

Notes Principles and methods underlying the Consolidated Financial Statements

General

TUI AG, based in Hanover, Karl-Wiechert-Allee 4, is the TUI Group's parent company and a listed stock corporation under German law. The Company has been registered in the commercial registers of the district courts of Berlin-Charlottenburg (HRB 321) and Hanover (HRB 6580).

TUI continues to operate two core businesses, tourism and shipping. The tourism division comprises TUI Travel PLC, a company newly established in the 2007 financial year in the wake of a merger between the TUI tourism division – with the exception of the hotels managed by TUI Hotels & Resorts – and the First Choice Holidays Group, as well as the TUI Hotels & Resorts sector. In the shipping division TUI Group operates Hapag-Lloyd, one of the world's five leading container lines, and cruise activities operated by Hapag-Lloyd in the German-speaking premium and luxury market.

The members of the Executive Board and the Supervisory Board as well as other board mandates held by them are listed separately in an annex to the section 'Corporate Governance' in the annual report.

The Executive Board and the Supervisory Board have submitted the declaration of compliance concerning the German Corporate Governance Code required pursuant to section 161 of the German Stock Corporation Act (AktG) and made it permanently accessible to the general public on the Company's website (www.tui-group.com).

The financial year of TUI AG corresponds to the calendar year. If any of its subsidiaries (in particular those of the TUI Travel PLC Group) use other closing dates, audited interim financial statements are prepared in order to include these subsidiaries in the TUI Group's consolidated financial statements.

The consolidated financial statements were prepared in euro. Unless stated otherwise, all amounts were indicated in million euros (€ m).

Accounting principles

Pursuant to section 315a sub-section 1 of the German Commercial Code (HGB), in combination with the relevant EU Regulation (EEC No. 1606/2002), TUI AG is legally obliged to prepare consolidated financial statements in accordance with the rules of the International Accounting Standards Board (IASB), the International Financial Reporting Standards (IFRS).

The IFRS were applied in the form in which they have been transposed into national legislation in the framework of the endorsement process by the European Commission. In addition, the commercial-law provisions listed in section 315 sub-section 1 of the German Commercial Code were also complied with. As of the beginning of the 2007 financial year, the following interpretations published by the IASB, had to be applied:

IFRIC 7 'Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies', IFRIC 8 'Scope of IFRS 2', IFRIC 9 'Reassessment of Embedded Derivatives', IFRIC 10 'Interim Financial Reporting and Impairment'. The application of these standards did not give rise to any material changes to the TUI Group's accounting and measurement methods.

In addition, application of the newly adopted IFRS 7 'Financial Instruments: Disclosure' and the changes concerning additional disclosures related to capital management under IAS 1 'Presentation of Financial Statements' had to be applied as of 1 January 2007. Accordingly, the additional disclosures required in the notes for the year under review and the previous year as a result of these new standards were incorporated in the present financial statements.

The following directly approved, revised or newly issued standards and interpretations by the IASB, were not yet applicable in the 2007 financial year:

Summary of new standards not yet applied

Standard/Interpretation	Applicable from	Endorsement by the EU Commission
IAS 1 Presentation of financial statements – a revised presentation	1 January 2009	No
IAS 23 Borrowing costs – Annihilation of the option and adoption of the obligation to capitalise	1 January 2009	No
IAS 27 Consolidated and separate financial statements – Amendments concerning change of control	1 July 2009	No
IFRS 2 Share-based payments – Vesting: conditions and cancellation	1 January 2009	No
IFRS 3 Business combinations – revised: consolidation and accounting of goodwill	1 July 2009	No
IFRS 8 Operating segments	1 January 2009	Yes
IFRIC 11 IFRS 2 – Group and treasury share transactions	1 March 2007	Yes
IFRIC 12 Service concession arrangements	1 January 2007	No
IFRIC 13 Customer loyalty programmes	1 July 2008	No
IFRIC 14 IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008	No

This table exclusively lists regulations that will be effective as of the 2008 financial year or later, with endorsement of some regulations by the EU Commission still pending. The detailed effects of the application of these standards on TUI AG's consolidated financial statements are currently not yet known or cannot be reasonably assessed.

Changes in accounting and valuation methods and the structure of items of the profit and loss statement

According to IAS 8, the effects on the previous year's figures of changes in accounting and valuation methods implemented in the current financial year must be shown by restating the previous year's figures. In order to enhance comparability, the restated previous year's figures both for the profit and loss statement and the balance sheet are presented alongside the originally published previous year's figures.

Since the beginning of the 2007 financial year, TUI AG has exercised the option under IAS 1 to structure the consolidated profit and loss statement according to the cost of sales. Under this format turnover is presented together with the cost of sales incurred to generate the turnover. Structuring the consolidated profit and loss statement in accordance with the cost of sales format enhances the international comparability of reporting. This change in the presentation format relates to all operating income and expenses with the exception of turnover.

Using the allowed alternative treatment under IAS 23, TUI AG has changed its accounting method for borrowing costs in connection with qualified assets. The accounting method now applied results in the capitalisation of borrowing costs directly attributable to the acquisition, construction or production of qualified assets (in particular aircraft, hotels and ships within TUI Group). This presentation provides a more meaningful presentation of the acquisition costs for assets entailing major financing costs and facilitates comparison with the acquisition costs of assets for which the financing costs have been included in the calculation of the purchase price.

The capitalisation of borrowing costs had the following effects on items in the consolidated financial statements:

**Effect of the capitalisation of borrowing costs
on items in the consolidated profit and loss statement**

€ million	2007	2006
Cost of sales (depreciations)	0.4	0.4
Other income/other expenses	- 4.0	- 1.6
Interest expenses	- 14.9	- 7.0
Income taxes	1.8	1.8
Group profit	8.7	3.2

**Effect of the capitalisation of borrowing costs
on items in the consolidated balance sheet**

€ million	31 Dec 2007	31 Dec 2006
Property, plant and equipment	26.9	16.4
Revenue reserves	21.0	12.3
Provision for deferred taxes	5.9	4.1

The interest rate for inter-group financing is 5.81% for the financial year 2007 and 5.63% for 2006.

The retroactive application of the capitalisation of borrowing costs resulted in an increase in revenue reserves of € 9.1 million in the opening balance sheet as per 1 January 2006. The change of this method does not have any significant change on the cash flow or the earnings per share.

Besides the changes to the recognition and valuation methods resulting from the exercise of alternative treatment options offered under individual standards, the following adjustments were made:

Due to the integration of the operating activities of the CP Ships Group in Hapag-Lloyd, the primary economic environment of the shipping division changed fundamentally, so that the functional currency was changed from Euro to US dollar. The assessment of the functional currency was based on both, freight rates as well as cash inflow and cost structures. Since 1 January 2007, the operating container shipping companies have therefore prepared their financial statements in US dollar.

In the period under review, the valuation method for provisions for leased aircraft maintenance work was changed. As a result, the corresponding provisions rose by a total of € 21.8 million as at 31 December 2006. At the same time, provisions for deferred income taxes declined by € 6.6 million.

In order to enhance international comparability, the expenses and income from changes in the value of financial instruments due to hedging transactions for bunker oil, aircraft fuel and future cash flows in foreign currencies were allocated to the expense or income items under which the hedged item were reported and were no longer shown under the financial result. As a result, the financial result declined by € 47.4 million for 2006 and € 126.5 million for the 2007 financial year.

Principles and methods of consolidation

Principles

The consolidated financial statements included all major companies in which TUI AG was able, directly or indirectly, to determine the financial and operating policies so as to obtain benefits from the activity of these companies (subsidiaries). As a rule, the control was exercised by means of a majority of voting rights. The consolidation of the RIUSA II Group was based on de facto control, with TUI AG and the co-shareholder holding equal interests and voting rights. In the light of overall conditions and circumstances, TUI AG was able in this case to determine the financial and operating policies so as to obtain benefits from the activity of this hotel group. In assessing whether the Group is able to exercise control, the existence and effect of potential voting rights which may currently be exercised or converted are taken into account. Consolidation of such companies started as from the date at which the TUI Group gained control. When the TUI Group ceased to control the corresponding companies, they were removed from consolidation.

The consolidated financial statements were prepared on the basis of the annual individual or consolidated financial statements of TUI AG and its subsidiaries, prepared on the basis of uniform accounting, valuation and consolidation methods and audited by auditors.

Shareholdings in companies in which the Group was able to exert significant influence over the financial and operating decisions within these companies (associated companies, where as a matter of principle there is shareholdings of 20% but less than 50%) were carried at equity. Companies managed jointly with one or several partners (joint ventures) were also measured at equity. The dates as of which associated companies and joint ventures were included in or removed from the group of companies measured at equity were determined in analogy to the principles applying to subsidiaries. At equity measurement in each case was based on the last audited annual or consolidated financial statements, whereas the financial year corresponded to the calendar year. One joint venture had a differing financial year from 1 April to 31 March and three companies had financial years from 1 November to 31 October of the following year.

Group of consolidated companies

In the 2007 financial year, the consolidated financial statements included besides TUI AG a total of 46 domestic and 683 foreign subsidiaries.

56 domestic and 93 foreign subsidiaries were not included in the consolidated financial statements. Even when taken together, these companies were not significant for the presentation of a true and fair view of the financial position and performance of the Group.

Since 31 December 2006, a total of 369 companies were included in consolidation for the first time. This number included 342 companies (including TUI Travel PLC) added to consolidation due to the acquisition of control over First Choice Holidays PLC on 3 September 2007. In addition, a further 20 companies were added to the group of consolidated companies due to acquisitions. Five additional companies were added to consolidation due to the expansion of their business activities, and two newly established companies were included in consolidation in 2007. The additions to consolidation included 367 companies added to the tourism division, with two companies added to the shipping division.

Since 31 December 2006, a total of 27 companies were removed from the group of consolidated companies. Eleven of these companies were from the tourism division while 16 companies had been operating in the shipping division. Six of the deconsolidated companies were removed from the group of consolidated companies due to the sale of the Irish Budget Travel Group. A further 21 companies were deconsolidated due to the liquidation or merger of companies.

Seventeen associated companies and 33 joint ventures were measured at equity. The group of companies measured at equity declined by four year-on-year. While two companies were added to the group of consolidated companies due to the purchase of additional shares, four companies were removed from the group of companies measured at equity due to the sale of shares, liquidation or reduction of the business activities. Additions to this group mainly resulted from the acquisition of interests in two companies. One company was reclassified from associated companies to joint ventures.

**Development of the group of consolidated companies¹⁾
and the group of companies measured at equity**

	Balance 31 Dec 2006	Additions	Disposals	Balance 31 Dec 2007
Consolidated subsidiaries	387	369	27	729
Domestic companies	39	8	1	46
Foreign companies	348	361	26	683
Associated companies	22	1	6	17
Domestic companies	5	–	1	4
Foreign companies	17	1	5	13
Joint ventures	32	2	1	33
Domestic companies	7	–	1	6
Foreign companies	25	2	–	27

¹⁾ excl. TUI AG

The major direct and indirect subsidiaries, associated companies and joint ventures of TUI AG are listed in the major shareholdings section. A complete list of shareholdings is published in the electronic Federal Gazette (www.ebanz.de).

The effects of the changes in the group of consolidated companies in the 2007 financial year on the years 2007 and 2006 are outlined below. While the balance sheet values of companies removed from consolidation in the 2007 financial year were shown as per closing date for the previous period, the items in the profit and loss statement were also shown for the 2007 financial year due to prorated effects.

**Effects of changes in the group of consolidated companies
on the consolidated balance sheet**

€ million	Additions 31 Dec 2007	Disposals 31 Dec 2006
Non-current assets	5,156.0	4.5
Current assets	1,665.6	72.2
Non-current provisions	387.8	–
Current provisions	57.7	0.4
Non-current financial liabilities	718.6	–
Current financial liabilities	10.2	–
Non-current other liabilities	106.4	0.0
Current other liabilities	3,419.9	15.2

**Effects of changes in the group of consolidated companies
on the consolidated profit and loss statement**

€ million	Additions 2007	2007	Disposals 2006
Turnover with third parties	1,356.5	151.9	158.7
Turnover with consolidated Group companies	63.2	4.4	5.7
Cost of sales	1,374.9	146.5	158.4
Administrative expenses	220.4	5.2	8.7
Other income/other expenses	+ 1.1	- 2.0	0.0
Financial income	33.6	2.4	0.8
Financial expenses	86.2	–	–
Earnings before income taxes	- 227.1	5.0	- 1.9
Income taxes	- 42.6	0.7	- 0.2
Income from transfer of losses from affiliated companies	90.4	–	–
Result from continuing operations	- 94.1	4.3	- 1.7
Result from discontinuing operations	–	–	–
Group profit/loss for the year	- 94.1	4.3	- 1.7

Acquisitions – divestments

Through the purchase agreement dated 31 January 2007, the tour operator TUI Deutschland GmbH purchased the remaining 25% of the ordinary share capital of E.V.S. Beteiligungsgesellschaft mbH, Rengsdorf (Berge & Meer Group). This company had already been consolidated by the TUI Group, at a purchase price of € 19.1 million in addition to the 75% share already held.

On 4 June 2007, the EU Commission approved the merger, agreed on 19 March 2007, between TUI's tourism division – with the exception of the hotel companies operated by TUI Hotels & Resorts – and the British travel group First Choice Holidays PLC to form TUI Travel PLC. Approval was granted subject to the condition that TUI AG sells its Irish subsidiary Budget Travel. On 29 June 2007, TUI AG and First Choice Holidays PLC published the prospectus for TUI Travel PLC, the company created by the planned merger, in order to enable admission to trading on the London Stock Exchange. On 25 July 2007, the shareholders of First Choice Holidays PLC approved the merger at an extraordinary annual general meeting.

