ANNUAL REPORT 2010/11

1 October 2010 – 30 September 2011

TUI Aktiengesellschaft

Table of Contents

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

An online version (HTML) of this report is available at **annualreport2010-11.tui-group.com**. It offers PDF downloads of single chapters and all tables in Excel format.

For further information,
follow these pictograms:

Web link

Cross-reference within the report

TUI
Aktiengesellschaft

Tourism

Tour operators

TUI Travel PLC

TUI Travel comprises the World of TUI's tour operators, sales, airlines and incoming agency activities. TUI Travel is active in 180 countries around the world and looks after about 30 million customers a year from 27 source markets. That makes it Europe's leading international tour operator. TUI AG is the majority shareholder in the company, which is listed on the London Stock Exchange. It is structured around four Businesses: Mainstream, Accommodation & Destinations, Specialist & Activity and Emerging Markets. It consists of a wide array of offers ranging from package tours to special niche products such as yacht charters, expeditions and student travel.

www.tuitravelplc.com

Hotels

TUI
Hotels & Resorts

With 248 hotels and over 157,000 beds, TUI Hotels & Resorts manages the World of TUI's hotel companies as Europe's largest holiday hotelier. TUI Hotels & Resorts consists of hotel brands with high performance, quality and environmental standards that offer a large number of hotel concepts at outstanding locations of choice. They include such well-known brands as Riu, Robinson, Grecotel, Grupotel, Iberotel and Dorfhotel. A large number of the hotels are among the best in their category at the location in question. Most of the hotels in the portfolio are four- or five-star establishments.

www.tui-group.com

Cruises

Hapag-Lloyd Kreuzfahrten TUI Cruises

With Hapag-Lloyd Kreuzfahrten and TUI Cruises, TUI AG has two quality brands in its portfolio that offer a maritime holiday experience for various target groups. Hapag-Lloyd Kreuzfahrten is the leading organiser of expedition and luxury cruises in the German-speaking area. Its fleet includes the cruise liners MS Europa, MS Hanseatic, MS Bremen and MS Columbus. TUI Cruises offers feel-good holidays at sea for the German-speaking market on Mein Schiff 1 and Mein Schiff 2.

www.hl-cruises.com, www.tuicruises.com

TUI Group – Financial Highlights

€ million		2010/11	2009/10	Var. %
Turnover				
TUI Travel		16,867.0	15,754.8	+ 7.1
TUI Hotels & Resorts		362.6	353.2	+ 2.7
Cruises		200.8	178.7	+ 12.4
Group		17,480.3	16,350.1	+ 6.9
EBITDA				
TUI Travel		640.0	437.8	+ 46.2
TUI Hotels & Resorts		215.7	211.0	+ 2.2
Cruises		19.7	15.2	+ 29.6
Group		850.1	649.8	+ 30.8
Underlying EBITDA				
TUI Travel		718.4	711.4	+ 1.0
TUI Hotels & Resorts		234.9	212.6	+ 10.5
Cruises		19.7	16.0	+ 23.1
Group		923.5	904.9	+ 2.1
EBITA				
TUI Travel		321.4	101.6	+ 216.3
TUI Hotels & Resorts		144.2	137.2	+ 5.1
Cruises		11.2	6.8	+ 64.7
Group		444.5	215.5	+ 106.3
Underlying EBITA				
TUI Travel		500.1	484.6	+ 3.2
TUI Hotels & Resorts		145.3	148.0	- 1.8
Cruises		11.2	7.6	+ 47.4
Group		600.1	589.2	+ 1.8
Group earnings				
Net profit for the year		118.2	113.6	+ 4.0
Earnings per share	€	- 0.01	+ 0.30	n. a.
Assets				
Non-current assets		9,107.6	9,356.7	- 2.7
Current assets		4,384.3	5,258.8	- 16.6
Total assets		13,491.9	14,615.5	- 7.7
Equity and liabilities				
Equity		2,547.8	2,434.2	+ 4.7
Non-current liabilities		4,168.2	4,555.1	- 8.5
Current liabilities		6,775.9	7,626.2	- 11.1
Total equity and liabilities		13,491.9	14,615.5	- 7.7
Equity ratio	%	18.9	16.7	+ 2.2*)
Capital expenditure		474.4	516.2	- 8.1
Net debt		816.7	2,287.1	- 64.3
Employees	30 Sep.	73,707	71,398	+ 3.2

Differences may occur due to rounding

*) percentage points

The Group

One Group – three strong Sectors

TUI Travel, Europe's leading tourism company, TUI Hotels & Resorts, the leading holiday hotelier in Europe, and the cruise brands Hapag-Lloyd Kreuzfahrten and TUI Cruises make up the World of TUI.

Positioning success

Satisfying our guests is our foremost priority. Our values set our course for achieving this goal. Quality, variety, innovation, sustainability and growth are firmly anchored in our entrepreneurial thinking and activity at TUI. They point the way in our quest to develop unmistakable products and to delight our customers.

Dr Michael Frenzel, Chairman of the Executive Board

Dear shareholders,

The TUI Group has emerged strengthened from financial year 2010/11. Thanks to considerable growth in customer volumes in TUI Travel, Group turnover rose by 6.9% to €17.5bn. Despite the major impact of the political unrest in North Africa, the TUI Group posted operating earnings of around €600m, exceeding the previous year's level. We recorded a substantial improvement in reported earnings (EBITA), which more than doubled year-on-year to €445m. We regard this as evidence of our increasing ability, thanks to our flexible business model in Tourism, to limit the impact of unpredictable external shocks on our business.

We also made substantial headway in strengthening our finance structures in the completed financial year. We achieved a substantial reduction in Group net debt by around €1.5bn to around €0.8bn in financial year 2010/11. This was primarily driven by the payments we received from our investment in Hapag-Lloyd. Due to the repayment of the loan we had granted to Hapag-Lloyd and the sale of shares to the Albert Ballin consortium, we cut our financial commitment by around €1bn to around €1.5bn in financial year 2010/11. The reduction in Group debt was also driven by improvement in the working capital in TUI Travel and a lower cash flow impact from restructuring costs. At the beginning of 2011, we also took advantage of the favourable financial market environment to optimise the structure and maturity profile of our debt. With these measures, we have boosted the TUI Group's ability to weather any fluctuations in the market.

This is very important, as a glance at the current political and global economic framework reveals. Over the past few months, the risks for the further development of the Tourism business have increased. The strong rise in the oil price in the completed financial year will increase our input costs in the forthcoming financial year. Just like our competition, we will have to pass it on to our customers in the form of higher travel prices. At the same time, consumer sentiment in our major source markets might be impacted by the persistent uncertainty in the financial markets.

Our performance in Tourism in 2010/11 was significantly affected by the political change in North Africa and the Middle East. After the onset of the unrest in Tunisia and Egypt, demand for these destinations slumped, affecting in particular our tour operators in France and our hotels in Egypt. The one-off costs and turnover losses associated with the events drove the TUI Group's operating earnings down by €83m in the financial year under review. TUI Travel responded quickly and flexibly to the changes in demand by adjusting its capacities. As a result, we were able to offer most of our customers alternative destinations in the 2011 summer season and achieved an overall year-on-year rise in the number of customers travelling with us.

