

TUI AG Financial Year 2013/14
Interim Report
1 October 2013 – 31 December 2013

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Imprint

Q1 2013/14

TUI Group - Financial highlights

€ million	Q1 2013/14	Q1 2012/13 restated	Var. %
Turnover			
TUI Travel	3,240.0	3,356.6	- 3.5
TUI Hotels & Resorts	95.3	84.7	+ 12.5
Cruises	55.1	51.5	+ 7.0
Group	3,393.8	3,495.7	- 2.9
EBITDA			
TUI Travel	- 91.5	- 111.1	+ 17.6
TUI Hotels & Resorts	41.9	51.0	- 17.8
Cruises	- 5.1	- 8.8	+ 42.0
Group	- 67.7	- 84.9	+ 20.3
Underlying EBITDA			
TUI Travel	- 79.6	- 97.0	+ 17.9
TUI Hotels & Resorts	42.5	51.0	- 16.7
Cruises	- 12.5	- 8.8	- 42.0
Group	- 62.6	- 70.8	+ 11.6
EBITA			
TUI Travel	- 162.9	- 181.0	+ 10.0
TUI Hotels & Resorts	25.5	34.3	- 25.7
Cruises	- 8.5	- 11.2	+ 24.1
Group	- 159.8	- 175.6	+ 9.0
Underlying EBITA			
TUI Travel	- 136.9	- 146.9	+ 6.8
TUI Hotels & Resorts	26.1	34.3	- 23.9
Cruises	- 15.9	- 11.2	- 42.0
Group	- 140.6	- 141.5	+ 0.6
Group result			
Group loss	- 153.4	- 186.6	+ 17.8
Earnings per share	€ - 0.45	- 0.57	+ 21.2
Equity ratio (31 Dec)	% 14.1	14.0	+ 0.1*
Investments in other intangible assets and property, plant and equipment	222.4	230.9	- 3.7
Net debt (31 Dec)	1,753.8	1,939.3	- 9.6
Employees (31 Dec)	63,802	63,663	+ 0.2

Differences may occur due to rounding
* percentage points

- **TUI Travel reports strong start to the winter season 2013/14. Restructuring programmes in France and in Specialist & Activity are delivering results**
- **Weaker occupancy of TUI hotels in Egypt offset by higher customer numbers in the Canaries**
- **Outlook for full financial year 2013/14 confirmed**

INTERIM MANAGEMENT REPORT

ECONOMIC SITUATION IN Q1 2013/14

General economic situation

Development of gross domestic product

Var. %	2014	2013
World	3.7	3.0
Eurozone	1.0	- 0.4
Germany	1.6	0.5
France	0.9	0.2
United Kingdom	2.4	1.7
US	2.8	1.9
Russia	2.0	1.5
Japan	1.7	1.7
China	7.5	7.7
India	5.4	4.4

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

The International Monetary Fund (IMF) has lifted its forecast for global GDP growth in 2013 and 2014 by 0.1 percentage points each as against October 2013. The experts currently expect economic growth of 3.0% for 2013 and 3.7% for 2014.

According to the World Tourism Organisation UNWTO (World Travel Barometer; January 2014), international tourism reached a record level in 2013 with around 1.1 billion international arrivals. Europe, which was affected by the financial crisis in prior years, also returned to a growth path with an increase of 5% in international arrivals. By contrast, average growth in Europe had only amounted to 2.5% in the period from 2005 to 2012.

TUI Group fundamentals: Structure and strategy

Group structure and business environment

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

The Group structure and business operations outlined in the Annual Report 2012/13 remained unchanged in the quarter under review. Changes in the group of consolidated companies are presented in the Notes to this Interim Report.

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



Group structure from page 48 in the Annual Report 2012/13, changes in the group of consolidated companies see page 37 of this Interim Report



See Annual Report
2012/13 page 56 et seq.

Group objectives and strategy

TUI AG aims to increase the value of the individual Sectors and resume dividend payments.

To this end, the "oneTUI" strategy programme was launched in financial year 2012/13. In the framework of this programme, the Group's profitability and financial profile are to be strengthened within the existing structures. The "oneTUI" strategy programme and the strategic priorities of the Sectors are outlined in detail in the Annual Report 2012/13.

In the first quarter, the Group objectives and strategy remained unchanged. The strategic measures implemented in the framework of the "oneTUI" programme were continued as scheduled in the period under review. In December 2013, a contract for the sale of two industrial estates owned by the Group was signed. The Group is expected to obtain the proceeds from that sale worth around €55m in the summer of 2014.

Research and development

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

Development in the period under review

TUI Group gets off to a successful start to the winter season 2013/14

In the first quarter of 2013/14, the TUI Group reported turnover of €3.4bn, down 2.9% year-on-year; turnover decreased by 0.9% on a constant currency basis. This decline was mainly attributable to the considerable capacity reduction in TUI France in the wake of the restructuring of the French TUI tour operators.

The TUI Group's seasonal operating loss (underlying EBITA) declined by €0.9m against the prior year in the first quarter of 2013/14.

Business developed as follows in the individual Sectors:

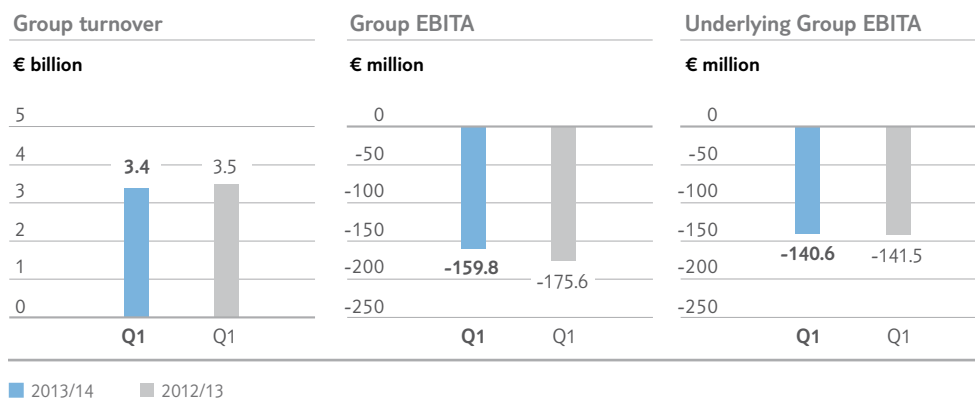
The seasonal operating loss of TUI Travel decreased by €10.0m on the prior year. This improvement was driven, in particular, by the restructuring activities in France and in Specialist & Activity, which resulted in significant efficiency enhancements in the period under review. Tour operators in the Mainstream Business managed to offset a decline in demand for Egypt by cost reductions and flexible capacity management in the quarter under review.

In the period under review, TUI Hotels & Resorts recorded a decline in occupancy for Group-owned hotels in Egypt, which went hand in hand with an increase in occupancy and gratifying rates in Riu and Robinson in the Canary Islands. Due to a book profit of around €15m, generated by the Riu Group and included in the prior-year results, the quarterly result by TUI Hotels & Resorts was down €8.2m year-on-year in the first quarter of 2013/14, despite the Sector's sound operating performance.

While TUI Cruises continued to deliver a strong performance in the period under review, Hapag-Lloyd Kreuzfahrten showed a weaker performance. Utilisation of its fleet declined due to two dry-dock periods of the cruise liner Europa. As a result, earnings by the Cruises Sector decreased by €4.7m year-on-year.

The cost of Central Operations decreased by €3.8m year-on-year in the first quarter of 2013/14.

Earnings by the Sectors



Development of turnover

Turnover

€ million	Q1 2013/14	Q1 2012/13	Var. %
Tourism	3,390.4	3,492.8	- 2.9
TUI Travel	3,240.0	3,356.6	- 3.5
TUI Hotels & Resorts	95.3	84.7	+ 12.5
Cruises	55.1	51.5	+ 7.0
Central Operations	3.4	2.9	+ 17.2
Group	3,393.8	3,495.7	- 2.9

While TUI Travel recorded a year-on-year decline in customer numbers of 5.7%, the TUI Group's turnover totalled €3.4bn in the first quarter of 2013/14, down 2.9% on the prior year. The decrease in turnover accounted for around 0.9% on a constant currency basis.

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 depends on the business model in the respective source markets. Tour operator capacity available for bookings is seasonally adjusted to actual and expected demand in the framework of load factor management.

On 2 February 2014, current trading at TUI Travel for the winter season 2013/14 was as follows versus the prior-year levels:

Current trading TUI Travel Mainstream winter 2013/14

Var. %	Average selling price	Total sales	Total customers
Germany	+ 6	- 5	- 10
UK & Ireland	+ 4	+ 1	- 2
Nordics	- 1	- 3	- 2
France (tour operators)	+ 13	- 28	- 36
Other	+ 3	+ 1	- 2
Total	+ 3	- 4	- 7

As at 2 February 2014

TUI Travel's overall Mainstream bookings for summer 2014 at this point of time are up 1% year-on-year. Average selling prices rose by 3% against previous year's level, in particular due to a further increased proportion of sales of unique holidays.

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



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

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

Development of earnings

Underlying EBITA

€ million	Q1 2013/14	Q1 2012/13	Var. %
Tourism	- 126.7	- 123.8	- 2.3
TUI Travel	- 136.9	- 146.9	+ 6.8
TUI Hotels & Resorts	26.1	34.3	- 23.9
Cruises	- 15.9	- 11.2	- 42.0
Central Operations	- 13.9	- 17.7	+ 21.5
Group	- 140.6	- 141.5	+ 0.6

EBITA

€ million	Q1 2013/14	Q1 2012/13	Var. %
Tourism	- 145.9	- 157.9	+ 7.6
TUI Travel	- 162.9	- 181.0	+ 10.0
TUI Hotels & Resorts	25.5	34.3	- 25.7
Cruises	- 8.5	- 11.2	+ 24.1
Central Operations	- 13.9	- 17.7	+ 21.5
Group	- 159.8	- 175.6	+ 9.0

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

Underlying EBITA: Group

€ million	Q1 2013/14	Q1 2012/13	Var. %
EBITA	- 159.8	- 175.6	+ 9.0
Gains on disposal	+ 0.6	–	
Restructuring	+ 5.8	+ 7.5	
Purchase price allocation	+ 16.8	+ 20.5	
Other one-off items	- 4.0	+ 6.1	
Underlying EBITA	- 140.6	- 141.5	+ 0.6

In the first quarter of 2013/14, the Group's seasonal loss (underlying EBITA) declined by €0.9m year-on-year.

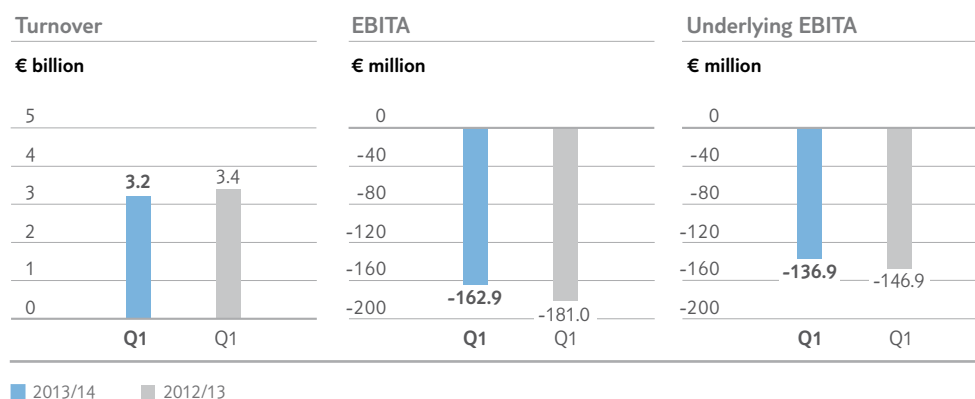
Thanks in particular to the successful implementation of the business improvement programmes in France and in Specialist & Activity, TUI Travel increased its operating result by €10.0m year-on-year. The tour operators also managed to offset the considerable decline in demand for Egypt by cost savings and flexible capacity management in the Mainstream Business in the period under review.

In the period under review, TUI Hotels & Resorts recorded a decline in occupancy of Group-owned hotels in Egypt, alongside higher occupancy numbers and good rates in Riu and Robinson in the Canary Islands. As the prior-year result had included a book profit from the sale of a Riu hotel, the result for the quarter under review was down €8.2m on the previous year despite the sound operating performance. The result of the Cruises Sector was impacted by dock-periods of Europa in the first quarter of 2013/14, down €4.7m versus the prior year.

