Corrected Annual Report 2008

Decisive Steps. Clear Focus.

Corrected Annual Report 2008

2008

TUI AG

Inhalt

TUI Group in Figures

Corrected TUI Group in Figures

		2008	2007	Var. %
Divisional turnover				
Tourism	€m	18,588	15,759	+ 18.0
Container shipping (discontinued operation)	€m	6,220	5,965	+ 4.3
Others	€m	60	78	- 23.5
Group	€m	**24,868**	**21,803**	**+ 14.1**
Earnings before interest, tax, depreciation and amortisation (EBITDA)				
Tourism	€m	541	644	- 16.0
Container shipping (discontinued operation)	€m	405	401	+ 1.0
Others	€m	- 24	216	n/a
Group	€m	**922**	**1,261**	**- 26.9**
Divisional earnings (EBITA)				
Tourism	€m	59	163	- 63.9
Container shipping (discontinued operation)	€m	133	137	- 2.8
Others	€m	- 53	186	n/a
Group	€m	**139**	**486**	**- 71.4**
Underlying divisional earnings (underlying EBITA)				
Tourism	€m	562	408	+ 37.8
Container shipping (discontinued operation)	€m	211	177	+ 19.0
Others	€m	- 54	- 24	- 123.0
Group	€m	**718**	**561**	**+ 28.2**
Net profit/loss for the year	€m	**- 182**	**176**	**n/a**
Earnings per share	€	- 0.65	0.41	n/a
Assets				
Non-current assets	€m	7,339	11,528	- 36.3
Current assets	€m	9,317	4,721	+ 97.3
Total assets	€m	**16,656**	**16,249**	**+ 2.5**
	€m			
Equity and liabilities				
Equity	€m	2,168	3,038	- 28.6
Non-current liabilities	€m	5,796	6,807	- 14.9
Current liabilities	€m	8,692	6,404	+ 35.7
Total equity and liabilities	€m	**16,656**	**16,249**	**+ 2.5**
Equity ratio	%	**13.0**	**18.7**	**- 5.7*)**
Cash flow from operating activities	€m	**946**	**569**	**+ 66.4**
Capital expenditure	€m	**954**	**1,116**	**- 14.5**
Net debt	€m	**4,083**	**3,917**	**+ 4.2**
Employees	31 Dec	**70,254**	**68,521**	**+ 2.5**

*) percentage points

Dr Michael Frenzel,
Chairman of the Executive Board

Letter to our Shareholders

Dear Shareholders,

In 2008 we took a number of crucial decisions charting the future course of the TUI Group. With the sale of a majority stake in container shipping, TUI has become a pure tourism group, both in terms of external perception by the capital market and internal control. The sturdy liquidity and financial situation resulting from the transaction will further enhance the solidity of TUI AG and open up opportunities for a further expansion of our tourism business in the long run.

In October 2008, we concluded an agreement with the Hamburg-based Albert Ballin consortium on the sale of a majority stake in Hapag-Lloyd AG. The selling price is based on the long-term yield prospects in container shipping. However, the current market environment in container shipping deteriorated considerably in the last few months of 2008. Until the closing of the deal in March 2009, we therefore engaged in fair negotiations with our partners in order to devise solutions guaranteeing both the future of Hapag-Lloyd AG as one of the world's leading shipping companies and stronger financial scope for TUI AG following the sale of a majority stake. Even after the sale of the majority stake, TUI AG will retain a 43.33% stake and will thus remain the largest individual shareholder of Hapag-Lloyd AG. In cooperation with the new co-shareholders we will continue to develop Hapag-Lloyd's business in a responsible and sustainable manner.

We continued to develop our core business, tourism, in 2008 with a number of crucial measures. TUI Travel successfully completed its first full operative year. The integration and restructuring process advanced faster than initially expected in 2008. TUI Travel upgraded its target for sustainable annual synergies by 25 million to 175 million British pounds sterling. In the light of the current uncertainty about the economic framework, TUI Travel is currently pursuing very restrictive capacity management in all source markets.

Only a small portion of flying and hotel commitments for forthcoming seasons have been contracted. TUI Travel thus operates a robust and flexible business model that will also be able to overcome weaker economic phases.

In financial year 2008, TUI Hotels & Resorts moderately expanded its hotel capacity and almost matched the gratifying earnings level of financial year 2007, despite the strains imposed by the weakening US dollar. Our goal is to achieve a sustainable expansion of the high earnings quality in this sector by selectively sharpening our product portfolio.

A gratifying development in our cruise business was achieved by Hapag-Lloyd Kreuzfahrten with a renewed increase in equity in 2008. With the maiden voyage of the first TUI Cruises ship, to be named 'Mein Schiff', in May of this year, we are about to enter the German volume market for premium cruises.

In 2008, the integration of TUI's tourism division and First Choice as well as the strategic realignment of TUI Travel flight operations placed a considerable strain on Group profit. Therefore we will propose to TUI AG's Annual General Meeting to suspend distribution of a dividend for financial year 2008. We deliberately made these advance payments since they will significantly enhance the sustainable profitability of our tourism division in coming years.

Assessments of what the future holds in store for the world's economy have continued to deteriorate in recent months against the backdrop of the current financial and economic crisis. For 2009, all research institutes expect a global slump in economic activity in all sectors, which will also affect demand in the travel market.

Thanks to the successful realignment of our Group portfolio, we considerably strengthened the solidity of the TUI Group in 2008. In tourism, we will be able to limit price and volume risks by means of effective capacity management and additional efficiency enhancement measures. In the light of our flexible business model and the delivery of planned synergies as integration proceeds at TUI Travel, we therefore currently expect an overall stable development for the profitability of our tourism division in financial year 2009.

In container shipping, too, the focus will be on market-oriented capacity management in 2009. Based on the current difficult market conditions in container shipping, however, operating earnings are expected to decline substantially year-on-year in 2009. The at equity result to be included after the sale will include financing costs for Hapag-Lloyd and is therefore expected to create correspondingly negative profit contributions for TUI's Group profit.

Overall, we expect the profitability of our tourism division to show a stable development in financial year 2009 due to our flexible business model and the delivery of planned synergies. Should the economic situation in our key markets develop much less positively than expected, however, we will not be able to rule out potential follow-up effects of the current financial and market crisis on our operative business. For the Group as a whole, we will therefore not be able to repeat the operative earnings level of 2008, in particular due to the trends in container shipping.

As integration cost in 2009 will be significantly lower and taking into account the anticipated gain on disposal in container shipping reported earnings for the TUI Group are expected to be positive in the financial year 2009.

Yours sincerely,

Dr Michael Frenzel, CEO

4 Management Report

2008 – Rise in operating earnings. Majority stake in container shipping sold. Stable liquidity and financial situation of the Group. Upgrade in synergies by TUI Travel.

2008 – the year that was

Rise in operating earnings in tourism and container shipping

The TUI Group successfully concluded the first full financial year following the formation of TUI Travel. Tourism, its core business, saw a significant increase in underlying earnings, in particular due to the positive operating performance of TUI Travel and the first-time consolidation of the First Choice activities for a full year.

Earnings by TUI Travel were impacted by an increase in fuel costs and the weakening exchange rates for the British pound sterling. The hotel business of TUI Hotels & Resorts in North America and the Caribbean was impacted by the weaker average US dollar. Cruises recorded a sound operating performance for Hapag-Lloyd Kreuzfahrten in 2008 but also input costs for establishing the business operations of TUI Cruises.

In 2008 the market environment in container shipping deteriorated in the course of the year. Container shipping achieved an increase both in transport volumes and average freight rates and hence posted a notable rise in earnings, which was also noteworthy by industry standards. Until the end of the third quarter, its business was impacted by the substantial rise in fuel costs. At the end of the year, worldwide production cuts caused by the financial and economic crisis resulted in a considerable decline in freight volumes.

In 2008, the scheduled integration costs for the merger between TUI's tourism division and First Choice as well as expenses in connection with the strategic realignment of TUI Travel's flight operations generated a significant difference between operating and reported earnings. Due to these up-front costs, incurred in order to achieve a sustainable and significant increase in the Group's profitability in subsequent years, consolidated earnings were negative in 2008 at €-182m. Against this background, the Executive and Supervisory Boards will propose to TUI AG's 2009 Annual General Meeting that dividend payments be suspended for the 2008 financial year.

Majority stake in container shipping sold

In March 2008, the Executive and Supervisory Boards of TUI AG resolved to separate container shipping from the Group. Following the conclusion of a bidding process, TUI AG agreed to sell all shares in Hapag-Lloyd AG to a subsidiary of Albert Ballin KG, Hamburg, in a deal that valued the company at €4.45bn in October 2008.

This sales price meant that in a difficult market environment a value oriented to the long-term earnings potential of container shipping was generated. In the framework of the transaction, TUI AG will take a 43.33% stake in the new company from Albert Ballin KG for €910m. TUI AG can freely dispose of its stake in the company. The co-shareholders have pre-emptive rights. In addition, TUI AG has a right of first offer to sell the shares to the remaining shareholders. The first exercise date for this option will be 1 January 2012.

Stable liquidity and financial situation of the Group

With the divestment of the majority interest in the container shipping operations in October 2008, the TUI Group's portfolio was realigned. The Group's liquidity and financial situation resulting from the sale of the majority stake in Hapag-Lloyd AG will open up investment opportunities for the further expansion of TUI AG's tourism business in the longer term.

Annual synergy potential in TUI Travel upgraded to 175m British pounds sterling

TUI Travel, which arose from the merger of the TUI Group's distribution, tour operation, aviation and incoming operations with First Choice, achieved a very successful performance in its first full operating year. In 2008, the defined sets of measures were implemented in order to further enhance the flexibility of the business model and boost the profitability of the business. The integration and restructuring process progressed faster than expected in 2008. The annual synergy potential to be delivered as of 2011 was upgraded by 25m to 175m British pounds sterling on its previous target.

Group structure

TUI Aktiengesellschaft			
Tourism			Container shipping
TUI Travel	TUI Hotels & Resorts	Cruises	Hapag-Lloyd
TUI Travel PLC	TUI Hotels & Resorts	Hapag-Lloyd Kreuzfahrten; TUI Cruises	Hapag-Lloyd

Following the successful divestment of the majority stake in container shipping, TUI AG has become a tourism company, both in terms of external perception by the capital market but also internal control of the Group. The new Group structure consists of tourism, which is comprised of TUI Travel, TUI Hotels & Resorts and the Cruises sector previously managed under the shipping division. Container shipping operations have been defined as a discontinued operation in accordance with IFRS 5 as of the first quarter of 2008 and reclassified accordingly.

TUI AG

Group parent company

TUI AG is the Group's parent company headquartered in Hanover. Via its affiliates, it holds direct or indirect interests in the main Group companies conducting the Group's operative business in the individual countries. Overall, TUI AG's group of consolidated companies comprised 763 direct and indirect subsidiaries at the balance sheet date, of which 46 were based in Germany and 717 abroad. A further 16 affiliated companies and 33 joint ventures were included in TUI AG's consolidated financial statements on the basis of at equity measurement.

Organisation and management

TUI AG is a stock corporation under German law, whose basic principle is dual management by two boards, the Executive Board and the Supervisory Board. The Executive and Supervisory Boards cooperate closely in controlling and monitoring the Company. The Executive Board is responsible for the overall management of the Company.

The appointment and dismissal of Board members is based on sections 84f. of the German Stock Corporation Act in combination with section 31 of the German Co-Determination Act. Amendments to the Articles of Association are effected on the basis of the provisions of sections 179ff. of the German Stock Corporation Act in combination with section 24 of TUI AG's Articles of Association.

Board structure

As at the balance sheet date, the Executive Board of TUI AG consisted of five members: the CEO and four other Board members in charge of Tourism, Finance, Controlling and Human Resources/Legal.

TUI Travel

TUI Travel was formed in 2007 from the merger of the TUI Group's distribution, tour operator, aviation and incoming operations with those of the former British First Choice Holidays PLC.

TUI Travel PLC is domiciled in the UK and has been listed on the London Stock Exchange since 3 September 2007. At the balance sheet date, TUI AG held around 51 per cent, i.e. the majority, of the voting rights in this subsidiary.

TUI Travel operates in 180 countries worldwide and services more than 30 million customers in 25 source markets. Its business is structured into four sectors: Mainstream, Specialist & Emerging Markets, Activity and Online Destination Services.

Mainstream

The Mainstream Sector is the largest sector within TUI Travel and comprises the sale of airline, accommodation and other tourism services, both as individual components and package tours. This sector pools several vertically integrated tour operators such as Thomson, First Choice and TUI Deutschland. Activities cover the three source markets Central Europe, Northern Europe and Western Europe.

Specialist & Emerging Markets

The Specialist & Emerging Markets Sector comprises around 40 specialist tour operators operating in Europe, North America and strong-growth markets such as Russia. The product portfolio offered by the specialist tour operators includes tours to specific destinations (Destination), premium products such as jet expeditions (Premium) and offerings for specific customer demographic segments such as students (Lifestages).

Activity

The Activity Sector comprises travel companies in Europe, North America and Australia allocated to the business segments Marine, Adventure and Ski, Student & Sport. The Marine Segment pools providers of charter yachts. The Adventure Segment offers, for instance, polar cruises and escorted study tours. The Ski, Student & Sport Segment covers providers of skiing and other sporting tours.

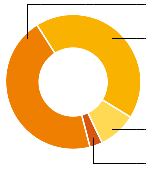
Online Destination Services

The Online Destination Services Sector comprises activities in Europe, North America and Asia and is structured into three segments. The business customer segment (B2B) sells accommodation online to business customers such as travel agencies and tour operators. In addition, regional incoming agencies provide classical incoming services, such as transfer and services for holidaymakers, for tour operators and the cruise sector. In the final customer segment (B2C), accommodation is supplied online to individual customers via various internet platforms.

TUI Hotels & Resorts

Hanover-based TUI Hotels & Resorts manages the Group's hotel companies. Its business area includes hotel companies in which majority interests are held, joint ventures with local partners, companies in which a financial stake is held and hotels with management contracts. TUI Hotels & Resorts links tour operators and hotel partners and thus ensures the strong positioning of the hotel brands within the Group and among the competition. Apart from strategic planning, the development of future-oriented hotel formats and operative support, it also coordinates marketing and distribution activities as well as environmental and social activities by the hotel companies.

Financing structure
TUI Hotels & Resorts (in %)



	'08	'07
Ownership	45	43
Management	43	42
Lease	9	10
Franchise	3	5

In 2008, TUI Hotels & Resorts comprised a total of 238 hotels with around 149,000 beds. 210 of the 238 hotels were four- or five-star hotels. 45% were owned by the respective hotel company, 43% were operated under management contracts, 9% were leased. 3% of the facilities were managed under franchise agreements.

TUI Hotels & Resorts

Hotel brand	3-stars	4-stars	5-stars	Total hotels	Beds	Main sites
Riu	9	63	26	98	76,271	Spain, Mexico, Caribbean, Tunisia, Cape Verde Islands
Grupotel	15	16	2	33	13,104	Spain
Robinson	0	19	3	22	11,804	Spain, Greece, Turkey, Switzerland, Austria
Magic Life	2	10	1	13	11,596	Turkey, Egypt, Tunisia, Greece
Iberotel	0	14	6	20	11,465	Egypt, Turkey, Germany
Grecotel	0	10	10	20	10,127	Greece
Dorfhotel	0	5	0	5	2,923	Germany, Austria
Other hotel companies	2	17	8	27	12,134	Egypt, Austria
Total	**28**	**154**	**56**	**238**	**149,424**	

As at 31 December 2008

Riu is the largest hotel company in the portfolio of TUI Hotels & Resorts. The Majorca-based family enterprise has a high proportion of regular customers and stands for professionalism and excellent service. Most of the hotels are in the premium and comfort segments and are located in Spain, Mexico and the Caribbean.

The Majorca-based Grupotel is one of the major hotel chains in the Balearics, offering apartments, aparthotels and luxury resorts. Most hotels are in the comfort segment.

Robinson, the quality and market leader in the premium club holiday segment, is characterised by its professional sport, entertainment and event portfolio. Moreover, the clubs offer high-quality hotel services, excellent service and a generous architecture. Most of the hotels are located in Spain, Greece, Turkey, Switzerland and Austria. The hotels also meet ambitious standards in terms of sustainability development activities and compliance with specific environmental standards.

Magic Life is the all-inclusive TUI Hotels & Resorts club brand. It offers a holiday concept with a balanced price/performance ratio and entertainment programmes in an international environment for families with children. Most of the club facilities are in the comfort segment and are located in Turkey, Egypt and Tunisia.

Iberotel hotels offer a comprehensive level of comfort and excellent dining options. Most of the premium hotels are located in Egypt and Turkey. They offer top-quality products since they comply with the highest quality, safety and environmental standards. In 2008, the first German facility was opened with Iberotel Boltenhagen.

Grecotel is a leading premium provider among Greek hotel brands. Its concept is based on traditional hotel management and focuses on cultural and environmental features. Grecotel resorts are characterised by their beach location, modern architecture and premium restaurants.

Dorfhotels are located in Germany and Austria. They combine the advantages of fully refurbished holiday apartments with the comfort of a modern holiday hotel. Set in a natural environment and featuring rural architecture typical of the region, Dorfhotels offer a broad range of activities for families and nature lovers.

TUI Hotels & Resorts launched its budget holiday hotel operations by opening the first aQi hotel in Schladming in December 2008. This product line will be offering holidays in selected locations at an attractive price/performance ratio.

The 'Toscana Resort Castelfalfi' project was initiated in 2007. It comprises eleven square kilometres of land in Tuscany, including a medieval village and a golf course. There are plans to build additional tourism facilities, with not only holiday apartments and villas, but also Robinson and Iberotel hotels. The focus is on the use of renewable energies and a supply to customers of agricultural produce grown on local farms.

Cruises

The cruises sector comprises Hapag-Lloyd Kreuzfahrten and TUI Cruises, which is currently establishing its activities.

Hamburg-based Hapag-Lloyd Kreuzfahrten GmbH operates four cruise ships in the market for premium and luxury cruises. Its portfolio focuses on lifestyle and expedition cruises for the German-speaking market.

Its flagship is the five-star-plus vessel 'Europa'. It was awarded this category by the Berlitz Cruise Guide for the ninth time in succession and is the world's only ship awarded this category. The 'Europa' primarily cruises on world tours. The 'Columbus', a three-star-plus vessel, also cruises the world's seven seas. Moreover, it is the only ocean-going cruise liner capable of cruising the Great Lakes in North America.

The 'Hanseatic' is used, among other things, for expedition cruises to the Arctic and Antarctic. It is the world's only five-star passenger vessel with the highest Arctic class. The 'Bremen', a four-star vessel – also awarded the highest Arctic class – travels to similar destinations. In 2008 it again completed a successful tour through the Northwest Passage.

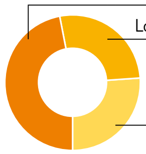
TUI Cruises, a joint venture for TUI AG and the US shipping company Royal Caribbean Cruises Ltd., was founded in 2008. The Hamburg-based company will offer cruises to the German-speaking premium market as of May 2009. TUI Cruises follows a concept primarily aimed at couples and families who attach particular importance to personal choice, generosity, quality and service on a cruise.

The first ship of the fleet is a four-star-plus vessel to be launched in May 2009. In the first season, TUI Cruises will offer cruises through Scandinavia and the Baltic Sea from May to September 2009. From September until early November 2009, the vessel will then set out for the western Mediterranean. Caribbean cruises will be offered from November 2009 until March 2010.

Container shipping (discontinued operation)

The Hamburg-based Hapag-Lloyd AG is the world's fifth largest container shipping company. Hapag-Lloyd has a presence in more than 320 locations worldwide.

Financing structure
Container ship fleet (in %)



	'08	'07
Ownership	47	41
Long-term charter/lease	27	29
Short-/Middle-term charter/lease	26	30

Hapag-Lloyd's fleet included a total of 128 container ships as at 31 December 2008, 60 of which were owned by Hapag-Lloyd, while 35 ships were operated in the framework of longer-term leasing and charter agreements. In addition, Hapag-Lloyd operated 33 ships chartered on short-term agreements. The average age of the fleet was 8.8 years.

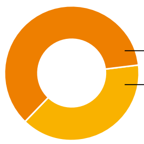
The completed financial year saw delivery of two new ships with a total capacity of around 17,500 standard containers (TEU). Hapag-Lloyd assumed ownership of both of these new builds. The order book for new ships comprises two deliveries for 2009, a further seven for 2010 and five for 2011. Each new ship will have a capacity of more than 8,000 TEU.

Container ship fleet

Slot capacity in TEU	Total number	Average age	Capacity in TEU
Up to 2,300	30	18.5	56,000
2,300 - 4,000	41	16.4	119,000
4,000 - 6,000	39	8.3	173,000
6,000 - 8,000	8	5.7	57,000
over 8,000	10	2.3	87,000
Total	**128**	**8.8**	**492,000**

As at 31 December 2008

Financing structure containers (in %)



	'08	'07
Ownership	61	63
Charter	39	37

In addition, Hapag-Lloyd had containers with a capacity of 1.1 million TEU as at 31 December 2008. These containers included standard and reefer containers but also special containers such as open-top containers with tarpaulin, flatrack containers without side panels and top or platform containers for oversize cargo. Around 61% of the containers were owned by the Group while the remaining containers were leased.

Container stock

TEU	Capacity
Standard container	988,000
Reefer containers	71,000
Special containers	59,000
Total	**1,118,000**

As at 31 December 2008

The container ships are used in various trade lanes, each comprising different routes (line services) linking different harbours. Hapag-Lloyd operates five trade lanes.

Far East

The Far East trade lane is for transportation between Europe and Asia. This trade lane covers 22 routes, most of which connect Europe with Asian countries such as China, Japan and India. Other routes link Northern with Southern Europe and Northern Europe with Africa. The key feature of this trade lane is the exchange of goods between Europe and Asia.

Trans-Pacific

The Trans-Pacific trade lane serves to handle goods transport between North America and Asia. Hapag-Lloyd operates 14 routes in this trade lane, most of which connect the North American west coast with the Asian east coast.

Atlantic

The Atlantic trade lane with its 16 routes connecting Europe with North America again handled the largest transport volume, as in 2007. Some routes connect North America and northern Europe while others link North America and the Mediterranean region and one route connects North America and Africa.

Latin America

The Latin America trade lane connects South America with North America and Europe. Two of the eleven routes also connect various harbours within South America.

Australasia

The 22 routes of the Australasia trade lane serve to transport goods between Australia and Asia. They include inner-Asian routes, which accounted for the largest portion of the cargo volume, and routes connecting Australia with all other continents except for Africa.

Business activities

Tourism

Market

For 2008, the UNWTO expects total consumer spending to grow by 2% in the worldwide travel and tourism market (source: UNWTO World Tourism Barometer, January 2009). Following an increase of around 5% in the first half of 2008, international arrivals decreased by 1% overall in the second half of the year. While fuel prices rose in the first three quarters of the year and curbed consumers' travel behaviour, the deterioration in the economic environment observed in all sectors in the last few months of the year caused a decline in consumer confidence.

The market for business and leisure hotels was also impacted by the slowdown in economic activity in 2008 which became most noticeable in the last months of the years. As measured by total investments a significant deterioration could be observed: Total investments in European hotels, which still accounted for €21bn in 2007, dropped substantially to €5bn in 2008. Average hotel room prices in Europe rose by around 11% until September 2008 while occupancy rates declined slightly (source: Deloitte, Hospitality Vision, November 2008).

The European market for cruises continued to grow in 2008. German cruise operators increased total passenger numbers by more than 10% year-on-year (source: fvw, December 2008). Most destinations witnessed no political unrest or ecological disasters, with the exception of the region around the Gulf of Aden, where an increase in pirate activities was observed, even affecting classical cruises. In comparison with the traditional Caribbean trade lane, European routes continued to gain importance in 2008.

Competition

In the year under review, the European tourism sector was characterised by consolidation, a trend that started in 2007. Apart from tour operators with integrated and non-integrated business models, there was competition between hotel companies, airlines and online agents. Due to strong capacity restriction policies by the leading market participants in 2008, less residual stock was left for sale at reduced prices.

The strong rise in crude oil prices in the summer of 2008 led to more insolvencies among tourism companies. Against this background, customers have been looking to tour operators not just for attractive products, but increasingly for stability and contractual reliability. TUI is very well positioned, thanks to its differentiated product portfolio featuring various unique selling propositions, its strong market position and its financial stability.

The competitive environment in the holiday hotel market continued to be marked by the rising popularity of the all-inclusive approach and an ongoing trend towards golf, spa, wellness and health products. Customers' awareness of environmental issues continued to play a major role. As one of the leading providers of holiday hotels in Europe, TUI Hotels & Resorts took account of these trends in developing its attractive portfolios.

The German-speaking cruise market continued to report positive development in 2008. Demand rose since new suppliers offered additional product portfolios and existing fleets were expanded. Cruises were also booked by an increasing number of classical package tour customers. Alongside the well-established European providers, US shipping companies also expanded their operations in Germany.

Hapag-Lloyd Kreuzfahrten continued to expand its position in the German premium and luxury segment for classical and expedition cruises in 2008. Since the autumn of 2008, TUI Cruises has been providing an attractive product for the German-speaking volume market for cruises.

Business model

TUI Travel offers its customers a broad product portfolio, ranging from package tours all the way through to its specific portfolio of specialist products. It is structured into the Mainstream, Specialist & Emerging Markets, Activity and Online Destination Services Sectors.

The Mainstream Sector accounts for the largest share of TUI Travel's business operations. It comprises all activities in the package tour segment from distribution via tour operation to aviation. Mainstream is made up of several integrated tourism groups, each with a focus on a specific source market. Moreover, TUI Travel holds leading market positions in several, often highly fragmented specialist markets and occupies promising positions in growth markets such as Russia for example.

Due to its broad customer base in 25 source markets, TUI Travel is able to compensate for fluctuating trends in individual source markets or product groups. In addition, TUI Travel pursues a very restrictive capacity management policy in its Mainstream business. Only a very small portion of flight and hotel commitments are fixed by means of contracts.

The flight capacity of Group-owned airlines is oriented mainly towards the needs of the respective tour operators. Thanks to staggered leasing agreements for the aircraft used by the Group's own airlines, with non-Group third-party airlines providing almost one third of the flight capacity required, TUI Travel is able to respond flexibly to changes in demand. It only invests in its own assets where this provides the company with new unique selling propositions vis-à-vis the competition, for example by letting its own charter yachts.

Strong market positions in the various source markets and product segments result in well tapped economies of scale. Thanks to a high proportion of exclusive and differentiated products in all four sectors, sold via a variety of sales channels including the internet, TUI Travel offers its customers flexibility and choice and thus gains strong customer retention.

TUI Hotels & Resorts has its own hotel capacity in existing and potential growth destinations. It will selectively expand this capacity while at the same time streamlining its product portfolio. Besides distribution via tour operators, the selective establishment and expansion of additional sales channels will optimise occupancy of Group-owned hotels and secure high-quality earnings.

With its current fleet, Hapag-Lloyd Kreuzfahrten occupies leading positions in the German-speaking market for luxury, expedition and study tours. This advantage has been reinforced by sharpening the profile of the four vessels. With the launch of TUI Cruises, the company has also started to tap the German-speaking volume market for cruises.

Strategy

In tourism, the following strategic priorities have arisen for the forthcoming financial year:

- implementing the defined sets of measures to deliver the sustained integration and synergy benefits worth 175m British pounds sterling per annum that have been identified in TUI Travel;
- further enhancing the flexibility of the business model in the Mainstream Sector in TUI Travel by minimising the fixed flight and hotel commitments and orienting the company's own flight capacity to the requirements of the respective tour operator; engaging in pro-active capacity management;
- increasing the proportion of differentiated holiday products and strengthening direct web-based sales;
- expanding and strengthening the high-margin specialised tour operation business;
- focusing on a high-yield differentiated hotel portfolio in TUI Hotels & Resorts;
- tapping the German-speaking volume market for cruises;
- continuing the policy of restrictive cash and working capital management.

Container shipping (discontinued operation)

Market

Development of the container shipping market has been impacted by globalisation. The development of world trade, the ongoing shift of production from the west to the east, but also disproportionate economic growth in the emerging economies of Eastern Asia, have created high transport volumes, in particular on the routes to and from Asia. In addition, cargo containerisation continued to spread. Following a worldwide transport volume of 115m TEU in 2007, this volume grew by around 4% to almost 120m TEU in 2008 (source: HIS Global Insight, December 2008).

Container shipping routes are broken down into trade lanes. In 2008, the main trade lanes performed as follows:

Inner-Asian transportation accounted for the largest portion of worldwide transport volumes in 2008 at around 27m TEU, up around 5% year-on-year. At around 20m TEU, the Trans-Pacific trade lane ranked next with growth of 3%. Growth of around 3% to just under 20m TEU was generated on the Europe/Far East routes. Transport volumes in the Atlantic trade lane connecting Europe and North America totalled around 6m TEU, an increase of 2%. At almost 4m TEU, – up 5% – the Latin America trade lane generated the smallest volume.

Several container shipping companies have joined to form international alliances. The purpose of these consortia is the joint use of transport capacity and the coordination of departure times. As a result, alliance members are able to offer their customers a larger number of routes and higher frequencies. Hapag-Lloyd AG is a founding member of the Grand Alliance, the world's largest integrated container shipping consortium. Hapag-Lloyd provides around 37% of the jointly used capacity.

Competition

In 2008, the competitive landscape in container shipping did not change materially. With a transport capacity of around 1.9m TEU, the Danish shipping company Maersk remained the largest container shipping line. It remained far ahead of the Swiss Mediterranean Shipping Company (MSC) with a transport capacity of almost 1.4m TEU. With the French CMA CGM and the Taiwanese Evergreen Line ranking third and fourth, Hapag-Lloyd followed as the world's fifth largest container shipping line with a capacity of 0.5m TEU.

Business model

Hapag-Lloyd AG is a global player with over 320 offices on all five continents. Eighty-five services in all the world's seas are offered. In particular the high-volume east-west routes which mainly comprise transport between North America, Europe and Asia are served. The sales organisation is based on the same structure worldwide. Business organisation hinges on the fully integrated IT applications, offering tailored solutions for customers' individual requirements.

Besides pure maritime container transportation, Hapag-Lloyd offers the organisation of door-to-door transport worldwide. Container transportation to or from the sea ports, by rail, truck or inland waterway, are carried out by subcontractors. Hapag-Lloyd is the principal contracting partner during the entire transport chain.

Strategy

In container shipping, the yield-oriented strategy is to be continued against a backdrop of slowdown in the growth rates for world trade volumes. For the forthcoming financial year, the following strategic priorities arise:

- strong margin orientation;
- adjustment of the existing product portfolio and service structure;
- market-oriented capacity management;
- further cost optimisation and generation of additional revenues.

Economic framework

General development

In early 2008, the rest of the world seemed to have decoupled from the downswing in the US triggered by the sub-prime crisis, continuing to expand at an almost unchanged pace so that commodity prices initially continued to rise. However, by mid-2008 prospects became increasingly bleak. Due to the aggravation of the financial crisis and its global repercussions, the expansion phase of the world economy came to an end in the second half of the year. The development of economic activity caused a substantial downturn in the demand for commodities and a resulting decline in commodity prices which, in turn, curbed inflation and impacted consumer prices.

The International Monetary Fund (IMF) forecast an overall international growth in gross domestic product of 3.4% for 2008 (IMF, World Economic Outlook, January 2009). While the IMF expected economic growth in the emerging economies to slow down substantially in the second half of 2008, it expected the economies of the industrialised nations to be close to recession. For world trade, the IMF forecast a growth rate of 4.1% for the overall year. World trade will thus continue to grow at a faster rate than the world economy, although the gap has narrowed significantly.

Development in the regions

America and Asia

Although the US was the trigger and centre of the global financial crisis with its sub-prime scenario, its economy was expected to grow by 1.1% in 2008. Due to the decline in property prices, household demand continued to decrease. The weakness of the US dollar at the beginning of the year impacted imports but at the same time boosted the export sector. More restrictive lending by the banks did not affect the real economy until the end of the year.

Growth in Canada (0.6%) in 2008 was below US growth. The Japanese economy (-0.3%) also slowed down substantially following the significant drop of the yen in the second half of the year caused by the exposure of Japanese banks to the crisis-stricken US finance market.

Growth in Asia continued to be driven by China (9.0%) and India (7.3%). The decline in demand by industrialised countries and the increasing pressure on the financial markets caused a downward trend, in particular in the second half of the year. Overall, the Asian economy grew by 7.8% in the year as a whole, falling short of the high growth rate achieved in the previous year.

Eurozone

For the Eurozone, the IMF forecast economic growth of 1.0% for 2008. The main reasons for this forecast were the high oil and food prices at the beginning of the year and the strong decline in property prices in Ireland, Spain and the UK, which have already caused a substantial decline in economic performance. Although the aggravation of the international financial crisis in the second half of the year curbed inflationary tendencies thanks to declining commodity prices, it placed an additional burden on companies and consumers due to stricter lending policies. As a result, the national economies within the Eurozone are on the brink of or right into a recession.

Development of the divisions

Tourism

In tourism, the World Tourism Organization (UNWTO, World Tourism Barometer, January 2009) expected growth of 2% for 2008, with regional variations. While Europe only reported a stable performance, all other regions achieved growth in arrivals. With international arrivals up by around 5% year-on-year in the first half of the year, arrivals declined overall by 1% in the second half due to the onset of recessionary tendencies.

Container shipping (discontinued operation)

Despite temporary dramatic rises in bunker prices, the global trend in container shipping was moderately positive. Worldwide transport volumes rose by around 4% to almost 120m TEU (Global Insight, December 2008), virtually matching the forecast growth rate for world trade. This positive development was again mainly driven by Asia, in particular China and India. Average freight rates increased substantially year-on-year. However, extreme rises in bunker prices in mid-2008 and the weakness of the US dollar had an adverse effect. At a monthly average of 678USD/tonne, bunker prices reached a historical high in July. Average bunker prices were 51% up year-on-year for the year as a whole.

Assessment of the economic framework

Economic development in the 2008 financial year only met the Executive Board's expectations to a limited extent. Neither the substantial rise in commodity prices nor the extreme weakness of the US dollar in mid-2008 and of the British pound sterling had been anticipated in drawing up the macroeconomic framework underlying the budgeting assumptions. The rapid downturn in economic activity at the end of 2008 had not been expected, either. In the first half of the year, both tourism and container shipping reported a moderately positive development.

In the last few months of the year, booking levels declined in tourism as economic conditions deteriorated. However, since the summer season was already over at that point in time and bookings for the winter season had already been performed, the financial crisis only had a limited effect on business operations in tourism in 2008.

Cutbacks in global production towards the end of the year caused significant declines in transport volumes and freight rates in container shipping.

Group Turnover and Earnings Improved operating earnings in tourism and container shipping. High one-off costs for TUI Travel.

Overall, the TUI Group reported a positive operating performance in financial year 2008. Despite currency-induced effects and the steady rise in fuel prices until the third quarter, operating earnings in its core business of tourism rose year-on-year. Integration at TUI Travel progressed faster than expected. Some of the integration costs were therefore also brought forward, resulting in a substantial difference between operating earnings and reported earnings in 2008. Container shipping, which was likewise impacted by high fuel costs and a deteriorating economic environment in the course of the year, also achieved an increase in its operating earnings.

To ensure transparent presentation of how operating earnings have developed in the divisions, this section shows underlying earnings adjusted for gains on disposal of financial investments, restructuring expenses, amortisation of purchase price allocations and other one-off effects (underlying divisional EBITA). The adjustments are outlined in detail in the chapters 'Tourism' and 'Container Shipping'.

Correction of consolidated financial statements

TUI Travel PLC has identified booking errors with regard to turnover recognition and the reversal of adjustment items shown under trade accounts payable in Tourism, affecting TUI AG Group accounting for financial year 2008 (including the prior-year figures for 2007) and the short financial year 2009. The booking errors relate to TUI UK Ltd, Crawley, a national Northern Region company in TUI Travel PLC's Mainstream Business. Immediately after a statement to this effect by TUI Travel PLC on 21 October 2010, TUI AG published an ad hoc announcement pursuant to section 15 of the German Securities Trading Act and announced a restatement of prior year financial result.

As a voluntary measure to enhance transparency and meet the requirements of the capital market, TUI AG has decided not to carry out the necessary accounting restatements by means of subsequent restatements under IAS 8 in the financial statements for 2009/10 but to correct the consolidated financial statements themselves. According to the rules applicable to prospectuses in Europe, prospectuses have to provide historical financial information for a period of up to three years prior to the respective capital measure. The respective corrections were therefore directly carried out in the consolidated financial statements for the respective financial years, adjusting the prior periods presented, and these financial statements were subjected to a supplementary audit by the relevant auditors. Following approval by the Supervisory Board, the consolidated financial statements corrected in this way have been disclosed. The corrected Annual Reports have been made available on TUI AG's website at www.tui-group.com. They replace the Annual Reports already published in this respect. TUI AG has also extended this procedure so as to also cover those Interim Reports that might be relevant for its ability to operate in the financial market.

Against this backdrop, the present Management Report has also been corrected. Further details and the effects, in particular on the consolidated profit and loss statement, are presented in a note on this item on pages 120 and 121 in the consolidated Notes.

Divisional turnover and earnings

Assessment of earnings

The TUI Group posted a positive performance in 2008. In tourism, its core business, underlying earnings rose substantially due to the first-time consolidation of First Choice for a full financial year and in particular the positive development of TUI Travel's operating performance. In the first full year of TUI Travel operations, the focus was on implementing the sets of measures defined in 2007 in order to achieve planned synergies. TUI Travel also improved its margins in 2008, above all due to restrictive capacity management in the Mainstream business. TUI Hotels & Resorts continued the successful performance of the previous year.

On the other hand, earnings by TUI Travel and TUI Hotels & Resorts were impacted by higher fuel costs and weaker quotations of the British pound sterling and the US dollar.

Earnings by the Cruises sector comprised the positive operating earnings by Hapag-Lloyd Kreuzfahrten and start-up for the establishment of TUI Cruises in 2008.

In a market environment characterised by high fuel costs and increasing cuts in global production towards the end of the year, container shipping achieved a slight increase in transport volumes and a substantial rise in average freight rates in 2008. These operating improvements generated considerable earnings growth, which was also notable by industry standards.

Adjusted for fuel price and currency exchange effects, earnings by tourism matched the Executive Board's expectations. In shipping, earnings fell short of original expectations, in particular due to the weaker US dollar, high average fuel costs and the declining transport volumes towards the end of the financial year; by industry standards, however, earnings achieved a distinctly positive level.

Development of divisional turnover

Continuing operations

The continuing operations comprise tourism and central operations.

Divisional turnover

€ million	2008	2007	Var. %
Tourism	18,588.2	15,759.0	+ 18.0
TUI Travel	17,975.5	15,196.0	+ 18.3
TUI Hotels & Resorts	412.7	379.8	+ 8.7
Cruises	200.0	183.2	+ 9.2
Central operations	85.9	117.6	- 27.0
Continuing operations	**18,674.1**	**15,876.6**	**+ 17.6**
Container shipping	6,219.8	5,964.5	+ 4.3
Discontinued operation	**6,219.8**	**5,964.5**	**+ 4.3**
Consolidation	- 25.9	- 38.2	+ 32.2
Divisional turnover	**24,868.0**	**21,802.9**	**+ 14.1**

Turnover by the TUI Group's continuing operations was 18% up year-on-year in 2008. In tourism, both TUI Travel and TUI Hotels & Resorts generated year-on-year turnover growth. In TUI Travel, the increase in turnover was primarily attributable to changes in consolidation. Adjusted for the consolidation of First Choice activities, which had only been included for the period from September to December in the previous year, TUI Travel recorded a minor decline in turnover year-on-year due to cuts in tour operator capacity and the lower value of the British pound sterling against the euro.

Turnover by central operations, which comprise the Group's holding companies and real estate companies, fell slightly year-on-year by 27% to €86m.

Discontinued operation

Turnover by discontinued operation, namely container shipping activities including stakes in container terminals, grew 4% year-on-year to €6.2bn. The main reasons for this growth were year-on-year rises in freight rate levels and stable transport volumes. On the other hand, the US dollar exchange rate declined 7% year-on-year against the euro.

Divisional turnover

In 2008, overall turnover by the TUI Group divisions climbed 14% year-on-year to €24.9bn. The continuing operations accounted for 75% of this turnover. Following the reclassification of container shipping to discontinued operations, tourism accounted for almost the entire turnover by continuing operations. In its first full operative year, TUI Travel accounted for 97% of turnover in tourism.

In contrast, TUI Hotels & Resorts only represented a small portion of turnover in tourism since it included the affiliated companies and joint ventures measured at equity as well as high turnover with Group tour operators which had to be consolidated from a Group perspective.

Divisional earnings

Divisional earnings (EBITA)

€ million	Underlying divisional EBITA 2008	Underlying divisional EBITA 2007	Underlying divisional EBITA Var. %	Divisional EBITA 2008	Divisional EBITA 2007	Divisional EBITA Var. %
Tourism	561.7	407.7	+ 37.8	58.6	162.5	- 63.9
TUI Travel	412.5	249.0	+ 65.7	- 77.0	41.1	n/a
TUI Hotels & Resorts	142.4	146.1	- 2.5	128.8	108.8	+ 18.4
Cruises	6.8	14.2	- 52.1	6.8	14.2	- 52.1
Others/Consolidation	0.0	- 1.6	n/a	0.0	- 1.6	n/a
Central operations	- 54.4	- 24.5	- 122.0	- 52.6	186.2	n/a
Continuing operations	**507.3**	**383.2**	**+ 32.4**	**6.0**	**348.7**	**- 98.3**
Container shipping	211.1	177.4	+ 19.0	133.3	137.2	- 2.8
Discontinued operation	**211.1**	**177.4**	**+ 19.0**	**133.3**	**137.2**	**- 2.8**
Divisional earnings	**718.4**	**560.6**	**+ 28.2**	**139.3**	**485.9**	**- 71.3**

Continuing operations

For the continuing operations, operating earnings adjusted for special one-off effects (underlying divisional EBITA) rose 32% to €507m in 2008. Apart from a gratifying development of operating business in tourism, the first-time consolidation of First Choice for a full financial year created an additional profit contribution. On the other hand, earnings by tourism were adversely affected by the year-on-year fall in the quotations of the British pound sterling and US dollar.

Earnings by the continuing operations before adjustment for one-off effects (divisional EBITA) reflected effects and other one-off expenses totalling around €501m in 2008. Reported earnings by the continuing operations thus fell 98% to €6m.

Underlying divisional EBITA: Tourism

€ million	2008	2007	Var. %
Divisional EBITA	**58.6**	**162.5**	**- 63.9**
Gains on disposal	+ 3.8	+ 6.8	
Restructuring	+ 284.9	+ 62.4	
Purchase price allocation	+ 57.8	+ 55.6	
Other one-off items	+ 156.6	+ 120.4	
Underlying divisional EBITA	**561.7**	**407.7**	**+ 37.8**

Underlying earnings by tourism climbed 38% year-on-year to €562m in 2008. The rise in operating earnings resulted, among other things, from cost synergies, higher capacity utilisation and stronger margins in the Mainstream business as well as organic and external growth in the Specialist and Activity sectors of TUI Travel. In addition, the first full-year consolidation of First Choice produced a positive earnings effect, while the year-on-year fall in the average value of the British pound sterling caused earnings to decline.

In 2008, earnings by tourism before adjustment for one-off effects were impacted by restructuring and integration expenses as well as other one-off expenses of TUI Travel totalling €503m. Due to these expenses, reported earnings by tourism declined 64% to €59m.

Underlying divisional EBITA: Central operations

€ million	**2008**	**2007**	**Var. %**
Earnings by the holdings	- 65.2	173.8	n/a
Other operating areas	12.6	12.4	+ 1.6
Divisional EBITA	**- 52.6**	**186.2**	**n/a**
Gains on disposal	- 1.8	- 185.4	
Restructuring	–	+ 6.7	
Purchase price allocation	–	–	
Other one-off items	–	- 32.0	
Revaluation of conversion rights	–	–	
Underlying divisional EBITA	**- 54.4**	**- 24.5**	**- 122.0**

Earnings by central operations comprised the corporate centre functions of TUI AG and of the intermediate holdings along with miscellaneous other operating areas, essentially the Group's real estate companies.

Underlying earnings by central operations declined, totalling €-54m in 2008. The drop was mainly attributable to negative profit contributions from the measurement of derivative financial hedging instruments.

Previous year's reported earnings notably reflected out-off income from the sale of the majority stake in Montreal Gateway Terminals, a total of €185m.

Discontinued operation

Underlying divisional EBITA: Container shipping (discontinued operation)

€ million	**2008**	**2007**	**Var. %**
Turnover	6 219.8	5 964.5	+ 4.3
Earnings discontinued operation	258.8	96.2	+ 169.0
Adjustment according to IFRS 5*)	- 179.1	0.0	n/a
EAT	79.7	96.2	- 17.2
Net interest result/taxes on income	- 53.6	- 41.0	- 30.7
Divisional EBITA	**133.3**	**137.2**	**- 2.8**
Gains on disposal	–	- 15.1	
Restructuring	+ 7.1	- 1.1	
Purchase price allocation	+ 71.4	+ 82.4	
Other one-off items	- 0.7	- 26.0	
Underlying divisional EBITA	**211.1**	**177.4**	**+ 19.0**

*) Suspension of depreciation (€207m) and equity measurement of participations of container shipping (€-28m) since 31 March 2008.

In 2008, underlying earnings by container shipping grew slightly due to higher freight rates and stable transport volumes. Earnings were impacted by high fuel costs and the 7% decline in the exchange rate of the US dollar against the euro.

At €133m, reported earnings by container shipping were 3% down on 2007 levels. Previous year's reported earnings reflected one-off income from the sale of Hapag-Lloyd AG's minority stake in Germanischer Lloyd AG for a total of €15m.

Underlying divisional EBITA: Group

€ million	2008	2007	Var. %
Divisional EBITA	**139.3**	**485.9**	**- 71.3**
Gains on disposal	+ 2.0	- 193.7	
Restructuring	+ 292.0	+ 68.0	
Purchase price allocation	+ 129.2	+ 138.0	
Other one-off items	+ 155.9	+ 62.4	
Underlying divisional EBITA	**718.4**	**560.6**	**+ 28.2**

Divisional earnings

Overall, the TUI Group posted underlying divisional earnings of €718m in financial year 2008, up 28% year-on-year. Adjusted for the above-mentioned special income and expenses, reported divisional earnings fell 71% to €139m.

Value-oriented Group management

The financial objective pursued by TUI AG as a capital market-oriented company is to secure a sustainable increase in the value of the TUI Group. In order to implement value-driven management of the Group as a whole and its individual business sectors, a standardised management system has been installed as an integral part of consistent Group-wide planning and controlling.

Key management variables to enable regular value analysis are ROIC (Return On Invested Capital) and absolute value added. ROIC is compared with the division-specific cost of capital.

Cost of capital

The cost of capital is calculated as the weighted average cost of capital (WACC). The cost of equity included in WACC reflects the return expected by investors from TUI shares. The cost of outside capital is based on the average financing costs of the TUI Group. As a matter of principle, the cost of capital always shows pre-tax costs, i.e. costs before corporate and investor taxes. The expected return determined in this way corresponds to the same tax level as the underlying earnings implicit in ROIC.

To reflect different return/risk profiles in Group sectors, specific pre-tax costs of capital are calculated for each division. In tourism, the cost of capital was 10.4% (previous year: 10.3%). In financial year 2008, cruises were reclassified under tourism. At the same time, the sector-specific cost of capital was broken down more specifically for the three sectors TUI Travel, TUI Hotels & Resorts and Cruises. For TUI Travel, the cost of capital was 11.1% in 2008, for TUI Hotels & Resorts it was 9.7% for the year under review and for Cruises it was 10.5%. For container shipping, the cost of capital was set at 8.8% (previous year: 9.6%). For the Group as a whole, the parameter stood at 9.8% (previous year: 9.8%).

ROIC and value added

ROIC is calculated as the ratio of underlying earnings before interest, taxes and amortisation of goodwill (underlying divisional EBITA) to the average tied-up interest-bearing capital (invested capital) in the segment. Given its definition, this performance indicator is not influenced by any tax or financial factors and has been adjusted for one-off effects. From a Group perspective, invested capital is derived from liabilities, comprising equity (including minority interests) and the balance of interest-bearing liabilities and interest-bearing assets. The cumulative amortisations of purchase price allocations are then factored in to invested capital.

Apart from ROIC as a relative performance indicator, value added is used as an absolute value-oriented performance indicator. Value added is calculated as the product of ROIC less associated capital costs multiplied by invested capital.

Value-oriented key figures

€ million	Tourism 2008	Tourism 2007[2]	Container shipping (Discontinued operation) 2008	Container shipping (Discontinued operation) 2007	Group 2008	Group 2007[2]
Underlying divisional EBITA	561.7	404.5	211.1	177.4	718.4	557.4
Ø Invested capital[1]	6,481.8	4,339.2	2,875.4	2,622.7	9,349.1	6,945.3
ROIC	**8.7 %**	**9.3 %**	**7.3 %**	**6.8 %**	**7.7 %**	**8.0 %**
Weighted average cost of capital (WACC)	10.4 %	10.3 %	8.8 %	9.6 %	9.8 %	9.8 %
Value added	**- 112**	**- 42**	**- 42**	**- 74**	**- 198**	**- 123**

[1] Average value based on position of the beginning and year-end position.
[2] Adjusted for the effect of the first consolidation of First Choice.

In order to recognise the value-oriented indicators, a restatement of the increase in invested capital as at the cut-off date resulting from the first-time consolidation of the First Choice activities was effected in the consolidated financial statements in 2007. The invested capital base was reduced by the portion attributable to First Choice. At the same time, First Choice's profit contributions recorded since September 2007 were eliminated. In the year under review, in contrast, TUI Travel was fully included with all First Choice activities.

Tourism

In tourism, ROIC decreased by 0.6 percentage points year-on-year to 8.7%. This was due to the full consolidation of the First Choice activities in financial year 2008. The rise in underlying earnings was more than offset by the average increase in invested capital for the year. The yield level achieved in tourism in 2008, reflected the fact that earnings by TUI Travel did not yet entail the full synergy potential of the ongoing integration process and that the capacity expansion in TUI Hotels & Resorts will not generate corresponding profit contributions until the new complexes have been operated for a full season. Within the tourism division, TUI Travel achieved ROIC of 8.7% for financial year 2008, with TUI Hotels & Resorts achieving 7.0%. ROIC by the cruise operations, allocated to tourism for the first time was impacted by the start-up-costs for TUI Cruises and totalled 13.7%.

Overall, ROIC by the tourism division was below the specific divisional cost of capital of 10.4%. This resulted in a calculated negative value added of €112m for financial year 2008.

Container shipping (discontinued operation)

However, container shipping achieved a year-on-year increase in ROIC of 0.5 percentage points to 7.3% in 2008. The rise in ROIC driven by the earnings growth was reduced by an investment-induced increase in average invested capital for the year.

However, in relation to the specific sectoral cost of capital of 8.8% in container shipping, negative value added of €42m arose.

Group

ROIC for the overall Group was 7.7%, a year-on-year decline of 0.3 percentage points. Taking account of the cost of capital for the overall Group of 9.8%, negative value added of €198m arose.

Tourism Integration at TUI Travel progresses faster than expected. Target for sustainable synergies upgraded to £175 million per annum.

The tourism division comprises TUI Travel PLC, TUI Hotels & Resorts and Cruises. In the first full operative year for TUI Travel, the focus was on implementing the sets of measures defined in 2007 for integrating the TUI Group's retail, tour operating and airline activities and for merging its incoming agencies with the operations of First Choice. In 2008 integration progressed successfully and faster than expected. The targeted synergy potential was exeeded. As the project advanced, the target for sustainable synergies was upgraded by 25m to 175m British pounds sterling per annum.

Thanks to its restrictive capacity policy, TUI Travel significantly improved its operative performance in terms of occupancy and the margins achieved in the Mainstream business. Taking account of the operative improvements and the first-time consolidation of First Choice for a full financial year, as well as opposite effects from the decline of the average British pound sterling exchange rate in the year under review, underlying earnings by TUI Travel rose by €164m to €413m in 2008.

TUI Hotels & Resorts saw its hotel business in North America and the Caribbean impacted by the weakening average US dollar exchange rate in 2008 so that its performance declined by €4m year-on-year. Earnings by the cruises sector comprised start-up costs for the establishment of TUI Cruises of €7m. Hapag-Lloyd Kreuzfahrten continued to report a positive development in 2008.

Turnover and earnings in tourism

Tourism – Key figures

€ million	2008	2007	Var. %
Turnover	**18,588.2**	**15,759.0**	**+ 18.0**
Segment turnover	**18,608.0**	**15,779.4**	**+ 17.9**
Cost of sales	17,153.3	14,602.4	+ 17.5
Gross profit	**1,454.7**	**1,177.0**	**+ 23.6**
Administration expenses	1,348.8	1,093.5	+ 23.3
Other income/expenses	- 70.6	48.2	n/a
Result from companies measured at equity	23.3	30.8	- 24.4
Divisional EBITA	**58.6**	**162.5**	**- 63.9**
Gains on disposal	+ 3.8	+ 6.8	
Restructuring	+ 284.9	+ 62.4	
Purchase price allocation	+ 57.8	+ 55.6	
Other one-off items	+ 156.6	+ 120.4	
Underlying divisional EBITA	**561.7**	**407.7**	**+ 37.8**
Investments	559.8	537.4	+ 4.2
Headcount (31 Dec)	61,972	60,044	+ 3.2

In the financial year under review, turnover by the tourism division climbed 18% year-on-year to €18.6bn. The first-time consolidation of First Choice for a full financial year created a substantial increase in turnover. Adjusted for this one-off effect, turnover decreased slightly. This decline was mainly due to a reduction in tour operating capacity and in particular due to the weakening of the British pound sterling exchange rate on an annual average.

Turnover was netted with the cost of sales. The latter accounted for €17.2bn, down 18% year-on-year. In 2008, gross profit, i.e. the difference between turnover and the cost of sales, totalled €1.5m (previous year: €1.2m), up 24%.

Administrative expenses comprised expenses not directly caused by the realisation of turnover, e.g. expenses for general management functions. The year-on-year increase in expenses in 2008 mainly resulted from the first-time consolidation of First Choice for a full financial year and the restructuring and integration expenses for TUI Travel, most of which were carried under this item.

Other income and other expenses primarily comprised profits or losses from the sale of fixed assets items. Totalling €-71m this item was noticeably down year-on-year which was mainly due to expenses incurred in connection with the strategic realignment of TUI Travel's airline operations.

The result from affiliated companies and joint ventures valued at equity reflects the proportionate profit for the year of the associated companies and joint ventures. At €23m, it declined by 24% year-on-year in 2008. The profit contributions mainly resulted from the affiliated companies and joint ventures in TUI Hotels & Resorts and Online Destination Services in TUI Travel.