We remain convinced that our tourism portfolio in Egypt, Tunisia and Morocco is extremely attractive. In cooperation with our local partners, we are working to ensure that these destinations will return to the tourism map as quickly as possible. Nevertheless, we expect the aftermath of the crisis in North Africa to impact in particular the first half of the forthcoming financial year 2011/12.

At underlying EBITA of around €657m for Tourism, our core business exceeded the prior-year's level by €17m in financial year 2010/11. This performance was not to be taken for granted in the challenging environment I outlined above, and it has made us stand out from our competition. It demonstrates that we have an attractive product portfolio and have charted the right course with the cost savings and efficiency enhancement programmes initiated at the beginning of the financial year. We intend to pursue this successful course further and have defined clear goals for further profitability enhancements in the TUI Group.

Strengthening, developing, expanding – these three terms best summarise our strategic initiatives in Tourism. We are strengthening our core business by continually optimising TUI's business model and cost structures. We are also actively developing our portfolio. In addition, we are expanding into new, dynamic markets to ensure profitable growth for the future. We see this as a clear, long-term entrepreneurial mission designed to further boost our sustainable profitability in Tourism.

In financial year 2010/11, TUI Travel made considerable headway in implementing its comprehensive cost savings and efficiency enhancement programme. Thanks to the introduction of new production and reservation systems, TUI Travel streamlined its processes and structures, in particular in the volume business. TUI Travel has defined a target of 107 million sterling for incremental profits and cost savings, to be delivered in broadly even tranches over the next three years.

In our home market, TUI Deutschland has started to implement the project Get 2015. TUI Deutschland intends to defend its market leadership in the next few years and expand its market share with new revenue models, a sales campaign and more efficient production due to a higher level of automation.

We are also planning to achieve substantial changes in our French tour operators. The French travel market was particularly hard hit by the impact of the political unrest in North Africa. Tunisia and Morocco, in particular, traditionally constitute popular travel destinations for French holidaymakers. As a result, the considerable slump in demand for these destinations was not offset by alternative offerings. We will merge the previously separate tour operator brands Nouvelles Frontières and Marmara into one single entity, so as to achieve considerable cost savings in the future and enhance our marketing activities.

We were also successful in expanding our business in the growth markets. In May 2011, the national tourism authority granted TUI China authorisation to organise outbound travel for Chinese holidaymakers. TUI China is the only European tour operator to have received this licence so far. We will consistently develop our strong position in this important market.

In the Cruises Sector, TUI Cruises commissioned Mein Schiff 2 in May 2011. The second cruise vessel operated by TUI Cruises already achieved very strong bookings in its first season. TUI Cruises thus established an excellent market position as an innovative provider within a very short time frame. Hapag-Lloyd Kreuzfahrten also paved the way for further growth in the completed financial year. As early as April 2012, MS Columbus 2 will replace MS Columbus and set new standards in the premium segment. In the luxury segment, the new MS Europa 2 will expand our fleet as of 2013. The new build will be positioned as a modern alternative to the traditional MS Europa.

The TUI Group is well prepared for the new challenges facing us in the forthcoming financial year 2011/12. We have defined the necessary measures to further strengthen our operating earnings power in Tourism. Our flexible business model enables us to master even unpredictable events. Thanks to the continued expansion of our differentiated portfolio in Tourism and the consistent use of the Internet as a production and sales channel, we intend to further expand our leading competitive positions in Tourism. We also continue to work towards solutions for completely exiting Container Shipping.

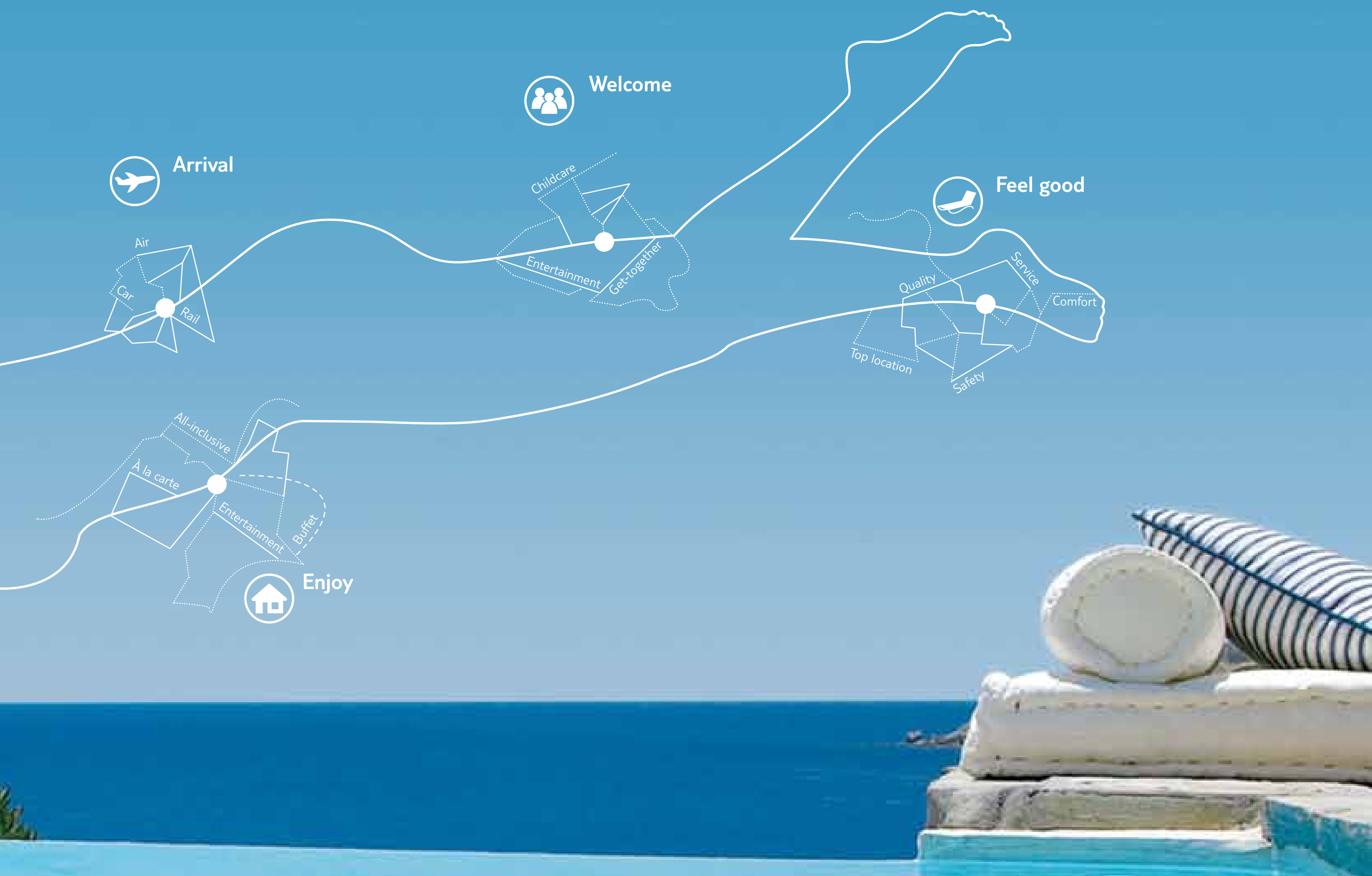
We would be very pleased if you followed us on this road.