In the first quarter of 2013/14, one-off items of €19.2m had to be carried as adjustments. Adjustments included expenses for purchase price allocations, and in particular one-off expenses in TUI Travel in connection with restructuring programmes in France and the Marine Division in the Specialist & Activity Business.

In the first quarter, the Group's reported EBITA by Sector totalled €-159.8m, up €15.8m on the prior year.

TUI Travel



TUI Travel – Key figures

€ million	Q1 2013/14	Q1 2012/13	Var. %
Turnover	3,240.0	3,356.6	- 3.5
EBITA	- 162.9	- 181.0	+ 10.0
Gains on disposal	-	-	
Restructuring	+ 5.8	+ 7.5	
Purchase price allocation	+ 16.8	+ 20.5	
Other one-off items	+ 3.4	+ 6.1	
Underlying EBITA	- 136.9	- 146.9	+ 6.8
Underlying EBITDA	- 79.6	- 97.0	+ 17.9
Investments in other intangible assets and property, plant and equipment	198.1	217.3	- 8.8
Employees (31 Dec)	51,281	50,318	+ 1.9

In the first quarter of 2013/14, turnover by TUI Travel fell by 3.5% year-on-year; on a constant currency basis, it decreased by 1.5%. This decline was mainly attributable to the significant capacity reduction in TUI France in the framework of the restructuring of the French TUI tour operators.

The seasonal operating loss recorded by TUI Travel declined by €10.0m versus the prior year. This improvement was attributable in particular to the results now delivered by the restructuring programmes in France and in the Specialist & Activity Business, which created substantial efficiency enhancements in the period under review. In the Mainstream Business, the tour operators also managed to offset the considerable decline in demand for Egypt by flexible capacity management. The proportion of sales of unique product was further increased. On-line sales of travel products also rose. In the Accommodation & Destinations Business, the B2B portals reported further volume growth.

In the first quarter of 2013/14, TUI Travel had to carry adjustments for the following one-off effects worth €26.0m on balance:

- restructuring costs of €5.8m for the ongoing business improvement activities in France and in the Marine Division in the Specialist & Activity Business,
- effects of purchase price allocations worth €16.8m, and
- other one-off expenses worth €3.4m on balance mainly related to the entry into service of the Boeing 787 Dreamliners.

In the first quarter of 2013/14, reported earnings by TUI Travel improved by €18.1m year-on-year to €-162.9m.

Mainstream

Mainstream remains the largest business line within TUI Travel and comprises sales of flights, accommodation and other tourism services.

TUI Travel - Mainstream volumes

'000	Q1 2013/14	Q1 2012/13 adjusted	Var. %
Germany	844	923	- 8.6
UK & Ireland	859	882	- 2.6
Nordics	313	303	+ 3.2
France (tour operator)	119	198	- 39.9
Other	1,235	1,267	- 2.5
Total	3,370	3,573	- 5.7

In the first quarter of 2013/14, the Mainstream Business serviced a total of 3,370 thousand guests. This represented a decline of 5.7% on the prior year, driven in particular by the considerable capacity reduction in TUI France against the backdrop of the weak market environment in France.

Germany

Following travel warnings for Egypt in the autumn of 2013, TUI Deutschland considerably cut the capacity of the Group-owned airline TUIfly in the winter season 2013/14 for this important winter destination and increased its offerings of alternative destinations. Due to this flexible capacity management and good selling prices, in particular for unique products, TUI Deutschland reported a very positive performance in the period under review despite an overall decline in customer numbers of 8.6% versus the prior year. This decrease was mainly attributable to a decline in guest numbers in the self-drive tour segment. In terms of costs, the business improvement programmes implemented in prior years produced the expected savings in the period under review.

UK & Ireland

TUI tour operators in the UK continued to post a positive performance in the period under review, despite a slight decline in customer numbers of 2.6%. Thanks to flexible capacity management, the impact of the slump in demand for Egypt was limited. The proportion of unique product continued to rise, creating higher average selling prices and high load factors.

Nordics

In the first half of the winter season 2013/14, TUI tour operators in the Nordics reported an increase in customer numbers of 3.2% versus the prior year. However, margins decreased in the period under review due to the reduction in capacity to Egypt, the political situation in Thailand, a traditional key winter destination, and the intensification of price competition between tour operators and airlines in the Nordic countries.

France

In the period under review, the entire French travel market remained weak; demand for North Africa, in particular, remained subdued. TUI France significantly reduced its capacity in these countries and stopped its Egypt programme; in line with these measures, it reported a year-on-year decline in customer numbers of 39.9% in the first quarter of 2013/14. As TUI France also reduced its load factor risks and achieved cost savings in the framework of the Convergence project, it recorded an overall positive development as against the prior year reference period.

Other

In the period under review, TUI Nederland, in particular, improved its margins and managed to increase its performance year-on-year. By contrast, TUI Belgium had to respond to stronger price competition in the Belgian market. Corsair had to carry higher maintenance costs in the period under review, as scheduled. The business of TUI Russia was impacted by the political situation in Egypt. Overall, customer numbers declined by 2.5% in Other countries.

Specialist & Activity

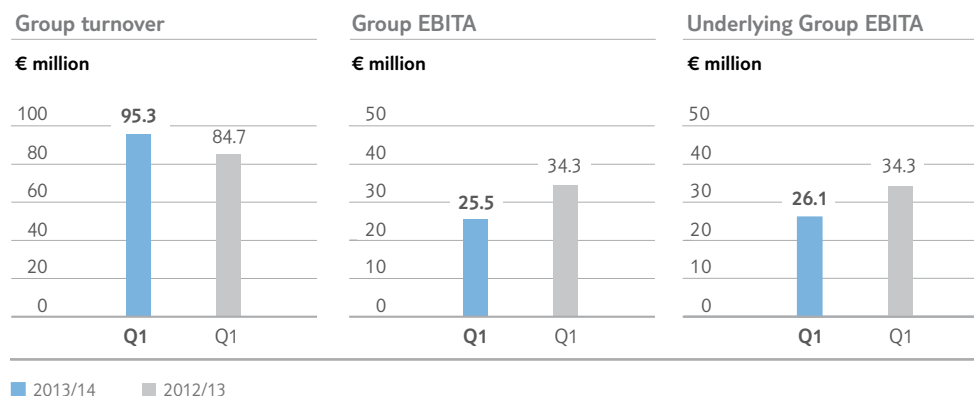
The Specialist & Activity Business comprises tour operators in six divisions: Adventure, North American Specialist, Education, Sport, Marine and Specialist Holiday Group.

The business line delivered a successful performance in the first quarter of 2013/14. The main drivers were the rise in demand for polar cruises and a higher number of premium cruises in North America recognised for the period under review due to reporting date effects. A further positive effect recorded in the period under review was caused by the restructuring initiated in the prior year.

Accommodation & Destinations

The Accommodation & Destinations Business, which comprises the online services and incoming agencies of TUI Travel, recorded a slight overall increase in its performance in the first quarter of 2013/14. Online services saw volume growth in the B2B portals alongside higher costs for the expansion of the MalaPronta travel portal in the B2C segment. Overall, the incoming agencies achieved a gratifying performance.

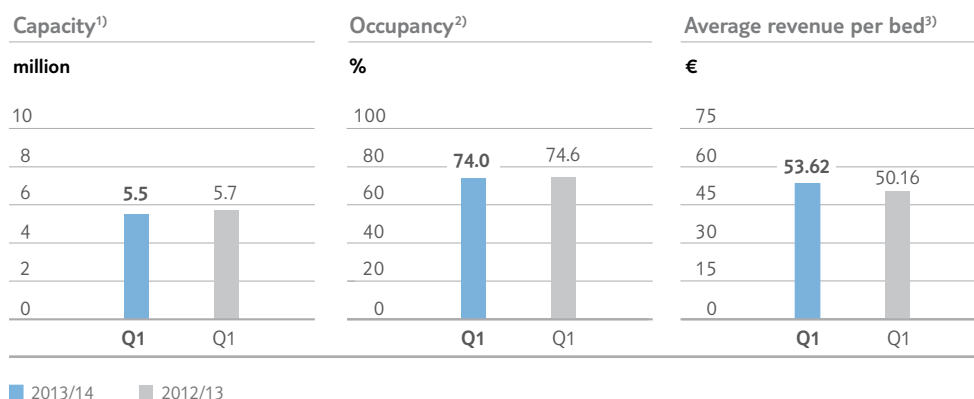
TUI Hotels & Resorts



TUI Hotels & Resorts – Key figures

€ million	Q1 2013/14	Q1 2012/13	Var. %
Total turnover	190.4	179.4	+ 6.1
Turnover	95.3	84.7	+ 12.5
EBITA	25.5	34.3	- 25.7
Gains on disposal	+ 0.6	–	
Restructuring	–	–	
Purchase price allocation	–	–	
Other one-off items	–	–	
Underlying EBITA	26.1	34.3	- 23.9
Underlying EBITDA	42.5	51.0	- 16.7
Investments in other intangible assets and property, plant and equipment	18.0	9.4	+ 91.5
Employees (31 Dec)	11,874	12,643	- 6.1

TUI Hotels & Resorts comprises TUI AG's hotel companies. The number of bednights in hotels of the TUI Hotels & Resorts Sector totalled 4.1m (previous year 4.3m) in the first quarter of 2013/14. Bed occupancy stood at 74.0% and thus only fell slightly by 0.6 percentage points year-on-year despite the decline in bookings for hotels in Egypt. The business performance varied for the individual hotel groups and regions.



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

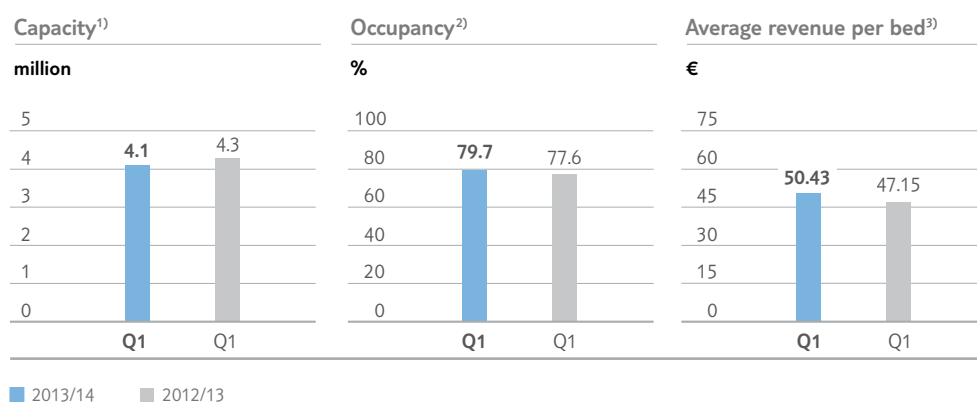
Total turnover by TUI Hotels & Resorts rose by 6.1% year-on-year to €190.4m.

Underlying earnings declined by €8.2m to €26.1m year-on-year in the first quarter of 2013/14. The decrease posted for the period under review was exclusively attributable to a book profit of €14.7m recognised in the prior year's reference quarter from the sale of a Riu hotel. In its operating business, by contrast, TUI Hotels & Resorts managed to limit the impact of the decline in occupancy of Group-owned hotels in Egypt in the first quarter of 2013/14. At the same time, Riu and Robinson, in particular, benefited from an increase in customer numbers in the Canaries. Adjusted for the book profit from the sale of the hotel included in the prior year, the operating result of TUI Hotels & Resorts rose by around €7m versus the prior year.

In the period under review, TUI Hotels & Resorts had to carry adjustments worth €0.6m for foreign exchange differences in connection with the capital reduction in a subsidiary of the Riu Group.

In the first quarter of 2013/14, reported earnings by TUI Hotels & Resorts totalled €25.5m, down €8.8m year-on-year. Here, too, the decline was attributable to the book profit of €14.7m included in the prior year's reference period.

