

Notes on the Consolidated Balance Sheet

(14) Goodwill

Goodwill		
€ million	2007	2006
Historical cost		
Balance as at 1 Jan	3,851.7	3,836.2
Exchange differences	- 203.8	29.1
Additions due to changes in the group of consolidated companies	1,332.5	0.1
Additions	36.5	9.1
Disposals ¹⁾	1,535.5	18.4
Reclassifications ²⁾	- 94.3	- 4.4
Balance as at 31 Dec	3,387.1	3,851.7
Impairment		
Balance as at 1 Jan	716.9	0.0
Exchange differences	- 25.8	7.4
Additions due to changes in in the group of consolidated companies	-	-
Impairment for the current year	20.0	709.5
Disposals ¹⁾	292.1	-
Reclassifications	- 90.2	-
Balance as at 31 Dec	328.8	716.9
Carrying amounts as at 31 Dec	3,058.3	3,134.8

¹⁾ of which no disposals due to changes in the group of consolidated companies (2006: € 6.6 million and € 0.0 million, respectively)

²⁾ including additions of € 26.6 million, which have been posted under payments on account in the previous year

Pursuant to IFRS 5, assets of the discontinuing operations and other non-current assets held for sale were summarised as a disposal group in the balance sheet. Reclassifications of goodwill classified as held for sale in the course of the financial year under review were carried as reclassifications.

In the completed financial year, goodwill impairments of € 20.0 million (previous year: € 709.5 million) were required, fully attributable to the Magic Life Group. Detailed information on the implementation and results of the impairment tests is provided under 'Accounting and measurement' and under note 4.

In accordance with the rules of IAS 21, goodwill allocated to individual segments and sectors was recognised in the functional currency of the subsidiaries and subsequently translated in the framework of the preparation of the consolidated financial statements. In analogy to the treatment of other differences from the translation of annual financial statements of foreign subsidiaries, differences due to exchange rate fluctuations between the exchange rate at the date of acquisition of the subsidiary and the exchange rate at the balance sheet date were taken directly to and recognised separately under equity without effecting profit and loss. In the 2007 financial year, the carrying amount of goodwill decreased by € 178.0 million (previous year: increase of € 21.7 million) due to exchange differences.

In the 2007 financial year, goodwill of € 1,227.7 million arose from the merger between TUI's tourism division (excluding the TUI Hotels & Resorts sector) and First Choice Holidays PLC and the resulting first-time consolidation of TUI Travel PLC. At the same time, a disposal of goodwill of € 1,242.9 million resulted from the contribution of the TUI Group's tourism companies to TUI Travel PLC. In 2006, disposals of goodwill of € 18.4 had arisen from the divestment of subsidiaries.

In the tourism segment, the largest portion of goodwill carried (€ 2,522.3 million) was related to the TUI Travel PLC sector. Goodwill of € 356.8 million was shown for the Riu Group operating in the TUI Hotels & Resorts sector. The shipping segment accounted for goodwill of € 100.6 million. The goodwill of € 22.5 million (previous year: € 0.9 million) arising from the acquisition of minority shares in the financial year under review was directly eliminated against other revenue reserves.

(15) Other intangible assets

Other intangible assets

€ million	Concessions, industrial property rights and similar rights and values	Self- generated software	Transport and leasing contracts	Customer base	Payments on account	Total
Historical cost						
Balance as at 1 Jan 2006	318.0	318.2	578.3	139.1	2.9	1,356.5
Exchange differences	0.8	- 9.5	- 58.6	- 14.1	-	- 81.4
Additions due to changes in the group of consolidated companies	1.6	-	-	2.2	-	3.8
Additions	30.9	11.7	-	-	3.3	45.9
Disposals	80.7	219.2	-	-	0.2	300.1 ¹⁾
Reclassifications	14.7	- 11.4	- 66.9	- 21.2	- 2.0	- 86.8
Balance as at 31 Dec 2006	285.3	89.8	452.8	106.0	4.0	937.9
Exchange differences	- 54.9	- 12.9	- 39.1	- 32.6	-	- 139.5
Additions due to changes in the group of consolidated companies	516.1	94.1	120.6	286.3	-	1,017.1
Additions	40.3	7.5	-	9.2	7.0	64.0
Disposals	18.0	0.6	-	-	-	18.6 ²⁾
Reclassifications	9.8	- 7.1	-	-	- 2.9	- 0.2
Balance as at 31 Dec 2007	778.6	170.8	534.3	368.9	8.1	1,860.7
Amortisation						
Balance as at 1 Jan 2006	225.5	253.1	9.0	5.5	0.0	493.1
Exchange differences	0.6	- 10.0	- 3.6	- 1.0	-	- 14.0
Additions due to changes in the group of consolidated companies	-	-	-	-	-	-
Amortisation for the current year	39.0	16.4	50.2	8.1	-	113.7
Disposals	71.1	185.0	-	-	-	256.1 ¹⁾
Reclassifications	11.5	- 11.0	- 2.2	- 2.0	-	- 3.7
Balance as at 31 Dec 2006	205.5	63.5	53.4	10.6	0.0	333.0
Exchange differences	- 12.5	- 8.1	- 5.0	- 3.3	-	- 28.9
Additions due to changes in the group of consolidated companies	0.3	45.1	-	-	-	45.4
Amortisation for the current year	42.7	10.7	47.0	54.7	-	155.1
Disposals	17.4	0.2	-	-	-	17.6 ²⁾
Reclassifications	6.3	- 6.4	-	-	-	- 0.1
Balance as at 31 Dec 2007	224.9	104.6	95.4	62.0	0.0	486.9
Carrying amounts as at 31 Dec 2006	79.8	26.3	399.4	95.4	4.0	604.9
Carrying amounts as at 31 Dec 2007	553.7	66.2	438.9	306.9	8.1	1,373.8

¹⁾ of which disposals due to changes in the group of consolidated companies of € 200.0 million and € 159.7 million, respectively

²⁾ of which disposals due to changes in the group of consolidated companies of € 2.8 million and € 2.1 million, respectively

Self-generated software related to computer programmes for tourism applications exclusively used internally by the Group.

The other intangible assets acquired in the wake of the merger with the First Choice Holidays Group, relating in particular to trademarks and customer bases were amortised annually on the basis of the economic benefit determining the corresponding asset. The trademarks were amortised over period of 15 to 20 years, while the customer bases were amortised over periods of two and 15 years.

In the completed financial year, impairments of € 3.6 million (previous year: € 8.3 million) were charged, relating to concessions, industrial property rights and similar rights and values. As in 2006, no write-backs to other intangible assets were effected in the year under review.

(16) Investment property

Investment property

€ million	2007	2006
Historical cost		
Balance as at 1 Jan	157.1	144.5
Exchange differences	–	–
Additions due to changes in the group of consolidated companies	–	–
Additions	7.4	7.5
Disposals	21.8	11.0
Reclassifications	- 2.0	16.1
Balance as at 31 Dec	140.7	157.1
Depreciation		
Balance as at 1 Jan	61.4	54.3
Exchange differences	–	–
Additions due to changes in the group of consolidated companies	–	–
Depreciation for the current year	6.9	11.0
Disposals	18.0	8.9
Reclassifications	- 0.1	5.0
Balance as at 31 Dec	50.2	61.4
Carrying amounts as at 31 Dec	90.5	95.7

As a matter of principle, real estate owned by the Group is used for the Group's ordinary business activities. In addition, the Group owned commercial property and apartments which met the definition of investment property under IAS 40. The carrying amount of this investment property carried in fixed assets totalled € 90.5 million (previous year: € 95.7 million). The fair values totalling € 99.0 million (previous year: € 104.3 million) were calculated by the Group's own real estate companies, without consulting an external expert, on the basis of comparable market rents. The fair value of property for which purchase contracts had already been concluded was the selling price. Investment property generated total income of € 43.6 million (previous year: € 41.3 million). The generation of this income was associated with expenses of € 44.7 million (previous year: € 38.7 million) in the 2007 financial year. Impairments of € 3.9 million (previous year: € 7.4 million) were charged for investment property.

(17) Property, plant
and equipment

Property, plant and equipment

€ million	Real estate with hotels	Other real estate, land rights and buildings incl. buildings on third-party properties	Aircraft
Historical cost			
Balance as at 1 Jan 2006	1,102.2	612.9	2,246.8
First-time application of IFRS 5	8.7	–	–
Adjusted balance as at 1 Jan 2006	1,110.9	612.9	2,246.8
Exchange differences	- 32.5	0.2	18.6
Additions due to changes in the group of consolidated companies	28.2	6.8	–
Additions	92.5	11.5	180.1
Disposals	7.8	89.7	242.7
Reclassifications	- 27.8	- 3.7	113.8
Balance as at 31 Dec 2006	1,163.5	538.0	2,316.6
Exchange differences	- 36.7	- 16.4	- 78.6
Additions due to changes in the group of consolidated companies	10.0	137.4	134.0
Additions	128.1	55.5	43.8
Disposals	1.6	17.5	158.9
Reclassifications	21.1	- 32.4	–
Balance as at 31 Dec 2007	1,284.4	664.6	2,256.9
Depreciation			
Balance as at 1 Jan 2006	232.6	212.5	929.2
First-time application of IFRS 5	1.0	–	–
Adjusted balance as at 1 Jan 2006	233.6	212.5	929.2
Exchange differences	- 2.6	1.1	12.1
Additions due to changes in the group of consolidated companies	9.7	1.3	–
Depreciation for the current year	66.5	12.3	159.7
Disposals	3.9	51.3	128.5
Reclassifications	- 9.3	- 2.5	–
Balance as at 31 Dec 2006	294.0	173.4	972.5
Exchange differences	- 4.5	- 8.3	- 47.1
Additions due to changes in the group of consolidated companies	–	58.4	62.9
Depreciation for the current year	75.8	17.7	164.9
Disposals	3.0	14.3	113.5
Reclassifications	1.0	1.6	–
Balance as at 31 Dec 2007	363.3	228.5	1,039.7
Carrying amounts as at 31 Dec 2006	869.5	364.6	1,344.1
Carrying amounts as at 31 Dec 2007	921.1	436.1	1,217.2

¹⁾ of which disposals due to changes in in the group of consolidated companies of € 210.6 million and € 141.5 million, respectively

At the balance sheet date, the carrying amount of property, plant and equipment subject to restraints on ownership amounted to € 79.1 million (previous year: € 16.2 million), including an amount of € 79.1 million (previous year: € 14.4 million) pledged as security.

The Group reversed depreciation of property, plant and equipment of € 3.3 million (previous year: € 0.0 million); impairments totalled € 45.5 million and included an amount of € 38.2 million for land with buildings and € 3.5 million for aircraft.

Ships	Container and container semitrailers	Machinery and fixtures	Other plants, operating and office equipment	Assets under construction	Payments on account	Total
3,175.7	881.1	332.5	1,182.9	71.1	148.7	9,753.9
-	-	-	-	1.5	2.1	12.3
3,175.7	881.1	332.5	1,182.9	72.6	150.8	9,766.2
- 67.5	4.0	- 9.5	- 10.4	- 0.4	0.6	- 96.9
-	-	-	15.2	-	0.1	50.3
120.4	38.1	16.3	119.3	32.6	81.6	692.4
566.2	81.1	55.5	264.5	4.1	10.5	1,322.1 ¹⁾
0.3	-	- 81.9	- 1.7	- 21.0	- 92.2	- 114.2
2,662.7	842.1	201.9	1,040.8	79.7	130.4	8,975.7
- 32.9	- 0.7	0.4	- 42.2	- 0.2	-	- 207.3
231.5	-	-	201.9	3.8	-	718.6
269.2	74.7	18.2	82.6	87.8	248.5	1,008.4
71.2	52.3	8.5	88.2	0.4	57.2	455.8 ²⁾
21.8	1.2	3.2	3.7	- 28.4	- 30.9	- 40.7
3,081.1	865.0	215.2	1,198.6	142.3	290.8	9,998.9
1,111.6	408.0	190.7	787.1	0.0	0.0	3,871.7
-	-	-	-	-	-	1.0
1,111.6	408.0	190.7	787.1	0.0	0.0	3,872.7
- 5.0	4.0	- 5.7	- 11.9	-	-	- 8.0
-	-	-	11.7	-	-	22.7
158.0	57.2	21.9	121.7	-	-	597.3
115.3	33.0	42.4	227.6	-	-	602.0 ¹⁾
- 10.0	10.0	- 51.3	- 6.0	-	-	- 69.1
1,139.3	446.2	113.2	675.0	0.0	0.0	3,813.6
- 2.6	- 0.2	0.1	- 30.4	-	-	- 93.0
45.9	-	-	142.5	-	-	309.7
155.6	59.2	15.3	102.9	-	-	591.4
62.7	48.0	7.7	76.1	-	-	325.3 ²⁾
-	0.5	-	- 6.8	-	-	- 3.7
1,275.5	457.7	120.9	807.1	0.0	0.0	4,292.7
1,523.4	395.9	88.7	365.8	79.7	130.4	5,162.1
1,805.6	407.3	94.3	391.5	142.3	290.8	5,706.2

²⁾ of which disposals due to changes in in the group of consolidated companies of € 8.6 million and € 6.0 million, respectively

Reclassifications of € 16.3 million or € 3.8 million related in particular to the reclassification of assets held for sale. In the 2007 financial year, these assets primarily comprised apartments in a hotel complex.