In 2008, operating earnings in tourism grew by 38% year-on-year to €562m. TUI Travel contributed €413m to these earnings, with TUI Hotels & Resorts accounting for €142m and Cruises €7m. The scheduled expenses for the merger between First Choice and TUI's tourism division as well as expenses incurred in connection with the strategic realignment of the airline activities of TUI Travel caused a one-off substantial difference between operating and reported earnings in 2008. Due to these advance costs, which are to create a sustainable and significant increase in profitability in subsequent years, reported earnings by the tourism division declined by 64% overall to €59m.

TUI Travel

TUI Travel – Key figures

€ million	2008	2007	Var. %
Turnover	17,975.5	15,196.0	+ 18.3
Divisional EBITA	**- 77.0**	**41.1**	**n/a**
Gains on disposal	–	+ 6.8	
Restructuring	+ 284.9	+ 62.4	
Purchase price allocation	+ 57.8	+ 55.6	
Other one-off items	+ 146.8	+ 83.1	
Underlying divisional EBITA	**412.5**	**249.0**	**+ 65.7**
Investments	381.7	220.9	+ 72.8
Headcount (31 Dec)	48,508	47,705	+ 1.7

Turnover and earnings

Turnover by TUI Travel grew by €2.8bn to €18.0bn in 2008, primarily due to the first-time consolidation of First Choice operations for a full financial year. Underlying turnover adjusted for this effect decreased slightly due to lower capacity and changes in foreign exchange rates.

Underlying earnings by TUI Travel climbed 66% to €413m year-on-year in 2008. The reasons for this growth in operating earnings included cost synergies and higher load factors and occupancy rates as well as stronger margins in the Mainstream business. In the Specialist and Activity sectors, earnings rose due to organic growth and the acquisitions made in the last two years.

A further positive effect was attributable to the first-time consolidation of First Choice for a full financial year-on-year. On the other hand, earnings decreased due to the decline in the average value of the British pound sterling in 2008.

In the framework of the defined integration process, TUI Travel achieved, inter alia, the following milestones in 2008:

- integrating and relocating all central functions into Crawley and all tour operating and airline functions into Luton.
- integrating the charter airlines in the UK under one common airline operating certificate.
- integrating controlled distribution and introducing one reservation system for the Mainstream and Specialist tour operators in the UK.
- integrating the former TUI and First Choice activities outside the UK, e.g. in France or in the Online Destination Services sector.

During the ongoing integration process at TUI Travel, new earnings enhancement potential has been identified so that the sustainable synergies target from the formation of TUI Travel was upgraded by 25m to 175m British pounds sterling per annum. This amount includes 140m British pounds for activities in the UK, 7m British pounds for central functions and 28m British pounds for the remaining operative areas. At the same time, the integration process progressed faster than expected so that the synergies will create earnings growth earlier than expected.

At the same time, the costs of the merger between First Choice and TUI's tourism division as well as expenses incurred in connection with the strategic realignment of TUI Travel's airline activities created a substantial one-off difference between operating and reported earnings in 2008. Earnings for 2008 included the following special effects:

- restructuring costs of €285m, in particular expenses for the integration of TUI and First Choice and expenses incurred in connection with the strategic realignment of the airline activities of TUI Travel,
- effects from purchase price allocations of €58m, and
- one-off effects of €147m, in particular hedges and foreign exchange losses in aviation, impairments of assets in aviation and in TUI Northern Europe as well as integration costs arising from bringing together the British TUI Travel activities.

Because of these advance costs, which will create a sustained and significant increase in profitability in subsequent years, TUI Travel posted negative reported earnings of €-77m in 2008.

Mainstream

The Mainstream sector is the largest sector within TUI Travel, selling flight, accommodation and other tourism services in the three source markets Central Europe, Northern Europe and Western Europe.

Customer numbers TUI Travel Mainstream

'000	2008	2007	Var. %
Central Europe	10,987	11,590	- 5.2
Northern Europe	8,513	7,742	+ 10.0
Western Europe	5,669	4,632	+ 22.4
Total	**25,169**	**23,963**	**+ 5.0**

Central Europe

In source market Central Europe (Germany, Austria, Switzerland, Poland and airline TUIfly.com) customer volumes decreased by 5% in the 2008 financial year. This decline was mainly attributable to a cut in flight capacity following the reduction of the TUIfly fleet by eight aircraft in the second quarter of 2008. The reduced flight capacity resulted in an improved load factor and stronger average margins.

Overall, earnings by the Central Europe sector thus rose despite higher aircraft fuel costs. Turnover by the Central Europe source market fell slightly due to the contraction of business volume in Germany.

German tour operators recorded a rise in demand for holiday tours in the course of the year. Due to the capacity cuts, this meant price-reduced offerings accounted for a lower proportion of turnover. As a result, both margins and load factors improved. TUI Suisse continued to benefit from its attractive pricing and recorded a positive performance in the Swiss market, traditionally characterised by high prices. In Austria, terminating the exclusive distribution of Magic Life caused a year-on-year decline in customer volumes in TUI Austria which, however, was more than offset by improved margins. TUI Poland reported a significant increase in customer volumes in 2008.

The target for sustainable synergies from integrating the activities of TUI and First Choice in the Central Europe sector remained at 4m British pounds sterling.

Northern Europe

In source market Northern Europe (UK, Ireland, Canada, Nordic countries and airlines Thomsonfly, TUIfly Nordic and First Choice Airways), customer volumes grew by 10% due to the first-time consolidation of First Choice's Mainstream business for a full financial year in 2008. Turnover rose due to changes in consolidation. On a like-for-like basis, however, the capacity cuts and a weaker British pound sterling caused a decline in turnover.

In the financial year under review, there was less residual capacity to sell in the UK as a result of the flight capacity cuts, which led to an improved pricing environment. Earnings benefited additionally from the streamlining of controlled distribution already initiated in previous years. TUI Nordic also achieved a positive performance in 2008. Activities in Canada, however, again fell short of expectations. Earnings in this country were impacted by high fuel costs and fierce price competition.

The integration of activities in the UK market progressed faster than expected in 2008. The expected synergy potential was thus delivered. Additional potential was identified as the project progressed, so that the sustainable synergy target was upgraded by 15m to 140m British pounds sterling per annum.

Western Europe

The Western Europe sector (France, the Netherlands, Belgium and airlines Corsairfly, Arkefly and Jetairfly) recorded an increase in customer volumes of 22% in 2008 due to changes in consolidation.

While the French travel market showed an overall weaker performance in 2008, TUI activities in France achieved an overall satisfactory development due to the streamlining of the product range and cost savings achieved by Corsair. Business in the Netherlands also displayed a positive development, but earnings were impacted by an increase in maintenance costs for the Group-owned airline. Belgium continued the successful performance of previous years and again posted good earnings.

The target of 4m British pounds sterling remains in place for sustainable synergies from the integration of TUI and First Choice activities in Western Europe.

Specialist & Emerging Markets

The Specialist & Emerging Markets sector consists of around 40 specialist tour operators in Europe, North America and growth markets such as Russia. The product portfolio offered by these specialist tour operators focuses on specific destinations (Destination), premium travel such as private jet expeditions (Premium) or particular customer segments such as student tours (Lifestages). The tour operators combined under Specialist & Emerging Markets reported customer volumes of 949,000.

In the year under review, the operating business of the British specialist tour operators was impacted by the integration and relocation of sites and changes in IT systems in the wake of the integration of Thomson and First Choice activities. Thomson's former specialist business in the UK, for example, had to migrate to First Choice reservation systems. The restructuring is designed to generate a significant improvement in earnings in this sector in future years. Based on the potential identified in the course of these projects, the sustainable synergy target was upgraded by 2m to 5m British pounds sterling.

The specialist business in North America showed uneven trends. While the TCS Expeditions and Starquest Expeditions brands managed within the Premium sector recorded strong demand in the exclusive private jet segment, organised study trips in the US suffered from the deteriorating economic environment and the higher cost of tours to the Eurozone caused by the weak US dollar.

Activity

The Activity sector comprises travel companies operating in the Marine, Adventure and Ski, Student & Sport segments. The Marine segment pools suppliers of charter yachts, while the Adventure segment includes expedition tours. The Ski, Student & Sport segment offers skiing tours but also organised trips to major sporting events.

In the Marine segment, the sailing activities of former First Choice were successfully integrated in the year under review. As a result, administrative costs were decreased and asset utilisation and yacht occupancy were improved so that a positive year-on-year performance was posted.

Adventure benefited from strong demand for the polar cruising business and expanded its strong market position in Australia by means of further acquisitions. Ski, Student & Sport also achieved a considerable improvement in earnings due to the acquisitions made in 2008.

The sustainable synergy target arising from the merger of operations in the Activity sector was upgraded by 2m to 7m British pounds sterling.

Online Destination Services ODS

The Online Destination Services sector consists of three divisions. The B2B business supplies online accommodation to large customers such as travel agencies and tour operators. Alongside this, regional incoming agencies deliver classical incoming services, e.g. transfers and services for holidaymakers, tour operators and the cruises sector. The B2C division supplies online accommodation to individual customers.

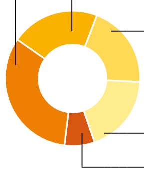
In 2008, online accommodation services achieved volume growth in both the B2B and B2C division and gained market shares in existing and new source markets. The incoming agencies combined in the Portfolio Incoming division also catered for a greater number of guests. Here, however, average prices fell slightly year-on-year due to tougher competition in Spain.

Based on the potential identified in the framework of projects, the sustainable synergy target resulting from the merger of ODS activities was upgraded by 6m to 8m British pounds sterling.

TUI Hotels & Resorts

TUI Hotels & Resorts comprises the Group's hotel companies. Its portfolio consists of hotel companies in which majority interests are held, joint ventures with local partners, companies in which a financial stake is held and hotels operated under management agreements. At the end of 2008, the sector operated a total of 238 hotels with a capacity of around 149,000 beds, mostly in the four- and five-star category.

Owned hotel beds according to regions (in %)



	'08	'07
Western Mediterranean	33	36
North Africa/Egypt	21	18
Caribbean	20	18
Eastern Mediterranean	19	19
Other countries	7	9

The number of bednights in the hotels within TUI Hotels & Resorts totalled 33.7m due to the increased number of beds. The number of available beds increased significantly by 3.6%. Bed occupancy amounted to 80.6% and thus fell by 0.7 of a percentage point year-on-year. Individual hotel groups and re-gions reported varying business trends.

Turnover and earnings

TUI Hotels & Resorts – Key figures

€ million	2008	2007	Var. %
Turnover	412.7	379.8	+ 8.7
Divisional EBITA	**128.8**	**108.8**	**+ 18.4**
Gains on disposal	+ 3.8	–	
Restructuring	–	–	
Purchase price allocation	–	–	
Other one-off items	+ 9.8	+ 37.3	
Underlying divisional EBITA	**142.4**	**146.1**	**- 2.5**
Investments	172.9	310.2	- 44.3
Headcount (31 Dec)	13,255	12,127	+ 9.3

Consolidated turnover by TUI Hotels & Resorts amounted to €0.4bn, up 9% year-on-year. Both sales of bednights and average revenue per bednight rose year-on-year on 4% more capacity. On the other hand, hotel occupancy declined slightly due to the expansion of capacity.

At €142m, underlying earnings fell 3% year-on-year. The slight decline in operating earnings year-on-year was mainly attributable to currency-induced effects in des-tinations in the US dollar currency area, primarily affecting the Riu Group with its activities in Mexico, Jamaica, the Dominican Republic, the Bahamas and the United States.

Reported earnings by the hotel sector comprised one-off effects of €14m, mainly relating to expenses incurred in the course of reorganising the Magic Life Group. Before adjustment for the one-off effects, earnings totalled €129m in 2008, up 18% year-on-year.

Business development TUI Hotels & Resorts

TUI Hotels & Resorts

Hotel brand	Capacity ('000)[1] 2008	2007	Var. %	Occupancy rate (%)[2] 2008	2007	Var. % points	Average revenue per bed (€)[3] 2008	2007	Var. %
Riu	15,390	15,071	+ 2.1	85.4	85.6	- 0.2	46.31	45.96	+ 0.8
Grupotel	854	834	+ 2.3	80.4	83.5	- 3.1	43.05	41.19	+ 4.5
Robinson	2,574	2,220	+ 16.0	72.8	77.1	- 4.3	76.95	73.75	+ 4.3
Magic Life	3,050	2,835	+ 7.6	75.6	80.2	- 4.6	41.63	36.75	+ 13.3
Iberotel	2,723	2,719	+ 0.2	66.7	61.6	+ 5.2	34.97	30.24	+ 15.6
Grecotel	702	730	- 3.7	83.2	83.1	+ 0.1	69.95	65.62	+ 6.6
Dorfhotel[4]	188	200	- 6.2	62.0	61.0	+ 1.0	35.48	30.67	+ 15.7
aQi	6	–	–	43.4	–	–	59.72	–	–
Total	**25,487**	**24,609**	**+ 3.6**	**80.6**	**81.2**	**- 0.7**	**48.08**	**46.25**	**+ 4.0**

[1] Group owned or leased hotel beds multiplied by opening days per year
[2] Occupied beds divided by capacity
[3] Arrangement revenue divided by occupied beds
[4] Figures refer to two owned hotels

Riu

Riu, one of the leading Spanish hotel groups, continued its positive development in 2008. Riu operated 98 hotels with 76,271 beds. Due to portfolio changes, the bed-stock rose despite a slight decrease in the number of hotels. In the completed financial year, five new Riu hotels were opened. Capacity rose substantially by 2.1% year-on-year to 15.4m available hotel beds. Occupancy was maintained at the previous year's level.

Slight declines in demand in some destinations were offset by favourable developments in other destinations. Average revenue per bednight grew by 0.8%. Although the business development was impacted by negative foreign exchange effects in destinations in the US dollar currency area, Riu contributed substantially to the positive earnings position of the sector.

Grupotel

The Grupotel chain operating in Spain with its 33 facilities on Majorca, Menorca and Ibiza had 13,104 beds in the 2008 financial year. Occupancy of Grupotel hotels declined by 3.1 percentage points year-on-year on 2.3% more capacity. Average revenue per bednight increased by 4.5% so that the group's profit contribution rose slightly.

Robinson

In 2008, the market and quality leader in the premium segment for club holidays operated a total of 22 club facilities with 11,804 beds in ten countries. Robinson thus increased its capacity by 16% to 2.6m beds. Average revenue per bednight grew by 4.3%. Occupancy of all facilities fell 4.3 percentage points year-on-year due to an increase of capacity by opening new clubs in Portugal and Morocco.

Magic Life

Magic Life, the all-inclusive club brand, operated 13 facilities with a total capacity of 11,596 beds in the period under review. Most of its facilities were in Turkey, Egypt and Tunisia. While capacity was increased by 7.6% to 3.1m available hotel beds, occupancy declined 4.6 percentage points year-on-year. Average revenue per bednight, in contrast, grew by 13.3%. The Magic Life Group managed to further stabilise its earnings situation in the course of the year but did not yet realise a positive profit contribution.

Iberotel

In the 2008 financial year, Iberotel had 20 hotels with 11,456 hotel beds, most of which were located in Egypt and Turkey. With around 2.7m hotel beds still available, occupancy rose by 5.2 percentage points year-on-year to 66.7% due to strong demand for Egypt. In terms of earnings, the group's performance also improved with average revenue per bednight up 15.6% year-on-year.

Grecotel

Grecotel, the leading hotel company in Greece, operated 20 holiday complexes with a total of 10,127 beds in the year under review. Occupancy matched the previous year's level at 83.2%. While capacity was down by 3.7% year-on-year to 0.7m beds, average revenue per bednight grew by 6.6%.

Dorfhotel

The two Dorfhotel complexes owned by the Group are located in Austria. While occupancy was in line with the previous year, average revenue per bednight rose year-on-year in 2008. Other Dorfhotel complexes operated under management agreements are located in Land Fleesensee and Sylt, with an additional resort available in Boltenhagen on the Baltic Sea since 2008.

Since Dorfhotels primarily offer family rooms and apartments with a correspondingly higher number of beds, average revenue, while up year-on-year, was lower than for other hotel brands which mainly offer double bedrooms.

aQi

In December 2008 the first hotel under the aQi brand was successfully opened in Schladming/Austria. This marked the first-time introduction into this market of a lifestyle hotel brand for the budget leisure segment. Occupancy and average rates were in line with expectations.

Cruises

The Cruises Sector consists of Hapag-Lloyd Kreuzfahrten and the activities currently being built up within TUI Cruises.

Cruises – Key figures

€ million	2008	2007	Var. %
Turnover	200.0	183.2	+ 9.2
Divisional EBITA	**6.8**	**14.2**	**- 52.1**
Gains on disposal	–	–	
Restructuring	–	–	
Purchase price allocation	–	–	
Other one-off items	–	–	
Underlying divisional EBITA	**6.8**	**14.2**	**- 52.1**
Investments	5.2	6.3	- 17.5
Headcount (31 Dec)	209	212	- 1.4
Utilisation (in %)	80.2	78.6	+ 1.6

Turnover and earnings

Turnover by the Cruises Sector grew by 9% year-on-year in 2008. This performance was due entirely to Hapag-Lloyd Kreuzfahrten, since the TUI Cruises joint venture did not generate any turnover in the financial year under review. Furthermore it was only consolidated at equity in TUI's consolidated financial statements. Hapag-Lloyd Kreuzfahrten repeated the sound earnings level achieved in 2007 despite the adverse effects of a rise in operating costs induced by fuel prices in 2008. Earnings from the Cruises Sector took account of proportionate start-up costs for TUI Cruises worth €7m in 2008.

Hapag-Lloyd Kreuzfahrten again recorded a positive business development in 2008. The company benefited from sound demand for classical and expedition cruises and continued to expand its position in the German-speaking premium and luxury market. Its fleet in 2008 still comprised four cruise ships: the 'Europe', the 'Columbus', the 'Hanseatic' and the 'Bremen'. Two of the vessels were owned while the other two were chartered. The average fleet age was thirteen years. Two of the ships, the 'Bremen' and the 'Columbus', spent a scheduled period in dock during the year under review for technical overhaul and improvements to inboard accommodation facilities.

In 2008, all ships of Hapag-Lloyd Kreuzfahrten except for the 'Bremen' increased their occupancy year-on-year. Average fleet utilisation was 80.2% (previous year: 78.6%), 1.6 percentage points up year-on-year. Average daily rates rose 5% to €422/day.

The joint venture TUI Cruises, formed by TUI AG and Royal Caribbean Cruises (RCL), published its first brochure in early September 2008. The maiden voyage of the first TUI Cruises ship that will be christened with the name 'Mein Schiff' has been scheduled for May 2009. Earnings for 2008 mainly comprised start-up costs for staff, marketing and the establishment of IT systems.

Container Shipping (discontinued operation)

Container Shipping (discontinued operation)
Rise in freight rates. Improved operating earnings.

On 17 March 2008, the decision was taken to separate container shipping from the Group. Accordingly, this sector has been carried as a discontinued operation in accordance with IFRS 5. Apart from the container shipping activities of the Hapag-Lloyd Group, it comprises the strategic interest in container terminals.

Container shipping (discontinued operation) – Key figures

€ million	2008	2007	Var. %
Turnover	**6,219.8**	**5,964.5**	**+ 4.3**
Earnings discontinued operation	258.8	96.2	+ 169.0
Adjustment according to IFRS 5*)	- 179.1	0.0	n/a
EAT	79.7	96.2	- 17.2
Net interest result/taxes on income	- 53.6	- 41.0	- 30.7
Divisional EBITA	**133.3**	**137.2**	**- 2.8**
Gains on disposal	–	- 15.1	
Restructuring	+ 7.1	- 1.1	
Purchase price allocation	+ 71.4	+ 82.4	
Other one-off items	- 0.7	- 26.0	
Underlying divisional EBITA	**211.1**	**177.4**	**+ 19.0**
Investments	387.6	565.5	- 31.5
Headcount (31 Dec)	7,617	7,656	- 0.5

*) Suspension of depreciation (€207m) and equity measurement of participations of container shipping (€-28m) since 31 March 2008.

In 2008, business development in the container shipping sector was characterised by a difficult market environment. In the first half of 2008, transport volumes were impacted by the production losses in China caused by extreme conditions resulting from the onset of winter. As the year progressed, growth rates in transport volumes were low due to the decline in demand for consumer goods in Europe and the increasing repercussions of the crisis in the financial market. In the fourth quarter of 2008, a year-on-year decline in transport volumes was recorded for the first time. It was caused by worldwide cuts in production.

Freight rates rose considerably in 2008. However, rising freight rates went hand in hand with increasing bunker prices and a loss in the exchange rate of the US dollar until the end of the third quarter. In this challenging environment Hapag-Lloyd container shipping achieved a year-on-year increase in operating earnings and thus delivered a successful performance by industry standards.

Turnover and earnings

In the 2008 financial year, turnover by container shipping grew 4% to €6.2bn. This growth was attributable to a slight increase in transport volumes of 2% to 5,546 thousand standard containers (TEU) and in particular the substantial rise in freight rates of around 13% to an average level of 1,590 USD/TEU. Growth was curbed by the weakening US dollar exchange rate against the euro.

Underlying earnings by container shipping rose by €34m to €211m in 2008. The reasons for this improvement in operating performance were volume and freight rate growth and efficiency gains from the successful integration of CP Ships into the Hapag-Lloyd Group. These factors more than offset the adverse effects resulting from the weak US dollar exchange rate against the euro.

A succesful fuel hedging strategy limited the effects of the rise in bunker costs, which grew to a historical high of 678 USD/tonne by mid-2008. Moreover, the cost increase was partly passed on to customers via bunker surcharges. The package was completed by an optimisation of schedules and reductions in cruise speed.

Reported earnings by container shipping totalled €133m in 2008. They were slightly below 2007 earnings, which had risen for various reasons including one-off income from the divestment of shares in Germanischer Lloyd.

Development in the trade lanes

As in previous years, Hapag-Lloyd defended its position as one of the world's five largest container lines based on existing capacity in financial year 2008. As at 31 December 2008, Hapag-Lloyd's container fleet consisted of 128 container ships with a joint slot capacity of 492,000 TEU.

As a founding member of the Grand Alliance, Hapag-Lloyd was incorporated into the route network of the world's major international integrated liner shipping consortia. Hapag-Lloyd contributed around 37% and thus a significant portion of jointly used capacity to the consortium. Hapag-Lloyd's transport volume grew by 2% to nearly 5.5m TEU in the 2008 financial year. Hapag-Lloyd thus grew less than world trade, which expanded by 4% in 2008 (source: IHS Global Insight, December 2008).

Transport volumes Hapag-Lloyd

'000 TEU	2008	2007	Var. %
Far East	1,355	1,374	- 1.4
Trans-Pacific	1,100	1,044	+ 5.5
Atlantic	1,387	1,456	- 4.7
Latin America	972	890	+ 9.1
Australasia	732	690	+ 6.1
Total	**5,546**	**5,454**	**+ 1.7**

Freight rates Hapag-Lloyd

USD/TEU	2008	2007	Var. %
Far East	1,601	1,379	+ 16.1
Trans-Pacific	1,713	1,453	+ 18.0
Atlantic	1,733	1,523	+ 13.8
Latin America	1,530	1,399	+ 9.4
Australasia	1,194	1,189	+ 0.4
Ø for all trade lanes	**1,590**	**1,411**	**+ 12.7**

Far East

The transport volume in the Far East trade lane with its routes connecting Europe and Asia totalled 1,355 thousand TEU and thus dropped 1% year-on-year. In 2008, market momentum lost pace in the high-volume route from Asia to Europe due to weakening domestic demand in Europe. At 16% on average, the Far East trade lane recorded the strongest growth in freight rates. Substantial increases were achieved, in particular on the routes from Europe to Asia.

Trans-Pacific

At 1,100 thousand TEU, transport volumes shipped in the Trans-Pacific trade lane was 6% up year-on-year. Benefiting from the weakness of the US dollar, in particular until mid-2008, transport volumes rose on the routes from North America to Asia. Towards the end of the year, however, this trade lane also saw growth in transport volumes impacted by the crisis in the financial market. Freight rates showed considerable improvements. This was due to the increasing introduction of freight rate surcharges for rises in bunker prices in this trade lane. Overall, freight rate levels increased 18% to 1,713 USD/TEU.

Atlantic

Transport volumes in the Atlantic trade lane accounted for 1,387 thousand TEU, down 5% year-on-year. Demand for container transport volumes in this trade lane was affected by the course of the US dollar exchange rate and consumer restraint in the US and Europe in 2008. A further trend increasingly felt towards the end of the year was the substantial slump in sales in the automotive sector. As a result, transport volumes on the routes from Europe to North America declined year-on-year. Freight rate levels, in contrast, increased by 14% year-on-year to 1,733 USD/TEU.

Latin America

The Latin America trade lane again recorded gratifying growth rates. Transport volumes were increased 9% year-on-year to 972 thousand TEU. The strongest growth was achieved on intra-regional routes. Average freight rate levels were also 9% up year-on-year at 1,530 USD/TEU.

Australasia

The Australasia trade lane, primarily covering services linking Oceania and the inner-Asian services, achieved year-on-year growth in transport volumes of 6% to 732 thousand TEU. Transport volumes grew in particular on the intra-regional routes. Average freight rate levels accounted for 1,194 USD/TEU, up only 1% year-on-year since the portion of intra-regional transportation with shorter transport distances and lower freight rates rose in proportion to the overall transport volume.

Earnings Rise in operating earnings. Group earnings impacted by high one-off effects.

Development of Group earnings

As the container shipping activities have been classified as discontinued operations in accordance with IFRS 5 since 31 March 2008, earnings by this sector were no longer carried under continuing operations but rather under the item 'Result from discontinued operations'. The previous year's figures were restated accordingly in accordance with IFRS 5.

The First Choice activities, which had been consolidated for the period from September to December in 2007, were consolidated for a full year for the first time in 2008. As a result, there was limited comparability between the items on the profit and loss statement and the respective figures for 2007.

Consolidated profit and loss statement

€ million		2008	2007	Var. %
Turnover		18,674.1	15,876.6	+ 17.6
Cost of sales		17,228.2	14,640.0	+ 17.7
Gross profit/loss		**1,445.9**	**1,236.6**	**+ 16.9**
Administrative expenses		1,381.9	1,208.0	+ 14.4
Other income/other expenses		- 67.2	282.2	n/a
Impairment of goodwill		107.2	53.7	+ 99.6
Financial result		- 324.3	- 246.4	- 31.6
Financial income		210.4	204.5	+ 2.9
Financial expenses		534.7	450.9	+ 18.6
Share of results of joint ventures and associates		33.7	39.1	- 13.8
Earnings before taxes on income		**- 401.0**	**49.8**	**n/a**
Reconciliation to underlying earnings:				
Earnings before taxes on income		- 401.0	49.8	n/a
Interest result and earnings from the valuation of interest hedges		299.8	245.2	+ 22.3
Impairment of goodwill		107.2	53.7	+ 99.6
EBITA from continuing operations[1]		6.0	348.7	- 98.3
Adjustments				
Gains on disposal		+ 2.0	- 178.6	
Restructuring		+ 284.9	+ 69.1	
Purchase price allocation		+ 57.8	+ 55.6	
Other one-off items		+ 156.6	+ 88.4	
Underlying EBITA from continuing operations		**507.3**	**383.2**	**+ 32.4**
Earnings before taxes on income		**- 401.0**	**49.8**	**n/a**
Taxes on income		39.8	- 30.3	n/a
Result from continuing operations		**- 440.8**	**80.1**	**n/a**
Result from discontinued operations		258.8	96.2	+ 169.0
Group profit/loss for the year		**- 182.0**	**176.3**	**n/a**
attributable to shareholders of TUI AG of Group profit		- 142.2	144.2	n/a
attributable to minority interest of Group profit		- 39.8	32.1	n/a
Group profit/loss		**- 182.0**	**176.3**	**n/a**
Basic earnings per share	in €	- 0.65	0.41	n/a
Diluted earnings per share	in €	- 0.65	0.41	n/a

[1] EBITA is equivalent to earnings before interest, taxes on income and impairment of goodwill.

Turnover and cost of sales

Turnover comprised the turnover by the continuing operations, i.e. tourism and central operations, which cover the Group's holding companies and real estate companies. At €18.7bn, Group turnover rose by 18% year-on-year due to changes in consolidation. Turnover is presented alongside the cost of sales, which accounted for €17.2bn, up 18% year-on-year. A detailed breakdown of turnover showing how it has developed is presented in the section 'Group turnover and earnings'.

Gross profit

Gross profit, i.e. the difference between turnover and the cost of sales, totalled €1.4bn in the completed financial year 2008, up 17% year-on-year.

Administrative expenses

Administrative expenses comprised expenses not directly attributable to the turnover transactions, in particular expenses for general management functions. In financial year 2008, they accounted for €1.4bn, up 14% year-on-year. The year-on-year decline mainly resulted from the first-time full-year consolidation of First Choice. Administrative expenses also increased due to restructuring and integration costs included in this item in 2008.

Other income/ Other expenses

Other income and other expenses primarily comprised profits or lossesfrom the sale of fixed assets. In financial year 2008, this item accounted for €-67m. This was a substantial decline year-on-year, mainly attributable to including the income from the divestment of Montreal Gateway Terminals in the shipping division in 2007 earnings. In addition, other expenses included expenses related to the strategic realignment of TUI Travel's flight activities in 2008.

Impairments of goodwill

Goodwill impairment totalled €107m. It related to the impairment of goodwill for the TUIfly airline and two companies in the hotel sector in the tourism division.

Financial income and expenses/Financial result

In 2008 financial income of €210m and financial expenses of €535m arose. The net financial result was €-324m. The financial result included the interest result and the net income from marketable securities.

In total, the financial result declined by €78m year-on-year. This was due to the first-time inclusion of the financial result from First Choice for a full year and an increase in interest rate levels with a corresponding impact on the floating-rate financing instruments of continuing operations of the Group.

Result from companies measured at equity

The result from companies measured at equity comprised the proportionate net profit for the year of the associated companies and joint ventures. At €34m, it fell by 14% on the previous year. The decline was due to a year-on-year decrease in the contributions by the companies measured at equity in the TUI Travel and TUI Hotels & Resorts sectors.

Underlying earnings (EBITA)

In financial year 2008, underlying earnings by continuing operations totalled around €507m, up 32% year-on-year. Underlying EBITA was adjusted for gains on disposal of investments, expenses in the framework of restructuring measures, amortisations of purchase price allocations and one-off items. The adjustments are outlined in detail in the chapters 'Tourism' and 'Container shipping'.

Income taxes

Income taxes included taxes on the profits from ordinary business activities by the continuing operations. They totalled €40m and comprised effective income taxes of €88m and deferred income taxes of €48m. The significant year-on-year increase in income taxes was mainly attributable to the realignment of corporate structures in Germany, carried out in 2007 with the formation of the new TUI Travel PLC.

Result from discontinuing operations

In the financial year under review, earnings from discontinuing operations comprised earnings by the container shipping activities, reclassified in accordance with IFRS 5 in 2008. They accounted for €259m and comprised income tax expenses of €32m. Pre-tax earnings totalled €291m.

Group profit

In 2008, costs for the merger between First Choice and TUI's tourism division and expenses in connection with the strategic realignment of TUI Travel flight operations resulted in a significant decline in Group profit. As a result, negative Group profit of €-182m was recorded in 2008. On the other hand, operating earnings adjusted for special one-off effects improved both in tourism and container shipping in 2008. The development of profit contributions by tourism and container shipping is outlined in detail in the section 'Turnover and earnings'.

Minority interests

Minority interests in Group profit for the year totalled €-40m and almost exclusively related to companies in the tourism division.

Earnings per share

The interest in Group profit for the year attributable to TUI AG shareholders (after deduction of minority interests and the dividend on the hybrid capital) totalled €-142m. In relation to the weighted average number of shares of 251,258,098 units, basic earnings per share amounted to €-0.65 (previous year: €0.41). The convertible bond issued in November 2003 did not cause a dilution effect so that diluted earnings per share also stood at €-0.65.

TUI AG earnings

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

Profit and loss statement of TUI AG

€ million	**2008**	**2007**	**Var. %**
Turnover	313.3	455.0	- 31.1
Other operating income	3,103.7	2,289.8	+ 35.5
Cost of materials	176.2	190.5	- 7.5
Personnel costs	98.2	63.1	+ 55.6
Depreciation	182.1	359.3	- 49.3
Other operating expenses	2,429.7	1,867.9	+ 30.1
Net income from investments	- 98.5	+ 576.7	n/a
Write-downs of investments	1,731.6	499.7	+ 246.5
Net interest	- 166.3	- 270.1	+ 38.4
Profit on ordinary activities	**- 1,465.6**	**70.9**	**n/a**
Taxes	63.1	4.5	n/a
Net profit/loss for the year	**- 1,528.7**	**66.4**	**n/a**

The earnings situation of TUI AG, the Group's parent company, was mainly determined by the development of earnings by its Group companies, either directly associated with TUI AG via profit and loss transfer agreements or distributing their profits to TUI AG based on corresponding resolutions. The development of earnings by TUI AG was also strongly affected by the measures taken to prepare for separation of container shipping from the Group in 2008. The profit and loss statement for financial year 2008 was prepared using the type of expenditure format.

Turnover and other operating income

In financial year 2008, TUI AG's turnover declined by 31% year-on-year to €313m. This turnover primarily related to income from the leasing of aircraft, container ships and containers to Group companies. The decrease in turnover resulted from the transfer of maritime assets to Hapag-Lloyd AG and the divestment of the Group-owned air-craft fleet to TUI Travel in 2007.

Miscellaneous other operating income mainly comprised foreign exchange gains from currency transactions and income from the reversal of provisions for anticipated losses for derivative financial instruments. A further positive effect was attributable to book profits from the transfer of maritime assets worth €770m to Hapag-Lloyd AG.

Expenses

Cost of materials mainly related to expenses for aircraft rental contracts with third parties. Expenses for wages and salaries declined in the wake of headcount reductions. On the other hand, expenses for pensions rose considerably. This increase resulted from the measurement of pension provisions using a 7-year average interest rate. The commercial-law measurement of pension obligations thus already complies with the draft Accounting Law Modernisation Act adopted by the federal government. The decline in depreciation and amortisation was attributable to the fact that 2007 figures included impairments for the maritime assets for a full financial year and depreciation for the aircraft fleet transferred to TUI Travel. Other operating expenses comprised in particular the formation of provisions for anticipated losses from derivative financial instruments, transfers to provisions for investment risks, fees, capital procurement costs, financial and monetary transaction costs and charges as well as other administrative costs.

Investments

In the financial year under review, net income from investments mainly comprised profit distributions by TUI Travel PLC and companies in the TUI Hotels & Resorts sector. The expenses for loss transfers were characterised by clearly negative earnings recorded by Hapag-Lloyd in its 2008 commercial balance sheet, primarily attributable to the required formation of provisions for anticipated losses from fuel hedges entered into in the course of the year due to the fall in oil prices as at the closing date.

Write-downs of financial investments

At €1,732m, write-downs of investments related to shares in associated companies (previous year: €500m). Apart from a write-down due to profit distribution, this item largely reflected the impairment required in connection with the sale of Hapag-Lloyd AG.

Interest result

The improvement in the interest result was caused by interest income for the loan extended to TUI Travel PLC in September 2007. Moreover, TUI AG received interest income for the purchase price claims resulting from the transfer of maritime assets to Hapag-Lloyd AG in 2008.

Net loss for the year

The net loss for the year totalled €1,529m. Taking account of profit carried forward of €25m, an amount of €1,504m was withdrawn from the capital reserves in order to balance the net result for the year.

Net Assets Increase in balance sheet total. Container shipping reclassified as discontinued operation.

In financial year 2008, the Group's asset and capital structure changed due to the reclassification of the container shipping acitvities to 'Assets held for sale' in accordance with IFRS 5 and the related changes in liability items.

Net assets of the Group

The Group's balance sheet total grew by 3% year-on-year to €16,656m. This increase mainly resulted from additions to the group of consolidated companies in the wake of acquisitions by TUI Travel during the financial year under review.

The previous year's values were restated following the finalisation of purchase price allocations of the First Choice Group. Explanatory information and a reconciliation table are provided in the notes on the consolidated financial statements in the section 'Accounting principles'.

Development of the Group's asset structure

€ million	31 Dec 2008	31 Dec 2007	Var. %
Fixed assets	6,599.7	10,886.3	- 39.4
Non-current assets	739.8	641.4	+ 15.3
Non-current assets	7,339.5	11,527.7	- 36.3
Inventories	97.0	208.7	- 53.5
Current receivables	3,029.5	2,889.8	+ 4.8
Cash and cash equivalents	2,045.5	1,614.0	+ 26.7
Assets held for sale	4,144.5	8.8	n/a
Current assets	9,316.5	4,721.3	+ 97.3
Assets	**16,656.0**	**16,249.0**	**+ 2.5**
Equity	2,168.3	3,037.9	- 28.6
Liabilities	14,487.7	13,211.1	+ 9.7
Equity and liabilities	**16,656.0**	**16,249.0**	**+ 2.5**

Structural indicators

Vertical structures

Non-current assets accounted for 44% of total assets, compared with 71% in the previous year. The decline in non-current assets mainly resulted from the reclassification of the container shipping assets held for sale to current assets. Fixed assets represented 90% of non-current assets. They decreased by 39% to €6,600m, above all due to the reclassification of assets held for sale. The capitalisation ratio (ratio of fixed assets to total assets) decreased to 40%, down from 67% in 2007.

Current assets accounted for 56% of total assets, compared with 29% in 2007. The considerable increase primarily resulted from the reclassification of the container shipping assets held for sale to current assets. At €2,046m, the Group's cash and cash equivalents rose by 27% year-on-year. They thus accounted for 12% of total assets, compared with 10% in the previous year.

Horizontal structures

At the balance sheet date, the ratio of equity to non-current assets was 30%, compared with 26% in 2007. The ratio of equity to fixed assets was 33% (previous year: 28%). The ratio of equity plus non-current financial liabilities to fixed assets was 93%, compared with 71% in 2007.

Structure of the Group's non-current assets

€ million	31 Dec 2008	31 Dec 2007	Var. %
Goodwilll	2,514.1	3,063.0	- 17.9
Other intangible assets	805.9	1,385.4	- 41.8
Investment property	90.1	90.5	- 0.4
Property, plant and equipment	2,699.2	5,698.5	- 52.6
Companies measured at equity	406.4	540.7	- 24.8
Financial assets available for sale	84.0	108.2	- 22.4
Fixed assets	6,599.7	10,886.3	- 39.4
Receivables and assets	520.9	437.6	+ 19.0
Deferred income tax claims	218.9	203.8	+ 7.4
Non-current receivables	739.8	641.4	+ 15.3
Non-current assets	**7,339.5**	**11,527.7**	**- 36.3**

Development of the Group's non-current assets

Goodwill

At €2,514m, goodwill declined by 18%. This was due to the reclassification of goodwill of €97m allocable to the companies of the shipping division to 'Assets held for sale'. In addition, impairments of €107m were required in the framework of the annual impairment test.

The impairments comprised an amount of €73m for TUI Travel and €34m for Hotels & Resorts.

At €2,115m or 84%, the largest goodwill portion related to TUI Travel. TUI Hotels & Resorts accounted for 16%.

At the balance sheet date, goodwill accounted for 15% of total assets and 112% of equity.

Property, plant and equipment

At €2,699m, property, plant and equipment represented the largest balance sheet item. They decreased by 53%, in particular due to the reclassification of the container shipping activities to 'Assets held for sale' and by sales of aircraft in connection with the strategic realignment of TUI Travel's flight activities. Additions included an amount of €233m for TUI Travel and €166m for TUI Hotels & Resorts. Property, plant and equipment also comprised leased assets in which Group companies carried the economic ownership. At the balance sheet date, these finance leases had a carrying amount of €260m, a change of -19% year-on-year.

Development of property, plant and equipment

€ million	31 Dec 2008	31 Dec 2007	Var. %
Real estate with hotels	1,014.5	911.7	+ 11.3
Other land	251.5	443.4	- 43.3
Aricraft	561.9	1,213.4	- 53.7
Ships	303.3	1,805.6	- 83.2
Containers	0.0	407.3	n/a
Machinery and fixtures	428.6	484.0	- 11.4
Assets under construction. payments on accounts	139.4	433.1	- 67.8
Total	**2,699.2**	**5,698.5**	**- 52.6**

Companies measured at equity

A total of 49 companies were measured at equity. This figure included 15 associated companies and 34 joint ventures. At €406m, their value declined by 25% year-on-year as at the balance sheet date.

Financial assets available for sale

Financial assets available for sale decreased by 22% to €84m. They comprised shares in non-consolidated subsidiaries, investments and other securities.

Structure of the Group's current assets

€ million	31 Dec 2008	31 Dec 2007	Var. %
Inventories	97.0	208.7	- 53.5
Trade accounts receivable and other receivables[1]	2,983.9	2,847.8	+ 4.8
Current income tax claims	45.6	42.0	+ 8.6
Current receivables	3,029.5	2,889.8	+ 4.8
Cash and cash equivalents	2,045.5	1,614.0	+ 26.7
Assets held for sale	4,144.5	8.8	n/a
Current assets	**9,316.5**	**4,721.3**	**+ 97.3**

[1] incl. receivables from derivate financial instruments

Development of the Group's current assets

Inventories

At €97m, inventories declined by 54% year-on-year. This decrease was primarily attributable to the reclassification of the container shipping activities as discontinued operation.

Current receivables

Current receivables comprised trade accounts receivable and other receivables, current income tax claims and claims from derivative financial instruments. At €3,030m, current receivables rose by 5% year-on-year.

Cash and cash equivalents

At €2,046m, cash and cash equivalents grew by 27% year-on-year.

Assets held for sale

Assets held for sale rose substantially due to the reclassification of the container shipping activities in the year under review.

Unrecognised assets

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

Operating rental, lease and charter contracts

€ million	31 Dec 2008	31 Dec 2007	Var. %
Ships and containers	2,252.0	2,326.1	- 3.2
Aircraft	1,408.1	1,134.9	+ 24.1
Hotel complexes	686.5	553.2	+ 24.1
Administrative buildings	300.5	389.6	- 22.9
Travel agencies	436.7	583.1	- 25.1
Other	224.9	265.1	- 15.2
Total	**5,308.7**	**5,252.0**	**+ 1.1**
Fair value	**4,318.5**	**4,316.2**	**+ 0.1**

The financial liabilities from operating rental, lease and charter contracts declined by 1% to €5.309m. At 42%, ships and containers accounted for the largest share, with aircraft accounting for 27% and hotel complexes for 13%.

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

Net assets of TUI AG

TUI AG's net assets and balance sheet structure are characterised by its function as the TUI Group's holding company. The balance sheet total decreased by 22% to €8.8bn.

Development of fixed assets

At the balance sheet date, fixed assets accounted for 34% of total assets, of which 187% were covered by equity and non-current cash and cash equivalents. 98% of TUI AG's fixed assets consisted of investments. The major changes in fixed assets were attributable to the structural measures taken in order to implement the separation of container shipping from the Group, including above all the transfer of the maritime assets to Hapag-Lloyd AG and capital measures for the Company.

Property, plant and equipment declined mainly due to the intra-Group transfer of TUI AG's maritime assets to Hapag-Lloyd AG. Changes in investments were charac-terised by the intention to sell the container shipping division and the strengthening of the equity base of Hapag-Lloyd AG as the acquirer of the maritime assets by means of a payment of €687m into the capital reserves. Subsequently, the carrying amount of the shareholding had to be written down to the contractually agreed sell-ing price for the shares of around €2.5bn after deduction of Hapag-Lloyd's debt and taking account of ancillary costs still to be incurred. Against the background of the Group's intention to sell these operations, the shares were reclassified to the item 'Securities' under current assets. Additions of shareholdings mainly related to capital payments into the newly formed joint venture TUI Cruises.

Development of current assets

The decline in receivables from Group companies mainly resulted from the partial repayment of the interest-bearing loan extended to TUI Travel PLC.

Abbreviated balance sheet of TUI AG
(financial statements according to German Commercial Code)

€ million	31 Dec 2008	31 Dec 2007	Var. %
Intangible assets/property, plant and equipment	63.7	1,640.4	- 96.1
Investments	2,965.0	6,483.2	- 54.3
Fixed assets	3,028.7	8,123.6	- 62.7
Receivables	2,009.5	2,796.6	- 28.1
Cash and cash equivalents	3,731.2	306.5	n/a
Current assets	5,740.7	3,103.1	+ 85.0
Prepaid expenses	24.4	44.7	- 45.4
Assets	**8,793.8**	**11,271.4**	**- 22.0**
Equity	2,116.1	3,706.3	- 42.9
Special non-taxed items	40.3	41.5	- 2.9
Provisions	1,154.6	1,054.3	+ 9.5
Liabilities	5,467.6	6,458.1	- 15.3
Deferred income	15.2	11.2	+ 35.7
Liabilities	**8,793.8**	**11,271.4**	**- 22.0**

Financial Position

In preparing for the separation of container shipping from the Group, the container ships and boxes held by TUI AG were transferred to Hapag-Lloyd AG at market values in 2008. On the basis of these assets, Hapag-Lloyd took out external borrowings in order to redeem the largest portion of the intra-group debt in TUI AG created by the transfer transaction.

In January 2008, TUI AG issued an equity-linked financing of €450m with shares in TUI Travel PLC as underlying and terminated an unused credit facility of €1.0bn in this context. Moreover, a convertible bond of €385m maturing in December 2008 was repaid.

The Group's financial position

Principles and goals of financial management

Principles

As a matter of principle, the TUI Group's financial management is centrally operated by TUI AG, which acts as the Group's internal bank. Financial management covers all Group companies in which TUI AG directly or indirectly holds an interest of more than 50%. It is based on policies covering all cash flow-oriented aspects of the Group's business activities. The Group continues to divide responsibilities between TUI AG and TUI Travel PLC as defined when TUI's tourism operations merged with First Choice in 2007. The financial management of the tourism division is exercised by TUI Travel PLC, while TUI AG undertakes the financial management of other Group activities.

Objectives

TUI's financial management aims to ensure sufficient liquidity for TUI AG and its subsidiaries and to contain financial risks from fluctuations in currencies, interest rates and commodity prices. All financial transactions serve to support the measures taken to improve the current credit rating.

Liquidity management

The Group's liquidity safeguards consist of two components:

- Through intra-Group cash pooling, the cash surpluses of individual Group companies are used to finance the cash requirements of other Group companies.
- TUI uses syndicated credit facilities and bilateral bank loans as well as its liquid funds to secure sufficient cash reserves. Planning of bank transactions is based on a monthly rolling liquidity planning system.

Limiting financial risks

The Group companies operate on a worldwide scale. This gives rise to financial risks for the TUI Group, mainly arising from changes in exchange rates, interest rates and commodity prices. The business transactions of the Group companies are primarily settled in euros, US dollars and British pounds sterling; other currencies of relevance are Swiss francs and Swedish kronor.

The Group has entered into hedges in more than 20 foreign currencies in order to limit its exposure to risks from changes in exchange rates for the hedged items. Risks related to changes in interest rates arise on liquidity procurement in the international money and capital markets. In order to minimise these risks the Group uses derivative interest hedges on a case-by-case basis in the framework of its interest management system. Changes in commodity prices affect the TUI Group in particular in procuring fuels such as aircraft fuel and bunker oil. Most price risks related to fuel procurement are hedged both in tourism and shipping where price increases cannot be passed on to customers due to contractual agreements.

More detailed information on hedging strategies and risk management as well as financial transactions and the scope of such transactions at the balance sheet date is provided in the 'Risk Report' in the management report and the section 'Financial instruments' in the notes on the consolidated financial statements.

Capital structure of the Group

€ million	2008	2007	Var. %
Non-current assets	7,339.5	11,527.7	- 36.3
Current assets	9,316.5	4,721.3	+ 97.3
Assets	**16,656.0**	**16,249.0**	**+ 2.5**
Subscribed capital	642.8	642.3	+ 0.1
Reserves including net profit available for distribution	924.9	1,803.4	- 48.7
Hybrid capital	294.8	294.8	–
Minority interest	305.8	297.4	+ 2.8
Equity	2,168.3	3,037.9	- 28.6
Non-current provisions	1,589.0	1,817.6	- 12.6
Current provisions	567.1	629.1	- 9.9
Provisions	2,156.1	2,446.7	- 11.9
Non-current financial liabilities	3,965.4	4,732.8	- 16.2
Current financial liabilities	1,009.3	798.5	+ 26.4
Financial liabilities	4,974.7	5,531.3	- 10.1
Other non-current financial liabilities	241.8	256.8	- 5.8
Other current financial liabilities	4,614.5	4,976.3	- 7.3
Other financial liabilities	4,856.3	5,233.1	- 7.2
Liabilities related to assets held for sale	2,500.6	–	n/a
Liabilities	**16,656.0**	**16,249.0**	**+ 2.5**

Capital structure

The development of the TUI Group's capital structure in financial year 2008 was mainly determined by the reclassification of the container shipping activities and the associated liabilities to 'Assets held for sale' in accordance with IFRS 5. The previous year's figures were restated following the finalisation of the purchase price allocation in 2008.

Overall, non-current capital decreased by 19% to €7,965m. It declined by 13 percentage points to 48% in relation to the balance sheet total. The equity ratio fell to 13%, down from 19% in 2007. Equity and non-current financial liabilities accounted for 37% of the balance sheet total at the balance sheet date, following 48% in 2007.

The gearing, i.e. the ratio of average net debt to average equity, rose to 134%, up from 100% in the previous year.

Equity

Due to the issue of 198,730 employee shares in December 2008, subscribed capital rose by around €0.5m to €643m. In the year under review, €1,503m were withdrawn from the capital reserve, which only comprised transfers from premiums, in order to balance the net result for the year. The capital reserve decreased to €969m. Revenue reserves rose by €624m to €-44m. Equity included the hybrid bond of €295m issued in December 2005. Minority interests accounted for €306m of equity.

Provisions

Provisions mainly comprised provisions for pension obligations, current and deferred income tax provisions and provisions for typical operating risks classified as current or non-current, depending on expected occurrence. At the balance sheet date, they accounted for a total of €2,156m and were thus €291m or 12% down year-on-year.

Financial liabilities

The financial liabilities of the continuing operations decreased by a total of €557m to €4,975m. They consisted of bonds totalling €2,601m, liabilities to banks of €1,898m, liabilities from finance leases of €239m and other financial liabilities of €236m. In the year under review, an equity-linked financing with shares in TUI Travel PLC as underlying worth €450m was newly taken out. Financial liabilities were reduced as a result of the repayment of a convertible bond of €385m and the reclassification of liabilities to banks to the item 'Liabilities related to assets held for sale', which totalled €388m as at 31 December 2007. Taking account of the financial liabilities in container shipping, newly taken out in the financial year under review, financial liabilities of €1,278m were carried as 'Liabilities related to assets held for sale' in 2008. The allocation to non-current and current financial liabilities was based on the respective maturities. More detailed information, in particular on the remaining terms, is provided under 'Financial liabilities' in the notes on the consolidated financial statements.

Other liabilities

At €4,856m, other liabilities decreased by €377m or 7% year-on-year. This decrease was also largely determined by the reclassification of the container shipping operations in accordance with IFRS 5.

Ratings by Standard & Poor's and Moody's

In financial year 2008, the rating agencies Standard & Poor's and Moody's adjusted their credit ratings of TUI AG. The corporate rating assigned by Standard & Poor's was adjusted to 'B+ (stable outlook)', with Moody's changing their rating to 'B1 (under review for possible downgrade)'.

The senior notes of around €2.0bn issued in 2004 and 2005 and the convertible bond of around €0.7bn were assigned a 'B' rating by Standard & Poor's and a 'B3 (LGD5)' rating by Moody's. The hybrid bond issued in December 2005 was partly treated as equity as it was subordinated to other liabilities and did not have a fixed maturity; it was therefore rated 'CCC+' by Standard & Poor's and 'B3 (LDG6)' by Moody's.

Key financing measures

The capital structure of debt in financial year 2008 was mainly characterised by the conclusion of an equity-linked financing backed by shares in TUI Travel PLC and the repayment of a convertible bond.

Issue of an exchangeable bond

In mid-January 2008, TUI AG issued an equity-linked financing with shares in TUI Travel PLC held by TUI AG as underlying. This financing has a volume of €450m and will mature in April 2013. TUI AG has concluded corresponding agreements with Deutsche Bank.

In the framework of the financing, TUI AG sold a 10.7% interest in its TUI Travel PLC stake to Deutsche Bank, which transferred this block of shares to Nero Finance Limited, a Jersey-incorporated third-party company independent of TUI. Nero Finance issued an exchangeable bond with cash settlement option in TUI Travel PLC shares. The bond carries an interest coupon of 4.50% per annum. If the holders of an exchangeable bond do not exercise their exchange right, TUI will be obliged to repurchase the TUI Travel PLC shares upon expiry of the five-year term. In contrast, if the exchange right is exercised, TUI will be entitled to buy the TUI Travel PLC shares back via a cash settlement option.

Regardless of the temporary sale of the share block, TUI AG is entitled to instruct the acquirer of the TUI Travel PLC shares to exercise voting rights according to the instructions given by TUI AG. Accordingly, no management changes will result with regard to TUI AG's stake in TUI Travel PLC. TUI Travel PLC will therefore continue to be fully consolidated in TUI's consolidated financial statements. TUI AG uses the proceeds from the financing to strengthen its financial profile and for general corporate purposes.

In connection with this financing, TUI terminated an unused credit facility of €1.0bn.

Redemption of a convertible bond

The 2003 convertible bond of €385m maturing in December 2008 was repaid from liquid funds.

Bonding facility

In August 2007, TUI Travel PLC signed a bonding facility of 430m British pounds sterling under which the company and its subsidiaries were able to furnish statutory bank guarantees as security to supervisory authorities as required for the tourism business in the UK. The bonding facility matured on 31 March 2008 and could be extended by one year until 31 March 2009 in the framework of an extension option available to TUI Travel PLC. Due to changes in regulatory provisions, this facility was no longer required so that the extension option was not exercised.

The following key financing measures were taken in the discontinued operations in 2008:

Bilateral ship financing

In April 2008, TUI AG acquired a container ship with 8,750 TEU and refinanced it by means of a collateralised bank financing of €70m. The financing has a 12-year term and has to be redeemed by quarterly instalments. In the wake of the transfer of container ships from TUI AG to Hapag-Lloyd AG, Hapag-Lloyed entered into this credit agreement under a change of debtor arrangement in October 2008. The loan carries a floating interest rate based on EURIBOR plus a margin mark-up.

In addition, Hapag-Lloyd AG entered into five other bilateral credit agreements related to ship financing schemes, concluded by TUI AG with banks in recent financial years, under a change of debtor arrangement. The credit agreements had an aggregate volume of €262m as at the transfer dates in the fourth quarter of 2008. A fixed interest rate was agreed for each of the five credit agreements.

