 December 2011 focused on reporting and discussing the annual financial statements as per 30 September 2011, a comparison between target and actual figures for 2010/11 and the HR and social report for 2010/11. The discussions were also attended by representatives of the auditors, who were available to answer questions. Under the item Executive Board matters, we reviewed the appropriateness of Executive Board remuneration and pensions. At that meeting, the value of the reference indicator for the annual performance bonus for 2010/11 was established and the reference indicator for 2011/12 was determined. The agenda for that meeting also included the adoption of a resolution on the agenda for the 2012 Annual General Meeting. We adopted resolutions relating, *inter alia*, to the appropriation of retained earnings, ratification of the acts of management of the Executive Board and Supervisory Board as well as capital measures.

The meeting on 14 February 2012 served, *inter alia*, to prepare for the forthcoming ordinary Annual General Meeting, to be held the next day. In the framework of its regular reporting, the Executive Board also informed the Supervisory Board about the current financial year and the status of the investment in Hapag-Lloyd AG. The plenary resolved to further reduce this stake. Deliberations also focused on the report on the efficiency review, carried out for the Supervisory Board.

On 9 May 2012, the Supervisory Board meeting focused on the regular reports from the committees, discussion of developments in the current financial year and in particular the forecast accounts for 2011/12. The Supervisory Board was then informed about the new management structure for TUI Travel's Mainstream Business. We obtained a status report on the strategy project Digital Transformation, aimed at developing group-wide infrastructure for e-commerce activities. The plenary also resolved to issue employee shares.

The Supervisory Board held an extraordinary meeting on 22 June 2012, mainly to discuss alternative options for the Group's strategic development.

In the framework of an early succession arrangement for TUI AG's CEO, an extraordinary meeting was held on 30 July 2012, at which the Supervisory Board resolved to appoint Friedrich Joussen a member of the Executive Board as per 15 October 2012 and to appoint him CEO in February 2013. Building on the outcome of the meeting held on 22 June 2012, discussion of the Group's strategic development continued. The meeting also discussed to adjust the remuneration of the Supervisory Board which had not been increased for years. The new remuneration model increases the fixed annual remuneration while eliminating the shortterm variable component so as to gear compensation more strongly to the long-term success of the Company. This adjustment will be presented to the Annual General Meeting on 13 February 2013 to adopt a resolution.

The Supervisory Board came together for a two-day meeting on 5 and 6 September 2012. In the plenary, we held a detailed discussion with the Executive Board about fundamental aspects of the Group's strategic development. In this context, the Executive Board presented a report on the position and initiatives of the existing tourism operations and outlined the TUI Group's medium- and long-term goals. Apart from regular reports from the Supervisory Board's committees, the agenda included a report from the Executive Board on the current financial year. A motion that TUI Cruises should build a new cruise ship was carried.

After the cut-off date for the financial year, the Supervisory Board met again on 24 October 2012, mainly in order to discuss the budget for 2012/13 and the forecast accounts for 2013/14 and 2014/15. It also determined the reference indicator as provided by the contract, for the annual performance bonus for 2012/13. The Executive Board also informed us about the current status of the ongoing litigation with Babcock Borsig.

The Supervisory Board also discussed the online strategy and the planned changes as well as the project Castelfalfi in Tuscany.

Supervisory Board and committees



See page 26/27

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

Chairman's Committee

The Chairman's Committee prepares the resolutions and issues to be dealt with by the Supervisory Board. In the period under review, the Chairman's Committee held ten meetings, five regular and five extraordinary. Its deliberations focused on preparing the subsequent plenary meetings. The Chairman's Committee also regularly discussed matters relating to the Executive and Supervisory Board, including a review of the remuneration of the Supervisory Board and Executive Board and an efficiency review of the Supervisory Board. At an extraordinary meeting, the Chairman's Committee discussed the status of the investment in Hapag-Lloyd AG and prepared a resolution to reduce that stake.

Audit Committee

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

In financial year 2011/12, the Audit Committee met four times. All meetings were attended by auditor representatives, the CEO and other Executive Board members. The work of the committee focused on deliberating the annual financial statements of TUI AG, the consolidated financial statements, the consolidated management report and the interim reports.

The auditor representatives presented detailed reports on the audits and the reviews of the three interim reports.

The Audit Committee was, moreover, kept updated about the planning and reporting systems. The agenda regularly included reports on the development of compliance activities in the Group. Further items were the report by Group Audit and the audit plan for financial year 2011/12. The committee was also informed about the risk situation, risk management and hedging transactions to protect against exposure to changes in exchange rates, interest rates and fuel prices. In the framework of the reporting about the Company's risk situation, the Audit Committee also dealt with the risk assessment regarding pending litigation, in particular the Babcock Borsig case. Moreover, the Audit Committee presented its recommendation to the Supervisory Board on the election of the auditors for financial year 2012/13.

Work of the Nomination Committee

The Nomination Committee held four meetings in the financial year under review. Deliberations focused on a succession arrangement for the CEO and the nomination of a female candidate to succeed a shareholder representative on the Supervisory Board, Roberto López Abad.

Corporate Governance



See from page 28

The Supervisory Board regularly discussed corporate governance issues. Details are provided in the Corporate Governance Report of the present Annual Report.

At the meeting on 24 October 2012, the Executive Board and Supervisory Board discussed an update of the declaration of compliance with the German Corporate Governance Code pursuant to section 161 of the German Stock Corporation Act. The current joint declaration of compliance was made permanently accessible to the public on TUI AG's website on December 2012. Accordingly, TUI AG complies with all recommendations of the German Corporate Governance Code in its currently applicable version dated 15 May 2012.

The Supervisory Board reviewed the efficiency of its activities. The results of this efficiency review were discussed at the Supervisory Board meeting on 14 February 2012.

In the period under review, the Supervisory Board was not informed about any conflicts of interest affecting any Executive Board or Supervisory Board member which should be presented to the Annual General Meeting.

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



Auditor's report see
page 263

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover, audited the annual financial statements of TUI AG, prepared in accordance with the provisions of the German Commercial Code (HGB), as well as the joint management report of TUI AG and the TUI Group, and the consolidated financial statements for the 2011/12 financial year prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS), and issued their unqualified audit certificate. The above documents, the Executive Board's proposal for the appropriation of retained earnings and the audit reports by the auditors had been submitted in time to all members of the Supervisory Board. They were comprehensively discussed at the Audit Committee meeting of 17 December 2012 and the Supervisory Board meeting of 18 December 2012, convened to discuss the annual financial statements, at which the Executive Board provided comprehensive explanations of the financial statements. At those meetings, the auditors reported on the findings of their audits, having determined the key audit areas for the financial year under review with the Audit Committee beforehand. Neither the auditors nor the Audit Committee identified any weaknesses in the early risk detection and internal control system. On the basis of our own review of the annual financial statements of TUI AG and the Group and the joint management report, we did not have any grounds for objections and therefore agreed with the Executive Board's evaluation of the situation of TUI AG and the TUI Group. Upon the recommendation of the Audit Committee, we approve the annual financial statements for financial year 2011/12, which are thereby adopted. We discussed the proposal for the appropriation of profits with the Executive Board and approved the proposal in the light of the current and expected future financial position of the Group.

Executive Board, Supervisory Board and committee membership

In financial year 2011/12, the composition of the boards of TUI AG changed as follows:

Supervisory Board

On 26 March 2012, the district court of Hanover appointed Angelika Gifford as a member of the Supervisory Board of TUI AG with immediate effect. Ms Gifford complements the TUI AG Supervisory Board knowhow with her information technology and online business expertise. She replaces Roberto López Abad, who had previously resigned from his Supervisory Board mandate. The Supervisory Board thanks Mr López Abad for his contribution.

Executive Board

Dr Peter Engelen, member of the Executive Board of TUI AG in charge of HR and Legal, resigned from his mandate as per 31 August 2012 at his own request. The Supervisory Board thanks Dr Engelen for his committed service to the Group over many years.

In the financial year under review, a succession arrangement for the CEO was adopted: Dr Michael Frenzel will terminate his active career upon the close of the Annual General Meeting on 13 February 2013. He will be succeeded by Friedrich Joussen, who joined TUI AG's Executive Board on 15 October 2012. The Supervisory Board gratefully acknowledges Dr Frenzel for his successful work and his efforts on behalf of the Group. His merits in the service of the Company will be specifically recognised at the Annual General Meeting in February 2013.

The Supervisory Board

A handwritten signature in black ink, appearing to read "Klaus Mangold".

Prof. Dr Klaus Mangold
Chairman of the Supervisory Board

Hanover, 18 December 2012

CORPORATE GOVERNANCE

EXECUTIVE BOARD AND SUPERVISORY BOARD

Annex to the Notes

Executive Board of TUI AG¹⁾

Name	Department	Other Board Memberships	
Dr Michael Frenzel (Age 65)	Chairman Member of the Executive Board from 1988, Chairman of the Executive Board from 1994, current appointment until Feb 2013	a) AWD Holding AG AXA Konzern AG TUI Cruises GmbH ²⁾ TUIfly GmbH ²⁾ TUI Deutschland GmbH ²⁾	b) TUI China Travel Co. Ltd. TUI Travel PLC ²⁾
Horst Baier (Age 55)	Finance Human Resources Personnel Director Member of the Executive Board from 2007, current appointment until Nov 2015	a) Hapag-Lloyd AG Hapag-Lloyd Holding AG TUIfly GmbH TUI Deutschland GmbH TUI Leisure Travel GmbH	b) RIUSA II S.A. ²⁾ TUI Travel PLC
Dr Peter Engelen (Age 55)	Human Resources and Legal Affairs Personnel Director Member of the Executive Board from 2001, resigned as at 31 Aug 2012	a) Hannoversche Volksbank eG TUIfly GmbH TUI Deutschland GmbH TUI Leisure Travel GmbH	b) TUI China Travel Co. Ltd.
Friedrich Joussen (Age 49)		a) –	b) –
	Member of the Executive Board from 15 Oct 2012, current appointment until Oct 2015		
Peter Long (Age 60)	Tourism Member of the Executive Board from 2007, current appointment until Aug 2014	a) –	b) Rentokil Initial PLC TUI Nederland N.V. TUI Nederland Holding N.V. TUI Travel Belgium N.V. TUI Travel PLC

¹⁾ Individual related information refers to 30 Sep 2012 or date of entry in/resignation from the Executive Board in financial year 2011/12.

²⁾ Chairman
³⁾ Deputy Chairman

a) Membership in Supervisory Boards required by law
b) Membership in comparable Boards of domestic and foreign companies

Supervisory Board

Name	Function/Occupation	Location
Prof. Dr Klaus Mangold	Chairman Chairman of the Supervisory Board of Rothschild GmbH	Stuttgart
Petra Gerstenkorn¹⁾	Deputy Chairwoman Member of the Federal Executive Board of ver.di – Vereinte Dienstleistungsgewerkschaft	Berlin
Anass Houir Alami	Chief Executive of Caisse de Dépôt et de Gestion (CDG)	Rabat
Andreas Barczewski¹⁾	Aircraft Captain	Hanover
Arnd Dunse¹⁾	Head of Group Controlling Department of TUI AG	Bad Nenndorf
Prof. Dr Edgar Ernst	President of Deutsche Prüfstelle für Rechnungslegung	Bonn
Angelika Gifford (since 26 Mar 2012)	Senior Director der Microsoft Deutschland GmbH	Kranzberg
Frank Jakobi¹⁾	Travel Agent	Hamburg
Ingo Kronsfoth¹⁾	Head of Aviation Sector of ver.di – Vereinte Dienstleistungsgewerkschaft	Berlin
Christian Kuhn¹⁾	Travel Agent	Hanover
Roberto López Abad (until 15 Feb 2012)	ex. Chief Executive of Caja de Ahorros des Mediterráneo	Alicante
Mikhail Noskov	Chief Financial Officer of Sever Group	Moscow
Carmen Riu Güell	Chief Executive Officer of RIUSA II	Palma de Mallorca
Anette Strempel¹⁾	Travel Agent	Hemmingen
Christian Strenger	Member of Supervisory Boards	Frankfurt/Main
Ortwin Strubelt¹⁾	Travel Agent	Hamburg
Vladimir Yakushev	Head of the representative office of SGCM Ltd. in Russia	Moscow

¹⁾ representative of the employees

Committees			Other Board Memberships²⁾	Name
Presiding Committee	Audit Committee	Nomination Committee		
•	•	•	a) Alstom Deutschland AG ³⁾ Continental AG Metro AG a) TUI Deutschland GmbH ⁴⁾ b) Atlanta Ciments du Club Méditerranée Fonds d'Équipement Communal Fonds Igrane Fonds Marocain de Placement	Prof. Dr Klaus Mangold Petra Gerstenkorn ¹⁾ Anass Houir Alami Andreas Barczewski ¹⁾ Arnd Dunse ¹⁾ Prof. Dr Edgar Ernst Angelika Gifford Frank Jakobi ¹⁾ Ingo Kronsforth ¹⁾ Christian Kuhn ¹⁾ Roberto López Abad Mikhail Noskov Carmen Riu Güell Anette Stempel ¹⁾ Christian Strenger Ortwin Strubelt ¹⁾ Vladimir Yakushev
•	• Chairman		a) Deutsche Postbank AG Gildemeister AG Wincor Nixdorf AG a) Lufthansa CityLine GmbH, TUIfly GmbH a) TUI Deutschland GmbH b) ABR Management CJSC Mostotrest National Media Group Non-state Pension Fund Gazfond Non-state Pension Fund Stalfond b) Hotel Obelisco S.A. Hotel San Francisco S.A. MX Riusa II a) TUI Deutschland GmbH a) DWS Investment GmbH Evonik Industries AG Fraport AG b) Advanced Dimond Technologies, Inc. Centice Corp. Fiberzone Networks, Inc. Nano-Optic Devices, LLC ³⁾ OJSC Metallurgical Commercial Bank ³⁾	 b) Alstom S. A. Ernst & Young Global Limited Leipziger Messe GmbH Rothschild GmbH ³⁾ b) DBV Öffentlichrechtliche Anstalt für Beteiligungen Group Morocco Holding Al Omrane Maroc-Italcementi MediTV MEDITEL Moroccan Financial Board Poste Maroc Sanad b) Österreichische Post AG Nord Gold N.V. Severstal Sveza Video International CJSC Productores Hoteleros Reunidos S.A. Riu Hotels S.A. b) The Germany Funds ³⁾ OOO Aksimed ³⁾ OOO Innolume ³⁾ OOO Nanooptic Devices ³⁾ OOO Spectralus ³⁾ Spectralus Corp. ³⁾ a) Membership in Supervisory Board required by law b) Membership in comparable Boards of domestic and foreign companies

²⁾ Information refers to 30 September 2012 or date of entry in/resignation from the Supervisory Board of TUI AG in financial year 2011/12.

³⁾ Chairman
⁴⁾ Deputy Chairman

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE REPORT

Part of the Management Report

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

In this chapter, the Executive Board – also acting on behalf of the Supervisory Board – reports on corporate governance in the Company pursuant to sub-section 3.10 of the German Corporate Governance Code and section 289a (1) of the German Commercial Code (HGB).

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

TUI has consistently based its corporate governance on the recommendations and suggestions in the German Corporate Governance Code. The most recent version of this Code is dated 15 May 2012. The Executive Board and the Supervisory Board discussed corporate governance issues several times in financial year 2011/12 and jointly submitted the declaration of compliance for 2012 on December 2012, pursuant to section 161 of the German Stock Corporation Act. The declaration was made permanently accessible to the general public on TUI AG's website.



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

Wording of the declaration of compliance for 2012

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

The Supervisory Board decided in October 2012 to specify an age limit for future appointments and extensions to the contracts of Executive Board members (no. 5.1.2 German Corporate Governance Code). Likewise in October 2012, the Supervisory Board adopted the principle of including at least three independent shareholder representatives among its members, an objective which is already reflected in its current composition (nos. 5.4.1 and 5.4.2 of the German Corporate Governance Code).

Other than that, the recommendations of the Government Commission on the German Corporate Governance Code in its version of 15 May 2012, as published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette on 15 June 2012, have been complied with in full."

Functioning of the Executive and Supervisory Boards

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



For functions, see section on Executive Board and Supervisory Board page 25 ff.

TUI AG's Executive Board comprised three members as at the closing date 30 September 2012. Friedrich Joussen joined the Board on 15 October 2012 so that the Executive Board has consisted of four members since then. The Executive Board is responsible for managing the Company's business operations in the interests of the Company. The allocation of duties and responsibilities to the individual Board members is described in a separate section. The Supervisory Board decided in October 2012 to specify an age limit for future appointments and extensions to the contracts of Executive Board members.



For details on the work by the Supervisory Board, see its Report page 18

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

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

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



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

Composition of the Supervisory Board

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

Since the appointment of Angelika Gifford on 26 March 2012, the Supervisory Board has comprised two female members each among the shareholder and employee representatives. Ten members of the Supervisory Board have extensive international experience. The Supervisory Board also brings together a broad knowledge of the industry. Due to the different career paths of its members, the composition of the Supervisory Board also reflects a broad spectrum of relevant experience and skills. The shareholder representatives include at least three individuals with no commercial or personal links to the company, its Executive Board or any third party that might be construed as constituting a conflict of interest.

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

Committees of the Supervisory Board

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

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

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

Additional corporate governance disclosures



AGM on 13 February 2013
online at
[www.tui-group.com/en/
ir/agm](http://www.tui-group.com/en/ir/agm)

Shareholders and Annual General Meeting

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

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

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

Risk management

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



Risk Report see page 132

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

Transparency

TUI provides immediate, regular and up-to-date information about the Group's economic situation and new developments to capital market participants and the interested public. The annual report and the interim reports are published within the applicable timeframes. The Company publishes press releases and ad hoc announcements, where appropriate, on topical events and any new developments. All information is published simultaneously in German and English and is available in suitable electronic form. Moreover, the company website at www.tui-group.com provides comprehensive information on the TUI Group and the TUI Share.



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

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



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

Directors' dealings

Notifiable purchase and sale transactions of TUI AG shares or related financial instruments by directors (directors' dealings) in relation to financial year 2011/12 were disclosed to the Company by Friedrich Joussen, who at the time of acquiring shares at the end of September 2012 had already been appointed to TUI AG's Executive Board with effect from 15 October 2012.



See Auditor's report
page 263

Accounting and auditing

TUI AG prepares its consolidated financial statements and consolidated interim financial statements in accordance with the provisions of the International Financial Reporting Standards (IFRS) as applicable in the European Union. The statutory annual financial statements of TUI AG, which form the basis for the dividend payment, are prepared in accordance with the German Commercial Code (HGB). The consolidated financial statements are prepared by the Executive Board, audited by the auditors and approved by the Supervisory Board. The interim reports are discussed between the Audit Committee and the Executive Board prior to publication. The consolidated financial statements and the financial statements of TUI AG were audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover, the auditors elected by the 2012 AGM. The audit was based on German auditing rules, taking account of the generally accepted auditing standards issued by the German Auditors' Institute as well as the International Standards on Auditing. It also covered risk management and compliance with reporting requirements concerning corporate governance pursuant to section 161 of the German Stock Corporation Act.

In addition, a contractual agreement was concluded with the auditors to the effect that the auditors will immediately inform the Supervisory Board of any grounds for disqualification or partiality as well as of all findings and events of importance arising during the performance of the audit. No grounds arose to provide such information during the audit of financial year 2011/12. The condensed consolidated interim financial statements and the consolidated interim management reports as at 31 December 2011, 31 March 2012 and 30 June 2012 were examined by the auditors.

Compliance – A keystone of entrepreneurial action

The commitment to sustainable commercial, environmental and social activity and management is an indispensable part of TUI's corporate culture. TUI's Compliance Management System, an essential element of TUI's corporate governance, is a keystone in the achievement of that vision.

Code of Conduct

Compliance with legal provisions is the cardinal principle and a key component of TUI's corporate values. Policies and internal rules have been adopted which set out how to implement and comply with legal requirements. TUI's published Code of Conduct was drawn up and published for the entire Group. It enshrines guiding principles for everyone to follow, from executives and senior management to every Group employee. The Code of Conduct defines minimum standards. It aims to assist our employees in mastering the ethical and legal challenges arising in their everyday work and to provide orientation in conflict situations.

Compliance Management System

TUI's Compliance Management System brings together a variety of internal measures and processes. TUI's Compliance Management System initially focused on creating fundamental structures within the Group, in particular compliance rules, communication measures and reporting structures. In financial year 2011/12, measures were initiated to develop the Compliance Management System into an integrated governance, risk and compliance management system. This will entail preparing and evaluating comprehensive process analyses and documentation as part of a group-wide project based on the so-called COSO model. The project aims to develop a process and control landscape tailored to TUI's needs and requirements and capable of securing cost-efficient sustainable action in conformity with the rules, reflecting the preventative approach.



Compliance online at
[www.tui-group.com/en/
company/compliance](http://www.tui-group.com/en/company/compliance)



For details on COSO see
page 140

Compliance rules

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

Compliance structure

The TUI Group, a global player, employs more than 70,000 people from different countries and cultures. Compliance is a key priority in our Group. In 2011/12, the Compliance structure was further developed and expanded. Many Group companies appointed additional compliance officers. Their responsibilities include the following:

- raising awareness for Compliance,
- achieving the goals of the Code of Conduct and the Compliance rules,
- implementing training schemes,
- advising managers and employees,
- securing the required exchange of information,
- providing regular reports.

Compliance training

Compliance training is carried out according to a graded concept. Managers and staff at TUI all benefit from face-to-face teaching, an e-learning programme devoted to Compliance and the Code of Conduct and the "Compliance Compass" brochure, enabling all our employees to acquaint themselves with Compliance and the underlying corporate values regardless of their position in the company hierarchy and their geographical location. Moreover, some TUI companies and Sectors offer training schemes with a particular focus to raise the participants' awareness for specific challenges as and when necessary. This preventative approach is expected to establish competence in handling routine and conflict situations throughout the TUI Group.

Whistleblowing

As TUI's Code of Conduct constitutes the basis of our activities, any infringements of this Code which are reported or otherwise come to light will be rigorously investigated in the interests of all stakeholders and the Company. Our top priority is to ensure confidentiality and handle information discreetly. Apart from notifying compliance infringements to supervisors, compliance officers or the Compliance Office, employees can also report infringements anonymously via the in-house TUI SpeakUp Line, which operates worldwide. Whistleblowers are able to submit their information over the phone or using a web-based facility. Any incidents reported are analysed by an evaluation committee specifically set up for that purpose and the necessary action is then taken. Infringements will be investigated and the causes eradicated in the interests of all our staff and the Company itself. In international business, misconduct will be rigorously prosecuted in accordance with relevant national provisions.

Remuneration Report



Executive Board of
TUI AG at
[www.tui-group.com/en/
company/management](http://www.tui-group.com/en/company/management)

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 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.

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 PLC.

Remuneration of the Executive Board in financial year 2011/12

The remuneration granted to TUI AG's Executive Board members for 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 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.



See page 36

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 3.1m shares in TUI Travel PLC eligible for release. As 1.3m 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 3.8m 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 Sep 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 Sep 2012	461,376

Remuneration of individual Executive Board members

€ '000	Fixed remuneration	Annual performance-based remuneration	Long-term incentive programme	Supervisory Board mandates in the Group	Individual remuneration	
					Total 2011/12	Total 2010/11
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 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

€ '000	Pension contribution
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 arrangements

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 financial year 2011/12 and an annual management bonus for 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 financial year 2013/14, 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

€ '000	Addition to pension provisions		Net present value	
	2011/12	2010/11	30 Sep 12	30 Sep 11
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 financial year 2011/12, 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 financial year 2011/12, 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 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 instalments, 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.



Articles of Association at
[www.tui-group.com/en/ir/
 corporate_governance](http://www.tui-group.com/en/ir/corporate_governance)

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

€ '000	2011/12	2010/11
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

€ '000	Fixed	Short-term variable	Long-term variable	Committee membership	Individual remuneration		Total
					Supervisory Board mandates in the Group		
Prof. Dr Klaus Mangold (Chairman)	120.0	–	54.0	20.0	–	–	194.0
Petra Gerstenkorn (Deputy Chairwoman)	60.0	–	25.5	–	16.0	–	101.5
Anass Houir Alami	40.0	–	17.0	–	–	–	57.0
Andreas 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 Kronsforth	40.0	–	15.5	20.0	11.0	–	86.5
Christian Kuhn	40.0	–	18.5	–	16.6	–	75.1
Roberto López Abad (until 15 Feb 2012)	15.0	–	9.3	–	–	–	24.3
Mikhail Noskov	40.0	–	18.5	–	–	–	58.5
Carmen Riu Güell	60.0	–	30.8	–	–	–	90.8
Anette Strempel	40.0	–	15.5	–	11.0	–	66.5
Christian Strenger	40.0	–	18.5	20.0	–	–	78.5
Ortwin Strubelt	40.0	–	15.5	20.0	–	–	75.5
Vladimir Yakushev	60.0	–	23.3	–	–	–	83.3
Total	793.6	–	348.4	160.0	54.6	–	1,356.6

In keeping with agreements with her employer, Ms Gifford refrained from claiming remuneration for her Supervisory Board mandate pursuant to section 18 of TUI AG's Articles of Association. Ms Gifford's travel and other expenses were reimbursed in financial year 2011/12.

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 financial year 2011/12 and thus did not receive any remuneration.

TUI SHARE

Share price rises by around 73% in a challenging market environment.

Market environment

The first quarter of financial year 2011/12 was characterised by a deteriorating sovereign debt crisis in Europe and uncertain economic prospects globally. Both factors caused substantial nervousness in the international financial markets. Countermeasures such as the resolutions adopted by the European heads of state and government at the EU summit in October 2011 only resulted in a short-term easing of the situation. In early 2012, the global economy picked up and discussion of the euro temporarily abated. By April 2012, however, the international stock markets had the common currency back in their sights. The uncertain outcome of the parliamentary elections in Greece and concerns about the Spanish banking sector caused additional uncertainty among the market participants. In June 2012, the European debt crisis deepened. Spain and Cyprus officially applied for assistance from euro bail-out funds. The future of the euro remained the key issue for international financial markets across the fourth quarter of 2011/12. Positive effects resulted from the clear commitment to the currency by the European Central Bank (ECB) and individual member states. The ECB's commitment to purchasing an unlimited number of government bonds from Eurozone member states under certain conditions and the ruling by the Karlsruhe court on the Euro Stabilisation Mechanism ESM were also received with great relief. In this overall environment, the global indexes continued to recover, although the momentum dwindled following a downward revision of economic forecasts for the Asian economy.

The MDAX index, where the TUI share is listed, showed an overall positive development in the period under review. Starting into the financial year 2011/12 at 8,341 points, the MDAX closed at 10,978 points at the end of the reporting period. This is an increase of around 32%.

TUI Share data

30 September 2012	
WKN	TUAG00
ISIN	DE000TUAG000
Reuters/Bloomberg	TUIGn.DE/TUI1.GR
Stock category	Registered ordinary shares
Capital stock	€644,927,499
Number of shares	252,273,710
Market capitalisation	€1,691,242,952

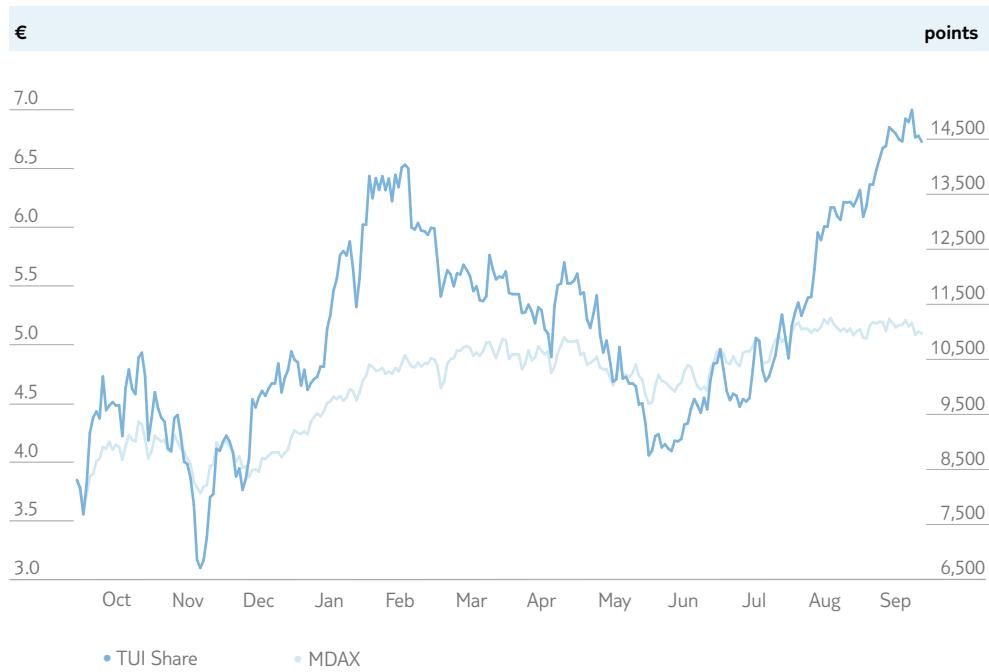
Development of the TUI Share price in financial year 2011/12

In financial year 2011/12, the TUI Share showed an overall positive development, outperforming the challenging market with a rise of 73%. Following an opening price of €3.88, the share price declined in line with the market in the wake of the debates about the sovereign debt crisis, reaching its annual low of €3.14 on 23 November 2011.

By contrast, from the end of November 2011 until mid-February 2012, the TUI Share more than doubled its value. This development was supported by the prospects of a sale of the remaining stake in Hapag-Lloyd and TUI's announcement that it would be tendering around 33% of the Hapag-Lloyd shares to the Albert Ballin consortium. In mid-February 2012, TUI reached an agreement with the Albert Ballin consortium to reduce its stake to around 22% by June 2012 and to terminate the hybrid II financing. This transaction guaranteed a cash inflow of €700m and had a positive effect on the share price.

As of the end of February 2012, the relative outperformance of the TUI Share against the MDAX gradually narrowed again. This was driven by stronger uncertainty about developments in Greece and Spain and the placement of shares by a Spanish bank. As of June 2012, sound current trading and financial indicators prompted a lasting recovery of the share, which considerably outperformed the MDAX in the last two months of the financial year. At €6.70, the TUI Share closed the reporting period almost at its high of €6.97.

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



Long-term development of the TUI Share

€	2008	SFY 2009	2009/10	2010/11	2011/12
High	18.78	8.39	9.05	10.86	6.97
Low	7.32	3.37	4.69	3.68	3.14
Year-end share price	8.05	7.05	8.98	3.88	6.70

Quotations, indexes and trading

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

TUI Travel PLC share

TUI Travel PLC shares have been traded on the London Stock Exchange for listed securities since 3 September 2007 and have been quoted on the FTSE 250 index since June 2011.

TUI Travel PLC share data

30 September 2012	
ISIN	GB00B1Z7RQ77
Reuters/Bloomberg	TT.L/TT/LN
Stock category	Registered ordinary shares
Number of shares	1,118,010,670
Market capitalisation	£2,617,262,978

TUI Share in the MDAX and Prime Standard

The TUI Share has been included in the German share index MDAX. The crucial criteria for admission to the index are trading volume and market capitalisation. The TUI share ranked 25th and 31st on these points in September 2012. TUI has also been listed in the Prime Standard of the Frankfurt Stock Exchange and thus meets the high international transparency standards of this segment, over and above legal requirements. Furthermore, the TUI Share is included in several industry indexes in the German stock market, including DAXsupersector Industrials and DAXsector All Transportation & Logistics.

Among the sustainability indexes, the TUI Share has, for the second time, been listed as industry leader in the Travel & Tourism sector of the Dow Jones Sustainability Indexes (DJSI) World and Europe since 24 September 2012. At the annual review of the sustainability ranking, the Group scored particularly well in the categories climate strategy, risk and crisis management, and stakeholder engagement. Moreover, TUI's listing in the FTSE4Good was confirmed in September 2012, and TUI is also listed in the DAXglobal Sarasin Sustainability Germany, Ethibel Excellence Index and ECPI Ethical Index Euro. oekom Research AG again awarded "prime" investment status to TUI in financial year 2011/12.



For institutional and private investors, analyses and recommendations by financial analysts are a key decision-making factor. In the financial year under review, around 20 analysts regularly published studies on TUI. In September 2012, 82% of analysts recommended buying the TUI Share, with 18% recommending "hold". None of the analysts recommended "sell".

Date: September 2012

Trading in TUI Shares rose again year-on-year in the period under review. The average daily trading volume was 1.39m no-par value shares, up by around 10% against financial year 2010/11. The total annual trading volume was around 355m no-par value shares.

Capital stock and number of shares

Employee shares

159,490 employee shares were issued in financial year 2011/12. At the balance sheet date, the capital stock totalled €644,927,499, consisting of 252,273,710 no-par value shares certificated by global certificates. The proportionate share capital attributable to each individual share is around €2.56. Apart from subscribed capital, there is also authorised and conditional capital, as outlined in greater detail in the Notes to the consolidated financial statements.



