ANNUAL REPORT 2009/10

1 October 2009 – 30 September 2010

TUI Group - Financial Highlights

		2009/10	2008/09	Var. %	SFY 2009 revised
Continuing operations					
Turnover					
TUI Travel	€m	15,728.0	15,946.7	- 1.4	12,622.0
TUI Hotels & Resorts	€m	380.0	393.6	- 3.5	317.5
Cruises	€m	178.7	186.5	- 4.2	142.0
EBITDA					
TUI Travel	€m	455.1	515.5	-11.7	485.8
TUI Hotels & Resorts	€m	193.7	177.9	+ 8.9	152.6
Cruises	€m	15.2	5.2	+ 192.3	7.1
Underlying EBITDA					
TUI Travel	€m	737.3	716.4	+ 2.9	695.3
TUI Hotels & Resorts	€m	192.3	183.2	+ 5.0	152.6
Cruises	€m	16.0	5.2	+ 207.7	7.1
EBITA					
TUI Travel	€m	123.3	32.9	+ 274.8	104.3
TUI Hotels & Resorts	€m	115.5	61.2	+ 88.7	52.4
Cruises	€m	6.8	- 3.1	n/a	1.3
Underlying EBITA					
TUI Travel	€m	506.0	456.9	+ 10.7	525.5
TUI Hotels & Resorts	€m	126.6	110.5	+ 14.6	96.4
Cruises	€m	7.6	- 3.1	n/a	1.3
Group					
Turnover	€m	16,350.1	19,265.1	- 15.1	14,249.7
EBITDA	€m	649.8	1,653.4	- 60.7	1,582.0
Underlying EBITDA	€m	910.5	756.7	+ 20.3	675.6
EBITA	€m	215.5	869.7	- 75.2	1,012.9
Underlying EBITA	€m	589.2	240.1	+ 145.4	362.2
Net profit for the year	€m	113.6	206.1	- 44.9	395.3
Earnings per share	€	+ 0.30	+ 0.58	- 48.3	+ 1.32
Assets					
Non-current assets	€m	9,356.7	9,093.1	+ 2.9	9,093.1
Current assets	€m	5,258.8	4,367.1	+ 20.4	4,367.1
Total assets	€m	14,615.5	13,460.2	+ 8.6	13,460.2
Equity and liabilities					
Equity	€m	2,434.2	2,240.8	+ 8.6	2,240.8
Non-current liabilities	€m	4,555.1	5,027.2	- 9.4	5,027.2
Current liabilities	€m	7,626.2	6,192.2	+ 23.2	6,192.2
Total equity and liabilities	€m	14,615.5	13,460.2	+ 8.6	13,460.2
Equity ratio	%	16.7	16.6	+ 0.1*)	16.6
Cash flow from operating activities	€m	516.2	482.7	+ 6.9	363.8
Capital expenditure	€m	2,287.1	2,329.8	- 1.8	2,329.8
Employees	30.09.	71,398	69,536	+ 2,7	69,536

Differences may occur due to rounding
*) percentage points

TUI Aktiengesellschaft

Tourism

Tour operator

TUI Travel

With holiday destinations in 180 countries, TUI Travel is Europe's leading international tour operator. Every year, 30 million customers in 27 source markets turn to TUI's travel experts to help them plan the highlight of their year. TUI AG is a majority shareholder in the company, which is listed on the London stock exchange. TUI Travel covers four businesses: Mainstream, Specialist & Emerging Markets, Activity and Accommodation & Destinations. Its portfolio includes a broad range of offerings from package holidays to niche products such as yacht chartering, expeditions and student travel.

www.tuitravelplc.com

Hotels & Resorts

TUI Hotels & Resorts

The hotel stay is a crucial part of the holiday experience and hence key to customer loyalty. With 261 hotels and 170,000 beds, TUI Hotels & Resorts manages the hotel companies in the World of TUI and is Europe's largest holiday hotelier. TUI Hotels & Resorts comprises hotel brands with high levels of quality and service as well as high environmental standards. The brands cover a wide range of hotel concepts in world-class, popular locations and include such famous names as Riu, Robinson, Grecotel, Grupotel, Iberotel, Dorfhotel and Magic Life.

www.tui-group.com

Cruises

Hapag-Lloyd Kreuzfahrten · TUI Cruises

With Hapag-Lloyd Kreuzfahrten and TUI Cruises, TUI AG's portfolio includes two quality brands offering the maritime holiday experience to different target groups. Hapag-Lloyd Kreuzfahrten is the leader when it comes to expedition and luxury cruises in the German-speaking market. Its fleet includes the MS Europa, MS Hanseatic, MS Bremen and MS Columbus cruise ships. With the establishment of TUI Cruises in the 2008 financial year, TUI AG laid the foundations for its entry into the volume market for premium cruises. Since spring 2009, the joint venture between TUI AG and Royal Caribbean Cruises has been offering the German-speaking market the maritime experience with its Mein Schiff holiday.

www.hlkf.de, www.tuicruises.com

For further information,
follow these pictograms:

Internet link

Cross-reference in the report

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* Part of the Group Management Report
** Combined Management Report of the TUI AG and of the TUI Group

The Group

One Group – three strong sectors.
The World of TUI comprises TUI Travel, Europe's leading tourism company, TUI Hotels & Resorts, Europe's leading holiday hotelier, together with the cruise operators Hapag-Lloyd Kreuzfahrten and TUI Cruises.

Dr Michael Frenzel, Chairman of the Executive Board

Dear Shareholders,

In the completed financial year 2009/10, the world economy recovered from its crisis faster than expected. This U-turn was also observed in Tourism, our core business. Following a weaker first quarter of 2009/10, spring brought strong demand for the summer season. However, the high rate of current trading was not sustained following the volcanic eruption in Iceland in April 2010 and only gradually returned to the previous level.

The closure of Europe's airspace due to the ash cloud caused disruption in our Tourism business and impacted our customers' holiday plans. Over 180,000 TUI customers were affected while on holiday. We provided these customers with maximum support. We organised a holiday extension or repatriation by alternative means of transport for all customers stranded in their resorts. In addition, we offered more than 175,000 TUI customers an opportunity to rebook their holidays free of charge.

The loss of direct earnings and the cost of servicing and repatriating our customers during the airspace closure impacted our earnings from Tourism to the tune of €127m. Nevertheless, if a comparable situation arises again we will take similar action for the sake of our guests. Once more, trips organised by tour operators have proven to be a particularly safe form of travelling under such circumstances. We believe that we gave our customers another good reason for choosing TUI, as the market leader and quality provider, when booking their next holiday. My colleagues and I share the conviction that sustained active customer orientation pays off for our Group in the long term.

Apart from the direct impact of the airspace closure, which we adjusted in earnings for financial year 2009/10 as one-off costs, the disruption created evident uncertainty for new business. In spite of the resulting loss in turnover, TUI Travel increased its operating result by €49m year-on-year to €506m. This can primarily be attributed to the further increase in synergies in TUI Travel, which were close to reaching the full target potential of £200m sterling in the completed financial year. This demonstrates that we have made substantial progress in integrating our tour operator business.

For all the positive advances that have been made towards integration, TUI Travel was also faced with some evident process weaknesses in the IT systems of the UK retail and tour operator business. In preparing the annual financial statements for 2009/10, TUI Travel had to restate receivables totalling €120m in prior-year statements, which had arisen as a result of failures to reconcile balances in IT systems in the tour operator and retail legacy systems in the UK. This restatement does not adversely affect the TUI Group's cash position and thus net debt. We have implemented rigorous HR and organisational measures and thus considerably improved the control environment in TUI Travel. We therefore assume that incidents of this type will not recur.

With a view to the future strategic development of TUI Travel, we have defined the following initiatives to foster profitable growth in the future:

- Selective development of our business models to adjust to changes in market structure
  To this end, we will continue to increase the share of exclusive and differentiated products, especially in our hotel portfolio. In addition, we are looking to an even greater role for our already substantial online sales activities.

- Expansion of our growth options in new markets
  Following the successful launch of the TUI brand in the Russian and Ukrainian market in March 2010, we will establish key positions in these markets. We are also evaluating opportunities for further growth in other expanding markets such as India or China.

- Efficiency enhancement programme
  As a long-term approach to building its market position in the volume business, TUI Travel also launched a broad cost reduction and efficiency enhancement programme in 2009/10.

TUI Hotels & Resorts with its high levels of customer satisfaction provides the TUI Group with a particular competitive edge. We will continue to strengthen our core brands in the hotel and club business, especially through asset-light management contracts and strategic ventures.

In the Cruises Sector, both Hapag-Lloyd Kreuzfahrten and TUI Cruises will expand their fleets. TUI Cruises will be commissioning Mein Schiff II in May 2011, after the first vessel saw excellent booking rates in its first full year of operation. This investment will enable us to strengthen our position further in the growing German cruise market.

The clear recovery in world trade in the completed financial year 2009/10 has triggered an impressive turnaround in Container Shipping. Thanks to a significant rise in freight rates, higher volumes and an improvement in cost structures, Hapag-Lloyd achieved record results in the last two quarters of financial year 2009/10. In terms of the TUI Group's financial year, operating results by Hapag-Lloyd grew by €1.1bn to €478m in the last twelve months. Hapag-Lloyd is back on a steady course.

Given this sound improvement in business, Hapag-Lloyd was able to cancel the state loan guarantee granted the previous year. Subsequently, Hapag-Lloyd successfully placed a corporate bond worth around $910m in the capital market and received a new syndicated credit line of $360m. This successful refinancing demonstrates that Hapag-Lloyd is also regarded as a good name in the financial markets.

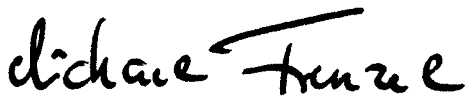
Our stake in Hapag-Lloyd and the financing instruments granted to the company totalled around €2.5bn at the balance sheet date. Following the cancellation of the state loan guarantee and the related payment restrictions, Hapag-Lloyd has resumed interest and redemption payments on the financing instruments granted by TUI. In October and November 2010, as a first step, we received deferred interest, the repayment of a bridging loan and repayment of the hybrid III loan, amounting altogether to around €500m.

In addition, we will convert the hybrid I loan granted by TUI AG worth €350m into equity of Hapag-Lloyd AG. With this capital increase, our stake in Hapag-Lloyd will rise to 49.8% by the end of 2010 at the latest. Strengthening the equity in this manner has made refinancing Hapag-Lloyd much easier and improved our chances of generating value. Apart from continuing to recover the credit, we are still committed to identifying the best possible way to recoup on our equity investment in Hapag-Lloyd and will check all the available options in the financial year ahead of us.

Our cardinal aim is and remains to significantly reduce the Group's net debt in the medium term and thus improve the Group's credit rating. Optimising the value of the remaining capital invested in Hapag-Lloyd provides us with the potential to create a financially strong, largely debt-free tourism group that will actively tap the growth opportunities of the future. In addition, our activities in the Tourism business focus on generating free cash flow. Following the integration of TUI Travel, largely completed in the financial year under review, we expect integration and restructuring costs in Tourism to exert far less of an impact on cash flow in the next few years.

By way of conclusion, we are looking back on an eventful year. The recovery of Container Shipping will enable us to sell our stake in Hapag-Lloyd under optimal conditions. This gives us leeway for the future development of Tourism in the TUI Group. In the completed financial year, the capital market has already honoured these improved prospects with strong rises in the TUI share price. The strategic initiatives we have launched will continue to strengthen the operating earnings power in Tourism. The resulting gain in profitability and simultaneous reinforcement of our financial structures will enable us to further increase the value of the TUI share.

We cordially invite you to place your confidence in us and follow us on this road.



Dr Michael Frenzel, CEO

Corporate Governance
Report of the Supervisory Board

In the following report, the Supervisory Board describes its supervisory and advisory activities in financial year 2009/10.

In financial year 2009/10, the Supervisory Board performed its duties in accordance with the law and the Articles of Association. Its duties included in particular discussing and deciding various technical issues and transactions requiring its approval, serving on the committees, monitoring compliance with the Corporate Governance Code, reviewing the financial statements of TUI AG and the Group and discussing and deciding changes in the membership of the Company's boards.

Cooperation between the Supervisory and the Executive Board

Current composition of the Supervisory Board: www.tui-group/en/company

The Supervisory Board 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. The Supervisory Board took the resolutions required in accordance with the law and the Articles of Association.

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. Between Supervisory Board meetings, the chairman of the Supervisory Board was regularly informed about current business developments and key transactions in the Company.

Supervisory Board and committees

See chapter Supervisory Board pg. 24

Tasks of the committees

The Supervisory Board has set up three committees to support its work: the Chairman's Committee, the Audit Committee and the Nomination Committee. The committee members are shown in a separate list in the section on the Supervisory Board. The chairman of the Supervisory Board chairs the Chairman's Committee and the Nomination Committee.

The Chairman's Committee prepares the resolutions and issues to be dealt with by the Supervisory Board. 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, the Executive Board and the auditors prior to publication.

The Nomination Committee suggests suitable candidates for the Supervisory Board to put to the Annual General Meeting or for appointment by the local court.

In financial year 2009/10, four regular and one extraordinary Supervisory Board meetings were held. Three resolutions were passed by written circulation procedure. The Chairman's Committee met five times; the Audit Committee held four meetings. The Nomination Committee met three times.

Prior to regular Supervisory Board meetings, the shareholder representatives in the Supervisory Board met four times, and the employees' representatives ten times in separate meetings. One Supervisory Board member attended less than half of the Supervisory Board meetings in financial year 2009/10. Average attendance accounted for around 90%.

Work of the Chairman's Committee
In the period under review, the Chairman's Committee held three regular and two extraordinary meetings. Its deliberations focused on preparing the subsequent plenary meetings. The committee also dealt with the redesign of the Board remuneration system in order to adjust it so as to meet the requirements of the German Act on the Appropriateness of Board Remuneration. The Chairman's Committee also regularly discussed issues relating to the Executive and Supervisory Board. They included the election of a new Supervisory Board member to replace Dr Jürgen Krumnow after he had resigned from the Supervisory Board as well as contractual issues related to the resignation of Rainer Feuerhake from the Executive Board of TUI AG and the reappointment of Horst Baier as a member of TUI AG's Executive Board.

Work of the Audit Committee
The Audit Committee met four times. All meetings were attended by auditor representatives, the CEO and two other Executive Board members. The work of the committee focused on deliberations of the annual financial statements of TUI AG, the consolidated financial statements and the Interim Reports. The auditor representatives presented comprehensive reports on the audits or reviews of annual financial statements and Interim Reports. The Committee was informed about the planning and reporting systems. The agenda regularly included reports on the development of compliance activities in the Group. A further issue were the effects of new accounting rules, in particular the impact of the German Accounting Law Modernisation Act (BilMoG) on the activities of the Audit Committee. The Committee also discussed the report by Group Audit and the audit plan for financial year 2009/10. The Committee was informed about the risk situation, risk management and hedging transactions against exposure to changes in exchange rates, interest rates and fuel prices. Moreover, the Audit Committee presented its recommendation to the Supervisory Board on the election of the auditors for the 2009/10 financial year and discussed the awarding of the audit mandate to the auditors.

Work of the Nomination Committee
The Nomination Committee held three meetings in financial year 2009/10. Deliberations focused preparing the election of a candidate to replace a Supervisory Board member resigning from the Supervisory Board. The Committee also discussed proposals for the composition of the Supervisory Board with regard to the elections of new Supervisory Board members to be elected at the Annual General Meeting on 9 February 2011.

Deliberations in the Supervisory Board

The Executive Board's reports and the discussions at Supervisory Board meetings regularly focused on turnover, earnings and employment in the Group as well as the financial situation and structural development of the Group. The work of the Chairman's Committee, Audit Committee and Nomination Committee was presented at Supervisory Board meetings.

At its meeting on 28 October 2009, the Supervisory Board was informed, amongst other things, about the restructuring and financing measures for Hapag-Lloyd AG. It also discussed issues relating to shareholdings and property. The Executive Board's motion to issue a convertible bond was adopted. Deliberations also focused on a discussion of the corporate budget for financial year 2009/10 and the forecast accounts for 2010/11 and 2011/12. The agenda for the meeting furthermore included corporate governance issues. The Declaration of Compliance with the German Corporate Governance Code for 2009 in accordance with section 161 of the German Stock Corporation Act was subsequently adopted.

The plenary meeting on 14 December 2009 focused on reporting and deliberations on the annual financial statements as per 30 September 2009, a comparison between target and actual figures for 2009 and the HR and social position in 2009. The discussions on the annual financial statements were also attended by representatives of the auditors, who were available to answer questions. The Supervisory Board discussed the strategic development of the Group and prepared the ordinary 2010 Annual General Meeting. The agenda items for that meeting included redesigning the system of Executive Board remuneration and adopting a resolution on a deductible for the D&O insurance policy for Supervisory Board members. The Supervisory Board also discussed HR issues, in particular those related to the resignation of Mr Feuerhake from the Executive Board.

The meeting on 16 February 2010 mainly served to prepare for the forthcoming ordinary Annual General Meeting. In the framework of its regular reporting, the Executive Board informed the Supervisory Board about the current financial year.

On 12 May 2010, the Supervisory Board was given the regular reports on the activities of the committees and was fully updated as to the current financial year by the Executive Board. Attention was devoted in particular to the aftermath of the volcanic eruption in Iceland. Deliberations also focused on the growth strategy and fleet expansion in TUI Cruises. The Supervisory Board likewise discussed the report on risk management and the Group's internal monitoring system.

The Supervisory Board met for a further session on 8 and 9 September 2010. It held a comprehensive discussion with the Executive Board on fundamental aspects of the strategic development of the Tourism Group in connection with the planned exit from Container Shipping. It discussed issues relating to shareholdings and real estate and adopted a resolution to issue employee shares. The Supervisory Board adopted various amendments to the Terms of Reference, taking account of the current version of the German Corporate Governance Code. It also discussed the efficiency review report.

After the cut-off date for the financial year, the Supervisory Board met again on 26 October 2010, primarily in order to discuss the budget for 2010/11 and the forecast accounts for 2011/12 and 2012/13. It also adopted the Declaration of Compliance for 2010.

See chapter corporate governance pg. 26

Corporate Governance

At the meeting on 26 October 2010, 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 has been 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 26 May 2010. TUI AG also fully complies with the suggestions of the Code. 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 chapter.

At their meetings, both the Audit Committee and the Supervisory Board dealt several times with corporate governance issues within the Company. They also carried out a review of their efficiency. The results of the efficiency review were discussed by the Supervisory Board at its meeting on 8 and 9 September 2010.

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

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover, were appointed as the auditors by resolution of the Annual General Meeting held on 17 February 2010 and were commissioned with reviewing the Half-Year Financial Report for financial year 2009/10. The audit covered the annual financial statements of TUI AG as at 30 September 2010, submitted by the Executive Board and prepared in accordance with the provisions of the German Commercial Code (HGB), as well as the Combined Management Report of TUI AG and the Group and the consolidated financial statements for the 2010 financial year, prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS) 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 Reports as per 31 December 2009, 31 March 2010 and 30 June 2010 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 10 December 2010 and the Supervisory Board meeting of 13 December 2010, at which representatives of the auditors were present and were available to answer questions. On the basis of its own audit of the annual financial statements of TUI AG and the Group, the Combined Management Report as per 30 September 2010 and the results of the audit, the Supervisory Board approved the annual financial statements prepared by TUI AG, which were thereby adopted.

Executive Board, Supervisory Board and committee membership

At the beginning of the Supervisory Board meeting on 28 October 2009, Dr Jürgen Krumnow resigned from his mandates as chairman of the Supervisory Board, member of the Audit Committee and chairman of the Nomination Committee. At the same meeting, the Supervisory Board elected Dr Dietmar Kuhnt as its new chairman and Dr Peter Barrenstein as a new member of the Audit Committee. In line with the recommendation of the German Corporate Governance Code, Dr Kuhnt resigned from his function as chairman of the Audit Committee and Dr Barrenstein was elected by the Supervisory Board as the new chairman of the Audit Committee.

When Dr Krumnow also resigned from this Supervisory Board mandate on 14 December 2009, a new member to replace him had to be appointed by the court. By resolution of 7 January 2010, the district court of Hanover approved the motion by the Executive Board from 14 December 2009 and appointed Prof. Dr Klaus Mangold as a member of the Supervisory Board of TUI AG. The Annual General Meeting on 17 February 2010 confirmed the appointment of Prof. Dr Mangold. The Supervisory Board thanks Dr Krumnow for his commitment and cooperation over many years – as chairman of the Supervisory Board as from 2004 – and his constructive support of the Company and the Executive Board.

Rainer Feuerhake, CFO of TUI AG, resigned from his mandate as per the close of the Annual General Meeting on 17 February 2010. Upon the departure of Mr Feuerhake, Horst Baier, previously Executive Board member in charge of Controlling, also assumed responsibility for Finance. The Supervisory Board thanks Mr Feuerhake for his longstanding service and acknowledges his performance on behalf of the Group.

The Supervisory Board
Hanover, 13 December 2010

Dr Dietmar Kuhnt
Chairman

Corporate Governance
Executive Board and Supervisory Board

Annex to the Notes

Executive Board

Name	Department	Other Board Memberships*)	
Dr Michael Frenzel	Chairman	a) AWD Holding AG AXA Konzern AG Hapag-Lloyd AG [1] TUIfly GmbH [1] TUI Cruises GmbH [1] TUI Deutschland GmbH [1] Volkswagen AG	b) Preussag North America, Inc. [1] TUI China Travel Co. Ltd. TUI Travel PLC[1]
Horst Baier	Finance	a) Hapag-Lloyd AG TUIfly GmbH TUI Deutschland GmbH TUI Leisure Travel GmbH	b) Magic Life Assets AG RIUSA II S.A.[1] TUI Travel PLC
Dr Peter Engelen	Human Resources and Legal Affairs	a) TUIfly GmbH TUI Deutschland GmbH TUI Leisure Travel GmbH	b) TUI China Travel Co. Ltd.
Rainer Feuerhake (until 17 Feb 2010)	Finance	a) GP Günter Papenburg AG Hapag-Lloyd AG TUIfly GmbH TUI Deutschland GmbH	b) Amalgamated Metal Corporation PLC Preussag North America, Inc. TUI InfoTec GmbH TUI Travel PLC
Peter Long	Tourism	a) –	b) Rentokil Initial PLC TUI Nederland N.V. TUI Nederland Holding N.V. TUI Travel Belgium N.V. TUI Travel PLC

*) Information refers to 30 September 2010 or date of resignation from the Executive Board of TUI AG in FY 2009/10.

1) Chairman
2) Deputy Chairman

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

Supervisory Board

Name	Function/Occupation	Location	Committees Presiding Committee
Dr Jürgen Krumnow (until 14 Dec 2009)	Chairman (until 28 Oct 2009) ex. Member of the Executive Board of Deutsche Bank AG	Frankfurt/Main	● until 28 Oct 2009
Dr Dietmar Kuhnt	Chairman (since 28 Oct 2009) ex. Chairman of the Executive Board of RWE AG	Essen	● since 28 Oct 2009
Petra Gerstenkorn	Deputy Chairwoman, Member of the Federal Executive Board of ver.di – Vereinte Dienstleistungsgewerkschaft	Berlin	●
Anass Houir Alami	Chief Executive of Caisse de Dépot et de Gestion (CDG)	Rabat	
Andreas Barczewski	Aircraft Captain	Hanover	
Dr Peter Barrenstein	Self-employed Member of the Supervisory Board	Ottobrunn/Munich	
Jella Susanne Benner-Heinacher	Solicitor, Managing Director of Deutsche Schutzvereinigung für Wertpapierbesitz e.V.	Düsseldorf	
Arnd Dunse	Head of Group Controlling Department of TUI AG	Bad Nenndorf	
Frank Jakobi	Travel Agent	Hamburg	●
Ingo Kronsfoth	National Negotiator Aviation Sector of ver.di – Vereinte Dienstleistungsgewerkschaft	Berlin	
Roberto López Abad	Chief Executive of Caja de Ahorros del Mediterráneo	Alicante	
Prof Dr Klaus Mangold (since 7 Jan 2010)	Chairman of the Supervisory Board of Rothschild GmbH	Stuttgart	
Dr h.c. Abel Matutes Juan	Chairman of Fiesta Hotels & Resorts	Ibiza	
Carmen Riu Güell	Entrepreneur	Playa de Palma	●
Hans-Dieter Rüster	Aircraft Engineer	Langenhagen	
Dr Manfred Schneider	Chairman of the Supervisory Board of Bayer AG	Leverkusen	
Roland Schneider	Business Economist	Barsinghausen	●
Henry Sieb	Federal Group Leader Travel of ver.di – Vereinte Dienstleistungsgewerkschaft	Berlin	
Anette Strempel	Travel Agent	Hemmingen	
Ortwin Strubelt	Travel Agent	Hamburg	
Vladimir Yakushev	Managing Partner of SGCM Ltd. Deputy General Director OOO UK SGCM	Moskow	●

Audit Committee	Nomination Committee	Other Board Memberships *)		Name
● until 28 Oct 2009	● until 28 Oct 2009	a) Deutsche Bahn AG, DB Mobility Logistics AG, Hapag-Lloyd AG, Lenze Holding AG[2]	b) Peek & Cloppenburg KG	Dr Jürgen Krumnow
● Chairman until 28 Oct 2009	● since 28 Oct 2009	a) GEA Group AG Hapag-Lloyd AG		Dr Dietmar Kuhnt
		b) DBV Öffentlichrechtliche Anstalt für Beteiligungen		Petra Gerstenkorn
		b) ADER-Fes Atlanta Avilmar Casa Transport Ciments du Maroc-Italcementi Group Morocco Club Méditerranée Fonds d'Equipment Communal Fonds Igrane	Fonds Marocain de Placement Holding Al Omrane Jawharat Chamal Medi1Sat MEDITEL Morrocan Financial Board Poste Maroc Resort Co Sanad	Anass Houir Alami
●				Andreas Barczewski
● Chairman since 28 Oct 2009		a) WMF Württembergische Metallwaren-fabrik Aktiengesellschaft	b) Bahlsen GmbH & Co. KG	Dr Peter Barrenstein
● since 14 Dec 2009		a) A.S. Création AG K+S AG		Jella Susanne Benner-Heinacher
●				Arnd Dunse
				Frank Jakobi
		a) TUIfly GmbH Lufthansa CityLine GmbH		Ingo Kronsfoth
		b) Afianzamientos de Riesgo EFC, S.A. Banco Inversis Net, S.A. Banque Marocaine du Commerce extérieur	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] Tinser Cartera S.L.	Roberto López Abad
		a) Continental AG Metro AG b) Alstom S.A.	Leipziger Messe GmbH Rothschild GmbH[1] Universitätsklinikum Freiburg	Prof. Dr Klaus Mangold
		b) Banco Santander S.A.		Dr h.c. Abel Matutes Juan
	●	b) Riu Hotels S.A., RIUSA II S.A. Productores Hoteleros Reunidos, S.A.		Carmen Riu Güell
				Hans-Dieter Rüster
● until 10 Dec 2009		a) Bayer AG[1], Daimler AG, Linde AG[1], RWE AG[1]		Dr Manfred Schneider
				Roland Schneider
●		a) TUI Leisure Travel GmbH		Henry Sieb
		a) TUI Deutschland GmbH		Anette Strempel
				Ortwin Strubelt
	●	b) Centice Corp. Nano-Optic Devices LLC[1] OJSC Metallurgical Commercial Bank OOO Aksimed	OOO Innolume[1] OOO Nanooptic Devices[1] OOO Spectralus[1] Spectralus Corp.	Vladimir Yakushev

*) Information refers to 30 September 2010 or date of entry/resignation into/from the Supervisory Board of TUI AG in FY 2009/10

[1] Chairman
[2] Deputy Chairman

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

Corporate Governance
Declaration of Compliance

The report below contains the Declaration of Compliance, the Corporate Governance Report of the Executive Board and Supervisory Board and Compliance Report.

The actions of TUI AG's management and oversight 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 and section 289a (1) of the German Commercial Code (HGB).

Declaration of Compliance

TUI has consistently based its corporate governance on the recommendations and suggestions of the German Corporate Governance Code. The most recent version of the Code is dated 26 May 2010. It contains new elements, in particular concerning issues related to diversity in the composition of supervisory and executive boards. TUI AG has adopted and implemented all the amendments to the Code. The Executive Board and the Supervisory Board discussed corporate governance issues several times in financial year 2009/10 and jointly submitted an updated Declaration of Compliance for 2010 on 26 October 2010, 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/en

Wording of the Declaration of Compliance for 2010
'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 18 June 2009, as published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette on 5 August 2009, have been and are fully complied with.

TUI AG will additionally fully comply with the recommendations in the currently valid version of 26 May 2010, as published by the Federal Ministry of Justice on 2 July 2010.

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

Corporate Governance Report

Functioning of the Executive and Supervisory Boards
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 in charge of managing the company and the Supervisory Board in charge of monitoring the company. TUI AG's Executive Board and Supervisory Board cooperate closely and in a spirit of trust in managing and overseeing the Company, with strict separation between the two bodies in terms of their membership and competences. Both bodies are obliged to ensure the continued existence of the company and sustainable creation of added value in harmony with the principles of the social market economy.

For the departments, see section on Executive Board and Supervisory Board pg. 23

TUI AG's Executive Board currently comprises four members. The Executive Board is responsible for managing the Company's business operations with a view to achieving sustainable added value and in the interest of the Company. The allocation of duties and responsibilities to the individual Board members is presented in a separate chapter.

The Supervisory Board advises and oversees 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. He also chairs the Chairman's Committee and the Nomination Committee.

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 Supervisory 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.

TUI AG has taken out a D&O insurance policy with an appropriate deductible for all members of the Executive Board and Supervisory Board. The deductible amounts to 10% of the loss up to the amount of one and a half times the fixed annual compensation.

Current composition see www.tui-group.com/en/company

Composition and reduction in size of the Supervisory Board

In the completed financial year, TUI AG's Supervisory Board comprised 20 members, with ten representatives elected by the shareholders and ten by the employees according to the provisions of the German Codetermination Act. The period of office of the employees and shareholders representatives was five years, ending at the close of the ordinary Annual General Meeting on 9 February 2011. In the period under review, a new member was appointed by the local court at Hanover on 7 January 2010 following resignation of a member from the Supervisory Board. The AGM on 17 February 2010 confirmed the member in his function. In addition, the AGM decided that the Supervisory Board should be comprised in future of 16 instead of 20 members with the effect of the close of the ordinary AGM 2011. In accordance with the recommendations of the German Corporate Governance Code, the shareholders will now be represented by eight representatives, to be elected individually for a period of five years at the forthcoming elections for the Supervisory Board at the Annual General Meeting on 9 February 2011.

The Supervisory Board currently includes four women and six members with extensive international experience. In addition, it embraces all-round knowledge of the industry. Given that its members have pursued different career paths, the composition of the Supervisory Board also reflects a wide variety of experience and skills.

The proposals of candidates for the election of shareholder representatives submitted to the Annual General Meeting are designed to ensure that the composition of the Supervisory Board achieves the following goals:

- broad knowledge of the industry
- international make-up
- diversity
- appropriate participation of women.

As a specific goal for the future, the Supervisory Board is to include four female members and four members with international experience.

At the date of the election, the Supervisory Board members should not normally be older than 68 years of age. The members should not be members of boards or have consultative functions in major competitors of the company. The Supervisory Board does not comprise any former Executive Board members of TUI AG. It comprises a sufficient number of independent members not involved in any business or personal relationship with the Company or its Executive Board.

Committees of the Supervisory Board

The Supervisory Board has established three committees from among its members: the Chairman's Committee, the Audit Committee and the Nomination Committee, which prepare and complement its work. The Chairman's Committee and Audit Committee have six members each, with an equal number of shareholder and employee representatives.

The Chairman's Committee prepares the topics and resolutions to be discussed at the Supervisory Board meetings. It also prepares the appointment of Executive Board members including the terms and conditions of the service contracts and the remuneration and it ensures succession planning. The Audit Committee's task is to support the Supervisory Board in exercising its oversight function. The chairman of the Audit Committee is an independent financial expert and has special knowledge and experience in the application of accounting principles and internal control methods derived from his own work in this field. The Nomination Committee consists exclusively of shareholder representatives in accordance with the German Corporate Governance Code. Its task is to suggest suitable candidates for the Supervisory Board to put 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 three Supervisory Boards of listed non-Group companies or supervisory bodies of companies with similar requirements.

For the Remuneration Report see the separate section in this chapter pg. 31

Remuneration of the Executive and Supervisory Board

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 outlined in the Remuneration Report, which is part of the Management Report.

Shareholders and Annual General Meeting

TUI AG shareholders exercise their codetermination and monitoring rights at the Annual General Meeting, which takes place at least once a year. 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.

Information to AGM 2011 www.tui-group.com/en/ir/agm

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 bank, a shareholder association, one of the representatives provided by TUI AG and acting on the shareholders' behalf in accordance with their instructions or some other proxy of their own choosing. 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.

The invitation to the AGM 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 chairmen of the Supervisory Board and the Executive Board are transmitted live over the internet.

Risk management

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. The Executive Board regularly informs the Supervisory Board about existing risks and the development of these risks. The Audit Committee deals in particular with monitoring the accounting process, including reporting, the efficiency of the internal control and risk management systems and the internal auditing system, compliance and audit of the annual financial statements.

For the Risk Report see the separate chapter in the Management Report pg. 120

More detailed information about risk management in the TUI Group is presented in the Risk Report. It also contains the report on the accounting-related internal control and risk management system required in accordance with the German Accounting Law Modernisation Act.

Transparency

TUI provides immediate, regular and up-to-date information for capital market participants and the interested public about the Group's economic situation and any new developments. The Annual Report, the Half-Year Financial Report and the Interim Reports for the quarters are published within the applicable timeframes. The Company publishes press releases and ad hoc announcements, if required, on topical events and 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 at 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 online: www.tui-group.com/en/ir/corprate_governance/directors_dealings

Directors' dealings

In financial year 2009/10, the Company was informed of notifiable purchase and sale transactions of TUI AG shares or related financial instruments by two Supervisory Board or Executive Board members (directors' dealings).

At the end of financial year 2009/10, 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, in the case of one Supervisory Board member. Executive Board members held a total of 1,741 shares, Supervisory Board members held 14,792,455 shares. Of these shares, Ms Carmen Riu Güell held 12,768,000 shares (indirectly) and the remaining Supervisory Board members held 2,024,455 shares.

Accounting and auditing

TUI AG prepares its consolidated financial statements and consolidated interim financial statements in accordance with the provisions of the International Financial Reporting Standards (IFRS) as applicable in the European Union. 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 and the Half-Year Financial Report 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 2010 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 requirements 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 financial year 2009/10. The condensed consolidated interim financial statements and the consolidated Interim Management Reports as at 31 December 2009, 31 March 2010 and 30 June 2010 were examined by the auditors.

Compliance – Basis for entrepreneurial action

In the period under review, corporate governance activities focused on the development of the Compliance Programme. Sustainable economic, ecological and social activity is an indispensable part of the TUI Group's corporate culture. This also includes integrity in dealings with employees, business partners, shareholders and the general public, manifested by exemplary behaviour.

Compliance online:
www.tui-group.com/en/company/compliance

Code of Conduct

Compliance with legal provisions is the top priority and a key component of TUI's corporate values. Policies and internal rules have been adopted to set out how to implement and comply with legal requirements. The Code of Conduct published in 2008 has been drawn up for the entire Group. It is intended to set out guiding principles for each Group employee to follow, i.e. the managing directors, management and all Group employees. The Code of Conduct sets minimum standards. It aims to assist our employees in mastering the ethical and legal challenges arising in their everyday work and provide orientation in conflict situations. In the interest of all employees and the Company, any infringements are investigated and their causes are removed. This also includes the consistent persecution of misbehaviour in the framework of applicable national provisions in the business areas operating internationally.

Compliance Organisation

The TUI Group, a global player, employs more than 70,000 people from different countries and culture. Compliance is a key priority in our Group. In 2010, the Compliance Organisation was further structured and expanded, reaching into our Sectors. The Group companies appoint Compliance officers in charge of the following tasks with the support of our central Compliance Office:

- Raising awareness for Compliance
- Implementing training schemes
- Advising managers and employees
- Securing the required exchange of information
- Providing regular reports

Compliance Management System

In order to meet the increasingly complex expectations and requirements, the Compliance Management System and its risk-oriented approach were comprehensively analysed so as to sharpen its profile in the period under review. As a result, preventative measures in line with our Compliance strategy can be more selectively targeted to protect the TUI Group and its employees from risks.

Compliance training

Based on a staggered training concept for managers and employees, TUI developed both attendance-based training and the electronic training programme on Compliance and the Code of Conduct. Numerous training schemes were carried out in the period under review. Managers and employees were thus familiarised with Compliance and were taught the corporate values listed in the Code of Conduct. This preventative approach is intended to achieve competence and confidence in everyday activities within the TUI Group.

Whistleblower system

As TUI's Code of Conduct constitutes the basis of our activities, any infringements of this Code will be consistently investigated in the interest of all stakeholders and the Company. Our top priority is to ensure confidentiality and handle information discreetly. Apart from reporting compliance infringements to a supervisor, the Compliance Officer or the Compliance Office, employees can also report infringements on an anonymous basis via the internal TUI SpeakUp Line, which operates worldwide. Any incidents reported are analysed by an evaluation committee specifically formed for that purpose, which will then initiate any measure required.

Remuneration Report

Upon the proposal of the Chairman's Committee, the Supervisory Board determines the total remuneration of the individual Executive Board members; it regularly adopts and reviews the remuneration system for the Executive Board. The German Act on the Appropriateness of Board Remuneration (VorstAG) is applied to new and amended service contracts.

Total remuneration of the individual Executive Board members is determined by the Supervisory Board plenary on the basis of a performance assessment, taking account of Group remuneration. The criteria governing the appropriateness of remuneration are the tasks of each individual Board member, their personal performance, the economic position, performance and sustainable development of the Company, the benchmark remuneration customary in the peer environment and the remuneration structure otherwise applied in German companies. Moreover, remuneration is set at a level that is competitive in the market for highly qualified managerial staff.

For Executive Board members based in Germany, a new remuneration system was drawn up in financial year 2009/10. Its purpose is to promote sustained corporate development, and it applies to new or amended service contracts. This new remuneration system was approved by TUI AG's Annual General Meeting on 17 February 2010.

The service contracts of Mr Baier and Dr Engelen were changed to the new system as from 1 January 2010. As Dr Frenzel's service contract was not amended in financial year 2009/10 due to the short remaining term and Mr Feuerhake's service contract expired in February, the remuneration of these Board members remained unchanged. The remuneration of Mr Long, based in the UK, is fixed by TUI Travel PLC's Remuneration Committee.

Remuneration of the Executive Board in financial year 2009/10

The remuneration granted to TUI AG's Executive Board members for financial year 2009/10 comprises 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 calculated on a four-year basis under a long-term incentive programme.

The management bonus is linked to target achievement and the individual performance of the Board member concerned. The performance target is underlying earnings before interest, tax and amortisation of goodwill (underlying EBITA). If less than 50% of the annual target is achieved, the management bonus for the year is not paid. If more than 50% of the target is achieved, the target amount fixed in the service contract of the Executive Board member concerned is multiplied by the degree of target achievement; however a cap of 150% applies.

The management bonus determined in this way (annual management bonus) may be adjusted by the Supervisory Board by means of a factor ranging between 0.8 and 1.2 in order to take account of the Board member's personal performance. No adjustment was effected for financial year 2009/10. 50% of the management bonus is paid upon adoption of the annual financial statements of the Company and shown as remuneration for 2009/10 in the table below. The remaining 50% of the management bonus is carried forward in equal tranches to the two subsequent years and adjusted in accordance with the degree of target achievement in those two years.

The management bonus for Dr Frenzel and Mr Feuerhake – for the service period prior to his departure – depends on underlying EBITA and personal assessment factors. The management bonus is paid in full upon adoption of the annual financial statements.

The long-term incentive programme is based on phantom stocks. For Executive Board members, an individual target amount has been fixed in their service contracts. This amount is translated into phantom stocks on an annual basis, based on the average price of TUI AG shares over a period of twenty days prior to the beginning of any financial year.

Upon the completion of a four-year period, the degree of target achievement is determined by comparing the change in total shareholder return (TSR) at TUI AG with the change in the Dow Jones Stoxx 600 Travel & Leisure index. If the degree of target achievement is less than 25% of the reference value, no phantom shares are granted. If the degree of target achievement exceeds 25%, it is multiplied by the number of phantom stocks granted; however, a cap of 175% applies. At the end of the four-year service period, the number of phantom stocks determined in this way is multiplied by the average price of TUI AG shares, and the resulting amount is paid out in cash. The maximum amount payable is limited to three times the individual target amount. Liabilities for the company arising from such entitlements are covered by provisions, formed during the four-year service period in the line with the development. The yearly approbation is disclosed as remuneration relating to the long-term incentive programme.

Dr Frenzel and Mr Feuerhake – until his departure – receive a bonus translated into phantom stocks of TUI AG on the basis of an average share price. These phantom stocks are calculated from underlying earnings before tax and amortisation of goodwill (underlying EBTA). The phantom stocks can be sold to the Company after a lock-up period, taking account of a number of rules to prevent the use of insider knowledge. 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.

Mr Long held vesting rights to 8,610,230 shares in TUI Travel PLC as per 30 September 2010. On 30 September 2010, former Executive Board members held 271,250 phantom shares (previous year 0 shares).

Provisions totalling € 5,368 thousand (previous year €5,500 thousand) were formed to cover entitlements under the long-term incentive programme.

Development of aggregate phantom stocks in TUI AG

	Units
Balance as at 30 Sept 2009	**772,356**
Phantom stocks granted for the 2009 financial year	0
Phantom stocks exercised	0
Increase/Decrease of phantom stocks	- 271,250
Balance as at 30 Sep 2010	**501,106**

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 2010**	Total SFY 2009
Dr Michael Frenzel (Chairman)	1,260.2	1,229.4	572.6	394.8	3,454.1	2,390.2
Horst Baier	631.3	251.2	291.9	30.7	1,205.1	1,034.2
Dr Peter Engelen	689.0	251.2	291.9	15.0	1,247.1	1,183.3
Rainer Feuerhake (until 17 Feb 2010)	315.8	377.3	174.8	35.1	903.0	1,588.0
Peter Long	1,483.8	2,303.0	521.7	-	4,308.5	3,217.1
Total	**4,380.1**	**4,412.1**	**1,850.0**	**475.6**	**11,117.8**	**9,412.8**
Previous year	3,498.3	5,404.2	-	510.3	9,412.8	

With regard to the restatement of the prior-year financial statements, the performance-related remuneration paid for 2008 and the short financial year 2009 and the number of phantom stocks granted were recalculated on the basis of the corrected financial results. Accordingly, the Company is entitled to claim the following repayments of remuneration paid in prior years from current and former Executive Board members and amend the number of phantom stocks granted in prior years as follows:

Back payment claims of the company

	Back payment claims of the company (in '000 €)	Correction of phantom stocks granted (in '000 € share price as at 30 Sep 2010)
Dr Michael Frenzel	171.8	69.7
Horst Baier	103.1	41.8
Dr Peter Engelen	103.1	41.8
Rainer Feuerhake	137.4	55.7

Mr Long's entitlement for additional performance-related remuneration for the financial year 2009/10 amounting to €855.7 thousand was cancelled in this context. Regarding former members of the Executive Board the company is entitled to reimbursements of €58.6 thousand.

As in the previous year, the members of the Executive Board did not receive any loans or advances in financial year 2009/10.

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. Following the adjustment of the service contracts as from 1 January 2010, the active Executive Board members are not entitled to receive transition payments.

Executive Board members whose service contracts were amended in 2010 receive an annual contribution to the company pension scheme agreed in the service contract. The pension contribution amounts to 22.5% of the target cash remuneration in the contribution year. The entitlements under the existing pension scheme were redeemed by a one-off initial contribution to the company pension scheme. The Supervisory Board determines the rate of interest payable on the contributions to the company pension scheme. Board members become eligible for payment of the pension upon reaching the age of 60. The beneficiary may choose between a one-off payment, payment by instalments or pension payments.

Contributions to the company pension scheme

€ '000	Pension contribution
Horst Baier	267.7
Dr Peter Engelen	267.7

The pension for Dr Frenzel is calculated in line with his pensionable pay based on non-performancerelated remuneration. Dr Frenzel's pension entitlement is €800,000 per annum.

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 by TUI Travel PLC. 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 pension for their lifetime or until remarriage. Children of Executive Board members receive an orphan's pension, paid as a maximum until they reach the age of 27. Orphans who have lost one parent receive 20% of the pension, and orphans who have lost both parents receive 25%.

b) 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 their position 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 remainder of the contract term.

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

c) Severance payments

Under the new service contracts for Mr Baier and Dr Engelen, the entitlement to severance payments upon premature termination of the contract by the Company for no material reason has been limited to twice the annual remuneration. For change of control situations, the severance payment has been limited to 150% of the severance payment cap.

d) Pension obligations

At the balance sheet date, pension obligations for active members of the Executive Board to-talled €22,662.4 thousand (previous year €22,331.3 thousand). Pension provisions for former members of the Executive Board and their dependents amounted to €45,798.6 thousand (previous year €35,663.4 thousand) at the balance sheet date.

The pension obligations for German beneficiaries are funded via the conclusion of pledged reinsurance policies. As the reinsurance policy fully covers the pension obligations for former and active Executive Board members, the insurance was deducted as an asset from the pension obligation. In financial year 2009/10, pension provisions for active and former Board members rose by €10,466.3 thousand (in the previous year, provision rose by €3,408.0 thousand). The increase was mainly attributable to a reduction in the interest rate from 5.25% to 4.25%.

In financial year 2009/10, the remuneration paid to former Executive Board members and their surviving dependents totalled €4,303.9 thousand (previous year €3,033.3 thousand).

See Articles of Association at www.tui-group.com/en/corporate_governance

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 have been made 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. The remuneration is rateably paid for parts of a financial year or a short financial year. The Supervisory Board also receives remuneration oriented to the short-term performance of the Company 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 amount 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 in the third year following the year for which the amount was granted. If earnings per share increase or decrease by €0.01, the base amount increases or decreases by €100. 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 chairman or -woman and the other members of the Chairman's Committee one and a half times the total remuneration of a regular member. Separate remuneration is paid for membership and chairing of committees.

Remuneration of the Supervisory Board

€ '000	2010	SFY 2009
Fixed remuneration	977.7	727.8
Short-term variable remuneration	73.2	303.7
Long-term variable remuneration	400.1	987.3
Remuneration for committee memberships	160.0	120.0
Remuneration for TUI AG Supervisory Board mandate	**1,611.0**	**2,138.8**
Remuneration for Supervisory Board mandates in the Group	53.4	117.9
Total	**1,664.4**	**2,256.7**

In addition, travel and other expenses totalling € 108.5 thousand (previous year €62.6 thousand) were reimbursed. Total remuneration of the Supervisory Board members thus amounted to € 1,722.9 thousand (previous year €2,319.3 thousand).

Remuneration for individual Supervisory Board members for the financial year 2009/10

€ '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 Dietmar Kuhnt (Chairman)	114.0	8.4	52.5	23.1	1.6	199.6
Petra Gerstenkorn (Deputy Chairwoman)	60.0	4.5	27.9	-	-	92.4
Anass Houir Alami	40.0	3.0	18.6	-	-	61.6
Andreas Barczewski	40.0	3.0	15.5	20.0	2.5	81.0
Dr Peter Barrenstein	40.0	3.0	18.6	55.5	-	117.1
Jella Susanne Benner-Heinacher	40.0	3.0	15.5	15.9	-	74.4
Arnd Dunse	40.0	3.0	18.6	20.0	-	81.6
Frank Jakobi	60.0	4.5	21.4	-	-	85.9
Ingo Kronsfoth	40.0	3.0	18.6	-	11.0	72.6
Dr Jürgen Krumnow (until 14 Dec 2009)	14.4	1.1	- 6.3	1.6	-	10.8
Roberto López Abad	40.0	3.0	15.5	-	-	58.5
Prof. Dr Klaus Mangold	29.3	2.2	14.7	-	-	46.2
Dr h.c. Abel Matutes Juan	40.0	3.0	15.5	-	-	58.5
Carmen Riu Güell	60.0	4.5	23.3	-	-	87.8
Hans-Dieter Rüster	40.0	3.0	15.5	-	-	58.5
Dr Manfred Schneider	40.0	3.0	15.5	3.9	-	62.4
Roland Schneider	60.0	4.5	23.2	-	-	87.8
Henry Sieb	40.0	3.0	15.5	20.0	24.6	103.1
Anette Strempel	40.0	3.0	18.6	-	13.7	75.3
Ortwin Strubelt	40.0	3.0	18.6	-	-	61.6
Vladimir Yakushev	60.0	4.5	23.3	-	-	87.8
Total	**977.7**	**73.2**	**400.1**	**160.0**	**53.4**	**1,664.4**

The entitlements of the Supervisory Board members under the long-term remuneration arrangement were covered by a provision.

With regard to the correction of the financial statements for prior years, the variable remuneration paid for 2008 and the short financial year 2009 and the performance indicators for determining the long-term remuneration were recalculated on the basis of the corrected financial results. Accordingly, the Company is entitled to claim repayments from current and former Supervisory Board members from excess short- and long-term variable remuneration payments made in prior years of €36.8 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 and therefore did not receive personal remuneration in financial year 2009/10.

TUI Share

Volatile share price. Share price rises by around 28% in the period under review.

Market environment

In the first quarter of the financial year under review, the world economy continued to recover, supporting development on the global equity markets. Doubts about rapid and sustained economic recovery in the United States only had a temporary effect on the stock exchange indexes. At the beginning of 2010, the global upswing continued to consolidate, but global financial markets were substantially strained in February due to concerns about the high fiscal deficit in Greece and increasing fear of contagion reaching other countries in the monetary union. The austerity package adopted in Athens, agreement by EU finance ministers on the details of an aid package for Greece, positive corporate news and increasing confidence in sustainable global recovery eased the situation for a while. However, the downgrading of the credit ratings for Greece and Portugal in the last week of April launched a renewed phase of uncertainty about the deterioration of public finance in the Eurozone. In the first two weeks in May, the situation in the markets for government bonds was dramatically aggravated in several countries of the Eurozone. The resulting risk to the stability of the financial systems in these countries placed the European and international equity markets under renewed pressure. Unaffected by these developments, global recovery continued at a high pace, with growth in the Eurozone picking up substantially in the third quarter of the period under review, following a slow start into the year. In September, the situation consolidated due to prospects for sustained economic growth and the recurrence of sound economic data, supporting positive share price developments in the equity markets.

The MDAX index, where the TUI share has been listed since September 2008, fluctuated in the period under review but recorded gains overall. Starting into the year at 5,359 points, the MDAX reached a new annual high in late September 2010 and closed at 8,768 points at the end of the month, up 19.2%.

TUI share data

30 September 2010	
WKN	TUAG00
ISIN	DE000TUAG000
Reuters/Bloomberg	TUIGn.DE/TUI1.GR
Stock category	Registered ordinary shares
Capital stock	€643,073,592.80
Number of shares	251,548,525
Market capitalisation	€2,258,905,755

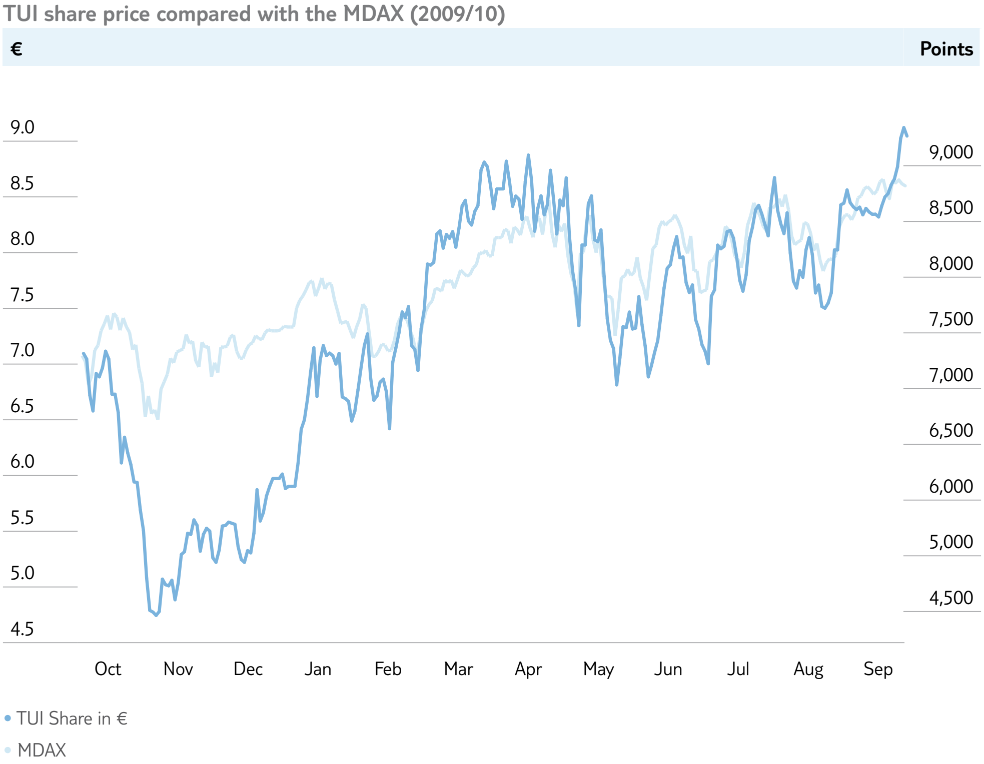
The TUI share price in financial year 2009/10

Share price volatility

In financial year 2009/10, the price of the TUI share again showed strong volatility but picked up substantially in the year under review and recorded overall growth of 27.7%. It thus out-performed the MDAX.

Following an opening price of €7.03, the share reached its annual low on 2 November 2009 at €4.69. The share came under pressure in October 2009 due to uncertainty about the development of Hapag-Lloyd, which as a global transport company had been particularly hard hit by the financial and economic crisis, with the resulting need for a package to stabilise the shipping line in the form of a government loan guarantee and additional shareholder contributions. In the wake of the global economic recovery and enhanced prospects for tourism and especially shipping, the TUI share again rose substantially before seeing another short-term decline, echoing the rest of the market, due to the debt crisis in the Eurozone. It was additionally affected by the closure of European airspace in April 2010 due to an ash cloud and the resulting one-off effects for the Group. The turnaround in shipping and lifting of the forecast for Hapag-Lloyd in early July 2010 resulted in another sustained reversal of the TUI share price trend. In September 2010, the shipping line announced cancellation of its state loan guarantee and comprehensive refinancing plans. The prospects of interest and redemption payments to be made by Hapag-Lloyd to TUI AG from the loans and hybrids triggered another marked rally for the TUI share and culminated in an annual high of €9.05 as at 29 September 2010. In total, around €500m from interest payments and repayments were repaid in October and November 2010 to TUI AG.

TUI share price compared with the MDAX (2009/10)



Long-term development of the TUI share

€	2006	2007	2008	SFY 2009	**2009/10**
High	18.40	21.95	18.78	8.39	9.05
Low	14.51	15.19	7.32	3.37	4.69
Year-end share price	15.14	19.13	8.05	7.05	8.98

Quotations, indexes and trading

The TUI share is traded on all German trading floors and in the Xetra electronic trading system. No other company with similar operations in tourism 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.

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

30 September 2010	
ISIN	GB00B1Z7RQ77
Reuters/Bloomberg	TT.L/TT/LN
Stock category	Registered ordinary shares
Number of shares	1,118,010,670
Market capitalisation	£2,397,014,876

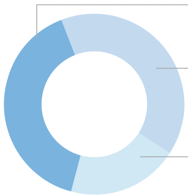
TUI share in the MDAX and Prime Standard

The TUI share has been included in the German share index MDAX and had a weighting of 1.83% as at 30 September 2010. When the composition of the index was examined in September 2010, the TUI share ranked 24th in terms of market capitalisation and 11th in terms of trading volume. TUI has been 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, including DAXsupersector Industrials and DAXsector All Transportation & Logistics. Its weighting in these indices was 1.61% and 6.92%, respectively, as at the end of the financial year under review.

Among the sustainability indices, the TUI share is listed in FTSE4Good, Ethibel Sustainability Index, Dow Jones Sustainability Index World, DAXglobal Sarasin Sustainability Germany 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 2009/10.

Analysts' recommendations	2009/10
%	
Buy	40
Hold	40
Sell	20



For both institutional and private investors, recommendations by financial analysts are a key decisionmaking factor. In financial year 2009/10, around 20 analysts regularly published studies on TUI AG. In October 2010, 40% of analysts recommended buying the TUI AG share, with 40% recommending 'hold' and 20% recommending 'sell'.

Trading in TUI shares declined in the period under review against the short financial year 2009. The average daily trading volume was 1,873,313 no-par value shares, down by around 9% year-on-year. The total annual trading volume was around 478m no-par value shares. The number of option contracts on TUI shares traded on the European futures and options exchange EUREX decreased to 3,508 contracts per day, totalling around 0.9m contracts for financial year 2009/10.

Capital stock and number of shares

Employee shares

91,020 employee shares were issued in financial year 2009/10. At the balance sheet date, the capital stock totalled €643,073,592.80, consisting of 251,548,525 no-par value shares certificated by global certificates. The proportionate share capital attributable to each individual share is around €2.56. Apart from subscribed capital, both authorised and conditional capital is available, as outlined in greater detail in the Notes on the consolidated financial statements.

Bonds

In October/November 2009, TUI AG issued a convertible bond with subscription rights. The number of convertible bonds issued was 3,868,373 units with a coupon of 5.5%, maturing in 2014, with a total nominal value of around €218m and a nominal amount of €56.30 each. Since the beginning of the year, 1,320 bonds of 10 shares each have been converted from the 2009/14 convertible bond. From the 2007/12 convertible bond, no bonds were converted into shares as the conversion price was significantly higher than the share price, so that the bondholders held conversion rights for a total of 64,265,501 TUI shares from the convertible bonds.

Resolutions of the 2010 Annual General Meeting

The 51st ordinary Annual General Meeting was held in Hanover on 17 February 2010. Approx. 2,000 shareholders and shareholder representatives, representing around 68% of the voting capital, participated in the AGM. Besides formal ratification of the acts of the Executive and Supervisory Boards, the agenda included a voluntary vote on the remuneration system for Executive Board members of TUI AG and the reduction of the size of the Supervisory Board.

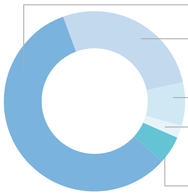
Details on the 2010 AGM are also available online at www.tui-group.com/en/ir/agm

Additional agenda items were again moved by Monteray Enterprises Ltd. They included the appointment of a special auditor to audit the Hapag-Lloyd financing and the issue/placement of the TUI convertible bond in 2009. The shareholder also moved to revoke authorised capital. On this matter, no motions were ultimately submitted at the AGM so that no resolutions were adopted. The motions to carry out special audits did not obtain sufficient approval and were therefore dismissed.

Shareholder structure

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

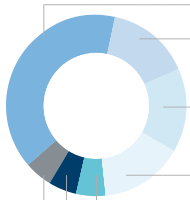
Geographical shareholder structure



%	2009/10
EU exclusive Germany	58
Germany	27
US	8
Switzerland	2
Other countries	5

*) Free float according to the definiton by Deutsche Börse

Shareholder structure



%	2009/10
Institutional Investors*)	~ 40
Private Investors*)	~ 15
S-Group Travel Holding	15.0
Monteray Enterprises Ltd.	15.0
Riu Hotels S. A.	5.1
Caja de Ahorros del Mediterráneo	5.0
CDG Group	5.0

At the end of financial year 2009/10, around 55% of TUI shares were in free float.

Around 15% of all TUI shares 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.

Dividend

TUI AG's net profit for the year totals €14m. A proposal has been submitted to the Annual General Meeting to carry the profit available for distribution of €14m forward on new account and suspend the dividend payment for financial year 2009/10.

Development of dividends and earnings of the TUI share

€	2006	2007	2008	SFY 2009	**2010**
Earnings per share	- 3.65	+ 0.41	- 0.65	+ 1.32	+ 0.30
Dividend	-	0.25	-	-	-

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 the period under review, Moody's lifted its outlook for TUI's credit rating from 'negative' to 'stable'. At the end of the period under review, the long-term credit rating for the Company was as follows:

Rating agency	Corporate Rating	Outlook
Standard & Poor's	B-	negative
Moody's	Caa1	stable

Bonds
see page 105

The respective ratings and further details about the six bonds traded in the capital market with an issuance volume of around €3bn are provided in the chapter 'Financial position'.