The merger was implemented on 3 September 2007 by means of a share swap with the newly established TUI Travel PLC, whose shares have since been traded on the London Stock Exchange. In the wake of this share swap, TUI AG received 51.0% of the shares in TUI Travel PLC and a compensation claim to create the debt agreed in the Merger Agreement for TUI's tourism division involved in the merger in exchange for all shares in companies of TUI's tourism division held by the TUI Group. The share swap in First Choice Holidays PLC was effected by means of a scheme of

arrangement under which one share in First Choice Holidays PLC was swapped into one share in TUI Travel PLC. TUI AG now holds with 51.0% of issued shares in the company, i.e. the majority of voting rights, while the former shareholders of First Choice Holidays PLC hold 49.0% of the shares in TUI Travel PLC.

Pursuant to IFRS 3, the transfer of TUI's tourism division had to be treated as a 'transaction under common control' and was therefore explicitly excluded from the scope of IFRS 3 with regard to TUI's tourism division.

The equity of the First Choice Holidays Group, provisionally determined in accordance with the International Reporting Standards, totals GBP - 65.7 million (€ - 97.1 million). In accordance with IFRS 3, the fair values of the assets, liabilities and contingent liabilities acquired and the acquisition costs have only been calculated on a provisional basis to date due to the short period passed since the acquisition of the extensive First Choice Holidays Group. The proportionate net assets of TUI tourism division at fair value on the day of the stock exchange was € 1,164.6 million plus incidental costs of € 12.3 million. The elimination of the acquisition costs against the proportionate, provisionally revalued equity taking into account the minority share (€ - 50.8 million) resulted in the capitalisation of goodwill of the equivalent of € 1,227.7 million in the consolidated balance sheet.

Balance sheet of the First Choice Holidays Group as at the date of first-time consolidation

	Carrying amounts at date of acquisition		Revaluation of assets and liabilities		Revalued carrying amounts at date of first-time consolidation	
	£ million	€ million	£ million	€ million	£ million	€ million
Goodwill	697.5	1,030.9	- 697.5	- 1,030.9	0.0	0.0
Other intangible assets	109.4	161.7	547.9	809.8	657.3	971.5
Property, plant and equipment	268.0	396.1	4.2	6.2	272.2	402.3
Investments	35.2	52.0	-	-	35.2	52.0
Fixed assets	1,110.1	1,640.7	- 145.4	- 214.9	964.7	1,425.8
Inventories	21.6	31.9	-	-	21.6	31.9
Trade accounts receivable	271.9	401.9	-	-	271.9	401.9
Other receivables, other assets and prepaid expenses	388.0	343.9	-	-	232.7	343.9
Deferred income tax provisions	1.3	1.9	5.1	7.5	6.4	9.4
Cash and cash equivalents	322.4	476.5	-	-	322.4	476.5
Pension provisions	7.0	10.3	-	-	7.0	10.3
Current and deferred income tax provisions	24.4	36.1	162.0	239.4	186.4	275.5
Other provisions	53.1	78.5	17.6	26.0	70.7	104.5
Financial liabilities	559.9	827.5	-	-	559.9	827.5
Trade accounts payable	674.3	996.6	-	-	674.3	996.6
Other liabilities	545.5	806.2	- 3.1	- 4.6	542.4	801.6
Equity	251.1	371.1	- 316.8	- 468.2	- 65.7	- 97.1
of which minority interest	0.9	1.3	-	-	0.9	1.3

In the period from September to December, the First Choice Holidays Group posted external turnover of GBP 945.4 million (€ 1,342.5 million) with earnings after tax of GBP - 57.1 million (€ - 81.0 million) including the depreciation of the revalued assets carried in the wake of the purchase price allocation. Taking account of TUI Travel PLC's loss for the year, earnings after tax showed an interest-induced decline of a further GBP 7.6 million (€ 10.8 million). From the beginning of the financial year until the date of first-time consolidation, the First Choice Holidays Group generated turnover of GBP 2,231.0 million (€ 3,305.2 million) an underlying EBITA of GBP 136.7 million (€ 202.5 million) and an EBITA of GBP 70.3 million (€ 104.1 million) as well as earnings after tax of GBP 21.0 million (€ 31.1 million).

In March 2007, the Italian Tenuta di Castelfalfi S.p.A., established in 2006 with a co-partner holding a 15.0% stake, acquired around 1,100 hectares of land with historical buildings in Tuscany, in the Montaiione municipality, at a purchase price (including incidental costs) of a total of € 105.6 million. In connection with the comprehensive hotel and property project 'Toscana Resort Castelfalfi', based on this property purchase, the land and buildings were carried at their fair values, provisionally determined for similar property based on the sales comparison approach in accordance with IFRS 3. The fair value of the land and buildings was provisionally determined as € 45.0 million and recognised accordingly in the balance sheet. This resulted in goodwill of € 60.6 million.

In addition, a further 17 companies were acquired in the financial year under review at total acquisition costs of € 115.8 million (incl. incidental costs).

Summary presentation of other acquisitions

Name and headquarters of the acquired company	Business activity	Acquirer	Date of acquisition	Acquired share %	Acquisition costs ¹⁾ € million
Holidays Services S.A. (Morocco) including their 100% share in a further tourism company	Tourism tour operator	TUI AG	30 May 07	40.2 ²⁾	4.6
Starquest Expeditions, Inc. (Seattle, USA)	Provider of luxury tours	First Choice Holding, Inc.	1 Sep 07	100.0	36.8
New Horizons Tour & Travel, Inc. (Jackson, USA)	Provider of study tours	First Choice Holding, Inc.	7 Sep 07	100.0	3.7
Travel Turf, Inc. (Allentown, USA)	Provider of study tours under the rand name World Class Vacations	First Choice Holding, Inc.	14 Sep 07	100.0	6.6
Asiarooms Pte., Ltd. (Singapore)	Agency for hotel accommodation	Pacific World Singapore Pte., Ltd.	28 Sep 07	100.0	34.5
National Tours, Inc. (Utah, USA)	Tour operator for sports and music events	First Choice Holding, Inc.	13 Nov 07	100.0	1.1
Cruiselink II Ltd. (New Jersey, USA)	Provider of services for Cruise companies	First Choice Holding, Inc.	28 Nov 07	100.0	6.1
CHS Tour Services GmbH (Austria) including their 100% share in three further tourism companies	Special tour operator for skiing-courses for schools	Ski Bound Ltd.	6 Dez 07	100.0	16.8
Pinnacle Tours PTY (Perth, Australia) including four further 100% shares	Special tour operator for Australia	Trek America Travel Ltd.	6 Dez 07	100.0	5.6
Total					115.8

¹⁾ The acquisition costs in foreign currencies were translated into € at the exchange rate as at the date of the respective transaction and also comprised the incidental costs.

²⁾ Following the acquisition of 42.3%, TUI AG now holds 90.2% of the shares of the previous joint venture.

Besides the purchase prices already paid, the cost of acquisition in some cases also comprised the best possible estimate of additional purchase price portions depending on future events.

Summary presentation of the other balance sheets as at the date of first-time consolidation

€ million	Carrying amounts at date of acquisition	Revaluation of assets and liabilities	Revalued carrying amounts at date of first-time consolidation
Intangible assets	0.6	29.0	29.6
Property, plant and equipment	3.7	–	3.7
Investments	1.2	–	1.2
Fixed assets	5.5	29.0	34.5
Inventories	0.2	–	0.2
Receivables and other assets including prepaid expenses	14.8	–	14.8
Cash and cash equivalents	24.3	–	24.3
Deferred income tax provisions	–	9.2	9.2
Other provisions	3.0	–	3.0
Financial liabilities	2.4	–	2.4
Liabilities and deferred income	48.6	–	48.6
Equity	- 9.2	19.8	10.6

The difference of € 105.2 million between the cost of acquisition and the revaluated net assets acquired was provisionally carried as goodwill for the respective companies.

Since the date of first-time consolidation, the companies mentioned above have generated turnover of € 11.0 million and earnings after income taxes of € 1.1 million. Until the date of the transfer of the shares, the companies generated turnover of € 75.3 million and earnings after tax of € 1.0 million.

With effect from 5 January 2007, the minority share in Germanischer Lloyd AG held by Hapag-Lloyd AG (around 2.6%) was sold at a purchase price of € 15.1 million. In accordance with IFRS 5, this minority interest was classified as a non-current asset held for sale and shown in a separate balance sheet item as at the end of the 2006 financial year.

On 21 February 2007, CP Ships Limited concluded a contract concerning the sale of the essential assets and liabilities of Montreal Gateway Terminals to Montreal Gateway Terminals Limited Partnership, a company established for that purpose by Morgan Stanley Infrastructure Partners. The agreements were effective as at 9 March 2007. Montreal Gateway Terminals were part of the business operations of the container shipping line CP Ships, acquired in 2005.

Since the sales negotiations had become increasingly specific, the assets and liabilities of Montreal Gateway Terminals held for sale had already been classified as a disposal group in accordance with IFRS 5 and shown in separate balance sheet items as at the end of the 2006 financial year.

Until 9 March of the 2007 financial year, Montreal Gateway Terminals generated turnover of € 17.1 million and earnings after tax of € 1.4 million. In the first quarter of 2006, turnover amounted to € 25.8 million with earnings of € 9.9 million.

The container terminal business was acquired at a price of the equivalent of € 324.6 million by Montreal Gateway Terminals Limited Partnership in the form of an asset deal. The purchase price was paid in cash for the most part, with the remainder

paid in the form of a transfer of a 20% share in the new company. This interest was measured at equity by the TUI Group. After deduction of expenses of € 4.6 million associated with the sale and taking account of the disposal of the goodwill thus removed totalling the equivalent of € 4.4 million, the divestment generated overall positive earnings before tax of € 185.4 million in the shipping division in the 2007 financial year.

In complying with the condition linked to the approval of the merger between First Choice Holidays PLC and TUI's tourism division to form TUI Travel PLC by the anti-trust authorities, all shares held in the Irish Budget Travel Group were sold to the Islandic Primera Travel Group against payment of € 5.5 million with a book loss of € 6.8 million in October 2007. The goodwill of this Irish TUI group had previously been fully amortised in the third quarter of 2007 at an amount of € 33.7 million on the basis of the value ratios of the forthcoming divestment. From January to August 2007, the Budget Travel Group generated turnover of € 129.2 million and earnings after tax of € 5.4 million. For the entire year 2006, this group had posted turnover of € 169.2 million and a loss after income taxes of € 1.5 million.

Currency translation

Foreign currency transactions were translated into the functional currency at the exchange rates as at the date of the transaction. Any gains and losses resulting from the execution of such transactions and the translation of monetary assets and liabilities in foreign currencies at the exchange rate as at the date of the transaction were shown in the profit and loss statement, with the exception of gains and losses to be carried in equity as qualified cash flow hedges.

The financial statements of companies have been prepared in the respective functional currency. The respective functional currency corresponds to the currency of the economic environment in which the company primarily operates. With the exception of the operative container shipping companies and two companies in the tourism division, the functional currencies of all subsidiaries corresponded to the currency of the country of incorporation of the respective subsidiary.

Where subsidiaries prepared their financial statements in currencies other than the euro, i.e. the Group's reporting currency, the assets, liabilities and balance sheet notes were translated at the mean rate of exchange applicable at the balance sheet date (closing rate). Goodwill allocated to these companies and adjustments of the fair value arising on the acquisition of a foreign company were treated as assets and liabilities of the foreign company and also translated at the closing rate. The items of the profit and loss statement and hence the profit for the year shown in the profit and loss statement were translated at the annual average rate. Any currency differences arising from the translation of net investments in economically independent foreign sub-entities, debt and other currency instruments classified as hedges of such investments were carried in equity with no effect on results.

Translation differences related to non-monetary items with changes in their fair values eliminated with an effect on results (e.g. equity instruments measured at fair value through profit and loss) were carried as a gain or loss from measurement at fair value in the profit and loss statement. In contrast, translation differences for non-monetary items with changes in their fair values taken to equity (e.g. equity instruments classified as held for sale) were carried in revenue reserves under the revaluation reserve.

The TUI Group did not hold any subsidiaries operating in hyperinflationary economies in the financial year under review, nor in 2006.

The currency translation of the financial statements of foreign companies measured at equity followed the same principles for adjusting equity and translating goodwill as those used for consolidated subsidiaries.

Differences resulting from the translation of the financial statements of foreign subsidiaries were carried with no effect on results and separately shown as differences from currency translation in the statement of changes in equity. When a foreign company or operation was sold, any currency differences previously carried in equity with no effect on results were recognised as a gain or loss from disposal in the profit and loss statement. If the net investment in a foreign company or operation was reduced, the corresponding currency differences were realised through profit and loss at an amount in relation to that reduction.

Exchange rates of relevant currencies to the TUI Group

each €	31 Dec 2007	Closing rate 31 Dec 2006	2007	Average rate 2006
British pound sterling	0.73	0.67	0.68	0.68
US dollars	1.47	1.32	1.37	1.26
Swiss francs	1.66	1.61	1.64	1.57
Swedish kronas	9.44	9.04	9.25	9.25

Consolidation methods

The accounting of the net assets of acquired subsidiaries was based on the purchase method. Accordingly, initially irrespective of existing minority shares, a complete fair value measurement of all identifiable assets, liabilities and contingent liabilities was effected as at the acquisition date. Subsequently, the acquisition costs plus the costs directly attributable to the acquisition, were eliminated against the revalued equity allotted to the acquired interest. Debit differences from acquisitions were recognised as goodwill for all companies purchased since 1 October 1995 and recognised as an asset for the acquired subsidiary in accordance with the provisions of IAS 21. Debit differences from acquisitions arising before that date continued to be eliminated against other revenue reserves. Any negative goodwill was immediately reversed with an effect on results, with the reversal effect carried under 'Other income'.