See from page
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Convertible bonds

In March 2011, TUI AG issued convertible bonds with subscription rights with a total value of around €339m, maturing in 2016, with a coupon of 2.75%. From these bonds, one bond was converted into five shares in financial year 2011/12.

In October/November 2009, TUI AG had already issued a convertible bond with a total volume of around €218m. The bond had a five-year time to maturity and a coupon of 5.50%. In the period under review, 41,747 bonds of ten shares each were converted from this issue. As a result, the total volume outstanding from this convertible bond decreased to around €215m.

At the balance sheet date, the bondholders held conversion rights for a total of 66,814,720 TUI Shares from convertible bonds.



Details on the 2012 AGM at
www.tui-group.com/en/ir/agm/2012

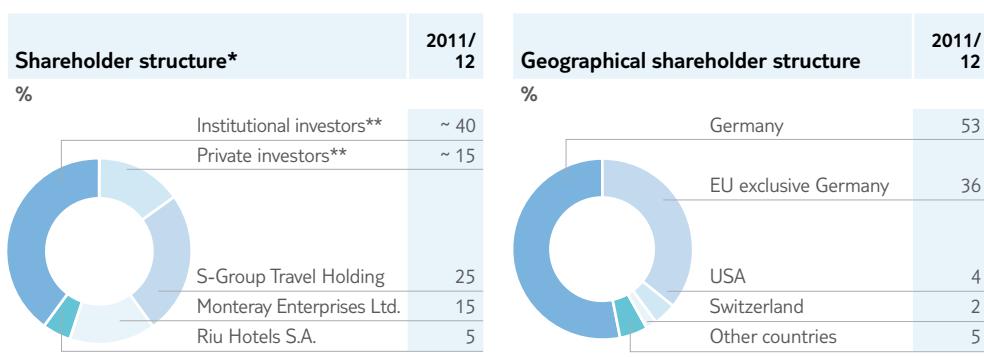
Resolutions of the 2012 Annual General Meeting

The 53rd ordinary Annual General Meeting was held in Hanover on 15 February 2012. Approx 2,000 shareholders and shareholder representatives, accounting for around 68% of the voting capital, participated in the AGM. The acts of the Executive and Supervisory Boards of the Company were ratified by a large majority of votes. The AGM also adopted resolutions on new conditional capital and the appointment of auditors.



Shareholder structure

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



* Securities Trading Act disclosures

** Free float according to the definition by Deutsche Börse

At the end of financial year 2011/12, around 55% of TUI Shares were in free float. Around 15% of all TUI Shares were held by private shareholders, around 40% by institutional investors and around 45% by strategic investors. According to an analysis of the share register, these were mainly investors from Germany and other EU countries.

Dividend

TUI AG's net profit for the year totals €127,9m. A proposal has been submitted to the Annual General Meeting to carry the profit available for distribution of €116.6m forward on new account and suspend a dividend payment for financial year 2011/12.

Development of dividends and earnings of the TUI Share

€	2008	SFY 2009	2009/10	2010/11	2011/12
Earnings of the TUI Share	- 0.65	+ 1.32	+ 0.30	- 0.01	- 0.16
Dividend	—	—	—	—	—

Rating

Rating

TUI's financial strength is subject to regular ratings by the international agencies Standard & Poor's and Moody's. In February 2012, Moody's lifted its outlook for TUI's corporate rating from "stable" to "positive". In November 2012, Standard & Poor's also lifted its outlook for TUI's credit rating from "stable" to "positive". This gave the Company the same rating from both rating agencies as at November 2012.

Rating agencies

	Corporate rating	Outlook
Standard & Poor's	B-	positive
Moody's	B3	positive



For details, see Financial position from page 114

Bonds online at
www.tui-group.com/en/ir/bonds_ratings/bonds



Investor relations online at
www.tui-group.com/en/ir

Bonds

The respective ratings and further details about the four bonds traded in the capital market with an issuance volume of around €1.1bn are provided in the chapter "Financial position".

Investor Relations

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

Apart from the development of business operations in Tourism, Investor Relations activities focused on several other issues in the year under review:

- the strategic development of the Group.
- the successful reduction of the Hapag-Lloyd stake to around 22%.
- the significant improvement in the net debt position of the Group and AG.

These issues were key topics discussed at numerous one-on-ones; they were comprehensively dealt with at the conference calls held when the interim reports were published as well as at the annual analysts' meeting. TUI also stayed in close touch with its investors and analysts through conferences and road shows in Europe and the United States. At many of these meetings, management personally answered questions raised by the capital market.

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

TUI has expanded its online services for the Annual General Meeting. In the completed financial year, shareholders were offered the opportunity for the first time to register to receive the documents for the AGM in electronic format. This option helps to protect the environment and save costs. As usual, shareholders were also able to use an internet tool on the Investor Relations website to register for the Annual General Meeting, order a guest card or instruct one of the proxies provided by the Company. This service was again well received, with approx. 27% of shareholders ordering their admission tickets via the web.

MANAGEMENT REPORT

FINANCIAL YEAR 2011/12 – AN OVERVIEW

Considerable growth in turnover and operating earnings by Tourism. TUI stake in Hapag-Lloyd reduced to around 22%. Reduction in Group net debt to €0.2bn.

Positive business performance in Tourism

In financial year 2011/12, the TUI Group performed well. The Group's turnover rose by 4.9% to €18.3bn in financial year 2011/12 on stable customer numbers. Earnings in the period under review were determined above all by persistently strong demand for differentiated product in TUI Travel and higher average prices as well as successful cost management at Riu, the largest hotel company. Operating earnings (underlying EBITA) in Tourism increased to €819.0m, up €162.4m year-on-year. Reported earnings (EBITA) in Tourism amounted to €619.3m, up €142.5m year-on-year.

TUI Travel

In the period under review, TUI Travel increased its underlying EBITA by €137.3m to €637.4m. TUI tour operators in the UK, in particular, significantly outperformed their competition. The other TUI tour operators also benefited from strong demand and sound pricing in the summer season. The ongoing restructuring projects in France (Convergence project) and Germany (GET project) generated initial savings.

TUI Hotels & Resorts

At €178.6m, underlying earnings by TUI Hotels & Resorts were €33.3m up year-on-year. TUI Hotels & Resorts benefited in particular from the very positive development of Riu hotels, which achieved higher average prices.

Cruises

In the period under review, earnings by the Cruises Sector reflected start-up costs and price measures related to the fleet expansion in Hapag-Lloyd Kreuzfahrten. TUI Cruises recorded a persistently high occupancy of its ships and again showed a positive performance. Overall, underlying EBITA by the Cruises Sector fell by €8.2m year-on-year to €3.0m in the period under review.

TUI Group

At €745.7m, underlying earnings by the Group grew by €145.6m year-on-year. While Tourism reported improved earnings, Central Operations recorded a deterioration driven by higher consultation expenses and higher provisions for share-based long-term incentive programmes.

Container Shipping (financial investment)

Underlying EBITA in Container Shipping fell to €79.4m (previous year €212.3m; basis 100%) in the period under review. As a consequence, the at equity earnings from the financial investment in Hapag-Lloyd, shown in TUI AG's consolidated financial statements, also declined year-on-year to €-49.0m (previous year €-2.1m).

Group profit for the year

In financial year 2011/12, the Group profit for the year rose to €141.9m (previous year €118.2m).

Net debt

Above all due to an inflow of funds of around €700m from further reducing the commitment to Container Shipping, the TUI Group's net debt declined by around €0.6bn to around €0.2bn as against the last balance sheet date.

TUI stake in Hapag-Lloyd reduced to around 22%

On 13 December 2011, TUI AG used its contractually agreed exit right and tendered 33.3% of its stake in Hapag-Lloyd to the Hamburg-based Albert Ballin consortium. In February 2012, TUI AG and the shareholders of the Albert Ballin consortium concluded an agreement entailing a reduction in TUI's stake in Hapag-Lloyd and the repayment and conversion of the hybrid II capital (€350m).

The transaction was effected in several steps:

- In February 2012, Hapag-Lloyd redeemed a part of the hybrid II financing worth €100m.
- In March 2012, Albert Ballin acquired hybrid II capital worth €125m at nominal value from TUI.
- In April 2012, Albert Ballin and TUI each transferred €125m of the hybrid II capital to Hapag-Lloyd in exchange for new shares.
- At the end of June 2012, Albert Ballin acquired a 17.4% stake in Hapag-Lloyd from TUI for a purchase price of €475m.
- Subject to the terms and conditions of the bonds issued by Hapag-Lloyd in 2010, Hapag-Lloyd will submit a buyback offer to TUI in April 2013 to repurchase further Hapag-Lloyd shares worth €37.5m.

Overall, TUI received an inflow of €0.7bn in the period under review from reducing its financial investment in Hapag-Lloyd. At the end of financial year 2011/12, TUI held a stake of around 22% in Hapag-Lloyd.

In order to complete its exit from Hapag-Lloyd, TUI has had the right to call for an IPO with priority placement of the shares held by TUI at any time since the end of June 2012. TUI also remains entitled to sell the remaining shares in Hapag-Lloyd to third-party investors.

Succession arrangement for the TUI AG Executive Board

Upon the close of the Annual General Meeting on 13 February 2013, Dr Michael Frenzel will terminate his active career and leave the TUI AG Executive Board. His successor as CEO will then be Friedrich Joussen, who has already been a member of the Executive Board of TUI AG since 15 October 2012.

MANAGEMENT REPORT

THE TUI GROUP

Group structure



The TUI Group and its key subsidiaries and shareholdings operate in tourism. As before, the Group structure comprises three Sectors: TUI Travel, TUI Hotels & Resorts and Cruises. The financial investment of around 22% (as per 30 September 2012) in Hapag-Lloyd AG is measured at equity and carried under Central Operations in the consolidated financial statements.

TUI AG

Parent company

TUI AG is the Group's parent company headquartered in Hanover. Via its affiliates, it holds direct or indirect interests in the principal Group companies conducting the Group's operative business in individual countries. Overall, TUI AG's group of consolidated companies comprised 725 direct and indirect subsidiaries at the balance sheet date, of which 43 were based in Germany and 682 abroad. A further 20 affiliated companies and 42 joint ventures were included in TUI AG's consolidated financial statements on the basis of at equity measurement.

Organisation and management

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

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

Board structure

As at the balance sheet date, the Executive Board of TUI AG consisted of three members: the CEO and two other Board members in charge of Finance/Human Resources and Tourism. Friedrich Joussen joined the Board on 15 October 2012.

TUI Travel

TUI Travel PLC is domiciled in the UK and has been listed on the London Stock Exchange since 3 September 2007. At the balance sheet date, TUI AG held around 56%, i.e. the majority, of the voting rights in this subsidiary.

TUI Travel operates in around 180 countries in the world, servicing around 30 m customers from 31 source markets with a portfolio of more than 200 products and brands. Its activities remained structured into four Businesses: Mainstream, Accommodation & Destinations, Specialist & Activity and Emerging Markets.



Mainstream

The Mainstream Business is the largest business unit within TUI Travel. Apart from the vertically integrated tour operators included here, it also comprises a fleet of over 140 aircraft and around 3,500 travel agencies. The tour operators have leading market positions in Europe. Their portfolio comprises the sale of flights, accommodation and other tourism services, both as separate components and as package tours. For the period under review activities break down into Central Europe, Northern Region and Western Europe.

TUI Travel has reorganised the structure of its Mainstream Business. As of October 2012, the regional breakdown into Central Europe, Northern Region and Western Europe will be abandoned, and a central Mainstream Board will be introduced to cover all source markets. As of the forthcoming financial year 2012/13, reporting will be based on the new structure.

Accommodation & Destinations

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

Specialist & Activity

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

Emerging Markets

The Emerging Markets Business is a growing portfolio of tourism products offered by tour operators in the growth markets. TUI Travel is the first international tour operator with a presence in Russia and CIS. This Business is also developing the source markets Brazil, India and China.

TUI Hotels & Resorts

Hanover-based TUI Hotels & Resorts manages the Group's hotel companies. As in the past, this Sector includes majority participations, 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.



Riu

Robinson

Iberotel

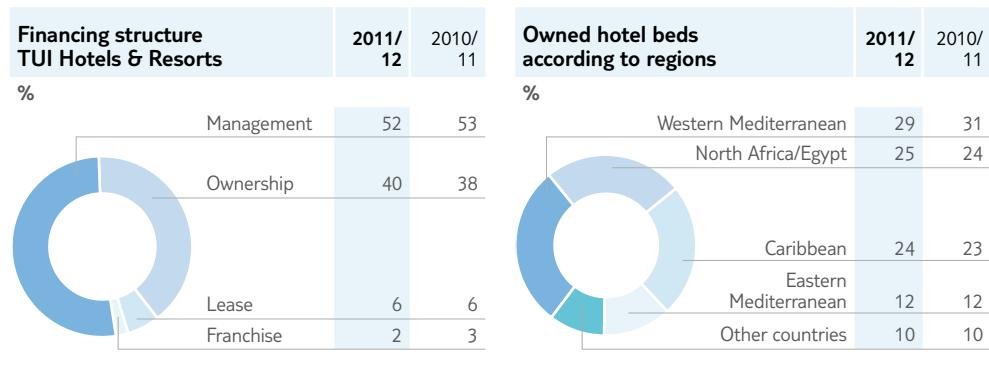
Grupotel

Grecotel

Dorfhotel

Other

In financial year 2011/12, TUI Hotels & Resorts comprised a total of 248 hotels with around 157,000 beds. 224 of the hotels, i.e. the majority, were four- or five-star establishments. 52% were operated under management contracts, 40% were owned by the respective hotel company, 6% were leased, and 2% of the facilities were managed under franchise agreements.



TUI Hotels & Resorts

Hotel brand	3 stars	4 stars	5 stars	Total hotels	Beds	Main sites
Riu	7	62	35	104	85,459	Spain, Mexico, Tunisia, Caribbean, Cape Verdes
Robinson	–	21	4	25	14,135	Spain, Greece, Turkey, Switzerland, Austria
Iberotel	–	15	11	26	16,063	Egypt, Turkey, Germany
Grupotel	15	17	2	34	13,182	Spain
Grecotel	–	10	10	20	10,327	Greece
Dorfhotel	–	3	–	3	2,211	Germany
Other hotel companies	2	19	15	36	16,047	Egypt, Austria
Total	24	147	77	248	157,424	

As at 30 September 2012

Riu

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

Robinson

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

Iberotel

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

Grupotel

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

Grecotel

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

Dorffotel

Dorffhoteles are located in Germany. They combine the advantages of fully equipped holiday apartments with the comfort of a modern holiday hotel. Set in a natural environment and featuring rural architecture typical of the region, Dorffhoteles offer a broad range of activities for families and nature lovers.

Cruises



Cruises



Hapag-Lloyd Kreuzfahrten

Hamburg-based Hapag-Lloyd Kreuzfahrten GmbH currently operates four cruise ships in the market for luxury and expedition cruises for the German-speaking market.

Its flagship is the five-star-plus vessel Europa. It was awarded this category by the Berlitz Cruise Guide for the thirteenth time in succession and is the world's only ship awarded this category. The Europa primarily cruises on world tours. The Columbus 2, a four-star-plus vessel newly chartered in April 2012, cruises Europe in the summer season and the world's seven seas in the winter. The Hanseatic is used, among other things, for expedition cruises to the Arctic and Antarctic. It is the world's only five-star passenger vessel with the highest Arctic class. The Bremen, a four-star vessel – also awarded the highest Arctic class – is another expedition ship travelling to similar destinations. Two of the ships were owned, the other two chartered.

By 2013, Hapag-Lloyd Kreuzfahrten will be broadening its portfolio in the luxury segment by adding one newbuild to its fleet: from May 2013 the Europa 2 will be positioned as the sister ship of the existing Europa in the five-star segment. With 258 cabins, the Europa 2 has a passenger capacity of 516.

TUI Cruises

TUI Cruises is a joint venture formed in 2008 between TUI AG and the US shipping company Royal Caribbean Cruises Ltd., in which each partner holds a 50% stake. The Hamburg-based company offers cruises to the German-speaking premium market. TUI Cruises follows a concept primarily aimed at couples and families who attach particular importance to personal choice, generosity, quality and service on a cruise. TUI Cruises has served this market with two ships thus far, Mein Schiff 1 and Mein Schiff 2. The fleet will be expanded by one newbuild in 2014 and another in 2015.

Financial investment in Container Shipping

At the balance sheet date, TUI AG held a 22.0% stake in Hapag-Lloyd Holding AG. Hapag-Lloyd Holding AG holds all shares in Hapag-Lloyd AG. The remaining 78.0% of the shares in the company are held by a consortium, the Hamburg-based shipping consortium Albert Ballin GmbH & Co. KG.

Shareholdings Hapag-Lloyd Holding AG

%	
	22.0
TUI AG (via its 100% shareholding TUI-Hapag-Beteiligungs GmbH)	22.0
Hamburgische Seefahrtsbeteiligung "Albert Ballin" GmbH & Co. KG	78.0
HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH	36.9
Kühne Holding AG	28.2
IDUNA Vereinigte Lebensversicherung aG für Handwerk, Handel und Gewerbe	5.3
HSH Nordbank AG	2.9
Hanse Merkur AG	1.8
Group of investors managed by M. M. Warburg & CO Gruppe KGaA	2.9
Total	100.0

As at 30 September 2012



See page 50 and 108

Further information on the financial commitment of TUI AG to Container Shipping is presented in the sections "Financial year – an overview" and "Earnings by the Sectors".

Business activity and strategy

Tourism

Market

While the economic framework deteriorated year-on-year, global demand in the travel market showed a positive development in the first eight months of calendar year 2012. In the first eight months of the year, international arrivals increased by 4.1%. For 2012 as a whole, the UNWTO expects the worldwide travel and tourism market to grow by 3 to 4% (source: UNWTO, November 2012). This means that tourism is continuing to witness the favourable trend of recent years.

In the past few years, the role of the internet in searches and bookings in the travel market has continually grown. The largest online travel markets are the United States and Europe, followed by the Asian Pacific economic region (APAC). In 2011, the expected booking volume in the European online travel market stood at €89bn, of which about two thirds were generated in Germany, the UK and France. For the future, the online market is expected to outgrow the overall market for travel. Growth expectations are highest for the APAC region, with an increase in booking volumes of 18% in 2012, followed by Europe with 10% and the United States with 8% (source: PhocusWright, November 2011, August 2012).

The market for business and holiday hotels in Europe also showed a positive development, in line with international arrivals. While hotel occupancy in Europe almost matched the prior year's level in the period from January to August 2012, average hotel occupancy grew by 5.5% in Europe. As a result, average revenues per available room increased by 5.3%. 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. Although the region recorded a decline in occupancy of almost 2%, the average rate per room increased by 3.5% year-on-year. Revenues per available room thus rose by 1.8%. Northern Africa recorded a recovery in the demand for accommodation, which had slumped in the previous year due to the political unrest. At a slight increase in average prices, occupancy and revenues per available room increased by more than 20% year-on-year (source: Global Hotel Review, STR Global, August 2012).

The European market for cruises remained a growth market. According to a study by the European Cruise Council (ECC: Statistics and Markets 2011), the number of European passengers on ocean cruises grew by 9% year-on-year to 6.1m in 2011. The German ocean cruises market grew disproportionately in this respect and again achieved record results in terms of passenger and turnover figures for 2011. Passenger volumes grew by 14% year-on-year to almost 1.4m as against 2010. This growth was mainly attributable to the commissioning of new, larger ships in the volume market. For the future, the German ocean cruise market also shows strong growth potential: at 1.7%, market penetration is very low in relation to the overall population compared with more mature cruise markets such as the UK, where this value is significantly higher at 2.7%. Due to the commissioning of new ships in the next few years, the ocean cruises market will continue to grow in future.

Competition

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

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

The competitive environment in the holiday hotel market continued to reflect the rising popularity of the all-inclusive approach and an ongoing trend towards golf, spa, wellness and health products. Customers' awareness of environmental issues continued to play a major role. As the leading provider of holiday hotels in Europe, TUI Hotels & Resorts took account of these trends in developing its attractive portfolios.

The international ocean cruises market is dominated by a few large cruise companies. The German-speaking ocean cruise market comprises national and international providers. Passengers travelling with German cruise companies account for around 60% and thus a higher percentage than passengers travelling with international providers. The key cruise lanes in the German cruise market are the western Mediterranean, followed by Nordland routes and the eastern Mediterranean (DRV: Der Kreuzfahrtemarkt Deutschland 2011, March 2012). In 2011/12, Hapag-Lloyd Kreuzfahrten remained the leading provider in the German premium and luxury segment for classical and expedition cruises. TUI Cruises is the first national provider to offer a premium all-inclusive approach in the premium volume segment of the German-speaking cruises market.

Business model

The TUI Group offers strong brands in all its Sectors. In our view, the strength of our brands in all tourism source markets in Europe and in the destinations provides us with a significant competitive edge. In a survey carried out in 2012, TUI was rated as the most trusted travel brand in Germany (source: Reader's Digest Trusted Brand 2012). With our regional and international brands in the source markets and our master brand "World of TUI", our customers perceive us as a quality provider offering superior services. This strength, combined with the stability of our regional brands, ensures strong customer acceptance. The constant quality of our product portfolio, in particular our hotels, promotes customer trust and loyalty for our products in the local markets.

TUI Travel offers its customers a broad product portfolio, ranging from package tours all the way through to its broad portfolio of specialist products. It operates under the Mainstream, Accommodation & Destinations, Specialist & Activity and Emerging Markets Businesses.

The Mainstream Business accounts for the largest share of TUI Travel's business operations. It comprises all activities in the package tour segment from distribution via tour operation to aviation. Mainstream is made up of several integrated tourism groups, each with a focus on a specific source market. Its strong market position in the respective source markets and product segments creates well utilised economies of scale. Thanks to its extensive presence in the market and its strong brands, TUI Travel achieves high customer loyalty. As it sets about modernising the Mainstream business model ("Modern Mainstream"), TUI Travel is focusing on increasing the share of exclusive and differentiated product, offering value added for customers beyond pure accommodation services. Another intention is to successively increase the share of controlled distribution, i.e. sales of Group-owned tour operator products through sales channels owned by the tour operators.

Due to its broad customer base in more than 30 source markets, TUI Travel is able to balance out differing developments in individual markets or product groups. Moreover, TUI Travel pursues flexible capacity management in its Mainstream Business, with only a small proportion of its airline and hotel commitments subject to fixed contracts. The flight capacity of its own airlines is primarily geared to the needs of the tour operator.

The Accommodation & Destinations Business coordinates the incoming activities of TUI Travel. This includes classical incoming agencies, an online hotel bed database, which is used to sell globally purchased capacity to tour operators or travel shops online, and an online hotel portfolio related to the incoming agency, which can be used by end consumers to book their hotels online.

The Specialist & Activity Business clusters TUI Travel activities in these often highly fragmented holiday segments. Especially in the Anglo-American region, TUI Travel holds leading market positions for activity holidays and student trips as well as for sailing and yacht chartering and skiing holidays.

TUI Travel coordinates its activities in the new growth markets in its Emerging Markets Business. TUI Travel already holds promising positions in growth markets such as Russia, China and India. Via the web-driven business model of hotel bed databases (Hotelbeds and Bedsonline) and the hotel portal Malapronta, acquired in September 2012, TUI Travel is also present in the growth market Brazil.

It only selectively invests in its own property, plant and equipment and financial investments where this generates an appropriate return and provides the company with new unique selling propositions vis-à-vis the competition, for example by letting its own charter yachts.

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

With its fleet, Hapag-Lloyd Kreuzfahrten occupies a leading position in the German-speaking market for luxury and expedition tours. In May 2013, the Hapag-Lloyd fleet will be expanded in the luxury segment to include the new 5-star ship Europa 2. On the other hand, Columbus 2 will leave the fleet in April 2014.

TUI Cruises has successfully positioned itself in the German market segment for premium cruises and further consolidated its market position in the period under review. The company will expand its fleet by two newbuilds in 2014 and 2015 and thus further strengthen its position.

Strategy

Tourism will confront the following strategic priorities in the forthcoming financial year:

- implementing the digital transformation of our Tourism business by coordinating the TUI Group's e-commerce activities
- implementing the "Modern Mainstream" approach in all source markets by increasing the proportion of differentiated holiday product and expanding controlled distribution, in particular web-based sales
- continuing existing projects with a view to optimising production processes and systems, above all in France and Germany
- enhancing TUI Travel's specialist tour operator business and further improving its profitability
- tapping growth markets, with a balanced approach to opportunities and risks, especially by expanding our online business models in the Accommodation Segment
- further differentiating and optimising our own hotel portfolio
- focusing Hapag-Lloyd on luxury and expedition cruises and aligning the market position of TUI Cruises to the German-speaking premium market.

Value-oriented Group management

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

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

Cost of capital

Cost of capital (WACC)

%	2011/12	TUI Travel 2010/11	2011/12	TUI Hotels & Resorts 2010/11	2011/12	Cruises 2010/11	2011/12	Group 2010/11
Risk-free interest rate	2.25	3.50	2.25	3.50	2.25	3.50	2.25	3.50
Risk adjustment	8.76	6.92	7.47	5.74	9.35	8.62	8.50	6.53
Market risk premium	6.00	5.00	6.00	5.00	6.00	5.00	6.00	5.00
Beta factor ¹⁾	1.4604	1.3834	1.2444	1.1470	1.5583	1.7240	1.4170	1.3068
Cost of equity after taxes	11.01	10.42	9.72	9.24	11.60	12.12	10.75	10.03
Cost of debt capital before taxes	6.50	6.75	6.50	6.75	6.50	6.75	6.50	6.75
taxes shield	1.91	1.99	1.91	1.99	1.91	1.99	1.91	1.68
Cost of debt capital after taxes	4.59	4.76	4.59	4.76	4.59	4.76	4.59	5.07
Share of equity ²⁾	59.35	63.90	70.05	74.10	55.57	54.10	61.52	64.26
Share of debt capital ²⁾	40.65	36.10	29.95	25.90	44.43	45.90	38.48	35.74
WACC after taxes³⁾	8.50	8.50	8.25	8.00	8.50	8.75	8.50	8.25
taxes rate	29.37	29.44	29.37	29.44	29.37	29.44	29.37	24.82
Cost of equity before taxes	14.90	14.11	13.17	12.53	15.68	16.40	14.54	12.83
Cost of debt capital before taxes	6.50	6.75	6.50	6.75	6.50	6.75	6.50	6.75
Share of equity ²⁾	59.35	63.90	70.05	74.10	55.57	54.10	61.52	64.26
Share of debt capital ²⁾	40.65	36.10	29.95	25.90	44.43	45.90	38.48	35.74
WACC before taxes³⁾	11.50	11.50	11.25	11.00	11.50	12.00	11.50	10.75

¹⁾ Segment beta based on peer group, group beta based on weighted segment betas

²⁾ Segment share based on peer group, group share based on weighted segment shares

³⁾ Rounded to 1/4 percentage points

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

Due to the reduction in the stake held in Container Shipping, it was no longer reflected in the Group's capital cost on a proportionate basis in financial year 2011/12.

ROIC and economic value added

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

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

Value-oriented key figures

€m	TUI Travel		TUI Hotels & Resorts		Cruises		Group	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
Equity ¹⁾	1,935.2	2,282.3	1,228.8	1,071.2	139.3	130.1	2,928.8	3,564.1
Interest bearing financial liability items	1,990.3	1,662.0	808.8	1,003.9	149.1	146.6	3,643.2	3,712.4
Financial assets	1,193.1	1,222.1	173.1	229.8	63.2	57.6	2,518.8	2,727.3
Purchase price allocation	402.2	327.1	–	–	–	–	402.2	327.1
Invested capital	3,134.6	3,049.3	1,864.5	1,845.3	225.2	219.1	4,455.4	4,876.3
Underlying EBITA	637.4	500.1	178.6	145.3	3.0	11.2	745.7	600.1
Ø Invested capital ²⁾	3,092.0	3,194.4	1,854.9	1,864.0	222.2	226.4	4,665.9	5,246.0
ROIC	%	20.61	15.66	9.63	7.80	1.35	4.95	15.98
Weighted average cost of capital (WACC)	%	11.50	11.50	11.25	11.00	11.50	12.00	11.50
Value added		281.8	132.7	- 30.1	- 59.7	- 22.5	- 16.0	209.1
								36.2

¹⁾ Adjusted for stakes of non-controlling interest

²⁾ Average value based on balance at beginning and year-end

For the TUI Group, ROIC was up by 4.54 percentage points on the previous year at 15.98%. With the cost of capital at 11.50%, this meant positive value added of €209.1m (previous year €36.20m).

This improvement was driven by the sound operating performance of TUI Travel and TUI Hotels & Resorts in the financial year under review. At the same time, the reduction in the investment in Container Shipping caused a decline in average invested interest-bearing capital.

MANAGEMENT REPORT

HUMAN RESOURCES

In financial year 2011/12, the TUI Group's headcount grew by 0.1% to 73,812 and thus remained almost constant.

Changes in headcount

At the balance sheet date, the TUI Group's worldwide headcount was 73,812, 0.1% up year-on-year. The Tourism Segment employed the largest proportion of personnel at 99.4%, as in the previous year. Central Operations accounted for 0.6% of employees.

Personnel by sector

	30 Sep 2012	30 Sep 2011	Var. %
Tourism	73,391	73,079	+ 0.4
TUI Travel	57,961	58,378	- 0.7
TUI Hotels & Resorts	15,141	14,424	+ 5.0
Cruises	289	277	+ 4.3
Central Operations	421	628	- 33.0
Corporate Center	212	202	+ 5.0
Other units	209	426	- 50.9
Group	73,812	73,707	+ 0.1

Tourism

At the end of the financial year under review, the headcount in Tourism totalled 73,391, up 0.4% year-on-year. The individual Sectors recorded different trends.

The headcount in TUI Travel declined by around 0.7% to 57,961. This was driven by additional jobs in distribution in Central Europe, in the Dutch and Belgian airlines, and in the Specialist & Activity and Accommodation & Destinations Divisions. On the other hand, the headcount decreased in France and the UK due to restructuring and shortening capacity.

The headcount in TUI Hotels & Resorts rose by 5.0% year-on-year to 15,141. This growth was mainly down to capacity increases by placing hotel facilities on full-year operation and opening new hotel complexes.

Due to the expansion into newbuilds, the Cruises Sector reported an increase in headcount of 4.3% to 289.

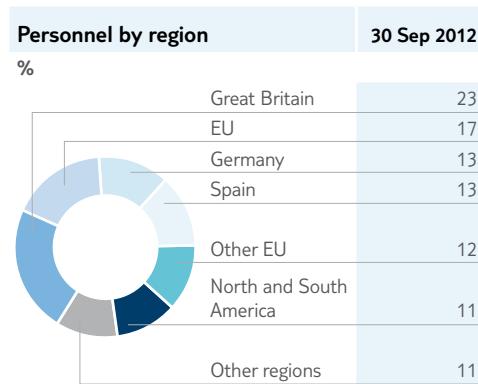
Central Operations

Central Operations recorded a year-on-year decline in headcount of 33.0% to 421. The number of employees working for the Corporate Centre increased by 5.0% to 212, particularly in view of expanding the Compliance Governance & Risk department. The remaining Central Operations including mainly real estate companies and the company health insurance fund entities posted a decline in headcount of 50.9% to 209. This was mainly attributable to the sale of the remaining CP Ships activities.

Personnel by region

Personnel by region

	30 Sep 2012	30 Sep 2011	Var. %
Germany	9,882	9,846	+ 0.4
Great Britain	17,318	18,201	- 4.9
Spain	9,226	9,392	- 1.8
Other EU	12,830	12,398	+ 3.5
Rest of Europe	8,480	8,639	- 1.8
North and South America	8,199	8,149	+ 0.6
Other regions	7,877	7,082	+ 11.2
Total	73,812	73,707	+ 0.1



The number of employees working in Germany increased by 0.4% to 9,882. The Group's headcount in Europe declined by 1.3% year-on-year to 57,736 or 78.2% of the Group's overall headcount. Due to the rise in the number of employees working for Group companies in North and South America and the remaining regions, the proportion of staff working outside Europe increased by 5.5% to 16,076 or around 21.8% of the overall headcount. This increase was driven by new acquisitions, in particular in Australia and Asia.

Personnel costs

In the period under review, the TUI Group's personnel costs increased by 9.7% to €2,416.0m. This increase was mainly attributable to restructuring measures in France. Furthermore, previous year's value was lower due to non-recurring income generated from the reduction in pension obligations in the UK. Beyond that, the development of the exchange rate of sterling against the euro led to a rise in personnel costs in the financial year 2011/12.

Personnel costs

€ million	2011/12	2010/11	Var. %
Wages and salaries	1,987.0	1,878.0	+ 5.8
Social security contributions	429.0	325.2	+ 31.9
Total	2,416.0	2,203.2	+ 9.7

MANAGEMENT REPORT

SUSTAINABLE DEVELOPMENT

Responsible management: Commitment to the environment, society and our employees.

For the TUI Group, sustainability is a fundamental management principle and a cornerstone in continually building the value of our Company.