Investor Relations

Further information about investor relations is available online at www.tui-group.com/en/ir

Open dialogue and transparent communication form the basis for confidence in our dealings with shareholders, institutional investors, equity and credit analysts and lenders. Discussions with TUI shareholders and bondholders centred on Group strategy and the development of business in the various Sectors, enabling stakeholders to make a realistic assessment of TUI's future development.

Apart from the development of business operations in Tourism and Shipping, Investor Relations focused on several other issues in the year under review:

- The refinancing of the TUI Travel subsidiary in the form of convertible bonds and additional bank facilities, combined with early repayment of the shareholder loan to TUI AG.
- The stabilisation of Hapag-Lloyd by means of a state loan guarantee and additional contributions by shareholders as well as the resulting consequences for the Group.
- The successful placement of a convertible bond by TUI AG with a total nominal value of around €218m.
- The impact of the Hapag-Lloyd refinancing in the form of a bond and a syndicated credit line as well as the effect on Group liquidity.

These priority issues were discussed and questions by the stakeholders answered at numerous one-on-ones and during a conference call. Additional regular elements of the IR programme were the annual analysts' meeting with a live webcast on the internet as well as conference calls on publication of the interim reports. TUI also stays in close touch with its investors and analysts through road shows, conferences and a welter of one-on-one meetings. At many of these meetings, management personally answered questions raised by the capital market.

Investor Relations also makes every effort to seek contacts with private investors. The Group was presented to many private investors on occasions such as events organised by share-holder associations. Another key platform for exchanges with private shareholders is the IR stall at TUI's Annual General Meeting.

As in the previous year, 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. 28% of shareholders, i.e. 3% more than in the previous year, ordering their admission tickets via the web.

Management Report
Financial Year 2009/10 – an Overview

Increase in earnings by Tourism. TUI Travel prior-year financial statements corrected. Group result benefits from high result from Container Shipping. TUI AG liquidity benefits from agreed repayments by Hapag-Lloyd.

Development of Tourism business impacted by ash cloud

Following a good start to the summer season, the eruption of the Icelandic Eyjafjallajokull volcano in April 2010 resulted in disruption of our Tourism business. Large parts of European airspace were closed from 15 to 21 April 2010 due to the volcanic ash cloud. The associated flight cancellations disrupted the TUI Group's regular Tourism business. More than 180,000 TUI customers in the destinations were affected. These customers were offered a holiday extension or repatriation by alternative means of transportation. In addition, TUI had to cancel over 175,000 holidays. These customers were offered an opportunity to rebook their holidays free of charge.

The earnings impact resulting from the airspace closure for the TUI Group totalled €127m. The bulk of this, €123m, related to activities of the TUI Travel Group with €3m relating to TUI Hotels & Resorts and €1m to Hapag-Lloyd Kreuzfahrten. Due to their one-off nature, the earnings effects directly associated with the airspace closure were adjusted in the operating result shown for financial year 2009/10.

When the ban on flights was lifted, bookings in TUI Travel were slow to return to the expected level. Apart from a persistent insecurity felt by customers, the demand for holiday tours was additionally impacted by the World Cup and the very warm weather in northern Europe at the beginning of the summer. Due to the resulting increase in residual capacity in TUI Travel, higher discounts were required, in particular in the large source markets Germany and the UK. In the fourth quarter of the financial year, demand picked up again in all markets, in particular for differentiated product, so that sound margins were generated.

Total earnings by Tourism grew by €76m to €640m in financial year 2009/10.

TUI Travel

Despite the business disruption outlined above, TUI Travel closed the year at underlying Sector EBITA of €506m, up €49m year-on-year (€457m). Positive effects were attributable above all to the increase in synergies, which rose by €75m to €195m year-on-year. Hence, synergies were already close to the target of £200m defined for financial year 2010/11 for sustainable synergies. In order to further boost its competitiveness, TUI Travel launched a further cost reduction and efficiency improvement drive towards the end of the financial year.

TUI Hotels & Resorts

TUI Hotels & Resorts increased their operating earnings to €127m (previous year €111m), above all due to cost savings and a positive summer season 2010. In the period under review, average revenues per hotel bed fell slightly year-on-year due to exchange rate effects. At 75%, occupancy matched the previous year's level on slightly higher capacity.

Cruises

The Cruises Sector recorded a year-on-year increase in underlying earnings of €11m to €8m in the period under review. While Hapag-Lloyd Kreuzfahrten reported a stable development of business, the increase was above all attributable to the strong rise in earnings by TUI Cruises. While earnings by the joint venture were still characterised by start-up costs in the previous year's reference period, the load factor and the average rate of Mein Schiff grew significantly in the course of 2009/10.

Continuing operations

Underlying earnings by the Group's continuing operations rose by €119m to €589m year-on-year. This was attributable to higher earnings by Tourism and an improvement in earnings by Central Operations since one-off effects from the valuation of financial instruments which arose in the previous year did not recur.

Container Shipping

Container Shipping benefited from the substantial recovery of world trade and generated underlying EBITA of 478m (previous year €-663m US dollars; 100% basis) although it was only the first year following the crisis. This development was mainly driven by a substantial increase in average freight rate levels and a year-on-year rise in transport volumes. The earnings growth was also attributable to cost savings. The TUI Group carried positive earnings from operations measured at equity; they grew to €150m (previous year €-174m).

Group result

In financial year 2009/10, the Group result was clearly positive at €114m (previous year €206m).

Correction of the consolidated financial statements for the financial year 2008 as well as the short financial year 2009

In financial year 2009/10, TUI Travel PLC identified booking errors with regard to turnover realisation and certain accruals, affecting the Group accounting of TUI AG for financial year 2008 (including the prior-year disclosures for 2007) and the short financial year 2009. The booking errors related to TUI UK in the Northern Region of the Mainstream Business of TUI Travel PLC. As a voluntary measure to enhance transparency and meet the requirements of the capital markets, TUI AG has decided to carry out the necessary corrections directly in the financial statements for the respective financial years, adjusting the prior periods presented, and to subject these financial statements to a supplementary audit by the relevant auditors. Further details on the procedure applied and the effects, in particular on the consolidated income statement, are described in the consolidated Notes from page 145 of this Report. The corrections did not affect the TUI Group's cash position and thus net debt.

See pg. 145/147

TUI AG's liquidity further reinforced

In the period under review, both TUI AG and TUI Travel took up funding in the capital market, continuing to strengthen the liquidity of the TUI Group and TUI AG. In addition, repayments to TUI AG from the financing instruments granted to Hapag-Lloyd AG were agreed in the wake of the successful refinancing of Hapag-Lloyd AG in October 2010 and the cancellation of the state guarantee. These measures will increase the overall future financial scope of TUI AG.

TUI AG

On 17 November 2009 (value date), TUI AG issued convertible bonds with subscription rights with a total nominal amount of €218m, initially 38.7m shares in TUI AG. The coupon is 5.5% per annum payable semi-annually in arrear. The maturity of the bonds is five years. At the end of September 2010, TUI AG also issued notes worth €100m maturing in August 2014.

In October 2009, TUI Travel PLC issued convertible bonds worth £350m with a five-year maturity. In this context, TUI AG has initiated measures to counter a potential dilution of the controlling majority in TUI Travel PLC in the event that all conversion options are exercised.

TUI Travel

In April 2010, TUI Travel issued a convertible bond with a volume of £400m. Due to an agreement with Deutsche Bank, TUI AG has secured acquisition of 50% of this convertible bond by March 2013. A mechanism has been put in place to always secure TUI AG's voting rights majority in TUI Travel PLC in the event of any third party conversions.

Hapag-Lloyd

In October 2010, Hapag-Lloyd AG placed corporate bonds worth around $910m in the capital market. Hapag-Lloyd also received a syndicated line of credit worth $360m. Due to the cancellation of the state loan guarantee, the payment restrictions associated with the guarantee have ceased to apply. Hapag-Lloyd has therefore resumed payments of interest and redemption on the financing instruments granted by TUI. In total, TUI AG received payments of €507m (€65m from deferred interest payments, €227m from the repayment of the bridge loan and €215m from the repayment of the hybrid III loan) in October and November 2010.

In the framework of the refinancing schedule, TUI and the Albert Ballin consortium also agreed on the following terms:

The hybrid I loan (€350m) will be converted into equity of Hapag-Lloyd by 31 December 2010 at the latest. The conversion of the hybrid is to further strengthen Hapag-Lloyd's balance sheet structure and improve its rating ratios. Following completion of the capital in-crease, TUI will hold a 49.8% share in Hapag-Lloyd. The Albert Ballin consortium has a call option for the new shares until 30 September 2011. Regardless of this call option, TUI remains entitled to sell all of its shares in Hapag-Lloyd to a third party at any time. The Albert Ballin consortium holds pre-emption rights.

The hybrid II loan (€350m) will earn interest of 5% p.a. as of 1 October 2010. As of 1 July 2011, there will be an interest step-up to market rate. TUI will be entitled to sell the hybrid II with immediate effect.

The vendor loan (€180m) earns interest of Euribor + 4% p.a. and falls due on 1 January 2014.

Due to the agreed steps, TUI AG's financial commitment to Container Shipping will be re-duced to €2.1bn by the end of the first quarter of the next financial year 2010/11. Following completion of the capital increase, TUI will hold a 49.8% stake in Hapag-Lloyd.

Financial exposure of TUI AG in Container Shipping

€ million	30 Sep 2009	30 Sep 2010	31 Dec 2010 expected
Equity stake in March 2009	910	910	910
Cash capital increase	-	124	124
Debt equity swap	-	153	153
Conversion of hybrid capital I into equity	-	-	350
Equity stake	**910**	**1,187**	**1,537**
Investment share TUI AG	43.3%	43.3%	49.8%
TUI line of credit	400	-	-
TUI short-term loan	380	227	-
TUI sub-ordinated loan	300	-	-
TUI revolving credit facility	200	-	-
TUI vendor loan	180	180	180
TUI CTA loan	215	-	-
Loans	**1,675**	**407**	**180**
Hybrid capital I	-	350	-
Hybrid capital II	-	350	350
Hybrid capital III	-	215	-
Hybrid capital	**-**	**915**	**350**
Financial exposure	**2,585**	**2,509**	**2,067**

TUI stays committed to maximising the value of its Hapag-Lloyd investment and to closely monitoring all options to exit Container Shipping.

TUI brand launch in Russia and Ukraine

In March 2010, the TUI brand was launched in the Russian and Ukrainian market. The joint venture between TUI Travel and S-Group Capital Management, established in 2009, aims to build key positions in tour operation and the retail business with its companies Mostravel, VKO Group and Voyage Kiev. With the market launch TUI is presenting itself as a reliable and responsible tour operator offering tours in more than 200 Group-owned and franchised travel shops as publicised in ten brochures.

Planned commissioning of new ships in the Cruises Sector

In May 2010, TUI Cruises GmbH announced an expansion of its fleet. The second ship will be commissioned in May 2011. To this end, a cruise ship built in 1997 and currently operated by Celebrity Cruises will be extensively refurbished, featuring new design elements. TUI Cruises will thus further expand its market position in the volume cruise segment following the successful establishment of Mein Schiff.

Management Report
The TUI Group

Group structure

TUI Aktiengesellschaft			
Strategic core business			Financial stake
Tour operator	Hotels & Resorts	Cruises	Container Shipping
TUI Travel	TUI Hotels & Resorts	TUI Cruises Hapag-Lloyd Kreuzfahrten	Hapag-Lloyd

The TUI Group and its key shareholdings operate in tourism. The Group structure comprises TUI Travel, TUI Hotels & Resorts and the Cruises Sector. The indirect 43.33% stake (as per 30 September 2010) in Hapag-Lloyd AG taken after the completion of the sale of Container Shipping is measured at equity and carried under Central Operations in the consolidated financial statements.

TUI AG

Parent company

TUI AG is the Group's parent company headquartered in Hanover. Via its affiliates, it holds direct or indirect interests in the principal Group companies conducting the Group's operative business in individual countries. Overall, TUI AG's group of consolidated companies comprised 739 direct and indirect subsidiaries at the balance sheet date, of which 45 were based in Germany and 694 abroad. A further 18 affiliated companies and 35 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 governing and monitoring the Company. The Executive Board is responsible for the overall management of the Company.

The appointment and removal of Board members is based on sections 84f. of the German Stock Corporation Act in combination with section 31 of the German Codetermination 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 four members: the CEO and three other Board members in charge of Tourism, Finance and Human Resources/Legal.

TUI Travel

TUI Travel was formed in 2007 from the merger of the TUI Group's distribution, tour operator, airline 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 55%, i.e. the majority, of the shares in this subsidiary.

TUI Travel services over 30 million customers in 27 source markets with a portfolio of more than 200 products and brands. Its business is structured into four sectors: Mainstream, Activity, Specialist & Emerging Markets and Accommodation & Destinations.

Mainstream	Specialist & Emerging Markets	Activity	Accommodation & Destinations
Central Europe	Europe	Marine	B2B
Northern Region	US	Adventure	B2C
Western Europe	Emerging Markets	Ski, Student & Sport	Incoming agencies

Mainstream

The Mainstream Sector is the largest business line within TUI Travel. The vertically integrated tour operators included in this sector, such as Thomson, First Choice and TUI Deutschland, hold leading market positions in Europe. Their portfolio comprises the sale of flights, accommodation and other tourism services, both as separate components and as package tours. Activities cover Central Europe, Northern Europe and Western Europe.

Specialist & Emerging Markets

The Specialist & Emerging Markets business comprises specialist tour operators. It breaks down along geographical lines into Europe, North America and fast-growing markets, in particular Russia and Ukraine. Specialist tour operators include those dedicated to for specific destinations, premium suppliers and student trip tour operator.

Activity

The Activity business comprises travel companies in Europe, North America and Australia operating in the Marine, Adventure and Ski, Student & Sport Divisions. The Marine Division clusters providers of charter yachts. The Adventure Division offers, for instance, polar cruises and escorted study tours. The Ski, Student & Sport Divisions cover providers of skiing and other sporting tours.

Accommodation & Destinations

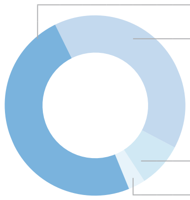
The Accommodation & Destinations business comprises activities in Europe, North America and Asia and is structured into three divisions. The business customer division (B2B) sells accommodation online to business customers such as travel agencies and tour operators. In the final customer division (B2C),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

TUI Hotels & Resorts

Hanover-based TUI Hotels & Resorts manages the Group's hotel companies. This Sector includes 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 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, developing future-oriented hotel formats and operative support, it also coordinates marketing and distribution activities as well as environmental and social measures by the hotel companies.

Financing structure TUI Hotels & Resorts

%



	2009/10	2008/09
Management	49	43
Ownership	40	45
Lease	8	9
Franchise	3	3

In financial year 2009/10, TUI Hotels & Resorts comprised a total of 261 hotels with around 170,000 beds. 233 of the hotels were four- or five-star hotels. 49% were operated under management contracts, 40% were owned by the respective hotel company, 8% were leased. 3% of the facilities were managed under franchise agreements.

TUI Aktiengesellschaft

TUI Hotels & Resorts

Riu	Robinson	Magic Life	Iberotel	Grupotel	Grecotel	Dorfhotel	Other

TUI Hotels & Resorts

Hotel brand	3 stars	4 stars	5 stars	Total hotels	Beds	Main sites
Riu	9	62	32	103	86,734	Spain, Mexico, Carribean, Tunisia, Cape Verde Islands
Robinson	-	20	4	24	12,625	Spain, Greece, Turkey, Switzerland, Austria
Magic Life	2	11	1	14	12,656	Turkey, Egypt, Tunisia, Greece
Iberotel	-	16	14	30	18,207	Egypt, Turkey, Germany
Grupotel	15	17	2	34	13,282	Spain
Grecotel	-	10	10	20	10,127	Greece
Dorfhotel	-	5	-	5	2,923	Germany, Austria
Other hotel companies	2	16	13	31	13,397	Egypt, Austria
Total	**28**	**157**	**76**	**261**	**169,951**	

As at 30 September 2010

Riu is the largest hotel company in the portfolio of TUI Hotels & Resorts. The Majorca-based 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.

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 promoting sustainable development and metting 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 located in Turkey and Egypt. In the summer of 2010, TUI AG and TUI Travel PLC decided to transfer operation of Magic Life to TUI Travel. Until the planned transfer, Magic Life will be managed by TUI Hotels & Resorts.

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.

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.

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.

Cruises

The Cruises Sector comprises Hapag-Lloyd Kreuzfahrten and TUI Cruises.

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

Its flagship is the five-star-plus vessel MS Europa. It was awarded this category by the Berlitz Cruise Guide for the eleventh time in succession and is the world's only ship to display it. The MS Europa primarily cruises on world tours. The MS Columbus, a three-star-plus vessel, also cruises the world's seven seas. Moreover, it is the only ocean-going liner capable of cruising the Great Lakes in North America. The MS 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 MS Bremen, a four-star vessel – also awarded the highest Arctic class – is another expedition ship travelling to similar destinations. Two of the ships are owned, the other two were chartered. Average fleet age was 15 years.

TUI Cruises is a joint venture between TUI AG and the US shipping company Royal Caribbean Cruise Ltd., formed in 2008, in which each partner holds a 50% stake. The Hamburg-based company offers cruises to the German-speaking premium market since 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. TUI Cruises has served this market with Mein Schiff, commissioned in May 2009; it will be joined in May 2011 by Mein Schiff 2.

Financial investment in Container Shipping
Following the sale of a majority stake in Container Shipping, completed in the first quarter of 2009, TUI AG took a 43.33% stake in the purchasing company.

Via its indirect financial investment, TUI AG is the largest individual shareholder in Hapag-Lloyd AG. The remaining 56.67% of the shares in Hapag-Lloyd AG are held by Hamburgische Seefahrtsbeteiligung 'Albert Ballin' Holding GmbH & Co. KG, owned by the City of Hamburg (40.67%), Kühne Holding AG (26.55%), the HSH Nordbank and M.M. Warburg banks (8.4% each) and the insurance companies Signal Iduna (12.61%) and HanseMerkur (3.36%).

See page 47 and 98

Details on the financial commitment of TUI AG to Container Shipping are presented in the sections 'Financial year – an overview' and 'Earnings by the Sectors'.

Business activities and strategy

Tourism

Market

For 2010, the UNWTO expects total consumer spending to grow by more than 5% in the worldwide travel and tourism market (source: UNWTO World Tourism Barometer, October 2010). Following a strong increase in international arrivals of around 7% in the first eight months of 2010, the overall recovery of tourism markets continued in the second half of the year. The worldwide improvement in the economic environment clearly benefited the general development of demand in the travel sector.

Due to the eruption of a volcano in Iceland, much of Europe's airspace was closed because of the resulting ash cloud from 15 to 21 April 2010. The associated disruption of flight operations impacted the scheduled implementation of the tourism business in Europe.

The market for business and leisure hotels was also characterised by an improvement in the economic environment in the period under review. Occupancy of hotels and the revenues per roomnight increased in 2010. As per May 2010, before the volcanic eruption affected bookings for the summer season of 2010, occupancy of hotels in Europe grew by almost 7% year-on-year. Revenues per roomnight even exceeded this growth at 9%. Average room rates also grew, up 2% year-on-year. In this respect, the trends for markets in Europe varied (basis: year-on-year comparison of occupancy in May 2010). The Turkish hotel market recorded an increase in occupancy of almost 11%, the Spanish of 9%, while the Greek hotel market declined by almost 7% in connection with the crisis in Greece (source: European Travel Commission, European Tourism 2010 Quarterly Report July 2010).

The European market for cruises remained a growth market. According to a study by the European Cruise Council (ECC: Statistics and Markets, April 2010), the number of European passengers on ocean cruises grew by almost 12% year-on-year to 4.9m in 2009. The German ocean cruises market also broke passenger and turnover records in 2009. Passenger volumes grew by 13% year-on-year, passing the million mark for the first time (DRV: Der Kreuzfahrtenmarkt Deutschland; March 2010). This growth was mainly attributable to the commissioning of new, additional ships in the volume market. In Germany, market penetration exceeded 1% of the overall population for the first time. However, this value remains significantly higher in the US at 3.5% and in the UK at 2.5% so that the German market shows strong growth potential.

Competition

Tour operators offering integrated and non-integrated business models competed with hotel companies, airlines and online agencies. As the leading tour operators and airlines continued to pursue highly restrictive capacity policies in 2009/10, there was no oversupply of product in the travel market. As in 2009, residual stock left for sale at reduced prices therefore remained limited. However, due to the uncertainty among customers after the airspace closure was lifted in the summer of 2010, residual stock temporarily had to be sold at more heavily reduced prices, in particular in Germany and the UK. In this environment, TUI Travel continued to benefit from its strong market position and flexible business model.

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 the leading provider of holiday hotels in Europe, TUI Hotels & Resorts took account of these trends in developing its attractive portfolios.

The international ocean cruises market is dominated by a few large cruise companies. The German-speaking cruise market comprises national and international providers, the latter numerically outweighing the former. However, passengers travelling with German cruise companies account for 57% and thus a higher percentage than passengers travelling with international providers (DRV: Der Kreuzfahrtenmarkt Deutschland; March 2010). In 2009/10, Hapag-Lloyd Kreuzfahrten remained the leading provider in the German premium and luxury segment for classical and expedition cruises. Cruises offered by TUI Cruises primarily address German-speaking customers aged 35 to 70 years. The target group mainly originates from the package tour and individual travel market but also the cruises market.

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 & Activity and Accommodation & Destinations and Emerging Markets 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 and active holiday markets and occupies promising positions in growth markets such as Russia, China and India.

Due to its broad customer base in over 27 source markets, TUI Travel is able to compensate for fluctuating trends in individual source markets or product groups. In addition, TUI Travel pursues a flexible 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 primarily oriented 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 property, plant and equipment and financial investments 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 product in all four Sectors, TUI Travel offers its customers far-reaching flexibility and attractive choice in searching for and booking tours. The travel products are sold via different, partly controlled sales channels including the internet. With its extensive market presence and strong brands, TUI Travel gains strong customer loyalty.

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. Asset-light management contracts and joint ventures are to be given preference in this regard. Besides distribution via tour operators, the selective establishment and expansion of additional sales channels will optimise occupancy of Group-owned hotels.

With its fleet, Hapag-Lloyd Kreuzfahrten occupies leading positions in the German-speaking market for luxury, expedition and study tours. This position has been reinforced by sharpening the profile of the four vessels.

TUI Cruises is the first national provider to have occupied the premium volume segment in the German-speaking market for cruises. Mein Schiff, the first vessel for TUI Cruises, will stand out even more strongly from its competition in future because of the values its embraces: individuality, diversity and enjoyment. In 2011 the fleet is planned to expand as scheduled with the commissioning and market launch of Mein Schiff 2.

Strategy

The strategic development of the Group focusses on the core business Tourism. In Tourism, the following strategic priorities have been set for the forthcoming financial year:

- increasing the proportion of differentiated holiday product
- expanding controlled distribution, in particular strengthening web-based sales
- continuing pro-active capacity management in TUI Travel's Mainstream business by adjusting fixed flight and hotel commitments to market requirements
- implementing efficiency enhancement programmes with a view to optimising production processes and systems, above all those of tour operators in source markets UK and Germany
- further expanding the tour operator business in growth markets such as Russia, Ukraine, China and India
- focusing on a high-yield, differentiated hotel portfolio in TUI Hotels & Resorts
- expanding market share in the German-speaking volume market for cruises
- pursuing restrictive cash and working capital management

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 processes.

Key management variables to enable regular value analysis are ROIC (Return On Invested Capital) and absolute value added. ROIC is compared with the sector-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 borrowing 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 included in ROIC.

In order to take account of the different risk/return profiles in the Group Sectors, sector-specific pre-tax costs of capital are determined. For Tourism, they amounted to 10.5% (previous year 11.7%). For TUI Travel, the value was 10.5% for 2009/10 (previous year 11.0%). In the period under review, the cost of capital was 10.8% for TUI Hotels & Resorts (previous year 11.1%) and 11.9% for Cruises (previous year 13.1%). For the Group as a whole, the figure was 10.5% (previous year 11.7%).

ROIC and economic value added
ROIC is calculated as the ratio of underlying earnings before interest, taxes and amortisation of goodwill (underlying Sector EBITA) to the segment average for invested interest-bearing capital (invested capital). 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, economic value added is used as an absolute value-oriented performance indicator. Economic value added is calculated as the product of ROIC less associated capital costs multiplied by invested interest-bearing capital.

Value-oriented key figures

	Tourism		Continuing operations	
€ million	**2009/10**	2008/09	**2009/10**	2008/09
Underlying Sector EBITA	**640.2**	**564.3**	**589.2**	**470.5**
Ø Invested capital [1]	5,403.3	5,383.5	5,615.6	5,393.1
ROIC	**11.8%**	**10.5%**	**10.5%**	**8.7%**
Weighted average cost of capital (WACC)	10.5%	11.7%	10.5%	11.7%
Value added	**72.9**	**- 65.6**	**- 0.4**	**- 160.5**

[1] Average value based on position of the beginning and year-end position

ROIC in Tourism grew by 1.3 percentage points year-on-year to 11.7%. This was attributable to an improvement in earnings, accompanied by slightly higher average invested interest-bearing capital. The return level in Tourism exceeded the specific cost of capital of 10.5%. This resulted in positive arithmetic economic value added of €72.9m.

For the continuing operations, ROIC amounted to 10.5%, up by 1.8 percentage points year-on-year. With the cost of capital for the continuing operations at 10.5%, this meant negative economic value added of €0.4m.

Management Report
Human Resources

The TUI Group's headcount rose from 69,536 to 71,398 in financial year 2009/10. This increase was primarily attributable to the TUI Travel Sectors.

Changes in headcount

At the balance sheet date, the TUI Group's worldwide headcount was 71,398, around 3% up year-on-year. The Tourism Segment employed the largest proportion of personnel at 99%, as in the previous year. As before, around 1% of employees worked for Central Operations.

Personnel by Sector

	30 Sep 2010	30 Sep 2009 revised	Var. %
Tourism	70,745	68,861	+ 2.7
TUI Travel	52,025	50,285	+ 3.5
TUI Hotels & Resorts	18,495	18,357	+ 0.8
Cruises	225	219	+ 2.7
Central Operations [1]	653	675	- 3.3
Continuing operations	**71,398**	**69,536**	**+ 2.7**
Discontinued operation	**-**	**-**	
Total	**71,398**	**69,536**	**+ 2.7**

[1] of which Corporate Center: 181 employees as of 30 Sep 2010; 200 employees as of 30 Sep 2009.

Tourism

At the end of the financial year under review, the headcount in Tourism totalled 70,745, up around 3% year-on-year. The individual sectors recorded different trends.

The headcount in TUI Travel grew by around 4% year-on-year to 52,025. The Mainstream Business had 38,102 employees, around 8% up year-on-year. This increase was mainly at-tributable to the transfer of TUI Service and TUI Dienstleistungsgesellschaft to the Mainstream Business. The Specialist & Emerging Markets Business recorded a decline in headcount of around 7% to 1,476, above all due to the transfer of individual divisions to the Activity Business, which therefore recorded an increase in headcount from 4,212 to 4,284. As TUI Service was transferred to the Mainstream Business, the headcount in Accommodation & Destinations decreased by around 9% year-on-year to 7,771. Due to the transfer of TUI Dienstleistungsgesellschaft to the Mainstream Business, the Other Business saw a year-on-year reduction in headcount of around 36% to 392.

The headcount in TUI Hotels & Resorts rose by around 1% year-on-year to 18,495. The slight increase in headcount was mainly attributable to an expansion of the portfolio.

The Cruises Sector reported an increase in headcount of around 3% to 225, above all due to the early recruitment of new staff in the light of planned new build projects and the expansion of shared services in the framework of expansion projects.

Central Operations

Due to the expiry of part-time working schemes for older employees and temporary contracts in Preussag Immobilien, the headcount in Central Operations declined by around 3% to 653. BKK and CP Ships did not record any material changes in headcount. The number of employees working for Corporate Centre decreased by around 10% to 181.

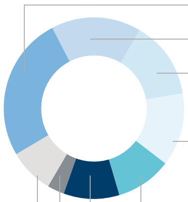
International headcount

Personnel by region

	30 Sep 2010	30 Sep 2009	Var. %
Germany	9,585	9,562	+ 0.2
UK/Ireland	18,666	19,409	- 3.8
Nordic countries	1,825	1,717	+ 6.3
France/Benelux countries	7,105	7,245	- 1.9
Spain	9,647	10,168	- 5.1
Rest of Europe	11,830	9,239	+ 28.0
America	6,850	6,815	+ 0.5
Rest of world	5,890	5,381	+ 9.5
Total	**71,398**	**69,536**	**+ 2.7**

Personnel by region **30 Sep 2010**

%



	30 Sep 2010
UK/Ireland	26
Rest of Europe	16
Spain	14
Germany	13
America	10
France/Benelux countries	10
Nordic countries	3
Rest of world	8

The number of employees working in Germany remained almost constant at 9,585. Due to the increase in the headcount in the Nordics and other European countries, the proportion of employees in Europe grew by 2.3% to 58,658, accounting for 82% of the Group's overall headcount, as in the previous year. 12,740 employees worked for companies outside of Europe, up 4.5% year-on-year. They accounted for around 18% of the Group's overall workforce, matching the corresponding proportion of the previous year.

Management Report
Sustainable Development

20 years of environmental and social commitment. Protecting the climate and preserving biodiversity. Social responsibility for employees. Corporate citizenship.

TUI AG Sustainability Report at www.tui-sustainability.com

TUI has been committed to sustainable development at its locations and destinations for 20 years, promoting environmental and social development. TUI was the first mainstream tour operator to establish an environmental management unit back in 1990.

TUI AG published its Sustainability Report for 2009/10, sub-titled 'Guests in Paradise' in the anniversary year. The report documents activities, milestones, targets and indicators in sustainable development and complies with the guidelines of the Global Reporting Initiative (GRI), the internationally acknowledged standard for sustainability reporting.

TUI Travel Sustainable Development Report at sd2009.tuitravelplc.com

In cooperation with TUI AG, TUI Travel worked in nine Group-wide project teams to take forward the definition of sustainability and environment objectives and the implementation of related measures in business operations. The project teams were allocated to the four core working areas: climate protection, cooperation with destinations/supply chain management, customer awareness raising and employee commitment.

Dow Jones Sustainability Indexes Member 2009/10

Since 20 September 2010, TUI AG has again been the world's only tourism company in the Travel & Tourism sub-sector to be listed in the Dow Jones Sustainability Index (DJSI) World for the fifth time in succession. Europe's leading tourism group has thus continually demonstrated its strong sustainability performance. In the annual review of the composition of the index, TUI AG scored best in various categories including risk management and compliance. The index comprises the 318 sustainability leaders from the 2,500 members of the Dow Jones Global Index.

FTSE4Good ECPI E.Capital Partners Indices Corporate Responsibility Prime rated by oekom research

In September 2010, TUI AG's position in the sustainability index FTSE4Good was confirmed. TUI is also represented in the indexes DAXglobal Sarasin Sustainability Germany, Ethibel Excellence Index and ECPI Ethical Index €uro. oekom Research AG continued to award TUI the investment status rating 'prime' in financial year 2009/10.

Strategic partnership and cooperation

In the framework of a multi-stakeholder dialogue and international cooperation, the TUI Group has been actively promoting environmental protection, nature conservation and sustainable development in its European source markets and tourism destinations.

Biodiversity in Good Company Initiative

Since 2008, TUI AG has been a member of the Biodiversity in Good Company Initiative of the German Ministry for the Environment, Nature Conservation and Nuclear Safety. The companies involved aim to achieve a stronger balance between economic activities and the preservation of biodiversity. The initiative is implemented and supported by the German technical aid agency (GTZ). In 2010, a Biodiversity Manual was published jointly with the Centre for Sustainability Management of Leuphana University in Lüneburg. An online portal offers companies checklists to help them establish entrepreneurial biodiversity management. At the TUI Green Days in 2010, where the exhibition 'No industrial diversity without natural diversity' passed through on its nationwide travels, this campaign stressed the importance of biodiversity for sustainable business success.

European Business and Biodiversity Campaign

TUI supported the European Business and Biodiversity Campaign of the Global Nature Fund, established in 2010 as an EU Life+ project. This communication campaign aims to strengthen corporate commitment to the sustainable use and preservation of biodiversity at EU level. In cooperation with the partners, TUI AG invited European tourism experts to a workshop in September 2010.

Federal Agency for Nature Conservation

In cooperation with the Federal Agency for Nature Conservation (BfN) in Germany, TUI stepped up joint activities during the International Year of Biodiversity 2010. These included a nature conservation magazine for children, drawing competitions in TUI children's clubs to mark Biodiversity Day and customer excursions in destinations along with the BfN or local organisations for nature conservation.

Futouris e. V.

TUI AG co-founded the industry initiative Futouris e.V., founded as a non-profit association in early 2009 by several TUI companies. The initiative is run under the patronage of the German Travel Industry Association and above all supports projects in the fields of environmental protection, development cooperation and promoting understanding between peoples.

A scientific advisory council was set up in 2010. This works with Futouris to develop campaign standards, determine sustainability indicators and establish an accreditation procedure. These measures and a special monitoring system are intended to ensure that sponsored projects will comply with current sustainability requirements over the long term. This is a dynamic procedure to permit an ongoing benchmarking of project standards against the latest research findings, ensuring that the standards applied by Futouris remain relevant and are regularly updated.

econsense

TUI AG's activities as a founding member of econsense – Forum for Sustainable Development of German Business – were continued in the financial year under review. In 2010, the cooperation scheme focused on sustainable financial markets and biodiversity.

Europarc
As a member of the evaluation committee of the European Charter for Sustainable Tourism in Protected Areas, TUI AG maintained its involvement thoughout the year in implementing standards for the sustainable use of European protected areas for tourism. In 2010, TUI AG supported the review and redesign of the evaluation documents and Charter criteria.

Bonn Convention
Since 2005, TUI AG has carried out various activities to support the protective measures enshrined in the Bonn Convention on the Conservation of Migratory Species of Wild Animals, in particular annual 'Year of ...' awareness campaigns in the destinations.

Framework agreement on sustainable development in the Balearics
Since 2005 a framework agreement has existed between TUI and the Balearic Ministry for the Environment in order to achieve the sustainable development of tourism in Majorca. In 2009 a large-scale reafforestation project was launched in the north of the island. 12,000 olive and pine trees had been planted in the Parc de Llevant nature reserve by September 2010.

Tour Operators' Initiative for Sustainable Tourism Development
To publicise and promote the principles of sustainable tourism, TUI Travel remains committed, along with other tour operators and with the backing of UNEP, UNESCO and UNWTO, to the Tour Operators' Initiative for Sustainable Tourism Development (TOI). All the members in this worldwide initiative have undertaken a voluntary pledge to uphold environmental, economic and social sustainability in the development of tourism.

Travel Foundation
TUI Travel continued to support the work of the British Travel Foundation for sustainable tourism development in 2010. Projects to protect and improve the environmental situation and living conditions of the local population are carried out in cooperation with the Foundation, the incoming agencies and local partners. A research project launched in 2010 by the Travel Foundation and the Overseas Development Institute aims to record and improve the socio-economic impact of TUI Travel hotels based on the example of an all-inclusive facility in Turkey.

The environment

The continuous development and implementation of environmental standards including stronger implementation of environmental management systems are part and parcel of the TUI Group's sustainable corporate policy. Activities focus on preserving biodiversity, protecting the climate and using resources efficiently.

Group-wide environmental monitoring
The Group-wide processes implemented to monitor the environmental performance and define meaningful indicators for sustainability reporting were continually adjusted and expanded. Activities were based on internationally acknowledged standards such as the greenhouse gas protocol and the current guidelines of the Global Reporting Initiative (GRI/G3 Guidelines) with a view to facilitating maximum comparability between indicators. Specific definitions and adjustments improved the methods used for calculating certain indicators. Group-wide monitoring focuses continuing operations on commercial activities of environmental relevance and serves as a control variable to enhance environmental performance.

Energy consumption

Due to the use of fossil fuels, most of the Group's energy is consumed by aviation and cruises. Total energy consumption of the high-emission activities in continuing operation totalled 88,947 TJ (previous year 95,347 TJ) in the financial year under review.

TUI airlines achieved average specific fuel consumption of 3.00 litres of aircraft fuel per 100 passenger kilometres (pkm) (previous year 3.03 l/100 pkm). The decline was attributable to changes in fleet portfolios such as the transfer of TUI's city pairs business to Air Berlin and changes in flight schedules by the TUI airlines. This specific fuel consumption continues to confirm the high efficiency of TUI airlines and their positive environmental performance by international standards.

In financial year 2009, Cruises reported specific fuel consumption of 0.24 litres per passenger nautical mile (l/pnm) (previous year 0.25 l/pnm). The decline was driven by more efficient route planning and higher utilisation of capacity.

Carbon dioxide emissions

Climate change constitutes a key environmental factor for TUI, influencing its business operations. TUI has identified emissions of carbon dioxide (CO_2), a greenhouse gas, as key environmental indicators and as metrics for determining its environmental performance. Total CO_2 emissions from emission-intensive continuing operations amounted to 5.91 million tonnes in 2010 (previous year 6.34 million tonnes).

Carbon emissions in aviation

In financial year 2009/10, aviation accounted for 89.0% of total CO2 emissions from emission-intensive continuing operations. In financial year 2009/10, specific CO2 emissions from TUI airlines amounted to 76 g/100 pkm (previous year 78 g/pkm). As an active contribution to fighting climate change, the TUI airlines aim to cut their CO2 emissions by 6% by the end of financial year 2013/14 (baseline 2007/08) by using efficient aircraft.

Emissions trading in aviation

Following a decision by the European Union, emissions from civilian air traffic in Europe will be regulated under the European Union's Emissions Trading Scheme (EU ETS) as of 2012. In this context, the TUI Group's airlines have adjusted all necessary aviation processes to the new legal requirements. The emissions monitoring plans derived from these provisions were discussed with and approved by the competent national authorities. Following the end of the first reporting period in 2010, which will be the basis for allocating free certificates, the first statutory data verification scheme will take place in 2011. In 2010, TUI already commissioned the auditing company PWC to take on the role of independent verifier in the next few years by implementing this audit for all TUI Group airlines.

Voluntary CO_2 offsetting for air tours

myclimate
Protect our planet

In partnership with the foundation myclimate, customers flying with TUIfly can voluntarily offset the greenhouse gas emissions caused by their flight. myclimate has used donations by TUI customers to sponsor a development aid project promoting low-energy cookers in Madagascar. TUI Deutschland customers have also been offered the opportunity to offset the carbon emissions of their entire trip when booking in a retail shop or on the internet. Tour operators donate a further 50 cents on top of the amount donated per booking. These donations were used to sponsor internationally recognised climate protection projects in Turkey and Peru. Customers of the British tour operators Thomson Travel and First Choice can offset their emissions through the World Care Fund.

Offsetting business flights

TUI AG retroactively offset all carbon emissions for flights taken by its employees in financial year 2009/10 through the myclimate foundation. A total of 287 tonnes of carbon were offset. For the first time, TUI Deutschland likewise offset all emissions from business flights in financial year 2009/10, a total of 1,174 tonnes.

Carbon emissions by Cruises

In the completed financial year, the Cruises Sector accounted for 8.8% of total carbon emissions from the emissions-intensive continuing operations. Thanks to more efficient route planning and higher load factors, specific CO_2 emissions were cut to 0.80 kg per passenger nautical mile (kg/pnm) (previous year 0.81 kg/pnm).

In cooperation with the non-profit organisation atmosfair, Hapag-Lloyd Kreuzfahrten is the first cruise provider to offer its customers the chance to arrange carbon offsetting for their cruises as of 2011. The donations serve to promote use of solar lamps in rural areas in India.

Carbon emissions by hotels

In financial year 2009, hotel operations accounted for 2.2% of total CO_2 emissions from emission-intensive continuing operations. Average specific CO_2 emissions totalled 13.1 kg of CO_2 per customer and bednight (previous year 12.6 kg/customer/bednight). This increase was attributable to changes in the hotel portfolio and a more intensive use of resources.

All TUI hotel brands are committed to efficient use of natural resources. In April 2010, the Robinson Club Agadir was awarded the Ecorismo environmental award. The award was granted by the Moroccan minister for tourism and the Ecorismo organisation to acknowledge the Robinson Club's many different environmental activities. The Agadir Club operates the largest solar system in the country to supply hot water for the club, covering over 900 m^2. A hotel garden of more than 2,000 m^2 supplies organically grown vegetables and fruit, offering a habitat for domestic species of flora and fauna.

Carbon Disclosure Project

In 2010, the TUI Group again participated in industry-wide carbon disclosure activities. TUI's emissions account was described in the Carbon Disclosure Project alongside the strategic aspects of TUI AG's climate policy and was made accessible to international analysts and investors. TUI AG ranked fifth in the evaluation of climate reporting in the German Carbon Disclosure Leadership Index. At the same time, TUI AG was the only MDAX company represented in the Carbon Performance Leadership Index.

Certified environmental management system

Continual improvements in the Group's environmental performance are achieved by introducing and steadily developing environmental management systems in the individual Group companies, in particular in hotel operations.

In financial year 2009, 5 new hotels and clubs had their environmental management systems successfully certified in accordance with the international environmental standard ISO 14001. A total of 63 hotels in TUI Hotels & Resorts' portfolio have thus been certified according to ISO 14001, as confirmed by independent experts. By the end of the financial year, the environmental management systems of 18 Robinson Clubs, 12 Iberotels, 11 Magic Life Clubs, 7 Grupotels, 5 Dorfhotels, 4 Sol Y Mar Hotels, 3 Grecotels and 3 Jaz Hotels were certified according to ISO 14001. Additionally, some hotels gained certification under other environmental standards such as the Austrian ecolabel or Travelife.

The existing environmental management systems already applied at the headquarters of TUI AG, tour operator TUI Deutschland GmbH and TUI Dienstleistungsgesellschaft mbH in Hanover were also successfully certified under ISO 14001.

Environmental quality in TUI holiday hotels
Innovative environmental management is a key element of the quality strategy pursued by TUI Hotels & Resorts. The hotel brands of TUI Hotels & Resorts are among the environmental leaders at their respective location.

TUI Environment Champion

The 100 most environmentally-friendly hotels from TUI Deutschland's product portfolio again received the TUI Environment Champion award in 2010. The ecological commitment of contract hotels is determined on the basis of, for example, a checklist and the results of a TUI customer survey. For the first time, the criteria used in the widely recognised Travelife standard were included when assessing the hotels' ecological performance. In the financial year under review, 57 hotel and club facilities of TUI Hotels & Resorts were among the top 100 facilities receiving the TUI Environment Champion.

Environmental quality label EcoResort

In order for TUI Hotels & Resorts facilities to qualify for the EcoResort quality label, they have to be awarded the TUI Environment Champion. The hotels also have to be certified in accordance with a recognised environmental standard. Following an audit carried out by accredited external experts, 51 hotel resorts of the Group's own hotel brands in TUI Hotels & Resorts were awarded the label. The key criteria for qualifying as an EcoResort are transparency and responsibility towards nature and the environment as well as socio-cultural commitment. This includes saving resources, water and energy and in many cases using renewable energies as well as sourcing local and regional products from organic farming as the preferred choice.

The EcoResort quality label, created by TUI Hotels & Resorts in cooperation with TUI AG's sustainability management, is currently the most stringent of all quality labels for sustainable development in holiday hotels.

Geen Star Hotel Initiative

In Egypt, TUI AG is a partner of the Green Star Hotel Initiative. Under a German-Egyptian Public Private Partnership, this programme to promote the efficient use of resources in hotel operations is co-sponsored by the German Ministry for Economic Cooperation and Development (BMZ) and implemented by the German technical aid agency GTZ. The project strengthens environmental management in local hotels and includes certification (Green Star). The underlying set of criteria is based on the scheme operated by Global Sustainable Tourism.

Biodiversity
In the year under review, TUI continued to implement the Leadership Declaration of the Biodiversity in Good Company Initiative. TUI has thus committed itself to analysing the impact of commercial operations on biodiversity and the inclusion of biodiversity criteria in its environmental management system.

TUI AG's Code of Conduct expresses a clear commitment to preserving natural biodiversity. On that basis, TUI defines quality and action targets which are then implemented throughout the Group in the form of programmes. Target achievement is reviewed on a regular basis, with comprehensive internal and external communication, e.g. in the Annual Report, Sustainability Report and on the Group's website. This approach provides visibility for effective preservation measures while raising awareness and creating confidence among our customers, employees and partners.

Year of Biodiversity 2010

The year 2010 was declared the international Year of Biodiversity by the United Nations. Throughout the Group, TUI carried out a host of projects and initiatives to protect biodiversity.

Sensitising customers

In cooperation with the Federal Agency for Nature Conservation, a children's magazine was designed and distributed in the German-speaking children's clubs and on board the TUIfly airline. The magazine explains the connections between environmental protection and preservation of biodiversity in a way children can understand and offers tips on how to protect the environment on their holiday. TUI continued to hand out a souvenir guide in holiday destinations informing TUI customers about illegal souvenirs from endangered species and motivating customers to buy alternative, fair souvenirs.

Projects to preserve species

TUI companies engage locally in many specific projects to preserve endangered species. The Robinson Club Agadir supports the Moroccan Sous Massa National Park, providing a habitat for rare species. With the support of the German technical aid agency (GTZ), species that had become almost extinct such as the Mendes antelope and Mhorr gazelle have been resettled here.

In 2010, TUI AG sponsored the creation of the June Haimoff Foundation in Turkey. The Sea Turtle Research, Rescue and Rehabilitation Centre in Dalyan run by the foundation is committed to preserving populations of endangered sea turtles on the Turkish Aegaeis. A programme run in cooperation with the University of Pamukkale focuses on scientific research into endangered species and observing nesting beaches in the region.

Employees

Competent, committed and highly qualified employees are a key factor for success. TUI's employees secure the Group's competitive position. In order to win, develop and retain employees, TUI offers a welter of initial, ongoing and further training schemes, a range of pension and health measures and activities to promote work-life balance in a flexible and attractive environment.

Initial, ongoing and further training

Junior staff development and training

In order to secure the Group's competitiveness in the long term, the TUI Group offers various training opportunities for young people. In Germany alone there are traineeships for twelve different jobs and two sandwich courses, including commercial clerk, travel advisor or Bachelor of Arts in Tourism. In order to prevent a shortage of trained staff, Hapag-Lloyd Kreuzfahrten has extended its range of vocational training schemes and traineeships. At the 2010 balance sheet date, around 500 young employees were taking part in training schemes in our German companies. Around 64% of the trainees who finished their training in 2010 were offered an employment contract. At 5.3%, the proportion of staff in training matched the previous year's level. The excellent quality of the training has been confirmed time and again by awards granted to trainees finishing their traineeship by the chambers of industry and commerce or even awards as the best regional trainee. In March 2010, TUI Deutschland received the Willy Scharnow Foundation special award for development programmes for its LUCIE programmes (LUCIE stands for learning in the company and opportunities arising from individual development).

Development of senior and executive staff

As in the past, the TUI Group attached a great deal of importance to qualifying its senior and executive staff in financial year 2009/10. Training schemes focused on the design and implementation of individual in-house training courses for different companies, dealing with change management, negotiation skills and communication. New offerings for executives included programmes on coaching. In an early response to demographic change and the resulting shortage of skilled labour the Group has devised new programmes for employees and junior management staff, e.g. further training schemes for business management, tourism and HR leading to certificates from the chambers of industry and commerce.

The TUI Group's International Management Trainee Programme for university graduates has been implemented for many years to secure the recruitment and development of junior staff for technical and management positions in the long term. The international programme takes 18 months to complete and offers participants a comprehensive overview of the tourism business. The trainee assignments have formed an important basis for stronger cooperation and integration within the Group. The different nationalities of participants from Russia, China, Spain, England, France, Sweden and India facilitate cross-border networking and cooperation.

At the international level, two newly created programmes constitute key components in the strategy for developing top management. The Global High Performance Leadership programme, run in partnership with the European Business School, promotes the development of and succession planning for senior and top executives. The qualification programme is supported by projects, training schemes and coaching sequences. The Global Responsible Leadership programme aims to promote sustainability and social responsibility through international project activities.

People Performance Management

With the introduction of its People Performance Management system, TUI Deutschland has continued to professionalise its management, control and HR development processes. Apart from specific target agreements, every employee receives systematic feedback on their performance and potential by their line manager and is given an opportunity for self-assessment. A development plan is then drawn up and jointly pursued and implemented by the employees and managers.

Group-wide company suggestion scheme

TUI has concluded a Group agreement to promote idea management within the Companies. Its purpose is to actively engage employees in shaping Group-wide workflows and developing the Group. The aim is to motivate staff to participate in thinking and shaping processes and assuming responsibility far beyond their own company and their own sphere of responsibility. The creative potential of our employees is to be tapped in the form of suggestions for improvements and used for the benefit of the entire Group and its workforce. To this end, a central position will be created in the Group to receive and process suggestions for improvements that affect the Group as a whole. The aim is to promote a climate conducive to innovation and strengthen our employees' identification with TUI.

Social responsibility

Pension schemes

The companies in the TUI Group offer their employees many different ways of participating in private pension schemes, alongside the company-based pension schemes funded by the employer. Specific legal conditions and the economic situation are taken into account in designing the models. In TUIfly GmbH, two Employee shares TUI AG has run a programme to issue employee shares in order to let the Company's employees participate in profits for many years. This programme includes employees and pensioners of German companies and employees in several European countries. In 2010, the beneficiaries were again offered the opportunity to subscribe to up to 250 shares at a reduced price. TUI Travel also offers UK staff a chance to participate in the company by buying shares at reduced prices.

Part-time early retirement

The German Group companies made substantial use of the opportunities provided under the German Part-Time Early Retirement Act to shift gradually from employment to retirement in the framework of company HR and succession planning. In almost all cases, working hours in the part-time early retirement phase were based on a block model, enabling the participant to retire early. The resulting assets for the employees working under part-time early retirement contracts were hedged against employer insolvency under a capital investment model in accordance with the provisions of the German Part-Time Early Retirement Act. Approx. €10.8m were provided for the 285 employees working under part-time early retirement contracts.

Employee shares

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Health management and health and safety

The key task of TUI AG's health management system is to check the working environment for our employees and continually expand the programmes offered to enable our staff to avoid health hazards at work. Health and safety is a key component. In cooperation with health and safety experts, activities at the Hanover site included workplace-specific hazard analyses, permanent training of first-aid and fire protection assistants and noise measurements.

With the Fit With TUI programme, TUI practices comprehensive, modern health management at the Hanover site. In accordance with the Luxembourg Declaration, signed by TUI AG, the Group offers a series of measures underlining the significance of health and well-being at the workplace. Apart from exercise schemes, such as company sports, there are health seminars aimed at specific target groups and programmes for the prevention of substance abuse. Employees can also take part in annual campaigns such as flu vaccination, prevention of/therapy for back problems, eye and hearing tests or health coaching to prevent psychological disease.

This involves regular staff information campaigns and surveys, and meetings between the health coordinators, the works doctor, health and safety officials and representatives of management and staff. TUI's Hanover site was awarded the 'Excellence' Corporate Health Award for its exemplary health system.

Moreover, TUI AG was nominated for the Felix Burda Award 2010 in recognition of the outstanding provision by TUI AG of cancer screening opportunities for employees.

Company health insurance fund

BKK TUI, the company health insurance fund, is available to German employees, offering a comprehensive range of services to protect employees in the event of sickness and to promote health. With the introduction of the German 'health fund', the basis for the TUI BKK's business operations has fundamentally changed. As the commercial uncertainties are considerable, efforts focused on stabilising the financial position. TUI BKK recorded a surplus enabling it to dispense with additional contributions. Demand increased as a result.

Women in management positions

At the end of the financial year, women accounted for around 69% (previous year 67%) of the total German workforce. The proportion of women in senior management positions remained at 21%, as in the previous year. Our aim is to significantly increase the proportion of women in management positions in the long term. To this end, TUI AG has launched special programmes to promote women or offer a range of programmes to improve work-life balance and family-oriented life planning. Our aim is to encourage a new approach to get away from traditional gender role expectations and achieve greater equality of opportunities.

Work-life balance

TUI is one of the founding members of the national Success Factor Family network. 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. Employees also obtain financial support for childcare or may take their children to the company crèche in Hanover. The Group also offers flexible models to work part-time or from home and an option to apply for unpaid leave for an extensive period of time to take care of family members who have fallen ill.

Diversity Charter

A global player such as TUI lives out diversity in everyday operations. That is why TUI AG has committed to the Diversity Charter, a national German corporate initiative to promote diversity, fairness and respect in companies. The issues that TUI has chosen to highlight in project form include origin, cultural specificities and health. For several years, the TUI sponsorship programme Open Door has offered interested children of employees the opportunity to spend a year or several holiday weeks with a guest family abroad. In 2010, employees had an opportunity to participate in the Changing Sides programme; to this end, they were integrated into a social facility for a day. A meeting on 'Diversity in TUI' was subsequently held, permitting an exchange of experience; speakers were invited to talk about the facilities and participants had the opportunity to discuss with disability officers and representatives of employees and management.

TUI AG also repeated the Fit For Your Job campaign, offering advice on applications and job interviews to young people with disabilities looking out for their first job. In addition, the TUI's reading initiative was continued for the third year: TUI staff visit a school for students with learning disabilities once a week and coach ten-year-old students in reading aloud. In June 2010, the German minister Ursula von der Leyen took over the patronage for this project.

Employee representation within the Group

In the TUI Group, employees are represented nationally and internationally, both in individual Group companies and at Group level. In accordance with the staff participation culture fostered by the Group, employee representatives were involved in strategic decisions and the implementation of these decisions in their respective areas of responsibility, thereby serving the strategic interests of the workforce and company alike. This codetermination culture fosters a distinct sense of social partnership and has always been a firm component of dialogue between corporate management and the bodies representing employees.

TUI European Forum

The TUI European Forum was established even before the German legislator adopted the Act on European Works Councils in 1996. Its composition is determined by the number of employees in the countries where TUI directly or indirectly holds majority holdings in the European Union, the European Economic Area and Switzerland. This year, a total of 52 representatives from 14 countries were delegated to the TUI European Forum. Group management briefs the Select Committee of the TUI European Forum several times a year and attends meetings to discuss the current economic and HR situation within the Group. The TUI European Forum meets once a year. It makes a significant contribution to the international character of the Group and acts as a linchpin enhancing the transparency of transnational entrepreneurial decisions.

Corporate citizenship

TUI AG and its subsidiaries acknowledge their social responsibility at their sites across the world and in the tourist destinations.

Drinking Water for Africa

Due to its overwhelming success, the Drinking Water for Africa campaign was expanded. This is an initiative carried out in cooperation with the Global Nature Fund, the premier league football club Hannover 96. The donations collected at home matches of the football team were used to sponsor the installation of four new drinking water processing systems in Kenyan schools. In the current premier league season, the initiative is focusing on a project to repair fountains in Ivory Coast.

German-Russian youth parliament

In July 2010, TUI AG supported the German-Russian Youth Exchange Foundation with free flights. The participants came up with suggestions for solutions, e.g. to problems of tolerance among young people. At a plenary session, the participants presented their results to German Chancellor Angela Merkel and Russian President Dimitry Medvedev.

Support for disadvantaged children and teenagers

Aid for Haiti

Following the devastating earthquake in Haiti, TUI Group companies launched a five-year aid project aiming to contribute to reconstruction. Half a million euros will be provided in total. The relief programme, launched in cooperation with the sustainability imitative Futouris e.V., will involve TUI AG, TUI Deutschland, TUI Suisse and TUI Austria. The aim of the project is to build sleeping and dwelling places for children and teenagers as well as small schools and vocational training centres to enable young people and adults to be economically independent. TUI Group companies also support a range of social projects and donation campaigns. Examples of initiatives sponsored by companies, employees or customers include a programme by TUIfly Nordic, Jetairfly and TUI Cruises, flying aid workers, medical personnel and goods to the Dominican Republic for free, and a fundraising campaign to donate funds to action medeor e.V. , a German medical relief organisation. TUI Deutschland employees collected donations in kind for the earthquake victims.

ECPAT

In the year under review, TUI Group companies continued their worldwide commitment to protect children from sexual abuse. TUI tour reps were offered training programmes on the protection of children in the framework of the permanent employee training.

Peter Maffay Foundation

TUI AG continued to support the Peter Maffay Foundation with 200 free flights to and from Majorca. The foundation supports children traumatised due to domestic violence or sexual abuse or due to severe diseases.

Clean Winners

TUI Cruises sponsored the opening of the new Clean Winners site in Hamburg in the Öjendorf sports park. The non-profit Clean Winners organisation aims to promote sport for socially deprived children and teenagers in Germany at risk of being caught in the 'offside trap' as a way of offering encouragement and recognition and ultimately promoting social cohesion.

TUI sponsorship

The sponsorship scheme run by TUI employees in Hanover supported the KiD Hanover initiative in 2010. The diagnostics and therapy centre supports children who have experienced violence and are suspected of having experienced negligence, physical or sexual abuse.

Activities by the TUI Foundation

Further information at www.tui-stiftung.de

The TUI Foundation was established in 2000 to mark the 75th anniversary of Preussag AG, today TUI AG. TUI AG pools its social and public activities in Lower Saxony in these activities.

From October 2009 to September 2010, 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, the TUI Foundation has been funding the supporting research for a sure-start education project by the Criminological Research Institute of Lower Saxony for the past five years. This pilot project tests new forms of early education designed to prevent criminal behaviour among children in high-risk families and reviews the efficiency of such methods. The first results of the long-term pilot project were presented at the end of 2010.

Another initiative in science and research was the Rudolf Schoen Award, presented for the twenty-second time in 2010 for the best scientific publication at Hanover's Medical University (MHH). Funding was also provided for selected research projects by junior scientists at the MHH. The TUI Foundation intensively supports the care network for severely ill children and young people, aimed to significantly improve out-patient care for these children.

In school projects, the TUI Foundations sponsored a total of twelve projects in Lower Saxony. The focus was on promoting reading skills in elementary schools and providing careers guidance for students at secondary or intermediate schools. The 'Gemeinsam in Hannover – Wir sind die Zukunft"award for children and youth projects in Hanover was presented for the second time in 2010. A prominent jury selected six winning projects.

In culture and arts, the focus was on projects involving children and young people. Funding was provided for a Living Music Academy, where new and unusual concert formats encouraged enthusiasm for classical music among youngsters. The work of young choreographers was promoted through funding for the International Ballet Competition of the Hanover Ballet Society.

Research and development – innovation

As a services group, TUI does not engage in research and development in the narrow sense of the term. However, TUI operates in an environment where competitiveness depends heavily on product and service innovation. The TUI Group's operating entities therefore aim to apply new technologies, anticipate new market trends and steadily adjust their product portfolios to changing market requirements.

The role of sustainable development and responsible use of natural resources has continually grown in recent years. Consumers have increasingly based their purchasing decision on the perceived ecological and social responsibility of companies. One of the key tasks was therefore to align product development to sustainability in the period under review.

International study

In 2010, TUI Travel's Group Marketing carried out an international customer survey on sustainability in tourism in cooperation with the Global Nature Fund and PriceWaterhouseCoopers. The results have shown that awareness of the environment and sustainability are now a bigger factor in selecting travel providers. There is a great need for sustainable travel component offerings.

EU research project CILECCTA

TUI AG is a partner in a consortium of 19 companies from twelve countries developing software to assess the life cycle cost of construction objects as part on an EU research project. The CILECCTA project has been devised as a four-year project and takes account of construction costs but also subsequent operating, maintenance and disposal costs, i.e. the entire life cycle of a building. TUI provides a financial contribution and a hotel where the software application can be simulated.

Biofuel in aviation

TUI Travel PLC is an active member of SAFUG (Sustainable Aviation Fuel Users Group) and takes part in discussions about the use of sustainable biofuels in aviation. A working group involving experts from all airlines in the TUI Group is checking the strategic options for the use of biofuels on the basis of a 5-point plan.

Clean Sky research project

The airlines Corsairfly, Thomson Airways and TUIfly are partners of the Clean Sky research project sponsored by the European Union. As part of the CARING (Contribution of Airlines for the Reduction of Industry Nuisances and Gases) project module, the airlines involved have been cooperating with environmental researchers and technology manufacturers to devise a model that can display flight emissions. To this end, they analyse flight data in detail and discuss them jointly.