Riu



- 2013/14 ■ 2012/13
- 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

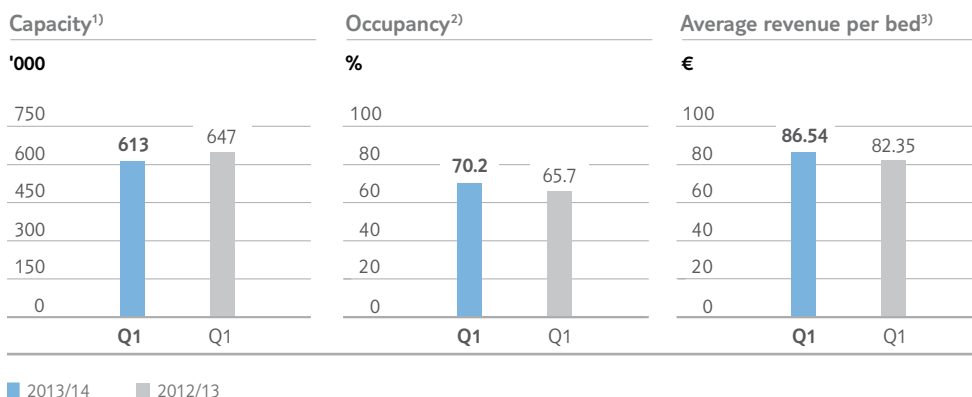
Riu, one of Spain's leading hotel chains, operated 104 hotels in the period under review. Capacity declined slightly year-on-year by 3.6% to 4.1m hotel beds available due to the termination of leases and the renovation of a hotel in Mexico. At 79.7%, average occupancy of Riu hotels rose by 2.1 percentage points year-on-year in the first quarter of 2013/14. Average revenues per bed grew by 7.0% year-on-year.

Group business developed as follows in the individual regions:

Overall, Riu hotels in Spain continued the strong performance delivered in the prior year's reference quarter. Average occupancy of Riu hotels in the Canaries improved by 5.1 percentage points to 92.6% on the prior year. This rise also reflected a shift in demand away from Northern African countries, in particular Egypt. Riu hotels in the Balearics also reported a slight year-on-year improvement in occupancy to 67.5%. Average occupancy of Riu hotels in mainland Spain fell slightly by 0.4 percentage points to 70.8% versus the prior year.

In the long-haul segment, Riu reported a slight weakening in demand in the US and Canada for hotels in Mexico and the Caribbean in the period under review. While capacity declined due to renovation, occupancy of Riu hotels therefore decreased year-on-year to 74.8% from 78.1%. By contrast, average revenues per bed rose by 8.4%.

Robinson



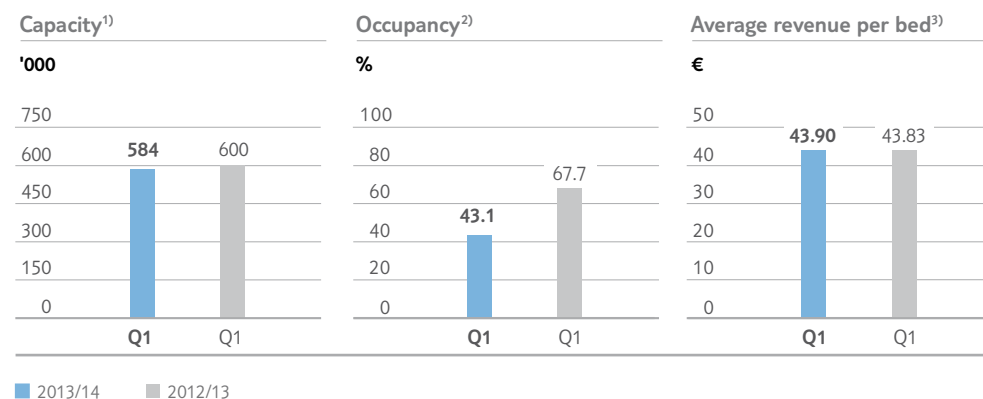
¹⁾ Group owned or leased hotel beds multiplied by number of days open per year

²⁾ occupied beds divided by capacity

³⁾ arrangement turnover divided by occupied beds

At the end of the first quarter of 2013/14, 15 club facilities operated by Robinson, market leader in the premium club holiday segment, were open. Capacity decreased due to the sale of a hotel facility. Occupancy of Robinson Clubs in Austria, Spain, Turkey, Switzerland and the Maldives increased year-on-year. The resorts in Italy, Germany and Egypt recorded lower occupancy rates versus the prior year. Overall, this resulted in a year-on-year increase in occupancy of 4.5 percentage points in the period under review. Average revenues per bed grew by 5.1%.

Iberotel



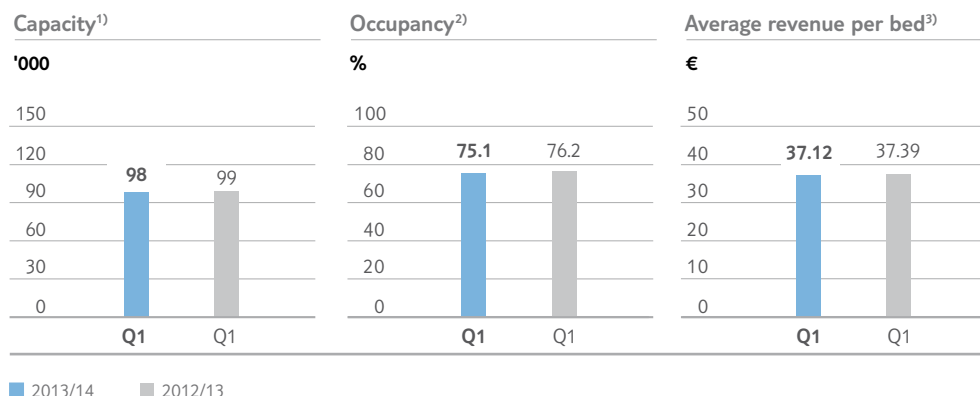
¹⁾ Group owned or leased hotel beds multiplied by number of days open per year

²⁾ occupied beds divided by capacity

³⁾ arrangement turnover divided by occupied beds

In the first quarter of 2013/14, 15 facilities in Egypt, Turkey, the United Arab Emirates, Italy and Germany were open. Occupancy of Iberotels decreased substantially by 24.6 percentage points to 43.1% year-on-year on slightly reduced capacity. The decline was above all driven by lower demand for Iberotels in Egypt due to the political unrest. Average revenues per bed increased slightly by 0.2%.

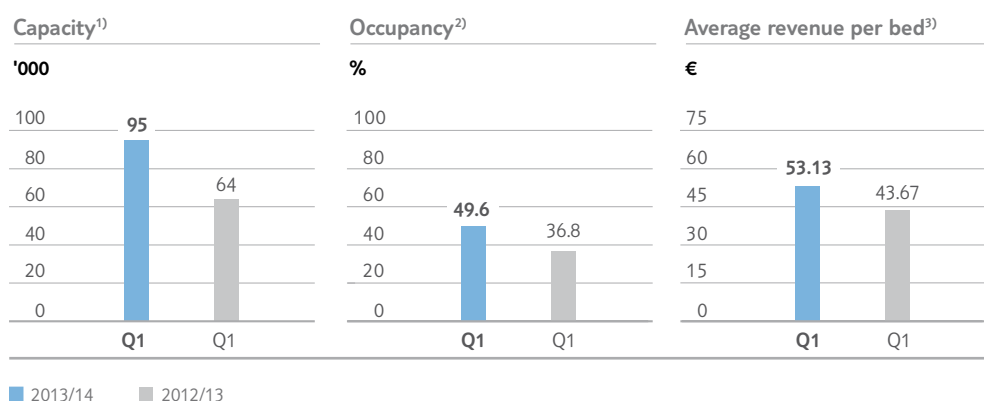
Grupotel



- 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

At the end of the first quarter of 2013/14, only five Grupotel hotels in Majorca, Menorca and Ibiza were open for seasonal reasons. At the end of the summer season, several hotels were closed earlier than in 2012/13. At 75.1%, occupancy was 1.1 percentage points down year-on-year, with capacity reduced by 1.5%. Average revenues per bed fell slightly by 0.7% as against the prior year.

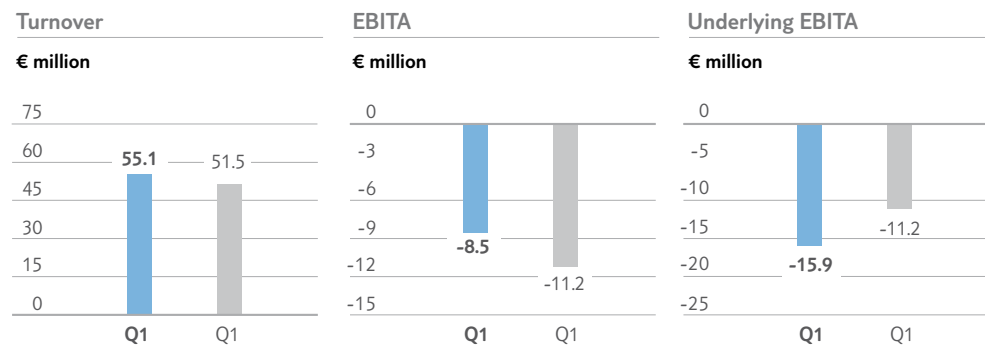
Greotel



- 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

At the end of 2013, all resorts operated by the Greek Greotel hotel company were seasonally closed. Capacity shown for the period under review grew by 47.5% year-on-year as an additional hotel complex was included. Occupancy rose by 12.8 percentage points to 49.6 per cent in the period under review. Average revenues per bed benefited from special events and thus rose by 21.7% year-on-year.

Cruises



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

Cruises – Key figures

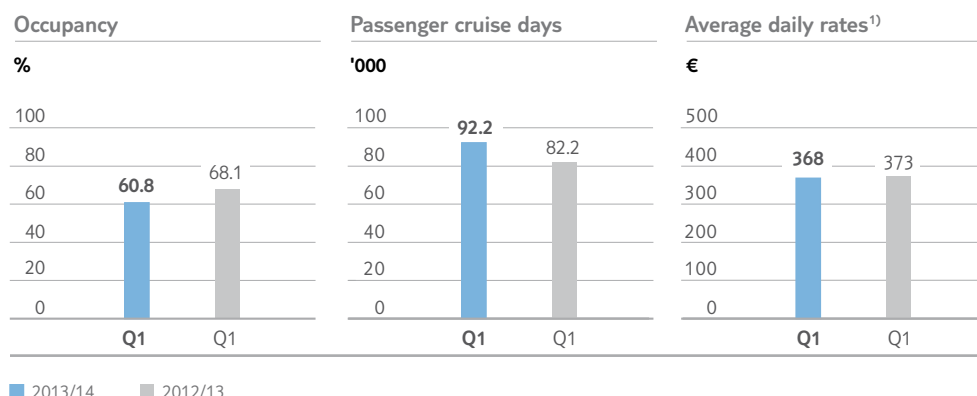
€ million	Q1 2013/14	Q1 2012/13	Var. %
Turnover	55.1	51.5	+ 7.0
EBITA	- 8.5	- 11.2	+ 24.1
Gains on disposal	-	-	
Restructuring	-	-	
Purchase price allocation	-	-	
Other one-off items	- 7.4	-	
Underlying EBITA	- 15.9	- 11.2	- 42.0
Underlying EBITDA	- 12.5	- 8.8	- 42.0
Investments in other intangible assets and property, plant and equipment	6.0	2.6	+ 130.8
Employees (31 Dec)	261	283	- 7.8

In the first quarter of 2013/14, turnover by Hapag-Lloyd Kreuzfahrten totalled €55.1m, up 7.0% year-on-year. The turnover growth was attributable to the capacity expansion due to the launch of Europa 2 in May 2013, which had not yet been operated in the prior year reference period. As the joint venture TUI Cruises is measured at equity in the consolidated financial statements, no turnover is shown for TUI Cruises.

In the first quarter of 2013/14, underlying earnings by the Cruises Sector stood at €-15.9m, down €4.7m year-on-year. The decline in earnings was above all driven by two dock periods of Europa in Hapag-Lloyd Kreuzfahrten. TUI Cruises continued to deliver a positive performance in the period under review.

In the period under review, the Cruises Sector carried adjustments for income worth €7.4m, related in particular to the use of provisions for impending losses from onerous contracts due to occupancy risks for Europa 2. Reported earnings improved by €2.7m year-on-year to €-8.5m in the period under review.

