

## Net Assets Increase in balance sheet total. Increase of long-term capitalisation ratio by 72%.

In the 2007 financial year, the first-time inclusion of the activities of First Choice in TUI's consolidated financial statements led to a significant increase in assets and debt. These structural changes of the Group affected both the balance sheet total and the asset and capital structure of the Group and TUI AG.

### Net assets of the Group

The Group's balance sheet total rose by 25.1% to € 16,304 million year-on-year. This increase mainly resulted from additions to the group of consolidated companies in the wake of the formation of TUI Travel PLC.

The application of uniform accounting and measurement methods following the merger with First Choice and the first-time application of the provisions of IAS 23 ('Borrowing Costs') had immaterial effects on some of the Group's balance sheet items. In order to enhance comparability, the values for the 2006 financial year were restated accordingly. Explanatory information and a reconciliation table are provided in the notes on the consolidated financial statements in section 'Accounting principles'.

### Development of the Group's asset structure

€ million	31 Dec 2007	31 Dec 2006	Var. %
Fixed assets	10,877.7	9,522.5	+ 14.2
Non-current assets	629.9	635.1	- 0.8
<b>Non-current assets</b>	<b>11,507.6</b>	<b>10,157.6</b>	<b>+ 13.3</b>
Inventories	208.7	129.3	+ 61.4
Current receivables	2,965.2	1,883.4	+ 57.4
Cash and cash equivalents	1,614.0	688.7	+ 134.4
Assets held for sale	8.8	171.4	- 94.9
<b>Current assets</b>	<b>4,796.6</b>	<b>2,872.8</b>	<b>+ 67.0</b>
<b>Assets</b>	<b>16,304.2</b>	<b>13,030.4</b>	<b>+ 25.1</b>
Equity	3,124.2	3,007.4	+ 3.9
Liabilities	13,180.0	10,023.0	+ 31.5
<b>Equity and liabilities</b>	<b>16,304.2</b>	<b>13,030.4</b>	<b>+ 25.1</b>

### Structural ratios

Non-current assets accounted for 70.6% of total assets, compared with 78.0% in the previous year. Fixed assets represented 94.5% of non-current assets; they increased by 14.2% to € 10,878 million, above all due to an increase in other intangible assets and other property, plant and equipment caused by the first-time consolidation of First Choice. The capitalisation ratio (ratio of fixed assets to total assets) decreased to 66.7%, down from 73.1% in 2006.

Current assets accounted for 29.4% of total assets, compared with 22.0% in 2006. The considerable increase in receivables resulted from the first-time consolidation of First Choice. At € 1,614 million, the Group's liquid funds rose temporarily by 134.4% as at the balance sheet date due to the merger with First Choice as well. They thus accounted for 9.9% of total assets, compared with 5.3% in the previous year.

**Horizontal structures**

At the balance sheet date, the ratio of equity to non-current assets was 27.1%, compared with 29.6% in 2006. The ratio of equity to fixed assets was 28.7%, following 31.6% in the previous year. The ratio of equity plus non-current financial liabilities to fixed assets was 72.2%, compared with 68.1% in 2006.

**Structure of the Group's non-current assets**

€ million	31 Dec 2007	31 Dec 2006	Var. %
Goodwill	3,058.3	3,134.8	- 2.4
Other intangible assets	1,373.8	604.9	+ 127.1
Investment property	90.5	95.7	- 5.4
Property, plant and equipment	5,706.2	5,162.1	+ 10.5
Companies measured at equity	540.7	407.7	+ 32.6
Financial assets available for sale	108.2	117.3	- 7.8
<b>Fixed assets</b>	<b>10,877.7</b>	<b>9,522.5</b>	<b>+ 14.2</b>
Receivables and assets	437.6	359.5	+ 21.7
Deferred income tax claims	192.3	275.6	- 30.2
<b>Non-current receivables</b>	<b>629.9</b>	<b>635.1</b>	<b>- 0.8</b>
<b>Non-current assets</b>	<b>11,507.6</b>	<b>10,157.6</b>	<b>+ 13.3</b>

**Development of the Group's non-current assets**

**Goodwill**

At € 3,058 million, goodwill declined slightly by 2.4% due to the impairments of € 54 million required by the annual impairment test.

Impairments were made up of € 34 million relating to TUI Travel PLC in connection with the sale of the Irish Budget Travel and an amount of € 20 million for the Magic Life Group in the TUI Hotels & Resorts sector.

At € 2,957 goodwill largely related to companies in the tourism division. At 82.5%, TUI Travel PLC accounted in total for the largest portion, followed by the TUI Hotels & Resorts sector at 14.2%. Goodwill attributable to companies in the shipping division totalled € 101 million. The merger with First Choice created goodwill of € 1,228 million after the purchase price paid had been allotted in accordance with IFRS 3 to the assets and liabilities acquired as part of the purchase price allocation. No goodwill arose in any of the Group's other sectors. At the balance sheet date, goodwill accounted for 18.8% of total assets and 97.9% of equity.

**Property, plant and equipment**

At € 5,706 million, property, plant and equipment represented the largest balance sheet item. They increased by 10.5% and included additions of € 374 million resulting from the first-time consolidation of First Choice and € 294 million for ships and containers. Property, plant and equipment also included leased assets in which Group companies carried the economic ownership. At the balance sheet date, these finance leases had a carrying amount of € 322 million, a change of - 6.3% year-on-year.