Property, plant and equipment comprised all leased assets in which consolidated subsidiaries carried all the risks and rewards incident to ownership of the assets.

Development of leased assets

€ million	Buildings	Aircraft	Ships	Containers	Other	Total
Historical cost						
Balance as at 1 Jan 2006	10.8	471.2	60.9	9.3	21.6	573.8
Exchange differences	–	3.9	–	- 0.9	- 0.3	2.7
Additions due to changes in the group of consolidated companies	–	–	–	–	–	0.0
Additions	0.4	0.2	70.5	2.3	3.5	76.9
Disposals	–	–	131.4	–	17.3	148.7 ¹⁾
Reclassifications	–	40.2	–	0.3	- 0.3	40.2
Balance as at 31 Dec 2006	11.2	515.5	0.0	11.0	7.2	544.9
Exchange differences	–	- 15.2	- 2.7	- 1.2	- 0.4	- 19.5
Additions due to changes in the group of consolidated companies	–	4.8	27.1	–	17.8	49.7
Additions	6.6	–	0.6	–	8.7	15.9
Disposals	–	22.2	0.9	–	0.2	23.3 ²⁾
Reclassifications	–	–	–	–	–	0.0
Balance as at 31 Dec 2007	17.8	482.9	24.1	9.8	33.1	567.7
Depreciation						
Balance as at 1 Jan 2006	2.2	108.7	1.9	2.7	14.3	129.8
Exchange differences	–	1.9	–	0.3	–	2.2
Additions due to changes in the group of consolidated companies	–	–	–	–	–	0.0
Depreciation for the current year	0.2	40.9	5.3	0.8	4.0	51.2
Disposals	–	–	7.2	–	14.8	22.0 ¹⁾
Reclassifications	–	39.8	–	0.3	- 0.3	39.8
Balance as at 31 Dec 2006	2.4	191.3	0.0	4.1	3.2	201.0
Exchange differences	–	- 8.4	- 0.7	- 0.5	- 0.3	- 9.9
Additions due to changes in the group of consolidated companies	–	3.5	7.9	–	13.0	24.4
Depreciation for the current year	0.3	39.0	0.3	0.9	1.3	41.8
Disposals	–	11.5	0.1	–	0.3	11.9 ²⁾
Reclassifications	–	–	–	–	–	0.0
Balance as at 31 Dec 2007	2.7	213.9	7.4	4.5	16.9	245.4
Carrying amounts as at 31 Dec 2006	8.8	324.2	0.0	6.9	4.0	343.9
Carrying amounts as at 31 Dec 2007	15.1	269.0	16.7	5.3	16.2	322.3

¹⁾ of which disposals due to changes in the group of consolidated companies of € 7.8 million and € 6.2 million, respectively

²⁾ no disposals due to changes in the group of consolidated companies

The payment obligations resulting from future lease payments were carried as liabilities, without taking account of future interest expenses. Payments due in future under finance leases totalled € 292.4 million (previous year: € 346.7 million). Group companies accepted guarantees for the residual values of the leased assets totalling € 137.1 million (previous year: € 135.1 million).

Reconciliation of future lease payments to liabilities from finance leases

€ million	Remaining terms			31 Dec 2007	31 Dec 2006
	up to 1 year	more than 1-5 years	more than 5 years	Total	Total
Total future lease payments	35.1	234.1	23.2	292.4	346.7
Interest portion	11.0	24.1	0.9	36.0	55.6
Liabilities from finance leases	24.1	210.0	22.3	256.4	291.1

However, Group companies were not only lessees but also lessors under finance leases. To a small extent, the Group leased out Group-owned aircraft to non-Group third parties on the basis of finance leases.

Reconciliation of future lease payments to be received to receivables from finance leases

€ million	Remaining terms			31 Dec 2007	31 Dec 2006
	up to 1 year	more than 1-5 years	more than 5 years	Total	Total
Total future lease payments to be received	6.6	–	–	6.6	10.1
Interest portion	–	–	–	–	0.5
Receivables from finance leases	6.6	0.0	0.0	6.6	9.6

In the framework of ordinary business activities, Group companies generated turnover of € 29.0 million (previous year: € 34.9 million) from leasing and renting out investment property on the basis of short-term contracts

(18) Companies measured at equity

Companies measured at equity

€ million	Measured at equity		Total
	Joint ventures	Associated companies	
Historical cost			
Balance as at 1 Jan 2006	310.9	61.8	372.7
Exchange differences	- 4.1	- 0.6	- 4.7
Additions due to changes in the group of consolidated companies	15.4	3.1	18.5
Additions	53.2	11.9	65.1
Disposals	42.4	3.6	46.0 ¹⁾
Reclassifications	12.4	- 7.0	5.4
Balance as at 31 Dec 2006	345.4	65.6	411.0¹⁾
Exchange differences	- 7.0	1.4	- 5.6
Additions due to changes in the group of consolidated companies	51.0	-	51.0
Additions	62.6	61.9	124.5
Disposals	23.2	10.8	34.0 ²⁾
Reclassifications	3.0	- 5.9	- 2.9
Balance as at 31 Dec 2007	431.8	112.2	544.0
Impairments			
Balance as at 1 Jan 2006	0.0	0.0	0.0
Exchange differences	-	-	0.0
Additions due to changes in the group of consolidated companies	-	-	0.0
Impairments for the current year	3.3	-	3.3
Disposals	-	-	0.0
Reclassifications	-	-	0.0
Balance as at 31 Dec 2006	3.3	0.0	3.3
Exchange differences	-	-	0.0
Additions due to changes in the group of consolidated companies	-	-	0.0
Impairments for the current year	-	-	0.0
Disposals	-	-	0.0
Reclassifications	-	-	0.0
Balance as at 31 Dec 2007	3.3	0.0	3.3
Carrying amounts as at 31 Dec 2006	342.1	65.6	407.7
Carrying amounts as at 31 Dec 2007	428.5	112.2	540.7

¹⁾ no disposals due to changes in the group of consolidated companies

²⁾ of which disposals due to changes in the group of consolidated companies of € 6.0 million

For associated companies and joint ventures measured at equity, proportionate profits for the year were shown under additions and disposals, while impairments of goodwill were carried under impairments for the year.

For associated companies and companies jointly managed by the Group and other partners (joint ventures), the Group share corresponded to the share in the individual assets and liabilities of the joint ventures.

Group share in assets and liabilities of joint ventures

€ million	31 Dec 2007	31 Dec 2006
Goodwill from equity measurement	41.0	36.8
Non-current assets	492.2	458.5
Current assets	156.3	118.0
Non-current provisions and liabilities	136.5	160.0
Current provisions and liabilities	124.5	111.2
Joint ventures measured at equity	428.5	342.1

Group share in assets and liabilities of associated companies

€ million	31 Dec 2007	31 Dec 2006
Goodwill from equity measurement	11.2	15.5
Non-current assets	173.6	103.9
Current assets	69.6	51.5
Non-current provisions and liabilities	106.7	61.0
Current provisions and liabilities	35.5	44.3
Associated companies measured at equity	112.2	65.6

(19) Financial assets available for sale

Financial assets available for sale

€ million	31 Dec 2007	31 Dec 2006
Shares in non-consolidated Group companies	37.7	49.5
Shares in affiliated companies	50.8	45.5
Other securities	33.4	28.1
Total	121.9	123.1

Where a listed market price in an active market was not available for shares held and other methods to determine an objective market value did not produce any reliable results, the shares were measured at amortised cost. In the 2007 financial year, financial assets classified as available for sale under IFRS 7 of € 15.9 million (previous year: € 5.1 million) were impaired.

The securities shown included an amount of € 13.7 million (previous year: € 5.8 million) of current securities.

(20) Trade accounts receivable and other receivables

Trade accounts receivable and other receivables

€ million	31 Dec 2007		31 Dec 2006	
	Remaining term of more than 1 year	Total	Total	Remaining term of more than 1 year
Trade accounts receivable	–	1,069.5	887.8	–
Advances and loans	299.6	935.9	589.1	285.3
Other receivables and assets	109.2	899.7	652.8	66.4
Total	408.8	2,905.1	2,129.7	351.7

The increase in trade accounts receivable and other receivables was primarily attributable to the first-time consolidation of the First Choice Holidays Group.

Aging structure of the financial instruments included in the trade accounts receivable and other receivables

€ million	Book value financial instru- ments	of which not over- due and not im- paired	of which not impaired and due in the following periods			
			less than 29 days	between 30 and 90 days	between 91 and 180 days	more than 181 days
31 Dec 2007						
Trade accounts receivables	1,069.5	672.5	200.9	126.6	55.9	13.6
Advances and loans	214.5	214.1	0.4	–	–	–
Other receivables and assets	306.7	286.4	6.3	4.5	2.7	6.8
Total	1,590.7	1,173.0	207.6	131.1	58.6	20.4
31 Dec 2006						
Trade accounts receivables	887.8	369.0	345.9	149.1	18.1	5.7
Advances and loans	250.8	250.4	0.3	–	–	0.1
Other receivables and assets	189.9	167.1	6.8	2.7	4.6	8.7
Total	1,328.5	786.5	353.0	151.8	22.7	14.5

For the amounts carried under receivables neither overdue nor impaired, no indications existed at the balance sheet date indicating that the debtors will not meet their payment obligations.

In the 2007 financial year, financial assets classified as trade accounts receivable and other receivables in accordance with IFRS 7 of € 31.1 million (previous year: € 36.3 million) were impaired. The cash inflow from impaired interest-bearing trade accounts receivable and other receivables totalled € 1.2 million (previous year: € 4.5 million).

Trade accounts receivable

€ million	31 Dec 2007	31 Dec 2006
From third parties	1,060.6	879.5
From non-consolidated Group companies	0.6	2.3
From affiliates	8.3	6.0
Total	1,069.5	887.8

Advances and loans

€ million	31 Dec 2007		31 Dec 2006	
	Remaining term of more than 1 year	Total	Total	Remaining term of more than 1 year
Advances to non-consolidated Group companies	2.9	7.3	9.3	4.5
Loans to non-consolidated Group companies	1.3	2.1	1.2	1.2
Advances to affiliates	2.9	16.7	16.4	0.9
Loans to affiliates	1.0	6.8	9.7	1.1
Advances to third parties	14.5	64.4	66.3	13.3
Loans to third parties	50.9	133.0	176.2	150.9
Payments on account	226.1	705.6	310.0	113.4
Total	299.6	935.9	589.1	285.3

Payments on account mainly related to advance payments for future tourism services, in particular hotel services and ordered aircraft, customary in the industry.

Other receivables and assets

€ million	31 Dec 2007		31 Dec 2006	
	Remaining term of more than 1 year	Total	Total	Remaining term of more than 1 year
Other receivables from non-consolidated Group companies	2.5	4.9	4.8	2.0
Other receivables from affiliates	0.1	9.9	8.7	2.8
Interest deferral	–	55.1	15.8	3.9
Receivables from finance leases	–	6.6	9.6	7.2
Other tax refund claims	6.9	134.9	86.5	9.6
Other assets	98.2	378.3	221.6	38.8
Prepaid expenses	1.5	310.0	305.8	2.1
Total	109.2	899.7	652.8	66.4

Prepaid expenses mainly comprised accrued expenses for return flights taking place after the balance sheet date and accrued rental costs.

In the 2007 financial year, financial assets of € 9.1 million (previous year: € 15.8 million) were deposited with counterparties in order to collateralise contractually agreed liabilities.

(21) Derivative financial instruments

Derivative financial instruments

€ million	31 Dec 2007		31 Dec 2006	
	Remaining term of more than 1 year	Total	Total	Remaining term of more than 1 year
Receivables from derivative financial instruments	28.8	441.9	84.0	7.8

Derivative financial instruments were carried at their fair values (market values). They mainly served to hedge the future operative business and are detailed in the explanations on financial instruments.

(22) Current and deferred income tax claims

The determination of current and deferred income taxes is outlined in detail in the section 'Accounting and measurement methods'.