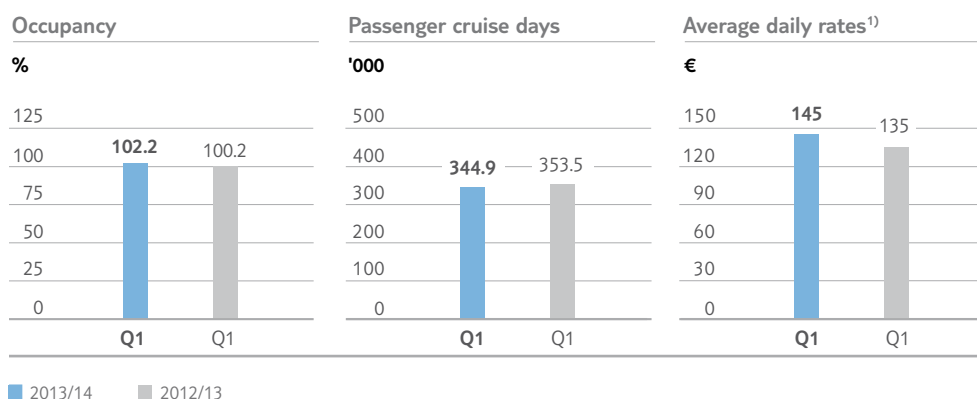
Hapag-Lloyd Kreuzfahrten



¹⁾ per day and passenger

In the first quarter of 2013/14, Hapag-Lloyd Kreuzfahrten recorded a total of 92,188 passenger days. This increase of 12.1% year-on-year was mainly driven by the operation of Europa 2 in the period under review, which was not yet operated in the prior year reference quarter. At the same time, occupancy of the fleet declined by 7.3 percentage points versus the prior year to 60.8%. The average rate per passenger per day decreased slightly by 1.3% to €368. Both indicators were materially affected by Europa having to spend time in dock in October and November 2013, which resulted in changes in the cruise programme.

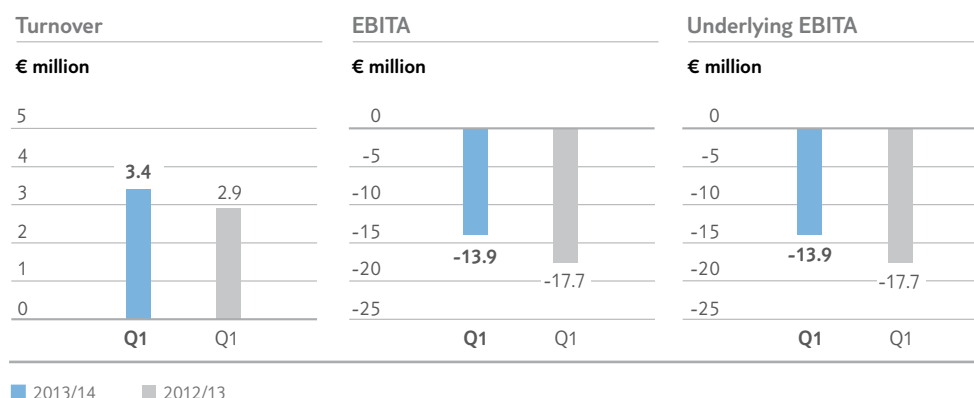
TUI Cruises



¹⁾ per day and passenger

In the first quarter of 2013/14, TUI Cruises continued to report a positive development of its indicators. Demand for both winter cruise areas, Caribbean and Canaries, was strong. Occupancy rose by 2.0 percentage points year-on-year to 102.2%. The high occupancy rate was driven by both ships. Capacity declined by 2.4% to 344,883 passenger days. The average rate per passenger per day was €145, up 7.8% year-on-year.

Central Operations



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

Central operations – Key figures

€ million	Q1 2013/14	Q1 2012/13	Var. %
Turnover	3.4	2.9	+ 17.2
EBITA	- 13.9	- 17.7	+ 21.5
Gains on disposal	-	-	
Restructuring	-	-	
Purchase price allocation	-	-	
Other one-off items	-	-	
Underlying EBITA	- 13.9	- 17.7	+ 21.5
Underlying EBITDA	- 13.0	- 16.0	+ 18.8
Investments in other intangible assets and property, plant and equipment	0.3	1.6	- 81.3
Employees (31 Dec)	386	420	- 8.1
of which Corporate Center (31 Dec)	125	209	- 40.2

In the first quarter of 2013/14, earnings by Central Operations (underlying EBITA) declined by €3.8m year-on-year to €-13.9m. This was mainly driven by lower consultancy costs and travel expenses due to the implementation of the Lean Centre programme.

Central Operations did not have to carry any adjustments in the period under review, nor in the prior year reference period.

In the first quarter of 2013/14, reported earnings by Central Operations also improved by €3.8m to €-13.9m year-on-year.

Consolidated earnings

Consolidated Profit and Loss Statement

€ million	Q1 2013/14	Q1 2012/13 restated	Var. %
Turnover	3,393.8	3,495.7	- 2.9
Cost of sales	3,193.8	3,301.6	- 3.3
Gross profit	200.0	194.1	+ 3.0
Administrative expenses	358.1	392.4	- 8.7
Other income/other expenses	+ 1.4	+ 16.3	- 91.4
Financial income	7.8	9.4	- 17.0
Financial expenses	68.3	80.9	- 15.6
Share of result of joint ventures and associates	- 10.4	- 0.7	n/a
Earnings before income taxes	- 227.6	- 254.2	+ 10.5
Reconciliation to underlying earnings:			
Earnings before income taxes	- 227.6	- 254.2	+ 10.5
plus: Losses on Container Shipping measured at equity	9.7	8.1	+ 19.8
plus: Net interest expense and expense from measurement of interest hedges	58.1	70.5	- 17.6
EBITA	- 159.8	- 175.6	+ 9.0
Adjustments:			
plus: Loss on disposals	+ 0.6	-	
plus: Restructuring expense	+ 5.8	+ 7.5	
plus: Expense from purchase price allocation	+ 16.8	+ 20.5	
less: Income (previous year expense) from other one-off items	- 4.0	+ 6.1	
Underlying EBITA	- 140.6	- 141.5	+ 0.6
Earnings before income taxes	- 227.6	- 254.2	+ 10.5
Income taxes	- 74.2	- 67.6	- 9.8
Group loss for the year	- 153.4	- 186.6	+ 17.8
Group loss for the year attributable to shareholders of TUI AG	- 108.7	- 138.6	+ 21.6
Group loss for the year attributable to non-controlling interest	- 44.7	- 48.0	+ 6.9
Basic and diluted earnings per share	€ - 0.45	- 0.57	+ 21.2

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



Earnings by the Sectors
see page 4 et seq.

Turnover and cost of sales

Turnover comprises the turnover by Tourism and Central Operations. In the first quarter of 2013/14, turnover declined by 2.9% year-on-year to €3.4bn. Turnover was presented alongside the cost of sales, which declined by 3.3%. A detailed breakdown of turnover and the development of turnover are presented in the section Earnings by the Sectors.

Gross profit

At €200.0m, gross profit as the balance of turnover and the cost of sales was up by 3.0% year-on-year in the first quarter of 2013/14.

Administrative expenses

Administrative expenses comprise expenses not directly allocable to the turnover transactions, such as expenses for general management functions. In the first quarter, they totalled €358.1m, down 8.7% on the prior year. The decline was above all driven by the weakness of the sterling as well as restructuring costs and consultancy fees recognised in the previous year's quarter.

Other income/other expenses

Other income/other expenses mainly comprise profits or losses from the sale of fixed assets. In the first quarter of 2013/14, the balance of other income and other expenses totalled €1.4m. The prior year's reference value was mainly characterised by the gain on disposal from the sale of a hotel.

Impairment of goodwill

In the first quarter of 2013/14, no goodwill impairments were required, just as in the prior year.

Financial income and expenses/financial result

The financial result comprises the interest result and the net result from marketable securities. In the first quarter, financial income totalled €7.8m (previous year €9.4m), while financial expenses amounted to €68.3m (previous year €80.9m).

Share of results of joint ventures and associates

The share of results of joint ventures and associates comprises the share in net profit for the year of the associated companies and joint ventures as well as any impairments of the goodwill of these companies. The share of results of joint ventures and associates amounted to €-10.4m in the first quarter of 2013/14 (previous year €-0.7m). The significant decline resulted in particular from lower profit contributions by the Egyptian and Greek hotel companies measured at equity and higher tax expenses of the Canadian tour operator Sunwing.



Adjustments see
Earnings by the Sectors
page 4 et seq.

Underlying Group EBITA

In the first quarter of 2013/14, underlying Group EBITA totalled €-140.6m, a slight improvement of 0.6 % versus the prior year. EBITA was adjusted for gains on disposal, restructuring expenses, purchase price allocations and one-off items. The adjustments are outlined in detail in the section Earnings by the Sectors.

Income taxes

Taxes on income comprise taxes on profits from the business activities. Tax assets of €74.2m arose in the first quarter of 2013/14, following €67.6 in the prior year. This was mainly attributable to the seasonal swing in the tourism business.

Group loss

In the first quarter of 2013/14, the Group result was negative at €-153.4m (previous year €-186.6m) due to the seasonality of the tourism business.

Non-controlling interests

Non-controlling interests accounted for €-44.7m for the first quarter of 2013/14. They related to the external shareholders of TUI Travel PLC and of the companies in the TUI Hotels & Resorts Sector.

Earnings per share

After deduction of non-controlling interests, TUI AG shareholders accounted for €-108.7m (previous year €-138.6m) of the Group result for the first quarter of 2013/14. As a result, basic earnings per share amounted to €-0.45 (previous year €-0.57) for the first quarter.

Performance indicators

Key figures of Income Statement

€ million	Q1 2013/14	Q1 2012/13 restated	Var. %
Earnings before interest, income taxes, depreciation, impairment and rent (EBITDAR)	133.7	111.3	+ 20.1
Operating rental expenses	201.4	196.2	+ 2.7
Earnings before interest, income taxes, depreciation and impairment (EBITDA)	- 67.7	- 84.9	+ 20.3
Depreciation/amortisation less reversals of depreciation ¹⁾	- 92.1	- 90.7	- 1.5
Earnings before interest, income taxes and impairment of goodwill (EBITA)	- 159.8	- 175.6	+ 9.0
Earnings before interest and income taxes (EBIT)	- 159.8	- 175.6	+ 9.0
Interest result and earnings from the measurement of interest hedges	- 58.1	- 70.5	+ 17.6
Result from Container Shipping measured at equity	- 9.7	- 8.1	- 19.8
Earnings before income taxes (EBT)	- 227.6	- 254.2	+ 10.5

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

Net assets and financial position

The Group's balance sheet total decreased by 5.4% to €12.7bn versus the end of financial year 2012/13. The changes in the consolidated statement of financial position as against 30 September 2013 primarily reflect the seasonality of the tourism business.

Assets and liabilities

Mio. €	31.12.2013	30.9.2013	Var. %
Non-current assets	8,722.3	8,645.8	+ 0.9
Current assets	4,007.1	4,808.5	- 16.7
Assets	12,729.4	13,454.3	- 5.4
Equity	1,800.7	2,029.4	- 11.3
Provisions	2,055.4	2,160.2	- 4.9
Financial liabilities	3,577.2	2,769.6	+ 29.2
Other liabilities	5,296.1	6,495.1	- 18.5
Liabilities	12,729.4	13,454.3	- 5.4

Non-current assets

As at 31 December 2013, non-current assets accounted for 68.5% of total assets, compared with 64.3% as at 30 September 2013. Non-current assets rose slightly year-on-year to €8.7bn in the period under review.

Current assets

As at 31 December 2013, current assets accounted for 31.5% of total assets, following 35.7% as at 30 September 2013. Current assets decreased from €4.8bn as at 30 September 2013 to €4.0bn as at 31 December 2013. The decline was primarily driven by the seasonality of the tourism business.

Equity

Equity totalled €1.8bn as at 31 December 2013. The equity ratio declined from 15.1% as at 30 September 2013 to 14.1%. Further information on the changes in equity is provided in the Notes to the present Interim Report.

Provisions

Provisions mainly comprise provisions for pension obligations, effective and deferred income tax provisions and provisions for typical operating risks. As at 31 December 2013, they totalled €2.1bn, down from €2.2bn as at 30 September 2013.