Management Report
Economic Climate

Global economy picks up. Increase in world trade due to strong demand from China.

General trends

As financial year 2009/10 progressed, there were growing signs that the world economy was reviving. This positive trend is expected to continue throughout the year. For 2010, the International Monetary Fund (IMF, World Economic Outlook, October 2010) is predicting a 4.8% increase in global gross domestic product.

Regional trends

America

In the United States, the increase in gross domestic product has slowed down somewhat. Consumers are facing higher debt, accompanied by falls in the value of investments. In spite of a quantitative easing, private credit growth is relatively weak by international standards. Growth is additionally curbed by the persistently high levels of unemployment and saving. 2010 is expected to bring a 2.6% growth in GDP in the United States and 3.1% in Canada.

Asia

Macroeconomic demand in Asian countries has seen a swift and sustained recovery due to strong domestic demand, with exports starting to pick up again. This general trend observed in Asia has been reinforced by robust domestic demand for consumer goods, machinery and plant, but also capital goods, e.g. in China. As a result, world trade has risen strongly. For the Asian emerging economies, gross domestic product is expected to grow by 9.4%. Growth will above all be driven by China (+10.5%) and India (+9.7%). At +2.8%, Japan, by contrast, continues to record below-average, weak growth in GDP.

Eurozone

In the Eurozone, the IMF expects the economy to grow by 2.0% in 2010. Overall development has slowed down slightly; however, domestic demand remains strong, especially in the highly industrialised European countries. This has led to different trends in different European countries. While gross domestic product is expected to grow in Germany (+3.3%), the UK (+1.7%) and France (+1.6%), other countries such as Spain (-0.3%) and Greece (-4.0%) feature negative growth forecasts.

Russia/CIS

For Russia and the CIS countries, the IMF expects the economy to grow by 4.3% altogether in 2010. The main driver behind this economic recovery is Russia, with anticipated strong growth of just under 4.0% in 2010.

Trends in tourism

In Tourism, the World Tourism Organization (UNWTO, World Tourism Barometer, October 2010) expects growth in 2010 to exceed 5% with regional variations. In the first eight months of 2010, international arrivals were on average up by around 7% year-on-year. While Europe recorded growth of only 3% in the first eight months of 2010 due to patchy economic recovery and the ash cloud, Asia (+ 14%) and the Middle East (+ 16%) posted particularly strong growth. For the fourth quarter of 2010, the increase is expected to be somewhat smaller, since the reference period in the previous year was already showing signs of economic recovery.

Assessment of the economic environment

Overall, macroeconomic development in financial year 2009/10 did not match the expectations of the Executive Board in every respect. The scope of the considerable recovery of macroeconomic parameters and the resulting strong growth in world trade had not been anticipated in planning and budgeting. In the Tourism Segment, the positive effects of these improved economic parameters in financial year 2009/10 were partly offset by other curbing effects, in particular business disruption caused by the closure of Europe's airspace. In Container Shipping, by contrast, the significant rise in freight rates and transport volumes, generated a rise in earnings by Hapag-Lloyd the scope of which had not been expected. The positive development of the Container Shipping business and the substantial improvements in the financial market enabled Hapag-Lloyd to refinance its operations via the capital market, having cancelled the government loan guarantee. As a result, Hapag-Lloyd was able to resume interest and redemption payments on the financial instruments granted by TUI earlier than expected.

Management Report
Group Earnings

Positive Group result despite high one-off charges. Considerable increase in result by Container Shipping measured at equity.

Income Statement of the TUI Group

€ million	2009/10	2008/09	Var. %	SFY 2009 revised
Turnover	**16,350.1**	**16,594.3**	**- 1.5**	**13,130.8**
Cost of sales	14,680.1	15,079.4	- 2.6	11,849.0
Gross profit/loss	**1,670.0**	**1,514.9**	**+ 10.2**	**1,281.8**
Administrative expenses	1,536.0	1,572.7	- 2.3	1,211.1
Other income/other expenses	+ 53.6	+ 31.8	+ 68.6	+ 17.5
Impairment of goodwill	18.2	40.0	- 54.5	8.9
Financial result	- 162.2	- 593.9	+ 72.7	- 516.2
Financial income	319.0	240.4	+ 32.7	156.5
Financial expenses	481.2	834.3	- 42.3	672.7
Share of result of joint ventures and associates	170.6	- 144.5	n/a	- 137.7
Earnings before income taxes	**177.8**	**- 804.4**	**n/a**	**- 574.6**
Reconciliation to underlying earnings:				
Earnings before income taxes	177.8	- 804.4	n/a	- 574.6
Result from Container Shipping measured at equity	- 150.3	173.9	n/a	173.9
Effect of measurement of loans to Container Shipping	- 135.0	353.9	n/a	353.9
Interest result and earnings from the measurement of interest hedges	304.8	235.6	+ 29.4	156.9
Impairment of goodwill	18.2	40.0	- 54.5	8.9
EBITA from continuing operations	215.5	- 1.0	n/a	119.0
Adjustments				
Gains on disposal	- 24.0	- 2.6	- 823.1	- 4.6
Restructuring	+ 124.9	+ 32.0		+ 58.3
Purchase price allocation	+ 69.8	+ 59.2		+ 47.8
Other one-off items	+ 203.0	+ 382.9		+ 363.7
Underlying EBITA from continuing operations	**589.2**	**470.5**	**+ 25.2**	**584.2**
Earnings before income taxes	**177.8**	**- 804.4**	**n/a**	**- 574.6**
Income taxes	64.2	- 66.0	n/a	- 33.2
Result from continuing operations	**113.6**	**- 738.4**	**n/a**	**- 541.4**
Result from discontinued operation	-	944.5	n/a	936.7
Group profit for the year	**113.6**	**206.1**	**- 44.9**	**395.3**
Group profit for the year attributable to shareholders of TUI AG	101.8	170.4	- 40.3	349.3
Group profit for the year attributable to non controlling interest	11.8	35.7	- 66.9	46.0
Group profit for the year	**113.6**	**206.1**	**- 44.9**	**395.3**
Basic and diluted earnings per share in €	0.30	0.58	- 48.3	1.32

The TUI Group's income statement is primarily characterised by Tourism activities. In financial year 2009/10, turnover declined slightly, in particular due to the closure of Europe's airspace in April 2010 caused by the volcanic eruption in Iceland. Underlying EBITA from continuing operations, by contrast, rose substantially. This increase reflected in particular higher synergies at TUI Travel and improved results by Central Operations.

TUI AG's 43.33% stake in Albert Ballin Joint Venture GmbH & Co. KG, taken in the frame-work of the divestment of Container Shipping, was measured at equity in TUI's consolidated financial statements for the period under review. The at equity result by Container Shipping was not included in the TUI Group's operating performance indicator EBITA.

In order to enhance comparability, the Group figures for the completed financial year 2009/10 were presented alongside the figures for the comparative prior-year period (1 October 2008 to 30 September 2009). The figures for the 12-month financial year 2009/10 are not directly comparable with those for the 9-month short financial year 2009.

Comments on the consolidated income statement

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 €16.4bn, Group turnover declined by 2% against the comparative prior-year period. The decrease was above all attributable to the decline in the TUI Travel's business volume due to the travel cancellations caused by the ash cloud. Turnover is presented alongside the cost of sales, which accounted for €14.7bn, down 3% year-on-year. A detailed breakdown of turnover showing how it has developed is presented in the section Earnings by the sectors.

See pg. 80

Gross profit

Gross profit, i.e. the difference between turnover and the cost of sales, totalled €1.7bn in the completed financial year 2009/10, up 10% year-on-year.

Administrative expenses

Administrative expenses comprised expenses not directly attributable to turnover transactions, in particular expenses for general management functions. In financial year 2009/10, they accounted for €1.5bn, down 2% year-on-year.

Other income/Other expenses

Other income and Other expenses primarily comprised profits or losses from the sale of fixed assets. At €54m, the balance of income and expenses improved by €22m year-on-year. This increase was mainly driven by other income from currency gains in connection with capital reductions in foreign subsidiaries. It was also attributable to gains on disposal from the divestment of a hotel complex and the sale of the Canadian tour operator activities of TUI Travel to Sunwing.

In the previous year, Other income mainly consisted of gains on disposal from the sale of aircraft engines, the divestment of a hotel complex in source market France and the sale of sailing yachts.

Impairments of goodwill
In the completed financial year, goodwill impairments totalled €18m. Half of the impairments related to the TUI Travel Sector, above all in connection with the closure of the Sunsail Clubs, and TUI Hotels & Resorts.

In the prior-year reference period, goodwill impairments related to the Moroccan Jet4You airline available for sale within TUI Travel and goodwill impairments in TUI Hotels & Resorts.

Financial income and expenses/Financial result
The financial result included the interest result and net income from marketable securities. Financial income of €319m and financial expenses of €481m arose in financial year 2009/10. The net financial result amounted to €-162m. The financial expenses included income of €-135m from the measurement of the loans and hybrid capital granted to Container Shipping. In the previous financial year, they were presented alongside corresponding expenses of €354m.

Share of result from joint ventures and associates
The share of result from joint ventures and associates comprise the proportionate net profit for the year of the associated companies and joint ventures and impairments of goodwill for these companies. The result from joint ventures and associates totalled €171m in financial year 2009/10, up €315m year-on-year. The significant increase in the result from joint ventures and associates was attributable to the positive profit contribution of €150m from the stake in Hapag-Lloyd, while the prior-year period was impacted by a loss of €174m.

Underlying earnings (EBITA)
In the period under review, underlying earnings by continuing operations totalled €589m, up €119m year-on-year. Underlying EBITA was adjusted for gains on disposal of investments, expenses in the framework of restructuring measures, amortisation of intangible assets from purchase price allocations and other expenses for one-off items. The development of earnings and the adjustments are outlined in detail in the chapter 'Earnings by the Sectors'.

See pg. 80

Income taxes
Income taxes are taxes on the profits from ordinary business activities by the continuing operations. They totalled €64m and comprised current taxes of €44m and deferred taxes of €20m. The year-on-year increase in income tax liabilities related to both current and deferred taxes. In the previous financial year, the reversal of tax provisions for tax risks had resulted in actual tax assets. The change in deferred taxes was partly due to the revaluation of deferred taxes due to timing differences.

Earnings from discontinued operations
No earnings from discontinued operations were carried for financial year 2009/10. The earnings reported for the prior year were related to the sale of Container Shipping. A detailed breakdown is presented in the section 'Result from discontinued operations' in the Notes.

See pg. 84

Group profit
Group profit declined by €92m year-on-year to €114m. The decline reflected in particular the book profit from the disposal of Container Shipping, carried in the prior-year reference period.

Non-controlling interest

Non-controlling interest in Group profit for the year totalled €12m and related to external share-holders of TUI Travel PLC and the TUI Hotels & Resorts companies.

Earnings per share

The interest in Group profit for the year attributable to TUI AG shareholders (after deduction of non-controlling interest and the dividend on the hybrid capital) totalled €102m. In relation to the weighted average number of shares of 251,523,322 units, basic earnings per share stood at €0.30 (previous year €0.58). A dilution effect did not have to be taken into account, neither in the period under review nor in the prior-year reference period. Diluted earnings per share therefore also amounted to €0.30 (previous year €0.58).

Management Report
Earnings by the Sectors

Restatement of prior-year financial statements. Increase in operating earnings for Tourism. Business in the 2010 summer season impacted by ash cloud.

Following the short financial year 2009, which comprised nine months, the TUI Group reporting period now runs from 1 October of any one year to 30 September of the subsequent year. Comparing the figures for the short financial year with those for the full financial year 2009/10 is of limited value; the full financial year 2009/10 has therefore been presented alongside a pro forma period from October 2008 until September 2009.

Following the sale of Container Shipping, the TUI Group and its operative shareholdings trade almost exclusively in Tourism. TUI AG's 43.33% stake (as per 30 September 2009) in Albert Ballin Joint Venture GmbH & Co. KG is measured at equity in TUI's consolidated financial statements. In line with the character of the shareholding, the at equity result from the Container Shipping participation to be included in Group earnings as of the second quarter of 2009 is not reflected in the TUI Group's performance indicator EBITA. Accordingly, the comments below relate to the development of Tourism and Central Operations (continuing operations).

See pg. 85

To ensure a transparent presentation of how operating earnings have developed in the Sectors, this section shows underlying earnings adjusted for gains on disposal of financial investments, restructuring expenses, amortisation of intangible assets from purchase price allocations and other expenses for special one-off effects (underlying Sector EBITA). The adjustments are outlined in detail in the section 'Business developments in the Sectors'.

Correction of the consolidated financial statements for the financial year 2008 as well as the short financial year 2009

See pg. 145|147

In financial year 2009/10, TUI Travel PLC identified booking errors with regard to turnover realisation and certain accruals, affecting the Group accounting of TUI AG for financial year 2008 (including the prior-year disclosures for 2007) and the short financial year 2009. The booking errors related to TUI UK in the Northern Region of the Mainstream Business of TUI Travel PLC. As a voluntary measure to enhance transparency and meet the requirements of the capital markets, TUI AG has decided to carry out the necessary corrections directly in the financial statements for the respective financial years, adjusting the prior periods presented, and to subject these financial statements to a supplementary audit by the relevant auditors. Further details on the procedure applied and the effects, in particular on the consolidated income statement, are described in the consolidated Notes from page 145 of this Report. The corrections did not affect the TUI Group's cash position and thus net debt.

Assessment of earnings

Against the backdrop of economic recovery, Tourism, the TUI Group's core business, initially recorded positive trends in trading during the important summer season. Following the business disruption caused by the closure of Europe's airspace in April 2010, the uncertainty among customers and the very warm weather in northern Europe as well as the Football World Cup caused an increase in residual capacity, which had to be sold at higher price discounts. In the fourth quarter, demand for differentiated product with a balanced price/performance ratio rose again so that higher margins were achieved. Customer numbers in TUI Travel's Mainstream business declined as expected, above all due to the transfer of the seat-only business in Germany to Air Berlin. The decline in customer numbers adjusted for this effect totalled almost 1%.

Underlying earnings by TUI Travel matched expectations, above all due to the improved business development in the fourth quarter of 2009/10. TUI Hotels & Resorts was impacted by lower average revenues per bednight, in particular in the first half of the 2009/10 winter season. However, the Sector recorded considerable recovery tendencies in the course of the 2010 summer season. The sound development of business in the fourth quarter of 2009/10, in particular, caused a year-on-year increase in operating earnings to a sound level, which had no longer been expected for a while. Underlying earnings by the Cruises Sector exceeded expecations, due to a gratifying development of business in TUI Cruises in the 2010 summer season. Earnings by Central Operations improved year-on-year, as expected. Overall, underlying earnings by the Group's continuing operations matched the Executive Board's expectations in financial year 2009/10.

The 43.33% stake in Hapag-Lloyd showed a clearly positive performance. Hapag-Lloyd benefited from the substantial recovery in world trade volumes, reflected in corresponding increases in freight rates and transport volumes year-on-year. The at equity results shown in TUI AG's consolidated financial statements were therefore considerably higher than expected.

Sector turnover

Continuing operations

The continuing operations comprise Tourism and Central Operations.

Sector turnover

€ million	2009/10	2008/09	Var. %	SFY 2009
Tourism	16,286.7	16,523.9	- 1.4	13,081.5
TUI Travel	15,728.0	15,946.7	- 1.4	12,622.0
TUI Hotels & Resorts	380.0	393.6	- 3.5	317.5
Cruises	178.7	186.5	- 4.2	142.0
Consolidation	-	- 2.9	n/a	-
Central Operations	63.4	70.4	- 9.9	49.3
Continuing operations	**16,350.1**	**16,594.3**	**- 1.5**	**13,130.8**
Discontinued operation	**-**	**2,705.2**	**n/a**	**1,118.9**
Consolidation	-	- 34.4	n/a	-
Sector turnover	**16,350.1**	**19,265.1**	**- 15.1**	**14,249.7**

Turnover by the TUI Group's continuing operations was 2% down year-on-year, in particular in financial year 2009/10. The decline in turnover was above all attributable to the business disruption caused by the closure of European airspace in April 2010. On the other hand, turnover benefited from the strengthening of sterling against the euro, causing a corresponding year-on-year increase in turnover.

Turnover by Central Operations, which consist of the Group's holding companies and real estate companies, declined year-on-year by 10% to €63m.

Discontinued operation

Discontinued operation exclusively comprises the turnover generated by Container Shipping in the first half of the comparative period in 2008/09.

Sector turnover

TUI Travel accounted for 96% of turnover by continuing operations. TUI Hotels & Resorts only represented a small portion of turnover by Tourism, as this included companies measured at equity and the high turnover with Group tour operators which had to be consolidated from a Group perspective.

Sector earnings

Sector earnings (EBITA)

€ million	2009/10	2008/09	Var. %	Underlying Sector EBITA SFY 2009
Tourism	640.2	564.3	+ 13.5	623.2
TUI Travel	506.0	456.9	+ 10.7	525.5
TUI Hotels & Resorts	126.6	110.5	+ 14.6	96.4
Cruises	7.6	- 3.1	n/a	1.3
Central Operations	- 51.0	- 93.8	+ 45.6	- 39.0
All other segments	- 51.0	- 34.7	- 47.0	- 41.6
Consolidation	-	- 59.1	n/a	2.6
Continuing operations	**589.2**	**470.5**	**+ 25.2**	**584.2**
Discontinued operation	**-**	**- 230.4**	**+ 100.0**	**- 222.0**
Sector earnings (EBITA)	**589.2**	**240.1**	**+ 145.4**	**362.2**

€ million	2009/10	2008/09	Var. %	EBITA by Sector SFY 2009
Tourism	245.6	91.0	+ 169.9	158.0
TUI Travel	123.3	32.9	+ 274.8	104.3
TUI Hotels & Resorts	115.5	61.2	+ 88.7	52.4
Cruises	6.8	- 3.1	n/a	1.3
Central Operations	- 30.1	- 92.0	+ 67.3	- 39.0
All other segments	- 30.1	- 32.9	+ 8.5	- 41.6
Consolidation	-	- 59.1	n/a	2.6
Continuing operations	**215.5**	**- 1.0**	**n/a**	**119.0**
Discontinued operation	**-**	**870.7**	**n/a**	**893.9**
Sector earnings (EBITA)	**215.5**	**869.7**	**- 75.2**	**1,012.9**

Continuing operations

Operating earnings adjusted for special one-off effects (underlying Sector EBITA) of the continuing operations rose by €119m to €589m in financial year 2009/10.

In financial year 2009/10, earnings by the continuing operations before adjustment for one-off effects (Sector EBITA) reflected special effects and other one-off expenses totalling around €374m (previous year €472m). Adjustments for the period under review included in particular negative earnings effects of €127m resulting from the closure of Europe's airspace due to the volcanic ash cloud.

Despite the above-mentioned one-off charges, reported earnings by the continuing operations grew substantially by €217m to €216m.

Underlying Sector EBITA: Tourism

€ million	2009/10	2008/09	Var. %	SFY 2009
Sector EBITA	**245.6**	**91.0**	**+ 169.9**	**158.0**
Gains on disposal	- 24.0	- 0.8		- 4.6
Restructuring	+ 124.9	+ 32.0		+ 58.3
Purchase price allocation	+ 69.8	+ 59.2		+ 47.8
Other one-off items	+ 223.9	+ 382.9		+ 363.7
Underlying Sector EBITA	**640.2**	**564.3**	**+ 13.5**	**623.2**

Underlying earnings by Tourism grew by €76m year-on-year to €640m in financial year 2009/10. The rise in earnings reflected above all higher synergies in TUI Travel. TUI Hotels & Resorts benefited from cost reductions and sound occupancy rates in the 2010 summer season. In the Cruises Sector, TUI Cruises reported a considerable increase in earnings on the prior-year period, which was characterised by start-up losses.

In financial year 2009/10, earnings before adjustment for one-off effects in Tourism were impacted by restructuring and integration expenses and other one-off expenses incurred by TUI Travel. These expenses totalled €395m (previous year €473m). Reported earnings rose by €155m to €246m in spite of the high one-off charges.

Underlying Sector EBITA: Central Operations

€ million	2009/10	2008/09	Var. %	SFY 2009
Sector EBITA	**- 30.1**	**- 92.0**	**+ 67.3**	**- 39.0**
Gains on disposal	-	- 1.8		-
Restructuring	-	-		-
Purchase price allocation	-	-		-
Other one-off items	- 20.9	-		-
Underlying Sector EBITA	**- 51.0**	**- 93.8**	**+ 45.6**	**- 39.0**

Earnings by Central Operations comprised the Corporate Centre functions of TUI AG and of the interim holdings along with other operating areas, essentially the Group's real estate companies.

Underlying earnings by Central Operations improved by €43m in the financial year under review due to the non-recurrence of charges for the measurement of financial instruments included in the prior-year figures.

Discontinued operation

Underlying Sector EBITA: Discontinued operation

€ million	2009/10	2008/09	Var. %	SFY 2009
Sector EBITA	**-**	**870.7**	**n/a**	**893.9**
Gains on disposal	-	- 1,134.9		- 1,134.9
Restructuring	-	- 0.2		-
Purchase price allocation	-	+ 33.8		+ 19.0
Other one-off items	-	+ 0.2		-
Underlying Sector EBITA	**-**	**- 230.4**	**n/a**	**- 222.0**

Discontinued operation comprised the Container Shipping activities until they were divested at the end of March 2009. Due to the decision taken in the summer of 2010 to transfer operation of the club hotel chain Magic Life within the Group to TUI Travel, the Magic Life Group has no longer been shown under discontinued operations since the third quarter of 2009/10, but will remain allocated to TUI Hotels & Resorts until the completion of the transfer.

Underlying Sector EBITA: Group

€ million	2009/10	2008/09	Var. %	SFY 2009
Sector EBITA	**215.5**	**869.7**	**- 75.2**	**1,012.9**
Gains on disposal	- 24.0	- 1,137.5		- 1,139.5
Restructuring	+ 124.9	+ 31.8		+ 58.3
Purchase price allocation	+ 69.8	+ 93.0		+ 66.8
Other one-off items	+ 203.0	+ 383.1		+ 363.7
Underlying Sector EBITA	**589.2**	**240.1**	**+ 145.4**	**362.2**

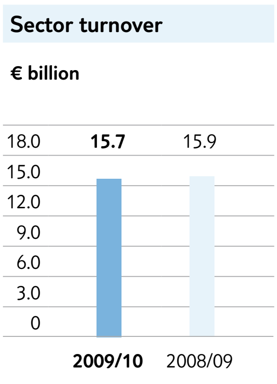
Sector earnings

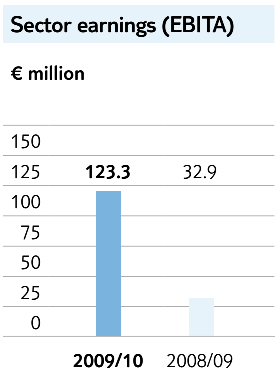
Overall, the TUI Group posted underlying Sector earnings of €589m for financial year 2009/10. Adjusted for the above-mentioned special income and expenses, especially the gain on disposal from the sale of Container Shipping recorded in the prior year, reported Sector earnings decreased by €-654m to €216m.

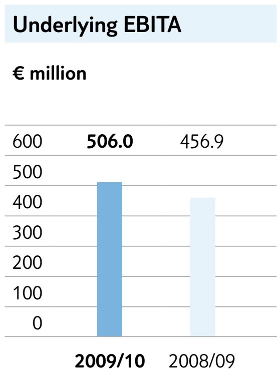
Business developments in the Sectors

Following the sale of Container Shipping, completed in 2009, the TUI Group's continuing operations comprise Tourism and Central Operations. Tourism comprises TUI Travel, TUI Hotels & Resorts and Cruises. Central Operations comprise 'All other segments', which include above all the corporate centre functions of TUI AG and the interim holdings as well as the Group's real estate companies. Central Operations also include cross-segmental consolidation effects.

TUI Travel







TUI Travel services around 30 million customers in 27 source markets. Its business is structured into four Business Lines: Mainstream, Activity, Specialist & Emerging Markets and Accommodation & Destinations.

Turnover and earnings

TUI Travel - Key figures

€ million	2009/10	2008/09	Var. %	SFY 2009
Turnover	15,728.0	15,946.7	- 1.4	12,622.0
Sector EBITA	**123.3**	**32.9**	**+ 274.8**	**104.3**
Gains on disposal	- 24.0	- 4.6		- 4.6
Restructuring	+ 124.9	+ 32.0		+ 58.3
Purchase price allocation	+ 69.8	+ 59.2		+ 47.8
Other one-off items	+ 212.0	+ 337.4		+ 319.7
Underlying Sector EBITA	**506.0**	**456.9**	**+ 10.7**	**525.5**
Underlying Sector EBITDA	737.3	716.4	+ 2.9	695.3
Investments	395.9	265.9	+ 48.9	210.8
Headcount (30 Sep)	52,025	50,285	+ 3.5	50,285

The turnover of TUI Travel declined by 1% year-on-year in financial year 2009/10, in particular due to the business disruption caused by the closure of European airspace in April 2010. On the other hand, a positive turnover effect arose from the rise in the sterling exchange rate against the euro, causing a corresponding increase in turnover.

At €506m, underlying earnings by TUI Travel were €49m up on the previous year's level in financial year 2009/10. A positive effect was caused by the rise in synergies at TUI Travel of £75m to £195m. Positive earnings effects also arose from the transfer of the German city-pairs business to Air Berlin and the merger with Canadian tour operator Sunwing. On the other hand, earnings were impacted by the weaker winter season 2009/10 and the disruption of business due to the closure of European airspace in April 2010. The associated cancellations of flights impacted the scheduled implementation of the Tourism business in the Mainstream Sector. In the light of potential further volcanic ash emissions, customers continued to show uncertainty even when the air ban had been lifted. Demand for air travel also fell, in particular in Germany and the UK, due to the unusually warm weather in northern Europe and the Football World Cup. This resulted in higher residual capacity, which had to be sold off at lower prices. As a result, the load factors and average margins in these markets fell short of the previous year's levels. Bookings picked up again in the fourth quarter so that good margins were generated.

The target of £200m for sustainable synergies at TUI Travel as of financial year 2010/11 was upheld and, at £195m, was already close to achievement in the period under review.

In financial year 2009/10, earnings by TUI Travel had to be adjusted for the following special one-off effects:

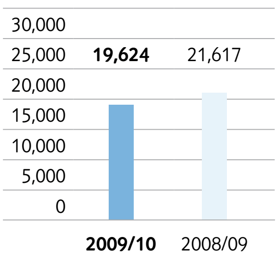
- gains on disposal of €-24m, mainly in connection with the realignment of business in Canada,
- restructuring costs of €125m, in particular expenses for the restructuring of tour operator activities in France and Poland and the integration of incoming agencies in Spain,
- effects of purchase price allocations of €70m, and
- one-off effects of €212m, including charges of €123m from the closure of European airspace due to the volcanic ash cloud.

At €123m, reported earnings by TUI Travel were €90m up year-on-year in financial year 2009/10, in particular due to higher synergies and the successful restructuring of the German city-pairs business and operations in Canada.

Mainstream

Customer volumes Mainstream Total

'000



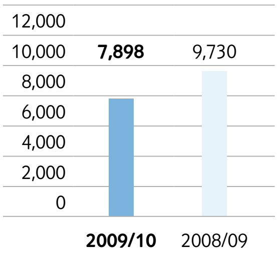
Mainstream is the largest Business within TUI Travel, selling flight, accommodation and other tourism services in the three source markets Central Europe, Northern Region and Western Europe.

In financial year 2009/10, a total of 19,624 thousand customers were serviced in the Mainstream business. This corresponds to a year-on-year decline of 9%. Adjusted for the transfer of the German city-pairs business to Air Berlin, the decline in customer volumes was less than 1%.

Central Europe

Customer volumes Central Europe

'000



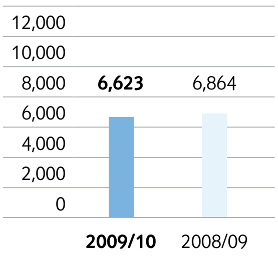
In Central Europe (Germany, Austria, Switzerland, Poland and airline TUIfly.com), customer volumes decreased by 19% year-on-year in financial year 2009/10. This decline was mainly attributable to TUIfly exiting the city-pairs business, which was taken over by Air Berlin as agreed. Adjusted for this effect, the decline in customer numbers was 1%.

Thanks to strict capacity management, TUI tour operators in Germany offset the volume declines caused by the airspace closure in April 2010 and the Football World Cup in the summer of 2010. In this regard, a positive effect was achieved by exiting the city-pairs business, which was taken over by Air Berlin. Overall, customers booked later, especially following the disruption caused by the ash cloud. Moreover, the German travel market was characterised by strong price competition, in particular for non-exclusive products, in the important summer season. In this environment, the margins of German TUI tour operators were impacted by higher price discounts in the lates business and a shift in demand towards lower-priced travel products. TUI activities in Austria benefited from strong demand for exclusive hotel products, e.g. Magic Life. Activities in Switzerland and Poland also recorded an overall positive development in the period under review.

Northern Region

Customer volumes Northern Region

'000



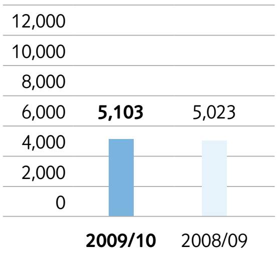
In the Northern Region (UK, Ireland, Canada, Nordic countries and airlines Thomsonfly, TUIfly Nordic and First Choice Airways), customer volumes fell by 4% in financial year 2009/10.

After the airspace closure was lifted, demand in the British travel market was impacted by the very warm weather and the discussion about potential austerity measures by the new government. As a result, stock left to sell had to be sold at higher discounts. Bookings picked up again in the fourth quarter so that TUI tour operators generated better margins again. Business in the Nordics was very good, despite the good weather. One of the key factors for the success of TUI tour operators in the Nordics was the high proportion of differentiated product. Business in Canada benefited from the merger with tour operator Sunwing, completed in January 2010 in order to improve the market position. TUI Travel holds a 49% stake in the company.

Western Europe

Customer volumes Western Europe

'000



Western Europe (France, the Netherlands, Belgium and airlines Corsairfly, Arkefly and Jetairfly) recorded an increase in customer volumes of 2% in financial year 2009/10.

French tour operators increased their business year-on-year. This was primarily attributable to stronger demand for tours to Guadeloupe and Madagascar, impacted by civilian unrest in the previous year. The expansion of the portfolio offered by Nouvelles Frontières in the club hotel sector and new destinations in Marmara also met with sound demand. Activities in Belgium showed a positive trend. Thanks to the expansion of the flight portfolio from regional airports and a differentiated product portfolio, TUI Belgium continued to expand its market position. Tour operators in the Netherlands, by contrast, saw a decline in customer numbers. Bookings did not pick up until the end of the Football World Cup.

Specialist & Emerging Markets

Specialist & Emerging Markets, comprising specialist tour operators in Europe, North America and growth markets such as Russia, recorded 803 thousand customers in financial year 2009/10, slightly down by 2% year-on-year.

European tour operators, in particular some British special tour operators, benefited from higher margins. Business in North America showed a negative year-on-year trend in the period under review. This was mainly attributable to a persistent weakness in demand for luxury private jet tours in the winter season, which plays a crucial role for the development of business. The development of business in the growth markets was impacted by acquisition and start-up costs for the TUI brand in Russia and the Ukraine.

Activity

The Activity Business is comprised of travel companies operating in the Marine, Adventure and Ski, Student & Sport Divisions. It recorded a slight year-on-year increase in business in the year under review. The Marine Division did not fully offset the impact of the weak summer season 2009/10 although it showed a positive performance as the year progressed. The Adventure Division suffered from lower capacity, weaker demand for tours to Australia and stronger competition, in particular for polar expeditions. The Ski, Student & Sport Divisions recorded a positive trend. They benefited from stronger demand for tours to large events and skiing trips as well as acquisitions and synergies.

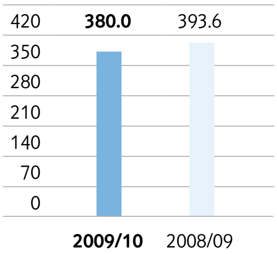
Accommodation & Destinations (A&D)

The Accommodation & Destinations (A&D) Business comprises TUI Travel's online services and incoming agencies. It showed an overall positive development in the year under review. Online services posted volume growth, both in the B2B and B2C areas. On the other hand, start-up costs for new online offerings were incurred. Incoming agencies recorded a slight year-on-year decline in their business volumes due to lower customer numbers. The trade fair and incentive business in Asia also declined overall as demand by corporate customers softened towards the end of the year.

TUI Hotels & Resorts

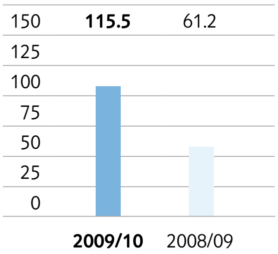
Sector turnover

€ million



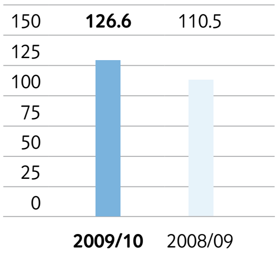
Sector earnings (EBITA)

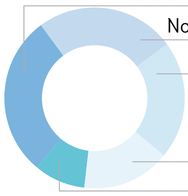
€ million



Underlying EBITA

€ million





Owned hotel beds according to regions	**2009/10**	2008/09
%		
Western Mediterranean	29	32
North Africa/Egypt	25	22
Caribbean	21	21
Eastern Mediterranean	16	18
Other countries	9	7

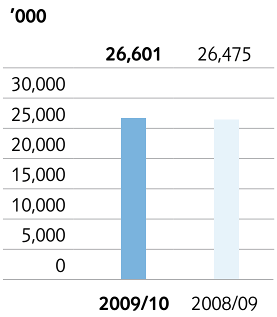
TUI Hotels & Resorts is comprised of the Group's hotel companies. Its portfolio comprises hotel companies in which majority interests are held, joint ventures with local partners, companies in which financial interests are held and hotels operated under management agreements. At the end of September 2010, the Sector operated a total of 261 hotels with a capacity of around 170,000 beds, mostly in the four- and five-star categories. In financial year 2009/10, TUI Travel recorded an increase of 0.4% in the number of bednights to 20.0 million. The individual hotel groups and regions reported varying business trends.

Turnover and earnings

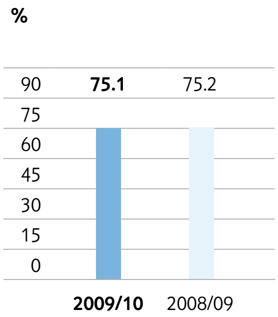
TUI Hotels & Resorts – Key figures

€ million	**2009/10**	2008/09	Var. %	SFY 2009
Total turnover	853.8	896.3	- 4.7	670.5
Turnover	380.0	393.6	- 3.5	317.5
Sector EBITA	**115.5**	**61.2**	**+ 88.7**	**52.4**
Gains on disposal	-	+ 3.8		-
Restructuring	-	-		-
Purchase price allocation	-	-		-
Other one-off items	+ 11.1	+ 45.5		+ 44.0
Underlying Sector EBITA	**126.6**	**110.5**	**+ 14.6**	**96.4**
Underlying Sector EBITDA	192.3	183.2	+ 5.0	152.6
Investments	61.3	79.8	- 23.2	56.0
Headcount (30 Sep)	18,495	18,357	+ 0.8	18,357

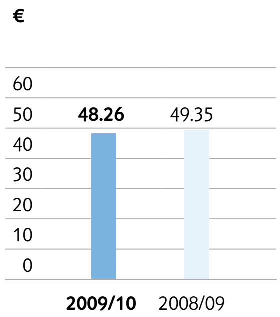
Capacity [1]



Occupancy rate [2]



Average revenue per bed [3]



[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

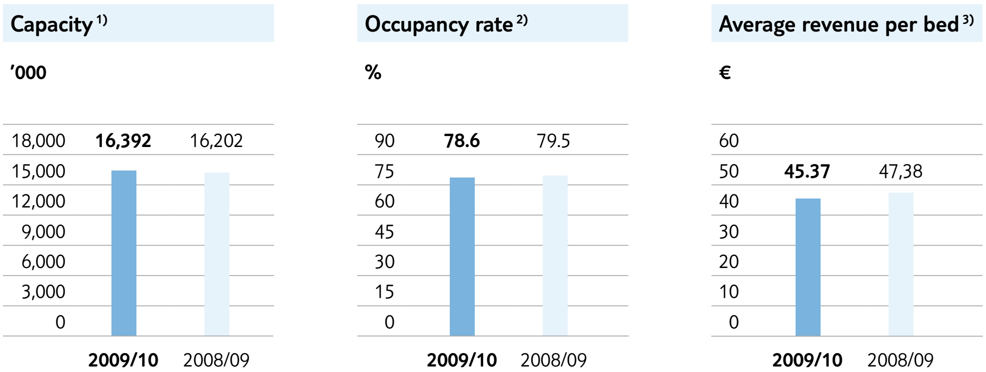
Turnover by TUI Hotels & Resorts was €0.9bn, down 5% year-on-year. This was attributable to the 2% fall in average revenues per bednight. The number of bednights sold, by contrast, rose slightly by 0.4% year-on-year. Consolidated turnover declined by 4% year-on-year to €0,4bn in financial year 2009/10.

At €127m, underlying earnings rose by €16m year-on-year. The sound occupancy rate of the previous year was reproduced, on a slight increase in capacity due to the gratifying development of business in the summer season. Earnings also benefited from the cost savings programme. On the other hand, earnings were adversely affected by the weaker performance in the completed winter season 2009/10.

In financial year 2009/10, TUI Hotels & Resorts had to adjust special one-off effects worth €3m in connection with the aftermath of the ash cloud and one-off expenses of €8m resulting mainly from impairments of hotel facilities.

Due to improvements in the operating performance and lower one-off charges, reported earnings by the hotel sector were €116m in financial year 2009/10, up €54m year-on-year.

Riu



[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

Riu, one of the leading Spanish hotel groups, operated 103 hotels with 86,734 beds in the period under review. Average occupancy rates in Riu hotels declined by 1 percentage point to 79% year-on-year. Average revenues per bednight fell by 4%. This was mainly attributable to a fall in the exchange rates of the Caribbean currencies against the euro. The declines in rates were partly offset by cost savings.

Average occupancy of Riu hotels in the Canaries decreased by 1 percentage point to 82% year-on-year. Average revenues per bednight declined by 3%, above all due to lower rates in hotel facilities in Fuertenetura and Tenerife.

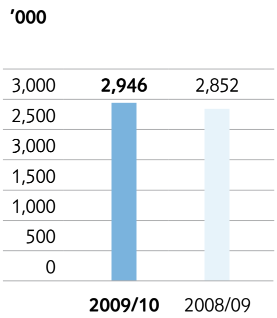
At 78%, Riu hotels in the Balearics achieved occupancy rates which were down year-on-year by 1 percentage point. Average revenues per bednight declined slightly year-on-year.

In mainland Spain, average occupancy of Riu hotels fell by 3 percentage points to 72% year-on-year. Average revenues per bednight were slightly down year-on-year.

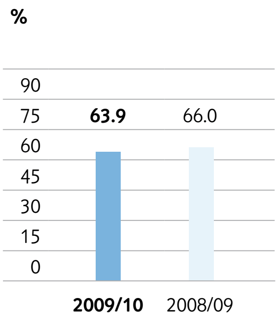
For long-haul destinations (Mexico, Jamaica, Dominican Republic, Bahamas, Cape Verde Islands, Panama and USA), Riu hotels achieved average occupancy rates of 76%. This represents a decline of 1 percentage point year-on-year. This trend was partly attributable to the persistently weak economic environment in the US, the key source market for the Caribbean. Moreover, average revenues per bednight declined by 8% year-on-year due to the fall in Caribbean national currencies against the euro. This was partly offset by cost savings.

Robinson

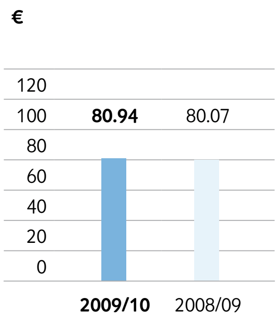
Capacity [1)]



Occupancy rate [2)]



Average revenue per bed [3)]

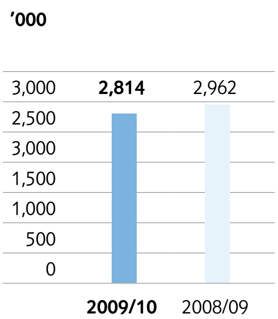


1) Group owned or leased hotel beds multiplied by opening days per year
2) Occupied beds divided by capacity
3) Arrangement revenue divided by occupied beds

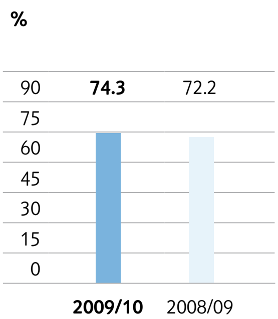
In financial year 2009/10, Robinson, the market leader in the premium segment for club holidays, operated a total of 24 club facilities with 12,625 beds in eleven countries. Capacity rose by 3% year-on-year since three new facilities were opened in Morocco, the Maldives and Turkey. While facilities in Morocco, Austria, Switzerland and Spain recorded lower occupancy rates, the clubs in Turkey, Greece, Portugal and Italy matched the previous year's occupancy rates. Overall, occupancy declined year-on-year. Average revenues per bednight, by contrast, grew by 1% year-on-year.

Magic Life

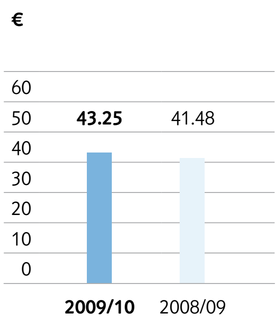
Capacity [1)]



Occupancy rate [2)]



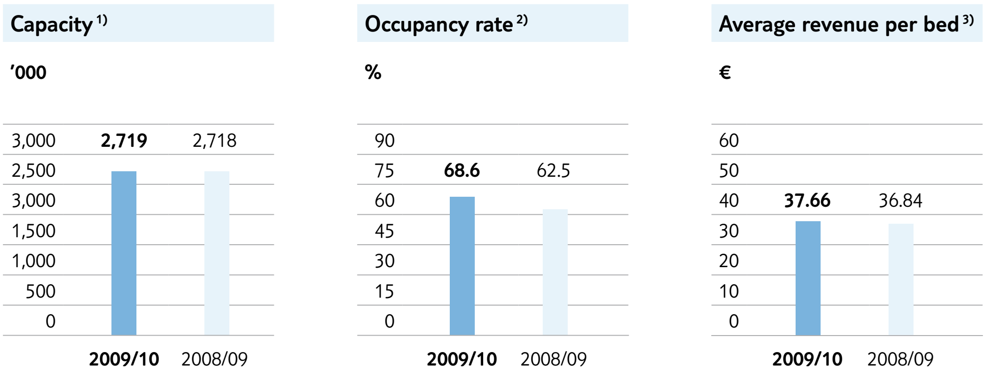
Average revenue per bed [3)]



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

Magic Life, the all-inclusive club brand, operated 14 facilities with a total capacity of 12,656 beds in the period under review. Most of its facilities were in Turkey, Egypt and Tunisia. Capacity was reduced by 5% year-on-year since a club in Turkey was closed. Due to stronger demand for the summer season 2010 across all source markets, occupancy rose by 2 percentage points. Average revenues per bednight recorded a very positive trend, mainly in Turkey, and rose by 4% year-on-year.

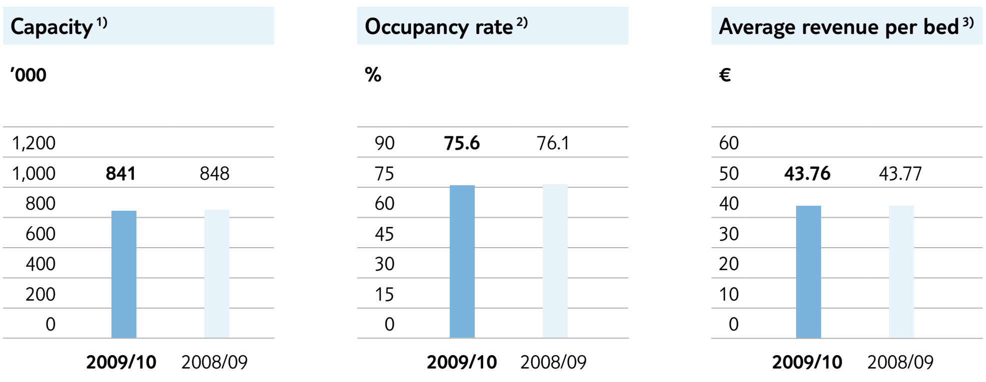
Iberotel



[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

In financial year 2009/10, Iberotel had 30 hotels with 18,207 hotel beds, located in Egypt, the United Arab Emirates, Turkey, Italy and Germany. At 69%, occupancy of Iberotels rose by 6 percentage points year-on-year. Hotels in Egypt, the United Arab Emirates and Turkey posted growth in occupancy rates of 6 percentage points in the period under review. Average revenues per bednight also showed a positive development and were 2% up year-on-year. The hotel complexes in Turkey and the United Arab Emirates posted declines in average revenues per bednight, which were more than offset by the positive development of average revenues per bednight in Egypt.

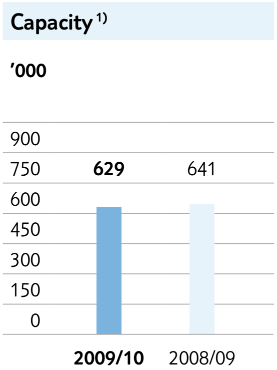
Grupotel

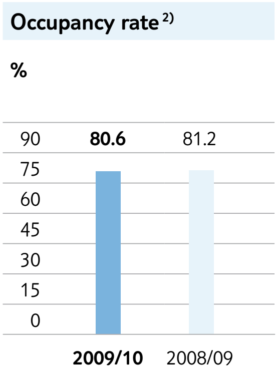


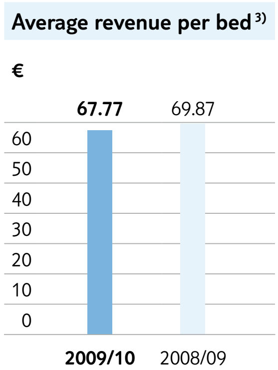
[1] Group owned or leased hotel beds multiplied by opening days per year
[2] Occupied beds divided by capacity
[3] Arrangement revenue divided by occupied beds

The Grupotel chain operated 34 facilities on Majorca, Menorca and Ibiza with 13,282 beds in the period under review. Occupancy of Grupotel hotels fell slightly year-on-year to 76%. Average revenues per bed-night matched the previous year's level.

Grecotel



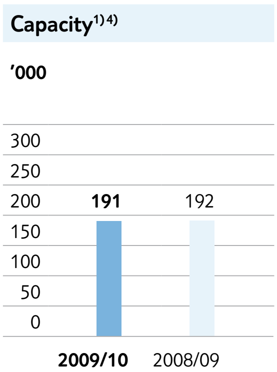


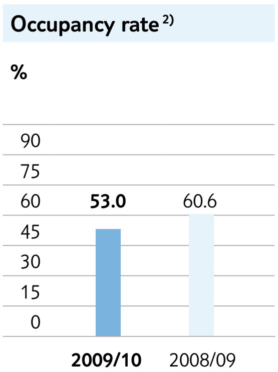


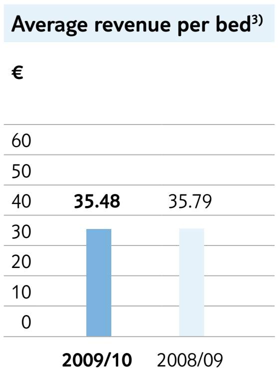
1) Group-owned or leased hotel beds multiplied by opening days per year
2) Occupied beds divided by capacity
3) Arrangement revenue divided by occupied beds

Grecotel, the leading hotel company in Greece, operated 20 holiday complexes with a total of 10,127 beds in the period under review. The year-on-year decline in capacity was due to the fact that some hotel facilities were closed earlier at the end of the summer season 2009 compared with the previous year. Occupancy fell slightly to 81%. Average revenues per bednight decreased by 3% year-on-year due to price measures taken in the German market.

Dorfhotel



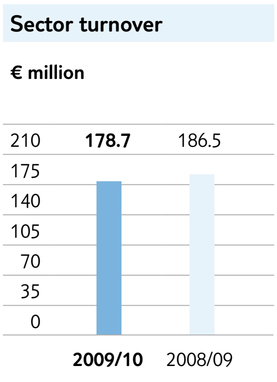


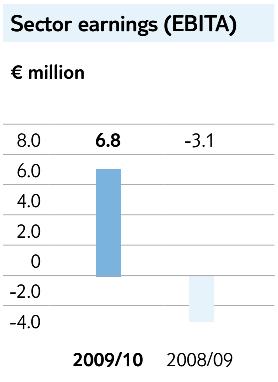


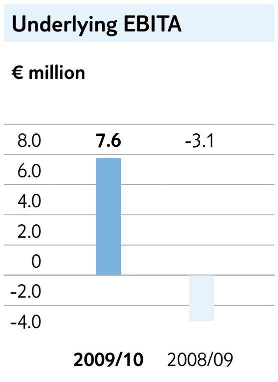
1) Group-owned or leased hotel beds multiplied by opening days per year
2) Occupied beds divided by capacity
3) Arrangement revenue divided by occupied beds
4) Figures refer to two owned hotels

The two Group-owned Dorfhotel complexes in Austria generated slightly lower average revenues per bednight on lower occupancy. Other Dorfhotel complexes operated under management contracts are located in Land Fleesensee, Sylt and Boltenhagen on the Baltic Sea. Since Dorfhotels primarily offer family rooms and apartments with an accordingly higher number of beds, average revenues are lower than those of other hotel brands mainly offering double bedrooms.

Cruises







The Cruises Sector comprises Hapag-Lloyd Kreuzfahrten and the joint venture TUI Cruises.

Cruises – Key figures

€ million	2009/10	2008/09	Var %	SFY 2009
Turnover	178.7	186.5	- 4.2	142.0
Sector EBITA	**6.8**	**- 3.1**	**n/a**	**1.3**
Gains on disposal	-	-		-
Restructuring	-	-		-
Purchase price allocation	-	-		-
Other one-off items	+ 0.8	-		-
Underlying Sector EBITA	**7.6**	**- 3.1**	**n/a**	**1.3**
Underlying Sector EBITDA	16.0	5.2	+ 207.7	7.1
Investments	8.8	5.8	+ 51.7	4.6
Headcount (30 Sep)	225	219	+ 2.7	219

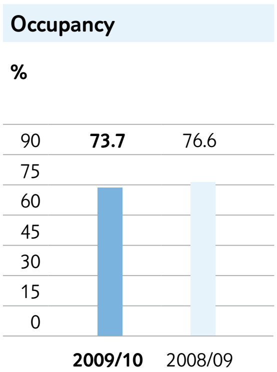
Turnover and earnings

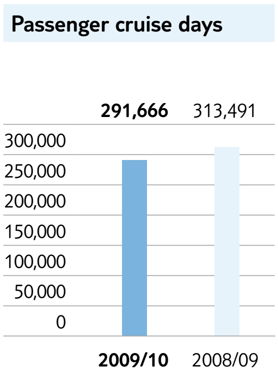
At €179m, turnover by Hapag-Lloyd Kreuzfahrten decreased by 4% year-on-year in financial year 2009/10. This decline was caused by a repair of MS Europa which rendered the cruise ship inoperable and caused an unscheduled dry-dock period. The second company in this Sector, the TUI Cruises joint venture, is measured at equity in the consolidated financial statements. Its turnover is therefore not shown here.

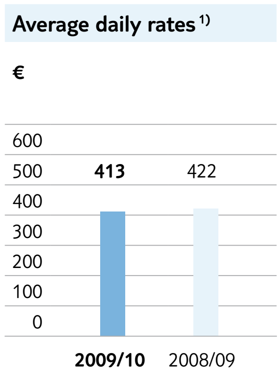
At €8m, underlying earnings by the Cruises Sector grew by €11m year-on-year in financial year 2009/10. The profit contribution by Hapag-Lloyd Kreuzfahrten matched the prior-year level. The strong increase in earnings by the Cruises Sector was driven by TUI Cruises. Following the start-up costs which affected earnings in the previous year, business operations showed a clearly positive trend in the period under review.

In financial year 2009/10, the Cruises Sector had to carry adjustments of €1m in connection with the effects of the ash cloud. Reported earnings by the Sector totalled €7m in the period under review, up €10m year-on-year.

Hapag-Lloyd Kreuzfahrten



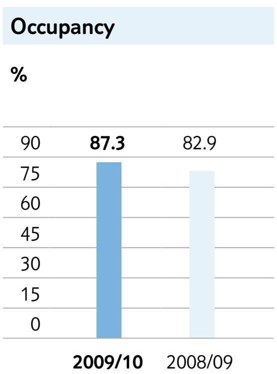


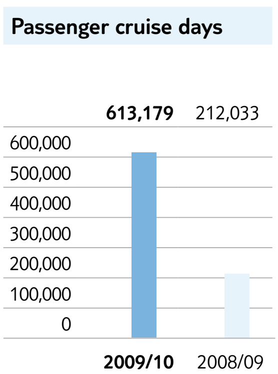


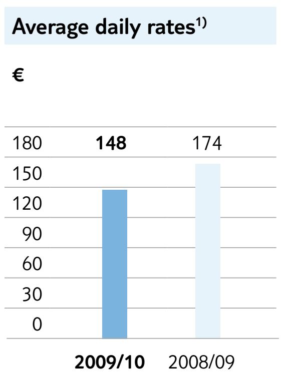
[1] per day and passenger

Hapag-Lloyd Kreuzfahrten, whose fleet which continued to comprise the four cruise ships MS Europa, MS Columbus, MS Hanseatic and MS Bremen in financial year 2009/10, posted a year-on-year decline in its load factor of 3 percentage points to 74% in the period under review. The average rate per passenger per day was €413, down 2% year-on-year. In the period under review, 291,666 passenger days were realised, down 7% year-on-year. These declines in operating indicators were above all attributable to the unscheduled dry-dock period of MS Europa. The earnings effect of this unscheduled dry-dock period was minor since most of the resulting cancellations were covered by corresponding insurance policies.

TUI Cruises







[1] per day and passenger

For TUI Cruises, the joint venture between TUI AG and Royal Caribbean Cruises in 2008, the financial year 2009/10 was the first year in which Mein Schiff was fully operated following its commissioning in May 2009. A year-on-year comparison is therefore of limited value.

In the winter season, Mein Schiff initially posted a lower load factor in the Caribbean. Occupancy and rates rose significantly year-on-year during the summer season in the Mediterranean and on Nordland cruises. This was attributable to attractive products and events, e.g. the Rock Liner theme cruise which met with strong demand. Thanks to these measures, TUI Cruises has developed an independent brand profile and clearly stands out from its competitors.

Overall, Mein Schiff achieved an occupancy rate of 87%, with 613,179 passenger days. The average rate per passenger per day was €148.The year-on-year decline in the rate was caused by the first-time operation of Mein Schiff for a full year in 2009/10. Rates declined on tours to the Caribbean in the 2009/10 winter season, while the prior-year period only comprised the summer season, which posted good rates.

Following the successful positioning of Mein Schiff, Mein Schiff 2 will be commissioned as of May 2011. Incoming bookings for Mein Schiff 2, which has been available for booking since June 2010, are currently showing a very positive trend.

Central Operations

Central Operations comprise the Corporate Centre functions of TUI AG and the interim holdings as well as other operative areas, above all the Group's real estate companies.

Central Operations – Key figures

€ million	2009/10	2008/09	Var. %	SFY 2009
Turnover	63.4	70.4	- 9.9	49.3
Sector EBITA	**- 30.1**	**- 92.0**	**+ 67.3**	**- 39.0**
Gains on disposal	-	- 1.8		-
Restructuring	-	-		-
Purchase price allocation	-	-		-
Other one-off items	- 20.9	-		-
Underlying Sector EBITA	**- 51.0**	**- 93.8**	**+ 45.6**	**- 39.0**
Underlying Sector EBITDA	- 35.1	- 65.8	+ 46.7	- 31.1
Investments	4.1	10.4	- 60.6	8.6
Headcount (30 Sep)	653	675	- 3.3	675

Underlying earnings by Central Operations amounted to €-51m in financial year 2009/10. The year-on-year rise in earnings of €43m was mainly attributable to charges for the measurement of financial instruments included in the prior-year period.

In the year under review, Central Operations had to carry adjustments of €21m from currency gains in connection with capital reduction measures in foreign subsidiaries.

Reported earnings by Central Operations in financial year 2009/10 totalled €-30m, up €62m year-on-year.

Business operations in Container Shipping

The 43.33% stake (as per 30 September 2010) in 'Albert Ballin' Joint Venture GmbH & Co. KG, taken after the sale of Container Shipping, has been measured at equity in TUI's consolidated financial statements since the second quarter of 2009. Since the stake in 'Albert Ballin' is a financial investment from TUI AG's perspective, the at equity result is not included in the TUI Group's operating performance indicator EBITA.

For information purposes, the table below presents Container Shipping from Hapag-Lloyd AG's perspective on a 100 per cent basis.

Container Shipping – Key figures

€ million	**2009/10**	2008/09	Var. %	SFY 2009
Turnover	5,863.0	5,026.0	+ 16.7	3,293.8
EBITA	**405.6**	**574.9**	**- 29.4**	**- 565.0**
Gains on disposal	- 0.7	- 1,439.3		- 296.3
Restructuring	0.4	18.3		+ 18.4
Purchase price allocation	49.5	57.0		+ 42.7
Other one-off items	23.1	125.9		+ 125.6
Underlying EBITA	**477.9**	**- 663.2**	**n/a**	**- 674.6**

In financial year 2009/10, the development of Container Shipping was characterised by the unexpectedly fast recovery of many economies and world trade. A positive effect was also triggered by the relatively stable economies in the emerging markets, which had only seen a moderate slowdown in economic growth. At the beginning of 2010, in particular, these effects caused higher demand for container transports, which went hand in hand with steady increases in freight rate levels. The first rate increases were achieved in the second half of 2009, followed by further rises in rates in 2010, with average freight rate levels already exceeding the highest pre-crisis levels recorded in 2008 by the end of the period under review.

Turnover and earnings

In financial year 2009/10, turnover by Container Shipping grew by 17% to around €5.9bn. This increase was attributable to higher average freight rate levels and higher transport volumes.

Underlying earnings by Container Shipping rose by €1,141m to €478m in the period under review. Earnings before adjustment for one-off effects, mainly comprising purchase price allocations, amounted to €406m. The improvement in operating earnings was above all driven by the increase in freight rates and transport volumes and the successful implementation of cost reduction and restructuring measures, which more than offset the negative effect caused by the rise in bunker prices.

Transport volumes and freight rates

Transport volumes and freight rates of Hapag-Lloyd

		2009/10	2008/09	Var. %	SFY 2009
Transport volumes	in '000 TEU	4,871	4,810	+ 1.3	3,494
Freight rates	in USD/TEU	1,505	1,329	+ 13.2	1,220

Container transport volumes totalled 4,871 thousand standard containers (TEU), up 1% year-on-year. Due to higher demand and the expansion of Hapag-Lloyd's scheduled services, the Latin America trade lane recorded the highest increase in volumes of 19%. The Australasia trade lane reported an opposite trend, posting a decline in transport volumes of 25% due to selective cargo management based on profitability criteria. However, average freight rate levels rose by 13% to 1,505 USD/TEU. This development was mainly driven by the Far East trade lane, which recorded rate increases of more than 30%. The Australasia trade lane also saw a significant year-on-year rise in freight rates, above all due to selective cargo management.

Financial exposure of TUI AG in Container Shipping

€ million	30 Sep 2009	30 Sep 2010	31 Dec 2010 expected
Equity stake in March 2009	910	910	910
Cash capital increase	-	124	124
Debt equity swap	-	153	153
Conversion of hybrid capital I into equity	-	-	350
Equity stake	910	1,187	1,537
Investment share TUI AG	43.3%	43.3%	49.8%
TUI line of credit	400	-	-
TUI short-term loan	380	227	-
TUI sub-ordinated loan	300	-	-
TUI revolving credit facility	200	-	-
TUI vendor loan	180	180	180
TUI CTA loan	215	-	-
Loans	1,675	407	180
Hybrid capital I	-	350	-
Hybrid capital II	-	350	350
Hybrid capital III	-	215	-
Hybrid capital	-	915	350
Financial exposure	**2,585**	**2,509**	**2,067**

Management Report
Net Assets of the Group

9% increase in balance sheet total. Higher liquidity due to capital raised in the capital market.