Our priorities

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

Our goal is to make an even greater contribution to sustainable development, in all its environmental and social dimensions, both in the host countries and at our locations. At the same time, we aim to avoid and mitigate any negative impacts our business operations might have on our natural and social environment.

TUI's sustainability strategy is based on a precise analysis of the key sustainability factors affecting our business areas and the resulting opportunities and risks. It requires a systemic, holistic perspective in order to understand and cater for the interrelationships between these individual factors.



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

In its 2011/12 Sustainability Report, TUI AG provides detailed information about targets, activities, milestones and indicators, in line with the internationally acknowledged Guidelines of the Global Reporting Initiative (GRI). The report was published in February 2012 and describes our key sustainability activities and our main objectives in relation to the environment, society in the broader sense and our employees in particular. The Sustainability Report of TUI AG meets the GRI Application Level B+, as confirmed by independent, external auditors.

Current projects and initiatives are also regularly published on our website at www.tui-sustainability.com.



www.tuitravelplc.com/sustainability

In August 2012, TUI Travel published its differentiated sustainability programme under the title "Sustainable Holidays Plan". The programme includes 3-year targets adopted by the tour operators, distribution, the airlines and the incoming agencies who make up the World of TUI. In consultation with TUI AG, TUI Travel set up nine project teams drawn from across the Group to build on this strategy, defining environmental and social targets and policies for operations.



Since 24 September 2012, TUI AG has again been listed as an industry leader in the Travel & Tourism section within the Dow Jones Sustainability Indexes (DJSI) World and Europe. In the annual review of the composition of this index, TUI AG achieved particularly high scores in the categories climate change strategy, risk and crisis management, and stakeholder engagement. It also improved its rankings in the categories environmental policy and environmental management systems as well as social activities.

The DJSI is put together from the 340 companies among the 2,500 members of the Dow Jones Global Index who lead the field in terms of sustainability. Alongside economic benchmarks, the assessment takes particular account of selected ecological and social criteria. In June 2012, TUI AG had already been awarded the SAM Gold Award as industry leader for its sustainability management performance.



TUI AG's position in the sustainability index FTSE4Good was confirmed in September 2012. TUI is also represented in the indexes DAXglobal Sarasin Sustainability Germany, Ethibel Excellence Index and ECPI Ethical Index Euro. oekom Research AG has continued to award TUI Prime investment status.

Strategic partnership and cooperation

The TUI Group has been actively promoting environmental protection, nature conservation and sustainable development in the European source markets and tourism destinations.

Biodiversity in Good Company Initiative

In the period under review, the Biodiversity in Good Company Initiative, founded in 2008 under the aegis of the German Ministry for the Environment, was transferred to the private market and thus acquired an autonomous legal form. In cooperation with the German agency for international cooperation (GIZ), the participating companies are seeking to involve the private sector more closely in the global biodiversity goals of the Convention on Biological Diversity (CBD). Thanks to the cross-sectoral exchange facilitated by this initiative, TUI and the participating companies have been able to work together on new approaches in the field of biodiversity protection.

Business and Biodiversity Campaign

In financial year 2011/12, TUI AG continued to support the European Business and Biodiversity Campaign of the Global Nature Fund. A biodiversity check was carried out in cooperation with the consortium. Some initial findings were discussed with the non-governmental organisation at a conference of the TUI Group's sustainability officers. The TUI companies are working towards further implementation of biodiversity protection along the tourism value chain, with a special focus on the supply chain.

Federal Agency for Nature Conservation

Cooperation with the Federal Agency for Nature Conservation (BfN) in Germany to inform holidaymakers about protecting biodiversity continued successfully. TUI AG and the BfN marked Environment Week 2012 with joint presentations of successful projects. The biodiversity protection flyer produced together with the BfN was adapted by TUI Cruises and used to raise awareness among their passengers.



Futouris e. V.

Futouris e.V., the sustainability initiative co-founded by several TUI companies in 2009, was opened to the entire sector under the patronage of the German Travel Industry Association (DRV). All the tourism companies involved support projects in the fields of socio-cultural responsibility, environmental and climate protection and biodiversity. In financial year 2011/12, TUI AG continued to support the industry project "climate island Juist". This model project, implemented

in cooperation with the universities of Lüneburg and Lund (Sweden), aims to make the island of Juist a global example of how to develop a climate-neutral tourism destination.

Moreover, TUI AG promoted the Futouris project "Travellers without frontiers II" to protect endangered sea turtle populations in Turkey. Measures were taken to protect biodiversity and train the local hotel partners to engage in responsible beach management.

econsense

TUI AG maintained its commitment as a founding member of econsense – Forum for the Sustainable Development of German Business. TUI AG holds the chair of the Biodiversity & Ecosystem Services project group.

Europarc

TUI AG continued its work as a member of the evaluation committee of the European Charter for Sustainable Tourism in Protected Areas. Europarc develops standards for the sustainable use of European protected areas for tourism and supports implementation. In financial year 2011/12, TUI AG sponsored the European Conference for Protected Areas, organised by Europarc.

Tour Operators' Initiative for Sustainable Tourism Development

TUI Travel continues to support the Tour Operators' Initiative for Sustainable Tourism Development (TOI) along with other tour operators and with the support of the United Nations Environment Programme (UNEP), the United Nations Education, Science and Culture Organisation (UNESCO) and the United Nations World Tourism Organisation (UNWTO).

Global Sustainable Tourism Council

Since June 2011, TUI has been a member of the Global Sustainable Tourism Council (GSTC), with a seat on the Board of Directors. The mandate is exercised by TUI Travel. The GSTC is a global initiative committed to promoting sustainable tourism and setting internationally acknowledged standards. The tourism sector currently embraces around 130 different sustainability labels. The GSTC is seeking to achieve harmonisation of tourism certification programmes and the underlying criteria. In September 2012, the GSTC was awarded the International TUI Sustainability Award for its pioneering commitment.

Travel Foundation

TUI Travel continued to actively support the work of the British Travel Foundation towards sustainable tourism development in 2012. Projects to protect and improve the environmental situation and living conditions of the local population were carried out in cooperation with the Foundation, the incoming agencies and local partners.

The environment

Environmental compatibility of our products, services and processes is part and parcel of our quality standards. Saving natural resources and reducing adverse effects on the environment secure TUI's success. We place particular priorities on climate protection, efficient use of resources and biodiversity.

Group-wide environmental monitoring

In the period under review, the Group-wide processes implemented to monitor environmental performance and determine meaningful indicators and methods were developed further. They are based on internationally acknowledged standards such as the Greenhouse Gas Protocol and the current Guidelines of the Global Reporting Initiative (GRI). Improved calculation methods were developed for some indicators, in order to facilitate maximum comparability and transparency. Group-wide monitoring focuses on business operations of environmental significance, using the metrics to improve environmental performance.

In order to determine the relevant indicators, the shareholdings use an internal system to report their consumption and activities on an annual basis. The quantitative information is then consolidated at Group level and aggregated into metrics. Emissions from airline operations are determined on the basis of the information supplied by the International Civil Aviation Organisation (ICAO). Unless otherwise specified, the calculation of relevant indicators is based on direct and indirect emissions (scopes 1 and 2), not including the pre-chains (e.g. construction of plants) and taking account of specific national conversion factors. In the calculation of emissions for TUI Hotels & Resorts, the use of renewable sources of energy has been assessed as climate-neutral.

Climate protection and emissions

According to estimates by experts, around 5% of global CO₂ emissions are attributable to tourism (source: Climate Change and Tourism – Responding to Global Challenges, UNWTO 2008). Greenhouse gas emissions and their impact on climate change thus constitute one of the biggest global challenges for the tourism sector. As a global player, this is an issue TUI takes very seriously: the Group's commitment to climate protection has been firmly anchored in its Code of Conduct and it continually seeks to reduce the negative impacts of its own business operations on the climate. To this end, TUI engages in a close dialogue with academic and political representatives with a view to developing and implementing effective measures.

Carbon Disclosure Project

TUI AG again participated in the Carbon Disclosure Project (CDP) in 2012, an initiative to record the carbon footprint of companies. The Group's carbon footprint and the strategic aspects of TUI AG's climate policy were described in the Carbon Disclosure Project and made available to international analysts and investors. In the assessment of its climate reporting, TUI AG again finished in the DACH Carbon Disclosure Leadership Index (Germany, Austria, Switzerland).

Carbon dioxide emissions (CO₂)

tons	2011/12	2010/11	Var. %
TUI Travel	6,389,867	6,428,164	- 0.6
TUI Airlines	5,248,262	5,467,814	- 4.0
TUI Hotels & Resorts	357,123	374,423	- 4.6
Cruises	282,894	224,280	+ 26.1
Other units	2,239	2,575	- 13.0
Total	7,032,123	7,029,441	+ 0.0

In financial year 2011/12, the TUI Group's total emissions rose slightly year-on-year in absolute terms. TUI Airlines recorded a decline in CO₂ emissions due to a reduction in capacity and the resulting decline in fuel consumption. In TUI Hotels & Resorts absolute CO₂ emissions were cut by 4.6% to 357,123.3 tonnes thanks to more efficient use of resources and greater use of renewable sources of energy. The methodology used to calculate indirect CO₂ emissions was adjusted to apply national conversion factors. The increase in absolute CO₂ emissions of 26.1% in Cruises mainly resulted from the full-year commissioning of Mein Schiff 2 by TUI Cruises.

Energy input (direct and indirect)

TJ	2011/12	2010/11	Var. %
TUI Travel*	92,441	93,203	- 0.8
TUI Airlines	76,955	80,174	- 4.0
TUI Hotels & Resorts	3,737	3,398	+ 10.0
Cruises	4,018	3,187	+ 26.0
Other units	29	27	+ 7.5
Total	100,225	99,815	+ 0.4

(TJ = Terajoule)

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

In financial year 2011/12, the TUI Group's total energy consumption increased slightly by 0.4% to 100,225 TJ year-on-year. TUI Hotels & Resorts and Cruises recorded a significant rise in energy consumption.

Climate protection measures

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

TUI airlines

TUI airlines have launched more than 30 measures to steadily enhance the efficiency of its aircraft and cut emissions. They also include ongoing fleet renewal, regularly washing the engines and mounting winglets. A further measure to cut fuel consumption and thus reduce carbon emissions is reducing the weight of the aircraft in the TUI fleet. This begins at the aircraft design stage, when care is taken to ensure lightweight construction; however, the use of lightweight trolleys for food and drinks, for example, also helps to reduce aircraft weight and save jet fuel.

The introduction of efficient carbon brakes reduces the weight of an aircraft by around 350 kg. These new brakes save more than 130,000 kg of CO₂ annually.

In the 2012 Airline Index of the independent climate protection organisation atmosfair, the TUI airline TUIfly was awarded the Best International Charter Airline / Most Climate-Efficient Global Charter Airline award in September 2012.

Following a resolution by the European Union, emissions from air traffic in Europe have been included in the Emissions Trading Scheme (EU ETS) since 2012. The TUI Group's airlines meet the new legal requirements.

TUI Airlines

	2011/12	2010/11	Var. %
Specific fuel consumption	l/100pkm*	2.89	3.00
Carbon dioxide (CO ₂) – absolute	t	5,248,262	5,467,814
Carbon dioxide (CO ₂) – specific	kg/100pkm*	7.31	7.59
Nitrogen oxide (NO _x) – absolute	t	34,302	34,749
Nitrogen oxide (NO _x) – specific	kg/100pkm*	47.78	48.23
Carbon monoxide (CO) – absolute	t	1,444	1,639
Carbon monoxide (CO) – specific	kg/100pkm*	2.01	2.28
Hydrocarbon (HC) – absolute	t	152	158
Hydrocarbon (HC) – specific	kg/100pkm*	0.21	0.22

* pkm = passenger kilometer

Due to a reduction in capacity on almost constant flight performance, specific fuel consumption declined, as did absolute and specific CO₂ emissions. The decline in other emissions was also driven by this factor and by the continual replacement of aircraft, resulting in a more efficient fleet.

Cruises

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

Apart from greenhouse gases, TUI Cruises also seeks to reduce emissions of harmful air-borne pollutants such as sulphur oxides, nitrogen oxides and particles (soot). To this end, operating and technical measures were initiated for the ships in financial year 2011/12. In order to cut fuel consumption – and thus also emissions – TUI Cruises provided its fleet with environmentally friendly underwater silicon coatings free from TBT. They improve flow dynamics, as do the ducktails installed to the ships. Thanks to intelligent route planning, travel routes are continually optimised; in addition, the use of low-sulphur fuel causes a reduction in sulphur and particle emissions. The TUI Cruises fleet will be complemented by one newbuild in 2014, and environmental protection technologies are already being factored in during the ongoing planning phase in order to improve fuel efficiency in particular.

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

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

The house boat specialist Le Boat now offers its customers environmentally-friendly house boats with hybrid technology. The boats are driven by a low-carbon diesel engine and solar power.

Cruises

	2011/12	2010/11	Var. %
Specific fuel consumption	l/pnm*	0.25	0.28
Carbon dioxide (CO ₂) – specific	kg/100pnm*	74.68	83.70

* pnm = passenger nautic mile

TUI AG's Cruises Sector has recorded a decline in specific fuel consumption and specific CO₂ emissions, driven by higher load factors on some ships, a stronger cruise performance and an adjustment of routes.

TUI Hotels & Resorts

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



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

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

TUI Hotels & Resorts

	2011/12	2010/11	Var. %
Power consumption – specific	kWh/bednight	17.16	17.18 - 0.1
Carbon dioxide (CO ₂) – specific	kg/bednight	9.6	11.0 - 12.9*

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

TUI Hotels & Resorts reduced their power consumption by 0.1% per overnight stay to 17.16 kWh. CO₂ emissions per bednight decreased to 9.6 kg due to a more efficient use of resources, a higher share of renewable energies and the use of national conversion factors in data collection.



Voluntary CO₂ offsetting within the Group

In cooperation with the foundation myclimate, customers flying with TUIfly can voluntarily offset the greenhouse gas emissions caused by their flight. TUI Deutschland customers have also been offered the opportunity to offset the carbon emissions from their entire trip when booking in a retail shop or on the internet. The brochures contain data for customers about the CO₂ emissions for each route. The scheme supports an internationally acknowledged climate protection project to provide efficient cookers for the rural population in the Siaya area (Kenya). Other TUI Group tour operators also offer their customers a chance to offset their CO₂ emissions. The British tour operators Thomson Travel and First Choice manage emissions offsetting through the World Care Fund.

CO₂ offsetting for business flights

TUI AG retroactively offset all carbon emissions for flights taken by its employees in financial year 2011/12 through the foundation myclimate. A total of 601 tonnes of carbon were offset. TUI Deutschland GmbH also offset all business flight emissions, a total of 2,360 tonnes.

Resource efficiency

TUI's resource management adopts a constant and rigorous approach to cutting the consumption of increasingly scarce resources and energy sources.

Water

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

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

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

Specific water consumption

I/bednight	2011/12	2010/11	Var. %
TUI Hotels & Resorts	480.4	475.6	+ 1.0
Cruises	378.0	409.5	- 7.7

In financial year 2011/12, water consumption by TUI Hotels & Resorts increased by 1.0% to 480.4 litres per bednight. The rise was attributable to an increased use of water; however, exogenous factors such as longer dry periods in the destinations and the effects of climate change must also be taken into account.

Water consumption by Cruises declined by 7.7% to 378.0 litres per bednight for various reasons, including a more efficient use of water on board but also external factors such as the weather.

Waste

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

The key measures to avoid waste in the hotels are purchasing local produce and bulk quantities and the wider use of deposit containers. The Greek TUI hotel brand Grecotel reduced disposable packaging by 80% in this way. Riu Hotels dispense with mini-portions at the buffet. That means over 295 million individual packages that the hotels did not use in a period of seven years, and more than 4,700 tonnes of plastic waste that was not generated.

In 2012, the TUI Green Days held at the head office in Hanover every year focused on the theme of waste and recyclables. An art exhibition combined with an expert discussion panel on TUI AG premises drew people's attention to the hazard plastic waste poses for the sea as an ecosystem.

Specific waste accumulation

kg/bednight	2011/12	2010/11	Var. %
TUI Hotels & Resorts	1.41	1.43	- 1.0

In financial year 2011/12, the waste volume of TUI Hotels & Resorts declined by 1.0% year-on-year to 1.41 kg per bednight.

Certified environmental management system

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

In financial year 2011/2012, there was no change in the number of hotels and clubs belonging to TUI Hotels & Resorts that were certified in accordance with the international environmental standard ISO 14001. This means that a total of 56 hotels in the TUI Hotels & Resorts portfolio were again confirmed by independent experts as meeting the standards of ISO 14001 certification.

ISO 14001 certified TUI Hotels & Resorts

	2011/12	2010/11
Robinson Club	16	17
Iberotel	15	13
Grupotel	9	9
Sol Y Mar	6	5
Jaz Hotels & Resorts	3	3
Dorfhotel	3	5
Grecotel	3	3
Riu	1	1
Total	56	56

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

The environmental management systems operated at the headquarters of TUI AG, tour operator TUI Deutschland GmbH and TUI Dienstleistungsgesellschaft mbH in Hanover were again successfully certified under ISO 14001 in financial year 2011/12. TUI airlines Thomson Airways and TUIfly Nordic likewise operate environmental management systems in accordance with ISO 14001.



Environmental quality in TUI holiday hotels

EcoResort quality label

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



www.ecoresort-tui.com

Following an audit carried out by accredited external experts, 43 hotel resorts and clubs belonging to the Group's own hotel brands in TUI Hotels & Resorts were awarded the label in the completed financial year. TUI Hotels & Resorts provide comprehensive information about the responsibility towards nature and the environment expressed by TUI's hotel brands on the redesigned EcoResort website. Apart from clearly defined core criteria, there are also full reports here on the wide-ranging ecological and socio-cultural sustainability projects that are being implemented by various EcoResort hotels. The EcoResort website not only provides a central information platform accessible to the public, but also supplies many internal benchmarks for the Group-owned hotel brands and their environment and sustainability managers.



TUI Environment Champion

The 138 most environment-friendly hotels from TUI Deutschland's product portfolio again received the TUI Environment Champion award in 2012. The ecological commitment and social initiative of the contract hotels were assessed with the aid of a checklist and the results of a TUI customer survey.

Green Star Hotel Initiative

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



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

The initiative, launched in El Gouna, has meanwhile expanded to other regions along the Red Sea: Madinat Makadi, Madinat Coraya, Taba Heights and Sharm El Sheikh. In financial year 2011/12 additional hotels, including many TUI Hotels & Resorts and contract hotels, were certified under the Green Star label. A total of 46 hotels in Egypt have already obtained a Green Star award.

International TUI Sustainability Award

In 2012, TUI AG gave the International Sustainability Award to the Global Sustainable Tourism Council (GSTC). The prize, endowed with €10,000, was awarded for particular commitment to harmonising certification systems for tourism.

Biodiversity

As a global player, we are aware that our business activities have an impact on biodiversity at the local, regional and global levels. In financial year 2011/12, TUI continued to work on implementing the Leadership Declaration of the Biodiversity in Good Company Initiative. This includes an obligation to analyse the impact of commercial operations on biodiversity and the inclusion of biodiversity criteria in our environmental management system.

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

German CSR Award

At the 8th German Corporate Social Responsibility (CSR) Forum in April 2012, TUI AG obtained the CRS Award in the category "Biodiversity management to preserve global biodiversity". The German CSR Award is presented to companies for their extraordinary performance in various fields of social responsibility and sustainability.



Across the Group, TUI took part in many different projects and initiatives to protect biodiversity in the completed financial year.

East African Dolphin Connection

TUI actively supports the East African Dolphin Connection. The organisation pools and manages the activities of the 27 Dolphin Clubs formed in Kenyan schools in the Year of the Dolphin. The clubs render an important contribution to sensitising the local population for marine biodiversity. TUI and the incoming agency Pollmans Tours & Safaris support the project. A "dolphin bus" has been provided to the local project coordinator, for example, making it easier to reach the widely dispersed clubs.

Sea turtles

Sea turtles are of particular importance to maritime habitats and constitute an endangered species. Turkey is one of the key nesting areas for sea turtles in the Mediterranean. The coastal zones in the Dalaman region are particularly important, above all for the green turtle and the loggerhead turtle. The nesting period of the sea turtles is during the summer season, the peak travel season for holiday-makers. Due to intensive development or use of beaches, tourism may put sea turtle populations at risk.

In order to protect the endangered reptile population, TUI AG's environmental management has launched the "Travellers without Frontiers" project in partnership with the sustainability initiative Futouris. In the Turkish Dalaman region, information boards were installed on sections of beach to provide information about nesting areas, and special cages were put up to protect the eggs.

TUI AG has also produced a "Manual for the sustainable protection of sea turtles" for hotel operators as well as customer information with behaviour guidelines, made available in the hotels in the region.

In 2012, Riu hotels in Boa Vista cooperated with the nature protection organisation Natura 2000 to protect the endangered sea turtles in the Cape Verde Islands. In cooperation with Natura 2000, protection measures for clutches of eggs were implemented on the hotel beaches and holiday-makers were involved in the action.

Group-wide projects to protect sea turtles were compiled in a project by the TUI Travel Trainees. In conjunction with TUI AG, an online platform was launched to facilitate the transfer of successful experience to other biodiversity projects.

Employees

TUI faces many different challenges in an increasingly dynamic environment. Our employees are key to our success. TUI attaches importance to being an authentic employer and a credible employer brand. This is the only way to ensure that we can win and retain committed and successful employees who will face the demanding challenges with us both today and tomorrow. The role of Human Resources as a strategic partner is increasingly significant here.

Junior staff development and recruiting talent

Training

For many years, the TUI Group has attached great importance to the development of junior staff. In Germany alone, young people can choose between traineeships for twelve different job profiles and a university sandwich course. As at the 2012 balance sheet date, 545 young employees were taking part in these training schemes. 64.4% of the trainees who finished their course in 2012 were taken on by the company. At 5.5%, the training ratio rose slightly on the previous year's level. The excellent quality of this training has been confirmed time and again, with freshly qualified youngsters winning prizes from chambers of industry and commerce or even awards as the best trainee in their region, with one trainee travel clerk winning a national competition in her category.

The training incentive programme launched in summer 2011 by the TUI hotel brands Iberotel and Dorfhotel continued its successful run in the period under review. 40 traineeships were provided in this way for budding chefs, hotel and restaurant operatives, back office clerks and sales assistants for tourism and leisure products. Once they complete their training, they are given the opportunity to continue their employment at home or abroad.

Recruiting talent

The competition is on for young talent, whether as skilled workers or as executives, and so TUI undertakes a range of activities to showcase its credentials as an attractive employer. In May 2012 TUI AG hosted the Student Forum for the Tönissteiner Kreis, where one of the themes was "Group Strategy and Sustainable Development: Where Are We Heading?" The participants, 30 Forum activists, were undergraduates, post grads and young employees from various disciplines.

The last financial year also witnessed the creation of a working group on cooperation in higher education to enhance TUI's visibility as the employer of choice for students and graduates of various disciplines and to step up contacts with universities, faculties, professors and outstanding students.



[www.tui-group.com/en/
jobcareer](http://www.tui-group.com/en/jobcareer)

Employer Branding

In March 2012 TUI launched an inter-company employer brand in the German labour market with "One Day at Work – 3,036 Smiles". The aim is to enhance TUI's visibility as an attractive employer and counter the tougher competition to recruit skilled workers. The campaign is also designed to make a positive impact within the company and strengthen staff loyalty to TUI as an employer.

The launch of the employer brand was accompanied by a broad spectrum of marketing activities, including the relaunch of the career website, the creation of a Career Fan Page on Facebook and a YouTube channel, a new presentation strategy for training and job fairs and an advertising campaign.

Development of executives

As challenges become greater, executives confront rising expectations. Leadership training schemes held in the period under review thus focused on how executives are identified and developed. Alongside innovative methods for diagnosing potential, such as management profiling, an increasing role is played by individual coaching.

In addition, talent management was initiated on a Group scale; in Germany, this was launched in the form of the Mixed Leadership Project. There are also specific talent management programmes in individual companies. Several times a year, TUI Deutschland holds learning conferences where leadership issues are discussed from various angles by a group of around 100 participants. In the period under review, conferences were offered on themes such as change management or leadership and corporate culture. Apart from presenting technical issues, the conferences also serve to promote an exchange of experience and the formation of networks.

At the international level, the development of senior managers in TUI Travel continues to include the Global High Performance Leadership Programme and the Global Responsible Leadership Programme. While the former focuses on building leadership skills, the latter seeks to promote the long-term development and social commitment of the participants. Moreover, the TUI Horizon Programme is now well established in the Group as a vehicle for developing leadership skills and strategic capabilities. In addition to this, the individual Group companies offer their own programmes: TUI Nordic, for instance, runs a special mentoring programme to promote team skills.

A crucial element in the sustainable recruitment and development of junior management staff is the TUI Group's Graduate Leadership Programme for those with a university degree. The international programme, which includes five placements in different Group operations at home and abroad, takes 18 months to complete and offers participants a comprehensive overview of the tourism business. The international character of the Group is reflected in the make-up of the participants, who are from Bulgaria, Denmark, Germany, the UK, France, Italy, Poland and Russia. Even at the training stage, they are learning to network across borders. In addition, individual Group companies such as TUIfly or TUI Deutschland run trainee programmes of their own.

Life-long learning

Continuous quality improvement is a vital aspect of programmes to develop human resources in the Group and upgrade the skills of our employees. Our successful AZAV recertification in financial year 2011/12 demonstrates that these requirements were met in accordance with the German regulations for the accreditation and authorisation of schemes to promote employment.

Demographic change means that people are living longer and that we need to encourage efforts to preserve the physical and mental health of employees. This focus was reflected in a range of workshops and seminars devoted to work-life balance and personal stress prevention. The growing demand for individual formats in continuous education was met by events on project and process management, customer orientation and service provision.

Demographic management

Pension schemes

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

Part-time early retirement

As part of their company HR and succession planning, Group companies in Germany make substantial use of the opportunities provided under the German Part-Time Early Retirement Act to shift gradually from employment to retirement. Applying a capital investment model, €10.6m was provided for the 188 employees working under part-time early retirement contracts to hedge their accrued assets against employer insolvency at the end of financial year 2011/12.



Health

The health management system operated by TUI AG continues to figure among the best contestants for the Corporate Health Award and was again rated in the Excellence Category of this quality label, the leading quality initiative for company health management in Germany. TUI's health management system essentially rests on two pillars:

Health

Behavioural prevention	Feedback Information Talks	Wellness Integration Training Health Activities	TUI	Based on Scientific findings, legislation, company agreements
Condition prevention	Corporate culture	Mental well-being	Health and safety	

Behavioural prevention embraces many aspects of classical workplace health care. "Fit with TUI" is a diverse package of measures to emphasise the importance of health and wellbeing at work. Employees can take part in advice sessions with experts and ergonomic coaching – learning, for example, how to relieve pressure on the spine – or they can consult a chiropodist. Relational prevention addresses the conditions that influence our health and wellbeing in the workplace. Personal and occupational conflicts, including stress and burn-out, are taken very seriously in this context. In Hanover, a competent team of trained employees working with an outside psychologist is available to talk these matters over with members of staff on an individual basis.

TUI also attaches great importance to health and safety at work. The specialists from TUI Dienstleistungsgesellschaft take regular action to evaluate and ensure workplace safety, including office inspections, hazard assessments and interactive schooling. At TUI Travel the health and safety systems operated by the various Businesses are based on the Successful Health & Safety Management guidelines (HSG65) and the OHSAS 18001 protocol. These standards are applied at TUI Travel to minimise risks to health and safety with the aid, for example, of an in-house e-learning programme. To minimise and prevent accidents on board ship, TUI Cruises has likewise emphatically stressed the importance of health and safety to crews, devising a Safety First programme for this purpose. The aim of this scheme is to involve crew members directly in the solutions to health and safety issues. Among their ideas for improvement, several are selected for implementation on TUI Cruises vessels.

Company health insurance fund

Following several years when priority was given to building assets, robust financial development means that six-monthly bonuses are now being paid out again to employees who take out their health insurance with the statutory health fund BKK. These sums are paid to BKK policy-holders if their employer actively promotes health at the workplace in accordance with jointly formulated objectives. In addition to this, BKK rewards individual healthy behaviour to the tune of up to €150 a year. All German companies in TUI are now participating in this scheme, under which TUI BKK also provides substantial resources and activities to promote health at the workplace. The close cooperation between TUI BKK and Group health management is not confined to the bonus model. Programmes tailored to specific target groups and needs contributed to providing optimal health care for TUI Group employees. A good example is the successful launch of a partnership with the Medical University in Hanover and DRV, the agency that manages state pensions in Germany. Its aim is the early detection and treatment of mental disorders, and it is already regarded as a beacon project. As the accounts closed, TUI BKK was responsible for approximately 12,600 employees and their families.

Project "Demographic Change"

In May 2012 TUI Deutschland started a project devoted to demographic change. The first step was to compile and evaluate data on the age structure of the workforce, fluctuation rates and the training system. In order to further develop the training system, the initial focus is to work on ways of achieving long-term retention of trainees upon completion of the training programme. Coming months will see the focus shift to other factors, such as women in leadership, integration of immigrant workers and schemes for older workers.

Diversity management

In the world of employment, diversity is about the heterogeneous composition of a company workforce, and the diversity may be the result, for example, of different skin colours or different cultural and social values. By signing the Diversity Charter in 2008, TUI gave a fundamental pledge to promote people diversity inside and outside the company. For TUI as a tourism Group operating worldwide, diversity and globalisation are key to corporate success. Wide-ranging of projects have been launched to encourage the recognition of diversity, and during the reporting period the emphasis lay with geographical origins (an open-door bursary for children of our employees to spend time in a family somewhere else), different worlds (a day spent in an unfamiliar environment for a change of perspective, or coaching children with poor reading skills) and equal participation (coaching young people with disabilities in applying for jobs, projects with sheltered workshops).

Work-life balance

As a family-friendly provider of tourism services, we help our employees to reconcile their private and working lives. Men and women with family responsibilities can take up these offers, but so too can employees who need time for other personal matters. The support framework includes flexible working hours, different part-time models, home office opportunities and the option to take unpaid leave. Our employees can take advantage of arrangements for the care of elderly relatives or other family members which go beyond statutory requirements. They can also make use of a share care network on the intranet. A number of additional options are available for employees with children:

- parental leave with an extension option
- part-time training for recent parents
- financial support for childcare
- company crèche and summer holiday schemes for primary school children.

Modern corporate and leadership culture

Mixed leadership is about teams which achieve optimum results thanks to different personal characteristics, interests and perspectives. In working towards this vision, many Group companies promote a modern corporate and leadership culture that values openness, individuality and equal opportunity. Men and women should be equally able to pursue their professional and personal interests. By creating a modern framework and mixed leadership teams, we are not merely only seeking to reinforce our competitive position but also our position as an attractive employer. Mixed leadership, therefore, is not just a matter of attitude but has become a regular feature of our HR strategy.

Practical implementation will initially take place in four areas:

- The aim of the corporate culture sub-project is to create the vital framework required for a contemporary culture of leadership, from communication between management tiers via incentives to stay with the company to arrangements that enable our employees to reconcile family commitments with their careers.
- The workstream devoted to the organisation of working time seeks to design and implement flexible working arrangements that extend beyond the current range of models on offer at TUI.
- The talent management workstream focuses on measures to ensure that corporate roles critical to Company success can be filled without interruption in the long term, in combination with stronger Group-wide cooperation.
- The talent management process is closely linked with the fourth workstream, i. e. mentoring. At the end of June 2012 the one-year pilot programme was launched. It focuses on motivating female junior (management) staff with a total of ten pairs working in tandem at the Hanover and Hamburg sites. Apart from individual discussions in the tandems, the participants are supported by a comprehensive framework which includes units for exchange and reflection.

At the end of the financial year, women accounted for around 70.0% of the total Group workforce, as in the prior year. The proportion of women in senior management positions was 35,7% in Germany, while the figure for the Group was 37,9%. Our long-term aim is to significantly increase the proportion of women in management positions, in particular in top management.

In October 2011, TUI AG was awarded the TOTAL E-quality label for a period of three years in recognition of its exemplary HR policy oriented to equal opportunities.



Staff commitment

"Staff commitment – Your voice" survey

In September 2012, TUI Travel launched the web-based employee survey "Your voice". It was rolled out in 40 countries and 14 languages, reaching out to around 300 companies and more than 50,000 employees. The response rate was 69%. The purpose of the survey, which comprised 60 core questions and raised two issues for respondents to provide comprehensive comments on, was to explore opinions about the Company and generate suggestions for improvements to be jointly tackled. A special management questionnaire was prepared for the top 300 executives in TUI Travel. 79% of the respondents indicated that they are proud to work for TUI Travel, 84% reflected their strong customer focus. Moreover, 82% of employees have a clear idea as to how to support TUI Travel in achieving its goals.