Dr Michael Frenzel,
CEO

Quality
you can rely on

Grecotel Mykonos Blu

37° 24′ N, 25° 20′ E



Easy online booking
In addition to our approximately 3,500 travel agents in Europe, we are also expanding our online sales – to offer even more service when you book.

Relaxed on arrival
As the market leader with a fleet of our own, we can draw on a large committed flight capacity, so our guests can be sure of the best terms and conditions. With rail-and-fly offers and collection services, they can also be sure of travelling to their destination in comfort.

Good on-site care
By means of cooperation arrangements with local partners, we ensure that our customers also enjoy optimal on-site service – from arrival at the airport until they leave.

Feel at home in a superb holiday complex
At TUI Hotels & Resorts, Europe's largest holiday hotelier, customers can choose from 248 hotels in prime locations in 26 countries – and are satisfied. Our German guests give World of TUI hotel brand establishments an above-average rating of 1.56 on a scale of 1 (best) to 5 (worst).

The ultimate in enjoyment
Excellence of service is our hallmark – from culinary variety to first-rate entertainment.

Satisfaction is our top priority
Customer surveys at the end of the holiday are an essential part of our quality assurance, and 89% of our German guests would recommend TUI to others.

Discover variety

Expedition in the eternal ice
Whether it's by icebreaker to the Antarctic or by private jet wherever you want, we specialise in exclusive charters that offer our customers something special.

Travel and learn
Many visit a country to broaden their horizons – and to learn. At our various language and ski schools, students and schoolchildren can combine the practical with a unique experience.

Exclusive tours to top events
We are the world's foremost organiser of rugby and cricket tours. We also market well-known sporting events as a licensed sales partner and organise tailor-made events for corporate and private clients.

At home on the water
We organise sailing holidays on the world's oceans along with holidays on Europe's finest inland waterways. Our yacht charter base in the British Virgin Islands is the largest in the world.

On the piste together
We are the world's largest skiing tour organiser. We also offer our customers ten different premium brands of discerning tours to many destinations around the globe.

Experience unique adventures
From skiing safaris in the Rocky Mountains to customised trekking tours on Native American trails in North America, we enable our customers to make one-of-a-kind adventure journeys and exciting tours.


River basin of Song Cai, Vietnam
12° 17′ N, 109° 0′ E
North American Specialist
Polar expedition
Private air travel
Marine
The Moorings
Le Boat
Sunsail
Specialist Holiday Group
Destination specialists
Luxury holidays
Skiing tours
Language courses
Class trips
Ski school
Education
Students
Intrepid
Adventure tours
Adventure
Sports
Event tours
World Rugby Tour

Innovations that delight

Robinson Club – making good even better
The Robinson Club has for years been a premium provider of club holidays in the German market. First-rate complexes are successfully combined with sport, enjoyment and entertainment for all. Continuous development of this successful concept and constant quality assurance ensure that Robinson will continue to deliver its promise of quality.

Blue Village – setting trailblazing standards
The Scandinavian source market proves that new approaches pay dividends. The Blue Village concept is designed to meet the requirements of young families. The Kids Club, round-the-clock care and a wide range of services ensure a relaxed holiday for children and adults alike.

Sensimar – individual concepts
There is no longer just one kind of customer; customers have a wide range of needs. Long-term success awaits only those who develop new concepts at an early stage, and Sensimar is a case in point. Specially designed for couples travelling without children, Sensimar fulfils exacting demands of location, architecture and culinary offerings.

EcoResort – quality anchored sustainably
There cannot be a quality holiday without quality of environment. This is not mere lip service; it is a long-term part of our quality strategy. Independently accredited specialists award in-house EcoResort seals of quality to TUI hotels that show on-site social commitment and preserve the unique natural environment and landscape of our holiday destinations.

Mein Schiff 2 – a new generation of cruise liner
Two years after TUI Cruises entered the market, Mein Schiff 2 set sail in May 2011. With a feel-good concept that combines classic ship cruising and modern holiday offerings, we have filled a genuine gap in the German market. Excellent booking figures prove that this is a concept bound for success.

MS Europa 2 – reinterpreting luxury
The MS Europa 2 is a sister vessel for the Hapag-Lloyd Cruises flagship. The 5-star-plus luxury liner will set sail on its maiden voyage in 2013. More modern and more casual than the original MS Europa in equipment, facilities and routes, the MS Europa 2 is ideal for the needs of working people with families and thus a perfect addition to the portfolio.


Promenade deck on Mein Schiff 1
18° 25′ N, 68° 58′ W
Robinson Club
Entertainment
WellFit
Relaxed atmosphere
Cuisine
Sustainability
Professional sporting activities
EcoResort
Quality seal
Commitment
Sustainability
Eco-efficiency
Benchmark
Mein Schiff 2
Feelgood concept
Teens Lounge
Young families
Fitness
Wellness
Blue Village
Beach
Kids Club
Family programme
All-inclusive
Round-the-clock service
MS Europa 2
Casual luxury
First-class entertainment
Family offers
5-star-plus segment
Sensimar
First-class location
Exclusive spa
High-end furnishing
Time for two

Living global responsibility

Opening up prospects for employees
Our employees are our most important asset and guarantee of corporate success. That is why we promote their individual career development, take care of their health and create a work-life balance.

Sustainable commitment
We support sustainable economic, ecological and social development – not only at our locations but also at our holiday destinations. We aim to live social responsibility wherever we do business. We thereby ensure sustainable corporate success.

Environmentally friendly actions
For us it is a matter of course and an integral part of our quality standards that our products, services and processes are environmentally compatible. We are working consistently to reduce external and internal environmental impact, and we actively support nature conservation and environmental and climate protection.

Designing sustainable offers
Sustainability also plays a decisive part in our product development. Consumers are guided increasingly in their purchasing decisions by the ecological and social responsibility that companies take on. Staying at EcoResorts, for example, guarantees an especially responsible approach to the use of resources at the holiday destination.

Proof of performance
International rating agencies and sustainability analysts confirm that our sustainability record carries conviction. We see this confirmation of our work as an incentive to continue to conform to internationally recognised standards of responsibility toward the environment and society.

Conducting a dialogue
As part of our multi-stakeholder dialogue, we cooperate with a large number of institutions and initiatives, both in European source markets and in tourist destinations. We thereby promote an exchange that contributes toward sustainable tourism development.


Skybridge Monteverde Cloud Forest Preserve, Costa Rica
10° 18' N, 84° 48' W
Products
Holidays forever
EcoResort
Nature excursion
Reise ins Leben
Volunteer tours
Employees
Family
Diversity
Career
Training
Health
Rating
Ethibel Excellence Index
Industry leader Dow Jones Sustainability Index
FTSE4Good
ECPI Ethical Index Euro
DAXglobal Sarasin Sustainability Germany
Carbon Disclosure Project
Society
Drinking Water for Africa
Clean Winners
TUI sponsorship
Help for Haiti
TUI Foundation
Cooperation arrangements
Biodiversity in Good Company
Global Sustainable Tourism Council
myClimate
econsense
ECPAT
Global Nature Fund
Travel Foundation
Futouris
Environment
Green Star Hotel
Environmental management systems
Biodiversity
Engine washing
Climate protection
Travelife

Growth
with vision

Developing emerging markets
We participate in the dynamic growth of new markets such as Russia, the Ukraine, India and Brazil. In Russia, we are stepping up the expansion of our market position, and by securing an outbound licence for China in 2011, we are also in a position to continue to exploit the potential of a fast-growing tourism market.