Due to the application of IRFS 3 'Business Combinations', goodwill was no longer amortised. Goodwill was regularly tested for impairment, at least annually, following the completion of the annual planning process. Additional impairment tests were effected if any triggering events suggested a potential impairment in goodwill.

As before, transactions involving minority interests were treated in the same way as transactions with equity providers for the Group. Goodwill arising in the framework of the acquisition of minority interests was directly eliminated against other revenue reserves. Goodwill arising in the framework of the divestment of minority interests was also directly carried in other revenue reserves.

In the event of acquisitions in stages, a complete fair value measurement of assets and liabilities of the acquired company was effected as at every acquisition date. The goodwill to be recognised arose from the elimination of the acquisition cost against the acquiree's revalued equity attributable to the acquired share at the

respective acquisition date. Any changes in the fair values of assets and liabilities arising in between the acquisition dates were recognised in equity in the consolidated balance sheet in accordance with the participation quota which did not yet result in consolidation of the company, with no effect on results and were carried in the revaluation reserve. In the framework of the removal of a company from consolidation, this revaluation reserve was eliminated against other revenue reserves.

The difference between the income from the disposal of the subsidiary and pro-rated Group equity, including recognised translation differences, previously carried with no effect on result, differences from the revaluation reserve, the reserve for changes in the value of financial instruments as well as interim profits, was carried as a profit or loss in the consolidated profit and loss statement as at the disposal date. This principle did not apply to actuarial gains or losses carried in Group equity with no effect on results in the framework of the recognition of pension obligations in accordance with IAS 19. In the event of a disposal of subsidiaries, the goodwill attributable to these subsidiaries was included in the determination of the gain or loss on disposal.

The Group's major associated companies and joint ventures were measured at equity and shown in the balance sheet at the cost of acquisition as at the acquisition date. The group's share in associated companies and joint ventures included the goodwill arising in each acquisition transaction.

The Group's share in profits and losses of associated companies and joint ventures was carried in the profit and loss statement as from the date of acquisition (Result from companies measured at equity), while the Group's share in changes in reserves was shown in its revenue reserves. Accumulated changes arising after the acquisition were eliminated against the carrying amount of the participation. Where the share in the loss of an associated company or joint venture equalled or exceeded the Group's share in this company, including other unhedged receivables, no further losses were recognised as a matter of principle. Any losses exceeding that share were only recognised where obligations had been assumed or payments had been made for the associated company or joint venture.

Intra-group receivables and liabilities or provisions were eliminated. Where the conditions for a consolidation of third-party liabilities were met, this consolidation method was applied. Interim profits from transactions between subsidiaries and companies measured at equity were eliminated in relation to the Group's share in the companies. Any interim losses were also eliminated unless the transaction entailed indications of a potential impairment of the transferred asset. Where the accounting and measurement methods applied by associated companies and joint ventures differed from the uniform accounting rules applied in the Group, amendments were made unless the relevant facts were sufficiently known or accessible.

Intercompany turnover and other income from intercompany transactions as well as the corresponding expenses were eliminated. Intercompany profits and losses from intra-group deliveries or services were eliminated with an effect on results, with deferred income taxes taken into account. However, intercompany losses were understood as suggesting that an impairment test had to be effected for the transferred assets. Intra-group deliveries and services were usually provided at the arm's length principle. Intercompany profits from deliveries to and from companies measured at equity were eliminated on the basis of the same principles when the corresponding facts were known.

Accounting and measurement

The financial statements of the subsidiaries included in the TUI Group were prepared in accordance with uniform accounting and measurement principles. The amounts stated in the consolidated financial statements were not determined by tax regulations but solely by the economic presentation of the net worth and financial position as set out in the rules of the IASB.

Realisation of income

Turnover comprised the fair value of the consideration received or to be received for the sale of products and services in the framework of ordinary business activities. Turnover was carried excluding value-added tax, returns, discounts and price rebates and after elimination of intra-Group sales.

As a matter of principle, turnover and other operating income was carried upon rendering of the service or delivery of the assets and hence by transfer of the risk.

The commission fees charged by travel agencies for package tours were recognised upon payment by the customers or, at the latest, upon their departure. The services of tour operators mainly consisted in the organisation and coordination of package tours. Turnover from the organisation of package tours was therefore fully recognised upon the start of the tour. Turnover from individual travel modules booked directly from airlines, hotel companies or incoming agencies by customers was recognised when the customers had used the respective services.

Income from non-completed shipping tours was recognised according to the proportion of contract performance at the balance sheet date. In container shipping, the percentage of completion was determined in accordance with the relationship between the expenses already incurred and the expected overall expense for the shipping tour. The realisation of income was based on the profit margins determined for the individual trade lanes and constantly reviewed. In the cruise sector, the percentage of completion was determined as the ratio between travel days completed by the balance sheet date and overall travel days.

Interest income and interest expenses not to be capitalised under IAS 23 were reported on an accrual basis according to the effective interest method. Dividends were reported when the legal claim had arisen.

Goodwill and other intangible assets

Acquired intangible assets were carried at cost. Self-generated intangible assets, primarily software for use by the Group itself, were capitalised at cost where an inflow of future economic benefits for the Group was probable and could be reliably measured. The cost of production comprised direct costs and directly allocable overheads. Intangible assets with a limited service life were amortised over the expected useful life. Concessions and industrial property rights and similar rights and values were amortised over a period of up to 20 years. Software amortisation usually covered a period of three years, in exceptional cases up to ten years.

Intangible assets with an indefinable useful life were not amortised but had to be tested for impairment at least annually. In addition, impairment tests had to be conducted if any triggering events suggested a potential impairment. The TUI Group's intangible assets with an useful life exclusively consisted of goodwill.

Impairment tests for goodwill were conducted on the basis of cash generating units. According to the IASB rules, cash-generating units are the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets. Following the merger of TUI's tourism division (with the exception of the hotels managed by TUI Hotels & Resorts) with the activities of the First Choice Holidays Group to form TUI Travel PLC and the associated control and monitoring of the overall goodwill for TUI Travel PLC as a unit, TUI Travel PLC represented an independent cash generating unit in the tourism segment. Allocation within the TUI Hotels & Resorts sector was based on the different hotel groups. The container shipping segment was defined as one single cash generating unit.

Impairments were effected where the carrying amounts of the tested units plus the allocated goodwill exceeded the recoverable amount. The recoverable amount corresponded to the higher of fair value less costs to sell and the present value of future payment flows of the tested entity based on continued use within the company (value in use). The fair value less cost to sell corresponds to the amount that could be generated between knowledgeable, willing, independent business partners in an arm's length transaction after deduction of the cost to sell. Due to the restrictions applicable to the determination of the cash flows to derive the value in use, e.g. the requirement not to account for earnings effects from investments in expansions or from restructuring activities for which no provision was formed according to IAS 37, the fair value less cost to sell usually exceeds the value in use and therefore represents the recoverable amount.

Since a fair value was not available in an active market for the entities to be tested, with the exception of TUI Travel PLC, it was determined by means of discounting the expected cash flows. This was based on the medium-term plan for the entity under review, prepared at the end of 2007, following deduction of income tax payments. The assumptions underlying the planning are outlined in the section 'Report on Expected Developments' in the management report. For the detailed planning period from 2008 to 2010, the weighted average cost of capital after income taxes which formed the discounting basis was 7.81% p. a. for the TUI Travel PLC sector, 7.42% p. a. for TUI Hotels & Resorts and 9.62% for the shipping division. Taking account of a growth markdown of 1.0% p. a., the corresponding figures were 6.81% p. a., 6.42% p. a. and 8.62% p. a., respectively, for the longer-term period. The fair values determined were tested against market multiples. The costs to sell to be taken into account were determined on the basis of empirical values related to past transactions.

Where the original causes for impairments charged in previous years no longer applied, the impairment was written back to Other income. In accordance with IAS 36, write-backs of goodwill were not admissible.

Property, plant and equipment

Property, plant and equipment were measured at amortised cost. The cost of purchase comprised all costs incurred to purchase an asset and bring it to working condition. The cost of production was determined on the basis of direct costs and appropriate allocations of overheads and depreciation.

Borrowing costs directly associated with the acquisition, construction or production of qualified assets were included in the cost of acquisition or cost of production until the assets are ready for their intended use or sale. Other borrowing costs were recognised as current expenses.

To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the underlying capitalisation rate was used to determine the borrowing cost; in all other cases the weighted average of the borrowing costs applicable to the borrowings outstanding during the period was applied.

Use-related depreciation and amortisation was based on the following useful lives:

Useful lives

	Useful lives
Hotel buildings	30 to 40 years
Other buildings	up to 50 years
Container ships	25 years
- Classification costs	depending on intervals, up to 5 years
Cruise ships	30 years
- Classification costs	depending on intervals, up to 2 years
Yachts and motorboats	15 or 24 years
Aircraft	
- Fuselages	18 years
- Engines	18 years
- Engine overhaul	depending on intervals, up to 5 years
- Major overhaul	depending on intervals, up to 5 years
- Spare parts	12 years
Containers and semi-trailers	up to 12 years
Other machinery and fixtures	up to 40 years
Operating and business equipment	up to 10 years

Moreover, the level of depreciation was determined by the residual amounts recoverable at the end of the useful life of an asset. While the residual value of a container ship was determined in particular on the basis of its scrap value, the residual value assumed for cruise ships and their hotel complexes amounted to 30% of the acquisition costs. The determination of the depreciation of aircraft fuselages, aircraft engines and spare parts in first-time recognition was based on a residual value of 20% of the cost of acquisition.

Both the useful lives and assumed residual values are reviewed on an annual basis in the framework of the preparation of the annual financial statements. The review of the residual values was based on comparable assets at the end of their useful lives as at the current point in time. Any adjustments required were effected as a correction of depreciation over the remaining useful life of the asset. The restatement of depreciation was effected retrospectively for the entire financial year in which the review took place. Where the review resulted in an increase of the residual value so that it exceeded the remaining net carrying amount of the asset, depreciation was suspended. In this case, the amounts were not written back.

Any losses in value expected to be permanent and going beyond wear-and-tear depreciation were taken into account by means of the recognition of impairment losses. If there were any triggering events suggesting a potential impairment, the carrying value of an asset was compared with the recoverable amount in the framework of the impairment test required in that case. The recoverable amount is the higher of an asset's fair value less costs to sell and the value of future cash flows attributable to the asset (value in use).

Investment grants received were shown as reductions in cost where these grants were directly attributable to individual property, plant or equipment items. Where a

direct allocation of grants was not possible, the grants and subsidies received were carried as deferred income under 'Other liabilities' and reversed in accordance with the useful life of the investment project.

Finance leases

In accordance with IAS 17, leased property, plant and equipment in which the TUI Group carried all essential risks and rewards incident to ownership of the assets were capitalised. The capitalisation was based on the fair value of the asset or the present value of the minimum lease payments, if lower. Depreciation was charged over the useful life or the lease term, if shorter, on the basis of the depreciation method applicable to comparable purchased or manufactured assets. The payment obligations arising from future lease payments were carried as liabilities, with no consideration of future interest expenses. Every lease payment was broken down into an interest portion and a redemption portion so that liability from the lease yielded constant interest. The interest portion was carried in the profit and loss statement with an effect on results.

Where companies of the TUI Group were lessors in finance leases, receivables equivalent to the net investment value were carried for the lease. The periodical distribution of the income from finance leases resulted in constant interest payments on the outstanding net investment volume of the leases over the course of time. Rental income from operating leases was recognised on a straight-line basis over the term of the corresponding contract.

Investment property

Property not occupied for use by Group companies and exclusively held to generate rental income and capital gains was recognised at amortised cost. This property was amortised over a period of up to 50 years.

Financial instruments

Financial instruments are contractual rights or obligations that will lead to an inflow or outflow of financial assets or the issue of equity rights. They also comprise derivative rights or obligations derived from primary financial instruments.

In accordance with IAS 39, financial instruments were broken down into financial assets or liabilities to be measured at fair value through profit and loss, loans and receivables, financial assets available for sale and financial assets held to maturity as well as other liabilities.

In terms of financial instruments measured at fair value through profit and loss, the TUI Group exclusively held derivative financial instruments mandatory classified as held for trading. The fair value option was not exercised. Moreover, the TUI Group held financial assets in the 'Loans and receivables' and the 'Available for sale' categories. However, it did not hold any assets held to maturity in the period under review.

No reclassifications were effected within the measurement categories in the 2007 financial year, nor in 2006.

Financial assets

Financial assets were recognised as at the trading date on which the Group committed to buy the asset. Financial assets were classified as loans and receivables or as financial assets held for sale when recognised for the first time. Loans and receivables as well as financial assets available for sale were initially recognised at fair value plus transaction costs.

Loans and receivables are non-derivative financial assets with fixed or fixable payments not listed in an active market. They are shown under 'Trade account receivable and other receivables' in the balance sheet and classified as current receivables where they mature within twelve months after the balance sheet date.

In the framework of follow-up measurement, loans and receivables were measured at amortised cost based on the effective interest method. Value adjustments were made to account for identifiable individual risks. Where default of a certain portion of the receivables portfolio was probable, impairments were effected at an amount corresponding to the expected loss. Impairments and write-backs of impairments were carried under 'Cost of sales' or 'Administrative expenses', depending on the technical nature of the transaction.