Group-wide encouragement for staff ideas

Back in 2010 the company introduced ideas management and this likewise makes an important contribution to improving competitiveness. It enables employees in Germany to play an active role in designing Group-wide workflows and development processes. The aim is to motivate all our employees to think beyond their usual remit, help define attitudes and policies, and take responsibility. Numerous ideas have already been taken up, including simplifications to booking systems that speed up processing and enhance customer satisfaction, but also ways of saving energy by using photovoltaic power, installing sensors and switching to low-energy bulbs.

With the Green Ideas Factory initiative, TUI Travel specifically encouraged its employees to come up with ideas to enhance environmental performance and sustainability. A further activity was launched under the motto "10 years 10 causes". On the occasion of its 10th anniversary, the Hotelbeds brand asked its employees to submit ideas in response to a theme of the month.

Corporate citizenship

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

Drinking water for Africa

The "Drinking water for Africa" campaign, jointly initiated by the Global Nature Fund, the football club Hannover 96 and TUI, continued successfully in 2011/12. The donations collected at home matches were used to sponsor the installation or repair of drinking water treatment facilities and wells in Kenya and Ivory Coast. Thanks to the donations collected during this project, the project partner Global Nature Fund and the local organisations it works with have so far been able to provide access to clean drinking water for more than 20,000 people.

Tunisia sponsorship scheme

Tourism plays an essential role in the Tunisian economy. In 2012, in the light of the political transformation in Tunisia, TUI Deutschland launched a cooperation project for the tourism sector, in particular to support women, with the Federal Ministry for Economic Cooperation and Development (BMZ). The project is being implemented by the German agency for international cooperation (GIZ). TUI Deutschland and the BMZ will co-sponsor the project worth €1m over the course of five years.

In the period under review, training in corporate culture and equal opportunities was provided in cooperation with the Tunisian hotel association. The content included improvements in working conditions, in particular for female employees. The training programmes also covered ecological and social sustainability. The schemes are systematically monitored to ensure success.

Support for disadvantaged children and teenagers

Aid for Haiti

Following the devastating earthquake in Haiti in 2010, TUI set up the five-year aid project Life Nests for Haiti, aiming to contribute to reconstruction. The Group-wide project is carried out with our partners, the Don Bosco Mundo organisation, who have been actively engaged in Haiti for 75 years. The "Life Nests" project was successfully continued in the period under review. "Life Nests" provide a home, school education, vocational training and employment prospects for Haitian children and teenagers. The construction of an elementary and secondary school in the Gressier community has been completed, and the first training courses have been offered. The Group-wide aid project, a partnership with the sustainability campaign group Futouris e. V., is sponsored by TUI AG, TUI Deutschland, TUI Suisse and TUI Österreich.

ECPAT

In the financial year under review, TUI Group companies maintained their worldwide commitment to protect children from sexual abuse. TUI tour reps were offered training programmes on the protection of children as part of their ongoing training.

TUI Nederland initiated a project in Brazil in cooperation with Plan Nederland and ECPAT Nederland. The project focuses on providing education and training for girls in the north east of Brazil, who often end up as prostitutes due to strong poverty, widespread unemployment and a lack of prospects. During the three-year project, a total of 240 girls will be put through the training, which opens up opportunities to work in the tourism sector.



Film on the project
[www.tui-group.com/en/
sustainability/social_com-
mitment/nests_for_life_
for_haiti](http://www.tui-group.com/en/sustainability/social_com-mitment/nests_for_life_for_haiti)

Peter Maffay Foundation

TUI AG continued to support the Peter Maffay Foundation with 200 free flights to and from Majorca. The Foundation enables children with severe diseases or social problems to spend some time in the finca run in Majorca by the Foundation.

TUI sponsorship

In 2012, the sponsorship scheme run by TUI employees in Hanover supported Löwenzahn, a centre for bereaved children and teenagers in Hanover. The association enables children and young people who have lost a family member or a person close to them. to overcome their grief.

Activities by the TUI Foundation



Further information at
www.tui-stiftung.de

The TUI Foundation was established in 2000 to mark the 75th anniversary of Preussag AG, now TUI AG. TUI's social and public commitments in the German state of Lower Saxony are carried out through this charitable body. Since its inception, the Foundation has sponsored projects with a total volume of more than €4.5m.

In the period under review, the TUI Foundation sponsored 47 selected projects in the three main target areas: science and research, education and training for children and young people, and culture and arts. It also awarded two prizes.

In science and research, the TUI Foundation has, for more than six years, been funding the supporting research for "Prävention durch frühe Förderung", a sure-start education project by the Criminological Research Institute of Lower Saxony. In the "Pro Kind" (pro child) pilot project, new forms of sure-start education designed to prevent criminal behaviour are being tested among children in high-risk families and assessed for effectiveness. The first results of the long-term pilot were presented in 2010. The project will be completed in 2012.

Another initiative in science and research was the Rudolf Schoen Award, worth € 20,000, which in 2012 was presented for the twenty-fourth time for the best scientific publication at Hanover's Medical University (MHH). For the first time, a programme was launched to sponsor young academics hoping to submit a post-doctoral thesis at MHH.

In its work with schools, the TUI Foundation sponsored a total of 36 projects in Lower Saxony. The focus was on providing vocational guidance, and promoting integration and cultural education. "Join the team – Sportler machen Schule", for example, is a training scheme provided with the help of the ice hockey club Hannover Scorpions to promote integration skills and offer vocational guidance for children at schools in social hotspots. An award for children and youth projects in Hanover – "Gemeinsam in Hannover – Wir sind die Zukunft" – was presented for the third time in 2012.

In culture and arts, the focus was on cultural events in Hanover with strong artistic merit. At the Herrenhausen art festival, the TUI Foundation sponsored "Akademie der Spiele", an artists' workshop programme for teenagers. The work of young choreographers was promoted through funding for the International Choreography Competition organised by the Hanover Ballet Society. Eight further projects in the fields of music, theatre and literature also benefited from sponsorship.

Research and development - innovation

As a service provider, the TUI Group does not engage in research and development in the narrow sense. The individual Group companies systematically observe the technological, tourism and socio-demographic trends in their markets in order to be able to offer their customers innovative and unique products. This decentralised organisation is complemented by functions carried out at Group level, e.g. the TUI Think Tank, or the Digital Strategy & Transformation unit.



[www.tui-group.com/en/
innovation/think_tank](http://www.tui-group.com/en/innovation/think_tank)

TUI Think Tank

The TUI Think Tank analyses and evaluates long-term trends in the tourism sector. By bringing together experts from the tourism sector, other industries and the academic community, it stimulates debate about the future of tourism and travel and analysis of key issues for the future.

In the period under review, the TUI Think Tank sought in particular to explore the relationship between the tourism sector and tourism studies. A symposium served to deepen exchange between the industry and the academic community on issues related to leisure and tourism as future growth markets. Following the symposium, a five-point declaration on "Tourism & Science" was adopted, in which researchers and industrial players called for an even closer dovetailing of their activities, outlining opportunities and challenges and identifying strategies for companies operating in the sector and for tourism-related research and teaching.

The second focus of TUI Think Tank activities in financial year 2011/12 concerned changing global customer flows in tourism from the new markets. The Asian travel market is gaining in importance, with double-digit growth rates in tourism. In cooperation with various experts from the tourism sector, related industries and market research experts, the TUI Think Tank has drawn up a trend study on "New Chinese tourists in Europe 2017+". The findings are the result of detailed analysis as well as interviews and workshops with experts, focusing on the drivers behind the evident changes within Chinese society and the future travel needs of Chinese tourists in Europe. The study has provided players in the tourism industry with perspectives and food for thought for further debate about the future.

Digital Strategy & Transformation

In financial year 2011/12, TUI AG launched the central project on Digital Strategy & Transformation. Its goal is to develop an overall digital strategy for the TUI Group and support the Group companies in developing and implementing digital business models, e.g. online distribution, the incorporation of social networks and use of mobile terminals before, during and after a trip. Synergies between the individual e-commerce activities by TUI Travel, TUI Hotels & Resorts and Cruises are identified and delivered.

The activities launched in this area focus, among other aspects, on creating a joint infrastructure for online activities within the Group and effectively using online, mobile and social media elements throughout the process, all the way from searching for travel products and consultation to sales and the final evaluation of the travel experience by the customer.

Innovation and sustainability

The role of sustainability and the responsible use of natural resources has been growing in recent years. Customers increasingly factor in the perceived environmental and social responsibility of companies when making their purchasing decisions. Gearing product development towards sustainability, resource efficiency and viability is therefore one of the key priorities. In the completed financial year, particular efforts were made in the field of technological innovation and climate protection.

TUI Cruises: Alternative power supply in Hamburg harbour

In March 2012, TUI Cruises signed a declaration of intent for an energy-saving, low-emission power supply for the fleet during the idle periods in Hamburg. In the future, the power required is to be generated by means of liquid natural gas on board an e-power barge, a floating power station, rather than on board the cruise ships themselves. The advantage of the newly developed process is that the auxiliary diesel engines on the cruise ships, which are usually also used in the harbours, can be switched off. The power supplied by the e-power barge is to achieve a reduction in CO₂ emissions caused by power generation in the harbour by up to 25%. In addition, almost no sulphur and nitrogen oxides or particle emissions are produced.

Test series for an electric taxiing system for aircraft

In 2012, the TUI airline TUIfly carried out the first test series in the world for an electric taxiing system (EGTS Electric Green Taxiing System). In the electric taxiing system for aircraft of the Boeing 737-800 type, the main landing gear of the aircraft is equipped with an electromechanical drive so that an aircraft can taxi to the runway or the gate with the engines switched off. This system cuts aircraft fuel consumption and reduces noise.

First commercial biofuel flight

In October 2011, the Thomson Airways airline served the route from Birmingham to Arrecife (Lanzarote) with an aircraft running on fuel from natural resources for the first time. The biofuel used was produced from used vegetable oils and fats. For these flights, one engine was half filled with biofuel and the other with conventional aircraft fuel, so that the efficiency values obtained by the airline obtained were comparable. The experience gained has been used as input for sectoral research projects dealing with alternative fuels.

In financial year 2011/12, TUI Travel continued its membership in SAFUG (Sustainable Aviation Fuel Users Group) and took part in the debate about the use of sustainable biofuels in aviation.

Aviation Initiative for Renewable Energy

TUIfly is a founding member of aireg (Aviation Initiative for Renewable Energy in Germany e.V.) and has assumed chairmanship of the "Fuel use" working group. aireg was founded in September 2011 as a joint initiative by companies and organisations from research and science. aireg aims to promote the development and usability of alternative renewable liquid fuels such as biofuels and hence support the achievement of the ambitious CO₂ reduction targets for aviation.

EU research project CILECCTA

TUI AG is a member in the international CILECCTA consortium. The aim of the research project is to develop software to analyse the sustainability of construction projects. This project, sponsored by the EU Commission, comprises 17 partners from seven European countries working together. Among other things, TUI supplied the data from a resort in Spain to test and optimise the software.

MANAGEMENT REPORT

ECONOMIC FRAMEWORK

Global economy impacted by euro debt crisis and uncertainty in financial markets in 2012.

General economic development

Development of gross domestic product

Var. %	2012	2011
World	3.3	3.8
Eurozone	- 0.2	1.6
Germany	0.9	3.1
UK	- 0.4	0.8
France	0.1	1.7
US	2.2	1.8
Russia	3.7	4.3
Japan	2.2	- 0.8
China	7.8	9.2
India	4.9	6.8

Source: International Monetary Fund (IMF), World Economic Outlook, October 2012

In financial year 2011/12, the world economy only showed weak growth and in the second half of the year it lost further momentum. This phase of weak performance affected both the advanced economies and the emerging markets and developing countries. Nevertheless, the pace of growth continues to vary from one region to another. For calendar year 2012, the International Monetary Fund (IMF, World Economic Outlook, October 2012) expects global growth of 3.3%. The underlying assumptions include a scenario in which the euro debt crisis does not deteriorate and the United States does not enforce any drastic tax increases or any automatic budget cuts.

Europe

For Europe, the IMF expects a decline in economic performance of 0.2% despite an easing of the euro debt crisis. The individual countries continue to show heterogeneous economic development. While Germany is expected to post 0.9%, the growth rates for the UK (-0.4%) and France (0.1%) will be lower. The economies in the heavily indebted countries of southern Europe continue to suffer from persistently difficult financing terms and conditions and subdued demand caused by the necessary adjustment processes.

North America

For 2012, the IMF expects gross domestic product to grow by 2.2% in the United States and 1.9% in Canada. The recovery of the US economy was very slow in financial year 2011/12 and softened again in the course of the year. The political discussion about the self-imposed credit limit in the United States and the tax increases and automatic budget cuts looming at the beginning of 2013 impacted the development of the US economy.

Russia/CIS

For Russia and the countries of the Community of Independent States (CIS), the IMF expects the economy to grow by 4.0% in 2012. Russia as the largest CIS economy is expected to record growth of 3.7% in 2012.

Asia

For Japan, the IMF expects gross domestic product to grow by 2.2%, above all due to economic stimuli dating back to the period after the natural disaster and reactor catastrophe. As before, China and India contributed significantly to global growth in 2012. Nevertheless, the emerging economies in Asia also recorded a slowdown due to capacity bottlenecks, weaker demand from the large economies and specific problems in individual countries. For China, the IMF expects growth of 7.8%. Despite persistently strong momentum in the services sector and the traditionally strong domestic economy, the IMF expects a slight dip in growth to 4.9% for India.

Development of key exchange rates and raw material prices



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

The TUI Group companies operate on a worldwide scale. This gives rise to financial risks for the TUI Group as a result of changes in exchange rates and commodity prices.

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

In the period under review, the average exchange rate of the US Dollar against the euro rose by around 5.0% from 1.39 USD/euro to 1.32 USD/euro. The average exchange rate of Sterling against the euro rose by around 4.6% from 0.87 GBP/euro to 0.83 GBP/euro in the period under review.

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

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



Financial position, page 114
Risk report, page 132
Financial instruments
page 228

Development in Tourism

Change of international tourist arrivals vs. prior year in %

	2012*	2011
World	+ 4.1	+ 5.0
Europe	+ 3.4	+ 6.7
Asia and the Pacific	+ 7.3	+ 6.4
Americas	+ 3.6	+ 4.1
Africa	+ 6.1	+ 0.8
Middle East	- 1.4	- 6.8

Source: UNWTO World Tourism Barometer, November 2012

* Period January till August

While the economic framework deteriorated year-on-year, global demand in the travel market showed a positive development in the first half of calendar year 2012. In the first eight months of 2012, international arrivals grew by 4.1%. For the overall year 2012, the UNWTO expects the global travel and tourism market to grow by 3 to 4% (source: UNWTO, November 2012).

In the first eight months, arrivals in Europe showed a positive trend at growth of 3.4%. The Asia/Pacific region confirmed the positive development of the past few years at growth of 7.3% year-on-year. Following the decline in arrivals in countries such as Egypt and Tunisia in 2011 caused by the political unrest, travel activities to the countries of North Africa recovered again with growth of 10.2%.

Changes in the legal framework

In financial year 2011/12, there were no changes in the legal framework with material impacts on the TUI Group's business performance.

MANAGEMENT REPORT

GROUP EARNINGS

Income Statement of the TUI Group

€ million	2011/12	2010/11	Var. %
Turnover	18,330.3	17,480.3	+ 4.9
Cost of sales	16,285.8	15,655.2	+ 4.0
Gross profit	2,044.5	1,825.1	+ 12.0
Administrative expenses	1,555.7	1,508.8	+ 3.1
Other income/other expenses	+ 71.1	+ 77.1	- 7.8
Impairment of goodwill	13.8	-	n/a
Financial result	- 284.7	- 239.5	- 18.9
Financial income	159.9	254.3	- 37.1
Financial expenses	444.6	493.8	- 10.0
Share of result of joint ventures and associates	- 8.7	52.9	n/a
Earnings before income taxes	252.7	206.8	+ 22.2
Reconciliation to underlying earnings:			
Earnings before income taxes	252.7	206.8	+ 22.2
plus: Loss on Container Shipping measured at equity	49.0	2.1	n/a
less: Gains on reduction and measurement of financial instruments in Container Shipping	- 61.6	- 51.2	- 20.3
plus: Net interest expense and expense from measurement of interest hedges	284.9	286.8	- 0.7
plus: Impairment of goodwill	13.8	-	n/a
EBITA	538.8	444.5	+ 21.2
Adjustments			
plus: Gains 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	+ 24.3
Earnings before income taxes	252.7	206.8	+ 22.2
Income taxes	110.8	88.6	+ 25.1
Group profit for the year	141.9	118.2	+ 20.1
Group result for the year for the year attributable to shareholders of TUI AG	- 15.1	23.9	n/a
Group profit for the year attributable to non-controlling interest	157.0	94.3	+ 66.5

Earnings per share

€	2011/12	2010/11	Var. %
Basic and diluted earnings per share	- 0.16	- 0.01	n/a

Comments on the consolidated income statement

Turnover and cost of sales

At €18.3bn, Group turnover grew by 4.9% year-on-year; adjusted for foreign exchange effects, it rose by 2.2%. The increase was above all attributable to higher pricing levels in TUI Travel and foreign exchange effects mainly resulting from the strengthening of sterling against the euro. Turnover is presented alongside the cost of sales, which rose by 4.0%. A detailed breakdown of turnover showing how it has developed is presented in the section Group turnover and earnings.

Gross profit

Gross profit, i. e. the difference between turnover and the cost of sales, rose by 12.0% to €2.0bn in financial year 2011/12.

Administrative expenses

Administrative expenses comprise expenses not directly attributable to turnover transactions, in particular expenses for general management functions. In financial year 2011/12, they accounted for €1.6bn, up 3.1% year-on-year. The increase in administrative expenses is primarily driven by the expenses for the restructuring of the French tour operator business, included in the financial year under review, and the income from the reduction in pension obligations in the UK included in the previous year.

Other income/other expenses

Other income and other expenses primarily comprise profits or losses from the sale of fixed assets. At €71.1m, the balance of income and expenses decreased by €6.0m year-on-year. In the period under review, other income primarily related to income totalling €56.6m from the removal of the hybrid instrument granted to Hapag-Lloyd Holding AG and the measurement of the investment in Container Shipping, taking account of a conservatively estimated discount in connection with an IPO. In the previous year, this item had mainly included book profits from the sale of real estate and aircraft assets and the gain on disposal from the sale of 11.33% of the stake in Hapag-Lloyd to the Albert Ballin consortium.

Impairments of goodwill

In the period under review, impairments of €13.8m related to TUI Hotels & Resorts. In the previous year, no impairments of goodwill were required.

Financial income and expenses/financial result

The financial result includes the interest result and net income from marketable securities as well as the effect of the reduction and measurement of the investment in Container Shipping. Financial income of €159.9m (previous year €254.3m) and financial expenses of €444.6m (previous year €493.8m) arose in financial year 2011/12.

The financial income includes income of €5.1m (previous year €51.2m) from the reduction and measurement of the loans and hybrid capital granted to Container Shipping. This item also includes interest income of €11.9m (previous year €34.1m) in connection with the hybrid instrument. The hybrid instruments were fully redeemed in the completed financial year. The year-on-year decline in interest expenses results from a reduction in debt in financial year 2011/12.

On balance, the financial result declined by €45.2m to €-284.7m, mainly due to lower income from the financial instruments granted to Hapag-Lloyd and lower interest income from bank balances on account of lower interest rates.

Result from joint ventures and associates

The result from joint ventures and associates comprised the proportionate net profit for the year of the associated companies and joint ventures and impairments of goodwill for these companies. The result from joint ventures and associates totalled €-8.7m in financial year 2011/12, down €61.6m year-on-year. The decrease was mainly attributable to the decline in the at equity result from the investment in Hapag-Lloyd to €-49.0m (previous year €-2.1m).

Underlying earnings (EBITA)

At €745.7m, underlying earnings by the TUI Group were €145.6m up year-on-year. Underlying EBITA was adjusted for gains on disposal of investments, expenses incurred during restructuring measures, amortisation of intangible assets from purchase price allocations and other expenses for one-off items. The development of earnings and the adjustments are outlined in detail in the chapters Group turnover and earnings and Business developments in the Sectors.

Income taxes

Income taxes are taxes on the profits from ordinary business activities. In the period under review, they increased by €22.2m to €110.8m and comprised effective tax liabilities of €68.4m and deferred tax assets of €42.4m.

Group profit

Group profit increased by €23.7m year-on-year to €141.9m on the previous year.

Non-controlling interests

Non-controlling interests in Group profit for the year totalled €157.0m, including €100.8m related to external shareholders of TUI Travel PLC (previous year €48.2m) and €56.2m related to TUI Hotels & Resorts companies (previous year €46.1m).

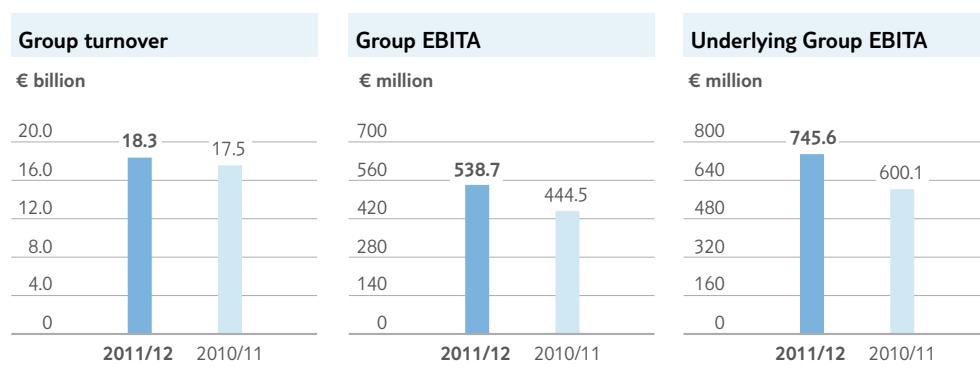
Earnings per share

The interest in Group profit for the year attributable to TUI AG shareholders (after deduction of non-controlling interests) totalled €-15.1m. In relation to the weighted average number of shares of 251,953,439 units, basic earnings per share stood at €-0.16 (previous year €-0.01). A dilution effect did not have to be taken into account, neither in the period under review nor in the prior-year reference period. Diluted earnings per share therefore also amounted to €-0.16 (previous year €-0.01).

MANAGEMENT REPORT

EARNINGS BY THE SECTORS

Substantial rise in Group turnover. Tourism benefits from strong demand for differentiated product.



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

Development of turnover

Development of turnover

€ million	2011/12	2010/11	Var. %
Tourism	18,297.2	17,430.4	+ 5.0
TUI Travel	17,681.5	16,867.0	+ 4.8
TUI Hotels & Resorts	384.7	362.6	+ 6.1
Cruises	231.0	200.8	+ 15.0
Central Operations	33.1	49.9	- 33.7
Group	18,330.3	17,480.3	+ 4.9

In financial year 2011/12, turnover by the TUI Group grew by 4.9% year-on-year. Adjusted for foreign exchange effects, it grew by 2.2%. The turnover growth was driven by higher average prices in TUI Travel, attributable to a higher proportion of differentiated product and price increases due to higher input costs.

Current and future trading

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



www.tui-group.com/ir/news

At the end of financial year 2011/12, current trading by TUI Travel for the summer season 2012 and the winter season 2012/13, available for bookings at that point in time, in comparison to previous year's season was as follows:

Current Trading

Var. %	Winter season 2012/13			Summer season 2012		
	Average selling price	Total sales	Total customers	Average selling price	Total sales	Total customers
Central Europe	+ 3	+ 6	+ 3	+ 9	+ 6	- 3
Northern Europe	+ 2	+ 8	+ 6	+ 3	+ 5	+ 2
Western Europe	+ 1	- 14	- 15	-	+ 2	+ 2

For the 2013 summer season, already available for bookings in the UK, a 10% rise in bookings was recorded year-on-year at the end of financial year 2011/12. Average tour prices grew by 3%.

Current trading disclosures are regularly published on TUI's website in line with the TUI Group's quarterly reporting.

Development of earnings

Development of underlying EBITA

€ million	2011/12	2010/11	Underlying EBITA Var. %
Tourism	819.0	656.6	+ 24.7
TUI Travel	637.4	500.1	+ 27.5
TUI Hotels & Resorts	178.6	145.3	+ 22.9
Cruises	3.0	11.2	- 73.2
Central Operations	- 73.3	- 56.5	- 29.7
Group	745.7	600.1	+ 24.3

€ million	2011/12	2010/11	EBITA Var. %
Tourism	619.3	476.8	+ 29.9
TUI Travel	441.0	321.4	+ 37.2
TUI Hotels & Resorts	177.5	144.2	+ 23.1
Cruises	0.8	11.2	- 92.9
Central Operations	- 80.5	- 32.3	- 149.2
Group	538.8	444.5	+ 21.2

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

Underlying EBITA: Group

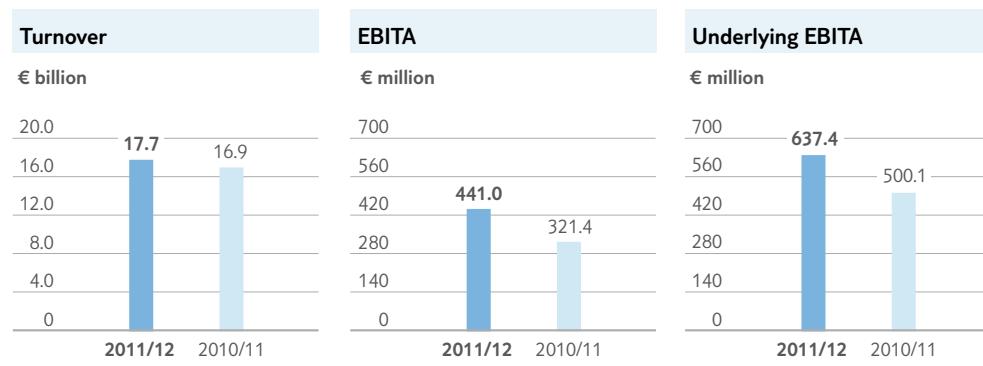
€ million	2011/12	2010/11	Var. %
EBITA	538.8	444.5	+ 21.2
Gains on disposal	+ 1.8	-	
Restructuring	+ 63.2	+ 70.8	
Purchase price allocation	+ 75.1	+ 96.1	
Other one-off items	+ 66.8	- 11.3	
Underlying EBITA	745.7	600.1	+ 24.3

In financial year 2011/12, the TUI Group's earnings adjusted for one-off effects (underlying EBITA) rose by €145.6m year-on-year to €745.7m. Earnings were driven by the sound performance in Tourism, which benefited from persistently strong demand for differentiated products in TUI Travel and higher average prices as well as successful cost management in Riu, the largest hotel company.

In financial year 2011/12, adjustments for one-off effects totalled around €206.9m (previous year €155.6m). 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 prior year's reference numbers.

Despite the rise in net one-off expenses, reported earnings (EBITA) rose by €94.3m to €538.8m in financial year 2011/12 due to sound business performance.

TUI Travel



TUI Travel's business remained structured into four Business Lines: Mainstream, Accommodation & Destinations, Specialist & Activity and Emerging Markets.

Turnover and earnings

TUI Travel – Key figures

€ million	2011/12	2010/11	Var. %
Turnover	17,681.5	16,867.0	+ 4.8
EBITA	441.0	321.4	+ 37.2
Gains on disposal	–	–	
Restructuring	+ 61.0	+ 70.8	
Purchase price allocation	+ 75.1	+ 96.1	
Other one-off items	+ 60.3	+ 11.8	
Underlying EBITA	637.4	500.1	+ 27.5
Underlying EBITDA	833.9	718.4	+ 16.1
Investments	568.6	380.6	+ 49.4
Headcount (30 Sep)	57,961	58,378	- 0.7

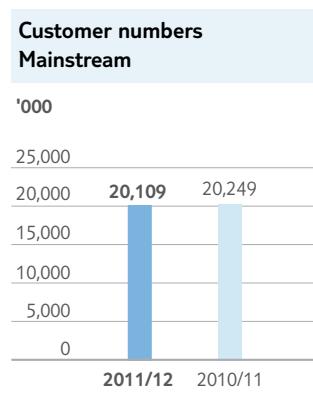
In financial year 2011/12, turnover by TUI Travel grew by 4.8% year-on-year to €17.7bn. Adjusted for foreign exchange effects, it rose by 2.1%. While customer numbers in the Mainstream Business remained flat year-on-year, the growth in underlying turnover was above all attributable to a higher proportion of differentiated product and higher average prices to compensate for the rise in input costs.

In financial year 2011/12, underlying earnings by TUI Travel improved considerably by €137.3m to €637.4m. 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 UK benefited most strongly from this trend, considerably outperforming the overall UK market. The rise in the exchange rate of 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 (Convergence project) and Germany (GET project) generated the first savings in the completed financial year, as scheduled.

In financial year 2011/12, TUI Travel had to carry net adjustments of €196.4m (previous year €178.7m), which included purchase price allocations worth €75.1m and above all one-off expenses for the restructuring of the tour operator business in France (Convergence project) and the reorganisation of the Specialist & Activity Division. The year-on-year increase in adjustments mainly resulted from the one-off income from the reduction in pension obligations in the UK included in the prior year's numbers.

Reported earnings by TUI Travel totalled €441.0m in financial year 2011/12, up €119.6m.

Mainstream

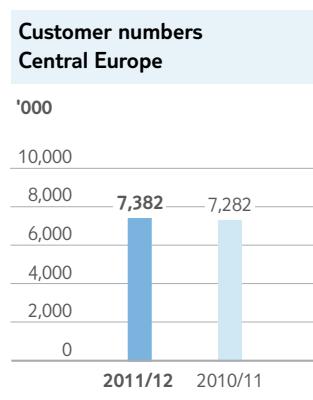


The Mainstream Business is the largest sector within TUI Travel, selling flight, accommodation and other tourism services. Until and including September 2012, the business was managed in the three source markets Central Europe, Northern Region and Western Europe.

With the start of the new financial year 2012/13, the regional breakdown of TUI Travel's Mainstream business was eliminated and a central Mainstream Board, in charge of all source markets, was established. The reporting structure for future periods will be adjusted accordingly.

In financial year 2011/12, a total of 20,109 thousand customers were serviced in the Mainstream Business. This corresponds to a decline of 0.7% year-on-year.

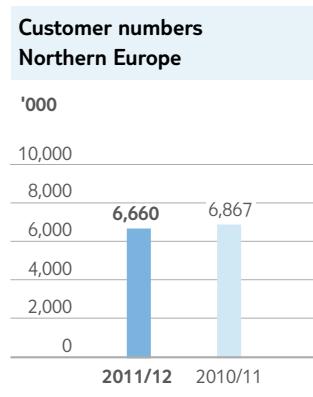
Central Europe



In Central Europe (Germany, Austria, Switzerland, Poland and the airline TUIfly.com), customer volumes rose by 1.4% year-on-year in financial year 2011/12.

In the period under review, TUI Deutschland benefited from the realignment of TUI Deutschland (GET project) creating the expected initial cost savings. On the other hand, the public debate about a potential exit of Greece from the Eurozone caused uncertainty among customers with regard to trips to Greece, which only receded in the course of the summer season. Due to the bad weather in northern Europe at the beginning of the summer season, TUI Deutschland recorded strong demand for short-term bookings, sold at a sound price margin. The business operations of TUI tour operators in Switzerland, Austria and Poland showed an overall stable development in financial year 2011/12.

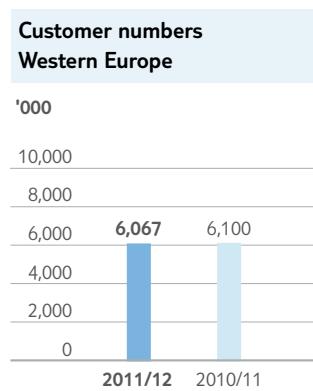
Northern Region



In the Northern Region (UK, Ireland, Canada, Nordic countries, airlines Thomsonfly and TUIfly Nordic and the TUI Travel hotel companies), customer volumes fell by 3.0% in financial year 2011/12.

Despite the decline in volumes and the persistently difficult market environment in the UK, TUI UK, in particular, managed to further improve its competitive position and conclude the financial year 2011/12 very successfully. TUI UK recorded strong demand for differentiated product. As a result, higher travel prices were achieved in the market, even for short-term bookings, and load factors were improved year-on-year. The Canadian tour operator Sunwing, in which TUI Travel holds a 49% stake, again recorded significant volume growth in the winter season 2011/12, which traditionally is very important for this market. The capacity in Mexico and the Caribbean was expanded. Riu hotels, offered in the tour operator programme, recorded particularly strong demand. In the Nordic countries, the fall in bookings for Thailand, a key winter destination, caused by the floods in Bangkok was more than offset by strong demand for other destinations.

Western Europe



In Western Europe (France, the Netherlands, Belgium and airlines Corsairfly, Arkefly and Jetairfly), customer volumes decreased by 0.5% in financial year 2011/12.

Source market France recorded an improvement, as the first savings were generated from the merger of the two tour operators Nouvelles Frontières and Marmara (Convergence project). An ongoing adverse effect was caused by weaker demand for North Africa, which did not show a slight recovery until the end of the summer season. The French Corsairfly airline was impacted by higher aircraft fuel costs, which were only offset in the course of the year when prices were increased accordingly. While the TUI tour operators in the Netherlands showed a positive trend, the Arkefly airline suffered from very fierce competition in the long- and medium-haul segments. TUI Belgium continued to expand its seat-only business and also benefited from stronger bookings of tour operator products in the summer season.