Income tax claims

€ million	31 Dec 2007	31 Dec 2006
Deferred income tax claims	192.3	275.6
Current income tax claims	42.0	23.4
Total	234.3	299.0

Deferred income tax claims included an amount of € 145.9 million (previous year: € 200.2 million) to be realised in more than twelve months.

**Individual items of deferred tax assets and liabilities
recognised in the balance sheet**

€ million	31 Dec 2007		31 Dec 2006	
	Asset	Liability	Asset	restated Liability
Finance lease transactions	20.9	–	28.1	–
Recognition and measurement differences for property, plant and equipment and other non-current assets	31.9	463.9	85.2	371.5
Recognition differences for receivables and other assets	25.5	30.1	66.8	46.9
Fair Value measurement of financial instruments	108.7	180.0	104.6	87.0
(of which with no effect on result)	(108.6)	(99.2)	(91.3)	(15.5)
Measurement of pension provisions	123.9	7.9	193.3	21.6
(of which with no effect on result)	(94.8)	(6.5)	(166.0)	(0.2)
Recognition and measurement differences for other provisions	70.7	39.3	96.4	65.5
Other transactions	62.4	41.8	87.6	40.3
Capitalised tax savings from recoverable loss carryforwards	265.8	–	188.8	–
Netting of deferred tax assets and liabilities	- 517.5	- 517.5	- 575.2	- 575.2
Balance sheet amount	192.3	245.5	275.6	57.6

Deferred taxes with no effect on profit and loss mainly resulted from the treatment of actuarial gains and losses in connection with the recognition of pension obligations, the measurement of derivatives used as cash flow hedges and the issue of the convertible bond. Overall, equity decreased by € 168,3 million (previous year: € 64.7 million) due to the offsetting of deferred taxes with no effect on profit and loss in the 2007 financial year. In addition to this, equity rose by € 13.4 million due to the accounting for deferred taxes with no effect on profit and loss, acquired by the first-time consolidation of the First Choice Holidays Group. Consequently, equity decreased by € 154.9 million due to deferred taxes with no effect on profit and loss in the 2007 financial year. No deferred tax liabilities were carried for temporary differences of € 43.0 million between the net assets and the tax-related carrying amounts of subsidiaries since these temporary differences were not expected to be reversed in the near future.

**Capitalised loss carryforwards and time limits for non-capitalised
loss carryforwards**

€ million	31 Dec 2007	31 Dec 2006
Capitalised loss carryforwards	1,429.9	807.1
Non-capitalised loss carryforwards	2,649.5	4,234.4
of which loss carryforwards forfeitable within one year	10.9	21.8
of which loss carryforwards forfeitable within 2 to 5 years	125.4	96.3
of which loss carryforwards forfeitable within more than 5 years (excluding non-forfeitable loss carryforwards)	0.9	2.1
Non-forfeitable loss carryforwards	2,512.3	4,114.2
Total unused loss carryforwards	4,079.4	5,041.5

The decrease of unused loss carryforwards is due to a change in the determination technique of existing loss carryforwards. Applying this technique reduced the previous years amount for unused loss carryforwards by € 578.7 million.

Potential tax savings of € 480.8 million (previous year: € 814.1 million) were not capitalised since use of the underlying loss carryforwards was not probable within the planning period.

In the 2007 financial year, the use of loss carryforwards previously assessed as non-recoverable and for which therefore no asset had been carried for the resulting potential tax savings led to tax savings of € 2.6 million (previous year: € 1.6 million). In the 2007 financial year, no tax reductions were realised by means of loss carry-backs, as in 2006.

Development of capitalised tax savings from realisable loss carryforwards

€ million	2007	2006
Capitalised tax savings at the beginning of the year	188.8	133.8
Changes in the group of consolidated companies and currency adjustments	- 1.8	- 0.9
Use of loss carryforwards	- 38.9	- 10.3
Capitalisation of tax savings from loss carryforwards	+ 175.7	+ 80.1
Write-down of capitalised tax savings from loss carryforwards	- 58.0	- 13.9
Capitalised tax savings at financial year-end	265.8	188.8

Capitalised tax savings from loss carryforwards assessed as recoverable in future rose by € 77.0 million year-on-year. The write-down on capitalised tax savings mainly comprised the effect of the change in the deferred tax rate in Germany in the 2007 financial year.

The capitalised deferred tax claim of € 80.7 million resulting from temporary differences and realisable loss carryforwards of the newly formed fiscal unity in Germany (caused by the re-organisation of the German companies inserted to TUI Travel PLC) is covered by the expected future taxable income independently of current tax losses.

(23) Inventories

Inventories

€ million	31 Dec 2007	31 Dec 2006
Raw materials and supplies	165.4	102.1
Work in progress	2.6	3.5
Finished goods and merchandise	40.7	23.7
Total	208.7	129.3

As in the previous year, no inventories had to be carried at net realisable value in the 2007 financial year. No write-backs of inventories were effected in 2007, nor in 2006.

(24) Cash and cash equivalents

Cash and cash equivalents

€ million	31 Dec 2007	31 Dec 2006
Bank deposits	1,586.0	667.5
Cash in hand and cheques	28.0	21.2
Total	1,614.0	688.7

At year-end 2007, an amount of € 0.2 billion of cash and cash equivalents were subject to restraints on disposal.

(25) Assets held for sale

Assets held for sale

€ million	31 Dec 2007	31 Dec 2006
Other non-current assets	8.8	171.4

In accordance with IFRS 5, the assets of discontinuing operations and the non-current assets subject to a specific plan to sell had to be combined into a disposal group in a single balance sheet item. In the 2007 financial year, this item comprised some land and buildings held for sale and in particular 53 apartments of a hotel complex intended to be sold following refurbishment in 2008.

In the 2006 financial year, the material assets of Montreal Gateway Terminals in particular were defined as a disposal group. In addition, the minority share in Germanischer Lloyd AG held by Hapag-Lloyd and a hotel of the RIUSA II Group were carried assets held for sale as at the end of the previous financial year. All of these assets were sold in the course of the 2007 financial year.

(26) Subscribed capital

The subscribed capital of TUI AG consisted of no-par value shares, each representing an identical share in the capital stock. The proportionate share in the capital stock per no-par value share was around € 2.56. In July 2005, the previous bearer shares were converted to registered shares.

Group equity

€ million	Subscribed capital (26)	Capital reserves (27)	Other revenue reserves	Differences from currency translation	Revaluation reserves
Balance as at 31 Dec 2005	641.0	2,385.0	1,594.8	- 393.8	21.9
First-time application of IAS 23	–	–	5.7	–	–
Balance as at 1 Jan 2006	641.0	2,385.0	1,600.5	- 393.8	21.9
Dividend payments	–	–	- 189.0	–	–
Hybrid capital dividend	–	–	- 27.4	–	–
Issue of employee shares	0.7	4.1	–	–	–
Reclassification of conversion options	–	11.7	–	–	–
First-time consolidation	–	–	–	–	–
Deconsolidation	–	–	- 11.7	–	–
Effect of the acquisition of minority interests	–	–	- 0.9	–	–
Effect of option writer position from an option on minority interests	–	–	- 45.1	–	–
Income and expenses directly taken to equity before income tax	–	–	- 11.8	- 130.3	–
Tax items directly offset against equity	–	- 4.6	–	–	–
Group profit and loss for the year	–	–	- 890.3	–	–
Balance as at 31 Dec 2006	641.7	2,396.2	424.3	- 524.1	21.9
Changes in measurement and accounting methods	–	–	- 15.2	–	–
Balance as at 1 Jan 2007	641.7	2,396.2	409.1	- 524.1	21.9
Dividend payments	–	–	- 24.8	–	–
Hybrid capital dividend	–	–	- 25.9	–	–
Issue of convertible bond	–	119.7	–	–	–
Issue of employee shares	0.6	3.9	–	–	–
First-time consolidation	–	–	- 476.1	–	- 0.5
Effect of acquisitions achieved in stages	–	–	–	–	1.1
Effect of the acquisition of minority interests	–	–	- 23.2	–	–
Income and expenses directly taken to equity before income tax	–	–	175.7	- 77.8	–
Tax items directly offset against equity	–	- 47.9	- 51.9	–	–
Group profit and loss for the year	–	–	189.0	–	–
Balance as at 31 Dec 2007	642.3	2,471.9	171.9	- 601.9	22.5

¹⁾ Income and expenses recognised directly in equity with no effect on results are shown separately in the statement of recognised income and expenses.

The subscribed capital of TUI AG, registered in the commercial registers of the district courts of Berlin-Charlottenburg and Hanover, rose by € 0.6 million to a total of € 642.3 million due to the issuance of 225,720 employee shares. Subscribed capital thus comprised 251,245,575 shares (previous year: 251,019,855 shares) at the end of the financial year.

The Annual General meeting of 16 May 2007 authorised the Executive Board of TUI AG to purchase own shares of up to 10% of the subscribed capital. The authorisation will expire on 15 November 2008 and replaces the authorisation granted by the Annual General Meeting of 10 May 2006. To date, the possibility of acquiring own shares has not been used.

Revaluation reserve for financial instrument	Reserve according to IAS 19	Revenue reserves (28)	Hybrid capital (29)	Equity before minority interests	Minority interests (30)	Total
71.2	- 510.3	783.8	294.8	4,104.6	262.2	4,366.8
-	-	5.7	-	5.7	3.4	9.1
71.2	- 510.3	789.5	294.8	4,110.3	265.6	4,375.9
-	-	- 189.0	-	- 189.0	- 19.0	- 208.0
-	-	- 27.4	-	- 27.4	-	- 27.4
-	-	-	-	4.8	-	4.8
-	-	-	-	11.7	-	11.7
-	-	-	-	-	8.4	8.4
-	11.7	-	-	-	- 11.3	- 11.3
-	-	- 0.9	-	- 0.9	0.9	-
-	-	- 45.1	-	- 45.1	-	- 45.1
- 328.9	176.0	- 295.0	-	- 295.0	- 12.7	- 307.7
120.8	- 51.8	69.0	-	64.4	0.3	64.7
-	-	- 890.3	-	- 890.3	46.9	- 843.4
- 136.9	- 374.4	- 589.2	294.8	2,743.5	279.1	3,022.6
-	-	- 15.2	-	- 15.2	-	- 15.2
- 136.9	- 374.4	- 604.4	294.8	2,728.3	279.1	3,007.4
-	-	- 24.8	-	- 24.8	- 7.1	- 31.9
-	-	- 25.9	-	- 25.9	-	- 25.9
-	-	-	-	119.7	-	119.7
-	-	-	-	4.5	-	4.5
33.6	173.8	- 269.2	-	- 269.2	- 10.6	- 279.8
-	-	1.1	-	1.1	-	1.1
-	-	- 23.2	-	- 23.2	- 0.4	- 23.6
44.1	153.6	295.6	-	295.6	- 10.9	284.7
5.3	- 73.8	- 120.4	-	- 168.3	-	- 168.3
-	-	189.0	-	189.0	47.3	236.3
- 53.9	- 120.8	- 582.2	294.8	2,826.8	297.4	3,124.2

Conditional capital

The Annual General Meeting of 18 June 2003 adopted a resolution creating conditional capital of € 90.0 million. The conditional capital was intended to service conversion options and warrants from the issue of one or several bonds with a total par value of up to € 1.0 billion by 17 June 2008. Convertible bonds totalling around € 384.6 million were issued in October 2003. The conversion options entitled the holders to convert each convertible bond of a par value of € 50,000.00 into 2,520 shares in TUI AG. This far, the holders of the convertible bonds have not yet exercised any conversion rights.

In order to retain the possibility of issuing bonds, the Annual General Meeting of 10 May 2006 adopted a resolution creating further conditional capital of € 100.0 million. Accordingly, bonds with conversion options and warrants as well as profit-sharing rights and income bonds with a total par value of up to € 1.0 billion (with and without fixed terms) may be issued by 9 May 2011. The corresponding resolution by the Annual General Meeting of 18 May 2004 on the creation of conditional capital of € 70.0 million was cancelled.

On 1 June 2007, TUI AG issued an unsecured non-subordinate convertible bond of € 694.0 million maturing on 1 September 2012. The conversion price was € 27,68 per no-par value share. The bonds were issued in denominations of € 50,000.00. The convertible bond may be converted into a maximum of 25,072,254 shares. The bonds carry an interest coupon of 2.75% per annum and were issued at par. The bonds are traded at two German stock exchanges, in Luxemburg and Zurich. By 31 December 2007, no conversions had been effected under the bond.