Financial assets available for sale are non-derivative financial assets either individually expressly allocated to this category or not allocable to any other category of financial assets. In the TUI Group, they exclusively consisted of shares in companies and securities held. They had to be allocated to non-current assets unless the management intended to sell them within twelve months after the balance sheet date.

Financial assets available for sale were measured at their fair value after their initial measurement. Changes in fair values were carried in equity with no effect on results up to their disposal. A permanent reduction in fair value gave rise to impairments with an effect on results. In the event of subsequent reversal of the impairment, the impairment carried with an effect on results was not reversed for equity instruments but eliminated against equity with no effect on results. Where a listed market price in an active market was not available for shares held and other methods to determine an objectifiable market value were not applicable, the shares were measured at amortised cost.

A derecognition of assets was effected as at the date on which the rights for payments from the asset ceased or were transferred and therefore as at the date essentially all risks and rewards associated with ownership were transferred.

Derivative financial instruments and hedging

In the framework of initial measurement, derivative financial instruments were measured at the fair value attributable to them on the day of the conclusion of the agreement. The follow-up measurement was also effected at the fair value applicable at the respective balance sheet date. Where derivative financial instruments were not part of a hedge in connection with hedge accounting, they had to be classified obligatory as held for trading in accordance with IAS 39. The method used to carry profits and losses depended on whether the derivative financial instrument was classified as a hedge, and on the type of the underlying hedged item. As a matter of principle, the Group classifies derivative financial instruments either as fair value hedges to hedge against the risk of changes in the fair value of assets or liabilities or as cash flow hedges to hedge against the risks of fluctuating cash flows from highly probable future transactions.

Upon conclusion of the transaction, the Group documents the hedging relationship between the hedge and the underlying item, the risk management goal and the strategy pursued in entering into the hedges. In addition, an assessment is made and documented both at the beginning of the hedge relationship and on a continual basis as to whether the derivatives used for the hedge compensate for the

changes in the fair values or cash flows of the hedged item in a highly effective manner. Derivative financial instruments held for trading were carried as current assets or liabilities.

The changes in fair values of derivative financial instruments designated as a fair value hedge were carried in the profit and loss statement alongside the changes in the fair values of the hedged assets or liabilities. If the conditions for hedge accounting were no longer met and the previously designated hedged item was measured by means of the effective interest method, the necessary adjustment of the carrying amount of the hedged item had to be effected over its remaining term. The present annual financial statements of the TUI Group did not include any fair value hedges of assets and liabilities.

The effective part of changes in the fair value of cash flow hedges was recognised in equity. The ineffective part of such changes in the fair value, in contrast, was taken directly to the profit and loss statement according to the nature of the hedged item. Amounts taken to equity were reclassified to the profit and loss statement and carried as income or expenses in the period in which the hedged item had an effect on results.

If a hedge expired, was sold or no longer met the criteria for hedge accounting, the profit or loss previously accumulated in equity remained in equity and was only carried in the profit and loss statement with an effect on results when the originally hedged future transaction occurred. If the future transaction was no longer expected to occur, the cumulative profits or losses recognised in equity with no effect on results immediately had to be recognised with an effect on results.

Changes in the fair values of derivative financial instruments not meeting the criteria for hedge accounting were directly carried in the profit and loss statement with an effect on results.

Inventories

Inventories were measured at the lower of cost or net realisable value. The net realisable value was the estimated selling price less the estimated cost incurred until the sale and the estimated cost to sell required. All inventories were written down individually where the net realisable value of inventories was lower than their carrying amounts. Where the original causes of inventory write-downs no longer applied, the write-downs were reversed. The measurement method applied to homogenous inventory items was the weighted average cost formula.

Cash and cash equivalents

Cash and cash equivalents comprised cash, sight deposits, other currently highly liquid financial assets with an original term of a maximum of three months and current accounts. Used credits in current accounts were shown as liabilities to banks under current financial liabilities.

Hybrid capital

In accordance with IAS 32, the bond terms of the hybrid capital issued as at the end of the 2005 financial year resulted in recognition as one of the Group's equity components. Accordingly, the tax-deductible interest payments were not shown under interest expenses but were treated in analogy to dividend obligations to the shareholders. The cost of equity raising was directly deducted from the hybrid capital, taking account of deferred income taxes.

Provisions

Provisions were formed where the Group had a current legal or constructive obligation resulting from a past event and where in addition it was probable that the payment of the obligation would impact assets and the level of the provision could be reliably determined. Provisions for restructuring measures comprised payments for the premature termination of rental agreements and severance payments to employees. No provisions were carried for future operating losses.

Where a large number of similar obligations existed – such as in the event of legal guarantees and warranties – the probability of a charge was determined on the basis of this group of obligations. A provision was also accrued if the probability of a charge was low in relation to an individual obligation contained in this group.

Provisions were measured at the present value of the expected expenses, taking account of a pre-tax interest rate reflecting current market expectations concerning the interest effect and the specific risks related to the obligation. Increases in provisions due to accrued interest were carried as interest expenses with an effect on results.

The pension provision recognised for defined benefit plans corresponded to the net present value of the defined benefit obligations (DBO) as at the balance sheet date less the fair value of the plan assets. Actuarial gains and losses arising from the regular adjustment of actuarial parameters were eliminated against equity when they occurred with no effect on results. The DBOs are calculated on an annual basis by independent actuarial experts on the basis of the projected unit credit method. The net present value of the DBO is calculated by discounting the expected future outflows of cash with the interest rate of high-quality corporate bonds.

Past service cost was immediately recognised with an effect on results if the changes in the pension plan did not depend on the employee remaining in the Company for a defined period of time (vested period). In this case, the past service cost was recognised with an effect on results on a straight line basis over the period until the commencement of the vested rights.

For defined contribution plans, the Group pays contributions to public or private pension insurance plans on the basis of a statutory or contractual obligation or on a voluntary basis. The Group does not have any further payment obligations on top of the payment of the contributions. The contributions were carried under personnel costs when they fell due.

Share-based payments

All share-based payment schemes in the Group were cash-settled or equity-settled payment schemes.

For cash-settled transactions, the resulting liability for the Group was charged to expenses at its fair value as at the date of the performance of the service by the beneficiary. Until payment of the liability, the fair value of the liability was remeasured at every reporting date and all changes in the fair value were carried with an effect on results.

In the tourism division, share-based payment schemes existed in the form of share option plans granted by TUI Travel PLC. Under these payment schemes, Board members and employees were entitled to buy shares in TUI Travel PLC. The fair value of the options granted was carried under 'Personnel costs' with a corresponding

direct increase in equity. The fair value was determined as at the date of the granting of the options and spread over the employees' vesting period.

The fair value of the options granted was determined on the basis of the terms and conditions related to the granting of the options; option price models were used in this context. The amount to be carried under personnel costs was adjusted such that it was based on the number of options that may be exercised finally, with the exception of options lapsing solely because the threshold values required for the exercise of such options were not reached due to market conditions.

For share-based payment schemes granted in the framework of a business combination to replace share-based payment schemes previously offered by the acquired company, the fair value of the equity instruments was determined as at the date of acquisition. This fair value was recognised as part of the cost of acquisition of the business combination at the amount representing services already performed before the establishment of the business combination, with the remainder of the fair value carried under personnel costs for the period from the business combination until the first strike day for the equity instruments. Costs are broken down into costs of acquisition and personnel costs in proportion to the relation between the vesting period before and after the acquisition date.

Liabilities

As a matter of principle, liabilities were carried at the date on which they arose at fair value after deduction of the cost of borrowing and the transaction costs. Over the course of time, liabilities were measured at amortised cost based on application of the effective interest method.

When issuing bonds comprising both a debt component but also a second component in the form of conversion options or warrants, the funds obtained for the respective components were recognised in accordance with their character. At the issuing date, the debt component was carried as a bond at a value that would have been generated for the issue of this outside capital instrument without corresponding conversion options or warrants on the basis of current market terms. If the conversion options or warrants had to be classified as equity instruments, the difference over the issuing proceeds generated was transferred to the capital reserve with deferred taxes taken into account. With effect from 3 April 2006, TUI AG irrevocably waived its unilateral option of paying cash in the event of an exercise of the conversion options from the convertible bond issued in October 2003. The conversion options have therefore been treated as equity instruments since the waiver date.

As a matter of principle, the currency differences resulting from the translation of trade accounts payable were reported as a correction of the cost of sales. Currency differences from the translation of liabilities not resulting from normal performance processes were carried under Other income/other expenses or Administrative expenses, depending on the nature of the underlying liability.

Deferred taxes

In accordance with IAS 12, deferred taxes were determined on the basis of the liability method. Accordingly, all temporary differences between the carrying amounts of assets and liabilities shown in the consolidated financial statements and the tax base of such assets or liabilities, probable future tax reliefs and charges were recognised.

Expected tax savings from the use of loss carryforwards assessed as recoverable in the future were capitalised. Although there was no time limit for German loss carryforwards, as before, the annual use of such carryforwards was restricted by means of minimum taxation. Foreign loss carryforwards frequently had to be used within a specific country-specific time limit and were subject to restrictions concerning the use of these loss carryforwards for profits on ordinary activities, which were taken into account accordingly in the measurement. Deferred taxes were impaired or credited directly by the equity if the tax refer to items which were impaired or credited directly by the equity in the same or another period.

Deferred tax receivables were applied in the admeasurement in which it is possible that a further taxable result is available which can be used against a temporary difference or a not-used tax loss.

Deferred taxes were measured at the tax rates and regulations that were applicable at the balance sheet date or that had essentially been legally adopted and were expected to be applicable at the date of realisation of the deferred tax asset or the payment of the deferred tax liability. In connection with the corporate tax reform 2008, deferred tax items of German companies were measured at a tax rate of 31.0% (previous year: 40.0%) taking into consideration the effective tax rates since the assessment or enquiry period 2008.

Current income taxes

As in 2006, the German companies of the TUI Group with financial year ending on 31 December had to pay an average trade income tax of approx. 18% on trade earnings in the overall financial year 2007, which was deductible in the computation of corporation tax. The corporation tax rate was 25%, as in 2006, plus a 5.5% unvaried solidarity surcharge on corporation tax.

Due to the 2008 corporate tax reform act introduced in Germany, however, German TUI Group companies that changed their financial year-end in 2007 had to pay average corporation tax of 31.0 % as of the date of the change for a financial year ending in 2008.

The calculation of foreign income taxes was based on the laws and provisions applicable in the individual countries. The income tax rates applied to foreign companies varied from 10.0% to 42.1%.

Income tax provisions were offset against the corresponding tax refund claims where they existed in the same fiscal territory and had the same nature and maturity.

Essential estimates and assumptions

All estimates and judgments were constantly revalued and were based on past experience and other factors, including expectations concerning future events.

Goodwill was tested for impairment as at the balance sheet date. Details concerning the implementation of goodwill impairment tests are presented in the section 'Goodwill and other intangible assets' in the chapter 'Accounting and measurement methods'.

The determination of the present value of pension obligations largely depended on the selection of the discount rate, newly determined at the end of any one year. The discount rate used was the interest rate of high-quality corporate bonds denominated in the currency in which the benefits will be paid, and having terms to

maturity corresponding to terms of the related pension liabilities. Detailed information is provided in the explanations on recognised pension provisions in note 31.

The Group was liable to pay income taxes in various countries. Essential assumptions were required to determine the income tax provision. For certain transactions and calculations the ultimate tax charge was impossible to determine during the ordinary course of business. The level of the provisions for expected tax audits was based on estimates as to whether and to what extent additional income taxes would be due. Estimates made were corrected, if necessary, in the period in which the final tax charge was determined.

Other essential assumptions and estimates related to the determination of useful lives and residual values of property, plant and equipment. The useful lives and residual values determined were reviewed at least on an annual basis. Details concerning useful lives and residual values of property, plant and equipment items are provided in the section 'Property, plant and equipment' in the chapter 'Accounting and measurement methods'.

In accounting for business combinations, the identifiable assets, liabilities and contingent liabilities acquired were measured at their fair values. In this context, cash flow-based methods were regularly used. Depending on the assumptions underlying such methods, different results may be produced. In particular, the assessment of the useful lives of intangible assets and the determination of the fair values of contingent liabilities entailed an element of uncertainty since they were based on assumptions.

Segment reporting

Notes on the segments

In primary segment reporting, the individual organisational entities of the TUI Group were attributed to the business segments, with tourism and shipping representing the Group's core businesses. Following the sale of Wolf GmbH in 2006, the segment 'Other operating sectors' exclusively comprised the Group's real estate companies. Group segmentation was based on internal corporate control. The individual organisational entities were allocated to the divisions and sectors based on economic criteria alone, irrespective of their participation structure under company law.

Due to the merger between TUI's tourism division (with the exception of TUI Hotels & Resorts) and the British travel group First Choice Holidays PLC to form TUI Travel PLC and the associated realignment of operative management of the Company in the 2007 financial year, segment reporting was also adjusted accordingly. The tourism division now consists of the TUI Travel PLC sector and the TUI Hotels & Resorts sector, comprising all hotel companies of the Group and not included in the merger. Since it was managed by Hapag-Lloyd AG, Hapag-Lloyd Kreuzfahrten continued to be carried in the shipping division rather than being reported in the tourism division. In the 2006 financial year, the 'Other tourism' sector mainly comprised the business travel activities, only included on a prorated basis due to the divestment, and the TUI InfoTec Group until the disposal date in 2006.

The shipping division comprised both container shipping and cruise activities. In the container shipping sector, Hapag-Lloyd Container Linie did not only offer pure container shipping operations but in particular also door-to-door container trans-

port services. Using subcontractors, they thus offered services at all stages of the transport chain.