Financial liabilities

As at 31 December 2013, financial liabilities consisted of non-current financial liabilities of €2.0bn and current financial liabilities of €1.6bn. As at 30 September 2013, non-current financial liabilities amounted to €1.8bn, with current financial liabilities of €0.9bn.

At the end of the first quarter (31 December 2013), the TUI Group's net debt totalled €1.8bn. Net debt was thus reduced by €187.5m year-on-year.

Other liabilities

As at 31 December 2013, other liabilities totalled €5.3bn, down 18.5% from €6.5bn as at 30 September 2013. The decline mainly resulted from the seasonality of the tourism business.



See page 34 et seq.

Other segment indicators

Underlying EBITDA

€ million	Q1 2013/14	Q1 2012/13	Var. %
Tourism	- 49.6	- 54.8	+ 9.5
TUI Travel	- 79.6	- 97.0	+ 17.9
TUI Hotels & Resorts	42.5	51.0	- 16.7
Cruises	- 12.5	- 8.8	- 42.0
Central Operations	- 13.0	- 16.0	+ 18.8
Group	- 62.6	- 70.8	+ 11.6

EBITDA

€ million	Q1 2013/14	Q1 2012/13	Var. %
Tourism	- 54.7	- 68.9	+ 20.6
TUI Travel	- 91.5	- 111.1	+ 17.6
TUI Hotels & Resorts	41.9	51.0	- 17.8
Cruises	- 5.1	- 8.8	+ 42.0
Central Operations	- 13.0	- 16.0	+ 18.8
Group	- 67.7	- 84.9	+ 20.3

Investments in other intangible assets and property, plant and equipment

€ million	Q1 2013/14	Q1 2012/13	Var. %
Tourism	222.1	229.3	- 3.1
TUI Travel	198.1	217.3	- 8.8
TUI Hotels & Resorts	18.0	9.4	+ 91.5
Cruises	6.0	2.6	+ 130.8
Central Operations	0.3	1.6	- 81.3
Group	222.4	230.9	- 3.7

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

€ million	Q1 2013/14	Q1 2012/13	Var. %
Tourism	90.9	89.1	+ 2.0
TUI Travel	71.1	70.0	+ 1.6
TUI Hotels & Resorts	16.4	16.7	- 1.8
Cruises	3.4	2.4	+ 41.7
Central Operations	0.9	1.7	- 47.1
Group	91.8	90.8	+ 1.1

Employees

	31 Dec 2013	30 Sep 2013	Var. %
Tourism	63,416	74,040	- 14.3
TUI Travel	51,281	59,756	- 14.2
TUI Hotels & Resorts	11,874	14,013	- 15.3
Cruises	261	271	- 3.7
Central Operations	386	405	- 4.7
Corporate Center	125	198	- 36.9
Other units	261	207	+ 26.1
Group	63,802	74,445	- 14.3

INTERIM MANAGEMENT REPORT

RISK AND OPPORTUNITY REPORT



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

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

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

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

INTERIM MANAGEMENT REPORT

OUTLOOK

Economic framework

Expected development of gross domestic product

Var. %	2015	2014
World	3.9	3.7
Eurozone	1.4	1.0
Germany	1.4	1.6
France	1.5	0.9
United Kingdom	2.2	2.4
US	3.0	2.8
Russia	2.5	2.0
Japan	1.0	1.7
China	7.3	7.5
India	6.4	5.4

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

Macroeconomic situation

The International Monetary Fund (IMF, World Economic Outlook January 2014) has slightly lifted its forecast and expects global gross domestic product growth of 3.7% for calendar year 2014. In view of the IMF, the Eurozone is in a transition phase from a recession towards economic recovery. While the IMF has slightly lifted its forecast for the core countries, the heavily indebted countries of southern Europe continue to face challenges.

Market development in tourism

The UNWTO (World Tourism Barometer, January 2014) expects international arrivals to grow between 4% and 4.5% in 2014. This expectation exceeds the UNWTO forecast of 3.8% annual average growth for the period from 2010 to 2020. The UNWTO forecast is based on expectations of 300 travel experts from around the world.

Impact on the TUI Group

As a leading tourism company, the TUI Group depends on the development of consumer demand in the major source markets in which we are represented with our tour operator and hotel brands. Our budget is based on the IMF's assumptions regarding the future development of the world economy. The TUI Group would benefit from the recovery of the industrialised countries in Europe and Northern America, expected by the IMF, and the resulting strengthening of consumer sentiment in the major source markets. By contrast, a weakening of momentum in the growth regions might curb the further expansion of our business in these markets in the medium term.

Apart from the development of consumer sentiment, political stability in the destinations is another crucial factor for demand in the travel sector. Following the temporary suspension of travel to Egypt, a key winter destination, in September 2013, we cut our capacity for this region in the winter season 2013/14. Our reduced flight capacity may be flexibly increased, if necessary. At the same time, we have expanded our offerings to alternative destinations such as the Canaries. We expect these measures to enable us to largely offset any potential earnings effects in the winter season 2013/14.

The volume growth in TUI Travel's Mainstream Business, assumed in our budget for financial year 2013/14, reflects the UNWTO forecast at a total of 2.8% p.a., taking account of our planned capacity reductions in source market France. With the exception of the French travel market, we expect customer numbers to rise in the forthcoming financial year in our key source markets. Our strategic focus will remain on increasing the proportion of unique product in TUI Travel's Mainstream Business, further enhancing the attractiveness of our own hotel portfolio and expanding our German cruise business, in particular under the TUI Cruises brand.

Expected development of earnings

TUI Group

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

Expected development of Group earnings

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

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

Turnover

In financial year 2013/14, we expect turnover to grow moderately by 2% to 4%, in particular due to the expected increase in customer numbers in TUI Travel's Mainstream Business.

Underlying EBITA

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

Adjustments

On balance, one-off expenses are expected to decline in 2013/14. Our budget is based on the assumption that we will carry expected VAT reimbursements of around €116m from prior year payments in Belgium through profit and loss in financial year 2013/14, assuming a positive outcome of the case, and that we will adjust the amount in our operating result. TUI had already recorded an inflow of these refunds in financial year 2012/13 and carried them in full as a liability at the balance sheet date.

EBITA

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

ROIC and value added

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

Expected development of the Sectors

Expected development of earnings

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

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

TUI Travel

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

TUI Hotels & Resorts

For TUI Hotels & Resorts, we expect growth in underlying earnings of 2% to 7% in financial year 2013/14, adjusted for the gain of around €15m from the sale of a hotel, included in earnings for financial year 2012/13. In financial year 2013/14, TUI Hotels & Resorts is expected to see a slight increase in capacity (2012/13: 24.3m hotel beds available). On stable occupancy of the hotels (2012/13: 80.3%), our budget is based on a slight improvement in average revenues per bed (2012/13: €51.3/day). Risks relate to the development of customer numbers from the major source markets, which might fall short of expectations.

Cruises

For the Cruises Sector, we expect our operating result to at least break even in financial year 2013/14. The main drivers of the improvement in the operating performance of Hapag-Lloyd Kreuzfahrten are the non-recurrence of the start-up costs for the launch of Europa 2, included in our results for 2012/13. Moreover, the refocussing of Hapag-Lloyd Kreuzfahrten on luxury and expedition cruises will be completed upon the decommissioning of Columbus 2 in April 2014. The first-time operation of Europa 2 for a full year is expected to cause a significant increase in passenger days (2012/13: 407 thousand) and average rates (2012/13: €420/day) year-on-year. Occupancy of the Hapag-Lloyd fleet (2012/13: 70.6%) is expected to rise slightly. TUI Cruises will commission its third ship in June 2014 and expects to generate additional profit contributions as a result. TUI Cruises is also expected to post a considerable increase in passenger days (2012/13: 1.4m) and the average daily rate (2012/13: €157/day), while the budgeted load factor (2012/13: 101.8%) is expected to fall slightly year-on-year.

Central Operations

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

Development of the financial position

Expected development of Group financial position

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

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

Capital expenditure

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

Net debt

At the end of the financial year 2012/13, the Group's net debt totalled €0.1bn. Taking account of the expected cash flow from business operations, the expected funding requirements for capital expenditure and planned finance leases for aircraft in TUI Travel, the TUI Group's net debt is expected to show a stable development in financial year 2013/14.

Sustainable development

Climate protection and emissions

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

Overall assessment of the Group's expected development

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

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

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

Opportunity report

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

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

Opportunities resulting from the development of the overall framework

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

Opportunities regarding corporate strategy

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

Operational opportunities

We intend to improve our competitive position further by continuing the restructuring and cost reduction programmes, offering 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.

INTERIM MANAGEMENT REPORT

CORPORATE GOVERNANCE

Composition of the boards



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

There were no changes in the composition of the boards of TUI AG in the period under review.

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

TUI AG
The Executive Board

February 2014

INTERIM FINANCIAL STATEMENTS

Income statement of the TUI Group for the period from 1 October to 30 December 2013

€ million	Notes	Q1 2013/14	Q1 2012/13 restated
Turnover		3,393.8	3,495.7
Cost of sales	(1)	3,193.8	3,301.6
Gross profit		200.0	194.1
Administrative expenses	(1)	358.1	392.4
Other income/Other expenses	(2)	1.4	16.3
Financial income	(3)	7.8	9.4
Financial expenses	(3)	68.3	80.9
Share of result of joint ventures and associates	(4)	- 10.4	- 0.7
Earnings before income taxes		- 227.6	- 254.2
Reconciliation to underlying earnings:			
Earnings before income taxes		- 227.6	- 254.2
plus: Loss on Container Shipping measured at equity		9.7	8.1
plus: Net interest expense and expense from measurement of interest hedges		58.1	70.5
EBITA		- 159.8	- 175.6
Adjustments:	(5)		
plus: Losses on disposals		0.6	-
plus: Restructuring expense		5.8	7.5
plus: Expense from purchase price allocation		16.8	20.5
less: Income (previous year expense) from other one-off items		- 4.0	6.1
Underlying EBITA		- 140.6	- 141.5
Earnings before income taxes		- 227.6	- 254.2
Income taxes	(6)	- 74.2	- 67.6
Group loss for the year		- 153.4	- 186.6
Group loss for the year attributable to shareholders of TUI AG		- 108.7	- 138.6
Group loss for the year attributable to non-controlling interest	(7)	- 44.7	- 48.0

Earnings per share

€	Q1 2013/14	Q1 2012/13
Basic and diluted earnings per share	- 0.45	- 0.57

Statement of comprehensive income for the period from 1 October to 31 December 2013

€ million	Q1 2013/14	Q1 2012/13 restated
Group loss	- 153.4	- 186.6
Actuarial gains from pension provisions and related fund assets	33.2	- 68.0
Changes in the measurement of companies measured at equity	3.5	- 5.1
Income tax related to items that will not be reclassified	- 6.6	18.1
Items that will not be reclassified	30.1	- 55.0
Foreign exchange differences	- 64.1	- 14.1
Financial instruments available for sale	- 0.3	-
Cash flow hedges	11.6	- 26.4
Changes in the measurement of companies measured at equity	9.9	5.0
Income tax related to items that may be reclassified	- 2.5	6.7
Items that may be reclassified	- 45.4	- 28.8
Other comprehensive income	- 15.3	- 83.8
Total comprehensive income	- 168.7	- 270.4
attributable to shareholders of TUI AG	- 115.7	- 200.9
attributable to non-controlling interest	- 53.0	- 69.5

Financial position of the TUI Group as at 31 December 2013

€ million	31 Dec 2013	30 Sep 2013
Assets		
Goodwill	2,994.8	2,976.4
Other intangible assets	860.7	866.2
Investment property	8.4	58.0
Property, plant and equipment	2,721.9	2,682.0
Investments in joint ventures and associates	1,381.2	1,386.4
Financial assets available for sale	70.4	71.5
Trade receivables and other assets	338.9	342.8
Derivative financial instruments	52.6	37.9
Deferred tax asset	293.4	224.6
Non-current assets	8,722.3	8,645.8
Inventories	122.1	115.4
Trade receivables and other assets	1,792.7	1,876.8
Derivative financial instruments	73.7	49.1
Current tax asset	104.2	53.9
Cash and cash equivalents	1,825.4	2,701.7
Assets held for sale	89.0	11.6
Current assets	4,007.1	4,808.5
	12,729.4	13,454.3