Authorised capital

At the end of the 2006 financial year, the authorised capital of € 10.0 million created at the Annual General Meeting of 18 May 2004 for the issuance of employee shares stood at € 7.3 million. The authorised capital was partly used in the 2007 financial year to issue 225,720 employee shares (previous year: 287,280 shares). The remaining authorised capital for the issuance of employee shares thus stood at € 6.7 million at the end of the 2007 financial year. The Executive Board of TUI AG has been authorised to use this capital until 17 May 2009.

In addition to the authorised capital for the issuance of employee shares, the Annual General Meeting of 10 May 2006 resolved to create authorised capital for the issuance of new shares against cash or non-cash contribution totalling € 310.0 million. The issue of new shares against non-cash contribution was limited to € 128.0 million. The Executive Board of TUI AG has been authorised to use this capital until 9 May 2011.

Including the remaining authorised capital for the issuance of employee shares, total unused authorised capital amounted to € 316.7 million.

(27) Capital reserves

The capital reserves mainly comprised transfers of premiums from the issue of shares and amounts generated by issuing bonds for conversion options and warrants to purchase shares in TUI AG where the conversion options and warrants had to be classified as equity instruments in accordance with IAS 32. Premiums from the issue of shares due to the exercise of conversion options and warrants were also transferred to the capital reserves. The funding costs for the issue of conversion options and warrants and for the capital increase by means of the issue of new shares against

cash contribution were eliminated against the transfers to the capital reserves resulting from these transactions.

The 2007/2012 convertible bond issued in the 2007 financial year had to be classified as an equity instrument pursuant to IAS 32, resulting in an increase in capital reserves of € 71.8 million.

Capital reserves rose by € 3.9 million (previous year: € 4.1 million) due to the issue of employee shares.

(28) Revenue reserves

Other revenue reserves comprised transfers from the results of the current or previous financial years as well as eliminations of goodwill from capital consolidation and at equity measurement of subsidiaries purchased until 30 September 1995.

Furthermore, adjustments with no effect on results from the first-time application of new or revised accounting standards and effects of changes in accounting and measurement methods were transferred to or eliminated against other revenue reserves.

The merger of the TUI Group's tourism activities with the First Choice Holidays Group caused an increase in the equity with no effect on profit and loss due to the disclosure of the added value from the disposal of 48.405% of the share in this TUI tourism division.

The disclosure of the hidden reserves and liabilities in accordance with IFRS 3 led to negative equity of the First Choice Holidays Group at the date of first-time consolidation, 48.405% of which related to minorities. The minority shareholders also participate in TUI AG's compensation claim arising from the merger agreements in proportion to their share in TUI Travel PLC. The share in negative equity of TUI Travel PLC's minority shareholders which mainly resulted from these effects and from currency differences was eliminated against revenue reserves (€ - 516.5 million) in accordance with IAS 27.35.

In accordance with section 58 sub-section 2 of the German Stock Corporation Act, dividend payments to TUI AG shareholders were based on net profit available for distribution of the commercial-law financial statements of TUI AG. The Executive Board and Supervisory Board propose that the profit available for distribution of € 87.6 million be used to pay a dividend of € 0.25 per no-par value share and to carry the amount remaining after deduction of the dividend total of € 62.8 million forward on new account.

Differences arising from currency translation comprised differences from the currency translation of the financial statements of foreign subsidiaries as well as differences from the translation of goodwill denominated in a foreign currency.

The revaluation reserve was formed in the framework of successive acquisitions of companies. At the date of first-time consolidation, the changes in the fair values of the assets and liabilities of the acquired company arising in between the acquisition dates were recognised in the revaluation reserve with no effect on profit and loss based on the interest held prior to first-time consolidation. In the framework of deconsolidation, the revaluation reserves were eliminated against other revenue reserves.

The revaluation reserve for financial assets comprised the portion of gains and losses from hedges which was determined as an effective hedge of future cash flows. When a hedged item had an effect on results or was no longer assessed as probable, the revaluation reserve for financial assets was reversed through profit and loss in the same period.

The reserve according to IAS 19 comprised profits and losses from changes in actuarial parameters in connection with the measurement of pension obligations and the related fund assets, carried outside profit and loss.

In the 2007 financial year, the increase in the long-term interest rate level in Germany and the UK was the main reason for a reduction in pension obligations and the related increase in the reserve according to IAS 19. Additionally, in a first step revenue reserves have been credited € 173.8 million by charging this amount to minority interest and in a second step as a consequences of the totaling negative minority interest this amount has been offset with other revenue reserves. The reserve stood at € 120.7 million (previous year: € - 374.4 million) at the end of the financial year under review.

(29) Hybrid capital

In accordance with IAS 32, the subordinated hybrid capital issued by TUI AG in December 2005 with a nominal volume of € 300.0 million represented Group equity. The capital procurement costs of € 8.5 million were deducted from the hybrid capital with no effect on profit and loss, taking account of deferred income taxes. Dividend payment entitlements of hybrid capital investors were deferred as other financial liabilities until the payment date.

(30) Minority interests

Minority interests mainly related to companies of the TUI Hotels & Resorts division, in particular the RIUSA II Group. The negative minority interests in TUI Travel PLC have been eliminated against revenue reserves.

(31) Pension provisions and similar obligations

A number of pension schemes based on defined contribution plans or defined benefit plans were provided for Group employees. Pension obligations varied according to the legal, fiscal and economic circumstances of the country concerned and usually depended on employees' length of service and pay levels. While all defined contribution plans were funded by means of the payment of premiums to external insurance companies or funds, systems existed for defined benefit plans entailing the formation of provisions within the Company or investments in funds outside the Company.

German employees enjoyed benefits from a statutory defined contribution plan paying pensions as a function of employees' income and the contributions paid in. Several other industry pension organisations existed for companies of the TUI Group. Once the contributions to the state and private pension insurance institutions had been paid, the Company had no further obligations. Current contribution payments were recognised as an expense for the respective period. In the 2007 financial year, the pension costs for all defined contribution plans for the TUI Group totalled € 73.1 million (previous year: € 77.9 million). The pension costs for defined benefit pension commitments totalled € 83.8 million (previous year: € 80.3 million).

Pension costs for defined benefit obligations

€ million	2007	2006
Current service cost for employee service in the financial year	55.9	62.4
Interest cost	121.4	118.9
Expected return on external plan assets	93.6	86.5
Past service cost due to plan changes	0.1	- 12.7
Effects of curtailment or settlement of pension obligations	0.0	- 1.8
Total	83.8	80.3

The decline in the current service cost for employee service in the 2007 financial year mainly resulted from changes in the TUI Northern Europe sector.

The increase in interest cost primarily resulted from the first-time consolidation of the First Choice Holidays Group. The current service cost of this group totalled € 1.1 million, its interest cost was € 1.6 million and the expected return on external plan assets amounted to € 1.9 million. The remaining increase in expected return on external plan assets resulted from a year-on-year increase in the market value of fund assets of the remaining companies, primarily the companies of the TUI Northern Europe sector.

Only a minor past service cost had to be taken into account, whereas the previous year's figures had been strongly characterised by one-off effects due to an amendment of a law in the UK.

Provisions for pension obligations were established for benefits payable in the form of retirement, invalidity and surviving dependants' benefits. Provisions were exclusively formed for defined benefit schemes under which the Company guarantees employees a specific pension level. Provisions for similar obligations covered in particular early retirement and temporary assistance benefits.

Development of provisions for pensions and similar obligations

€ million	Balance as at 31 Dec 2006	Changes in consolidation ¹⁾	Changes with no effect on results	Utilisation	Reversal	Addition	Balance as at 31 Dec 2007
Provisions for pensions	1,078.8	- 17.0	- 195.4	61.8	3.8	49.0	849.8
Similar obligations	6.3	- 0.2	0.0	0.4	0.0	1.4	7.1
Total	1,085.1	- 17.2	- 195.4	62.2	3.8	50.4	856.9

¹⁾ as well as transfers and exchange differences

The actuarial gains and losses arisen in the 2007 financial year were eliminated against equity with no effect on profit and loss, causing the indicated change in pension provisions outside profit and loss.

Where the defined benefit pension obligations were not financed by provisions, they were funded externally. This type of funding of pension obligations prevailed to a considerable extent in the Northern Europe sector in TUI UK and Thomsonfly UK. Furthermore, funded pension obligation systems were operated by foreign container shipping companies and by companies in Switzerland and in the Netherlands as well as the First Choice Holidays Group.

While the fund assets were determined on the basis of the fair values of invested funds as at 31 December 2007, pension obligations were measured on the basis of

actuarial calculations and assumptions. The obligations under defined benefit plans were calculated on the basis of the internationally accepted projected unit credit method, taking account of expected future increases in salaries and pensions.

Actuarial parameters for German companies

Percentage p. a.	2007	2006
Discount rate	5.5	4.5
Projected future salary increases	2.0 – 2.5	2.0 – 2.5
Projected future pension increases	1.5 – 1.83	1.5 – 1.83
Projected employee turnover rate	2.0	2.0

Actuarial calculations for companies abroad were based on specific parameters for each country concerned.

Actuarial assumptions for foreign companies

Percentage p. a.	2007			2006		
	Discount rate	Projected return on plan assets	Projected future salary increases	Discount rate	Projected return on plan assets	Projected future salary increases
Eurozone	5.5	4.25 – 6.0	0.0 – 4.5	4.5	4.25 – 6.0	0.0 – 4.5
UK	5.6 – 5.8	5.1 – 7.42	4.5 – 5.0	5.0 – 5.2	4.55 – 7.4	3.4 – 4.6
Rest of Europe	3.25	2.5	1.5 – 2.0	3.25	4.0	1.5 – 2.0
North America	5.25 – 6.0	5.0 – 6.0	3.5 – 5.0	4.75 – 5.75	5.0 – 6.0	3.5 – 5.0
South America	9.0	9.0	4.5 – 6.5	9.0	9.0	5.0
Asia	2.2 – 8.5	0.0 – 6.0	1.5 – 10.0	2.3 – 3.75	1.5 – 2.75	1.5 – 3.0

Development of the projected benefit obligation

€ million	2007	2006
Net present value of actual pension obligations at beginning of year	2,470.2	2,503.9
Additions to the group of consolidated companies	119.9	24.3
Disposals from the group of consolidated companies	–	31.6
Current pension obligations	55.9	62.4
Interest cost	121.4	118.9
Pensions paid	- 110.5	- 105.5
Contributions paid by pension beneficiaries	11.2	11.6
Actuarial gains (-) and losses (+)	- 214.9	- 148.3
Past service benefits	–	- 10.9
Exchange differences	- 158.1	35.4
Other	+ 0.4	10.0
Net present value of actual pension obligations at year-end	2,295.5	2,470.2

In the framework of the first-time consolidation of the First Choice group, pension obligations rose by € 119.9 million. A decline in pension obligations due to removals of companies from the group of consolidated companies was not recorded in the financial year under review.

The increase in pension obligations due to the additions to the group of consolidated companies was more than offset in particular by the development of actuarial gains and losses, primarily determined by a higher discount rate applicable under IFRS rules.

The exchange differences shown for the 2007 financial year mainly resulted from the translation of British pounds sterling into euros.

Development of the fair value of fund assets

€ million	2007	2006
Fair value of fund assets at beginning of year	1,398.4	1,218.5
Additions to the group of consolidated companies	111.1	–
Disposals from the group of consolidated companies	–	–
Expected return on external plan assets (-)	- 93.6	- 86.5
Actuarial gains (-) / losses (+) of the current year	19.5	- 38.0
Exchange differences	- 120.6	23.1
Employer's contributions paid in	70.3	74.8
Contributions paid by the beneficiary of the plan	11.0	11.6
Pensions paid	- 75.9	- 70.0
Other	2.7	15.9
Fair value of fund assets at year-end	1,471.1	1,398.4
of which dividend-carrying securities	851.2	944.9
of which bonds	484.4	323.5
of which property, plant and equipment	10.6	1.1
of which cash	82.6	75.0
of which other	42.3	53.9

Assets rose by € 111.1 million due to the addition of the First Choice Holidays Group. Fund assets did not decline due to removals from the group of consolidated companies in the financial year under review.

The assumptions used in determining the expected return on external fund assets were based on the actual fund structure and were oriented to the future long-term returns for the individual fund categories. Further factors taken into account were the current interest level and the inflation trend. The TUI Group's calculation of the pension costs was based on conservative forecasts in determining the expected return on the fund assets. Nevertheless, unlike in 2006, the funds did not generate the expected returns in the 2007 financial year so that an actuarial loss arose on fund assets. At expected returns of € 93.6 million (previous year: € 86.5 million) the fund assets gained actual returns of € 74.1 million (previous year: € 124.5 million).

The exchange differences shown for the 2007 financial year mainly resulted from the translation of British pounds sterling into euros.