In exercising its cross-divisional management tasks, TUI AG acquired in particular legal ownership of the maritime assets (container ships, containers and semi-trailers), leased to the Group's shipping companies in the framework of operating leases. For the purposes of segment reporting, the maritime assets were allocated to the operative companies so that these assets were presented as assets of the shipping segment. Corresponding expenses and income were also allocated to the segments.

The remaining activities of TUI AG and other holding companies not directly allocable to other segments were shown as non-allocable business activities (holdings).

In the financial year under review, the Group did not hold any discontinuing operations. For the 2006 financial year, the US steel service companies sold in May 2006 and the lagging income from the special logistics operations sold in the 2005 financial year were shown.

In secondary segment reporting, the Group's business activities were broken down according to geographical criteria.

Notes on the segment data

As a rule, inter-segment turnover was generated in line with the arm's length principle as applied in transactions with third parties.

The operating segment assets and liabilities comprised the assets or liabilities, excluding financial assets, financial liabilities and pension provisions as well as income taxes. Goodwill was also shown as segment assets. Investments were additions of property, plant and equipment as well as intangible assets. Depreciation was related to segment assets and also included goodwill impairments.

Depreciation was not taken into account in the determination of non-cash expenses.

Earnings from the disposal of subsidiaries were allocated to the individual segment earnings. The realisation of differences from currency translation in connection with capital reductions with an effect on results was allocated to the holding activities and therefore included in segment reporting by the holding companies.

Financial assets as well as cash and cash equivalents were used to generate the financial result. Financial liabilities including pension provisions were carried as interest-bearing debt and were used to finance the operating and investing activities. The reconciliation of segment assets and liabilities to the Group's assets or liabilities resulted from the consideration of the income tax assets or income tax provisions and liabilities not taken into account in accordance with IAS 14.

Segment reporting disclosed earnings ratios such as EBT, EBTA, EBIT, underlying EBITA, EBITDA and EBITDAR since these ratios were used as the control basis for value-oriented corporate management. In determining the earnings ratios of the discontinuing operations, the 'Result from discontinuing operations' was reallocated to the original types of income and expenses.

Key Figures by Divisions and Sectors

€ million	2007	Tourism 2006 restated	2007	Shipping 2006 restated
Statements of results				
Third-party turnover	15,638.5	14,085.1	6,201.6	6,254.0
Inter-segment turnover	26.0	36.6	2.8	5.1
Segment turnover	15,664.5	14,121.7	6,204.4	6,259.1
Group profit/loss for the year				
Income taxes				
Earnings before taxes (EBT)	89.4	- 342.6	252.6	- 174.6
Net interest result and result from the measurement of interest hedges	- 67.4	- 17.7	- 89.3	- 68.2
Earnings before interest and taxes (EBIT)	156.8	- 324.9	341.9	- 106.4
of which at equity result	(39.0)	(43.0)	(25.7)	(7.5)
Impairment of goodwill	53.7	709.5	-	-
Impairment of companies measured at equity	-	3.3	-	-
Earnings before interest, taxes and amortisation of goodwill (EBITA)	210.5	387.9	341.9	- 106.4
Adjustments	238.4	6.8	- 145.2	195.6
Underlying EBITA	448.9	394.7	196.7	89.2
Amortisation of other intangible assets and depreciation of property, plant and equipment of which impairments	459.4	381.9	280.1	317.7
Other depreciation/amortisation and write-backs of which write-backs	(43.9)	(31.3)	(1.9)	(15.6)
	- 14.0	- 3.0	0.2	-
	(3.7)	(0.4)	(-)	(-)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	683.9	772.8	621.8	211.3
Rental expenses	648.2	572.7	567.6	593.5
Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)	1,332.1	1,345.5	1,189.4	804.8
Assets and liabilities				
Segment assets	11,507.8	7,190.0	4,025.1	3,673.5
of which goodwill	(2,957.7)	(3,027.5)	(100.6)	(107.3)
Carrying amounts of companies measured at equity	469.1	388.8	71.6	18.9
Financial assets	1,657.1	1,509.3	472.3	195.5
Non-allocatable taxes				
Total assets				
Segment liabilities	4,795.6	3,322.5	1,150.1	1,101.9
Interest-bearing liabilities	3,810.8	2,077.2	2,150.8	1,773.4
Non-allocatable taxes				
Total liabilities and provisions				
Additional disclosures				
Non-cash expenses	21.1	2.8	-	0.3
Return on sales (% on EBITA)	1.3	2.7	5.5	- 1.7
Investments	531.1	547.7	572.2	192.4
Investments in goodwill	36.5	8.9	-	0.2
Investments in other intangible assets and property, plant and equipment	494.6	538.8	572.2	192.2
Financing ratio (%)	96.6	199.3	49.0	165.1
Personnel at year-end	59,832	44,409	8,243	8,571

*) Non-allocatable to segments

Other operating units		Holdings*)		Consolidation		Continuing operations	
2007	2006	2007	2006	2007	2006	2007	2006 restated
25.5	175.4	–	0.1	–	–	21,865.6	20,514.6
10.5	10.1	2.8	5.6	- 42.1	- 57.4	–	–
36.0	185.5	2.8	5.7	- 42.1	- 57.4	21,865.6	20,514.6
						236.3	- 860.5
						0.8	129.4
18.1	93.3	297.0	- 208.8	- 420.0	- 98.4	237.1	- 731.1
5.7	- 1.7	- 106.1	- 129.3	- 0.3	- 2.2	- 257.4	- 219.1
12.4	95.0	403.1	- 79.5	- 419.7	- 96.2	494.5	- 512.0
(–)	(–)	(–)	(–)	(–)	(–)	(64.7)	(50.5)
–	–	–	–	–	–	53.7	709.5
–	–	–	–	–	–	–	3.3
12.4	95.0	403.1	- 79.5	- 419.7	- 96.2	548.2	200.8
–	- 34.7	- 25.3	50.0	–	–	67.9	217.7
12.4	60.3	377.8	- 29.5	- 419.7	- 96.2	616.1	418.5
9.7	9.4	5.9	13.8	- 1.7	- 0.7	753.4	722.1
(6.0)	(0.5)	(1.1)	(6.9)	(0.1)	(–)	(53.0)	(54.3)
–	–	- 110.8	- 49.4	103.5	37.9	- 21.1	- 14.5
(–)	(–)	(–)	(–)	(0.7)	(–)	(4.4)	(0.4)
22.1	104.4	519.8	- 16.3	- 524.9	- 134.8	1,322.7	937.4
2.3	2.6	3.2	1.3	- 9.7	- 14.0	1,211.6	1,156.1
24.4	107.0	523.0	- 15.0	- 534.6	- 148.8	2,534.3	2,093.5
143.7	147.1	220.4	143.7	- 2,500.5	- 54.4	13,396.5	11,099.9
(–)	(–)	(–)	(–)	(–)	(–)	(3,058.3)	(3,134.8)
–	–	–	–	–	–	540.7	407.7
290.0	262.0	8,054.7	9,133.1	- 8,341.5	- 9,876.1	2,132.6	1,223.8
34.8	53.7	352.5	276.5	- 120.7	- 45.2	6,212.3	4,709.4
250.1	100.3	2,939.5	4,467.4	-2,754.1	-3,433.6	6,397.1	4,984.7
–	–	2.6	66.6	–	–	23.7	69.7
34.4	51.2	–	–	–	–	2.5	1.0
9.0	13.5	4.0	1.3	–	–	1,116.3	754.9
–	–	–	–	–	–	36.5	9.1
9.0	13.5	4.0	1.3	–	–	1,079.8	745.8
107.8	69.6	147.5	1,061.5	–	–	72.3	189.6
75	82	371	868	–	–	68,521	53,930

Key Figures by Divisions and Sectors

€ million	Continuing operations		Discontinuing operations ^{*)}	
	2007	2006 restated	2007	2006
Statements of results				
Third-party turnover	21,865.6	20,514.6	–	401.0
Inter-segment turnover	0.0	0.0	–	–
Segment turnover	21,865.6	20,514.6	–	401.0
Group profit/loss for the year				
Income taxes	0.8	129.4	–	11.5
Earnings before taxes (EBT)	237.1	- 731.1	–	28.6*
Net interest result and result from the measurement of interest hedges	- 257.4	- 219.1	–	- 1.0
Earnings before interest and taxes (EBIT)	494.5	- 512.0	–	29.6*
of which at equity result	(64.7)	(50.5)	–	–
Impairment of goodwill	53.7	709.5	–	–
Impairment of companies measured at equity	–	3.3	–	–
Earnings before interest, taxes and amortisation of goodwill (EBITA)	548.2	200.8	–	29.6*
Adjustments	67.9	217.7	–	0.2
Underlying EBITA	616.1	418.5	–	29.8
Amortisation of other intangible assets and depreciation of property, plant and equipment of which impairments	753.4	722.1	–	–
Other depreciation/amortisation and write-backs of which write-backs	- 21.1	- 14.5	–	–
	(4.4)	(0.4)	–	–
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	1,322.7	937.4	–	29.6*
Rental expenses	1,211.6	1,156.1	–	1.1
Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)	2,534.3	2,093.5	–	30.7*
Assets and liabilities				
Segment assets	13,396.5	11,099.9	–	–
of which goodwill	(3,058.3)	(3,134.8)	–	–
Carrying amounts of companies measured at equity	540.7	407.7	–	–
Financial assets	2,132.6	1,223.8	–	–
Non-allocatable taxes	–	–	–	–
Total assets	13,411.5	10,576.6	–	–
Segment liabilities	6,212.3	4,709.4	–	–
Interest-bearing liabilities	6,397.1	4,984.7	–	–
Non-allocatable taxes	–	–	–	–
Total liabilities and provisions	6,397.1	4,984.7	–	–
Additional disclosures				
Non-cash expenses	23.7	69.7	–	–
Return on sales (% on EBITA)	2.5	1.0	–	–
Investments	1,116.3	754.9	–	2.0
Investments in goodwill	36.5	9.1	–	–
Investments in other intangible assets and property, plant and equipment	1,079.8	745.8	–	2.0
Financing ratio (%)	72.3	189.6	–	–
Personnel at year-end	68,521	53,930	–	–

^{*)} The discontinuing operations comprise subsequent earnings from the disposal of the Energy division of € 5.4 million as well as one-off earnings of € 1.8 million of the Destinations sector.

Key Figures by Divisions and Sectors

€ million	Consolidation 2007	Consolidation 2006	2007	Group 2006 restated
Statements of results				
Third-party turnover	–	–	21,865.6	20,915.6
Inter-segment turnover	–	–	0.0	0.0
Segment turnover	–	–	21,865.6	20,915.6
Group profit/loss for the year				
Income taxes	–	–	236.3	- 843.4
Earnings before taxes (EBT)	–	–	237.1	- 702.5
Net interest result and result from the measurement of interest hedges	–	–	- 257.4	- 220.1
Earnings before interest and taxes (EBIT)	–	–	494.5	- 482.4
of which at equity result	–	–	(64.7)	(50.5)
Impairment of goodwill	–	–	53.7	709.5
Impairment of companies measured at equity	–	–	0.0	3.3
Earnings before interest, taxes and amortisation of goodwill (EBITA)	–	–	548.2	230.4
Adjustments	–	–	67.9	217.9
Underlying EBITA	–	–	616.1	448.3
Amortisation of other intangible assets and depreciation of property, plant and equipment of which impairments	–	–	753.4	722.1
Other depreciation/amortisation and write-backs of which write-backs	–	–	(53.0)	(54.3)
	–	–	- 21.1	- 14.5
	–	–	(4.4)	(0.4)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	–	–	1,322.7	967.0
Rental expenses	–	–	1,211.6	1,157.2
Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)	–	–	2,534.3	2,124.2
Assets and liabilities				
Segment assets	–	–	13,396.5	11,099.9
of which goodwill	–	–	(3,058.3)	(3,134.8)
Carrying amounts of companies measured at equity	–	–	540.7	407.7
Financial assets	–	–	2,132.6	1,223.8
Non-allocatable taxes	–	–	234.4	299.0
Total assets	–	–	16,304.2	13,030.4
Segment liabilities	–	–	6,212.3	4,709.4
Interest-bearing liabilities	–	–	6,397.1	4,984.7
Non-allocatable taxes	–	–	570.6	328.9
Total liabilities and provisions	–	–	13,180.0	10,023.0
Additional disclosures				
Non-cash expenses	–	–	23.7	69.7
Return on sales (% on EBITA)	–	–	2.5	1.1
Investments	–	–	1,116.3	756.9
Investments in goodwill	–	–	36.5	9.1
Investments in other intangible assets and property, plant and equipment	–	–	1,079.8	747.8
Financing ratio (%)	–	–	72.3	189.1
Personnel at year-end	–	–	68,521	53,930