Accommodation & Destinations

The Accommodation & Destinations (A&D) Business comprises TUI Travel's online services and incoming agencies. In financial year 2011/12, it recorded a sound development. Online services recorded higher volumes, both in B2B and B2C activities. On the other hand, the B2C portals recorded higher costs for the expansion of their organisation. The business volume of the incoming agencies was flat overall year-on-year.

Specialist & Activity

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

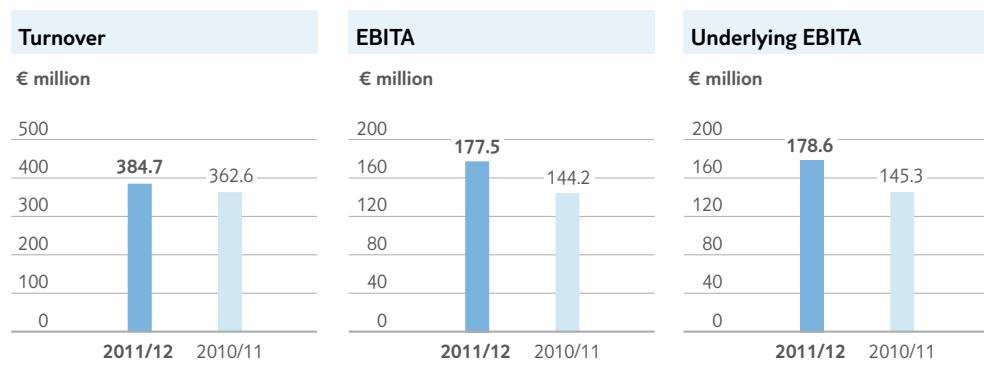
In financial year 2011/12, the Divisions of the Business Line did not fully match the previous year's sound performance. The tour operators for adventure tours continued to feel the impact of weaker demand for North Africa and Australia. Demand for student trips and language courses also declined year-on-year. The premium tour operators in North America, by contrast, continued to report strong demand for high-quality travel, recording year-on-year growth. The Sport Division benefited from the Olympic Summer Games in London and the UEFA European Football Championship in the period under review. The Marine Division showed a stable performance.

Emerging Markets

The Emerging Markets Business clusters activities in the growth markets. In the period under review, earnings by the Business Line continued to reflect the costs for the launch of the TUI brand in Russia and the CIS and the development of the organisation in these countries. TUI

Russia recorded a year-on-year decline in customer numbers in a highly competitive environment. Demand for North Africa and Egypt, a key destination for Russian customers, in particular, fell short of expectations. Overall, demand stabilised again in the course of the year.

TUI Hotels & Resorts



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

Turnover and earnings

TUI Hotels & Resorts - Key figures

€ million	2011/12	2010/11	Var. %
Total turnover	826.0	780.8	+ 5.8
Turnover	384.7	362.6	+ 6.1
EBITA	177.5	144.2	+ 23.1
Gains on disposal	–	–	
Restructuring	–	–	
Purchase price allocation	–	–	
Other one-off items	+ 1.1	+ 1.1	
Underlying EBITA	178.6	145.3	+ 22.9
Underlying EBITDA	246.2	234.8	+ 4.9
Investments	53.1	79.9	- 33.5
Headcount (30 Sep)	15,141	14,424	+ 5.0



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

²⁾ occupied beds divided by capacity

³⁾ arrangement turnover divided by occupied beds

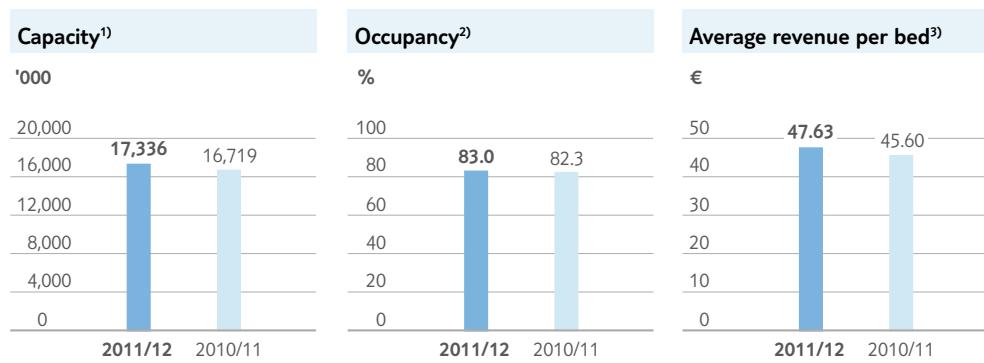
Total turnover by TUI Hotels & Resorts grew by 5.8% year-on-year to €826.0m. While capacity was only slightly up by 1.6%, the turnover growth was above all driven by the 3.5% increase in average revenues per bed and the improvement in occupancy of 2.1 percentage points. In financial year 2011/12, turnover with non-Group third parties grew by 6.1% to €384.7m.

In the period under review, underlying earnings by TUI Hotels & Resorts improved by €33.3m to €178.6m year-on-year. The growth reflected in particular higher pricing levels and successful cost management in Riu.

In financial 2011/12, net expenses of €1.1m had to be adjusted in TUI Hotels & Resorts.

Reported earnings by TUI Hotels & Resorts also grew considerably by €33.3m year-on-year to €177.5m in financial year 2011/12.

Riu



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

²⁾ occupied beds divided by capacity

³⁾ arrangement turnover divided by occupied beds

Riu, one of the leading Spanish hotel chains, operated 104 (previous year 103) hotels in the period under review. Capacity was increased by 3.7% year-on-year to 85,459 available hotel beds in financial year 2011/12. Average occupancy rates in Riu hotels grew by 0.7 percentage points to 83.0% year-on-year despite the capacity expansion. Average revenues per bed likewise grew by 4.5%.

Average occupancy of Riu hotels in the Canaries increased by 0.8 percentage points to 92.0% year-on-year. It thus exceeded the high level achieved in the previous year, characterised by short-term shifts in bookings away from North Africa in the light of the unrest in the region. Average revenues per bed climbed by 4.4%.

At 79.4%, Riu hotels in the Balearics achieved an increase in occupancy by 0.4 percentage points year-on-year. Average revenues per bed grew by 3.8% year-on-year. In mainland Spain, average occupancy of Riu hotels grew by 0.3 percentage points year-on-year at 72.4%. Average revenues per bed were 1.1% up year-on-year.

For long-haul destinations (Mexico, Jamaica, Dominican Republic, Bahamas, Cape Verde Islands, Panama and United States), Riu hotels achieved an average occupancy of 81.7%. This represents an increase of 1.9 percentage points year-on-year, mainly attributable to stronger demand from the United States for hotels in Mexico and Jamaica. With the new Riu Touareg Hotel, capacity in the Cape Verde Islands increased significantly.

Robinson



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

²⁾ occupied beds divided by capacity

³⁾ arrangement turnover divided by occupied beds

In financial year 2011/12, Robinson, the market leader in the premium segment for club holidays, operated a total of 25 (previous year 24) club facilities with 14,135 beds in eleven countries. Capacity was up year-on-year, partly due to the closure of the Robinson Club Jandia Playa (Fuerteventura, Canaries) for renovation purposes in the prior year and the opening of the new Robinson Club in Landskron (Austria) in the period under review. Individual Robinson Clubs in Morocco, Portugal, Spain, Egypt and Turkey and the Robinson Club in the Maldives increased their occupancy year-on-year, in some cases by 5.0 percentage points and more. Overall, this resulted in a year-on-year rise in occupancy of 4.2 percentage points. With €83.75, average revenues per bed were almost flat year-on-year.

Iberotel



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

²⁾ occupied beds divided by capacity

³⁾ arrangement turnover divided by occupied beds

In financial year 2011/12, Iberotel had 26 (previous year 27) hotels with 16,063 hotel beds, located in Egypt, the United Arab Emirates, Turkey, Italy and Germany. At 66.0%, occupancy of Iberotels was 4.6 percentage points up year-on-year. In the previous year, bookings had been severely affected by the impact of the unrest in Egypt. The hotels in Turkey achieved an occupancy rate of 95.6%. Average revenues per bed grew by 6.4% in the period under review, after selective price discounts had been granted in the previous year in order to stabilise occupancy of Iberotels in Egypt.

Grupotel



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

²⁾ occupied beds divided by capacity

³⁾ arrangement turnover divided by occupied beds

In the period under review, the Grupotel chain operated 34 facilities on Majorca, Menorca and Ibiza with 13,182 beds, as before. With stable capacity, occupancy of Grupotel hotels was 82.5%, up 0.6 percentage points year-on-year. Grupotels on Majorca, in particular, benefited from strong demand for destinations in the western Mediterranean. Average revenues per bed were up 3.9% year-on-year.

Grecotel



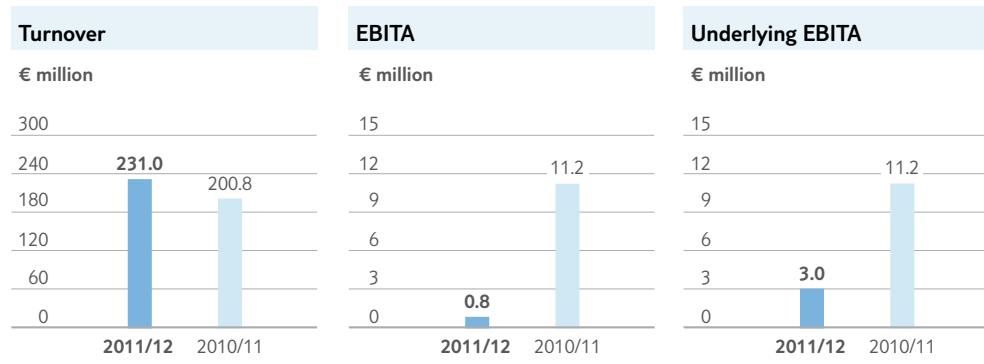
¹⁾ Group owned or leased hotel beds multiplied by number of days open per year

²⁾ occupied beds divided by capacity

³⁾ arrangement turnover divided by occupied beds

Grecotel, the leading hotel company in Greece, operated 20 (previous year 22) holiday complexes with a total of 10,327 beds in the period under review. Capacity decreased year-on-year as some facilities opened later in the season. Due to the capacity reduction, occupancy grew by 3.5 percentage points to 86.1%. Average revenues per bed decreased by 8.0% year-on-year due to price measures launched for the destination Greece. The development of Grecotels was also impacted by debates about a potential exit of Greece from the Eurozone, which led to temporary uncertainty about travelling to Greece among German hotel customers.

Cruises



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

Cruises - Key figures

€ million	2011/12	2010/11	Var. %
Turnover	231.0	200.8	+ 15.0
EBITA	0.8	11.2	- 92.9
Gains on disposal	–	–	–
Restructuring	+ 2.2	–	–
Purchase price allocation	–	–	–
Other one-off items	–	–	–
Underlying EBITA	3.0	11.2	- 73.2
Underlying EBITDA	13.2	19.7	- 33.0
Investments	8.9	8.5	+ 4.7
Headcount (30 Sep)	289	277	+ 4.3

Turnover and earnings

In financial year 2011/12, turnover by Hapag-Lloyd Kreuzfahrten totalled €231.0m, up 15% year-on-year due to the increased capacity of the Hapag-Lloyd fleet. In TUI's consolidated financial statements, no turnover is shown for TUI Cruises, as the joint venture is measured at equity.

Underlying earnings by the Cruises Sector decreased by €8.2m to €3.0m in financial year 2011/12. While TUI Cruises sustained its distinctly positive performance in the period under review, Hapag-Lloyd Kreuzfahrten reported a decline in earnings due to lower average rates and start-up costs for the planned market launch of the new Europa 2.

In the future, Hapag-Lloyd Kreuzfahrten will focus on luxury and expedition cruises and grow in these two segments, not least due to stronger international marketing. In May 2013, the Hapag-Lloyd fleet will be expanded in the luxury segment with the launch of the new 5-star ship Europa 2. In return, the Columbus 2, operating in the premium segment, will leave the fleet in April 2014. Hapag-Lloyd Kreuzfahrten is currently undergoing internal reorganisation to shift its focus as outlined above.

In financial year 2011/12, the Cruises Sector had to carry adjustments worth €2.2m for the re-organisation of Hapag-Lloyd Kreuzfahrten. Reported earnings amounted to €0.8m in the period under review, down €10.4m year-on-year.

Hapag-Lloyd Kreuzfahrten



¹⁾ per day and passenger

In financial year 2011/12, the fleet of Hapag-Lloyd Kreuzfahrten initially comprised the four cruise ships Europa, Columbus, Hanseatic and Bremen, as before. In April 2012, Columbus was replaced by the larger Columbus 2, operated under a charter agreement concluded until April 2014. With capacity slightly increased year-on-year at 77.4%, passenger cruise days grew by 17.2% to a total of 369,086 due to the higher capacity of Columbus 2 compared with Columbus. The average daily rate was €399, down by 5.5%. The decrease in the rate was caused by special travel offerings for the existing fleet in connection with the launch of Columbus 2 and Europa 2.

TUI Cruises



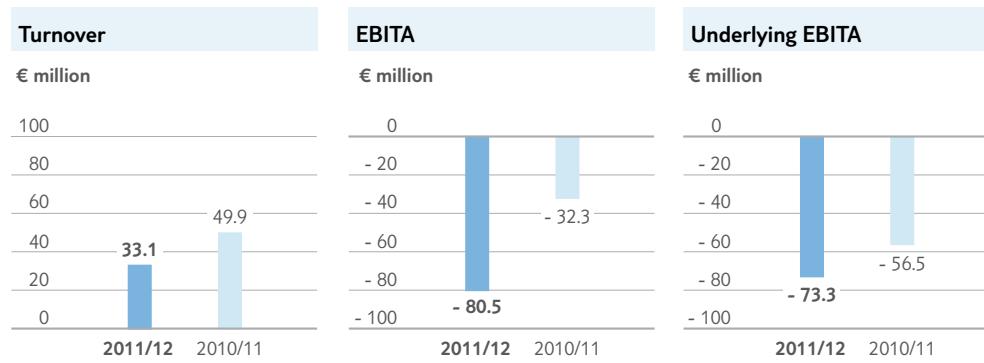
¹⁾ per day and passenger

In financial year 2011/12, TUI Cruises continued to benefit from its successful positioning in the market segment of premium cruises and further consolidated its market position. The operating indicators of the TUI Cruises fleet continued to show a very positive development in the period under review. The load factor rose by 0.9 percentage points year-on-year to 100.9% (calculated on the basis of 2-bed occupancy). Both ships contributed to the high occupancy rate. In 2011/12, a total of 1,398,865 passenger days were recorded. The increase of 44.4% is partly attributable to the fact that Mein Schiff 2 had only been commissioned in May 2011. The average daily rate per passenger was €151, up 0.7% year-on-year.

In 2014 and 2015, TUI Cruises will expand its fleet by one ship in each year.

Central Operations

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



Central Operations - Key figures

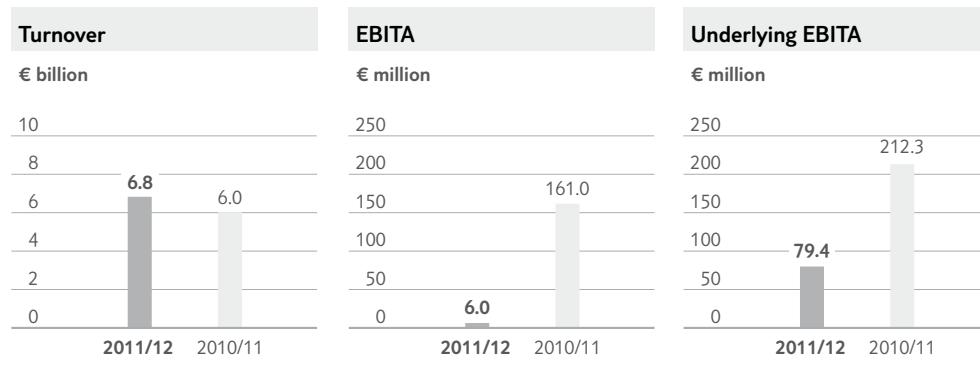
€ million	2011/12	2010/11	Var. %
Turnover	33.1	49.9	- 33.7
EBITA	- 80.5	- 32.3	- 149.5
Gains on disposal	+ 1.8	-	-
Restructuring	-	-	-
Purchase price allocation	-	-	-
Other one-off items	+ 5.4	- 24.2	-
Underlying EBITA	- 73.3	- 56.5	- 29.7
Underlying EBITDA	- 69.8	- 49.5	- 41.0
Investments	2.5	2.7	- 7.4
Headcount (30 Sep)	421	628	- 33.0
of which Corporate Center (30 Sep)	212	202	+ 5.0

At €-73.3m, underlying earnings by Central Operations were €16.8m down year-on-year. The deterioration was mainly attributable to the foreign exchange impact on expenses and higher expenses for consultation services and expert reports.

In the period under review, net expenses of €7.2m had to be adjusted by Central Operations. This amount related to changes in provisions, above all in connection with the early withdrawal of two Executive Board members. In the previous year, the income adjusted related to book profits from the sale of the property in Hamburg used by Hapag-Lloyd AG to Hapag-Lloyd.

At €-80.5m, reported earnings by Central Operations fell €48.2m on the previous year.

The development of operative Container Shipping business



The 22.0% stake (as per 30 September 2012) in Hapag-Lloyd is measured at equity in TUI's consolidated financial statements. Since the stake is a financial investment from TUI AG's perspective, at equity earnings are not included in the TUI Group's operating performance indicator EBITA.

For information purposes, the table below presents Container Shipping from Hapag-Lloyd AG's perspective on a 100 per cent basis.

Turnover and earnings

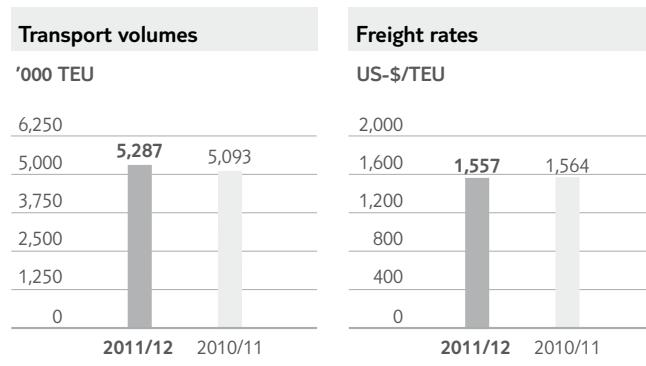
Container Shipping - Key figures

€ million	2011/12	2010/11	Var. %
Turnover	6,770.6	6,038.6	+ 12.1
EBITA	6.0	161.0	- 96.3
Gains on disposal	- 3.5	+ 1.6	
Restructuring	-	+ 0.1	
Purchase price allocation	+ 76.9	+ 47.6	
Other one-off items	-	+ 2.0	
Underlying EBITA	79.4	212.3	- 62.6

Turnover from Container Shipping operations grew by 12.1% to around €6.8bn in financial year 2011/12. This development mainly resulted from higher transport volumes. Turnover also benefited from the strengthening of the US dollar against the euro, with an average annual increase of 7.4%.

Underlying earnings amounted to €79.4m in financial year 2011/12, down €132.9m versus the same period the previous year. Adjustments of €73.4m had to be carried for special one-off effects, above all for purchase price allocation. Pre-adjustment earnings totalled €6.0m, down €155.0m year-on-year. Earnings were mainly impacted by the notable weakening of global economic growth in recent months, persistently fierce competition and a considerable rise in energy costs. In financial year 2011/12, Hapag-Lloyd reported a rise in average bunker costs to 661 USD per tonne, up by 104 USD tonne versus the previous year. In the light of the existing competition, the increase in costs was only partially passed on to customers in some trade lanes via freight rate surcharges.

Transport volumes and freight rates



In financial year 2011/21, Hapag-Lloyd shipped a total of 5,287 standard containers (TEU) so that transport volumes rose by 3.8% year-on-year. Transport volumes grew most strongly in the Australasia and Trans-Pacific trade lanes. In the Atlantic trade lane, by contrast, transport volumes declined year-on-year due to lower demand for container transport services resulting from the sovereign debt crisis in the Eurozone and the high budget deficit in the United States. The average freight rate level was 1,557 USD/TEU in financial year 2011/12, almost flat year-on-year. The strongest increase in rates on the previous year was achieved in the Trans-Pacific trade lane, while the freight rate in the Far East trade lane fell below the previous year's level due to competition pressures.

MANAGEMENT REPORT

NET ASSETS

Further reduction in TUI Group debt due to reflows of funds from Hapag-Lloyd.

The Group's balance sheet total decreased by 2.1% as against 30 September 2011 to €13.2bn.

Development of the Group's asset structure

€ million	30 Sep 2012	30 Sep 2011	Var. %
Fixed assets	8,113.0	8,491.4	- 4.5
Non-current receivables	555.2	616.2	- 9.9
Non-current assets	8,668.2	9,107.6	- 4.8
Inventories	113.9	106.7	+ 6.7
Current receivables	2,135.6	2,272.1	- 6.0
Cash and cash equivalents	2,278.4	1,981.3	+ 15.0
Assets held for sale	16.5	24.2	- 31.8
Current assets	4,544.4	4,384.3	+ 3.7
Assets	13,212.6	13,491.9	- 2.1
Equity	2,067.1	2,547.8	- 19.8
Liabilities	11,145.5	10,944.1	+ 1.8
Equity and liabilities	13,212.6	13,491.9	- 2.1

Vertical structural indicators

Non-current assets accounted for 65.6% of total assets, compared with 67.5% in the previous year. The capitalisation ratio (ratio of fixed assets to total assets) decreased from 62.9% to 61.4%.

Current assets accounted for 34.4% of total assets, compared with 32.5% in the previous year. The Group's cash and cash equivalents rose by €297.1m year-on-year to €2,278.4m. They thus accounted for 17.2% of total assets, as against 14.7% in the previous year.

Horizontal structural indicators

At the balance sheet date, the ratio of equity to non-current assets was 23.6%, as against 28.0% in the previous year. The ratio of equity to fixed assets was 25.2% (previous year 30.0%). The ratio of equity plus non-current financial liabilities to fixed assets was 101.3%, compared with 98.2% in the previous year.

Structure of the Group's non-current assets

€ million	30 Sep 2012	30 Sep 2011	Var. %
Goodwill	3,046.4	2,907.2	+ 4.8
Other intangible assets	890.9	856.6	+ 4.0
Investment property	54.9	59.2	- 7.3
Property, plant and equipment	2,651.3	2,445.1	+ 8.4
Companies measured at equity	1,394.0	1,735.5	- 19.7
Financial assets available for sale	75.5	487.8	- 84.5
Fixed assets	8,113.0	8,491.4	- 4.5
Receivables and assets	386.5	452.7	- 14.6
Deferred tax claims	168.7	163.5	+ 3.2
Non-current receivables	555.2	616.2	- 9.9
Non-current assets	8,668.2	9,107.6	- 4.8

Development of the Group's non-current assets

Goodwill

Goodwill rose by €139.2m to €3,046.4m. The increase in the carrying amount is essentially due to the translation of goodwill not managed in the TUI Group's functional currency into euros. In the period under review, an impairment of €13.8m was required in TUI Hotels & Resorts following impairment tests.

At €2,667.6m or 87.6%, goodwill mostly related to TUI Travel. TUI Hotels & Resorts accounted for €378.8m or 12.4%.

Property, plant and equipment

At €2,651.3m, property, plant and equipment represented the second largest item in the statement of financial position. Property, plant and equipment also comprised leased assets in which Group companies carried economic ownership. At the balance sheet date, these finance leases had a carrying amount of €281.0m, down 66.8% year-on-year.

Development of property, plant and equipment

€ million	30 Sep 2012	30 Sep 2011	Var. %
Real estate with hotels	955.6	908.1	+ 5.2
Other land	159.4	202.3	- 21.2
Aircraft	325.3	241.1	+ 34.9
Ships	462.5	430.8	+ 7.4
Machinery and fixtures	396.7	421.1	- 5.8
Assets under construction, payments on accounts	351.8	241.7	+ 45.6
Total	2,651.3	2,445.1	+ 8.4

Companies measured at equity

A total of 62 companies were measured at equity. This figure consisted of 20 associated companies and 42 joint ventures. At €1,394.0m, their value decreased by 19.7% year-on-year as at the balance sheet date.

Financial assets available for sale

Financial assets available for sale decreased by 84.5% to €75.5m. They comprised shares in non-consolidated Group subsidiaries, investments and other securities and in the previous year hybrid instruments granted to Container Shipping.

Structure of the Group's current assets

€ million	30 Sep 2012	30 Sep 2011	Var. %
Inventories	113.9	106.7	+ 6.7
Trade accounts receivable and other assets ¹⁾	2,087.5	2,182.1	- 4.3
Current tax assets	48.1	90.0	- 46.6
Current receivables	2,135.6	2,272.1	- 6.0
Cash and cash equivalents	2,278.4	1,981.3	+ 15.0
Assets held for sale	16.5	24.2	- 31.8
Current assets	4,544.4	4,384.3	+ 3.7

¹⁾ incl. receivables from derivative financial instruments

Development of the Group's current assets

Inventories

At €113.9m, inventories increased by 6.7% year-on-year. As in the previous year, no material impairments and no material reversals of write-downs on inventories were effected in financial year 2011/12.

Current receivables

Current receivables comprise trade accounts receivable and other receivables, effective income tax assets and claims from derivative financial instruments. At €2,135.6m, current receivables decreased by 6.0% year-on-year.

Cash and cash equivalents

At €2,278.4m, cash and cash equivalents rose by 15.0% year-on-year.

Assets held for sale

Assets held for sale declined by 31.8% to €16.5m.

Unrecognised assets

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

Operating rental, lease and charter contracts

€ million	30 Sep 2012	30 Sep 2011	Var. %
Aircraft	1,391.3	1,377.7	+ 1.0
Hotel complexes	688.9	859.6	- 19.9
Travel agencies	354.1	365.1	- 3.0
Administrative buildings	326.5	351.1	- 7.0
Yachts and motor boats	216.2	269.3	- 19.7
Other	112.6	65.3	+ 72.4
Total	3,089.6	3,288.1	- 6.0
Fair value	2,770.3	2,829.2	- 2.1

The financial liabilities from operating rental, lease and charter agreements declined by 6.0% to €3,089.6m. At 45.0%, aircraft accounted for the largest portion, with hotel complexes accounting for 22.3%.



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



The TUI Group,
see page 59;
The TUI Share
from page 42

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

MANAGEMENT REPORT

FINANCIAL POSITION OF THE GROUP

In the period under review, TUI received income of €0.7bn from the reduction of its investment in Container Shipping. To optimise the Group's financial structure, most of these funds were used to repay financial liabilities due in 2012 and 2013 ahead of the due date and to strengthen the liquidity reserve. As a result, the Group's gross debt was significantly reduced, and its financial stability considerably strengthened in the medium term.

Principles and goals of financial management

Principles

As a matter of principle, the TUI Group's financial management is centrally operated by TUI AG, which acts as the Group's internal bank. Financial management covers all Group companies in which TUI AG directly or indirectly holds an interest of more than 50%. It is based on policies covering all cash flow-oriented aspects of the Group's business activities. A division of tasks between TUI AG and TUI Travel PLC, launched when TUI and First Choice merged their tourism business in 2007, continues to apply. TUI Travel PLC performs the financial management functions for the TUI Travel family, while TUI AG retains this function for all other business activities of the Group.

Goals

TUI's financial management aims to ensure sufficient liquidity for TUI AG and its subsidiaries at all times and to limit financial risks from fluctuations in currencies, interest rates and commodity prices. All financial transactions serve the goal of achieving an improvement in the current credit rating in the medium term.

Liquidity safeguards

The Group's liquidity safeguards consist of two components:

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

Limiting financial risks

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

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

The Group has entered into hedges in more than 20 foreign currencies in order to limit its exposure to risks from changes in exchange rates for the hedged items. Changes in commodity prices affect the TUI Group, in particular in procuring fuels such as aircraft fuel and bunker oil. In Tourism, most price risks related to fuel procurement are hedged with the aid of derivative instruments where price increases cannot be passed on to customers due to contractual agreements. In order to control risks related to changes in interest rates arising on liquidity

procurement in the international money and capital markets, the Group uses derivative interest hedges on a case-by-case basis in the framework of its interest management system.

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

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



See page 132 and 228

Capital structure

Capital structure of the Group

€ million	30 Sep 2012	30 Sep 2011	Var. %
Non-current assets	8,668.2	9,107.6	- 4.8
Current assets	4,544.4	4,384.3	+ 3.7
Assets	13,212.6	13,491.9	- 2.1
Subscribed capital	644.9	643.5	+ 0.2
Reserves including net profit available for distribution	1,142.6	1,531.7	- 25.4
Hybrid capital	294.8	294.8	-
Non-controlling interest	- 15.2	77.8	n/a
Equity	2,067.1	2,547.8	- 18.9
Non-current financial liabilities	1,684.4	1,426.8	+ 18.1
Current provisions	549.5	507.8	+ 8.2
Provisions	2,233.9	1,934.6	+ 15.5
Non-current liabilities	1,810.5	2,324.7	- 22.1
Current financial liabilities	646.1	473.6	+ 36.4
Financial liabilities	2,456.6	2,798.3	- 12.2
Other non-current financial liabilities	277.8	416.7	- 33.3
Other current financial liabilities	6,177.2	5,792.3	+ 6.6
Other financial liabilities	6,455.0	6,209.0	+ 4.0
Debt related to assets held for sale	-	2.2	n/a
Liabilities	13,212.6	13,491.9	- 2.1

Capital ratios

€ million	30 Sep 2012	30 Sep 2011	Var. %
Non-current capital	5,839.8	6,716.0	- 13.0
Non-current capital in relation to balance sheet total	%	44.2	49.8
Equity ratio	%	15.6	18.9
Equity and non-current financial liabilities		3,877.6	4,872.5
Equity and non-current financial liabilities in relation to balance sheet total	%	29.3	36.1
Gearing	%	68.0	83.7

* percentage points

The development of the TUI Group's capital structure in financial year 2011/12 was mainly determined by the reduction in the investment in Container Shipping and the repayment of financial liabilities.

Overall, non-current capital decreased by 13.0% to €5,839.8m. It declined by 5.6 percentage points to 44.2% in relation to the balance sheet total.

The equity ratio was 15.6% (previous year 18.9%). Equity and non-current financial liabilities accounted for 29.3% (previous year 36.1%) of the balance sheet total at the balance sheet date.

The gearing, i. e. the ratio of average net debt to average equity, decreased to 68.0% from 83.7% in the previous year.

Equity

Composition of equity

€ million	30 Sep 2012	30 Sep 2011	Var. %
Subscribed capital	644.9	643.5	+ 0.2
Capital reserves	957.4	956.1	+ 0.1
Revenue reserves	185.2	575.6	- 67.8
Hybrid capital	294.8	294.8	-
Non-controlling interest	- 15.2	77.8	n/a
Equity	2,067.1	2,547.8	- 18.9

Subscribed capital amounted to €644.9m, almost flat on the previous year. The capital reserve, which only comprises transfers from premiums, increased by a total of €1.3m to €957.4m due to the issue of employee shares and conversion of bonds into shares. Revenue reserves fell by €390.4m to €185.2m, mainly driven by the requirement to reclassify any changes in the value of the hybrid capital granted to Hapag-Lloyd Holding AG, previously carried outside profit and loss, to the consolidated income statement through profit and loss upon the disposal of that hybrid capital. Moreover, the decline in the long-term interest rate level resulted in lower gains and losses from changes in actuarial parameters in connection with the measurement of pension provisions, carried in revenue reserves outside profit and loss. Equity included the hybrid bond of €294.8m issued in December 2005. Non-controlling interests accounted for €25.5m of equity.

Provisions

Provisions mainly comprised provisions for pension obligations, current and deferred tax provisions and provisions for typical operating risks classified as current or non-current, depending on expected occurrence. At the balance sheet date, they accounted for a total of €2,233.9m and were thus €299.3m or 15.5% up year-on-year.

Financial liabilities

Composition of liabilities

€ million	30 Sep 2012	30 Sep 2011	Var. %
Bonds	1,551.1	1,639.8	- 5.4
Liabilities to banks	566.1	886.7	- 36.2
Liabilities from finance leases	233.2	154.8	+ 50.6
Other financial liabilities	106.2	117.0	- 9.2
Financial liabilities	2,456.6	2,798.3	- 12.2

The Group's financial liabilities decreased by a total of €341.7m to €2,456.6m. They consisted of bonds totalling €1,551.1m, liabilities to banks of €566.1m, liabilities from finance leases of €233.2m and other financial liabilities of €106.2m. In the completed financial year, the remaining outstanding amount of €193.0m of TUI AG's convertible bonds due in September 2012 was already repurchased ahead of the due date. In addition, part of TUI AG's bonds maturing in December 2012 with an aggregate volume of €18.2m were repurchased ahead of their due date in the completed financial year. Moreover, TUI AG acquired parts of an exchangeable bond of Nero Finance Ltd with a nominal amount of €223.7m, reducing its liabilities to banks in connection with this exchangeable bond. Other loans newly taken out and other loan redemptions only accounted for minor amounts. The allocation of non-current and current financial liabilities was based on the respective maturities.