In May 2008, Hapag-Lloyd AG took out two bank loans to refinance container ships of 8,750 TEU each, previously acquired from TUI AG. The credit volume totals 191m US dollars, redeemable in quarterly rates over the 12-year term for each of the loans. Both loans carry floating interest rates based on LIBOR plus a margin mark-up.

Syndicated ship financing

In September 2008, Hapag-Lloyd AG took out a syndicated bank financing of 750m US dollars. This financing has a term of five years. It has been collateralised with a portfolio of 29 ships which Hapag-Lloyd previously acquired from TUI AG. The loan is redeemable in quarterly rates except for an amount of 171m US dollars repaid only at final maturity. It carries a floating interest rate based on LIBOR plus a margin mark-up.

Finance lease of containers

In the fourth quarter of 2008, Hapag-Lloyd AG signed a finance lease agreement of 263m US dollars. This financing will mature within five years. It has been collateralised with a portfolio of container boxes comprising containers previously acquired from TUI AG. The loan is repaid in quarterly payments. It carries a floating interest rate based on LIBOR plus a margin mark-up.

Investment financing

In the framework of an order transaction concerning the production and delivery of six container ships with 8,750 TEU each, Hapag-Lloyd took out a consortium loan worth 660m US dollars in November 2007. The loan principal covers 80% of the investment volume of the ships planned to be delivered in 2010. The loan has a term of 15 years, covering the financing of the construction period and a redemption period of 12 years. The loan carries a floating interest rate. It has been collateralised with the ships to be financed and by Korea Export Insurance Corporation. At the balance sheet date, 169m US dollars of this credit had been used.

Interest rates and terms

Financing environment

In the course of 2008, the environment for financing schemes in the money and capital markets deteriorated for the TUI Group due to the lower ratings assigned by Moody's and Standard & Poor's and in particular due to the global financial crisis. This caused a substantial increase in credit margins, in particular in the non-investment grade segment, across all sectors as well as investor lending restraint.

Interest

The financial liabilities of the continuing operations rose in January 2008 due to the new financing in connection with the issue of an exchangeable bond worth €450m. On the other hand, the repayment of the convertible bond of €385m was only effected towards the end of the financial year. Both financing schemes caused interest expenses for almost the entire financial year. Moreover, most of the financial year 2008 was characterised by a slight increase in interest rate levels with a corresponding impact on the floating-rate financing instruments. These effects caused a rise in interest expenses by continuing operations. The interest rates and terms of the financial liabilities are outlined in detail under 'Liabilities' (financial liabilities and liabilities to banks) in the notes on the consolidated financial statements. Hapag-Lloyd AG used the inflow of funds from taking out new bank debt in order to repay liabilities to TUI AG so that TUI AG recorded a substantial increase in liquid funds year-on-year. In combination with the year-on-year rise in interest rate levels, this generated an increase in interest income.

Listed bonds

Capital measures	Issuance	Maturity	Volume € million	Interest rate %
Senior floating rate notes	June 2004	August 2009	400.00	3M EURIBOR plus 2.10
Senior fixed rate notes	May 2004	May 2011	625.00	6.625
Senior floating rate notes	December 2005	December 2010	550.00	3M EURIBOR plus 1.55
Senior fixed rate notes	December 2005	December 2012	450.00	5.125
Hybrid bond	December 2005	No fixed maturity	300.00	8.625
Convertible bond	June 2007	September 2012	694.00	2.750

Off-balance sheet financing instruments

Operating leases

In financial year 2008, off-balance sheet financing instruments (operating leases) were used in the tourism division in order to further optimize the financing structure. In connection with the ongoing renewal of the aircraft fleet in tourism, a total of twelve new aircraft were added in 2008. Operating leases were concluded for all aircraft, including eight sale-and-lease-back transactions.

In addition, corresponding sale-and-lease-back agreements were concluded for 19 further aircraft previously owned in 2008. In shipping, medium-term charter contracts were newly concluded for two 2,400 TEU vessels and one 1,900 TEU vessel.

The development of the operating rental, leasing and charter contracts is presented in the section 'Net assets' in the management report. More detailed explanations and information on the structure of the remaining terms of the associated financial liabilities are provided in the section 'Other financial liabilities' in the notes on the consolidated financial statements. There were no contingent liabilities related to special-purpose companies.

Liquidity analysis

Liquidity reserve

In financial year 2008, the TUI Group's solvency was secured any time by means of cash inflows from operating activities and raising of new credits, liquid funds as well as bilateral and syndicated credit agreements with banks.

In January 2008, TUI AG terminated an agreement concerning a syndicated credit line which had been adjusted to a level of €1.0bn and had not been used by then. This termination occurred in connection with an equity-linked financing of €450m with shares in TUI Travel PLC as underlying. As at the balance sheet date, TUI AG's liquidity reserve consisted of unused bilateral credit lines with banks and cash and cash equivalents. The liquidity reserve of TUI AG as the Group's parent company totalled €1.4bn.

Restrictions on the transfer of liquid funds

At the balance sheet date, there were restrictions of €0.1bn on the transfer of liquid funds within the Group that might have significantly impacted the Group's liquidity such as restrictions on capital movements or restrictions due to credit agreements concluded.

Change of control

For essential agreements subject to change of control due to takeover lib see chapter 'Takeover Provisions'.

Summary cash flow statement

€ million	2008	2007	Var. %
Net cash inflow from operating activities	+ 945.8	+ 568.5	+ 66.4
Net cash inflow/outflow from operating activities	- 461.4	- 711.6	+ 35.2
Net cash inflow/outflow from financing activities	+ 199.1	+ 699.0	- 71.5
Change in cash and cash equivalents	**+ 683.5**	**+ 555.9**	**+ 23.0**

Net cash inflow from operating activities

In 2008, the net cash inflow from operating activities totalled €946m. The year-on-year increase was mainly attributable to the first-time full-year consolidation of the activities of the First Choice Holidays Group, which had a significant negative effect in 2007 due to the seasonally weak last third of the year.

Net cash outflow from investing activities

The net cash outflow from investing activities totalled €461m in 2008. A cash outflow of €897m resulted primarily from the investments made in container ships and hotel complexes. Cash inflows were attributable to the disposal of property, plant and equipment and financial investments of €484m. A material disposal in this context was the sale of aircraft to AerCap Holdings NV.

Net cash inflow from financing activities

The net cash inflow from financing activities amounted to €199m. The main items were the cash inflow from taking out several long-term bank loans, including in particular a loan based on an exchangeable bond of €450m by TUI AG and a loan to finance ships and containers of 750m US dollars by Hapag-Lloyd. On the other hand, TUI AG repaid the convertible bond of €385m, while TUI Travel redeemed short-term bank loans. Interest payments resulted in a cash outflow of €321m, up 23% year-on-year.

Development of cash and cash equivalents

€ million	2008	2007	Var. %
Cash and cash equivalents at the beginning of the period	**1,614.0**	**688.7**	**+ 134.4**
Changes due to changes in consolidation	+ 0.8	+ 441.7	- 99.8
Changes due to changes in exchange rates	- 128.9	- 72.3	- 78.3
Cash changes	+ 683.5	+ 555.9	+ 23.0
Cash and cash equivalents at the end of the period[1)]	**+ 2,169.4**	**+ 1,614.0**	**+ 34.4**

1) At the balance sheet date 2008 cash and cash equivalents of €123.9m are included in „Assets held for sale" (previous year: €0.0m)

The detailed cash flow statement and further explanations are comprised in the consolidated financial statements and the section 'Notes on the cash flow statement' in the notes on the consolidated financial statements.

Analysis of investments

The development of fixed assets including property, plant and equipment and intangible assets as well as shareholdings and other investments is presented in the section 'Net assets' in the management report. Additional explanatory information is provided in the notes on the consolidated financial statements.

Additions to fixed assets

€ million	2008	2007	Var. %
Goodwill	1.4	36.5	- 96.2
Other intangible assets	153.7	64.0	+ 140.2
Investment property	4.2	7.4	- 43.2
Property, plant and equipment	407.0	1,008.4	- 59.6
Companies measured at equity	72.4	124.5	- 41.8
Financial assets available for sale	5.1	12.1	- 57.9
Total	**643.8**	**1,252.9**	**- 48.6**

Additions to property, plant and equipment by division

At €407m, investments in property, plant and equipment in 2008 had a part of 63% of additions to fixed assets. Tourism invested €405m in property, plant and equipment. This corresponded to 52% of the total volume. At €386m, 48% of the additions to property, plant and equipment related to container shipping and €6m to central operations.

Investments in property, plant and equipment by divisions

€ million	2008	2007	Var. %
Tourism	404.9	432.8	- 6.4
Central operations	6.3	5.5	+ 14.5
Continuing operations	411.2	438.3	- 6.2
Container shipping	386.1	570.1	- 32.3
Discontinued operation	386.1	570.1	–
Total	**797.3**	**1,008.4**	**- 20.9**

Tourism

At €166m, the largest portion of investments in the tourism division was invested in the TUI Hotels & Resorts sector, including an amount of €115m invested in ongoing and newly launched large projects in Portugal, Jamaica, Morocco and the Cape Verde Islands.

Container shipping

In container shipping, investments accounted for €386m, primarily including additions of €135m from the commissioning of two container ships and downpayments for new builds planned to be delivered in 2011. Investments also included an amount of €81m for container equipment in the completed financial year.

Investment obligations

Order commitments

Due to agreements concluded in the 2008 financial year or in previous years, order commitments for investments totalled €3,614m at the balance sheet date, €555m of which were related to scheduled deliveries in the 2009 financial year. More detailed information is provided in the section 'Other financial obligations' in the notes on the consolidated financial statements.

Tourism

In tourism, order commitments for investments mainly related to the airlines' fleet renewal programmes. Eight aircraft (Boeing 737s) were delivered in the course of the year under the order commitments with Boeing, from purchase agreements and the exercise of options. Total orders at the end of 2008 amounted to 59 aircraft to be delivered by 2015. A further six aircraft are planned to be delivered in 2009.

Container shipping

In the shipping division, Hapag-Lloyd had ordered a total of fourteen container ships with a capacity of 8,750 TEU each, to be delivered by 2011. Twelve ships were directly ordered, with long-term charter contracts concluded for two ships, to be delivered in 2009.

Financial position of TUI AG

The financial position of TUI AG is essentially characterised by its function as the TUI Group's parent company and central financing entity. The changes in equity outlined for the TUI Group, in particular changes in the capital stock and reserves as well as bonds, were also reflected in TUI AG's balance sheet.

Abbreviated balance sheet of TUI AG (financial statements according to German Commercial Code)

€ million	2008	2007	Var. %
Fixed assets	3,028.7	8,123.6	- 62.7
Current assets	5,740.7	3,103.1	+ 85.0
Prepaid expenses	24.4	44.7	- 45.4
Assets	**8,793.8**	**11,271.4**	**- 22.0**
Equity	2,116.1	3,706.3	- 42.9
Special item with an equity portion	40.3	41.5	- 2.9
Provisions	1,154.6	1,054.3	+ 9.5
Bonds	3,019.0	3,403.5	- 11.3
Financial liabilities	1,055.1	883.6	+ 19.4
Other liabilities	1,393.5	2,171.0	- 35.8
Liabilities	5,467.6	6,458.1	- 15.3
Deferred income	15.2	11.2	+ 35.7
Liabilities	**8,793.8**	**11,271.4**	**- 22.0**

Development of TUI AG's capital structure

Equity

At €2,116m, TUI AG's equity declined considerably by 43%. The subscribed capital of TUI AG consists of no-par value shares, each representing an equal portion in the capital stock. The proportionate share in the capital stock per share currently is around €2.56. The issue of 198,730 employee shares in December 2008 increased subscribed capital by around €0.5m to almost €643m. At the end of the financial year, subscribed capital thus comprised 251,444,305 shares.

In the year under review, an amount of €1,504m was withdrawn from the capital reserves and used to balance the net loss for the year, less prior-year profit carry-forwards. Revenue reserves were retained unamended. Taking account of the profit carried forward and the withdrawal from the capital reserves, net profit available for distribution was balanced. The equity ratio declined slightly to 24.1% (previous year: 32.9%).

The special item with an equity portion from tax value adjustments on fixed assets remained almost unchanged.

Provisions

Provisions increased by 10% to €1,155m. They comprised provisions for pensions of €230m (previous year: €198m) and other provisions of €925m (previous year: €856m). The increase in other provisions was mainly caused by higher transfers to procisions for investment risks.

Liabilities

TUI AG's liabilities totalled €5,468m and thus declined by €991m or 15% year-on-year. The significant reduction is caused by the repayment of short-term bonds by TUI Travel PLC.

Capital authorisation resolutions by AGM

For details on new and existing capital authorisation resolutions by the AGMs see chapter 'Takeover Provisions'.

Disclosure of Takeover Provisions

The following information is presented in accordance with Art. 315 par. 4 of the German Commercial Code (HGB).

Composition of subscribed capital

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

The subscribed capital of TUI AG, registered in the commercial registers of the district courts of Berlin-Charlottenburg and Hanover, rose by €0.5m to a total of €642.8m due to the issuance of 198,730 employee shares. Subscribed capital thus comprised 251,444,305 shares (previous year: 251,245,575 shares) at the end of the financial year. Each share confers one vote at the Annual General Meeting.

Restrictions relating to voting rights or share transfer

The Executive Board of TUI AG is not aware of any restrictions relating to voting rights or share transfer.

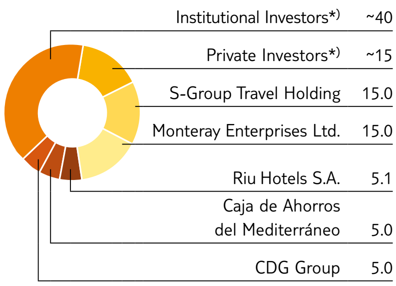
Equity interests exceeding 10% of the voting rights

Pursuant to the Securities Trading Act, every shareholder obtaining, exceeding or falling below certain interests in the voting rights of the Company by means of acquisition or divestment or in any other way has to notify the Company and the Federal Financial Services Supervisory Authority. The lowest threshold for this notification duty used to be 5%. On 20 January 2007, it was lowered to 3%. The Executive Board of TUI AG has been notified of the following direct or indirect equity interests reaching or exceeding 10% of the voting rights.

The voting shares in TUI AG attributable to Alexey Mordashov, Russia, exceeded the threshold of 15% on 15 July 2008. As per that date, voting shares totalling 15.03% were attributable to him via Sungrebe Investments Ltd., Tortola, British Virgin Islands, Artcone Ltd., Limassol, Cyprus, and S-Group Travel Holding GmbH, Frankfurt, Germany.

The voting shares in TUI AG attributable to John Fredriksen, Cyprus, exceeded the threshold of 15% on 30 June 2008. As per that date, voting shares totalling 15.01% were attributable to him via Monteray Enterprises Ltd., Limassol, Cyprus, and Geveran Holdings S.A., Monrovia, Liberia.

Shareholder structure (in %)



As of December 2008

*) Free float according to the definition by Deutsche Börse

At the end of 2008, around 55% of the TUI shares floated freely. Around 15% of all TUI shares were held by private shareholders, around 45% by strategic investors and the remaining portion, around 40%, by institutional investors. According to an analysis of the share register, these were mainly investors from Germany and other EU countries.

Shares with special rights conferring control authorities

There have not been any shares, nor are there any shares, with special rights conferring control authorities.

Type of voting right control if employees hold an equity investment and do not directly exercise their control rights

Where TUI AG grants shares to employees under its employee share programme, the shares are directly transferred to the employees with a lock-up period. Beneficiaries are free to directly exercise the control rights to which employee shares entitle them, in just the same way as other shareholders, in line with legal requirements and the provisions of the Articles of Association.

Appointment and dismissal of Executive Board members and amendments to the Articles of Association

The appointment and dismissal of Executive Board members is based on sections 84 f. of the German Stock Corporation Act in combination with section 31 of the German Co-Determination Act. Amendments to the Articles of Association are based on the provisions of sections 179 ff. of the German Stock Corporation Act in combination with section 24 of the Articles of Association of TUI AG.

Authorisation of the Executive Board to issue or repurchase shares

The Annual General Meeting of 7 May 2008 authorised TUI AG's Executive Board to acquire own shares of up to 10% of the capital stock. The authorisation will expire on 6 November 2009 and replaces the authorisation granted by the AGM of 16 May 2007. To date, the option to acquire own shares has not been used.

Moreover, conditional capital of €100m was authorised. Accordingly, bonds with conversion options or warrants as well as profit-sharing rights and income bonds of up to a nominal amount of €1.0bn may be issued up to 6 May 2013.

In addition, two authorisations were granted to increase the capital stock by a total of €74m by 6 May 2013. This includes authorised capital for the issue of new shares with the option of excluding subscription rights of €64m and authorised capital for the issue of employee shares worth €10m. Currently, around €0.5m of this authorised capital has been used.

The Annual General Meeting of 10 May 2006 resolved to create authorised capital for the issue of new shares against cash or non-cash contribution worth €246m by 9 May 2011. The issue of new shares against non-cash contribution is limited to €128m.

Essential agreements of the Company subject to change of control due to a takeover bid and the resulting effects

TUI AG's listed bonds, the private placements issued in 2006 and 2007 and the equity-linked financing of TUI AG with shares in TUI Travel PLC as underlying include change of control clauses. A change of control occurs in particular if a third partly directly or indirectly acquires control over at least 30% or the majority of the voting shares in TUI AG, depending on the contract at stake.

In the event of a change of control, bond holders must be offered a buy-back of the corresponding bond. This provision applies to all listed bonds with the exception of the hybrid bond and the convertible bond. For the hybrid bond, an interest mark-up has been agreed to take effect in the event of a change of control should the rating be downgraded. For the convertible bond, a right of termination or reduction of the conversion price has been agreed.

Concerning the private placements, the lenders are entitled to terminate the agreements in the event of a change of control.

The equity-linked financing with shares in TUI Travel PLC as underlying sets out that the lenders will be able to demand either repayment at nominal value plus accrued interest or exchange of the bonds at market value in the event of a change of control.

The total volume of financing instruments with corresponding change of control clauses currently amounts to around €4.0bn. On top of that, there are no agreements in guarantee, leasing, option or other financial contracts that might cause material early redemption obligations that would be of significant relevance for the Group's liquidity.

Apart from the financing instruments mentioned above, a framework agreement between the Riu family and TUI AG includes a change of control clause. A change of control occurs if a shareholder group represents a predefined majority of AGM attendees or if one third of the shareholder representatives on the Supervisory Board are attributable to a shareholder group. In the event of a change of control, the Riu family is entitled to acquire at least 20% and at most all shares in RIUSA II S.A. held by TUI.

A similar agreement concerning a change of control in TUI AG was concluded with the El Chiaty Group. Here, too, a change of control occurs if a shareholder group represents a predefined majority of AGM attendees or if one third of the shareholder representatives on the Supervisory Board are attributable to a shareholder group. In that case, the El Chiaty Group is entitled to acquire at least 15% and at most all shares in the joint hotel companies in Egypt and the United Arab Emirates held by TUI.

Under the license agreement concluded with the allocation of the tourism business to TUI Travel PLC, the licensee, TUI Travel PLC, is entitled to acquire TUI AG's total tourism brand portfolio in the event of a change of control.

A change of control agreement was concluded for the joint venture TUI Cruises between Royal Caribbean Cruises Ltd and TUI AG for a change of control in TUI AG. The agreement gives the partner the right to demand termination of the joint venture and to purchase the share held by TUI AG at a price which is lower than the selling price of their own share.

Compensation agreements by the Company with Executive Board members or employees relating to potential takeover bids

In the event of loss of Board membership through a change of control or by executing the right granted to Board members, specifically accorded for this event, of resigning from their office and terminating their service contract as a Board member, every Board member is entitled to receive remuneration for his or her financial entitlements for the remaining period of the said contract.

The performance-related remuneration and the granting of phantom stocks for the remaining term of the contract are based on the average remuneration received in the last three financial years. The same provision applies to the remuneration for Supervisory Board mandates hitherto received from Group companies.

The service contracts for Board members do not comprise an explicit severance payment entitlement upon a premature termination of the contract. However, a severance payment may be paid under an individual termination agreement. In future, care will be taken to ensure that severance payments agreed in service contracts for Board members do not exceed the amount equivalent to two annual remuneration payments. The severance payment for change of control situations is to be limited to 150% of the severance payment cap.

Report on Subsequent Events

Sale of a majority stake in container shipping

At an extraordinary meeting held on 27 February 2009, the Supervisory Board of TUI AG approved an amendment to the terms for the sale of a majority stake in container shipping, agreed with the Hamburg-based Albert Ballin consortium in October 2008. The changes relate to the stakes held in the company acquiring Hapag-Lloyd AG and a number of additional credit lines offered to the Hapag-Lloyd Group. The valuation of Hapag-Lloyd AG will be retained unamended, with the company valued at €4.45bn.

TUI will increase its planned stake in the acquiring company from originally 33.33% to 43.33%. TUI AG will acquire the additional shares from Kühne Holding AG, which will continue to be part of the consortium. The stakes of the remaining shareholders will not change. TUI AG will be entitled to sell its additional shares in the company any time. The consortium has a pre-emption right and an obligation to take delivery.

In order to guarantee the financial stability of the Hapag-Lloyd Group even after the transfer of ownership, TUI AG is also prepared to provide additional credit facilities worth a total amount of up to €1bn for a limited period and at terms and conditions customary in the industry.

Risk Report Sturdy systems to detect, monitor and manage risk. Tapping opportunities to the full.

The TUI Group operates worldwide in tourism and container shipping. These activities entail various inherent risks, depending on the type of business. Risks may arise from the Group's own entrepreneurial action or external factors. In order to identify and actively control these risks, the Group has introduced Group-wide systems.

World economic growth slowed substantially as the year progressed. A global slow-down in economic activity was accompanied by downswing tendencies resulting from the sub-prime and financial market crisis. It is too early to anticipate the effects of the current crisis on consumer behaviour in the TUI Group's key markets. The TUI Group has initiated measures to reduce potential risks.

Risk policy

TUI's risk policy is designed to steadily and persistently enhance the Group's corporate value, achieve its medium-term financial goals and secure the Company's ongoing existence in the long term. It is thus an integral component of the Group's corporate policy.

TUI Group subsidiaries operate in markets characterised until last year by substantial growth rates. In financial year 2008, tourism still recorded moderate growth. However, considerable downswing trends can be expected in 2009. While container shipping still recorded a very positive business performance year-on-year in the first half of 2008, substantial declines in rates and volumes have been observed, since the end of the fourth quarter of 2008. Due to the imponderables resulting from the sub-prime and financial market crisis, specific prospects for container shipping for financial year 2009 are currently tinged with uncertainty.

In terms of turnover, TUI is European market leader in tourism, above all due to its interest in TUI Travel PLC. Based on capacity, the container shipping division represents one of the world's five largest container shipping lines. Any company wishing to seize market opportunities and leverage the potential for success must inevitably accept risk to a reasonable degree. The purpose of a risk management system is to identify risks early on, assess them and contain them so that the economic benefit outweighs the threats.

Risk management

In order to meet its overall responsibility within the Group, TUI AG's Executive Board has set out policies incorporating the essential elements of the risk management system. They are applicable to all Group companies. The Board has also installed monitoring and control systems to regularly measure, assess and manage business development and the related risks. Responsibility for the early identification, reporting and handling of business risks lies with the management of the respective companies, with control functions over each tier exercised at the supervisory level.

The Executive Board and operative management employ multi-stage integrated reporting systems for risk management purposes. On the basis of the planning and control system, deviations of actual from projected business developments are analysed on a monthly basis so that risks that might jeopardise the Company's performance are quickly recognised.

In addition, special independently organised reporting systems have been introduced for the early identification of risks threatening the existence of the Company. Reporting of such risks is based on a separate system, organised with its own distinct structure alongside operational risk management. Early risk identification aims to provide reports, both on a regular and case-by-case basis, in order to identify potential risks within the Group companies, assess these risks on the basis of uniform parameters and summarise them in an overall Group-wide system. The risk management measures to be taken are implemented within the operative entities and mapped and supported by means of operational systems. Nevertheless, there is a feedback loop between early risk identification (German Act on Control and Transparency, Kon-TraG) and operational risk management.

The Supervisory Board is involved in this process by means of regular quarterly reports from the Executive Board and, where necessary, ad hoc reports at its regular meetings.

Risk management is supported by the Group-wide auditing departments, which examine transactions and operational workflows both regularly and on a case-by-case basis, checking that they function properly and are safe and efficient.

The methods and systems used in risk management and the frequency of controls are tailored to the respective types of risks and are continually checked, modified and adjusted to changing business environments. The systems for early identification of risks threatening the Group's existence were audited by our auditors during their examination of the annual financial statements for 2008.

The regular risk reporting system did not identify any specific risks threatening the continued existence of individual Group companies or the entire Group, neither during the 2008 financial year nor at year-end.

Risk transfer

Risk management also extends to risks outside the Group. Potential damages and liability risks from day-to-day business operations are covered as far as possible by insurance policies. The Group has concluded, inter alia, liability and property insurance policies customary in the industry, and insurance policies for its airlines and maritime operations. The extent of the insurance cover is regularly reviewed and adjusted where necessary.

Risks related to future development

Environment and industry risks

Both tourism and shipping operations are exposed to macroeconomic and industry-specific risks. A detailed assessment of overall economic development in the medium term is provided in the 'Report on Expected Developments'. Specific risks may arise from changes in commodity prices, in particular oil products, or in currency relations and interest rates. Tourism might also entail additional risks if the relevant source markets, including Germany and the UK, experience a considerable rise in unemployment. Special risks in container shipping may arise if world trade continues to witness weak economic growth in the medium term.

These risks may, inter alia, result in weaker economic growth rates in countries of importance to the TUI Group's activities. This may have an adverse effect on demand for services in tourism and container shipping and entail cost increases in the procurement of purchased materials and services or essential products.

Risks from acquisitions and divestments

In financial year 2007, the TUI Group's tourism entities, excluding the hotel companies, were merged with First Choice to form the new company TUI Travel PLC. Significant synergies were identified in this context.

To tap the potential for synergy, appropriate measures and staged processes were launched with a view to deriving a proper assessment of future performance potential. There is nevertheless a risk of the actual synergy effects turning out more modest than expected.

The acquisitions effected as part of the TUI Group's realignment have created goodwill. Should cash flows fall below expected levels due to a business downturn, impairments (e.g. amortisation of goodwill) might be required and would thus impact Group earnings.

Risks from information technology

Business processes in tourism and container shipping rely heavily on the IT systems installed. Examples of IT-based operations include booking systems, capacity and yield management and all administrative areas. Moreover, the internet is growing in importance, not only as a distribution channel but also as basic technology for automating business processes between business partners. IT systems are also used in the shipping division for the booking and implementation of transport services as well as capacity and yield control.

The Group works in partnership with IT service providers, highly efficient international players who perform functions in systems operation, development, management and support. IT governance in the TUI Group is guaranteed by means of a Group-wide IT management body covering all business segments. It is supported by an expert team consisting of IT directors.

The IT systems are continually reviewed, upgraded and replaced in the framework of lifecycle management operations in order to ensure that business processes are safe and efficient. Continuous improvement also embraces measures to ensure data safety. They include e.g. the Group-wide implementation of firewalls, virus scanners and encryption mechanisms. Additional measures are taken in order to protect the Company from abuse and loss of data: access authorisation systems, back-up processes and the mirroring of business-critical systems, websites and infrastructure components in two physically separate computer centres.

Business risks in tourism

In the tourism division, customers' booking behaviour is essentially affected by the general economic climate and external factors. Political events, natural disasters, epidemics or terrorist attacks may affect holidaymakers' decisions and thus the development of business in individual markets. Market risks increase with tougher competition and the emergence of new market participants operating new business models, such as web-based distribution of travel services and low-cost airlines, which may adversely impact sales by travel agencies.

A substantial business risk in tourism relates to the seasonal planning of flight and hotel capacity. In order to plan ahead, tour operators must forecast demand and anticipate trends in holiday types and destinations. The TUI business model underlying operations in TUI Travel and Hotels & Resorts is well suited to countering the ensuing capacity utilisation risks:

- The Group's own airline and hotel capacity is considerably lower than the number of customers handled by its tour operators. This enables the Group to keep its product portfolio flexible by sourcing third-party flying capacity and hotel beds and concluding contractual agreements accordingly.
- The Group's presence in all major European countries allows it to limit the impact of regional fluctuations in demand on the take-up of capacity in the destinations.
- Additional opportunities are offered by multi-channel distribution and direct and modular online marketing of capacity.

Business risks in container shipping

The major risks to business development in container shipping arise from external factors. If world trade and investment cycles in the shipping sector develop unfavourably, this may result in shipping capacity overhangs and thus adversely affect marine freight rates. In the individual trade lanes, cyclical fluctuations in regional economic activity may create imbalances in transport volumes. This risk, typical of the industry, is countered by means of an efficient capacity control system.

Other essential factors to contain business risks are:

- global activities on the East-West routes, i.e. trade lanes which are attractive in the long term,
- membership of the Grand Alliance, one of the world's leading liner shipping consortia.

Financial risks

The TUI Group operates a central finance management system that performs all essential transactions with the financial markets.

In the wake of the merger of TUI's tourism activities with First Choice to form TUI Travel PLC in 2007, a division of labour was introduced for the central cash management system, previously managed exclusively by TUI AG, and the central financial risk management system. TUI Travel PLC performs these functions for the tourism division at Group level, while TUI AG continues to hold this function for all other business operations of the Group.

Policies exist to define financing categories, rules, competences and workflows as well as limits on transactions and risk items. Trading, settlement and controlling functions are segregated in functional and organisational terms. Compliance with the policies and limits is constantly monitored. As a matter of principle, all hedges entered into by the Group must be supported by underlying recognised or future transactions. Recognised standard software is used for recording, evaluating and reporting on the hedges entered into.

Financial instruments

In the TUI Group, financial risks mainly arise from payment transactions in foreign currencies, the need for fuel (aircraft fuel and bunker oil), and financing via the money and capital markets. In order to limit risks arising on changes in exchange rates, market prices and interest rates for underlying transactions, TUI uses derivative financial instruments not traded on stock markets. These are primarily fixed-price transactions (e.g. forward transactions and swaps) and, to a lesser extent, options. These transactions are concluded at arm's length with first-rate companies operating in the financial sector whose counterparty risk is regularly monitored. Currency translation risks from the consolidation of Group companies not reporting in euros are not hedged.

Detailed information about hedging strategies, risk management and the scope of financial transactions at the balance sheet date is provided in the section on 'Financial instruments' in the notes on the consolidated financial statements.

Liquidity management

In the course of the annual Group planning process, TUI draws up a multi-annual finance budget. In addition, TUI produces a monthly rolling liquidity plan covering a period of one year. The liquidity plan covers all controlled financing categories within the Group.

Both money and capital market instruments as well as bilateral bank loans and syndicated credit facilities are used to meet the Group's financing requirements. In the wake of a financing transaction in relation with the issue of an exchangeable bond of €0.5bn by a non-Group third party in January 2008 against shares in TUI Travel PLC, TUI terminated an unused syndicated credit facility of €1.0bn. As a secondary effect of this financing scheme the restrictions from TUI AG's senior notes of €2.0bn have ceased to exist for TUI Travel PLC. TUI Travel PLC thus has separate access to banks and the capital market and is able to engage autonomously in liquidity provisioning for its tourism companies. Liquid funds and unused bank facilities ensure that TUI always has an appropriate cash reserve.

In order to meet its long-term financing requirements, TUI had issued bonds worth a total of €3.0bn in the capital market as at the balance sheet date, comprising a total of six bonds including a bond shown as hybrid capital. The bonds had different structures and maturities. Future repayment or refinancing risks were limited by optimising the maturities and volumes of these bonds.

In August 2007, TUI Travel was granted a syndicated credit facility of 0.8bn British pounds by a banking consortium. This facility will mature on 30 June 2012. As at the balance sheet date, 0.4bn GBP were used.

TUI AG's financial liabilities taken up via the capital market, the financing transaction in connection with the exchangeable bond with an option for shares in TUI Travel PLC issued by a non-Group third party and TUI Travel's syndicated credit facility comprise a number of obligations.

In the case of TUI Travel PLC's syndicated credit facility, the obligations comprise the duty to comply with financial covenants covering (a) compliance with an EBITDAR-to-net interest expense ratio measuring the Group's relative charge from the interest result and the lease and rental expenses; and (b) compliance with a net debt-to-EBITDA ratio, calculating the Group's relative charge from financial liabilities. The covenants also restrict TUI Travel PLC's scope for encumbering or selling assets, acquiring other companies or shareholdings and effecting mergers.

The capital market instruments, the financing transaction in connection with the exchangeable bond for shares in TUI Travel PLC as well as the syndicated credit facility also comprise additional contractual clauses typical of financing instruments of this type. Non-compliance with these obligations awards the lenders the right to call in the facilities or terminate the financing schemes. TUI's and TUI Travel PLC's business transactions and the expected business trend are continually checked for compliance with contractual provisions.

More detailed information on financing and financial debt is provided in the section 'Financial situation' in the management report and under 'Liabilities' in the notes on the consolidated financial statements.

Risks from pension obligations

Pension funds have been set up to finance pension obligations, in particular in the UK. These funds are managed by independent fund managers who invest part of the fund assets in securities. The performance of these funds may thus be adversely affected and impaired by the development on financial markets.

The present value of the TUI Group's fully or partly funded pension obligations for its continuing operations totalled €1.3bn, while the fair value of external plan assets amounted to €1.0bn. At the balance sheet date, the funded pension obligations thus exceeded plan assets by €0.3bn. Combined with the present value of pension obligations not covered by funds (€0.4bn), this resulted in pension obligations with a present value of €0.7bn, fully covered by pension provisions. Detailed information on the development of pension obligations is provided under the item 'Provisions for pensions and similar obligations' in the notes on the consolidated financial statements.

Other financial liabilities

At the balance sheet date, the TUI Group had other financial liabilities of €5.1bn (previous year: €4.1bn). These liabilities mainly related to order commitments for investments. Around 35% of the total amount had a remaining term of up to one year.

At the balance sheet date, financial liabilities from operating lease, rental and charter agreements amounted to €5.3bn (previous year: €5.3bn). At €2.3bn, ships and containers accounted for the largest proportion of financial liabilities from operating lease, rental and charter agreements, with €1.4bn relating to aircraft, €0.7bn to hotels and €0.9bn to other buildings and 'Other'. Around 25% of the total amount had a remaining term of up to one year.

Detailed information on other financial liabilities is provided in the corresponding section in the notes on the consolidated financial statements.

Environmental risks

Both current TUI Group companies and those already divested are or have been involved in the use, processing, extraction, storage or transport of materials classified as harmful to the environment or human health. TUI takes preventive measures to counter environmental risks arising from current business transactions and has taken out insurance policies to cover certain environmental risks. Where environmental risks have not passed to the purchaser in divestment transactions, TUI has built appropriate provisions in the balance sheet to cover any potential claims.

Contingent liabilities and litigation

Contingent liabilities are potential liabilities not recognised in the balance sheet. At the balance sheet date, they amounted to €48m (previous year: €71m). The decline was mainly attributable to the reduction in guarantees and warranties to settle ongoing transactions from former plant engineering and shipbuilding activities.

Neither TUI AG nor any of its subsidiaries are involved in pending or foreseeable court or arbitration proceedings which might have a significant impact on the Group's business position. This also applies to actions claiming warranty, repayment or any other remuneration brought forward in connection with the divestment of subsidiaries implemented over the last few years. As in previous years, the respective Group companies formed appropriate provisions to cover potential financial charges from court or arbitration proceedings.

Information on contingent liabilities and litigation is also provided in the corresponding sections in the notes on the consolidated financial statements.

Remuneration Report

Upon the proposal of the Presiding Committee, the Supervisory Board regularly reviews and adopts the remuneration system for the Executive Board, including the essential elements of their contracts. The terms and conditions of the contracts of employment, including remuneration, are determined by the Presiding Committee. The Presiding Committee bases its decision on the size and global operations of the Company, its economic position and the level and structure of board remuneration in similar companies. In addition, the responsibilities and performance of each individual Board member are taken into account. The remuneration of Mr Long is fixed by TUI Travel PLC's Remuneration Committee.

Remuneration of the Executive Board

The remuneration of TUI AG's Executive Board members breaks down into fixed and variable components. Executive Board members are also entitled to a company car with driver services as well as travel benefits. The variable components consist of a management bonus and a bonus under a long-term incentive programme.

For Executive Board members based in Germany, the level of the management bonus was linked to Group profit and earnings by the divisions in the completed financial year as well as personal assessment factors. The management bonus was calculated on the basis of the respective underlying earnings before interest, tax and amortisation of goodwill (EBITA). For the UK-based Executive Board member, the management bonus depended on a personal assessment factor and the degree of achievement of specific predefined targets.

Under the long-term incentive programme, the Germany-based Executive Board members received a bonus for financial year 2008 which was translated into phantom stocks in TUI AG on the basis of an average share price. These phantom stocks are calculated on the basis of underlying earnings before tax and amortisation of goodwill (EBTA).

The translation into phantom stocks is based on the average share price over the 20 trading days following the Supervisory Board meeting at which the annual financial statements are adopted. The number of phantom stocks granted for a financial year is thus not determined until the following year. After a lock-up period of two years, the entitlement to cash payment from this bonus can be exercised individually by the Executive Board members within predetermined periods.

The lock-up period does not apply to members resigning from the Executive Board. The level of the cash payment depends on the average price of TUI AG shares over a period of 20 trading days following the date of exercise. There are no absolute or relative return or price targets. Provision has been made for a cap to apply in the event of extraordinary, unexpected developments.

The long-term incentive programme for Mr Long consists of shares in TUI Travel PLC granted as a function of personal assessment factors, established by TUI Travel PLC's Remuneration Committee.

On 31 December 2008, former Executive Board members held 10,479 phantom stocks (previous year: 6,486 stocks). Mr Long held vesting rights to 4,358,966 shares in TUI Travel PLC as per 31 December 2008.

Provisions totalling €6,000 thousand (previous year: €9,822 thousand) were formed to cover entitlements under the long-term incentive programme, including phantom stocks granted for financial year 2008.

Development of aggregate phantom stocks in TUI AG

	Units
Balance as at 31 Dec 2007	**494,217**
Phantom stocks granted for the 2007 financial year	57,408
Phantom stocks exercised	0
Increase/Decrease of phantom stocks[1)]	- 16,965
Balance as at 31 Dec 2008	**534,660**

[1)] upon departure of Mr Michael Behrendt and Mr Christoph R. Mueller

The measurement of the phantom stocks in TUI AG and vesting shares in TUI Travel PLC resulted in a loss of €6,753.1 thousand (previous year: profit of €2,207.0 thousand) for the Executive Board members, including a former Executive Board member, in financial year 2008.

Changes in the value of the phantom stock portfolios of Executive Board members

€ '000	2008	2007
Dr Michael Frenzel (Chairman)	- 2,152.6	703.6
Horst Baier	- 150.7	–
Michael Behrendt	- 92.4	–
Dr Peter Engelen	- 1,206.3	392.2
Rainer Feuerhake	- 2,248.1	748.2
Peter Long	- 903.0	249.0
Christoph R. Mueller[1)]	–	1.8
Peter Rothwell[1)]	–	112.2
Total	**- 6,753.1**	**2,207.0**

[1)] upon their departure

Remuneration of individual Executive Board members

€ '000	Non-performance related remuneration	Performance related remuneration	Long-term incentive programme	Remuneration for Supervisory Board mandates in the Group	Total 2008	Total 2007
Dr Michael Frenzel (Chairman)	1,249.0	1,571.6	412.8	558.2	3,791.6	4,478.3
Horst Baier (since 9 November 2007)	490.2	943.0	247.7	72.8	1,753.7	195.7
Michael Behrendt (until 30 September 2008)	471.1	779.9	185.8	0.0	1,436.8	2,007.7
Dr Peter Engelen	608.3	943.0	247.7	103.7	1,902.7	1,852.3
Rainer Feuerhake	793.4	1,257.3	330.2	341.8	2,722.7	2,991.5
Peter Long (since 3 September 2007)	1,614.0	1,506.9	2,058.2	0.0	5,179.1	1,160.2
Christoph R. Mueller (until 3 September 2007)	–	–	–	–	–	761.3
Peter Rothwell (until 8 November 2007)	–	–	–	–	–	2,944.7
Total	**5,226.0**	**7,001.7**	**3,482.4**	**1,076.5**	**16,786.6**	**16,391.7**
Previous year	4,791.8	9,891.6	1,164.1	544.2	16,391.7	

Due to a corresponding resolution by the Presiding Committee of the Supervisory Board, the Company reimbursed Dr Frenzel and Mr Feuerhake the expenses, including the taxes payable by them on the amount reimbursed, which were incurred by Dr Frenzel and Mr Feuerhake for the payment of a monetary condition of €750,000 each (plus the assiociated taxes of €797,100 each), imposed in the wakeframework of the dismissal of investigation and criminal proceedings, respectively, in the Babcock/HDW complex pursuant to section 153a of the German Code of Criminal Procedure (STPO).

As in 2007, the members of the Executive Board did not receive any loans or advances in the 2008 financial year.

Benefits in the event of a termination of position

a) Pension entitlements

Pensions are paid to former Executive Board members if they reach the predefined age limit or are permanently incapacitated. The pension for Board members based in Germany is calculated on the basis of pensionable pay, geared to the Board member's fixed compensation. The pension is set at a specific percentage of pensionable pay. This percentage is 50% for the first service contract period. Depending on the number of service contract periods or based on individual agreements, this percentage may rise to a maximum of 80%. Pension entitlements vest upon the expiry of the first term of office. TUI AG has not granted any pension entitlements to Mr Long. Instead of granting a pension entitlement, an amount worth 50% of his fixed salary is paid into a pension fund. This payment is counted towards his non-performance-related remuneration.

Under certain circumstances, widows of Executive Board members will receive a widow's pension worth 60% of the above-mentioned pension for their lifetime or until remarriage. Children of Executive Board members receive an orphan's pension, paid as a maximum until they are 27 years of age. Orphans who have lost one parent receive 20% of the pension, and orphans who have lost both parents receive 25%.

Pension entitlements/Addition to or reversal of pension provisions

€ '000	Annual pension	Addition to pension provisions
Dr Michael Frenzel (Chairman)	800.0	1,137.1
Horst Baier	200.0	51.9
Dr Peter Engelen	350.0	457.8
Rainer Feuerhake	520.0	1,576.4

b) Transition payments

Executive Board members retiring upon expiry of their term of office, whether because they are not reappointed or because their term is not renewed or because the Company terminates their contract, are entitled to a transition payment until the date at which the pension payments fall due. The transition payment is equivalent to the pension rights that have accrued. Any income received by the beneficiaries from self-employment or employment, pensions or transition payments from other companies or payments received from insurance companies is deducted from the transitional entitlement. Mr Long is not entitled to transition payments.

c) Change of control agreement

In the event of a loss of Board membership through a change of control or by executing the right granted to Board members, specifically accorded for this case, to resign from office and terminate their contract of employment as a Board member, every Board member is entitled to receive compensation for the financial entitlements that he or she would have derived from the remaining period of the contract.

The performance-related remuneration and the phantom stocks granted for the remaining term of the contract are based on the average remuneration received in the last three financial years. The same provision applies to the remuneration hitherto received for Supervisory Board mandates.

d) Severance payment

The service contract for Board members does not contain an explicit entitlement to severance payment upon premature termination. However, a severance payment may be paid under an individual termination agreement. Future service contracts for Board members will ensure that the severance payment does not exceed the equivalent value of two years' remuneration. For change of control situations, the severance payment will be limited to 150% of the severance payment cap.

At the balance sheet date, pension obligations for active members of the Executive Board totalled €20,259 thousand (previous year: €19,929 thousand). Pension provisions for former members of the Executive Board and their dependents amounted to €34,327 thousand (previous year: €34,780 thousand) at the balance sheet date.

The pension obligations for German beneficiaries were funded via the conclusion of pledged reinsurance policies. As the reinsurance policy fully covered the pension obligations for former and active Executive Board members, the insurance was deducted as an asset from the pension obligation. The pension obligation for one former Executive Board member was covered by a fund. In financial year 2008, pension provisions for active Board members fell by €330 thousand (in the previous year, provision fell by €464 thousand).

In financial year 2008, the remuneration paid to former Executive Board members and their surviving dependents totalled €4,445 thousand (previous year: €7,011 thousand).

Remuneration of the Supervisory Board

The remuneration of Supervisory Board members comprises a fixed component and variable components. These are determined in accordance with section 18 of TUI AG's Articles of Association, which are permanently accessible to the public on the internet. The members of the Supervisory Board receive a fixed remuneration of €40,000, payable upon the completion of the financial year, besides reimbursement of their expenses.

In addition, the Supervisory Board members receive a sum of remuneration, geared to the Company's short-term performance, of €100 per €0.01 of the earnings per share reported for the completed financial year.

The Supervisory Board members also receive remuneration related to the Company's long-term performance. This long-term variable remuneration is based on an annual base sum of €20,000. The amount is paid upon the completion of the third financial year following the granting of the remuneration and increases or decreases in line with the percentage increase or decrease in earnings per share during that period. A change in earnings per share of €0.01 leads to an increase or decrease of €100 on the base sum. However, the sum payable may not under any circumstances exceed 250% of the base amount.

The chairman of the Supervisory Board receives three times the remuneration of a regular member, the deputy chairperson and the other members of the Presiding Committee one and a half times the total remuneration of a regular member. Separate remuneration is paid for membership and chairmanship of committees.

Remuneration of the Supervisory Board

€ '000	2008	2007
Fixed remuneration	976.7	979.2
Short-term variable remuneration	–	149.3
Long-term variable remuneration	219.3	1,135.0
Remuneration for committee memberships	156.1	160.0
Remuneration for TUI AG Supervisory Board mandate	**1,352.1**	**2,423.5**
Remuneration for Supervisory Board mandates in the Group	343.1	415.0
Total	**1,695.2**	**2,838.5**

In addition, travel and other expenses totalling €96 thousand (previous year: €65 thousand) were reimbursed. Total remuneration of the Supervisory Board members thus amounted to €1,791 thousand (previous year: €2,904 thousand).

Apart from the work performed by the employees' representatives pursuant to their contracts, the members of the Supervisory Board did not provide any personal services such as consultation or agency services for TUI AG or its subsidiaries in financial year 2008.

Remuneration for individual Supervisory Board members for 2008

€ '000	Fixed remuneration	Short-term variable remuneration	Long-term variable remuneration	Remuneration for committee membership	Remuneration for Supervisory Board mandates in the Group	Total
Dr Jürgen Krumnow (Chairman)	120.0	–	24.6	20.0	76.0	240.6
Jan Kahmann (Deputy Chairman)	60.0	–	12.3	–	–	72.3
Andreas Barczewski	40.0	–	8.2	–	–	48.2
Jean-Claude Baumgarten	40.0	–	8.2	–	–	48.2
Jella Susanne Benner-Heinacher	40.0	–	8.2	–	–	48.2
Arnd Dunse (since 1 October 2008)	10.0	–	5.0	1.1	–	16.1
Sepp Dieter Heckmann	40.0	–	8.2	–	–	48.2
Frank Jakobi	40.0	–	12.5	–	–	52.5
Uwe Klein	60.0	–	12.3	20.0	–	92.3
Dr Dietmar Kuhnt	40.0	–	8.2	60.0	115.9	224.1
Roberto López Abad	40.0	–	8.2	–	–	48.2
Dieter Lübkemann	40.0	–	8.2	–	76.0	124.2
Dr h.c. Abel Matutes Juan	40.0	–	8.2	–	–	48.2
Carmen Riu Güell	60.0	–	12.3	–	–	72.3
Hans Dieter Rüster (since 17 January 2008)	38.2	–	19.1	–	–	57.3
Dr Manfred Schneider	40.0	–	8.2	20.0	48.2	116.4
Roland Schneider	60.0	–	16.2	–	–	76.2
Ilona Schulz-Müller	40.0	–	8.2	20.0	–	68.2
Olaf Seifert (until 30 September 2008)	30.0	–	3.2	15.0	–	48.2
Henry Sieb	40.0	–	8.2	–	27.0	75.2
Dr Franz Vranitzky (until 17 April 2008)	17.8	–	- 8.7	–	–	9.1
Vladimir Yakushev (since 22 April 2008)	40.7	–	20.3	–	–	61.0
Total	**976.7**	**0.0**	**219.3**	**156.1**	**343.1**	**1,695.2**

The entitlements of the Supervisory Board members under the long-term remuneration arrangement were covered by a provision totalling €1,630 thousand (previous year: €1,565 thousand).

Research and Development Expansion of innovative technologies and development of new hotel formats.

The TUI Group operates in an environment where competitiveness depends largely on a company's ability to innovate and develop its own business. It therefore utilises latest technologies and continually expands its product portfolio.

Innovation in tourism

In 2008, development activities in tourism focused on the use of new information technologies aimed at further expanding the product and services portfolio and the design of new hotel formats.

IT systems and online activities

In the year under review, TUI Deutschland developed and started to introduce a new production system (NPM). NPM is based on a state-of-the-art cost-saving software architecture and facilitates the production of travel offerings on the basis of individual components which can be booked on a modular basis or as a package tour. It thus helps to strengthen the Company's competitive position and reduce IT costs thanks to the use of an integrated calculation, purchasing and pricing system offering one single interface with the reservation interface. Stage one was implemented in the early summer of 2008 for the Discount Travel and Reiseleicht brands. The introduction of stage two for selected volume products of the TUI brand will follow in the 2009/10 winter season.

TUI Travel's Online Destination Service sector developed online modules for business customers in the framework of the White Label Extras project. These modules can be integrated into the websites of the respective partner companies. The benefits include flexible multi-lingual presentation of offerings and services, the option to use one's own or an outside payment system and the display of all currencies. As a result, an additional sales channel was tapped.

Thomson established the www.thomsonsport.com platform, released in July 2008. This website enables customers to obtain a comprehensive overview of the product range of Thomson Sport.

Development activities increasingly focus on communication outside traditional channels. To this end, TUI Nordic established GuideOnLine, a service enabling customers to be contacted by text message, e-mail or telephone. This service is available in all destinations and boosts customer loyalty.

New hotel formats

In 2008, TUI Hotels & Resorts developed the new lifestyle hotel concept aQi in the 3-star leisure segment. This hotel concept is based on a joint venture between TUI AG and a third-party project developer and general contractor. aQi is a protected Group-owned brand whose name and trademark for word and logo are internationally recognised and have strong target group relevance. The website www.aqi-hotel.com was released in July 2008. The first aQi hotel opened in Schladming on 5 December 2008.

In 2008, TUI Deutschland designed Sensimar, an exclusive hotel franchise system focusing solely on the needs of German TUI customers. The franchisee operates the hotels on the basis of manuals specifying services, room interior and decoration, catering services etc. The programme will be launched in three hotels in the summer of 2009 and is to be further expanded.

Thomson launched its new Sensatori hotel concept with the opening of the first 5-star hotel in May 2008. This hotel concept features differentiated elements such as exclusive restaurants, modern and luxurious wellness areas, a comprehensive entertainment programme and professional childcare. Moreover, the Gold Concept specifically designed for couples was extended to cover three additional hotels in Madeira, Benidorm and Sorrento.

Innovation in container shipping

As in the previous years, Hapag-Lloyd's development activities in 2008 were primarily geared to information technology. The main focus was developing the internal FIS (Freight Information System) settlement system and further expanding e-business.

E-business

Significant advances were achieved, notably the www.hapag-lloyd.com website, which went live in the first quarter of 2009. The website was completely redesigned to help customers access key information quickly. Customers can now launch the most frequent online applications directly from the page of entry. The previously separate sections for general company information and online transactions were fully integrated. An uniform user guide was introduced and the search function was improved. At the same time, the incorporation of state-of-the-art portal technology paved the way for the planned further expansion of online functions.

Electronic data interchange

The settlement of operative customer and supplier processes via electronic data interchange was further expanded. Among the new features implemented was a process enabling customers to transmit their shipping instructions electronically by means of standard software. The information is then checked, forwarded via e-mail and internally processed in the same way as classical EDI (Electronic Data Interchange) data. Investments also continued into electronic data interchange with Hapag-Lloyd's partners.

GPS transmitter for reefer gensets

Following the successful completion of tests, the first external generators for reefers will be equipped with GPS transmitters in North America in early 2009. These generators (known as reefer gensets) use diesel engines to supply electrical power to reefers on long overland rides. Besides improvements in inventory control, the new system also facilitates control of operational data, including e.g. immediate notification if the preset cooling temperature is exceeded or underrun, as well as location data. The information is transmitted into the internal system via EDI.

Human Resources Stable headcount and personnel structure.

In financial year 2008, the TUI Group's headcount rose to 70,254. This increase was primarily due to the expansion in TUI Hotels & Resorts.

Changes in headcount and personnel structure

At the balance sheet date, the TUI Group's worldwide headcount was nearly 3% up year-on-year. The tourism division continued to employ the largest proportion of personnel at 88%, up from 87% in 2007. Container shipping accounted for 11% of employees, compared with 12% in the previous year. The proportion of employees working for central operations hardly changed. It accounted for nearly 1% of the overall workforce, as in previous year.

Divisional personnel

	31 Dec 2008	31 Dec 2007	Var. %
Tourism	61,972	60,044	+ 3.2
TUI Travel	48,508	47,705*)	+ 1.7
TUI Hotels & Resorts	13,255	12,127	+ 9.3
Cruises	209	212	- 1.4
Central operations	665	821	- 19.0
Continuing operations	**62,637**	**60,865**	**+ 2.9**
Container shipping	7,617	7,656	- 0.5
Discontinued operation	**7,617**	**7,656**	**- 0.5**
Total	**70,254**	**68,521**	**+ 2.5**

*) equates to the merged tourism units

Tourism

At the end of the financial year under review, the headcount in tourism totalled 61,972, up 3% year-on-year. The individual sectors recorded different trends.

At TUI Travel the headcount rose 2% to 48,508 particularly due to acquisitions in the Activity sector.

The headcount in TUI Hotels & Resorts rose 9% year-on-year to 13,255. This headcount growth was attributable to acquisitions and the opening of new hotels in the hotel portfolio.

In the cruises sector, which has now been allocated to tourism, there were no major changes in financial year 2008. The headcount of Hapag-Lloyd Kreuzfahrten decreased by 1% year-on-year to 209.

Central operations

Due to the reclassification of two companies from the container shipping to the central operations precious year's figure was adjusted. In 2008, the number of employees working at the corporate centre shown under central operations decreased from 238 to 193, down 19%.

Container shipping

The headcount in container shipping decreased by nearly 1% year-on-year to 7,617, primarily due to reorganisation in North America.

Seasonal development

In tourism, the headcount fluctuated strongly in the course of the year due to the seasonal nature of the business, in particular in the incoming agencies and hotel companies. The overall headcount in tourism was 70,130 in the summer months June to August and declined by 12% to 61,972 employees at year-end.