The Group's balance sheet total rose by 9% to €14,616m as against 30 September 2009. The development of net assets was impacted by the issuance of financial instruments and the development of the stake in Container Shipping in the year under review.

Development of the Group's asset structure

€ million	30 Sep 2010	30 Sep 2009	Var. %
Fixed assets	8,723.0	7,334.8	+ 18.9
Non-current assets	633.7	1,758.3	- 64.0
Non-current assets	9,356.7	9,093.1	+ 2.9
Inventories	89.5	81.5	+ 9.8
Current receivables	2,602.6	2,427.9	+ 7.2
Cash and cash equivalents	2,274.3	1,452.0	+ 56.6
Assets held for sale	292.4	405.7	- 27.9
Current assets	5,258.8	4,367.1	+ 20.4
Assets	**14,615.5**	**13,460.2**	**+ 8.6**
Equity	2,434.2	2,240.8	+ 8.6
Liabilities	12,181.3	11,219.4	+ 8.6
Equity and liabilities	**14,615.5**	**13,460.2**	**+ 8.6**

Vertical structural indicators

Non-current assets accounted for 64% of total assets, compared with 68% in the previous year. Asset intensity (ratio of fixed assets to total assets) rose from 54% to 60%.

Current assets accounted for 36% of total assets, compared with 32% in the previous year. The Group's cash and cash equivalents rose by €822m to €2,274m as against the comparative prior-year period. They thus accounted for 16% of total assets, compared with 11% in the previous year.

Horizontal structural indicators

At the balance sheet date, the ratio of equity to non-current assets was 26%, compared with 25% in the previous year. The ratio of equity to fixed assets was 28% (previous year 31%). The ratio of equity plus non-current financial liabilities to fixed assets was 60%, compared with 74% in the prior year.

Structure of the Group's non-current assets

€ million	30 Sep 2010	30 Sep 2009	Var. %
Goodwill	2,862.6	2,712.3	+ 5.5
Other intangible assets	907.2	887.9	+ 2.2
Investment property	66.2	76.7	- 13.7
Property, plant and equipment	2,499.8	2,370.9	+ 5.4
Companies measured at equity	1,775.2	1,184.0	+ 49.9
Financial assets available for sale	612.0	103.0	+ 494.2
Fixed assets	8,723.0	7,334.8	+ 18.9
Receivables and assets	500.1	1,480.4	- 66.2
Deferred tax claims	133.6	277.9	- 51.9
Non-current receivables	633.7	1,758.3	- 64.0
Non-current assets	**9,356.7**	**9,093.1**	**+ 2.9**

Group non-current assets

Goodwill

Goodwill declined by €151m to €2,863m. The rise in book value was mainly attributable to the translation in Euro of goodwills which are not held in the functional currency of the Group. In the year under review, impairments of €18m were required as a result of impairment tests.

At €2,469m or 86%, goodwill mostly related to TUI Travel. TUI Hotels & Resorts accounted for 14%.

Property, plant and equipment

At €2,500m, property, plant and equipment represented the second largest item in the statement of financial position. Property, plant and equipment also comprised leased assets in which Group companies carried economic ownership. At the balance sheet date, these finance leases had a carrying amount of €257m, up 41% year-on-year.

Development of property, plant and equipment

€ million	30 Sep 2010	30 Sep 2009	Var. %
Real estate with hotels	915.4	880.3	+ 4.0
Other land	167.0	197.9	- 15.6
Aircraft	347.2	381.5	- 9.0
Ships	403.9	292.4	+ 38.1
Machinery and fixtures	419.0	418.3	+ 0.2
Assets under construction. payments on accounts	247.3	200.5	+ 23.3
Total	**2,499.8**	**2,370.9**	**+ 5.4**

Companies measured at equity

A total of 54 companies were measured at equity. This figure included 18 associated companies and 36 joint ventures. At €1,775m, their value increased by 50% year-on-year. The rise in carrying amounts mainly related to the stake in Container Shipping and the investment in the Canadian Sunwing company.

Financial assets available for sale

Financial assets available for sale decreased by €509m to €612m. They comprised shares in non-consolidated subsidiaries, hybrid instruments granted to Container Shipping, investments and other securities.

Structure of the Group's current assets

€ million	30 Sep 2010	30 Sep 2009	Var. %
Inventories	89.5	81.5	+ 9.8
Trade accounts receivable and other assets [1]	2,531.5	2,406.7	+ 5.2
Current tax claims	71.1	21.2	+ 235.4
Current receivables	2,602.6	2,427.9	+ 7.2
Cash and cash equivalents	2,274.3	1,452.0	+ 56.6
Assets held for sale	292.4	405.7	- 27.9
Current assets	**5,258.8**	**4,367.1**	**+ 20.4**

[1] incl. receivables from derivative financial instruments

Group current assets

Inventories

At €90m, inventories increased by 10% year-on-year.

Current receivables

Current receivables comprised trade accounts receivable and other assets, current tax assets and claims from derivative financial instruments. At €2,603m, current receivables rose by 7% year-on-year.

Cash and cash equivalents

At €2,274m, cash and cash equivalents grew by 57% year-on-year. The rise is related to bonds issued and other loans received in the year under review.

Assets held for sale

Assets held for sale decreased due to the reclassification of the Magic Life Group in continuing operations to €292m.

Unrecognised assets

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

Operating rental, lease and charter contracts

€ million	30 Sep 2010	30 Sep 2009	Var. %
Aircraft	1,239.0	1,355.2	- 8.6
Hotel complexes	798.7	674.6	+ 18.4
Travel agencies	397.9	409.2	- 2.8
Administrative buildings	277.1	220.5	+ 25.7
Yachts and boats	139.5	205.6	- 32.1
Other	55.1	35.8	+ 53.9
Total	**2,907.3**	**2,900.9**	**+ 0.2**
Fair value	**2,540.3**	**2,446.0**	**+ 3.9**

The financial liabilities from operating rental, lease and charter contracts of €2,907 remainded on last year's level. At 43%, aircraft accounted for the largest portion, with hotel complexes accounting for 27%.

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

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Management Report
Financial Position of the Group

In the period under review, TUI restructured its remaining commitment following the divestment of the majority stake in Container Shipping. At the end of the financial year, TUI AG held a nominal equity stake of around €1.2bn as well as loans and hybrid capital worth around €1.3bn in Container Shipping.

In the completed financial year, TUI took advantage of opportunities in the credit and capital markets to increase liquidity provisioning. TUI AG issued a convertible bond worth around €218m in November 2009 and promissory notes of €100m in September 2010. In October 2009, TUI Travel PLC received proceeds of £350m from a convertible bond. In April 2010, TUI Travel PLC issued another convertible bond worth £400m and signed additional bank credit lines totalling £200m. These measures benefited the liquidity situation and helped secure repayment obligations for financial year 2010/11 and beyond.

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 division of tasks between TUI AG and TUI Travel PLC, launched when TUI and First Choice merged their tourism business in 2007, continues to apply. TUI Travel PLC performs the financial management functions for the TUI Travel Group, while TUI AG retains this function for all other business activities of the Group.

Goals
TUI's financial management aims to ensure sufficient liquidity for TUI AG and its subsidiaries at all times and to limit financial risks from fluctuations in currencies, interest rates and commodity prices. All financial transactions serve the goal of supporting any measures designed to achieve an improvement in the current credit rating in the medium term.

Liquidity safeguards
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 Group companies are primarily settled in euros, US dollars and British pounds sterling; other currencies of relevance are Swiss francs and Swedish krona.

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. In order to control risks related to changes in interest rates which arise when liquidity is procured in international money and capital markets, the Group uses derivative interest hedges on a case-by-case basis as part of its interest management system. Changes in commodity prices affect the TUI Group in particular when procuring fuels such as aircraft fuel and bunker oil. Most price risks related to fuel procurement are hedged in Tourism, where price increases cannot be passed on to customers due to contractual agreements.

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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	**30 Sep 2010**	30 Sep 2009	Var. %
Non-current assets	9,356.5	9,093.1	+ 2.9
Current assets	5,258.8	4,367.1	+ 20.4
Assets	**14,615.5**	**13,460.2**	**+ 8.6**
Subscribed capital	643.1	642.8	+ 0.0
Reserves including net profit available for distribution	1,403.0	1,228.0	+ 14.3
Hybrid capital	294.8	294.8	-
Non-controlling interest	93.3	75.2	+ 24.1
Equity	2,434.2	2,240.8	+ 8.6
Non-current financial liabilities	1,593.4	1,672.2	- 4.7
Current provisions	554.1	402.7	+ 37.6
Provisions	2,147.5	2,074.9	+ 3.5
Non-current liabilities	2,827.5	3,175.1	- 10.9
Current financial liabilities	1,684.4	539.7	+ 212.1
Financial liabilities	4,511.9	3,714.8	+ 21.5
Other non-current financial liabilities	134.2	179.9	- 25.4
Other current financial liabilities	5,291.8	5,069.6	+ 4.4
Other financial liabilities	5,426.0	5,249.5	+ 3.4
Liabilities related to assets held for sale	95.9	180.2	- 46.8
Liabilities	**14,615.5**	**13,460.2**	**+ 8.6**

Capital structure

The TUI Group's capital structure in financial year 2009/10 was primarily affected by the financing measures taken by TUI AG and TUI Travel PLC.

Overall, non-current capital decreased by 4% to €6,989m. It decreased by 6 percentage points to 48% in relation to the balance sheet total.

The equity ratio stood as in the previous year at 17%. Equity and non-current financial liabilities accounted for 36% (previous year 40%) of the balance sheet total at the balance sheet date.

The gearing, i.e. the ratio of average net debt to average equity, rose to 138%, compared with 122% in the previous year.

Equity

At the balance sheet date, subscribed capital remained at €643m, as in the prior year. On 17 November 2009, TUI issued a convertible bond. The corresponding conversion rights are classified according to IAS 32 as equity instruments and led after deduction of deferred tax, to an increase in capital reserves of €41.8m. In addition, the capital reserve rose by €0.4m to €914m, mainly due to the issuance of employee shares and, to a lesser extent, due to the conversion of convertible bonds into shares.

Revenue reserves rose by €133m to €490m. Equity included the hybrid bond of €295m issued in December 2005. Minority interests accounted for €93m of equity.

Provisions

Provisions mainly comprised provisions for pension obligations, effective and deferred 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 €2,148m and were thus €73m or 4% up year-on-year.

Financial liabilities

The financial liabilities of the continuing operations increased by a total of €797m to €4,512m. They consisted of bonds totalling €3,038m, liabilities to banks of €1,002m, liabilities from finance leases of €320m and other financial liabilities of €152m. Financial liabilities rose due to the issuance of a convertible bond of €218m and new promissory notes of €100m by TUI AG as well as two convertible bonds of £350m and £400m by TUI Travel PLC. This was partly offset by the scheduled redemption of promissory notes of €184m and a bank loan of €50m. In addition, part of a bond maturing in December 2010 was already repurchased in the completed financial year, the aggregate volume being €110m. Other loans newly taken out and other loan redemptions only accounted for minor amounts. The allocation of non-current and current financial liabilities was based on the respective maturities.

See pg. 202

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 €5,426m, other liabilities increased by €176m or 3% year-on-year.

Ratings by Standard & Poor's and Moody's

In financial year 2009/10, the rating agencies Standard & Poor's and Moody's improved their credit ratings for TUI AG due to the enhanced liquidity situation generated by the proceeds from the three convertible bonds, the new credit lines and the improved operating situation in Container Shipping. The corporate rating assigned by Standard & Poor's was adjusted to 'B- (negative outlook)', with Moody's changing their rating to 'Caa1 (stable outlook)'.

The senior notes of around €1.6bn issued in 2004 and 2005 and the convertible bonds of around €0.9bn issued in 2007 and 2009 were assigned a 'CCC+' rating by Standard & Poor's and a 'Caa2' rating by Moody's as at the balance sheet date. 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 'Caa3' by Moody's. Especially due to the business recovery of Hapag-Lloyd, Standard & Poor's raised in October 2010 the rating for TUI's Senior Notes and the two convertibles from 'CC+' to 'B-'.

Key financing measures

The capital structure in financial year 2009/10 was mainly characterised by the issuance of financing instruments to improve the cash reserves.

Issue of convertible bonds
At the end of September 2009, TUI Travel PLC issued convertible bonds worth £350m with a five-year maturity. This capital market transaction was implemented in October 2009.

In this context, TUI AG has initiated measures to counter a potential dilution of the controlling majority in TUI Travel PLC in the event that all conversion options are exercised. In the short financial year 2009, 10 million shares in TUI Travel were acquired to this end. At the beginning of the completed financial year 2009/10, a further 21.9 million shares were acquired to secure the required controlling majority.

In November 2009, TUI AG issued a convertible bond worth around €218m with a five-year maturity.

TUI Travel PLC issued a further convertible bond of £400m with a seven-year maturity in April 2010.

In this context, TUI AG also initiated measures to counter a potential dilution of the controlling majority in TUI Travel PLC in the event that all conversion options are exercised. To this end, TUI sold almost 87m shares in TUI Travel PLC to Deutsche Bank, which passed these shares on to Antium Finance Ltd., a single-purpose company not related to TUI. In addition, Antium acquired a nominal volume of £200m from the convertible bond issued by TUI Travel in April 2010. A mechanism has been agreed to ensure that Antium will immediately convert bonds into TUI Travel shares to the same extent if any other investors exercise their conversion rights. TUI AG has concluded an agreement with Deutsche Bank under which the voting rights in the almost 87m TUI Travel shares attributable to Antium plus any additional TUI Travel shares arising from potential conversions will be exercised in the interest of TUI AG. Until March 2013, TUI AG will be entitled to repurchase the assets of Antium, comprising TUI Travel shares and convertible bonds in TUI Travel PLC, via Deutsche Bank. Until then, TUI AG will be entitled to the dividend yields of these TUI Travel shares and the interest coupons of the convertible bond acquired by Antium.

New credit facilities
In connection with the issuance of its convertible bond worth £400m in April 2010, TUI Travel signed credit facilities of £150m with banks. In addition, a credit line by way of bank guarantee of £50m was concluded in September 2010. The credit lines will expire at the end of June 2012.

Repayment and issue of promissory notes
The promissory notes of TUI AG due in April 2010 of €184m were repaid from liquid funds.

In September 2010, TUI AG issued new promissory notes worth €100m maturing in August 2014.

Redemption of bonds
In the completed financial year, TUI prematurely repurchased bonds issued in 2005 and maturing in December 2010 with a nominal volume of €110m and bonds issued in 2004 and maturing in May 2011 with a nominal value of €5m in order to take advantage of market opportunities. The debt carried by TUI was reduced accordingly. The bonds were repaid from liquid funds.

Redemption of a bank loan
A bank loan of TUI AG due in September 2010 and worth €50m was repaid as scheduled from liquid funds.

Interest rates and terms

Interest and financing environment
Due to the worldwide financial and economic crisis, interest rate levels declined significantly. This resulted in lower interest income from investing liquid funds and from the variable-rate shareholder loans to Hapag-Lloyd. On the other hand, TUI benefited from lower interest rates in variable-rate debt titles. Lower charges were incurred, in particular, by the interest payable on the variable-rate bond with a nominal volume of €550m, a variable-rate note volume of €129m and the amounts drawn under TUI Travel's syndicated credit lines.

As financial year 2009/10 progressed, the environment for financing schemes in the money and capital markets improved for the TUI Group. TUI used an opportunity to raise capital through the issue of three convertible bonds in the capital market. In addition promissory notes were issued and credit facilities signed. Other new borrowings only accounted for minor amounts. The remaining 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.

See pg. 202

Listed bonds

Capital measures	Issuance	Maturity	Volume million	Interest rate %
Senior fixed rate notes	May 2004	May 2011	€ 625	6.625
Senior floating rate notes	December 2005	December 2010	€ 550	3M EURIBOR plus 1.55
Senior fixed rate notes	December 2005	December 2012	€ 450	5.125
Hybrid bond	December 2005	No fixed maturity	€ 300	8.625
Convertible bond	June 2007	September 2012	€ 694	2.750
Convertible bond	November 2009	November 2014	€ 218	5.5
Convertible bond TUI Travel PLC	October 2009	October 2014	£ 350	6.0
Convertible bond TUI Travel PLC	April 2010	April 2017	£ 400	4.9

At the balance sheet date, TUI had prematurely redeemed parts of the bond maturing in December 2010 with a nominal volume of €110m and parts of the bond maturing in May 2011 with a nominal volume of €5m.

Off-balance sheet financing instruments

Operating Leases
Developments relating to operating rental, leasing and charter contracts are presented in the section 'Net assets' in the Management Report.

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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 the completed financial year, the TUI Group's solvency was secured at all times by means of cash inflows from operating activities, liquid funds as well as bilateral and syndicated credit agreements with banks.

At the balance sheet date, the liquidity reserve of TUI AG as the Group's parent company consisted of unused bilateral credit lines with banks as well as cash and cash equivalents. It totalled around €1.1bn at the balance sheet date.

Restrictions on the transfer of liquid funds

At the balance sheet date, there were restrictions worth €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 and restrictions under credit agreements.

Change of control see chapter 'Information required under take-over law' pg 116

Change of control

Significant agreements taking effect in the event of a change of control of the Company following a takeover bid are outlined in the chapter 'Information required under takeover law'.

Summary cash flow statement

€ million	2009/10	SFY 2009
Net cash inflow from operating activities	+ 818.1	1,134.6
Net cash outflow from investing activities	- 301.1	- 500.5
Net cash inflow/outflow from financing activities	+ 283.3	- 1,370.3
Change in cash and cash equivalents	**+ 800.3**	**- 736.2**

Net cash inflow from operating activities

In the completed short financial year, the cash inflow from operating activities totalled €818m. The year-on-year decline was above all attributable to the different lengths of the two financial years, since the fourth calendar quarter, characterised by weaker turnover, was included in the year under review, in contrast to the short financial year 2009.

Net cash outflow from investing activities

In the completed financial year, the total cash outflow from investing activities was €301m. The cash outflow declined by €199m year-on-year. A cash inflow of €200m resulted from the scheduled repayment of TUI's bridge loan to Hapag-Lloyd.

Net cash inflow from financing activities

A net cash inflow of €283m was generated from financing activities, while a net cash outflow of €1,370m had been recorded in the short financial year. The year-on-year difference of €1,653m was mainly attributable to higher payments received from raising financial liabilities in connection with the issuance of convertible bonds by TUI AG and TUI Travel. In addition, redemption payments on financial liabilites declined year-on-year.

Change in cash and cash equivalents

€ million	2009/10	SFY 2009
Cash and cash equivalents at the beginning of the period	**+ 1,458.3**	**+ 2,169.4**
Changes due to changes in consolidation	-	-
Changes due to changes in exchange rates	+ 15.7	+ 25.1
Cash changes	+ 800.3	- 736.2
Cash and cash equivalents at the end of the period [1)]	**+ 2,274.3**	**+ 1,458.3**

[1)] At 30 September 2009, cash and cash equivalents of €6.3m are included in assets held for sale

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The detailed cash flow statement and further explanations are comprised in the consolidated financial statements and the section 'Notes on the cash flow statements' 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 property, plant and equipment by Sector

Investments in property, plant and equipment of the continuing operations totalled €470m in the period under review. They were thus 30% up year-on-year.

Investments in other intangible assets and property, plant and equipment by Sector

€ million	2009/10	2008/09	Var. %	SFY 2009
Tourism	466.0	351.5	+ 32.6	271.4
TUI Travel	395.9	265.9	+ 48.9	210.8
TUI Hotels & Resorts	61.3	79.8	- 23.2	56.0
Cruises	8.8	5.8	+ 51.7	4.6
Central Operations	4.1	10.4	- 60.6	8.6
All other segments	4.1	10.4	- 60.6	8.6
Continuing operations	**470.1**	**361.9**	**+ 29.9**	**280.0**
Discontinued operation	**-**	**120.8**	**n/a**	**60.4**
Total	**470.1**	**482.7**	**- 2.6**	**340.4**

Additions to other intangible assets and property, plant and equipment in Tourism totalled €466m, up 33%

year-on-year. The main reason was the reclassification of cruise ship financing from operating leases to financial leases within TUI Travel. In the period under review, investments by TUI Travel related in particular to the development and introduction of new booking and reservation systems, maintenance measures for aircraft and cruise ships requiring capitalisation and the acquisition of yachts.

The main investments in TUI Hotels & Resorts were the construction of a new hotel in the Cape Verde Islands and the renovation and maintenance of existing hotel facilities.

Investment obligations

Order commitments

Due to agreements concluded in financial year 2009/10 or in previous years, order commitments for investments totalled €1,858m at the balance sheet date, €308m of which related to scheduled deliveries in financial year 2010/11. More detailed information is provided in the section 'Other financial obligations' in the Notes on the consolidated financial statements.

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Tourism

Order commitments in Tourism amounted to €1,856m as at 30 September 2010. In October 2009, TUI Travel cancelled orders for ten Boeing B787s. At the balance sheet date, TUI Travel's order book for aircraft comprised 13 B787s and 27 B737s, to be delivered by the end of calendar year 2015. Eleven aircraft are scheduled for delivery in financial year 2010/11.

Management Report
Annual Financial Statements of TUI AG

Earnings position of TUI AG

Financial Statements
TUI AG 2009/10 online
www.tui-group.com/en/ir

The annual financial statements of TUI AG were prepared in accordance with the provisions of the German Commercial Code (HGB) with due consideration of the supplementary provisions of the German Stock Corporation Act (AktG) and audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungs-gesellschaft, Hanover. They were published in the electronic 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.

With the German Accounting Law Modernisation Act (BilMoG) taking effect on 29 May 2009, material changes resulted for the commercial-code accounting provisions. They take effect for financial years starting after 31 December 2009 at the latest. TUI AG already applied the BilMoG rules in full for financial year 2009/10, which started on 1 October 2009, i.e. one year ahead of the mandatory date. Where the first-time application of the BilMoG rules have resulted in changes in the previous form of presentation or the measurement methods hitherto applied, the prior-year figures were not revised in accordance with section 67 (8) of the Introductory Act on the German Commercial Code (EGHGB).

In the present Annual Report, the Management Report of TUI AG has been combined with the Management Report of the TUI Group.

Income statement of TUI AG

€ million	**2009/10**	SFY 2009
Turnover	108.2	127.3
Other operating income	550.6	2,177.8
Cost of materials	104.4	124.2
Personnel costs	42.1	32.3
Depreciation	10.2	1.4
Other operating expenses	373.5	1,323.8
Net income from investments	332.0	- 106.4
Write-downs of investments	297.8	756.3
Net interest	- 140.1	- 50.8
Profit on ordinary activities	**22.7**	**- 90.2**
Extraordinary result	- 6.1	-
Taxes	3.0	7.8
Net profit/loss for the year	**13.6**	**- 98.0**

The earnings situation of TUI AG, the Group's parent company, is mainly determined by earnings of its Group companies, whether these are directly associated with TUI AG via profit and loss transfer agreements or whether their profits are distributed to TUI AG on the basis of resolutions. The income statement for financial year 2009/10 was prepared using the type of expenditure format.

Following the short financial year from 1 January to 30 September 2009, the financial year under review again comprised a full 12-month period from 1 October 2009 to 30 September 2010. As a result, compara-bility, above all of the income statement, with the 9-month prior-year period is limited.

Turnover and other operating income

In financial year 2009/10, turnover almost completely resulted from renting out leased aircraft to Group-owned airlines.

Other operating income mainly comprised income from the reversal of provisions for anticipated losses for derivative financial instruments as well as gains on exchange. This item also included write-backs to investments, which were effected as the reasons for the impairments had ceased to exist.

Expenses

The cost of materials mainly included expenses for aircraft rental agreements with third parties. Personnel costs rose as financial year 2009/10 was three months longer than the short financial year 2009. An opposite effect was caused by changes in pension provisions, since additions to pension and other longer-term personnel provisions resulting from the compounding of the provisions were carried in the interest result for the first time under the BilMoG rules. The discount rate applied in measuring the pension provisions was 5.19% in the period under review, following 4.5% in the previous year. The increase in depreciation mainly resulted from impairments required on land and buildings. Other operating expenses included in particular expenses for exchange losses, expenses for anticipated losses from receivables from Group companies, fees, borrowing costs, financial and monetary transaction costs as well as charges and other administrative costs.

Investments

In the financial year under review, net income from investments mainly comprised dividend payments from TUI Travel PLC and companies in the TUI Hotels & Resorts Sector. A major portion of the income was attributable to capital repayments in two second-tier subsidiaries no longer operative in the period under review. In line with commercial-law recognition, the income carried under this item was presented alongside expenses of almost the same amount for write-downs of investments.

Write-downs of investments

Write-downs of investments included an amount of €254 m for shares in Group companies, in particular in connection with capital repayments in two second-tier subsidiaries.

Interest result

The year-on-year fall in interest rates was not fully reflected in interest expenses since a major portion of the liabilities from bonds and liabilities to banks was subject to fixed interest rates. Moreover, interest expenses were incurred for a full year in the period under review, whereas they only covered a period of nine months in the short financial year 2009. Due to the first-time application of the BilMoG rules, interest expenses have also had to include expenses for the compounding of especially pension and other longer-term provisions as from financial year 2009/10. This resulted in expenses of €17m in the period under review.

Extraordinary result

Due to the first-time application of section 253 (1) of the German Commercial Code, which was amended due to the BilMoG provisions, the resulting earnings charges of €6.m from the revaluation of other provisions at the beginning of the financial year had to be carried as extraordinary expenses in accordance with section 67 (7) of the Introductory Act on the German Commercial Code.

Net profit for the year

TUI AG posted a net profit of €14m for financial year 2009/10.

Net assets of TUI AG

Net assets of TUI AG and its balance sheet structure are characterised by its function as the TUI Group's parent company. The balance sheet total fell by 5% to €6.9bn.

Fixed assets
At the balance sheet date, fixed assets accounted for 59% of total assets and almost fully consisted of financial investments.

The decline in fixed assets was mainly attributable to the reclassification of land with buildings to current assets in the light of the intention to sell these assets.

The additions to consolidated companies included an amount of €77m for shares in TUI Travel PLC. The company had issued a convertible bond in October 2009. TUI AG started to purchase shares in September 2009 and purchased some further shares in the period under review to secure its voting majority in the event that all conversion rights are exercised. TUI AG also indirectly subscribed to a 50% stake in a convertible bond issued by TUI Travel PLC in April 2010 in order to be able to convert bonds and thus retain its voting majority in the event of any conversions by third-party investors. As a result, the item 'Fixed asset securities' rose by €191m at the balance sheet date.

In December 2009, TUI AG transferred all loans granted to „Albert Ballin" Holding GmbH & Co. KG and the holding companies for Container Terminal Altenwerder and Hapag-Lloyd AG to TUI-Hapag GmbH, a wholly owned subsidiary of TUI AG. As TUI-Hapag Beteiligungs GmbH already holds the stake in „Albert Ballin" Holding GmbH & Co. KG, it now pools all assets in the Container Shipping group still held by TUI.

Current assets
The increase in receivables from Group companies mainly resulted from the transfer of financial assets to TUI-Hapag Beteiligungs GmbH. On the other hand, an opposite effect was caused by the premature redemption of a further part of the interest-bearing shareholder loan by TUI Travel PLC.

Until 2009, insolvency-protected investments in reinsurance policies to hedge pension obligations were carried under Other assets. Under the BilMoG provisions, they were eliminated against the underlying liabilities to the tune of their fair value of €62m as at 30 September 2010.

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

€ million	30 Sep 2010	30 Sep 2009	Var. %
Intangible assets/property, plant and equipment	18.7	62.3	- 70.0
Investments	4,013.0	4,826.1	- 16.8
Fixed assets	4,031.6	4,888.4	- 17.5
Receivables	1,794.3	1,843.6	- 2.7
Cash and cash equivalents	1,037.4	493.5	+ 110.2
Current assets	2,831.7	2,337.1	+ 21.2
Prepaid expenses	7.6	8.8	- 13.6
Assets	**6,870.9**	**7,234.3**	**- 5.0**
Equity	2,047.6	2,018.1	+ 1.5
Special non-taxed items	33.0	39.5	- 16.5
Provisions	450.3	589.7	- 23.6
Liabilities	4,337.5	4,577.7	- 5.2
Deferred income	2.5	9.4	- 73.4
Liabilities	**6,870.9**	**7,234.3**	**- 5.0**

Financial position of TUI AG

TUI AG is the TUI Group's parent company and central financing entity. This also essentially characterises its financial position. The changes in equity outlined, in particular changes in reserves as well as bonds for the TUI Group, were also reflected in TUI AG's statement of financial position.

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

€ million	30 Sep 2010	30 Sep 2009	Var. %
Fixed assets	4,031.6	4,888.4	- 17.5
Current assets	2,831.7	2,337.1	+ 21.2
Prepaid expenses	7.6	8.8	- 13.6
Assets	**6,870.9**	**7,234.3**	**- 5.0**
Equity	2,047.6	2,018.1	+ 1.5
Special item with an equity portion	33.0	39.5	- 16.5
Provisions	450.3	589.7	- 23.6
Bonds	2,721.7	2,619.0	+ 3.9
Financial liabilities	915.0	816.4	+ 12.1
Other liabilities	700.8	1,142.2	- 38.6
Liabilities	4,337.5	4,577.7	- 5.2
Deferred income	2.5	9.4	- 73.4
Liabilities	**6,870.9**	**7,234.3**	**- 5.0**

The capital structure of TUI AG

Equity

TUI AG's equity grew slightly by 2% to €2,048m. 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 is around €2.56. The subscribed capital of TUI AG totals around €643m and comprises 251,548,525 shares.

The capital reserve rose by €0.2m due to the issuance of employee shares. The revenue reserves exclusively consisted of other revenue reserves. There are no provisions in the Articles of Association stipulating the formation of reserves. In the financial year under review, an amount of €15m was transferred to revenue reserves outside profit and loss from the first-time application of the provisions of the German Accounting Law Modernisation Act (BilMoG). The net profit for the year of €14m equates to the profit available for distribution. The equity ratio rose to 29.8% (previous year 27.9%).

The special item with an equity portion, retained in accordance with section 67 (3) of the Introductory Act on the German Commercial Code, totalled €33m (previous year €40m) and comprised tax value adjustments on fixed assets effected in accordance with section 6b of the German Income Tax Act.

Provisions

Provisions decreased by 24% to €450m. They consisted of pension provisions of €135m (previous year €212m) and other provisions of €315m (previous year €378m). Under the BilMoG provisions, insolvency-protected investments in reinsurance policies to hedge pension obligations of €62m were eliminated against the underlying liabilities for the first time as at 30 September 2010. The decline in Other provisions was mainly caused by lower provisions for maintenance activities for aircraft leased from third parties and rented out to the TUI Tourism Segment.

Liabilities

TUI AG's liabilities totalled €4,338m and thus declined by €240m or 5% year-on-year.

New capital authorisation resolutions

Disclosures on new or existing capital authorisation resolutions by AGMs are presented in the following chapter 'Information required under takeover law'.

Management Report
Information Required under Takeover Law

The following information is presented pursuant to section 289 (4) and section 315 (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 arithmetic proportionate share in the capital stock per share is 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, consisted of 251,548,525 shares at the end of financial year 2009/10 (previous year 251,444,305 shares) and totalled €643,073,593. Each share confers one vote at the Annual General Meeting.

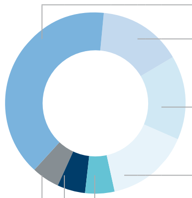
Restrictions on voting rights or the transfer of shares
The Executive Board of TUI AG is not aware of any restrictions on voting rights or the transfer of shares.

Equity interests exceeding 10% of the voting rights
Pursuant to the German Securities Trading Act, every shareholder whose share of voting rights reaches, exceeds or falls below certain thresholds as the result of purchases, disposals or otherwise has to notify the Company and the German Federal Financial Supervisory Authority. The lowest threshold for this notification duty is 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 Alexei Mordashov, Russia, exceeded the 15% threshold 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 15% threshold on 30 June 2008. As per that date, voting shares totalling 15.01% were attributable to him via Monterey Enterprises Ltd., Limassol, Cyprus, and Geveran Holdings S.A., Monrovia, Liberia.

Shareholder structure %	2009/10
Institutional Investors *)	~ 40
Private Investors *)	~ 15
S-Group Travel Holding	15.0
Monteray Enterprises Ltd.	15.0
Riu Hotels S.A.	5.1
Caja de Ahorros del Mediterráneo	5.0
CDG Group	5.0



*) Free float according to the definiton by Deutsche Börse

At the end of financial year 2009/10, around 55% of the TUI shares were in free float. Around 15% of all TUI shares 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.

Shares with special control rights

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

System of voting right control of any employee share scheme where the control rights are not exercised directly by employees

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 removal of Executive Board members and amendments to the Articles of Association

The appointment and removal of Executive Board members is based on sections 84 f. of the German Stock Corporation Act in combination with section 31 of the German Codetermination 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.

Powers of the Executive Board to issue or buy back shares

The Annual General Meeting of 13 May 2009 authorised TUI AG's Executive Board to acquire own shares of up to 10% of the capital stock. The authorisation will expire on 12 November 2010 and replaces the authorisation granted by the AGM of 7 May 2008. The Executive Board was also authorised to use equity derivatives in the form of put or call options or a combination of those two types of options in the framework of that acquisition. The use of equity derivatives has been restricted to acquiring shares of up to 5% of the capital stock. To date, the option to acquire own shares has not been used. In contrast to the original proposals for resolutions formulated by the management for the Annual General Meeting, the resolutions adopted at the Annual General Meeting did not include an authorisation to exclude the shareholders' subscription rights.

Moreover, conditional capital of €100m was authorised in 2009. 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 12 May 2014. TUI AG used this authorisation, issuing a convertible bond worth around €217.8m in November 2009.

Conditional capital of €100m was already resolved by the Annual General Meeting of 7 May 2008. 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 by 6 May 2013.

The issuance of bonds and profit-sharing rights in accordance with the two authorisations mentioned above has been limited to a total nominal amount of €1.0bn.

In addition, two authorisations were granted in 2008 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. To date, around €0.7m 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.

Significant agreements taking effect in the event of a change of control of the Company following a takeover bid and the resulting effects

TUI AG's remaining listed bonds, the private placements issued in 2007 and 2010 and the equity-linked financing of TUI AG with shares in TUI Travel PLC as underlying issued in 2008 include change of control clauses. A change of control occurs in particular if a third party directly or indirectly acquires control over at least 30% or the majority of the voting shares in TUI AG, depending on the respective agreement.

In the event of a change of control, bondholders 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 two convertible bonds. For the hybrid bond, an interest mark-up has been agreed and would take effect in the event of a change of control should the rating be downgraded. For the convertible bonds, 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 2008 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 liabilities under financing instruments with corresponding change of control clauses currently amounts to around €3.4bn. 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 clause taking effect in the event of a change of control in TUI AG. 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 in TUI AG. 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 TU 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 in case of a takeover bid

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 service 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 Executive 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. As part of the amendment of the executive service contracts for Mr Baier and Dr Engelen as of January 2010, it was agreed that severance payments do not exceed the amount equivalent to two annual remuneration payments. The severance payment for change of control situations was limited to 150% of the severance payment cap.

Management Report
Risk Report

Systematically detecting, monitoring and managing risk.

The TUI Group is a global player operating worldwide in particular in tourism, its core business. In the short financial year 2009, TUI completed the divestment of its Container Shipping activities and acquired a 43.33% stake in the purchasing company „Albert Ballin“. On top of this equity stake, TUI AG granted Hapag-Lloyd AG a finance facility worth €1.3bn in the form of loans and hybrid instruments.

Depending on the type of business, Tourism operations and financial exposure in Container Shipping entail various inherent risks. 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 risk management systems.

Risk policy

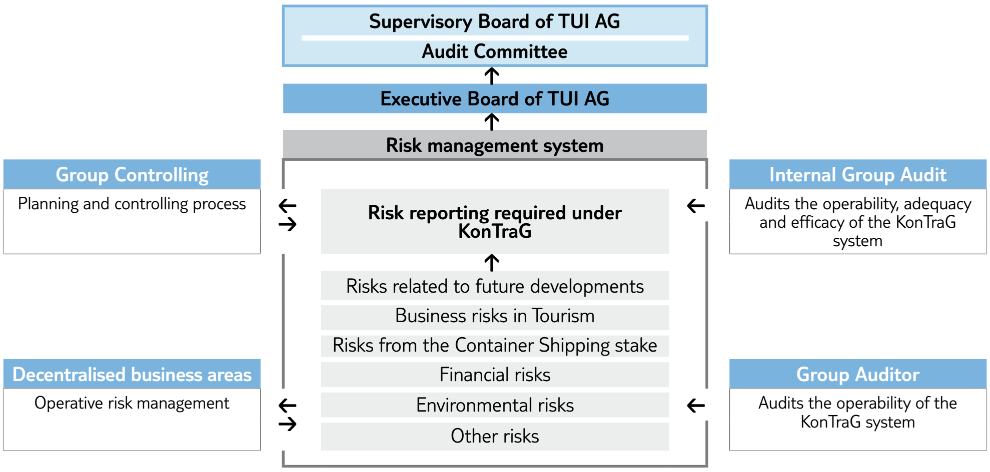
TUI's risk policy is designed to steadily and persistently enhance the Group's corporate value, achieve its medium-term financial goals and secure the Company's ongoing existence in the long term. It is thus an integral component of the Group's corporate policy.

In the Tourism Segment, the largest Sector, TUI Travel, in particular is able to offset developments in individual markets or product groups by its flexible business model. Committed flight and hotel capacity is limited. The flight capacity of the Group's own airlines is largely oriented to the need of the respective tour operators. The size of the fleet of the Group's own airlines can be adjusted to changes in demand in the short to medium term via staggered leasing agreements. Almost one third of required flight capacity is covered by non-Group airlines.

In Container Shipping, the significant rise in freight rates and higher volumes resulted in a considerable increase in earnings in financial year 2009/10. Due to this positive development of business and the improved capital market environment, Hapag-Lloyd has been able to cancel the state loan guarantee early on and subsequently refinance its operations in the banking and capital market. As a result, Hapag-Lloyd will be able to repay the financing instruments granted by TUI ahead of the originally expected date.

In terms of turnover, TUI is Europe's market leader in Tourism, above all due to its stake in TUI Travel PLC. In order to seize market opportunities and leverage the potential for success, risk has to be accepted to a reasonable degree. The purpose of the risk management system is to identify risks early on, assess them and contain them so that the economic benefit outweighs the threats.

Risk management



The TUI Group's risk management comprises clearly defined systems and methods incorporated in the organisational and workflow structure. The methodological basis and the frequency of controls are tailored to reflect different types of risk. The controls set out in Group-wide policies are continually monitored, developed and adjusted to changing business environments.

Central risk management comprises the independently organised reporting system for the early identification of risks threatening the existence of the Company (German Act on Control and Transparency in Business, KonTraG), initiated, coordinated and monitored by the KonTraG working group as an independent body. Early risk identification aims to provide reports, both regular and case-by-case, in order to identify potential risks within the Group companies, assess these risks with the aid 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 and operational risk management. There is also interaction with the planning and control process.

The Supervisory Board, in particular the Audit Committee of TUI AG, oversees the effectiveness of the risk management system under stock legislation provisions. The Supervisory Board is involved in this process by means of regular reports from the Executive Board and, where necessary, ad hoc reports on a quarterly basis and at its regular meetings.

Risk management is supported by the Group-wide audit departments, which examine risk reporting in accordance with KonTraG, both regularly and on a case-by-case basis. In preparing the annual financial statements as at 30 September 2010, the system for the early detection of risks threatening the existence of the Company was reviewed by the auditors and was found to be fully operational.

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 financial year 2009/10 nor at year-end.

Risk transfer

Risk management includes making provision for cover. Potential damages and liability risks from day-to-day business operations are covered as far as economically reasonable 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 – the TUI Group's core business – and the equity stake in Container Shipping are exposed to a number of macroeconomic risks. A detailed assessment of overall economic development in the medium term is provided in the Report on Expected Developments. Demand for our Tourism products and transportation services in Container Shipping may be affected, in particular, by changes in economic cycles. Such cycles may be influenced by global political events such as terrorist attacks or wars. Business operations may also be affected by market-specific events such as changes in consumer behaviour, reductions in consumer spending, social unrest and political instability.

Demand for Tourism products hinges in particular on macroeconomic development in our major source markets as travel expenditure is discretionary and thus price-sensitive. Future economic declines such as the potential emergence of a double dip recession, high unemployment rates in relevant source markets, unexpected rises in interest rates, direct or indirect tax or the cost of living may therefore result in declines in disposable income and hence considerable falls in demand for travel and tourism products. Special risks in Container Shipping may arise from a weakening of world trade or an intensification of protectionist tendencies which might hamper world trade.

In addition, specific risks for our business may arise from changes in commodity prices, in particular oil products. These risks may result in lower economic growth in countries of relevance for our activities and hence dampen demand for tourism services, with correspondingly adverse effects on the Group's earnings and financial situation.

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. Since then, additional synergy potential has been identified and supported by appropriate programmes and processes. There is nevertheless a risk of the sustained synergy effects not matching the targets.

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. impairment of goodwill) might be required and would thus impact Group earnings.

Based on the market environment and the refinancing measures already implemented by Container Shipping in the banking and capital market, there are no indications at present to suggest that the planned reduction in the equity stake taken in financial year 2009 or the financing vehicle granted might be at risk.

Risks from information technology

The Group relies heavily on IT technology as its systems are used globally and the internet is growing in importance as a distribution channel. As a result, the reliability of the IT systems used needs to be enhanced, and Group-wide IT structures have to be optimised.

The key current development projects include the completion of the new booking system for source market Germany and the roll-out of a corresponding platform in the UK. Moreover, a new standardised communication technology and uniform hardware are being introduced in most European Group countries.

As the Group relies on effective IT systems, IT governance in the Group is one of the key activities of a Group-wide IT management body, supported by an expert team consisting of IT directors. Specific IT reviews and far-reaching security measures are carried out to secure efficient monitoring of IT risks.

In addition, a new Group policy on IT security has been introduced. It sets out minimum standards for IT use which include password checks, data encryption and observance of safety techniques. These new standards help enhance the safety and confidentiality of the processed data and are monitored by the audit departments of TUI AG and TUI Travel PLC and by the members of the IT management body.

Business risks in Tourism

In the Tourism Segment, 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 course of business in individual markets. Market risks increase with tougher competition and the emergence of new market participants operating new business models. Factors that may adversely affect sales by retails shops are web-based distribution of travel services and low-cost airlines.

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.

Risks from the equity stake in Container Shipping

Apart from its investment of €1.2bn, i.e. a 43.33% stake, in „Albert Ballin" Holding GmbH & Co. KG, TUI AG's financial commitment at the balance sheet date also comprised loans of €0.4bn whereof €0.2bn were already repaid in November and hybrid capital of €0.9bn granted to „Albert Ballin" Holding GmbH & Co. KG which was also reduced in November 2010 by redemption of €0.2bn of hybrid bond II.

In the light of the current outlook, the carrying amount of the investment carried by TUI is not expected to decline further. No proportional negative earnings contributions are to be expected from at equity measurement for the time being because of Hapag-Lloyd's positive operating performance. Due to the cancellation of the state loan guarantee, Hapag-Lloyd AG is now able to implement refinancing measures in the banking and capital market and resume interest payments. TUI therefore currently sees no indication whatsoever suggesting that the subordinate loans and hybrid capital granted to Hapag-Lloyd or the financial investment might need to be impaired.

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 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 TUI Travel Group, while TUI AG continues to hold this function for all other business operations in 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 both 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. Foreign exchange translation risks from the consolidation of Group companies not reporting in euros are not hedged.

See pg. 158

Detailed information about hedging strategies, risk management, financial transactions and the scope of such 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 financing categories within the Group.

Liquid funds, money and capital market instruments as well as bilateral bank loans and syndicated credit facilities are used to meet the Group's financing requirements. Besides TUI AG, TUI Travel PLC in particular has separate access to banks and the capital market and an independent ability to secure the liquidity of the tourism companies allocated to it.

In order to meet its long-term financing requirements, TUI had issued eight bonds in the capital market, including a hybrid bond carried as equity. Nominal liabilities under these bonds totalled €3.6bn at the balance sheet date. The bonds had different structures and maturities. Future repayment or refinancing risks were limited by optimising the maturities and volumes of these bonds.

In the completed financial year, TUI AG repaid current debt of €0.2bn as scheduled and bought back current bonds worth €0.1bn ahead of their due date to benefit from market opportunities.

In November 2009, TUI AG placed five-year convertible bonds worth €0.2bn. In addition to this, in September 2010, TUI AG issued private placements of €0.1bn with a maturity of almost four years. In June 2010, TUI AG extended a bank credit facility of €0.1bn by one year, half of which was drawn by the balance sheet date.

In October 2009, TUI Travel PLC received the proceeds of a five-year convertible bond worth £0.4bn issued at the end of September 2009. In April 2010, moreover, TUI Travel PLC issued a seven-year convertible bond worth £0.4bn. In the completed financial year, TUI Travel PLC also signed a syndicated bank credit line worth £0.1bn and two bilateral bank facilities amounting in value to £0.1bn. All these bank credit lines taken by TUI Travel PLC mature in June 2012 and had not been drawn by the balance sheet date. These measures have helped stabilise the liquidity position of TUI as a Group, as have the syndicated bank credit lines of TUI Travel PLC from 2007 and 2009 maturing in June 2012 worth £0.9bn, of which £0.1bn had been drawn by the balance sheet date.

At the beginning of the completed financial year, TUI AG as shareholder of Hapag-Lloyd initiated a programme to stabilise the company. It included participation in a capital increase in Hapag-Lloyd AG, debt-equity and debt-hybrid swaps, interest deferral and waiver agreements and granting of subordination status to the existing loans. In connection with the refinancing package for Hapag-Lloyd AG launched in September 2009 and October 2010, the company resumed its interest payments to TUI and repaid deferred interest of €0.1bn and shareholder financing of €0.4bn to TUI in October and November 2010.

See pg. 45

More detailed information on the development of the investment in Container Shipping is provided in the chapter Financial Year 2009/10 – an Overview of this Report.

TUI has launched an asset streamlining programme aiming to generate inflows from the refinancing of assets and the sale of non-core assets not required for operating or strategic purposes in the medium term with a view to enhancing its financial flexibility.

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 PLC's syndicated and bilateral credit facilities comprise a number of obligations:

In the case of TUI Travel's syndicated credit facility, for instance, 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 TUI Travel sub-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 bilateral and syndicated credit facilities also contain 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 for immediate repayment.

TUI's and TUI Travel PLC's business transactions and the expected development of business are continually checked for compliance with contractual provisions.

See pg. 103 and 202

More detailed information on financing and financial debt is provided in the section 'Financial position of the Group' in the Management Report and under 'Liabilities' in the Notes on the consolidated financial statements.

Risks from pension provisions

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 developments on the financial markets.

The present value of the TUI Group's fully or partly funded pension obligations for its continuing operations totalled €1.8bn, while the fair value of external plan assets amounted to €1.4bn. The funded pension obligations thus exceeded plan assets by €0.4bn. Combined with the present value of pension obligations not covered by funds of €0.5bn, this resulted in pension obligations with a net present value of €0.9bn, fully covered by pension provisions. Detailed information on the development of pension and similar obligations is provided under the item 'Pension provisions and similar obligations' in the Notes on the consolidated financial statements.

See pg. 195

Other financial liabilities

At the balance sheet date, the TUI Group had other financial liabilities of €2.1bn (following €3.1bn as at 30 Sep 2009). These liabilities mainly related to order commitments for investments. Around 22% of the total amount had a remaining term of up to one year.

At the balance sheet date as well as at 30 September 2009, financial liabilities from operating lease, rental and charter agreements amounted to €2.9bn. At €1.2bn, aircraft accounted for the largest proportion of financial liabilities from operating lease, rental and charter agreements, with €0.8bn relating to hotels, €0.4bn to travel agencies, €0.3bn to administrative buildings, €0.1bn to yachts and motor boats and €0.1bn to 'Other'. Around 26% of the total amount had a remaining term of up to one year.

See pg. 202

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.

Other risks

Contingent liabilities and litigation
Contingent liabilities are potential liabilities not recognised in the balance sheet. At the balance sheet date, they amounted to €454m (following €255m in the previous year) mainly due to the granting of guarantees to Hapag-Lloyd AG.

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 any 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.

Key features of the internal control and risk management system in relation to the Group accounting process (sections 289 (5) and 315 (2) no 5 of the German Commercial Code HGB)

1. Definition and elements of the internal control and risk management system in the TUI Group
The TUI Group's internal control system comprises all the principles, processes and measures that are applied to secure effective, economical and proper accounting and compliance with the pertinent legal provisions.

The TUI Group's internal control system consists of internal controls and the internal monitoring system. The Executive Board of TUI AG, in exercising its function to manage business operations, has entrusted responsibility for the internal control system in the TUI Group in particular to the Group Controlling, Group Accounting & Financial Reporting, Group Finance and Group HR units based within TUI AG.

The elements of the internal monitoring system in the TUI Group consist of both process-related and non-process-related measures. Besides manual process controls, e.g. the 'four-eyes principle', another key element of process-related measures are the automated IT process controls. Process-related monitoring is also secured by bodies such as the working group on the German Act on Control and Transparency in Business (KonTraG), and by specific Group functions such as Group Tax or Group Legal.

The Supervisory Board, in particular the Audit Committee, of TUI AG, like Group Auditing at TUI AG and the decentralised audit departments within Group companies, are incorporated into the TUI Group's internal monitoring system through their non-process-related audit activities. On the basis of section 107 (3) of the German Stock Corporation Act, the Audit Committee of TUI AG deals primarily with the auditing of annual financial statements, monitoring of the accounting process and the effectiveness of the internal control and risk management system.

The Group auditors and other auditing bodies such as the tax auditor are involved in the TUI Group's control environment through their non-process-related activities. The audit of consolidated financial statements by the Group auditor and the audit of the individual financial statements from Group companies included in the consolidated financial statements, in particular, constitute the key non-process-related monitoring measure with regard to Group accounting.

With regard to Group accounting, the risk management component of the internal control system addresses the risk of misstatements in Group bookkeeping and external reporting. Apart from operational risk management, which includes the transfer of risks to insurance companies by creating cover for damage and liability risks and also hedging transactions to limit foreign currency and fuel price risks, the TUI Group's risk management system also embraces the systematic early detection, management and monitoring of risks across the Group. In order to ensure systematic early risk detection throughout the Group, the TUI Group has installed a 'monitoring system for the early detection of risks threatening the existence of the Company' in accordance with section 91 (2) of the German Stock Corporation Act, permitting the prompt identification, control and monitoring of both risks threatening the existence of the Company and other risks, over and above the requirements of this legislation. The Group auditors assess the proper functioning of the early risk detection system in accordance with section 317 (4) of the German Commercial Code. The TUI Group adjusts this system swiftly to any changes in the respective environment. Group Auditing also performs regular system checks as part of its monitoring activities to ensure that the system is functional and effective. More detailed explanations of the risk management system are provided in the section on 'Risk management' in this Risk Report.

See pg. 121

2. Use of IT systems

Bookkeeping transactions are captured in the individual financial statements of the subsidiaries of TUI AG, mainly through local SAP or Oracle accounting systems. In preparing the consolidated financial statements for TUI AG, the subsidiaries complement their respective individual financial statements to form standardised reporting packages that are subsequently posted by all Group companies in the TRACE reporting system based on SAP BO FINANCE. All reporting packages captured by the TRACE reporting system are then transferred via an interface into the PCE consolidation system. The consolidation system, developed by TUI AG itself, builds on a Microsoft data base system and has been used to prepare TUI AG's consolidated financial statements for many years. TUI AG's Group Auditing has regularly checked the accuracy of the PCE consolidation system and its authorisations and not had any ground for objections. TUI AG's Group auditor regularly audits the interface between the TRACE reporting system and the PCE consolidation system and the reconciliation tables right through to the consolidated financial statements of the subsidiaries. The PCE system generates and fully documents all consolidation transactions used to prepare the consolidated financial statements of TUI AG, e.g. capital consolidation, asset and liabilities consolidation, and expenses and income elimination including at equity measurement. All elements of TUI AG's consolidated financial statements including the disclosures in the Notes are developed from the PCE consolidation system. PCE also provides various modules for evaluation purposes in order to prepare complementary information to explain TUI AG's consolidated financial statements.

3. Specific risks related to Group accounting

Specific risks related to Group accounting may arise, for example, from the conclusion of unusual or complex business transactions, in particular at a critical point in time at the end of the financial year. Business transactions not processed by means of routine operations also entail latent risks. The discretion necessarily granted to employees for the recognition and measurement of assets and liabilities may result in further Group accounting-related risks. The outsourcing and transfer of accounting-specific tasks to service companies may also give rise to specific risks. Accounting-related risks from derivative financial instruments are outlined in the Notes on the consolidated financial statements.

4. Key regulation and control activities to ensure proper and reliable Group accounting

The internal control measures aimed at securing proper and reliable Group accounting ensure that business transactions are fully recorded in a timely manner in accordance with the legal provisions and the Articles of Association. This also ensures that inventory stocktaking is properly implemented and that assets and liabilities are properly recognised, measured and carried in the consolidated financial statements. The control operations also ensure that booking records provide reliable and comprehensible information.

Controls implemented to secure proper and reliable accounting include, for instance, analysis of facts and developments on the basis of specific indicator analyses. Separation of administrative, execution, settlement and authorisation functions and implementation of these functions by different persons reduces the potential for fraudulent operations. Organisational measures also aim to capture corporate or Group-wide restructuring or changes in sector business operations in Group accounting in a rapid and pertinent manner. They also ensure, for instance, that bookkeeping transactions are completely recognised in the period in which they occur in the event of changes in the IT systems used by the accounting departments of Group companies. The internal control system likewise ensures that changes in the TUI Group's economic or legal environment are mapped and that new or amended legal Group accounting provisions are applied.

The TUI Group's accounting provisions, including the provisions on accounting in accordance with the International Financial Reporting Standards (IFRS), govern the uniform accounting and measurement principles for the German and foreign companies included in TUI's consolidated financial statements. Specific provisions must, in addition, be met when preparing sub-group financial statements. Besides general accounting principles and methods, provisions concerning the statement of financial position, income statement, Notes, management report, cash flow statement and segment reporting have been established in compliance with EU legislation.

TUI's accounting provisions also govern specific formal requirements for the consolidated financial statements. Besides defining the group of consolidated companies, they include detailed stipulations for the components of the reporting packages to be prepared by Group companies. Formal requirements govern, inter alia, the mandatory use of a standardised and complete set of schedules. TUI's accounting provisions also include, for instance, specific provisions on the reporting and settlement of intercompany pricing and the associated transactions for balance reconciliation or determination of the fair value of shareholdings.

At Group level, specific controls to ensure proper and reliable Group accounting include the analysis and, where necessary, correction of the individual financial statements submitted by the Group companies, taking account of the reports prepared by the auditors or any meetings to discuss the financial statements held for that purpose. Based on the control mechanisms already established in the PCE consolidation system or plausibility checks implemented through the system, erroneous financial statements based on TRACE schedules are selected and corrected, if necessary, at Group level. The central implementation of impairment tests for the specific cash-generating units (CGUs) from a Group perspective secures the application of uniform and standardised evaluation criteria. The scope of regulations also extends to the central definition of the parameters applicable in the measurement of pension provisions or other provisions at Group level. The preparation and aggregation of additional data for the preparation of external information in the Notes and management report (including subsequent events) is also effected at Group level.

5. Disclaimer

With the organisational, control and monitoring structures established by the TUI Group, the internal control and risk management system enables company-specific facts to be captured, processed and recognised in full and properly presented in the consolidated financial statements.

However, due to the very nature of business activity, various factors including in particular discretionary decision-making, faulty checks, criminal acts and other circumstances cannot be ruled out and will restrict the efficacy and reliability of the internal control and risk management system, so that even Group-wide application of the systems cannot guarantee absolute certainty with regard to the accurate, complete and timely recording of facts in Group accounting.

Any statements made relate exclusively to those subsidiaries included in TUI AG's consolidated financial statements where TUI AG is able to directly or indirectly determine their financial and business policies such as to obtain benefits from the activities of these companies.

Management Report
Report on Subsequent Events

In October 2010, Hapag-Lloyd placed approximately 920 million US dollars (equivalent) senior notes in the capital market. In addition, Hapag-Lloyd entered into a syndicated credit line of 360 million US dollars.

On this context, TUI AG received due payment from Hapag-Lloyd and „Albert Ballin" Holding GmbH & Co. KG in October and November 2010 of around €0.5bn on deferred interest as well as the redemption payment of the bridge loan and the hybrid III loan.

On 23 November 2010, the contract for the sale of the office building Ballindamm in Hamburg to Hapag-Lloyd Grundstücksholding GmbH was certified by notary.

Management Report
Report on Expected Developments

Tourism operating result expected to rise. TUI AG liquidity boosted by expected repayments from Hapag-Lloyd.

Economic environment

Macroeconomic situation

General development

For calendar year 2010, global economic growth is expected to show strong regional variations. Expansion continues to be driven by the developing countries and emerging economies. In the second half of the calendar year, the crisis of confidence in the financial markets caused a slowdown in the economic environment in the Eurozone. Since the fiscal policy options to stimulate the economy are limited due to the deficits in many countries, budget consolidation is expected to occur. European countries in particular have already initiated tighter fiscal policies under pressure from the financial markets. In the United States and Japan, this move is still subject to continued recovery of the economy. Budget consolidation in the industrialised countries might also provoke a considerable slowdown in economic development in the emerging markets.

Despite this risk the International Monetary Fund (IMF, Economic Outlook, October 2010) has further raised its forecast for the calendar year 2010 and now expects a global growth of 4.8%.

Development in the regions

For 2011, the IMF expects the pace of economic recovery to differ considerably from one economic region to the next. Growth in the United States is expected to stand at 2.3%, while Japan is expected to grow by 1.5% in 2011 and the countries of the Eurozone by 2.3%. The emerging economies of Asia are displaying considerably faster growth. China and India, in particular, have been in an upward phase since the spring of 2009. The IMF expects the highest growth rates for China (+ 9.6.%) and India (+ 8.4%). For the Eurozone, the IMF expects the UK (+ 2.0%), Germany (+ 2.0%) and France (+ 1.6%) to post higher growth rates than the countries in southern Europe. The Spanish economy, which continues to suffer from the real estate crisis, is expected to grow by only 0.7%.

Expected development of gross domestic product

Var. %	**2010**	2011
World	**4.8**	**4.2**
Eurozone	1.7	1.5
Germany	3.3	2.0
UK	1.7	2.0
France	1.6	1.6
US	2.6	2.3
Japan	2.8	1.5
China	10.5	9.6
India	9.7	8.4
Emerging Eastern Asia economies	6.6	5.4

Source: International Monetary Fund, World Economic Outlook, October 2010

Market trends in the Sectors

Tourism

According to current forecasts by the European Travel Commission, visits to European destinations are expected to grow by around 4.6% in 2011 (source: European Travel Commission, European Tourism 2010, Quarterly Report 2010, July 2010). These estimates meet UNWTO expectations. Accordingly, international arrivals are expected to return in the near future to the long-term weighted growth, which has averaged out at around 4% per annum since 1995, regardless of any temporary effects (source: UNWTO, Tourism 2020 Forecasts). The UNWTO (World Tourism Barometer, October 2010) expects international arrivals to grow by 4-5% in 2011.

Forecast for operating earnings

TUI Group

Expected development of Group earnings

€ million	2009/10	2010/11
Turnover by the Sectors	16,350.1	↗
Underlying Sector earnings (underlying EBITA)	589.2	↗
Sector earnings (EBITA)	215.5	↗

Turnover by the Sectors

Against the backdrop of forecasts projecting ongoing economic recovery, we expect Sector turnover to rise in financial year 2010/11 due to higher customer numbers and better average prices in TUI Travel's volume business.

Underlying Sector earnings

Due to the expected improvement in earnings by TUI Travel and TUI Hotels & Resorts, underlying Sector earnings are projected to rise slightly in financial year 2010/11.