See Notes page 222

Other liabilities

At €6.478.9m, other liabilities increased by €269.9m or 4.3% year-on-year.

Ratings by Standard & Poor's and Moody's

TUI AG ratings

	2008	RGJ 2009	2009/10	2010/11	2011/12	Outlook
Standard & Poor's	B+	B-	B-	B-	B-	positive
Moody's	B1	Caa1	Caa1	B3	B3	positive

In financial year 2011/12, the inflows of funds from the reduction of the investment in Container Shipping and the reduction in debt had a positive impact on debt indicators and TUI's liquidity situation. In February 2012 Moody's lifted its outlook for the corporate rating of TUI AG from stable to positive. Standard & Poor's also lifted its outlook for the corporate rating of TUI AG from stable to positive in November 2012. Thus, the Group was rated by both rating agencies at the same level by November 2012.

Ratings of capital market instruments

		Standard & Poor's		Moody's	
		30 Sep 2012	30 Sep 2011	30 Sep 2012	30 Sep 2011
Senior Fixed Rate Notes	Dec 2005	B-	B-	Caa1	Caa1
Promissory notes	Sep 2010	B-	B-	n/a	n/a
Convertible bond	Nov 2009	B-	B-	Caa1	Caa1
Convertible bond	Mar 2011	B-	B-	n/a	n/a
Hybrid bond	Dec 2006	CCC	CCC-	Caa2	Caa2

The senior notes issued in 2005 and the convertible bonds issued in 2009 were assigned a 'B-' rating by Standard & Poor's and a 'Caa1' rating by Moody's as per the balance sheet date. Moreover, the promissory notes issued in September 2010 and the convertible bonds issued in March 2011 were rated 'B-' by Standard & Poor's.

The hybrid bond issued in December 2005 had a lower rating as it was subordinated to other liabilities and did not have a fixed maturity. It was rated 'Caa2' by Moody's. Standard & Poor's lifted their rating to 'CCC' on account of improved debt indicators.

Key measures to optimise the financial debt structure

The capital structure in financial year 2011/12 was mainly characterised by debt reduction. This debt reduction was financed from existing liquid funds.

Repayment of a convertible bond

In financial year 2011/12, TUI AG launched a public tender offer, starting to buy back parts of TUI AG's convertible bond due in September 2012. Seizing market opportunities, the company subsequently purchased additional volumes of this bond. In November 2011, the outstanding residual volume was €192.8m. In November 2011, TUI AG launched a further public tender offer, buying back additional parts of this bond with a nominal value of €151.9m. The outstanding remainder of this bond subsequently amounted to €40.9m.

TUI AG subsequently called the bonds acquired in financial year 2010/11 and in October 2011 (€0.2m) as well as the bonds acquired in the wake of the second public tender offer totalling €653.2m. In addition, TUI AG also called the other remaining bonds, as stipulated in the terms and conditions, and redeemed the amount outstanding ahead of the due date in December 2011 at 100% of the nominal value for reasons of minimal outstanding principal amount.

Repurchase of bonds

Following purchases in prior years, TUI AG purchased additional parts of TUI AG's senior notes due in December 2012 in the completed financial year. By seizing market opportunities, a nominal volume of €18.2m was generated. The financial debt carried was reduced accordingly.

Purchase of parts of an exchangeable bond

In the completed financial year, TUI AG seized market opportunities to purchase parts with an aggregate volume of €223.7m of an exchangeable bond maturing in April 2013 issued by Nero Finance Ltd, an independent third-party company. With regard to this bond, which the bond-holders can exchange into shares in TUI Travel PLC, TUI AG has since issue had contractual commitments to Deutsche Bank AG, carried as liabilities in the balance sheet. Upon the acquisition of parts of this exchangeable bond, liabilities to banks therefore declined accordingly.

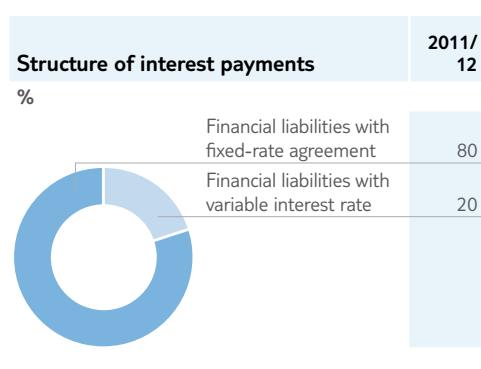
Interest rates and terms

Interest and financing environment

The completed financial year started with an environment overshadowed by constant debates about the stability of the euro. Many companies were subject to considerable variations in their listed credit margins (CDS levels) in the high-yield area and in their ability to raise outside capital in a capital market environment which was only at times receptive. In the wake of the agreement to reduce the investment in Container Shipping and the improved perception of TUI AG's credit rating which resulted, TUI's CDS level started to decline sharply in the second quarter of financial year 2011/12. Short-term interest remained at a low level by historical standards at the beginning of the reporting period. As central banks adjusted their interest rates, short-term interest steadily fell to an even lower level in the course of financial year 2011/12.

With the inflow of €700m from the reduced investment in Container Shipping, TUI AG's liquidity reserve grew significantly. TUI AG used the inflow above all to optimise its financial structure by reducing financial liabilities due in the short and medium term. Following a reduction of €435m in capital market-related debt in the completed financial year, TUI AG's bank credit stood at around €1.1bn. Against the background of this liquidity reserve, TUI AG dispensed with a long-term refinancing measure in financial year 2011/12. With two convertible bonds issued in 2009 and 2010 and a revolving credit facility from 2011, TUI Travel has a solid financial structure all the way to 2015.

In the completed financial year, the development of interest rate levels hardly affected interest payments carried under financial liabilities of which as 80% were subject to fixed-rate agreements as per the balance sheet date. Due to the lower level of interest, investments in the money market generated lower interest rates.



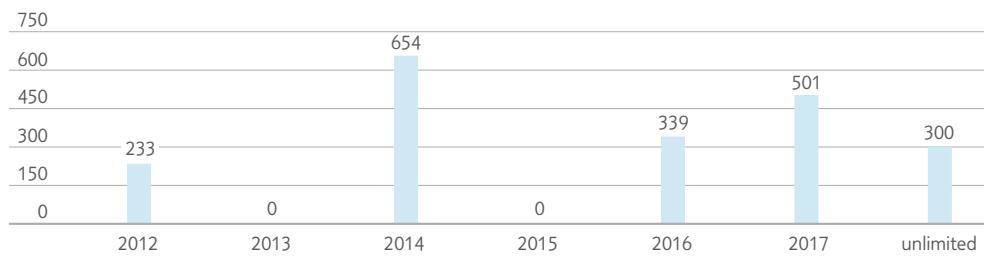
The remaining terms of the financial liabilities are outlined under Liabilities (Financial liabilities and liabilities to banks) in the Notes to the consolidated financial statements.

Listed bonds

Capital measures	Issuance	Maturity	Volume initial € million	Volume outstanding € million	Interest rate %
Senior fixed rate notes	December 2005	December 2012	450.0	233.0	5.125
Hybrid bond	December 2005	Perpetual	300.0	300.0	8.625
Convertible bond	November 2009	November 2014	217.8	215.2	5.500
Convertible bond	March 2011	March 2016	339.0	339.0	2.750
Convertible bond TUI Travel PLC	October 2009	October 2014	350.0	350.0	6.000
Convertible bond TUI Travel PLC	April 2010	April 2017	400.0	400.0	4.900

Maturity profile of listed bonds

€ million



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

Moreover, under a financing agreement with Deutsche Bank, TUI AG is indirectly entitled to acquire the assets of Antium Finance Ltd, a single-purpose company not related to TUI, in July 2014 against payment of a remaining purchase price of £150m. The assets of Antium Finance Ltd include bonds from the convertible bond of TUI Travel PLC with a nominal value of £200m, maturing in April 2017.

Off-balance sheet financial instruments

Operating leases

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

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



See page 113



See page 227

Liquidity analysis

Liquidity reserve

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

At the balance sheet date, the liquidity reserve of TUI AG as the Group's parent company totalled around €1,128.9bn.

Restrictions on the transfer of liquid funds

At the balance sheet date, there were restrictions worth €0.1bn on the transfer of liquid funds within the Group that might significantly impact the Group's liquidity, such as restrictions on capital movements and restrictions due to credit agreements concluded.



See chapter on Information required under takeover law page 128

Cash flow statement

Summary cash flow statement

€ million	2011/12	2010/11
Net cash inflow from operating activities	+ 819.1	+ 1,085.5
Net cash inflow from investing activities	+ 337.1	+ 875.4
Net cash outflow from financing activities	- 894.2	- 2,249.2
Change in cash and cash equivalents	+ 262.0	- 288.3

Net cash inflow from operating activities

In the period under review, the cash inflow from operating activities totalled €819.1m. The year-on-year decline of €266.4m was primarily attributable to changes in the terms and conditions for customer down payments in TUI UK, which had generated a positive one-off effect in the prior year.

Net cash inflow from investing activities

In the completed financial year, the total cash inflow from investing activities was €377.1m. The year-on-year decrease in the net cash inflow from investing activities of €538.3m was mainly driven by higher inflows from the reduction in the investment in Container Shipping in the prior year. In financial year 2011/12, the Group received a cash inflow of €694.8m (previous year €917.4m) from the reduction in the financing instruments granted to Hapag-Lloyd and the sale of shares. The prior-year figure also included a cash inflow from the sale of real estate in Central Operations (€174.9m) and hotel facilities (€108.6m).

Net cash outflow from financing activities

In the period under review, the cash outflow from financing activities amounted to €894.2m which, however, was considerably down year-on-year. The decrease of €1,355.0m versus prior year was above all due to lower repayments of debt. In the completed financial year, TUI AG spent a total of €437.5m for the early redemption of bonds and liabilities to banks. In the prior year, by contrast, liabilities totalling €1,985.2m were repaid.

Change in cash and cash equivalents

€ million	2011/12	2010/11
Cash and cash equivalents at the beginning of period	+ 1,981.3	+ 2,274.3
Changes due to changes in exchange rates	+ 35.1	- 4.7
Cash changes	+ 262.0	- 288.3
Cash and cash equivalents at the end of period	+ 2,278.4	+ 1,981.3



See page 158 and 240

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

Analysis of investments

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

€ million	2011/12	2010/11	Var. %
Tourism	630.6	469.0	+ 34.5
TUI Travel	568.6	380.6	+ 49.4
TUI Hotels & Resorts	53.1	79.9	- 33.5
Cruises	8.9	8.5	+ 4.7
Central Operations	2.5	2.7	- 7.4
All other segments	2.5	2.7	- 7.4
Total	633.1	471.7	+ 34.2

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

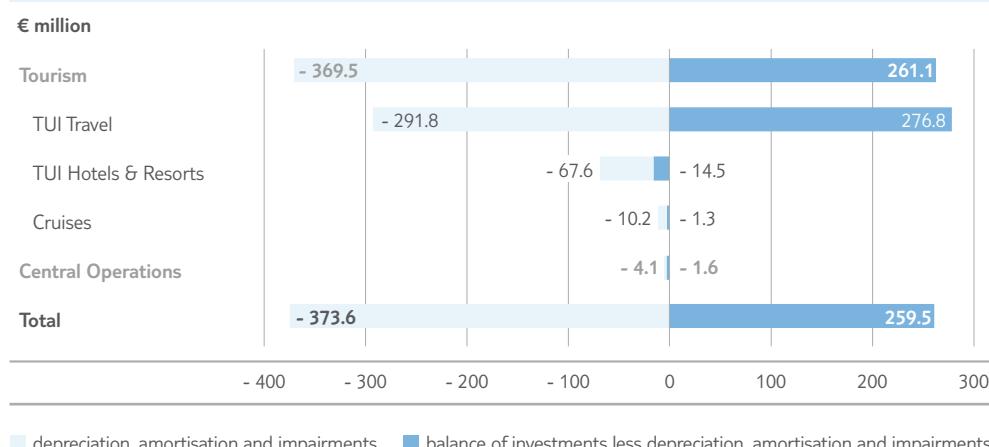
Additions to property, plant and equipment by Sector

Investments in other intangible assets and property, plant and equipment totalled €633.1m in the period under review, up 34.2% on the prior year.

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

€ million	2011/12	2010/11	Var. %
Tourism	369.5	406.4	- 9.1
TUI Travel	291.8	321.0	- 9.1
TUI Hotels & Resorts	67.6	76.8	- 12.0
Cruises	10.2	8.5	+ 20.0
Central Operations	4.1	8.4	- 51.2
All other segments	4.1	8.4	- 51.2
Total	373.6	414.8	- 9.9

Investments vs. depreciation, amortisation and impairments by Sector



Additions of other intangible assets and property, plant and equipment in Tourism totalled €630.6m, down 34.5% year-on-year.

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

Essential investments in TUI Hotels & Resorts related in particular to the purchase of a club complex in the Maldives and the renovation and maintenance of existing hotel facilities.

Investment obligations

Order commitments

Due to agreements concluded in financial year 2011/12 or in previous years, order commitments for investments totalled €1,945.8m at the balance sheet date, €945.5m of which were related to scheduled deliveries in financial year 2012/13.

At the balance sheet date, order commitments for aircraft in TUI Travel comprised 31 aircraft (13 B787s, 16 B737s and 2 A330-300s), to be delivered by the end of financial year 2014/15. Delivery of 14 aircraft has been scheduled for financial year 2012/13.

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



MANAGEMENT REPORT

ANNUAL FINANCIAL STATEMENTS OF TUI AG

Earnings position of TUI AG



Annual financial statements of TUI AG 2011/12 online at www.tui-group.com/en/ir

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

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

Income statement of TUI AG

€ million	2011/12	2010/11	Var. %
Turnover	4.8	29.1	- 83.5
Other operating income	243.4	243.9	- 0.2
Cost of materials	4.5	28.2	- 84.0
Personnel costs	55.1	36.8	+ 49.7
Depreciation	0.5	0.5	-
Other operating expenses	196.3	227.9	- 13.9
Net income from investments	270.3	370.8	- 27.1
Write-downs of investments	27.2	47.4	- 42.6
Net interest	- 113.0	- 115.0	+ 1.7
Profit on ordinary activities	121.9	188.0	- 35.2
Extraordinary result	-	-	-
Taxes	- 6.0	2.2	n/a
Net profit/loss for the year	127.9	185.8	- 31.2

The earnings situation of TUI AG, the Group's parent company, is mainly determined by the development of earnings by its Group companies, either directly associated with TUI AG via profit and loss transfer agreements or distributing their profits to TUI AG based on corresponding resolutions.

Turnover and other operating income

In financial year 2011/12, turnover almost completely resulted from renting out leased aircraft to Group-owned airlines. It declined due to transfers of contracts to the TUI Travel Group.

Other operating income comprised reversals of write-backs of financial investments due to higher stock exchange quotations and above all gains on exchange. It also included reversals of provisions no longer required.

Expenses

The cost of materials mainly included expenses for aircraft rental agreements with third parties, which declined in line with turnover due to transfers of contracts. In the period under review, personnel costs increased by around 49.7% year-on-year, primarily due to higher transfers to the pension provisions and provisions for long-term share-based incentive programmes. They were also affected by severance payments and increases in salaries agreed under collective agreements, with a slight rise in the headcount. Other operating expenses include above all expenses for exchange losses, with exchange gains carried under Other operating income, the cost of financial and monetary transactions, charges, fees, services and other administrative costs.

Investments

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

Write-downs of financial investments

In the period under review, write-downs of financial investments related to a hotel project company and a shareholding. In the previous year, this item included the price-induced write-downs of the convertible bond issued by TUI Travel PLC.

Interest result

The year-on-year improvement in the interest result primarily resulted from lower interest expenses due to the redemption and buyback of financial debt to banks and bondholders. The interest income from Group companies declined in connection with repayments of interest-bearing receivables from Group companies.

Taxes

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

Net profit for the year

For financial year 2011/12, TUI AG posted a net profit for the year of €127.9m.

Net assets of TUI AG

TUI AG's net assets and balance sheet structure reflect its function as the TUI Group's parent company. The balance sheet total increased by 0.9% to €5.6bn.

Abbreviated balance sheet of TUI AG

€ million	30 Sep 2012	30 Sep 2011	Var. %
Intangible assets/property, plant and equipment	18.4	18.5	- 0.5
Investments	4,095.1	3,986.6	+ 2.7
Fixed assets	4,113.5	4,005.1	+ 2.7
Inventories/Receivables	313.1	671.4	- 53.4
Cash and cash equivalents	1,128.9	825.2	+ 36.8
Current assets	1,442.0	1,496.6	- 3.6
Prepaid expenses	2.0	6.8	- 70.6
Assets	5,557.5	5,508.5	+ 0.9
Equity	2,365.2	2,234.5	+ 5.8
Special non-taxed items	0.6	0.6	-
Provisions	448.7	440.8	+ 1.8
Bonds	1,087.1	1,300.6	- 16.4
Financial liabilities	506.1	724.1	- 30.1
Other liabilities	1,149.6	806.6	+ 42.5
Liabilities	2,742.8	2,831.3	- 3.1
Deferred income	0.2	1.2	- 83.3
Liabilities	5,557.5	5,508.4	+ 0.9

Fixed assets

At the balance sheet date, fixed assets almost exclusively consisted of financial investments. The increase in financial investments was attributable to the purchase of TUI Travel PLC shares and price-induced reversals of write-downs on the convertible bond issued by TUI Travel PLC of €83.2m, following corresponding write-downs made in prior years.

Current assets

The decrease in receivables mainly resulted from the repayment of a shareholder loan to TUI-Hapag-Beteiligungs GmbH, where TUI AG has pooled its entire commitment to the Container Shipping group.

In the completed financial year, TUI AG received an indirect inflow of €700m due to the reduction of its investment in Container Shipping; these funds were partly used to reduce bond debt and liabilities to banks. The increase in bank balances of €303.7m to €1,128.9 is primarily attributable to these two effects.

TUI AG's capital structure

Equity

TUI AG's equity increased by €130.7m to €2,365.2m. The subscribed capital of TUI AG consists of no-par value shares, each representing an equal portion in the capital stock. The proportionate share in the capital stock per share is around €2.56. As at the end of financial year 2011/12, the subscribed capital of TUI AG rose by a total of €1.5m to around € 644.9m and comprised 252,273,710 shares due to the issue of employee shares and conversions from the 2009/2014 and 2011/2016 convertible bonds.

The capital reserve rose due to the issue of employee shares and to a lesser extent conversion of bonds into shares worth €1.3m. Revenue reserves exclusively consisted of other revenue reserves. The Articles of Association do not contain any provisions concerning the formation of reserves. In the financial year under review, an amount of €118.5m was transferred to the revenue reserves from the profit for the year. It consisted of an amount of €109.0m for the equity portion of reversals of depreciation of fixed assets pursuant to section 58 (2a) of the German Stock Corporation Act and an amount of €9.5m for a portion of the profit for the year pursuant to section 58 (2) for the German Stock Corporation Act.

The profit for the year amounts to €127.9m. Following transfers to other revenue reserves and taking account of the profit carried forward of €107.1m, net profit available for distribution totalled €116.6m, to be carried forward on new account. The equity ratio rose to 42.6% (previous year 40.6%).

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

Provisions

Provisions declined by €7.9m to €448.7m. They consisted of pension provisions worth €140.0m (previous year €137.2m) and other provisions worth €308.8m (previous year €303.6m). Other provisions included higher provisions for litigation risks, while lower provisions were recorded in particular for other typical operating risks and maintenance measures for aircraft leased on from third parties to the TUI Travel Group.

Liabilities

TUI AG's liabilities totalled €2,742.8m, a decline of €88.5m or 3.1%.

In the period under review, TUI AG bought back the remaining partial amount of TUI AG's convertible bonds due in September 2012 of €193.0m and a partial amount of €18.2m of TUI AG's promissory notes due in December 2012 ahead of the due date.

On the other hand, liabilities to Group companies rose as the liquidity inflows arising for TUI-Hapag Beteiligungs GmbH from the divestment of a 17.4% share in Hapag-Lloyd were invested in TUI AG.

TUI AG's net debt declined by 61.3%, amounting to €464.3m at the balance sheet date.

Capital authorisation resolutions

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

MANAGEMENT REPORT

INFORMATION REQUIRED

Pursuant to sections 289 (4) and 315 (4) of the German Commercial Code (HGB) and Explanatory Report

Composition of subscribed capital

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

The subscribed capital of TUI AG, registered in the commercial registers of the district courts of Berlin-Charlottenburg and Hanover, consisted of 252,273,710 shares at the end of financial year 2011/12 (previous year 251,696,745 shares) and totalled €644,927,499. Each share confers one vote at the Annual General Meeting.

Restrictions on voting rights or the transfer of shares

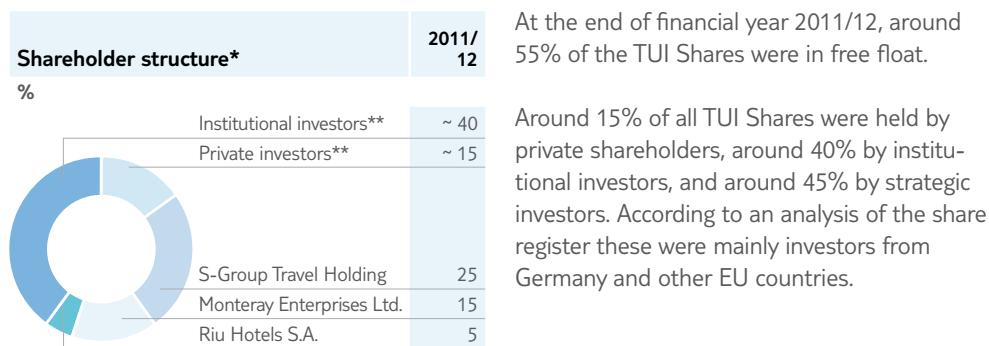
The Executive Board of TUI AG is not aware of any restrictions on voting rights or the transfer of shares.

Equity interests exceeding 10% of the voting rights

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

The voting shares in TUI AG attributable to Alexey Mordashov, Russia, exceeded the 25% threshold on 5 March 2012. As per that date, voting shares totalling 25.29% were attributable to him via Sungrebe Investments Ltd., Tortola, British Virgin Islands, Artcone Ltd., Limassol, Cyprus, and S-Group Travel Holding GmbH, Frankfurt, Germany.

The voting shares in TUI AG attributable to John Fredriksen, Cyprus, exceeded the 15% threshold on 30 June 2008. As per that date, voting shares totalling 15.01% were attributable to him via Monteray Enterprises Ltd., Limassol, Cyprus, and Geveran Holdings S.A., Monrovia, Liberia.



* Securities Trading Act disclosures

** Free float according to the definition by Deutsche Börse

Shares with special control rights

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

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

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

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

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

Powers of the Executive Board to issue or buy back shares

The Annual General Meeting of 15 February 2012 resolved to create conditional capital worth €120m for the issue by 14 February 2017 of bonds with conversion options or warrants as well as profit-sharing rights and income bonds of up to a nominal amount of €1.0bn. This authorisation has not been used to date.

The Annual General Meeting of 9 February 2011 authorised TUI AG's Executive Board to acquire own shares of up to 10% of the capital stock existing as at the date of the resolution. The authorisation was set to expire on 8 August 2012. The option to acquire own shares was not used.

In addition, a resolution to create conditional capital for the issue of new shares against cash contribution worth €246m by 8 February 2016 was adopted on the AGM in 2011.

Moreover, conditional capital of €100m was authorised at the AGM on 13 May 2009. Accordingly, bonds with conversion options or warrants as well as profit-sharing rights and income bonds of up to a nominal amount of €1.0bn may be issued up to 12 May 2014. TUI AG partly used this authorisation, issuing a convertible bond worth around €218m in November 2009.

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

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

In addition, two authorisations were granted in 2008 to increase the capital stock by a total of €74m by 6 May 2013. This includes authorised capital for the issue of new shares with the option of excluding subscription rights of €64m and authorised capital for the issue of employee shares worth €10m. To date, around €1.4m of this authorised capital has been used.

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

TUI AG's existing listed bonds, the private placement issued in 2010 and the equity-linked financing of TUI AG with shares in TUI Travel PLC as underlying, dating from 2008, include change of control clauses. A change of control occurs in particular if a third party directly or indirectly acquires control over at least 30% or the majority of the voting shares in TUI AG, depending on the respective agreement.

In the event of a change of control, bondholders must be offered a buy-back of the fixed-interest bond. For the hybrid bond, an interest mark-up has been agreed to take effect should the rating be downgraded. For the convertible bonds, a right of termination or reduction of the conversion price has been agreed.

In the case of the private placement, lenders are entitled to terminate their agreements in the event of a change of control.

The 2008 equity-linked financing with shares in TUI Travel PLC as underlying sets out that lenders will be able to demand either repayment at nominal value plus accrued interest or exchange of the bonds at market value in the event of a change of control.

The total volume of liabilities under financing instruments with corresponding change of control clauses currently amounts to around €1.4bn. On top of that, there are no agreements in guarantee, leasing, option or other financial contracts that might cause material early redemption obligations that would be of significant relevance for the Group's liquidity.

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

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

Under the license agreement concluded with the combination of the tourism business under TUI Travel PLC, the licensee, TUI Travel PLC, is entitled to acquire TUI AG's total tourism brand portfolio in the event of a change of control. A change of control agreement was concluded for the joint venture TUI Cruises between Royal Caribbean Cruises Ltd and TUI AG for a change of control in TUI AG. The agreement gives the partner the right to demand termination of the joint venture and to purchase the share held by TUI AG at a price which is lower than the selling price of their own share.

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

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

The service contracts for Executive Board members do not comprise an explicit severance payment entitlement upon a premature termination of the contract. However, a severance payment may be paid under an individual termination agreement. When the service contracts of Mr Baier and Dr Engelen were amended as at 1 January 2010, it was agreed that severance payments are not to exceed the amount equivalent to two annual remuneration payments; the severance payment for change of control situations was limited to 150% of the severance payment cap.

MANAGEMENT REPORT

RISK REPORT

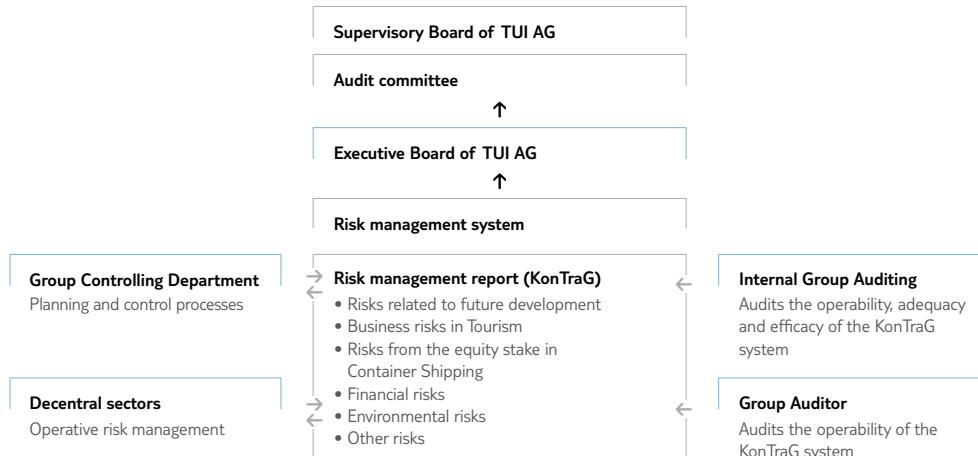
The TUI Group operates in the tourism sector with its main shareholdings. TUI AG also holds a financial stake of around 22% in Hapag-Lloyd Holding AG, operating in container shipping.

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

Risk policy

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

Risk management



The purpose and goal of the risk management system is to identify risks of any kind early on, assess them and contain them so that the economic benefit outweighs the threats. The TUI Group's risk management comprises clearly defined systems and methods incorporated in the organisational and workflow structure. 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.

Central risk management comprises the independently organised reporting system for the early identification of risks threatening the existence of the Company (German Act on Control and Transparency in Business, KonTraG), initiated, coordinated and monitored by the KonTraG working group as the competent body. Early risk identification aims to provide reports, both regular and case-by-case, in order to identify potential risks within the Group companies, assess these risks with the aid of uniform parameters and summarise them in an overall Group-wide system.

The risk management measures to be taken are implemented within the operative entities and mapped and supported by means of operational systems. Nevertheless, there is a feedback loop between early risk identification and operational risk management. There is also interaction with the planning and control process.

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

Risk management is supported by the Group-wide auditing departments. It focuses on risk reporting in accordance with KonTraG, both regularly and on a case-by-case basis. In preparing the annual financial statements as at 30 September 2012, the system for the early detection of risks threatening the existence of the Company was reviewed by the auditors and was found to be fully operational.

Risk transfer

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

Risks related to future development

Environment and industry risks

Tourism, the TUI Group's core business, is exposed to a number of macroeconomic risks. Since travel expenditure is discretionary and therefore price-sensitive, demand for tourism products hinges in particular on macroeconomic developments in the key source markets. Future economic declines such as high unemployment rates in relevant source markets, unexpected rises in interest rates, direct or indirect tax or the cost of living may therefore lead to a decline of disposable income and to substantial falls in demand for travel and other tourism products. In this regard, it is not just the real developments that people actually experience, but even the expectation of macroeconomic developments and their impact on individual lives that play a role. Changes in economic cycles, in particular, may affect demand for tourism products. Such macroeconomic cycles may be reinforced by global political events such as terrorist attacks, wars, social unrest and political instability.

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

The demand for travel may also be essentially affected by what happens next in the financial markets and the discussions about high sovereign debt in individual countries. Firstly, changes in exchange parities may result in exchange rate-driven changes in the cost situation in Tourism. Secondly, efforts by countries to consolidate their budgets may impact on the disposable income of private households in these countries. The austerity measures initiated and tax increases aimed at reducing sovereign debt and interest payable on the sovereign debt may indirectly impact the financial resources available for consumption in an economy. This might cause demand for travel to decline. The continuing euro and sovereign debt crisis in some European countries and the associated uncertainty among consumers may lead to general consumer restraint, even in countries not directly affected by the debt crisis, and thus adversely affect demand for holiday tours.

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 the new currency against the euro. A depreciation may create risks due to a loss in the value of assets held in this 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 utilisation of warranties under the European Stability Mechanism (ESM) and the need for writedowns 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 held liable.

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



See page 146

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

Risks from acquisitions and divestments

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

As before, TUI intends to sell off all assets invested in Container Shipping. There are no indications at present that the values recognised for the financial investment in Hapag-Lloyd might be at risk.

Risks from information technology

The travel marketplace in which TUI operates is increasingly dependent on technology to deliver its product and services. Consequently IT within TUI is under constant review. Recently agreed IT Strategy centers on consolidation of technology platforms to drive business efficiency, coupled with the use of leading technologies to drive the on-line and digital development of the Group.

TUI has decided also to use a common ERP platform for parts of its main business. The migration to the new platform will be implemented within the next two years. This strategy provides a more robust controls-based approach to transaction processing as well as to improve the consistency of reporting and financial control (COSO).



COSO see page 140

Business risks in Tourism

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

Following financial year 2011/11 in which demand for Tunisia and Egypt was strongly affected by the political unrest in these countries, demand for these destinations recovered again in the financial year under review. In financial year 2011/12, by contrast, media coverage about the financial and economic crisis in Greece adversely affected demand for trips to this destination.

Market risks increase with tougher competition and the emergence of new market participants operating new business models. Factors that may adversely affect sales by retail shops are web-based distribution of travel services and low-cost airlines.

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

- Only part of the flying capacity is sourced on the basis of fixed contracts. The Group's own airline capacity is largely oriented to the demand of its own tour operators.
- Staggered lease agreements enable the Group to adjust the fleet size of its own airlines to changes in demand in the short to medium term.
- Capacity in Group-owned hotels is considerably lower than the number of customers handled by the tour operators. This enables the Group to keep its product portfolio flexible by sourcing third-party hotel beds and concluding contractual agreements accordingly.
- Proportion of the travel products offered are produced on a just in time basis with simultaneous price fixing. This reduces the risk of unfavourable pricing.
- Due to the Group's presence in all key European countries, the effects of regional fluctuations in demand on capacity utilisation in the destinations can be contained.
- Due to the Group's presence in all key holiday regions, fluctuations in demand between the destinations can be countered. Lower demand for tours to a specific destination can be offset by expanding the portfolio for other destinations.
- The increase in the proportion of exclusive and differentiated products may have a positive effect on hotel occupancy, customer satisfaction and bookings.
- The increase in controlled distribution of Group-owned products may improve controllability.
- Additional opportunities are offered by multi-channel distribution and direct and modular online marketing of capacity.