International headcount

The TUI Group employed 54,589 employees or 78% of its headcount in Europe. This number was 3% down year-on-year. 28% of Group employees worked in the UK, 16% in Germany, 12% in Spain, 11% in France and the Benelux countries, 3% in the Nordic countries and 8% in other European countries. At 15,665 employees, Group companies outside Europe accounted for 22% of the overall workforce. 12% of these employees worked in America and 10% in the rest of the world.

Regional personnel

	31 Dec 2008	31 Dec 2007	Var. %
Germany	11,313	11,118	+ 1.8
UK/Ireland	19,311	19,335	- 0.1
Nordic countries	2,070	1,937	+ 6.9
France/Belux countries	8,063	8,347	- 3.4
Spain	8,224	8,759	- 6.1
Rest of Europe	5,608	5,722	- 2.0
America	8,434	7,215	+ 16.9
Rest of world	7,231	6,088	+ 18.8
Total	**70,254**	**68,521**	**+ 2.5**

Personnel costs

Personnel costs rose by 14% to €2,662m in financial year 2008 mainly to the first-time consolidation of First Choice for a full financial year.

Personnel costs

€ million	2008	2007	Var. %
Wages and salaries	2,244.4	1,898.6	+ 18.2
Social security contributions	417.3	446.5	- 6.5
Total	**2,661.7**	**2,345.1**	**+ 13.5**

Environmental Protection Monitoring key indicators. Implementation of environmental management systems.

The steady development of environmental quality standards and the implementation of such standards in all Group areas are of strategic relevance for TUI AG's sustainable business policy. Climate protection and preserving biodiversity are key action fields for sustainable and ecological operations in the TUI Group.

Group environmental performance indicators

Environmental monitoring

With the establishment of TUI Travel, the processes for internal sustainability reporting and for monitoring relevant indicators was adjusted and expanded. With increasing orientation towards international standards such as the GRI G3 (Global Reporting Initiative) Guidelines, a great deal of attention was devoted to indicator comparability. Due to specific circumstances, however, some indicators and the corresponding previous year's figures are subject to new calculation methods.

Energy consumption

The use of fossil fuels for aviation and shipping operations accounted for the largest proportion of the Group's total energy consumption. Total Group-wide energy consumption amounted to 239,914 terajoule (TJ) (previous year: 248,991 TJ). Due to the first-time full-year consolidation of First Choice Airways and Island Cruises within TUI Travel and changes in the fleet portfolio of TUI Airlines, year-on-year energy consumption is not fully comparable.

In 2008, average specific fuel consumption by TUI's airlines amounted to 3.01 litres of aircraft fuel per 100 passenger kilometres (pkm) (previous year: 3.06l/100pkm). The decrease can be attributed to changes in the fleet portfolio and flight schedule. With this specific consumption, TUI's airlines continue to be among Europe's most efficient airlines.

In container shipping, specific energy consumption per standard container (TEU) and sea mile (sm) totalled 2.26 megajoule (MJ) in 2008 (previous year: 2.31 MJ/TEU/sm). The cruise business proportion of total energy consumption accounted for less than 3%.

Carbon dioxide emissions

Climate change is a global challenge for the whole of society, and TUI has been tackling it actively for many years. TUI sees carbon dioxide emissions (CO_2), which affect the climate, as a crucial environmental indicator. In the completed financial year, total CO_2 emissions amounted to 16.50m tonnes (previous year: 17.14m tonnes). For TUI's airlines, specific CO_2 emissions totalled 78g per passenger kilometre (previous year: 79g/pkm [excl. First Choice Airways]).

For measures to cut CO_2 emissions, see the section on Sustainable Development

The cruises business accounted for a proportion of total CO_2 emissions of less than 3%. In container shipping CO_2 emissions accounted for 159g/TEU/sm in the period under review (2007: 163g/TEU/sm). Changes in the fleet structure as well as the reduction of journey speed resulted in reduced fuel consumption and therefore the CO_2 emissions.

In the TUI Hotels & Resorts sector, average CO_2 emissions totalled 14.09kg of CO_2 per customer and bednight (previous year: 14.58kg/customer/bednight).

Continuous improvement in environmental performance

The introduction and development of environmental management systems in Group companies resulted in further improvements in environmental performance, in particular in the hotel sector.

Complete list:
www.tui-enviroment.com

The three Swiss Robinson clubs Arosa, Piz Buin and Schweizerhof obtained ISO 14001 certification in 2008. This means that 55 complexes from the TUI Hotels & Resorts portfolio have now had their environmental management systems certified by independent experts on the basis of international standards. By the end of 2008, the environmental management systems of altogether 15 Robinson Clubs, eleven Magic Life clubs, three Grecotels, eight Iberotels, nine Grupotels, four Dorfhotels, two Jaz Hotel and three hotels in the Sol y Mar Group had been certified.

In addition, the existing environmental management systems at the headquarters of TUI AG and tour operator TUI Deutschland GmbH were expanded and successfully certified. Hapag-Lloyd AG also saw its commitment rewarded with the certification of its international activities according to ISO 14001 and the ISO 9001 quality standard.

Strategic partnerships and cooperation schemes

Comprehensive presentation of TUI's multi-stakeholder dialogue
www.tui-sustainability.com

In 2008 TUI continued its Year of the Dolphin partnership with the Bonn Convention on Migratory Species (CMS) to protect whales and dolphins in the framework of the United Nations Environmental Programme. Other cooperation partners in the Year of the Dolphin were the Whale and Dolphin Conservation Society and ACCOBAMS and ASCOBANS, specialised agreements for the preservation of species.

As a member of the evaluation committee of the European Charter for Sustainable Tourism in Protected Areas (EUROPARC), TUI was actively involved in the implementation of standards for the sustainable use of European nature reserves for tourism in 2008.

At the invitation of the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety, TUI AG joined the newly founded Business & Biodiversity Initiative in May 2008. This initiative, coordinated by GTZ, the German Society for Technical Cooperation, aims to achieve stronger integration of the private sector in achieving the goals of the Convention on Biodiversity (CBD) for the worldwide protection of species.

TUI AG's commitment as a founding member of ecosense – the Forum for Sustainable Development of German Business – continued throughout 2008. TUI helped to generate the ecosense climate technology atlas, a presentation of innovative business solutions. The associated web portal was launched at the end of 2008.

TUI Travel promoted the work of the Travel Foundation thanks to its active participation in various bodies and the provision of donations worth more than €1m to date. The Foundation, which emerged in 2003 from a cooperation scheme between the British government and the tourism sector, promotes sustainable development in the destinations by running customer information campaigns, developing appropriate business models and implementing specific projects.

Report on Expected Developments Too early to quantify repercussions of current crisis. TUI is well positioned due to its flexible business model.

Economic environment

Macroeconomic situation

General development

Against the background of the current financial and economic crisis, expectations for the world economy have continued to deteriorate in recent months. In 2009 global economic growth will be adversely affected by marked recession in key economies and the global financial crisis. The International Monetary Fund only expects global growth of 0.5% in its revised forecast for 2009 (IMF, World Economic Outlook, January 2009). According to the IMF's definition, the world economy is therefore in global recession.

Irrespective of far-reaching state intervention aimed at curbing the effects of the crisis, the real economy is adversely impacted by the financial strains. From the IMF's perspective, the key to sustained economic recovery therefore lies above all in restoring the viability of the financial sector and the credit markets.

For 2010 the IMF expects the world economy to pick up again with 3% growth. Europe is expected to take significantly longer than other regions to return to economic growth. In the light of the decline in commodity costs, inflationary pressure is expected to decrease worldwide.

Development in the regions

Breaking this assessment down to economic regions, the IMF expects the US to experience a 1.6% decline in its gross domestic product in 2009, anticipating the US economy to grow again by 1.6% in 2010. The institution predicts that Europe's economy will contract by 2.0% in 2009 and subsequently show moderate growth of 0.2% in 2010. All major European countries are expected to see a substantial decline in gross domestic product in 2009: UK by 2.8%, Germany by 2.5% and France by 1.9%. Overall, the IMF forecasts a 2.0% decline in economic activity in the industrialised countries for 2009. This would be the first aggregate contraction of economic performance in these countries since World War II.

Growth stimuli for the world economy, albeit weaker than in previous years, will be generated in China and India. The IMF expects the Chinese economy to grow by 6.7% in 2009 and 8.0% in 2010. India is predicted to post growth rates of 5.1% and subsequently 6.5%.

Expected development of gross domestic product

Variation in %	**2008**	**2009**
World	**3.4**	**0.5**
Eurozone	1.0	- 2.0
Germany	1.3	- 2.5
UK	0.7	- 2.8
France	0.8	- 1.9
US	1.1	- 1.6
Japan	- 0.3	- 2.6
China	9.0	6.7
India	7.3	5.1
Emerging Eastern Asian economies	7.8	5.5

Source: International Monetary Fund, World Economic Outlook, January 2009

Market trend in the divisions

Tourism

Following the positive trend in the period from 2004 to 2007, when international tourist arrivals grew by an average 7%, the global deterioration in the economic environment has curbed economic development in many sectors including tourism since the second half of 2008. UNWTO (World Tourism Barometer, January 2009) thus expects growth of the tourism market to slow down compared with previous years to 2% for the overall year 2008. For 2009 UNWTO expects the tourism market to stagnate or even decline by up to 2%, with regional variations.

This forecast depends strongly on how the economic environment evolves and therefore entails a strong element of uncertainty. While from UNWTO's perspective rapid economic recovery may generate slight growth of the overall tourism market as early as 2009, any deterioration in current recessionary trends would require further downward corrections of this forecast. The World Travel & Tourism Council (WTTC) expects the demand for tourism to decline by 1% worldwide in 2009 and by 2% in Europe.

The current weakness of the British pound sterling against the euro will cause a relative increase in the cost of holiday tours in source market UK in 2009. However, surveys have shown that holidays continue to be a top priority for consumers. UNWTO, too, expects demand for holiday tours to be maintained, regardless of the current economic environment. In this context, organised tours offered by tour operators are attractive compared with individual components since they offer customers a high degree of contractual reliability and price stability.

Container shipping

For 2009, IHS Global Insight (IHS Global Insight, December 2008) forecasts a slight decline in transport volumes of 0.5% to around 119m standard containers (TEU) in container shipping. The development will thus follow the trend observed for world trade, which the International Monetary Fund (IMF) estimates at -2.8% for 2009. The decline in freight rates will reinforce margin pressure in 2009. On the other hand, positive effects are expected from the fall in bunker and fuel costs.

Trends in operating results

Against the backdrop of events in the international finance markets, the TUI Group has reviewed its budgets for financial year 2009, which has already started, as well as its medium- and long-term targets. It is still too early to provide a reliable estimate of the effects of the international financial crisis on the real economy.

For 2009, all research institutions expect the economy to slump worldwide in all sectors. This trend is also expected to affect demand in the travel market. Thanks, in particular, to the measures implemented in 2008, e.g. the successful integration of TUI Travel and the realignment of the Group portfolio, the TUI Group is in a position to resist temporary declines in demand.

In tourism, price and volume risks may be limited by means of effective capacity management and additional measures to enhance efficiency.

In the light of the rising uncertainty in the finance and real markets it is still too early to provide a specific forecast. TUI will therefore only provide comments on the current financial year in the framework of its quarterly reports.

Tourism

Business trend

With its broad customer base in 25 source markets, TUI Travel is able to offset developments in individual markets or product groups. In 2008 TUI Travel continued to enhance the flexibility of its business model in the Mainstream business. Only a smaller portion of airline and hotel commitments for forthcoming seasons were contracted through fixed agreements. The flight capacity of the Group's own airlines is largely geared to the requirements of the tour operators concerned. Staggered leasing agreements serve to adjust the fleet size of Group-owned airlines to changes in demand in the short or medium term. Third-party flying accounts for almost one third of airline capacity required.

Given the current uncertainties in economic conditions, TUI Travel is pursuing very restrictive capacity management in its volume business in all source markets. In 2009 TUI Travel's strategic focus will be on stable product margins and high capacity utilisation. In the UK, in particular, the rise in direct costs caused by the current weakness of the British pound sterling and the fuel price increases in 2008 will be passed on to customers via higher average prices. Most of the aircraft fuel and foreign exchange requirements underlying the budget for 2009 had already been fixed via hedging transactions in 2008. There will therefore be a certain time lag before current falls in fuel prices lead to cost reductions.

Earnings

At present TUI Travel expects underlying earnings to rise slightly in 2009. Earnings by TUI Travel will primarily be driven by progressive integration synergies and stable product margins triggered by the capacity and product measures initiated in the Mainstream business. On the other hand, the persistently weak performance of the British pound sterling as well as further weakening of the tourism markets will pose a risk.

Following the expansion of capacity in Riu and Robinson, TUI Hotels & Resorts aims to achieve further growth in bednight volumes. The extent to which the increase in capacity will generate corresponding profit contributions will depend in particular on the average revenues per bednight achieveable for the 2009 summer season. The development of earnings is currently expected to be relatively stable in comparison with the completed financial year 2008.

Due to the start-up costs for TUI Cruises expected for financial year 2009, earnings by cruise operations are expected to fall substantially below the level generated in the completed financial year 2008.

Based on the current expectations for earnings for TUI Travel, TUI Hotels & Resorts and Cruises the TUI Group expects operative earnings by tourism, its core business, to show a stable to positive development the margin risk caused by the present difficult economic environment cannot yet be fully assessed.

Container shipping

Business trend

As to demand for container transportation in 2009, IHS Global Insight currently forecasts a decline of 0.5% worldwide due to consumer restraint and production cutbacks or shorter working weeks in a number of industries (source: IHS Global Insight, December 2008).

Hapag-Lloyd expects average freight rates to decline, driven by the weak development of Asian exports and imports in particular on the Europe/Far East trade lane. Costs are likely to be affected above all by the performance of the US dollar, the development of bunker prices and charter costs for tonnage. Bunker prices have currently stabilised but remain historically high.

Earnings

Based on the market conditions outlined above, earnings by container shipping are expected to decline considerably year-on-year in financial year 2009. At equity earnings for inclusion in the consolidated financial statements following the sale of the majority stake in container shipping are expected to be negative.

Development of the financial situation

Financing

The Group's net debt including the container shipping totalled €4.1bn at the balance sheet date. Based on the expected operative cash flow and in particular the debt reduction effect of divesting the majority stake in container shipping, a significant reduction in net debt is expected for 2009.

Investments

In the light of investment decisions already taken and planned projects, TUI expects financial requirements of around €0.5bn for financial year 2009. These funds will largely be used as investments in property, plant and equipment. Total scheduled investments of TUI Travel include purchases of aircraft spares and yachts. Additional investments are also planned for a further expansion of the hotel sector. Investments in the cruises sector notably include outflows for proportionate financing towards the establishment of TUI Cruises in 2009.

Other projects or acquisitions, in particular for the expansion of the tourism portfolio, will only be considered and implemented if any attractive opportunities arise or if they prove expedient in the course of business development. Should economic conditions deteriorate substantially beyond current planning, the TUI Group will be able to adjust planned investment projects to current demand.

Expected overall development

In the light of expected negative at equity profit contributions by container shipping and a stable performance of the tourism, the TUI Group's underlying earnings for 2009 are expected to fall below the level generated in the completed financial year 2008. The development of earnings may be adversely affected by potential repercussions of the current crisis in the financial and real markets on the Group's operative businesses.

Reported earnings for the TUI Group 2009 will be positive due to lower integration costs and the anticipated gain on disposal in container shipping.

84 Corporate Governance

Corporate Governance Report **Recommendations of the German Corporate Governance Code fully implemented.**

The actions of TUI AG's management and control bodies are determined by the principles of good and responsible corporate governance. In this chapter, the Executive Board – also acting on behalf of the Supervisory Board – provides its report on corporate governance in the Company pursuant to sub-section 3.10 of the German Corporate Governance Code.

Declaration of compliance

TUI has consistently based its corporate governance on the recommendations and suggestions of the German Corporate Governance Code. The Executive Board and the Supervisory Board discussed corporate governance issues several times in 2008 and jointly submitted an updated declaration of compliance for 2008 on 10 December 2008, pursuant to section 161 of the German Stock Corporation Act. The declaration was made permanently accessible to the general public on TUI AG's website.

The current and all previous declarations of compliance have been made permanently available on the internet at www.tui-group.com

The 2008 declaration of compliance reads as follows:
'In accordance with section 161 of the German Stock Corporation Act, the Executive Board and Supervisory Board of TUI AG hereby declare:

The recommendations of the Government Commission on the German Corporate Governance Code in the version of 14 June 2007, as published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette on 20 July 2007, have been and are fully complied with.

TUI AG will additionally fully comply with the recommendations in the currently valid version of 6 June 2008, as published by the Federal Ministry of Justice on 8 August 2008.

In addition, TUI AG also complies with the suggestions set out in the Code.'

Cooperation between the Executive Board and the Supervisory Board

TUI AG is a company under German law, which also forms the basis of the German Corporate Governance Code. One of the fundamental principles of German stock corporation law is the dual management system involving two bodies, the Executive Board and the Supervisory Board, each of which is endowed with independent competences. TUI AG's Executive Board and Supervisory Board cooperate closely and in a spirit of trust in managing and controlling the Company.

TUI AG's Executive Board currently comprises five members. They manage the Company's business operations and are jointly accountable. The allocation of duties and responsibilities to the individual Board members is presented separately in this chapter.

The Supervisory Board advises and supervises the Executive Board in the management of the Company. It is involved in strategic and planning decisions and all decisions of fundamental importance to the Company. In accordance with the terms of reference, decisions taken by the Executive Board on major transactions such as the annual budget, major acquisitions or divestments require the approval of the Supervisory Board. The chairman of the Supervisory Board coordinates the work in the Supervisory Board, chairs its meetings and externally represents the concerns of the body.

The Executive Board provides the Supervisory Board with comprehensive up-to-date information at regular meetings and in writing about the budget, the development of business and the situation of the Group, including risk management, and compliance. An extraordinary Supervisory Board meeting may be convened if required when events of particular relevance occur. The Supervi-sory Board has adopted terms of reference governing its work. In the run-up to the Supervisory Board meetings, the representatives of shareholders and employees meet separately, where necessary.

Composition of the Supervisory Board

In accordance with the German Codetermination Act and the Articles of Association, TUI AG's Supervisory Board comprises twenty members, with ten representatives elected by the shareholders and ten by the employees for an identical period of office. In accordance with the new recommendations of the German Corporate Governance Code, the shareholders' representatives were elected individually in the last elections to the Supervisory Board at the Annual General Meeting on 10 May 2006. The Supervisory Board does not comprise any former Executive Board members. The body comprises a sufficient number of independent members not maintaining any personal or business relationship with the Company or its Executive Board. The Supervisory Board has been elected for a period of five years that will expire at the end of the 2011 ordinary Annual General Meeting.

Committees of the Supervisory Board

The Supervisory Board has established three committees from among its members: the Presiding Committee, the Audit Committee and the Nomination Committee, which prepare and complement its work. The Presiding and Audit Committee have six members each, with an equal number of shareholder and employee representatives. Based on his practical professional experience, the chairman of the Audit Committee has special knowledge and experience in the application of accounting principles and internal control methods. The Nomination Committee exclusively comprises shareholder representatives in accordance with the German Corporate Governance Code. Its task is to suggest suitable candidates to the Supervisory Board for its suggestions to the Annual General Meeting. There is no plan at present to establish any further committees.

The Executive and Supervisory Board members are obliged to act in TUI AG's best interests. In the completed financial year there were no conflicts of interest requiring immediate disclosure to the Supervisory Board. None of the Executive Board members of TUI AG sat on more than five Supervisory Boards of listed non-Group companies.

Remuneration of the Executive and Supervisory Board

For the Remuneration Report see the separate chapter in the management report

TUI AG complies with the recommendations of the German Corporate Governance Code to provide details of the remuneration of each individual member of the Executive Board and Supervisory Board. The principles of the remuneration systems and remuneration amounts are out-lined in the 'Remuneration Report' which is part of the management report.

Shareholders and Annual General Meeting

TUI AG shareholders exercise their co-determination and control rights at the ordinary Annual General Meeting. The AGM takes decisions on all statutory matters that are binding on all shareholders and the Company. For voting on resolutions, each share confers one vote.

All shareholders registering in due time are entitled to participate in the AGM. Shareholders who are not able to attend the AGM in person are entitled to have their voting rights exercised by a proxy of their own choosing or by a representative provided by TUI AG and acting on their behalf in accordance with their instructions. Shareholders also have the opportunity of voting per internet in the run-up to the AGM or authorising the representative provided by the Company via the web.

Invitation to the AGM 2009 online as of 2 April 2009 www.tui-group.com/en/ir/agm

The invitation to the AGM and the reports and the reports and information required for voting are published in accordance with the provisions of the German Stock Corporation Act and provided in German and English on TUI AG's website. During the AGM the presentations given by the chairman of the Supervisory Board and the Executive Board are transmitted live over the internet.

Risk management

For the Risk Report see the separate chapter in the management report

Good corporate governance entails the responsible handling of commercial risks. The Executive Board of TUI AG and the management of the TUI Group use comprehensive general and company-specific reporting and monitoring systems to identify, assess and manage these risks. These systems are continually developed, adjusted to match changes in overall conditions and reviewed by the auditors. More detailed information about risk management in the TUI Group is presented in the relevant section of the management report.

Transparency

TUI provides immediate, regular and up-to-date information about the Group's economic situation and new developments to capital market participants and the interested public. The annual report and the interim reports are published within the applicable timeframes. The Company publishes press releases and ad hoc announcements, if required, on topical events and any new developments. All information is published simultaneously in German and English and is available in print as well as by appropriate electronic media such as e-mail or the internet. Moreover, the company website at www.tui-group.com provides comprehensive information on the TUI Group and the TUI share.

Financial calendar online
www.tui-group.com/en/ir/

The scheduled dates for the main regular events and publications – such as the AGM, annual report and interim reports – are set out in a financial calendar. They are published well in advance and made permanently accessible to the public on TUI AG's website.

Directors' Dealings

Directors' Dealings online
www.tui-group.com/en/ir/
corporate_governance

The Company was informed of notifiable purchase or sale transactions of TUI AG shares or related financial instruments by two Supervisory Board members and one Executive Board member in 2008.

At the end of the 2008 financial year, the number of shares in TUI AG directly or indirectly held by members of the Executive Board and Supervisory Board exceeded 1%, the limit fixed for individually notifiable share ownership, for one Supervisory Board member. Executive Board members held a total of 1,741 shares, Supervisory Board members held 14,790,113 shares. Of these shares, Mrs Carmen Riu Güell held 12,768,000 shares (indirectly) and the remaining Supervisory Board members held 2,022,113 shares.

Accounting and auditing

TUI AG prepares its consolidated financial statements in accordance with the provisions of the International Accounting Standards Board (IASB) and regularly publishes interim reports, also in accordance with the relevant provisions of the IASB. The annual financial statements of TUI AG are prepared in accordance with the German Commercial Code (HGB). The consolidated financial statements are prepared by the Executive Board and audited by the auditors and the Supervisory Board. The interim reports are discussed between the Audit Committee and the Executive Board prior to publication.

The consolidated financial statements and the financial statements of TUI AG were audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover, the auditors elected by the 2008 AGM. The audit was based on German auditing rules, taking account of the generally accepted auditing standards issued by the German Auditors' Institute as well as the International Standards on Auditing. It also covered risk management and compliance with reporting require-ments concerning corporate governance pursuant to section 161 of the German Stock Corporation Act.

In addition, a contractual agreement was concluded with the auditors to the effect that the auditors will immediately inform the Supervisory Board of any grounds for disqualification or partiality as well as of all findings and events of importance arising during the performance of the audit. There was no ground to provide such information in the framework of the audit of the 2008 financial year. The condensed consolidated interim financial statements and the consolidated interim management report for the first half of 2008 were examined by the auditors.

Supervisory Board

Name	Function/Occupation	Location	Committees Presiding Committee
Dr Jürgen Krumnow	Chairman, ex. Member of the Executive Board of Deutsche Bank AG	Frankfurt/Main	■
Petra Gerstenkorn (since 2 Jan 2009)	Deputy Chairwoman (since 27 Feb 2009), Member of the Federal Executive Board of ver.di – Vereinte Dienstleistungsgewerkschaft	Berlin	■ since 27 Feb 2009
Jan Kahmann (until 31 Dec 2008)	Deputy Chairman, ex. Member of the Federal Executive Board of ver.di – Vereinte Dienstleistungsgewerkschaft	Berlin	■ until 31 Dec 2008
Andreas Barczewski	Aircraft Captain	Hanover	
Jean-Claude Baumgarten	President of the World Travel & Tourism Council	London	
Jella Susanne Benner-Heinacher	Solicitor, Managing Director of Deutsche Schutzvereinigung für Wertpapierbesitz e.V.	Düsseldorf	
Arnd Dunse (since 1 Oct 2008)	Head of the Group Controlling Department of TUI AG	Bad Nenndorf	
Sepp Dieter Heckmann	ex. Chairman of the Executive Board of Deutsche Messe AG	Hanover	
Frank Jakobi	Travel Agent	Hamburg	■ since 1 Jan 2009
Uwe Klein (until 31 Dec 2008)	Clerk	Hamburg	■ until 31 Dec 2008
Ingo Kronsfoth (since 2 Jan 2009)	Economics Graduate, National Negotiator Aviation Sector of ver.di – Vereinte Dienstleistungsgewerkschaft	Berlin	
Dr Dietmar Kuhnt	ex. Chairman of the Executive Board of RWE AG	Essen	
Roberto López Abad	Chief Executive of Caja de Ahorros del Mediterráneo	Alicante	
Dieter Lübkemann	Shipping Agent	Bremen	
Dr h.c. Abel Matutes Juan	Chairman of Fiesta Hotels & Resorts	Ibiza	
Carmen Riu Güell	Entrepreneur	Playa de Palma	■
Hans-Dieter Rüster (since 17 Jan 2008)	Aircraft Engineer	Langenhagen	
Dr Manfred Schneider	Chairman of the Supervisory Board of Bayer AG	Leverkusen	
Roland Schneider	Business Economist	Barsinghausen	■
Ilona Schulz-Müller (until 31 Dec 2008)	ex. Representative for Equality in the Federal Executive Board of ver.di – Vereinte Dienstleistungsgewerkschaft	Berlin	
Olaf Seifert (until 30 Sep 2008)	Head of the Group Controlling Department of TUI AG	Hanover	
Henry Sieb	Federal Group Leader Travel of ver.di – Vereinte Dienstleistungsgewerkschaft	Berlin	
Anette Strempel (since 2 Jan 2009)	Travel Agent	Hemmingen	
Dr Franz Vranitzky (until 17 Apr 2008)	Chancellor (retrd.) of the Republic of Austria	Vienna	■ until 17 Apr 2008
Vladimir Yakushev (since 22 Apr 2008)	Managing Partner of SGCM Ltd.	Moscow	■ since 7 May 2008

Annex to the Notes

Audit Committee	Nomination Committee	Other board memberships*)		Name
■	■	a) Deutsche Bahn AG, DB Mobility Logistics AG, Hapag-Lloyd AG, Lenze Holding AG[2]	b) Peek & Cloppenburg KG	Dr Jürgen Krumnow
		a) Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH	b) DBV Öffentlichrechtliche Anstalt für Beteiligungen	Petra Gerstenkorn
				Jan Kahmann
■ since 1 Jan 2009				Andreas Barczewski
		b) eWaterways		Jean-Claude Baumgarten
		a) A.S. Création AG, K+S AG		Jella Susanne Benner-Heinacher
■ since 10 Dec 2008				Arnd Dunse
		a) Arena Hannover GmbH		Sepp Dieter Heckmann
				Frank Jakobi
■ until 31 Dec 2008				Uwe Klein
		a) Hapag-Lloyd Fluggesellschaft mbH Lufthansa Cityline GmbH		Ingo Kronsfoth
■ Chairman		a) BDO Deutsche Warentreuhand AG, Dresdner Bank AG, GEA Group AG, Hapag-Lloyd AG		Dr Dietmar Kuhnt
		b) Afianza Mientos de Riesgo EFC, S.A., Banco Inversis Net, S.A., CAM AEGON Holding Financiero S.L.[1], CAMGE Financiera, E.F.C. S.A., Unipersonal[1], CAMGE Holdco, S.L.[1],	EBN Banco De Negocios, S.A. Gestión Tributaria Territorial, S.A.[1], Lico Corporación, S.A.[2], Lico Leasing S.A. E.F.C.[1], Mediterráneo Vida, S.A. De Seguros Y Reaseguros, Sociedad Unipersonal[1]	Roberto López Abad
		a) Hapag-Lloyd AG		Dieter Lübkemann
		b) Banco Santander S.A.		Dr h.c. Abel Matutes Juan
	■	b) Riu Hotels S.A., RIUSA II S.A.		Carmen Riu Güell
				Hans-Dieter Rüster
■		a) Bayer AG[1], Daimler AG, Linde AG[1], RWE AG		Dr Manfred Schneider
				Roland Schneider
■ until 31 Dec 2008				Ilona Schulz-Müller
■ until 30 Sep 2008				Olaf Seifert
■ since 1 Jan 2009		a) TUI Deutschland GmbH[2], TUI Leisure Travel GmbH		Henry Sieb
		a) TUI Deutschland GmbH		Anette Strempel
	■ until 17 Apr 2008	b) Magna International Corp.		Dr Franz Vranitzky
	■ since 7 May 2008	b) Metallurgical Commercial Bank, Spectralus Corp.	Nano-Optic Devices, LLC, Sheksna Insurance Co.	Vladimir Yakushev

*) Information refers to 31 December 2008 or date of resignation from the Supervisory Board of TUI AG in 2008

1) Chairman
2) Deputy Chairman

a) Membership in Supervisory Boards required by law
b) Membership in comparable Boards of domestic and foreign companies

Executive Board

Name	Department	Other board memberships*)	
Dr Michael Frenzel	Chairman	a) AWD Holding AG AXA Konzern AG Continental AG E.ON Energie AG Hapag-Lloyd AG[1] Hapag-Lloyd Fluggesellschaft mbH[1] TUI Cruises GmbH TUI Deutschland GmbH[1] Volkswagen AG	b) Norddeutsche Landesbank Preussag North America, Inc.[1] TUI China Travel Co. Ltd. TUI Travel PLC[1]
Horst Baier	Controlling	a) Hapag-Lloyd AG TUI Deutschland GmbH TUI Leisure Travel GmbH	b) Magic Life Assets AG RIUSA II S.A.[1]
Michael Behrendt (until 6 October 2008)	Shipping	a) Barmenia Allgemeine Versicherungs-AG Barmenia Krankenversicherung a.G.[2] Barmenia Lebensversicherung a.G.[2] ESSO Deutschland GmbH ExxonMobil Central Europe Holding GmbH Hamburgische Staatsoper GmbH MAN AG	b) CP Ships Ltd.[1]
Dr Peter Engelen	Human Resources and Legal Affairs	a) Hapag-Lloyd AG Hapag-Lloyd Fluggesellschaft mbH TUI Deutschland GmbH TUI Leisure Travel GmbH	b) TUI China Travel Co. Ltd.
Rainer Feuerhake	Finance	a) Hapag-Lloyd AG Hapag-Lloyd Fluggesellschaft mbH TUI Deutschland GmbH	b) Amalgamated Metal Corporation PLC Preussag North America, Inc. TUI InfoTec GmbH TUI Travel PLC
Peter Long	Tourism	a) –	b) Debenhams PLC Rentokil Initial PLC Sunshine Cruises Ltd. TUI Nederland N.V. TUI Travel Belgium N.V. TUI Travel PLC[1]

*) Information refers to 31 December 2008 or date of resignation from the Executive Board of TUI AG in 2008

1) Chairman

2) Deputy Chairman

a) Membership in Supervisory Boards required by law

b) Membership in comparable Boards of domestic and foreign companies

Report of the Supervisory Board

In the following, the Supervisory Board reports about its activities in the 2008 financial year, in particular the plenary discussions, the work done by the committees, compliance with the German Corporate Governance Code, the audit of the financial statements of TUI AG and the Group as well as changes in membership of the Company boards.

Cooperation between the Supervisory Board and the Executive Board

In the 2008 financial year, the Supervisory Board performed its duties in accordance with the law and the Articles of Association. It monitored the work of the Executive Board and regularly advised the Board on the management of the Company.

In written and verbal reports, the Executive Board provided regular, timely and comprehensive information to the Supervisory Board, encompassing all relevant information on the planning, the development of business and the position of the Group, including the risk situation, risk management and compliance. Deviations of the business performance from the approved plans were presented, explained and discussed. The Executive Board discussed the strategic orientation of the Group and all key transactions of relevance to the Company – in particular the further development of the Group – with the Supervisory Board. The Supervisory Board was involved in all decisions of fundamental relevance to the Company.

Transactions requiring the approval of the Supervisory Board or which were of fundamental importance were comprehensively discussed with the Executive Board at Supervisory Board committee meetings prior to a decision being taken. The Supervisory Board was fully informed about specific and particularly urgent plans and projects arising between the regular meetings and, where necessary, submitted its approval in writing. The chairman of the Supervisory Board was regularly informed about current business developments and key transactions in the Company in between Supervisory Board meetings.

Supervisory Board and committees

Tasks of committees

The Supervisory Board has set up three committees to support its work: the Presiding Committee, the Audit Committee and the Nomination Committee. The Presiding Committee prepares the resolutions and issues to be dealt with by the Supervisory Board. It also submits a proposal to the Supervisory Board for the remuneration system for Executive Board members, including the essential contract elements. The terms and conditions of the contracts of employment including the remuneration are fixed by the Presiding Committee. The Audit Committee supports the Supervisory Board in exercising its monitoring function. It discusses in particular accounting and reporting issues, questions related to the internal control system, risk management and compliance. The half-year and quarterly financial reports are discussed between the Audit Committee and the Executive Board prior to publication. The Nomination Committee suggests suitable candidates to the Supervisory Board for its suggestions to the Annual General Meeting or appointment by the local court.

Number of meetings

In the 2008 financial year, four regular and two extraordinary Supervisory Board meetings were held. Two resolutions were passed by written circulation procedure. The Presiding Committee met five times; the Audit Committee also held five meetings. The Nomination Committee met twice and proposed a new member of the Supervisory Board to be appointed by the local court.

Prior to regular Supervisory Board meetings, the shareholder representatives in the Supervisory Board met six times, and the employee representatives twelve times in separate meetings. One Supervisory Board member attended fewer than half of the Supervisory Board meetings in the completed financial year.

Work of the Presiding Committee

At the meeting on 23 January 2008, the Presiding Committee mainly discussed issues related to the Executive Board. With regard to the preliminary investigation of Dr Frenzel and Mr Feuerhake in connection with the Babcock/HDW complex, the Presiding Committee agreed that as far as possible an early conclusion to these proceedings was in the best interests of the Company. Following thorough discussion on the basis of experts' reports, the Presiding Committee decided to reimburse the expense incurred by Dr Frenzel and Mr Feuerhake for the payment of a monetary condition in the framework of a dismissal of proceedings pursuant to section 153a of the German Code of Criminal Procedure (StPO).

At the meeting on 17 March 2008, convened to adopt the annual financial statements, the Presiding Committee discussed the Group's strategic options and the annual financial statements as per 31 December 2007 as well as the related proposals for resolutions to the Supervisory Board. Furthermore the deliberations focused on discussing the items on the agenda for the subsequent Supervisory Board meeting. The meeting of 10 July 2008 also served to prepare the subsequent Supervisory Board meeting, while the meeting on 12 October 2008 mainly dealt with issues relating to the Executive Board. At the meeting on 10 December 2008, the Presiding Committee established the procedure applied in by-elections for Presiding Committee members. Discussions at that meeting also dealt with Executive Board issues and served to prepare the forthcoming Supervisory Board meeting.

Work of the Audit Committee

The Audit Committee Meeting on 22 January 2008 focused on the tender of the audit mandate for the consolidated financial statements. Following presentations by the participating auditing firms, their bids were evaluated and the further course of the tender procedure was discussed.

At its meeting on 14 March 2008, the Audit Committee focused its deliberations on the annual financial statements of TUI AG and the consolidated financial statements for 2007. A further item of the discussion was the selection process for the award of the auditing mandate for the consolidated financial statements and the selection of a candidate to be proposed to the Supervisory Board on the election of the auditors for the 2008 financial year at the Annual General Meeting.

At its meeting on 5 May 2008, the Audit Committee dealt with the interim financial statements and report as per 31 March 2008, the Group's risk situation and risk management as well as the Group's hedging transactions to hedge against exposure to changes in exchange rates, interest rates and fuel prices.

One of the key items discussed at the meeting of 11 August 2008 was the interim report for the first half of 2008. In addition, the Audit Committee discussed the efficiency of the internal control system.

The meeting of 12 November 2008 mainly focused on the interim financial statements as per 30 September 2008 and discussion of the financial report about the third quarter of 2008. The agenda also covered other issues including Group Internal Auditing, the audit plan for 2009 and the report about the organisation of compliance.

Auditor representatives attended four of the five meetings of the Audit Committee and presented reports on their own activities.

Work of the Nomination Committee

The Nomination Committee held two meetings in 2008, one of which was a telephoneconference. On 23 January 2008, the Nomination Committee met for the first time. It discussed the composition of the shareholder representatives on the Supervisory Board of TUI AG. At the meeting on 15 April 2008, deliberations focused on the nomination of a new member to be appointed as a substitute member by the local court.

Deliberations in the Supervisory Board

The Executive Board's reports and the discussions at the Supervisory Board meetings regularly focused on the development of turnover, earnings and employment in the Group and the individual divisions as well as the Group's financial situation and structural development. At the meetings of the Supervisory Board, reports were presented to the plenary about the work done by the Presiding and Audit Committees.

At its meeting on 23 January 2008, the Supervisory Board discussed measures to achieve the strategic goals, adopted the budget for 2008 and took note of the projected accounts for 2009 and 2010. Other major subjects at that meeting were deliberations on the formation of a joint venture with Royal Caribbean Cruises Ltd. and expansion of the cruise business as well as the integration status of the tourism entities under the umbrella of TUI Travel PLC. The Supervisory Board was also informed about the resolution on the Babcock/HDW complex, adopted by the Presiding Committee on the same day. The Supervisory Board also discussed the filing of the action against Mr Feuerhake on 6 December 2007 and passed a vote of confidence in Mr Feuerhake. In the meantime, the proceedings against Dr Frenzel and Mr Feuerhake have been dismissed.

The meeting on 17 March 2008 focused on strategic options for the Group, the reporting and discussion of the annual financial statements as per 31 December 2007 and the HR and social situation in 2007. The deliberations about the annual financial statements were also attended by representatives of the auditors, who were available to answer questions.

During its discussion of Group strategy, the Supervisory Board mandated the Executive Board to prepare the separation of container shipping from the Group and to identify further growth options for an expansion of the tourism business. Other items on the agenda for that meeting were amendments to the Articles of Association (resulting, inter alia, from resolutions with regard to authorisation for capital measures), the resolution on the issue of employee shares and an extension of the authorisation to acquire own shares. The Supervisory Board also dealt with shareholding issues and prepared the 2008 Annual General Meeting (Recommendation for a resolution to be placed on the agenda).

Based on a resolution passed by written circulation procedure, the Supervisory Board, on 2 April 2008, voiced its opposition against dismissal of the Supervisory Board members Dr Krumnow and Dr Vranitzky, elected at the Annual General Meeting of May 2006, demanded by a shareholder, since they had always acted in the best interest of the Company and enjoyed the full confidence of the Supervisory Board. The Supervisory Board suggested to reject any motion potentially to be submitted at the Annual General Meeting to dismiss Dr Krumnow and Dr Vranitzky.

The meeting of 7 May 2008 mainly served to prepare for the forthcoming ordinary Annual General Meeting and the discussion of shareholding issues.

On 10 July 2008, the Executive Board informed the Supervisory Board about the status of the separation process for container shipping. The Supervisory Board also discussed shareholding issues.

At the meeting on 12 October 2008, the Supervisory Board dealt with the Group's strategic development. Deliberations focused in particular on the sale of container shipping and the expansion of tourism. The Supervisory Board also dealt with Executive Board issues and discussed shareholding matters.

In connection with the issue of employee shares, the Supervisory Board approved an editorial amendment to TUI AG's Articles of Association on 18 November 2008 following an increase in the capital stock.

The Supervisory Board met again on 10 December 2008. Deliberations focused on the budget for 2009 and the projected accounts for 2010 and 2011. The agenda also included corporate governance issues. In this context, the Supervisory Board adopted the 2008 declaration of compliance with the German Corporate Governance Code, adopted amendments to the terms of reference for the Executive Board and Supervisory Board and discussed the efficiency review report. It also dealt with shareholding and land matters and held by-elections for the Supervisory Board and the Audit Committee.

Corporate Governance

At the meeting on 10 December 2008, the Executive Board and Supervisory Board discussed an update of the declaration of compliance with the German Corporate Governance Code and issued the joint declaration of compliance pursuant to section 161 of the German Stock Corporation Act. It was made permanently accessible to the public on TUI AG's website. Accordingly, TUI AG complies with all recommendations of the German Corporate Governance Code in its currently applicable version dated 14 June 2007.

In future, TUI AG will also fully comply with the recommendations published by the Federal Ministry of Justice on 8 August 2008 in the currently applicable version of 6 June 2008. In accordance with section 3.10 of the Code and also on behalf of the Supervisory Board, the Executive Board has reported about corporate governance in a separate section (Corporate Governance Report) of this chapter.

At their meetings, both the Audit Committee and the Supervisory Board dealt several times with corporate governance issues within the Company. They also examined the efficiency of their actions. This review was carried out on the basis of a questionnaire. The results of the efficiency review were discussed at the Supervisory Board meeting of 10 December 2008.

Audit of the annual financial statements of TUI AG and the Group

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover, were appointed auditors by the Annual General Meeting held on 7 May 2008 and were duly commissioned by the Supervisory Board. The audit covered the annual financial statements of TUI AG as at 31 December 2008, submitted by the Executive Board and prepared in accordance with the provisions of the German Commercial Code (HGB), as well as the joint management report of TUI AG and the Group and the consolidated financial statements for the 2008 financial year, prepared in accordance with the provisions of the International Accounting Standards Board (IASB) and complemented by the commercial-law provisions additionally required pursuant to section 315a sub-section 1 of the German Commercial Code. The auditors issued their unqualified audit certificate for the annual financial statements of TUI AG and the consolidated financial statements. The condensed consolidated interim financial statements and the consolidated interim management report for the first half of 2008 were examined by the auditors.

The annual financial statements, the management report and the auditors' reports were submitted to all members of the Supervisory Board. They were discussed at the Audit Committee meeting of 19 March 2009 and the Supervisory Board meeting on 23/24 March 2009, at which representatives of the auditors were present and available to answer questions. On the basis of its own audit of the annual financial statements of TUI AG and the Group, the joint management report as per 31 December 2008 and the results of the audit, the Supervisory Board approved the annual financial statements prepared by TUI AG, which were thereby adopted, as well as the consolidated financial statements and the Group management report. The Supervisory Board furthermore examined and approved the proposal submitted by the Executive Board for the appropriation of the profits for the 2008 financial year.

The corrected consolidated financial statements and the Group management report as per 31 December 2008 were discussed at the Audit Committee meeting of 10 December 2010. In its audit the audit committee took into account the results of the supplementary audit perfomed by the Group auditor. On the basis of its own audit of the consolidated statements and the Group management report as per 31 December 2008 and the results of the audit and the supplementary audit, the Supervisory Board approved the corrected consolidated financial statements and the Group management report.

Supervisory Board and committee membership

With effect from 31 December 2007, Christian Kuhn resigned from the Supervisory Board of TUI AG. By resolution of the district court of 17 January 2008, Hans-Dieter Rüster was appointed to the Supervisory Board as Mr Kuhn's successor. On 22 April 2008, Vladimir Yakushev was appointed to the Supervisory Board of TUI AG with immediate effect by resolution of the district court of Hanover. Previously, with effect from 17 April 2008 Dr Franz Vranitzky had resigned from the Supervisory Board. On 7 May 2008, Mr Yakushev was elected to the Presiding Committee of the Supervisory Board. He is therefore also a member of the Nomination Committee. Having reached retirement age, Olaf Seifert resigned from the Supervisory Board as per 30 September 2008. With effect from 1 October 2008 Arnd Dunse was appointed to the Supervisory Board by resolution of the district court of Hanover. Since 10 December 2008, Mr Dunse has been a member of the Audit Committee. Upon expiration of 31 December 2008, Jan Kahmann, Uwe Klein and Ilona Schulz-Müller resigned from the Supervisory Board of TUI AG. With effect from 2 January 2009, Petra Gerstenkorn, Ingo Kronsfoth and Anette Strempel were appointed new Supervisory Board members by resolution of the district court of Hanover. With effect from 1 January 2009, Frank Jakobi was appointed to the Presiding Committee, while Andreas Barczewski and Henry Sieb were appointed to the Audit Committee. With effect from 27 February 2009 Petra Gerstenkorn was elected by the Supervisory Board to the Deputy Chairwoman of the Supervisory Board.

The Supervisory Board wishes to thank the retiring members for their commitment over many years.

Composition of the Executive Board

Against the background of the sale of Hapag-Lloyd AG, Michael Behrendt resigned from the Executive Board of TUI AG upon expiration of 6 October 2008. The Supervisory Board of TUI AG took note of and approved the resignation and thanks Mr Behrendt for his work on the Executive Board of TUI AG. The container shipping shareholding will be managed in future by the CEO.

The Supervisory Board
Hanover, 23 March 2009

Dr Jürgen Krumnow,
Chairman

TUI Share 2008 Difficult stock market year. Share follows overall market trend.

2008 was a difficult year in the stock market – especially due to the sub-prime crisis in the US and its far-reaching repercussions, which exerted a growing impact on global financial markets as the year progressed. In the autumn of 2008, the deteriorating liquidity and solvency problems of various financial institutions prompted all major industrial countries to adopt packages designed to mitigate the crisis of confidence in the financial markets. Nevertheless, the global financial crisis was accompanied by a slowdown in economic activity. The key industrial countries experienced – in some cases substantial – downward trends. This picture was reflected in the global stock markets.

The German Share Index (DAX) started into 2008 with its high of 7,949 points and closed at 4,810 points at the end of the year, down 39.5%. The Mid-Caps DAX (MDAX), where the TUI share has been listed since September 2008, recorded a decline of 42.3% in the course of the year. In September and October 2008 in particular, stock markets and with them the German indices, came under significant pressure. This was due to a number of troubled financial institutions, notably investment bank Lehman Brothers, which had to file for insolvency in September.

TUI share data

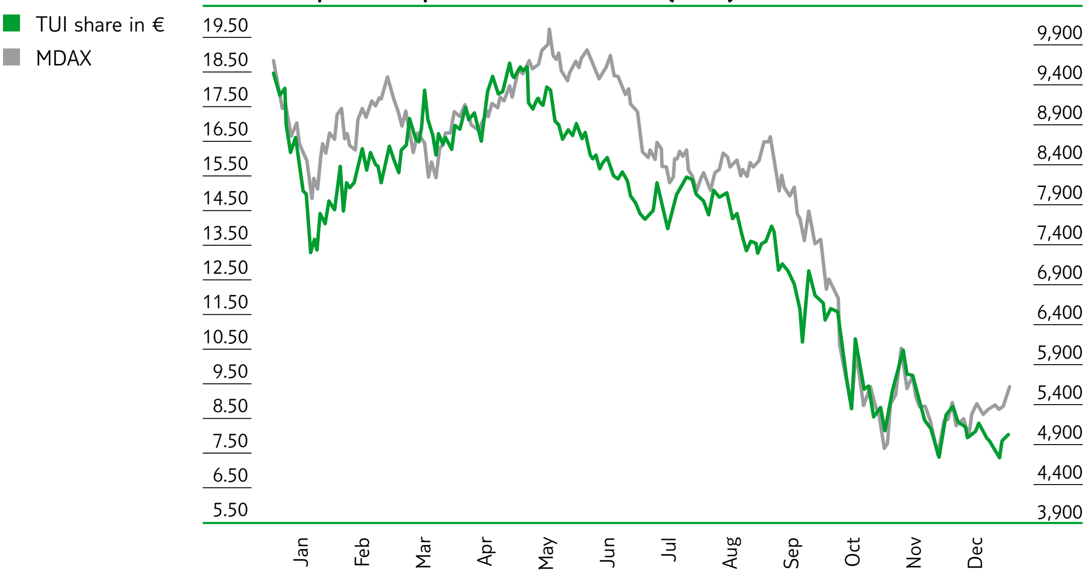
31 December 2008	
WKN	TUAG00
ISIN	DE000TUAG000
Reuters/Bloomberg	TUIGn.DE/TUI1.GR
Stock category	Registered ordinary shares
Capital stock	€642,807,158.61
Number of shares	251,444,305 units
Market capitalisation	€2,024,126,655

Development of TUI share price in 2008

Fluctuating share prices

The TUI share started into the year at a price of €18,48. In the early months, the smouldering financial crisis, the weakening US economy and strong rises in oil prices caused uncertainty in the capital market. As a result, both the MDAX and the TUI share price fell significantly in January. Over the spring, the share price rose again in line with general market development and the announcement of plans to sell Hapag-Lloyd container shipping. In April 2008 it reached its annual high of €18.78. In the second half of the year, the now global economic pessimism and the negative stock market sentiment caused expectations for the consumer goods industry and world trade to dwindle – a trend which the TUI share could not escape. The sale of Hapag-Lloyd Containerlinie, which took shape in September, was successfully concluded in October when the agreement was signed with the Hamburg consortium. This was immediately followed by a slight recovery of the share price during that period. At the end of the year, the TUI share was quoted at €8.05, down around 56.5% on its opening price.

TUI share price compared with the MDAX (2008)



Long-term development of the TUI share price

€	2004	2005	2006	2007	2008
High	19.04	20.47	18.40	21.95	18.78
Low	12.05	16.10	14.51	15.19	7.32
Year-end share price	16.22	17.30	15.14	19.13	8.05

Quotations, indices and trading

The TUI share is officially traded on all German trading floors and in the Xetra electronic system. No other company with similar operations in tourism and shipping is listed in the German stock market. Several European competitors in the tourism sector such as Thomas Cook, Kuoni and Club Méditerranée are traded on stock markets in the UK, Switzerland and France. In the shipping sector, listed international competitors include Maersk in Denmark, Evergreen Line in Taiwan, COSCO in China and NYK Lines in Japan.

TUI Travel PLC share

TUI Travel PLC shares have been listed on the London Stock Exchange for listed securities since 3 September 2007. On 24 December 2007, the company was admitted to the FTSE 100, the key share index at the London Stock Exchange.

TUI Travel PLC share data

31 December 2008	
ISIN	GB00B1Z7RQ77
Reuters/Bloomberg	TT.L/TT/LN
Stock category	Registered ordinary shares
Number of shares	1,118m units
Market capitalisation	GBP 3,284,156,343

TUI share in the MDAX and Prime Standard

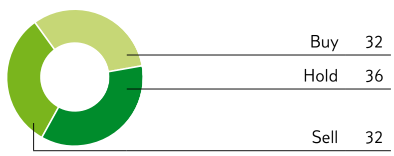
The TUI share has been included in the German share index MDAX since September 2008 and had a weighting of 2.58% at the end of the year. The TUI share was shifted from DAX30 to MDAX as it was no longer one of the 40 largest securities in Germany according to a key criterion for affiliation, i.e. market capitalisation of the free float. The free float had declined from around 80% to just under 55% in the course of the year, mainly due to the acquisition of larger share packages by two major shareholders. Market capitalisation of the free float had fallen substantially as a result. In terms of the second criterion for affiliation to the DAX30, share trading volume, the TUI share still ranked among the top 35 stock corporations.

TUI is listed in the Prime Standard of the Frankfurt Stock Exchange and thus meets the high international transparency standards of this segment, over and above legal requirements.

The TUI share is included in several industry indices in the German stock market and at European level. These include the European sub-indices Dow Jones Travel & Leisure Titans 30 and Dow Jones Euro Stoxx Travel & Leisure. Its year-end weightings in these sub-indices were 0.81% and 4.25%, respectively.

Among the sustainability indices, the TUI share is listed in FTSE4Good, ASPI Eurozone (Advanced Sustainable Performance Indices), ESI (Ethibel Pioneer Index), Dow Jones Sustainability Index World and ECPI Ethical Index €uro. TUI AG also participated in the Carbon Disclosure Project (CDP) and was awarded 'prime' investment status by oekom Research AG in 2008. In the German stock market, it is included, amongst others, in the calculation of the DAX sub-sector Transportation Services.

Analysts' recommendations (in %)



As of December 2008

For both institutional and private investors, recommendations by financial analysts are a key decision-making factor. In 2008, 25 banks regularly published studies on TUI AG. At year-end, 32% of analysts recommended buying the TUI AG share, with 36% recommending 'hold' and 32% recommending 'sell'.

Trading in TUI shares declined in 2008 in the wake of reduced liquidity in the financial markets. The average daily trading volume was 3,268,444 no-par value shares, down by around 20% year-on-year. The total annual trading volume was around 830,000,000 no-par value shares. The number of option contracts on TUI shares traded on the European futures and options exchange EUREX decreased by 7% to 8,745 contracts per day, totalling 2,221,107 contracts for the entire year.

Capital stock and number of shares

Employee shares

In December 2008, TUI AG's capital stock rose by a further €508,045.18 due to the issuance of 198,730 employee shares. At the balance sheet date, it therefore totalled €642,807,158.61, consisting of 251,444,305 no-par value shares certificated by global certificates. The proportionate share capital attributable to each individual share was approx. €2.56. Apart from subscribed capital, both authorised and conditional capital was available, as outlined in greater detail in the notes on the consolidated financial statements.

Convertible bonds

The 2003/2008 convertible bond was repaid at maturity on 1 December 2008. In 2008 no bonds were converted from the 2007/2012 convertible bond. At the balance sheet date, investors therefore held conversion rights for a total of 25,072,254 TUI shares from the bond.

Resolutions of the 2008 Annual General Meeting

The 49th ordinary Annual General Meeting was held in Hanover on 7 May 2008. Approx. 3,000 shareholders and shareholder representatives, representing 71.7% of the voting capital, participated in the AGM. Besides formal ratification of the acts of the Executive and Supervisory Boards and a resolution on the appropriation of profits from the 2007 financial year, the agenda also included renewal of the conditional and authorised capital and a share buyback programme in accordance with section 71 sub-section 1 no 8 of the German Stock Corporation Act. In financial year 2008, the authorisation to purchase our own shares was not used.