For the subsequent 2008 financial year, the companies of the TUI Group are expected to contribute around € 120.5 million to pension funds. The significant increase in contributions in comparison with contributions paid in 2007 results from a planned reduction in the pension deficit in the UK.

**Reconciliation from the projected benefit obligation to pension liabilities
recognised in the balance sheet**

€ million	31 Dec 2007			31 Dec 2006		
	Plans with obligation in excess of assets	Plans with assets in excess of assets	Total	Plans with obligation in excess of assets	Plans with assets in excess of assets	Total
Actual projected benefit of fully or partly funded pension obligations	1,717.2	106.2	1,823.4	1,809.9	123.9	1,933.8
Fair value of external plan assets	1,337.9	133.2	1,471.1	1,265.7	132.7	1,398.4
Deficit respectively surplus	379.3	- 27.0	352.3	544.2	- 8.8	535.4
Actual present value of non-funded pension obligations			472.1			536.4
Net projected benefit obligation			824.4			1,071.8
Adjustment for past service cost			- 1.6			- 1.8
Net recognised liability			822.8			1,070.0
of which provisions for pensions for non-funded obligations			470.5			534.6
of which provisions for pensions for funded obligations			379.3			544.2
of which capitalised assets			- 27.0			- 8.8

Since the TUI Group used the option of immediately offsetting the actuarial gains and losses against equity in the year in which they arose, the TUI Group's total pension obligations were fully shown in the balance sheet, netted against existing fund assets. There was only a difference of € 1.6 million due to past service cost that was not yet recognised in the balance sheet. This off-balance difference will be charged to expenses and successively amortised in the upcoming financial years.

Where plan assets exceeded obligations with regard to funded pension obligations, taking account of an adjustment due to past service cost, and where at the same time there was an entitlement to reimbursement or reduction of future contribution payments to the fund, the excess was capitalised in conformity with the upper limit defined by IAS 19.

Year-on-year comparison of the key amounts related to pension obligations

€ million	2007	2006	2005	2004
Projected benefit obligations at year-end	2,295.5	2,470.2	2,503.9	2,003.8
Fund assets at year-end	1,471.1	1,398.4	1,218.5	972.5
Surplus (+) respectively deficit (-) at year-end	352.3	535.4	742.6	478.7
Actuarial gains (-) / losses (+) of the current year from the obligations	- 214.9	- 148.3	403.3	51.8
Actuarial gains (-) / losses (+) of the current year from the fund assets	19.5	- 38.0	- 109.9	- 23.6

As at 31 December 2007, the actuarial gains and losses before deferred income taxes recorded by then and eliminated against equity with no effect on profit and loss totalled € - 311.3 million (previous year: € - 540.2 million).

(32) Income tax provisions and other provisions

Development of provisions in the 2007 financial year

€ million	Balance as at 31 Dec 2006	Changes in the group of consolidated companies ¹⁾	Usage	Reversal	Addition	Balance as at 31 Dec 2007
Provisions for current income tax	264.8	25.1	37.2	17.0	82.9	318.6
Provisions for deferred tax	57.6	172.7	–	–	15.2	245.5
Income tax provisions	322.4	197.8	37.2	17.0	98.1	564.1
Personnel costs	308.7	- 22.3	171.6	20.8	139.3	233.3
Specific operating risks	56.6	27.9	2.6	42.0	15.1	55.0
Maintenance provisions	136.3	56.6	92.1	0.0	129.1	229.9
Risks from pending transactions	54.5	-1.0	23.6	0.9	13.8	42.8
Guarantee and liability risks	90.8	4.2	8.0	24.7	15.0	77.3
Provisions for other taxes	48.5	- 19.1	1.4	0.7	10.7	38.0
Miscellaneous provisions	337.8	16.5	113.2	48.2	152.3	345.2
Other provisions	1,033.2	62.8	412.5	137.3	475.3	1,021.5
Total	1,355.6	260.6	449.7	154.3	573.4	1,585.6

¹⁾ as well as transfers and exchange differences

Income tax provisions

Income tax provisions comprised provisions for current and deferred income taxes, outlined in note 22. The net change in deferred tax provisions between the balance sheet dates was fully shown as an addition in the above table.

Other provisions

Other provisions comprised provisions for personnel costs, specific operating risks, maintenance provisions, risks from pending transactions, guarantee and liability risks, provisions for other taxes and miscellaneous provisions.

Provisions for personnel costs comprised provisions for vacation, unpaid bonus payments, severance compensation and jubilee benefits.

In addition, the provisions for personnel costs also comprised provisions for share-based payment schemes with cash compensation according to IFRS 2.

In the framework of the long-term incentive programme, the Executive Board members as well as further executive staff were granted a bonus for the 2006 financial year, translated into phantom stocks in TUI AG on the basis of an average share price. The phantom shares were calculated on the basis of Group earnings before taxes and amortisation of goodwill (EBTA). The translation into phantom shares was based on the average stock price of the TUI share on the 20 trading days following the Supervisory Board meeting at which the annual financial statements were approved. The number of phantom stocks granted in a financial year is therefore only determined in the subsequent year. Following a lock-up period of two years, the individual Board members are free to exercise their right to cash payment from this bonus within predetermined timeframes. This lock-up period is not applicable if a Board member leaves the Company. The payment level depended on the average stock price of the TUI share over a period of 20 trading days after the exercise date. There were no absolute or relative return or stock price targets. A cap was agreed for exceptional, unforeseen developments. Since the strike price was € 0 and the incentive programme did not entail a vesting period, the fair value corresponded to the intrinsic value and hence the market price at the balance sheet date. Accordingly,

the fair value of the obligation was determined by multiplying the number of phantom shares with the stock price at the respective reporting date.

Development of phantom shares

	Number	Present value in € million
31 Dec 2005	710,007	12.3
Phantom shares granted	239,638	4.4
Phantom shares exercised	185,116	- 2.9
Measurement results	-	- 2.2
31 Dec 2006	764,529	11.6
Phantom shares granted	19,447	0.4
Phantom shares exercised	152,055	- 2.9
Measurement results	-	3.0
31 Dec 2007	631,921	12.1

Fifty percent of the share-based payment schemes with cash compensation in accordance with IFRS 2, which had existed in the Northern Europe sector in 2006, were transferred to newly formed TUI Travel PLC in the wake of the merger between TUI's tourism division and the First Choice Holidays Group and replaced by the share-based payment schemes of TUI Travel PLC. The remaining 50% of the entitlements under these share-based payment schemes were paid in cash, resulting in a payment of the equivalent of € 8.1 million (GBP 5.5 million). Until the date of transfer to TUI Travel PLC, the expenses of € 2.2 million (GBP 1.5 million) have been included in the profit and loss statement. Entitlements under share-based payment schemes for executive staff of the former First Choice Holidays Group were also transferred to TUI Travel PLC.

The TUI Travel PLC Group has established two principal share award schemes linking employee remuneration to the future performance of the Group: the Deferred Annual Bonus Scheme (DABS) and the Performance Share Plan (PSP).

Awards granted and outstanding as well as shares granted and outstanding

	Number of shares	Option exercise price	Date first exercisable
Deferred Annual Bonus Scheme (DABS)	894,426	-	14 Dec 08
	793,149	-	14 Dec 08
	79,292	-	19 Jun 09
	445,977	-	13 Feb 10
	1,264,300	-	13 Feb 10
	1,586,287	-	13 Feb 10
	2,215,297	-	13 Sep 10
	659,869	-	19 Dec 10
	3,147,700	-	19 Dec 10
Performance Share Plan (PSP)	597,782	-	14 Dec 08
	846,090	-	13 Feb 10
	2,859,735	-	19 Dec 10
Total	15,389,904		

As at 31 December 2007, there were 4,400,454 shares held by the First Choice Employee Benefit Trust. As at the same date there were 4,400,000 shares held by the TUI Travel Employee Benefit Trust.

Development of the number of share options

	Number
Outstanding at beginning of the year	–
Addition in the wake of the merger with First Choice Holidays Group on 3 September 2007	4,129,192
Expired during the year	–
Exercised during the year	–
Issued during the year	11,260,712
31 Dec 2007	15,389,904

None of the instruments or options granted were exercisable at the end of the financial year.

The fair value of services received in return for share options granted was measured by reference to the fair value of share options granted. The estimate of fair value of services received was measured using binomial or simulation valuation models, depending on the vesting criteria. The following variables were built into these models at the date of granting of the options:

Information relating to fair values of share options and awards granted

	GBP	2007 €
Principal share award schemes (DABS und PSP)		
Fair value at measurement date (in € million)	1.75 – 2.71	2.5 – 3.8
Share price	2.70 – 2.91	3.83 – 4.13
Exercise price	0.0	–
Expected volatility	28.3% – 30.4%	–
Option life	1 – 3 years	–
Expected dividends	4.0%	–
Risk-free interest rate	4.52% – 5.28%	–

Expected volatility was based on historic volatility of First Choice Holidays PLC adjusted for changes to future volatility indicated by publicly available information. Share options were granted under a service condition.

In the 2007 financial year, a personnel cost of GBP 2.0 million (€ 2.8 million) related to share-based payment schemes was registered in the profit and loss statement.

Future estimated expense for share award schemes outstanding at the balance sheet date (as at 31 Dec 2007)

	GBP	€
Expenses during next financial year	15.0	21.3
Expenses falling due after more than one year	16.3	23.1
Total	31.3	44.4

In order to reduce production costs in tourism, the Group's Executive Board adopted a programme in 2006 aimed at significantly reducing in particular personnel costs and related cost of materials. Where the individual measures were sufficiently specific and a factual obligation for restructuring existed, corresponding provisions were formed. These were primarily provisions for personnel costs related to planned personnel reductions and other provisions due to the early termination of rental and lease agreements. In the 2007 financial year, the restructuring measures resulted in

total expenses of € 62.5 million. The provisions of € 95.8 million formed as at the end of the 2006 financial year, primarily for personnel cost, were largely used in 2007, in line with plans. As at the balance sheet date, provisions of around € 41 million were carried, half of which related to personnel cost and the other half related to rental obligations.

Following the successful integration of the CP Ships Group, the shipping division only held minor restructuring provisions based on long-term non-cancellable rental obligations at the end of the financial year. The provisions of € 34.8 million carried at the end of 2006 were used in the 2007 financial year to a great extent. Overall, restructuring income of € 1.1 million was generated in the financial year under review.

The maintenance provisions, shown separately for the first time in the 2007 financial year, comprised provisions for maintenance work on leased aircraft. The increase was mainly due to the first-time consolidation of the First Choice Group.

Provisions for specific operating risks were retained almost unchanged. The effect of the first-time consolidation of the First Choice Group was offset by the utilisation and reversal of provisions for stabilising and restoration measures for the former mining activities by € 22 million to around € 16 million. These provisions included an amount of € 15.0 million (previous year: € 30.5 million) for necessary environmental protection measures.

The provision for risks from onerous contracts was primarily formed for hotel capacity already contracted but not expected to be fully utilised.

The provision formed in previous years due to the insolvency of Babcock Borsig AG for risks from the anticipated utilisation of guarantees and warranties granted in previous years for the former plant engineering activities was largely reversed as a result of the scheduled reduction in the guarantee volume due to lapse of time. In addition, provisions for guarantee, warranty and liability risks in the shipping division mainly comprised maintenance obligations in connection with leased containers and obligations to pay for uninsured damage to cargo.

In the framework of the completed realignment of the Group, other provisions comprised provisions formed in connection with the settlement of contracts concluded in the former energy, trading and special logistics sectors.

Where the difference between the present value and the settlement value of a provision was material for the measurement of a non-current provision as at the balance sheet date, the provision had to be recognised at its present value in accordance with IAS 37. The discount rate to be applied should take account of the specific risks of the provision and of future price increases. This criterion applied to some items contained in the TUI Group's other provisions. Transfers to other provisions comprised an interest portion of € 6.9 million (previous year: € 4.2 million), recognised as interest costs. The largest portion related to additions to provisions for maintenance.

Terms to maturity of income tax provisions and other provisions

€ million	31 Dec 2007		31 Dec 2006	
	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total restated
Provisions for current income taxes	256.3	318.6	177.0	264.8
Provisions for deferred taxes	214.4	245.5	49.5	57.6
Income tax provisions	470.7	564.1	226.5	322.4
Personnel costs	74.6	233.3	96.2	308.7
Specific operating risks	16.6	55.0	39.7	56.6
Maintenance provisions	158.3	229.9	65.9	136.3
Risks from pending transactions	14.6	42.8	18.4	54.5
Guarantee and liability risks	48.1	77.3	52.4	90.8
Provisions for other taxes	21.7	38.0	19.8	48.5
Miscellaneous provisions	156.0	345.2	143.1	337.8
Other provisions	489.9	1,021.5	435.5	1,033.2
Total	960.6	1,585.6	662.0	1,355.6

Provisions for deferred taxes had to be carried as non-current provisions in the balance sheet, irrespective of the expected realisation date.