Sector earnings

We also expect reported Sector earnings to grow in financial year 2010/11. This increase will be attributable to higher operating earnings and lower one-off charges. The adjustments are expected to decline significantly compared with the amount shown in financial year 2009/10. In financial year 2010/11, adjustments will relate to purchase price allocations and in particular one-off costs for TUI Travel's new cost reduction and efficiency enhancement programme as well as restructuring expenses.

Group net result for the year

Overall, we expect the Group net result for financial year 2010/11 to be positive.

Forecast for the Sectors

Expected development of Sector earnings

	Sector turnover		Underlying Sector earnings	
€ million	**2009/10**	2010/11	**2009/10**	2010/11
Tourism	16,286.7	↗	640.2	↗
TUI Travel	15,728.0	↗	506.0	↗
TUI Hotels & Resorts	380.0	→	126.6	↗
Kreuzfahrten	178.7	↗	7.6	↘
Central Operations	63.4	↘	- 51.0	→
Continuing operations	**16,350.1**	↗	**589.2**	↗

TUI Travel
For TUI Travel we expect underlying earnings to grow slightly in 2010/11 as against the comparable prior-year period. The main earnings drivers at TUI Travel are the expected rise in business volumes and positive effects of the cost reduction and efficiency enhancement programme. On the other hand, there are risks resulting from economic recovery in the principal volume markets falling short of expectations. Demand in the travel market would be curbed as a result. Another aspect strongly influencing earnings by TUI Travel shown in TUI AG's consolidated financial statements is the development of the exchange rate of sterling against the euro.

TUI Hotels & Resorts
Capacity in TUI Hotels & Resorts will decline in financial year 2010/11 due to the planned transfer of the business operations of Magic Life to TUI Travel. Adjusted for this effect, capacity and bednights are expected to rise slightly. Overall, we also expect a slight increase in occupancy rates and operating earnings. Risks are related to customer numbers from the major source markets, which may fall below expectations.

Cruises
For the Cruises Sector, we expect TUI Cruises to post lower operating results compared with the previous year due to the start-up and financing costs for commissioning Mein Schiff 2 in TUI Cruises.

Tourism
Based on earnings estimates for TUI Travel, TUI Hotels & Resorts and Cruises, we expect the Tourism Segment to record a slight increase in operating results in financial year 2010/11 compared with the reference period. Tourism business is expected to be considerably affected by future trends in consumer spending in the large volume markets.

Central Operations
For Central Operations, we expect underlying earnings to match the prior-year reference period.

TUI AG

In the light of the projected business and earnings expectations for the TUI Group, we expect TUI AG as the Group's holding company to achieve an increase in net profit for the year in financial year 2010/11. We expect the at equity result of our stake in Hapag-Lloyd to remain clearly positive. The extent to which TUI AG will resume dividend payments in the forecast period will depend on the further economic development of the Group in the coming financial year.

Financial position

Expected development of Group financial position

€ million	2009/10	2010/11
Investment in other intangible assets and property, plant and equipment	470.1	↗
Net debt	2,287.1	↘

Investments
In the light of investment decisions already taken and projects still in the pipeline, the TUI Group expects financial requirements to amount to almost €500m for financial year 2010/11, 70% of this for TUI Travel. Most of these funds will be used as investments in property, plant and equipment. The planned investments in TUI Travel include the introduction of new production and booking systems and the purchase of aircraft spares and yachts. Further funds are earmarked for the upkeep of cruise ships and the hotel portfolio.

Net debt
At the balance sheet date, the Group's net debt amounted to €2.3bn. Taking account of expected operating cash flow, the expected repayments by Hapag-Lloyd and the further implementation of the asset streamlining programme, we expect net debt to decline in financial year 2010/11.

Expected overall development

For financial year 2010/11, we expect operating earnings by Tourism to rise year-on-year, with Central Operations showing a stable trend. Underlying earnings by the TUI Group's continuing operations will therefore probably rise slightly against the reference prior-year period.

Overall, we expect the Group net result for the year to be positive in financial year 2010/11.

Opportunity Report

The TUI Group's opportunity management follows the Group strategy for core business Tourism. Responsibility for the systematic detection and use of opportunities rests with the operative management of the Tourism Sectors TUI Travel, TUI Hotels & Resorts and Cruises. Market scenarios and critical success factors for the individual Sectors are analysed and assessed in the framework of the Group-wide planning and control process. The core task of the Group Board is to secure profitable growth for the TUI Group by optimising the shareholding portfolio and developing the Group structure over the long term.

Overall, the TUI Group is well positioned to benefit from opportunities resulting from the main trends in its markets. We see opportunities for further organic growth in particular by expanding our activities in growth markets Russia, China, India and Brazil. As market leader, we also intend to benefit from demographic change and the resulting expected increase in demand for high-quality travel at an attractive price/performance ratio.

The TUI Group and its Sectors would benefit from further economic recovery as this would trigger rising demand in the travel market. We intend to improve our competitive position further by continuing the cost reduction programme and further expanding controlled distribution in TUI Travel through various channels including the internet.

Based on the expected further recovery of the economic framework, volumes and underlying results for the Tourism sectors correspondingly are expected to increase further in financial year 2011/12.

Moreover, we consider the intended sale of our remaining stake in Container Shipping as an opportunity to improve the TUI Group's key financial ratios.

Management Report
TUI Group in Figures

TUI Group – Financial Highlights

		2006	2007	2008	SFY 2009 revised	2009/10
Sector turnover						
Tourism	€m	14,085	15,759	18,546	13,082	16,287
Discontinued operation	€m	6,254	5,965	6,343	1,119	-
Others	€m	577	78	- 21	49	63
Group	€m	**20,916**	**21,802**	**24,867**	**14,250**	**16,350**
Earnings before interest, tax, depreciation and amortisation (EBITDA)						
Tourism	€m	779	644	557	646	664
Discontinued operation	€m	212	401	390	968	-
Others	€m	193	216	- 24	- 31	- 14
Group	€m	**1,184**	**1,261**	**923**	**1,582**	**650**
Divisional earnings (EBITA)						
Tourism	€m	388	163	87	158	246
Discontinued operation	€m	- 106	137	106	894	-
Others	€m	- 52	186	- 53	- 39	- 30
Group	€m	**230**	**486**	**140**	**1,013**	**216**
Net profit for the year	€m	**- 843**	**176**	**- 182**	**395**	**114**
Earnings per share	€	- 3.65	+ 0.41	- 0.65	+ 1.32	+ 0.30
Assets						
Non-current assets	€m	10,157	11,528	7,345	9,093	9,357
Current assets	€m	2,873	4,721	9,309	4,367	5,259
Total assets	€m	**13,030**	**16,249**	**16,653**	**13,460**	**14,616**
Equity and liabilities						
Equity	€m	3,007	3,038	2,168	2,241	2,434
Non-current liabilities	€m	5,259	6,807	5,796	5,027	4,555
Current liabilities	€m	4,764	6,404	8,690	6,192	7,626
Total equity and liabilities	€m	**13,030**	**16,249**	**16,653**	**13,460**	**14,616**
Equity ratio	%	**23.1**	**18.7**	**13.0**	**16.6**	**16.7**
Cash flow from operating activities	€m	**467**	**569**	**946**	**1,135**	**818**
Capital expenditure	€m	**757**	**1,116**	**952**	**364**	**516**
Net debt	€m	**3,211**	**3,917**	**4,083**	**2,330**	**2,287**
Employees	31 Dec/30 Sep	**53,930**	**68,521**	**70,254**	**69,536**	**71,398**

Differences may occur due to rounding

Financial Statements

Income Statement of the TUI Group for the period from 1 October 2009 to 30 September 2010 and 1 January to 30 September 2009

€ million	Notes	2009/10	SFY2009 revised
Turnover	(1)	16,350.1	13,130.8
Cost of sales	(2)	14,680.1	11,849.0
Gross profit		**1,670.0**	**1,281.8**
Administrative expenses	(2)	1,536.0	1,211.1
Other income/Other expenses	(3)	+ 53.6	+ 17.5
Impairment of goodwill	(4)	18.2	8.9
Financial income	(5)	319.0	156.5
Financial expenses	(6)	481.2	672.7
Share of result of joint ventures and associates	(7)	+ 170.6	- 137.7
Earnings before income taxes		**177.8**	**- 574.6**
Reconciliation to underlying earnings:			
Earnings before income taxes		177.8	- 574.6
Result from Container Shipping measured at equity		- 150.3	173.9
Effect of measurement of loans to Container Shipping		- 135.0	353.9
Interest result and earnings from the measurement of interest hedges		304.8	156.9
Impairment of goodwill		18.2	8.9
EBITA from continuing operations		215.5	119.0
Adjustments:	(8)		
Gains on disposals		- 24.0	- 4.6
Restructuring		124.9	58.3
Purchase price allocation		69.8	47.8
Other one-off items		203.0	363.7
Underlying EBITA from continuing operations		**589.2**	**584.2**
Earnings before income taxes		**177.8**	**- 574.6**
Income taxes	(9)	64.2	- 33.2
Result from continuing operations		**113.6**	**- 541.4**
Result from discontinued operations	(10)	-	+ 936.7
Group profit for the year		**113.6**	**395.3**
Group profit for the year attributable to shareholders of TUI AG	(11)	+ 101.8	+ 349.3
Group profit for the year attributable to non-controlling interest	(12)	+ 11.8	+ 46.0
Group profit for the year		**113.6**	**395.3**

€	Notes	2009/10	SFY 2009 revised
Basic and diluted earnings per share	(13)	**+ 0.30**	**+ 1.32**
from continuing operations		+ 0.30	- 2.41
from discontinued operation		-	+ 3.73

Statement of Comprehensive Income for the period from 1 October 2009 to 30 September 2010 and 1 January to 30 September 2009

€ million	Notes	2009/10	SFY 2009 revised
Group profit		**113.6**	**395.3**
Foreign exchange differences		78.8	7.0
Foreign exchange differences		127.2	- 58.0
Reclassification/adjustments		- 48.4	65.0
Financial instruments available for sale		4.6	- 2.4
Changes in the fair value of financial instruments available for sale		4.6	- 2.4
Cash flow hedges		95.8	- 118.8
Changes in the fair value of cash flow hedges		96.8	- 230.2
Reclassification/adjustments		- 1.0	111.4
Actuarial gains and losses from pension provisions and related fund assets		- 77.4	- 210.2
Changes in the measurement of companies measured at equity outside profit or loss		13.2	- 3.2
Tax effects relating to comprehensive income	(14)	3.2	118.1
Other comprehensive income		**118.2**	**- 209.5**
Total comprehensive income		**231.8**	**185.8**
attributable to shareholders of TUI AG		245.6	369.3
attributable to non-controlling interest		- 13.8	- 183.5
Total comprehensive income		**231.8**	**185.8**

Financial Position of the TUI Group as at 30 September 2010

€ million	Notes	30 Sep 2010	30 Sep 2009 revised	1 Jan 2009 revised
Assets				
Goodwill	(15)	2,862.6	2,712.3	2,520.3
Other intangible assets	(16)	907.2	887.9	815.8
Investment property	(17)	66.2	76.7	90.1
Property, plant and equipment	(18)	2,499.8	2,370.9	2,687.9
Investments in joint ventures and associates	(19)	1,775.2	1,184.0	406.4
Financial assets available for sale	(20)	612.0	103.0	84.0
Trade receivables and other assets	(21)	334.8	1,369.0	326.3
Derivative financial instruments	(22)	165.3	111.4	194.6
Deferred tax asset	(23)	133.6	277.9	219.3
Non-current assets		**9,356.7**	**9,093.1**	**7,344.7**
Inventories	(24)	89.5	81.5	97.0
Financial assets available for sale	(20)	-	2.0	3.9
Trade receivables and other assets	(21)	2,328.2	2,066.6	1,954.3
Derivative financial instruments	(22)	203.3	338.1	1,017.9
Current tax asset	(23)	71.1	21.2	45.6
Cash and cash equivalents	(25)	2,274.3	1,452.0	2,045.5
Assets held for sale	(26)	292.4	405.7	4.144.5
Current assets		**5,258.8**	**4,367.1**	**9,308.7**
		14,615.5	**13,460.2**	**16,653.4**

€ million	Notes	30 Sep 2010	30 Sep 2009 revised	1 Jan 2009 revised
Equity and liabilities				
Subscribed capital	(27)	643.1	642.8	642.8
Capital reserves	(28)	913.5	871.3	969.3
Revenue reserves	(29)	489.5	356.7	- 44.9
Hybrid capital	(30)	294.8	294.8	294.8
Equity before non-controlling interest		**2,340.9**	**2,165.6**	**1,862.0**
Non-controlling interest	(31)	93.3	75.2	305.5
Equity		**2,434.2**	**2,240.8**	**2,167.5**
Pension provisions and similar obligations	(32)	878.5	838.6	690.5
Current tax provisions	(33)	114.5	169.5	236.7
Deferred tax provisions	(33)	80.2	181.3	191.9
Other provisions	(33)	520.2	482.8	452.2
Non-current provisions		**1,593.4**	**1,672.2**	**1,571.3**
Financial liabilities	(34)	2.827.5	3,175.1	3,965.4
Derivative financial instruments	(36)	47.8	78.7	163.4
Other liabilities	(37)	86.4	101.2	96.1
Non-current liabilities		**2,961.7**	**3,355.0**	**4,224.9**
Non-current provisions and liabilities		**4,555.1**	**5,027.2**	**5,796.2**
Pension provisions and similar obligations	(32)	32.8	29.8	27.1
Current tax provisions	(33)	137.8	85.9	83.9
Other provisions	(33)	383.5	287.0	352.2
Current provisions		**554.1**	**402.7**	**463.2**
Financial liabilities	(34)	1,684.4	539.7	1,009.3
Trade payables	(35)	2,847.4	2,640.8	1,953.8
Derivative financial instruments	(36)	147.4	363.4	718.6
Other liabilities	(37)	2,297.0	2,065.4	2,044.2
Current liabilities		**6,976.2**	**5,609.3**	**5,725.9**
Liabilities related to assets held for sale	(38)	**95.9**	**180.2**	**2,500.6**
Current provisions and liabilities		**7,626.2**	**6,192.2**	**8,689.7**
		14,615.5	**13,460.2**	**16,653.4**

Statement of Changes in Group Equity

€ million	Subscribed capital (27)	Capital reserves (28)	Other revenue reserves	Foreign exchange differences	Financial instruments available for sale
Balance as at 1 January 2009 (corrected)	**642.8**	**969.3**	**1,220.6**	**- 941.6**	**- 0.5**
Dividend payments	-	-	-	-	-
Hybrid capital dividend	-	-	- 19.4	-	-
Share based payment schemes of TUI Travel PLC	-	-	6.3	-	-
Deconsolidation	-	-	- 143.7	-	-
Effects on the acquisition non-controlling interest	-	-	- 52.6	-	-
Transfers from reserves	-	- 98.0	98.0	-	-
Other comprehensive income	-	-	3.0	125.8	- 0.7
Group profit for the year	-	-	349.3	-	-
Total comprehensive income	-	-	352.3	125.8	- 0.7
Balance as at 30 September 2009 (revised)	**642.8**	**871.3**	**1,461.5**	**- 815.8**	**- 1.2**
Dividend payments	-	-	-	-	-
Hybrid capital dividend	-	-	- 25.9	-	-
Share based payment schemes of TUI Travel PLC	-	-	12.7	-	-
Issue of employee shares	0.3	0.4	-	-	-
Issue of convertible bonds	-	41.8	-	-	-
Reduction of capital	-	-	-	-	-
Effects on the acquisition non-controlling interest	-	-	- 93.0	-	-
Other comprehensive income	-	-	12.1	157.6	6.8
Group profit for the year	-	-	101.8	-	-
Total comprehensive income	-	-	113.9	157.6	6.8
Balance as at 30 September 2010	**643.1**	**913.5**	**1,469.2**	**- 658.2**	**5.6**

Cash flow hedges	Revaluation reserve	Reserve according to IAS 19	Revenue reserves (29)	Hybrid capital (30)	Equity before non-controlling interest	Non-controlling interest (31)	**Total**
- 217.8	**19.4**	**- 125.0**	**- 44.9**	**294.8**	**1,862.0**	**305.5**	**2,167.5**
-	-	-	-	-	-	- 51.9	- 51.9
-	-	-	- 19.4	-	- 19.4	-	- 19.4
-	-	-	6.3	-	6.3	5.5	11.8
141.8	-	1.9	0.0	-	0.0	- 0.4	- 0.4
-	-	-	- 52.6	-	- 52.6	-	- 52.6
-	-	-	98.0	-	-	-	-
- 16.9	-	- 91.2	20.0	-	20.0	- 229.5	- 209.5
-	-	-	349.3	-	349.3	46.0	395.3
- 16.9	-	- 91.2	369.3	-	369.3	- 183.5	185.8
- 92.9	**19.4**	**- 214.3**	**356.7**	**294.8**	**2,165.6**	**75.2**	**2,240.8**
-	-	-	-	-	-	- 84.8	- 84.8
-	-	-	- 25.9	-	- 25.9	-	- 25.9
-	-	-	12.7	-	12.7	10.2	22.9
-	-	-	-	-	0.7	-	0.7
-	-	-	-	-	41.8	93.8	135.6
-	-	-	-	-	-	- 2.2	- 2.2
- 2.9	-	- 3.7	- 99.6	-	- 99.6	14.9	- 84.7
38.9	0.2	- 71.8	143.8	-	143.8	- 25.6	118.2
-	-	-	101.8	-	101.8	11.8	113.6
38.9	0.2	- 71.8	245.6	-	245.6	- 13.8	231.8
- 56.9	**19.6**	**- 289.8**	**489.5**	**294.8**	**2,340.9**	**93.3**	**2,434.2**

Cash Flow Statement

€ million	Notes	2009/10	SFY 2009 revised	Var.
Group profit		113.6	395.3	- 281.7
Depreciation, amortisation and impairments (+) / write-backs (-)		456.5	502.2	- 45.7
Other non-cash expenses (+) / income (-)		- 310.8	163.4	- 474.2
Interest expenses (excl. interest relating to pension obligations)		352.2	246.9	105.3
Profit (-) / loss (+) from disposals of non-current assets		6.5	- 1,149.4	1,155.9
Increase (-) / decrease (+) in inventories		0.9	23.1	- 22.2
Increase (-) / decrease (+) in receivables and other assets		178.2	755.6	- 577.4
Increase (+) / decrease (-) in provisions		- 213.0	- 21.6	- 191.4
Increase (+) / decrease (-) in liabilities (excl. financial liabilities)		234.0	219.1	14.9
Cash inflow from operating activities	(42)	**818.1**	**1,134.6**	**- 316.5**
Payments received from disposals of property, plant and equipment, investment property and intangible assets		67.3	58.6	8.7
Payments received from disposals of consolidated companies (excl. disposals of cash and cash equivalents due to divestments)		-	2,542.2	- 2,542.2
Payments received from the disposals of other non-current assets		236.8	66.4	170.4
Payments made for investments in property, plant and equipment, investment property and intangible assets		- 302.4	- 338.5	36.1
Payments made for investments in consolidated companies (excl. cash and cash equivalent received due to acquisitions)		- 67.6	- 20.0	- 47.6
Payments made for investments in other non-current assets		- 235.2	- 2,809.2	2,574.0
Cash outflow from investing activities	(43)	**- 301.1**	**- 500.5**	**199.4**
Payments received from capital increases		0.4	-	0.4
Payments made for interest increase in consolidated companies		- 142.6	-	- 142.6
Payments made for capital reductions		- 2.2	-	- 2.2
Dividend payments				
TUI AG		- 25.9	- 25.9	-
subsidiaries to minority interests		- 85.4	- 39.3	- 46.1
Payments received from the issue of bonds and the raising of financial liabilities		1,245.0	107.9	1,137.1
Payments made for redemption of loans and financial liabilities		- 454.7	- 1,239.0	784.3
Interest paid		- 251.3	- 174.0	- 77.3
Cash outflow / inflow from financing activities	(44)	**283.3**	**- 1,370.3**	**1,653.6**
Net change in cash and cash equivalents		**800.3**	**- 736.2**	**1,536.5**
Development of cash and cash equivalents	(45)			
Cash and cash equivalents at beginning of period		**1,458.3**	**2,169.4**	**- 711.1**
Change in cash and cash equivalents due to exchange rate fluctuations		15.7	25.1	- 9.4
Change in cash and cash equivalents with cash effects		800.3	- 736.2	1,536.5
Cash and cash equivalents at end of period [1)]		**2,274.3**	**1,458.3**	**816.0**

[1)] As at 30 September 2010, cash and cash equivalents of €6.3m were included in the balance sheet item 'Assets held for sale'.

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).

Following the sale of Container Shipping in March 2009, the TUI Group has exclusively operated in Tourism, its core business. As in the previous financial year, Tourism comprises TUI Travel, TUI Hotels & Resorts and Cruises. The Cruises Sector operates in the German-speaking premium and luxury market with Hapag-Lloyd Kreuzfahrten and TUI Cruises. In addition, TUI AG holds an indirect stake of around 43.33% in Container Shipping, enabling the Company to exert significant influence. Since the divestment of Container Shipping, the proportional earnings resulting from that stake have no longer been included in the operating performance indicator EBITA of the continuing operations.

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 in 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 Annual General Meeting of TUI AG on 13 May 2009 decided to change the financial year to a financial year ending on 30 September. As a result, a short financial year (SFY) was introduced for the reference period from 1 January to 30 September 2009. The financial year of the TUI Group and its major subsidiaries included in consolidation thus covers the period from 1 October of any one year to 30 September of the following year. Where any of TUI's subsidiaries (in particular those of the Riu Group) use financial years with other closing dates, audited interim financial statements were prepared in order to include these subsidiaries in TUI AG's consolidated financial statements.

Due to the change in the financial year, a year-on-year comparison, especially of the income statement, between the 9-month short financial year 2009 and the 12-month financial year under review is of limited value.

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

The financial statements were authorized for issue as at 1 December 2010 by the Executive Board of TUI AG.

Correction of the consolidated financial statements

TUI Travel PLC has identified booking errors with regard to turnover recognition and the reversal of accrual items shown under trade payables, 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's Northern

Region 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 an adjustment of its financial results.

TUI UK engages in operations including the sale of travel products via travel agencies 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 agencies serves in particular to capture customer-related travel bookings and payments received. The actual recognition of tour turnover by TUI UK as tour operator is managed via a separate accounting system. Complexity is increased by the fact that the relevant bookings in these two systems are captured at different points in time and with different levels of detail.

The main reason for the booking errors are 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 agency. 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 against systems environment, unreconciled tour operator receivables against 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 (£82m) for the financial years concerned.

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

As a voluntary measure to enhance transparency and meet the requirements of the capital market, TUI AG has carried out the necessary accounting adjustments by means of correction of the consolidated financial statements themselves rather than carrying out retrospective restatements in the financial statements for 2009/10 in accordance with IAS 8. 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 income statement of the short financial year 2009:

Corrected income statement for the short financial year 2009

€ million	before correction	correction	SFY 2009 corrected
Turnover	13,103.6	- 11.3	13,092.3
Cost of sales	11,767.8	34.4	11,802.2
Gross profit	**1,335.8**	**- 45.7**	**1,290.1**
Earnings before income taxes	- 489.7	- 45.7	- 535.4
EBITA from continuing operations	235.4	- 45.7	189.7
Underlying EBITA from continuing operations	**656.6**	**- 45.7**	**610.9**
Result from continuing operations	- 443.5	- 45.7	- 489.2
Group profit for the year	400.7	- 45.7	355.0
attributable to shareholders of TUI AG	+ 333.3	- 24.2	+ 309.1
attributable to non-controlling interest	+ 67.4	- 21.5	+ 45.9
Basic and diluted earnings per share (in €)	+ 1.25	- 0.09	+ 1.16

In the statement of financial position, these corrections resulted in a corresponding reduction in trade receivables of €59.1m (31 December 2008 €49.4m) and an increase in trade payables of €63.4m (31 December 2008 €25.6m) as at 30 September 2009. Equity (other revenue reserves) was reduced by €122.5m (31 December 2008 €75.0m), with an amount of €54.5m relating to previous financial years.

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

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

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

Accounting principles

Pursuant to section 315a (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 IFRSs 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. Moreover, the commercial-law provisions listed in section 315a (1) of the German Commercial Code are also observed.

The following standards and interpretations revised or newly published by the IASB have been mandatory since the beginning of financial year 2009/10:

- Amendment to IFRS 3: Business Combinations
- Amendments to IAS 27: Consolidated and Separate Financial Statements
- Amendment to IAS 39: Financial Instruments: Recognition and Measurement – eligible hedged items
- Annual Improvements Project (2009) concerning IFRS 2: Share-Based Payment and IAS 38: Intangible Assets.
- IFRIC 12: Service Concession Arrangements
- IFRIC 16: Hedges of a Net Investment in a Foreign Operation

The amended provisions of IFRS 3: Business Combinations and IAS 27: Consolidated and Separate Financial Statements were already applied early as at 1 January 2009, prior to their effective dates, by the TUI Group.

Amendments to IAS 39: Financial Instruments: Recognition and Measurement set out the conditions under which inflation risks may be identified as a hedged risk and the possibility to use options as a hedge against one-sided risks.

While most of the amendments of the Annual Improvements Project (2009) are effective for reporting periods beginning on or after 31 December 2009, the clarifications for IFRS 2 and IAS 38 related to the amendments to IFRS 3 are already effective for financial year 2009/10.

IFRIC 12: Service Concession Arrangements explains accounting for concession arrangements with governments or similar institutions to provide public services, e.g. roads, prisons or energy distribution systems. Two types of arrangements 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. By contrast, an intangible asset must be carried if the company receives a right to charge users of the public service as consideration.

These provisions do not materially affect the TUI Group's net assets, financial position and results of operations.

IFRIC 16: Hedges of a Net Investment in a Foreign Operation 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 the translation into the presentation 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 amount to be reclassified to the income statement when an entity disposes of 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.

Summary of new standards and interpretations not yet applied/applicable

Standard/ Interpretation		Applicable for financial years from	Endorsement by the EU commission
Standard			
IFRS 1 (rev.)	Revised IFRS 1: First-time adoption of IFRS	1 Jan 2010	Yes
IFRS 1	Additional Exceptions for First-time Adopters	1 Jan 2010	Yes
IFRS 1	Limited Exemptions from Comparative IFRS 7 Disclosures for First-time Adopters	1 Jul 2010	Yes
IFRS 2	Share based payments transactions with cash compensation within the Group	1 Jan 2010	Yes
IFRS 7	Financial Instruments - Disclosure: Transfer of financial assets	1 Jul 2011	No
IFRS 9	Financial Instrument will replace IAS 34: Financial Instruments: recognition and measurement)	1 Jan 2013	No
IAS 24 (rev.)	Related Party Disclosures	1 Jan 2011	Yes
IAS 32	Classification of Rights Issues	1 Feb 2010	Yes
diverse	Improvements to IFRSs (2009)	1 Jan 2010	Yes
diverse	Improvements to IFRSs (2010)	Mostly 1 Jan 2011	No
Interpretations			
IFRIC 14	Prepayments of a Minimum Funding Requirement (Amendment)	1 Nov 2011	Yes
IFRIC 15	Agreements for the Construction of Real Estate	1 Jan 2010	Yes
IFRIC 17	Distributions of Non-Cash Assets to Owners	1 Nov 2009	Yes
IFRIC 18	Transfers of Assets from Customers	1 Nov 2009	Yes
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 Jul 2010	Yes

Comments concerning the contents and potential impacts on future periods are presented under Other Notes.

Changes in accounting and measurement methods

Obligations to employees are now shown under Liabilities to employees, with the exception of liabilities from social plans, anniversary allowance obligations and share-based variable remuneration programmes. As these obligations have a relatively high probability of occurrence and the estimates entail a relatively low level of uncertainty, showing a liability is more appropriate to present the economic substance. This approach gave rise to the following reclassifications in the consolidated statement of financial position:

Impact on the consolidated statement of financial position

€ million	30 Sep 2010	30 Sep 2009	1 Jan 2009
Other provisions - non-current	- 16.8	- 17.2	- 13.7
Other liabilities - non-current	16.8	17.2	13.7
Other provisions - current	- 120.4	- 128.2	- 102.3
Other liabilities - current	120.4	128.2	102.3
Total equity and liabilities	-	-	-

Changes in accounting and measurement methods

Negative non-controlling interest used to be eliminated against revenue reserves in the TUI Group. In accordance with (revised) IAS 27, all non-controlling interest are shown in the same line item in the statement of financial position in the present consolidated financial statements, as from the short financial year 2009. For the prior-year reference period, equity attributable to non-controlling interest in equity thus declined by €249.3m, with a decrease of €212.9m in the Group total comprehensive income for the year attributable to non-controlling interests. By contrast, revenue reserves and the Group total comprehensive income for the year attributable to TUI AG shareholders showed an increase.

Principles and methods of consolidation

Principles

The consolidated financial statements include all major companies in which TUI AG is able, directly or indirectly, to govern 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 coshareholder holding equal interests and voting rights. In the light of over-all conditions and circumstances, TUI AG is able in this case to govern 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 from the separate or consolidated financial statements of TUI AG and its subsidiaries, drawn up on the basis of uniform accounting, measurement and consolidation methods and almost exclusively audited or reviewed 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. Stakes in 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 annual financial statements available or the interim financial statements as at 30 September if the balance sheet dates differ from TUI AG's balance sheet date. This approach affects 41 companies with a financial year from 1 January to 31 December, seven companies with a financial year from 1 November to 31 October and two companies with a financial year from 1 April to 31 March of the subsequent year.

Group of consolidated companies

In financial year 2009/10, the consolidated financial statements included a total of 45 domestic and 703 foreign subsidiaries, besides TUI AG.

37 domestic and 75 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 results of operations of the Group.

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

	Balance 30 Sep 2009	Additions	Disposals	**Balance 30 Sep 2010**
Consolidated subsidiaries	739	32	23	**748**
Domestic companies	45	2	2	45
Foreign companies	694	30	21	703
Associated companies	**18**	**1**	**1**	**18**
Domestic companies	4	-	-	4
Foreign companies	14	1	1	14
Joint ventures	**35**	**2**	**1**	**36**
Domestic companies	7	-	-	7
Foreign companies	28	2	1	29

[1] excl. TUI AG

Since 1 October 2009, a total of 32 companies have been newly included in consolidation, with eight companies added due to an expansion of their business operations and13 companies due to acquisitions, while nine companies had been newly established. In addition, two companies previously measured at equity were included in consolidation due to purchases of additional interests. 30 additions related to the Tourism Segment and two to Other Segments.

Since 30 September 2009, a total of 23 companies have been removed from consolidation, all of which related to the Tourism Segment. Twelve of the companies were removed from consolidation due to mergers, five due to liquidation and six due to divestments.

18 associated companies and 36 joint ventures were measured at equity. The group of companies measured at equity rose slightly by one year-on-year. Three companies were added due to the purchase of interests or an expansion of their business operations. The removals exclusively related to companies now allocable to the consolidated subsidiaries due to purchases of additional stakes.

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The major direct and indirect subsidiaries, associated companies and joint ventures of TUI AG are listed under Other Notes 'TUI Group shareholdings'.

The impact of the changes in the group of consolidated companies in financial year 2009/10 on financial years 2009/10 and 2009 are outlined below. While balance sheet values of companies deconsolidated in financial year 2009/10 are shown as per the closing date for the previous period, items of the income statement are also shown for financial year 2009/10 due to prorated effects.

Impact of changes in the group of consolidated companies on the statement of financial position

€ million	Additions 30 Sep 2010	Disposals 30 Sep 2009
Non-current assets	94.2	2.0
Current assets	37.7	87.8
of which assets held for sale	-	78.0
Non-current provisions	1.1	-
Non-current financial liabilities	11.7	-
Current financial liabilities	4.2	-
Non-current other liabilities	5.0	0.7
Current other liabilities	53.0	41.5
Liabilities related to assets held for sale	-	34.0

Impact of changes in the group of consolidated companies on the consolidated income statement

	Additions		Disposals
€ million	2009/10	2009/10	SFY 2009
Turnover with third parties	27.8	82.7	170.4
Turnover with consolidated Group companies	54.9	-	-
Cost of sales and administrative expenses	75.6	80.4	194.9
Financial expenses	0.2	0.4	0.5
Earnings before income taxes	**6.9**	**1.9**	**- 25.0**
Income taxes	0.2	-	-
Result from continuing operations	**6.7**	**1.9**	**- 25.0**
Result from discontinued operation	-	-	936.7
Group profit for the year	**6.7**	**1.9**	**911.7**

Acquisitions – divestments

In financial year 2009/10, 13 Tourism companies were acquired with a view to expanding business operations at acquisitions costs of €59.1m.

Summary presentation of acquisitions

Name and headquarters of the acquired company	Business activity	Acquirer	Date of acquisition	Acquired share %	Acquisition costs € million
Select-World Pty Ltd., Australia	Cruise handling	First Choice Holdings Australia Pty Ltd.	26 Nov 09	100%	7.0
The Hampstead School of English Ltd., UK	Language courses	TUI Travel Holdings Ltd.	19 Feb 10	n/a	8.0
TUI Travel Hotel Management Services Ltd., Turkey	Hotel management	TUI Travel Holdings Ltd.	1 Mar 10	n/a	-
TURKUAZ Insaat Turizm A.S., Turkey	Hotel company	TUI AG	30 Mar 10	50%	9.0
Hilario Tours S.A., Dominican Republic	Bus company	Hotelbeds Dominicana S.A.	27 Apr 10	n/a	9.9
Wonderholding AB, Sweden (incl. 1 subsidiary)	Tour operator	TUI Nordic Holding AB	19 May 10	51%	0.7
Manchester Academy Holdings Limited (incl. 2 subsidiaries)	Language courses	TUI Travel SAS Holdings Ltd.	13 Aug 10	100%	4.0
Tortola Yacht Services Limited	Yachting services	The Mooring Limited	3 Sep 10	n/a	3.0
23 travel agencies in Germany	Travel agencies	TUI Leisure Travel GmbH	various	n/a	8.0
Other acquisitions (8 companies)	Tourism	TUI Travel Group	2009/10	n/a	9.5
Total					**59.1**

Following its formation, TUI Travel Hotel Management Services Ltd. acquired economic ownership of the business operations, including services for hotels in Turkey, and the associated contracts from a hotel management company.

The acquisitions of Hampstead School of English Ltd., Hilario Tours S.A. and Manchester Academy Holdings Ltd. were carried out in the form of asset deals.

Following acquisition of the stakes listed above, TUI AG now holds 100% of TURKUAZ Insaat Turizm A.S. The previously held stake was measured at fair value of €3.7m as at the acquisition date, resulting in income of €0.2m carried in Other income.

In some cases the cost of acquisition included the fair values of conditional consideration, i. e. consideration depending on the future development of business, alongside the purchase price already paid.

Fair values of considerations transferred

€ million	
Purchase price paid	55.4
Deferred or contingent consideration	3.7
Total	**59.1**

In accordance with the amended provisions of IFRS 3, incidental acquisition costs and the remuneration for future services of employees of the acquired companies were carried as administrative expenses in the income statement. In the period under review, this resulted in total expenses of €15.3m.

Summary presentation of statements of financial position as at the date of first-time cosolidation

€ million, translated	Fair value at date of first-time consolidation
Intangible assets	52.1
Property, plant and equipment	20.5
Fixed assets	**72.6**
Inventories	0.7
Trade receivables	3.8
Other assets (including prepaid expenses)	1.2
Cash and cash equivalents	6.4
Deferred income tax provisions	4.6
Other provisions	3.5
Financial liabilities	9.1
Liabilities and deferred income	43.4
Equity	**24.1**

The fair value of trade receivables corresponded to the gross amount of the contractual receivables.

The difference between the considerations transferred and the revalued acquired net assets totalled €39.1m (incl. foreign exchange differences) as at the date of acquisition and was provisionally carried as goodwill for the respective companies. This goodwill essentially constituted part of the expected synergy potential. The goodwill capitalised in the period under review included an amount of €7.2m expected to be tax deductible.

Due to the available information measurement of some asset and liability items acquired was not finalised as at the balance sheet date. The 12-month timeframe offered under IFRS 3 for the finalisation of purchase price allocations was used, according to which purchase price allocation to individual assets and liabilities was effected on a provisional basis.

The turnover of the companies and operations acquired in the period under review and included in the income statement for the completed financial year amounted to €84.1m. They generated profit of €10.2m. If they had been included in consolidated financial statements since 1 October 2009, Group turnover would have been €48.4 m higher, while consolidated earnings would have been €10.8m lower.

No major acquisitions were made after the balance sheet date. Accounting for these acquisitions according to IFRS 3 has not yet been finalised.

The present annual financial statements reflect purchase price allocations of the following companies and groups acquired between 1 October 2008 and 30 September 2009 and finalised within the twelve-month timeframe provided under IFRS 3:

- Travel Adventures Inc., USA
- Sport Abroad Ltd., UK
- Teamlink Travel Group, UK
- Sunshine Cruises Ltd., UK
- Edwin Doran Travel Ltd., UK
- Master Yachting GmbH, Germany
- On the piste.com Group, UK
- Adventure Tours Australia Group, Australia
- Williment World Travel Group, New Zealand
- Aragon Tours Ltd., UK
- Zeghram Expeditions Group, USA
- EAC Language Centers Group, UK

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 finalised at the date of acquisition. The acquisitions made in the period from October to December 2008 did not give rise to any major adjustments in the consolidated statement of financial position as at 31 December 2008. Retrospective presentation was therefore dispensed with. The following table provides an overview of the final purchase price allocations for the acquisitions made from January to September 2009:

Final presentation of the statements of financial postion as at first-time consolidation for acquisitions of 2009

€ million	Carrying amounts at date of acquisition	Revaluation of assets and liabilities	Carrying amounts at date of first-time consolidation
Other intangible assets	2.3	6.4	8.7
Property, plant and equipment	5.0	- 4.1	0.9
Fixed assets	**7.3**	**2.3**	**9.6**
Receivables and other assets including deferred tax receivables	12.0	2.5	14.5
Cash and cash equivalents	12.6	-	12.6
Deferred tax provisions	0.1	1.7	1.8
Other provisions	0.2	5.4	5.6
Financial liabilities	2.8	-	2.8
Liabilities and deferred income	27.6	1.2	28.8
Equity	**1.2**	**- 3.5**	**- 2.3**

The goodwill arising in the consolidated statement of financial position from the elimination of the considerations transferred against the acquiree's revalued equity attributable to the acquired share rose by €3.5m as against 30 September 2009 due to changes in the purchase price allocation. Capitalised goodwill essentially represents a portion of the expected synergy potential.

Taking account of the changes in purchase price allocation, the following impacts in the consolidated statement of financial position arose as at 30 September 2009:

Impact of changes in purchase price allocations and adjustments on the consolidated statement of financial position

€ million	Adjustment 30 Sep 2009
Goodwill	- 3.5
Property, plant and equipment	- 2.7
Non-current assets	**- 6.2**
Other liabilities	- 8.1
Non-current provisions and liabilities	**- 8.1**
Other liabilities	+ 1.9
Current liabilities	**+ 1.9**

These purchase price allocations did not have any major effects on the consolidated income statement.

At the end of March 2009, the 43.33% stake in 'Albert Ballin' Joint Venture GmbH & Co. KG had been measured at equity for the first time. The determination of the fair values of assets and liabilities, in particular those of Hapag-Lloyd AG, carried out in the framework of the measurement was completed in the second quarter of 2009/10. As a result, the carrying amount of Shipping measured at equity declined by €16.7m as at 30 September 2009. At the same time, priorperiod earnings from companies measured at equity rose by a total of €40.3m due to the changes in depreciation/amortisation and the scheduled reversal of the assets and liabilities revalued in the framework of purchase price allocation. The prior-year periods were revised accordingly.

Divestments

The tourism activities of TUI Travel in Canada, hereinafter Canada Mainstream, were classified as a disposal group according to IFRS 5 as at 30 September 2009.

On 14 January 2010, following regulatory clearance, Canada Mainstream was transferred to the Sunwing Group. TUI Travel received consideration in the form of a 49% stake in the tourism company formed with the Sunwing Group and paid €97.7m as purchase price for the stake and as cash contribution to the new company. The new company was measured at equity as an affiliated company. The disposal resulted in income of €12.1m, carried under Other income.

Other divestments did not have a material effect on the TUI Group's net assets, financial position and results of operations.

Foreign exchange differences

Transactions in foreign currencies were translated into the functional currency at the foreign exchange rates ruling 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 denominated in foreign currencies at the foreign exchange rate ruling at the date of the transaction are shown in the income statement, with the exception of gains and losses to be recognised in equity as qualifying cash flow hedges.

The financial statements of companies are prepared in the respective functional currency. The functional currency of a company is the currency of the primary economic environment in which the company operates. With the exception of a small number of companies in the Tourism Segment, the functional currencies of all subsidiaries correspond 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 notes on the statement of financial position 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 income statement and hence the profit for the year shown in the income statement are generally translated at the average rate of the month in which the respective transaction takes place.

Translation differences relating to non-monetary items with changes in their fair values through profit and loss (e.g. equity instruments measured at their fair value through profit and loss) are carried in the income statement. In contrast, foreign exchange 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.

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

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 arising on the translation of the annual financial statements of foreign subsidiaries are carried outside profit and loss and separately shown as foreign exchange differences 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 income statement.

Net investment in a foreign operation

Monetary items receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, essentially form part of a net investment in this foreign operation. Foreign exchange differences from the translation of these monetary items are recognised directly in equity outside profit and loss.

Until the disposal of Container Shipping in the previous year, gains and losses from currency hedges resulting from the translation of the functional currency of Container Shipping into euros were carried separately in equity under the item Foreign exchange differences if the hedge was effective (hedge of a net investment in a foreign operation). These amounts carried in equity outside profit and loss were recognised through profit and loss in the framework of the sale of the net investment.

Exchange rates of currencies of relevance to the TUI Group

	Closing rate		Annual average rate	
1 € equivalent	**30 Sep 2010**	30 Sep 2009	**2009/10**	SFY 2009
Sterling	0.86	0.91	0.87	0.89
US Dollar	1.36	1.46	1.36	1.36
Swiss Franc	1.33	1.52	1.43	1.51
Swedish Krona	9.19	10.22	9.83	10.71

Consolidation methods

The recognition of the net assets of acquired subsidiaries is based on the purchase method of accounting. Accordingly, irrespective of existing non-controlling interests, a complete fair value measurement of all identifiable assets, liabilities and contingent liabilities is initially effected as at the acquisition date. Subsequently, the consideration for the stake is measured at equity and eliminated against the acquiree's revalued equity attributable to the acquired share. Any excess is capitalised as goodwill 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 and loss as at the date on which it arises, with the reversal effect carried under Other income.

Changes in the fair value of contingent consideration are carried in the income statement.

Goodwill is not 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 triggering events or indications suggesting potential impairments in goodwill.

In line with the transition provisions of IFRS 3 (revised) and IAS 27 (revised), the difference between the purchase price and the carrying amount of stakes acquired is recognised directly in equity when additional shares are purchased after obtaining control (follow-up share purchases). The effects from sales of stakes not entailing a loss of control are also recognised directly in equity on an analogous basis. By contrast, when control is obtained or lost, the difference is realised through profit and loss.

This gain or loss effect results from step acquisitions (transactions involving a change of control), with the equity stake previously held in the acquired company revalued at the fair value applicable at the acquisition date. For transactions involving a loss of control, the profit or loss does not only comprise the difference between the carrying amounts of the disposed stakes and the consideration received but also the effect from a revaluation of the remaining shares.

In the event of step acquisitions carried out before 31 December 2008, still treated in accordance with the old IAS 27 provisions, a complete fair value measurement of assets and liabilities of the acquired company was carried out at every acquisition date. The goodwill to be recognised arose from the elimination of the acquisition cost against the acquiree's revalued equity attributable to the acquired share at the respective acquisition date. Any changes in the fair values of assets and liabilities arising in between the acquisition dates were recognised in equity outside profit and loss (revaluatian reserve) in the consolidated statement of financial position in relation to the stake not yet resulting in consolidation of the company. In the framework of deconsolidation 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 foreign exchange differences previously carried outside profit and loss, differences from the revaluation reserve, the reserve for changes in the value of financial instruments as well as eliminated interim profits, is carried in the income 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 carried 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 income of associated share of companies and joint ventures is carried in the income statement as from the date of acquisition (share of 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 shown in 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 unsecured receivables, no further losses are recognised as a matter of principle. Any losses exceeding that stake 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 are eliminated. In accordance with the provisions of IFRS 5, expenses and income from transactions between continuing and discontinued operations are not eliminated where these operations are continued after the disposal of the discontinued operation. Intercompany results from intercompany deliveries and services are reversed through profit and loss, taking account of deferred taxes. However, intercompany losses are triggering events 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.

Turnover recognition

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 recognised 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, at the date of departure. The services of tour operators mainly consist in organising and coordinating package tours. Turnover from the organisation of tours is therefore recognised in full when the customer departs. Turnover from individual travel modules booked directly from airlines, hotel companies or incoming agencies by customers is recognised when the customers use the services concerned. Income from non-completed cruises is recognised according to the proportion of contract performance at the balance sheet date. The percentage of completion is determined as the ratio between travel days completed by the balance sheet date and overall travel days.

Interest income is reported on a prorated basis according to the effective interest method. Dividends are recognised 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 base or trademark rights, are carried at the fair value as at the date of acquisition and amortised.

Useful lives of intangible assets

	Useful lives
Concessions, property rights and similar rights	up to 20 years
Trademarks at acquisition date	15 to 20 years
Order book as at acquisition date	until departure date
Software	3 to 10 years
Customerbase as at acquisiton date	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 triggering events or indications suggesting potential impairment. The TUI Group's intangible assets with an indefinite triggering useful life consisted exclusively 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 as a whole represents a cash generating unit. Allocation in TUI Hotels & Resorts 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 is 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, it was determined by means of discounting the expected cash surpluses. This was based on the mediumterm plan for the entity under review, prepared at the balance sheet date, following deduction of income tax payments.

For the detailed planning periods from 2010/11 to 2012/13, the weighted average cost of capital after income taxes used as the discounting basis was 7.7% per annum for TUI Travel and 7.95% per annum for TUI Hotels & Resorts; taking account of a growth rate of 1.0% per annum, the corresponding figures were 6.7% p.a. and 6.95% p.a., respectively, for the longer-term period. The fair values determined were tested against analysts' estimates concerning TUI AG at the segment level (sum-of-the-parts measurements). They were also 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 reversed and the gain recognised in Other income. In accordance with IAS 36, reversals of goodwill impairments are not admissible.

Property, plant and equipment

Property, plant and equipment are measured at amortised cost. The cost of purchase comprises the consideration spent 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. The capitalisation rate applied in the event of intercompany financing is 6.3% for the financial year under review and 6.0% for the previous year. 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 determined on the basis of the specific borrowing cost; in all other cases the weighted average of the borrowing costs applicable to the borrowings outstanding is applied.

Userelated depreciation and amortisation is based on the following useful lives:

Useful lives

	Useful lives
Hotel buildings	30 to 40 years
Other buildings	up to 50 years
Cruise ships	20 to 30 years
Yachts	5 to 15 years
Motorboats	15 to 24 years
Aircraft	
Fuselages	up to 18 years
Engines	up to 18 years
Engine overhaul	depending on intervals, up to 5 years
Major overhaul	depending on intervals, up to 5 years
Spare parts	12 years
Other machinery and fixtures	up to 40 years
Operating and business equipment	up to 40 years

Moreover, the level of depreciation is determined by the residual amounts recoverable at the end of the useful life of an asset. The residual value assumed in first-time recognition for cruise ships and their hotel complexes is 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 adjustment 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 triggering events or indications suggesting 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 as to produce a constant periodic rate of interest on the remaining balance of the liability. The interest portion is carried in the income statement.

Where companies of the TUI Group are lessors in finance leases, receivables equivalent to the net investment value are carried for the lease. The periodic 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 made and income received under operating leases are recognised in the income statement on a straight-line basis over the term of the corresponding leases.

Sale-and-lease-back transactions

Gains from sale-and-lease-back transactions resulting in a finance lease are recognised in income over the term of the lease. Losses, in contrast, are immediately recognised in the income statement as at the date of the transaction.

If a sale-and-lease-back transaction is classified as an operating lease, a gain or loss is recognised immediately if the transaction has demonstrably been carried out at fair value. If a loss is compensated for by future lease payments at below-market price, this loss is to be deferred and amortised over the term of the lease agreement. If the agreed purchase price exceeds fair value, the gain from the difference between these two values also has to be deferred and amortised.

Investment property

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

Financial instruments

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

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

In terms of financial instruments measured at fair value through profit and loss, the TUI Group holds derivative financial instruments most of which have to be classified as held for trading. Additionally exists a shareholding measured at fair value intended for sale. 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 under review.

In financial year 2009/10 and in the previous short 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 receivables and other receivables in the statement of financial position 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. In the event of objective indications suggestions impairments, impairments are effected at an amount corresponding to the expected loss. Impairments and reversals of impairments are carried under Cost of sales, Administrative or financial expenses, depending on the nature of the transaction.

Financial assets available for sale are non-derivative financial assets either individually expressly allocated to this category or not allocable to any other category of financial assets. In the TUI Group, they exclusively consist of company shares held, securities and hybrid instruments to Container Shipping. 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 and loss. In the event of subsequent reversal of the impairment, the impairment carried through profit and 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.

Derecognition of assets is carried out as at the date on which the rights for payments from the asset expire or are transferred and therefore as at the date on which essentially all risks and rewards of 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. 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.

The changes in the fair values of derivative financial instruments designated to hedge against exposure to changes in fair values (fair value hedges) are carried in the income 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 carrying amount of the underlying transaction has to be adjusted 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 income statement, depending on the nature of the transaction. Amounts taken to equity are reclassified to the income 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 income 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 immediately has to be recognised through profit and loss.

Changes in the fair values of derivative financial instruments not meeting the criteria for hedge accounting are immediately carried in the income statement with an effect on results.

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 writedowns 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 and loss, with any subsequent gains resulting in the recognition of profits of up to the amount of the cumulative impairment cost.

Hybrid capital
In accordance with IAS 32, the hybrid capital issued at the end of financial year 2005 has to be recognised as a Group equity component under the bond terms. Accordingly, the tax-deductible interest payments were not shown under interest expenses but treated in analogy to dividend obligations to TUI AG shareholders. Any borrowing costs incurred were directly deducted from the hybrid capital, taking account of deferred 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 exist, 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 pretax interest rate reflecting current market expectations concerning the interest effect 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) 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 outside profit and loss 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 an interest rate based on interest rates of high-quality 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 (vesting period). In this case, 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 under personnel costs when they fall due.

Liabilities

Liabilities are always carried at the date on which they arise at fair value less borrowing and transaction costs. Over the course of time, liabilities are measured at amortised cost using 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 nature. 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 foreign exchange differences resulting from the translation of trade payables are reported as a correction of the cost of sales. Foreign exchange differences from the translation of liabilities not resulting from normal performance processes are carried under Other income/Other expenses or Administrative expenses, depending on the nature of the underlying liability.

Deferred taxes

In accordance with IAS 12, deferred taxes were determined using the balance sheet liability method. Accordingly, probable future tax assets and liabilities are recognised for all temporary differences between the carrying amounts of assets and liabilities shown in the consolidated financial statements 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 countryspecific 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 asset or the payment of the deferred tax liability.

Current income taxes

The German companies of the TUI Group had to pay average trade tax of 15.2% or 15.7% (previous year 15.2%), depending on the applicable trade tax multiplication factor. The corporation tax rate was 15.0%, as in 2009, plus a 5.5% solidarity surcharge on corporation tax.

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 0.0% to 39.0%.

Current 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 reporting date and all changes in the fair value were carried through profit and loss.

In the Tourism Segment, 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 of the awards and spread over the vesting 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 under 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 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 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 presented in the explanatory information on the recognised pension provisions under note 32.

Judgement is required in the assessment of 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.

Notes
Segment Reporting

Notes on the segments

The identification of operating segments is based on the internal organisational and reporting structure, built on the different products and services within the TUI Group. Allocation of the individual organisational entities to the operating segments is exclusively based on economic criteria, irrespective of the participation structure under company law. For the presentation of reportable segments in accordance with IFRS 8, operating segments with comparable economic features and operating segments not meeting the quantitative thresholds have been combined with other operating segments.

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Since the sale of the majority stake in Container Shipping in March 2009, Tourism has represented the Group's sole core business. The Tourism Segment consists of TUI Travel, TUI Hotels & Resorts and the Cruises Sector.

TUI Travel comprises all distribution, tour operator, airline and incoming activities of the TUI Group. Operational management of the Mainstream, Specialist & Emerging Markets, Activity and Accommodation & Destination Businesses is exercised by the boards and the management of TUI Travel PLC. TUI Hotels & Resorts comprises all hotel companies of the Group. The Cruises Sector consists of Hapag-Lloyd Kreuzfahrten and the operations of TUI Cruises, the joint venture measured at equity.

'All other segments' carry the Group's real estate companies, all non-allocable business activities (in particular holding companies) and the result from the measurement of the stake in Container Shipping since 1 April 2009. The 'Holdings' segment also shows turnover from and expenses for the intra-Group aircraft charter business.

In the previous year, discontinued operations comprised the Container Shipping activities until the disposal of these operations in March 2009. The results from business relationships between the continuing and the discontinued operations, based on agreements retained after the sale, were not included in consolidation but were allocated to the respective segment. Presentation of the individual segments was thus based on the post-disposal approach, reflecting the segments after the sale of Container Shipping.

Expenses for and income from TUI AG's cross-sectoral management tasks were allocated to the individual sectors and segments they were associated with.

Notes on the segment data

As a rule, inter-segment business transactions are based on the arm's length principle, as applied in transactions with third parties.

The operating segment assets and liabilities consist of assets and liabilities, excluding financial assets, financial liabilities, pension provisions and income taxes. Goodwill is also shown as segment assets.

Non-current assets comprise goodwill, other intangible assets, property, plant and equipment, carrying shares of results of joint ventures and associates measured at equity and non-current components of Other assets.

Investments are additions of property, plant and equipment as well as intangible assets. Depreciation relate to segment fixed assets and also include goodwill impairments.

Non-cash expenses do not comprise depreciation.

Proceeds from the disposal of subsidiaries are allocated to the individual segment revenues. The recognition of foreign exchange differences in connection with capital reductions was attributed to the holding activities and therefore allocated to the holding companies in segment reporting.

Financial assets as well as cash and cash equivalents are used to generate the financial result. Financial liabilities (including pension provisions) are carried as interest-bearing liabilities and are used to finance the operating and investing activities.

Reconciliation of segment assets and liabilities to Group assets or liabilities has to take account of income tax assets, provisions and liabilities.

Segment reporting discloses in particular performance indicators such as EBITA, underlying EBITA, EBITDA and EBITDAR since these indicators are used as the control basis for value-oriented corporate management. In determining the performance indicators of the discontinued operations, the result from discontinued operations was reallocated to the original types of income and expenses.

Key Figures by Segment and Sector

€ million	Tourism Segment 2009/10	Tourism Segment SFY 2009 revised	All other Segments 2009/10	All other Segments SFY 2009 revised
Statement of results				
Third-party turnover	16,286.7	13,081.5	63.4	49.3
Turnover between continuing/discontinued operation (s)	-	-	-	-
Turnover	**16,286.7**	**13,081.5**	**63.4**	**49.3**
Inter-segment turnover	15.5	14.0	105.8	123.2
Segment turnover	**16,302.2**	**13,095.5**	**169.2**	**172.5**
Group profit for the year	**-**	**-**	**-**	**-**
Income taxes	-	-	-	-
Earnings before taxes (EBT)	**66.0**	**49.3**	**111.8**	**- 626.5**
of which share of results of joint ventures and associates	20.3	36.2	150.3	- 173.9
Net interest result and result from the measurement of interest hedges	- 161.4	- 99.8	- 143.4	- 57.1
Impairment of goodwill	18.2	8.9	-	-
Segment results according to IFRS 8	**245.6**	**158.0**	**255.2**	**- 569.4**
Result from Container Shipping measured at equity	-	-	150.3	- 173.9
Effect of the measurement of loans to Container Shipping	-	-	135.0	- 353.9
Earnings before interest, taxes and amortisation of goodwill (EBITA)	**245.6**	**158.0**	**- 30.1**	**- 41.6**
Adjustments	394.6	465.2	- 20.9	-
IFRS 5 effects	-	-	-	-
Underlying EBITA	**640.2**	**623.2**	**- 51.0**	**- 41.6**
Amortisation of other intangible assets and depreciation of property, plant and equipment	413.3	484.6	14.5	8.7
of which impairments	30.7	186.4	8.3	3.8
Other depreciation/amortisation and write-backs	- 5.1	- 2.9	- 1.4	0.8
of which write-backs	3.9	-	-	1.8
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**664.0**	**645.5**	**- 14.2**	**- 33.7**
Rental expenses	797.3	553.1	93.4	102.5
Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)	**1,461.3**	**1,198.6**	**79.2**	**68.8**
Assets and liabilities				
Segment assets	8,610.9	8,414.7	513.2	578.3
of which goodwill	2,862.6	2,712.3	-	-
Carrying amounts of joint ventures and associates	714.9	567.8	1,060.3	616.2
Interest-bearing Group receivables	68.2	9.6	1,111.2	1,961.8
Cash and cash equivalents	1,232.2	954.4	1,042.1	503.9
Other financial assets	198.0	235.1	3,204.8	3,300.5
Non-allocable taxes	-	-	-	-
Total assets	**-**	**-**	**-**	**-**
Segment liabilities	6,185.2	5,645.8	330.1	485.6
Third-party financial liabilities	1,427.9	627.0	3,089.0	3,161.1
Group financial liabilities	1,047.2	1,928.9	59.0	61.3
Other financial liabilities items	581.7	554.9	329.6	313.5
Non-allocable taxes	-	-	-	-
Total liabilities and provisions	**-**	**-**	**-**	**-**
Additional disclosures				
Non-cash expenses	32.1	5.1	-	-
Non-cash income	47.0	41.8	200.9	-
Return on sales (% on EBITA)	1.5	1.2	-	-
Investments	512.1	294.8	4.1	8.6
Investments in goodwill	46.1	20.0	-	-
Investments in other intangible assets and property, plant and equipment	466.0	271.4	4.1	8.6
Financing ratio (%)	84.3	167.4	353.7	101.2
Employees at year-end	70,745	68,861	653	675

*) In accordance with IFRS 5. these earnings are presented taking account of depreciation/amortisation and at equity measurement. Adjusted for these effects, earnings would be €66.0 (previous year €179.1m) lower. In order to enhance comparability of underlying EBITA. this effect was additionally included in the adjustments for the discontinued operation.