Risks from the financial investment in Container Shipping

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

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

Financial risks

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

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

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

In the wake of the merger of TUI's tourism activities with First Choice to form TUI Travel PLC in 2007, a division of labour was introduced for the central cash management system, previously managed exclusively by TUI AG, central corporate finance and the central financial risk management system. TUI Travel PLC performs these functions for the TUI Travel Group, while TUI AG continues to hold this function for all other business operations in the Group.

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

Financial instruments

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

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

Liquidity management

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

Liquid funds, money and capital market instruments as well as bilateral bank loans and syndicated credit facilities are used to meet the Group's financing requirements. Besides TUI AG, TUI Travel PLC in particular has separate access to banks and the capital market and an independent ability to secure the liquidity of the tourism companies allocated to it.

In order to meet its long-term financing requirements, the TUI Group has issued six bonds in the capital market, including a hybrid bond carried as equity. Nominal liabilities under these bonds totalled €2.0bn at the balance sheet date. The bonds had different structures and maturities. Future repayment or refinancing risks were limited by optimising the maturities and volumes of these bonds.

In the completed financial year, the inflows of funds received by TUI AG included inflows worth €0.7bn from the reduction of its commitment to Container Shipping. These funds were partly used to reduce its financial debt. In the financial year under review, TUI AG bought back debt worth €0.4bn maturing in 2012 and 2013 ahead of its due date to optimise the structure of its financial debt.

At the balance sheet date, an amount of £0.2bn had been drawn from TUI Travel PLC's syndicated bank credit line of TUI Travel PLC totalling £1.2bn, maturing in June 2015.

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

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



See page 228



See page 228

Essential contractual regulations for the financing instruments

TUI AG's financial liabilities taken up via the capital market, the financing transaction based on the exchangeable bond with an option for shares in TUI Travel PLC issued by a non-Group third party, and TUI Travel PLC's syndicated and bilateral credit facilities comprise a number of obligations:

In the case of TUI Travel's syndicated credit facility, for instance, there is a duty to comply with financial covenants on (a) compliance with an EBITDAR-to-net interest expense ratio measuring the Group's relative charge from the interest result and the lease and rental expenses; and (b) compliance with a net debt-to-EBITDA ratio, calculating the TUI Travel sub-group's relative charge from financial liabilities. The covenants also restrict TUI Travel PLC's scope for encumbering or selling assets, acquiring other companies or shareholdings and effecting mergers.

The capital market instruments, the financing transaction based on the exchangeable bond for shares in TUI Travel PLC, and the bilateral and syndicated credit facilities also contain additional contractual clauses typical of financing instruments of this type. Non-compliance with these obligations awards the lenders the right to call in the facilities or terminate the financing schemes for immediate repayment.

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



See page 114

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

Risks from pension provisions

Pension funds have been set up to finance pension obligations, in particular in the UK. These funds are managed by independent fund managers who invest part of the fund assets in securities. The performance of these funds may thus be adversely affected and impaired by developments on the financial markets.

The present value of fully or partly funded pension obligations totalled €2.3bn, while the fair value of external plan assets amounted to €1.7bn. The funded pension obligations exceeded plan assets by €0.6bn. Combined with the present value of pension obligations not covered by funds of €0.6bn, this resulted in pension obligations with a net present value of €1.2bn, fully covered by pension provisions. Detailed information on the pension obligations is provided under the heading Provisions for pensions and similar obligations in the Notes to the consolidated financial statements.



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Other financial liabilities

At the balance sheet date, the TUI Group had other financial liabilities of €2.2bn (following €2.4bn as at 30 September 2011). These liabilities mainly related to order commitments for investments. Around €1.1bn had a remaining term of up to one year.

At the balance sheet date, financial liabilities from operating lease, rental and charter agreements amounted to €3.1bn (previous year €3.3bn). At €1.4bn, aircraft accounted for the largest proportion of financial liabilities from operating lease, rental and charter agreements, with approximately €0.7bn relating to hotels, €0.4bn to travel agencies, €0.3bn to administrative buildings, €0.2bn to yachts and motor boats, and €0.1bn to other liabilities. Around €0.8bn had a remaining term of up to one year.



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Detailed information on other financial liabilities is provided in the corresponding section in the Notes to the consolidated financial statements.

Environmental risks

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

Personnel risks



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The loss of highly skilled staff and executives or bottlenecks in staff recruitment also pose potential risks for TUI. In order to counter these risks, Human Resources management mainly focuses on long-term initial and continuous training of employees, health and diversity management and the continuous pursuit of a motivating, family-friendly working environment. These measures and the ongoing strategic personnel projects such as Mixed Leadership and Employer Branding are aimed at qualifying and motivating TUI employees and retaining them in the long term.

Other risks

Contingent liabilities and litigation

Contingent liabilities are potential liabilities not recognised in the balance sheet. At the balance sheet date, they amounted to €480.8m (following €498.4m in the previous year). They mainly related to the granting of guarantees to secure the amounts due to banks of Hapag-Lloyd AG.

In connection with the transfer in 1999 of various shareholdings to Babcock Borsig AG, which later became insolvent, TUI AG was sued for payment in 2004 by the insolvency administrator of Babcock Borsig AG on account of alleged difference liability. Following dismissal of the case by the regional court of Frankfurt/Main and the higher regional court of Frankfurt, the Federal Supreme Court set aside the judgment of the higher regional court of Frankfurt upon appeal by the plaintiff and remitted the case to the appeal court for further investigation. As before, TUI AG considers the action to be unfounded, but nevertheless has formed an appropriate provision of €50m.. Other than that, neither TUI AG nor any of its subsidiaries are involved in pending or foreseeable court or arbitration proceedings which might have a significant impact on the Group's business position. This also applies to actions claiming warranty, repayment or any other remuneration brought forward in connection with the divestment of subsidiaries implemented over the last few years. As in previous years, the respective Group companies formed appropriate provisions to cover any potential financial charges from court or arbitration proceedings.

Information on contingent liabilities and litigation is also provided in the corresponding sections in the Notes to the consolidated financial statements.

Overall statement on the TUI Group's risk situation

The overall risk situation of the TUI Group remained unchanged compared to the previous year. Currently there are no material risks other than those described in the Risk Report.

In the framework of regular risk reporting, no special risks jeopardising the continued existence of individual subsidiaries or the Group were identified, neither during nor as at the end of financial year 2011/12.

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

1. Definition and elements of the internal control and risk management system in the TUI Group

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

The TUI Group's existing internal control system is currently being aligned and implemented as the conceptual basis for the installation, design and development of an internal control system, drawing on the internationally recognised framework drawn up by COSO (Committee of Sponsoring Organizations of the Treadway Commission).

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

The elements of the internal monitoring system in the TUI Group consist of both process-related and non-process-related measures. Besides manual process controls, e.g. the "four-eyes principle", another key element of process-related measures are the automated IT process controls. Process-related monitoring is also secured by bodies such as the working group on the German Act on Control and Transparency in Business (KonTraG), and by specific Group functions such as Group Tax or Group Legal.

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

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

With regard to Group accounting, the risk management component of the internal control system addresses the risk of misstatements in Group bookkeeping and external reporting. Apart from operational risk management, which includes the transfer of risks to insurance companies by creating cover for damage and liability risks and also hedging transactions to limit foreign currency and fuel price risks, the TUI Group's risk management system also embraces the systematic early detection, management and monitoring of risks across the Group. In order to ensure systematic early risk detection throughout the Group, the TUI Group has installed a monitoring system for the early detection of risks threatening the existence of the Company in accordance with section 91 (2) of the German Stock Corporation Act, permitting the prompt identification and monitoring of both risks threatening the existence of the Company and other risks, over and above the requirements of this legislation. The Group auditors assess the proper functioning of the early risk detection system in accordance with section 317 (4) of the German Commercial Code. The TUI Group adjusts this system swiftly to any changes in the respective environment. Group Auditing also performs regular system checks as part of its monitoring activities to ensure that the system is functional and effective. More detailed explanations of the risk management system are provided in the section on "Risk management" in the Risk Report.

2. Use of IT systems

Bookkeeping transactions are captured in the individual financial statements of the subsidiaries of TUI AG, mainly through local SAP or Oracle accounting systems. In preparing the consolidated financial statements for TUI AG, the subsidiaries complement their respective individual financial statements to form standardised reporting packages that are subsequently posted by all Group companies in the Oracle Hyperion Financial Management 11.1.1.3 (HFM) reporting system. HFM is used as the uniform reporting and consolidation system throughout the Group so that no additional interfaces exist for the preparation of the consolidated financial statements.

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

TUI's Group auditors regularly check the accuracy of the HFM reporting and consolidation system and its authorisations and did not have any ground for objections in the financial year under review.

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

3. Specific risks related to Group accounting

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



4. Key regulation and control activities to ensure proper and reliable Group accounting

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

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

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

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

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

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

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

5. Disclaimer

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

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

The lessons learned in the past about the limited effectiveness of the control systems were taken into account in financial year 2011/12 by TUI Travel PLC when implementing measures to expand and improve the contents and organisation of the systems and processes used to secure the adequacy and reliability of accounting.

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

MANAGEMENT REPORT

REPORT ON SUBSEQUENT EVENTS

Partial redemption of an exchangeable bond

In November 2012, TUI AG acquired certificates worth a nominal €63.9m in the exchangeable bond issued by Nero Finance Ltd in the capital market and correspondingly reduced its liabilities to banks associated with this exchangeable bond. Following the acquisitions effected in prior financial years, the remaining nominal amount of this exchangeable bond, due on 15 April 2013, is €142.4m.

MANAGEMENT REPORT

OVERALL ASSESSMENT OF THE ECONOMIC SITUATION BY THE EXECUTIVE BOARD

In financial year 2011/12, the TUI Group posted a distinctly positive performance in an economic environment that proved as challenging as expected. Overall, customer numbers and bednights in Tourism and the Group's billed turnover were in line with our expectations. In financial year 2011/12, turnover by the TUI Group grew by 4.9% year-on-year; adjusted for currency effects, it rose by 2.2%. The TUI Group's operating earnings adjusted for special one-off effects (underlying EBITA) improved by €145.6m to €745.7m in financial year 2011/12. Despite the year-on-year increase in net one-off expenses, reported earnings (EBITA) improved by €94.3m to €538.8m.

In the period under review, earnings were characterised by the sound performance of Tourism, which recorded a significant improvement in operating earnings (underlying EBITA) of €162.4m to €819.0m.

In the completed financial year, TUI Travel benefited from strong demand for differentiated products. Underlying earnings by the Sector grew considerably by €137.3m to €637.4m in financial year 2011/12. The positive development of TUI Travel was essentially driven by the sound performance of TUI tour operators in the UK, again outperforming their competition in the period under review. The turnaround and cost savings programmes in France and Germany generated the expected initial profit contributions. TUI Travel's turnover and profit contribution to TUI AG's consolidated financial statements also rose as a result of the higher exchange rate of sterling and the associated translation effect.

In financial year 2011/12, TUI Hotels & Resorts performed better than planned. Underlying earnings by TUI Hotels & Resorts improved by €33.3m to €178.6m year-on-year. This increase was above all driven by higher average prices and successful cost management at Riu hotels.

As expected, earnings by the Cruises Sector reflected start-up costs and declining rates in connection with the fleet expansion in Hapag-Lloyd Kreuzfahrten in the period under review. Underlying earnings by the Sector declined by €8.2m to €3.0m in financial year 2011/12. By contrast, the booking numbers and earnings posted by TUI Cruises again exceeded planning targets.

In the period under review, Central Operations reported an increase in their cost base due to higher expenses for consultation services and expert reports, as well as increased provisions for long-term share-based incentive programmes.

Container Shipping operated in an environment that proved to be worse than expected. As a result, the at equity result from the financial investment in Hapag-Lloyd carried in TUI AG's consolidated financial statements fell short of the assumed level underlying the planning.

At the date of the preparation of the Management Report (3 December 2012), the Executive Board assesses the economic situation of the TUI Group as positive. With its services portfolio and finance profile, the TUI Group is well positioned in the market. In the first few weeks of the new financial year 2012/13, business performance has matched expectations.

MANAGEMENT REPORT

REPORT ON EXPECTED DEVELOPMENTS

Turnover by Tourism expected to rise.
Risks due to euro debt crisis and weaker global growth.

Economic environment

Expected development of gross domestic product

Var. %	2013	2012
World	3.6	3.3
Eurozone	0.5	- 0.2
Germany	0.9	0.9
UK	1.1	- 0.4
France	0.4	0.1
US	2.1	2.2
Russia	3.8	3.7
Japan	1.2	2.2
China	8.2	7.8
India	6.0	4.9

Source: International Monetary Fund (IMF), World Economic Outlook, October 2012

Macroeconomic situation

In its current forecast for calendar year 2013, the International Monetary Fund (IMF, World Economic Outlook, October 2012) expects moderate global economic growth of 3.6%. This expectation is based on the assumption that the countries of the Eurozone will continue to pursue successful crisis management and that the United States will be able to remain within its defined credit limits and thereby avoid the fiscal cliff.

According to the IMF, the downward risks for the global economy have increased again overall in the second half of 2012. As a consequence uncertainty persists in the financial markets.

Market trend in Tourism

According to current forecasts by the European Travel Commission, visits to European destinations are expected to grow by around 2.9% in 2013 (source: European Travel Commission, European Tourism 2012, Quarterly Report 2012, September 2012).

UNWTO expects international tourism to continue growing globally in this decade, albeit at a more moderate pace than before. For the next few years, average weighted growth of around 3% per annum has been forecast (source: UNWTO, Tourism towards 2030, October 2011).

For calendar year 2013, UNWTO (World, November 2012) expects international arrivals to grow by 2 to 4%.

Forecast for operating earnings

TUI Group

Expected development of Group earnings

€ million	2011/12	2012/13
Turnover	18,330.3	↗
Underlying EBITA	745.7	→
EBITA	538.8	↗

Turnover

We expect turnover to rise moderately in financial year 2012/13, above all due to a higher proportion of differentiated and exclusive product in TUI Travel's volume business.

Underlying EBITA

In financial year 2012/13, underlying EBITA by the TUI Group is expected to match the high level achieved in the completed financial year due to the expected business performance of TUI Travel and TUI Hotels & Resorts. Risks relate to the development of consumer propensity in the key source markets against the backdrop of weaker economic growth as at the end of the past financial year.

EBITA

Due to the expected decline in special one-off factors to be adjusted, we expect reported EBITA to grow in financial year 2012/13.

Group net result for the year (before stake of non-controlling interest)

Overall, we expect the Group net result for financial year 2012/13 to be positive.

Development by the Sectors

Expected development of earnings

€ million	2011/12	Turnover 2012/13	2011/12	Underlying EBITA 2012/13
Tourism	18,297.2	↗	819.0	→
TUI Travel	17,681.5	↗	637.4	→
TUI Hotels & Resorts	384.7	↗	178.6	→
Kreuzfahrten	231.0	↗	3.0	↗
Central Operations	33.1	↘	- 73.3	↗
Group	18,330.3	↗	745.7	→

TUI Travel

In financial year 2012/13, for TUI Travel we expect underlying earnings to match the high level achieved in the completed financial year. The main earnings drivers at TUI Travel are the positive effects of the restructuring and efficiency enhancement programmes that have been launched in Germany and France as well as margin improvements attributable to stronger channelling of demand to differentiated product. On the other hand, there are risks resulting from economic parameters in the principal volume markets, which might fall short of expectations and thus dampen demand in the travel market. In addition, the exchange rate of sterling against the euro also considerably affects earnings by TUI Travel carried in TUI AG's consolidated financial statements.

TUI Hotels & Resorts

Capacity and bednights in TUI Hotels & Resorts are expected to decline slightly in financial year 2012/13 due to the closure of some hotels for renovation purposes. With stable hotel occupancy, we are planning for operating earnings to be in line with the sound level achieved in the previous year. Risks are related to customer numbers from the major source markets, which might fall below expectations.

Cruises

Earnings by the Cruises Sector will remain impacted by the start-up costs for the fleet expansion in Hapag-Lloyd Kreuzfahrten and TUI Cruises in financial year 2012/13. Shifting the focus of Hapag-Lloyd Kreuzfahrten to luxury and expedition cruises will only be completed upon the removal of Columbus 2 in financial year 2013/14. Nevertheless, we expect operating earnings by the Cruises Sector to benefit slightly from the reorganisation of Hapag-Lloyd Kreuzfahrten from financial year 2012/13.

Tourism

Based on the earnings estimates for TUI Travel, TUI Hotels & Resorts and Cruises, we expect operating earnings by the Tourism Segment to be in line with the prior year's level in financial year 2012/13. The Tourism business will be considerably affected by future trends in consumer spending in the large volume markets.

Central Operations

For Central Operations, we expect underlying earnings to improve slightly year-on-year due to a slight decline in expenses.

Financial position

Expected development of Group financial position

€ million	2011/12	2012/13
Investment in other intangible assets and property, plant and equipment	643.2	↘
Net debt	178.2	→

Investments

In the light of investment decisions already taken and projects still in the pipeline, the TUI Group expects financial requirements to amount to around €500m for financial year 2012/13, 75% of this for TUI Travel. Most of these funds will be used for investments in property, plant and equipment. The planned investments in TUI Travel include the introduction of new production and booking systems and the purchase of aircraft spares and yachts. Further investments are earmarked for the upkeep and expansion of the cruise and hotel portfolios.

Net debt

At the balance sheet date, the Group's net debt amounted to €0.2bn. Taking account of expected operating cash flow, the TUI Group's net debt is expected to remain stable in financial year 2012/13.

Expected overall development

On the basis of the expected moderate economic growth, we continue to assess the TUI Group's outlook for financial year 2012/13 as positive. The TUI Group is well positioned in the market with its finance profile and services portfolio.

As against the prior year reference period, we expect operating earnings by Tourism to match the previous year's level and expenses by Central Operations to decline. The TUI Group's underlying earnings are therefore expected to match the high level achieved in the prior year reference period.

Overall, we expect the Group net result for the year to be positive in financial year 2012/13 (before stake of non-controlling interest).

Should the economic framework show the expected positive development, the business volumes and operating earnings of the Tourism entities are expected to rise in financial year 2013/14.

Opportunity Report

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

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

Opportunities from the development of the overall framework

Should the economic development prove better than expected, the TUI Group and its Sectors would benefit from the resulting increase in demand in the travel market.

Opportunities regarding corporate strategy

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

Operational opportunities

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

Other opportunities

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

TUI Group – Financial Highlights

€ million	2008	SFY 2009	2009/10	2010/11	2011/12
Turnover					
TUI Travel	17,975	12,622	15,755	16,867	17,682
TUI Hotels & Resorts	371	318	353	363	385
Cruises	200	142	179	201	231
Discontinued operation	6,343	1,119	–	–	–
Others	- 21	49	63	50	33
Group	24,867	14,250	16,350	17,480	18,330
EBITDA					
TUI Travel	324	486	438	640	745
TUI Hotels & Resorts	218	153	211	216	245
Cruises	15	7	15	20	11
Discontinued operation	390	968	–	–	–
Others	- 24	- 31	- 14	- 25	- 77
Group	923	1,582	650	850	924
Underlying EBITDA					
TUI Travel	–	695	711	718	834
TUI Hotels & Resorts	–	153	213	235	246
Cruises	–	7	16	20	13
Discontinued operation	–	- 148	–	–	–
Others	–	- 31	- 35	- 50	- 70
Group	–	676	905	924	1,023
EBITA					
TUI Travel	- 76	104	102	321	441
TUI Hotels & Resorts	156	52	137	144	178
Cruises	7	1	7	11	1
Discontinued operation	106	894	–	–	–
Others	- 53	- 39	- 30	- 32	- 81
Group	140	1,013	216	445	539
Underlying EBITA					
TUI Travel	414	526	485	500	637
TUI Hotels & Resorts	160	96	148	145	179
Cruises	7	1	8	11	3
Discontinued operation	194	- 222	–	–	–
Others	- 54	- 39	- 51	- 57	- 73
Group	719	362	589	600	746
Group earnings					
Net profit for the year	- 182	395	114	118	142
Earnings per share	€ - 0.65	+ 1.32	+ 0.30	- 0.01	- 0.16
Assets					
Non-current assets	7,345	9,093	9,357	9,108	8,668
Current assets	9,309	4,367	5,259	4,384	4,544
Total assets	16,653	13,460	14,616	13,492	13,213
Equity and liabilities					
Equity	2,168	2,241	2,434	2,548	2,067
Non-current liabilities	5,796	5,027	4,555	4,168	3,773
Current liabilities	8,690	6,192	7,626	6,776	7,373
Total equity and liabilities	16,653	13,460	14,616	13,492	13,213
Key ratios					
EBITDA margin (underlying)	% –	4.7	5.5	5.3	5.6
EBITA margin (underlying)	% 2.9	2.5	3.6	3.4	4.1
ROIC	% 7.70	–	10.49	11.44	15.98
Equity ratio	% 13.0	16.6	16.7	18.9	15.6
Cash flow from operating activities	946	1,135	818	1,086	819
Capital expenditure	952	364	516	474	643
Net debt	30 Dec/30 Sep 4,083	2,330	2,287	817	178
Employees	30 Dec/30 Sep 70,254	69,536	71,398	73,707	73,812

Differences may occur due to rounding.

CONSOLIDATED FINANCIAL STATEMENTS

Income Statement of the TUI Group
for the period from 1 October 2011 to 30 September 2012 and 1 October 2010 to 30 September 2011

€ million	Notes	2011/12	2010/11
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

Statement of Comprehensive Income of the TUI Group
 for the period from 1 October 2011 to 30 September 2012 and 1 October 2010 to 30 September 2011

€ million	Notes	2011/12	2010/11
Group profit		141.9	118.2
Foreign exchange differences		- 27.4	- 45.5
Foreign 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

Financial Position of the TUI Group as at 30 September 2012

€ million	Notes	30 Sep 2012	30 Sep 2011
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

€ million	Notes	30 Sep 2012	30 Sep 2011
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

Statement of Changes in Group Equity

€ million	Subscribed capital (26)	Capital reserves (27)	Other revenue reserves	Foreign exchange differences	Financial instruments available for sale
Balance as at 1 October 2010	643.1	913.5	1,469.2	- 658.2	5.6
Dividends	—	—	—	—	—
Hybrid capital dividend	—	—	- 25.9	—	—
Share-based payment schemes of TUI Travel PLC	—	—	12.0	—	—
Issue of employee shares	0.4	0.7	—	—	—
Issue of convertible bonds	—	41.9	—	—	—
First-time consolidation	—	—	24.8	—	—
Deconsolidation	—	—	—	—	—
Effects on the acquisition of non-controlling interests	—	—	- 25.9	—	—
Effects on the transfer to non-controlling interests	—	—	- 21.9	- 8.4	—
Group profit for the year	—	—	23.9	—	—
Other comprehensive income	—	—	- 25.8	- 23.6	176.0
Total comprehensive income	—	—	- 1.9	- 23.6	176.0
Balance as at 30 September 2011	643.5	956.1	1,430.4	- 690.2	181.6
Dividends	—	—	—	—	—
Hybrid capital dividend	—	—	- 25.6	—	—
Share based payment schemes of TUI Travel PLC	—	—	9.3	—	—
Issue of employee shares and conversion of convertible bonds	1.4	1.3	—	—	—
Effects on the acquisition of non-controlling interests	—	—	- 36.6	1.7	—
Group profit for the year	—	—	- 15.1	—	—
Other comprehensive income	—	—	- 1.6	47.6	- 181.6
Total comprehensive income	—	—	- 16.7	47.6	- 181.6
Balance as at 30 September 2012	644.9	957.4	1,360.8	- 640.9	—

	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
- 56.9	19.6	- 289.8	489.5	294.8	2,340.9	93.3	2,434.2	
-	-	-	-	-	-	- 141.1	- 141.1	
-	-	-	- 25.9	-	- 25.9	-	- 25.9	
-	-	-	12.0	-	12.0	9.4	21.4	
-	-	-	-	-	1.1	-	1.1	
-	-	-	-	-	41.9	2.6	44.5	
-	-	-	24.8	-	24.8	20.1	44.9	
-	-	-	-	-	-	- 0.7	- 0.7	
- 0.8	-	- 1.3	- 28.0	-	- 28.0	- 7.1	- 35.1	
- 0.1	-	-	- 30.4	-	- 30.4	30.4	-	
-	-	-	23.9	-	23.9	94.3	118.2	
36.8	-	- 53.7	109.7	-	109.7	- 23.4	86.3	
36.8	-	- 53.7	133.6	-	133.6	70.9	204.5	
- 21.0	19.6	- 344.8	575.6	294.8	2,470.0	77.8	2,547.8	
-	-	-	-	-	-	- 100.6	- 100.6	
-	-	-	- 25.6	-	- 25.6	-	- 25.6	
-	-	-	9.3	-	9.3	7.1	16.4	
-	-	-	-	-	2.7	-	2.7	
- 0.3	-	- 4.7	- 39.9	-	- 39.9	10.0	- 29.9	
-	-	-	- 15.1	-	- 15.1	157.0	141.9	
- 17.1	1.3	- 167.7	- 319.1	-	- 319.1	- 166.5	- 485.6	
- 17.1	1.3	- 167.7	- 334.2	-	- 334.2	- 9.5	- 343.7	
- 38.4	20.9	- 517.2	185.2	294.8	2,082.3	- 15.2	2,067.1	

Cash Flow Statement

€ million	Notes	2011/12	2010/11	Var.
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 Liabilities	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 Surface 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 companies¹⁾ 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 TUI 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

€ million	Additions 30 Sep 2012	Disposals 30 Sep 2011
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

€ million	Additions 2011/12	Disposals 2010/11
Turnover with third parties	19.5	22.9
Turnover with consolidated Group companies	0.6	–
Cost of sales and administrative expenses	20.4	28.8
Financial expenses	0.1	–
Earnings before income taxes	- 0.4	- 5.9
Income taxes	- 0.2	- 0.3
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, Jundiaí, São 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 Vermögensverwaltungsgesellschaft mbH, Trier	Tour Operator	TUI Deutschland GmbH	24 Apr 2012	26%	1.2
Mala Pronta Viagens e Turismo Ltda	Online accomodation	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

€ million, translated	Fair value at date of first-time consolidation
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

€ million	Book value at date of first-time consolidation
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**

€ million	Carrying amounts at date of acquisition	Revaluation of assets and liabilities	Carrying amounts at date of first-time consolidation
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

€ million	Adjustment 30 Sep 2011
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 rates of currencies of relevance to the TUI Group

1 € equivalent	Closing rate		Annual average rate	
	30 Sep 2012	30 Sep 2011	2011/12	2010/11
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 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 carried for associates and joint ventures includes the goodwill arising from the respective acquisition transaction.

The Group's share in profits and losses of associates and joint ventures is carried in the income statement as from the date of acquisition (Result from joint ventures and associates), while the Group's share in changes in reserves is shown in its revenue reserves. Accumulated changes arising after the acquisition are shown in the carrying amount of the participation. Where the share in the loss of an associated company or joint venture equals or exceeds the Group's stake in this company, including other unsecured receivables, no further losses are recognised as a matter of principle. Any losses exceeding that stake are only recognised where obligations have been assumed or payments have been made for the associated company or joint venture.

Intercompany profits from transactions between subsidiaries and companies measured at equity are eliminated in relation to the Group's stake in the company. Intercompany losses are also eliminated if the transaction does not suggest an impairment in the transferred asset.

Where the accounting and measurement methods applied by associates and joint ventures differ from the uniform accounting rules applied in the Group and the differences are sufficiently known and accessible, amendments are made as a matter of principle.

Intercompany receivables and payables or provisions are eliminated. Where the conditions for the consolidation of third-party debt are met, this option is used. Intercompany turnover and other income as well as the corresponding expenses are eliminated. Intercompany results from intercompany deliveries and services are reversed through profit and loss, taking account of deferred taxes. However, intercompany losses are understood as suggesting that an impairment test is required for the transferred assets. Intercompany deliveries and services are provided in conformity with the arm's length principle.

Accounting and measurement

The financial statements of the subsidiaries included in the Group are prepared in accordance with uniform accounting and measurement principles. The amounts recognised in the consolidated financial statements are not determined by tax regulations but solely by the commercial presentation of the net assets, financial position and results of operations as set out in the rules of the IASB.

Turnover recognition

Turnover comprises the fair value of the consideration received or to be received for the sale of products and services in the framework of ordinary business activities. Turnover is carried excluding value-added tax, returns, discounts and price rebates and after elimination of intra-Group sales.

As a matter of principle, turnover and other income is recognised upon rendering of the service or delivery of the assets and hence upon transfer of the risk.

The commission fees received by travel agencies for package tours are recognised upon payment by the customers or, at the latest, at the date of departure. The services of tour operators mainly consist in organising and coordinating package tours. Turnover from the organisation of tours is therefore recognised in full when the customer departs. Turnover from individual travel modules booked directly from airlines, hotel companies or incoming agencies by customers is recognised when the customers use the services concerned. Income from non-completed cruises is recognised according to the proportion of contract performance at the balance sheet date. The percentage of completion is determined as the ratio between travel days completed by the balance sheet date and overall travel days.

Interest income is reported on a prorated basis according to the effective interest method. Dividends are recognised when the legal claim has arisen.

Goodwill and other intangible assets

Acquired intangible assets are carried at cost. Self-generated intangible assets, primarily software for use by the Group itself, are capitalised at cost where an inflow of future economic benefits for the Group is probable and can be reliably measured. The cost to produce comprises direct costs and directly allocable overheads. Intangible assets with a limited service life are amortised over the expected useful life.

Intangible assets acquired in the framework of business combinations, such as order book, customer base or trademark rights, are carried at their fair value as at the date of acquisition and amortised.