(33) Financial liabilities

Financial liabilities

€ million	31 Dec 2007				31 Dec 2006	
	up to 1 year	Remaining terms more than 1-5 years	Remaining terms more than 5 years	Total	Total	Remaining term of more than 1 year
Convertible bonds	373.4	572.7	–	946.1	362.1	362.1
Other bonds	–	1,998.6	–	1,998.6	1,991.1	1,991.1
Liabilities to banks	274.6	1,604.2	281.0	2,159.8	1,042.4	791.1
Liabilities from finance leases	24.1	210.0	22.3	256.4	291.1	263.0
Financial liabilities due to non-consolidated Group companies	24.8	–	–	24.8	35.8	2.1
Financial liabilities due to affiliates	3.1	–	–	3.1	6.3	–
Other financial liabilities	107.4	15.3	28.7	151.4	170.8	68.2
Total	807.4	4 400.8	332.0	5,540.2	3,899.6	3,477.6

Fair values and carrying amounts of the bonds issued (31 Dec 2007)

€ million	Volume	Interest rate % p. a.	Fair values ¹⁾			Carrying amount
			of debt component	conversion options	Total	
2003/08 convertible bond	384.6	4.000	372.9	36.7	409.6	373.4
2007/12 convertible bond	694.0	2.750	533.4	119.0	652.4	572.7
2004/09 bond	400.0	3M EURIBOR plus	2.100	403.4	403.4	397.8
2005/10 bond	550.0	3M EURIBOR plus	1.550	512.3	512.3	543.0
2004/11 bond	625.0	6.625	625.0	–	625.0	615.1
2005/12 bond	450.0	5.125	396.5	–	396.5	442.7
2005/-- hybrid capital	300.0	until January 2013 subsequently 3M EURIBOR plus	8.625 7.300	299.3	299.3	294.8

¹⁾ Stock market values

In accordance with the rules of IAS 32, the subordinated hybrid capital issued in December 2005 without a fixed term to maturity was not carried as a bond but was shown as a separate Group equity item.

Convertible bonds comprised the 2003/2008 convertible bond of € 384.6 million issued in November 2003 and the 2007/2012 convertible bond of € 694 million issued on 1 June 2007. The convertible bonds will mature on 1 December 2008 and 1 September 2012, respectively, and carry nominal interest coupons of 4.0% p. a. and 2.75% p. a., respectively. With the 2003/2008 convertible bond, each convertible bond of a par value of € 50,000.00 entitled the holder to convert it into 2,520 shares at a conversion price of around € 19.84 per share any time until 17 November 2008. With the 2007/2012 convertible bond, each convertible bond of a par value of € 50,000.00 entitled the holder to convert it into 1,806 shares any time between 12 July 2007 and the seventh business day before the redemption date at a conversion price of € 27.86 per share.

The debt component of the convertible bond was carried at the issue date at its present value based on an interest rate in line with market conditions and was increased by the interest portion of the period as at the balance sheet date in accordance with the internationally accepted effective interest method.

Other bonds comprised bonds with a total nominal volume of € 2,025.0 million.

In the 2004 financial year, two bonds totalling € 1,025.0 million were issued in the framework of the long-term refinancing of the Group. The bond worth € 625.0 million, issued in May 2004 and maturing in May 2011, carried a nominal fixed-interest coupon of 6.625%. The bond worth € 400.0 million issued in June 2004 entailed a floating interest rate (3-month-EURIBOR + 2.10%). This instrument will mature in August 2009. Both bonds had denominations of € 1,000.00.

In order to finance the acquisition of CP Ships, two further bonds with an aggregate volume of € 1,000.0 million were issued by TUI AG in December 2005. The fixed-interest bond of € 450.0 million, carrying a nominal interest rate of 5.125%, will mature in December 2012. The remaining bond volume of € 550.0 million was a floating-rate bond (3-month-EURIBOR + 1.55%) maturing in December 2010. The bonds, issued in the 2005 financial year, had denominations of € 1,000.00.

(34) Trade accounts payable

Trade accounts payable

€ million	31 Dec 2007	31 Dec 2006
To third parties	2,652.4	1,935.1
To non-consolidated Group companies	4.8	10.2
To affiliates	21.8	13.1
Total	2,679.0	1,958.4

(35) Derivative financial instruments

Derivative financial instruments

€ million	31 Dec 2007				31 Dec 2006	
	up to 1 year	Remaining terms more than 1-5 years	Remaining terms more than 5 years	Total	Total	Remaining term of more than 1 year
Liabilities from derivative financial instruments	174.4	115.5	10.9	300.8	143.2	27.0

Derivative financial instruments were carried at their fair value (market value). They primarily served to hedge the future operating business and are outlined in detail in the explanations on financial instruments.

(36) Other liabilities

Other liabilities

€ million	31 Dec 2007			31 Dec 2006		
	up to 1 year	more than 1-5 years	Remaining terms more than 5 years	Total	Total	Remaining term of more than 1 year
Other liabilities due to non-consolidated Group companies	3.3	–	–	3.3	5.6	–
Other liabilities due to affiliates	2.0	–	–	2.0	4.3	–
Other miscellaneous liabilities	145.8	94.4	0.1	240.3	164.6	15.7
Other liabilities from income taxes	6.5	–	–	6.5	4.0	–
Other liabilities relating to other taxes	34.6	0.4	0.1	35.1	38.0	–
Other liabilities relating to social security	57.8	2.3	–	60.1	43.0	0.1
Other liabilities relating to employees	25.8	–	0.1	25.9	21.2	0.1
Other liabilities relating to members of the Boards	2.4	–	–	2.4	3.9	–
Advance payments received	1,767.8	0.2	–	1,768.0	1,262.6	0.4
Other liabilities	2,046.0	97.3	0.3	2,143.6	1,547.2	16.3
Deferred income	41.1	28.8	4.0	73.9	31.8	12.0
Total	2,087.1	126.1	4.3	2,217.5	1,579.0	28.3

Deferred income included government grants paid to promote investments and not directly allocable to individual asset items (investment grants) of € 0.4 million (previous year: € 0.4 million).

(37) Liabilities relating to
assets held for sale

In the 2006 financial year, this balance sheet item comprised liabilities and provisions of discontinuing operations and other disposal groups of € 2.1 million.

(38) Contingent liabilities

Contingent liabilities

€ million	31 Dec 2007	31 Dec 2006
Liabilities under guarantees, bill and cheque guarantees due to non-consolidated Group companies	7.0	15.8
Other liabilities under guarantees, bill and cheque guarantees	59.6	196.1
Other liabilities under warranties	4.1	1.6
Contingent liabilities related to the provision of collateral for third-party liabilities	0.0	0.1
Total	70.7	213.6

Contingent liabilities were carried at an amount representing the best estimate of the expenditure that would be required to meet the present obligation as at the balance sheet date.

Liabilities under warranties were all contractual liabilities to third parties not to be classified as guarantees and going beyond the typical scope of the business and the industry.

In connection with the insolvency of Babcock Borsig AG, provisions were formed in previous years to fully cover the guarantees and warranties related to activities in the former plant engineering sector which were likely to be called in. All remaining guarantees and warranties from former plant engineering and shipbuilding activities served the settlement of ongoing business transactions and were shown at their respective amounts at the balance sheet date. The reduction in guarantees and warranties caused a corresponding decrease in the relevant amount in the year under review.

The TUI Group companies were jointly and severally liable for participations in civil-law partnerships for which profit and loss transfer agreements with subsidiaries existed, for participations in joint ventures and participations in partnerships as general partner.

(39) Litigation

Neither TUI AG nor any of its subsidiaries were involved in pending or foreseeable court or arbitration proceedings which might have a significant impact on its economic position or had such an impact in the past two years, nor were any such proceedings foreseeable. This also applied to actions claiming warranty, repayment or any other compensation brought forward in connection with the divestment of subsidiaries and sectors made over the past few years. The action submitted by the insolvency trustee of Babcock Borsig AG (in insolvency) in 2004 has meanwhile been dismissed by the regional court of first instance in Frankfurt/Main. Since the action is expected to also be dismissed by the court of second instance, the provision formed in this regard only covered an amount representing the anticipated non-refundable cost of the proceedings, as before.

In 1999, the operator of the container terminal in Zeebrugge in Belgium brought an action for damages against CP Ships Ltd. and several of its subsidiaries due to an alleged breach of agreement in connection with the change of the Belgian port of call from Zeebrugge to Antwerp. Furthermore, seven shareholder class actions were brought against CP Ships in the US and a further three in Canada due to alleged irregularities in the reporting by the CP Ships Group in connection with the adjustments of the financial statements in 2004, which resulted in particular in the reduction in profits for the first quarter of 2004 and for the preceding years 2002 and 2003. Based on the findings and assessments currently available, the prerequisites for the recognition of obligations are not met in either of the two pending cases. In the framework of purchase price allocation as at 25 October of 2007, these two actions were treated and carried as contingent liabilities at an amount of 58.8 million US dollars. Since potential entitlements to reimbursements under insurance contracts and other contracts were not assessed as highly probable, no such claims were carried.

As in previous years, the respective Group companies had formed adequate provisions, partly covered by expected insurance benefits, to cover all potential financial charges from court or arbitration proceedings. Overall, the future financial position is therefore unlikely to be substantially affected by such charges.

(40) Other financial commitments

Nominal values of other financial commitments

€ million	31 Dec 2007			31 Dec 2006		
	up to 1 year	Remaining terms more than 1-5 years	Remaining terms more than 5 years	Total	Total	Remaining term of more than 1 year
Order commitments in respect of capital expenditure	576.6	2,654.9	219.9	3,451.4	3,139.9	2,439.7
Other financial commitments	185.0	499.4	9.8	694.2	713.7	488.1
Total	761.6	3,154.3	229.7	4,145.6	3,853.6	2,927.8
Fair value	721.9	2,686.2	149.7	3,557.8	3,353.9	2,468.0

The fair value of other financial commitments was determined by means of discounting future expenses on the basis of a customary market interest rate of 5.5% p. a. (previous year: 4.5% p. a.). If the previous year's interest rate of 4.5% had been applied, the fair value would have been € 96.7 million higher.

The increase of € 311.5 million in nominal order commitments in respect of capital expenditure was attributable to the aggregate effect of the first-time consolidation of the First Choice Holidays Group and the reduction in order commitments due to deliveries of aircraft and container ships in the financial year under review.

Other financial commitments mainly comprised amounts for commitments from orders already placed, clean-up and renovation obligations, payment obligations and liability obligations in connection with participations.

Order commitments in respect of tourism services will no longer be shown as of the 2007 financial year, in line with customary industry practices. The previous year's values were restated accordingly.

Financial commitments from operating lease, rental and charter contracts

€ million	31 Dec 2007				31 Dec 2006		
	up to 1 year	more than 1-5 years	more than 5 years	Remaining terms more than 10 years	Total	Total	Remaining term of more than 1 year
Hotel complexes	89.6	391.2	71.4	1.0	553.2	433.6	341.7
Travel agencies	93.8	290.3	132.6	66.4	583.1	418.6	346.9
Administrative buildings	55.3	172.8	93.4	68.1	389.6	350.9	294.4
Aircraft	290.7	688.4	114.4	41.4	1,134.9	882.4	636.1
Ships and container	538.1	1,196.2	537.0	54.8	2,326.1	2,219.2	1,556.2
Other	55.1	149.3	46.2	14.5	265.1	153.8	94.8
Total	1,122.6	2,888.2	995.0	246.2	5,252.0	4,458.5	3,270.1
Fair value	1,064.1	2,459.6	648.4	144.1	4,316.2	3,827.1	2,689.9

The fair value of financial commitments from lease, rental and charter contracts was determined by means of discounting future expenses on the basis of a customary market interest rate of 5.5% p. a. If the previous year's interest rate of 4.5% had been applied, the fair value would have been € 147.3 million higher.

The commitments from lease, rental and leasing contracts exclusively related to leases that did not transfer all the risks and rewards incident to ownership of the assets to the companies of the TUI Group in accordance with IASB rules (operating leases). The test carried out to check whether the risks and rewards incident to ownership had passed to the TUI Group was effected in particular in the light of existing options to purchase the assets or extend the terms of the contracts.

As a matter of principle, operating leases for aircraft do not include a purchase option. To a small extent, current lease payments also include a portion covering maintenance costs. The basic lease term is usually two to eight years.

Lease contracts for container ships showed different terms and conditions. Newly concluded leases regularly include a purchase option.