	Consolidation		Continuing operations		Discontinued operations		Consolidation		Group	
	2009/10	SFY 2009 revised	**2009/10**	SFY 2009 revised	**2009/10**	SFY 2009 revised	**2009/10**	SFY 2009 revised	**2009/10**	SFY 2009 revised
	- 0.0	- 0.0	16,350.1	13,130.8	-	1,118.9	-	-	16,350.1	14,249.7
	-	-	-	-	-	-	-	-	-	-
	- 0,0	**- 0.0**	**16,350.1**	**13,130.8**	**-**	**1,118.9**	**-**	**-**	**16,350.1**	**14,249.7**
	- 121.3	- 137.2	-	-	-	-	-	-	-	-
	- 121.3	**- 137.2**	**16,350.1**	**13,130.8**	**-**	**1,118.9**	**-**	**-**	**16,350.1**	**14,249.7**
	-	**-**	**113.6**	**- 541.4**	**-**	**936.7**	**-**	**-**	**113.6**	**395.3**
	-	-	64.2	- 33.2	-	1.0	-	-	64.2	- 32.2
	-	**2.6**	**177.8**	**- 574.6**	**-**	**937.7**	**-**	**-**	**177.8**	**363.1**
	-	-	170.6	- 137.7	-	-	-	-	170.6	- 137.7
	-	-	- 304.8	- 156.9	-	- 22.2	-	-	- 304.8	- 179.1
	-	-	18.2	8.9	-	-	-	-	18.2	8.9
	-	**2.6**	**500.8**	**- 408.8**	**-**	**959.9**	**-**	**-**	**500.8**	**551.1**
	-	-	150.3	- 173.9	-	-	-	-	150.3	- 173.9
	-	-	135.0	- 353.9	-	-	-	-	135.0	- 353.9
	-	**2.6**	**215.5**	**119.0**	**-**	**959.9 *)**	**-**	**-**	**215.5**	**1.078.9**
	-	-	373.7	465.2	-	- 1.115.9	-	-	373.7	- 650.7
	-	-	-	-	-	- 66.0	-	-	-	- 66.0
	-	**2.6**	**589.2**	**584.2**	**-**	**- 222.0**	**-**	**-**	**589.2**	**362.2**
	-	-	427.8	493.3	-	-	-	-	427.8	493.3
	-	- 0.0	39.0	190.2	-	-	-	-	39.0	190.2
	-	-	- 6.5	- 2,1	-	-	-	-	- 6.5	- 2.1
	-	-	3.9	1.8	-	-	-	-	3.9	1.8
	-	**2.6**	**649.8**	**614.4**	**-**	**959.9**	**-**	**-**	**649.8**	**1,574.3**
	- 85.2	- 119.9	805.5	535.7	-	104.5	-	-	805.5	640.2
	- 85.2	**- 117.3**	**1,455.3**	**1,150.1**	**-**	**1,064.4**	**-**	**-**	**1,455.3**	**2,214.5**
	- 6.6	- 16.4	9,117.5	8,976.6	-	-	-	-	9,117.5	8,976.6
	-	-	2,862.6	2,712.3	-	-	-	-	2,862.6	2,712.3
	-	-	1,775.2	1,184.0	-	-	-	-	1,775.2	1,184.0
	- 1,179.4	- 1,971.4	-	-	-	-	-	-	-	-
	-	-	2,274.3	1,458.3	-	-	-	-	2,274.3	1,458.3
	- 2,158.9	- 2,000.0	1,243.9	1,535.6	-	-	-	-	1,243.9	1,535.6
	-	-	-	-	-	-	-	-	204.6	305.7
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**14,615.5**	**13,460.2**
	- 89.9	- 15.9	6,425.4	6,115.5	-	-	-	-	6,425.4	6,115.5
	- 5.0	-	4,511.9	3,788.1	-	-	-	-	4,511.9	3,788.1
	- 1,106.2	- 1,990.2	-	-	-	-	-	-	-	-
	-	-	911.3	868.4	-	-	-	-	911.3	868.4
	-	-	-	-	-	-	-	-	332.7	447.3
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**12,181.3**	**11,225.7**
	-	-	32.1	5.1	-	285.4	-	-	32.1	290.5
	-	-	247.9	41.8	-	-	-	-	247.9	41.8
	-	-	1.3	0.9	-	-	-	-	1.3	7.6
	-	-	516.2	303.4	-	60.4	-	-	516.2	363.8
	-	-	46.1	23.4	-	-	-	-	46.1	23.4
	-	-	470.1	280.0	-	60.4	-	-	470.1	340.4
	-	-	86.4	165.5	-	-	-	-	86.4	138.0
	-	-	71,398	69,536	-	-	-	-	71,398	69,536

Key Figures Tourism Segment

€ million	TUI Travel PLC 2009/10	TUI Travel PLC SFY 2009 revised	TUI Hotels & Resorts 2009/10	TUI Hotels & Resorts SFY 2009 revised
Statement of results				
Third-party turnover	15,728.0	12,622.0	380.0	317.5
Turnover between continuing/discontinued operation (s)	-	-	-	-
Turnover	**15,728.0**	**12,622.0**	**380.0**	**317.5**
Inter-segment turnover	26.2	24.6	473.8	353.0
Segment turnover	**15,754.2**	**12,646.6**	**853.8**	**670.5**
Group profit for the year				
Income taxes	-	-	-	-
Earnings before taxes (EBT)	**- 18.1**	**19.0**	**78.9**	**28.9**
of which share of results of joint ventures and associates	- 6.0	14.3	26.7	25.5
Net interest result and result from the measurement of interest hedges	- 132.3	- 76.4	- 27.5	- 23.5
Impairment of goodwill	9.1	8.9	9.1	-
Segment results according to IFRS 8	**123.3**	**104.3**	**115.5**	**52.4**
Result from Container Shipping measured at equity	-	-	-	-
Effect of the measurement of loans to Container Shipping	-	-	-	-
Earnings before interest, taxes and amortisation of goodwill (EBITA)	**123.3**	**104.3**	**115.5**	**52.4**
Adjustments	382.7	421.2	11.1	44.0
IFRS 5 effects	-	-	-	-
Underlying EBITA	**506.0**	**525.5**	**126.6**	**96.4**
Amortisation of other intangible assets and depreciation of property, plant and equipment	323.8	379.9	81.1	98.9
of which impairments	22.9	141.4	7.8	45.0
Other depreciation/amortisation and write-backs	- 8.0	- 1.6	2.9	- 1.3
of which write-backs	-	-	3.9	-
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**455.1**	**485.8**	**193.7**	**152.6**
Rental expenses	708.0	487.0	81.0	59.9
Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)	**1,163.1**	**972.8**	**274.7**	**212.5**
Assets and liabilities				
Segment assets	6,692.5	6,553.3	1,835.6	1,772.0
of which goodwill	2,468.5	2,313.2	394.1	399.1
Carrying amounts joint ventures and associates	233.8	124.8	337.9	300.0
Interest-bearing Group receivables	19.0	-	10.4	9.6
Cash and cash equivalents	1,086.4	868.4	141.7	82.5
Other financial assets	124.8	139.7	72.7	94.9
Non-allocable taxes	-	-	-	-
Total assets				
Segment liabilities	5,913.6	5,490.3	282.2	147.3
Third-party financial liabilities	1,149.5	312.8	278.4	314.2
Group financial liabilities	266.5	981.8	626.5	732.8
Other financial liability items	573.6	548.1	0.7	0.7
Non-allocable taxes	-	-	-	-
Total liabilities and provisions	**-**	**-**	**-**	**-**
Additional disclosures				
Non-cash expenses	25.0	-	6.7	1.5
Non-cash income	13.9	14.3	33.1	27.5
Return on sales (% on EBITA)	0.8	0.8	13.5	7.8
Investments	442.0	234.2	61.3	56.0
Investments in goodwill	46.1	20.0	-	-
Investments in other intangible assets and property, plant and equipment	395.9	210.8	61.3	56.0
Financing ratio (%)	75.3	166.0	147.1	176.6
Employees at year-end	52,025	50,285	18,495	18,357

Cruises 2009/10	Cruises SFY 2009 revised	Consolidation 2009/10	Consolidation SFY 2009 revised	Tourism Segment 2009/10	Tourism Segment SFY 2009 revised	
						Statement of results
178.7	142.0	0.0	-	16,286.7	13,081.5	Third-party turnover
-	-	-	-	-	-	Turnover between continuing/discontinued operation (s)
178.7	**142.0**	**0.0**	**-**	**16,286.7**	**13,081.5**	**Turnover**
-	1.7	- 484.5	- 365.3	15.5	14.0	Inter-segment turnover
178.7	**143.7**	**- 484.5**	**- 365.3**	**16,302.2**	**13,095.5**	**Segment turnover**
						Group profit for the year
-	-	-	-	-	-	Income taxes
5.2	**1.4**	**- 0.0**	**-**	66.0	**49.3**	**Earnings before taxes (EBT)**
- 0.4	- 3.6	0.0	-	20.3	36.2	of which share of results of joint ventures and associates
- 1.6	0.1	0.0	0.0	- 161.4	- 99.8	Net interest result and result from the measurement of interest hedges
-	-	-	-	18.2	8.9	Impairment of goodwill
6.8	**1.3**	**- 0.0**	**- 0.0**	**245.6**	**158.0**	**Segment results according to IFRS 8**
-	-	-	-	-	-	Result from Container Shipping measured at equity
-	-	-	-	-	-	Effect of the measurement of loans to Container Shipping
6.8	**1.3**	**- 0.0**	**- 0.0**	**245.6**	**158.0**	**Earnings before interest, taxes and amortisation of goodwill (EBITA)**
0.8	-	-	-	394.6	465.2	Adjustments
-	-	-	-	-	-	IFRS 5 effects
7.6	**1.3**	**- 0.0**	**- 0.0**	**640.2**	**623.2**	**Underlying EBITA**
8.4	5.8	-	0.0	413.3	484.6	Amortisation of other intangible assets and depreciation of property, plant and equipment
-	-	0.0	-	30.7	186.4	of which impairments
-	-	0.0	0.0	- 5.1	- 2.9	Other depreciation/amortisation and write-backs
-	-	-	-	3.9	-	of which write-backs
15.2	**7.1**	**- 0.0**	**0.0**	**664.0**	**645.5**	**Earnings before interest, taxes, depreciation and amortisation (EBITDA)**
8.3	6.2	- 0.0	0.0	797.3	553.1	Rental expenses
23.5	**13.3**	**- 0.0**	**0.0**	**1,461.3**	**1,198.6**	**Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)**
						Assets and liabilities
151.1	142.1	- 68.3	- 52.7	8,610.9	8,414.7	Segment assets
-	-	- 0.0	0.0	2,862.6	2,712.3	of which goodwill
143.2	143.0	-	-	714.9	567.8	Carrying amounts joint ventures and associates
38.8	-	-	-	68.2	9.6	Interest-bearing Group receivables
4.1	3.5	- 0.0	-	1,232.2	954.4	Cash and cash equivalents
0.5	0.5	-	-	198.0	235.1	Other financial assets
-	-	-	-	-	-	Non-allocable taxes
						Total assets
57,5	59.0	- 68.3	- 50.8	6,185.2	5,645.8	Segment liabilities
-	-	0,0	-	1,427.9	627,0	Third-party financial liabilities
154,2	216.1	-	- 1.8	1,047.2	1,928.9	Group financial liabilities
7,4	6.1	0.0	- 0.0	581,7	554.9	Other financial liability items
-	-	-	-	-	-	Non-allocable taxes
-	**-**	**-**	**-**	**-**	**-**	**Total liabilities and provisions**
						Additional disclosures
0.4	3.6	0.0	-	32.1	5.1	Non-cash expenses
-	-	-	- 0.0	47.0	41.8	Non-cash income
3.8	0.9	0.0	0.0	1.5	1.2	Return on sales (% on EBITA)
8.8	4.6	0.0	0.0	512.1	294.8	Investments
-	-	-	-	46.1	20.0	Investments in goodwill
8.8	4.6	0.0	- 0.0	466.0	271.4	Investments in other intangible assets and property, plant and equipment
95.5	126.1	-	-	84.3	167.4	Financing ratio (%)
225	219	-	-	70,745	68,861	Employees at year-end

Key Figures by Region

€ million	Germany 2009/10	Germany SFY 2009 revised	Great Britain 2009/10	Great Britain SFY 2009 revised	Spain 2009/10	Spain SFY 2009 revised	Other EU 2009/10	Other EU SFY 2009 revised
Consolidated turnover by customer	**4,353.5**	**3,588.2**	**4,780.1**	**3,769.7**	**254.4**	**240.2**	**5,149.5**	**4,364.1**
of which discontinued operation	-	95.7	-	-	-	-	-	254.0
Consolidated turnover by domicile of companies	**4,529.8**	**4,968.6**	**5,014.8**	**3,845.1**	**577.5**	**482.9**	**5,093.1**	**3,650.6**
of which discontinued operation	-	1,118.7	-	-	-	-	-	-
Segment assets	**1,059.4**	**1,115.0**	**5,011.7**	**4,741.4**	**1,197.1**	**1,055.2**	**963.1**	**938.1**
of which non-current assets	978.0	1,092.1	2,597.0	3,359.4	1,174.8	991.3	861.0	917.8
of which discontinued operation	-	-	-	-	-	-	-	-
Non-allocable taxes	-	-	-	-	-	-	-	-
Segment liabilities	**1,683.3**	**1,896.8**	**2,174.5**	**1,710.9**	**392.1**	**352.2**	**1,694.6**	**1,712.9**
of which discontinued operation	-	-	-	-	-	-	-	-
Non-allocable taxes	-	-	-	-	-	-	-	-
Other disclosures								
Depreciation/amortisation	72.5	54.9	130.9	25.3	51.9	35.9	102.6	57.4
of which discontinued operation	-	-	-	-	-	-	-	36.0
Investments	67.6	166.8	282.2	62.0	57.7	15.0	74.9	70.5
of which discontinued operation	-	60.4	-	-	-	-	-	0.1
Investments in goodwill	-	-	46.1	10.0	-	-	-	9.9
of which discontinued operation	-	-	-	-	-	-	-	-
Investments in other tangible assets and property, plant and equipment	67.6	166.8	236.2	52.0	57.7	15.0	74.9	60.6
of which discontinued operation	-	60.4	-	-	-	-	-	0.1
Employees at year-end	9,585	9,562	18,515	19,144	9,647	10,168	12,133	12,360
of which discontinued operation	-	-	-	-	-	-	-	58

Rest of Europe		North and South America		Other Regions		Consolidation		Group		
2009/10	SFY 2009 revised	**2009/10**	SFY 2009 revised	**2009/10**	SFY 2009 revised	**2009/10**	SFY 2009 revised	**2009/10**	SFY 2009 revised	
595.0	**565.6**	**635.9**	**1,171.5**	**581.7**	**550.4**	**-**	**-**	**16,350.1**	**14,249.7**	**Consolidated turnover by customer**
-	9.1	-	551.7	-	208.2	-	-	-	1,118.7	of which discontinued operation
232.1	**519.1**	**542.0**	**516.5**	**360.8**	**266.9**	**-**	**-**	**16,350.1**	**14,249.7**	**Consolidated turnover by domicile of companies**
-	-	-	-	-	-	-	-	-	1,118.7	of which discontinued operation
45.8	**63.5**	**627.1**	**816.2**	**521.4**	**503.0**	**- 308.1**	**- 255.8**	**9,117.5**	**8,976.6**	**Segment assets**
40.6	38.3	560.0	454.9	470.0	444.0	23.0	25.4	6,704.4	7,323.2	of which non-current assets
-	-	-	-	-	123.8	-	-	-	123.8	of which discontinued operation
-	-	-	-	-	-	-	-	204.6	305.7	Non-allocable taxes
116.1	**95.4**	**407.7**	**258.3**	**350.1**	**221.8**	**- 393.0**	**- 132.8**	**6,425.4**	**6,115.5**	**Segment liabilities**
-	41.9	-	-	-	-	-	-	-	41.9	of which discontinued operation
-	-	-	-	-	-	-	-	332.7	447.4	Non-allocable taxes
										Other disclosures
5.4	294.6	38.8	12.1	25.7	13.1	-	-	427.8	493.3	Depreciation/amortisation
-	-	-	-	-	13.1	-	-	-	49.1	of which discontinued operation
6.4	6.5	17.5	20.4	9.8	19.1	-	-	516.1	360.3	Investments
-	-	-	-	-	9.1	-	-	-	69.6	of which discontinued operation
-	-	-	-	-	-	-	-	46.1	19.9	Investments in goodwill
-	-	-	-	-	-	-	-	-	-	of which discontinued operation
6.4	6.5	17.5	20.4	9.8	19.1	-	-	470.1	340.4	Investments in other tangible assets and property, plant and equipment
-	-	-	-	-	9.1	-	-	-	69.6	of which discontinued operation
8,778	6,106	6,850	6,815	5,890	5,381	-	-	71,398	69,536	Employees at year-end
-	2,359	-	-	-	2,108	-	-	-	4,525	of which discontinued operation

Notes

Notes on the Consolidated Income Statement

Since the balance sheet date was changed from 31 December to 30 September, the comparative financial information used for the present consolidated financial statements represents the short financial year from 1 January to 30 September 2009. The consolidated income statement comprising twelve months for the financial year 2009/10 is therefore not directly comparable to the figures for the short financial year 2009, showing nine months.

Earnings by Tourism rose in an improved but persistently difficult market environment. The earnings growth was above all driven by higher synergies at TUI Travel, sound occupancy of hotel operations in the 2010 summer season and cost savings. The rise of the exchange rate of sterling against the euro additionally benefited consolidated earnings. These effects were partly offset by charges caused by the closure of Europe's airspace due to the volcanic eruption in Iceland in April 2010.

The positive performance of Tourism went hand in hand with a gratifying development of the Container Shipping business reflected by the proportionate profits measured at equity. In addition, Hapag-Lloyd was able to prematurely cancel the state loan guarantee in a considerably improved financial market environment and refinance its operations in the capital and credit market. Accordingly, another positive profit contribution resulted from measurement of a Container Shipping loan granted by TUI.

The Group's earnings situation in the short financial year 2009 mainly reflected the profit from the sale of Container Shipping in the first quarter of 2009.

(1) Turnover

Group turnover by business activity

€ million	2009/10	SFY 2009 revised
Tourism services	16,166.3	13,016.9
Transport services	39.2	27.1
Trading in merchandise	38.5	34.5
Letting and leasing	23.9	17.3
Other turnover	82.2	26.5
Turnover with discontinued operation	-	8.5
Total	**16,350.1**	**13,130.8**

Turnover by Tourism was mainly impacted by the disruption of business caused by the closure of Europe's airspace due to the volcanic eruption in Iceland in April 2010. On the other hand, a positive foreign exchange effect arose from the year-on-year rise in the sterling exchange rate.

Other turnover includes costs of brochures and advertising materials charged to hotels and travel agencies and operating income from sideline operations.

(2) Cost of sales and administrative expenses

The cost of sales and administrative expenses includes:

Lease, rental and leasing expenses

€ million	2009/10	SFY 2009 revised
Lease, rental and leasing expenses from long-term agreements	805.6	535.7
Lease, rental and leasing expenses from short-term agreements	6.5	3.7
Total	**812.1**	**539.4**

Where rental and lease expenses for operating leases are directly related to the turnover generated, these expenses are shown under the cost of sales. However, where rental and lease expenses are incurred for administrative buildings, they are shown under administrative expenses.

Personnel costs

€ million	2009/10	SFY 2009 revised
Wages and salaries	1,925.7	1,305.8
Social security contributions, pension costs and benefits	332.6	264.6
Total	**2,258.3**	**1,570.4**

Pension costs include expenses for defined benefit pension obligations. The interest portion of the measurement of pension obligations is carried under financial expenses due to its financing character. The expected income from the associated fund assets is carried under financial income. A detailed presentation of pension obligations is provided in Note 32.

The average annual headcount (excluding apprentices) developed as follows:

Average annual headcount in the financial year (excl. apprentices)

	2009/10	SFY 2009 revised
Continuing operations	65,740	66,061
Discontinued operation Container Shipping (only 3 months in 2009)	-	7,238
Total	**65,740**	**73,299**

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

Depreciation and amortisation include 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' in the Notes.

Depreciation/amortisation/impairments

€ million	2009/10	SFY 2009 revised
Depreciation and amortisation	388.8	348.1
Impairment of other intangible assets, property, plant and equipment and investment property	39.0	145.2
Total	**427.8**	**493.3**

Impairments for the period under review include an amount of €16.7m for ship assets of TUI Travel and €5.1m for hotel complexes. The remaining impairments are related to accounting for assets under IFRS 5. In the previous year, impairments almost exclusively related to the Corsair aircraft fleet.

(3) Other income/Other expenses

Other income/other expenses

€ million	2009/10	SFY 2009 revised
Other income	58.9	22.0
Other expenses	5.3	4.5
Total	**53.6**	**17.5**

Other income mainly relates to foreign exchange differences from capital reduction schemes by subsidiaries and gains on disposal from the sale of a hotel complex and the sale of Canada Mainstream.

Other income carried in 2009 mainly resulted from gains on disposal from the sale of aircraft engines, the sale of a hotel complex in source market France and the sale of yachts.

(4) Impairments of goodwill

In financial year 2009/10, as in 2009, impairment tests resulted in impairments of goodwill in the following Sectors of the Tourism Segment.

Impairment of goodwill

€ million	Impairment charged	Reduced growth rate (0,50% p.a.)	Increased interest rate (0,50% p.a.)
TUI Travel	**9.1**	**-**	**-**
Sunsail Clubs	4.4	-	-
Polynesian Hotel company	4.7	-	-
TUI Hotels & Resorts	**9.1**	**1.4**	**2.3**
Tenuta di Castelfalfi	9.1	1.4	2.3
Total	**18.2**	**1.4**	**2.3**

The impairments of goodwill in the TUI Travel Group were caused by closures of club facilities and a sale. The impairment of Castelfalfi goodwill was attributable to slightly lower expected payments under the long-term marketing scheme.

Impairment tests according to IAS 36 did not result in any further impairments. Even applying sensitivities to the key parameters of the impairment test (a reduction in the growth rate of 0.5% or an increase in the interest rate of 0.5%) did not result in any impairments.

In the previous financial year, the only goodwill amortisation required under IFRS 5 related to Jet4You, a Moroccan company available for sale, for which impairments of €8.9m were carried.

(5) Financial income

Financial income

€ million	2009/10	SFY 2009 revised
Income from non-consolidated Group companies	3.2	6.0
Income from other investments	0.6	-
Income from profit transfer agreements with non-consolidated Group companies	8.6	2.6
Income from investments	**12.4**	**8.6**
Other income from securities and loans	149.2	4.7
Interest and similar income from non-consolidated Group companies	0.1	3.4
Interest on pension scheme assets	78.2	57.5
Other interest and similar income	73.4	81.9
Interest income	**300.9**	**147.5**
Income from the measurement of interest hedges	-	0.4
Income from the measurement of other financial instruments	5.7	-
Total	**319.0**	**156.5**

The increase in Other income from securities and loans mainly results from the measurement effects of the loans to Container Shipping.

(6) Financial expenses

Financial expenses

€ million	2009/10	SFY 2009 revised
Expenses relating to losses taken over from non-consolidated Group companies	**-**	**-**
Impairments of available-for-sale financial instruments and loans	**10.5**	**357.7**
Interest and similar expenses to non-consolidated Group companies	0.6	0.9
Interest expenses from the measurement of pension obligations	117.7	87.7
Other interest and similar expenses	352.0	216.4
Interest expenses	**470.3**	**305.0**
Expenses relating to the measurement of interest hedges	0.4	-
Expenses relating to the measurement of other financial instruments	-	10.0
Total	**481.2**	**672.7**

The increase in interest expenses mainly results from higher interest payments due to the three convertible bonds issued in financial year 2009/10 by TUI AG and TUI Travel PLC.

In the short financial year 2009, financial expenses mainly comprised write-downs of the loans totalling €353.9m granted to 'Albert Ballin' Holding GmbH & Co. KG and Hapag-Lloyd AG. Measurement of these loans took account of the impact of interest rate effects and, in particular, the conditions which had to be met to obtain approval of a state loan guarantee for the benefit of the Container Shipping group.

(7) Share of result of joint ventures and associates

Share of result of joint ventures and associates

€ million	2009/10	SFY 2009 revised
Income from associated companies measured at equity	158.8	4.4
Expenses for associated companies measured at equity	15.4	174.6
Share of result from associates	**+ 143.4**	**- 170.2**
Income from joint ventures measured at equity	38.1	36.9
Expenses for joint ventures measured at equity	10.9	4.4
Share of result from joint ventures	**+ 27.2**	**32.5**
Total	**+ 170.6**	**- 137.7**

The share of result from joint ventures and associates comprises the share of results of joint ventures and associates.

The considerable increase in the share of result from joint ventures and associates is attributable to the profit contribution of €+150.3m (previous year €-173.9m) from the stake in the Container Shipping group.

In the completed financial year, the result from joint ventures and associates includes impairments of €4.3m (previous year no impairments).

Group share in individual items of income statement from associated companies

€ million	2009/10	SFY 2009
Operating income	2,909.3	1,100.6
Operating expenses	2,703.5	1,242.8
Operating result	**205.8**	**- 142.2**
Financial result	- 59.4	- 27.2
Profit on ordinary activities	**146.4**	**- 169.4**
Income taxes	3.0	0.8
Profit/loss for the year	**143.4**	**- 170.2**
Share of result of associates	**143.4**	**- 170.2**

Group share in individual items of income statements from joint ventures

€ million	2009/10	SFY 2009
Operating income	631.7	324.1
Operating expenses	592.4	274.9
Operating result	**39.3**	**49.2**
Financial result	- 0.6	- 5.8
Profit on ordinary activities	**38.7**	**43.4**
Income taxes	11.5	10.9
Profit for the year	**27.2**	**32.5**
Share of result of joint ventures	**27.2**	**32.5**

(8) Adjustments

On top of the disclosures required under IFRS, the consolidated income statement comprises a reconciliation to underlying earnings. The one-off items show deconsolidation gains under gains on disposal, events according to IAS 37 under restructuring, and all effects from purchase price allocation, incidental acquisition costs and contingent purchase price payments on EBITA under purchase price allocations.

In addition, one-off items carried here include adjustments for income and expense items that reflect amounts and frequencies of occurrence rendering an evaluation of the operating profitability of the Sectors and the Group more difficult or causing distortions. These items include in particular major restructuring and integration expenses not meeting the criteria of IAS 37, major expenses for litigation, gains and losses from the sale of aircraft and other material business transactions with a one-off character.

Other one-off items by sector

€ million	2009/10	SFY 2009 revised
Tourism	223.9	363.7
TUI Travel	212.0	319.7
TUI Hotels & Resorts	11.1	44.0
Cruises	0.8	-
All other segments	- 20.9	-
Total	**203.0**	**363.7**

One-off items include an amount of €127.4m for charges caused by the closure of Europe's airspace due to the volcanic eruption in Iceland in April 2010. Of that amount, €123.2m relate to TUI Travel, €3.4m to TUI Hotels & Resorts and €0.8 to Cruises. Other one-off items in the TUI Travel Sector mainly relate to integration-related expenses.

(9) Income taxes

Breakdown of income taxes

€ million	2009/10	SFY 2009 revised
Current taxes		
in Germany	17.8	- 38.6
abroad	26.3	28.0
Deferred taxes	20.1	- 22.6
Total	**64.2**	**- 33.2**

The increase in tax expenses is attributable to effective taxes paid in Germany as well as deferred taxes. In the previous financial year, the reversal of tax provisions for tax risks generated effective tax income in Germany. The change in deferred taxes is in part attributable to the remeasurement of deferred taxes on temporary differences. Effective taxes relating to prior periods amount to €-40.7m in financial year 2009/10 (previous year €-72.2m).

Total income taxes in financial year 2009/10 of €64.2m (previous year €-33.2m) are derived as follows from 'expected' income tax expenses that would have arisen if the statutory tax rate of TUI AG as the parent company (aggregate income tax) had been applied to pre-tax earnings:

Reconciliation of expected to actual income taxes

€ million	2009/10	SFY 2009 revised
Earnings before income taxes by continuing operations	177.8	- 574.6
Expected income tax (tax rate: 31.5%, previous year: 31.0%)	**56.0**	**- 178.1**
Variation from the difference between actual and expected tax rates	- 20.4	- 8.6
Changes in tax rates and tax law	0.1	- 0.1
Income not taxable	- 146.3	- 67.5
Expenses not deductible	62.6	141.6
Effects from loss carryforwards	94.5	134.7
Temporary differences for which no deferred taxes were recognised	7.2	4.2
Deferred and current tax relating to other periods (net)	9.0	- 59.2
Other differences	1.5	- 0.2
Income taxes	**64.2**	**- 33.2**

The change in the tax effect on the tax-free income is largely attributable to positive results from Container Shipping. In the previous year, the negative earnings from Container Shipping resulted in an increase in the tax effect on non-tax-deductible expenses.

(10) Result from discontinued operation

In the third quarter of 2009/10, the decision was taken to sell the Magic Life Group, available for sale since 30 September 2009, to TUI Travel PLC in an intra-Group transaction. Due to this decision, the hotel activities of the Magic Life Group were combined with TUI Travel PLC's remaining tourism activities in Turkey and placed under the responsibility of the tour operators in Tourism. The four owned hotel complexes in Turkey leased from the Magic Life Group had to be classified as a disposal group according to IFRS 5.

Accordingly, the results of the Magic Life Group were reallocated to continuing operations. Depreciation, which had been suspended for the current period, was caught up. In total, earnings by discontinued operations rose by €92.5m as a result.

In the prior-year reference period, this item exclusively included the Container Shipping activities until they were sold at the end of March 2009 and the shareholdings in the Container Terminals in Altenwerder and Montreal, Canada. The result from discontinued operations comprised the operating income and expenses and the gain on disposal of Container Shipping in 2009.

Material items of the income statement of the discontinued operation

€ million	2009/10	SFY 2009 revised
Turnover	-	1,118.9
Cost of sales	-	1,267.5
Administrative expenses	-	25.8
Other income/Other expenses	-	- 0.4
Financial income	-	3.9
Financial expenses	-	26.2
Share of result of joint ventures and associates	-	-
Earnings before income taxes	**-**	**- 197.1**
Income taxes	-	0.9
of which deferred tax income/expenses	-	0.4
Earnings after income taxes	**-**	**- 198.0**
Gains on disposal	-	1,134.7
Result from discontinued operation	**-**	**936.7**

Reconciliation to underlying earnings:		
Result from discontinued operation	-	936.7
Income taxes	-	0.9
Interest result	-	22.3
EBITA from discontinued operation [1]	-	959.9
Adjustments:		
Gains on disposal	-	- 1,134.7
Restructuring	-	-
Purchase price allocation	-	19.0
One-off items	-	-
IFRS 5 effects[1]	-	- 66.0
Unterlying EBITA from discontinued operation	**-**	**- 221.8**

[1] In accordance with IFRS 5, earnings are presented as of the date of classification as a discontinued operation, taking account of the suspension of depreciation/amortisation and at equity measurement. In order to enhance comparability of underlying EBITA, this earnings effect was additionally included in the adjustments for the discontinued operation.

Assets and liabilities of the discontinued operation

€ million	30 Sep 2010	Magic Life Group 30 Sep 2009
Fixed assets	-	88.6
Non-current receivables	-	6.6
Non-current assets	-	5.5
Inventories	-	5.4
Current receivables	-	16.1
Current assets	-	23.0
Cash and cash equivalents	-	6.3
Assets held for sale	**-**	**151.5**
Non-current provisions	-	21.3
Non-current financial liabilities	-	69.7
Other non-current liabilities	-	1.0
Current provisions	-	5.0
Current financial liabilities	-	3.7
Trade payables	-	14.9
Other current liabilities	-	6.9
Liabilities related to assets held for sale	**-**	**122.5**

As at 30 September 2009, this item included the four Magic Life club facilities available for sale and the operating receivables and liabilities from the operation of Magic Life hotels in Austria as well as Egypt, Greece, Turkey and Tunisia.

Cash flows from operating, investing and financing activities of the discontinued operation

€ million	2009/10	SFY 2009 revised
Cash flow from operating activities	-	+ 43.0
Cash flow from investing activities	-	- 113.0
Cash flow from financing activities	-	+ 271.1
Effect of foreign exchange on cash and cash equivalents	-	-
Change in cash and cash equivalents	**-**	**+ 201.1**

In the short financial year 2009, the cash flows shown here exclusively represented Container Shipping for the first quarter of 2009.

(11) Group profit for the year attributable to TUI AG shareholders

Group profit for the year attributable to TUI AG shareholders declined from €349.3m in 2009 to €101.8m in the financial year under review. The decrease was largely attributable to the book profit from the sale of Container Shipping carried in 2009; however, it was partly offset by the positive Group result in the period under review.

(12) Group profit for the year attributable to non-controlling interest

Group profit for the year attributable to non-controlling interest

€ million	2009/10	SFY 2009 revised
Profit attributable to non-controlling interest	67.2	46.8
Loss attributable to non-controllling interest	55.4	0.8
Total	**11.8**	**46.0**

Group profit for the year attributable to non-controlling interests mainly relates to consolidated subsidiaries in the Tourism Segment, 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 are 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 is the total number of shares at the beginning of the financial year (251,444,305 shares), and the prorated effect of the employee shares issued (91,020 new shares for 316 days).

In analogy to IAS 33.12, the after-tax dividend on the hybrid capital is deducted from Group profit for the year attributable to shareholders of TUI AG since the hybrid capital represents equity but not does not constitute Group profit attributable to TUI AG shareholders. For the hybrid capital, accrued dividend obligations totalling €17.2m at the balance sheet date (previous year €17.2m) were included in financial liabilities and will be paid in January 2011.

Earnings per share

	2009/10	SFY 2009 revised
Group profit for the year attributable to TUI AG shareholders (€m)	101.8	349.3
Dividend effect on hybrid capital after income taxes (€m)	- 25.4	- 18.5
Adjusted Group profit for the year attributable to TUI AG shareholders (€m)	76.4	330.8
Weighted average number of shares	251,523,322	251,444,305
Basic earnings per share (€)	**0.30**	**1.32**
Adjusted Group profit for the year attributable to TUI AG shareholders (€m)	76.4	330.8
Interests savings from convertible bonds (after income tax) (€m)	61.9	16.8
Diluted and adjusted share in Group profit for the year attributable to TUI AG shareholders (€m)	138.3	347.6
Weighted average number of shares	251,523,322	251,444,305
Diluting effect from assumed exercise of conversion inputs	59,108,329	25,419,476
Weighted average number of shares (diluted)	310,631,651	276,863,781
Diluted earnings per share (€)	**0.30**	**1.32**

As a rule, a dilution of earnings per share occurs when the average number of shares increases by adding the issue of potential shares from conversion options and warrants. As the two convertible bonds did not have a dilution effect in financial year 2009/10, basic and diluted earnings per share are identical.

(14) Tax effect of Other earnings and taxes directly eliminated against equity

Tax effects relating to Other earnings

			2009/10			SFY 2009 revised
€ million	Gross	Tax effect	Net	Gross	Tax effect	Net
Foreign exchange differences	78.8	-	78.8	7.0	-	7.0
Available for sale financial instruments	4.6	-	4.6	- 2.4	0.6	- 1.8
Cash flow hedges	95.8	- 17.0	78.8	- 118.8	57.5	- 61.3
Actuarial gains and losses from pension provisions and related fund assets	- 77.4	20.2	- 57.2	- 210.2	60.0	- 150.2
Changes in the measurement of companies measured at equity outside profit or loss	13.2	-	13.2	- 3.2	-	- 3.2
Other comprehensive income	**115.0**	**3.2**	**118.2**	**- 327.6**	**118.1**	**- 209.5**

In addition, income taxes of €54.5m arose outside profit and loss in financial year 2009/10 (previous year €0m). They resulted from the issue of convertible bonds and were directly charged to equity.

Notes
Notes on the Consolidated Financial Position

(15) Goodwill

Goodwill

€ million	2009/10	SFY 2009 revised
Historical cost		
Balance as at 1 Oct/1 Jan	**3,110,3**	**2,910.3**
Exchange differences	112.9	187.7
Additions due to changes in the group of consolidated companies	-	3.3
Additions	46.1	19.9
Disposals [1]	-	-
Reclassifications	-	- 10.9
Balance as at 30 Sep	**3,269.3**	**3,110.3**
Impairment		
Balance as at 1 Oct/1 Jan	**398.0**	**390.0**
Exchange differences	- 4.8	8.0
Additions due to changes in the group of consolidated companies	-	-
Impairments for the current year	13.5	-
Disposals [1]	-	-
Reclassifications	-	-
Balance as at 30 Sep	**406.7**	**398.0**
Carrying amounts as at 30 Sep	**2,862.6**	**2,712.3**

[1] of which no disposals from changes in the group of consolidated companies

The rise in the carrying amount is largely attributable to the translation of goodwill not carried in the TUI Group's functional currency into euros.

The reclassifications carried out in the previous year related to goodwill classified as held for sale in the course of the short financial year 2009. In accordance with IFRS 5, assets of discontinued operations and other non-current assets held for sale are combined into a disposal group in the statement of financial position. All reclassifications relate to TUI Travel.

In accordance with IAS 21, goodwill allocated to the 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 arising from exchange rate fluctuations between the exchange rate at the date of acquisition of the subsidiary and the exchange rate at the balance sheet date are taken directly to equity outside profit and loss and disclosed as a separate item. In financial year 2009/10, foreign exchange differences caused an increase of €117.7m (previous year €179.9m) in the carrying amount of goodwill.

At €2,416,7m, the largest portion of goodwill shown relates to TUI Travel. Within TUI Hotels & Resorts, goodwill of €351.7m is carried for the RIU Group.

(16) 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 2009	**788.0**	**117.1**	**80.0**	**251.9**	**11.7**	**1,248.7**
Exchange differences	91.2	10.4	4.2	57.2	0.6	163.6
Additions due to changes in the group of consolidated companies	7.4	-	-	-	-	7.4
Additions	58.3	5.8	-	0.3	-	64.4
Disposals	23.7	-	0.9	0.7	-	25.3 [1]
Reclassifications	33.9	- 7.1	-	- 78.3	- 12.3	- 63.8
Balance as at 30 Sep 2009	**955.1**	**126.2**	**83.3**	**230.4**	**-**	**1,395.0**
Exchange differences	41.7	4.9	5.2	0.2	-	52.0
Additions due to changes in the group of consolidated companies	29.8	-	-	-	-	29.8
Additions	53.0	16.8	-	2.4	-	72.2
Disposals	37.7	-	-	-	-	37.7 [1]
Reclassifications	29.8	- 18.4	-	-	-	11.4
Balance as at 30 Sep 2010	**1,071.7**	**129.5**	**88.5**	**233.0**	**-**	**1,522.7**
Amortisation						
Balance as at 1 Jan 2009	**270.4**	**82.1**	**5.6**	**74.8**	**-**	**432.9**
Exchange differences	10.2	3.3	2.2	8.7	-	24.4
Additions due to changes in the group of consolidated companies	-	-	-	-	-	-
Amortisation for the current year	63.3	12.5	4.1	14.5	-	94.4
Disposals	21.2	-	0.3	0.6	-	22.1 [1]
Reclassifications	42.9	- 5.3	-	- 60.1	-	- 22.5
Balance as at 30 Sep 2009	**365.6**	**92.6**	**11.6**	**37.3**	**-**	**507.1**
Exchange differences	16.7	4.8	0.7	0.2	-	22.4
Additions due to changes in the group of consolidated companies	-	-	-	-	-	-
Amortisation for the current year	77.6	13.4	5.5	15.5	-	112.0
Disposals	34.5	-	-	-	-	34.5 [1]
Reclassifications	28.8	- 20.3	-	-	-	8.5
Balance as at 30 Sep 2010	**454.2**	**90.5**	**17.8**	**53.0**	**-**	**615.5**
Carrying amounts as at 30 Sep 2009	**589.5**	**33.6**	**71.7**	**193.1**	**-**	**887.9**
Carrying amounts as at 30 Sep 2010	**617.5**	**39.0**	**70.7**	**180.0**	**-**	**907.2**

[1] of which no disposals due to changes in the group of consolidated companies

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

Other intangible assets, consisting in particular of trademarks and customer relationships, are amortised annually over the estimated economic useful life on the basis of the economic value of the corresponding asset. Trademarks are amortised over periods of 15 to 20 years, while customer relationships are amortised over periods of 2 to 15 years.

In the period under review, impairments of €3.4m (previous year €0.0m) were eliminated. Write-backs to other intangible assets were not effected, as in the previous year. Reclassifications for the financial year under review include amounts of €12.2m and €6.2m (previous year €-65.0m and €-13.0m) for the reclassification of assets held for sale in accordance with IFRS 5.

(17) Investment property

Investment property

€ million	2009/10	SFY 2009
Historical cost		
Balance as at 1 Oct/1 Jan	**118.5**	**141.1**
Exchange differences	-	-
Additions due to changes in the group of consolidated companies	-	-
Additions	3.1	7.7
Disposals	16.6	4.5
Reclassifications	0.3	- 25.8
Balance as at 30 Sep	**105.3**	**118.5**
Depreciation		
Balance as at 1 Oct/1 Jan	**41.8**	**51.0**
Exchange differences	-	-
Additions due to changes in the group of consolidated companies	-	-
Depreciation for the current year	2.8	4.7
Disposals	5.5	2.2
Reclassifications	-	- 11.7
Balance as at 30 Sep	**39.1**	**41.8**
Carrying amounts as at 30 Sep	**66.2**	**76.7**

As a matter of principle, real estate owned by the Group is occupied for use in the framework of the Group's ordinary business activities. In addition, the Group owns commercial property and apartments which meet the definition of investment property under IAS 40. The carrying amount of this investment property shown in fixed assets totals €66.2m (previous year €76.7m). The fair values totalling €67.0m (previous year €79.8m) 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 fair value of the selling price. Investment property generated total income of €43.7m (previous year €23.8m). The generation of this income was associated with expenses of €28.6m (previous year €20.6m) in financial year 2009/10. No impairments were charged for investment property (previous year €2.6m).

(18) 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 2009	**1,459.2**	**369.2**	**1,106.0**
Exchange differences	- 24.4	4.3	17.6
Additions due to changes in the group of consolidated companies	-	1.2	-
Additions	27.6	2.4	22.7
Disposals	16.2	16.6	114.1
Reclassifications	- 246.8	- 91.0	51.3
Balance as at 30 Sep 2009	**1,199.4**	**269.5**	**1,083.5**
Exchange differences	51.7	1.5	18.2
Additions due to changes in the group of consolidated companies	16.0	3.7	1.2
Additions	11.9	22.1	37.6
Disposals	0.1	12.6	56.9
Reclassifications	3.3	- 70.2	27.3
Balance as at 30 Sep 2010	**1,282.2**	**214.0**	**1,110.9**
Depreciation			
Balance as at 1 Jan 2009	**444.7**	**117.7**	**544.1**
Exchange differences	- 2.6	1.8	10.2
Additions due to changes in the group of consolidated companies	-	-	-
Depreciation for the current year	65.4	5.5	228.7
Disposals	8.1	10.1	103.5
Reclassifications	- 180.3	- 43.3	22.5
Balance as at 30 Sep 2009	**319.1**	**71.6**	**702.0**
Exchange differences	11.1	0.4	12.0
Depreciation for the current year	36.2	15.0	97.4
Disposals	0.1	4.3	47.7
Reclassifications	0.5	- 35.7	-
Balance as at 30 Sep 2010	**366.8**	**47.0**	**763.7**
Carrying amounts as at 30 Sep 2009	**880.3**	**197.9**	**381.5**
Carrying amounts as at 30 Sep 2010	**915.4**	**167.0**	**347.2**

[1] of which disposals due to changes in the group of consolidated companies of €3.5m and €0.8m, respectively
[2] of which no disposals due to changes in the group of consolidated companies

At the balance sheet date, the carrying amount of property, plant and equipment subject to restraints on ownership amounted to €49.3m (previous year €49.3m), including an amount of €31.9m (previous year €45.8m) pledged as security.

The Group did not effect any reversals of depreciation of property, plant and equipment, as in the previous year. Impairments totalled €35.6m (previous year €190.2m) and related to ship assets (€16.7m) as well as land with hotel and other buildings (€13.4m). In the short financial year 2009, most impairments related to aircraft assets.

Reclassifications in the financial year under review comprise amounts of €-45.1m and €-20.3m for the reclassification of fixed assets to assets held for sale in accordance with IFRS 5 (previous year €-310.8m and €-217.1m).

Property, plant and equipment also comprises leased assets in which Group subsidiaries hold substantially all the risks and rewards of ownership of the assets.

Ships	Machinery and fixtures	Other plants, operating and office equipment revised	Assets under construction	Payments on account	Total revised
444.4	**234.3**	**1,045.5**	**40.2**	**99.2**	**4,798.0**
- 0.2	- 0.1	13.1	11.5	4.5	26.3
-	-	6.1	-	-	7.3
23.6	5.9	41.2	48.0	36.6	208.0
13.1	1.8	49.6	0.6	8.2	220.2[1)]
- 3.4	- 25.8	71.1	- 17.1	- 13.6	- 275.3
451.3	**212.5**	**1,127.4**	**82.0**	**118.5**	**4,544.1**
14.7	0.4	44.6	1.3	1.9	134.3
-	-	13.4	0.1	-	34.4
160.7	5.2	78.2	36.2	42.9	394.8
23.9	2.3	73.4	0.2	-	169.4[2)]
- 0.1	4.3	23.8	- 32.6	- 2.8	- 47.0
602.7	**220.1**	**1,214.0**	**86.8**	**160.5**	**4,891.2**
152.4	**125.3**	**725.9**	**-**	**-**	**2,110.1**
9.6	0.7	14.0	-	-	33.7
-	-	4.4	-	-	4.4
9.8	14.2	69.8	-	-	393.4
10.4	1.7	38.7	-	-	172.5[1)]
- 2.5	- 18.8	26.5	-	-	- 195.9
158.9	**119.7**	**801.9**	**-**	**-**	**2,173.2**
5.4	0.3	34.4	-	-	63.6
47.0	17.3	99.4	-	-	312.3
12.4	2.0	68.6	-	-	135.1[2)]
- 0.1	2.9	9.8	-	-	- 22.6
198.8	**138.2**	**876.9**	**-**	**-**	**2,391.4**
292.4	**92.8**	**325.5**	**82.0**	**118.5**	**2,370.9**
403.9	**81.9**	**337.1**	**86.8**	**160.5**	**2,499.8**

Development of leased assets

€ million	Net carrying amounts 30 Sep 2010	30 Sep 2009
Other real estate, land rights and buildings incl. buildings on third-party properties	24.0	8.8
Aircraft	91.7	158.0
Ships, yachts and boats	126.5	3.1
Machinery fixtures	4.4	4.6
Other plants, operating and office equipment	10.5	8.3
Total	**257.1**	**182.8**

The payment obligations resulting from future lease payments are carried as liabilities without, however, taking account of future interest expenses. Total payments due in future under finance leases amount to €368.3m (previous year €237.3m). Group companies have accepted guarantees for the residual values of the leased assets totalling €167.3m (previous year €179.2m).

Reconciliation of future lease payments to liabilities from finance leases

€ million	up to 1 year	1-5 years	Remaining terms more than 5 years	30 Sep 2010 Total	30 Sep 2009 Total
Total future lease payments	179.3	113.4	75.6	368.3	237.3
Interest portion	11.2	18.0	18.9	48.1	16.8
Liabilities from finance leases	168.1	95.4	56.7	320.2	220.5

In the framework of ordinary business activities, Group companies generated turnover of €31.5m (previous year €17.3m) from short leasehold properties.

(19) Investments in joint ventures and associates

Investments in joint ventures and associates

€ million	Joint ventures	Associates revised	Total revised
Historical cost			
Balance as at 1 Jan 2009	**374.9**	**34.8**	**409.7**
Exchange differences	- 11.2	- 109.4	- 120.6
Additions due to changes in the group of consolidated companies	-	-	-
Additions	182.4	950.0	1,132.4
Disposals	24.3	219.6	243.9 [1]
Reclassifications	-	9.7	9.7
Balance as at 30 Sep 2009	**521.8**	**665.5**	**1,187.3**
Exchange differences	18.6	78.0	96.6
Additions due to changes in the group of consolidated companies	7.3	120.4	127.7
Additions	57.7	436.7	494.4
Disposals	34.7	83.0	117.7 [2]
Reclassifications	- 3.0	- 2.5	- 5.5
Balance as at 30 Sep 2010	**567.7**	**1,215.1**	**1,782.8**
Impairments			
Balance as at 1 Jan 2009	**3.3**	**-**	**3.3**
Exchange differences	-	-	-
Additions due to changes in the group of consolidated companies	-	-	-
Impairments for the current year	-	-	-
Disposals	-	-	-
Reclassifications	-	-	-
Balance as at 30 Sep 2009	**3.3**	**-**	**3.3**
Exchange differences	-	-	-
Additions due to changes in the group of consolidated companies	-	-	-
Impairments for the current year	4.3	-	4.3
Disposals	-	-	-
Reclassifications	-	-	-
Balance as at 30 Sep 2010	**7.6**	**-**	**7.6**
Carrying amounts as at 30 Sep 2009	**518.5**	**665.5**	**1,184.0**
Carrying amounts as at 30 Sep 2010	**560.1**	**1,215.1**	**1,775.2**

[1] of which no disposals due to changes in the group of consolidated companies
[2] of which disposals due to changes in the group of consolidated companies of €4.6m

'Investments in joint ventures and associates' proportionate profits for the year are shown under additions and disposals, while impairments of these investments would have to be carried under impairments.

For associates and companies jointly managed by the Group and one or several partners (joint ventures), the stake held by the Group corresponds to the share in the individual assets and liabilities of the joint ventures.

Group share of assets and liabilities of joint ventures

€ million	30 Sep 2010	30 Sep 2009
Goodwill from investment in joint ventures	59.0	47.7
Non-current assets	655.6	630.9
Current assets	205.6	159.3
Non-current provisions and liabilities	149.0	155.4
Current provisions and liabilities	211.1	164.0
Investment in joint ventures	**560.1**	**518.5**

Group share of assets and liabilities of associates

€ million	30 Sep 2010	30 Sep 2009 revised
Goodwill from investment in associates	358.2	313.3
Non-current assets	1,914.3	1,479.3
Current assets	822.3	405.1
Non-current provisions and liabilities	1,078.9	962.4
Current provisions and liabilities	800.8	569.8
Investment in associates	**1,215.1**	**665.5**

(20) Financial assets available for sale

Financial assets available for sale consist of shares in non-consolidated Group companies, hybrid instruments to Container Shipping, participations and other securities.

Where a listed market price in an active market is not available for shares held and other methods to determine an objective market value do not produce any reliable results, the shares are measured at amortised cost. In financial year 2009/10, financial assets classified as available for sale under IFRS 7 of €9.1m (previous year €2.7m) were impaired.

Other securities shown do not include any current securities (previous year €2.0m).

(21) Trade receivables and other assets

Trade receivables and other assets

	30 Sep 2010		30 Sep 2009 revised	
€ million	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
Trade receivables	-	724.9	-	716.4
Advances and loans	256.3	1,447.8	1,302.3	2,264.4
Other receivables and assets	78.5	490.3	66.7	454.8
Total	**334.8**	**2,663.0**	**1,369.0**	**3,435.6**

Ageing structure of the financial instruments included in trade receivables and other assets

€ million	Carrying amount of financial instruments	of which not overdue and not impaired	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
30 Sep 2010						
Trade receivables	724.9	474.2	155.5	58.7	12.0	24.5
Advances and loans	581.9	581.9	-	-	-	-
Other receivables and assets	83.1	80.5	1.0	0.6	0.6	0.4
Total	**1,389.9**	**1,136.6**	**156.5**	**59.3**	**12.6**	**24.9**
30 Sep 2009						
Trade receivables	716.4	434.2	141.5	61.1	16.4	63.2
Advances and loans	1,359.9	1,357.2	-	2.5	-	0.2
Other receivables and assets	246.7	237.8	2.3	1.5	1.6	3.5
Total	**2,323.0**	**2,029.2**	**143.8**	**65.1**	**18.0**	**66.9**

Impairments on assets of the trade receivables and other assets category according IFRS 7

€ million	2009/10	SFY 2009
Balance at the beginning of period	**599.4**	**227.0**
Additions	145.6	385.5
Disposals	93.2	22.9
Other changes	108.9	9.8
Impairment charges at the end of period	**760.7**	**599.4**

In financial year 2009/10, as in 2009, no cash inflow was recorded from impaired interest-bearing trade accounts receivable and other receivables. The TUI Group holds collateral of €13.1m for financial assets overdue or impaired at the balance sheet date.

Trade receivables

€ million	30 Sep 2010	30 Sep 2009 revised
From third parties	718.5	714.8
From non-consolidated Group companies	5.5	1.0
From affiliates	0.9	0.6
Total	**724.9**	**716.4**

Advances and loans

€ million	30 Sep 2010 Remaining term of more than 1 year	30 Sep 2010 Total	30 Sep 2009 Remaining term of more than 1 year	30 Sep 2009 Total
Advances to non-consolidated Group companies	-	0.1	-	-
Loans to non-consolidated Group companies	1.0	1.0	-	-
Advances to affiliates	-	18.8	-	226.8
Loans to affiliates	10.8	412.7	1,016.2	1,016.2
Advances to third parties	47.7	109.2	59.8	118.2
Loans to third parties	32.2	40.1	39.6	47.5
Payments on account	164.6	865.9	186.7	855.7
Total	**256.3**	**1,447.8**	**1,302.3**	**2,264.4**

Prepayments made mainly relate to prepayments for future tourism services, in particular future hotel services payable by tour operators.

Other receivables and assets

€ million	Remaining term of more than 1 year	30 Sep 2010 Total	Remaining term of more than 1 year	30 Sep 2009 Total
Other receivables from non-consolidated Group companies	0.7	21.6	-	3.6
Other receivables from affiliates	3.6	27.3	3.4	11.3
Interest deferral	-	10.7	-	3.4
Other tax refund claims	1.0	100.9	19.0	113.2
Other assets	73.2	329.8	44.3	323.3
Total	**78.5**	**490.3**	**66.7**	**454.8**

(22) Derivative financial instruments

Derivative financial instruments

€ million	Remaining term of more than 1 year	30 Sep 2010 Total	Remaining term of more than 1 year	30 Sep 2009 Total
Receivables from derivative financial instruments from third parties	165.3	368.6	111.4	443.2
Receivables from derivative financial instruments from affiliates	-	-	-	6.3
Total	**165.3**	**368.6**	**111.4**	**449.5**

Derivative financial instruments are carried at their fair values (market values). They mainly serve as hedges for future business operations and are detailed in the explanations on financial instruments.

(23) Deferred and current tax assets

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

Income tax assets

€ million	30 Sep 2010	30 Sep 2009
Deferred tax assets	133.6	277.9
Current tax assets	71.1	21.2
Total	**204.7**	**299.1**

Deferred tax assets include an amount of € 72.7m (previous year €198.5m) to be realised in more than twelve months.

Individual items of deferred tax assets and liabilities recognised in the financial position

	30 Sep 2010		30 Sep 2009	
€ million	Asset	Liability	Asset	Liability
Finance lease transactions	-	35.7	-	20.0
Recognition and measurement differences for property, plant and equipment and other non-current assets	133.4	332.5	60.8	375.1
Recognition differences for receivables and other assets	46.1	50.3	58.4	40.1
Fair value measurement of financial instruments	26.8	98.6	51.9	79.8
Measurement of pension provisions	159.4	0.2	120.5	7.8
Recognition and measurement differences for other provisions	71.5	7.1	68.3	6.4
Other transactions	4.1	35.1	97.4	10.8
Capitalised tax savings from recoverable loss carryforwards	171.6	-	179.3	-
Netting of deferred tax assets and liabilities	- 479.3	- 479.3	- 358.7	- 358.7
Balance sheet amount	**133.6**	**80.2**	**277.9**	**181.3**

No deferred tax liabilities were carried for temporary differences of €78.3m (previous year €85.6m) between the net assets of subsidiaries and the respective carrying amounts carried in the tax balance sheet since these temporary differences are not expected to be reversed in the near future.

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

€ million	**30 Sep 2010**	30 Sep 2009 revised
Capitalised loss carryforwards	**771.6**	**866.1**
Non-capitalised loss carryforwards	**3,589.3**	**3,261.4**
of which loss carryforwards forfeitable within one year	10.9	3.5
of which loss carryforwards forfeitable within 2 to 5 years	65.9	18.6
of which loss carryforwards forfeitable within more than 5 years (excluding non-forfeitable loss carryforwards)	13.5	43.1
Non-forfeitable loss carryforwards	3,499.0	3,196.2
Total unused loss carryforwards	**4,360.9**	**4,127.5**

Loss carryforwards from German companies comprise the cumulative amount of trade and corporation tax as well as interest carryforwards from the German earnings stripping rule. Potential tax savings totalling €714.8m (previous year €658.5m) were not capitalised since use of the underlying loss carryforwards was not considered probable within the planning period.

In financial year 2009/10, 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 in previous years led to tax savings of €0.8m (previous year €0.5m). In financial year 2009/10, as in the short financial year 2009, no major tax reductions were realised by means of loss carrybacks.

Development of capitalised tax savings from realisable loss carryforwards

€ million	**2009/10**	SFY 2009
Capitalised tax savings at the beginning of the year	**179.3**	**214.4**
Changes in the group of consolidated companies and exchange adjustments	- 6.2	- 2.0
Use of loss carryforwards	- 3.6	- 28.4
Capitalisation of tax savings from loss carryforwards	+ 42.8	+ 31.5
Write-down of capitalised tax savings from loss carryforwards	- 41.1	- 28.3
Reclassification to discontinued operation	0.4	- 7.9
Capitalised tax savings at financial year-end	**171.6**	**179.3**

(24) Inventories

Inventories

€ million	30 Sep 2010	30 Sep 2009
Raw materials and supplies	61.0	51.3
Work in progress	7.2	6.3
Finished goods and merchandise	21.3	23.9
Total	**89.5**	**81.5**

In financial year 2009/10, no major impairments of inventories were effected in order to carry them at the lower net realisable value (previous year €3.3m). No write-backs of inventories were effected in 2009/10, nor in the short financial year.

(25) Cash and cash equivalents

Cash and cash equivalents

€ million	30 Sep 2010	30 Sep 2009
Bank deposits	2,269.1	1,413.1
Cash in hand and cheques	5.2	38.9
Total	**2,274.3**	**1,452.0**

At 30 September 2010, cash and cash equivalents of €0.1bn were subject to restraints on disposal (previous year €0.1bn).

(26) 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 have to be combined into a disposal group in a single item in the statement of financial position.

Assets held for sale

€ million	30 Sep 2010	30 Sep 2009
Discontinued operation Magic Life Group	-	151.5
Property and hotel facilities	225.0	101.9
Jet4You (previous year: Jet4You and Canada Mainstream)	35.0	96.8
Other assets	32.4	55.5
Total	**292.4**	**405.7**

The assets classified as held for sale as at 30 September 2010 and the associated liabilities mainly comprise administrative buildings and the Turkish hotel complexes held for sale. Other non-current assets mainly include aircraft assets held for sale. In segment reporting, the administrative buildings are carried in Other Segments, with other assets carried in the Tourism Segment.

In the previous financial year, this item also included the assets of the discontinued Magic Life operations.

(27) Subscribed capital

The subscribed capital of TUI AG consists 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 is around €2.56. In July 2005, the previous bearer shares were converted to registered shares, whose owners 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 €0.3m to around €643.1m due to the issue of 104,220 employee shares and due to conversions under the 2009/14 convertible bond. At the end of the financial year, subscribed capital thus consisted of 251,548,525 shares.

The Annual General meeting of 13 May 2009 authorised the Executive Board of TUI AG to purchase own shares of up to 10% of the capital stock. The authorisation expired on 12 November 2010. The possibility of acquiring own shares was not used.

Conditional capital

The Annual General Meeting of 10 June 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.

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 November 2009, the conversion price is €27.1147 per no-par value share. The convertible bond may thus be converted into a maximum of 25,594,971 shares. The bonds, which carry an interest coupon of 2.75% p.a., were issued at par. The bonds are traded at five German stock exchanges, in Luxemburg and Zurich. By 30 September 2010, no conversions had been effected under the bond.

In order to provide additional opportunities to issue bonds, the Annual General Meetings of 7 May 2008 and 13 May 2009 resolved to create additional conditional capital of €100.0m each, expiring by 6 May 2013 and 12 May 2014, respectively. The issue of bonds with conversion options and warrants and well as profit-sharing rights and income bonds (with and without fixed terms) under the two above-mentioned authorisation has been limited to a total nominal amount of €1.0bn.

Using the conditional capital of 13 May 2009, TUI AG on 17 November 2009 issued unsecured non-subordinate convertible bonds worth €217.8m maturing on 17 November 2014. The bonds were issued in denominations with nominal values of €56.30. the conversion price is €5.63 per no-par value share. The convertible bonds may thus be converted into a maximum of 38,683,730 shares. The bonds, which carry an interest coupon of 5.50% p.a., were issued at par. The bonds are traded at four German stock exchanges. By 30 September 2010, 1,320 bonds were converted into 13,200 new shares in TUI AG.

Authorised capital

The Annual General Meeting of 7 May 2008 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.

The authorised capital also resolved at the Annual General Meeting of 7 May 2008 to create new authorised capital for the issue of employee shares stood at €9.3m at the balance sheet date. 91,020 employee shares were issued in the period under review. The Executive Board of TUI AG has been authorised to use this authorised capital in one or several transactions for the issue of employee shares against cash contribution by 6 May 2013.

In addition, 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 authorisation to use this capital will expire on 9 May 2011.

Accordingly, total unused authorised capital totalled around €319.3m at the balance sheet date (around €319.5m as at 30 September 2009).

(28) Capital reserves

The capital reserves comprise transfers of premiums. In addition, amounts entitling the holders to acquire shares in TUI AG in the framework of bonds issued for conversion options and warrants have to be transferred to the capital reserves if the conversion options and warrants have 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 are 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 are eliminated against the transfers to the capital reserves resulting from these transactions.

