

Earnings Positive development of the core businesses causes a significant increase of earnings.

Since the interim financial statements as at 30 September 2007, the consolidated profit and loss statement has been structured in accordance with the cost of sales method. Under this format, turnover is presented together with the cost of sales incurred to generate the turnover. The cost of sales format enhance the international comparability.

Development of Group earnings

The first-time consolidation of the First Choice activities for the period from September to December of the completed financial year 2007 caused a limited comparability of the items in the profit and loss statement with the respective figures for 2006.

Consolidated profit and loss statement

€ million	2007	2006	Var. %
Turnover	21,865.6	20,514.6	+ 6.6
Cost of sales	20,331.1	19,205.7	+ 5.9
Gross profit	1,534.5	1,308.9	+ 17.2
Administrative expenses	1,385.4	1,382.3	+ 0.2
Other income/other expenses	336.0	223.1	+ 50.6
Impairments of goodwill	53.7	709.5	- 92.4
Financial result	- 259.0	- 221.8	- 16.8
Financial income	209.8	179.3	+ 17.0
Financial expenses	468.8	401.1	+ 16.9
Result from companies measured at equity	64.7	50.5	+ 28.1
Earnings before income taxes	237.1	- 731.1	n. m.
Reconciliation to underlying earnings:			
Earnings before income taxes	237.1	- 731.1	n. m.
Interest result and earnings from the valuation of interest hedges	257.4	219.1	+ 17.5
Impairment of goodwill	53.7	712.8	- 92.5
EBITA from continuing operations ¹⁾	548.2	200.8	+ 173.0
Adjustments			
Gains on disposals	- 193.7	- 188.0	
Restructuring	+ 68.0	+ 167.0	
Purchase price allocation	+ 131.2	+ 81.8	
Other one-off items	+ 62.4	+ 171.9	
Revaluation of convertible options	-	- 15.0	
Underlying EBITA from continuing operations	616.1	418.5	+ 47.2
Earnings before income taxes	237.1	- 731.1	n. m.
Income taxes	0.8	129.4	- 99.4
Result from continuing operations	236.3	- 860.5	n. m.
Result from discontinuing operations	0.0	17.1	n. m.
Group profit/loss for the year	236.3	- 843.4	n. m.
- attributable to shareholders of TUI AG of Group profit	175.1	- 890.3	n. m.
- attributable to minority interests of Group profit	61.2	46.9	+ 30.5
Group profit/loss for the year	236.3	- 843.4	n. m.
Basic earnings per share	in € 0.61	- 3.65	n. m.
Diluted earnings per share	in € 0.61	- 3.65	n. m.

¹⁾ EBITA represents earnings before interests, income taxes and amortisation of goodwill.

The previous year values were restated to a small extent due to the first-time implementation of the regulations of IAS 23 ('Borrowing costs') in 2007.

Turnover and cost of sales

Turnover is made up of the turnover generated by the tourism and shipping divisions as well as central operations, which covers the Group's holding companies and real estate companies. At € 21.9 billion, Group turnover rose by 6.6% year-on-year. Turnover is presented alongside the cost of sales, which accounted for € 20.3 billion, up 5.9% year-on-year. Excluding turnover from First Choice since September 2007, turnover matched 2006 levels. A detailed breakdown of turnover and the development of turnover is presented in the section 'Group turnover and earnings'.

Gross profit

Gross profit, i.e. turnover less cost of sales, totalled € 1.5 billion in the completed financial year 2007, up 17.2% year-on-year.

Administrative expenses

Administrative expenses comprised expenses not directly attributable to the turnover transactions, especially expenses for general management functions. In the financial year 2007, they accounted for € 1.4 billion, matching 2006 levels. Adjusted of the effect of the first-time consolidation of First Choice in the completed financial year a decline of administrative expenses was recorded. This resulted mainly from discharge after the divestments made in the year 2006 (business travel operations TQ3 Travel Solutions, Wolf Heiz- und Klimatechnik and TUI InfoTec IT services companies) as well as the integration and restructuring expenses in shipping and tourism still included in 2006 figures.

***Other income/
Other expenses***

Other income and other expenses primarily comprised profits or losses from the sale of fixed assets. In the financial year 2007, this item accounted for € 336 million, up 50.6% year-on-year. This increase was mainly due to the income from the divestment of Montreal Gateway Terminals in the shipping division.

Impairments of goodwill

Goodwill impairments totalled € 54 million and related to the Irish Budget Travel company and the Magic Life Group in the tourism division.

***Financial income and expenses/
Financial result***

In the 2007 financial year, financial income totalled € 210 million with financial expenses of € 469 million. The net financial result was € - 259 million. The financial result included the interest result and net income from marketable securities.

In total, the financial result declined by € 37 million year-on-year. This was due to the inclusion of the financial result from First Choice as of September 2007.

***Result from companies
measured at equity***

The result from companies measured at equity comprised the proportionate net profit for the year of the associated companies and joint ventures. At € 65 million, it rose by 28.1% on the previous year. The increase was caused due to the positive development of the Container Terminal Altenwerder in the shipping division.