The increase in rental and lease commitments for hotel complexes, travel agencies and aircraft mainly resulted from the first-time consolidation of the First Choice Holidays Group.

Financial instruments

Risks and risk management

Risk management principles

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

In accordance with the Group's corporate financial goal, financial risks have to be limited. In order to achieve that goal, guidelines and rules applicable throughout the Group have been defined, fixing binding decision bases, competencies and responsibilities for all financial transactions.

Whereas TUI AG was responsible for the central risk management operations for the entire Group and acted as the Group's bank in the past, management responsibilities were divided up differently in accordance with the new Group structure following the merger between the TUI Group's tourism activities and the First Choice Holidays Group. Accordingly, TUI AG continues to be directly responsible for the risk management activities for the logistics division and TUI AG's hotel operations. TUI Travel PLC, in contrast, holds responsibility for these tasks for the tourism sector of TUI Travel PLC with the involvement of TUI AG. Both sides cooperate closely in order to ensure that the corporate financial goal is consistently pursued.

In accordance with the Group's guidelines, hedging activities for Group companies were based on the risk profile and hedging schedule of the respective company. The Group companies submitted monthly reports to TUI AG detailing their current and planned foreign currency and fuel requirements (or surpluses). Based on the risk profile, the hedging schedule and the monthly reports by the companies, each company defined its specific hedging strategy. On the basis of these strategies, TUI AG established its hedge portfolio comprised of derivative financial instruments. Both in the period under review and the 2006 financial year, all transactions occurred in line with the planning.

Use of derivative financial instruments was confined to internally fixed limits and other regulations. As a matter of principle, the instruments used had to be controllable with the respective entity's own resources (human resources, organisational resources and systems). Hedges exclusively consisted of over-the-counter derivatives, predominantly fixed-price transactions (e.g. futures and swaps) as well as options. The transactions were concluded at arm's length with top-rated contracting counterparties in the financial sector. As a matter of principle, all hedging transactions of the Group were based on appropriately recognised or future hedged items.

The trading, settlement and controlling functions were strictly segregated. Compliance with the limits and guidelines was continually monitored. Recognised standard software was used for the assessment, monitoring and reporting of the hedges entered into and the hedged items. The processes, the methods applied and the organisation of risk management were reviewed for compliance with the relevant regulations at least on an annual basis by the internal audit department and external auditors. In this context, a benchmarking against general industry standards was performed.

Market risk

Market risks result in fluctuations in earnings, equity and cash flows. In order to eliminate these risks, the TUI Group has developed various hedging strategies, including the use of derivative financial instruments.

According to IFRS 7, sensitivity analyses showing the effect of hypothetical changes in relevant risk variables on profit or loss and equity are required to present market risks. The effects for the period are determined by relating the hypothetical changes in risk variables to the portfolio of primary and derivative financial instruments as at the balance sheet date. Care is taken to ensure that the respective portfolio as at the balance sheet date is representative for the financial year.

The analyses of the TUI Group's risk reduction activities outlined below and the amounts determined by means of sensitivity analyses represent hypothetical and thus uncertain disclosures entailing risks. Due to unforeseeable development in the international finance markets, actual events may deviate substantially from the disclosures provided. The risk analysis methods used must not be regarded as forecasts of future events or losses, since the TUI Group is also exposed to risks of a non-financial or non-quantifiable nature. These risks primarily include country, business and legal risks not covered by the following presentation of risks.

Currency risk

The operational business of the TUI Group's companies generated payments denominated in foreign currencies, which were not always matched by congruent payments with equivalent terms in the same currency. Using potential netting effects (netting of payments made and received in the same currency with identical or similar terms), TUI AG entered into appropriate hedges with external counterparties in order to limit the currency risk.

Currency hedges in tourism were entered into when the calculated brochure prices had been fixed and covered 95% to 100% of the planned currency requirements for the respective tourism season. The hedged volumes were adjusted in line with changes in planned requirements on the basis of monthly reporting by the subsidiaries.

Currency hedges for the shipping companies were also based on the planned exposures according to the monthly reports submitted by the companies. The hedges covered 80% to 100% of the reported exposures.

Within the TUI Group, risks from exchange rate fluctuations of more than 20 currencies were hedged, with the largest hedging volumes relating to US dollars, euros and British pounds sterling.

The largest hedging volume in the operational business related to US dollars. In the tourism business, payments in US dollars primarily related to the procurement of services in non-European destinations, purchases of aircraft fuel and purchases and rental of aircraft. In the shipping division major procurement and sales transactions were denominated in US dollars. Due to the structure of the respective business, the tourism division had a substantial short position in US dollars whereas the shipping division had a long position in US dollars as a matter of principle.

The Eurozone limited the currency risk from transactions in the key tourist destinations to Group companies whose functional currency was not the euro. The tourism division and primarily the Northern Europe sector was mainly affected by changes in the value of the British pound sterling and the Swedish krona.

Currency risks within the meaning of IFRS 7 arise from primary and derivative monetary financial instruments issued in a different currency other than the functional currency of a company. Currency translation risks from the translation of

financial statements into the Group's currency were not taken into account. Taking account of the different functional currencies within the TUI Group, the sensitivity analyses of the currencies identified as relevant risk variables are presented below. If the respective functional currencies mainly the euro, US dollar and the British pound sterling were revalued or devalued opposite to the remaining currencies the following effects to the value change reserve for financial instruments and the earnings before income taxes would arise:

Sensitivity analysis – currency risks

€ million	31 Dec 2007		31 Dec 2006	
	+ 10%	- 10%	+ 10%	- 10%
Variable: Exchange rate				
All exchange rates				
Value change reserve	- 236.3	+ 276.9	- 68.4	+ 177.0
Earnings before income taxes	+ 64.6	- 71.3	+ 36.8	- 36.2
Exchange rates of key currencies:				
€/US Dollar				
Value change reserve	- 251.8	+ 293.3	- 153.8	+ 263.9
Earnings before income taxes	+ 63.8	- 73.4	- 2.4	+ 7.1
€/British Pound				
Value change reserve	+ 70.5	- 65.0	+ 99.8	- 100.0
Earnings before income taxes	- 14.7	+ 16.7	+ 29.1	- 30.6
British Pound/US Dollar				
Value change reserve	- 57.8	+ 61.7	+ 1.4	- 1.4
Earnings before income taxes	+ 8.6	- 7.5	+ 1.8	- 4.6
€/Swiss Franc				
Value change reserve	+ 8.8	- 8.8	+ 4.8	- 4.8
Earnings before income taxes	- 1.2	+ 1.4	+ 3.1	- 3.0
€/Swedish Krona				
Value change reserve	+ 4.8	- 4.8	- 0.3	+ 0.3
Earnings before income taxes	+ 7.8	- 8.2	+ 4.7	- 4.7

Interest rate risk

Interest rate risks, i.e. exposure to potential fluctuations in the fair value of a financial instrument resulting from changes in market interest rates (market value risk), arose primarily from medium- and long-term fixed interest receivables and liabilities. Concerning the bonds issued, the fair values deviated from recognised carrying amounts. However, these financial instruments were carried at amortised cost rather than at fair value as a matter of principle. Neither equity nor profit or loss were therefore directly affected.

However, for balance sheet items and financial derivatives based on floating interest rates, the TUI Group was exposed to earnings-related risks (cash flow interest rate risks). These risks related in particular to the Group's floating-interest debt. In order to minimise this risk, the Group entered into interest rate hedges, where necessary.

Sensitivity analysis – interest rate risk

€ million	31 Dec 2007		31 Dec 2006	
	+ 100 basis points	- 100 basis points	+ 100 basis points	- 100 basis points
Variable: Interest level for variable interest-bearing debt				
Earnings before income taxes	- 12.2	+ 10.6	- 10.3	+ 11.0

**Market price risk
of commodities**

Due to the nature of its business operations, the TUI Group was exposed to market price risks from the procurement of fuels, both in tourism and logistics.

Hedging of market price risks from the purchase of aircraft fuel was based on the hedging model of the tourism companies. When calculating the exposures for the respective season, at least 95% of the exposures were hedged. Possibilities of levying fuel surcharges were taken into account.

Hedging of fuel price risks in shipping companies was based on financial derivatives and the use of applicable business-specific price escalator clauses. At least 80% of the exposures were hedged.

Sensitivity analysis – market price risk of commodities

€ million	31 Dec 2007		31 Dec 2006	
	+ 10%	- 10%	+ 10%	- 10%
Variable: Fuel prices for aircraft and ships				
Value change reserve	123.1	- 118.4	73.8	- 72.4
Earnings before income taxes	0.0	0.0	0.2	- 1.6

Other market price risks

Other market price risks arose from changes in the value of financial instruments due to market price fluctuations.

With the issue of the 2003/2008 convertible bond, TUI has concluded a call spread. The development of the value of this derivative is dependent of the value of the TUI AG share and is thus subject to market risks.

Sensitivity analysis – other market price risks

€ million	31 Dec 2007		31 Dec 2006	
	+ 10%	- 10%	+ 10%	- 10%
Variable: TUI share price in connection with the convertible bond 2003/2008				
Earnings before income taxes	9.6	- 5.6	3.9	- 2.7

Credit risk

The credit risk in non-derivative financial instruments resulted from the risk of non-performance of contractual payment obligations by counterparties.

Maximum credit risk exposure was defined by the total of the recognised carrying amounts of the financial assets (including derivative financial instruments with positive market values) on the one hand and the granting of financial guarantees on the other. Details of the guarantees at the balance sheet date are given in note 38. Legally enforceable possibilities of netting financial assets and liabilities were taken into account, whereas collateral is not considered. The credit risk was minimised due to the strict requirements with regard to the counterparties' financial standing. Credit risks were monitored closely upon conclusion of the contract so as to be able to swiftly respond to potential impairments in a counterparty's financial standing. As a matter of principle, responsibility for handling the credit risk relating to the operative business was held by the individual Group companies of the TUI Group. Depending on the type of business activity and level of the credit limit, additional monitoring and control activities are effected at Group level.

Since the TUI Group operated in many different business areas and regions, significant credit risk concentrations from receivables from and loans to specific debtors or

groups of debtors were not to be expected. A significant concentration of credit risks related to specific countries was not to be expected either. Wherever possible, collateral was negotiated with the business partners as part of credit risk management in order to reduce the credit risk. Guarantees by the respective parent company, bank guarantees and the deposit of cash and securities are accepted as collateral to reduce the credit risk.

Identifiable credit risks of individual receivables are covered by means of corresponding bad debt allowances. In addition, portfolios are impaired based on empirical values. An analysis of the aging structure of the category 'Trade accounts receivable and other receivables' is provided in note 20.

As at the balance sheet date, the TUI Group did not have financial assets (previous year: € 7.2 million) which would be overdue or impaired if the terms and conditions of the contracts had not been renegotiated.

Credit management also covered the TUI Group's derivative financial instruments. The maximum credit risk for derivative financial instruments entered into was limited to the total of all positive market values of these instruments since in the event of non-performance by the counterparties asset losses would only be incurred up to that amount. Since derivative financial instruments were concluded with a variety of top-rated debtors, no credit risk exposure was to be expected.

Liquidity risk

Liquidity risks consisted of potential financial bottlenecks and resulting increases in refinancing costs. For this reason, the key objectives of TUI's internal liquidity management system were to secure the Group's liquidity at all times, to consistently comply with contractual payment obligations and optimise the cost situation for the overall Group. The Group's liquidity requirements were determined by means of liquidity planning and were covered by committed credit lines so that the Group's liquidity was guaranteed at all times.

The tables provided below list the contractually agreed (non-discounted) cash flows of primary financial liabilities and derivative financial instruments.