Key Figures Tourism Division

€ million	TUI Travel PLC 2007		TUI Hotels & Resorts 2007	
		2006 restated		2006 restated
Statements of results				
Third-party turnover	15,258.7	13,676.0	379.8	346.7
Inter-segment turnover	27.6	38.1	444.4	412.9
Segment turnover	15,286.3	13,714.1	824.2	759.6
Group profit/loss for the year				
Income taxes				
Earnings before taxes (EBT)	27.3	- 535.5	63.7	43.4
Net interest result and result from the measurement of interest hedges	- 42.3	3.9	- 25.1	- 20.4
Earnings before interest and taxes (EBIT)	69.6	- 539.4	88.8	63.8
of which at equity result	(9.4)	(10.8)	(29.6)	(32.2)
Impairment of goodwill	33.7	690.0	20.0	19.5
Impairment of companies measured at equity	-	-	-	3.3
Earnings before interest, taxes and amortisation of goodwill (EBITA)	103.3	150.6	108.8	86.6
Adjustments	201.1	108.0	37.3	36.6
Underlying EBITA	304.4	258.6	146.1	123.2
Amortisation of other intangible assets and depreciation of property, plant and equipment of which impairments	348.1	278.5	111.3	103.4
Other depreciation/amortisation and write-backs of which write-backs	(4.5)	(0.9)	(39.4)	(30.4)
	- 12.5	- 1.2	- 1.5	- 3.2
	(2.6)	(0.0)	(1.1)	(0.4)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	463.9	430.3	221.6	193.2
Rental expenses	570.3	493.7	77.9	75.2
Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)	1,034.2	924.0	299.5	268.4
Assets and liabilities				
Segment assets	9,708.1	5,537.1	1,830.7	1,682.9
of which goodwill	(2,522.3)	(2,633.5)	(435.4)	(394.0)
Carrying amounts of companies measured at equity	156.7	97.6	312.4	291.2
Financial assets	1,566.7	1,588.8	92.1	124.4
Non-allocatable taxes				
Total assets				
Segment liabilities	4,722.4	3,246.3	106.0	109.6
Interest-bearing liabilities	2,893.7	1,452.0	917.1	701.5
Non-allocatable taxes				
Total liabilities and provisions				
Additional disclosures				
Non-cash expenses	9.2	1.0	11.9	1.8
Return on sales (% on EBITA)	0.7	1.1	13.2	11.4
Investments	220.9	361.8	310.2	185.9
Investments in goodwill	2.5	8.9	34.0	0.0
Investments in other intangible assets and property, plant and equipment	218.4	352.9	276.2	185.9
Financing ratio (%)	172.8	267.7	42.3	66.1
Personnel at year-end	47,705	33,696	12,127	10,713

Key Figures Tourism Division

€ million	Other tourism/Consolidation		Tourism division	
	2007	2006 restated	2007	2006 restated
Statements of results				
Third-party turnover	–	62.4	15,638.5	14,085.1
Inter-segment turnover	- 446.0	- 414.4	26.0	36.6
Segment turnover	- 446.0	- 352.0	15,664.5	14,121.7
Group profit				
Income taxes				
Earnings before taxes (EBT)	- 1.6	149.5	89.4	- 342.6
Net interest result and result from the measurement of interest hedges	0.0	- 1.2	- 67.4	- 17.7
Earnings before interest and taxes (EBIT)	- 1.6	150.7	156.8	- 324.9
of which at equity result	(–)	(–)	(39.0)	(43.0)
Impairment of goodwill	–	–	53.7	709.5
Impairment of companies measured at equity	–	–	–	3.3
Earnings before interest, taxes and amortisation of goodwill (EBITA)	- 1.6	150.7	210.5	387.9
Adjustments	–	- 137.8	238.4	6.8
Underlying EBITA	- 1.6	12.9	448.9	394.7
Amortisation of other intangible assets and depreciation of property, plant and equipment of which impairments	–	–	459.4	381.9
Other depreciation/amortisation and write-backs of which write-backs	(–)	(–)	(43.9)	31.3
	–	1.4	- 14.0	- 3.0
	(–)	(–)	(3.7)	(0.4)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	- 1.6	149.3	683.9	772.8
Rental expenses		3.8	648.2	572.7
Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)	- 1.6	153.1	1,332.1	1,345.5
Assets and liabilities				
Segment assets	- 31.0	- 30.0	11,507.8	7,190.0
of which goodwill	(–)	(–)	(2,957.7)	3,027.5
Carrying amounts of companies measured at equity	–	–	469.1	388.8
Financial assets	- 1.7	- 203.9	1,657.1	1,509.3
Non-allocatable taxes				
Total assets				
Segment liabilities	- 32.8	- 33.4	4,795.6	3,322.5
Interest-bearing liabilities	–	- 76.3	3,810.8	2,077.2
Non-allocatable taxes				
Total liabilities and provisions				
Additional disclosures				
Non-cash expenses	–	–	21.1	2.8
Return on sales (% on EBITA)	–	–	1.3	2.7
Investments	–	–	531.1	547.7
Investments in goodwill	–	–	36.5	8.9
Investments in other intangible assets and property, plant and equipment	–	–	494.6	538.8
Financing ratio (%)	–	–	96.6	199.3
Personnel at year-end	–	–	59,832	44,409.0

Key Figures by Regions

€ million	2007	Germany	EU (excl. Germany)		Rest of Europe	
		2006 restated	2007	2006 restated	2007	2006
Consolidated turnover by customers	5,629.2	5,428.4	11,191.1	10,577.2	758.8	710.1
of which discontinuing operations	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Consolidated turnover by domicile of companies	11,373.2	9,782.5	9,465.4	9,175.8	521.0	460.3
of which discontinuing operations	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Segment assets	4,702.8	4,269.5	8,819.1	5,248.6	94.8	120.8
of which discontinuing operations	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Non-allocatable taxes						
Segment liabilities	2,143.0	2,099.3	3,411.9	2,375.9	76.9	52.8
of which discontinuing operations	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Non-allocatable taxes						
Additional disclosures						
Depreciation/amortisation	275.2	262.0	368.2	1,022.4	5.0	8.7
of which discontinuing operations	(-)	(-)	(-)	(-)	(-)	(-)
Investments	600.9	329.8	303.1	276.9	3.3	12.5
of which discontinuing operations	(-)	(-)	(-)	(-)	(-)	(-)
Investments in goodwill	2.2	0.8	31.5	8.1	0.2	0.0
of which discontinuing operations	(-)	(-)	(-)	(-)	(-)	(-)
Investments in other tangible assets and property, plant and equipment	598.7	329.0	271.6	268.8	3.1	12.5
of which discontinuing operations	(-)	(-)	(-)	(-)	(-)	(-)
Personnel at year-end	11,118	11,112	40,945	32,094	3,155	3,067
of which discontinuing operations	(-)	(-)	(-)	(-)	(-)	(-)

€ million	North and South America		Other Regions		Consolidation		2007	Group 2006 restated
	2007	2006	2007	2006	2007	2006		
Consolidated turnover by customers	2,682.6	2,722.1	1,603.9	1,477.8	0.0	0.0	21,865.6	20,915.6
of which discontinuing operations	(0.0)	(401.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(401.0)
Consolidated turnover by domicile of companies	370.5	1,431.4	135.5	65.6	0.0	0.0	21,865.6	20,915.6
of which discontinuing operations	(0.0)	(401.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(401.0)
Segment assets	1,528.7	1,425.6	222.9	454.7	- 1,971.8	- 419.3	13,396.5	11,099.9
of which discontinuing operations	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Non-allocatable taxes							234.4	299.0
Segment liabilities	478.9	459.0	254.7	157.1	- 153.1	- 434.7	6,212.3	4,709.4
of which discontinuing operations	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Non-allocatable taxes							570.6	328.9
Additional disclosures								
Depreciation/amortisation	92.9	81.8	65.8	57.1	0.0	- 0.5	807.1	1,431.6
of which discontinuing operations	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Investments	195.8	92.1	13.2	45.6	0.0	0.0	1,116.3	756.9
of which discontinuing operations	(-)	(2.0)	(-)	(-)	(-)	(-)	(0.0)	(2.0)
Investments in goodwill	0.0	0.2	2.6	0.0	0.0	0.0	36.5	9.1
of which discontinuing operations	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Investments in other tangible assets and property, plant and equipment	195.8	91.9	10.6	45.6	0.0	0.0	1,079.8	747.8
of which discontinuing operations	(-)	(2.0)	(-)	(-)	(-)	(-)	(-)	(2.0)
Personnel at year-end	7,215	4,149	6,088	3,508	0.0	0.0	68,521	53,930
of which discontinuing operations	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)

Notes on the Consolidated Profit and Loss Statement

Since the beginning of the 2007 financial year, TUI AG has exercised the alternative treatment option available under IAS 1 to structure the consolidated profit and loss statement according to the cost of sales format. The previous year's figures were restated accordingly.

(1) Turnover

Group turnover by business activity

€ million	2007	2006
Tourism services	15,681.4	14,147.3
Transport services	6,018.4	6,093.7
Trading in merchandise	33.9	25.4
Letting and leasing	29.0	34.9
Production of goods and other turnover	102.9	213.3
Total	21,865.6	20,514.6

The year-on-year development of turnover by the Group's continuing operations was mainly characterised by changes in the group of consolidated companies. The First Choice Holidays Group contributed € 1,342.5 million to the Group turnover for the four months since first-time consolidation. Turnover by the shipping division declined slightly against the previous year's level especially due to the weak US dollar and despite increased transport volumes.

The decline in turnover from the production of goods and other turnover primarily resulted from the disposal of Wolf GmbH in the 2006 financial year. In 2006, this company had contributed € 154.1 million to turnover. The decline was partly offset by an increase in 'Other turnover'. 'Other turnover' included costs of brochures and advertising materials rebilled to hotels and travel agencies, costs incurred for TUI's company health scheme (BKK), operating income from secondary operations such as e.g. income from aircraft leases.

The cost of sales and administrative expenses comprise:

(2) Cost of sales and administrative expenses

Lease, rental and leasing expenses

€ million	2007	2006
Lease, rental and leasing expenses of long-term agreements	1,211.6	1,156.1
Lease, rental and leasing expenses of short-term agreements	325.6	525.6
Total	1,537.2	1,681.7

Where rental and lease expenses for operating leases were directly related to the turnover generated, these expenses were shown under the cost of sales. However, where rental and lease expenses were incurred for administrative buildings, they were shown under administrative expenses. The reduction in overall rental and lease expenses was primarily caused by container shipping, these costs for short-term and long-term contracts declined in particular due to the integration of the CP Ships Group

in Hapag-Lloyd and the weakness of the US dollar. TUI Travel PLC reported an overall increase in these costs which was largely attributable to the newly added long-term lease obligations for aircraft in First Choice Airways.

Personnel costs

€ million	2007	2006
Wages and salaries	1,898.6	1,968.4
Social security contributions, pension costs and benefits	446.5	467.0
Total	2,345.1	2,435.4

Pension costs included expenses for defined benefit pension obligations. The interest portion from the valuation of pension obligations was shown under financial expenses due to its financing character. The expected income from the related fund assets was shown under financial income. A detailed presentation of the pension obligations is provided in note 31.

Total personnel costs declined by € 90.3 million year-on-year. This was due to opposite development caused by changes in the group of consolidated companies and the restructuring measures implemented. The first-time consolidation of the First Choice Holidays Group led to an increase in personnel costs, which was partly offset by the disposal of the TUI InfoTec Group and the TQ3 Group. Further reductions were caused by the integration of CP Ships in the shipping division and further restructuring measures in the TUI Northern Europe sector.

Disregarding the discontinuing operations included in 2006 figures, the average headcount rose by 2,525 employees to 62,731 employees (excluding apprentices). In the shipping division, the average headcount declined slightly from 8,545 to 8,241 in the 2007 financial year. The tourism division recorded an increase in its average headcount from 49,499 to 53,733, primarily due to the first-time of the First Choice Holidays Group consolidation.

Average annual headcount (excl. apprentices)

	2007	2006
Wage earners	1,137	1,454
Salaried employees	61,594	58,752
Total	62,731	60,206

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

Depreciation and amortisation included the amortisation of other intangible assets, depreciation of property, plant and equipment as well as write-downs of investment property. The uniform useful lives underlying depreciation and amortisation and the principles for impairment are outlined in the 'Notes on the Principles and Methods'.

Depreciation/amortisation/impairments

€ million	2007	2006 restated
Depreciation and amortisation	700.4	667.8
Impairment of other intangible assets, property, plant and equipment and investment property	53.0	54.3
Total	753.4	722.1

Depreciation and amortisation rose by € 32.6 million to € 700.4 million year-on-year. This increase was primarily attributable to the first-time consolidation of the First Choice Holidays Group and was partly offset by declines in the shipping division.

In the financial year under review, impairments of other intangible assets, property, plant and equipment and investment property totalling € 53.0 million had to be effected, including an amount of € 37.3 million for hotel buildings. This amount essentially related to three Turkish hotel complexes which had to be impaired due to declines in booking volumes. On top of that, an impairment of € 5.9 million was required for a vacant office building, and a further amount of € 3.5 million was necessary for a defective aircraft engine. In 2006, impairments of € 54.3 million had to be effected for property, plant and equipment, primarily in the tourism division.

**(3) Other income/
Other expenses**

Other income/other expenses

€ million	2007	2006 restated
Other income	352.7	341.9
Other expenses	16.7	118.8
Total	336.0	223.1

In the financial year under review, Other income of the shipping division primarily resulted from the divestment of Montreal Gateway Terminals (€ 185.4 million) outlined under 'Acquisitions – divestments' and of the divestment of shares of Germanischer Lloyd (€ 15.1 million). In addition, gains on disposal from the airlines sector (€ 31.1 million), from the hotel sector the sale of properties of the Riu group (€ 12.1 million) and from real estate sector (€ 13.5 million) were included here. In connection with the operations discontinued in previous periods, income from the reversal of provisions of € 32.0 million was recognised.

The income shown in the 2006 financial year mainly resulted from the divestment of the TQ3 Group (€ 149.2 million), the realisation of income from the sale of Schacht Konrad (€ 40.8 million), sale-and-lease-back agreements for aircraft and ship containers (€ 27.0 million) and the divestment of the 80% interest in Wolf GmbH (€ 35.0 million).