Hotel portals for faster-than-market growth
Our hotel portals LateRooms and AsiaRooms have in recent years grown significantly faster than the market and now hold leading positions in the UK and Asia. We aim to gain new customer groups in these growth markets by translating our websites into various Asian languages.

Organic growth as a specialist
By means of a strategic partnership with the Australian Intrepid Group, TUI Travel has extended its leading position in the fast-growing adventure travel operators segment. Our wide-ranging portfolio of special tour operators is one of a kind and generates strong organic growth.

Increasing market shares in the cruise segment
We are systematically increasing our market shares in the German-language cruise market, which is still on course for growth. Both Hapag-Lloyd Cruises and TUI Cruises are expanding their fleet and developing modern concepts to open up new target groups for this high-margin travel segment.

Making successful use of modern technology
We safeguard our leading position in the volume business by making systematic use of new, cost-effective technologies. They include stepping up online sales by means of multimedia product marketing and optimising production processes and systems by means of a new reservation system.

Success through flexibility
We are not immune to unforeseeable events, but our strong customer base, our presence in different markets and our flexible capacity planning enable us to limit risks. Our size allows us to adapt quickly and to minimise the effects of unforeseeable events on our customers and our business.


Kowloon, view of Hong Kong Island
22° 19' N, 114° 10' E
Special tour operators
Intrepid
Crystal
Hayes & Jarvis
The Moorings
Quark Expeditions
TUI Cruises fleet expansion
Hotel portals
LateRooms
bedsonline
Hotelbeds
AsiaRooms
Cruises
MS Europa 2
Mein Schiff 2
Technology
Reservation system
Multimedia marketing
Online sales
Emerging markets
Ukraine
Brazil
Russia
India
Capacity management
Size
Capacities
Customer base
Market presence

TO OUR SHAREHOLDERS

*) Part of the Management Report

TO OUR SHAREHOLDERS

CORPORATE GOVERNANCE

REPORT OF THE SUPERVISORY BOARD

From top left to bottom right: Arnd Dunse, Vladimir Yakushev, Christian Strenger, Andreas Barczewski, Ortwin Strubelt, Mikhail Noskov, Anass Houir Alami, Frank Jakobi, Prof. Dr Klaus Mangold (Chairman), Petra Gerstenkorn (Deputy Chairwoman), Prof. Dr Edgar Ernst, Anette Strempel, Ingo Kronsfoth, Carmen Riu Güell

Not in the picture: Christian Kuhn, Roberto López Abad

Ladies and Gentlemen,

In financial year 2010/11, the Supervisory Board performed its duties in accordance with the law and the Articles of Association. Its duties included, in particular, discussing and deciding on the Group's strategic development, various technical issues and transactions requiring its approval, working on the committees, monitoring compliance with the German Corporate Governance Code, reviewing the financial statements of TUI AG and the Group and discussing and deciding on changes in the membership of the Company's boards.

Cooperation between the Supervisory Board and the Executive Board

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

The Supervisory Board monitored and advised the Executive Board on the management of the Company and ascertained the lawfulness and proper conduct of management activities.

In written and verbal reports, the Executive Board provided us with regular, timely and comprehensive information encompassing all relevant facts about strategic development, planning, business performance and the position of the Group, including the risk scenario, risk management and compliance. Any deviations of business performance from the approved plans were presented, explained and discussed. Together with the Executive Board we discussed all key transactions of relevance to the Company, and in particular to the further development of the Group. The Supervisory Board was involved in all decisions of fundamental relevance to the Company. We adopted 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 made. We were fully informed about specific and particularly urgent plans and projects arising between the regular meetings and, where necessary, submitted our approval in writing. As Chairman of the Supervisory Board, I was regularly informed about current business developments and key transactions in the Company between Supervisory Board meetings.

Supervisory Board and the committees

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, the effectiveness of the internal control system, risk management, internal audit and compliance. The half-year and quarterly financial reports are discussed by the Audit Committee with the Executive Board and the auditors prior to publication.

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

In financial year 2010/11, five regular, one constituent and two extraordinary Supervisory Board meetings were held. Four resolutions were passed by written circulation procedure. The Chairman's Committee met six times; the Audit Committee also held six meetings. The Nomination Committee met three times.

Prior to regular Supervisory Board meetings, the shareholder representatives on the Supervisory Board met five times, and the employees' representatives five times in separate meetings. None of the Supervisory Board members attended fewer than half of the Supervisory Board meetings in financial year 2010/11. Average attendance was 95%.

Work of the Chairman's Committee
In the period under review, the Chairman's Committee held four regular and two extraordinary meetings. Its deliberations focused on preparing the subsequent plenary meetings. The Chairman's Committee also regularly discussed matters relating to the Executive Board and Supervisory Board. They included contractual issues related to the extension of the appointment of Dr Michael Frenzel as CEO and Peter Long as member of the Executive Board of TUI AG. At an extraordinary meeting, the Executive Board informed the Chairman's Committee about the status of the planned changes concerning Hapag-Lloyd.

Work of the Audit Committee
The Audit Committee met six times. All meetings were attended by auditor representatives, the CEO and other Executive Board members. The work of the committee focused on deliberating the annual financial statements of TUI AG, the consolidated financial statements, the consolidated management report, the interim reports and the restated consolidated financial statements for 2009 and 2008 (including the prior-year reference figures for 2007).

The auditor representatives presented detailed reports on the audits or reviews of the interim reports and the supplementary audit of the restated consolidated financial statements. At one of the meetings, the TUI AG management and the auditors informed the Audit Committee that errors had been identified in the financial statements of the TUI Travel Group for financial year 2009/10 (see page 184 f.). Intensive discussions were held regarding the way to handle the errors and the measures that had been or remained to be taken in order to secure the adequacy and reliability of Group accounting (see page 136). The Audit Committee also discussed an investment project in Italy.

The Audit Committee was, moreover, regularly informed about the planning and reporting systems. The agenda regularly included reports on the development of compliance activities in the Group. Further items were the report by Group Audit and the audit plan for financial year 2010/11. The committee was also informed about the risk situation, risk management and hedging transactions to protect 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 financial year 2011/12.

Work of the Nomination Committee

The Nomination Committee held three meetings. Deliberations focused on preparing recommendations for the election of new Supervisory Board members at the Annual General Meeting on 9 February 2011.

Deliberations in the Supervisory Board

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

At our meeting on 26 October 2010, our agenda included the corporate budget for financial year 2010/11 and the forecast accounts for 2011/12 and 2012/13. Deliberations also focused on corporate governance issues. The declaration of compliance with the German Corporate Governance Code for 2010 was adopted in accordance with section 161 of the German Stock Corporation Act.