Cash flow of financial instruments (31 Dec 2007)

€ million	2008	2009	2010-2011	Cash in-/outflow at 2012
Financial liabilities				
Bonds	- 541.9	- 533.4	- 2,524.8	- 0.0
Liabilities to banks	- 398.5	- 521.1	- 1,439.2	- 339.0
Liabilities from finance leases	- 37.2	- 202.9	- 37.3	- 24.3
Financial liabilities due to non-consolidated				
Group companies	- 24.8	- 0.0	- 0.0	- 0.0
Financial liabilities due to affiliates	- 3.1	- 0.0	- 0.0	- 0.0
Other financial liabilities	- 107.4	- 3.8	- 11.5	- 28.7
Trade payables	- 2,670.2	- 8.8	- 0.0	- 0.0
Derivative financial instruments				
Hedge transactions – inflows	+ 5,845.2	+ 986.6	+ 1,752.4	+ 259.2
Hedge transactions – outflows	- 5,656.1	- 997.0	- 1,877.2	- 281.1
Other derivative financial instruments – inflows	+ 435.2	+ 1.0	+ 37.2	+ 0.0
Other derivative financial instruments – outflows	- 424.4	- 1.0	- 43.7	- 0.0
Other liabilities	- 120.1	- 18.6	- 55.8	- 0.1
Liabilities relating to assets held for sale	- 0.0	- 0.0	- 0.0	- 0.0

Cash flow of financial instruments (31 Dec 2006)

€ million	2007	2008	2009-2011	Cash in-/outflow at 2012
Financial liabilities				
Bonds	- 131.3	- 514.5	- 1,825.8	- 471.8
Liabilities to banks	- 300.5	- 209.1	- 557.9	- 146.0
Liabilities from finance leases	- 41.9	- 40.8	- 220.4	- 35.8
Financial liabilities due to non-consolidated				
Group companies	- 33.7	- 0.5	- 1.6	- 0.0
Financial liabilities due to affiliates	- 6.3	- 0.0	- 0.0	- 0.0
Other financial liabilities	- 103.7	- 12.9	- 36.4	- 21.1
Trade payables	- 1,956.2	- 2.1	- 0.0	- 0.0
Derivative financial instruments				
Hedge transactions – inflows	+ 4,659.9	+ 1,087.9	+ 879.9	+ 226.2
Hedge transactions – outflows	- 4,717.7	- 1,096.9	- 864.9	- 222.0
Other derivative financial instruments – inflows	+ 3,530.6	+ 10.1	+ 0.0	+ 0.0
Other derivative financial instruments – outflows	- 3,594.9	- 10.0	- 0.0	- 0.0
Other liabilities	- 97.8	- 2.3	- 7.0	- 0.0
Liabilities relating to assets held for sale	- 2.1	- 0.0	- 0.0	- 0.0

The cash flow analysis covered all primary and derivative financial instruments as at the balance sheet date. Planned payments for new future liabilities were not taken into account. Where financial liabilities had a floating interest rate, the interest rates fixed as at the balance sheet date were also applied to subsequent periods to enable calculation of future interest payments. Financial liabilities cancellable at any time were allocated to the earliest maturity band.

Derivative financial instruments and hedges

In accordance with the TUI Group's implemented regulations, derivatives may be used if they are based on underlying recognised assets or liabilities, firm commitments or forecasted transactions. Hedge accounting in accordance with IAS 39 is effected in particular in the framework of the hedging of fluctuations in future cash flows. Hedging was only done in the financial year as cash flow hedges.

Strategy and goals

Forward transactions and options and to a small extent interest/currency swaps were used to limit currency risks. In order to hedge external commodity price risks, price hedging instruments in the form of swaps and options were used.

Cash flow hedges

As at 31 December 2007, hedged items of cash flow hedges with maturities of up to seven years (previous year: up to seven years) existed. The price hedges involved planned underlying transactions with terms of up to two years (previous year: up to three years).

In accounting for derivatives of cash flow hedges, the effective portion of the cumulative changes in market values was carried in the value change reserve with no effect on profit and loss until the underlying transaction occurred. It was carried in the profit and loss statement when the hedged item was executed. In the financial year under review, expenses of € 143.6 million (previous year: benefit of € 109.0 million) were carried in the cost of sales and administrative expenses from currency hedges and derivative financial instruments used as price hedges. Expenses of € 0.5 million (previous year: € - 3.0 million) were carried from the ineffective portion of the cash flow hedges.

Nominal amounts of the derivative financial instruments used

€ million	Remaining terms		31 Dec 2007		31 Dec 2006	
	up to 1 year	more than 1 year	Total	Total	Remaining term more than 1 year	
Interest rate hedges						
Swaps	304.5	31.8	336.3	112.6	110.7	
Currency hedges						
Forwards	5,008.7	2,562.4	7,571.1	5,985.2	1,944.9	
Options	956.7	30.6	987.3	2,321.2	7.8	
Collars	50.0	110.1	160.1	492.1	15.5	
Swaps and other currency hedges	1,015.4	766.8	1,782.2	101.4	101.4	
Commodity hedges						
Swaps	522.2	71.2	593.4	717.2	148.2	
Options	401.2	71.2	472.4	118.0	-	
Collars	100.5	15.2	115.7	242.4	9.2	

The nominal amounts corresponded to the total of all purchase or sale amounts or the respective contract values of the transactions. Cross currency interest rate swaps which cannot be clearly allocated to currency or interest rate hedges were shown under currency hedges.

As a matter of principle, the fair values of derivative financial instruments corresponded to the market values. The market price determined for all derivative financial instruments was the price at which a contracting party would take over the rights and/or obligations of the respective counterparty. The fair value of over-the-counter financial derivatives was determined by means of appropriate discounting methods, e.g. by discounting the expected future cash flows. The forward prices of forward transactions were based on the spot rates, taking account of forward premiums and discounts. The calculation of the fair values of options was based on the Black & Scholes model. The fair values determined on the basis of the Group's own methods were regularly compared with fair value confirmations of external counterparties.

**Positive and negative fair values of the derivative financial instruments
 shown as receivables or liabilities**

€ million	31 Dec 2007		31 Dec 2006	
	Receivables	Liabilities	Receivables	Liabilities
Cash flow hedges				
currency risks	157.7	273.3	44.7	60.0
market risks	234.6	0.2	14.6	69.8
Hedges	392.3	273.5	59.3	129.8
Other derivative financial instruments	49.6	27.3	24.7	13.4
Total	441.9	300.8	84.0	143.2

Financial instruments which were used in order to hedge a risk position according to operational criteria but did not meet the strict criteria of IAS 39 to qualify as hedges were shown as other derivative financial instruments. They included in particular structured hedges such as the call spread included on issue of the 2003/2008 convertible bond as well as several foreign currency transactions.

Financial instruments – Additional disclosures

*Fair values of derivative
 financial instruments*

The fair value of a financial instrument is the amount for which an asset could be exchanged, sold or purchased, or a liability settled, between knowledgeable and willing parties in an arm's length transaction. Where financial instruments are listed in an active market, e.g. above all shares held and bonds issued, the respective quotation in this market represents the fair value. For over-the-counter bonds, liabilities to banks, note loans and other non-current financial liabilities, the fair value was determined as the present value of future cash flows, taking account of yield curves and the TUI Group's credit spread which depended on its financial standing.

Due to the short remaining terms of cash and cash equivalents, current trade accounts receivable and other receivables, current trade accounts payable and other liabilities, the carrying amount is taken as a realistic estimate of the fair value.

The fair values of non-current trade accounts receivable and other receivables corresponded to the present values of the cash flows associated with the assets, thereby taking account of current interest parameters, which reflect market- and counterparty-related changes in conditions and expectations.

Carrying amounts and fair values according to classes and categories as at 31 Dec 2007

€ million	Carrying amount	Category under IAS 39				Values according to IAS 17 (Leasing)	Carrying amount of financial instruments	Fair value of financial instruments
		at amortised cost	at costs	Fair value with no effect on profit and loss	Fair value through profit and loss			
Assets								
Financial assets available for sale	121.9	–	121.2	0.7	–	–	121.9	121.9
Trade accounts receivable and other receivables	2,905.1	1,584.0	–	–	–	6.7	1,590.7	1,587.3
Derivative financial instruments								
Hedges	392.3	–	–	392.3	–	–	392.3	392.3
Other derivative financial instruments	49.6	–	–	–	49.6	–	49.6	49.6
Cash and cash equivalents	1,614.0	1,614.0	–	–	–	–	1,614.0	1,614.0
Assets held for sale	–	–	–	–	–	–	–	–
Equity and liabilities								
Financial liabilities	5,540.2	5,283.8	–	–	–	256.4	5,540.2	5,430.7
Trade accounts payable	2,679.0	2,679.0	–	–	–	–	2,679.0	2,679.0
Derivative financial instruments								
Hedges	273.5	–	–	273.5	–	–	273.5	273.5
Other derivative financial instruments	27.3	–	–	–	27.3	–	27.3	27.3
Other liabilities	2,217.5	194.6	–	–	–	–	194.6	194.6
Liabilities relating to assets held for sale	–	–	–	–	–	–	–	–

Carrying amounts and fair values according to classes and categories as at 31 Dec 2006

€ million	Carrying amount	Category under IAS 39				Values according to IAS 17 (Leasing)	Carrying amount of financial instruments	Fair value of financial instruments
		at amortised cost	at costs	Fair value with no effect on profit and loss	Fair value through profit and loss			
Assets								
Financial assets available for sale	123.1	–	107.4	15.7	–	–	123.1	123.1
Trade accounts receivable and other receivables	2,129.7	1,318.8	–	–	–	9.7	1,328.5	1,324.0
Derivative financial instruments								
Hedges	59.3	–	–	59.3	–	–	59.3	59.3
Other derivative financial instruments	24.7	–	–	–	24.7	–	24.7	24.7
Cash and cash equivalents	688.7	688.7	–	–	–	–	688.7	688.7
Assets held for sale	171.4	109.5	–	–	–	–	109.5	109.5
Equity and liabilities								
Financial liabilities	3,899.6	3,608.5	–	–	–	291.1	3,899.6	3,883.3
Trade accounts payable	1,958.4	1,958.4	–	–	–	–	1,958.4	1,958.4
Derivative financial instruments								
Hedges	129.8	–	–	129.8	–	–	129.8	129.8
Other derivative financial instruments	13.4	–	–	–	13.4	–	13.4	13.4
Other liabilities	1,579.0	107.1	–	–	–	–	107.1	106.9
Liabilities relating to assets held for sale	2.1	2.1	–	–	–	–	2.1	2.1

The financial investments classified as financial instruments available for sale included an amount of € 88.5 million (previous year: € 95.0 million) for stakes in partnerships and corporations. The fair value of these non-listed stakes was not effected since the cash flows could not be reliably determined. It was not possible, either, to determine reliable fair values on the basis of comparable transactions.

No significant income or expenses were recognised in the financial year under review from the disposal of shares shown in the category 'Financial assets available for sale' which are valued at acquisition cost.

Aggregation according to categories under IAS 39 (31 Dec 2007)

€ million	at amortised cost	at costs	with no effect on profit and loss	Fair value	Carrying amount Total	Fair value
				through profit and loss		
Advances and loans	3,198.0	–	–	–	3,198.0	3,194.6
Financial assets						
available for sale	–	121.2	0.7	–	121.9	121.9
held for trading	–	–	–	49.6	49.6	49.6
Financial liabilities						
at amortised costs	8,157.4	–	–	–	8,157.4	7,983.5
held for trading	–	–	–	27.3	27.3	27.3

Aggregation according to categories under IAS 39 (31 Dec 2006)

€ million	at amortised cost	at costs	with no effect on profit and loss	Fair value	Carrying amount Total	Fair value
				through profit and loss		
Advances and loans	2,117.0	–	–	–	2,117.0	2,112.5
Financial assets						
available for sale	–	107.4	15.7	–	123.1	123.1
held for trading	–	–	–	24.7	24.7	24.7
Financial liabilities						
at amortised costs	5,676.1	–	–	–	5,676.1	5,670.4
held for trading	–	–	–	13.4	13.4	13.4

Effects on results

The net results of financial instruments according to the valuation categories under IAS 39 were as follows:

Net results of financial instruments

€ million	2007			2006		
	from interests	other net results	net result	from interests	other net results	net result
Advances and loans	59.1	- 20.0	39.1	57.6	- 25.1	32.5
Financial assets available for sale	–	6.3	6.3	–	1.3	1.3
Financial assets and liabilities held for trading	–	142.6	142.6	–	54.9	54.9
Financial liabilities at amortised costs	- 301.2	14.9	- 286.3	- 267.3	6.7	- 260.6
Total	- 242.1	143.8	- 98.3	- 209.7	37.8	- 171.9

Besides interest income and interest expenses, net results primarily included results from participations, gains/losses on disposal, effects of fair value valuation and value adjustments.

Financial instruments valued at fair value but not shown in the profit and loss account in generated provision expenses of € 6.7 million (previous year: € 7.6 million).

Capital risk management

One of the key management parameters in capital risk management is gearing, i.e. relationship between the Group's net debt and Group equity according to IFRS. From a risk perspective, a balance between net debt and equity is worthwhile. The current Group target is a gearing of 80% to 110%.

In order to actively control the capital structure, the TUI Group's management may change dividend payments to the shareholders, repay capital to the shareholders and issue new shares or hybrid capital. The management may also sell assets in order to reduce Group debt.

Gearing calculation

€ million	31 Dec 2007	31 Dec 2006
Average financial debt	4,895.0	4,245.3
Average cash and cash equivalent	1,738.6	1,106.6
Average Group net debt	3,156.4	3,138.7
Average Group equity	3,183.6	3,821.1
Gearing	99.1%	82.1%