€ million	31 Dec 2013	30 Sep 2013
Equity and liabilities		
Subscribed capital	645.5	645.2
Capital reserves	958.0	957.7
Revenue reserves	12.5	151.3
Hybrid capital	294.8	294.8
Equity before non-controlling interest	1,910.8	2,049.0
Non-controlling interest	- 110.1	- 19.6
Equity	1,800.7	2,029.4
Pension provisions and similar obligations	1,025.3	1,102.2
Other provisions	580.8	575.0
Non-current provisions	1,606.1	1,677.2
Financial liabilities	2,017.3	1,834.1
Derivative financial instruments	25.3	30.7
Current tax liabilities	109.3	107.8
Deferred tax liabilities	78.4	76.6
Other liabilities	110.5	98.4
Non-current liabilities	2,340.8	2,147.6
Non-current provisions and liabilities	3,946.9	3,824.8
Pension provisions and similar obligations	30.9	33.8
Other provisions	418.4	449.2
Current provisions	449.3	483.0
Financial liabilities	1,559.9	935.5
Trade payables	1,966.4	3,049.2
Derivative financial instruments	210.5	178.8
Current tax liabilities	114.2	134.0
Other liabilities	2,668.8	2,819.6
Current liabilities	6,519.8	7,117.1
Liabilities related to assets held for sale	12.7	-
Current provisions and liabilities	6,981.8	7,600.1
	12,729.4	13,454.3

Condensed statement of changes in Group equity for the period from 1 October to 31 December 2013

€ million	Subscribed capital	Capital reserves	Revenue reserves	Hybrid capital	Equity before non-controlling interest	Non-controlling interest	Total
Balance as at 1 Oct 2013	645.2	957.7	151.3	294.8	2,049.0	- 19.6	2,029.4
Dividends	-	-	-	-	-	- 23.5	- 23.5
Hybrid capital dividend	-	-	- 5.7	-	- 5.7	-	- 5.7
Share based payment schemes of TUI Travel PLC	-	-	2.6	-	2.6	2.4	5.0
Issue of employee shares	0.3	0.3	-	-	0.6	-	0.6
Effects on the acquisition of non-controlling interests	-	-	- 20.0	-	- 20.0	- 16.4	- 36.4
Group loss	-	-	- 108.7	-	- 108.7	- 44.7	- 153.4
Foreign exchange differences	-	-	- 42.9	-	- 42.9	- 21.2	- 64.1
Financial instruments available for sale	-	-	- 0.2	-	- 0.2	- 0.1	- 0.3
Cash flow hedges	-	-	11.0	-	11.0	0.6	11.6
Actuarial losses from pension provisions and related fund assets	-	-	18.2	-	18.2	15.0	33.2
Changes in the measurement of companies measured at equity	-	-	13.4	-	13.4	-	13.4
Taxes attributable to other comprehensive income	-	-	- 6.5	-	- 6.5	- 2.6	- 9.1
Other comprehensive income	-	-	- 7.0	-	- 7.0	- 8.3	- 15.3
Total comprehensive income	-	-	- 115.7	-	- 115.7	- 53.0	- 168.7
Balance as at 31 Dec 2013	645.5	958.0	12.5	294.8	1,910.8	- 110.1	1,800.7

Condensed statement of changes in Group equity for the period from 1 October to 31 December 2012 (restated)

€ million	Subscribed capital	Capital reserves	Revenue reserves	Hybrid capital	Equity before non-controlling interest	Non-controlling interest	Total
Balance as at 1 Oct 2012	644.9	957.4	185.2	294.8	2,082.3	- 15.2	2,067.1
Dividends	-	-	-	-	-	- 41.3	- 41.3
Hybrid capital dividend	-	-	- 6.5	-	- 6.5	-	- 6.5
Share based payment schemes of TUI Travel PLC	-	-	1.7	-	1.7	1.4	3.1
Issue of employee shares	0.3	0.2	-	-	0.5	-	0.5
Effects on the acquisition of non-controlling interests	-	-	- 9.4	-	- 9.4	3.2	- 6.2
Group loss	-	-	- 138.6	-	- 138.6	- 48.0	- 186.6
Foreign exchange differences	-	-	- 22.7	-	- 22.7	8.6	- 14.1
Cash flow hedges	-	-	- 10.3	-	- 10.3	- 16.1	- 26.4
Actuarial losses from pension provisions and related fund assets	-	-	- 43.1	-	- 43.1	- 24.9	- 68.0
Changes in the measurement of companies measured at equity	-	-	- 0.1	-	- 0.1	-	- 0.1
Taxes attributable to other comprehensive income	-	-	13.9	-	13.9	10.9	24.8
Other comprehensive income	-	-	- 62.3	-	- 62.3	- 21.5	- 83.8
Total comprehensive income	-	-	- 200.9	-	- 200.9	- 69.5	- 270.4
Balance as at 31 Dec 2012	645.2	957.6	- 29.9	294.8	1,867.7	- 121.4	1,746.3

Condensed cash flow statement of the TUI Group

€ million	Q1 2013/14	Q1 2012/13 restated
Cash outflow from operating activities	- 1,325.9	- 1,392.5
Cash outflow from investing activities	- 133.4	- 212.9
Cash inflow from financing activities	613.5	699.8
Net change in cash and cash equivalents	- 845.8	- 905.6
Change in cash and cash equivalents due to exchange rate fluctuation	- 25.9	6.6
Cash and cash equivalents at beginning of period	2,701.7	2,278.4
Cash and cash equivalents at end of period	1,830.0	1,379.4
of which included in the balance sheet as assets held for sale	4.6	-

NOTES

Accounting principles

In accordance with IAS 34, the Group's interim financial statements as at 31 December 2013 are published in a condensed form compared with the consolidated annual financial statements. As before, they are prepared on the historical cost basis, the only exception being the accounting method applied in measuring financial instruments.

The accounting and measurement methods adopted in the preparation of these interim financial statements as at 31 December 2013 are generally consistent with those followed in the preparation of the preceding consolidated financial statements for the financial year ended 30 September 2013.

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

The following standards revised or newly issued by the IASB and relevant for the TUI Group have been mandatory since the beginning of financial year 2013/14:

- IFRS 13: Fair Value Measurement
- Amendments to IFRS 7: Financial Instruments – Disclosures
- Annual Improvements Project (2009 - 2011)
- Amendments to IAS 19: Employee Benefits
- Amendments to IFRS 1: First-Time Adoption of IFRS – Government Loans

In addition, the following standards amended by the IASB and transposed into European legislation by the European Union have been adopted ahead of the effective date as of the beginning of financial year 2013/14:

- Amendments to IAS 36: Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to IAS 39: Financial Instruments – Recognition and Measurement: Novation of Derivatives and Continuation of Hedge Accounting

With the exception of the amendments to IAS 19, the first-time adoption of the standards listed above does not have any or has no significant impact on the TUI Group's net assets, financial position and results of operations in the present Interim Report. The amendments to IFRS 1 are not relevant for the TUI Group.

IFRS 13: Fair Value Measurement

The amendments establish a uniform approach to determining fair value. According to IFRS 13, fair value is redefined as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between the market participants at the measurement date. Moreover, the disclosures in the Notes in connection with fair value measurement are expanded to cover all standards. The prospective first-time application of the standard gives rise to expanded disclosure requirements on financial instruments in the Notes in the course of the year.

Amendments to IFRS 7: Financial Instruments – Disclosures

The amendments to IFRS 7 expand the existing qualitative and quantitative disclosure requirements in the Notes on the offsetting of financial assets and financial liabilities effected. They also contain additional disclosure requirements for financial instruments subject to offsetting agreements, regardless of whether they have actually been offset according to IAS 32. The amendments are not applicable to condensed interim financial statements unless a disclosure requirement arises due to essential changes since the end of the last reporting period.

Annual Improvements Project (2009-2011)

In the framework of the Annual Improvements Project (2009-2011) amendments to five standards (IFRS 1, IAS 1, IAS 16, IAS 32, and IAS 34) were decided. The amendments include minor changes in the contents and above all clarifications of the presentation, recognition and measurement.

Amendments to IAS 36: Impairment of Assets

The amendments clarify and extend the disclosure requirements regarding the recoverable amount for non-financial assets. They make it clear that the recoverable amount of a cash-generating unit to which substantial goodwill has been assigned only has to be disclosed if an impairment has been recorded for this unit in the period under review and if the recoverable amount is based on fair value less costs of disposal. It also introduces new disclosure requirements for impaired non-financial assets. The amendments were endorsed by the European Union in December 2013 and are effective for annual periods beginning on or after 1 January 2014. The TUI Group has applied these amendments ahead of the effective date as of 1 October 2013. The first-time application has not had an impact on the disclosures in the Notes to the present interim financial statements.

Amendments to IAS 39: Financial Instruments – Recognition and Measurement

As a result of the amendments to IAS 39 on the recognition and measurement of financial instruments, the novation of a hedge to a central counterparty due to legal requirements does not impose discontinuation of the hedging relationship if certain conditions are met. The amendments were transposed into European legislation by the EU in December 2013 and are effective for annual periods beginning on or after 1 January 2014. The TUI Group has applied the amendments ahead of the effective date as of 1 October 2013. The retrospective first-time application has not had an impact on the TUI Group's net assets, financial position and results of operations in the present interim financial statements.

Amendments to IAS 19: Employee Benefits

The mandatory application of the amendments to IAS 19 on the accounting for employee benefits has a material impact on the TUI Group's net assets, financial position and results of operations so that the prior year numbers were restated as at 1 October 2013.

The amendments to IAS 19, published in June 2011, remove the existing option to apply the corridor method and lead to the immediate recognition of actuarial gains and losses in other income outside profit and loss. Due to the introduction of the net interest expense on defined benefit pension plans, the return on plan assets no longer has to be estimated as an expected return but has to be determined as interest on the plan on the basis of the net interest rate used to determine the present value of the defined benefit obligations. Other amendments relate to the immediate recognition of past service cost through profit and loss in the event of future plan amendments and the presentation of the net interest result in defined benefit pension plans. Amendments also relate to the distinction between benefits provided in exchange for the termination of employment and other employer benefits. The amended standard also creates enhanced disclosure requirements regarding employee benefits.

In line with the transition guidance, the amendments are applied with retroactive effect as at the beginning of the reference period, i.e. 1 October 2012. The tables below present the quantitative impact of the first-time application of the amended IAS 19 on the TUI Group's net assets, financial position and results of operations:

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

€ million	before restatement	adjustment	restated
Financial income	30.5	- 21.1	9.4
Financial expenses	98.4	- 17.5	80.9
Earnings before income taxes	- 250.6	- 3.6	- 254.2
EBITA	-175.6	–	- 175.6
Underlying EBITA	- 141.5	–	- 141.5
Earnings before income taxes	- 250.6	- 3.6	- 254.2
Income taxes	- 66.8	- 0.8	- 67.6
Group loss for the year	- 183.8	- 2.8	- 186.6
Group loss for the year attributable to shareholders of TUI AG	- 137.0	- 1.6	- 138.6
Group loss for the year attributable to non-controlling interest	- 46.8	- 1.2	- 48.0
Basic and diluted earnings per share	- 0.57	–	- 0.57

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

€ million	before restatement	adjustment	restated
Group loss	- 183.8	- 2.8	- 186.6
Actuarial gains from pension provisions and related fund assets	- 71.6	3.6	- 68.0
Income tax related to items that will not be reclassified	18.9	- 0.8	18.1
Items that will not be reclassified	- 57.8	2.8	- 55.0
Total comprehensive income	- 270.4	–	- 270.4
attributable to shareholders of TUI AG	- 200.9	–	- 200.9
attributable to non-controlling interest	- 69.5	–	- 69.5

Elimination of the so-called corridor method does not have an impact as the immediate and full recognition of actuarial gains and losses reflects the method already used by TUI. The amendment therefore does not have an impact on the presentation of the consolidated statement of financial position. Changes in the TUI Group's cash flow statement only relate to the indirect approach to derive the cash inflow from operating activities. The change in the Group result of €-2.8m is offset by a non-cash change in provisions (€3.6m) and in deferred tax assets (€-0.8m).