### Development of property, plant and equipment

€ million	31 Dec 2007	31 Dec 2006	Var. %
Real estate with hotels	921.1	869.4	+ 5.9
Other land	436.1	364.6	+ 19.6
Aircraft	1,217.2	1,344.1	- 9.4
Ships	1,805.6	1,523.4	+ 18.5
Containers	407.3	395.9	+ 2.9
Machinery and fixtures	485.8	454.5	+ 6.9
Assets under construction, payments on account	433.1	210.1	+ 106.1
<b>Total</b>	<b>5,706.2</b>	<b>5,162.0</b>	<b>+ 10.5</b>

#### Companies measured at equity

A total of 50 companies were measured at equity. This figure included 17 associated companies and 33 joint ventures. At € 541 million, their value increased by 32.6% year-on-year as at the balance sheet date.

#### Financial assets available for sale

Financial assets available for sale declined by 7.8% to € 108 million. They comprised shares in non-consolidated subsidiaries, investments and other securities.

### Structure of the Group's current assets

€ million	31 Dec 2007	31 Dec 2006	Var. %
Inventories	208.7	129.3	+ 61.4
Trade accounts receivable and other receivables <sup>1)</sup>	2,923.1	1,860.0	+ 57.2
Current income tax claims	42.0	23.4	+ 79.5
<b>Current receivables</b>	<b>2,965.1</b>	<b>1,883.4</b>	<b>+ 57.4</b>
Cash and cash equivalents	1,614.0	688.7	+ 134.4
Assets held for sale	8.8	171.4	- 94.9
<b>Current assets</b>	<b>4,796.6</b>	<b>2,872.8</b>	<b>+ 67.0</b>

<sup>1)</sup> incl. receivables from derivative financial instruments

### Development of the Group's current assets

#### Inventories

At € 209 million, inventories rose by 61.4% year-on-year. This increase was primarily attributable to the first-time consolidation of First Choice.

#### Current receivables

Current receivables comprised trade accounts receivable and other receivables, current income tax claims and claims from derivative financial instruments. At € 2,965 million, current receivables rose by 57.4% year-on-year. This increase, too, primarily resulted from the first-time inclusion of First Choice in the Group's consolidated financial statements.

#### Cash and cash equivalents

Cash and cash equivalents rose by 134.4% to € 1,614 million year-on-year. This increase was attributable to a temporary increase in cash and cash equivalents within TUI Travel PLC following the granting of a shareholder loan by TUI AG.

#### Assets held for sale

Assets held for sale fell significantly by 95 percentage points due to the divestment of the Montreal container terminal in the financial year under review.

### Unrecognised assets

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

### Operating rental, lease and charter contracts

€ million	31 Dec 2007	31 Dec 2006	Var. %
Hotel complexes	553.2	433.6	+ 27.6
Travel agencies	583.1	418.6	+ 39.3
Aircraft	1,134.9	882.4	+ 28.6
Ships and containers	2,326.1	2,219.2	+ 4.8
Administrative buildings	389.6	350.9	+ 11.0
Other	265.1	153.8	+ 72.4
<b>Total</b>	<b>5,252.0</b>	<b>4,458.5</b>	<b>+ 17.8</b>
<b>Fair value</b>	<b>4,316.2</b>	<b>3,827.1</b>	<b>+ 12.8</b>

The financial liabilities from operating rental, lease and charter contracts rose by 17.8% to € 5,252 million. At 44.3%, ships and containers accounted for the largest share, with aircraft accounting for 21.6% and hotel complexes for 10.5%. The increase mainly resulted from the inclusion of First Choice's financial liabilities as at the balance sheet date.

Further explanations as well as the structure of the remaining terms of the financial liabilities from operating rental, lease and charter contracts are provided in the section 'Other financial liabilities' in the notes on the consolidated financial statements.

### Net assets of TUI AG

The asset situation and balance sheet structure of TUI AG are characterised by its function as the TUI Group's holding company. The balance sheet total grew slightly by 6.9% to € 11.3 billion.

#### Development of fixed assets

At the balance sheet date, fixed assets accounted for 72.1% of total assets, of which 93.9% were covered by equity and non-current cash and cash equivalents. 79.8% of TUI AG's fixed assets consisted of investments. The decline of investments of € 1,168 million year-on-year resulted mainly from the reorganisation of the participation structure in tourism. In terms of intangible assets and property, plant and equipment, the decline was primarily attributable to the intra-Group transfer of aircraft, spare parts and advance payments made for the acquisition of aircraft to TUI Travel PLC.

#### Development of current assets

The increase in receivables mainly resulted from the granting of an interest-bearing shareholder loan to TUI Travel PLC.

**Abbreviated balance sheet of TUI AG**

**(financial statements according to German Commercial Code)**

€ million	31 Dec 2007	31 Dec 2006	Var. %
Intangible assets/property, plant and equipment	1,640.4	2,236.8	- 26.7
Investments	6,483.2	7,651.6	- 15.3
Fixed assets	8,123.6	9,888.4	- 17.8
Receivables	2,796.6	594.5	+ 370.4
Cash and cash equivalents	306.5	7.6	n. m.
Current assets	3,103.1	602.1	+ 415.4
Prepaid expenses	44.7	49.0	- 8.8
<b>Assets</b>	<b>11,271.4</b>	<b>10,539.5</b>	<b>+ 6.9</b>
Equity	3,706.3	3,616.5	+ 2.5
Special non-taxed item	41.5	42.6	- 2.6
Provisions	1,054.3	730.2	+ 44.4
Liabilities	6,458.1	6,137.6	+ 5.2
Deferred income	11.2	12.6	- 11.1
<b>Liabilities</b>	<b>11,271.4</b>	<b>10,539.5</b>	<b>+ 6.9</b>