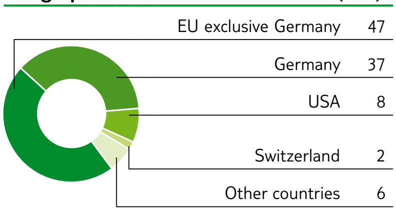
Details on the 2008 AGM are also available online: www.tui-group.com/en/ir/agm/agm_2008/sitemap.html

A further item on the agenda was the motion for a vote of no confidence in the CEO, placed on the agenda at the request of a shareholder. At the request of Geveran Trading Co. Ltd the dismissal of individual Supervisory Board members and the subsequent election of new Supervisory Board members for the remaining term of office of the dismissed Supervisory Board members were placed on the agenda. This motion and the above-mentioned motion for a vote of no confidence did not meet with sufficient approval and were therefore rejected.

Shareholder structure

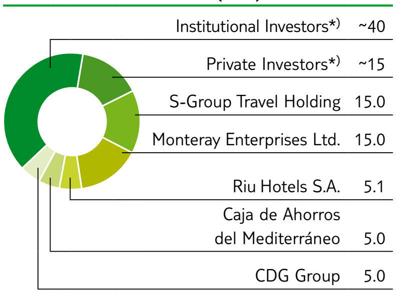
At the end of 2008, around 55% of TUI shares were free floating. Around 15% of these were held by private shareholders, around 40% by institutional investors and around 45% by strategic investors. According to an analysis of the share register, these were mainly investors from Germany and other EU countries.

Geographical shareholder structure (in %)



As of December 2008

Shareholder structure (in %)



*) Free float according to the definition by Deutsche Börse

Up-to-date information on the shareholder structure and voting right notifications pursuant to section 26 of the German Securities Trading Act are available on the internet at www.tui-group.com/en/ir/share/structure.html

Dividend and yields

TUI AG's net loss for the year totalled €1,529m. Taking account of the retained profil brought forward of €25m an amount of €1,504m was withdrawn from the capital reserves to balance the net result for the year. In the light of the earnings situation in 2008, which was mainly impacted by restructuring expenses, a proposal to carry the profit available for distribution forward on new account and correspondingly suspend the dividend payment for the 2008 financial year will be submitted to the Annual General Meeting.

Development of dividends and earnings per share of TUI shares

€	2004	2005	2006	2007	2008
Earnings per share	2.96	2.28	- 3.66	0.41	- 0.65
Dividend	0.77	0.77	0.00	0.25	0.00

Rating

Rating

TUI's financial strength is subject to regular ratings by the international agencies Standard & Poor's and Moody's. At the end of 2008, their ratings were as follows:

Rating agency	Corporate Rating	Outlook
Standard & Poor's	B+	stable
Moody's	B1	negative

The respective ratings and further details about the bonds traded in the capital market are provided in the chapter 'Financial position'.

Refinancing

In January 2008, TUI AG issued an equity-linked financing with shares in TUI Travel PLC as underlying. The financing scheme has a volume of €450m and will mature in 2013. To this end, TUI AG has concluded corresponding contracts with Deutsche Bank and Nero Finance Limited, an independent Jersey-based third-party company which is not part of the TUI Group.

In the framework of the financing scheme, TUI sold 10.7% of its shares in TUI Travel PLC to Deutsche Bank which transferred this share block to Nero Finance. Nero Finance issued an exchangeable bond with cash settlement option in TUI Travel PLC shares. The bond carries an interest coupon of 4.50% per annum. If the holders of the exchangeable bond do not exercise their exchange privilege, TUI will be obliged to buy the shares in TUI Travel PLC back upon expiry of the five-year term. In contrast, if the exchange privilege is exercised, TUI is entitled to buy the TUI Travel PLC shares back via a cash settlement option.

Regardless of the temporary sale of the share block, TUI is entitled to instruct the purchaser of the TUI Travel PLC shares to exercise the voting rights associated with these shares in line with the instructions given by TUI AG under a corresponding voting instructions agreement. Accordingly, there will not be any changes with regard to the management of TUI Travel PLC by TUI AG. As a result, TUI Travel PLC will continue to be fully consolidated in TUI's consolidated financial statements.

Investor Relations

Open dialogue and transparent communication with shareholders, institutional investors, analysts and lenders have a top priority. Discussions with these stakeholder groups centred on Group strategy and business trends in the various sectors, enabling market participants to make a realistic assessment of TUI's future development.

Regular elements of the IR programme are the annual analysts' meeting, which is also webcast, and the conference calls offered on publication of the interim reports and on other significant topics such as the sale of Hapag-Lloyd. We also stay in close touch with TUI's investors and analysts through road shows, conferences and several hundred one-on-one meetings.

Many of these encounters are attended personally by top management to answer questions raised by the capital market. TUI IR also invests in every contact with private investors. The Group was presented to many private investors on occasions such as the Hanover Stock Market Day (Börsentag Hannover) and events organised by shareholder associations. Another important platform for exchange with shareholders is the IR stall at our Annual General Meeting.

As in 2007, shareholders had the opportunity to use an internet tool on the Investor Relations website to register for the Annual General Meeting, order a guest card or instruct one of the proxies provided by the Company. This service was again well received, with approx. 25% of shareholders ordering their admission tickets by means of the new web-based tool.

TUI Group in Figures Five Year Summary

Corrected TUI Group in Figures

		2004	2005	2006	2007	2008
Divisional turnover						
Tourism	€ m	13,319	14,097	14,085	15,759	18,588
Container shipping (discontinued operation)	€ m	2,687	3,834	6,254	5,965	6,220
Others	€ m	2,040	1,688	577	78	60
Group	€ m	**18,046**	**19,619**	**20,916**	**21,803**	**24,868**
Earnings before interest, tax, depreciation and amortisation (EBITDA)						
Tourism	€ m	678	734	779	644	541
Container shipping (discontinued operation)	€ m	392	454	212	401	405
Others	€ m	407	192	193	216	- 24
Group	€ m	**1,477**	**1,380**	**1,184**	**1,261**	**922**
Divisional earnings (EBITA)						
Tourism	€ m	345	365	388	163	59
Container shipping (discontinued operation)	€ m	300	319	- 106	137	133
Others	€ m	267	166	- 52	186	- 53
Group	€ m	**912**	**850**	**230**	**486**	**139**
Net profit for the year	€ m	**572**	**496**	**- 843**	**176**	**- 182**
Earnings per share	€	2.96	2.29	- 3.65	0.41	- 0.65
Assets						
Non-current assets	€ m	9,871	11,883	10,157	11,528	7,339
Current assets	€ m	2,499	3,491	2,873	4,721	9,317
Total assets	€ m	**12,370**	**15,374**	**13,030**	**16,249**	**16,656**
Equity and liabilities						
Equity	€ m	2,660	4,367	3,007	3,038	2,168
Non-current liabilities	€ m	5,153	5,288	5,259	6,807	5,796
Current liabilities	€ m	4,557	5,719	4,764	6,404	8,692
Total equity and liabilities	€ m	**12,370**	**15,374**	**13,030**	**16,249**	**16,656**
Equity ratio	%	**21.5**	**28.4**	**23.1**	**18.7**	**13.0**
Cash flow from operating activities	€ m	**964**	**965**	**467**	**569**	**946**
Capital expenditure	€ m	**677**	**1,138**	**757**	**1,116**	**954**
Net debt	€ m	**3,251**	**3,807**	**3,211**	**3,917**	**4,083**
Employees	31 Dec	**57,716**	**62,947**	**53,930**	**68,521**	**70,254**

Sustainable Development Social responsibility for employees. Sustainable products. Protecting the climate and preserving biodiversity. Corporate citizenship.

Sustainable economic, ecological and social action is an indispensable element of TUI's entrepreneurial culture and an essential factor in the Company's success. The TUI Group's Code of Conduct, which was drawn up in 2008 and will be rolled out across the Group in the first half of 2009 hand in hand with accompanying employee training programmes, addresses fundamental TUI values, such as legality, openness, tolerance and innovation.

On the basis of the new corporate structure, TUI Travel has established sustainability as a major issue since the early days of the company. A sustainability department supervises and coordinates the definition and implementation of targets for the tourism companies in close coordination with TUI AG's Group environmental management. Sustainability officers from all sectors of TUI Travel report to the Group Sustainable Development Steering Committee, comprising members of the management boards of the TUI Travel companies represented. This steering committee adopts the Company's long-term sustainability targets.

TUI's convincing sustainability performance was reconfirmed by international rating agencies and sustainability analysts in 2008. TUI AG continued to be the world's only tourism company in the Travel & Tourism sub-sector listed in the Dow Jones Sustainability Index (DJSI) World and admitted to the SAM Sustainability Yearbook 2008 in which TUI AG was awarded for higher than average improvements of sustainability management in the 'Travel & Tourism' sector. In addition, TUI expanded its position in the international ethics indices FTSE4Good, ASPI Eurozone, Ethibel Pioneer Index and ECPI Ethical Index €uro. In 2008, oekom Research AG awarded TUI the investment status rating 'prime'.

Employees

Promoting the commitment, qualification and identification of employees with the Group continued to be a key aspect of TUI's HR activities in 2008. The focus was on initial and advanced training and a welter of activities around pension schemes and health promotion.

Initial and advanced training

Junior staff development and training

Junior staff development and good internal training play a crucial role in securing the competitiveness of Group companies. 755 young employees participated in training schemes run by the German companies in 2008. Around 70% of the staff in training that finished their training in 2008 were offered an employment contract. The proportion of staff in training reached previous year's high level of 6.7%. As part of the project 'Fit for a job application', TUI HR managers again assisted young people in compiling job application documents and preparing for job interviews.

Development of senior and executive staff

In 2008, senior and executive staff benefited once again from selective seminars and coaching to assist them in their complex and multi-faceted tasks. Activities focused on promoting the skills of employees with project responsibility. In both strategic and operative project management, current and future project managers took part in comprehensive training packages that also offered certification. Tailored in-house training schemes focused on customer orientation, strengthening sales skills and similar topics.

TUI Spirit

The initiative TUI Spirit of TUI Travel stands for the vision: "We want to create extraordinary experience" and comprises four main values all our employees identify with. The values 'Customer obsessed – value driven – responsible leadership – playing to win' shape our everyday working life and the interaction between employees, customers, and partners.

Social responsibility

Pension schemes

The companies in the TUI Group offer their employees many different ways of participating in company-based and private pension schemes. Specific national conditions and the economic situation are taken into account in designing the models. Schemes for employees in Germany included pension fund contracts, direct insurance schemes and private pension insurance funds qualifying for state co-sponsorship (the 'Riester' pension). In addition, deferred compensation models were offered to enable employees to choose their pension scheme according to their individual preferences. These options to build personal pensions were increasingly taken up by employees.

Part-time early retirement

The German companies and employees of the TUI Group made substantial use of the opportunities provided under the German Part-Time Early Retirement Act to shift gradually from employment to retirement. In almost all cases, these part-time early retirement agreements were based on a block model for determining working hours. The assets resulting from this model for the approx. 335 employees working under part-time early retirement contracts were hedged against employer insolvency regardless of entry date. In this respect, the Company went substantially beyond the statutory hedging standard for the benefit of its employees. TUI AG provided approx. €14m for this purpose under a capital investment model.

Employee shares

German employees and pensioners as well as employees in most European countries have been able to obtain shares in the company for many years by subscribing to employee shares. In 2008, employees were entitled to subscribe to up to 250 shares each at a reduced price.

Health management

As part of its modern health management programme, TUI offers a series of measures underlining the significance of health and well-being at the workplace. The internal health programme called 'fit with TUI' entails exercise schemes (company sports, cooperation with fitness centres), wellness programmes (yoga, massage at the workplace), health seminars for specific target groups and programmes for the prevention of addictive behaviour. Employees can also take part in annual campaigns such as flu vaccination, cancer screening, eye tests and therapy for back problems. Employees participate in devising and carrying out health promotion programmes. This involves regular staff information campaigns and surveys, and meetings between the health coordinators, the company doctor, health and safety officials and representatives of management and staff.

Company health insurance fund

BKK TUI, the company health insurance fund, was available to German employees, offering a comprehensive range of services to protect employees in the event of sickness and to promote health. Companies and employees promoting and implementing company health schemes received a bonus on their contributions, resulting in an arithmetical reduction in the contribution rate of 1.1%. Overall, the contribution rate was 13.9% and was thus below the federal average. In the financial year under review, more than 400 new members joined the BKK.

Health and safety

The Group companies again implemented a large number of measures to continuously improve health and safety. Apart from tried-and-tested activities such as workplace visits and the permanent training of first-aid and fire protection assistants, noise measurements and hazard analyses were carried out and fire protection manuals, safety manuals and hazardous substance lists were revised.

Work-life balance

Group-wide programmes are aimed at enabling employees to achieve a better work-life balance. To this end, German companies offer a series of measures to employees on parental leave so that they do not lose touch with the workplace. Financial support is provided for childcare in some subsidiaries and a company crèche is available in Hanover. The Company also offers part-time and home working schemes and an option to apply for unpaid leave for an extensive period of time.

Diversity Charter

In 2008, TUI AG signed the Diversity Charter, an initiative by the federal government to encourage diversity, fairness and appreciation in companies. The issues that TUI has chosen to highlight in project form include origin, cultural specificities and health. Specific projects include programmes to promote children and teenagers from migrant families, for instance by helping them to read or, in the case of older students, by providing them with a mentor. TUI AG also supports international youth exchange programmes for its employees' children and engages in annual initiatives for people with health problems.

Employee representation within the Group

In the TUI Group, employees are represented nationally and internationally, both in individual Group companies and at Group level. The Group fosters a culture of staff participation, and this has permitted solutions to be found, working with the Executive Board and the management of the companies, which balance the interests of employees and management during strategic decisions, restructuring and integration programmes.

TUI European Forum

The TUI European Forum was established in 1995. In addition to the statutory bodies for staff representation required under national legislation, this forum currently comprises 58 employee representatives from 15 European countries. Group management regularly briefs the Select Committee of the TUI European Forum and attends meetings to discuss the current economic and HR situation within the Group. The TUI European Forum meets once a year and makes a significant contribution at international level to the transparency of major entrepreneurial decisions and the integration of different nationalities within the TUI Group.

Environmental management

TUI has been persistently committed to responsible management of the environment and natural resources. Over and above compliance with the legal environmental requirements, TUI is striving to continuously improve its environmental performance. The ecological compatibility of its products, services and processes is an integral component of TUI's quality standards. TUI promotes climate protection and the preservation of biodiversity by means of efficient energy and drive technologies, conservation of natural resources and the consistent reduction of adverse environmental impacts. The internal suggestions scheme serves to promote the implementation of ideas from employees to protect the environment by adapting operational workflows.

More about environmental protection:
- *'Environmental protection' section in the management report*
- *www.tui-environment.com*

Climate protection and energy efficiency

In 2008 the European Union decided to include aviation in the European emissions trading system as of 2012, underlining the increasing obligation on all airlines to reduce emissions that affect the climate and to contribute to sustainable environmental protection.

TUI has been aware of its responsibility for many years and has already introduced a comprehensive set of programmes for all airlines forming part of the Group, linking sustainable development with efficiency enhancements. The measures adopted include an adjustment of cruise speed, resulting in lower aircraft fuel consumption, and noise abatement landing procedures that cut noise emissions in airport areas. The engines of the new-generation Boeing 737s are regularly washed, resulting in savings of approx. 100 tonnes of CO_2 per year. In addition, TUI is one of the first European customers of the new Boeing 787 Dreamliner, which will cut previous aircraft fuel consumption by around one quarter in the long-haul segment due to its specific lightweight construction.

Voluntary carbon offsetting

In cooperation with the myclimate foundation, TUIfly offers its customers the opportunity to voluntarily offset greenhouse gas emissions. TUI customers can offset their flight emissions of carbon dioxide (CO_2) by paying a proportionate climate protection duty. The foundation uses the donations made in this way to support projects for reducing greenhouse gas emissions. More specifically, donations by TUI customers are used for a development aid project to promote fuel-saving ovens in Eritrea/Africa.

Besides the certified reduction in CO_2 the projects also achieve a substantial improvement in the living conditions of local people. The donations generated within the space of one year (November 2007 – October 2008) offset the equivalent of approx. 21,000 tonnes of CO_2.

Further information www.tui-klimainitiative.de

Since June 2008, TUI Deutschland has also offered its customers the opportunity of actively contributing to climate protection. In cooperation with myclimate, customers can offset the CO_2 emissions for their entire journey, either in the travel agency or on the internet. TUI Deutschland has increased the amount donated per booking by a further 50 cents. The projects sponsored are a wind power farm near Izmir in Turkey and a project to promote energy-efficient ovens in the Peruvian highlands. The projects meet the internationally recognised gold standard for climate protection projects and are designed as VER (Verified Emission Reduction) projects.

Thomson Travel and First Choice enable their customers to offset emissions through the World Care Fund. By December 2008, more than €2.2m has been received for climate protection and sustainability projects. Other Group companies such as TUI Suisse, TUI Nederland, TUI Nordic and Gebeco also offer voluntary aircraft emissions offsetting.

Use of renewable energies by TUI Hotels & Resorts

In 2008 Robinson opened Club Agadir in Morocco. At 900 m^2, the country's largest solar plant was built to supply its warm water and operate the pool landscape. To secure training for junior staff, the Club opened its own local hotel management college.

Innovative technologies in container shipping

In container shipping, additional efficiency measures were consistently applied in order to reduce climate effects. The newly commissioned container ship 'Kuala Lumpur Express' was the first to use a newly developed fin, several metres wide, to reduce hydrodynamic losses in ship propulsion, cutting emissions and fuel costs by up to 6% at the same cruise speed.

Carbon Disclosure Project (CDP)

The TUI Group again participated in industry-wide carbon disclosure activities. TUI's emissions account was described in Carbon Disclosure Project 6 alongside the strategic aspects of TUI AG's climate policy. It was thus made accessible to analysts and investors. For the first time, TUI Travel also participated in the Carbon Disclosure Project and was recognised for its excellent reporting quality in the Carbon Disclosure Leadership Index.

The economy and biodiversity

In 2008, TUI was invited to join the Business & Biodiversity Initiative of the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety. The goal pursued by the companies involved is to strengthen the relationship between economic activity and the preservation of biodiversity.

TUI signed a Leadership Declaration at the 9th UN Meeting of the Conference of the Parties to the Convention on Biological Diversity, committing to support the initiative by the federal government by means of specific biodiversity measures and continuing to anchor the conservation of biodiversity more strongly in its business processes. In the framework of this initiative, TUI prepared a biodiversity strategy applicable throughout the Group. At the Landscape Auction by the Global Nature Fund (GNF), aimed at raising public awareness, TUI auctioned sustainable management of one hectare of mangrove forests in Sri Lanka for a period of ten years.

The Group-wide 'Year of the Dolphin' campaign to protect endangered species was successfully completed in 2008. As an exclusive sponsor of the campaign, TUI used its worldwide network in the destinations to organise distribution of a dolphin manual, prepared in cooperation with the WDCS Whale and Dolphin Conservation Society, in hundreds of local schools. In 2008, the focus of the awareness-raising campaign was on the Cape Verde Islands and Kenya. In Kenya, TUI and its subsidiary agency Pollman's Tours & Safaris instructed local fishermen on sustainable fishing methods. With the financial support of the World Bank, illegal fishing nets were exchanged without charge for legally permitted fishing nets.

One of the milestones of this project was the resolution on an agreement for protecting small whales, dolphins and sea cows in western Africa, including the preparation of specific action plans. More than 30 species are to be protected in this region, which stretches from the Azores via Morocco all the way to South Africa.

To support sustainable development in the Cape Verde Islands, a young holiday destination, TUI sponsored the Turtle Foundation and its activities to protect the Caretta caretta sea turtle species in 2008. Alongside other activities, the Turtle Foundation organised nocturnal control rounds to protect turtle nests in cooperation with the local population.

Environmental quality in the TUI holiday hotels

'EcoResort' environmental quality label

In the financial year 2008, TUI Hotels & Resorts again awarded the 'EcoResort' environmental quality label to Group-owned hotel brands following inspection by external environmental experts. All resorts of TUI Hotels & Resorts offer high performance, quality and environmental standards. The criteria to be met in order for a hotel to qualify for the 'EcoResort label' go substantially beyond these standards. Hotels awarded this label have a certified environmental management system based on a recognised national or international environmental standard such as ISO 14001 and efficient energy-saving measures.

In addition, TUI EcoResorts cooperate with local nature conservation groups and actively engage in cultural or social projects. 48 Group-owned hotel and club facilities were marked accordingly in the TUI brochures for the 2009 summer season. The aim of the quality label is to drive sustainable development in the holiday regions further ahead and to secure their ecological quality.

TUI Environmental Champion

Further information
www.tui-ecohotel.com

In 2008, the 100 most environmentally friendly hotels in 22 countries from TUI Deutschland's product portfolio were again awarded the TUI Environmental Champion award. The ecological commitment of the contract hotels is determined on the basis of, for example, a checklist and the result of a TUI customer survey. In order to qualify as a TUI Environmental Champion, the candidates have to comply with minimum standards for environmental quality.

Sustainable product development

Further information
www.tui.com/gruenewelten

One of the key tasks is to develop sustainable products adapted to future needs that also factor in economic, ecological and social requirements. Since July 2008, TUI Deutschland has offered ecological and sustainable TUI products as a distinct set of products. The 'TUI Grüne Welten' brochure addresses the growing target group of ecologically-minded, brand-oriented customers with high quality standards. An interactive world map directs prospective customers to the offerings they desire.

Corporate citizenship

Social responsibility is part and parcel TUI's Code of Conduct and will secure the Group's future. TUI AG and its affiliates regard themselves as corporate citizens, contributing to economic development and a better quality of living, not only at our sites across the world, but also in our tourist destinations.

Aid in the destinations

In the 2008 financial year, TUIfly continued to support the crisis region Sudan. In cooperation with the German Red Cross, TUIfly shipped more than 56 tonnes of aid such as medical drugs, baby food and mosquito nets to the Sudanese capital of Khartoum. In addition, on-board donations by passengers and staff were used for humanitarian purposes.

In cooperation with the Travel Foundation, TUI Travel supported the adoption of a system to channel the fees for visits to 26 Kenyan Massai villages directly to the local communities. Within the first six months since the launch of the project, the Massai inhabitants of the villages participating in the system saw a substantial rise in their income.

Support for disadvantaged children and teenagers

TUI sponsorship

In 2008, the sponsorship scheme run by TUI employees in Hanover supported the Hanover-based initiative 'Aktion Sonnenstrahl'. The non-profit association runs six centres to help around 230 deprived children in the social hot spots of Hanover. Employees' donations were also used to boost existing projects such as children's lunches, school breakfast, help with homework, play schemes and after-school care. More than 600 children in over 20 facilities benefited from the support.

A large number of Group companies in tourism continued their worldwide commitment in 2008 to protect children from sexual abuse. To mark its 40th anniversary, TUI Deutschland launched a campaign in aid of the charity 'Vereinigung Dunkelziffer'. In the spring of 2008, a new educational brochure on protecting children from sexual abuse was distributed in all relevant destinations by ECPAT. Later in the year, during the autumn, ECPAT's new information leaflets were offered to customers in all destinations.

TUI Deutschland also supported a training scheme in Phuket/Thailand in the summer of 2008. It had been organised by the German Travel Association (Deutscher ReiseVerband, DRV) in cooperation with the German Society for Technical Cooperation (Gesellschaft für Technische Zusammenarbeit, GTZ) and ECPAT. The event lasted several days and focused on cross-sectoral awareness-raising among local hotel representatives and representatives of local travel shops.

Activities by the foundations

TUI Foundation

Further information
www.tui-stiftung.de

In 2008, the TUI Foundation sponsored more than 30 selected projects in the four main sponsorship areas: science and research, school projects, qualification schemes for unemployed young people, and culture and arts.

In science and research, TUI funded the supporting research for a project by the Criminological Research Institute of Lower Saxony. This pilot project is testing new forms of sure-start education designed to prevent criminal behaviour among children in high-risk families. The pilot is accompanied by scientific analysis and academic research.

Activities in science and research also included the presentation, for the 20th time, of the Rudolf Schoen Award for the best scientific publication at Hanover's Medical University. In addition, funding was provided for four selected research projects by four junior scientists at the Medical University of Hanover.

In education and schools, the TUI Foundation sponsored a total of 15 projects in Lower Saxony. The projects included continuing the START programme run by the non-profit START Foundation to assist particularly talented students from immigrant families. Support was provided for projects at four centres where unemployed young people are taught the skills they need to obtain a place in vocational training. In cooperation with Paritätischer Landesverband Niedersachsen (regional federation of social welfare associations) five additional traineeships were created for disadvantaged teenagers. In culture and the arts, funding was given for theatre projects with and for children and young people.

Hapag-Lloyd Foundation

Further information
www.hapag-lloyd.de

Sponsoring cultural projects is an integral component of Hapag-Lloyd's corporate mission. In 2008, the Hapag-Lloyd Foundation continued working with selected partners in Hamburg, where its head office is located. These activities focused on promoting young artists and talents. Outstanding projects included Hamburg's youth theatre Junges Schauspielhaus, the St. Pauli Theatre, Junges Forum Musiktheater and a placement with the city museums for a trainee restorer.

Financial Statements

Corrected Profit and Loss Statement of the TUI Group for the period from 1 January to 31 December

€ million	Notes	2008	2007 revised	Revision	2007 original
Turnover	(1)	18,674.1	15,876.6	- 5,933.5	21,810.1
Cost of sales	(2)	17,228.2	14,640.0	- 5,691.1	20,331.1
Gross profit		**1,445.9**	**1,236.6**	**- 242.4**	**1,479.0**
Administrative expenses	(2)	1,381.9	1,208.0	- 177.4	1,385.4
Other income/other expenses	(3)	- 67.2	282.2	- 53.8	+ 336.0
Impairment of goodwill	(4)	107.2	53.7	–	53.7
Financial income	(5)	210.4	204.5	- 5.3	209.8
Financial expenses	(6)	534.7	450.9	- 17.9	468.8
Result from companies measured at equity	(7)	+ 33.7	+ 39.1	- 25.6	+ 64.7
Earnings before income taxes		**- 401.0**	**49.8**	**- 131.8**	**181.6**

Reconciliation to underlying earnings:	Notes	2008	2007 revised	Revision	2007 original
Earnings before income taxes		- 401.0	49.8	- 131.8	181.6
Interest result and earnings from the valuation of interest hedges		299.8	245.2	- 12.2	257.4
Impairment of goodwill		107.2	53.7	–	53.7
EBITA from continuing operations		6.0	348.7	- 144.0	492.7
Adjustments	(8)				
Gains on disposals		2.0	- 178.6	15.1	- 193.7
Restructuring		284.9	69.1	1.1	68.0
Purchase price allocation		57.8	55.6	- 75.6	131.2
Other one-off items		156.6	88.4	26.0	62.4
Underlying EBITA from continuing operations		**507.3**	**383.2**	**- 177.4**	**560.6**

€ million	Notes	2008	2007 revised	Revision	2007 original
Earnings before income taxes		**- 401.0**	**49.8**	**- 131.8**	**181.6**
Income taxes	(9)	+ 39.8	- 30.3	- 31.1	+ 0.8
Result from continuing operations		**- 440.8**	**80.1**	**- 100.7**	**180.8**
Result from discontinued operation	(10)	+ 258.8	96.2	96.2	–
Group profit/loss for the year		**- 182.0**	**176.3**	**- 4.5**	**180.8**
Group profit for the year attributable to shareholders of TUI AG	(11)	- 142.2	125.8	- 2.4	+ 128.2
Group profit for the year attributable to minority interests	(12)	- 39.8	50.5	- 2.1	+ 52.6
Group profit/loss for the year		**- 182.0**	**176.3**	**- 4.5**	**180.8**

€	Notes	2008	2007 revised	Revision	2007 original
Basic earnings per share	(13)	**- 0.65**	**+ 0.41**	**- 0.01**	**+ 0.42**
from continuing operations		- 1.68	+ 0.03	- 0.39	+ 0.42
from discontinued operation		+ 1.03	+ 0.38	+ 0.38	–
Diluted earnings per share		**- 0.65**	**+ 0.41**	**- 0.01**	**+ 0.42**
from continuing operations		- 1.68	+ 0.03	- 0.39	+ 0.42
from discontinued operation		+ 1.03	+ 0.38	+ 0.38	–

Corrected Balance Sheet of the TUI Group as at 31 December 2008

€ million	Notes	31 Dec 2008	31 Dec 2007 revised	Revision	31 Dec 2007 original
Assets					
Goodwill	(14)	2,514.1	3,063.0	4.7	3,058.3
Other intangible assets	(15)	805.9	1,385.4	11.6	1,373.8
Investment property	(16)	90.1	90.5	–	90.5
Property, plant and equipment	(17)	2,699.2	5,698.5	- 7.7	5,706.2
Companies measured at equity	(18)	406.4	540.7	–	540.7
Financial assets available for sale	(19)	84.0	108.2	–	108.2
Trade accounts receivable and other receivables	(20)	326.3	408.8	–	408.8
Derivative financial instruments	(21)	194.6	28.8	–	28.8
Deferred income tax claims	(22)	218.9	203.8	11.5	192.3
Non-current assets		**7,339.5**	**11,527.7**	**20.1**	**11,507.6**
Inventories	(23)	97.0	208.7	–	208.7
Financial assets available for sale	(19)	3.9	13.7	–	13.7
Trade accounts receivable and other receivables	(20)	1,962.1	2,421.0	- 39.4	2,460.4
Derivative financial instruments	(21)	1,017.9	413.1	–	413.1
Current income tax claims	(22)	45.6	42.0	–	42.0
Cash and cash equivalents	(24)	2,045.5	1,614.0	–	1,614.0
Assets held for sale	(25)	4,144.5	8.8	–	8.8
Current assets		**9,316.5**	**4,721.3**	**- 39.4**	**4,760.7**
		16,656.0	**16,249.0**	**- 19.3**	**16,268.3**

€ million	Notes	31 Dec 2008	31 Dec 2007 revised	Revision	31 Dec 2007 original
Equity and liabilities					
Subscribed capital	(26)	642.8	642.3	–	642.3
Capital reserves	(27)	969.3	2,471.9	–	2,471.9
Revenue reserves	(28)	- 44.4	- 668.5	- 31.8	- 636.7
Hybrid capital	(29)	294.8	294.8	–	294.8
Equity before minority interests		**1,862.5**	**2,740.5**	**- 31.8**	**2,772.3**
Minority interests	(30)	305.8	297.4	–	297.4
Equity		**2,168.3**	**3,037.9**	**- 31.8**	**3,069.7**
Pension provisions and similar obligations	(31)	667.4	825.2	–	825.2
Current income tax provisions	(32)	236.7	256.3	–	256.3
Deferred income tax provisions	(32)	195.0	246.2	0.7	245.5
Other provisions	(32)	489.9	489.9	–	489.9
Non-current provisions		**1,589.0**	**1,817.6**	**0.7**	**1,816.9**
Financial liabilities	(33)	3,965.4	4,732.8	–	4,732.8
Derivative financial instruments	(35)	163.4	126.4	–	126.4
Other liabilities	(36)	78.4	130.4	–	130.4
Non-current liabilities		**4,207.2**	**4,989.6**	0.0	**4,989.6**
Non-current provisions and liabilities		**5,796.2**	**6,807.2**	**0.7**	**6,806.5**
Pension provisions and similar obligations	(31)	27.1	31.7	–	31.7
Current income tax provisions	(32)	83.9	62.3	–	62.3
Other provisions	(32)	456.1	535.1	3.5	531.6
Current provisions		**567.1**	**629.1**	**3.5**	**625.6**
Financial liabilities	(33)	1,009.3	798.5	- 8.9	807.4
Trade accounts payable	(34)	1,959.7	2,705.8	8.2	2,697.6
Derivative financial instruments	(35)	718.6	174.4	–	174.4
Other liabilities	(36)	1,936.2	2,096.1	9.0	2,087.1
Current liabilities		**5,623.8**	**5,774.8**	**8.3**	**5,766.5**
Liabilities related to assets held for sale	(37)	**2,500.6**	**0.0**	**–**	**0.0**
Current provisions and liabilities		**8,691.5**	**6,403.9**	**11.8**	**6,392.1**
		16,656.0	**16,249.0**	**- 19.3**	**16,268.3**

Corrected Statement of Recognised Income and Expenses

€ million	2008	2007 revised
Currency translation	- 177.3	- 154.5
Recognition of differences from currency translations in profit or loss	2.0	5.9
Change in value of companies measured at equity with no effect on profit or loss	- 51.6	32.1
Changes in the fair value of available for sale financial instruments	- 0.9	0.1
Recognition of available for sale financial instruments in profit or loss	–	- 13.5
Changes in the fair value of cash flow hedges	388.4	76.2
Recognition of results of cash flow hedges in profit or loss	- 517.2	143.6
Actuarial gains and losses from pension provisions and related fund assets	- 61.1	199.8
Tax item directly offset against equity	- 59.3	- 168.3
Income and expenses directly recognised in equity	**- 477.0**	**121.4**
Group profit/loss	- 182.0	176.3
Total income and expenses recognised in the financial year	**- 659.0**	**297.7**
attributable to shareholders of TUI AG	- 683.2	261.3
attributable to minority interest	24.2	36.4

Corrected Cash Flow Statement

€ million	Notes	2008	2007 revised	Var.
Group profit/loss		- 182.0	176.3	- 358.3
Depreciation, amortisation and impairments (+)/write-back (-)		865.1	827.7	37.4
Other non-cash expenses (+)/income (-)		- 21.3	- 58.3	37.0
Interest expenses (excl. interest relating to pension obligations)		404.7	321.2	83.5
Profit (-)/Loss (+) from disposals of non-current assets		71.6	- 269.2	340.8
Increase (-)/decrease (+) in inventories		32.2	- 62.4	94.6
Increase (-)/decrease (+) in receivables and other assets		- 693.8	- 218.9	- 474.9
Increase (+)/decrease (-) in provisions		- 79.2	- 2.1	- 77.1
Increase (+)/decrease (-) in liabilities (excl. financial liabilities)		548.5	- 145.8	694.3
Cash inflow/outflow from operating activities	(41)	**945.8**	**568.5**	**377.3**
Payments received from disposals of property, plant and equipment, investment property and intangible assets		484.2	517.2	- 33.0
Payments received from disposals of consolidated companies (excl. disposals of cash and cash equivalents due to divestments)		2.6	- 11.8	14.4
Payments received from the disposals of other non-current assets		191.3	97.4	93.9
Payments made for the investment in property, plant and equipment, investment property and intangible assets		- 896.5	- 1,168.5	272.0
Payments made for investments in consolidated companies (excl. cash and cash equivalents received due to acquisitions)		- 137.9	- 111.5	- 26.4
Payments made for the investment in other non-current assets		- 105.1	- 34.4	- 70.7
Cash inflow/outflow from investing activities	(42)	**- 461.4**	**- 711.6**	**250.2**
Payments received from capital increases		1.2	6.7	- 5.5
Dividend payments				
TUI AG		*- 88.7*	*- 27.4*	*- 61.3*
subsidiaries to other shareholders		*- 59.4*	*- 28.9*	*- 30.5*
Payments received from the issue of loans and the raising of financial liabilities		1,429.8	2,034.3	- 604.5
Payments made for redemption of loans and financial liabilities		- 762.4	- 987.6	225.2
Interest paid		- 321.4	- 298.1	- 23.3
Cash inflow/outflow from financing activities	(43)	**199.1**	**699.0**	**- 499.9**
Net change in cash and cash equivalents		**683.5**	**555.9**	**127.6**
Development of cash and cash equivalents	(44)			
Cash and cash equivalents at beginning of period		**1,614.0**	**688.7**	**925.3**
Change in cash and cash equivalents due to changes in the group of consolidated companies		0.8	441.7	- 440.9
Change in cash and cash equivalents due to exchange rate fluctuations		- 128.9	- 72.3	- 56.6
Change in cash and cash equivalents with cash effects		683.5	555.9	127.6
Cash and cash equivalents at end of period[1)]		**2,169.4**	**1,614.0**	**555.4**

[1)] As of 31 Dec 2008 cash and cash equivalents of €123.9m are included in the balance sheet item 'assets held for sale' (previous year: –).

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).

On 17 March 2008, the Executive Board and the Supervisory Board decided to separate container shipping from the Group. Following the sale of container shipping in March 2009, the TUI Group exclusively operates in tourism, its core business. In addition, the TUI Group holds a stake of 43.3% with a significant influence in the container shipping business. As in financial year 2007, tourism comprises TUI Travel PLC and TUI Hotels & Resorts, with Cruises added as of financial year 2008. The Cruises sector was allocated to the shipping segment in 2007 and operates in the German-speaking premium and luxury market with Hapag-Lloyd Kreuzfahrten and TUI Cruises.

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 notes in the section 'Corporate Governance' of the annual report.

The Executive Board and the Supervisory Board have submitted the declaration of compliance with 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 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 are indicated in million euros (€m).

Correction of consolidated financial statements

TUI Travel PLC has identified booking errors with regard to turnover recognition and the reversal of adjustment items shown under trade accounts payable in Tourism, affecting TUI AG Group accounting for financial year 2008 (including the prior-year figures for 2007) and the short financial year 2009. The booking errors relate to TUI UK Ltd, Crawley, a national Northern Region company in TUI Travel PLC's Mainstream Business. Immediately after a statement to this effect by TUI Travel PLC on 21 October 2010, TUI AG published an ad hoc announcement pursuant to section 15 of the German Securities Trading Act and announced a restatement of prior year financial result.

TUI UK Ltd. is a legal entity engaged in operations including the sale of travel products via travel shops and other retail channels and the tour operator business. For the purposes of settlement and accounting, the business activities relating to these operations are entered in different IT systems. The reservation system used by the travel shops serves in particular to capture customer-related travel bookings and payments received. The actual recognition of tour turnover by TUI UK Ltd. as tour operator is managed via a separate accounting system. Complexity is further increased by the fact that the relevant bookings are captured at different points in time in these two systems and with different levels of detail.

The main reason for the booking errors are the different price files used by the two relevant IT systems. While the "tour operator system" is always based on brochure prices, the "travel shop system" also captures the price discounts granted by the travel shops. Because of these differences in the data sets, the two systems currently have to be reconciled and monitored, a lengthy and largely manual process. Since the reconciliations and controls performed in order to avoid potential errors were not sufficiently effective in this complex systems environment, unreconciled tour operator receivables from distribution accrued over recent years. As a result, some turnover was recognised on the basis of brochure terms and conditions, with correspondingly overstated receivables totalling €89.7m (£92m) for the financial years concerned. These receivables were netted to a certain extent with trade accounts payable.

Another effect arose from the inappropriate reversal of correction items shown in trade accounts payable of €32.8m (£30m).

As a voluntary measure to enhance transparency and meet the requirements of the capital market, TUI AG has decided not to carry out the necessary accounting restatements by means of subsequent restatements under IAS 8 in the financial statements for 2009/10 but to correct the consolidated financial statements themselves. According to the rules applicable to prospectuses in Europe, prospectuses have to provide historical financial information for a period of up to three years prior to the respective capital measure. The respective corrections were therefore directly carried out in the consolidated financial statements for the respective financial years, adjusting the prior periods presented, and these financial statements were subjected to a supplementary audit by the relevant auditors. Following approval by the Supervisory Board, the consolidated financial statements corrected in this way have been disclosed. The corrected Annual Reports have been made available on TUI AG's website at www.tui-group.com. They replace the Annual Reports already published in this respect. TUI AG has also extended this procedure so as to also cover those Interim Reports that might be relevant for its ability to operate in the financial market.

The following corrections were effected in the profit and loss statement:

Corrected items of the TUI Group's profit and loss statement for the period from 1 January to 31 December

€ million		before revision	revision	2008 revised	before revision (adjusted)	revision	2007 revised
Turnover		18,714.3	- 40.2	18,674.1	15,932.1	- 55.5	15,876.6
Gross profit		1,486.1	- 40.2	1,445.9	1,292.1	- 55.5	1,236.6
Earnings before income taxes		- 360.8	- 40.2	- 401.0	105.3	- 55.5	49.8
EBITA from continuing operations		**46.2**	**- 40.2**	**6.0**	**404.2**	**- 55.5**	**348.7**
Underlying EBITA from continuing operations		**547.5**	**- 40.2**	**507.3**	**438.7**	**- 55.5**	**383.2**
Result from continuing operations		- 400.6	- 40.2	- 440.8	135.6	- 55.5	80.1
Group profit/loss for the year		- 141.8	- 40.2	- 182.0	231.8	- 55.5	176.3
Attributable to TUI AG shareholders		- 121.3	- 20.9	- 142.2	172.7	- 46.9	125.8
Attributable to minority interests		- 20.5	- 19.3	- 39.8	59.1	- 8.6	50.5
Earnings per share	€	- 0.57	- 0.08	- 0.65	0.60	- 0.12	0.41

The corrections result in a reduction in trade accounts receivable of €49.4m as at 31 December 2008 (previous year €35.9m) and an increase in trade accounts payable of €25.6m (previous year €18.6m). Equity (other revenue reserves) is reduced by €75.0m (previous year €54.5m), with an amount of €3.0m relating to prior financial years.

The corrections exclusively relate to the Tourism Segment. Segment reporting was corrected accordingly.

Due to the existing tax situation of TUI UK Ltd., no deferred tax effects had to be taken into account.

The accounting corrections do not adversely affect the TUI Group's cash position and thus net debt.

Accounting principles

Pursuant to section 315a sub-section 1 of the German Commercial Code (HGB), in combination with Regulation EEC No. 1606/2002 of the European Union, 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 are 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 315a subsection 1 of the German Commercial Code are also complied with. In financial year 2008, the following standards and interpretations revised or newly published by the IASB, had to be applied:

- IFRIC 11: 'IFRS 2 – Group and Treasury Share Transactions'
- Amendments to IAS 39: 'Financial Instruments: Recognition and Measurement' and
- IFRS 7: 'Financial Instruments: Disclosures' in connection with the reclassification of financial instruments.

For consolidated financial statements, IFRIC 11 sets out that share-based payments in which the company is required to buy its own equity instruments to settle the obligation always have to be accounted for as 'equity-settled share-based payment transactions' under IFRS 2.

Due to the amendments to IAS 39 and IFRS 7, published on 13 October 2008, it is now possible to reclassify non-derivative financial assets out of the 'fair value through profit or loss' and 'available-for-sale' categories in limited circumstances. This amendment was effective retrospectively from 1 July 2008.

Moreover, the provisions of IFRIC 14: 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' were already applied voluntarily prior to its effective date, i.e. 1 January 2009.

The application of these standards did not give rise to any material changes in the TUI Group's accounting and measurement methods.

The TUI Group exercises the option under the currently applicable IAS 23 to capitalise borrowing costs. Current accounting thus already corresponds to the amendments to IAS 23 effective for financial years commencing on or after 1 January 2009.

The following revised or newly issued standards and interpretations, already adopted by the IASB, were not yet mandatory in financial year 2008:

Summary of new standards not yet applied

Standard/Interpretation		Applicable for financial years from	Endorsement by the EU Commission
Standard			
IFRS 1	First Time Adoption of IFRS	1 July 2009	No
IFRS 1 and IAS 27	Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate	1 January 2009	Yes
IFRS 2	Share-Based Payment: Vesting Conditions and Cancellations	1 January 2009	Yes
IFRS 3	Business Combinations	1 July 2009	No
IFRS 8	Operating Segments	1 January 2009	Yes
IAS 1	Presentation of Financial Statements: A Revised Presentation	1 January 2009	Yes
IAS 27	Consolidated and Separate Financial Statements	1 July 2009	No
IAS 32 and IAS 1	Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009	Yes
IAS 39 and IFRS 7	Reclassification of Financial Instruments	1 July 2008	No
IAS 39	Financial Instruments: Recognition and Measurement: Eligible Hedged Items	1 July 2009	No
miscellaneous	Yearly improvements	1 January 2009	Yes
Interpretation			
IFRIC 12	Service Concession Arrangements	1 January 2008	No
IFRIC 13	Customer Loyalty Programmes	1 July 2008	Yes
IFRIC 15	Agreements for the Construction of Real Estate	1 January 2009	No
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008	No
IFRIC 17	Distributions of Non-Cash Assets to Owners	1 July 2009	No
IFRIC 18	Transfers of Assets from Customers	1 July 2009	No

This table exclusively lists regulations that will only be mandatory as of financial year 2009 or later, with endorsement of some regulations by the EU Commission still pending. Details concerning the contents and potential effects on future periods are outlined under 'Other notes'.

Changes in accounting and measurement methods

In the current financial year, no changes were made to the accounting policies.

Principles and methods of consolidation

Principles

The consolidated financial statements include all major companies in which TUI AG is 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 is exercised by means of a majority of voting rights. The consolidation of the RIUSA II Group is 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 is 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 control, the existence and effect of potential voting rights that are currently exercisable or convertible are taken into account. Consolidation of such companies starts as from the date at which the TUI Group gains control. When the TUI Group ceases to control the corresponding companies, they are removed from consolidation.

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

Shareholdings in companies in which the Group is able to exert significant influence over the financial and operating decisions within these companies (associated companies, shareholdings of 20% to less than 50% as a matter of principle) are carried at equity. Companies managed jointly with one or several partners (joint ventures) are also measured at equity. The dates as of which associated companies and joint ventures are included in or removed from the group of companies measured at equity are determined in analogy to the principles applying to subsidiaries. At equity measurement in each case is based on the last audited annual or consolidated financial statements, with the financial year corresponding to the calendar year as a general rule. Two joint ventures deviate from this rule with a financial year from 1 April to 31 March, while three joint ventures have financial years from 1 November to 31 October and three companies have financial years from 1 October to 30 September of the subsequent year.

Group of consolidated companies

In financial year 2008, the consolidated financial statements included a total of 46 domestic and 717 foreign subsidiaries, besides TUI AG.

Fifty-six 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 net assets, financial position and performance of the Group.

Development of the group of consolidated companies[1) and the group of companies measured at equity

	Balance 31 Dec 2007	Additions	Disposals	Balance 31 Dec 2008
Consolidated subsidiaries	**729**	**66**	**32**	**763**
Domestic companies	46	2	2	46
Foreign companies	683	64	30	717
Associated companies	**17**	**1**	**2**	**16**
Domestic companies	4	–	–	4
Foreign companies	13	1	2	12
Joint ventures	**33**	**3**	**3**	**33**
Domestic companies	6	1	–	7
Foreign companies	27	2	3	26

1) excl. TUI AG

Since 1 January 2008, a total of 66 companies were newly included in consolidation, with six companies added to consolidation due to an expansion of their business operations and 51 due to acquisitions while nine companies had been newly established. All additions related to the tourism division.

Since 31 December 2007, a total of 32 companies were removed from consolidation. Eleven of these companies were related to the shipping division, deconsolidated due to their liquidation (four companies), a reduction of their business operations (five companies), sale or merger (one company each). In the tourism division, a total of 20 companies were removed from consolidation due to dissolution, accrual or reduction of their business operations (one company each), sale or reduction of participation (four companies), mergers (six companies) and liquidation (seven companies). One additional company in central operations was deconsolidated due to a merger with another consolidated company.

Sixteen associated companies and 33 joint ventures were measured at equity. The group of companies measured at equity declined by one year-on-year. While three companies were added to the group of consolidated companies due to the acquisition of additional interests, one company was removed from the group of companies measured at equity due to the sale of shares. The additions resulted from an expansion of business operations. One company was reclassified from associated companies to joint ventures.

The major direct and indirect subsidiaries, associated companies and joint ventures of TUI AG are listed under 'Major subsidiaries, associated companies and joint ventures'. A complete list of shareholdings is published in the electronic Federal Gazette and at www.tui-group.com on the internet.

The effects of the changes in the group of consolidated companies in financial year 2008 on the years 2008 and 2007 are outlined below. While balance sheet values of companies deconsolidated in financial year 2008 are shown as per the closing date for the previous period, items of the profit and loss statement are also shown for financial year 2008 due to prorated effects.

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

€ million	Additions 31 Dec 2008	Disposals 31 Dec 2007
Non-current assets	193.5	0.8
Current assets	142.2	4.5
Non-current provisions	0.3	–
Current provisions	6.0	0.9
Non-current financial liabilities	7.3	–
Current financial liabilities	1.9	–
Non-current other liabilities	16.6	–
Current other liabilities	129.2	0.3

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

€ million	Additions 2008	Disposals 2008	Disposals 2007
Turnover with third parties	189.8	0.3	0.5
Turnover with consolidated Group companies	10.6	11.7	24.8
Cost of sales and administrative expenses	186.8	12.3	23.7
Other income/other expenses	+ 24.8	0.0	0.0
Financial income	0.3	–	–
Financial expenses	1.5	0.0	0.0
Earnings before income taxes	**37.2**	**- 0.3**	**1.6**
Income taxes	- 3.2	–	- 0.2
Result from continuing operations	40.4	- 0.3	1.8
Group profit/loss for the year	**40.4**	**- 0.3**	**1.8**

Acquisitions – divestments

In financial year 2008, 51 tourism companies were acquired at acquisitions costs (including incidental costs) of €169.8m.

Summary presentation of acquisitions

Name and headquarters of the acquired company	Business activity	Acquirer	Date of acquisition	Acquired share %	Acquisition costs € million
Active Safary Pty. Ltd., West Leederville, Australia including their share in a further company	Special tour operator for Australia	Trek America Travel Ltd.	22 Jan 08	each 100.0	1.1
Destination Florida-New England, Inc., Florida, US including their share in a further company	Provider of services for cruise companies	First Choice Holdings, Inc.	17 Jan 08	each 100.0	4.7
Gullivers Group Ltd., Tewkesbury, UK including their share in a further company	Special tour operator	TUI Travel PLC	29 Feb 08	each 100.0	20.3
Your Sporting Challenge Ltd., Southampton, UK	Special tour operator	TUI Travel PLC	19 Mar 08	100.0	0.3
Real Travel Ltd., Tunbridge Wells, UK including their share in three further companies	Special tour operator	TUI Travel PLC	3 Apr 08	each 100.0	14.4
World Challenge Holdings Ltd., London, UK including their share in seven further companies	Special tour operator	TUI Travel PLC	13 May 08	each 100.0	25.3
Sportsworld Holdings Ltd., Reading, UK including their share in nine further companies	Special tour operator	TUI Travel PLC	13 May 08	each 100.0	18.4
Travelmood Ltd., London, UK	Special tour operator	TUI Travel PLC	2 Jun 08	100.0	4.8
Société Polynésienne Promotion Hoteliére S.A.S., Tamanu, Polynesia	Hotel company	Touraventure S.A.	1 Jul 08	50.0	1.9
FanFirm Pty Ltd, Sidney, Australia including their share in three further companies	Special tour operator	TUI Travel PLC	12 Aug 08	each 100.0	9.3
Hotels London Ltd., Hertfordshire, UK	Online booking service	Late Rooms Ltd.	1 Sep 08	100.0	1.5
Events International Ltd., Hereford, UK including their share in four further companies	Special tour operator	Gullivers Group Ltd.	30 Sep 08	each 100.0	3.5
Société Investissement Aerien S.A., Casablance, Morocco	Airline	TUI Belgium N.V.	30 Jun 08	60.0	3.8
Travel Adventures, Inc., Laper, US	Special tour operator	First Choice Holdings, Inc.	1 Oct 08	100.0	4.5
Sport Abroad Ltd., Purley, UK	Special tour operator	Sportsworld Group Ltd.	3 Oct 08	100.0	1.2
Teamlink Travel Ltd., Crawley, UK including their share in a further company	Special tour operator	TUI Travel PLC	10 Oct 08	each 100.0	2.2
Sunshine Cruises Ltd., Crawley, UK	Special tour operator for cruises	First Choice Holidays Ltd.	4 Nov 08	50.0	39.3
Edwin Doran Travel Ltd., Crawley, UK	Special tour operator	TUI Travel PLC	7 Nov 08	100.0	7.5
Master Yachting GmbH, Eibelstadt, Germany	Agency for yachtcharter	Leibniz Service GmbH	14 Nov 08	100.0	4.3
On the piste.com Ltd., Manchester, UK including their share in a further company	Special tour operator	TUI Travel Holdings Ltd.	22 Dec 08	each 100.0	1.5
Total					**169.8**

Following acquisition of the above-mentioned interests, the TUI Group now holds 100% of Société Polynésienne Promotion Hoteliére S.A.S., Société Investissement Aerien S.A. and Sunshine Cruises Ltd.

The cost of acquisition in foreign currencies was translated into euro at the exchange rates as at the date of the transaction. In some cases it also comprised the best possible estimate of additional purchase price portions depending on future events, alongside the purchase price already paid.

Breakdown of purchase prices

Components of purchase prices	€ million
Purchase price paid	133.9
Deferred and contingent consideration	33.8
Expense	2.1
Total	**169.8**

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

€ million, translated	Carrying amounts at date of acquisition	Revaluation of assets and liabilities	Revalued carrying amounts at date of first-time consolidation
Other intangible assets	7.9	51.0	58.9
Property, plant and equipment	84.7	- 15.6	69.1
Investments	0.2	–	0.2
Fixed assets	**92.8**	**35.4**	**128.2**
Inventories	6.5	- 2.7	3.8
Trade accounts receivable	12.3	- 0.4	11.9
Other receivables and other assets including prepaid expenses	63.0	2.3	65.3
Deferred income tax receivables	0.2	–	0.2
Cash and cash equivalents	55.2	–	55.2
Effective and deferred income tax provisions	2.0	16.6	18.6
Other provisions	12.9	0.4	13.3
Financial liabilities	17.2	–	17.2
Trade accounts payable	68.8	–	68.8
Liabilities and deferred income	50.8	12.2	63.0
Equity	**78.3**	**5.4**	**83.7**

In accordance with the rules of IFRS 5, Société Investissement Aerien S.A. (Jet4You) was already classified as a disposal group at the date of its first-time consolidation. The amount of €12.0m provisionally carried as goodwill was therefore shown under the balance sheet item 'Assets held for sale'.

The difference between the cost of acquisition and the revalued net assets of the remaining companies attributable to the acquired share totalled €114.2m as at the date of acquisition and was provisionally carried as goodwill for the respective companies.

Due to the requirement to finalise purchase price allocations within a timeframe of 12 months applicable under IFRS 3, the purchase price allocation to the individual assets and liabilities was only effected on a provisional basis.

Since the date of first-time consolidation, the companies mentioned above have generated turnover of €173.1m and earnings after tax of €-14.2m. Until the date of the transfer of the shares, the companies generated turnover of €155.9m and earnings after tax of €-6.7m.