If the old version of IAS 19 had continued to be applied, the consolidated comprehensive income and Group financial position for the first quarter of 2013/14 would not differ from the presentation according to the new version. The only differences from the amounts calculated according to the new version would have related to the statement of comprehensive income, as follows:

- Reduction in Group loss after tax of €4.4m with an increase in financial result of €6.6m and a reduction in tax income of €2.2m
- Reduction in other comprehensive income within the items not to be reclassified to the income statement by the same amount of €4.4m due to lower actuarial gains on fund assets and a reduction in attributable taxes
- Increase in (basic and diluted) earnings per share of €0.01

The amendments to the recognition of past service costs do not have an impact on the results of operations in the present Interim Report. The Group has examined the impact of the changed definition of benefits provided in exchange for the termination of employment on the current and prior consolidated financial statements. For materiality reasons, provisions for part-time arrangements for employees approaching retirement were not retroactively restated.

Changes in accounting and measurement methods

In order to enhance the presentation of cash flows from operating activities and increase comparability, dividends received from associated companies and joint ventures have been carried under the cash inflow from operating activities, in line with industry practice, since the second quarter of 2012/13. The prior-year numbers were adjusted accordingly.

The change gave rise to the following reclassifications in the consolidated cash flow statement for the first quarter:

Impact on the cash flow statement

€ million	Q1 2013/14	Q1 2012/13
Dividends from joint ventures and associates	+ 7.4	+ 1.3
Cash flow from operating activities	+ 7.4	+ 1.3
Payments received from the disposal of other non-current assets	- 7.4	- 1.3
Cash flow from investing activities	- 7.4	- 1.3
Net change in cash and cash equivalents	-	-

Group of consolidated companies

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

The interim financial statements as at 31 December 2013 included a total of 48 domestic and 613 foreign subsidiaries, besides TUI AG.

Since 1 October 2013, five companies have been newly included in consolidation. One of these companies has been newly included due to a purchase of additional interests, and two companies due to an expansion of their business activities. Two additional companies have been newly established. On the other hand, 20 companies have been deconsolidated due to liquidation and one company due to a merger.

The number of companies measured at equity declined by two as against the financial statements for the previous year. One company was sold, while a further company was included in the group of consolidated companies due to the purchase of additional interests and was therefore no longer measured at equity.

Acquisitions - divestments

Summary presentation of acquisitions

Name and headquarters of the acquired company or business	Business activity	Acquirer	Date of acquisition	Acquired share %	Consideration transferred in € million
Le Passage to India Tours & Travels pvt. Ltd., New Delhi, India	Tour Operator	Trina Group	19 Dec 2013	50,0%	11.9
3 Travel agents in Germany	Travel agent	TUI Leisure Travel GmbH	1 Oct–31 Dec 2013	n/a	0.7
Total					12.6

The acquisitions of the travel agencies in the first quarter were carried out in the form of asset deals. The other acquisition in the first quarter was carried out in the form of a share deal. The considerations transferred for the acquisition by the TUI Group consist of purchase price payments.

Following the acquisition of the interests mentioned above, there are no direct minorities in Le Passage to India Tours & Travels pvt. Ltd. any longer.

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

The difference arising between the consideration transferred and the remeasured acquired net assets of €23.3m as at the acquisition date was carried as provisional goodwill. This goodwill essentially constitutes part of the future earnings potential. The goodwill capitalised in the period under review includes an amount of €0.5m expected to be deductible for tax purposes.

Incidental acquisition costs and the remuneration for post-acquisition services by the employees of the acquired companies (up to €7.0m) are expensed in the income statement in accordance with IFRS 3.

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

€ million	Fair value at date of first-time consolidation
Other intangible assets	0.3
Property, plant and equipment	1.2
Investments	1.7
Fixed assets	3.2
Trade receivables	12.7
Other assets (including prepaid expenses)	0.1
Cash and cash equivalents	2.5
Liabilities and deferred income	17.3
Equity	1.2

Based on the information available, it was not possible to finalise measurement of parts of the acquired assets and liabilities, in particular in connection with the acquisition of Le Passage to India Tours & Travels pvt. Ltd., by the balance sheet date. The twelve-month period permitted under IFRS 3 for finalising purchase price allocations was used; it allows for provisional allocation of the purchase price to the individual assets and liabilities until the end of that period.

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

No major acquisitions were effected after the balance sheet date.

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

- TUI InfoTec GmbH, Hanover
- JBS Group, Pasadena, California
- TT Services Group
- 5 travel agencies in Germany

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

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

€ million	Carrying amounts at date of acquisition	Revaluation of assets and liabilities	Fair Values at date of firsttime consolidation
Other intangible assets	6.0	0.6	6.6
Property, plant and equipment	9.6	–	9.6
Investments	0.1	–	0.1
Fixed assets	15.7	0.6	16.3
Inventories	0.6	–	0.6
Trade receivables	20.5	–	20.5
Other assets including deferred tax assets	9.3	–	9.3
Cash and cash equivalents	4.3	–	4.3
Deferred tax liabilities	1.0	–	1.0
Other provisions	28.4	–	28.4
Financial liabilities	2.7	–	2.7
Liabilities and deferred income	11.2	–	11.2
Equity	7.1	0.6	7.7

The purchase price allocation has remained unchanged against the date of first-time consolidation. As a result, the goodwill arising on eliminating the consideration transferred against the acquirer's interest in the remeasured equity totals €18.7m, as before. The capitalised goodwill essentially represents a part of the expected synergy and earnings potentials.

The divestments did not have a significant impact on the TUI Group's net assets, financial position and results of operations.

Notes to the consolidated income statement

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

The year-on-year decline in turnover is mainly attributable to lower customer numbers in TUI Travel, apart from foreign exchange effects.

(1) Cost of sales and administrative expenses

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

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

Administrative expenses

€ million	Q1 2013/14	Q1 2012/13
Staff cost	204.8	207.7
Lease, rental and leasing expenses	20.8	17.3
Depreciation, amortisation and impairments	23.1	23.9
Others	109.4	143.5
Total	358.1	392.4

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

Lease, rental and leasing expenses

€ million	Q1 2013/14	Q1 2012/13
Lease, rental and leasing expenses	212.7	197.8
thereof cost of sales	191.9	180.5
thereof administrative expenses	20.8	17.3

The increase in lease, rental and leasing expenses compared with the prior-year reference quarter mainly results from the fleet expansion at Hapag-Lloyd Kreuzfahrten to include Europa 2 and the commissioning of additional aircraft.

Staff cost

€ million	Q1 2013/14	Q1 2012/13
Wages and salaries	487.7	484.7
thereof cost of sales	315.9	310.2
thereof administrative expenses	171.8	174.5
Social security contributions, pension costs and benefits	104.3	100.0
thereof cost of sales	71.3	66.8
thereof administrative expenses	33.0	33.2
Total	592.0	584.7

Depreciation/amortisation/impairments

€ million	Q1 2013/14	Q1 2012/13
Depreciation and amortisation	91.8	90.8
thereof cost of sales	68.7	66.9
thereof administrative expenses	23.1	23.9
Total	91.8	90.8

(2) Other income/other expenses

Other income/other expenses

€ million	Q1 2013/14	Q1 2012/13
Other income	2.9	16.5
Other expenses	1.5	0.2
Total	1.4	16.3

In the first quarter of the previous year, other income mainly resulted from the book profit from the sale of a hotel of the Riu Group in December 2012.

(3) Financial result

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

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

€ million	Q1 2013/14	Q1 2012/13
Tourism	- 0.7	7.4
Containershipping	- 9.7	- 8.1
Total	- 10.4	- 0.7

The considerable decline in the share of result of joint ventures and associates in the Tourism segment results in particular from lower profit contributions by the Egyptian and Greek hotel companies measured at equity and higher tax expenses of the Canadian tour operator Sunwing.

(5) Adjustments

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

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

One-off items by sector

€ million	Q1 2013/14	Q1 2012/13
Tourism	- 4.0	6.1
TUI Travel	3.4	6.1
Cruises	- 7.4	-
Total	- 4.0	6.1

In the period under review, the one-off items carried by TUI Travel mainly include expenses in connection with the launch of the Boeing 787 Dreamliners.

The one-off items carried as adjustments in the Cruises sector in the first quarter of financial year 2013/14 relate to the utilisation of provisions for pending liabilities from occupancy risks of Europa 2.

(6) Income taxes

The tax income posted for the first quarter is attributable to the seasonality of the tourism business.

(7) Group loss attributable to non-controlling interests

Non-controlling interest

€ million	Q1 2013/14	Q1 2012/13
TUI Travel	- 59.9	- 60.8
TUI Hotels & Resorts	15.2	12.8
Total	- 44.7	- 48.0

Notes to the financial position of the TUI Group

The changes in the consolidated statement of financial position as against 30 September 2013 primarily reflect the seasonality of the tourism business. Accordingly, both trade receivables and other assets as well as trade payables and other liabilities declined year-on-year.

Assets held for sale

€ million	31 Dec 2013	30 Sep 2013
Property	49.3	0.1
Hotel facilities	34.6	6.5
Other assets	5.1	5.0
Total	89.0	11.6

Property held for sale primarily includes an industrial park in Berlin-Tempelhof and the science park in Kiel worth €49.2m. Regarding hotel facilities, two hotel companies in Switzerland and Austria were reclassified as a disposal group (€28.2m). Liabilities of €12.7m (previous year none) exist in connection with these disposal groups. Unchanged to 30 September 2013, the hotel facilities also include a hotel resort in Bulgaria, as before. Other assets mainly include hotel assets held for sale, licenses, aircraft spare parts as well as yachts and boats.

Pension provisions declined by €79.8m to €1,056.2m as at 30 December 2013. This was caused by employer contributions to funds in order to reduce the fund shortfall in the UK and higher prices in the international stock exchanges.

Non-current financial liabilities rose by a total of €183.2m to €2,017.3m. The increase mainly results from TUI Travel drawing long-term credit lines to cover the payments due in the first quarter of 2013/14 due to the seasonality in tourism. An opposite effect was caused by the reclassification of the two convertible bonds maturing within the forthcoming twelve months to current financial liabilities.

Accordingly, current financial liabilities rose considerably as against 30 September 2013 by €624.4m to €1,559.9m.

Changes in equity

Since 30 September 2013, equity decreased by €228.7m overall to €1,800.7m.

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

In the framework of long-term incentive programmes, TUI Travel compensates its employees in the form of stock option plans serviced with shares. The ongoing measurement of the entitlements from stock option plans resulted in an increase in equity of €5.0m.

In the period under review, TUI Travel PLC acquired own shares in order to use them for the stock option plans. As the amounts used for this purpose have to be offset against revenue reserves, equity declined by €36.4m.

The Group result is negative due to the seasonality of the tourism business.

The after-tax results directly to be eliminated against equity from higher fair values of cash flow hedges totalled €9.1m.

In the period under review, the after-tax reserves in accordance with IAS 19 included in equity rose by €26.6m. This was mainly due to the rise in plan assets due to higher prices in the international stock exchanges. As the expected return on the plan assets was limited due to the amendments to IAS 19, a larger proportion of the price increases than before had to be carried directly in equity.

The discount rates for the pension obligations remained largely unchanged, with almost stable interest rates in the UK and the Eurozone as against 30 September 2013, so that the calculation of the associated obligations did not give rise to a material change in equity.