On the other hand, the Other expenses shown in the 2006 financial year mainly resulted from the one-off realisation of currency differences in connection with the reduction of investments in foreign subsidiaries, previously shown under equity with no effect on results, of € 65.0 million. They also included book losses from sale-and-lease-back agreements in shipping (€ 16.6 million) and the sale of the interest in the TUI InfoTec Group (€ 10.6 million).

(4) Impairments of goodwill

As a result of the impairment tests carried out in the 2007 financial year, goodwill had to be impaired in tourism, as was the case in 2006. These impairments mainly resulted from the Irish market and the reserved planning of the Magic Life Group. The impairments can be broke down as follows:

Impairments of goodwill

€ million	Impairment charged	Reduced growth rate (0.50% p. a.)	Increased interest rate (0.50% p. a.)
TUI Travel PLC			
Budget Travel Group	33.7	–	–
TUI Hotels & Resorts			
Magic Life Group	20.0	–	–

The assets and liabilities held for sale of the divestment of the Irish Budget Travel Group in 2007 had to be shown in a separate balance sheet item for the relevant period of less than one year according to IFRS 5.

As the impairment of goodwill for the Budget Travel Group and the Magic Life Group amounting to the overall carrying amount, the decline in the growth rate and the increase in the weighted average cost of capital themselves did not have any impact on further impairments required. The impairments of the hotel complexes owned by Magic Life would rise by a further € 7.1 million if the growth rate dropped by 0.50% p. a. with other parameters remaining unchanged, and by € 8.1 million if the cost of capital rose by 0.50% p. a. No further impairments would be required, neither from a decrease in the growth rate nor from an increase in the cost of capital rate.

(5) Financial income

Financial income

€ million	2007	2006 restated
Income from non-consolidated Group companies	1.4	2.0
Income from other investments	2.9	2.1
Income from profit transfer agreements with non-consolidated Group companies	3.3	3.7
Income from investments	7.6	7.8
Other income from securities and long-term loans	6.9	7.1
Interest and similar income from non-consolidated Group companies	0.5	0.6
Interest income from fund assets for the financing of pension obligations	93.6	86.9
Other interest and similar income	85.1	69.3
Interest income	186.1	163.9
Income from the measurement of interest hedges	- 0.9	0.3
Income from the measurement of other financial instruments	17.0	7.3
Total	209.8	179.3

The income and expenses resulting from the development of the value of derivative financial instruments included results from the valuation of hedging instruments which do not meet the strict criteria of IAS 39 and are not allocable to other items of the profit and loss statement due to the underlying transactions.

In connection with the issue of the 2003/2008 convertible bond, TUI AG acquired derivative financial instruments (call spreads) enabling TUI AG to participate in the TUI share price development if the price level exceeds the conversion price by means of a compensation payment. The valuation of these instruments generated income of € 10.5 million in the 2007 financial year.

On 3 April 2006, TUI AG irrevocably waived its right to be able to deliver cash in the event of a conversion. As a result, the conversion options have already been classified as equity instruments during 2006. Until the waiver, measurement income including the call spread of € 7.3 million was generated in the 2006 financial year.

(6) Financial expenses

Financial expenses

€ million	2007	2006 restated
Expenses relating to losses taken over from non-consolidated Group companies	1.6	2.8
Write-downs of available-for-sale financial instruments and loans	24.5	14.9
Interest and similar expenses to non-consolidated Group companies	3.0	1.4
Interest expenses from the valuation of pension obligations	121.4	119.4
Other interest and similar expenses	318.3	262.6
Interest expenses	442.7	383.4
Expenses relating to the valuation of other financial instruments	–	–
Total	468.8	401.1

The write-downs of available-for-sale financial instruments and loans included € 24.5 million of impairments (previous year: € 14.9 million).

(7) Result from companies
measured at equity

Result from companies measured at equity

€ million	2007	2006
Result from associated companies measured at equity	27.6	10.2
Result from joint ventures measured at equity	37.1	40.3
Total	64.7	50.5

The result from companies measured at equity comprised the prorated net profit for the year of the associated companies and joint ventures as well as impairments of goodwill of these companies. In the completed financial year, the result from companies measured at equity did not comprise any impairments of goodwill (previous year: € 3.3 million). In the financial year under review, prorated losses of € 1.6 million (previous year: € 2.8 million) of associated companies and joint ventures were not realised since the losses exceeded the value of the shareholdings. Accumulated losses not yet realised under the at equity valuation totalled € 3.6 million (previous year: € 7.6 million).

Group share in individual items of profit and loss statements of joint ventures

€ million	2007	2006
Operating income	384.0	315.8
Operating expenses	331.5	254.7
Operating result	52.5	61.1
Financial result	- 5.4	- 6.8
Profit on ordinary activities	47.1	54.3
Income taxes	10.0	10.7
Profit for the year	37.1	43.6
Impairment of companies measured at equity	–	3.3
Result from joint ventures measured at equity	37.1	40.3

Group share in individual items of profit and loss statements
of associated companies

€ million	2007	2006
Operating income	128.3	173.8
Operating expenses	85.9	153.6
Operating result	42.4	20.2
Financial result	- 2.3	- 1.7
Profit on ordinary activities	40.1	18.5
Income taxes	12.5	8.3
Profit for the year	27.6	10.2
Reversal of negative goodwill	–	–
Result from associated companies measured at equity	27.6	10.2

(8) Adjustment

On top of the disclosures required under IFRS, the consolidated profit and loss statement comprises a reconciliation to underlying earnings. The exceptional items show final consolidation successes under gains on disposal, events according to IAS 37 under restructuring and other effects on the EBITA under purchase price allocations. A further reconciliation covers the one-off items presented below:

Other one-off items

€ million	2007	2006
Tourism	120.4	59.5
Shipping	- 26.0	47.4
Central operations	- 32.0	65.0
Total	62.4	171.9

The special one-off costs arising in the tourism division in the 2007 financial year included an amount of € 55.9 million attributable to one-off integration expenses incurred in particular in connection with the merger between First Choice Holidays PLC and the TUI Group's tourism entities. The airlines sector of the tourism division incurred one-off expenses for the re-branding of the new TUIfly.com brand (€ 13.0 million) and one-off expenses for changes in the air passenger duty in the UK which could not be passed on to customers (€ 10.1 million). In the TUI Hotels & Resorts sector, special one-off expenses were incurred in connection with an impairment of Turkish hotel complexes (€ 37.3 million).

The one-off income posted by the shipping division mainly resulted from a revaluation of a risk position formed as at the date of acquisition of the CP Ships Group in relation to which only minor subsequent expenses had been incurred for the integration of CP Ships.

(9) Income taxes

Central operations show one-off income from the reversal of litigation provisions.

Breakdown of income tax expenses

€ million	2007	2006 restated
Current income taxes		
in Germany	24.9	49.9
abroad	78.5	64.2
Deferred tax expenses	- 102.6	15.3
Total	0.8	129.4

The strong year-on-year decline in tax expenses resulted from the corporate reorganisation of the German companies contributed to TUI Travel PLC and the effects of the issue of the new convertible bond. This results in a further capitalisation of tax loss carryforwards in the German entity of fiscal unities. The decline in current taxes in Germany was mainly attributable to a revaluation of tax risks included in 2006 figures.

In the financial year under review, total income tax expenses of € 0.8 million (previous year: € 129.4 million) were derived as follows from an 'expected' income tax expense that would have arisen if the statutory income tax rate of TUI AG as the parent company (aggregate income tax rate) had been applied to earnings before tax:

Reconciliation from expected to actual income tax expenses

€ million	2007	2006 restated
Earnings before taxes by continuing operations	237.1	- 731.1
Expected income tax expense (tax rate: 40.0%, previous year: 40.0%)	94.8	- 292.4
Variation from the difference between actual and expected tax rates	4.5	73.6
Tax rate and changes in tax law	- 5.0	- 11.1
Income with no tax effect	- 129.9	- 96.2
Expenses with no tax effect	89.7	370.9
Effects from loss carryforwards	- 48.1	9.6
Temporary differences and losses for which no deferred taxes were recognised	- 2.2	37.2
Effective tax expenses and income relating to other periods	- 6.2	35.8
Other differences	3.2	2.0
Actual income tax expense	0.8	129.4

(10) Result from discontinuing operations

Tax effects of the adjustment of loss carryforwards primarily comprised the income from the capitalisation of loss carryforwards previously considered as non-realizable.

With the divestment of the US steel service companies of Preussag North America Inc. to financial investor Platinum Equity in May 2006 and the divestment of the majority interest in Wolf GmbH, a heating and air conditioning company, to Centrotec Sustainable AG in October 2006, the Group sold its last remaining industrial holdings.

As a result, the TUI Group now comprises the two core businesses tourism and shipping.

The Group currently does not have any discontinuing operations. The tables below provide an overview of the development of discontinuing operations in 2006:

Result from discontinuing operations

€ million	Earnings before income tax from current business operations	Income taxes from current business operations	Earnings before income tax from the divestment and impairments	Income taxes from the divestment and from impairments	Total
Special logistics	-	-	5.3	0.1	5.2
Trading	28.8	9.0	- 12.7	1.1	6.0
Other divestments	-	-	7.2	1.3	5.9
Total 2006	28.8	9.0	- 0.2	2.5	17.1

In 2006, the result from discontinuing operations comprised both the earnings after tax generated by the companies and the impairments effected due to the valuation of the disposal groups at fair value less costs to sell. Moreover, income and expenses resulting from the divestment and the related income tax effects were shown in the result from discontinuing operations and allocated to the segment of the discontinuing operation.

Detailed information on discontinuing operations in 2006 is provided in the notes on the consolidated financial statements as at 31 December 2006.

Material items of the profit and loss statement of the discontinuing operations

€ million	2007	Trading 2006
Turnover	–	401.0
Cost of sales	–	357.8
Administrative expenses	–	14.0
Financial income	–	0.4
Financial expenses	–	1.4
Result from companies measured at equity	–	0.6
Earnings before income taxes	–	28.8
Income taxes	–	9.0
Earnings after income taxes	–	19.8

As at 31 December 2006, the Group did not hold any assets or liabilities from discontinuing operations.

Cash flow from operating, investing and financing activities

€ million	2007	Trading 2006
Change in cash and cash equivalents due to exchange rate fluctuations	–	0.1
Cash flow from operating activities	–	- 17.4
Cash flow from investing activities	–	- 2.0
Cash flow from financing activities	–	18.4
Change in cash and cash equivalents	–	- 0.9

(11) Share of TUI AG shareholders in Group profit for the year

The share in Group profit for the year attributable to TUI AG shareholders rose from € - 890.3 million in 2006 to a positive result of € 175.1 million in the financial year under review.

(12) Minority interests in Group profit for the year

Minority interests in Group profit for the year

€ million	2007	2006 restated
Profit attributable to minority interests	61.2	47.9
Loss attributable to minority interests	0.0	1.0
Total	61.2	46.9

Profit for the year attributable to minority interests mainly related to consolidated subsidiaries in the tourism division, in particular the companies of the TUI Travel PLC Group and the RIUSA II Group.

(13) Earnings per share

In accordance with IAS 33, basic earnings per share were calculated by dividing the Group's net profit for the year attributable to TUI AG shareholders by the weighted average number of no-par value bearer shares outstanding during the financial year under review. The average number of shares resulted from the total number of shares at the beginning of the financial year (251,019,855 shares) and the employee shares issued, included on a pro rata temporis basis (225,720 shares, 17 days).

A dilution of earnings per share occurs when the average number of shares is increased by adding the issue of potential shares from warrants and conversion options. Diluting effects arose from the convertible bonds issued in October 2003 and June 2007. The conversion options may be exercised any time. Calculation of the diluting effect is based on the assumption of complete conversion and the corresponding issue of shares at the beginning of the respective financial year. However, no diluting effect arises in the event of negative basic earnings per share.

In line with IAS 33.12, the after-tax dividend on the hybrid capital was deducted from the share of TUI AG shareholders in Group profit for the year representing the hybrid capital as equity but does not represent a share of TUI AG shareholders. For the hybrid capital, accrued dividend obligations totalled € 25.9 million as at the balance sheet date; they were included in financial liabilities and paid in January 2008.

Earnings per share

	2007	2006 restated
Group profit/loss for the year attributable to TUI AG shareholders (€ million)	175.1	- 890.3
Dividend effect on hybrid capital after income taxes (€ million)	- 23.2	- 25.2
Adjusted Group result for the year attributable to TUI AG shareholders (€ million)	151.9	- 915.5
Weighted average number of shares	251,030,397	250,742,835
Basic earnings per share (€)	0.61	- 3.65
Adjusted Group profit/loss for the year attributable to TUI AG shareholders (€ million)	151.9	- 915.5
Interest savings from convertible bonds (€ million)	27.8	15.6
Diluted and adjusted share in Group profit/loss for the year attributable to TUI AG shareholders (€ million)	179.7	- 899.9
Weighted average number of shares	251,030,397	250,742,835
Diluting effect from assumed exercise of convertible bonds	34,011,266	19,385,785
Weighted average number of shares (diluted)	285,041,663	270,128,620
Diluted earnings per share (€)	0.61	- 3.65

As both convertible bonds don't create a dilution effect in 2007, undiluted and diluted earnings per share are identical.

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 Joint ventures	Associated companies	Total
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			Total	31 Dec 2006	
	up to 1 year	Remaining terms more than 1-5 years	Remaining terms more than 5 years		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.