On 17 November 2009, TUI AG issued convertible bonds. The corresponding conversion rights had to be classified as equity instruments under IAS 32 and resulted in an increase in the capital reserves of €41.8m after deduction of the borrowing costs of €1.3m.

The capital reserves also rose by a total of €0.4m due to the issue of employee shares and, to a lesser extent, conversion of bonds into shares.

(29) Revenue reserves

Other revenue reserves comprise transfers from the results of the financial year under review or previous years.

Negative non-controlling interests which arose before the balance sheet date of 31 December 2008 were eliminated against other revenue reserves. Interests that have newly arisen since 1 January 2009 are directly carried in the balance sheet item 'Non-controlling interests' in equity.

In accordance with section 58 (2) of the German Stock Corporation Act, dividend payments to TUI AG shareholders are based on net profit available for distribution shown in the commercial-law annual financial statements of TUI AG. In financial year 2009/10, dividends were distributed to non-Group shareholders of subsidiaries, in particular of TUI Travel PLC.

Foreign exchange differences comprise differences from the translation of the financial statements of foreign subsidiaries as well as differences from the translation of goodwill denominated in foreign currencies.

The revaluation reserve formed in accordance with IAS 27 (old version) in the framework of step acquisitions of companies is retained until the date of deconsolidation of the company concerned. In accordance with IAS 27 (revised), requiring prospective application, no new revaluation reserves were formed for step acquisitions since the changes in the fair values of the assets and liabilities were taken through profit and loss based on the stake held, which did not yet result in consolidation of the company concerned.

The differences between acquired equity and acquisition costs that have arisen from the acquisition of non-controlling interests (€99.6m) are directly eliminated against other revenue reserves.

Changes in the value of financial assets available for sale are eliminated against revenue reserves outside profit and loss.

The revaluation reserve for cash flow hedges comprises the portion of gains and losses from hedges determined as effective hedges of future cash flows. When a hedged transaction has an effect on results or is no longer assessed as probable, the reserve is reversed through profit and loss in the same period.

The reserve according to IAS 19 comprises 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 2009/10, the fall in the long-term interest rate level in Germany and the UK resulted in an increase in pension obligations and thus a decrease in the reserve in accordance with IAS 19.

Taking account of non-controlling interests and deferred taxes, the reserves stood at €-289.8m (previous year €-214.3m) at the end of the financial year 2009/10.

(30) 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 constitutes Group equity. The borrowing costs of €8.5m were deducted from the hybrid capital outside profit and loss, taking account of deferred taxes. Dividend entitlements of the hybrid capital investors were deferred as other financial liabilities until the payment date.

(31) Non-controlling interests

Non-controlling interests in equity mainly relate to TUI Travel PLC companies and the TUI Hotels & Resorts Sector, in particular the RIUSA II Group.

TUI Travel PLC issued convertible bonds on 1 October 2009 and 22 April 2010. Since the bonds were not issued to TUI AG nor any of its Group companies, the conversion options resulted in an increase in the equity share of non-controlling interests of the full amount of €93.8m.

(32) Pension provisions and similar obligations

A number of defined contribution plans and defined benefit pension plans are operated for Group employees. Pension obligations vary, reflecting the different legal, fiscal and economic conditions in each country of operation and usually depend on employees' length of service and pay levels. All defined contribution plans are funded by the payment of contributions to external insurance companies or funds, whilst defined benefit plans entail the formation of provisions within the Company or investments in funds outside the Company.

German employees enjoy 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 exist for companies of the TUI Group. Once the contributions to the state-run pension plans and private pension insurance organisations have been paid, the Company has no further payment obligations. Current contribution payments are expensed for the respective period. In financial year 2009/10, the pension costs for all defined contribution plans for the continuing operations totalled €48.4m (previous year €32.3m). The pension costs for defined benefit pension commitments amounted to €87.1m (previous year €60.1m).

Pension costs for defined benefit obligations

€ million	2009/10	SFY 2009
Current service cost for employee service in the period	46.3	28.4
Interest cost	117.7	87.7
Expected return on external plan assets	78.2	56.1
Past service cost due to plan changes	1.3	0.1
Total	**87.1**	**60.1**

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

Development of provisions for pensions and similar obligations

€ million	Balance as at 30 Sep 2009	Changes with no effect on profit and loss [1)]	Acturial gains and losses	Utilisation	Addition	Balance as at 30 Sep 2010
Pension provisions	838.4	27.8	75.6	147.3	79.7	874.2
Similar obligations	30.0	0.2	4.2	0.8	3.5	37.1
Total	**868.4**	**28.0**	**79.8**	**148.1**	**83.2**	**911.3**

1) reclassifications, transfers, exchange differences and changes in group of consolidated companies.

The actuarial gains and losses which arose in financial year 2009/10 were eliminated against equity outside profit and loss, causing the indicated movement in pension provisions outside profit and loss.

Where the defined benefit pension obligations are not financed by provisions, they are funded externally. This type of funding of pension obligations prevails to a considerable extent in the UK, Switzerland and the Netherlands.

While the fund assets are determined on the basis of the fair values of invested funds as at 30 September 2010, pension obligations are measured on the basis of actuarial calculations and assumptions. The obligations under defined benefit plans are 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.	2009/10	SFY 2009
Discount rate	4.25	5.25
Projected future salary increases	1.0 – 2.5	2.17 – 2.5
Projected future pension increases	1.0 – 1.83	1.5 – 1.83
Projected employee turnover rate	2.0	2.0

Determination of the interest rate applicable in discounting the provision for pensions is based on an index for corporate bonds 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-terms bonds is used. The resulting interest structure is extrapolated on the basis of the yield curves for almost risk-free bonds, taking account of an appropriate risk mark-up reflecting the term of the obligation.

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

Actuarial assumptions for foreign companies

		2009/10			SFY 2009	
Percentage p.a.	Discount rate	Expected return on plan assets	Projected future salary increases	Discount rate	Expected return on plan assets	Projected future salary increases
Eurozone	4.25	5.9 – 6.3	2.8 – 5.0	5.25	5.9 – 6.2	2.0 – 4.5
UK	5.3	6.3 – 6.8	3.7 – 4.2	5.5	6.2 – 6.9	4.2 – 4.5
Rest of Europe	2.8 – 3.2	2.5	1.3 – 2.0	3.3 – 4.5	2.5	1.5 – 4.5
North America	4.75	5.0	3.5	6.0	5.0	3.5

Development of projected benefit obligations

€ million	2009/10	SFY 2009
Net present value of actual pension obligations at beginning of year	**2,071.7**	**1,696.2**
Current pension obligations	46.3	28.4
Interest cost	117.7	87.7
Pensions paid	- 112.1	- 83.6
Contributions paid by pension beneficiaries	7.2	7.1
Actuarial gains (-) / losses (+)	122.1	296.2
Exchange differences	102.9	44.5
Other	- 6.2	- 4.8
Net present value of actual pension obligations at year-end	**2,349.6**	**2,071.7**

Pension obligations rose by €277.9m in the financial year under review. This increase primarily resulted from actuarial losses due to a lower discount rate applicable under IFRS rules as well as foreign exchange differences caused by the rise in the sterling exchange rate.

Development of the fair value of fund assets

€ million	2009/10	SFY 2009
Fair value of fund assets at beginning of period	**1,202.8**	**980.4**
Expected return on external plan assets (-)	- 78.2	- 56.1
Actuarial gains (-) / losses (+) of the current year	- 46.1	- 93.4
Exchange differences	74.1	37.5
Employee's contributions paid in	110.4	81.7
Contributions paid by the beneficiaries of the plan	7.2	6.9
Pensions paid	- 76.6	- 53.2
Other	- 4.5	-
Fair value of fund assets at end of period	**1,437.7**	**1,202.8**
of which dividend-carrying securities	678.2	563.2
of which bonds	557.4	436.1
of which property, plant and equipment	15.5	16.9
of which cash	25.3	51.1
of which other	161.3	135.5

The fair values of fund assets rose considerably year-on-year. This is above all attributable to foreign exchange differences and the actuarial gains caused by the deviation of actual from expected returns on the plan assets. With expected returns of €78.2m (previous year €56.1m), actual profits generated by the funds totalled €124.3m (previous year losses of €149.5m).

The assumptions used in determining the expected return on external fund assets are based on the actual fund structure and are oriented to future long-term returns for the individual fund categories. Further factors taken into account are the current interest rate level and the inflation trend.

For the forthcoming financial year, the companies of the TUI Group are expected to contribute around €106.4m to the pension funds.

Reconciliation of projected benefit obligations to pension obligations recognised in the statement of financial position

	30 Sep 2010			30 Sep 2009		
€ million	Plans with obligation in excess of assets	Plans with assets in excess of assets	Total	Plans with obligation in excess of assets	Plans with assets in excess of assets	Total
Actual projected benefit of fully or partly funded pension obligations	1,846.1	11.8	1,857.9	1,622.0	11.3	1,633.3
Fair value of external plan assets	1,425.4	12.3	1,437.7	1,190.8	12.0	1,202.8
Deficit respectively excess	**420.7**	**- 0.5**	**420.2**	**431.2**	**- 0.7**	**430.5**
Actual present value of non-funded pension obligations			491.7			438.4
Net projected benefit obligation			**911.9**			**868.9**
Adjustment for past service cost			- 1.1			- 1.2
Net recognised liability			**910.8**			**867.7**
of which capitalised assets			0.5			0.7
Provisions for pensions and similar obligations			**911.3**			**868.4**
of which provisions for pensions for non-funded obligations			490.6			437.2
of which provisions for pensions for funded obligations			420.7			431.2

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 shown in full in the statement of financial position, netted against existing fund assets. The only amount not yet recognised in the statement of financial position was a difference of €1.1m due to past service cost. This off-balance difference will be charged to expenses and successively amortised over the next few financial years.

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

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

€ million	2009/10	SFY 2009	2008 revised	2007 revised	2006
Projected benefit obligations at year-end	2,349.6	2,071.7	1,696.2	2,323.5	2,470.2
Fund assets at year-end	1,437.7	1,202.8	980.4	1,471.5	1,398.4
Excess (+) / deficit (-) at year-end	911.9	868.9	715.8	852.0	535.4
Actuarial gains (-) / losses (+) of the current year from the obligations	122.1	296.2	- 192.8	214.9	- 148.3
of which experience adjustments	- 3.8	4.0	22.7	24.5	-
Actuarial gains (-) / losses (+) of the current year from fund assets	- 46.1	- 93.4	298.9	19.5	- 38.0

At 30 September 2010, the actuarial gains and losses before deferred taxes carried and eliminated against equity outside profit and loss by that date totalled €-652.0m (previous year €-533.1m).

(33) Tax provisions and other reserves

Development of provisions in the financial year 2010

€ million	Balance as at 30 Sep 2009 revised	Changes with no effect on profit and loss [1]	Usage	Reversal	Additions	**Balance as at 30 Sep 2010**
Provisions for current income tax	255.4	20.5	29.1	38.1	43.6	252.3
Provisions for deferred tax	181.3	-	101.1	-	-	80.2
Income tax provisions	**436.7**	**20.5**	**130.2**	**38.1**	**43.6**	**332.5**
Personnel costs	64.8	3.4	31.3	2.4	74.0	108.5
Typical operating risks	43.9	11.5	25.8	4.2	6.5	31.9
Maintenance provisions	290.1	31.0	137.2	13.1	226.2	397.0
Risks from onerous contracts	53.3	5.7	49.7	0.1	52.3	61.5
Guarantee and liability risks	22.4	4.4	6.4	13.0	3.0	10.4
Provisions for other taxes	41.5	0.8	7.4	0.1	11.7	46.5
Miscellaneous provisions	253.8	-	38.5	31.7	64.3	247.9
Other provisions	**769.8**	**56.8**	**296.3**	**64.6**	**438.0**	**903.7**
Total	**1,206.5**	**77.3**	**426.5**	**102.7**	**481.6**	**1,236.2**

[1] reclassifications, transfers, exchange differences and changes in the group of consolidated companies.

Income tax provisions

Income tax provisions comprise provisions for current and deferred taxes, outlined in Note 23. The net change in deferred tax provisions between the balance sheet dates was fully shown under Usage in the above table.

Other provisions

Other provisions comprise provisions for personnel costs, typical operating risks, maintenance risks (in particular maintenance of leased aircraft), risks from onerous contracts, guarantee and liability risks, provisions for other taxes and miscellaneous provisions.

Provisions for personnel costs comprise provisions for severance compensation and jubilee benefits as well as provisions for share-based payment schemes with cash compensation according to IFRS 2.

In the framework of a long-term incentive programme, an Executive Board member and other senior executive staff of the Group are granted bonuses, translated into phantom stocks in TUI AG on the basis of an average share price. The phantom shares are calculated on the basis of Group earnings before taxes and amortisation of goodwill (EBTA). The translation into phantom stocks is 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 are approved. The number of phantom stocks granted in a financial year is therefore only determined in the subsequent year. Following a lock-up period of two years, the individual 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 depends on the average stock price of the TUI share over a period of 20 trading days after the exercise date. There are no absolute or relative return or stock price targets. A cap has been agreed for exceptional, unforeseen developments. Since the strike price is €0 and the incentive programme does not entail a vesting period, the fair value corresponds to the intrinsic value and hence the market price at the balance sheet date. Accordingly, the fair value of the obligation is determined by multiplying the number of phantom shares with the stock price at the respective reporting date.

Executive Board members whose remuneration was changed to a new remuneration system as from 1 January 2010 take part in a long-term incentive programme also based on phantom stocks. Under this programme, phantom shares are granted upon completion of a four-year service period – upon completion of financial year 2012/13 for the first time – and are determined by comparing the development of Total Shareholder Return (TSR) of TUI AG with the development of the Dow Jones Stoxx 600 Travel & Leisure.

Development of phantom shares

	Number	Present value in € million
31 Dec 2008	**693,397**	**5.6**
Phantom shares granted	507,210	3.3
Phantom shares exercised	41,661	- 0.3
Measurement results	-	- 0.4
30 Sep 2009	**1,158,946**	**8.2**
Phantom shares granted	216,069	1.5
Phantom shares exercised	393,250	- 3.4
Measurement results	-	2.5
30 Sep 2010	**981,765**	**8.8**

The TUI Travel Sector operates four principal share-based payment schemes linking employee remuneration to the future performance of the Sector: a Deferred Annual Bonus Scheme (DABS), a Deferred Annual Bonus Long-Term Incentive Scheme (DABLIS), a Performance Share Plan (PSP) and a Value Creation Synergy Plan (VCSP).

Under the bonus incentive plan newly introduced in financial year 2009/10, executive staff receive variable remuneration as a function of the relative development of three corporate performance indicators. Up to half the variable remuneration is determined by comparing the development of the return on invested capital (ROIC) to the development of the weighted average cost of capital (WACC). The remaining remuneration is determined by comparing the development of earnings per share (EPS) to the UK Retail Price Index and the total shareholder return (TSR) performance to the return in other capital market-oriented companies. This scheme will be exercised at the end of three years at the earliest and ten years at the latest.

Awards and shares granted and outstanding

	Number of shares	Date of first exercisability
Deferred Annual Bonus Scheme (DABS)	2,621,921	19 Dec 2010
	4,486,020	28 Nov 2011
	3,952,024	02 Dec 2012
Deferred Annual Bonus Long-term Incentive Scheme (DABS)	3,797,395	02 Dec 2012
Performance Share Plan (PSP)	1,819,513	02 Dec 2010
	618,658	19 Dec 2010
	2,755,536	19 Dec 2010
	131,840	19 May 2011
	1,030,546	28 Nov 2011
	5,930,834	28 Nov 2011
	2,227,585	02 Dec 2012
	722,799	19 Mar 2013
Value Creation Synergy Plan (VCSP)	636,178	28 Nov 2010
Total	**30,730,849**	

On 30 September 2010, 13,191,246 shares were held by Employee Benefit Trusts (previous year 10,842,908 shares).

Development of the number of share options

	Number
Outstanding at beginning of the financial year	25,614,686
Expired during the financial year	- 1,346,399
Exercised during the financial year	- 6,350,607
Issued during the financial year	12,813,169
30 Sep 2010	**30,730,849**

The fair value of services received in return for share awards granted is measured by reference to the fair value of the share awards granted. The estimate of the fair value of services received is usually determined using binomial models, depending on the vesting criteria, with the exception of the calculation of the fair value of plans only to be exercised under certain market conditions. The fair value of such plans is estimated using a Monte Carlo simulation.

Information relating to fair values of shares awarded

	2009/10
Fair values at measurement date	£ 1.30 - 2.58
Share price	£ 2.43 - 2.93
Expected volatility	40.0%
Expected dividends	3.60%
Risk free interest rate	1.6%

Participants are not entitled to dividends prior to vesting. Expected volatility is based on historic volatility adjusted for changes to future volatility indicated by publicly available information. Share awards are granted under a service condition.

In financial year 2009/10, personnel costs of £15.0m (€17.3m) relating 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 30 Sep 2010)

million	£	€
Expenses during next financial year	10.0	11.6
Expenses falling due after more than one year	6.0	7.0
Total	**16.0**	**18.6**

In financial year 2009/10, the restructuring measures implemented above all in the TUI Travel Sector resulted in total expenses of €124.9m (previous year €58.3m). In this framework provisions were formed where the individual measures were sufficiently specific and a factual restructuring obligation existed. At the balance sheet date, provisions for restructuring measures totalled €86.9m.

Provisions for necessary environmental protection measures included in typical operating risks total €1.6m at the balance sheet date (previous year €1.6m).

Where the difference between the present value and the settlement value of a provision is material for the measurement of a non-current provision as at the balance sheet date, the provision has 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 applies to some items contained in the TUI Group's other provisions. Transfers to other provisions comprise an interest portion of €19.4m (previous year €6.0m), recognised as interest expenses. The largest portion relates to additions to maintenance provisions.

Terms to maturity of income tax provisions and other provisions

€ million	30 Sep 2010 Remaining term of more than 1 year	30 Sep 2010 Total	30 Sep 2009 revised Remaining term of more than 1 year	30 Sep 2009 revised Total
Current tax provisions	114.5	252.3	169.5	255.4
Deferred tax provisions	39.4	80.2	141.6	181.3
Income tax provisions	**153.9**	**332.5**	**311.1**	**436.7**
Personnel costs	62.4	108.5	32.3	64.8
Typical operating risks	13.3	31.9	14.5	43.9
Maintenance provisions	274.4	397.0	227.6	290.1
Risks from onerous contracts	4.6	61.5	7.7	53.3
Guarantee and liability risks	3.5	10.4	17.2	22.4
Provisions for other taxes	33.2	46.5	28.3	41.5
Miscellaneous provisions	128.8	247.9	155.2	253.8
Other provisions	**520.2**	**903.7**	**482.8**	**769.8**
Total	**674.1**	**1,236.2**	**793.9**	**1,206.5**

Provisions for deferred taxes have to be carried as non-current provisions in the statement of financial position, irrespective of the expected realisation date.

(34) Financial liabilities

Financial liabilities

€ million	30 Sep 2010 Remaining terms up to 1 Year	30 Sep 2010 Remaining terms 1-5 years	30 Sep 2010 Remaining terms more than 5 years	30 Sep 2010 Total	30 Sep 2009 Total	30 Sep 2009 Remaining term of more than 1 year
Convertible bonds	-	1,152.2	382.2	1,534.4	613.7	613.7
Other bonds	1,057.4	446.5	-	1,503.9	1,612.0	1,612.0
Liabilities to banks	310.6	634.1	56.8	1,001.5	1,100.5	756.1
Liabilities from finance leases	168.1	95.4	56.7	320.2	220.5	188.4
Financial liabilities due to non-consolidated Group companies	27.8	0.3	-	28.1	23.3	-
Financial liabilities due to affiliates	7.8	-	-	7.8	0.4	-
Other financial liabilities	112.7	3.0	0.3	116.0	144.4	4.9
Total	**1,684.4**	**2,331.5**	**496.0**	**4,511.9**	**3,714.8**	**3,175.1**

Fair values and carrying amounts of the bonds issued (30 Sep 2010)

€ million	Issuer	Volume	Interest rate %	Stock market value Debt component	Stock market value Conversion options	Stock market value Total	Carrying amount
2007/12 convertible bond	TUI AG	694.0	2.750	638.5	-	638.5	639.4
2009/14 convertible bond	TUI AG	217.7	5.500	199.9	183.1	383.0	159.4
2009/14 convertible bond	TUI Travel PLC	£ 350.0	6.000	337.7	-	337.7	353.4
2010/17 convertible bond	TUI Travel PLC	£ 400.0	4.900	365.2	-	365.2	382.2
2005/10 bond	TUI AG	550.0	3M EURIBOR plus 1.550	439.1	-	439.1	439.6
2004/11 bond	TUI AG	625.0	6.625	634.6	-	634.6	617.8
2005/12 bond	TUI AG	450.0	5.125	441.0	-	441.0	446.5
2005/-- hybrid capital	TUI AG	300.0	until January 2013 8.625 subsequently 3M EURIBOR plus 7.300	296.4	-	296.4	294.8

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

Convertible bonds consist of four convertible bonds including the convertible bond worth €694m issued on 1 June 2007 and maturing in September 2012. The convertible bond was issued in denominations of €50,000.00 and has a conversion price of € 27.1147 per share.

On 17 November 2009, TUI AG issued a five-year convertible bond worth €217.7m. This bond carries a fixed-interest coupon of 5.500% per annum. It was issued in denominations of €56.30. The conversion price is €5.63 per no-part value share.

In addition, TUI Travel PLC issued a convertible bond with a nominal value of £350m with a fixed-interest coupon of 6.000% per annum and a conversion price of £3.493 per no-par value share on 1 October 2009. The bond in denominations of £100,000 will mature in October 2014.

TUI Travel PLC issued another convertible bond on 22 April 2010. It has a nominal volume of £400.0m and denominations of £100,000. At a fixed-interest coupon of 4.900% per annum, it will mature in April 2017. The conversion price is £3,8234.

The debt component of each of the convertible bonds was carried at present value upon issuance, taking account of an interest rate in line with market rates, and increased by the interest portion for the period in accordance with the internationally customary effective interest method.

The bond issued in May 2004 and maturing in May 2011 worth €625.0 carries a nominal fixed-interest coupon of 6.625% per annum. It was issued in denominations of €1,000.00. At the balance sheet date a nominal value of €5.0m were repurchased from this bond.

Two further bonds with an aggregate volume of €1,000.0m were issued in December 2005. The senior floating rate notes worth €550.0m carry a floating interest rate (3-month-EURIBOR + 1.55% p.a.) and will mature in December 2010. Notes with a nominal value of €110.0m were already repurchased by the balance sheet date. The senior fixed rate notes worth €450.0m carry a fixed nominal interest rate of 5.125% per annum and are repayable in December 2012. These two bonds have denominations of at least €50,000.00 each, with higher integral multiples of €1,000.00.

(35) Trade payables

Trade payables

€ million	**30 Sep 2010**	30 Sep 2009 revised
To third parties	2,821.9	2,613.2
To non-consolidated Group companies	1.9	2.2
To affiliates	23.6	25.4
Total	**2,847.4**	**2,640.8**

(36) Derivative financial instruments

Derivative financial instruments

				30 Sep 2010		30 Sep 2009
€ million	up to 1 year	1-5 years	Remaining terms of more than 5 years	Total	Remaining term of more than 1 year	Total
To third parties	147.4	47.8	-	195.2	78.7	432.6
To affiliates	-	-	-	-	-	9.5
Total	**147.4**	**47.8**	**-**	**195.2**	**78.7**	**442.1**

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

(37) Other liabilities

Other liabilities

€ million	up to 1 year	1-5 years	Remaining terms more than 5 years	30 Sep 2010 Total	Remaining term of more than 1 year	30 Sep 2009 Total
Other liabilities due to non-consolidated Group companies	22.4	-	-	22.4	-	0.1
Other liabilities due to affiliates	-	-	-	-	-	-
Other miscellaneous liabilities	220.7	35.4	2.7	258.8	32.3	278.5
Other liabilities from income taxes	0.2	-	-	0.2	-	3.5
Other liabilities relating to other taxes	30.1	0.8	-	30.9	0.4	41.4
Other liabilities relating to social security	46.4	0.7	0.1	47.2	0.1	59.2
Other liabilities relating to employees	129.6	3.0	0.1	132.7	17.2	211.4
Other liabilities relating to members of the Boards	4.1	-	-	4.1	-	6.1
Advance payments received	1,761.9	11.2	-	1,773.1	10.5	1,478.5
Other liabilities	**2,215.4**	**51.1**	**2.9**	**2,269.4**	**60.5**	**2,078.7**
Deferred income	**81.6**	**30.2**	**2.2**	**114.0**	**40.7**	**87.9**
Total	**2,297.0**	**81.3**	**5.1**	**2,383.4**	**101.2**	**2,166.6**

(38) Liabilities related to assets held for sale

Liabilities related to assets held for sale

€ million	30 Sep 2010	30 Sep 2009
Discontinued operation Magic Life Group	-	122,5
Jet4You (2009: Jet4You and Canada Mainstream)	35.9	57.7
Disposal group Turcotel	60.0	-
Total	**95.9**	**180.2**

(39) Contingent liabilities

Contingent liabilities

€ million	30 Sep 2010	30 Sep 2009
Liabilities under guarantees, bill and cheque guarantees due to non-consolidated Group companies	6.8	6.4
Other liabilities under guarantees, bill and cheque guarantees	445.7	245.9
Other liabilities under warranties	1.2	2.4
Total	**453.7**	**254.7**

Contingent liabilities are 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 are all contractual liabilities to third parties not to be classified as guarantees and going beyond the typical scope of the business and the industry.

Contingent liabilities as at 30 September 2010 and the year-on-year increase as against 30 September 2009 are above all attributable to the granting of guarantees for the benefit of Hapag-Lloyd AG.

(40) Litigation

Neither TUI AG nor any of its subsidiaries were or are involved in pending or foreseeable court or arbitration proceedings which might have a significant impact on their economic position or had such an impact in the past two years. This also applied to actions claiming warranty, repayment or any other compensation brought forward in connection with the divestment of subsidiaries and sectors over the past few years.

The action submitted by the insolvency trustee of Babcock Borsig AG (in insolvency) in 2004 was dismissed by the regional court of first instance in Frankfurt/Main at the end of 2007. The appeal by the plaintiff was dismissed by the regional appeal court of Frankfurt/Main in July 2010. It is not yet clear whether the appeal lodged with the Federal Supreme Court by the due date will be prosecuted further by the plaintiff. The provision formed in this regard only covers 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 filed an action for damages at a court in Bruges 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. To date, a ruling has not yet been given.

As in previous years, the respective Group companies formed adequate provisions, partly covered by 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.

(41) Other financial commitments

Nominal values of other financial commitments

				30 Sep 2010		30 Sep 2009
€ million	up to 1 year	1-5 years	Remaining terms more than 5 years	Total	Remaining term of more than 1 year	Total
Order commitments in respect of capital expenditure	308.4	1,549.3	-	1,857.7	2,260.4	2,518.6
Other financial commitments	134.5	65.3	-	199.8	153.8	555.8
Total	**442.9**	**1,614.6**	**-**	**2,057.5**	**2,414.2**	**3,074.4**
Fair value	**424.8**	**1,425.1**	**-**	**1,849.9**	**1,992.0**	**2,619.3**

The fair value of other financial commitments was determined by means of discounting future expenses using a customary market interest rate of 4.25% per annum (previous year 5.25% p.a.). If the previous year's interest rate of 5.25% had been applied, the fair value would have been €44.3m lower.

At the balance sheet date, order commitments in respect of capital expenditure in Tourism had a total nominal value of €1,855.6m and a fair value of €1,661.2m. As at 30 September 2009, order commitments in respect of capital expenditure in Tourism had a nominal value of €2,510.7m and a fair value of €2,098.2m.

The decline was primarily attributable to the cancellation of orders for ten B737 aircraft.

The reduction in other financial commitments was mainly caused by the fact the cash contribution commitment to increase equity in Container Shipping was fulfilled in financial year 2009/10 and a liquidity commitment has meanwhile expired.

Financial commitments from operating lease, rental and charter contracts

€ million	Remaining terms up to 1 year	1-5 years	5-10 years	more than 10 years	30 Sep 2010 Total	30 Sep 2009 Remaining term of more than 1 year	30 Sep 2009 Total
Aircraft	329.3	779.7	119.6	10.4	1,239.0	1,027.6	1,355.2
Hotel complexes	196.7	479.1	93.7	29.2	798.7	523.1	674.6
Travel agencies	83.7	213.1	79.2	21.9	397.9	327.5	409.2
Administrative buildings	46.6	117.2	68.6	44.7	277.1	180.1	220.5
Yachts and motor boats	85.8	53.7	-	-	139.5	120.6	205.6
Other	24.4	25.4	4.7	0.6	55.1	16.5	35.8
Total	**766.5**	**1,668.2**	**365.8**	**106.8**	**2,907.3**	**2,195.4**	**2,900.9**
Fair value	**735.3**	**1,472.4**	**262.2**	**70.4**	**2,540.3**	**1,775.5**	**2,446.0**

The fair value of financial commitments from lease, rental and charter agreements was determined by means of discounting future expenses using a customary market interest rate of 4.25% p.a. (previous year 5.25% p.a.). If the previous year's interest rate of 5.25% p.a. had been applied, the fair value would have been €74.3m lower.

The commitments from lease, rental and leasing agreements exclusively relate to leases that do 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 have passed to the TUI Group also covers existing options to purchase the assets or extend the terms of the contracts.

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

The increase in commitments for hotel complexes is above all attributable to the extension of contract terms by TUI Travel PLC.

Financial instruments

Risks and risk management

Risk management principles

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

In accordance with the Group's corporate financial objective financial risks have to be limited. In order to achieve that policies and rules applicable throughout the Group have been defined, fixing binding decision bases, competences 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 PLC performs these tasks for the Group's Tourism Segment, while TUI AG continues to be responsible for these functions for all other business operations of the Group.

The individual financing units, rules, competences and workflows as well as limits for transactions and risk positions have been defined in policies. The trading, settlement and controlling functions have been segregated in functional and organisation terms. Compliance with the policies and limits is continually monitored. As a matter of principle, all hedges by the Group are based on correspondingly recognised or future underlying transactions. Recognised standard software is used for assessing, monitoring and reporting the hedges entered into. The processes, the methods applied and the organisation of risk management are reviewed for compliance with the relevant regulations at least on an annual basis by the internal audit departments and external auditors.

Within the TUI Group, financial risks primarily arise from payment flows 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 uses derivative over-the-counter financial instruments. These are primarily fixed-price transactions (e.g. forward transactions and swaps). In addition, TUI also trades in options and structured products to a minor extent. Use of derivative financial instruments is confined to internally fixed limits and other regulations. As a matter of principle, the instruments used have to be controllable with the respective entity's (HR, organisation, and systems) resources. The transactions are concluded on an arm's length basis with top-rated counterparties with strong credit ratings operating in the financial sector, whose counterparty risk is regularly controlled. Translation risks from the consolidation of Group companies not preparing their accounts in euros (translation risks) are not hedged.

The Group companies submit monthly reports detailing their current and planned foreign exchange and fuel requirements (or surpluses). Based on the risk profile, the hedging schedule and the monthly reports by the companies, each company defines its specific hedging strategy which forms 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 respectively 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 effects of hypothetical changes in relevant risk variables on profit or loss and equity. The effects for the period are determined by relating the hypothetical changes in risk variables to the portfolio of primary and derivative financial instruments as at the balance sheet date. Care is taken to ensure that the respective portfolio as at the balance sheet date is representative for the financial year.

The analysis 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 results may deviate substantially from the disclosures provided. The risk analysis methods used must not be considered a projection of future events or losses, since the TUI Group is also exposed to risks of a non-financial or non-quantifiable nature. These risks primarily include country, business and legal risks not covered by the following presentation of risks.

Currency risk

The business operations of TUI Group companies generate payments denominated in foreign currencies, which are 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), the TUI Group entered into appropriate hedges with external counterparties in order to limit the currency risk.

Currency hedges in Tourism are entered into when the calculated brochure prices have been fixed cover 80% to 100% of the planned currency requirements for the respective tourism season, depending on the risk profile of the company concerned. The hedged volumes are changed in line with changes in planned requirements on the basis of monthly reporting by the subsidiaries.

Currency hedging in the Cruises Sector is also based on the planned exposure indicated in the monthly reports submitted by the companies. The hedges cover 80% to 100% of the reported exposure.

The TUI Group hedges risks from exchange rate fluctuations of more than 20 currencies, with the largest hedging volumes relating to US dollars, euros and sterling.

The largest hedging volume in the operative business relates to US dollars. In the tourism business, payments in US dollars primarily relate to the procurement of services in non-European destinations, purchases of aircraft fuel and aircraft purchases or respective lease rates.

The Eurozone limits the currency risk from transactions in the key tourist destinations to Group companies whose functional currency is not the euro. The Tourism Segment and primarily the Northern Region Division are mainly affected by changes in the value of the British pound sterling and the Swedish krona.

Currency risks within the meaning of IFRS 7 arise from primary and derivative monetary financial instruments issued in a currency other than the functional currency of a company. Foreign exchange differences from the translation of financial statements into the Group currency are 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% increase or decrease in the respective functional currencies, primarily euro and sterling, would create the following effects on the revaluation reserve and earnings after tax:

Sensitivity analysis - currency risk

€ million		30 Sep 2010		30 Sep 2009
Variable: Foreign exchange rate	+ 10%	- 10%	+ 10%	- 10%
All exchange rates				
Revaluation reserve	+ 107.4	- 102.9	- 106.6	+ 111.0
Earnings after income taxes	- 60.3	+ 54.3	- 148.0	+ 132.0
Exchange rates of key currencies				
€/US Dollar				
Revaluation reserve	- 116.1	+ 120.1	- 18.4	+ 22.8
Earnings after income taxes	+ 3.4	- 5.6	+ 5.9	- 9.4
€/Sterling				
Revaluation reserve	+ 204.3	- 204.3	- 210.2	+ 210.2
Earnings after income taxes	- 75.0	+ 75.0	- 128.1	- 42.2
Sterling/US Dollar				
Revaluation reserve	+ 0.6	- 0.3	+ 142.5	- 142.5
Earnings after income taxes	+ 2.9	- 3.1	- 14.7	+ 14.2
€/Swiss Franc				
Revaluation reserve	+ 7.7	- 7.4	- 2.0	+ 2.0
Earnings after income taxes	+ 4.4	- 4.6	- 0.4	+ 0.3
€/Swedish Krona				
Revaluation reserve	+ 25.0	- 25.0	- 8.7	+ 8.7
Earnings after income taxes	- 2.5	+ 2.5	- 0.1	+ 0.2

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, arise primarily from medium- and long-term fixed-interest receivables and liabilities. Concerning the bonds issued, the fair values deviate from recognised carrying amounts. However, since these financial instruments are carried at amortised cost rather than at fair value as a matter of principle. no direct effects arise for equity or profit and loss.

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

Sensitivity analysis - interest rate risk

€ million		30 Sep 2010		30 Sep 2009
Variable: Interest rate level for floating interest-bearing debt and fixed rate interest-bearing loans	+ 100 basis points	- 100 basis points	+ 100 basis points	- 100 basis points
Earnings after income taxes	- 33.5	+ 37.7	- 5.5	+ 5.7
Equity - available for sale financial instruments	- 26.5	+ 30.7	-	-

Fuel price risk

Due to the nature of its business operations, the TUI Group is exposed to market price risks from the procurement of fuels, both for the aircraft fleet and the cruise ships.

Hedging of market price risks from the purchase of aircraft fuel is based on the hedging model of the Tourism companies. When calculating the exposure for the season concerned, at least 80% of the exposure is hedged. Possibilities of levying fuel surcharges are taken into account.

Hedging of fuel price risks in the Cruises Sector is based on financial derivatives and the use of applicable business-specific price escalator clauses. At least 80% of the relevant exposure is hedged.

Sensitivity analysis - fuel price risk

€ million		30 Sep 2010		30 Sep 2009
Variable: Fuel prices for aircraft and ships	+ 10%	- 10%	+ 10%	- 10%
Revaluation reserve	+ 78.1	- 83.8	+ 63.4	- 88.7
Earnings after income taxes	+ 10.7	- 5.9	+ 2.8	- 0.2

Apart from the currency, interest rate and fuel price risk, the TUI Group is exposed to other price risks due to two specific items.

In the framework of loans granted to Container Shipping, the Group holds an option for the purchase of shares. This option is recognised as an embedded derivative. A 10% increase or decrease in the price of the shares guaranteed by the option compared with measurement as at 30 September 2010 would cause an after-tax earnings effect of €+15.5/-12.4m.

In the financial year under review, TUI Travel PLC issued a convertible bond for which the TUI Group entered into a buy-back obligation. It is treated separately in the form of a forward transaction and included as a hedge in the framework of hedge accounting. A 10% increase or decrease in the bond price compared with the measurement as at 30 September 2010 would change the revaluation reserve by €+20.4m/-20.4m.

Credit risk

The credit risk in non-derivative financial instruments results from the risk of counterparties defaulting on their contractual payment obligations.

Maximum credit risk exposure is defined by total recognised carrying amounts of the financial assets (including derivative financial instruments with positive market values) and the granting of financial guarantees. Details concerning the amounts of guarantees at the balance sheet date are presented in Note 39. Legally enforceable possibilities of netting financial assets and liabilities are taken into account, whereas collateral is not considered. The credit risk is minimised due to the strict requirements with regard to the counterparties' solvency. Credit risks are reviewed closely on conclusion of the contract and continually monitored thereafter so as to be able to swiftly respond to potential impairments in a counterparty's solvency. As a matter of principle, responsibility for handling the credit risk relating to the operational business is held by the individual Group companies of the TUI Group. Depending on the type of business activity and level of the credit limit, additional monitoring and control activities are effected at Group level.

Since the TUI Group operates in many different business areas and regions, significant credit risk concentrations from receivables from and loans to specific debtors or groups of debtors are not to be expected. A significant concentration of credit risks related to specific countries is not to be expected either. Wherever possible, collateral is negotiated with the business partners as part of credit risk management in order to reduce the credit risk. Guarantees by the respective parent company, bank guarantees and the deposit of cash and securities are accepted as collateral to reduce the credit risk.

Identifiable credit risks of individual receivables are covered by means of corresponding bad debt allowances. In addition, portfolios are impaired based on empirical values. An analysis of the aging structure of the category Trade accounts receivable and other receivables category is presented in Note 21.

At the balance sheet date, there were no financial assets that would be overdue or impaired unless the terms and conditions of the contract had been renegotiated, neither in financial year 2009/10 nor in the short financial year 2009.

Credit management also covers the TUI Group's derivative financial instruments. The maximum credit risk for derivative financial instruments entered into is 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 are concluded with different debtors with top credit ratings, no credit risk exposure is to be expected. Nevertheless, the counterparty risk is continually monitored and controlled using internal bank limits.

Liquidity risk

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

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

Cash flow of financial instruments (30 Sep 2010)

			Cash in-/outflow until 30 Sep	
€ million	2011	2012	2013-2015	as of 2015
Financial liabilities				
Bonds	- 1,184.0	- 782.1	- 1,227.9	- 509.3
Liabilities to banks	- 321.7	- 78.7	- 672.2	- 91.7
Liabilities from finance leases	- 178.8	- 26.1	- 88.2	- 75.5
Financial liabilities due to non-consolidated Group companies	- 27.8	-	- 0.3	-
Financial liabilities due to affiliates	- 7.8	-	-	-
Other financial liabilities	- 115.9	-	-	-
Trade payables	- 2,847.3	-	-	-
Other liabilities	- 21.9	-	-	-
Derivative financial instruments				
Hedging transactions - inflows	+ 4,929.8	+ 1,211.8	+ 108.9	-
Hedging transactions - outflows	- 4,830.6	- 1,213.3	- 107.1	-
Other derivative financial instruments - inflows	+ 4,449.9	+ 93.4	-	-
Other derivative financial instruments - outflows	- 4,359.1	- 90.0	-	-

Cash flow of financial instruments (30 Sep 2009)

			Cash in-/outflow until 30 Sep	
€ million	2010	2011	2012-2014	as of 2014
Financial liabilities				
Bonds	- 95.7	- 1,255.5	- 1,191.8	-
Liabilities to banks	- 330.8	- 244.5	- 581.9	- 60.7
Liabilities from finance leases	- 39.0	- 168.6	- 26.5	- 3.5
Financial liabilities due to non-consolidated Group companies	- 23.2	-	-	-
Financial liabilities due to affiliates	- 0.4	-	-	-
Other financial liabilities	- 145.8	-	-	-
Trade payables	- 2,586.8	- 26.9	-	-
Other liabilities	- 178.5	- 0.3	-	-
Derivative financial instruments				
Hedging transactions - inflows	+ 11,349.0	+ 1.302.2	+ 70.8	+ 1.0
Hedging transactions - outflows	- 10,447.9	- 1.509.1	- 50.2	- 0.7
Other derivative financial instruments - inflows	+ 567.5	+ 9.8	-	-
Other derivative financial instruments - outflows	- 492.7	- 11.0	-	-

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

Derivative financial instruments and hedges

Strategy and goals

In accordance with the TUI Group's implementing regulations, derivatives are allowed to be used if they are based on underlying recognised assets or liabilities, firm commitments or forecasted transactions. Hedge accounting is 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, hedges primarily consist of cash flow hedges.

Forward transactions and options as well as structured products (so called collecting forwards) are used to limit currency risks. In order to hedge against exposure to external commodity price risks, price hedging instruments in the form of fixed price (swaps) and option transactions are used.

Cash flow hedges

As at 30 September 2010, underlying transactions existed for hedge cash flows in foreign currencies with maturities of up to four years (previous year up to five 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 is carried in the revaluation reserve outside profit and loss until the underlying transaction occurs. It is carried in the profit and loss statement through profit and loss when the hedged item is executed. In the financial year under review, income of € 1.0m (previous year expenses of €111.4m) for currency hedges and derivative financial instruments used as price hedges was carried in the cost of sales and administrative expenses. Income of €10.0m (previous year income of €8.0m) was carried from the ineffective portion of the cash flow hedges.

Nominal amounts of derivative financial instruments used

			30 Sep 2010		30 Sep 2009
	Remaining terms			Remaining term	
€ million	up to 1 year	more than 1 year	**Total**	more than 1 year	Total
Interest rate hedges					
Swaps	28.6	-	28.6	26.7	26.7
Currency hedges					
Forwards, swaps and other currency hedges	6,071.8	1,276.3	7,348.1	2,918.1	13,313.5
Options	47.9	1.7	49.6	-	1.9
Collected forwards	659.9	88.0	747.9	-	-
Collars	-	-	-	-	-
Commodity hedges					
Swaps	728.9	198.1	927.0	142.3	899.7
Options	42.8	-	42.8	17.8	39.4
Collars	-	-	-	3.4	90.4
Other financial instruments	**105.0**	**232.6**	**337.6**	**-**	**-**

The nominal amounts correspond to the total of all purchase or sale amounts underlying the transactions or the contract values of the transactions. Interest rate/currency swaps, e.g. 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 correspond to the market values. The market price determined for all derivative financial instruments is 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 derivatives is determined by means of appropriate calculation methods, e.g. by discounting the expected future cash flows. The forward prices of forward transactions are based on the spot or cash prices, taking account of forward premiums and discounts. The calculation of the fair values of currency options is 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 are regularly compared with fair value confirmations of external counterparties

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

€ million	30 Sep 2010 Receivables	30 Sep 2010 Liabilities	30 Sep 2009 Receivables	30 Sep 2009 Liabilities
Cash flow hedges for				
currency risks	98.8	121.5	190.3	180.0
market price risks	15.2	40.7	15.6	142.4
Hedging	**114.0**	**162.2**	**205.9**	**322.4**
Other derivative financial instruments	**254.6**	**33.0**	**243.6**	**119.7**
Total	**368.6**	**195.2**	**449.5**	**442.1**

Financial instruments entered into in order to hedge a risk position according to operational criteria but do not meet the strict criteria of IAS 39 to qualify as hedges are shown as other derivative financial instruments. They include in particular foreign currency transactions entered into in order to hedge against exposure to changes in the value of balance sheet items and foreign exchange fluctuations from future expenses in Tourism not meeting the strict criteria of IAS 39 to qualify for hedge accounting.

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 fair value is the respective quotation in this market. For over-the-counter bonds, liabilities to banks, note loans and other non-current financial liabilities, the fair value is determined as the present value of future cash flows, taking account of yield curves and the TUI Group's credit spread which depends 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 are taken as realistic estimates of the fair value.

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

Carrying amounts and fair values according to classes and measurement categories as at 30 Sep 2010

		Category under IAS 39						
€ million	Carrying amount	At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss	Values according to IAS 17 (leases)	Carrying amount of financial instruments	Fair value of financial instruments
Assets								
Available for sale financial assets	612.0	-	51.4	560.6	-	-	612.0	612.0
Trade receivables and other assets	2,663.0	1,355.8	-	-	34.2	-	1,390.0	1,389.9
Derivative financial instruments								
Hedging	114.0	-	-	114.0	-	-	114.0	114.0
Other derivative financial instruments	254.6	-	-	-	254.6	-	254.6	254.6
Cash and cash equivalents	2,274.3	2,274.3	-	-	-	-	2,274.3	2,274.3
Assets held for sale	292.4	-	-	-	-	-	-	-
Liabilities								
Financial liabilities	4,511.9	4,191.7	-	-	-	320.2	4,511.9	4,712.9
Trade payables	2,847.4	2,847.4	-	-	-	-	2,847.4	2,847.4
Derivative financial instruments								
Hedging	162.2	-	-	162.2	-	-	162.2	162.2
Other derivative financial instruments	33.0	-	-	-	33.0	-	33.0	32.9
Other liabilities	2,383.4	22.4	-	-	-	-	22.4	22.4

Carrying amounts and fair values according to classes and measurement categories as at 30 Sep 2009

		Category under IAS 39						
€ million	Carrying amount revised	At amortised cost revised	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss	Values according to IAS 17 (leases)	Carrying amount of financial instruments revised	Fair value of financial instruments revised
Assets								
Available for sale financial assets	105.0	-	48.5	56.5	-	-	105.0	105.0
Trade receivable and other assets	3,435.6	2,323.0	-	-	-	-	2,323.0	2,323.0
Derivative financial instruments								
Hedging	205.9	-	-	205.9	-	-	205.9	205.9
Other derivative financial instruments	243.6	-	-	-	243.6	-	243.6	243.6
Cash and cash equivalents	1,452.0	1,452.0	-	-	-	-	1,452.0	1.452.0
Assets held for sale	-	-	-	-	-	-	-	-
Liabilities								
Financial liabilities	3,714.8	3,494.0	-	-	-	220.6	3,714.6	3,808.7
Trade payables	2,640.8	2,640.8	-	-	-	-	2,640.8	2,640.8
Derivative financial instruments								
Hedging	322.4	-	-	322.4	-	-	322.4	322.4
Other derivative financial instruments	119.5	-	-	-	119.5	-	119.5	119.5
Other liabilities	2,166.6	213.5	-	-	-	-	213.5	213.5

The financial investments classified as financial instruments available for sale include an amount of €51.4m (previous year €48.5m) 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.

The disposal of shares classified as 'Financial assets available for sale', measured at acquisition cost, entailed disposals of carrying amounts of €2.2m (previous year €0.8m). In the financial years under review, the disposal did not give rise to any significant income or expenses.

Aggregation according to measurement categories under IAS 39 as at 30 Sep 2010

€ million	At amortised cost	At cost	with no effect on profit and loss	Fair value through profit and loss	Carrying amount Total	Fair value
Loans and receivables	3,630.0	-	-	-	3,630.0	3,630.0
Financial assets						
available for sale	-	51.4	560.6	-	612.0	612.0
held for trading	-	-	-	288.8	288.8	288.8
Financial liabilities						
at amortised cost	7,061.4	-	-	-	7,061.4	7,582.7
held for trading	-	-	-	33.0	33.0	32.9

Aggregation according to measurement categories under IAS 39 as at 30 Sep 2009

€ million	At amortised cost	At cost	with no effect on profit and loss	Fair value through profit and loss	Carrying amount Total	Fair value
Loans and receivables	3,775.0	-	-	-	3,775.0	3,775.0
Financial assets						
available for sale	-	48.5	56.5	-	105.0	105.0
held for trading	-	-	-	243.6	243.6	243.6
Financial liabilities						
at amortised cost	6,348.3	-	-	-	6,348.3	6,663.0
held for trading	-	-	-	119.7	119.7	119.7

The following table presents the key measurement parameters for the financial instruments recognised at fair value. The individual levels have been defined as follows in accordance with IFRS 7:

- Level 1: quoted (non-adjusted) prices in active markets for similar assets or liabilities.
- Level 2: processes in which all inputs significant to recognised fair values are directly or indirectly observable in the market.
- Level 3: processes in which the inputs significant to the recognised fair value are not based on observable market data.

Hierarchy of financial instruments measured at fair value as of 30 September 2010

€ million	Total	Fair value hierarchy Level 1	Level 2	Level 3
Assets				
Other assets held for trading	34.2	-	-	34.2
Available for sale financial assets	560.6	33.5	-	527.1
Derivative financial instruments:				
Hedging	114.0	-	114.0	-
Other derivative financial instruments	254.6	-	131.3	123.3
Liabilities				
Derivative financial instruments:				
Hedging	162.2	-	162.2	-
Other derivative financial instruments	32.9	-	32.9	-

Hierarchy of financial instruments measured at fair value as of 30 September 2009

€ million	Total	Fair value hierarchy Level 1	Level 2	Level 3
Assets				
Other assets held for trading	0.4	-	-	0.4
Available for sale financial assets	56.1	56.1	-	-
Derivative financial instruments:				
Hedging	205.9	-	205.9	-
Other derivative financial instruments	243.6	-	243.6	-
Liabilities				
Derivative financial instruments:				
Hedging	322.4	-	322.4	-
Other derivative Financial instruments	119.5	-	119.5	-

The following table indicates the development of the values of Level 3 financial instruments..

Financial assets measured at fair value - in level 3

€ million	Other assets held for trading	Available for sale financial assets	**30 Sep 2010** Derivative financial instruments
Balance as at 1 October 2009	**0.4**	**-**	-
Additions	-	501.8	105.1
Total gains or losses	33.8	25.3	18.2
recognised in profit and loss	33.8	15.7	18.2
recognised in other comprehensive income	-	9.6	-
Balance as at 30 September 2010	**34.2**	**527.1**	123.3

Effects on results

The net results of the financial instruments by measurement category according to IAS 39 are as follows:

Net results of financial instruments

€ million			2009/10			SFY 2009
	from interest	other net results	net result	from interest	other net results	net result
Loans and receivables	81.9	76.8	158.7	16.7	- 377.4	- 360.7
Available for sale financial assets	15.7	18.6	34.3	-	11.3	11.3
Financial assets and liabilities held for trading	-	90.3	90.3	-	3.8	3.8
Financial liabilities at amortised cost	- 295.0	-	- 295.0	- 127.3	0.1	- 127.2
Total	**- 197.4**	**185.7**	**- 11.7**	**- 110.6**	**- 362.2**	**- 472.8**

Besides interest income and interest expenses, net results primarily include results from participations, gains/losses on disposal, effects of fair value measurement and impairments.

Financial instruments measured at fair value outside profit and loss did not give rise to any commission expenses in financial year 2009/10 (previous year no expenses).

Capital risk management

One of the key performance indicators in the framework of capital risk management is IFRS-based gearing, i.e. the relationship between the Group's net debt and Group equity. From a risk perspective, a balanced relation between net debt and equity is to be sought. The medium-term target of the TUI Group is for a gearing of around 100%.

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	30 Sep 2010	30 Sep 2009 revised
Average financial debt	4,587.7	4,869.5
Average cash and cash equivalent	1,535.3	2,064.8
Average Group net debt	**3,052.4**	**2,804.7**
Average Group equity	2,216.6	2,300.0
Gearing	**137.7%**	**121.9%**

Notes
Notes on the Cash Flow Statement

Notes on the cash flow statement

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

(42) Cash inflow/outflow from operating activities

In the financial year under review, the cash inflow from operating activities totalled €818.1m. In the previous year, the corresponding amount was €1,134.6m. The figures are not comparable since the previous year was a short financial year which did not include the seasonally weak quarter from 1 October to 31 December. Moreover, the prior-year figure included an operating cash inflow of €43.0m due to the sale of Container Shipping at the end of March 2009.

The cash inflow from operating activities includes interest payments received of €14.6m. Interest from loans to Container Shipping was only received after the end of the financial year. In financial year 2010, income tax payments resulted in a cash outflow of €66.2m.

(43) Cash inflow/outflow from investing activities

In the financial year under review, the cash outflow from investing activities amounted to €301.1m.

Cash payments for investments in other non-current assets mainly include the payments in connection with the realignment of the Canadian TUI Travel activities of €97.7m and the contribution of €123.5m to the capital increase in Container Shipping.

The cash outflow from investing activities includes cash payments – offset against acquired cash and cash equivalents – for the acquisition of shares in subsidiaries to be included in consolidation by the TUI Travel Group. The consolidated statement of financial position comprises 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 to be consolidated (excluding the shares in TUI Travel PLC) in financial year 2010 resulted in net cash payments of around €67.6m (previous year around €10.8m). Cash and cash equivalents acquired through these acquisitions total around €5.9m (previous year €12.6m). Cash payments for investments in consolidated companies less cash and cash equivalent received also includes payments relating to prior-year acquisitions, alongside payments for the acquisition of Tourism shareholdings in the year under review.

On 31 March 2010, the Albert Ballin consortium acquired a loan granted by TUI AG to Container Shipping worth €200.0m as scheduled.

The cash flow from investing activities also includes payments of €230.3m made for investments in property, plant and equipment in TUI Travel and €61.8m for the hotel companies as well as payments of €42.4m received from the sale of real estate. In the previous year, investments in property, plant and equipment included investments in Tourism – above all hotel complexes – and Hapag-Lloyd AG investments of €60.0m in the first quarter, primarily prepayments for container ships already ordered.

The cash outflow for investments in property, plant and equipment and intangible assets and the cash inflow from corresponding divestments do not match the additions and disposals shown in the development of fixed assets, which also include non-cash investments and disposals.

The cash flows from investing activities comprise capitalised interest on borrowings of €5.8m (previous year €4.2m).

(44) Cash inflow/outflow from financing activities

The cash inflow from financing activities totals €283.3m. Payments of €1,245.0m were received from the issue of bonds and the raising of financial debt. The main components are the convertible bond of €211.1m issued by TUI AG, a promissory note of €98.8m issued by TUI AG and two convertible bonds totalling €811.4m issued by TUI Travel PLC (each after deduction of borrowing costs). In the period under review, payments of €454.7m were made to repay bonds and debt. TUI AG repaid promissory note liabilities of €184.0m and a bank loan of €50.0m as scheduled. €111.7m were paid for the premature partial repayment of bonds. TUI Travel PLC repaid financial debt worth €73.2m.

The cash outflow from financing activities includes the acquisition of additional shares in TUI Travel PLC by TUI AG (€142.6m). Interest payments of €253.1m were made. The cash outflow also includes the dividend for the hybrid bond of TUI AG (€25.9m) and the dividends for non-controlling interests (€85.4m), in particular in respect of TUI Travel PLC and RIUSA II SA. Dividend payments received including the dividends received by companies measured at equity created an inflow of €38.6m (previous year €26.7m) in the financial year under review.

(45) Development of cash and cash equivalents

Cash and cash equivalents comprise 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 is shown separately. The increase of €15.7m is mainly attributable to the rise of sterling against euro.

In the previous year, cash and cash equivalents of the continuing operations declined by €6.3m due to the classification of the Magic Life Group as a discontinued operation according to IFRS 5.

As at 30 September 2010, cash and cash equivalents of € 0.1bn were subject to restraints on disposal. These monies had to be deposited by tour operators due to national provisions related to the collateralisation of tourism services.

Notes
Other Notes

Significant transactions after the balance sheet date

In October 2010, the Container Shipping group placed a corporate bond in the capital market and received a syndicated credit line, having cancelled its state loan guarantee.

In October and November 2010, Hapag-Lloyd AG and 'Albert Ballin' Holding GmbH & Co. KG paid the interest due to TUI AG and redeemed the bridging loan and subsequently also the hybrid capital III. The payments received total around €0.5bn.

On 23 November 2010, the contract for the sale of the administrative building in Ballindamm in Hamburg to Hapag-Lloyd Grundstücksholding GmbH was recorded by a notary.

Apart from these transactions, no significant transactions were resolved, initiated or implemented in the post-balance sheet period under review, i.e. the period between the balance sheet date and 1 December 2010, the date of release of the consolidated financial statements for publication by the Executive Board.

Services of the auditors of the consolidated financial statements

Total expenses of €4.1m were carried for the services provided by the auditors of the consolidated financial statements in financial year 2009/10, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft. Of this total, €2.0m related to audits, €1.7m to other attestation or measurement services and €0.4m 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 €11,117.8 thousand (previous year €9,412.8 thousand).

In the framework of the long-term incentive programme, the Executive Board members received remuneration of €1,850.0 thousand (previous year no remuneration) for the 2009/10 financial year.

Pension provisions for active Executive Board members totalled €22,662 thousand as at the balance sheet date (previous year €22,331 thousand).

Total remuneration for Supervisory Board members in the financial year under review amounted to €1,772.0 thousand (previous year €2,256.7 thousand).

Remuneration for former Executive Board members and their surviving dependants totalled €4,303.9 thousand (previous year €3,033.2 thousand) in the financial year under review. Pension obligations for former Executive Board members and their surviving dependants amounted to €45,798.6 thousand (previous year €35,663 thousand) at the balance sheet date.

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

See pg. 225

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

Transactions with related parties

€ million	2009/10	SFY 2009
Services provided by the Group		
Management and consultancy services	53.0	31.2
Sales of tourism services	14.8	7.0
Total	**67.8**	**38.2**
Services received by the Group		
in the framework of lease, rental and leasing agreements	31.7	28.9
Purchase of hotel services	180.6	119.3
Incoming services	35.2	32.6
Distribution services	3.3	-
Other services	38.1	62.3
Total	**288.9**	**243.1**

Transactions with related parties (excl. key management)

€ million	2009/10	SFY 2009
Services provided by the Group to		
non-consolidated Group companies	0.9	0.3
joint ventures	28.2	16.5
associated companies	10.9	2.4
other shareholdings	27.8	0.0
natural persons	-	19.0
Total	**67.8**	**38.2**
Services received by the Group from		
non-consolidated Group companies	6.9	0.0
joint ventures	213.8	196.4
associated companies	57.9	21.6
other shareholdings	-	17.8
natural persons	10.3	7.3
Total	**288.9**	**243.1**

Transactions with associated companies in which shareholdings are held and joint ventures are primarily effected in the Tourism Segment. They relate in particular to the tourism services of the hotel companies used by the Group's tour operators.

All transactions with related parties are 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 the previous financial year. Receivables and liabilities existing as at the balance sheet date are comprised in receivables from and liabilities to non-consolidated Group companies and associated companies.

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

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 is a member of TUI's Supervisory Board and indirectly holds 5.1% of the shares in TUI AG.

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

Remuneration of Management, Executive and Supervisory Board

€ '000	2009/10	SFY 2009
Short-term benefits	9.1	10.7
Post-employment benefits	7.9	2.0
Other long-term benefits	1.9	1.0
Total	**18.9**	**13.7**

Post-employment benefits are transfers to pension provisions for active Board members. The year-on-year increase in expenses is attributable to the reduction in the interest rate from 5.25% to 4.25%. These expenses do not meet the definition of Executive and Supervisory Board remuneration under German accounting rules.

International Financial Reporting Standards (IFRS) and Interpretations (IFRIC)

The following standards and interpretations have already been transposed into EU legislation but will only be mandatory for annual financial statements after 30 September 2010:

Amendment to IFRS 1: First-time Adoption of IFRS
The amendments, published in November 2008, exclusively change the structure of the previous standard to enhance its comprehensibility.

Amendments to IFRS 1: Additional Exemptions for First-Time Adopters
Additional exemptions relating to the general principle of mandatory retrospective application of all standards and interpretations applicable at the closing date as at the date of first-time preparation of IFRS-based financial statements were published in July 2009. They relate to companies in the oil and gas sector and first-time adopters applying the transitional provisions of IFRIC 4.

Amendment to IFRS 1: Limited Exemption from Capital Comparative IFRS 7 Disclosures for First-Time Adopters
This amendment relieves first-time adopters of IFRS from providing the additional disclosures required by IFRS 7 for comparative periods ending before 31 December 2009.