Disclosures according to IFRS 13

Carrying amounts and fair values according to classes and measurement categories as at 31 December 2013

€ million	Carrying amount	At amortised cost	Category under IAS 39				Carrying amount of financial instruments	Fair value of financial instruments
			At cost	Fair value with no effect on profit and loss	Fair value through profit and loss	Values according to IAS 17 (leases)		
Assets								
Financial assets available for sale	70.4	–	52.9	17.5	–	–	70.4	70.4
Trade receivables and other assets	2,131.6	1,019.6	–	–	40.7	–	1,060.3	1,060.3
Derivative financial instruments								
Hedging	122.9	–	–	122.9	–	–	122.9	122.9
Other derivative financial instruments	3.4	–	–	–	3.4	–	3.4	3.4
Cash and cash equivalents	1,825.4	1,825.4	–	–	–	–	1,825.4	1,825.4
Assets held for sale	89.0	–	–	–	–	–	–	–
Liabilities								
Financial liabilities	3,577.2	3,173.7	–	–	–	403.5	3,577.2	4,810.3
Trade payables	1,966.4	1,965.8	–	–	–	–	1,965.8	1,965.8
Derivative financial instruments								
Hedging	211.3	–	–	211.3	–	–	211.3	211.3
Other derivative financial instruments	24.5	–	–	–	24.5	–	24.5	24.5
Other liabilities	2,779.3	180.7	–	–	–	–	180.7	180.7

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

€ million	Carrying amount	At amor- tised cost	Category under IAS 39				Values accord- ing to IAS 17 (leases)	Carrying amount of financial instru- ments	Fair value of financial instru- ments
			At cost	Fair value with no effect on profit and loss	Fair value through profit and loss				
Assets									
Financial assets available for sale	71.5	–	54.1	17.4	–	–	71.5	71.5	
Trade receivables and other assets	2,219.6	1,090.2	–	–	40.6	–	1,130.8	1,130.8	
Derivative financial instruments									
Hedging	83.8	–	–	83.8	–	–	83.8	83.8	
Other derivative financial instruments	3.2	–	–	–	3.2	–	3.2	3.2	
Cash and cash equivalents	2,701.7	2,701.7	–	–	–	–	2,701.7	2,701.7	
Assets held for sale	11.6	–	–	–	–	–	–	–	
Liabilities									
Financial liabilities	2,769.6	2,434.1	–	–	–	335.5	2,769.6	3,239.6	
Trade payables	3,049.2	3,049.2	–	–	–	–	3,049.2	3,049.2	
Derivative financial instruments									
Hedging	176.4	–	–	176.4	–	–	176.4	176.4	
Other derivative financial instruments	33.1	–	–	–	33.1	–	33.1	33.1	
Other liabilities	2,918.0	212.0	–	–	–	–	212.0	212.0	

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

The fair values of non-current trade receivables and other assets correspond to the present values of the cash flows associated with the assets, taking account of current interest parameters which reflect market- and counterparty-related changes in terms and expectations. There are no financial investments held to maturity.

Financial investments classified as financial instruments available for sale include an amount of €52.9m (as at 30 September 2013 € 54.1m) for interests in partnerships and corporations for which no active market exists. The fair values of these non-listed interests cannot be determined by means of a measurement model since their future cash flows cannot be reliably determined. The investments are carried at the cost to purchase. In the first quarter of 2013/14, there were no major disposals of interests in partnerships or corporations measured at cost (as at 30 September 2013 no major disposals). TUI does not intend to sell or derecognise the stakes in these partnerships or corporations in the near future.

Aggregation according to measurement categories under IAS 39 as at 31 December 2013

€ million	At amor- tised cost	At cost	with no effect on profit and loss	Fair value through profit and loss	Carrying amount	Fair value
					Total	
Loans and receivables	2,845.0	–	–	–	2,845.0	2,845.0
Financial assets						
available for sale	–	52.9	17.5	–	70.4	70.4
held for trading	–	–	–	44.1	44.1	44.1
Financial liabilities						
at amortised cost	5,320.1	–	–	–	5,320.1	6,956.7
held for trading	–	–	–	24.5	24.5	24.5

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

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

Recurring fair value measurements

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

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

Hierarchy of financial instruments measured at fair value as of 31 December 2013

€ million	Total	Fair value hierarchy		
		Level 1	Level 2	Level 3
Assets				
Other assets held for trading	40.7	–	–	40.7
Available for sale financial assets	17.5	17.5	–	–
Derivative financial instruments				
Hedging transactions	122.9	–	122.9	–
Other derivative financial instruments	3.4	–	3.4	–
Liabilities				
Derivative financial instruments				
Hedging transactions	211.3	–	211.3	–
Other derivative financial instruments	24.5	–	24.5	–

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

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

At the end of any reporting period, TUI checks whether there are any reasons for reclassification to or from one of the measurement levels. Financial assets and financial liabilities are generally reclassified from Level 1 to Level 2 if the liquidity and trading activity no longer indicate an active market. The opposite situation applies to potential reclassifications from Level 2 to Level 1. In the first quarter of financial year 2013/14, there were not reclassifications between Level 1 and Level 2.

There were no reclassifications to or from Level 3, either. Reclassifications from Level 3 to Level 2 or Level 1 are effected if observable market price quotations become available for the asset or liability concerned. TUI records reclassifications to and from Level 3 as at the date of the event or occasion triggering the reclassification.

Level 1 financial instruments:

The fair value of financial instruments for which an active market is available is based on the market price quotation at the balance sheet date. An active market exists if price quotations are easily and regularly available from a stock exchange, traders, brokers, price service providers or regulatory authorities, and if these prices represent actual and regular market transactions between independent business partners. These financial instruments are assigned to Level 1. The fair values correspond to the nominal values multiplied by the price quotations at the balance sheet date. Level 1 financial instruments primarily comprise shares in listed companies classified as available for sale and bonds issued in the category Financial liabilities measured at amortised cost.

Level 2 financial instruments:

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

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

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

- For over-the-counter bonds, liabilities to banks, promissory notes and other non-current financial liabilities, the fair value is determined as the present value of future cash flows, taking account of observable yield curves and the respective credit spread, which depends on the credit rating.
- For over-the-counter derivatives, the fair value is determined by means of appropriate calculation methods, e.g. by discounting the expected future cash flows. The forward prices of forward transactions are based on the spot or cash prices, taking account of forward premiums and discounts. The calculation of the fair values of options concluded for currency options is based on the Black & Scholes model and the Turnbull & Wakeman model for optional fuel hedges. The fair values determined on the basis of the Group's own systems are regularly compared with fair value confirmations of the external counterparties.
- Other measurement techniques, e.g. discounting future cash flows, are used for the measurement of other financial instruments.

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

Level 3 financial instruments:

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

Financial assets measured at fair value in level 3

€ million	Other assets held for trading
Balance as at 1 October 2013	40.6
Additions	–
Disposals	–
repayment/sale	–
conversion	–
Total comprehensive income	0.1
recognised in income statement	–
recognised in other comprehensive income	0.1
Balance as at 31 December 2013	40.7
Net gains for financial instruments on the balance sheet as at the balance sheet date	–

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

The earnings effect of Level 3 assets exclusively results from currency translation in the period under review.

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

Contingent liabilities

As at 31 December 2013, contingent liabilities totalled around €373.8m (as at 30 September 2013 around €384.2m). Contingent liabilities are carried at the level of estimated settlement as at the balance sheet date. They mainly relate to the assumption of liability for the benefit of Hapag-Lloyd AG for collateralised ship financing schemes and the assumption of liability for the benefit of TUI Cruises GmbH. The year-on-year decline as against 30 September 2013 results from a repayment of the liabilities underlying these contingent liabilities.

Other financial liabilities

Financial commitments from operating lease, rental and charter contracts

€ million	31 Dec 2013	30 Sep 2013
Nominal value	3,534.1	3,640.8
Fair value	3,097.3	3,181.7

Nominal values of other financial commitments

€ million	31 Dec 2013	30 Sep 2013
Order commitments in respect of capital expenditure	3,349.4	3,234.4
Other financial commitments	178.5	176.5
Total	3,527.9	3,410.9
Fair value	3,055.7	2,924.8

Notes to the cash flow statement of the TUI Group

Based on the after-tax Group result, the cash flow from operating activities is determined using the indirect method. In the period under review, cash and cash equivalents declined by €871.7m to €1,830.0m. This total includes an amount of €4.6m shown as assets held for sale.

In the period under review, the outflow of cash from operating activities was €1,325.9m (previous year €1,392.5m). As every year, the strong outflow of cash is due to the liabilities to suppliers payable after the end of the tourism season.

The outflow of cash from investing activities totals €133.4m. It comprises a cash outflow for investments in property, plant and equipment and intangible assets of €117.9m by the TUI Travel Group and of €18.0m by the hotel companies as well as €6.0m by the cruise companies but also an inflow of €48.2m from the sale of property, plant and equipment – primarily aircraft assets. The cash outflow from investing activities also includes payments of €40.6m for the acquisition of consolidated companies and for capital increases in joint ventures.

The inflow of cash from financing activities totalled €613.5m. TUI Travel took out bank loans worth €740.4m from an existing long-term credit facility and other bank loans worth €7.1m. €14.9m of liabilities to banks and €6.9m of finance lease liabilities were repaid. The hotel companies took out financial liabilities worth €35.5m and redeemed €15.0m. An amount of €50.6m was used for interest payments. Further outflows relate to the dividend for the hybrid bond of TUI AG (€5.7m), the dividends for the minority shareholders of TUI Travel PLC and RIUSA II S.A. (€40.1m). Moreover, TUI Travel PLC purchased own shares worth €36.4m in order to use them for its stock option plans.

Cash and cash equivalents also decreased by €25.9m due to changes in exchange rates.

As at 31 December 2013, cash and cash equivalents worth €168.1m were subject to restraints on disposal. They included €116.3m for cash collateral received, deposited with a Belgian subsidiary by Belgian tax authorities in financial year 2012/13 against the backdrop of a multi-year litigation regarding VAT refunds for the period from 2001 to 2011 without admission of guilt in order to stop interest accrual for both parties. In order to collateralise a potential reimbursement, the Belgian government was granted a bank guarantee. Due to the bank guarantee, TUI is subject to restraints on disposal for the cash and cash equivalents. The remaining restraints on disposal relate to cash and cash equivalents to be deposited due to legal or regulatory requirements.

Segment indicators

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

€ million	External	Group	Q1 2013/14 Total
Tourism	3,390.4	3.6	3,394.0
TUI Travel	3,240.0	5.7	3,245.7
TUI Hotels & Resorts	95.3	95.1	190.4
Cruises	55.1	–	55.1
Consolidation	–	- 97.2	- 97.2
All other segments	3.4	2.2	5.6
Consolidation	–	- 5.8	- 5.8
Total	3,393.8	–	3,393.8

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

€ million	External	Group	Q1 2012/13 Total
Tourism	3,492.8	4.9	3,497.7
TUI Travel	3,356.6	8.9	3,365.5
TUI Hotels & Resorts	84.7	94.7	179.4
Cruises	51.5	–	51.5
Consolidation	–	- 98.7	- 98.7
All other segments	2.9	0.4	3.3
Consolidation	–	- 5.3	- 5.3
Total	3,495.7	–	3,495.7

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

€ million	Q1 2013/14	Q1 2012/13
Tourism	- 145.9	- 157.9
TUI Travel	- 162.9	- 181.0
TUI Hotels & Resorts	25.5	34.3
Cruises	- 8.5	- 11.2
All other segments	- 13.9	- 17.7
Total	- 159.8	- 175.6

For the first quarter of financial year 2013/14, earnings before interest, taxes and amortisation of goodwill (EBITA) include results of €-0.7m (previous year €7.4m) from joint ventures and associates, fully generated in Tourism.

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

€ million	Q1 2013/14	Q1 2012/13
Tourism	- 126.7	- 123.8
TUI Travel	- 136.9	- 146.9
TUI Hotels & Resorts	26.1	34.3
Cruises	- 15.9	- 11.2
All other segments	- 13.9	- 17.7
Total	- 140.6	- 141.5

Reconciliation to earnings before taxes of the TUI Group

€ million	Q1 2013/14	Q1 2012/13 restated
EBITA	- 159.8	- 175.6
Loss on Container Shipping measured at equity	- 9.7	- 8.1
Net interest expense and expense from the measurement of interest hedges	- 58.1	- 70.5
Earnings before income taxes	- 227.6	- 254.2

Related parties



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

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

Financial Calendar

	Date
Interim Report Q1 2013/14	12 February 2014
Annual General Meeting 2014	12 February 2014
Half-Year Report 2013/14	May 2014
Interim Report Q3 2013/14	August 2014
Annual Report 2013/14, Press Conference & Analysts' Meeting	December 2014

Cautionary statement regarding forward-looking statements

The present Interim Report contains various statements relating to TUI's future development. These statements are based on assumptions and estimates. Although we are convinced that these forward-looking statements are realistic, they are not guarantees of future performance since our assumptions involve risks and uncertainties that could cause actual results to differ materially from those anticipated. Such factors include market fluctuations, the development of world market prices for commodities and exchange rates or fundamental changes in the economic environment. TUI does not intend to and does not undertake any obligation to update any forward-looking statements in order to reflect events of developments after the date of this Report.

Imprint

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The English version is available on the web: www.tui-group.com/en/ir/financial_reports

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