The meeting on 13 December 2010 focused on reporting and discussing the annual financial statements as per 30 September 2010 and a comparison between target and actual figures for 2009/10. We obtained detailed information about the corrections made to the annual consolidated financial statements as per 30 September 2009 and 31 December 2008 (including the prior-year reference numbers for 2007), which had already been discussed by the Audit Committee. The Supervisory Board approved all consolidated financial statements. The Supervisory Board also discussed the effects of the corrections of the prior-year statements on the remuneration of the Executive Board and Supervisory Board of TUI AG at this December meeting. The discussions about the current and restated annual financial statements were also attended by representatives of the auditors, who were available to answer questions.

Under the agenda item "Executive Board matters", we reviewed the appropriateness of Executive Board remuneration and pensions. At that meeting, the value of the reference indicator for the annual performance bonus for 2009/10 was established and the reference indicator for 2010/11 was determined.

The agenda for that meeting also included the adoption of a resolution on the agenda for the 2011 Annual General Meeting. We adopted resolutions relating, inter alia, to the appropriation of retained earnings, ratification of the acts of management of the Executive Board and Supervisory Board, election of shareholder representatives to the Supervisory Board as well as capital measures.

Composition of the committees on page 23

The meeting on 8 February 2011 mainly served to prepare for the forthcoming ordinary Annual General Meeting, to be held the next day. In the framework of its regular reporting, the Executive Board informed the Supervisory Board about the current financial year. Upon the close of the Annual General Meeting on 9 February 2011, the Supervisory Board held its constituent meeting, electing the chair and the committee members.

An extraordinary Supervisory Board meeting was held on 3 March 2011. At that meeting, a resolution was adopted on the issue of a convertible bond by TUI AG. Furthermore, TUI AG's sale of a 11.3% stake in Hapag-Lloyd to the Hamburg-based consortium was resolved. The Supervisory Board also discussed the transfer of the activities of TUI Travel's Adventure Division to a joint venture to be established with the Australian Intrepid Group.

On 11 May 2011, the Supervisory Board heard the regular reports on the activities of the committees and was then comprehensively informed by the Executive Board about developments in the current financial year. The Supervisory Board resolved to issue employee shares. The plenary meeting also resolved, in the light of its new composition, to carry out another efficiency review in 2012.

The Supervisory Board held an extraordinary meeting on 27 June 2011. The agenda included the interim report on the process of strategic development for the Group and the extension of the contracts for Dr Michael Frenzel and Peter Long.

The Supervisory Board met for a two-day meeting on 6 and 7 September 2011. In the plenary meeting, we conducted a detailed discussion with the Executive Board about fundamental aspects of the strategic development of the tourism group. In this context, the Executive Board presented a report on the position and initiatives of the existing tourism operations and outlined the TUI Group's medium- and long-term goals. Apart from the regular reports from the Supervisory Board's committees, the agenda also included a report on the current financial year by the Executive Board as well as the motion that TUI Cruises should build a new ship. This motion was carried. We were subsequently informed about progress on developing the compliance structure.

After the cut-off date for the financial year, the Supervisory Board met again on 26 October 2011, mainly in order to discuss the budget for 2011/12 and the forecast accounts for 2012/13 and 2013/14. It also adopted the declaration of compliance for 2011.

Corporate Governance

See chapter on Corporate Governance page 28

At the meeting on 26 October 2011, the Executive Board and Supervisory Board also discussed an update of the declaration of compliance with the German Corporate Governance Code pursuant to section 161 of the German Stock Corporation Act. The updated joint declaration of compliance was made permanently accessible to the public on TUI AG's website in November 2011. Accordingly, TUI AG complies with all recommendations of the German Corporate Governance Code in its currently applicable version dated 26 May 2010, with the exception of the fact announced on 31 January 2011 (amended proposal for the elections to the Supervisory Board held on 9 February 2011). TUI AG also fully complies with the additional suggestions contained in the Code. In accordance with section 3.10 of the Code and also on behalf of the Supervisory Board, the Executive Board reports about corporate governance in a separate chapter.

Since the Supervisory Board was newly constituted in February 2011, we resolved to carry out the next efficiency review of the Supervisory Board in 2012.

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

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover, were appointed auditors by resolution of the Annual General Meeting held on 9 February 2011 and were commissioned with reviewing the half-year financial report and the quarterly financial reports for financial year 2010/11. The audit covered the annual financial statements of TUI AG as at 30 September 2011, submitted by the Executive Board and prepared in accordance with the provisions of the German Commercial Code (HGB), as well as the joint management report of TUI AG and the TUI Group, and the consolidated financial statements for the 2010/11 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 2010, 31 March 2011 and 30 June 2011 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 9 December 2011 and the Supervisory Board meeting of 13 December 2011, at which representatives of the auditors were present and were available to answer questions. On the basis of its own review of the annual financial statements of TUI AG and the Group, the joint management report as per 30 September 2011 and the results of the audit, the Supervisory Board approved the annual financial statements prepared by TUI AG, which were thereby adopted, the consolidated financial statements and the consolidated management report.

Executive Board, Supervisory Board and committee membership

The term of office of all Supervisory Board members ended upon the close of the Annual General Meeting on 9 February 2011; the new five-year term of office started as of then. During the new term of office, the Supervisory Board is composed of eight shareholder and eight employee representatives.

The following Supervisory Board members were elected as shareholder representatives at the Annual General Meeting on 9 February 2011:
- Anass Houir Alami, Chief Executive, Caisse de Dépot et de Gestion (CDG), Rabat/Morocco
- Prof. Dr Edgar Ernst, President of Deutsche Prüfstelle für Rechnungslegung e. V., Bonn/Germany
- Roberto López Abad, ex. Chief Executive of Caja de Ahorros del Mediterráneo, Alicante/Spain
- Prof. Dr Klaus Mangold, Chairman of the Supervisory Board of Rothschild GmbH, Stuttgart/Germany
- Mikhail Noskov, CFO of Sever Group, Moscow/Russia
- Carmen Riu Güell, Entrepreneur, Playa de Palma/Spain
- Christian Strenger, member of supervisory boards, Frankfurt/Germany
- Vladimir Yakushev, Managing Partner of SGCM Ltd., Moscow/Russia

The following Supervisory Board members were elected as employee representatives on 13 January 2011:
- Arnd Dunse, Head of Group Controlling of TUI AG, Bad Nenndorf/Germany
- Petra Gerstenkorn, member of the Federal Executive of ver.di - Vereinte Dienstleistungsgewerkschaft, Berlin/Germany
- Frank Jakobi, Travel Agent, Hamburg/Germany
- Ingo Kronsfoth, National Negotiator, Aviation Sector of ver.di, Berlin/Germany
- Christian Kuhn, Travel Agent, Hanover/Germany
- Hans-Dieter Rüster, Aircraft Engineer, Langenhagen/Germany
- Anette Strempel, Travel Agent, Hemmingen/Germany
- Ortwin Strubelt, Travel Agent, Hamburg/Germany

The constituent meeting on 9 February 2011 elected the Chairman of the Supervisory Board and the committee members. Professor Dr Klaus Mangold was elected as Chairman of the Supervisory Board; Petra Gerstenkorn was elected as deputy chairwoman.

The Supervisory Board also elected the members of the committees. The Chairman's Committee is composed of Professor Dr Klaus Mangold (Chairman), Petra Gerstenkorn (deputy chairwoman), Carmen Riu Güell, Vladimir Yakushev, Frank Jakobi and Hans-Dieter Rüster. The Nomination Committee comprises Professor Dr Klaus Mangold (Chairman), Carmen Riu Güell and Vladimir Yakushev. The members of the Audit Committee are Professor Dr Edgar Ernst (Chairman), Arnd Dunse, Ingo Kronsfoth, Professor Dr Klaus Mangold, Christian Strenger and Ortwin Strubelt.