The preliminary determination of the fair values of acquired assets and contingent liabilities implemented in connection with the merger of TUI's tourism division and the UK travel group First Choice Holidays PLC, effected in September 2007, was finalised in September 2008. Comparative information for reporting periods prior to preparation of the first-time accounting of the acquisition transaction must be presented retrospectively as if the purchase price allocation had already been completed at the date of acquisition. The following table provides an overview of the final purchase price allocation:

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**	
	GBP million	€ million	GBP million	€ million	GBP million	€ million
Goodwill	697.5	1,030.9	- 697.5	- 1,030.9	–	–
Other intangible assets	109.4	161.7	541.5	800.3	650.9	962.0
Property, plant and equipment	268.0	396.1	- 0.6	- 0.9	267.4	395.2
Investments	35.2	52.0	–	–	35.2	52.0
Fixed assets	**1,110.1**	**1,640.7**	**- 156.6**	**- 231.5**	**953.5**	**1,409.2**
Inventories	21.6	31.9	–	–	21.6	31.9
Trade accounts receivable	271.9	401.9	–	–	271.9	401.9
Other receivables and other assets including prepaid expenses	388.0	573.4	- 31.3	- 46.3	356.7	527.1
Deferred income tax receivables	1.3	1.9	15.2	22.5	16.5	24.4
Cash and cash equivalents	322.4	476.5	–	–	322.4	476.5
Pension provisions	7.0	10.3	–	–	7.0	10.3
Effective and deferred income tax provisions	24.4	36.1	164.8	243.6	189.2	279.7
Other provisions	53.1	78.5	20.5	30.3	73.6	108.8
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	- 12.1	- 17.9	533.4	788.3
Equity	**251.1**	**371.1**	**- 345.9**	**- 511.2**	**- 94.8**	**- 140.1**
of which minority interest	0.9	1.3	–	–	0.9	1.3

The goodwill arising in the consolidated balance sheet from the elimination of the acquisition costs against the acquiree's revalued equity attributable to the acquired share with minority interests taken into account rose by €19.5m to €1,248.3m (844.6m GBP) due to changes in the purchase price allocation. The goodwill essentially represents a portion of the expected synergy potentials. Group profit for the year 2007 declined by €4.5m (3.1m GBP) due to the adjustment of the purchase price allocation, with €2.2m (1.5m GBP) relating to minority interests.

The purchase price allocations for all acquisitions made in financial year 2007 were also finalised in the present financial statements. The final balance sheet as at the date of first-time consolidation, summarising these acquisitions and translated into euro, is provided below:

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

€ million, translated	Carrying amounts at date of acquisition	Revaluation of assets and liabilities	Revalued carrying amounts at date of first-time consolidation
Other intangible assets	0.6	49.3	49.9
Property, plant and equipment	9.7	- 1.8	7.9
Investments	1.2	–	1.2
Fixed assets	**11.5**	**47.5**	**59.0**
Current assets	42.4	0.2	42.6
Deferred income tax provisions	0.0	9.7	9.7
Other provisions	3.0	–	3.0
Financial liabilities, liabilities and deferred income	55.7	7.3	63.0
Equity	**- 4.8**	**30.7**	**25.9**

The goodwill arising in the consolidated balance sheet from the elimination of the purchase price for the acquisition of around 40.2% of the shares in Holidays Services S.A. against the acquiree's revalued equity attributable to the acquired share rose by €0.3m to €3.1m due to changes in the purchase price allocation and after elimination of minority interests.

Other purchase price allocations finalised in financial year 2008 caused a reduction in goodwill of €12.9m in the consolidated balance sheet due to the elimination of the acquisition cost against the acquiree's revalued equity attributable to the acquired share.

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 are shown in the profit and loss statement, with the exception of gains and losses to be taken to equity as qualified cash flow hedges.

The financial statements of companies are prepared in the respective functional currency. The respective functional currency of a company corresponds to the currency of the primary economic environment in which the company operates. With the exception of the operative container shipping companies and four 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 prepare their financial statements in functional currencies other than the euro, i.e. the Group's reporting currency, the assets, liabilities and balance sheet notes are 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 are treated as assets and liabilities of the foreign company and also translated at the mean rate of exchange applicable at the balance sheet date. The items of the profit and loss statement and hence the profit for the year shown in the profit and loss statement are translated at the annual average rate.

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 their fair value with an effect on results) are 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) are carried in revenue reserves under the revaluation reserve for financial instruments.

The TUI Group did not hold any subsidiaries operating in hyperinflationary economies in the financial year under review, nor in 2007.

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

Differences resulting from the translation of the annual financial statements of foreign subsidiaries are 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 is sold, any currency differences previously carried in equity outside profit and loss are recognised as a gain or loss from disposal in the profit and loss statement.

Net investment in a foreign operation

Monetary items in the form of accounts receivable or liabilities to a foreign operation for which settlement in a foreseeable timeframe is neither planned nor probable essentially represent a portion of the net investment in this foreign operation. Currency differences from the translation of these monetary items are directly taken to equity outside profit and loss.

Gains or losses from currency hedges arising from the translation of the functional currency of container shipping into euro are also separately shown in equity under differences from currency translation where the hedge is effective (hedge of a net investment in a foreign operation).

These amounts, taken to equity outside profit and loss, are realized through profit and loss in the event of a sale of or reduction in the net investment.

Exchange rates of currencies of relevance to the TUI Group

	Closing rate		Average rate	
each €	**31 Dec 2008**	**31 Dec 2007**	**2008**	**2007**
British pound sterling	0.96	0.73	0.80	0.68
US dollars	1.40	1.47	1.47	1.37
Swiss francs	1.49	1.66	1.59	1.64
Swedish kronas	10.92	9.44	9.62	9.25

Consolidation methods

The recognition of the net assets of acquired subsidiaries is based on the purchase method of accounting. Accordingly, irrespective of existing minority interests, a complete fair value measurement of all identifiable assets, liabilities and contingent liabilities is initially effected as at the acquisition date. Subsequently, the acquisition costs of the shareholding plus the costs directly allocable to the acquisition are eliminated against the acquiree's revalued equity attributable to the acquired share. Any excess of acquisition costs over net assets acquired is capitalised 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. Any negative goodwill is immediately reversed through profit or loss as at the date on which it arises, with the reversal effect carried under 'Other income'.

Due to the application of IRFS 3, goodwill is no longer amortised. Goodwill is regularly tested for impairment, at least annually, following the completion of the annual planning process. Additional impairment tests are effected if there are any indications of potential impairment in goodwill.

Transactions involving minority interests continue to be treated in the same way as transactions with equity providers of the Group. Goodwill arising in the framework of the acquisition of minority interests is directly eliminated against other revenue reserves. Goodwill arising in the framework of the divestment of minority interests is also directly carried in other revenue reserves.

In the event of step acquisitions, a complete fair value measurement of assets and liabilities of the acquired company is effected as at every acquisition date. The goodwill to be recognised arises 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 are recognised in equity outside profit and loss in the consolidated balance sheet in relation to the stake not yet resulting in consolidation of the company and are carried in the revaluation reserve. With removal of a company from consolidation, this revaluation reserve is eliminated against other revenue reserves.

The difference between the income from the disposal of the subsidiary and Group equity attributable to the stake, including any translation differences, differences from the revaluation reserve, the reserve for changes in the value of financial instruments as well as interim profits previously carried outside profit and loss is carried in the consolidated profit and loss statement as at the disposal date. This principle does not apply to actuarial gains or losses carried in Group equity outside profit and loss in the framework of the recognition of pension obligations in accordance with IAS 19. If any subsidiaries are sold, the goodwill attributable to these subsidiaries is included in the determination of the gain or loss on disposal.

The Group's major associated companies and joint ventures are measured at equity and shown in the balance sheet at the cost of acquisition as at the acquisition date. The group's stake in associated companies and joint ventures includes the goodwill arising from the respective acquisition transaction.

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

Intercompany profits from transactions between subsidiaries and companies measured at equity are eliminated in relation to the Group's stake in the company.

Intercompany losses are also eliminated if the transaction does not suggest an impairment in the transferred asset. Where the accounting and measurement methods applied by associated companies and joint ventures differ from the uniform accounting rules applied in the Group and the differences are sufficiently known and accessible, amendments are made as a matter of principle.

Intercompany receivables and payables or provisions are eliminated. Where the conditions for the consolidation of third-party debt are met, this option is used. Intercompany turnover and other income as well as the corresponding expenses were eliminated. In accordance with the rules of IFRS 5, expenses and income from transactions between continuing and discontinued operations were not eliminated where these results related to agreements that will continue to exist even after the disposal of the discontinued operation. Intercompany results from intercompany deliveries and services are reversed through profit or loss, taking account of deferred income taxes. However, intercompany losses are understood as suggesting that an impairment test is required for the transferred assets. Intercompany deliveries and services are usually provided in conformity with the arm's length principle.

Accounting and measurement

The financial statements of the subsidiaries included in the Group are prepared in accordance with uniform accounting and measurement principles. The amounts stated in the consolidated financial statements are not determined by tax regulations but solely by the commercial presentation of the net assets, financial position and results of operations as set out in the rules of the IASB.

Recognition of income

Turnover comprises 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 is 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 income is carried upon rendering of the service or delivery of the assets and hence upon transfer of the risk.

The commission fees received by travel agencies for package tours are recognised upon payment by the customers or, at the latest, upon their departure. The services of tour operators mainly consist in organising and coordinating package tours. Turnover from the organisation of tours is 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 is recognised when the customers have used the respective services. Income from non-completed shipping tours is recognised according to the proportion of contract performance at the balance sheet date. For cruises, the percentage of completion is determined as the ratio between travel days completed by the balance sheet date and overall travel days.

In container shipping, the percentage of completion is determined in accordance with the relationship between the expenses already incurred and the expected overall expense for the shipping tour. The realisation of income is based on the profit margins determined for the individual trade lanes and constantly reviewed.

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

Goodwill and other intangible assets

Acquired intangible assets are carried at cost. Self-generated intangible assets, primarily software for use by the Group itself, are capitalised at cost where an inflow of future economic benefits for the Group is probable and can be reliably measured. The cost of production comprises direct costs and directly allocable overheads. Intangible assets with a limited service life are amortised over the expected useful life.

Intangible assets acquired in the framework of business combinations, such as order book, customer relationships or trademark rights, are carried at the fair value as at the date of acquisition and amortised.

Useful lives

	Useful lives
Concessions, property rights and similar rights	up to 20 years
Brands as at aquisition date	15 to 20 years
Order book as at aquisition date	until departure date
Software	3 to 10 years
Customers base	up to 15 years

Intangible assets with indefinite useful lives are not amortised but have to be tested for impairment at least annually. In addition, impairment tests have to be conducted if there are any indications of potential impairment. The TUI Group's intangible assets with an indefinite useful life exclusively consisted of goodwill.

Impairment tests for goodwill are 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. In the tourism segment, TUI Travel PLC as a whole represents a cash generating unit. Allocation in the TUI Hotels & Resorts sector is based on the individual hotel groups.

Impairments are effected where the carrying amounts of the tested units plus the allocated goodwill exceeds the recoverable amount. The recoverable amount corresponds 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 surpluses. This was based on the medium-term plan for the entity under review, prepared at the end of 2008, 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 2009 to 2011, the weighted average cost of capital after income taxes which formed the discounting basis was 8.1% per annum for the TUI Travel PLC sector and 7.1% per annum for TUI Hotels & Resorts; taking account of a growth markdown of 1.0% per annum, the corresponding figures were 7.1% p.a. and 6.1% p.a., respectively, for the longer-term period. The fair values determined were tested against multiples customary in the market. 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 effected in previous years no longer applied, the impairment was written back to 'Other income'. In accordance with IAS 36, write-backs of goodwill are not admissible.

Property, plant and equipment

Property, plant and equipment are measured at amortised cost. The cost of purchase comprises all costs incurred to purchase an asset and bring it to working condition. The cost of production is 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 are included in the cost of acquisition or production of these assets until the assets are ready for their intended use of sale. The interest rate for intergroup financing is 6.25% in the financial year 2008 and 5.81% in 2007. Other borrowing costs are recognised as current expenses.

To the extent that funds are borrowed specifically for the purpose of obtaining a qualified asset, the underlying capitalisation rate is 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 is applied.

Use-related depreciation is 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	5 to 15 Jahre
Motorboats	15 to 24 Jahre
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 is determined by the residual amounts recoverable at the end of the useful life of an asset. While the residual value of a container ship is determined in particular on the basis of its scrap value, the residual value assumed for cruise ships and their hotel complexes amounts to 30% of the acquisition costs. The determination of the depreciation of aircraft fuselages, aircraft engines and spare parts in first-time recognition is 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 is based on comparable assets at the end of their useful lives as at the current point in time. Any adjustments required are effected as a correction of depreciation over the remaining useful life of the asset. The restatement of depreciation is effected retrospectively for the entire financial year in which the review has taken place. Where the review results in an increase in the residual value so that it exceeds the remaining net carrying amount of the asset, depreciation is suspended. In this case, the amounts are not written back.

Any losses in value expected to be permanent and going beyond wear-and-tear depreciation are taken into account by means of the recognition of impairment losses. If there are any indications of impairment, the carrying value of an asset is 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 payment flows attributable to the asset (value in use).

Investment grants received are shown as reductions in cost where these grants are directly attributable to individual property, plant or equipment items. Where a direct allocation of grants is not possible, the grants and subsidies received are carried as deferred income under 'Other liabilities' and reversed in accordance with the useful life of the investment project.

Leases

Finance leases

In accordance with IAS 17, leased property, plant and equipment in which the TUI Group carries all essential risks and rewards incident to ownership of the assets are capitalised. Capitalisation is based on the fair value of the asset or the present value of the minimum lease payments, if lower. Depreciation is 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. Payment obligations arising from future lease payments are carried as liabilities, with no consideration of future interest expenses. Every lease payment is broken down into an interest portion and a redemption portion so that liability from the lease yields constant interest. The interest portion is carried in the profit and loss statement with an effect on results.

Where companies of the TUI Group are lessors in finance leases, receivables equivalent to the net investment value are carried for the lease. The periodical distribution of the income from finance leases results in constant interest payments on the outstanding net investment volume of the leases over the course of time.

Operating leases

Both expenses for and income from operating leases are recognised in the profit and loss statement on a straight-line basis over the term of the corresponding agreements.

Sale-and-lease-back transactions

Profits from sale-and-lease-back transactions, resulting in a finance lease, are distributed over the term of the lease through profit or loss. Losses, in contrast, are immediately recognised in the profit and loss statement as at the date of the transaction.

If a sale-and-lease-back transaction results in an operating lease, a profit or loss is carried immediately if the transaction is proven to have been effected at market values. If a loss is offset by future leasing payments being below market prices, this loss is to be accrued over the term of the lease agreement. If the agreed purchase price exceeds the fair value, the profit from the difference between these two values also has to be accrued.

Investment property

Property not occupied for use by Group companies and exclusively held to generate rental income and capital gains is recognised at amortised cost. This property is depreciated 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 are broken down into financial assets or liabilities to be measured at fair value through profit or loss, loans and receivables, financial assets available for sale, financial assets held to maturity and other liabilities.

In terms of financial instruments measured at fair value through profit or loss, the TUI Group exclusively held derivative financial instruments which had to be 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 'held for sale' categories. However, it did not hold any assets held to maturity in the period subject to the present financial statements.

In financial year 2008 and in the previous financial year no reclassifications were effected within the individual measurement categories.

Primary financial assets

Financial assets are recognised at the value as at the trading date on which the Group commits to buy the asset. Primary financial assets are 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 are initially recognised at fair value plus transaction costs.

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

In the framework of follow-up measurement, loans and receivables are measured at amortised cost based on the effective interest method. Value adjustments are made to account for identifiable individual risks. Where default of a certain portion of the receivables portfolio is probable, impairments are effected at an amount corresponding to the expected loss. Impairments and write-backs of impairments are 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 explicitly allocated to this category or not allocable to any other category of financial assets. In the TUI Group, they exclusively consist of company shares and securities held. They have to be allocated to non-current assets unless the management intends to sell them within twelve months after the balance sheet date.

Financial assets available for sale are measured at their fair value in the framework of initial measurement. Changes in fair values are carried in equity outside profit and loss until the disposal of the assets. A permanent reduction in fair value gives rise to impairments recognised through profit or loss. In the event of subsequent reversal of the impairment, the impairment carried through profit or loss is not reversed for equity instruments but eliminated against equity outside profit and loss. Where a listed market price in an active market is not available for shares held and other methods to determine an objective market value are not applicable, the shares are measured at amortised cost.

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

Derivative financial instruments and hedging

In the framework of initial measurement, derivative financial instruments are measured at the fair value attributable to them on the day of the conclusion of the agreement. The follow-up measurement is also effected at the fair value applicable at the respective balance sheet date. Where derivative financial instruments are not part of a hedge in connection with hedge accounting, they have to be classified as held for trading in accordance with IAS 39. The method used to carry profits and losses depends on whether the derivative financial instrument is 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 exposure to changes in the fair value of assets or liabilities or as cash flow hedges to hedge against variability in cash flows from highly probable future transactions.

Upon conclusion of the transaction, the Group documents the hedge relationship between the hedge and the underlying item, the risk management goal and the underlying strategy. 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 underlying transactions in a highly effective manner. Derivative financial instruments held for trading are carried as current assets or liabilities.

The changes in the fair values of derivative financial instruments designated to hedge against exposure to changes in the fair value (fair value hedges) are carried in the profit and loss statement alongside the changes in the fair values of the hedged assets or liabilities allocable to the hedged risk. If the conditions for hedge accounting are no longer met and the previously designated underlying item is measured by means of the effective interest method, the necessary adjustment of the carrying amount of the underlying transaction has to be effected over its remaining term. The present annual financial statements did not include any fair value hedges of assets and liabilities.

The effective portion of changes in the fair value of derivatives forming cash flow hedges is recognised in equity. The ineffective portion of such changes in the fair value, in contrast, is recognised immediately in the profit and loss statement, depending on the nature of the transaction. Amounts taken to equity are 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 expires, is sold or no longer meets the criteria for hedge accounting, the cumulative gain or loss remains in equity and is only carried in the profit and loss statement when the originally hedged future transaction occurs. If the future transaction is no longer expected to take place, the cumulative gain or loss recognised directly in equity is immediately recognised in profit or loss.

Changes in the fair values of derivative financial instruments not meeting the criteria for hedge accounting are immediately carried in the profit and loss statement.

Inventories

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

Cash and cash equivalents

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

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if the associated carrying amount will be recovered principally through sale rather than through continued use. Discontinued operations are operations which may clearly be separated operationally and for accounting purposes from the remainder of the Company and have been sold or classified as held for sale.

The measurement is effected at the lower of carrying amount and fair value less costs to sell. Depreciation and at equity measurements have to be suspended. Impairments to fair value less costs to sell must be carried through profit or loss, with any gains on subsequent remeasurement resulting in the recognition of profits up to the amount of the cumulative impairment cost.

Hybrid capital

In accordance with IAS 32, the hybrid capital issued at the end of the 2005 financial year has to be recognised as one of the Group's equity components due to the bond terms. Accordingly, the tax-deductible interest payments were not shown under interest expenses but treated in analogy to dividend obligations to the shareholders. Any capital procurement costs incurred were directly deducted from the hybrid capital, taking account of deferred income taxes.

Provisions

Provisions are formed when the Group has a current legal or constructive obligation as a result of a past event and where in addition it is probable that assets will be impacted by the settlement of the obligation and the level of the provision can be reliably determined. Provisions for restructuring measures comprise payments for the premature termination of rental agreements and severance payments to employees. No provisions are carried for future operating losses.

Where a large number of similar obligations exists – such as legal guarantees and warranties – the probability of a charge over assets is determined on the basis of this group of obligations. A provision is also carried as a liability if the probability of a charge over assets is low in relation to an individual obligation contained in this group.

Provisions are measured at the present value of the expected expenses, taking account of a pre-tax interest rate reflecting current market assessments of the time value of money and the risks specific to the liability. Risks already taken into account in estimating future cash flows do not affect the discount rate. Increases in provisions due to accrued interest are carried as interest expenses through profit or loss.

The pension provision recognised for defined benefit plans corresponds to the net present value of the defined benefit obligations (DBOs) as at the balance sheet date less the fair value of the plan assets. Measurement of these assets is limited to the net present value of the value in use in the form of reimbursements from the plan or reductions in future contribution payments. Actuarial gains and losses arising from the regular adjustment of actuarial parameters are eliminated against equity when they occur. The DBOs are calculated annually by independent actuaries using 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 first-rate corporate bonds.

Past service cost is immediately recognised through profit or loss if the changes in the pension plan do not depend on the employee remaining in the Company for a defined period of time (vested period). Otherwise, the past service cost is recognised through profit or loss on a straight-line basis over the vesting period.

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 are carried as personnel costs when they fall due.

Liabilities

As a matter of principle, liabilities are carried at the date on which they arise at the amount of the consideration received after deduction of the cost of borrowing and the transaction costs. Over the course of time, liabilities are 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 are recognised in accordance with their character. At the issuing date, the debt component is carried as a bond at a value that would have been generated for the issue of this debt instrument without corresponding conversion options or warrants on the basis of current market terms. If the conversion options or warrants have to be classified as equity instruments, the difference over the issuing proceeds generated is transferred to the capital reserve with deferred taxes taken into account.

As a matter of principle, the currency differences resulting from the translation of trade accounts payable are reported as a correction of the cost of sales. Currency differences from the translation of liabilities not resulting from operating processes are carried as '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 using the balance sheet liability method. Accordingly, probable future tax reliefs and charges are recognised for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Expected tax savings from the use of loss carryforwards assessed as recoverable in the future are 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 given 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 are directly charged or credited to equity if the tax relates to items directly credited or charged to equity in the same or some other period.

Deferred tax assets are carried to the extent that it is probable that future taxable profits will be available against which the temporary difference or an unused tax loss can be utilised.

Deferred taxes are measured at the tax rates and tax provisions applicable at the balance sheet date or essentially adopted by law and expected to be applicable at the date of realisation of the deferred tax claim or the payment of the deferred tax liability. Deferred tax items of German companies were measured at a tax rate of 31.0% (previous year: 31.0%).

Current income taxes

In financial year 2008, the German companies of the TUI Group with financial years ending on 31 December had to pay average trade tax of approx. 15.2% (previous year: 18.0%) on trade earnings. The corporation tax rate was 15.0%, (previous year: 25.0%), plus a 5.5% solidarity surcharge on corporation tax, as before. For the German companies of the TUI Group whose financial year was changed to a different financial year in 2007, the average income tax rate was 31.0% as of the conversion to 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.

Share-based payments

All share-based payment schemes in the Group were payment schemes paid in cash or via equity instruments.

For transactions with cash compensation, 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 closing date and all changes in the fair value were carried through profit or loss.

In the tourism division, share-based payment schemes exist in the form of share award programmes granted by TUI Travel PLC. Under these payment schemes, directors and employees are entitled to acquire shares in TUI Travel PLC. The fair value of the services is carried under 'Personnel costs' with a corresponding direct increase in equity. The fair value is determined at the time of the granting and spread over the period during which the employees become entitled to the awards.

The fair value of the award granted is measured using option valuation models, taking into account the terms and conditions upon which the options were granted. The amount to be carried under personnel costs is adjusted to reflect the actual number of share awards that vest except where forfeiture is due only to market-based performance conditions not meeting the threshold for vesting.

Transactions to acquire shares in TUI Travel PLC to perform the share award plans were directly taken to the revenue reserve in equity.

Key estimates and judgements

All estimates and judgements are reviewed on an ongoing basis and are based on historical 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'.

In order to review the carrying amounts of property, plant and equipment, an annual assessment for signs of potential impairment is performed. These indications relate to various areas, e.g. the market-related or technical environment but also physical condition. If such signs are identified, management has to assess the recoverable amount on the basis of expected future cash flows and appropriate interest rates. Moreover, key estimates and judgements are made in determining useful economic lives and residual values of property, plant and equipment items, to be tested 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 have to be measured at their fair values. In this context, cash flow-based methods are regularly used. Depending on the assumptions underlying such methods, different results may be produced. In particular, judgement and estimation is required in determining the economic useful lives of intangible assets and the fair values of contingent liabilities.

The classification of non-current assets or disposal groups as 'held for sale' requires judgement in determining whether the planned disposal is highly probable and able to be realised within 12 months. The measurement of these assets or disposal groups at their fair value less costs to sell can also require judgement if there is no active market.

In accounting for provisions, judgement is required in determining occurrence probability, maturity and level of the risk. In order to determine the obligation under defined benefit pension schemes, actuarial calculations are used. They strongly depend on the underlying mortality assumptions and the selection of the discount rate, newly determined at the end of every year. The discount rate used is therefore the interest rate for first-rate corporate bonds denominated in the currencies in which the services are paid and with maturities corresponding to those of the pension obligations. At the same time, current market expectations are used in determining the expected return on plan assets. Detailed information is outlined in the explanatory information on the recognised pension provisions under note 31.

Judgement is required in the assessment of prospective effectiveness of hedges at hedge inception and during the period over which hedge accounting is adopted. Moreover, the assessment of the probability of forecast transactions underlying the cash flow hedges can involve judgement.

The Group is liable to pay income taxes in various countries. Judgement is required in determining the income tax provisions. For certain transactions and calculations the final tax charge is impossible to determine during the ordinary course of business. The level of the provisions for expected tax audits is based on an estimation of whether and to what extent additional income taxes will be due. Judgements are corrected, if necessary, in the period in which the final tax charge is determined.

Segment Reporting

Notes on the segments

In primary segment reporting, the individual organisational entities were attributed to the business segments, with tourism representing the Group's exclusive core business following the sale of a majority stake in container shipping.

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.

The tourism division consisted of TUI Travel PLC, TUI Hotels & Resorts and the cruises sector, previously allocated to the shipping division, which has been allocated to tourism since the beginning of financial year 2008.

TUI Travel PLC was created in 2007 from the merger of the TUI Group's distribution, tour operating, airline and incoming services activities and those of the former British First Choice Holidays PLC. Its business breaks down into four sectors: Mainstream, Specialist & Emerging Markets, Activity and Online Destination Services.

TUI Hotels & Resorts comprises all hotel companies of the Group. The cruises sector comprises Hapag-Lloyd Kreuzfahrten and the TUI Cruises activities currently being established.

The 'Other operating units' segment consisted of the Group's real estate companies.

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 financial year 2008, the 'Holdings' sector also carried turnover from and expenses for intra-Group aircraft leasing transactions allocated to tourism in 2007.

Discontinued operations have comprised the container shipping operations since 31 March 2008. Hapag-Lloyd did not only offer pure container shipping operations but in particular also door-to-door container transport services. Using subcontractors, the company thus offered services at all stages of the value chain. In 2007, the Group did not carry any discontinued operations.

Expenses for and income from TUI AG's cross-divisional management tasks were allocated to the individual sectors and segments they were associated with.

The results from logistics transactions between the continuing operations and the discontinued operations, falling under agreements that will remain effective even after the sale of a majority stake in container shipping, were not carried on a consolidated basis but allocated to the respective segment. The individual segments were thus already shown on the basis of the post-disposal approach.

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 recognition of differences from currency translation in connection with capital reductions through profit or loss was attributed to the holding activities and therefore allocated to 'Holdings' in segment reporting.

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, EBIT, EBITA, 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 discontinued operations, the result from discontinued operations was reallocated to the original types of income and expenses.

Key Figures by Divisions and Sectors

€ million	Tourism 2008	Tourism 2007 revised	Other operating units 2008	Other operating units 2007
Statement of results				
Third-party turnover	18,588.2	15,759.0	33.1	25.5
Turnover of logistics in container shipping	–	–	–	–
Turnover	**18,588.2**	**15,759.0**	**33.1**	**25.5**
Inter-segment turnover	19.8	20.4	11.0	10.5
Segment turnover	**18,608.0**	**15,779.4**	**44.1**	**36.0**
Group profit/loss for the year				
Income taxes	–	–	–	–
Earnings before taxes (EBT)	**- 193.1**	**42.5**	**15.0**	**18.1**
Net interest result and result from the measurement of interest hedges	- 144.5	- 66.3	2.4	5.7
Earnings before interest and taxes (EBIT)	**- 48.6**	**108.8**	**12.6**	**12.4**
of which at equity result	*33.7*	*39.1*	–	–
Impairment of goodwill	107.2	53.7	–	–
Impairment of companies measured at equity	–	–	–	–
Earnings before interest, taxes and amortisation of goodwill (EBITA)	**58.6**	**162.5**	**12.6**	**12.4**
Adjustments	503.1	245.2	–	–
Underlying EBITA	**561.7**	**407.7**	**12.6**	**12.4**
Amortisation of other intangible assets and depreciation of property, plant and equipment	476.3	467.0	3.4	9.7
of which impairments	*21.0*	*43.9*	–	*6.0*
Other depreciation/amortisation and write-backs	- 5.8	- 14.0	–	–
of which write-backs	*3.3*	*2.9*	–	–
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**540.7**	**643.5**	**16.0**	**22.1**
Rental expenses	682.3	656.9	–	2.3
Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)	**1,223.0**	**1,300.4**	**16.0**	**24.4**
Assets and liabilities				
Segment assets	9,252.3	9,353.8	127.8	143.7
of which goodwill	*2,514.1*	*2,962.4*	–	–
Carrying amounts of companies measured at equity	406.4	469.1	–	–
Interest-bearing Group receivables	55.7	261.3	154.5	287.2
Cash and cash equivalents	771.7	1,142.5	1.3	1.9
Other financial assets	260.9	293.3	0.7	0.9
Non-allocatable taxes	–	–	–	–
Total assets	**–**	**–**	**–**	**–**
Segment liabilities	5,626.2	4,904.1	31.4	34.8
Third-party financial liabilities	1,130.3	1,520.9	6.0	6.5
Group financial liabilities	1,678.8	1,836.3	3.2	162.3
Other financial positions of liabilities	383.5	449.6	77.5	81.2
Non-allocatable taxes	–	–	–	–
Total liabilities and provisions	**–**	**–**	**–**	**–**
Additional disclosures				
Non-cash expenses	27.9	21.1	–	–
Return on sales (% on EBITA)	0.3	1.0	28.6	34.4
Investments	559.8	537.4	6.1	9.0
Investments in goodwill	1.4	36.5	–	–
Investments in other intangible assets and property, plant and equipment	558.4	500.9	6.1	9.0
Financing ratio (%)	104.2	96.9	55.7	107.8
Personnel at year-end	61,972	60,044	75	75

*) Non-allocatable to segments

Holdings*)		Consolidation		Continuing operations	
2008	**2007** revised	**2008**	**2007** revised	**2008**	**2007** revised
27.1	58.6	–	–	18,648.4	15,843.1
25.7	33.5	–	–	25.7	33.5
52.8	**92.1**	**–**	**–**	**18,674.1**	**15,876.6**
158.8	23.2	- 189.6	- 54.1	–	–
211.6	**115.3**	**- 189.6**	**- 54.1**	**18,674.1**	**15,876.6**
				- 440.8	**80.1**
–	–	–	–	39.8	- 30.3
- 143.6	**372.6**	**- 79.3**	**- 383.4**	**- 401.0**	**49.8**
- 140.1	- 185.4	- 17.6	0.8	- 299.8	- 245.2
- 3.5	**558.0**	**- 61.7**	**- 384.2**	**- 101.2**	**295.0**
–	–	–	–	*33.7*	*39.1*
–	–	–	–	107.2	53.7
–	–	–	–	–	–
- 3.5	**558.0**	**- 61.7**	**- 384.2**	**6.0**	**348.7**
- 1.8	- 210.7	–	–	501.3	34.5
- 5.3	**347.3**	**- 61.7**	**- 384.2**	**507.3**	**383.2**
5.5	14.9	–	- 1.5	485.2	490.1
–	*3.1*	–	–	*21.0*	*53.0*
- 18.4	- 110.8	- 1.1	103.6	- 25.3	- 21.2
–	–	*- 1.1*	*0.0*	*2.2*	*2.9*
20.4	**683.7**	**- 60.6**	**- 489.3**	**516.5**	**860.0**
150.1	5.2	- 157.2	- 6.7	675.2	657.7
170.5	**688.9**	**- 217.8**	**- 496.0**	**1,191.7**	**1,517.7**
330.9	368.7	- 21.5	- 116.2	9,689.5	9,750.0
–	–	–	–	*2,514.1*	*2,962.4*
–	–	–	–	406.4	469.1
2,044.5	3,628.6	- 2,093.5	- 2,305.3	161.2	1,871.8
1,272.5	341.8	–	–	2,045.5	1,486.2
4,669.8	5,826.3	- 2,098.9	- 2,106.8	2,832.5	4,013.7
–	–	–	–	–	–
–	**–**	**–**	**–**	**–**	**–**
405.3	434.1	- 238.2	- 116.7	5,824.7	5,256.3
3,842.1	3,894.9	- 3.7	- 1.7	4,974.7	5,420.6
225.8	467.3	- 1,907.8	- 2,318.2	–	147.7
233.4	244.9	–	–	694.4	775.7
–	–	–	–	–	–
–	**–**	**–**	**–**	**–**	**–**
2.6	2.6	–	–	30.5	23.7
–	–	–	–	0.0	2.2
0.3	4.4	–	–	566.2	550.8
–	–	–	–	1.4	36.5
0.3	4.4	–	–	564.8	514.3
–	–	–	–	104.6	98.7
590	746	–	–	62,637	60,865

Key Figures by Divisions and Sectors

€ million	Continuing operations 2008	Continuing operations 2007 revised	Discontinued operation Container shipping 2008	Discontinued operation Container shipping 2007 revised
Statement of results				
Third-party turnover	18,648.4	15,843.1	6,219.6	5,959.8
Turnover of logistics in container shipping	25.7	33.5	0.2	4.7
Turnover	**18,674.1**	**15,876.6**	**6,219.8**	**5,964.5**
Inter-segment turnover	–	–	–	–
Segment turnover	**18,674.1**	**15,876.6**	**6,219.8**	**5,964.5**
Group profit/loss for the year	**- 440.8**	**80.1**	**258.8**	**96.2**
Income taxes	39.8	- 30.3	32.0	28.9
Earnings before taxes (EBT)	**- 401.0**	**49.8**	**290.8**	**125.1**
Net interest result and result from the measurement of interest hedges	- 299.8	- 245.2	- 21.6	- 12.1
Earnings before interest and taxes (EBIT)	**- 101.2**	**295.0**	**312.4**	**137.2**
of which at equity result	*33.7*	*39.1*	*5.6*	*25.6*
Impairment of goodwill	107.2	53.7	–	–
Impairment of companies measured at equity	–	–	–	–
Earnings before interest, taxes and amortisation of goodwill (EBITA)	**6.0**	**348.7**	**312.4*)**	**137.2**
Adjustments	501.3	34.5	77.8	40.2
IFRS 5 effects	–	–	- 179.1	–
Underlying EBITA	**507.3**	**383.2**	**211.1**	**177.4**
Amortisation of other intangible assets and depreciation of property, plant and equipment	485.2	490.1	65.0	263.6
of which impairments	*21.0*	*53.0*	–	–
Other depreciation/amortisation and write-backs	- 25.3	- 21.2	–	0.2
of which write-backs	*2.2*	*2.9*	–	*0.7*
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**516.5**	**860.0**	**377.4*)**	**400.6**
Rental expenses	675.2	657.7	459.0	552.1
Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)	**1,191.7**	**1,517.7**	**836.4*)**	**952.7**
Assets and liabilities				
Segment assets	9,689.5	9,750.0	3,778.2	3,593.8
of which goodwill	*2,514.1*	*2,962.4*	*99.8*	*100.6*
Carrying amounts of companies measured at equity	406.4	469.1	75.2	71.6
Interest-bearing Group receivables	161.2	1,871.8	387.1	66.3
Cash and cash equivalents	2,045.5	1,486.2	123.9	127.8
Other financial assets	2,832.5	4,013.7	- 25.3	3.0
Non-allocatable taxes	–	–	–	–
Total assets	**–**	**–**	**–**	**–**
Segment liabilities	5,824.7	5,256.3	1,114.5	1,013.4
Third-party financial liabilities	4,974.7	5,420.6	1,277.5	110.7
Group financial liabilities	–	147.7	547.5	1,787.2
Other financial positions of liabilities	694.4	775.7	75.8	81.2
Non-allocatable taxes	–	–	–	–
Total liabilities and provisions	**–**	**–**	**–**	**–**
Additional disclosures				
Non-cash expenses	30.5	23.7	–	–
Return on sales (% on EBITA)	0.0	2.2	5.0	2.3
Investments	566.2	550.8	387.6	565.5
Investments in goodwill	1.4	36.5	–	–
Investments in other intangible assets and property, plant and equipment	564.8	514.3	387.6	565.5
Financing ratio (%)	104.6	98.7	16.8	46.6
Personnel at year-end	62,637	60,865	7,617	7,656

*) Earnings for financial year 2008 are presented in accordance with IFRS 5, taking account of the suspension of depreciation/amortisation and at equity measurement as of 1 April 2008. Without these IFRS 5 effects, earnings would have been €179.1m lower. In order to enhance comparability of underlying EBITA, this earnings effect was additionally included in the adjustments for the discontinued operation.

Key Figures by Divisions and Sectors

€ million	Consolidation 2008	Consolidation 2007 revised	Group 2008	Group 2007 revised
Statement of results				
Third-party turnover	–	–	24,868.0	21,802.9
Turnover of logistics in container shipping	- 25.9	- 38.2	–	–
Turnover	**- 25.9**	**- 38.2**	**24,868.0**	**21,802.9**
Inter-segment turnover	–	–	–	–
Segment turnover	**- 25.9**	**- 38.2**	**24,868.0**	**21,802.9**
Group profit/loss for the year	**–**	**–**	**- 182.0**	**176.3**
Income taxes	–	–	71.8	- 1.4
Earnings before taxes (EBT)	**–**	**–**	**- 110.2**	**174.9**
Net interest result and result from the measurement of interest hedges	–	–	- 321.4	- 257.3
Earnings before interest and taxes (EBIT)	**–**	**–**	**211.2**	**432.2**
of which at equity result	–	–	*39.3*	*64.7*
Impairment of goodwill	–	–	107.2	53.7
Impairment of companies measured at equity	–	–	–	–
Earnings before interest, taxes and amortisation of goodwill (EBITA)	**–**	**–**	**318.4*)**	**485.9**
Adjustments	–	–	579.1	74.7
IFRS 5 effects	–	–	- 179.1	
Underlying EBITA	**–**	**–**	**718.4**	**560.6**
Amortisation of other intangible assets and depreciation of property, plant and equipment	–	–	550.2	753.7
of which impairments	–	–	*21.0*	*53.0*
Other depreciation/amortisation and write-backs	–	–	- 25.3	- 21.0
of which write-backs	–	–	*2.2*	*3.6*
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**–**	**–**	**893.9*)**	**1,260.6**
Rental expenses	- 25.9	1.8	1,108.3	1,211.6
Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)	**- 25.9**	**1.8**	**2,002.2*)**	**2,472.2**
Assets and liabilities				
Segment assets	- 7.2	- 13.9	13,460.5	13,329.9
of which goodwill	–	–	*2,613.9*	*3,063.0*
Carrying amounts of companies measured at equity	–	–	481.6	540.7
Interest-bearing Group receivables	- 548.3	- 1,938.1	–	–
Cash and cash equivalents	–	–	2,169.4	1,614.0
Other financial assets	- 2,540.0	- 3,498.1	267.2	518.6
Non-allocatable taxes	–	–	277.3	245.8
Total assets	**–**	**–**	**16,656.0**	**16,249.0**
Segment liabilities	- 9.2	- 18.1	6,930.0	6,251.6
Third-party financial liabilities	–	–	6,252.2	5,531.3
Group financial liabilities	- 547.5	- 1,934.9	–	–
Other financial positions of liabilities	–	–	770.2	856.9
Non-allocatable taxes	–	–	535.3	571.3
Total liabilities and provisions	**–**	**–**	**14,487.7**	**13,211.1**
Additional disclosures				
Non-cash expenses	–	–	30.5	23.7
Return on sales (% on EBITA)	–	–	1.3	2.2
Investments	–	–	953.8	1,116.3
Investments in goodwill	–	–	1.4	36.5
Investments in other intangible assets and property, plant and equipment	–	–	952.4	1,079.8
Financing ratio (%)	–	–	68.9	72.3
Personnel at year-end	–	–	70,254	68,521

Key Figures Tourism Division

€ million	TUI Travel PLC 2008	TUI Travel PLC 2007 revised	TUI Hotels & Resorts 2008	TUI Hotels & Resorts 2007 revised
Statement of results				
Third-party turnover	17,975.5	15,196.0	412.7	379.8
Turnover of logistics in container shipping	–	–	–	–
Turnover	**17,975.5**	**15,196.0**	**412.7**	**379.8**
Inter-segment turnover	31.4	27.6	445.3	444.4
Segment turnover	**18,006.9**	**15,223.6**	**858.0**	**824.2**
Group profit/loss for the year				
Income taxes	–	–	–	–
Earnings before taxes (EBT)	**- 254.8**	**- 34.9**	**53.1**	**63.7**
Net interest result and result from the measurement of interest hedges	- 105.1	- 42.3	- 41.2	- 25.1
Earnings before interest and taxes (EBIT)	**- 149.7**	**7.4**	**94.3**	**88.8**
of which at equity result	*13.0*	*9.5*	*28.7*	*29.6*
Impairment of goodwill	72.7	33.7	34.5	20.0
Impairment of companies measured at equity	–	–	–	–
Earnings before interest, taxes and amortisation of goodwill (EBITA)	**- 77.0**	**41.1**	**128.8**	**108.8**
Adjustments	489.5	207.9	13.6	37.3
Underlying EBITA	**412.5**	**249.0**	**142.4**	**146.1**
Amortisation of other intangible assets and depreciation of property, plant and equipment	394.0	348.3	74.3	111.3
of which impairments	*21.0*	*4.5*	–	*39.4*
Other depreciation/amortisation and write-backs	- 6.3	- 12.5	0.5	- 1.5
of which write-backs	*1.9*	*1.8*	*1.4*	*1.1*
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**323.3**	**401.9**	**202.6**	**221.6**
Rental expenses	587.8	570.4	86.2	77.9
Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)	**911.1**	**972.3**	**288.8**	**299.5**
Assets and liabilities				
Segment assets	7,327.6	7,423.1	1,803.0	1,830.7
of which goodwill	*2,114.9*	*2,527.0*	*399.2*	*435.4*
Carrying amounts of companies measured at equity	106.1	156.7	294.5	312.4
Interest-bearing Group receivables	6.9	223.6	0.5	2.5
Cash and cash equivalents	673.2	1,076.6	95.9	63.3
Other financial assets	193.5	266.6	67.0	26.3
Non-allocatable taxes	–	–	–	–
Total assets	**–**	**–**	**–**	**–**
Segment liabilities	5,459.5	4,761.7	118.5	106.0
Third-party financial liabilities	767.1	1,097.4	363.2	423.5
Group financial liabilities	1,018.2	1,343.2	645.1	493.1
Other financial positions of liabilities	377.5	444.3	0.7	0.4
Non-allocatable taxes	–	–	–	–
Total liabilities and provisions	**–**	**–**	**–**	**–**
Additional disclosures				
Non-cash expenses	1.1	9.2	18.8	11.9
Return on sales (% on EBITA)	- 0.4	0.3	15.0	13.2
Investments	381.7	220.9	172.9	310.2
Investments in goodwill	1.4	2.5	0.0	34.0
Investments in other intangible assets and property, plant and equipment	380.3	218.4	172.9	276.2
Financing ratio (%)	122.3	172.9	62.9	42.3
Personnel at year-end	48,508	47,705	13,255	12,127

Cruises		Consolidation		Tourism division	
2008	**2007** revised	**2008**	**2007** revised	**2008**	**2007** revised
200.0	183.2	–	–	18,588.2	15,759.0
–	–	–	–	–	–
200.0	**183.2**	**–**	**–**	**18,588.2**	**15,759.0**
3.6	3.1	- 460.5	- 454.7	19.8	20.4
203.6	**186.3**	**- 460.5**	**- 454.7**	**18,608.0**	**15,779.4**
–	–	–	–	–	–
8.6	**15.3**	**–**	**- 1.6**	**- 193.1**	**42.5**
1.8	1.1	–	–	- 144.5	- 66.3
6.8	**14.2**	**–**	**- 1.6**	**- 48.6**	**108.8**
- 8.0	–	–	–	*33.7*	*39.1*
–	–	–	–	107.2	53.7
–	–	–	–	–	–
6.8	**14.2**	**–**	**- 1.6**	**58.6**	**162.5**
–	–	–	–	503.1	245.2
6.8	**14.2**	**–**	**- 1.6**	**561.7**	**407.7**
8.0	7.4	–	–	476.3	467.0
–	–	–	–	*21.0*	*43.9*
–	–	–	–	- 5.8	- 14.0
–	–	–	–	*3.3*	*2.9*
14.8	**21.6**	**–**	**- 1.6**	**540.7**	**643.5**
8.3	8.6	–	–	682.3	656.9
23.1	**30.2**	**–**	**- 1.6**	**1,223.0**	**1,300.4**
153.8	149.9	- 32.1	- 49.9	9,252.3	9,353.8
–	–	–	–	*2,514.1*	*2,962.4*
5.8	–	–	–	406.4	469.1
51.8	36.8	- 3.5	- 1.6	55.7	261.3
2.6	2.6	–	–	771.7	1,142.5
0.6	0.6	- 0.2	- 0.2	260.9	293.3
–	–	–	–	–	–
–	**–**	**–**	**–**	**–**	**–**
85.3	69.8	- 37.1	- 33.4	5,626.2	4,904.1
–	–	–	–	1,130.3	1,520.9
15.5	–	–	–	1,678.8	1,836.3
5.3	4.9	–	–	383.5	449.6
–	–	–	–	–	–
–	**–**	**–**	**–**	**–**	**–**
8.0	–	–	–	27.9	21.1
3.3	7.6	- 17.6	- 20.0	0.3	1.0
5.2	6.3	–	–	559.8	537.4
–	–	–	–	1.4	36.5
5.2	6.3	–	–	558.4	500.9
153.8	117.5	- 234.8	- 235.8	104.2	96.9
209	212	–	–	61,972	60,044

Key Figures by Regions

€ million	Germany 2008	Germany 2007 revised	EU (excl. Germany) 2008	EU (excl. Germany) 2007 revised	Rest of Europe 2008	Rest of Europe 2007
Consolidated turnover by customers	**5,576.0**	**5,635.4**	**13,469.2**	**11,128.4**	**690.5**	**758.8**
of which discontinued operation	*597.2*	*815.2*	*1,644.0*	*1,564.5*	*91.2*	*101.1*
Consolidated turnover by domicile of companies	**11,724.0**	**11,411.4**	**11,623.8**	**9,402.7**	**481.2**	**521.0**
of which discontinued operation	*6,219.8*	*5,964.5*	–	–	–	–
Segment assets	**4,754.1**	**4,513.3**	**7,348.9**	**6,829.9**	**90.7**	**84.9**
of which discontinued operation	*3,778.2*	*3,593.8*	–	–	–	–
Non-allocatable taxes	–	–	–	–	–	–
Segment liabilities	**2,472.6**	**2,143.0**	**3,837.0**	**3,451.1**	**204.7**	**76.9**
of which discontinued operation	*1,114.5*	*1,013.4*	–	–	–	–
Non-allocatable taxes	–	–	–	–	–	–
Additional disclosures						
Depreciation/amortisation	208.2	275.2	376.4	368.2	5.5	5.0
of which discontinued operation	*65.0*	*263.6*	–	–	–	–
Investments	445.5	600.9	330.2	303.1	2.3	3.3
of which discontinued operation	*377.3*	*553.7*	*1.4*	*1.3*	*0.1*	*0.1*
Investments in goodwill	1.4	2.2	–	31.5	–	0.2
of which discontinued operation	–	–	–	–	–	–
Investments in other tangible assets and property, plant and equipment	444.2	598.7	330.2	271.6	2.2	3.1
of which discontinued operation	*377.3*	*553.7*	*1.4*	*1.3*	*0.1*	*0.1*
Personnel at year-end	11,313	11,118	40,498	40,945	2,778	3,155
of which discontinued operation	*1,919*	*1,882*	*1,430*	*1,478*	*27*	*27*

€ million	North and South America 2008	North and South America 2007	Other Regions 2008	Other Regions 2007	Consolidation 2008	Consolidation 2007	Group 2008	Group 2007 revised
Consolidated turnover by customers	**1,714.5**	**2,714.6**	**3,443.7**	**1,603.9**	**- 25.9**	**- 38.2**	**24,868.0**	**21,802.9**
of which discontinued operation	*2,575.3*	*2,236.1*	*1,312.1*	*1,247.6*	*- 0.2*	*- 4.7*	*6,219.6*	*5,959.8*
Consolidated turnover by domicile of companies	**845.4**	**370.5**	**219.5**	**135.5**	**- 25.9**	**- 38.2**	**24,868.0**	**21,802.9**
of which discontinued operation	–	–	–	–	*- 0.2*	*- 4.7*	*6,219.6*	*5,959.8*
Segment assets	**860.2**	**1,428.5**	**454.0**	**489.5**	**- 47.4**	**- 16.2**	**13,460.5**	**13,329.9**
of which discontinued operation	–	–	–	–	–	–	*3,778.2*	*3,593.8*
Non-allocatable taxes	–	–	–	–	–	–	277.3	245.8
Segment liabilities	**437.3**	**478.9**	**279.4**	**254.7**	**- 301.0**	**- 153.0**	**6,930.0**	**6,251.6**
of which discontinued operation	–	–	–	–	–	–	*1,114.5*	*1,013.4*
Non-allocatable taxes	–	–	–	–	–	–	535.3	571.3
Additional disclosures								
Depreciation/amortisation	39.6	92.9	27.7	66.1	–	–	657.4	807.4
of which discontinued operation	–	–	–	–	–	–	*65.0*	*263.6*
Investments	70.3	195.8	105.5	13.2	–	–	953.8	1,116.3
of which discontinued operation	*6.3*	*7.8*	*2.5*	*2.6*	–	–	*387.6*	*565.5*
Investments in goodwill	–	–	–	2.6	–	–	1.4	36.5
of which discontinued operation	–	–	–	–	–	–	–	–
Investments in other tangible assets and property, plant and equipment	70.3	195.8	105.5	10.6	–	–	952.4	1,079.8
of which discontinued operation	*6.3*	*7.8*	*2.5*	*2.6*	–	–	*387.6*	*565.5*
Personnel at year-end	8,434	7,215	7,231	6,088	–	–	70,254	68,521
of which discontinued operation	*1,805*	*1,963*	*2,436*	*2,306*	–	–	*7,617*	*7,656*

Notes on the Consolidated Profit and Loss Statement

Since March 2008, container shipping has been classified as discontinued operation in accordance with IFRS 5. As a result, earnings by this sector have no longer been carried under continuing operations. They are now shown under the item 'Result from discontinued operations'. The previous year's figures were restated in accordance with IFRS 5.

The year-on-year development of the consolidated profit and loss statement of the continuing operations continued to be characterised by the inclusion of the First Choice Holidays Group, acquired in September 2007, in consolidation. In financial year 2008, earnings by the First Choice Holidays Group were included for the full financial year, whereas in 2007 earnings were only included for the period from September to December.

(1) Turnover

Group turnover by business activity

€ million	2008	2007 revised
Tourism services	18,482.3	15,618.7
Transport services	36.0	58.6
Trading in merchandise	24.4	33.9
Letting and leasing	42.5	29.0
Other turnover	63.2	102.9
Turnover with discontinued operation container shipping	25.7	33.5
Total	**18,674.1**	**15,876.6**

In financial year 2008, total turnover grew by €2,797.5m year-on-year. The 2008 turnover contribution of the First Choice Holidays Group totalled around €4,712.5m (for the previous year's 4-month period: €1,342.5m). Adjusted for this effect, turnover thus decreased by €572.5m year-on-year, which was particularly a result of the weakness of the British pound sterling.

Other turnover included costs of brochures and advertising materials charged to hotels and travel agencies, costs incurred for TUI's company health scheme (BKK TUI) and operating income from sideline operations such as e.g. income from aircraft rental.

(2) Cost of sales and administrative expenses

The cost of sales and administrative expenses comprise:

Lease, rental and leasing expenses

€ million	2008	2007 revised
Lease, rental and leasing expenses of long-term agreements	675.2	657.7
Lease, rental and leasing expenses of short-term agreements	40.0	38.2
Total	**715.2**	**695.9**

Where rental and lease expenses for operating leases were directly related to the turnover generated, these expenses were shown as cost of sales. However, where rental and lease expenses were incurred for administrative buildings, they were carried as administrative expenses.

The increase in lease, rental and leasing expenses in financial year 2008 was attributable to the full-year consolidation of the First Choice Holidays Group and the completion of the strategic realignment of the flight operations of the TUI Travel Group in the second half of 2008. This increase was partly offset by cuts in flying capacity and currency effects caused by the development of the exchange rate of the British pound sterling.

Personnel costs

€ million	2008	2007 revised
Wages and salaries	1,960.1	1,603.5
Social security contributions, pension costs and benefits	360.0	369.4
Total	**2,320.1**	**1,972.9**

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

Total personnel costs rose by €347.2m year-on-year. The increase caused by the full-year consolidation of the First Choice Holidays Group was reduced by restructuring measures, above all at TUI UK and TUI AG, but also by the weakening of the British pound sterling exchange rate.

Disregarding the discontinued operations included in 2007 figures, the average headcount rose by 12,125 employees to 66,825 employees (excluding apprentices). In the container shipping division, the average headcount declined from 8,031 to 7,744 in financial year 2008.

Average annual headcount (excl. apprentices)

	2008	2007 revised
Continuing operations	66,825	54,700
Discontinued operation	7,744	8,031
Total	**74,569**	**62,731**

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

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 Group-wide useful lives underlying depreciation and amortisation and the principles for impairment are outlined under 'Accounting and measurement'.

Depreciation/amortisation/impairments

€ million	2008	2007 revised
Depreciation and amortisation	464.2	437.1
Impairment of other intangible assets, property, plant and equipment and investment property	21.0	53.0
Total	**485.2**	**490.1**

Depreciation and amortisation rose by €27.1m to €464.2m year-on-year. The increase caused by the integration of the First Choice Holidays Group was partly offset by a decline in depreciation and amortisation due to restructuring measures in the Northern Europe sector and the strategic realignment of the airline activities (sale-and-lease-back agreements).

In the financial year under review, impairments of other intangible assets, property, plant and equipment and investment property totalling €21.0m had to be effected, including an amount of €19.8m for TUI Northern Europe. Most of these impairments were effected for aircraft held for sale. The remaining €1.2m related to impairments of other property, plant and equipment in tourism.

(3) Other income/ other expenses

Other income/other expenses

€ million	2008	2007 revised
Other income	61.8	294.3
Other expenses	129.0	12.1
Total	**- 67.2**	**282.2**

In the financial year under review, 'Other income' primarily resulted from book profits in connection with sale-and-lease-back agreements for aircraft and the sale of aircraft spares (totalling €32.9m), gains on disposal in the real estate sector (€6.0m) and the sale of ship containers (€11.0m).

In 2007, 'Other income' comprised one-off profits from the divestment of the assets and liabilities of the Canadian Montreal Gateway Terminals and the minority stake in Germanischer Lloyd AG totalling €200.5m. In 2007, this item also comprised gains on disposal in flight operations (€31.1m), the hotel sector due to the sale of property of the Riu Group (€12.1m) and the real estate sector (€13.5m).