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	at amortised cost	at costs	Category under IAS 39		Values according to IAS 17 (Leasing)	Carrying amount of financial instruments	Fair value of financial instruments
				Fair value with no effect on profit and loss	Fair value through profit and loss			
Assets								
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	at amortised cost	at costs	Category under IAS 39		Values according to IAS 17 (Leasing)	Carrying amount of financial instruments	Fair value of financial instruments
				Fair value with no effect on profit and loss	Fair value through profit and loss			
Assets								
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	Fair value
				through profit and loss		
Total						
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	Fair value
				through profit and loss		
Total						
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%

Major subsidiaries, associated companies and joint ventures

		Nominal share capital in '000	Result for the year in '000	Shareholding (%)	
				total	of which indirect
Tourism					
Atlantica Hellas S.A., Athens ^{2) 3)}	€	24,326	181	25.7	25.7
First Choice Holidays PLC, Crawley ³⁾	GBP	16,440	- 33,621	51.4	51.4
Groupe Nouvelles Frontières S.A.S., Montreuil	€	3,274	- 63,546	51.4	51.4
GRUPOTEL DOS S.A., C'an Picafort ^{2) 3)}	€	64,396	1,085	50.0	-
Hapag-Lloyd Fluggesellschaft mbH, Langenhagen	€	45,000	- 14,906	51.4	51.4
JetAir N.V., Oostende ¹⁾	€	750	20,823	51.4	51.4
Magic Life GmbH & Co. KG, Vienna	€	146	- 20,902	100	100
Riu Hotels S.A., Palma de Majorca ^{2) 3)}	€	40,809	35,007	49.0	-
RIUSA II S.A., Palma de Majorca ^{1) 4)}	€	1,202	92,007	50.0	-
Robinson Club GmbH, Hanover	€	5,138	- 258	100	-
Tenuta di Castelfalfi S.p.A., Florence	€	40,000	- 1,953	85.0	-
Touraventure S.A., Montreuil	€	10,470	- 25,754	51.4	51.4
TUI (Suisse) AG, Zurich	CHF	4,854	4,225	51.4	51.4
TUI Deutschland GmbH, Hanover	€	20,000	- 5,189	51.4	51.4
TUI InfoTec GmbH, Hanover ^{1) 3)}	€	1,000	- 1,759	49.9	49.9
TUI Leisure Travel GmbH, Hanover	€	14,501	- 4,168	51.4	51.4
TUI Nederland N.V., Rijswijk ¹⁾	€	10,000	15,130	51.4	51.4
TUI Northern Europe Ltd., Luton ¹⁾	GBP	250,459	- 96,751	51.4	51.4
TUI Österreich GmbH & Co. KG, Vienna	€	2,544	505	38.6	38.6
TUI Travel PLC, Crawley	GBP	111,851	- 7,611	51.4	-
Turcotel Turizm A.S., Istanbul	€	41,486	- 5,534	100	100
Shipping					
Hapag-Lloyd AG, Hamburg ¹⁾	USD	33,743	48,024	100	-
Hapag-Lloyd Kreuzfahrten GmbH, Hamburg ¹⁾	€	520	10,118	100	-
Other Companies					
Preussag Finanz- und Beteiligungs-GmbH, Hanover	€	148,001	-	100	-
Preussag Immobilien GmbH, Salzgitter	€	25,856	- 2,474	100	100
Preussag UK Ltd., London	GBP	82,000	24,097	100	-
Salzgitter Grundstücks- und Beteiligungsgesellschaft mbH, Salzgitter	€	71,427	- 7,405	100	-
TUI Beteiligungs GmbH, Hanover	€	500	- 8,200	100	-

¹⁾ according to financial statements of the Group

²⁾ Result for the year according to financial statements as per 31 December 2007

³⁾ Joint venture

⁴⁾ Control despite shareholding of 50% or less

⁵⁾ Result for the year according to financial statements of the Group for the period from 1 September to 31 December 2007

The results for the year shown above resulted from the individual or group financial statements prepared according to IFRS rules and comprised earnings portions eliminated in the framework of TUI AG's consolidated financial statements.

Notes on the Cash Flow Statement

Notes on the cash flow statement

The cash flow statement showed the flow of cash and cash equivalents on the basis of a separate presentation of cash inflows and outflows from operating, investing and financing activities. The effects of changes in the group of consolidated companies were eliminated.

(41) Cash inflow/outflow from operating activities

In the period under review, the cash inflow from the operating activities of the sectors divested in 2006 (business travel activities TQ3 Travel Solutions, Wolf Heiz- und Klimatechnik and IT services companies of TUI InfoTec) was no longer recorded, the consolidation of the First Choice Group had a significant negative effect due to the seasonally weak last third of the year and the utilisation of provisions for the restructuring and integration programmes in shipping and tourism resulted in cash outflows. Nevertheless, the significant improvement in earnings level both in tourism and shipping created an increase in the cash flow from operating activities of € 102.0 million.

The cash inflow from operating activities included interest received. In the year under review, interest received totalled € 82.2 million (previous year: € 64.5 million). In the 2007 financial year, income tax payments resulted in a cash outflow of € 50.7 million (previous year: € 62.1 million).

(42) Cash inflow/outflow from investing activities

The cash payments for investments in property, plant and equipment and intangible assets or the cash receipts from corresponding disposals did not match the additions or disposals shown under the development of fixed assets, which included non-cash investments and disposals. The cash payments for investments in property, plant and equipment comprised mainly advanced payments for six container ships and payments for three acquired container ships in the reported year.

The cash outflow from investing activities included cash payments – offset against acquired cash and cash equivalents – for the acquisition of shares in subsidiaries to be included in consolidation. The consolidated balance sheet comprised additions of goodwill, assets and liabilities due to the acquisition of shares in subsidiaries to be included in consolidation. Total acquisitions of shares in subsidiaries and investments in the 2007 financial year resulted in cash payments of around € 111.5 million (previous year: around € 43.9 million). Cash and cash equivalents acquired with these acquisitions totalled around € 23.4 million.

In the completed financial year, dividend payments received including dividends received by the companies measured at equity generated cash inflows of € 24.1 million (previous year: € 22.9 million).

Non-cash investments were primarily effected in the TUI Hotels & Resorts sector by means of finance leases. Lease agreements resulted in total investments of € 15.9 million (previous year: € 76.9 million).

The cash flows from investing activities comprised capitalised interest on borrowings of € 14.1 million (previous year: € 7.0 million).

(43) Cash inflow/outflow from financing activities

In the 2007 financial year, the cash flow from financing activities was substantially characterised by the raising of € 694,0 million and the raising of € 150.0 million by means of private placements. Further loans raised up to € 159.0 million for financing two ships.

Following the addition of the First Choice Group, the debt of First Choice was refinanced by means of a syndicated credit line of TUI Travel PLC, reflected in the corresponding cash flows as a redemption worth around € 0.7 billion and new debt taken up of around the same amount.

Cash flows from financing activities included cash flows due to financial liabilities taken up or redeemed and interest paid in the financial year under review. The dividend reported for TUI AG related to the serving of hybrid capital.

(44) Development of cash and cash equivalents

Cash and cash equivalents comprised all liquid funds, i.e. cash in hand, bank balances and cheques. The impact of changes in cash and cash equivalents due to exchange rate fluctuations was shown separately. Also outlined separately were the changes in cash and cash equivalents attributable to changes in consolidation which did not result from the acquisition or divestment of companies. They included the cash and cash equivalents of € 438.9 million received under the merger with the First Choice Group.

As at 31 December 2007, cash and cash equivalents of € 0.2 billion were subject to restraints on disposal. These amounts had to be deposited as collateral for tourism services by tour operators due to national provisions related to hedging tourism services.

Other Notes

Significant transactions after the balance sheet date

In mid-January 2008, TUI AG issued a financing scheme with a nominal volume of € 450.0 million maturing in 2013, which was structured by Deutsche Bank in the framework of an exchangeable bond. To this end, TUI AG sold 10.7% of its shares in TUI Travel PLC to Deutsche Bank, which in turn transferred these shares to Nero Finance. Nero Finance, which TUI AG does not hold a stake in, issued an exchangeable bond with cash compensation option and an annual interest coupon of 4.5%, with a conversion option to convert into TUI Travel PLC shares. At the same time, TUI AG and Deutsche Bank or Nero Finance concluded an agreement according to which Nero Finance committed to exercise the voting rights from the shares held in accordance with the instructions given by TUI AG. TUI AG will also continue to obtain the economic benefit of the dividends of TUI Travel PLC received in connection with the shares held by Nero Finance. If the holders of the exchangeable bonds do not exercise their conversion rights, TUI AG will be obliged to repurchase TUI Travel PLC shares at the nominal value of the bond at the end of the term. If the holders exercise their conversion rights, TUI AG will be entitled to repurchase TUI Travel PLC shares at market value at the end of the term, using the cash compensation option. TUI AG continues to hold control over its subsidiary TUI Travel PLC.

Apart from these transactions, no further material transactions were resolved, initiated or implemented in the post-balance sheet period under review, i.e. the period between balance sheet date and the granting of the unqualified auditing certificate by the auditors (3 March 2008).

Services of the auditors of the consolidated financial statements

Total expenses of € 5.0 million were carried for the professional services provided by the auditors of the consolidated financial statements, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft. Of this total, € 2.7 million related to audits, € 2.2 million to other attestation or measurement services and € 0.1 million to other services provided for TUI AG or its subsidiaries. The increase of audit expenses of € 2.2 million is mainly due to additional deligatory audits of the shortened business year caused by the legal restructuring of the German tourism companies in relation to the formation of TUI Travel PLC.

Remuneration of Executive and Supervisory Board members

In the financial year under review, total remuneration paid to Board members totalled € 16,391.7 thousand (previous year: € 7,368.0 thousand).

In the framework of the long-term incentive programme, the Board members received a remuneration of € 1,164.1 thousand (previous year: € 17.0 thousand) for the financial year under review. The amount paid in the previous year was translated into 963 phantom stocks in TUI AG in March 2007. The remuneration granted for 2007 will be translated into phantom stocks at the Supervisory Board meeting in March 2008.

Pension provisions for active Executive Board members totalled € 19,929 thousand as at the balance sheet date (previous year: € 20,663 thousand).

Total remuneration for Supervisory Board members in the financial year under review amounted to € 2,838.5 thousand (previous year: € 1,939.2 thousand). Remuneration for former Executive Board members or their surviving dependants totalled € 7,011 thousand in the financial year under review, including one-off severance pay of € 777 thousand (previous year: € 5,652 thousand). Pension obligations for former Executive Board members and their surviving dependants amounted to € 34,780 thousand (previous year: € 47,811 thousand) in the financial year under review.

Disclosures of the relevant amounts for individual Board members and further details are provided in the remuneration report included in the management report.

Related parties

Apart from the subsidiaries included in the consolidated financial statements, TUI AG, in carrying out its ordinary business activities, maintained indirect or direct relationships with related parties. Related parties controlled by the TUI Group or over which the TUI Group is able to exercise a significant influence are listed in the list of shareholdings deposited in the electronic Federal Gazette (www.ebanz.de). Apart from pure equity investments, related parties also included companies that supplied goods or provided services for TUI Group companies.

Transactions with related parties (excl. key management)

€ million	2007	2006
Services provided by the Group		
Management and consultancy services	25.3	30.1
Sales of tourism services	0.0	5.4
Distribution services	7.8	8.2
Other services	49.1	–
Total	82.2	43.7
Services received by the Group		
in the framework of lease, rental and leasing agreements	26.6	30.6
Purchase of hotel services	69.9	119.2
Incoming services	123.9	160.7
Distribution services	0.0	4.2
Container handling and terminal services	59.1	43.4
Other services	11.0	12.0
Total	290.5	370.1

Transactions with related parties (excl. key management)

€ million	2007	2006
Services provided by the Group to		
non-consolidated Group companies	7.8	9.8
joint ventures	10.9	17.9
associated companies	50.4	3.6
other shareholdings	–	–
natural persons	13.1	12.4
Total	82.2	43.7
Services received by the Group from		
non-consolidated Group companies	24.8	24.8
joint ventures	153.1	178.6
associated companies	83.3	102.2
other shareholdings	26.1	57.9
natural persons	3.2	6.6
Total	290.5	370.1

Transactions with associated companies in which shareholdings were held and joint ventures were primarily effected in the tourism segment. They related in particular the tourism services of the incoming agencies and hotel companies used by the Group's tour operators.

All transactions with related parties were executed on an arm's length basis, based on international comparable uncontrolled price methods in accordance with IAS 24 as customary with third parties outside the Group.

Liabilities to related parties did not comprise any liabilities from finance leases, as in 2006. Receivables and liabilities existing as at the balance sheet date were comprised in receivables from and liabilities to non-consolidated Group companies and associated companies.

The income and expenses resulting from equity investments and financing were carried under the financial result for all consolidated companies and presented in the segment report for the individual divisions, together with a separate presentation of the earnings of associated companies by divisions.

As at the balance sheet date, the associated company Riu Hotels S.A. held 5.1% of the shares in TUI AG. Ms Carmen Riu Güell and Mr Abel Matutes Juan were members of TUI's Supervisory Board and indirectly held 5.1% or 2.4%, respectively, of the shares in TUI AG.

In accordance with IAS 24, key management functions within the Group, the Executive Board and the Supervisory Board, were related parties whose remuneration had to be listed separately.

€ million	2007	2006
Short-term employee benefits	16.8	8.8
Post-employment benefits	0.5	2.0
Other long-term employee benefits	1.1	0.5
Termination benefits	0.9	5.3
Share-based payment	1.2	–
Total	20.5	16.6

The benefits upon termination of the employment relationship were current pension costs recognised for active Board members in the respective financial year in the framework of the transfers to pension provisions. In accordance with the Corporate Governance Code, these expenses do not represent remuneration of the Executive Board. Termination benefits included an amount of € 0.1 million for the formation of a provision.