The Supervisory Board thanks the retiring Chairman and members of the Supervisory Board for their constructive cooperation and commitment to the Company.

At its meeting on 27 June 2011, the Supervisory Board of TUI AG resolved to extend the contract of Dr Michael Frenzel, CEO of TUI AG, set to expire in March 2012, by two years to March 2014. The Supervisory Board also extended the contract of Peter Long, set to expire in August 2011, until August 2014. Peter Long has been head of Tourism in TUI AG since 2007 and holds the function of Chief Executive Officer of TUI Travel PLC.

The Supervisory Board
Hanover, 13 December 2011

Prof. Dr Klaus Mangold
Chairman

CORPORATE GOVERNANCE

EXECUTIVE BOARD AND SUPERVISORY BOARD

Annex to the Notes

Executive Board

Name	Department	Other Board memberships [1]	
Dr Michael Frenzel	Chairman	a) AWD Holding AG AXA Konzern AG Hapag-Lloyd AG[2] Hapag-Lloyd Holding AG[2] TUIfly GmbH[2] TUI Deutschland GmbH[2] Volkswagen AG	b) TUI China Travel Co. Ltd. TUI Travel PLC[2]
Horst Baier	Finance	a) Hapag-Lloyd AG Hapag-Lloyd Holding AG TUIfly GmbH TUI Deutschland GmbH TUI Leisure Travel GmbH	b) Magic Life Assets AG RIUSA II S.A.[2] TUI Travel PLC
Dr Peter Engelen	Human Resources and Legal Affairs	a) Hannoversche Volksbank eG TUIfly GmbH TUI Deutschland GmbH TUI Leisure Travel GmbH	b) TUI China Travel Co. Ltd.
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

[1] Information refers to 30 Sep 2011

[2] 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
Dr Dietmar Kuhnt (until 9 Feb 2011)	Chairman (until 9 Feb 2011), ex. Chairman of the Executive Board of RWE AG	Essen
Prof. Dr Klaus Mangold	Chairman (since 9 Feb 2011) Chairman of the Supervisory Board of Rothschild GmbH	Stuttgart
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 (until 9 Feb 2011)	Aircraft Captain	Hanover
Dr Peter Barrenstein (since 9 Feb 2011)	Self-employed member of the Supervisory Board	Ottobrunn/Munich
Jella Susanne Benner-Heinacher (until 9 Feb 2011)	Solicitor, Managing Director of Deutsche Schutzvereinigung für Wertpapierbesitz e.V.	Düsseldorf
Arnd Dunse	Head of Group Controlling Department of TUI AG	Bad Nenndorf
Prof. Dr Edgar Ernst (since 9 Feb 2011)	President of Deutsche Prüfstelle für Rechnungslegung e.V.	Bonn
Frank Jakobi	Travel Agent	Hamburg
Ingo Kronsfoth	National Negotiator Aviation Sector of ver.di - Vereinte Dienstleistungsgewerkschaft	Berlin
Christian Kuhn (since 9 Feb 2011)	Travel Agent	Hanover
Roberto López Abad	ex. Chief Executive of Caja de Ahorros del Mediterráneo	Alicante
Dr h.c. Abel Matutes Juan (until 9 Feb 2011)	Chairman of Fiesta Hotels & Resorts	Ibiza
Mikhail Noskov (since 9 Feb 2011)	Chief Financial Officer of Sever Group	Moscow
Carmen Riu Güell	Entrepreneur	Playa de Palma
Hans-Dieter Rüster	Aircraft Engineer	Langenhagen
Dr Manfred Schneider (until 9 Feb 2011)	Chairman of the Supervisory Board of Bayer AG	Leverkusen
Roland Schneider (until 9 Feb 2011)	Business Economist	Barsinghausen
Henry Sieb (until 9 Feb 2011)	Federal Group Leader Travel of ver.di - Vereinte Dienstleistungsgewerkschaft	Berlin
Anette Strempel	Travel Agent	Hemmingen
Christian Strenger (since 9 Feb 2011)	Member of Supervisory Boards	Frankfurt
Ortwin Strubelt	Travel Agent	Hamburg
Vladimir Yakushev	Managing Partner of S-Group Capital Management Ltd.	Moscow

Committees Presiding Committee	 Audit Committee	 Nomination Committee	Other Board Memberships [1]		Name
• until 9 Feb 2011	• until 9 Feb 2011	• until 9 Feb 2011	a) GEA Group AG Hapag-Lloyd AG		Dr Dietmar Kuhnt (until 9 Feb 2011)
• since 9 Feb 2011	• since 9 Feb 2011	• since 9 Feb 2011	a) Continental AG Metro AG	b) Alstom S. A. Leipziger Messe GmbH Rothschild GmbH[2]	Prof. Dr Klaus Mangold
•			a) TUI Deutschland GmbH[3]	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'Équipment Communal	Fonds Igrane Fonds Marocain de Placement Holding Al Omrane Medi1TV MEDITEL Morrocan Financial Board Poste Maroc Resort Co Sanad	Anass Houir Alami
	• until 9 Feb 2011				Andreas Barczewski (until 9 Feb 2011)
	• Chairman (until 9 Feb 2011)		a) WMF Württembergische Metallwarenfabrik Aktiengesellschaft	b) Bahlsen GmbH & Co. KG	Dr Peter Barrenstein (since 9 Feb 2011)
	• until 9 Feb 2011		a) A.S. Création AG K+S AG		Jella Susanne Benner-Heinacher (until 9 Feb 2011)
	•				Arnd Dunse
	• Chairman (since 9 Feb 2011)		a) Deutsche Postbank AG Gildemeister AG	b) Österreichische Post AG	Prof. Dr Edgar Ernst (since 9 Feb 2011)
•					Frank Jakobi
	• since 9 Feb 2011		a) Lufthansa CityLine GmbH, TUIfly GmbH		Ingo Kronsfoth
			a) TUI Deutschland GmbH[2]		Christian Kuhn (since 9 Feb 2011)
					Roberto López Abad
			b) Banco Santander S.A. FCC, S. A. Residencial Marina S.L.		Dr h.c. Abel Matutes Juan (until 9 Feb 2011)
			b) Severstal Sveza Mostotrest National Media Group	Non-state Pension Fund Gazfond Non-state Pension Fund Stalfond	Mikhail Noskov (since 9 Feb 2011)
•		•	b) Hotel San Francisco S.A. Riu Hotels S.A. RIUSA II S.A.	Productores Hoteleros Reundidos, S.A.	Carmen Riu Güell
• since 9 Feb 2011					Hans-Dieter Rüster
			a) Bayer AG[2] Daimler AG Linde AG[2] RWE AG[2]		Dr Manfred Schneider (until 9 Feb 2011)
• until 9 Feb 2011					Roland Schneider (until 9 Feb 2011)
	• until 9 Feb 2011		a) TUI Deutschland GmbH TUI Leisure Travel GmbH		Henry Sieb (until 9 Feb 2011)
			a) TUI Deutschland GmbH		Anette Strempel
	• since 9 Feb 2011		a) DWS Investment GmbH Evonik Industries AG Fraport AG	b) The Germany Funds[2]	Christian Strenger (since 9 Feb 2011)
	• since 9 Feb 2011				Ortwin Strubelt
•		•	b) Advanced Dimond Technologies, Inc. Centice Corp. Fiberzone Networks, Inc. Nano-Optic Devices, LLC[2] OJSC Metallurgical Commercial Bank[2]	OOO Aksimed[2] OOO Innolume[2] OOO Nanooptic Devices[2] OOO Spectralus[2] Spectralus Corp.[2]	Vladimir Yakushev