<i>Underlying earnings (EBITA)</i>	In the 2007 financial year, underlying earnings of the continuing operations totalled around € 616 million, up 47.2% year-on-year. Underlying EBITA was adjusted for gains on disposal of investments, expenses relating to restructuring measures, amortisations of purchase price allocations, one-off items as well as effects from the revaluation of conversion options. The adjustments and the development of turnover are outlined in detail in the chapters 'Turnover and earnings', 'Tourism' and 'Shipping'.
<i>Income taxes</i>	Income taxes included taxes on the profits from ordinary business activities of the continuing operations. They totalled € 1 million, comprising effective income taxes of € 104 million and deferred tax revenue of € 103 million. The significant year-on-year decrease in income taxes resulted mainly of the realignment of the corporate structure in Germany with the merger between the tourism entities and First Choice to the new TUI Travel PLC.
<i>Result from discontinuing operations</i>	The TUI Group no longer held any discontinuing operations in the 2007 financial year. Consequently, the Group did not generate any earnings in accordance with IFRS 5. In 2006, the result from discontinuing operations had totalled € 17 million, including an income tax expense of € 12 million. Pre-tax earnings amounted to € 29 million in 2006.
<i>Group profit</i>	At € 236 million, Group profit for the year rose substantially against the previous year's loss of € - 843 million. In comprehension of the high impairments of goodwill year-on-year the increase of the group profit mainly resulted by the improved profits in the operating divisions. The development of the profit contributions by tourism and shipping is outlined in detail in the section 'Turnover and earnings'.
<i>Minority interests</i>	Minority interests in Group profit for the year totalled € 61 million and almost exclusively related to companies in the tourism division.
<i>Earnings per share</i>	The interest in Group profit for the year attributable to TUI AG shareholders (after deduction of minority interests and the dividend on the hybrid capital) increased to € 175 million. In relation to the weighted average number of shares of 251,030,397 units, basic earnings per share amounted to € 0.61 (previous year: € - 3.65). The convertible bond from November 2003 did not cause a dilution effect, so that diluted earnings per share stood at € 0.61.

TUI AG earnings

The annual financial statements of TUI AG were prepared in accordance with the provisions of the German Commercial Code and audited by the auditors, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover. They were published in the electronical Federal Gazette. The annual financial statements have been made permanently available on the internet at www.tui-group.com and may be requested in print from TUI AG.

Profit and loss statement of TUI AG

€ million	2007	2006	Var. %
Turnover	455.0	303.7	+ 49.8
Other operating income	2,289.8	972.0	+ 135.6
Costs of materials	190.5	155.4	+ 22.6
Personnel costs	63.1	75.9	- 16.9
Depreciation	359.3	320.3	+ 12.2
Other operating expenses	1,867.9	1,556.6	+ 20.0
Net income from investments	576.7	3,672.3	- 84.3
Write-downs of investments	499.7	2,549.0	- 80.4
Net interest	- 270.1	- 183.2	- 47.4
Profit on ordinary activities	70.9	107.6	- 34.1
Taxes	4.5	4.0	+ 12.5
Net profit for the year	66.4	103.6	- 35.9

Earnings of TUI AG, the Group's parent company, were mainly determined by the development of earnings of its Group companies, either directly associated with TUI AG via profit and loss transfer agreements or through distributing their profits to TUI AG based on corresponding resolutions. The development of the earnings of TUI AG was also significantly affected by the restructuring of the tourism division implemented in 2007 and the valuation of financial derivatives for hedging purposes. As before, the profit and loss statement for the 2007 financial year is prepared on the basis of the type of expenditure format.

Turnover and other operating income

In the 2007 financial year, TUI AG's turnover rose by 49.8% to € 455 million. This turnover primarily related to income from the lease of aircraft, container ships and containers to Group companies. Other operating income rose by 135.6% to € 2,290 million. It mainly included book profits from the sale of financial assets and property, plant and equipment to Group companies, foreign exchange gains from currency transactions and income from reversals of write-downs of investments. A negative effect on the other operating income was above all caused by the year-on-year decline in income from the reversal of provisions.

Expenses

As far as expenses are concerned, the cost of materials rose by 22.6% to € 191 million. This was caused by an increase in aircraft rental expenses which were leased to the airlines of TUI Travel PLC. In the light of a reduction in pension expenses caused by lower additions to pension provisions, personnel costs declined by 16.9% to € 63 million. Depreciation and amortisation rose significantly. At € 359 million, they rose by 12.2% year-on-year due to the first time amortisation of container ships and containers for a complete year. An opposite effect was caused by an impairment of aircraft, carried out in the previous year and the amortisation for the transfer of aircraft to TUI Travel PLC for the last four months of the financial year. Other operating expenses rose by 20.0% to € 1,868 million. The increase was above all attributable to higher expenses for the measurement of derivative financial instruments and book losses from the disposal of investments, while expenses for intercompany transactions declined considerably.

Investments	At € 577 million, net income from investments was substantially down year-on-year. The decline of € 3,096 million was caused by lower income from investments, considerably lower income from profit and loss transfer agreements, transferred non-recurring due to the restructuring in the shipping sector from an interim holding in 2006, and an increase in losses from profit and loss transfer agreements due to the reorganisation of the tourism division.
Write-downs of financial investments	At € 500 million, write-downs of financial investments declined significantly year-on-year, since write-downs in 2006 had comprised impairments of shares in associated companies due to the realignment of the shipping division and in tourism.
Interest result	The interest result fell by € 87 million year-on-year, due above all to an increase in interest expenses for the internal financing of associated companies as well as interest expenses due to banks.
Net profit for the year	For the 2007 financial year, TUI AG posted a net profit for the year of € 66 million. The year-on-year decline of € 37 million was mainly attributable to the decline in income from investments, only partly offset by other operating income, above all from the sale of property, plant and equipment and investments. Including an amount of € 54 million carried forward and the transfer of other revenue reserves of € 33 million, profit available for distribution totalled € 88 million. It was available for distribution of a dividend of € 0.25 per no-par value share. Given a dividend-bearing volume of 251,245,575 shares, profit available for distribution amounted to € 63 million, with € 25 million carried forward to new account.