None of those three amendments to IFRS 1 affect or are relevant to TUI AG's annual financial statements.

Amendments to IFRS 2: Group Cash-Settled Share-Based Payment Transactions
The amendments, published in June 2009, clarify that companies that receive goods or services in share-based payment arrangements have to account for those goods or services, no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. Since IFRS 2 also incorporates guidance previously included in IFRIC 8 and IFRIC 11, those two interpretations have been withdrawn. TUI AG is currently examining the potential impact of these provisions on the Group's net assets, financial position and results.

Amendment to IAS 24: Related Party Disclosures
The revision, dated November 2009, simplifies the reporting obligations on state-controlled entities. It also provides a fundamentally revised definition of related parties. The TUI Group is currently examining the potential impact of the amended definition on disclosures in the Notes.

Amendments to IAS 32: Classification of Rights Issues
This amendment, published in October 2009, changed IAS 32 as far as rights issues, options and warrants referring to a fix number of own shares which can be acquired against an fixed amount are to be presented as equity capital instruments as long as those are proportionately granted to shareholders of the same stock category.

TUI AG is currently examining the potential impact of that provision on the Group's net assets, financial position and results.

Annual Improvements Project (2009)
In March 2010, these amendments were adopted by the European Commission, establishing consistent mandatory application for reporting periods beginning after 31 December 2009. This deviates from the effective dates established by the IASB.

The Annual Improvements Project consists of a total of twelve amendments. For IAS 1, for instance, it is clarified that in the event of existing options of a counterparty to demand settlement of liabilities by the issue of equity instruments these liabilities do not necessarily have to be classified as current. It is also clarified that leases of land can be classified both as operating leases and finance leases. The remaining amendments relate to clarifications concerning the presentation, recording and measurement of items in the financial statements. TUI AG is currently examining all potential impacts on future consolidated financial statements.

Amendments to IFRIC 14: Prepayments of a Minimum Funding Requirement
The amendments relate to circumstances in which pension plans entail minimum funding requirements and an entity makes prepayments of contributions to cover those requirements. Compared with existing provisions, the economic benefit of such prepayments of contributions that reduce future contribution payments due to the minimum funding requirement is capitalised as an asset. The potential impacts on the TUI Group's net assets, financial position and results of operations are currently being examined.

IFRIC 15: Agreements for the Construction of Real Estate
IFRIC 15, published in July 2008, serves to establish recognition of revenues 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 in line with the transfer of 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 impacts on future financial statements of the TUI Group are still being examined.

IFRIC 17: Distributions of Non-Cash Assets to Owners
IFRIC 17 was published in November 2008 in order to clarify questions related to the accounting practice for distributions of non-cash assets. It clarifies that a dividend payable has to be recognised when the dividend is authorised and has to be measured at the fair value of the non-cash net assets. The difference between the carrying amount and the fair value of the assets has to be recognised in the income statement. This interpretation has to be applied prospectively and potential future impacts will be taken into account accordingly.

IFRIC 18: Transfers of Assets from Customers
IFRIC 18, published in January 2008, provides guidance on how to account for and recognise revenue for agreements in which an entity receives from a customer assets or cash to acquire assets in order to subsequently provide services (e.g. connecting the customer to a network to supply electricity, gas or water). This interpretation mainly relates to entities in the utility sector and is not relevant for the TUI Group.

IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments
The newly issued interpretation provides guidance on how to account for the extinguishment of all or part of a financial liability by the issue of equity instruments (debt for equity swaps) by a debtor by means of renegotiating the terms of the debt, provided the creditor is an independent third party. The equity instruments now have to be measured at their fair value, and the difference between the carrying amount of the financial liability extinguished and the measurement of the equity instruments must be included in the entity's income statement for the period, i.e. under IFRIC 19 it is no longer possible to merely reclassify the financial liability to equity. TUI AG is currently examining all potential impacts on future consolidated financial statements.

Amendments, standards and interpretations published by the IASB but not yet transposed into European legislation:

IFRS 7: Financial Instruments – Disclosures: Transfer of Financial Assets
The standard, issued in October 2010, sets out the disclosure requirements in connection with the transfer of financial assets, e.g. the sale of trade accounts receivable (factoring) or asset-backed securities (ABS) transactions. IFRS 7 stipulates that even if financial assets are derecognised in their entirety comprehensive qualitative and quantitative disclosures on the rights and obligations that may remain with the entity, e.g. default guarantees, are required.

IFRS 9: Financial Instruments: Classification and Measurement
The purpose of the standard, published in November 2009, is to replace IAS 39 in the medium term following further revisions. For the time being, the new requirements of IFRS 9 exclusively relate to financial assets. In future, based on the individual entity's business model, these assets will only be divided into two classifications rather than four (amortised cost and fair value). According to the new standard, embedded derivatives will no longer be separated from the financial host asset but instead will be assessed with the financial host asset in its entirety, and reclassifications will no longer be permitted unless they result from changes in the individual entity's business model. In addition, aiming to simplify existing rules, the new standard only allows for one single method to determine impairments for all financial assets and provides a general ban on the reversal of impairments. It also comprises a large number of additional amendments, most of which are provided in order to simplify existing rules.

A decision about endorsement of the standard by the EU is still pending.

Annual Improvements Project (2010)
The third annual collective standard to carry out minor amendments to the IFRSs was published in May 2010. Most amendments are effective retrospectively for annual periods beginning after 31 December 2010.

This does not apply to the effective date of consequential amendments to IAS 21, IAS 28 and IAS 31 resulting from amendments to IAS 27 in the framework of the Business Combinations Phase II, which will already be effective for annual periods beginning on or after 1 July 2009. Amendments to IFRS 3 concerning transition requirements, measurement of non-controlling interests and accounting for un-replaced and voluntarily replaced share-based payment awards are effective for annual periods beginning on or after 1 July 2010. These provisions have not yet been transposed into EU legislation.

Further amendments and clarifications relate to IFRS 1 concerning application of the revaluation basis to replace cost, IFRS 7 in connection with disclosures on the type and extent of risks from financial instruments, IAS 1 concerning equity reconciliation statements, IAS 34 concerning disclosures in the notes on significant events and transactions and IFRIC 13 concerning the measurement of award credits.

The TUI Group is currently examining the potential impact of the amendments and new provisions on its net assets, financial position and results of operations.

Other Notes
TUI Group Shareholdings

Consolidated companies	Country	Capital share in %
TUI Travel		
100% Adventure Pty Ltd, Wayville, SA	Australia	100.0
600035 B.C. LTD, Canada	UK	100.0
AB Caller & Sons Ltd., Crawley	UK	100.0
Absolut Insurance Limited, Guernsey	Guernsey	100.0
Acampora Travel S.r.l., Sorrent	Italy	51.0
Active Safari Pty Ltd, West Leederville	Australia	100.0
Active Travel & Recruitement Pty Ltd, West Leederville	Australia	100.0
Adehy Limited, Dublin	Ireland	100.0
Adventure Center (First Choice) Inc, Emeryville, CA	US	100.0
Adventure Tours Australia Group Pty Ltd, Wayville, SA	Australia	100.0
Adventures Worldwide Limited, Crawley	UK	100.0
Africa Focus Tours Namibia Pty. Ltd., Windhoek	Namibia	100.0
African Travel Concept Pty. Ltd., Capetown	South Africa	100.0
Air 2000 Aviation Limited, Crawley	UK	100.0
Air 2000 Leasing Limited, Crawley	UK	100.0
Air 2000 Limited, Crawley	UK	100.0
Air Two Thousand (Ireland) Limited, Dublin	Ireland	100.0
Airlink International Ltd., Crawley	UK	100.0
Alcor Yachting SA, Geneva	Switzerland	100.0
Ambassador Tours S.A., Barcelona	Spain	100.0
American Holidays (NI) Limited, Belfast	UK	100.0
AMP Management Ltd., Crawley	UK	100.0
Antigua Charter Services, St John's	Antigua	100.0
Apart Hotel Zarevo EOOD, Varna	Bulgaria	100.0
Apollo Investment Management Ltd., Crawley	UK	100.0
Aragon Tours Limited, Crawley	UK	100.0
Aran Travel International Limited, Dublin	Ireland	100.0
Asiarooms Pte Ltd, Singapore	Singapore	100.0
ATC Namibian Reflections Pty. Ltd., Capetown	South Africa	100.0
Audio Tours and Travel Hong Kong Limited, Kowloon	Hongkong	99.0
Australian Adventure Tours Pty Ltd, Sydney	Australia	100.0
Australian Pinnacle Holidays Pty Limited, Fremantle	Australia	100.0
Australian Sports Tours Pty Ltd, Ballarat, Victoria	Australia	100.0
Austravel Ltd., Crawley	UK	100.0
Aventuria SASU, Lyon	France	100.0
Avrasya Sarl, Paris	France	60.0
B.A.T.H. Investments Limited, Crawley	UK	100.0

Consolidated companies	Country	Capital share in %
Bakers Dolphin Group Tours Limited, Crawley	UK	100.0
Bass Travel Ltd., Crawley	UK	100.0
Bass Travel Supplies Ltd., Crawley	UK	100.0
BDS Destination Services Company, Cairo	Egypt	67.0
Beds on line SL, Palma de Majorca	Spain	100.0
Berge und Meer Touristik GmbH, Rengsdorf	Germany	100.0
Blue Scandinavia Holding AB, Stockholm	Sweden	100.0
BMIT, LLC, State of Delaware	US	100.0
BOSS Tours Ltd., Mississauga, Ontario	Canada	100.0
BOSS Tours North America, Inc., Mississauga, Ontario	Canada	100.0
Britannia Airways (Catering) Ltd., Crawley	UK	100.0
Britannia Airways Limited, Crawley	UK	100.0
Britannia Holidays Ltd., Crawley	UK	100.0
Britannia Sweden AB, Stockholm	Sweden	100.0
Business Entertainment Services Limited, Crawley	UK	100.0
Callers-Pegasus Pension Trustee Ltd., Crawley	UK	100.0
Callers-Pegasus Travel Service Ltd., Crawley	UK	100.0
Callisto Investment Management Ltd., Crawley	UK	100.0
Caradonna Dive Adventures, Inc., State of Delaware	US	100.0
Cel Obert SL, Sant Joan de Caselles	Andorra	100.0
Chantier Naval Raiarea Carenages Services SARL, Utoroa, Raiatea	Polynesia	100.0
CHS Tour Services GmbH, Innsbruck	Austria	100.0
CHS Tour Services Ltd, Crawley	UK	100.0
Citalia Holidays Limited, Crawley	UK	100.0
Citalia Transport Limited, Crawley	UK	100.0
Citybreaks Limited, Crawley	UK	100.0
Clipper Adventurer Ltd, Bahamas	Bahamas	100.0
Clipper Cruise Line, LLC, State of Delaware	US	100.0
Clipper Odyssey Ltd, Bahamas	Bahamas	100.0
Club Turavia SA de CV, Cancún	Mexico	100.0
Colline SASU, Lyon	France	100.0
Connoisseur Belgium BVBA, Nieuwpoort	Belgium	100.0
Connoisseur Cruisers Limited, Crawley	UK	100.0
Contentdot Company Ltd., Crawley	UK	100.0
Continental Boating Holidays Ltd, Dublin	Ireland	100.0
Continental Holiday Cruisers Limited, Crawley	UK	100.0

Consolidated companies	Country	Capital share in %
Corporate World Cup Limited, Crawley	UK	100.0
Corsair S.A., Rungis	France	98.9
Country Walkers, Inc., State of Delaware	US	100.0
Crown Blue Line GmbH, Kleinzerlang	Germany	100.0
Crown Blue Line Limited, Crawley	UK	100.0
Crown Blue Line SA, Castelnaudary	France	100.0
Crown Blue Line, Inc., Annapolis	US	100.0
Crown Cruisers Limited, Crawley	UK	100.0
Crown Holidays Limited, Crawley	UK	100.0
Crown Travel Limited, Crawley	UK	100.0
Crystal Active Limited, Crawley	UK	100.0
Crystal Holidays Ltd., Crawley	UK	100.0
Crystal Holidays, Inc., Breckenridge	US	100.0
Crystal International Travel Group Ltd., Crawley	UK	100.0
Danubius Travel S.R.L., Constanta	Romania	70.0
Digital Travel Group (Holdings) Ltd., Crawley	UK	100.0
Digital Travel Group Ltd., Crawley	UK	100.0
Discover Australian Adventures Pty Ltd, Wayville, SA	Australia	100.0
EAC Activity Camps Limited, Edinburgh	UK	100.0
EAC Language Centres (UK) Limited, Edinburgh	UK	100.0
EAC Language Centres (US) Limited, Delaware	US	100.0
Easy Market S.p.A., Rimini	Italy	100.0
Educational Tours, Inc., State of Delaware	US	100.0
Edwin Doran (UK) Limited, Crawley	UK	100.0
EEFC, Inc., State of Delaware	US	100.0
Elena SA, Palma de Majorca	Spain	100.0
Emerald Star Limited, Dublin	Ireland	100.0
Entreprises Hotelieres et Touristique PALADIEN Lena Mary S.A., Argolis	Greece	100.0
Event Logistics (UK) Limited, Crawley	UK	100.0
Event Logistics International Limited, Crawley	UK	100.0
Events International (Sports Travel) Limited, Crawley	UK	100.0
Events International Limited, Crawley	UK	100.0
Ever 2457 Limited, Crawley	UK	100.0
Ever 2519 Limited, Crawley	UK	100.0
Exclusive Destinations Limited, Crawley	UK	100.0
Exodus Travels Limited, Crawley	UK	100.0
Explorers Travel Club Ltd, Crawley	UK	100.0
Falcon Investco Limited, Crawley	UK	100.0
Falcon Leisure Group (Overseas) Limited, Crawley	UK	100.0
Fanatics Sports & Party Tours UK LIMITED, Crawley	UK	100.0
Fanatics Sports and Party Tours PTY LIMITED, Banksia	Australia	100.0
FanFirm Pty Ltd, Banksia	Australia	100.0
FC Adventures Canada, Inc., Vancouver	Canada	100.0
FC Expeditions Canada, Inc., British Columbia	Canada	100.0
First Choice (Euro) Limited, Crawley	UK	100.0
First Choice (France) SAS, Paris	France	100.0
First Choice (Turkey) Limited, Crawley	UK	100.0
First Choice Airways Limited, Crawley	UK	100.0
First Choice Aviation Limited, Crawley	UK	100.0
First Choice Deutschland GmbH i.L., Düsseldorf	Germany	100.0
First Choice Expedition Cruising Limited, Crawley	UK	100.0
First Choice Expeditions, Inc., State of Delaware	US	100.0
First Choice Holdings Australia Pty Ltd, Melbourne	Australia	100.0
First Choice Holdings, Inc., Delaware	US	100.0
First Choice Holiday Cars Limited, Crawley	UK	100.0
First Choice Holiday Hypermarkets Limited, Crawley	UK	100.0
First Choice Holidays & Flights Limited, Crawley	UK	100.0
First Choice Holidays Finance Limited, Crawley	UK	100.0
First Choice Holidays Limited, Crawley	UK	100.0
First Choice Holidays Quest Limited, Crawley	UK	100.0
First Choice Investments LLC, Camí de Son Fangos, 100	US	100.0
First Choice Investments Spain, SL, Palma de Majorca	Spain	100.0
First Choice Land (Ireland) Limited, Dublin	Ireland	100.0
First Choice Leisure Limited, Crawley	UK	100.0
First Choice Lyon SAS, Lyon	France	100.0
First Choice Marine (BVI) Ltd, British Virgin Islands	British Virgin Islands	100.0
First Choice Marine (Malaysia) Snd Bhd, Malaysia	Malaysia	100.0
First Choice Marine Limited, Crawley	UK	100.0
First Choice Office Services Limited, Crawley	UK	100.0
First Choice Olympic Limited, Crawley	UK	100.0
First Choice Overseas Holding BV, Amsterdam	Netherlands	100.0
First Choice Overseas Holdings Limited, Crawley	UK	100.0
First Choice Overseas Limited, Limassol	Cyprus (greek part)	100.0
First Choice Retail (Management Services) Limited, Crawley	UK	100.0
First Choice Retail Limited, Crawley	UK	100.0
First Choice Sailing, Inc. (USA) (also known as Sunsail, Inc.), State of Delaware	US	100.0
First Choice Spain Limited, Crawley	UK	100.0
First Choice Tour Operations Limited, Crawley	UK	100.0
First Choice Travel Shops (SW) Limited, Crawley	UK	100.0
First Choice Travel Shops Limited, Crawley	UK	100.0
First Choice Travel Web SAS, Paris	France	100.0
First Choice USA, Crawley	UK	100.0
First Choice, Unijet & Air 2000 Limited, Crawley	UK	100.0
FlexiGroup Holdings Limited, Crawley	UK	100.0
FlexiGroup Travel Limited, Crawley	UK	100.0
Flights Warehouse Ltd., Crawley	UK	100.0
Fly Thomson Ltd., Crawley	UK	100.0
FOX-TOURS Reisen GmbH, Rengsdorf	Germany	100.0
Francotel Limited, Crawley	UK	100.0
Fritidsresor AB, Stockholm	Sweden	100.0
Fritidsresor Holding Spain S.A.U., San Bartolome De Tirajana	Spain	100.0
Fritidsresor Ltd., Crawley	UK	100.0
Fritidsresor Tours & Travels India Pvt Ltd, Bardez, Goa	India	100.0
Gap Year for Grown Ups Limited, Crawley	UK	100.0

Consolidated companies	Country	Capital share in %
GeBeCo Gesellschaft für internationale Begegnung und Cooperation mbH & Co. KG, Kiel	Germany	50.1
Gecko Adventures Limited, Crawley	UK	100.0
GEI/Moorings, LLC, State of Delaware	US	100.0
Genikes Touristikes Epixeiriseis Meridian AE, Athens	Greece	100.0
Gerance de L'Hotel Manganao S.R.L., Paris	France	100.0
Germanair Flugzeug Leasing GmbH, Hamburg	Germany	100.0
Globesavers Limited, Crawley	UK	100.0
Gold Case Travel Ltd., Crawley	UK	100.0
Grand Expeditions Limited, Crawley	UK	100.0
Grandex Limited, Crawley	UK	100.0
Groupe Marmara SAS, Paris	France	100.0
Gulliver Rent-A-Car d.o.o., CAVTAT	Croatia	100.0
Gulliver Travel d.o.o., Dubrovnik	Croatia	70.0
Gullivers Group Limited, Crawley	UK	100.0
Gullivers Sports Travel Limited, Crawley	UK	100.0
Hampstead School of English Limited, Crawley	UK	100.0
Hannibal Travel Group A/S, Aarhus	Denmark	100.0
Hapag-Lloyd Executive GmbH, Hanover	Germany	100.0
Hapag-Lloyd Express GmbH, Hanover	Germany	100.0
Havas Loisirs SASU, Montreuil	France	100.0
Hayes & Jarvis (Travel) Limited, Crawley	UK	100.0
Hayes & Jarvis Holdings Limited, St Helier	Jersey	100.0
Headwater Holidays Limited, Crawley	UK	100.0
Hellenic Island Holidays SA, Athens	Greece	100.0
Hellenic Sailing Holidays SA, Athens	Greece	100.0
Hellenic Sailing SA, Athens	Greece	100.0
Hilario Tours C Por A, Higuey	Dominican Republic	100.0
Holding Nouvelles Frontières SASU, Montreuil	France	100.0
Holiday Club International Ltd., Crawley	UK	100.0
Holiday Hypermarkets (2000) Limited, Crawley	UK	100.0
Holidays Services S.A., Agadir	Morocco	100.0
Holidays Uncovered Limited, Crawley	UK	100.0
Holidaytime Ltd., Crawley	UK	100.0
Horizon Holidays Ltd., Crawley	UK	100.0
Horizon Midlands (Properties) Ltd., Crawley	UK	100.0
Horizon Travel Centres Ltd., Crawley	UK	100.0
Hotel Beds Turizm Seyahat Pazarlama AS, Istanbul	Turkey	100.0
Hôtel Les Filaos SA, Saly	Senegal	99.9
Hotelbeds (Shanghai) Commercial Services Co., Limited, Shanghai	China	100.0
Hotelbeds (UK) Limited, Crawley	UK	100.0
Hotelbeds Accomadation & Destination Services - Hawaii & Pacific Islands, Inc, State of Delaware	US	100.0
Hotelbeds Brasil Agencia de Turismo e Viagens Ltd., Sao Paulo	Brazil	100.0
Hotelbeds Costa Rica SA, San José	Costa Rica	100.0
Hotelbeds Dominicana SA, Santo Domingo	Dominican Republic	98.6
Hotelbeds Product SLU, Porto de la Cruz, Tenerife	Spain	100.0
Hotelbeds Spain, S.L.U., Palma de Majorca	Spain	100.0
Hotelbeds Technology SLU, Palma de Majorca	Spain	100.0

Consolidated companies	Country	Capital share in %
Hotelbeds USA Inc, Orlando	US	100.0
Hotelbeds, S.L.U., Palma de Majorca	Spain	100.0
Hoteljet Tours SA, Palma de Majorca	Spain	100.0
Hotelopia SL, Palma de Majorca	Spain	100.0
Hotelreisen Limited, Crawley	UK	100.0
Hotels London Ltd, Hitchin, Hertfordshire	UK	100.0
Hurricane Hole Hotel Ltd, St Lucia	Windward Islands St Lucia	100.0
I Love Tour Limited, Tring, Hertfordshire	UK	100.0
I TO I INTERNATIONAL PROJECTS LTD, Crawley	UK	100.0
I Viaggi des Turchese S.r.l., Fidenza	Italy	100.0
Ideal Breaks Ltd., Crawley	UK	100.0
iExplore, Inc., Chicago	US	100.0
Imperial Cruising Co, Heliopolis-Cairo	Egypt	90.0
Inter Commerce Trading AB, Stockholm	Sweden	100.0
Inter Hotel SARL, Tunis	Tunisia	100.0
Intercruises Shoreside & Port Services Canada Inc., Quebec	Canada	100.0
Intercruises Shoreside & Port Services PTY LTD, Stanmore NSW	Australia	100.0
Intercruises Shoreside & Port Services, Inc., State of Delaware	US	100.0
Intercruises Shoreside & Port Services, SLU, Barcelona	Spain	100.0
International Employment and Training Limited, Crawley	UK	100.0
International Expeditions, Inc., State of Delaware	US	100.0
Intrav Holdings, LLC, State of Delaware	US	100.0
INTRAV, Inc., State of Delaware	US	100.0
Island Sailing Limited, Crawley	UK	100.0
i-To-i Placements Limited, CARRICK-ON-SUIR, CO. TIPPERARY	Ireland	100.0
i-To-i PTY Ltd., Sydney	Australia	100.0
i-To-i UK Limited, Crawley	UK	100.0
i-To-i, Inc., Los Angeles	US	100.0
J.S. Courtney Ltd., Crawley	UK	100.0
JetAir N.V., Oostende	Belgium	100.0
Jetair Travel Distribution N.V., Oostende	Belgium	100.0
Jetaircenter N.V., Mechelen	Belgium	100.0
Jetsave International Ltd., Crawley	UK	100.0
JH It ApS, Aarhus	Denmark	100.0
JNB (Bristol) Limited, Crawley	UK	100.0
JWT Holidays Limited, Crawley	UK	100.0
Kilquade Limited, Dublin	Ireland	100.0
Kras B.V., Ammerzoden	Netherlands	100.0
L.W. Morland & Co. Ltd., Crawley	UK	100.0
Late Rooms Limited, Crawley	UK	100.0
Le Boat Netherlands B.V., Rotterdam	Netherlands	100.0
Le Piolet SCI, St Martin de Belleville, Savoie	France	100.0
Le SALY S.A., Mbour	Senegal	100.0
Leibniz-Service GmbH, Hanover	Germany	100.0
Leisure International Airways Limited, Crawley	UK	100.0
Les Services Educatours Mercier, Inc., Montreal	Canada	100.0
Les Tours Jumpstreet Tours, Inc., Montreal	Canada	100.0
Liberty Cruise Line, LLC, State of Delaware	US	100.0
Lincoln Travel Ltd., Crawley	UK	100.0
Lirotel SARL, Turin	Italy	100.0

Consolidated companies	Country	Capital share in %
Lorimer Investments Ltd., Crawley	UK	100.0
l'tur tourismus Aktiengesellschaft, Baden-Baden	Germany	70.0
Lunn Poly (Jersey) Ltd., St Helier	Jersey	100.0
Lunn Poly Ltd., Crawley	UK	100.0
Luxury Mountain Hotels SARL, Notre Dame de Bellecombe, Savoie	France	100.0
Magic Connoisseurs Ltd., Crawley	UK	100.0
Magic of the Orient Limited, Crawley	UK	100.0
Manchester Academy Holdings Limited, Crawley	UK	100.0
Manchester Academy Teacher Training (UK) Limited, Crawley	UK	100.0
Manchester Academy Tours Limited, Crawley	UK	100.0
Manchester Flights Ltd., Crawley	UK	100.0
Mango Event Management Limited, Crawley	UK	100.0
Maraheath Limited, Crawley	UK	100.0
Marina Travel Limited, Dublin	Ireland	100.0
Mariner International Travel, Inc., State of Delaware	US	100.0
Mariner Travel GmbH, Bad Vilbel	Germany	100.0
Mariner Travel SAS, Paris	France	100.0
Martin Rooks Limited, Crawley	UK	100.0
Master - Yachting GmbH, Eibelstadt	Germany	100.0
Maxi Yen SL, Palma de Majorca	Spain	100.0
Medico Flugreisen GmbH, Baden-Baden	Germany	100.0
Meon (Holdings) Limited, Crawley	UK	100.0
Meon Transport Services Limited, Crawley	UK	100.0
Meon Travel Limited, Crawley	UK	100.0
MicronNexus GmbH, Hamburg	Germany	100.0
Molay Travel SARL, Molay Littri, Calvados	France	100.0
Molay Travel SCI, Molay Littry, Calvados	France	100.0
Mont Charvin Ski SARL, Paris	France	100.0
Moorings (St Lucia) LTD, St Lucia	Windward Islands St Lucia	100.0
Moorings Antilles Francaises SA, Le Marin	Morocco	100.0
Moorings Grenadines Ltd., St Vincent and Grenadines	Windward Islands St Vincent	100.0
Moorings Mexico SA de CV, La Paz	Mexico	100.0
Moorings Yachting SAS, Paris	France	100.0
Moorings Yat Isletmecilgi Turizm Ve Tic Ltd, Mugla	Turkey	100.0
MyPlanet Holding A/S, Holstebro	Denmark	100.0
MyPlanet International A/S, Holstebro	Denmark	90.0
MyPlanet Norway AS, Oslo	Norway	100.0
MyPlanet Sweden AB, Gothenburg	Sweden	100.0
Nacka Worldwide Holding AB, Stockholm	Sweden	100.0
NACL LLC, State of Delaware	US	100.0
National Tours, Inc., Utah	US	100.0
Nazar Nordic AB, Malmö	Sweden	100.0
New Horizons Tour & Travel, Inc., Jackson	US	100.0
New Land Viaggi S.r.l., Calcinato	Italy	100.0
New World Ship Management Company LLC, St Louis, Missouri	US	100.0
New World Ships LLC, St Louis, Missouri	US	100.0
Nordotel S.A.U., San Bartolome De Tirajana	Spain	100.0

Consolidated companies	Country	Capital share in %
Nouvelles Frontières Belgique NV, Brussels	Belgium	100.0
Nouvelles Frontières Distribution S.A., Montreuil	France	100.0
Ocean College LLC, Sharm el Sheikh	Egypt	90.0
Ocean Tech LLC, Cairo	Egypt	100.0
Ocean Ventures for Hotels and Tourism Services SAE, Sharm el Sheikh	Egypt	100.0
Olympic Holidays Limited, Crawley	UK	100.0
Olympic Vacations Limited, Crawley	UK	100.0
Orion Airways Ltd., Crawley	UK	100.0
Orion Airways Pension Trustees Ltd., Crawley	UK	100.0
OSL Ltd., Crawley	UK	100.0
Owners Abroad España, S.A., Las Palmas	Spain	100.0
Oy Finnmatkat AB, Helsinki	Finland	100.0
Pacific World (Thailand) Limited, Bangkok	Thailand	100.0
Pacific World Destination East Sdn. Bhd., Penang	Malaysia	100.0
Pacific World Limited, Kowloon	Hongkong	100.0
Pacific World Singapore Pte Limited, Singapore	Singapore	100.0
Paradise Hotels Management Company, Cairo	Egypt	100.0
Parador Travel Limited, Crawley	UK	100.0
Park East Tours, Inc., State of Delaware	US	100.0
PATS N.V., Oostende	Belgium	100.0
Peregrine Adventures Limited, Crawley	UK	100.0
Peregrine Adventures Pty Ltd, Melbourne	Australia	100.0
Peregrine Shipping Pty Ltd, Melbourne	Australia	100.0
Peregrine Tours Ltd, Crawley	UK	100.0
Phoenicia Travel Ltd., Crawley	UK	100.0
Pinnacle Services Pty Limited, Fremantle	Australia	100.0
Pinnacle Tours Pty Limited, Fremantle	Australia	100.0
Pinnacle Travel Centre (1987) Pty Limited, Fremantle	Australia	100.0
Plantravel Ltd., Crawley	UK	100.0
Platinum Event Travel Limited, Crawley	UK	100.0
Pointe Gros Boeuf S.N.C., Pointe a Pitre	France	100.0
Polar Travel MEPE (i.L.), Athens	Greece	100.0
Port Philip Group Ltd., Crawley	UK	100.0
Porter and Haylett Limited, Crawley	UK	100.0
Portland Camping, Crawley	UK	100.0
Portland Holidays Direct Ltd., Crawley	UK	100.0
Portland Holidays Ltd., Crawley	UK	100.0
Portland Travel Ltd., Crawley	UK	100.0
Precis (1134) Limited, Crawley	UK	100.0
Premier Holidays Afloat Limited, Dublin	Ireland	100.0
Premiere International Corp, Gardena	US	100.0
Prestige Boating Holidays Limited, Dublin	Ireland	100.0
Primworth Enterprises Limited, Limassol	Cyprus (greek part)	100.0
ProTel Gesellschaft für Kommunikation mbH, Rengsdorf	Germany	100.0
PT PACIFIC WORLD NUSANTARA, Bali	Indonesia	100.0
Quark Expeditions, Inc., State of Delaware	US	100.0
Quill Travel Services Limited, Crawley	UK	100.0
Real Holidays Ltd., Crawley	UK	100.0
Real Travel Group Ltd, Crawley	UK	100.0
Real Travel Ltd, Crawley	UK	100.0

Consolidated companies	Country	Capital share in %
Real Travel Pty Ltd, Melbourne	Australia	100.0
Redwing Holdings Limited, Crawley	UK	100.0
Redwing Holiday Limited, Crawley	UK	100.0
Renwicks Travel Ltd., Crawley	UK	100.0
Republic Cruise Line, LLC, State of Delaware	US	100.0
Revoli Star SA, San Bartolome De Tirajana	Spain	100.0
Riviera Holidays Ltd., Crawley	UK	100.0
Robert Sibbald Travel Agents Ltd., Edinburgh	UK	100.0
Royal Tours Travel Center Luxembourg S.A., Oostende	Belgium	100.0
Royal Vacaciones SA, Palma de Majorca	Spain	100.0
SAS Hotel Restaurant Les Trois Vallées, Courchevel 1850, Savoie	France	100.0
Sawadee Amsterdam BV, Amsterdam	Netherlands	100.0
SC Hotel Beds Travel Agency S.R.L., Constanta	Romania	100.0
Scan Holiday Tours Ltd., Crawley	UK	100.0
School Voyageurs (Canada), Inc., Toronto	Canada	100.0
Schools Abroad Limited, Crawley	UK	100.0
SCI Marmara, Paris	France	99.0
Segue, Inc., State of Delaware	US	100.0
SERAC Travel GmbH, Bagnes	Switzerland	100.0
SET Sports Tours Limited, Tring, Hertfordshire	UK	100.0
SET Tours Limited, Tring, Hertfordshire	UK	100.0
SET Tours Transport Limited, Tring, Hertfordshire	UK	100.0
Simply Aviation Ltd., Crawley	UK	100.0
Simply Italy Ltd., Crawley	UK	100.0
Simply Travel Holdings Ltd., Crawley	UK	100.0
Simply Travel Ltd., Crawley	UK	100.0
Sir Henry Lunn Ltd., Crawley	UK	100.0
Ski Alpine Limited, Crawley	UK	100.0
Ski Bound Limited, Crawley	UK	100.0
Ski Value Ltd, Crawley	UK	100.0
Skibound France SARL, Notre Dame de Bellecombe	France	100.0
Skibound Holidays Limited, Crawley	UK	100.0
Skibound Leisure Group Limited, Crawley	UK	100.0
Sky Tours Ltd., Crawley	UK	100.0
Skydeals (M/CR) Ltd., Crawley	UK	100.0
Skymead Leasing Ltd., Crawley	UK	100.0
Skymead Ltd., Crawley	UK	100.0
Skymead Maintenance Ltd., Crawley	UK	100.0
Société d'Exploitation du Paladien Marrakech SA, Marrakech	Morocco	100.0
Société d'Investissement Aérien S.A., Casablanca	Morocco	100.0
SOCIETE D'INVESTISSEMENT ET D'EXPLOITAION DU PALADIEN DE CALCATOGGIO (S I E P A C), Paris	France	100.0
Société d'investissement hotelier Almoravides S.A., Marrakech	Morocco	100.0
Société Marocaine pour le Developpement des Transports Touristiques S.A., Agadir	Morocco	95.0
Société polynesienne promotion hotelière S.A.S, Tamanu	Polynesia	100.0
Something Special (Transport) Limited, Crawley	UK	100.0
Something Special Holidays Ltd., Crawley	UK	100.0

Consolidated companies	Country	Capital share in %
Sons of South Sinai Tourism and Food Supply SAE, Sharm el Sheikh	Egypt	64.9
Sovereign Tour Operations Limited, Crawley	UK	100.0
Spanish Harbour Holidays Ltd., Crawley	UK	100.0
Spanish Harbour Travel Services Ltd., Crawley	UK	100.0
Specialist Holiday Group Ireland Ltd., Dublin	Ireland	100.0
Specialist Holidays Contracting Ltd., Crawley	UK	100.0
Specialist Holidays Group Ltd., Crawley	UK	100.0
Specialist Holidays Ltd., Crawley	UK	100.0
SplashLine Event und Vermarktungs GmbH, Vienna	Austria	100.0
Sport Abroad (UK) Limited, Crawley	UK	100.0
Sport Executive Travel Limited, Tring, Hertfordshire	UK	100.0
Sportsworld (Beijing) Sports Management Consulting Limited Company, Beijing	China	100.0
Sportsworld Atlanta, Inc., Atlanta	US	100.0
Sportsworld Group Limited, Crawley	UK	100.0
Sportsworld Holdings Limited, Crawley	UK	100.0
Sportsworld Hospitality Limited, Crawley	UK	100.0
Sportsworld Pacific PTY Limited, North Sydney	Australia	100.0
Sportsworld Travel Limited, Crawley	UK	100.0
Star Club SA, San Bartolome De Tirajana	Spain	100.0
Star Tour A/S, Copenhagen	Denmark	100.0
Star Tour Holding A/S, Copenhagen	Denmark	100.0
Star Tour Hotel A.S., Antalya	Turkey	100.0
Star Tour of Skandinavia Ltd., Crawley	UK	100.0
Starquest Expeditions, Inc., Seattle	US	100.0
Startour-Stjernereiser AS, Stabekk	Norway	100.0
Step Into Africa Ltd., Crawley	UK	100.0
STUDENT SKIING LIMITED, Crawley	UK	100.0
STUDENT SKIING TRANSPORT LIMITED, Crawley	UK	100.0
Studentcity.com, Inc., State of Delaware	US	100.0
Suncars Limited, Crawley	UK	100.0
Sunquest Holidays (UK) Limited, Crawley	UK	100.0
Sunsail (Antigua) Limited, Antigua	Antigua	100.0
Sunsail (Australia) Pty Ltd, Hamilton Island, Queensland	Australia	100.0
Sunsail (Seychelles) Limited, Mahe (Seychelles)	Seychelles	100.0
Sunsail (Thailand) Company Ltd, Phuket	Thailand	30.0
Sunsail Adriatic d.o.o., Split	Croatia	100.0
Sunsail Deutschland GmbH i.L., Munich	Germany	100.0
Sunsail Hellas MEPE, Athens	Greece	100.0
Sunsail International B.V., Rotterdam	Netherlands	100.0
Sunsail International Limited, Crawley	UK	100.0
Sunsail Limited, Crawley	UK	100.0
Sunsail SAS, Castelnaudary	France	100.0
Sunsail Worldwide Sailing Limited, Crawley	UK	100.0
Sunsail Worldwide Sailing St Vincent Limited, St Vincent and Grenadines	Windward Islands St Vincent	100.0
Sunshine Boats Limited, Crawley	UK	100.0
Sunshine Cruises Limited, Crawley	UK	100.0
Supernova Expeditions Ltd., Anguilla	Crown Colony of Anquilla	100.0

Consolidated companies	Country	Capital share in %
Symi Investments Limited, Crawley	UK	100.0
Tantur Turizm Seyahat Ltd.Sti., Istanbul	Turkey	100.0
TCS Expeditions, Inc., State of Delaware	US	100.0
TCV Touristik-Computerverwaltungs GmbH, Baden-Baden	Germany	100.0
Team Lincoln Ltd., Crawley	UK	100.0
Team Lincoln Services Ltd., Crawley	UK	100.0
Team Travel Ltd., Crawley	UK	100.0
Teamlink Transport Limited, Crawley	UK	100.0
Teamlink Travel Limited, Crawley	UK	100.0
Tec4Jets B.V., Rotterdam	Netherlands	100.0
The Imaginative Traveller Australia Pty Limited, Crawley	UK	100.0
The Imaginative Traveller Limited, Crawley	UK	100.0
The International Academy Ltd., Crawley	UK	100.0
The International Academy Tours Limited, Crawley	UK	100.0
The London Cup Ltd., Crawley	UK	100.0
The Magic of Travel Ltd., Crawley	UK	100.0
The Magic Travel Group (Holidays) Ltd., Crawley	UK	100.0
The Magic Travel Group Ltd., Crawley	UK	100.0
The Moorings (Bahamas) Ltd, Bahamas	Bahamas	100.0
The Moorings (Seychelles) Limited, Mahé	Seychelles	100.0
The Moorings (Tonga) Ltd., Tonga	Tonga	100.0
The Moorings Australasia Pty, Queensland	Australia	100.0
The Moorings Belize Limited, Belize	Belize	100.0
The Moorings d.o.o., Croatia	Croatia	100.0
The Moorings Limited, British Virgin Islands	British Virgin Islands	100.0
The Moorings Sailing Holidays Ltd, Crawley	US	100.0
The Moorings SARL, Utoroa, Raiatea	Polynesia	100.0
TheFirstResort Limited, Crawley	UK	100.0
TheFirstResort Operations Limited, Crawley	UK	100.0
THG Holidays Limited, Crawley	UK	100.0
Thomson Air Limited, Crawley	UK	100.0
Thomson Airways (Services) Limited, Crawley	UK	100.0
Thomson Airways Limited, Crawley	UK	100.0
Thomson Al Fresco Ltd., Crawley	UK	100.0
Thomson Flights Ltd., Crawley	UK	100.0
Thomson Holidays Ltd. (Ireland), Dublin	Ireland	100.0
Thomson Holidays Ltd., Crawley	UK	100.0
Thomson Overseas Services Ltd., Crawley	UK	100.0
Thomson Reisen GmbH, St Johann	Austria	100.0
Thomson Services Ltd., St Peter Port/ Guernsey	UK	100.0
Thomson Sport (UK) Limited, Crawley	UK	100.0
Thomson Travel Group (Holdings) Ltd., Crawley	UK	100.0
Thomson Travel Holdings SA, Luxembourg	Luxembourg	100.0
Thomson Travel Insurance Services Ltd., St Peter Port	UK	100.0
Thomson Travel International Ltd., Crawley	UK	100.0
Thomson Travel International SA, Luxembourg	Luxembourg	100.0
Thomson Viagens e Turismo Lda., Lisbon	Portugal	100.0
Thomsonfly Limited, Crawley	UK	100.0

Consolidated companies	Country	Capital share in %
TICS GmbH Touristische Internet und Call Center Services, Baden-Baden	Germany	100.0
TKJ Pty Limited, Perth	Australia	100.0
Tolkien Limited, British Virgin Islands	British Virgin Islands	100.0
Tourinter SA, Lyon	France	100.0
Transfar - Agencia de Viagens e Turismo Lda., Faro	Portugal	99.9
TRAVCOA Corporation, State of Delaware	US	100.0
Travel Adventures, Inc., Lapeer	US	100.0
Travel Choice Limited, Crawley	UK	100.0
Travel Class Holdings Limited, Crawley	UK	100.0
Travel Class Limited, Crawley	UK	100.0
Travel Class Transport Limited, Crawley	UK	100.0
Travel Contracting Limited, Crawley	UK	100.0
Travel Partner Bulgaria EOOD, Varna	Bulgaria	100.0
Travel Scot World Limited, Crawley	UK	100.0
Travel Sense A/S, Copenhagen	Denmark	85.0
Travel Services Europe Limited, Crawley	UK	100.0
Travel Services Europe Spain SL, Barcelona	Spain	100.0
Travel Turf, Inc., Allentown	US	100.0
Travelbound European Tours Limited, Crawley	UK	100.0
Travellers Joy Travel Services Ltd., Crawley	UK	100.0
Travelmood Limited, Crawley	UK	100.0
Treasure Isle Yacht Charter Ltd, British Virgin Islands	British Virgin Islands	100.0
Trek America Travel Limited, Crawley	UK	100.0
Trek International Travel Corp	US	100.0
Trek Investco Limited, Crawley	UK	100.0
Trek Investco Trustees Limited, Crawley	UK	100.0
Triaena Isserhomenos Tourismos A.E., Athens	Greece	100.0
Trina Group Limited, Crawley	UK	100.0
Trina Tours Limited, Crawley	UK	100.0
Trips Worldwide Limited, Crawley	UK	100.0
Tropical Car Rental Pty Limited, Fremantle	Australia	100.0
Tropical Places Ltd., Crawley	UK	100.0
TT Holdings France SA, Montreuil	France	100.0
TTG (No. 13) Limited, Crawley	UK	100.0
TTG (No. 14), Dublin	Ireland	100.0
TTG (No. 15) Limited, Crawley	UK	100.0
TTG (No. 2) Ltd., Crawley	UK	100.0
TTG Retail Development Ltd., Crawley	UK	100.0
TTOHL Otel Izmetleri Turizm ve Ticaret A. S., Istanbul	Turkey	100.0
TTSS Limited, Crawley	UK	100.0
TTSS Transportation Limited, Crawley	UK	100.0
TUI (IP) Ltd., Crawley	UK	100.0
TUI (Suisse) AG, Zurich	Switzerland	100.0
TUI (Suisse) Holding AG, Zurich	Switzerland	100.0
TUI 4 U GmbH, Bremen	Germany	100.0
TUI Airlines Belgium N.V., Oostende	Belgium	100.0
TUI Airlines Nederland B.V., Rijswijk	Netherlands	100.0
TUI aqtiv GmbH, Hanover	Germany	100.0
TUI Austria Holding GmbH, Vienna	Austria	100.0
TUI Aviation GmbH, Hanover	Germany	100.0
TUI Canada Holdings Inc, Toronto	Canada	100.0
TUI China Travel CO. Ltd., Beijing	China	75.0
TUI Consulting & Services GmbH, Hanover	Germany	100.0

Consolidated companies	Country	Capital share in %
TUI Curaçao N.V., Curaçao	Dutch Antilles	100.0
TUI Denmark Holding A/S, Copenhagen	Denmark	100.0
TUI Deutschland GmbH, Hanover	Germany	100.0
TUI Dienstleistungsgesellschaft mbH, Hanover	Germany	100.0
TUI España Turismo S.A., Barcelona	Spain	99.0
TUI Finance Northern Europe Ltd., Crawley	UK	100.0
TUI Hellas Travel and Tourism SA, Athens	Greece	100.0
TUI HOLDING SPAIN S.L., Barcelona	Spain	100.0
TUI interactive GmbH, Hanover	Germany	100.0
TUI Italia S.R.L., Milan	Italy	100.0
TUI Leisure airport sales GmbH, Hanover	Germany	90.0
TUI Leisure Travel GmbH, Hanover	Germany	100.0
TUI Leisure Travel Service GmbH, Neuss	Germany	100.0
TUI Leisure Travel Special Tours GmbH, Hanover	Germany	100.0
TUI Nederland Holding N.V., Rijswijk	Netherlands	100.0
TUI Nederland N.V., Rijswijk	Netherlands	100.0
TUI Nordic Holding AB, Stockholm	Sweden	100.0
TUI Nordic Specialist Holidays AB, Stockholm	Sweden	100.0
TUI Northern Europe Ltd., Crawley	UK	100.0
TUI Norway Holding AS, Stabekk	Norway	100.0
TUI Austria GmbH, Vienna	Austria	100.0
TUI Pension Scheme (UK) Ltd., Crawley	UK	100.0
TUI Poland Dystrybucja Sp.zo.o., Warsaw	Poland	100.0
TUI Poland Sp.z o.o., Warsaw	Poland	100.0
TUI PORTUGAL - Agencia de Viagens e Turismo S.A., Faro	Portugal	99.8
TUI Service AG, Altendorf	Switzerland	100.0
TUI Students & Schools France S.a.r.l., Paris	France	100.0
TUI Suisse Retail AG, Zurich	Switzerland	100.0
TUI Travel (Ireland), Dublin	Ireland	100.0
TUI Travel Aviation Finance Limited, Crawley	UK	100.0
TUI Travel Belgium N.V., Oostende	Belgium	100.0
TUI Travel Common Investment Fund Trustee Limited, Crawley	UK	100.0
TUI Travel Group Management Services Limited, Crawley	UK	100.0
TUI Travel Healthcare Limited, Crawley	UK	100.0
TUI Travel Holdings Limited, Crawley	UK	100.0
TUI Travel Holdings Sweden AB, Stockholm	Sweden	100.0
TUI Travel Nominee Limited, Crawley	UK	100.0
TUI Travel Overseas Holdings Limited, Crawley	UK	100.0
TUI TRAVEL PLC, Crawley	UK	55.6
TUI Travel SAS Holdings Limited, Tring, Hertfordshire	UK	100.0
TUI UK Italia S.r.L., Turin	Italy	100.0
TUI UK Ltd., Crawley	UK	100.0
TUI UK Retail Limited, Crawley	UK	100.0
TUI UK Transport Ltd., Crawley	UK	100.0
TUI Vertrieb & Service GmbH, Hanover	Germany	100.0
TUIfly GmbH, Langenhagen	Germany	100.0
TUIfly Nordic AB, Stockholm	Sweden	100.0
TUIfly Vermarktungs GmbH, Langenhagen	Germany	100.0
Turismo Asia Company Ltd., Bangkok	Thailand	100.0
Ultra Montes C.V., Brussels	Belgium	100.0

Consolidated companies	Country	Capital share in %
Ultramar Express Transport S.A., Palma de Majorca	Spain	100.0
Unijet Group Limited, Crawley	UK	100.0
Unijet Leisure Limited, Crawley	UK	100.0
Unijet Travel Limited, Crawley	UK	100.0
Universal Sky Tours Ltd., Crawley	UK	100.0
Vacanze Thomson Srl. (i.L.), Rome	Italy	100.0
Versun Yachts NSA, Athens	Greece	100.0
Viagens Elena LDA, Albufeira	Portugal	100.0
Viajes Barcelo SA, Buenos Aires	Argentinia	100.0
Viking Aviation Limited, Crawley	UK	100.0
Viking Freight Limited, Crawley	UK	100.0
Villa Options Ltd., Crawley	UK	100.0
Visit USA Limited, Crawley	UK	100.0
Voile Voyage SARL, Paris	France	100.0
Voyages Touraventures S.A., Montreuil	France	100.0
Waymark Holidays Limited, Crawley	UK	100.0
Waymark Transport Limited, Crawley	UK	100.0
WE LOVE RUGBY PTY LIMITED, Banksia	Australia	100.0
Williment Travel Group Limited, Wellington	New Zealand	100.0
Wings Travel Ltd., Crawley	UK	100.0
Wolters Reisen GmbH, Stuhr/Brinkum	Germany	100.0
WonderCruises AB, Stockholm	Sweden	100.0
WonderHolding AB, Stockholm	Sweden	51.0
World Challenge (Canada) Limited, Crawley	UK	100.0
World Challenge (Dubai) Limited, Crawley	UK	100.0
World Challenge (Hong Kong) Limited, Crawley	UK	100.0
World Challenge Expeditions (HK) Limited, Hong Kong	Hongkong	100.0
World Challenge Expeditions Limited, Crawley	UK	100.0
World Challenge Expeditions Pty Ltd, Victoria	Australia	100.0
World Challenge Expeditions, Inc., Cambridge, MA	US	100.0
World Challenge Holdings Limited, Crawley	UK	100.0
World of TUI Ltd., Crawley	UK	100.0
Yachts International Limited, British Virgin Islands	British Virgin Islands	100.0
YOCL LLC, State of Delaware	US	100.0
Young Explorers, Inc., Toronto	Canada	100.0
Your Man Tours, Inc., El Segundo, CA	US	100.0
Your Sporting Challenge Limited, Crawley	UK	100.0
Zegrahm Expeditions, Inc., Seattle	US	100.0
Zegrahm Holdings, LLC, Seattle	US	100.0

Consolidated companies	Country	Capital share in %
TUI Hotels & Resorts		
„MAGIC LIFE" Assets AG, Vienna	Austria	100.0
BU RIUSA II EOOD, Sofia	Bulgaria	100.0
Cabotel-Hoteleria e Turismo Lda., Santiago/Kap Verde	Spain	100.0
CLUBHOTEL GESELLSCHAFT MBH., Hermagor	Austria	77.5
Daidalos Hotel- und Touristik-unternehmen A.E., Athens	Greece	59.0
Dominicanotel S.A., Puerto Plata	Dominican Republic	100.0
Dorfhotel GesmbH, Villach	Austria	100.0
Egyptian Germany Co. for Hotels (L.T.D), Cairo	Egypt	66.6
GEAFOND Número Dos Fuerteventura S.A., Las Palmas, Gran Canaria	Spain	100.0
GEAFOND Número Uno Lanzarote S.A., Las Palmas, Gran Canaria	Spain	100.0
Holiday Center S.A., Cala Serena/Cala d'Or	Spain	100.0
Iberotel International A.S., Antalya	Turkey	100.0
Iberotel Otelcilik A.S., Istanbul	Turkey	100.0
Jandia Playa S.A., Morro Jable/Fuerteventura	Spain	100.0
Jaz Hotels & Resorts S.A.E., Cairo	Egypt	50.9
MAGIC LIFE DER CLUB INTERNATIONAL Turizm Hizmetleri A.S., Istanbul	Turkey	100.0
Magic Life For Hotels. LLC, Cairo	Egypt	100.0
Magic Life GmbH & Co KG, Vienna	Austria	100.0
Magic Life Greece S.A., Athens	Greece	100.0
Magic Life Tunisie S.A., Tunis	Tunisia	100.0
Magic Tourism International S.A., Tunis	Tunisia	100.0
MX RIUSA II S.A. de C.V., Cabo San Lucas	Mexico	100.0
Promociones y Edificaciones Chiclana S.A., Palma de Majorca	Spain	100.0
Puerto Plata Caribe Beach S.A., Puerto Plata	Dominican Republic	100.0
RCHM S.A.S., Agadir	Morocco	100.0
Rideway Investment Ltd., London	UK	100.0
RIU Jamaicotel Ltd., Negril	Jamaica	100.0
RIUSA Brasil Empreendimentos LTDA, Igarassu (Pernambuco)	Brazil	99.0
RIUSA II S.A., Palma de Majorca	Spain	50.0
RIUSA NED B.V., Amsterdam	Netherlands	100.0
ROBINSON AUSTRIA Clubhotel GmbH, Hermagor	Austria	100.0
Robinson Club (Schweiz) AG, Vulpera	Switzerland	100.0
Robinson Club GmbH, Hanover	Germany	100.0
Robinson Club Italia S.p.A., Marina di Ugento	Italy	100.0
Robinson Club Maldives Private Limited, Malé	Maledives	100.0
Robinson Clubhotel Turizm Ltd. Sti., Istanbul	Turkey	100.0
Robinson Hoteles España S.A., Cala d'Or	Spain	100.0
Robinson Hotels Portugal, Vila Nova de Cacela	Portugal	67.0
Robinson Otelcilik A.S., Istanbul	Turkey	100.0
STIVA RII Ltd., Dublin	Ireland	100.0
TdC Agricoltura Società agricola a r.l., Florence	Italy	100.0
TdC Amministrazione S.r.l., Florence	Italy	100.0
Tenuta di Castelfalfi S.p.A., Florence	Italy	100.0
Tunisotel S.A.R.L., Tunis	Tunisia	100.0
Turcotel Turizm A.S., Istanbul	Turkey	100.0
Turkuaz Insaat Turizm A.S., Ankara	Turkey	100.0

Consolidated companies	Country	Capital share in %
Cruises		
Hapag Cruise Ship GmbH, Hamburg	Germany	100.0
Hapag-Lloyd (Bahamas) Ltd., Nassau	Bahamas	100.0
Hapag-Lloyd Kreuzfahrten GmbH, Hamburg	Germany	100.0
Preussag Beteiligungsverwaltungs GmbH IX, Hanover	Germany	100.0
Central operations		
Canada Maritime Limited, Barking	UK	100.0
Canada Maritime Services Limited, Barking	UK	100.0
Canadian Pacific (UK) Limited, Barking	UK	100.0
Cast Agencies Europe Ltd., Barking	UK	100.0
Cast Group Services Limited, Barking	UK	100.0
Cast Terminal Europe N.V., Antwerp	Belgium	100.0
Contship Holdings Limited, Barking	UK	100.0
CP Ships (Bermuda) Ltd., Hamilton	Bermudas	100.0
CP Ships (GFHL Realisation) Limited, Barking	UK	100.0
CP Ships (UK) Limited, Barking	UK	100.0
CP Ships Logistics N.V., Antwerp	Belgium	100.0
CP Ships Ltd., Saint John	Canada	100.0
CP Ships Trucking (Germany) GmbH, Neuss	Germany	100.0
CPS Holdings (No. 2) Limited, Barking	UK	100.0
Paul Bellack, Inc., Philadelphia	US	100.0
PM Peiner Maschinen GmbH, Hanover	Germany	100.0
Preussag Finanz- und Beteiligungs-GmbH, Hanover	Germany	100.0
Preussag Immobilien GmbH, Salzgitter	Germany	100.0
Preussag North America, Inc., New York	US	100.0
Preussag UK Ltd., Crawley	UK	100.0
R.O.E. Logistics, Inc., Montreal	Canada	100.0
Salzgitter Grundstücks- und Beteili-gungsgesellschaft mbH, Salzgitter	Germany	100.0
Thomson Travel International AG i.L., Zug	Switzerland	100.0
TUI Beteiligungs GmbH, Hanover	Germany	100.0
TUI-Hapag Beteiligungs GmbH, Hanover	Germany	100.0
WAG Salzgitter Wohnungs-GmbH, Salzgitter	Germany	100.0

Joint ventures and associated companies	Country	Capital share in %
TUI Travel		
Aeolos Travel LLP, Nicosia	Cyprus (greek part)	49.9
Aitken Spence Travels Ltd, Colombo	Sri Lanka	50.0
Alpha Tourism and Marketing Services Ltd., Port Louis	Mauritius	25.0
Alpha Travel (U.K.) Limited, Crawley	UK	25.0
Atlantica Hellas S.A., Rhodos	Greece	50.0
Atlantica Hotels and Resorts S.A., Lemesos	Cyprus (greek part)	50.0
Belgium Travel Network cvba, Sint Martens Latem	Belgium	50.0
Bonitos GmbH & Co KG, Frankfurt	Germany	50.0
DER Reisecenter TUI GmbH, Berlin	Germany	50.0
Holiday Travel (Israel) Limited, Airport City	Israel	50.0
InteRes Gesellschaft für Informations-technologie mbH, Darmstadt	Germany	25.2
Le Passage to India Tours and Travels Pvt Ltd, New Delhi	India	50.0
Manahe Ltd., Quatre Bornes	Mauritius	50.0
OFT REISEN GmbH, Ditzingen	Germany	50.0
Pollman's tours and safaris Ltd., Nairobi	Kenya	25.0
Raiffeisen-Tours RT-Reisen GmbH, Burghausen	Germany	25.1
Ranger Safaris Ltd., Arusha	Tanzania	25.0
Safeharbour Investments S.L., Barcelona	Spain	50.0
Sunwing Travel Group Inc, Toronto	Canada	49.0
Teckcenter Reisebüro GmbH, Kirchheim/T.	Germany	50.0
TMR OOO, Moskau	Russia	34.0
TMTI Limited, Nicosia	Cyprus (greek part)	34.0
Togebi Holdings Ltd, Cyprus	Cyprus (greek part)	49.0
Travco Group Holding S.A.E., Cairo	Egypt	50.0
TRAVELStar GmbH, Hanover	Germany	50.0
TUI InfoTec GmbH, Hanover	Germany	49.9
Tunisie Voyages S.A., Tunis	Tunisia	50.0
Voukouvalides Travel & Tourism S.A., Kos	Greece	50.0

Joint ventures and associated companies	Country	Capital share in %
TUI Hotels & Resorts		
aQi Hotel Schladming GmbH, Bad Erlach	Austria	49.0
EIVISSA Maroc S.L., Agadir	Morocco	35.0
ENC for touristic Projects S.A.E., Sharm el Sheikh	Egypt	50.0
Fanara Residence for Hotels S.A.E., Sharm el Sheikh	Egypt	50.0
First Om El Gorayfat Company for Hotels S.A.E., Mersa Allam	Egypt	50.0
GBH Turizm Sanayi Isletmecilik ve Ticaret A.S., Istanbul	Turkey	50.0
Golden Lotus Hotel Company S.A.E., Luxor	Egypt	50.0
Grecotel S.A., Rethymnon	Greece	50.0
GRUPOTEL DOS S.A., Can Picafort	Spain	50.0
Kamarayat Nabq Company for Hotels S.A.E., Sharm el Sheikh	Egypt	50.0
M.H. Cyprotel Management Ltd., Limassol	Cyprus (greek part)	50.0
Makadi Club for Hotels S.A.E., Hurghada	Egypt	50.0
Mirage Resorts Company S.A.E., Hurghada	Egypt	50.0
Oasis Company for Hotels S.A.E., Hurghada	Egypt	50.0
Phaiax A.E.T.A., Korfu	Greece	50.0
Quinta da Ria Empreendimentos do Algarve, S.A., Vila Nova de Cacela	Portugal	33.0
RIU Hotels S.A., Palma de Majorca	Spain	49.0
Sharm El Maya Touristic Hotels Co. S.A.E., Cairo	Egypt	50.0
Sun Oasis for Hotels Company S.A.E., Hurghada	Egypt	50.0
Tikida Bay S.A., Agadir	Morocco	34.0
TIKIDA DUNES S.A., Agadir	Morocco	30.0
Tikida Palmeraie S.A., Marrakesch	Morocco	33.3
UK Hotel Holdings FZC L.L.C., Fujairah	United Arab Emirates	50.0
Cruises		
TUI Cruises GmbH, Hamburg	Germany	50.0
Central Operations		
‚Albert Ballin' Joint Venture GmbH & Co. KG, Hamburg	Germany	43.3
dynamic-packer Reiseveranstalter GmbH & Co. KG, Taufkirchen	Germany	40.0

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 net assets, financial position and results of operations 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, 1 December 2010

The Executive Board

Auditor's Report

We have audited the consolidated financial statements prepared by TUI AG, Berlin and Hanover, comprising the statement of financial position, the income statement and the statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report, which is combined with the management report of the TUI AG for the business year from October 1, 2009 to September 30, 2010. The preparation of the consolidated financial statements and the combined 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) are the responsibility of the parent Company's Executive Board. Our responsibility is to express an opinion on the consolidated financial statements and the combined 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 combined 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 combined 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 Executive Board, as well as evaluating the overall presentation of the consolidated financial statements and the combined 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 provisions. The combined 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.

Hanover, 1 December 2010

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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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