[1] Information refers to 30 Sep 2011 or date of entrance in or resignation from the Supervisory Board of TUI AG in financial year 2010/11

[2] Chairman
[3] Deputy Chairman

a) Membership in Supervisory Board required by law
b) Membership in compareable boards of domestic and foreign companies

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE 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 for financial year 2010/11 in accordance with section 161 of the German Stock Corporate Act (AktG)

TUI has consistently based its corporate governance on the recommendations and suggestions in the German Corporate Governance Code. The most recent version of the Code is dated 26 May 2010. The Executive Board and the Supervisory Board discussed corporate governance issues several times in financial year 2010/11 and jointly submitted the declaration of compliance for 2011 in November 2011, 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 web at www.tui-group.com/en

Wording of the declaration of compliance
"In accordance with section 161 of the German Stock Corporation Act, the Executive Board and Supervisory Board hereby declare:

The recommendations of the Government Commission on the German Corporate Governance Code in the version of 26 May 2010, as published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette on 2 July 2010, were and are being fully observed with one exception (recommendation of the Code in numeral 5.4.1 paragraph 3):

The amended proposal of the Supervisory Board for the Annual General Meeting on 9 February 2011 concerning elections to the Supervisory Board did not fully meet the objective for the future composition of the Supervisory Board (female members of the Supervisory Board) set out in the Annual Report 2009/10 and the invitation to the Annual General Meeting of 30 December 2010. The deviation from the goal was required in the interests of the Company in order to facilitate a more constructive relationship between all major shareholder groups, which was given priority over the composition target for the Supervisory Board.

The Company continues to work towards meeting the objective of achieving an appropriate participation of women in the Supervisory Board."

Functioning of the Executive and Supervisory Boards

TUI AG is a company under German law, which also forms the basis for 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 departments, see section on Executive Board and Supervisory Board page 25

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

Since February 2011, the Supervisory Board consists of 16 members. It 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 represents the concerns of the body externally. 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.

For current composition, go to www.tui-group.com/en/company

Composition and reduction in size of the Supervisory Board

The term of office of all Supervisory Board members ended upon the close of the Annual General Meeting on 9 February 2011; the new five-year term of office started as of then. In accordance with the resolution of the Annual General Meeting on 17 February 2010, the size of the Supervisory Board was reduced from 20 to 16 members with the beginning of the new term of office.

Pursuant to section 8 of the Terms of Reference for the Supervisory Board of TUI AG, and in line with the recommendations of the German Corporate Governance Code, the composition of the Supervisory Board is to ensure that its members jointly have the knowledge, skills and technical experience required for the proper implementation of their tasks. The goals concerning the composition of the Supervisory Board include, in particular, comprehensive industry knowledge, internationality, diversity and an appropriate participation of women. Specific goals for the future composition of the Supervisory Board are the membership of four female members and four members with international experience. The current composition of the Supervisory Board does not fully meet the specific goals since the Supervisory Board does not include four women. A deviation from this specific goal was required in order to facilitate a more constructive relationship than in the past between all major shareholder groups and the management, on the basis of an amended list of candidates standing in the elections as shareholder representatives. In the interests of the Company, this goal was given priority over the previously announced composition target for the Supervisory Board.

The Supervisory Board currently includes three women; eight members of the Supervisory have extensive international experience. The Supervisory Board also pools comprehensive knowledge of the industry. Due to the different career paths of its members, the composition of the Supervisory Board also reflects strong diversity in terms of relevant experience and skills.

In accordance with the recommendations of the German Corporate Governance Code, the eight shareholder representatives were individually elected for five-year terms of office in the elections to the Supervisory Board at the Annual General Meeting on 9 February 2011. The eight employee representatives were elected on 13 January 2011.

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 includes a sufficient number of independent members not involved in any commercial 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. There is no plan at present to establish any further committees.

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 issues 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 service contracts and remuneration. 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 particular knowledge and experience in the application of accounting principles and internal control methods from his own professional practice. The Nomination Committee consists exclusively of shareholder representatives, in accordance with the German Corporate Governance Code. Its task is to suggest suitable candidates to the Supervisory Board for its proposal to the Annual General Meeting.

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.

Additional corporate governance disclosures

Shareholders and Annual General Meeting
TUI AG shareholders exercise their co-determination and monitoring rights at the Annual General Meeting, which takes place at least once a year. The AGM takes decisions on all statutory matters, and these are binding on all shareholders and the Company. For voting on resolutions, each share confers one vote.

AGM on
15 February 2012 –
information at
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 online in the run-up to the AGM or authorising the representative provided by TUI AG via the web. Furthermore, in the completed financial year, shareholders were offered the opportunity for the first time to register to receive the documents for the AGM in electronic format.

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 by the Chairman of the Supervisory Board and the Executive Board can be followed 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 changes to these risks. The Audit Committee deals in particular with monitoring the accounting process, including reporting, the effectiveness 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,
page 125

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 (BilMoG).

Transparency

TUI provides immediate, regular and up-to-date information about the Group's economic situation and new developments to capital market participants and the interested public. The annual report, the half-year financial report and the interim reports for the quarters are published within the applicable time frames. The Company publishes press releases and ad hoc announcements, if required, on topical events and any new developments. All information is published simultaneously in German and English and is available by appropriate electronic media. 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. The calendar is published well in advance and made permanently accessible to the public on TUI AG's website.

Directors' dealings

Directors' dealings online
at www.tui-group.com/en/
ir/ corporate_governance/
directors_dealings

The Company was informed of notifiable purchase and sale transactions of TUI AG shares or related financial instruments by one Supervisory Board member and no Executive Board members regarding the financial year 2010/11.

In no case, the number of shares in TUI AG directly or indirectly held by members of the Executive Board and Supervisory Board exceeded the limit fixed for individually notifiable share ownership of 1% at the end of the financial year 2010/11.

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, audited by the auditors and reviewed by 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 2011 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 were no grounds to provide such information in the framework of the audit of financial year 2010/11. The condensed consolidated interim financial statements and the consolidated interim management reports as at 31 December 2010, 31 March 2011 and 30 June 2011 were examined by the auditors.

Compliance – Basis for entrepreneurial action

In the completed financial year, TUI's corporate governance activities focused on compliance. Sustainable entrepreneurial action and management is an indispensable part of TUI's corporate culture. TUI's Compliance Management System contributes to the achievement of the vision of sustainable economic, ecological and social activities and management.

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

Code of Conduct and Compliance Rules

Compliance with legal provisions is the cardinal principle 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. TUI's published Code of Conduct 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, executives 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 addition, a Group Compliance Policy has been adopted, setting out the goals and tasks of TUI's Compliance Management System.