'Other expenses' in the financial year under review comprised book losses from the conclusion of sale-and-lease-back agreements worth €102.0m. These sale-and-lease-back agreements were concluded for 19 aircraft previously owned by TUI Travel in the framework of implementing the strategic realignment of the flight operations of the TUI Travel Group with the leasing company AerCap Holdings NV and the Deucalion Aviation Funds investment company.

(4) Impairments of goodwill

In the framework of the impairment tests carried out in financial year 2008, goodwill had to be impaired in tourism, as in 2007. The impairments 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			
'TUI Fly'	72.7	–	–
TUI Hotels & Resorts			
Tarajal Properties, S.L.	5.0	–	–
Tenuta di Castelfalfi, S.p.A.	29.5	–	31.3

The impairment of the TUIfly goodwill arose as a result of the temporary classification as a disposal group according to IFRS 5 during the financial year under review. This reclassification was undertaken based on the plan to dispose of the airline into a newly formed joint venture. The impairment charge was calculated based on the fair value less costs to sell under the terms of the planned joint venture arrangement. Since the negotiations were called off, the company was declassified as a disposal group again in the third quarter of 2008. At the end of financial year 2008, an impairment test was effected for the entire CGU TUI Travel PLC including the TUIfly assets. The calculation was based on the parameters outlined in the accounting and measurement principles and did not result in a need to impair this cash-generating unit.

The impairment of Tarajal Properties, S.L. was also caused by classification as a disposal group according to IFRS 5 during the year and measurement at fair value less costs to sell. The impairment related to the total goodwill amount. When the transaction was closed in December 2008, a book loss of €3.8m was additionally carried.

In order to reflect in particular risks of delays with regard to the implementation of the project in Tuscany, the staggered interest rates applied in the impairment test were significantly increased, in particular for parts of the overall project. The resulting impairment of Castelfalfi goodwill, resulting primarily from the substantial delay risks, totalled €29.5m.

(5) Financial income

Financial income

€ million	2008	2007 revised
Income from non-consolidated Group companies	2.5	1.4
Income from other investments	1.5	2.8
Income from profit transfer agreements with non-consolidated Group companies	4.5	3.3
Income from investments	**8.5**	**7.5**
Other income from securities and long-term loans	6.8	6.9
Interest and similar income from non-consolidated Group companies	0.4	0.5
Interest income from fund assets for the financing of pension obligations	84.3	90.2
Other interest and similar income	110.4	82.4
Interest income	**201.9**	**180.0**
Income from the measurement of other financial instruments	–	17.0
Total	**210.4**	**204.5**

The income and expenses resulting from the development of the value of derivative financial instruments comprised results from the measurement of hedges not meeting the strict criteria of IAS 39 and not allocable to other items of the profit and loss statement due to the underlying transactions.

(6) Financial expenses

Financial expenses

€ million	2008	2007 revised
Expenses relating to losses taken over from non-consolidated Group companies	**0.0**	**1.6**
Write-downs of available-for-sale financial instruments and loans	**8.7**	**24.1**
Interest and similar expenses to non-consolidated Group companies	1.9	2.9
Interest expenses from the valuation of pension obligations	115.1	114.1
Other interest and similar expenses	383.5	307.3
Interest expenses	**500.5**	**424.3**
Income from the measurement of interest hedges	1.2	0.9
Expenses relating to the valuation of other financial instruments	24.3	–
Total	**534.7**	**450.9**

The write-downs of available-for-sale financial instruments and loans carried for financial year 2008 exlusively consisted of impairments. The expenses for the measurement of other financial instruments comprised an amount of €16.0m for the settlement of the derivative financial instruments (call spreads) acquired with the 2003/08 convertible bond.

(7) Result from companies measured at equity

Result from companies measured at equity

€ million	2008	2007 revised
Result from associated companies measured at equity	0.3	2.0
Result from joint ventures measured at equity	33.4	37.1
Total	**33.7**	**39.1**

The result from companies measured at equity comprised the net profit for the year attributable to the associated companies and joint ventures as well as impairments of goodwill of these companies. In the completed financial year, as in 2007, the result from companies measured at equity did not comprise any impairments. In the financial year under review, losses of €1.5m (previous year: €1.6m) attributable to associated companies and joint ventures were not recognised since the losses exceeded the value of the shareholdings. Accumulated losses not yet recognised on an at equity accounted basis totalled €5.1m (previous year: €3.6m).

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

€ million	2008	2007 revised
Operating income	409.7	384.0
Operating expenses	359.6	331.5
Operating result	**50.1**	**52.5**
Financial result	- 6.3	- 5.4
Profit on ordinary activities	**43.8**	**47.1**
Income taxes	10.4	10.0
Profit for the year	**33.4**	**37.1**
Impairment of companies measured at equity	–	0.0
Result from joint ventures measured at equity	**33.4**	**37.1**

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

€ million	2008	2007 revised
Operating income	51.5	33.1
Operating expenses	49.4	29.8
Operating result	**2.1**	**3.3**
Financial result	- 1.0	- 0.6
Profit on ordinary activities	**1.1**	**2.7**
Income taxes	0.8	0.7
Profit for the year	**0.3**	**2.0**
Reversal of negative goodwill	–	–
Result from associated companies measured at equity	**0.3**	**2.0**

(8) Adjustment

On top of the disclosures required under IFRS, the consolidated profit and loss statement comprises a reconciliation to underlying earnings. The one-off items show final consolidation profits as gains on disposal, events according to IAS 37 as restructuring, and all effects on EBITA as purchase price allocations. The reconciliation table also covers the following one-off items:

Other one-off items

€ million	2008	2007 revised
Tourism	**156.6**	**120.4**
TUI Travel	146.8	83.1
of which First Choice Holidays	*69.3*	*14.9*
TUI Hotels & Resorts	9.8	37.3
Cruises	–	–
Central operations	**–**	**- 32.0**
Total	**156.6**	**88.4**

Special one-off items arising in financial year 2008 in tourism included an amount of €85.3m related to the integration of the British activities within TUI Travel PLC, €34.2m related to one-off hedges and foreign exchange losses in aviation and €24.4m related to impairments of assets in flight operations.

The special one-off items carried under TUI Hotels & Resorts in financial year 2008 of €9.8m were related to the reorganisation of the Magic Life Group.

(9) Income taxes

Breakdown of income tax expenses

€ million	2008	2007 revised
Current income taxes		
in Germany	8.9	19.8
abroad	79.0	78.5
Deferred tax income	- 48.1	- 128.6
Total	**39.8**	**- 30.3**

The year-on-year rise in tax expenses resulted, among others, from the transfer of TUI AG's maritime assets to Hapag-Lloyd AG, causing a decline in deferred tax income. In addition, 2007 figures had included one-off effects of the company-law reorganisation of the German companies transferred to TUI Travel PLC as well as the effects of the convertible bond issued in 2007. As a result, higher deferred taxes from tax loss carryforwards within the German entity of fiscal units were capitalised in 2007.

In the financial year under review, total income tax expenses of €39.8m (previous year: €-30.3m) 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	2008	2007 revised
Earnings before taxes by continuing operations	- 401.0	49.8
Expected income tax expense (tax rate: 31.0%. previous year: 40.0%)	**- 124.3**	**19.9**
Variation from the difference between actual and expected tax rates	126.9	+ 1.4
Tax rate and changes in tax law	0.0	4.3
Income with no tax effect	- 61.6	- 110.5
Expenses with no tax effect	90.4	88.7
Effects from loss carryforwards	- 4.7	- 30.9
Temporary differences and losses for which no deferred taxes were recognised	18.0	- 2.2
Effective tax income relating to other periods	- 14.3	- 6.2
Other differences	0.0	5.2
Actual income tax expense	**39.8**	**- 30.3**

The tax effects of the difference between actual and expected tax rates of €125.7m was mainly attributable to results in connection with the transfer of TUI AG's maritime assets to the tonnage tax regime of Hapag-Lloyd AG in order to prepare the sale of a majority stake in container shipping.

Tax effects of the adjustment of 2007 loss carryforwards primarily comprised the income from the capitalisation of loss carryforwards previously considered as non-realisable.

(10) Result from the discontinued operation container shipping

Following the resolution adopted by the Executive Board and Supervisory Board in March 2008 to prepare the separation of container shipping from the TUI Group, an agreement was concluded in October 2008 with the approval of the Supervisory Board concerning the sale of all shares in Hapag-Lloyd AG to Albert Ballin Holding GmbH & Co. KG, a subsidiary of the Albert Ballin KG consortium. With the sale, TUI AG will now purchase a 43.33% stake in the acquiring company for a purchase price of €910m. The transaction was approved among others by the EU Commission on 6 February 2009. The Federal Trade Commission in the US had already approved the sale on 1 December 2008. The closing of the agreement is expected for March 2009.

In accordance with the rules of IFRS 5, the container shipping sector has therefore been classified as a discontinued operation since 31 March 2008. The discontinued operation comprises the container shipping activities and the shareholdings in the container terminals in Altenwerder and Montreal, Canada. In contrast, the cruises sector will remain part of the TUI Group; it was previously managed within the shipping division and has been allocated to tourism since the beginning of financial year 2008.

Following the sale of container shipping, the TUI Group will exclusively operate in tourism and hold a significant stake (43.33%) in the container shipping business.

The consolidated financial statements as per 31 December 2007 did not show any discontinued operations. However, the previous year's figures in the profit and loss statement were restated in accordance with the rules of IFRS 5.

Material items of the profit and loss statement of the discontinued operation

€ million	2008	2007
Turnover	6,219.8	5,964.5
Cost of sales	5,788.9	5,721.7
Administrative expenses	131.5	184.5
Other income/Other expenses	7.3	53.8
Financial income	4.7	7.1
Financial expenses	26.2	19.7
Result from companies measured at equity	5.6	25.6
Earnings before income taxes	**290.8**	**125.1**
Income taxes	32.0	28.9
of which deferred tax income/expenses	*- 35.9*	*23.8*
Earnings after income taxes	**258.8**	**96.2**

In financial year 2008, turnover by the discontinued container shipping operations rose by €255.3m due to the substantial rise in US dollar freight rates and the year-on-year rise in transport volumes for the overall year, despite a weakening of the US dollar exchange rate against the euro. The performance in the fourth quarter, however, was affected by a first-time decline in transport volumes year-on-year caused by worldwide cuts in production as a result of the financial crisis.

According to IFRS 5, depreciation of fixed assets (carried as cost of sales) had to be suspended as of 31 March 2008. As a result, earnings rose by €206.7m. At equity measurement of the container shipping shareholdings also had to be suspended. If at equity measurement of the shareholdings had been taken into account, earnings would have been €27.6m higher.

Income taxes included tax effects of the transfer of TUI AG's maritime assets to Hapag-Lloyd AG, allocable to discontinued operations. The transfer was related to the sale of a majority stake in container shipping.

Assets and liabilities of the discontinued operation

€ million	Container shipping 31 Dec 2008
Assets	3,175.3
Non-current receivables	27.1
Non-current assets	60.2
Inventories	79.9
Current receivables	485.4
Current assets	10.2
Cash and cash equivalents	123.9
Assets held for sale	**3,962.0**
Non-current provisions	128.2
Non-current financial liabilities	1,098.5
Non-current other liabilities	6.9
Current provisions	93.8
Current financial liabilities	179.0
Trade accounts payable	717.0
Current other liabilities	251.5
Liabilities related to assets held for sale	**2,474.9**

Non-current and current liabilities included an amount of €514.8m for financing schemes taken out in the financial year in order to acquire TUI AG's maritime assets. In addition, existing financing agreements worth €458.7m were taken over from TUI AG in this context.

The cumulated income and expenses taken directly to equity amounted to €-348.8m for the discontinued operation.

Cash flow from operating, investing and financing activities

€ million	2008	2007
Change in cash and cash equivalents due to exchange rate fluctuations	+ 26.0	- 8.9
Cash flow from operating activities	+ 287.7	+ 338.1
Cash flow from investing activities	- 333.4	- 479.6
Cash flow from financing activities	+ 329.7	+ 76.6
Change in cash and cash equivalents	**+ 310.0**	**- 73.8**

(11) Group profit for the year attributable to shareholders of TUI AG

Group profit for the year attributable to TUI AG shareholders decreased from €125.8m in 2007 to €-142.2m in the financial year under review.

(12) Group profit for the year attributable to minority interests

Group profit for the year attributable to minority interests

€ million	2008	2007 revised
Profit attributable to minority interests	245.7	50.5
Loss attributable to minority interests	285.5	0.0
Total	**- 39.8**	**50.5**

Group profit for the year attributable to minority interests mainly related to consolidated subsidiaries in the tourism division, in particular 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 registered shares outstanding during the financial year under review. The average number of shares was the total number of shares at the beginning of the financial year (251,245,575 shares) plus the employee shares issued, included on a pro rata temporis basis (198,730 shares, 23 days).

In analogy to IAS 33.12, the after-tax dividend on the hybrid capital was deducted from Group profit for the year attributable to shareholders of TUI AG since the hybrid capital represents equity but not does not represent Group profit attributable to TUI AG shareholders. For the hybrid capital, accrued dividend obligations totalled €21.7m at the balance sheet date (previous year: €23.2m). They were included in financial liabilities and paid in January 2009.

Earnings per share

	2008	2007 revised
Group profit/loss for the year attributable to TUI AG shareholders (€m)	- 142.2	125.8
Dividend effect on hybrid capital after income taxes (€m)	- 21.7	- 23.2
Adjusted Group result for the year attributable to TUI AG shareholders (€m)	- 163.9	102.6
Weighted average number of shares	251,258,098	251,030,397
Basic earnings per share (€)	**- 0.65**	**0.41**
Adjusted Group profit/loss for the year attributable to TUI AG shareholders (€m)	- 163.9	102.6
Interest savings from convertible bonds (€m)	33.8	27.8
Diluted and adjusted share in Group profit/loss for the year attributable to TUI AG shareholders (€m)	- 130.1	130.4
Weighted average number of shares	251,258,098	251,030,397
Diluting effect from assumed exercise of convertible bonds	41,333,203	34,011,266
Weighted average number of shares (diluted)	292,591,301	285,041,663
Diluted earnings per share (€)	**- 0.65**	**0.41**

A dilution of earnings per share occurs when the average number of shares is increased by adding the issue of potential shares from conversion options and warrants. Since basic earnings per share were negative, no dilution effect arose for the financial year under review.

For financial year 2007, both the convertible bond issued in October 2003 and repaid in 2008 as well as the convertible bond issued in June 2007 were examined for potential dilution effects. The conversion rights of both bonds could be exercised any time. In calculating diluted earnings, complete conversion and a corresponding issue of shares at the beginning of the respective financial year was assumed. Since none of the two convertible bonds had a diluting effect in financial year 2007, basic earnings per share were identical with diluted earnings per share in 2007.

Notes on the Consolidated Balance Sheet

The year-on-year changes in the consolidated balance sheet as against 31 December 2007 were largely characterised by the classification of container shipping as a discontinued operation in accordance with IFRS 5 and corresponding recognition of the assets and liabilities of this sector as separate balance sheet items.

(14) Goodwill

Goodwill

€ million	2008	2007 revised
Historical cost		
Balance as at 1 Jan	**3,390.8**	**3,851.7**
Exchange differences	- 505.1	- 204.0
Additions due to changes in the group of consolidated companies	114.2	1,334.9
Additions	1.4	36.5
Disposals[1)]	1.1	1,535.5
Reclassifications	- 96.1	- 92.8
Balance as at 31 Dec	**2,904.1**	**3,390.8**
Impairment		
Balance as at 1 Jan	**327.8**	**716.9**
Exchange differences	- 45.0	- 25.8
Additions due to changes in in the group of consolidated companies	–	–
Impairment for the current year	107.2	20.0
Disposals[1)]	–	292.1
Reclassifications	–	- 91.2
Balance as at 31 Dec	**390.0**	**327.8**
Carrying amounts as at 31 Dec	**2,514.1**	**3,063.0**

[1)] Of which no disposals due to changes in the group of consolidated companies (2007: €6.7m and €0.0m, respectively).

In accordance with IFRS 5, assets of the discontinued operations and other non-current assets held for sale were combined into 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 and comprised an amount of €99.8m for the discontinued container shipping operations.

In the completed financial year, goodwill impairments of €107.2m (previous year: €20.0m) were required. They included an amount of €72.7m related to TUI Travel and €34.5m related to TUI Hotels & Resorts (previous year: full amount related to the Magic Life Group). Detailed information on the implementation and results of the impairment tests is provided under 'Accounting and measurement methods' 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 equity and disclosed as a separate item. In financial year 2008, exchange differences caused a decline of €460.1m (previous year: decrease of €178.2m) in the carrying amount of goodwill.

At €2,114.9m, the largest portion of goodwill related to TUI Travel. Within TUI Hotels & Resorts, goodwill of €351.7m was carried for the Riu Group. The difference of €32.4m (previous year: €22.5m) arising from the acquisition of minority interests 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 2007	**285.3**	**89.8**	**452.8**	**106.0**	**4.0**	**937.9**
Exchange differences	- 55.6	- 12.9	- 38.5	- 35.2	–	- 142.2
Additions due to changes in the group of consolidated companies	524.4	94.1	113.5	304.3	–	1,036.3
Additions	40.3	7.5	–	9.2	7.0	64.0
Disposals	18.0	0.6	–	0.2		18.8[1]
Reclassifications	19.1	- 9.6	–	- 8.3	- 2.9	- 1.7
Balance as at 31 Dec 2007	**795.5**	**168.3**	**527.8**	**375.8**	**8.1**	**1,875.5**
Exchange differences	- 141.5	- 29.5	- 24.5	- 59.9	–	- 255.4
Additions due to changes in the group of consolidated companies	0.0	0.0	0.0	0.5	–	0.5
Additions	98.5	16.1	–	28.2	10.9	153.7
Disposals	2.4	8.0	–	–	–	10.4[2]
Reclassifications	28.0	- 29.8	- 423.3	- 92.7	- 7.3	- 525.1
Balance as at 31 Dec 2008	**778.1**	**117.1**	**80.0**	**251.9**	**11.7**	**1,238.8**
Amortisation						
Balance as at 1 Jan 2007	**205.5**	**63.5**	**53.4**	**10.6**	**0.0**	**333.0**
Exchange differences	- 12.7	- 8.1	- 5.0	- 3.3	–	- 29.1
Additions due to changes in the group of consolidated companies	2.2	45.1	–	–	–	47.3
Amortisation for the current year	44.3	10.7	46.7	54.1	–	155.8
Disposals	17.4	0.2	–	0.2	–	17.8[1]
Reclassifications	6.6	- 2.2	–	- 3.5	–	0.9
Balance as at 31 Dec 2007	**228.5**	**108.8**	**95.1**	**57.7**	**0.0**	**490.1**
Exchange differences	- 35.2	- 26.6	- 1.3	- 15.0	–	- 78.1
Additions due to changes in the group of consolidated companies	0.1	–	–	–	–	0.1
Amortisation for the current year	68.9	22.3	5.1	49.3	–	145.6
Disposals	2.1	4.8	–	–	–	6.9[2]
Reclassifications	10.2	- 17.6	- 93.3	- 17.2	–	- 117.9
Balance as at 31 Dec 2008	**270.4**	**82.1**	**5.6**	**74.8**	**0.0**	**432.9**
Carrying amounts as at 31 Dec 2007	**567.0**	**59.5**	**432.7**	**318.1**	**8.1**	**1,385.4**
Carrying amounts as at 31 Dec 2008	**507.7**	**35.0**	**74.4**	**177.1**	**11.7**	**805.9**

1) of which disposals due to changes in the group of consolidated companies of €2.8m and €2.1m, respectively
2) of which disposals due to changes in the group of consolidated companies of €0.0m and €0.0m, respectively

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

Other intangible assets, consisting in particular of trademarks and customer relationships, were amortised annually over the estimated economic useful life on the basis of the economic value of the corresponding asset. Trademarks were amortised over periods of 15 to 20 years, while customer relationships were amortised over periods of 2 to 15 years.

Impairments effected in the completed financial year amounted to €1.0m (previous year: €3.6m), They related to concessions, industrial property rights and similar rights and values. Write-backs to other intangible assets totalled €0.3m (previous year: no write-backs).

(16) Investment property

Investment property

€ million	2008	2007
Historical cost		
Balance as at 1 Jan	**140.7**	**157.1**
Exchange differences	–	–
Additions due to changes in the group of consolidated companies	–	–
Additions	4.2	7.4
Disposals	6.0	21.8
Reclassifications	2.2	- 2.0
Balance as at 31 Dec	**141.1**	**140.7**
Depreciation		
Balance as at 1 Jan	**50.2**	**61.4**
Exchange differences	–	–
Additions due to changes in the group of consolidated companies	–	–
Depreciation for the current year	2.9	6.9
Disposals	2.7	18.0
Reclassifications	0.6	- 0.1
Balance as at 31 Dec	**51.0**	**50.2**
Carrying amounts as at 31 Dec	**90.1**	**90.5**

As a matter of principle, real estate owned by the Group was occupied for use in the framework of 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 shown in fixed assets totalled €90.1m (previous year: €90.5m). The fair values totalling €91.8m (previous year: €99.0m) 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 €50.6m (previous year: €43.6m). The generation of this income was associated with expenses of €44.0m (previous year: €44.7m) in financial year 2008. No impairments (previous year: €3.9m) 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 2007	**1,163.5**	**538.0**	**2,316.6**
Exchange differences	- 36.7	- 16.2	- 78.6
Additions due to changes in the group of consolidated companies	10.0	135.1	134.0
Additions	128.1	55.5	43.8
Disposals	1.6	17.5	158.9
Reclassifications	11.7	- 23.0	–
Balance as at 31 Dec 2007	**1,275.0**	**671.9**	**2,256.9**
Exchange differences	- 27.8	- 56.5	- 192.0
Additions due to changes in the group of consolidated companies	16.6	–	–
Additions	99.7	36.7	53.1
Disposals	22.0	61.1	947.8
Reclassifications	117.7	- 221.8	- 64.2
Balance as at 31 Dec 2008	**1,459.2**	**369.2**	**1,106.0**
Depreciation			
Balance as at 1 Jan 2007	**294.0**	**173.4**	**972.5**
Exchange differences	- 4.5	- 8.3	- 47.5
Additions due to changes in the group of consolidated companies	–	58.4	67.7
Depreciation for the current year	75.8	17.7	164.3
Disposals	3.0	14.3	113.5
Reclassifications	1.0	1.6	–
Balance as at 31 Dec 2007	**363.3**	**228.5**	**1,043.5**
Exchange differences	4.6	- 25.4	- 121.0
Additions due to changes in the group of consolidated companies	13.9	0.6	–
Depreciation for the current year	29.9	18.0	139.8
Disposals	8.6	14.7	467.1
Reclassifications	41.6	- 89.3	- 51.1
Balance as at 31 Dec 2008	**444.7**	**117.7**	**544.1**
Carrying amounts as at 31 Dec 2007	**911.7**	**443.4**	**1,213.4**
Carrying amounts as at 31 Dec 2008	**1,014.5**	**251.5**	**561.9**

[1] of which disposals due to changes in the group of consolidated companies of €8.6m and €6.0m, respectively
[2] of which disposals due to changes in the group of consolidated companies of €0.0m and €0.0m, respectively

At the balance sheet date, the carrying amount of property, plant and equipment subject to restraints on ownership amounted to €20.3m (previous year: €79.1m), including an amount of €10.9m (previous year: €79.1m) pledged as security.

The Group reversed depreciation of property, plant and equipment of €0.1m (previous year: €3.3m). Impairments totalled €20.0m (previous year: €45.5m) and mainly related to aircraft assets as well as other plants, operating and office equipment. In 2007, impairments had included a major amount of €38.2m for land with hotel buildings and €3.5m for aircraft.

Ships	Container and container semitrailers	Machinery and fixtures	Other plants, operating and office equipment	Assets under construction	Payments on account	Total
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	–	- 207.1
231.5	–	–	200.2	3.8	–	714.6
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[1)]
21.8	1.2	3.2	3.7	- 28.4	- 30.9	- 40.7
3,081.1	**865.0**	**215.2**	**1,196.9**	**142.3**	**290.8**	**9,995.1**
- 49.9	–	- 0.6	- 90.3	- 1.1	–	- 418.2
109.6	–	0.4	17.3	–	–	143.9
16.8	–	25.7	99.3	24.7	51.0	407.0
12.7	1.0	11.0	76.7	2.9	3.4	1,138.6[2)]
- 2,689.2	- 864.0	4.6	- 101.0	- 122.8	- 239.2	- 4,179.9
455.7	**0.0**	**234.3**	**1,045.5**	**40.2**	**99.2**	**4,809.3**
1,139.3	**446.2**	**113.2**	**675.0**	**–**	**–**	**3,813.6**
- 2.6	- 0.2	0.1	- 30.4	–	–	- 93.4
45.9	–	–	142.6	–	–	314.6
155.6	59.2	15.3	102.9	–	–	590.8
62.7	48.0	7.7	76.1	–	–	325.3[1)]
–	0.5	–	- 6.8	–	–	- 3.7
1,275.5	**457.7**	**120.9**	**807.2**	**–**	**–**	**4,296.6**
- 6.6	–	- 0.5	- 65.1	–	–	- 214.0
45.9	–	–	10.6	–	–	71.0
19.1	0.1	15.5	113.1	–	–	335.5
5.5	0.9	8.9	66.3	–	–	572.0[2)]
- 1,176.0	- 456.9	- 1.7	- 73.6	–	–	- 1,807.0
152.4	**0.0**	**125.3**	**725.9**	**–**	**–**	**2,110.1**
1,805.6	**407.3**	**94.3**	**389.7**	**142.3**	**290.8**	**5,698.5**
303.3	**0.0**	**109.0**	**319.6**	**40.2**	**99.2**	**2,699.2**

Reclassifications in the financial year under review comprised amounts of €4,171.9m and €1,802.4m for the reclassification of assets held for sale in accordance with IFRS 5 (previous year: €16.3m and €3.8m). These assets mainly comprised property, plant and equipment of the discontinued container shipping operations and, in 2007, the apartments in a hotel complex.

Property, plant and equipment comprised all leased assets in which Group subsidiaries assumed substantially all the risks and rewards of ownership of the assets.

Development of leased assets

€ million	Buildings	Aircraft	Ships	Containers	Other	Total
Historical cost						
Balance as at 1 Jan 2007	**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	–	16.9	48.8
Additions	6.6	–	0.6	–	8.7	15.9
Disposals	–	22.2	0.9	–	0.2	23.3[1)]
Reclassifications	–	–	–	–	–	0.0
Balance as at 31 Dec 2007	**17.8**	**482.9**	**24.1**	**9.8**	**32.2**	**566.8**
Exchange differences		- 33.7	- 4.0	–	0.1	- 37.6
Additions due to changes in the group of consolidated companies	16.6	–	–	–	0.4	17.0
Additions	1.7	–	0.8	–	6.8	9.3
Disposals	–	3.4	15.2	–	17.1	35.7[1)]
Reclassifications	–	- 31.1	–	- 9.8	–	- 40.9
Balance as at 31 Dec 2008	**36.1**	**414.7**	**5.7**	**0.0**	**22.4**	**478.9**
Depreciation						
Balance as at 1 Jan 2007	**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[1)]
Reclassifications	–	–	–	–	–	0.0
Balance as at 31 Dec 2007	**2.7**	**213.9**	**7.4**	**4.5**	**16.9**	**245.4**
Exchange differences	–	- 20.5	- 1.5	–	0.1	- 21.9
Additions due to changes in the group of consolidated companies	4.0	–	–	–	–	4.0
Depreciation for the current year	0.7	40.2	0.7	–	3.4	45.0
Disposals	–	3.0	5.7	–	13.6	22.3[1)]
Reclassifications	–	- 27.1	–	- 4.5	–	- 31.6
Balance as at 31 Dec 2008	**7.4**	**203.5**	**0.9**	**0.0**	**6.8**	**218.6**
Carrying amounts as at 31 Dec 2007	**15.1**	**269.0**	**16.7**	**5.3**	**15.3**	**321.4**
Carrying amounts as at 31 Dec 2008	**28.7**	**211.2**	**4.8**	**0.0**	**15.6**	**260.3**

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

The payment obligations resulting from future lease payments were carried as liabilities without, however, taking account of future interest expenses. Total payments due in future under finance leases amounted to €257.5m (previous year: €291.5m). Group companies accepted guarantees for the residual values of the leased assets totalling €135.6m (previous year: €137.1m).

Reconciliation of future lease payments to liabilities from finance leases

				31 Dec 2008	31 Dec 2007
	Remaining terms				
€ million	up to 1 year	more than 1-5 years	more than 5 years	Total	Total
Total future lease payments	30.1	214.6	12.8	257.5	291.5
Interest portion	3.3	15.1	0.4	18.8	36.0
Liabilities from finance leases	26.8	199.5	12.4	238.7	255.5

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

In the framework of ordinary business activities, Group companies generated turnover of €41.8m (previous year: €29.0m) from short leasehold properties.

(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 2007	**345.4**	**65.6**	**411.0**
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 [1]
Reclassifications	3.0	- 5.9	- 2.9
Balance as at 31 Dec 2007	**431.8**	**112.2**	**544.0**
Exchange differences	- 16.1	- 0.9	- 17.0
Additions due to changes in the group of consolidated companies	–	–	0.0
Additions	63.8	8.6	72.4
Disposals	121.8	10.0	131.8 [2]
Reclassifications	17.2	- 75.1	- 57.9
Balance as at 31 Dec 2008	**374.9**	**34.8**	**409.7**
Impairments			
Balance as at 1 Jan 2007	**3.3**	**0.0**	**3.3**
Exchange differences	–	–	–
Additions due to changes in the group of consolidated companies	–	–	–
Impairments for the current year	–	–	–
Disposals	–	–	–
Reclassifications	–	–	–
Balance as at 31 Dec 2007	**3.3**	**0.0**	**3.3**
Exchange differences	–	–	–
Additions due to changes in the group of consolidated companies	–	–	–
Impairments for the current year	–	–	–
Disposals	–	–	–
Reclassifications	–	–	–
Balance as at 31 Dec 2008	**3.3**	**0.0**	**3.3**
Carrying amounts as at 31 Dec 2007	**428.5**	**112.2**	**540.7**
Carrying amounts as at 31 Dec 2008	**371.6**	**34.8**	**406.4**

1) of which disposals due to changes in the group of consolidated companies of €6.0m
2) of which disposals due to changes in the group of consolidated companies of €37.3m

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

For associated companies and companies jointly managed by the Group and one or several partners (joint ventures), the proportion held by the Group corresponded to the share of the individual assets and liabilities of the joint ventures.

Group share of assets and liabilities of joint ventures

€ million	31 Dec 2008	31 Dec 2007
Goodwill from equity measurement	37.3	41.0
Non-current assets	418.5	492.2
Current assets	164.2	156.3
Non-current provisions and liabilities	117.0	136.5
Current provisions and liabilities	131.4	124.5
Joint ventures measured at equity	**371.6**	**428.5**

Group share of assets and liabilities of associated companies

€ million	31 Dec 2008	31 Dec 2007
Goodwill from equity measurement	10.7	11.2
Non-current assets	41.3	173.6
Current assets	23.3	69.6
Non-current provisions and liabilities	14.2	106.7
Current provisions and liabilities	26.3	35.5
Associated companies measured at equity	**34.8**	**112.2**

(19) Financial assets available for sale

Financial assets available for sale

€ million	31 Dec 2008	31 Dec 2007
Shares in non-consolidated Group companies	38.1	37.7
Shares in affiliated companies	29.9	50.8
Other securities	19.9	33.4
Total	**87.9**	**121.9**

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 financial year 2008, financial assets classified as available for sale under IFRS 7 of €20.5m (previous year: €15.9m) were impaired.

The securities shown included an amount of €3.9m (previous year: €13.7m) of current securities.

(20) Trade accounts receivable and other receivables

Trade accounts receivable and other receivables

	31 Dec 2008		31 Dec 2007 revised	
€ million	Remaining term of more than 1 year	Total	Total	Remaining term of more than 1 year
Trade accounts receivable	–	659.0	1,033.6	–
Advances and loans	223.2	878.1	935.9	299.6
Other receivables and assets	103.1	751.3	860.3	109.2
Total	**326.3**	**2,288.4**	**2,829.8**	**408.8**

Aging structure of the financial instruments included in 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 overdue in the following periods: less than 29 days	between 30 and 90 days	between 91 and 180 days	more than 181 days
31 Dec 2008						
Trade accounts receivables	659.0	472.4	59.5	48.4	49.9	28.8
Advances and loans	65.2	63.5	0.9	–	0.7	0.1
Other receivables and assets	345.8	340.7	2.2	1.2	1.2	0.5
Total	**1,070.0**	**876.6**	**62.6**	**49.6**	**51.8**	**29.4**
31 Dec 2007						
Trade accounts receivables	1,033.6	636.6	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	**1,554.8**	**1,137.1**	**207.6**	**131.1**	**58.6**	**20.4**

For the amounts carried under receivables not overdue and not impaired, no signs existed at the balance sheet date indicating that the debtors will not meet their payment obligations.

Impairments on trade accounts receivable and other receivables according IFRS 7

€ million	2008	2007
Balance as at 1 Jan	**211.9**	**193.4**
Additions	12.5	31.1
Disposals	5.1	12.6
Other changes	7.7	–
Balance as at 31 Dec	**227.0**	**211.9**

In financial year 2008 the cash inflow from impaired interest-bearing trade accounts receivable and other receivables totalled €0m (previous year: €1.2m).

Trade accounts receivable

€ million	31 Dec 2008	31 Dec 2007 revised
From third parties	652.9	1,024.7
From non-consolidated Group companies	0.9	0.6
From affiliates	5.2	8.3
Total	**659.0**	**1,033.6**

Advances and loans

€ million	31 Dec 2008 Remaining term of more than 1 year	Total	31 Dec 2007 Total	Remaining term of more than 1 year
Advances to non-consolidated Group companies	6.2	8.5	7.3	2.9
Loans to non-consolidated Group companies	3.4	3.4	2.1	1.3
Advances to affiliates	0.3	9.7	16.7	2.9
Loans to affiliates	1.9	5.0	6.8	1.0
Advances to third parties	4.8	11.8	64.4	14.5
Loans to third parties	43.5	52.3	133.0	50.9
Payments on account	163.1	787.4	705.6	226.1
Total	**223.2**	**878.1**	**935.9**	**299.6**

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

Other receivables and assets

€ million	31 Dec 2008 Remaining term of more than 1 year	Total	31 Dec 2007 revised Total	Remaining term of more than 1 year
Other receivables from non-consolidated Group companies	0.2	4.8	4.9	2.5
Other receivables from affiliates	3.2	13.4	9.9	0.1
Interest deferral	–	11.1	55.1	–
Receivables from finance leases	–	–	6.6	–
Other tax refund claims	20.1	115.1	134.9	6.9
Other assets	70.9	404.5	338.9	98.2
Prepaid expenses	8.7	202.4	310.0	1.5
Total	**103.1**	**751.3**	**860.3**	**109.2**

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

In financial year 2008, financial assets of €6.8m (previous year: €9.1m) were deposited with counterparties in order to collateralise contractually agreed liabilities.

(21) Derivative financial instruments

Derivative financial instruments

€ million	31 Dec 2008 Remaining term of more than 1 year	Total	31 Dec 2007 Total	Remaining term of more than 1 year
Receivables from derivative financial instruments	194.6	1,212.5	441.9	28.8

Derivative financial instruments were carried at their fair values (market values). They mainly served as hedges for future business operations and are detailed in the explanations on financial instruments.

(22) Current and deferred income tax claim

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 2008	31 Dec 2007 revised
Deferred income tax claims	218.9	203.8
Current income tax claims	45.6	42.0
Total	**264.5**	**245.8**

Deferred income tax claims included an amount of €154.4m (previous year: €145.9m) to be realised in more than twelve months.

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

	31 Dec 2008		31 Dec 2007 revised	
€ million	Asset	Liability	Asset	Liability
Finance lease transactions	20.3	–	20.9	–
Recognition and measurement differences for property, plant and equipment and other non-current assets	44.2	348.4	43.3	464.5
Recognition differences for receivables and other assets	24.7	22.5	25.5	30.1
Fair Value measurement of financial instruments	122.5	182.9	108.7	180.0
of which with no effect on result	*139.1*	*151.1*	*108.6*	*99.2*
Measurement of pension provisions	122.2	5.9	123.9	7.9
of which with no effect on result	*95.5*	*4.9*	*94.8*	*6.5*
Recognition and measurement differences for other provisions	62.2	31.5	70.7	39.3
Other transactions	49.1	44.5	62.4	41.8
Capitalised tax savings from recoverable loss carryforwards	214.4	–	265.8	–
Netting of deferred tax assets and liabilities	- 440.7	- 440.7	- 517.4	- 517.4
Balance sheet amount	**218.9**	**195.0**	**203.8**	**246.2**

Deferred income 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 cash flow hedges and other derivative financial instruments. Equity decreased by €59.3m (previous year: €168.3m) due to the elimination of income taxes with no effect on profit and loss in financial year 2008, including an amount of €+1.2m of income taxes with no effect on profit and loss of the discontinued operation. In financial year 2007, equity rose by a further €12.7m due to the elimination of deferred taxes acquired in the framework of the first-time consolidation of the First Choice Holidays Group.

No deferred tax liabilities were carried for temporary differences of €67.2m (previous year: €40.3m) between the net assets of subsidiaries and the respective carrying amounts carried in the tax balance sheet 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 2008	31 Dec 2007
Capitalised loss carryforwards	**1,131.9**	**1,429.9**
Non-capitalised loss carryforwards	**2,512.8**	**2,705.0**
of which loss carryforwards forfeitable within one year	*47.6*	*10.9*
of which loss carryforwards forfeitable within 2 to 5 years	*61.4*	*125.4*
of which loss carryforwards forfeitable within more than 5 years (excluding non-forfeitable loss carryforwards)	*17.0*	*0.9*
Non-forfeitable loss carryforwards	2,386.8	2,567.8
Total unused loss carryforwards	**3,644.7**	**4,134.9**

Loss carryforwards from German companies comprised the cumulative amount of trade tax and corporation tax. Potential tax savings totalling €475.3m (previous year: €480.8m) were not capitalised since use of the underlying loss carryforwards was not probable within the planning period.

In financial year 2008, the use of loss carryforwards previously assessed as non-realisable and for which therefore no asset had been carried for the resulting potential tax savings led to tax savings of €64.5m (previous year: €2.6m). The use of these loss carryforwards was mostly related to the transfer of TUI AG's maritime assets to Hapag-Lloyd AG. In financial year 2008, no tax reductions were realised by means of loss carrybacks, as in 2007.

Development of capitalised tax savings from realisable loss carryforwards

€ million	2008	2007
Capitalised tax savings at the beginning of the year	**265.8**	**188.8**
Changes in the group of consolidated companies and currency adjustments	- 5.2	- 1.8
Use of loss carryforwards	- 20.6	- 38.9
Capitalisation of tax savings from loss carryforwards	+ 33.5	+ 175.7
Write-down of capitalised tax savings from loss carryforwards	- 30.2	- 58.0
Reclassification in the discontinued operation container shipping	- 28.9	–
Capitalised tax savings at financial year-end	**214.4**	**265.8**

Capitalised tax savings from loss carryforwards assessed as realisable in future decreased by €51.4m year-on-year.

The capitalised deferred tax claim from temporary differences and recoverable loss carryforwards of €82.3m (previous year: €80.7m), allocable to the German entity of fiscal units which arose in 2007 due to reorganisation of the German companies transferred to TUI Travel, was covered by expected future taxable income, irrespective of tax losses in TUI Travel PLC's financial year ended 30 September 2008.

(23) Inventories

Inventories

€ million	31 Dec 2008	31 Dec 2007
Raw materials and supplies	58.8	165.4
Work in progress	3.5	2.6
Finished goods and merchandise	34.7	40.7
Total	**97.0**	**208.7**

As in 2007, no inventories had to be carried at net realisable value in financial year 2008. No write-backs of inventories were effected in 2008, nor in 2007.

(24) Cash and cash equivalents

Cash and cash equivalents

€ million	31 Dec 2008	31 Dec 2007
Bank deposits	2,026.6	1,586.0
Cash in hand and cheques	18.9	28.0
Total	**2,045.5**	**1,614.0**

At 31 December 2008, an amount of €0.1bn (previous year: €0.2bn) of cash and cash equivalents were subject to restraints on disposal.

(25) Assets held for sale

In accordance with IFRS 5, the assets of discontinued 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.

Assets held for sale

€ million	31 Dec 2008	31 Dec 2007
Discontinued operation container shipping	3,962.0	–
Administrative buildings Ballindamm and Rosenstraße in Hamburg	101.9	–
Other assets	80.6	8.8
Total	**4,144.5**	**8.8**

The assets classified as held for sale as at 31 December 2008 and the associated liabilities comprised the discontinued container shipping operations, the administrative buildings Ballindamm and Rosenstraße in Hamburg, and other non-current assets. Other non-current assets included aircraft assets held for sale (€46.0m), the assets of Societé Investissement Aerien S.A. (Casablanca, Morocco) acquired in 2008 and apartments and yachts held for sale. In the segment reporting both administrative buildings were declared in the holding companies and the other non-current assets in tourism segment.

In financial year 2007, this item had included in particular apartments of a hotel complex.

Group equity

€ million	Subscribed capital (26)	Capital reserves (27)	Other revenue reserves	Differences from currency translation	Revaluation reserves
Balance as at 31 Dec 2006	**641.7**	**2,396.2**	**421.3**	**- 524.1**	**21.9**
Changes in measurement and accounting methods			- 15.2		
Balance as at 1 Jan 2007	**641.7**	**2,396.2**	**406.1**	**- 524.1**	**21.9**
Dividend payments			- 24.8		
Hybrid capital dividend			- 25.9		
Issue of bonds		119.7			
Issue of employee shares	0.6	3.9			
First-time consolidation (revised)			- 503.5		- 0.1
Effect of acquisitions achieved in stages (revised)			- 0.5		0.2
Effect of the acquisition of minority interests			- 23.2		
Income and expenses directly taken to equity before income tax (revised)			177.5	- 74.6	
Tax items directly offset against equity		- 47.9	- 51.9		
Group profit and loss for the year			129.0		
Balance as at 31 Dec 2007	**642.3**	**2,471.9**	**82.8**	**- 598.7**	**22.0**
Dividend payments			- 122.8		
Hybrid capital dividend			- 25.9		
Share based payment schemes of TUI Travel PLC			21.6		
Issue of employee shares	0.5	1.2			
First-time consolidation			0.9		
Effect of acquisitions achieved in stages			- 6.7		- 2.6
Effect of the acquisition of minority interests			- 32.4		
Effect of option writer position from an option on minority interests			- 28.7		
Transfer from reserves		- 1,503.8	1,503.8		
Income and expenses directly taken to equity before income tax			68.7	- 342.9	
Tax items directly offset against equity			- 9.9		
Group profit and loss for the year			- 223.0		
Balance as at 31 Dec 2007	**642.8**	**969.3**	**1,228.4**	**- 941.6**	**19.4**

(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. Since the conversion effected in July 2005, the shares have been registered shares whose holders are registered by name in the share register.

The subscribed capital of TUI AG, registered in the commercial registers of the district courts of Berlin-Charlottenburg and Hanover, rose by €0.5m to a total of €642.8m due to the issue of 198,730 employee shares. Subscribed capital thus comprised 251,444,305 shares (previous year: 251,245,575 shares) at the end of the financial year.

The Annual General meeting of 7 May 2008 authorised the Executive Board of TUI AG to purchase own shares of up to 10% of the capital stock. The authorisation will expire on 6 November 2009 and replaces the authorisation granted by the Annual General Meeting of 16 May 2007. To date, the possibility of acquiring own shares has not been used.

Revaluation reserve for financial instruments	Reserve according to IAS 19	Revenue reserves (28)	Hybrid capital (29)	Equity before minority interests	Minority interests (30)	Total
- 136.9	**- 374.4**	**- 592.2**	**294.8**	**2,740.5**	**279.1**	**3,019.6**
		- 15.2		- 15.2		- 15.2
- 136.9	**- 374.4**	**- 607.4**	**294.8**	**2,725.3**	**279.1**	**3,004.4**
		- 24.8		- 24.8	- 7.1	- 31.9
		- 25.9		- 25.9		- 25.9
				119.7		119.7
				4.5		4.5
33.6	173.9	- 296.1		- 296.1	- 10.6	- 306.7
		- 0.3		- 0.3		- 0.3
		- 23.2		- 23.2	- 0.4	- 23.6
44.1	153.6	300.6		300.6	- 10.9	289.7
5.3	- 73.8	- 120.4		- 168.3		- 168.3
		129.0		129.0	47.3	176.3
- 53.9	**- 120.7**	**- 668.5**	**294.8**	**2,740.5**	**297.4**	**3,037.9**
		- 122.8		- 122.8	- 10.2	- 133.0
		- 25.9		- 25.9		- 25.9
		21.6		21.6		21.6
				1.7		1.7
		0.9		0.9		0.9
		- 9.3		- 9.3	0.1	- 9.2
0.8	- 0.8	- 32.4		- 32.4	- 5.7	- 38.1
		- 28.7		- 28.7		- 28.7
		1,503.8		0.0		0.0
- 120.2	- 4.6	- 399.1		- 399.1	- 18.6	- 417.7
- 51.1	- 0.1	- 61.1		- 61.1	1.8	- 59.3
		- 223.0		- 223.0	41.0	- 182.0
- 224.4	**- 126.2**	**- 44.4**	**294.8**	**1,862.5**	**305.8**	**2,168.3**

Conditional capital

The Annual General Meeting of 10 May 2006 adopted a resolution creating conditional capital of €100.0m. Accordingly, bonds with conversion options and warrants as well as profit-sharing rights and income bonds with a total par value of up to €1.0bn (with and without fixed terms) can 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 €70.0m was cancelled.

On 1 June 2007, TUI AG issued an unsecured non-subordinate convertible bond of €694.0m maturing on 1 September 2012, using part of the conditional capital. The bonds were issued in denominations of €50,000. Following an adjustment in May 2008, the conversion price was €27.3019 per no-par value share. The convertible bond may thus be converted into a maximum of 25,419,475 shares. The bonds, which carry an interest coupon of 2.75% p.a., were issued at par. The bonds are traded at two German stock exchanges, in Luxemburg and Zurich. By 31 December 2008, no conversions had been effected under the bond.

In order to provide additional opportunities to issue bonds, the Annual General Meeting of 7 May 2008 resolved to create additional conditional capital of €100.0m. By 7 May 2013, bonds with conversion options and warrants and well as profit-sharing rights and income bonds with a total par value of up to €1.0bn (with and without fixed terms) may be issued.

Authorised capital

The Annual General Meeting of 7 May 2008 resolved to create new authorised capital of €10.0m for the issue of employee shares. In financial year 2008, 198,730 employee shares were issued. As a result, the remaining authorised capital for the issue of employee shares declined to around €9.5m at the end of financial year 2008. The Executive Board of TUI AG has been authorised to use this capital in one or several transactions for the issue of employee shares against cash contribution by 6 May 2013.

The Annual General Meeting of 7 May 2008 also adopted a resolution on the issue of new registered shares against cash contribution for up to a maximum of €64.0m. This authorisation will expire on 6 May 2013.

In addition to the authorised capital for the issue of employee shares, the Annual General Meeting of 10 May 2006 resolved to create authorised capital for the issue of new shares against cash or non-cash contribution totalling €246.0m. The issue of new shares against non-cash contribution was limited to €128.0m. The Executive Board of TUI AG has been authorised to use this capital by 9 May 2011.

Including the remaining authorised capital for the issue of employee shares, total unused authorised capital amounted to €319.5m.

(27) Capital reserves

The capital reserves mainly comprised transfers of premiums from the issue of shares. In addition, amounts entitling the holders to acquire shares in TUI AG in the framework of bonds issued for conversion options and warrants had to be transferred to the capital reserves if 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. Borrowing 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 financial year 2007 had to be classified as an equity instrument in accordance with IAS 32, resulting in an increase in capital reserves of €71.8m in the previous year.

Capital reserves increased by €1.2m (previous year: €3.9m) due to the issue of employee shares in the financial year under review.

The net loss for the year of TUI AG totalled €1.5bn. Taking account of the profit carried forward of €24.8m, an amount of €1.5bn was withdrawn from the capital reserves in order to balance the result for the year.

(28) Revenue reserves

Other revenue reserves comprised transfers from the results of the current or previous financial years.

In previous year adjustments with no effect on profit or loss 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.

In accordance with IAS 27.35, losses applicable to minority interests were eliminated against other revenue reserves (€-569.9m). They resulted primarily from the first-time consolidation of the First Choice Holidays Group in financial year 2007.

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 shown in the commercial-law annual financial statements of TUI AG. Dividend payments in financial year 2008 comprised an amount of €62.8m distributed to shareholders in TUI AG, with the remainder distributed to non-Group shareholders of subsidiaries, in particular TUI Travel PLC.

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 foreign currencies. Furthermore, since the beginning of the third quarter of 2008, the effects of currency hedges of foreign currency exposure arising from the translation of the functional currency in container shipping into euro have been recognised directly in equity under 'Currency translation differences' (hedge of a net investment).

The revaluation reserve was formed in the framework of step 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 individual 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 differences between acquired equity and acquisition costs arising from the acquisition of minority interests were directly eliminated against other revenue reserves.

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

The reserve according to IAS 19 comprised gains and losses from changes in actuarial parameters in connection with the measurement of pension obligations and the associated fund assets, carried outside profit and loss. In financial year 2008, the increase in the long-term interest rate level in Germany and the UK resulted in a reduction in pension obligations and thus an increase in the reserve in accordance with IAS 19.

The reserve rose additionally due to exchange rate effects caused by the weakness of the British pound sterling. On the other hand, an opposite effect arose from a reduction in assets of funded pension schemes caused by the crisis in the financial market. In the financial year under review, these effects almost offset each other. Taking account of minority interests and deferred taxes, the reserve stood at €-126.2m (previous year: €-120.7m) at the end of the financial year.

(29) Hybrid capital

In accordance with IAS 32, the subordinated hybrid capital issued by TUI AG in December 2005 with a nominal volume of €300.0m represented Group equity. The capital procurement costs of €8.5m were deducted from the hybrid capital with no effect on profit and loss, taking account of deferred income taxes. Interest payment entitlements of the 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 sector, in particular the RIUSA II Group. The negative minority interests in TUI Travel PLC were offset against revenue reserves.

(31) Pension provisions and similar obligations

A number of pension schemes comprising both defined contribution plans or defined benefit plans were operated for Group employees. Pension obligations varied reflecting the different legal, fiscal and economic conditions in each country of operation and usually depended on employees' length of service and pay levels. All defined contribution plans were funded by the payment of contributions to external insurance companies or funds, whilst defined benefit plans entailed 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 additional industry pension organisations existed for companies of the TUI Group. Once the contributions to the state-run and private pension insurance organisation had been paid, the Company had no further liability. Current contribution payments were recognised as an expense for the respective period. In financial year 2008, the pension costs for all defined contribution plans for the TUI Group totalled €49.1m (previous year: €58.7m). The pension costs for defined benefit pension commitments amounted to €68.9m (previous year: €73.9m).

Pension costs for defined benefit obligations

€ million	2008	2007 revised
Current service cost for employee service in the financial year	39.8	49.8
Interest cost	114.2	114.1
Expected return on external plan assets	85.2	90.1
Past service cost due to plan changes	0.1	0.1
Total	**68.9**	**73.9**

The decline in the current service cost for employee service in financial year 2008 mainly resulted from currency effects caused by the weakening of the British pound sterling.

Only a minor past service cost had to be carried, as in 2007.

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 2007	Changes in consolidation[1]	Changes with no effect on results	Utilisation	Addition	Balance as at 31 Dec 2008
Provisions for pensions	849.8	- 199.5	105.2	97.3	31.3	689.5
Similar obligations	7.1	- 0.9	–	1.2	–	5.0
Total	**856.9**	**- 200.4**	**105.2**	**98.5**	**31.3**	**694.5**

[1] as well as transfers and exchange differences and reclassification in the discontinued operation container shipping

The actuarial gains and losses which arose in financial year 2008 were eliminated against equity with no effect on profit and loss, causing the indicated movement 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, which also took over the obligations of the First Choice Holidays Group in 2008. Furthermore, funded pension obligation schemes were operated by companies in Switzerland and in the Netherlands.

The pension entitlements of foreign container shipping companies included in provisions at the beginning of the financial year were reclassified to the balance sheet item 'Liabilities related to assets held for sale' in financial year 2008.

While the fund assets were determined on the basis of the fair values of invested funds as at 31 December 2008, 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.	2008	2007
Discount rate	6.25	5.5
Projected future salary increases	2.17 – 3.5	2.0 – 2.5
Projected future pension increases	2.5	1.5 – 1.83
Projected employee turnover rate	2.0	2.0

The interest rate applicable in discounting the pension provision was determined using an index for corporate bonds which was adjusted for securities already downgraded and under observation by rating agencies as well as subordinate bonds in order to meet the criterion for first-rate bonds required under IAS 19. In order to cover a correspondingly broad market, an index based on shorter-term bonds was used. The resulting interest structure was extrapolated on the basis of the yield curves for almost risk-free bonds, taking account of an appropriate risk markup reflecting the term of the obligation.

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

Actuarial assumptions for foreign companies

			2008			**2007**
Percentage p. a.	Discount rate	Projected return on plan assets	Projected future salary increases	Discount rate	Projected return on plan assets	Projected future salary increases
Eurozone	6.25	4.5 – 6.2	0.0 – 4.5	5.5	4.25 – 6.0	0.0 – 4.5
UK	6.4	6.1 – 6.95	3.5 – 4.2	5.6 – 5.8	5.1 – 7.42	4.5 – 5.0
Rest of Europe	3.25	2.5	1.5 – 2.0	3.25	2.5	1.5 – 2.0
North America	6.0	5.0	3.5	5.25 – 6.0	5.0 – 6.0	3.5 – 5.0
South America	9.0	9.0	4.5 – 6.5	9.0	9.0	4.5 – 6.5
Asia	1.0 – 8.5	0.0 – 2.25	3.0 – 10.0	2.2 – 8.5	0.0 – 6.0	1.5 – 10.0

Development of projected benefit obligations

€ million	**2008**	**2007**
Net present value of actual pension obligations at beginning of year	**2,295.5**	**2,470.2**
Additions to the group of consolidated companies	0.0	119.9
Disposals from the group of consolidated companies	–	–
Current pension obligations	39.8	55.9
Interest cost	114.2	121.4
Pensions paid	- 90.5	- 110.5
Contributions paid by pension beneficiaries	8.3	11.2
Actuarial gains (-) and losses (+)	- 192.8	- 214.9
Exchange differences	- 356.3	- 158.1
Other	- 4.2	0.4
Reclassification in the discontinued operation container shipping	- 145.9	–
Net present value of actual pension obligations at year-end	**1,668.1**	**2,295.5**

Pension obligations declined by €627.4m in the financial year under review. This decrease primarily resulted from currency differences from the translation of British pounds sterling into euros, actuarial gains from a higher discount rate applicable under IFRS rules and the reclassification of the obligations in container shipping to the balance sheet item 'Liabilities related to assets held for sale'.