Useful lives of intangible assets

	Useful lives
Concessions, property rights and similar rights	up to 20 years
Trademarks at acquisition date	15 to 20 years
Order book as at acquisition date	until departure date
Software	3 to 10 years
Customer base as at 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 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 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 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

€ million

Statement of results

Turnover

Inter-segment turnover

Segment turnover

Group profit for the year

Income taxes

Earnings before taxes (EBT)

of which share of results of joint ventures and associates

Net interest result and result from the measurement of interest hedges

Impairment of goodwill

Result from Container Shipping measured at equity

Effect of the measurement of loans to Container Shipping

Earnings before interest, taxes and amortisation of goodwill (EBITA)

Adjustments

Underlying EBITA

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

of which impairments

Other depreciation/amortisation and write-backs

of which write-backs

Earnings before interest, taxes, depreciation and amortisation (EBITDA)

Rental expenses

Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)

Assets and liabilities

Segment assets

of which goodwill

Carrying amounts of joint ventures and associates

Interest-bearing Group receivables

Cash and cash equivalents

Other financial assets

Non-allocable taxes

Total assets

Segment liabilities

Third-party financial liabilities

Group financial liabilities

Other financial liability items

Non-allocable taxes

Total liabilities and provisions

Additional disclosures

Non-cash expenses

Non-cash income

Return on sales (on EBITA)

Investments

Investments in goodwill

Investments in other intangible assets and property, plant and equipment

Financing ratio

Employees at year-end

	2011/12	Tourism 2010/11	All other Segments 2011/12	2010/11	Consolidation 2011/12	2010/11	Group 2011/12	2010/11
	18,297.2	17,430.4	33.1	49.9	–	–	18,330.3	17,480.3
	18.0	16.7	8.5	31.9	- 26.5	- 48.6	–	–
	18,315.2	17,447.1	41.6	81.8	- 26.5	- 48.6	18,330.3	17,480.3
							141.9	118.2
							110.8	88.6
	453.6	320.8	- 200.9	- 114.0	–	–	252.7	206.8
	40.3	55.0	- 49.0	- 2.1	–	–	- 8.7	52.9
	- 151.9	- 156.0	- 133.0	- 130.8	–	–	- 284.9	- 286.8
	13.8	–	–	–	–	–	13.8	–
	–	–	- 49.0	- 2.1	–	–	- 49.0	- 2.1
	–	–	61.6	51.2	–	–	61.6	51.2
	619.3	476.8	- 80.5	- 32.3	–	–	538.8	444.5
	199.7	179.8	7.2	- 24.2	–	–	206.9	155.6
	819.0	656.6	- 73.3	- 56.5	–	–	745.7	600.1
	369.5	406.4	4.1	8.4	–	–	373.6	414.8
	26.3	39.2	0.1	3.7	–	–	26.4	42.9
	- 12.3	7.8	–	1.4	0.6	–	- 11.7	9.2
	–	7.8	–	1.4	–	–	–	9.2
	1,001.1	875.4	- 76.4	- 25.3	- 0.6	–	924.1	850.1
	817.1	824.9	12.2	28.8	- 4.4	- 13.1	824.9	840.6
	1,818.2	1,700.3	- 64.2	3.5	- 5.0	- 13.1	1,749.0	1,690.7
	8,870.5	8,533.8	231.5	250.5	- 19.0	- 8.7	9,083.0	8,775.6
	3,046.4	2,907.2	–	–	–	–	3,046.4	2,907.2
	820.1	724.8	573.9	1,010.7	–	–	1,394.0	1,735.5
	72.8	86.6	736.3	848.2	- 809.1	- 934.8	–	–
	1,148.3	1,152.5	1,130.1	828.8	–	–	2,278.4	1,981.3
	208.1	270.4	2,215.0	2,679.6	- 2,182.7	- 2,204.0	240.4	746.0
	–	–	–	–	–	–	216.8	253.5
							13,212.6	13,491.9
	6,936.9	6,480.3	332.6	321.7	- 41.4	- 7.5	7,228.1	6,794.5
	1,405.0	1,328.0	1,051.6	1,476.2	–	- 5.9	2,456.6	2,798.3
	719.6	883.9	67.6	67.6	- 787.2	- 951.5	–	–
	823.5	600.6	363.1	314.5	–	–	1,186.6	915.1
	–	–	–	–	–	–	298.2	436.2
							11,169.5	10,944.1
	52.2	14.4	49.0	2.1	–	–	101.2	16.5
	67.5	69.5	–	–	–	–	67.5	69.5
%	3.4	2.7	–	–	–	–	2.9	2.5
	640.7	471.7	2.5	2.7	–	–	643.2	474.4
	10.1	2.7	–	–	–	–	10.1	2.7
	630.6	469.0	2.5	2.7	–	–	633.1	471.7
%	59.8	86.2	164.0	311.1	–	–	60.2	87.4
	73,391	73,079	421	628	–	–	73,812	73,707

Key Figures Tourism Segment

€ million	TUI Travel		TUI Hotels & Resorts	
	2011/12	2010/11	2011/12	2010/11
Statement of results				
Turnover	17,681.5	16,867.0	384.7	362.6
Inter-segment turnover	36.0	26.0	441.3	418.2
Segment turnover	17,717.5	16,893.0	826.0	780.8
Group profit for the year				
Income taxes	–	–	–	–
Earnings before taxes (EBT)	314.1	193.2	138.8	116.5
of which share of result of joint ventures and associates	6.9	24.4	20.8	26.0
Net interest result and result from the measurement of interest hedges	- 126.9	- 128.2	- 24.9	- 27.7
Impairment of goodwill	–	–	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
Adjustments	196.4	178.7	1.1	1.1
Underlying EBITA	637.4	500.1	178.6	145.3
Amortisation of other intangible assets and depreciation of property, plant and equipment	291.8	321.0	67.6	76.8
of which impairments	26.3	31.2	–	8.0
Other depreciation/amortisation and write-backs	- 12.3	2.4	–	5.4
of which write-backs	–	2.4	–	5.4
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	745.1	640.0	245.1	215.6
Rental expenses	764.0	764.6	38.5	52.3
Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)	1,509.1	1,404.6	283.6	267.9
Assets and liabilities				
Segment assets	7,054.2	6,738.1	1,661.5	1,672.6
of which goodwill	2,667.6	2,515.3	378.8	391.9
Carrying amounts of joint ventures and associates	314.2	270.8	360.1	320.0
Interest-bearing Group receivables	–	0.7	12.8	32.4
Cash and cash equivalents	1,039.9	1,041.3	105.3	107.6
Other financial assets	153.2	180.1	55.0	89.8
Non-allocable taxes	–	–	–	–
Total assets	6,708.6	6,305.6	151.8	133.9
Segment liabilities	1,177.7	1,017.9	227.3	310.1
Third-party financial liabilities	–	51.8	580.5	692.9
Group financial liabilities	812.6	592.3	1.0	0.9
Other financial liability items	–	–	–	–
Non-allocable taxes	–	–	–	–
Total liabilities and provisions	568.6	380.6	53.1	79.9
Additional disclosures				
Non-cash expenses	51.4	12.5	0.8	1.9
Non-cash income	33.3	36.9	21.6	28.0
Return on sales (on EBITA)	%	2.5	1.9	21.5
Investments	578.7	383.3	53.1	79.9
Investments in goodwill	10.1	2.7	–	–
Investments in other intangible assets and property, plant and equipment	568.6	380.6	53.1	79.9
Financing ratios	%	50.4	83.7	153.3
Employees at year-end	57,961	58,378	15,141	14,424

	Cruises		Consolidation		Tourism		
2011/12	2010/11	2011/12	2010/11	2011/12	2010/11		
Statement of results							
231.0	200.8	–	–	18,297.2	17,430.4	Turnover	
–	–	- 459.3	- 427.5	18.0	16.7	Inter-segment turnover	
231.0	200.8	- 459.3	- 427.5	18,315.2	17,447.1	Segment turnover	
Group profit for the year							
–	–	–	–	–	–	– Income taxes	
0.7	11.1	–	–	453.6	320.8	Earnings before taxes (EBT)	
12.6	4.6	–	–	40.3	55.0	of which share of result of joint ventures and associates	
- 0.1	- 0.1	–	–	- 151.9	- 156.0	Net interest result and result from the measurement of interest hedges	
–	–	–	–	13.8	–	– Impairment of goodwill	
–	–	–	–	–	–	– Result from Container Shipping measured at equity	
–	–	–	–	–	–	Effect from the measurement of loans to Container Shipping	
0.8	11.2	–	–	619.3	476.8	Earnings before interest, taxes and amortisation of goodwill (EBITA)	
2.2	–	–	–	199.7	179.8	Adjustments	
3.0	11.2	–	–	819.0	656.6	Underlying EBITA	
Earnings before interest, taxes, depreciation and amortisation (EBITDA)							
10.2	8.5	- 0.1	0.1	369.5	406.4	Amortisation of other intangible assets and depreciation of property, plant and equipment	
–	–	–	–	26.3	39.2	of which impairments	
–	–	–	–	- 12.3	7.8	Other depreciation/amortisation and write-backs	
–	–	–	–	–	7.8	or which write-backs	
11.0	19.7	- 0.1	0.1	1,001.1	875.4	Earnings before interest, taxes, depreciation and amortisation (EBITDA)	
14.6	8.0	–	–	817.1	824.9	Rental expenses	
25.6	27.7	- 0.1	0.1	1,818.2	1,700.3	Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)	
Assets and liabilities							
217.6	177.5	- 62.8	- 54.4	8,870.5	8,533.8	Segment assets	
–	–	–	–	3,046.4	2,907.2	of which goodwill	
145.8	134.0	–	–	820.1	724.8	Carrying amounts of joint ventures and associates	
60.0	53.5	–	–	72.8	86.6	Interest-bearing Group receivables	
3.1	3.6	–	–	1,148.3	1,152.5	Cash and cash equivalents	
0.1	0.5	- 0.2	–	208.1	270.4	Other financial assets	
						Non-allocable taxes	
Total assets							
139.2	95.3	- 62.7	- 54.5	6,936.9	6,480.3	Segment liabilities	
–	–	–	–	1,405.0	1,328.0	Third-party financial liabilities	
139.2	139.2	- 0.1	–	719.6	883.9	Group financial liabilities	
9.9	7.4	–	–	823.5	600.6	Other financial liability items	
						Non-allocable taxes	
Total liabilities and provisions							
Additional disclosures							
–	–	–	–	52.2	14.4	Non-cash expenses	
12.6	4.6	–	–	67.5	69.5	Non-cash income	
0.3	5.6	–	–	3.4	2.7	Return on sales (on EBITA)	
8.9	8.5	–	–	640.7	471.7	Investments	
–	–	–	–	10.1	2.7	Investments in goodwill	
8.9	8.5	–	–	630.6	469.0	Investments in other intangible assets and property, plant and equipment	
114.6	100.0	–	–	59.8	86.2	Financing ratios	
289	277	–	–	73,391	73,079	Employees at year-end	

Key Figures by Region

€ million	Germany		Great Britain		Spain		Other EU	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
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
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
Long-term segment assets	793.4	941.9	2,929.9	2,690.8	1,001.6	1,144.6	751.4	921.1
Non-allocable taxes	–	–	–	–	–	–	–	–
Segment liabilities	1,865.7	1,829.2	2,609.5	2,268.7	445.8	482.9	1,917.6	1,688.6
Non-allocable taxes	–	–	–	–	–	–	–	–
Additional disclosures								
Depreciation/amortisation	40.3	32.5	141.8	171.7	51.8	57.8	69.4	84.7
Investments	129.3	74.6	305.2	162.1	24.6	82.4	101.4	119.0
Investments in goodwill	4.8	–	3.5	2.7	0.6	–	–	–
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
Employees at year-end	9,882	9,846	17,318	18,201	9,226	9,392	12,830	12,398

		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
736.2	646.3	741.9	741.8	371.1	408.0	—	—	18,330.3	17,480.3	Consolidated turnover by customer	
565.2	466.7	682.8	629.2	418.0	578.2	—	—	18,330.3	17,480.3	Consolidated turnover by domicile of companies	
104.0	34.1	747.7	542.2	483.3	333.4	1.1	21.5	6,812.4	6,629.6	Long-term segment assets	
—	—	—	—	—	—	—	—	216.8	253.5	Non-allocable taxes	
111.2	118.2	292.3	380.9	332.3	176.9	- 346.3	- 150.9	7,228.1	6,794.5	Segment liabilities	
—	—	—	—	—	—	—	—	298.2	436.2	Non-allocable taxes	
Additional disclosures											
4.1	4.7	31.2	32.8	46.7	30.6	—	—	385.3	414.8	Depreciation/amortisation	
16.4	5.4	34.5	16.2	31.8	14.7	—	—	643.2	474.4	Investments	
—	—	—	—	1.2	—	—	—	10.1	2.7	Investments in goodwill	
16.4	5.4	34.5	16.2	30.6	14.7	—	—	633.1	471.7	Investments in other tangible assets and property, plant and equipment	
8,480	8,639	8,199	8,149	7,877	7,082	—	—	73,812	73,707	Employees at year-end	

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

€ million	2011/12	2010/11
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

€ million	2011/12	2010/11
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

€ million	2011/12	2010/11
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

€ million	2011/12	2010/11
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

€ million	2011/12	2010/11
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

€ million	2011/12	2010/11
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

€ million	2011/12	2010/11
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

€ million	2011/12	2010/11
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

€ million	2011/12	2010/11
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

€ million	2011/12	2010/11
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

€ million	2011/12	2010/11
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

€ million	2011/12	2010/11
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

€ million	2011/12	2010/11
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
Interest 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

€ million	2011/12			2010/11		
	Gross	Tax effect	Net	Gross	Tax effect	Net
Foreign exchange differences	- 27.4	-	- 27.4	- 45.5	-	- 45.5
Available for sale financial instruments	- 178.4	-	- 178.4	176.1	-	176.1
Cash flow hedges	- 67.9	6.1	- 61.8	105.5	- 22.9	82.6
Actuarial losses from pension provisions and related fund assets	- 284.4	68.8	- 215.6	- 102.2	1.0	- 101.2
Changes in the measurement of companies measured at equity outside profit or loss	- 2.2	-	- 2.2	- 25.7	-	- 25.7
Other comprehensive income	- 560.3	74.9	- 485.4	108.2	- 21.9	86.3

In addition, income tax of €16.6m outside profit and loss arose in the previous financial year from the issue of a convertible bond; it was therefore directly charged to equity.

NOTES

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(14) Goodwill

Goodwill

€ million	2011/12	2010/11
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 Travel 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

€ million	Concessions, industrial property rights and similar rights and values	Self- generated software	Transport and leasing contracts	Customer base	Payments on account	Total
Historical cost						
Balance as at 1 Oct 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

€ million	2011/12	2010/11
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

€ million	Real estate with hotels	Other real estate, land rights and buildings incl. buildings on third-party properties	Aircraft
Historical cost			
Balance as at 1 Oct 2010	1,282.2	214.0	1,110.9
Exchange differences	- 15.9	5.8	-
Additions due to changes in the group of consolidated companies	-	0.4	-
Additions	32.9	14.7	32.3
Disposals	3.5	-	229.5
Reclassifications	- 0.9	23.9	- 48.8
Balance as at 30 Sep 2011	1,294.8	258.8	864.9
Exchange differences	21.3	4.0	31.7
Additions due to changes in the group of consolidated companies	-	0.1	-
Additions	35.2	4.4	131.6
Disposals	20.3	10.2	115.1
Reclassifications	25.9	- 32.1	- 27.8
Balance as at 30 Sep 2012	1,356.9	225.0	885.3
Depreciation			
Balance as at 1 Oct 2010	366.8	47.0	763.7
Exchange differences	- 7.4	4.7	0.8
Additions due to changes in the group of consolidated companies	-	0.2	-
Depreciation for the current year	44.5	4.3	63.2
Disposals	2.8	0.5	153.7
Reclassifications	- 14.4	0.8	- 50.2
Balance as at 30 Sep 2011	386.7	56.5	623.8
Exchange differences	4.6	-	21.0
Depreciation for the current year	35.8	4.8	60.5
Disposals	14.8	4.0	112.7
Reclassifications	- 11.0	8.3	- 32.6
Balance as at 30 Sep 2012	401.3	65.6	560.0
Carrying amounts as at 30 Sep 2011	908.1	202.3	241.1
Carrying amounts as at 30 Sep 2012	955.6	159.4	325.3

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

	Ships	Machinery and fixtures	Other plants, operating and office equipment revised	Assets under construction	Payments on account	Total
	602.7	220.1	1,214.0	86.8	160.5	4,891.2
- 2.4	—	- 10.2	0.1	- 1.8	—	- 24.4
0.1	—	5.5	—	—	—	6.0
76.4	24.3	103.6	36.9	83.9	—	405.0
10.0	2.9	47.3	24.1	45.5	—	362.8 ¹⁾
15.0	- 2.5	- 14.4	- 55.1	—	—	- 82.8
681.8	239.0	1,251.2	44.6	197.1	—	4,832.2
37.2	- 0.4	54.4	0.9	8.4	—	157.5
—	—	3.1	—	—	—	3.2
45.5	1.8	77.0	52.0	162.7	—	510.2
28.5	2.1	80.6	0.6	96.4	—	353.8 ²⁾
7.5	1.5	- 1.7	- 16.9	—	—	- 43.6
743.5	239.8	1,303.4	80.0	271.8	—	5,105.7
198.8	138.2	876.9	—	—	—	2,391.4
- 0.6	—	- 5.4	—	—	—	- 7.9
—	—	3.9	—	—	—	4.1
47.2	14.7	101.2	—	—	—	275.1
2.3	2.8	46.2	—	—	—	208.3 ¹⁾
7.9	- 2.9	- 8.5	—	—	—	- 67.3
251.0	147.2	921.9	—	—	—	2,387.1
13.1	1.4	37.6	—	—	—	77.7
34.9	12.5	98.6	—	—	—	247.1
17.3	1.1	65.1	—	—	—	215.0 ²⁾
- 0.7	0.4	- 6.9	—	—	—	- 42.5
281.0	160.4	986.1	—	—	—	2,454.4
430.8	91.8	329.3	44.6	197.1	—	2,445.1
462.5	79.4	317.3	80.0	271.8	—	2,651.3

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

€ million	Net carrying amounts	
	30 Sep 2012	30 Sep 2011
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

€ million	Remaining term			30 Sep 2012	30 Sep 2011
	up to 1 year	1–5 years	more than 5 years	Total	Total
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

€ million	Joint ventures	Associates	Total
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

€ million	30 Sep 2012	30 Sep 2011
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

€ million	30 Sep 2012	30 Sep 2011
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

€ million	Remaining term of more than 1 year	30 Sep 2012		Remaining term of more than 1 year	30 Sep 2011	
		Total	Total		Total	Total
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

€ million	Carrying amount of financial instruments	of which not overdue and not impaired	of which not impaired and overdue in the following periods		
			less than 30 days	between 30 and 90 days	between 91 and 180 days
Balance as at 30 Sep 2012					
Trade receivables	688.6	424.3	164.3	79.6	9.5
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
Balance as at 30 Sep 2011					
Trade receivables	627.6	352.7	155.9	62.1	16.8
Advances and loans	194.4	194.4	–	–	–
Other receivables and assets	69.9	66.4	2.4	0.7	0.3
Total	891.9	613.5	158.3	62.8	17.1

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

€ million	2011/12	2010/11
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

€ million	30 Sep 2012	30 Sep 2011
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

€ million	Remaining term of more than 1 year	30 Sep 2012 Total	30 Sep 2011	
			Remaining term of more than 1 year	Total
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

€ million	Remaining term of more than 1 year	30 Sep 2012 Total	30 Sep 2011	
			Remaining term of more than 1 year	Total
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

€ million	Remaining term of more than 1 year	30 Sep 2012 Total	30 Sep 2011	
			Remaining term of more than 1 year	Total
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

€ million	30 Sep 2012	30 Sep 2011
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

€ million	30 Sep 2012		30 Sep 2011	
	Asset	Liability	Asset	Liability
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

€ million	30 Sep 2012	30 Sep 2011
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

€ million	2011/12	2010/11
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

€ million	30 Sep 2012	30 Sep 2011
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

€ million	30 Sep 2012	30 Sep 2011
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

€ million	30 Sep 2012	30 Sep 2011
Aircrafts and engines	6.1	13.0
Dorffotel	–	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 Dorffotel 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 above-mentioned 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 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 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

€ million	2011/12	2010/11
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 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 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

€ million	2011/12	2010/11
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

€ million	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
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

Percentage p.a.	2011/12	2010/11
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

Percentage p.a.	Discount rate	Expected return on plan assets	2011/12		2010/11	
			Projected future salary increases	Discount rate	Expected return on plan assets	Projected future salary increases
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

€ million	2011/12	2010/11
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

€ million	2011/12	2010/11
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 non-funded plans.

Reconciliation of projected benefit obligations to pension obligations recognised in the statement of financial position

€ million	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
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

€ million	2011/12	2010/11	2009/10	SFY 2009	2008
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

€ million	Balance as at 30 Sep 2011	Changes with no effect on profit and loss ¹⁾	Usage	Reversal	Addition	Balance as at 30 Sep 2012
Personnel costs	89.7	6.2	27.7	18.1	62.8	112.9
Typical operating risks	32.7	- 18.9	2.7	2.0	4.4	13.5
Maintenance provisions	509.0	2.0	189.3	39.3	217.7	500.1
Risks from onerous contracts	65.3	3.0	46.1	-	3.1	25.3
Guarantee and liability risks	11.8	- 3.9	1.6	0.3	2.4	8.4
Provisions for other taxes	47.7	- 15.7	8.9	0.4	30.5	53.2
Miscellaneous provisions	264.3	20.9	43.0	52.2	143.9	333.9
Other provisions	1,020.5	- 6.4	319.3	112.3	464.8	1,047.3

¹⁾ Reclassifications, transfers, exchange differences 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 TUI AG 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 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.

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 DABS, DABLIS 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 share-based 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

€ million	Remaining term of more than 1 year	30 Sep 2012		30 Sep 2011	
		Total		Remaining term of more than 1 year	Total
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

€ million	up to 1 year	1–5 years	Remaining term more than 5 years	30 Sep 2012		30 Sep 2011	
				Total	Total	Remaining term more than 1 year	Total
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 non-consolidated 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)

€ million	Issuer	Volume initial	Volume outstanding	Interest rate % p.a.	Debt component	Stock market value Conversion options	Total	Carrying amount
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
				until Jan 2013 8.625 subsequently 3M EURIBOR plus 7.300				
2005/-- hybrid capital	TUI AG	300.0	300.0		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

€ million	30 Sep 2012	30 Sep 2011
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

€ million	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
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

€ million	30 Sep 2012	30 Sep 2011
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 non-recognition of the tax deduction arising from the expenses for the two transactions.

(37) Other liabilities

Other liabilities

€ million	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
Other liabilities due to non-consolidated Group companies					
Group companies	14.4	0.8	–	15.2	–
Other liabilities due to affiliates	12.2	–	–	12.2	–
Other miscellaneous liabilities	167.6	40.9	0.2	208.7	57.2
Other liabilities relating to other taxes	52.8	–	–	52.8	1.0
Other liabilities relating to social security	50.8	–	–	50.8	0.1
Other liabilities relating to employees	130.3	8.5	–	138.8	2.9
Other liabilities relating to members of the Boards	2.9	–	–	2.9	2.8
Advance payments received	2,147.0	2.1	–	2,149.1	–
Other liabilities	2,578.0	52.3	0.2	2,630.5	64.0
Deferred income	79.6	15.7	–	95.3	41.1
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

€ million	30 Sep 2012	30 Sep 2011
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 TUI AG'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 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 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. TUI AG 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

€ million	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
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 down-payments and the delivery of two B737-800s.

Financial commitments from operating lease, rental and charter contracts

€ million	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
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 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 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

€ million	30 Sep 2012		30 Sep 2011	
Variable: Foreign exchange rate	+ 10%	- 10%	+ 10%	- 10%
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

€ million	30 Sep 2012		30 Sep 2011	
Variable: Interest rate level for floating interest-bearing debt and fixed-interest bearing loans	+ 100 basis points	- 100 basis points	+ 100 basis points	- 100 basis points
Revaluation reserve	+ 0.2	-	+ 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

€ million	30 Sep 2012		30 Sep 2011	
	+ 10%	- 10%	+ 10%	- 10%
Variable: Fuel prices for aircraft and ships				
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 €+7.8m/€-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)

€ million	2013	2014	Cash in-/outflow until 30 Sep	
			2015-2017	as of 2017
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)

€ million	2012	2013	Cash in-/outflow until 30 Sep 2014–2016	as of 2016
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 TUI AG'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

€ million	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
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 counter-party. 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

€ million	30 Sep 2012		30 Sep 2011	
	Receivables	Liabilities	Receivables	Liabilities
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

€ million	Carrying amount	At amortised cost	At cost	Category under IAS 39		Values according to IAS 17 (leases)	Carrying amount of financial instruments	Fair value of financial instruments
				Fair value with no effect on profit and loss	Fair value through profit and loss			
Assets								
Available for sale financial assets	75.5	–	60.9	14.6	–	–	75.5	75.5
Trade receivables and other assets	2,314.1	1,142.4	–	–	37.6	–	1,180.0	1,180.0
Derivative financial instruments								
Hedging	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

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

€ million	At amortised cost	At cost	Fair value		Carrying amount	Fair value
			with no effect on profit and loss	through profit and loss		
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

€ million	At amortised cost	At cost	Fair value		Carrying amount	Fair value
			with no effect on profit and loss	through profit and loss		
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

€ million	Total	Fair value hierarchy		
		Level 1	Level 2	Level 3
Assets				
Other assets held for trading	37.6	—	—	37.6
Available for sale financial assets	14.6	14.6	—	—
Derivative financial instruments				
Hedging transactions	135.8	—	135.8	—
Other derivative financial instruments	24.1	—	24.1	—
Liabilities				
Derivative financial instruments				
Hedging transactions	162.1	—	162.1	—
Other derivative financial instruments	32.8	—	32.8	—

Hierarchy of financial instruments measured at fair value as of 30 September 2011

€ million	Total	Fair value hierarchy		
		Level 1	Level 2	Level 3
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 through 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

€ million	2011/12			2010/11		
	from interest	other net results	net result	from interest	other net results	net result
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

€ million	2011/12	2010/11
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

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.

NOTES

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 InfoTec 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

€ million	2011/12	2010/11
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

€ million	2011/12	2010/11
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

€ million	2011/12	2010/11
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

€ million	2011/12	2010/11
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 sub-totals 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 retrospective 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 subsidiary, 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 investment 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 first-time 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

Company	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
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, Utora, Raiatea	Polynesia	100.0
Cheqqr 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, Castelnau-dary	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 Hôtelières 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
Exclusive Destinations Limited, Crawley	UK	100.0

Company	Country	Capital share in %
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
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 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

Company	Country	Capital share in %
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
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

Company	Country	Capital share in %
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
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
Lirolet 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

Company	Country	Capital share in %
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
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

Company	Country	Capital share in %
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	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
Republiec 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 Développement des Transports Touristiques S.A., Agadir	Morocco	95.0
Société polynésienne promotion hôtelière 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
Suncars Limited, Crawley	UK	100.0
Sunquest Holidays (UK) Limited, Crawley	UK	100.0

Company	Country	Capital share in %
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, Castelnau-dary	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, Utora, 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

Company	Country	Capital share in %
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 (IP) Ltd., Crawley	UK	100.0
TUI Italia S.R.L., Milano	Italy	100.0
TUI Leisure airport sales GmbH, Hanover	Germany	90.0
TUI Leisure Travel GmbH, Hanover	Germany	100.0
TUI Leisure Travel Service GmbH, Neuss	Germany	100.0
TUI Leisure Travel Special Tours GmbH, Hanover	Germany	100.0
TUI Marine Grenada Limited, St. George's	Grenada	100.0
TUI Nederland Holding N.V., Rijswijk	Netherlands	100.0
TUI Nederland N.V., Rijswijk	Netherlands	100.0
TUI Nordic Holding AB, Stockholm	Sweden	100.0
TUI Nordic Specialist Holidays AB, Stockholm	Sweden	100.0
TUI Northern Europe Ltd., Crawley	UK	100.0
TUI Norway Holding AS, Stabekk	Norway	100.0
TUI Austria GmbH, Vienna	Austria	100.0
TUI Pension Scheme (UK) Ltd., Crawley	UK	100.0
TUI Poland Dystrybucja Sp. z o.o., Warsaw	Poland	100.0
TUI Poland Sp. z o.o., Warsaw	Poland	100.0
TUI PORTUGAL – Agencia de Viagens e Turismo S.A., Faro	Portugal	100.0
TUI Reisecenter Austria Business Travel GmbH, Vienna	Austria	74.9
TUI Service AG, Altendorf	Switzerland	100.0
TUI Students & Schools France S.a.r.l., Paris	France	100.0
TUI (Suisse) AG, Zurich	Switzerland	100.0
TUI (Suisse) Holding AG, Zurich	Switzerland	100.0
TUI Suisse Retail AG, Zurich	Switzerland	100.0
TUI Travel Accommodation & Destinations SL, Palma de Mallorca	Spain	100.0
TUI Travel Amber E&W LLP, Crawley	UK	100.0
TUI Travel Amber Limited, Edinburgh	UK	100.0
TUI Travel Amber Scot LP, Edinburgh	UK	100.0
TUI Travel Aviation Finance Limited, Crawley	UK	100.0
TUI Travel Belgium N.V., Oostende	Belgium	100.0
TUI Travel Common Investment Fund Trustee Limited, Crawley	UK	100.0
TUI Travel Group Management Services Limited, Crawley	UK	100.0
TUI Travel Healthcare Limited, Crawley	UK	100.0
TUI Travel Holdings Limited, Crawley	UK	100.0
TUI Travel Holdings Sweden AB, Stockholm	Sweden	100.0
TUI Travel (Ireland), Dublin	Ireland	100.0
TUI Travel Nominee Limited, Crawley	UK	100.0
TUI Travel Overseas Holdings Limited, Crawley	UK	100.0
TUI Travel Partner Services Japan KK, Tokyo	Japan	100.0
TUI TRAVEL PLC, Crawley	UK	56.7
TUI Travel SAS Adventure Limited, Crawley	UK	100.0
TUI Travel SAS Benelux B.V., Rotterdam	Netherlands	100.0
TUI Travel SAS Holdings Limited, Tring, Hertfordshire	UK	100.0
TUI Travel SAS Services Limited, Crawley	UK	100.0
TUI TRAVEL SAS Transport Limited, Crawley	UK	100.0
TUI UK Italia S.r.l., Turin	Italy	100.0
TUI UK Ltd., Crawley	UK	100.0
TUI UK Retail Limited, Crawley	UK	100.0
TUI UK Transport Ltd., Crawley	UK	100.0
TUI Vertrieb & Service GmbH, Hanover	Germany	100.0
TUI 4 U GmbH, Bremen	Germany	100.0
TUI.com GmbH, Berlin	Germany	100.0
TUIfly GmbH, Langenhagen	Germany	100.0

Company	Country	Capital share in %
TUIfly Nordic AB, Stockholm	Sweden	100.0
TUIfly Vermarktungs GmbH, Langenhagen	Germany	100.0
Turismo Asia Company Ltd., Bangkok	Thailand	100.0
Ultramar Express Transport S.A., Palma de Mallorca	Spain	100.0
Unijet Group Limited, Crawley	UK	100.0
Unijet Leisure Limited, Crawley	UK	100.0
Unijet Travel Limited, Crawley	UK	100.0
Versun Yachts NSA, Athens	Greece	100.0
Viagens Elena LDA, Albufeira	Portugal	100.0
Viking Aviation Limited, Crawley	UK	100.0
Voile Voyage SARL, Paris	France	100.0
Waymark Holidays Limited, Crawley	UK	100.0
We Love Rugby Pty Ltd, Banksia	Australia	100.0
Williment Travel Group Limited, Wellington	New Zealand	100.0
Wonder Cruises AB, Stockholm	Sweden	100.0
Wonder Holding AB, Stockholm	Sweden	51.0
World Challenge Expeditions, Inc., Cambridge, MA	US	100.0
World Challenge Expeditions Limited, Crawley	UK	100.0
World Challenge Expeditions Pty Ltd, Victoria	Australia	100.0
World Challenge Holdings Limited, Crawley	UK	100.0
World Challenge NZ Limited, Wellington	New Zealand	100.0
World of TUI Ltd., Crawley	UK	100.0
Yachts International Limited, British Virgin Islands	British Virgin Islands	100.0
YIL, LLC, State of Delaware	US	100.0
YOCL LLC, State of Delaware	US	100.0
Your Man Tours, Inc., El Segundo, CA	US	100.0
Zegrahm Expeditions, Inc., Seattle	US	100.0
100% Adventure Pty Ltd, Wayville, SA	Australia	100.0
600035 B.C. LTD, Canada	UK	100.0

Tourism – TUI Hotels & Resorts

BU RIUSA II EOOD, Sofia	Bulgaria	100.0
Cabotel-Hoteleria e Turismo Lda., Santiago	Cape Verde	100.0
CLUBHOTEL GESELLSCHAFT MBH., Hermagor	Austria	77.5
Daidalos Hotel- und Touristikunternehmen A.E., Athens	Greece	89.8
Dominicanotel S.A., Puerto Plata	Dominican Republic	100.0
Egyptian Germany Co. for Hotels (L.T.D), Cairo	Egypt	66.6
GEAFOND Número Dos Fuerteventura S.A., Las Palmas, Gran Canaria	Spain	100.0
GEAFOND Número Uno Lanzarote S.A., Las Palmas, Gran Canaria	Spain	100.0
Holiday Center S.A., Cala Serena/Cala d'Or	Spain	100.0
Iberotel International A.S., Antalya	Turkey	100.0
Iberotel Otelcilik A.S., Istanbul	Turkey	100.0
Jandia Playa S.A., Morro Jable/Fuerteventura	Spain	100.0
Jaz Hotels & Resorts S.A.E., Cairo	Egypt	50.9
"MAGIC LIFE" Assets AG, Vienna	Austria	100.0
Magic Life GmbH & Co KG, Vienna	Austria	100.0
MX RIUSA II S.A. de C.V., Cabo San Lucas	Mexiko	100.0
Promociones y Edificaciones Chiclana S.A., Palma de Mallorca	Spain	100.0
Puerto Plata Caribe Beach S.A., Puerto Plata	Dominican Republic	100.0
RCHM S.A.S., Agadir	Morocco	100.0
Rideway Investment Ltd., London	UK	100.0
Riu Jamaicotel Ltd., Negril	Jamaica	100.0
RIUSA II S.A., Palma de Mallorca	Spain	50.0
RIUSA NED B.V., Amsterdam	Netherlands	100.0
ROBINSON AUSTRIA Clubhotel GmbH, Hermagor	Austria	100.0
Robinson Club GmbH, Hanover	Germany	100.0
Robinson Club Italia S.p.A., Marina di Ugento	Italy	100.0

Company	Country	Capital share in %
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

Company	Country	Capital share in %
DER Reisecenter TUI GmbH, Berlin	Germany	50.0
Himalayan Encounters PVT LTD, Kathmandu	Nepal	33.0
HLX Touristik GmbH, Baden-Baden	Germany	49.0
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 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 Palmeriae 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
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Central Operations

Hapag-Lloyd Holding AG, Hamburg	Germany	22.0
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RESPONSIBILITY STATEMENT BY MANAGEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Hanover, 17 December 2012

The Executive Board

Frenzel

Baier

Joussen

Long

INDEPENDENT AUDITORS' REPORT

To TUI AG, Berlin and Hanover

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of TUI AG, Berlin and Hanover, and its subsidiaries, which comprise the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the consolidated financial statements for the business year from 1 October 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)

FORWARD-LOOKING STATEMENTS

The annual report, in particular the report on expected developments included in the management report, includes various forecasts and expectations as well as statements relating to the future development of the TUI Group and TUI AG. These statements are based on assumptions and estimates and may entail known and unknown risks and uncertainties. Actual development and results as well as the financial and asset situation may therefore differ substantially from the expectations and assumptions made. This may be due to market fluctuations, the development of world market prices for commodities, of financial markets and exchange rates, amendments to national and international legislation and provision or fundamental changes in the economic and political environment. TUI does not intend to and does not undertake an obligation to update or revise any forward-looking statements to adapt them to events or developments after the publication of this annual report.

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Picture of Supervisory Board,

Cover and TUI staff

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High-speed surfer

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