Development of the fair value of fund assets

€ million	2008	2007
Net present value of actual pension obligations at beginning of year	**1,471.1**	**1,398.4**
Additions to the group of consolidated companies	–	111.1
Disposals from the group of consolidated companies	–	–
Expected return on external plan assets (-)	- 85.2	- 93.6
Actuarial gains (-) / losses (+) of the current year	298.9	19.5
Exchange differences	- 267.8	- 120.6
Employer's contributions paid in	101.6	70.3
Contributions paid by the beneficiary of the plan	8.3	11.0
Pensions paid	- 56.2	- 75.9
Other	1.8	2.7
Reclassification in the discontinued operation container shipping	- 64.7	–
Fair value of fund assets at year-end	**980.4**	**1,471.1**
of which dividend-carrying securities	*473.3*	*851.2*
of which bonds	*322.4*	*484.4*
of which property, plant and equipment	*29.9*	*10.6*
of which cash	*113.2*	*82.6*
of which other	*41.6*	*42.3*

The fair values of fund assets decreased considerably year-on-year. Apart from the currency differences from the translation of British pound sterling, this decline was primarily due to the actuarial losses caused by the deviation of actual from expected returns on the plan assets. 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 rate level and the inflation trend.

Due to the situation in the international finance markets, the funds did not generate the expected returns. These losses in the value of fund assets created corresponding actuarial losses. While expected returns were €85.2m (previous year: €93.6m), the funds generated actual losses of €213.7m (previous year: returns of €74.1m).

For financial year 2009, the companies of the TUI Group are expected to contribute around €97.2m to the pension funds, a substantial amount of which being earmarked to reduce the pension deficit in the UK.

Reconciliation of projected benefit obligations to pension obligations recognised in the balance sheet

€ million	Plans with obligation in excess of assets	Plans with assets in excess of assets	31 Dec 2008 Total	Plans with obligation in excess of assets	Plans with assets in excess of assets	31 Dec 2007 Total
Actual projected benefit of fully or partly funded pension obligations	1,171.1	101.5	1,272.6	1,717.2	106.2	1,823.4
Fair value of external plan assets	875.6	104.8	980.4	1,337.9	133.2	1,471.1
Deficit respectively surplus	**295.5**	**- 3.3**	**292.2**	**379.3**	**- 27.0**	**352.3**
Actual present value of non-funded pension obligations			395.5			472.1
Net projected benefit obligation			**687.7**			**824.4**
Adjustment for past service cost			- 1.5			- 1.6
Net recognised liability			**686.2**			**822.8**
of which capitalised assets			*3.3*			*27.0*
Provisions for pensions			**689.5**			**849.8**
of which provisions for pensions for non-funded obligations			*394.0*			*470.5*
of which provisions for pensions for funded obligations			*295.5*			*379.3*

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 €1.5m 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 over the next few financial years.

Where plan assets exceeded obligations with regard to funded pension obligations, taking account of a difference 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 principal amounts related to pension obligations

€ million	2008	2007	2006	2005	2004
Projected benefit obligations at year-end	1,668.1	2,295.5	2,470.2	2,503.9	2,003.8
Fund assets at year-end	972.1	1,471.1	1,398.4	1,218.5	972.5
Surplus (+) respectively deficit (-) at year-end	696.0	352.3	535.4	742.6	478.7
Actuarial gains (-) / losses (+) of the current year from the obligations	- 192.8	- 214.9	- 148.3	403.3	51.8
of which adjustments due to experience	*22.7*	*24.5*			
Actuarial gains (-) / losses (+) of the current year from the fund assets	298.9	19.5	- 38.0	- 109.9	- 23.6

At 31 December 2008, the actuarial gains and losses before deferred income taxes carried and eliminated against equity with no effect on profit and loss by that date totalled €-321.8m (previous year: €-311.3m).

(32) Income tax provisions and other provisions

Development of provisions in financial year 2008

€ million	Balance as at 31 Dec 2007 revised	Changes in the group of consolidated companies[1]	Usage	Reversal	Addition	Balance as at 31 Dec 2008
Provisions for current income tax	318.6	- 20.8	76.8	11.0	110.6	320.6
Provisions for deferred tax	246.2	- 146.8	–	–	95.6	195.0
Income tax provisions	**564.8**	**- 167.6**	**76.8**	**11.0**	**206.2**	**515.6**
Personnel costs	233.3	- 33.2	117.7	12.7	139.6	209.3
Specific operating risks	58.5	- 1.5	7.8	2.3	10.2	57.1
Maintenance provisions	229.9	0.5	77.0	0.1	163.3	316.6
Risks from onerous contracts	42.8	15.4	66.0	3.6	50.9	39.5
Guarantee and liability risks	77.3	- 51.2	4.5	2.6	4.4	23.4
Provisions for other taxes	38.0	- 1.0	1.3	0.6	3.6	38.7
Miscellaneous provisions	345.2	- 34.7	48.9	73.9	73.7	261.4
Other provisions	**1,025.0**	**- 105.7**	**323.2**	**95.8**	**445.7**	**946.0**
Total	**1,589.8**	**- 273.3**	**400.0**	**106.8**	**651.9**	**1,461.6**

[1] as well as transfers, exchange differences and reclassification to discontinued operation container shipping

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 risks, risks from onerous contracts, guarantee and liability risks, provisions for other taxes and miscellaneous provisions.

Provisions for personnel costs comprised provisions for vacation, unpaid bonuses, 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 a long-term incentive programme, the Executive Board members and other senior executive staff of the Group were granted bonuses, 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 stocks 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 determined in the subsequent year. Following a lock-up period of two years, the individual beneficiaries are free to exercise their right to cash payment from this bonus within predetermined timeframes. This lock-up period is not applicable if a beneficiary 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 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**
Phantom shares granted	124,330	1.6
Phantom shares exercised	62,854	- 1.1
Measurement results	–	- 7.0
31 Dec 2008	**693,397**	**5.6**

The TUI Travel PLC Group operated three principal share-based payment schemes linking employee remuneration to the future performance of the sector: a Deferred Annual Bonus Scheme (DABS), a Performance Share Plan (PSP) and a Value Creation Synergy Plan (VCSP).

Awards and shares granted and outstanding

	Number of shares	Option exercise price	Date first exercisable
Deferred Annual Bonus Scheme (DABS)	846,090	–	13 Feb 2010
	2,859,735	–	19 Dec 2010
	5,100,996	–	28 Nov 2011
Performance Share Plan (PSP)	79,292	–	19 Jun 2009
	436,276	–	13 Feb 2010
	1,231,649	–	13 Feb 2010
	1,215,227	–	13 Feb 2010
	1,951,561	–	13 Sep 2010
	647,166	–	19 Dec 2010
	2,906,672	–	19 Dec 2010
	136,821	–	19 May 2011
	1,056,933	–	28 Nov 2011
	6,799,728	–	28 Nov 2011
Value Creation Synergy Plan (VCSP)	2,007,224	–	28 Nov 2010
Total	**27,275,370**		

At 31 December 2008, 3,603,786 shares were held by the First Choice Employee Benefit Trust. As at the same date 7,244,330 shares were held by the TUI Travel Employee Benefit Trust.

Development of the number of share options

	Number
Outstanding at beginning of the year	15,389,904
Expired during the year	- 890,335
Exercised during the year	- 2,325,901
Issued during the year	15,101,702
31 Dec 2008	**27,275,370**

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 the share options granted. The estimate of the fair value of services received was usually determined using binomial or simulation models, depending on the vesting criteria, with the exception of the calculation of the fair value of plans to be exercised as a function of market conditions. The fair value of such plans was estimated using a Monte Carlo simulation. The following measurement 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

		2008
	GBP	€
Principal share award schemes (DABS and PSP)		
Fair value at measurement date (in million)	0.85 – 2.71	1.1 – 3.4
Share price	2.05 – 2.86	2.57 – 3.59
Exercise price	0.0	–
Expected volatility	28.3% – 44.9%	–
Option life	1 – 3 years	–
Expected dividends	4.0%	–
Risk-free interest rate	2.73% – 5.28%	–

Participants were not entitled to dividends prior to vesting. Expected volatility was based on historic volatility at First Choice Holidays PLC and TUI Travel PLC, adjusted for changes to future volatility indicated by publicly available information. Share options were granted under a service condition.

In financial year 2008, personnel costs of 16.2m GBP (€20.3m) related to share-based payment schemes were carried through profit and loss.

Future estimated expense for share award schemes outstanding at the balance sheet date (as at 31 Dec 2008)

million	GBP	€
Expenses during next financial year	18.4	19.2
Expenses falling due after more than one year	20.1	20.9
Total	**38.5**	**40.1**

In the framework of combining the business operations of essential parts of the Northern Europe sector and optimising the organisational structure, provisions were formed where the individual measures were sufficiently specific and a factual restructuring obligation existed. These were primarily provisions for personnel costs and other provisions due to the early termination of rental and lease agreements. In financial year 2008, the restructuring measures in tourism resulted in total expenses of €284.9m (previous year: €62.5m). As at the balance sheet date, provisions of around €48.0m were carried, half of which related to personnel costs and the other half related to rental obligations.

The maintenance provisions comprised provisions for maintenance work on leased aircraft. The increase mainly resulted from a rise in obligations to third-party lessors due to the year-on-year increase in the number of externally leased aircraft.

Provisions for typical operating risks were retained almost unchanged. These provisions included an amount of €15.0m (previous year: €15.0m) for necessary environmental protection measures.

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

In 2007, provisions for guarantee, warranty and liability risks mainly existed in the container shipping sector for maintenance obligations in connection with leased containers and obligations to pay for uninsured damage to cargo. The substantial decline resulted from the recognition of these provisions under the balance sheet item 'Liabilities related to assets held for sale'.

The development of other provisions was characterised in particular by reversals of provisions which were no longer expected to be used. This related to provisions in connection with Group restructuring and litigation risks. A further key factor impacting provisions was the recognition of provisions for container shipping under the balance sheet item 'Liabilities related to assets held for sale'.

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 €12.4m (previous year: €6.9m), recognised as interest expenses. The largest portion related to additions to provisions for maintenance.

Terms to maturity of income tax provisions and other provisions

	31 Dec 2008		31 Dec 2007 revised	
€ million	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
Provisions for current income taxes	236.7	320.6	256.3	318.6
Provisions for deferred taxes	183.3	195.0	214.4	246.2
Income tax provisions	**420.0**	**515.6**	**470.7**	**564.8**
Personnel costs	65.2	209.3	74.6	233.3
Specific operating risks	24.1	57.1	16.6	58.5
Maintenance provisions	211.4	316.6	158.3	229.9
Risks from onerous contracts	5.4	39.5	14.6	42.8
Guarantee and liability risks	19.0	23.4	48.1	77.3
Provisions for other taxes	24.8	38.7	21.7	38.0
Miscellaneous provisions	140.0	261.4	156.0	345.2
Other provisions	**489.9**	**946.0**	**489.9**	**1,025.0**
Total	**909.9**	**1,461.6**	**960.6**	**1,589.8**

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	up to 1 year	Remaining terms more than 1-5 years	more than 5 years	31 Dec 2008 Total	31 Dec 2007 revised Total	Remaining term of more than 1 year
Convertible bonds	–	595.4	–	595.4	946.1	572.7
Other bonds	399.1	1,607.1	–	2,006.2	1,998.6	1,998.6
Liabilities to banks	380.0	1,467.9	50.4	1,898.3	2,159.8	1,885.2
Liabilities from finance leases	26.8	199.5	12.4	238.7	255.5	232.3
Financial liabilities due to non-consolidated Group companies	30.0	0.3	–	30.3	24.8	–
Financial liabilities due to affiliates	1.6	–	–	1.6	3.1	–
Other financial liabilities	171.8	32.1	0.3	204.2	143.4	44.0
Total	**1,009.3**	**3,902.3**	**63.1**	**4,974.7**	**5,531.3**	**4,732.8**

Fair values and carrying amounts of the bonds issued (31 Dec 2008)

	Volume		Interest rate % p. a.	Fair values[1] of debt component	conversion options	Total	Carrying amount
2007/12 convertible bond	694.0		2.750	408.3	2.5	410.8	595.4
2004/09 bond	400.0	3M EURIBOR plus	2.100	393.6		393.6	399.1
2005/10 bond	550.0	3M EURIBOR plus	1.550	418.0		418.0	545.4
2004/11 bond	625.0		6.625	615.6		615.6	617.7
2005/12 bond	450.0		5.125	342.0		342.0	444.0
2005/-- hybrid capital	300.0	until January 2013	8.625	177.0		177.0	294.8
		subsequently 3M EURIBOR plus	7.300				

[1] Stock market value

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 2007/12 convertible bond of €694m issued on 1 June 2007. The convertible bond will mature on 1 September 2012 and carry a nominal interest coupon of 2.75% per annum. In accordance with an adjustment effected in May 2008, each convertible bond of a par value of €50,000.00 entitled the holder to convert it into 1,831 shares any time between 12 July 2007 and the seventh business day prior to the redemption date at a conversion price of €27.3019 per share.

At the issue date, the debt component of the convertible bond was carried 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.

The 2003/08 convertible bond issued in November 2003 of €384.6m was fully repaid as at 1 December 2008. No conversion rights were exercised during the term of the bond.

Other bonds comprised bonds with a total nominal volume of €2,025.0m, as in 2007.

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

Two further bonds with an aggregate volume of €1,000.0m were issued in December 2005. The fixed-interest bond of €450.0m, carrying a nominal interest rate of 5.125%, will mature in December 2012. The remaining bond volume of €550.0m was a floating-rate bond (3-month-EURIBOR + 1.55%) maturing in December 2010. The bonds, issued in financial year 2005, had denominations of €1,000.00.

(34) Trade accounts payable

Trade accounts payable

€ million	**31 Dec 2008**	**31 Dec 2007** revised
To third parties	1,947.5	2,679.2
To non-consolidated Group companies	3.7	4.8
To affiliates	8.5	21.8
Total	**1,959.7**	**2,705.8**

(35) Derivative financial instruments

Derivative financial instruments

	31 Dec 2008				**31 Dec 2007**	
	Remaining terms					
€ million	up to 1 year	more than 1-5 years	more than 5 years	Total	Total	Remaining term of more than 1 year
Liabilities from derivative financial instruments	718.6	163.4	–	882.0	300.8	126.4

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

(36) Other liabilities

Other liabilities

	31 Dec 2008				**31 Dec 2007** revised	
	Remaining terms					
€ million	up to 1 year	more than 1-5 years	more than 5 years	Total	Total	Remaining term of more than 1 year
Other liabilities due to non-consolidated Group companies	5.7	–	–	5.7	3.3	–
Other liabilities due to affiliates	1.7	–	–	1.7	2.0	–
Other miscellaneous liabilities	225.5	50.5	–	276.0	249.3	94.5
Other liabilities from income taxes	6.1	0.1	–	6.2	6.5	–
Other liabilities relating to other taxes	35.6	0.2	–	35.8	35.1	0.5
Other liabilities relating to social security	56.8	–	–	56.8	60.1	2.3
Other liabilities relating to employees	29.8	–	–	29.8	25.9	0.1
Other liabilities relating to members of the Boards	2.7	–	–	2.7	2.4	–
Advance payments received	1,534.4	12.3	–	1,546.7	1,768.0	0.2
Other liabilities	**1,898.3**	**63.1**	**0.0**	**1,961.4**	**2,152.6**	**97.6**
Deferred income	**37.9**	**12.6**	**2.7**	**53.2**	**73.9**	**32.8**
Total	**1,936.2**	**75.7**	**2.7**	**2,014.6**	**2,226.5**	**130.4**

(37) Liabilities related to assets held for sale

Liabilities related to assets held for sale

€ million	31 Dec 2008	31 Dec 2007
Discontinued operation container shipping	2,474.9	–
Other liabilities	25.7	–
Total	**2,500.6**	**–**

(38) Contingent liabilities

Contingent liabilities

€ million	31 Dec 2008	31 Dec 2007
Liabilities under guarantees, bill and cheque guarantees due to non-consolidated Group companies	6.8	7.0
Other liabilities under guarantees, bill and cheque guarantees	38.2	59.6
Other liabilities under warranties	2.6	4.1
Total	**47.6**	**70.7**

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.

(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 with the US proceedings meanwhile having been concluded by settlement. 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 2006, the actions still pending were taken into account and carried as contingent liabilities of €11m 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	up to 1 year	more than 1-5 years	more than 5 years	Total	Total	Remaining term of more than 1 year
	Remaining terms			31 Dec 2008	31 Dec 2007	
Order commitments in respect of capital expenditure	555.1	2,262.5	796.8	3,614.4	3,451.4	2,874.8
Other financial commitments	1,231.6	233.3	0.5	1,465.4	694.2	509.2
Total	**1,786.7**	**2,495.8**	**797.3**	**5,079.8**	**4,145.6**	**3,384.0**
Fair value	**1,681.6**	**2,080.8**	**490.9**	**4,253.3**	**3,557.8**	**2,835.9**

The fair value of other financial commitments was determined by means of discounting future expenses using a customary market interest rate of 6.25% per annum (previous year: 5.5% p.a.). If the previous year's interest rate of 5.5% had been applied, the fair value would have been €85.3m higher.

The increase of €163.0m in nominal order commitments in respect of capital expenditure mainly represented the aggregate effect of an increase due to container ship orders and a decline due to the aircraft deliveries. While order commitments for container ships rose by a total of €482.8m, taking account of deliveries in the financial year under review, aircraft deliveries caused a reduction in order commitments of €330.5m.

Other financial commitments comprised payment obligations to the Albert Ballin consortium of €900.0m and to TUI Cruises of €138.5m as well as liability obligations in connection with investments.

Order commitments for investments with a nominal value of €0.8bn and a fair value of €0.7bn (previous year: €0.3bn each) were related to the discontinued container shipping operation as at 31 December 2008.

Financial commitments from operating lease, rental and charter contracts

€ million	up to 1 year	more than 1-5 years	more than 5-10 years	more than 10 years	Total	Total	Remaining term of more than 1 year
	Remaining terms				31 Dec 2008	31 Dec 2007	
Aircraft	357.4	837.0	175.7	38.0	1,408.1	1,134.9	844.2
Hotel complexes	137.9	430.1	96.2	22.3	686.5	553.2	463.6
Travel agencies	85.8	224.0	119.9	7.0	436.7	583.1	489.3
Administrative buildings	56.4	136.5	68.5	39.1	300.5	389.6	334.3
Ships and container	647.4	1,063.7	528.6	12.3	2,252.0	2,326.1	1,788.0
Other	54.5	163.4	6.8	0.2	224.9	265.1	210.0
Total	**1,339.4**	**2,854.7**	**995.7**	**118.9**	**5,308.7**	**5,252.0**	**4,129.4**
Fair value	**1,260.6**	**2,380.0**	**613.1**	**64.8**	**4,318.5**	**4,316.2**	**3,252.1**

The fair value of financial commitments from lease, rental and charter contracts was determined by means of discounting future expenses using a customary market interest rate of 6.25% p.a. (previous year: 5.5% p.a.). If the previous year's interest rate of 5.5% p.a. had been applied, the fair value would have been €101.0m higher. As at 31 December 2008, commitments from lease, rental and leasing contracts with a nominal value of €2.2bn and a fair value of €1.8bn related to the discontinued operation container shipping. This amount did not change as against 2007.

The commitments from lease, rental and leasing contracts exclusively related to leases that did not transfer all the risks and rewards of 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 of 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 did not include a purchase option. Current lease payments also included a small portion covering maintenance costs. The basic lease term was usually two to eight years. The increase in commitments for aircraft of €273.2m was largely caused by the strategic realignment of flight operations.

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

Financial instruments

Since container shipping has been classified as a discontinued operation in accordance with IFRS 5, the following analyses for financial year 2008 excluded the discontinued operation. As a result, there was limited comparability of the figures for 2008 and the respective figures for 2007.

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, policies and rules applicable throughout the Group have been defined, fixing binding decision bases, competencies and responsibilities for all financial transactions.

In the framework of the merger of TUI's tourism activities with First Choice to form TUI Travel PLC in 2007, responsibilities were divided up differently for central cash management, which was previously managed by TUI AG alone, and central financial risk management. TUI Travel performs these tasks for the Group's tourism sector, while TUI AG continues to be responsible for these functions for other business operations of the Group.

The individual financing units, rules, competencies and workflows as well as limits for transactions and risk positions have been defined in policies. The trading, settlement and controlling functions were segregated in functional and organisational terms. Compliance with the policies and limits was continually monitored. As a matter of principle, all hedges by the Group were based on correspondingly recognised or future underlying transactions. Recognised standard software was used for assessing, monitoring and reporting the hedges entered into. 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 also performed.

Within the TUI Group, financial risks primarily arose from payments in foreign currencies, fuel requirements (aircraft fuel and bunker oil) and financing via the money and capital markets. In order to limit the risks from changes in exchange rates, market prices and interest rates for underlying transactions, TUI used derivative over-the-counter financial instruments. These were primarily fixed-price transactions (e.g. forward transactions and swaps). In addition, TUI also traded in options to a minor extent. 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 (HR, organisational and systems) resources. The transactions were concluded on a commercial arm's length basis with top-rated contracting counterparties with strong credit ratings operating in the financial sector, whose counterparty risks was regularly monitored. Currency translations risks from the consolidation of Group companies not preparing their account in euros were not hedged.

The Group companies submitted monthly reports 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, which formed the basis of the hedge portfolio comprised of derivative financial instruments.

Market risk

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

According to IFRS 7, market risks have to be presented using sensitivity analyses showing the effect of hypothetical changes in relevant risk variables on profit or loss and equity. The effects for the period were 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 was taken to ensure that the respective portfolio as at the balance sheet date was representative for the financial year.

The analyses of the TUI Group's risk reduction activities outlined below and the amounts determined using sensitivity analyses represent hypothetical and thus uncertain disclosures entailing risks. Due to unforeseeable developments in the global finance markets, actual events may deviate substantially from the disclosures provided. The risk analysis methods used must not be considered a projection of likely 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 changed in line with changes in planned requirements on the basis of monthly reporting by the subsidiaries.

Currency hedging for cruise shipping was also based on the planned exposure indicated in the monthly reports submitted by the companies. The hedges covered 80% to 100% of the reported exposure.

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 or rental of aircraft.

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 were mainly affected by changes in the value of the British pound sterling and the Swedish kronor.

Currency risks within the meaning of IFRS 7 arise from primary and derivative monetary financial instruments issued in a currency other than the functional currency of a company. Exchange rate-related differences 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. A 10% strengthening or weakening of the respective functional currencies, primarily euro, US dollar and British pound sterling, would create the following effects on the revaluation reserve and earnings after income tax:

Sensitivity analysis – currency risk

€ million	**31 Dec 2008**		**31 Dec 2007**	
Variable: Exchange rate	+ 10%	- 10%	+ 10%	- 10%
All exchange rates				
Value change reserve	- 113.0	+ 118.1	- 236.3	+ 276.9
Earnings before income taxes	+ 66.6	- 73.5	+ 56.9	- 62.7
Exchange rates of key currencies				
€/US Dollar				
Value change reserve	- 179.6	+ 192.3	- 251.8	+ 293.3
Earnings before income taxes	- 38.8	+ 39.2	+ 56.1	- 64.6
€/British Pound				
Value change reserve	+ 116.2	- 126.6	+ 70.5	- 65.0
Earnings before income taxes	+ 68.7	- 68.5	- 12.9	+ 14.7
British Pound/US Dollar				
Value change reserve	- 37.0	+ 39.0	- 57.8	+ 61.7
Earnings before income taxes	+ 24.7	- 29.5	+ 7.6	- 6.6
€/Swiss Franc				
Value change reserve	+ 10.4	- 10.4	+ 8.8	- 8.8
Earnings before income taxes	- 0.1	- 0.1	- 1.1	+ 1.2
€/Swedish Krona				
Value change reserve	+ 15.1	- 15.1	+ 4.8	- 4.8
Earnings before income taxes	+ 2.7	- 3.3	+ 6.9	- 7.2

Interest rate risk

Market value interest rate risks, i.e. exposure to potential fluctuations in the fair value of a financial instrument resulting from changes in market interest rates, 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. As a result, neither equity nor profit or loss were 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-rate debt. In order to minimise this risk, the Group entered into interest rate hedges, where necessary.

Sensitivity analysis – interest rate risk

€ million	**31 Dec 2008**		**31 Dec 2007**	
Variable: Interest level for variable interest-bearing debt	+ 100 basis points	- 100 basis points	+ 100 basis points	- 100 basis points
Earnings before income taxes	- 13.5	+ 13.7	- 12.2	+ 10.6

Fuel price risk

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 exposure for the respective season, at least 80% of the exposures were hedged. New possibilities of levying fuel surcharges were taken into account.

Hedging of fuel price risks in cruise 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 – fuel price risk

€ million	**31 Dec 2008**		**31 Dec 2007**	
Variable: Fuel prices for aircraft and ships	+ 10%	- 10%	+ 10%	- 10%
Value change reserve	83.1	- 82.6	123.1	- 118.4

Credit risk

The credit risk in non-derivative financial instruments resulted from the risk of a counterparty's default on its contractual payment obligations.

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 concerning the guarantees at the balance sheet date are presented in Note 38. Legally enforceable possibilities of netting financial assets and liabilities were taken into account, whereas collateral was not considered. The credit risk was minimised due to the strict requirements with regard to the counterparties' credit rating. Credit risks were reviewed closely on conclusion of the contract and continually monitored thereafter so as to be able to swiftly respond to potential deterioration in a counterparty's credit rating. As a matter of principle, responsibility for handling the credit risk relating to the operational 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 were 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 were accepted as collateral to reduce the credit risk.

Identifiable credit risks of individual receivables were covered by means of corres–ponding bad debt allowances. In addition, portfolios were 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.

At the balance sheet date, no financial assets were overdue or impaired unless the terms and conditions of the contract had been renegotiated, neither in the financial year under review nor in 2007.

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 counterparty default asset losses would only be incurred up to that amount. Since derivative financial instruments were concluded with different debtors with top credit ratings, no credit risk exposure was to be expected. Nevertheless, the counterparty risk was continually monitored and controlled using internal bank limits.

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 and liquid funds 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 2008)

€ million	2009	2010	2011-2013	Cash in-/outflow at 2013
Financial liabilities				
Bonds	- 538.4	- 679.2	- 1,915.1	–
Liabilities to banks	- 926.2	- 527.3	- 564.5	- 55.3
Liabilities from finance leases	- 41.4	- 195.0	- 34.6	- 12.5
Financial liabilities due to non-consolidated Group companies	- 30.0	–	–	–
Financial liabilities due to affiliates	- 1.6	–	–	–
Other financial liabilities	- 147.0	- 57.2	–	–
Trade payables	- 1,953.1	- 6.4	- 0.2	–
Derivative financial instruments				
Hedge transactions – inflows	+ 6,265.9	+ 2,085.9	+ 1,724.3	+ 60.7
Hedge transactions – outflows	- 5,625.2	- 2,016.9	- 1,684.0	- 89.1
Other derivative financial instruments – inflows	+ 2,135.2	+ 16.2	–	–
Other derivative financial instruments – outflows	- 2,009.9	- 16.5	–	–
Other liabilities	- 205.0	–	- 0.1	–

Cash flow of financial instruments (31 Dec 2007)

€ million	2008	2009	2010-2012	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	- 2,688.8	- 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

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 in determining future interest payments. Financial liabilities cancellable at any time were allocated to the earliest maturity band.

Derivative financial instruments and hedges

Strategy and goals

In accordance with the TUI Group's implementing regulations, derivatives may be used if they are based on recognised assets or liabilities, firm commitments or forecasted transactions. Hedge accounting was based on the rules of IAS 39, in particular in the framework of hedging against exposure to fluctuations in future cash flows. In the financial year under review, cash flow hedges were effected.

Forward transactions and options were used to limit currency risks. In order to hedge against exposure to external commodity price risks, price hedging instruments in the form of swaps and options were used.

Cash flow hedges

As at 31 December 2008, underlying transactions existed to hedge cash flows in foreign currencies with maturities of up to six years (previous year: up to seven years). The planned underlying transactions of commodity price hedges had terms of up to three years (previous year: up to two years).

In accounting for derivatives of cash flow hedges, the effective portion of the cumulative changes in market values was carried in the revaluation reserve outside profit and loss until the underlying transaction occurred. It was taken to profit and loss when the hedged item was executed. In the financial year under review, income of €517.2m (previous year: expenses of €143.6m) from currency hedges and derivative financial instruments used as price hedges was carried in the cost of sales and administrative expenses. Expenses of €5.2m (previous year: €0.5m) were carried from the ineffective portion of the cash flow hedges.

Nominal amounts of derivative financial instruments used

€ million	Remaining terms up to 1 year	Remaining terms more than 1 year	31 Dec 2008 Total	31 Dec 2007 Total	31 Dec 2007 Remaining term more than 1 year
Interest rate hedges					
Swaps	–	27.9	27.9	336.3	31.8
Currency hedges					
Forwards, Swaps and other currency hedges	8,111.1	3,830.7	11,941.8	9,353.3	3,329.2
Options	458.1	73.7	531.8	987.3	30.6
Collars	291.2	35.8	327.0	160.1	110.1
Commodity hedges					
Swaps	1,500.5	209.9	1,710.4	593.4	71.2
Options	267.7	86.8	354.5	472.4	71.2
Collars	117.5	29.4	146.9	115.7	15.2

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 not unambiguously allocable to currency or interest rate hedges were shown under currency hedges.

Fair values of derivative financial instruments

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 calculation methods, e.g. by discounting the expected future cash flows. The forward prices of forward transactions were based on the spot or cash prices, taking account of forward premiums and discounts. The calculation of the fair values of options was based on the Black & Scholes model and the Turnbull & Wakeman model for optional fuel hedges. The fair values determined on the basis of the Group's own systems were regularly compared with fair value confirmations of external counterparties.

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

€ million	31 Dec 2008 Receivables	31 Dec 2008 Liabilities	31 Dec 2007 Receivables	31 Dec 2007 Liabilities
Cash flow hedges for				
currency risks	1,027.7	167.9	157.7	273.3
market risks	4.1	657.9	234.6	0.2
Hedges	**1,031.8**	**825.8**	**392.3**	**273.5**
Other derivative financial instruments	**180.7**	**56.2**	**49.6**	**27.3**
Total	**1,212.5**	**882.0**	**441.9**	**300.8**

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 foreign currency transactions entered into in order to hedge against exposure to changes in the value of balance sheet items not meeting the criteria to qualify as fair value hedges in accordance with IAS 39. In 2007 these were structured hedges such as the call spread included in the issue of the 2003/08 convertible bond and a number of foreign currency transactions.

Hedge of a net investment

Forward exchange transactions were used in order to hedge the net assets of the stake in container shipping, whose functional currency deviated from the functional currency of the Group.

As at 31 December 2008, changes in the fair values of derivatives of €-49.5m were directly taken to equity as a difference from currency translation. In financial year 2008, no ineffectiveness was recognised in respect of these hedges.

Financial instruments – Additional disclosures

Carrying amounts and fair values

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 credit rating.

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 amounts were taken as realistic estimates 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, taking account of current interest parameters which reflected market- and counterparty-related changes in conditions and expectations.

Carrying amounts and fair values according to classes and categories as at 31 Dec 2008

€ million	Carrying amount	Category under IAS 39: at amortised cost	at costs	Fair value with no effect on profit and loss	Fair value through profit and loss	Values according to IAS 17	Carrying amount of financial instruments	Fair value of financial instruments
Assets								
Financial assets available for sale	87.9	–	68.0	19.9	–	–	87.9	87.9
Trade accounts receivable and other receivables	2,288.4	1,070.0	–	–	–	0.0	1,070.0	1,067.2
Derivative financial instruments								
Hedges	1,031.8	–	–	1,031.8	–	–	1,031.8	1,031.8
Other derivative financial instruments	180.7	–	–	–	180.7	–	180.7	180.7
Cash and cash equivalents	2,045.5	2,045.5	–	–	–	–	2,045.5	2,045.5
Assets held for sale	–	–	–	–	–	–	–	–
Liabilities								
Financial liabilities	4,974.7	4,736.0	–	–	–	238.7	4,974.7	4,091.7
Trade accounts payable	1,959.7	1,959.7	–	–	–	–	1,959.7	1,959.7
Derivative financial instruments								
Hedges	825.8	–	–	825.8	–	–	825.8	825.8
Other derivative financial instruments	56.2	–	–	–	56.2	–	56.2	56.2
Other liabilities	2,014.6	255.7	–	–	–	–	255.7	255.7
Liabilities relating to assets held for sale	–	–	–	–	–	–	–	–

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

€ million	Carrying amount	Category under IAS 39: at amortised cost	at costs	Fair value with no effect on profit and loss	Fair value through profit and loss	Values according to IAS 17 (Leasing)	Carrying amount of financial instruments	Fair value of financial instruments
Assets								
Financial assets available for sale	121.9	–	121.2	0.7	–	–	121.9	121.9
Trade accounts receivable and other receivables	2,829.8	1,548.1	–	–	–	6.7	1,554.8	1,551.4
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	–	–	–	–	–	–	–	–
Liabilities								
Financial liabilities	5,531.3	5,274.9	–	–	–	256.4	5,531.3	5,421.8
Trade accounts payable	2,705.8	2,705.8	–	–	–	–	2,705.8	2,705.8
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	2,226.5	194.6	–	–	–	–	194.6	194.6
Liabilities relating to assets held for sale	–	–	–	–	–	–	–	–

The financial investments classified as financial instruments available for sale included an amount of €68.0m (previous year: €88.5m) for stakes in partnerships and corporations. The fair value of these non-listed stakes was not determined 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.

In connection with the disposal of shares shown in the category 'Financial assets available for sale', measured at acquisition cost, carrying amounts of €13.7m were disposed of. In the financial years under review, the disposal did not give rise to any significant income or expenses.

Aggregation according to categories under IAS 39 (31 Dec 2008)

				Fair value	Carrying amount	Fair value
€ million	**Amortised cost**	**Costs**	with no effect on profit and loss	through profit and loss	Total	
Advances and loans	3,115.5	–	–	–	3,115.5	3,111.2
Financial assets						
available for sale	–	68.0	19.9	–	87.9	87.9
held for trading	–	–	–	180.7	180.7	180.7
Financial liabilities						
at amortised costs	6,951.4	–	–	–	6,951.4	6,121.2
held for trading	–	–	–	56.2	56.2	56.2

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

				Fair value	Carrying amount	Fair value
€ million	**Amortised cost**	**Costs**	with no effect on profit and loss	through profit and loss	Total	
Advances and loans	3,162.1	–	–	–	3,162.1	3,158.7
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	8,175.3	–	–	–	8,175.3	8,002.1
held for trading	–	–	–	27.3	27.3	27.3

Effects on results

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

Net results of financial instruments

			2008			**2007**
€ million	from interests	other net results	net result	from interests	other net results	net result
Advances and loans	101.1	-17.2	83.9	59.1	- 20.0	39.1
Financial assets available for sale	–	- 14.3	- 14.3	–	6.3	6.3
Financial assets and liabilities held for trading	–	46.1	46.1	–	142.6	142.6
Financial liabilities at amortised costs	- 366.7	0.9	- 365.8	- 301.2	14.9	- 286.3
Total	**- 265.6**	**15.5**	**- 250.1**	**- 242.1**	**143.8**	**- 98.3**

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

Financial instruments measured at fair value outside profit and loss resulted in commission expenses of €0.5m (previous year: €6.7m).

Capital risk management

One of the key management variables in the framework of capital risk management is the gearing, i.e. the relationship between the Group's net debt and Group equity. From a risk perspective, a balance between net debt and equity is to be achieved. The current goal of the Group is for a gearing of 80% to 110%. Average Group equity as at 31 December 2008 was impacted above all by foreign currency effects caused by the weakness of the British pound sterling at the balance sheet date. Average equity for 2009 will rise due to the anticipated gain on disposal from the sale of container shipping.

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, issue new shares or issue hybrid capital. The management may also sell assets in order to reduce Group debt.

Gearing calculation

€ million	31 Dec 2008	31 Dec 2007
Average financial debt	5,816.5	4,892.7
Average cash and cash equivalent	2,369.5	1,738.6
Average Group net debt	**3,447.0**	**3,154.1**
Average Group equity	2,571.8	3,146.8
Gearing	**134.0 %**	**100.2 %**

Major Shareholdings

Major subsidiaries, associated companies and joint ventures

		Nominal share capital in '000	Result for the year in '000	Shareholding (%) total	of which indirect
Tourism					
First Choice Holidays Ltd, Crawley[1)]	GBP	16,440	- 25,695	51.9	51.9
Groupe Nouvelles Frontières S.A.S., Montreuil	€	3,274	- 12,074	51.9	51.9
GRUPOTEL DOS S.A., C'an Picafort[2) 3)]	€	64,396	2,238	50.0	–
Hapag-Lloyd Fluggesellschaft mbH, Langenhagen	€	45,000	- 1,996	51.9	51.9
Hapag-Lloyd Kreuzfahrten GmbH, Hamburg[1) 5)]	€	520	10,897	100.0	–
JetAir N.V., Oostende[1)]	€	750	25,983	51.9	51.9
Magic Life GmbH & Co. KG, Vienna	€	146	- 19,115	100.0	100.0
Riu Hotels S.A., Palma de Majorca[2) 3)]	€	40,809	42,546	49.0	–
RIUSA II S.A., Palma de Majorca[1) 4)]	€	1,202	75,295	50.0	–
Robinson Club GmbH, Hanover [5)]	€	5,138	- 284	100.0	–
Tenuta di Castelfalfi S.p.A., Florence	€	40,000	- 10,139	100.0	–
Touraventure S.A., Montreuil	€	10,470	- 26,017	51.9	51.9
TUI (Suisse) AG, Zurich	CHF	4,854	5,857	51.9	51.9
TUI Cruises GmbH, Hamburg[3)]	€	25,000	- 15,966	50.0	–
TUI Deutschland GmbH, Hanover	€	20,000	19,638	51.9	51.9
TUI España Turismo S.A., Palma de Majorca	€	3,606	11,804	51.9	51.9
TUI InfoTec GmbH, Hanover[1) 3)]	€	1,000	1,792	25.9	25.9
TUI Leisure Travel GmbH, Hanover	€	14,501	3,361	51.9	51.9
TUI Nederland N.V., Rijswijk[1)]	€	10,000	16,540	51.9	51.9
TUI Northern Europe Ltd., Crawley[1)]	GBP	250,459	- 15,474	51.9	51.9
TUI Österreich GmbH, Vienna	€	80	12,070	51.9	51.9
TUI Travel PLC, Crawley	GBP	111,802	375,151	51.9	–
Turcotel Turizm A.S., Istanbul	€	33,142	- 5,032	100.0	100.0
Other Companies					
Preussag Finanz- und Beteiligungs-GmbH, Hanover[5)]	€	148,001	–	100.0	–
Preussag Immobilien GmbH, Salzgitter[5)]	€	25,856	6,783	100.0	100.0
Preussag UK Ltd., Crawley	GBP	82,000	2,960	100.0	–
Salzgitter Grundstücks- und Beteiligungsgesellschaft mbH, Salzgitter[5)]	€	71,427	9,108	100.0	–
TUI Beteiligungs GmbH, Hanover[5)]	€	500	15,091	100.0	–
Container Shipping					
Hapag-Lloyd AG, Hamburg[1) 5)]	USD	33,743	456,020	100.0	–

[1)] according to financial statements of the Group
[2)] Result for the year according to financial statements as per 31 December 2008
[3)] Joint venture
[4)] Control despite shareholding of 50% or less
[5)] Profit and loss transfer agreement

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 using 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 operating activities rose significantly year-on-year by €377.3m to €945.8m. This increase was primarily attributable to the first-time full-year consolidation of the activities of the First Choice Holidays Group. Due to the seasonally weak last third of the year, consolidation of the First Choice Holidays Group had had a clearly negative effect in 2007.

The cash inflow from operating activities included interest received. In the financial year under review, interest received totalled €109.4m (previous year: €82.2m). In financial year 2008, income tax payments resulted in a cash outflow of €66.5m (previous year: €50.7m).

(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 additionally included non-cash investments and disposals.

In the financial year under review, the cash outflow from investing activities amounted to €461.4m. The cash payments for investments in property, plant and equipment mainly related to container ships and hotel complexes. On the other hand, the sale of aircraft to AerCap Holdings NV generated an inflow of cash.

The cash outflow from investing activities – offset against acquired cash and cash equivalents – included cash payments for the acquisition of shares in subsidiaries (by TUI Travel Group) 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 financial year 2008 resulted in cash payments of around €137.9m (previous year: around €111.5m). Cash and cash equivalents acquired with these acquisitions totalled around €53.7m (previous year: €23.4m). The cash inflow from the disposal of other non-current assets included the repayment of loans in connection with the disposal of the AMC Group in prior years.

In the completed financial year, dividend payments received including dividends received by the companies measured at equity generated cash inflows of €72.3m (previous year: €24.1m).

The cash flow from investing activities comprised capitalised interest on borrowings of €11.8m (previous year: €14.1m).

(43) Cash inflow/outflow from financing activities

The cash flow from financing activities led to an increase in cash and cash equivalents of €199.1m. While several long-term bank loans were taken out, including in particular a loan based on an exchangeable bond worth €450m taken out by TUI AG and a loan to finance ships and containers of 750m USD taken out by Hapag-Lloyd, the convertible bond of €384.5m was repaid by TUI AG and several short-term bank loans were redeemed by TUI Travel.

The cash flow from financing activities included cash flows due to financial liabilities taken out or redeemed and interest paid in the financial year under review amounting to €321.4m (previous year: €298.1m). The dividend shown for TUI AG comprised an amount of €25.9m for 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. The reduction of €128.9m was primarily attributable to the fall in the exchange rate of the British pound sterling against the euro. 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 inflow of cash and cash equivalents of €0.8m from the merger of two non-consolidated companies with consolidated companies and the first-time consolidation of several previously non-consolidated companies.

Cash and cash equivalents of the continued operations declined by €123.9m since container shipping was classified as a discontinued operation in accordance with IFRS 5.

As at 31 December 2008, cash and cash equivalents of €0.1bn were subject to restraints on disposal. These monies had to be deposited by tour operators to meet national regulatory requirements related to the collateralisation of tourism services.

Other Notes

Significant transactions after the balance sheet date

At an extraordinary Supervisory Board meeting of TUI AG held on 27 February 2009, the changes to the terms and conditions agreed with the Hamburg-based Albert Ballin consortium for the sale of a majority stake in container shipping in October 2008 were approved. The changes relate to the increase in the stake in the company acquiring Hapag-Lloyd AG from 33.33% to now 43.33% and the provision of a number of additional credit lines to the Hapag-Lloyd Group.

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 audit certificate by the auditors (9 March 2009).

Services of the auditors of the consolidated financial statements

Total expenses of €4.8m were carried for the services provided by the auditors of the consolidated financial statements, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, in financial year 2008. Of this total, €2.3m related to audits, €2.4m to other attestation or measurement services and €0.1m to other services provided for TUI AG or its subsidiaries.

Remuneration of Executive and Supervisory Board members

In the financial year under review, total remuneration paid to Board members totalled €16,786.6 thousand (previous year: €16,391.7 thousand).

In the framework of the long-term incentive programme, the Board members received a remuneration of €3,482.4 thousand (previous year: €1,164.1 thousand) for the financial year under review. The amount paid in the previous year was translated into 57,408 phantom stocks in TUI AG in March 2008. The remuneration granted for 2008 will be translated into phantom stocks at the Supervisory Board meeting in March 2009.

Pension provisions for active Executive Board members totalled €20,259 thousand as at the balance sheet date (previous year: €19,929 thousand).

Total remuneration for Supervisory Board members in the financial year under review amounted to €1,695.2 thousand (previous year: €2,838.5 thousand). Remuneration for former Executive Board members or their surviving dependants totalled €4,445 thousand (previous year: €7,011 thousand) in the financial year under review. Pension obligations for former Executive Board members and their surviving dependants amounted to €34,327 thousand (previous year: €34,780 thousand) in the financial year under review.

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

Related parties

Apart from its own subsidiaries included in the consolidated financial statements, TUI AG, in carrying out its ordinary business activities, maintained indirect and 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 published in the electronic Federal Gazette (www.ebanz.de). Apart from pure equity investments, related parties also included companies that supplied goods or delivered services to TUI Group companies.

Transactions with related parties (excl. key management)

€ million	2008	2007
Services provided by the Group		
Management and consultancy services	33.8	25.3
Sales of tourism services	6.1	0.0
Distribution services	24.2	7.8
Other services (Container handling)	10.3	49.1
Total	**74.4**	**82.2**
Services received by the Group		
in the framework of lease, rental and leasing agreements	34.9	26.6
Purchase of hotel services	58.9	69.9
Incoming services	162.8	123.9
Distribution services	4.2	0.0
Container handling and terminal services	57.5	59.1
Other services	62.9	11.0
Total	**381.2**	**290.5**

Transactions with related parties (excl. key management)

€ million	2008	2007
Services provided by the Group to		
non-consolidated Group companies	10.4	7.8
joint ventures	22.6	10.9
associated companies	23.1	50.4
other shareholdings	0.0	–
natural persons	18.3	13.1
Total	**74.4**	**82.2**
Services received by the Group from		
non-consolidated Group companies	0.0	24.8
joint ventures	265.7	153.1
associated companies	103.4	83.3
other shareholdings	3.9	26.1
natural persons	8.2	3.2
Total	**381.2**	**290.5**

Transactions with associated companies and joint ventures were primarily effected in the tourism division. They related in particular to 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.

Liabilities to related parties did not comprise any liabilities from finance leases, as in 2007. 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 included companies and presented in the segment report for the individual divisions, alongside a separate presentation of the earnings of associated companies by division.

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% and 2.4%, respectively, of the shares in TUI AG.

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

Remuneration of Management, Executive and Supervisory Board

€ million	2008	2007
Short-term employee benefits	14.8	16.8
Post-employment benefits	3.3	0.5
Other long-term employee benefits	0.2	1.1
Termination benefits	–	0.9
Share-based payment	3.5	1.2
Total	**21.8**	**20.5**

The benefits upon termination of the employment relationship related to transfers to pension provisions for active Board members. The expenses shown did not meet the definition of remuneration of Executive and Supervisory Board members under the German Corporate Governance Code.

International Financial Reporting Standards (IFRS) and Interpretations (IFRIC)

The following standards and interpretations have already been endorsed into EU legislation but will only be mandatory for annual periods beginning after 31 December 2008:

IFRS 8: 'Operating Segments'

IFRS 8 was published in November 2006 and replaces the previous provisions of IAS 14 'Segment Reporting'. The main change is that the segment reporting structure follows the reporting structure internally used by the decision-makers (management approach). In addition, disclosures on geographical areas and major customers are required. The application of this standard is not expected to cause any major changes in segment reporting.

Amendments to IAS 1: 'Presentation of Financial Statements'

In September 2007 the IASB published the revisions of IAS 1 concerning the future presentation of net assets, financial position and results of operations for IFRS-based annual financial statements. Accordingly, the application of these amendments will only affect the structure of the TUI Group's annual financial statements.

Amendments to IFRS 2: 'Share-Based Payment'

The revised version of IFRS 2 of January 2008 contains a clarification of the definition of vesting conditions. It also establishes that all cancellations, whether by the entity or by other parties, should be treated the same way in the accounts. The TUI Group's management is currently investigating any potential effects of these revisions on the Group's net assets, financial position and results of operations.

Amendments to IAS 32: 'Financial instruments: Presentation' and consequential amendments to IAS 1: 'Presentation of Financial Statements'

The amendments to the above-mentioned standards published in January 2008 relate to the classification of certain shareholder investments as equity or as liabilities. In the previous version, the definition of equity according to IAS 32 regularly resulted in recognition as a liability in German commercial partnerships. This amendment is not relevant for TUI's consolidated financial statements.

Amendment to IFRS 1: 'First-time Adoption of International Financial Reporting Standards and IAS 27'

These amendments exclusively relate to individual financial statements according to IFRS and are therefore not relevant for TUI's consolidated financial statements.

Annual improvements project

The annual improvements project published in May 2008 comprises 35 minor amendments. Most of them relate to amendments to the presentation, reporting and measurement of items in the financial statements. Some of them relate to editorial changes that will hardly affect accounting. TUI AG is currently investigating all potential effects on future consolidated financial statements.

IFRIC 13: 'Customer Loyalty Programmes'

IFRIC 13, published in June 2007, addresses the accounting of bonus programmes for customers (e.g. air miles). Pursuant to this interpretation, loyalty award credits have to be measured by reference to their fair value and deferred from turnover until the credits are redeemed. Previously, measurement was based on the additional cost method. The application of this interpretation will therefore result in higher deferrals and thus affect accounting and measurement in the TUI Group.

Amendments, standards and interpretations published by the IASB but not yet endorsed into European legislation:

Amendment to IAS 39: 'Financial Instruments: Recognition and Measurement' and IFRS 7: 'Financial Instruments: Disclosures'

In November 2008 the IASB published a further amendment to the above-mentioned standards which mainly served to clarify the effective date of the amendment concerning the reclassification of financial instruments, already transposed into European law. This amendment will not affect TUI AG's consolidated financial statements.

Amendments to IFRS 3: 'Business Combinations'

The revised version of IFRS 3, published in January 2008 aims to confine the existing accounting differences between IFRS and US-GAAP and mainly comprises provisions on purchase price components and acquisition-related costs, step acquisitions, goodwill, minority interests and reassessments. The amendments must generally be applied on a prospective basis and may affect the TUI Group's net assets, financial position and results of operations, depending on future transactions.

Amendments to IAS 27: 'Consolidated and Separate Financial Statements'

The amendments, also adopted in January 2008, stipulate that purchases and sales of interests that do not result in a change of control must be accounted for in equity with no gain or loss recognised on such transactions. In contrast, in the event of a change of control, the interests already held by the group or any retained interests must be recognised at their fair values with gains or losses recognised in profit or loss. These amendments must also generally be applied on a prospective basis and will have corresponding effects on the TUI Group's net assets, financial position and results of operations.

Amendment to IAS 39: 'Financial Instruments: Recognition and Measurement'

The amendment, published in July 2008, addresses the conditions for hedge accounting using inflation risk as hedged item and the opportunity to use options to hedge one-sided risks. The TUI Group is currently investigating the potential impact of this amendment on the consolidated financial statements.

Amendment to IFRS 1: 'First-time Adoption of IFRS'

The amendments, published in November 2008, mainly change the structure of the previous standard but retain the substance. This amendment does not affect the TUI Group's net assets, financial position and results of operations.

IFRIC 12: 'Service Concession Arrangements'

IFRIC 12 was published in November 2006 and explains accounting for concession arrangements with governments or similar institutions to provide public services, e.g. roads, prisons or energy distribution networks. Two types of arrangement are distinguished, resulting in accounting as a financial asset or as an intangible asset. A financial asset is recognised if the company receives the consideration from the government. In contrast, an intangible asset must be carried if the company receives a right to charge users of the public service as consideration. TUI AG is currently investigating the potential effects of this interpretation on the Group's net assets, financial position and results of operations.

IFRIC 15: 'Agreements for the Construction of Real Estate'

IFRIC 15, published in July 2008, serves to establish recognition of revenue for agreements for the construction of real estate in the financial statements of real estate developers. If the developer sells goods, i.e. completed apartments or houses, the revenue is recognised at delivery, in line with the transfer or risks. This usually corresponds to the completion of the construction of the real estate. If, however, the agreement is arranged as a services agreement, the revenue is recognised on a percentage-of-completion basis as construction progresses. Potential effects on future financial statements of the TUI Group are still being investigated.

IFRIC 16: 'Hedges of a Net Investment in a Foreign Operation'

IFRIC 16 was also published in July 2008. It clarifies that a risk position can only arise from the translation of the functional currency of the subsidiary into the functional currency of the parent company but that a risk may not arise from translation into the reporting currency of the parent company. The interpretation also sets out that the hedging instrument may be held by any entity within the group and explains how to determine the amounts to be reclassified to the profit and loss statement when the entity disposes the subsidiaries. Current accounting of hedges in connection with net investments already fully complies with these provisions so that the application of this interpretation will not affect the TUI Group's net assets, financial position and results of operations.

IFRIC 17: 'Distribution of Non-cash Assets to Owners'

IFRIC 17 was published in November 2008 in order to clarify questions arising from the accounting practice for the distribution of non-cash assets. It sets out that dividends payable must be recognised when the dividend is authorised and that the dividend payable must be measured at the fair value of the net assets to be distributed. Any differences between the dividend paid and the carrying amount of the net assets distributed must be recognised in profit or loss. This interpretation must be applied on a prospective basis; potential future effects will be taken into account accordingly.

IFRIC 18: 'Transfers of Assets from Customers'

IFRIC 18, published in January 2009, addresses the accounting and recognition of revenue of agreements in which a customer provides an entity with an asset or cash in advance in order to subsequently be able to use the service (e.g. access to supplies of electricity, gas or water). This provision mainly affects utility companies and is not relevant for the TUI Group.

Responsibility Statement by Management

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Hanover, 9 March 2009 / 29. November 2010

The Executive Board

Frenzel

Baier Engelen Long

Auditor's Report

We have audited the consolidated financial statements prepared by the TUI AG, Berlin and Hanover, comprising the balance sheet, the income statement, statement of recognised income and expense, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2008. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company´s Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

We issue this auditor's report on the basis of the statutory audit completed on 1 December 2009, and our supplementary audit, which covered in particular changes of trade accounts receivable and trade accounts payable, turnover and equity. We refer to the explanation of the changes by the Company in the section on the corrections of the consolidated financial statements in the amended Notes.

Our supplementary audit has not led to any reservations.

Hanover, 9 March 2009 / 29 November 2010

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Prof Dr Norbert Winkeljohann
Wirtschaftsprüfer

Sven Rosorius
Wirtschaftsprüfer

Financial Calendar 2009

Interim Report January to March 2009	11 May 2009
Annual General Meeting 2009	13 May 2009
Interim Report January to June 2009	13 August 2009*)
Interim Report January to September 2009	12 November 2009*)

*) scheduled

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Forward-looking Statements

The annual report, in particular the report on expected developments included in the management report, includes various forecasts and expectations as well as statements relating to the future development of the TUI Group and TUI AG. These statements are based on assumptions and estimates and may entail known and unknown risks and uncertainties. Actual development and results as well as the financial and asset situation may therefore differ substantially from the expectations and assumptions made. This may be due to market fluctuations, the development of world market prices for commodities, of financial markets and exchange rates, amendments to national and international legislation and provision or fundamental changes in the economic and political environment. TUI does not intend to and does not undertake an obligation to update or revise any forward-looking statements to adapt them to events or developments after the publication of this annual report.

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