In the period under review, the existing compliance rules were expanded to include a Group Policy providing binding rules for dealing with gifts and benefits in business transactions. TUI AG has thus created a uniform framework, which also conforms to international customs, for the Group companies and their requirements. This reaffirms the commitment not to tolerate unfair practices, as enshrined in the Code of Conduct. The expansion of the compliance rules was bolstered by reviewing applicable Group policies and checking them for any changes that may be required in the light of compliance aspects. Wherever optimisation requirements were identified, amendments were incorporated and then communicated.

Compliance Structure
The TUI Group, a global player, employs more than 70,000 people from different countries and cultures. Compliance is a key priority in our Group. In the period under review, the Compliance structure was further developed and expanded so as to include our Sectors. Many Group companies appointed their own compliance officers. Their responsibilities include the following tasks, supported by our central Compliance Office:

- Raising awareness for Compliance,
- Achieving the goals of the Code of Conduct and the Compliance rules,
- 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 and minimise the potential repercussions of any breach of rules, TUI's Compliance Management System brings together a variety of internal measures and processes. In the period under review, it focused on building Compliance structures along with the underlying Compliance rules, establishing further communication measures and placing Compliance reporting on a broader footing. Key Compliance issues were identified following comprehensive analyses carried out in the previous financial year. As a result, preventative measures can be constructed in line with the Compliance strategy to protect the TUI Group and its employees from risks.

Compliance training
TUI has devised multi-level training for managers and employees, in the form of both face-to-face teaching and an e-learning programme devoted to Compliance and the Code of Conduct. Numerous courses were held in the period under review to convey the corporate values expressed in the Code of Conduct. The training tools were expanded to include the Compliance Compass brochure, enabling employees who do not have access to e-learning to improve their understanding of Compliance. This preventative approach is expected to establish competence in handling routine and conflict situations throughout the TUI Group.

Whistleblower system
As TUI's Code of Conduct constitutes the basis of our activities, any infringements of this Code will be rigorously investigated in the interests of all stakeholders and the Company. Our top priority is to ensure confidentiality and handle information discreetly. Apart from reporting compliance infringements to supervisors, compliance officers or the Compliance Office, employees can also report infringements anonymously via the in-house TUI SpeakUp Line, which operates worldwide. Since the financial year under review, whistleblowers have been able to submit their information over the phone or using a web-based option. Any incidents reported are analysed by an evaluation committee specifically set up for that purpose, and any necessary action is then taken. In business areas operating internationally, this includes the rigorous prosecution of misconduct in accordance with the relevant national provisions.

Executive Board of TUI AG:
www.tui-group.com/en/
company/management

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 criteria governing the appropriateness of remuneration are the tasks of each individual Board member, their personal performance, the economic position, the 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. Dr Frenzel's service contract will be amended following the completion of the term of his contract, which will expire in March 2012. The remuneration of Mr Long, based in the UK, is fixed by the Remuneration Committee of TUI Travel PLC.

Remuneration of the Executive Board in financial year 2010/11
The remuneration granted to TUI AG's Executive Board members for financial year 2010/11 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 an annual management bonus and a multi-annual bonus covering a period of four years under a long-term incentive programme.

The management bonus is linked to target achievement and the individual performance of the Board member concerned. Since 1 October 2010, the performance target has been 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 annual management bonus determined in this way is 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. A total of 50% of the management bonus for financial year 2010/11 is paid upon adoption of the annual financial statements of the Company. 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 and the individual performance in those two years.

The amount carried forward from financial year 2009/10 was adjusted and paid out. This is shown as remuneration for 2010/11 in the table below. For Dr Frenzel, the amount of the management bonus depends on underlying EBITA and personal assessment factors. This management bonus is paid in full upon adoption of the annual financial statements.

The long-term incentive programme with a maturity of four years is based on phantom stocks. For Executive Board members, an individual target amount has been fixed in their service contracts. This amount is translated annually into phantom stocks based on the average price of TUI AG shares over a period of twenty days prior to the beginning of any financial year. Entitlements for the beneficiaries arise upon the completion of the four-year vesting period.

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.

Dr Frenzel receives 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 entails the granting of shares in TUI Travel PLC based on personal assessment factors established by the Remuneration Committee of TUI Travel PLC.

On 30 September 2011, Mr Long held vesting rights to 6,755,673 shares in TUI Travel PLC. On 30 September 2011, former Board members held 281,902 phantom stocks in TUI AG (previous year 271,250 shares).

Provisions totalling €2,700 thousand (previous year: €5,368 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 Sep 2010	**501,106**
Phantom stocks granted for the 2009/10 financial year	54,832
Phantom stocks exercised	-
Increase/decrease of phantom stocks	- 16,973
Balance as at 30 Sep 2011	**538,965**

Individual remuneration of Executive Board members

€ '000	Non-performance related	Performance related	Long-term incentive programme	Supervisory Board mandates in the Group	Individual remuneration **Total 2010/11**	Total 2009/10
Dr Michael Frenzel (Chairman)	1,262.4	1,256.3	206.8	385.7	3,111.2	3,454.1
Horst Baier	692.5	523.4	-	-	1,215.9	1,205.1
Dr Peter Engelen	715.6	386.2	-	-	1,101.8	1,247.1
Rainer Feuerhake (until 17 Feb 2010)	-	-	-	-	-	903.0
Peter Long	1,472.4	1,190.2	840.7	-	3,503.3	4,308.5
Total	**4,142.9**	**3,356.1**	**1,047.5**	**385.7**	**8,932.2**	**11,117.8**
Previous year	4,380.1	4,412.1	1,850.0	475.6	11,117.8	

As in the prior year, the members of the Executive Board did not receive any loans or advances in financial year 2010/11.

Benefits in the event of a termination of position

1. Pension entitlements

Pensions are paid to former Executive Board members if they reach the predefined age limit or are permanently incapacitated. Since the adjustment of the service contracts as from 1 January 2010, the active Executive Board members have not been 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 pension scheme operating until 2009 were redeemed by a one-off initial contribution to the company pension scheme. The contributions to the company pension scheme carried an interest rate established in the pension obligation. The interest rate currently stands at 5%. Board members usually 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-performance-related remuneration. Dr Frenzel's pension entitlement is €800,000 per annum.

Mr Long does not have a pension entitlement vis-à-vis TUI AG. Instead of granting a pension entitlement, TUI Travel PLC pays an amount of 50% of his fixed remuneration into a pension fund. This payment is included in the amount recognised as Mr Long's non-performance-related remuneration.

Under certain circumstances, widows of Executive Board members will receive a widow's pension worth 60% of the above-mentioned pension for their lifetime or until remarriage. Children of Executive Board members receive an orphan's pension, paid as a maximum until they 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%.

2. 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 agreed contract term, a maximum of three years.

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

3. 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.

4. Pension obligations

At the balance sheet date, pension obligations for active members of the Executive Board totalled €24,105.8 (previous year €22,662.4 thousand). Pension provisions for former members of the Executive Board and their dependants amounted to €43,350.8 thousand (previous year €45,798.6 thousand) at the balance sheet date. The provisions were discounted at an interest rate of 4.75%.

The pension obligations for German beneficiaries were funded via the conclusion of pledged reinsurance policies. As the reinsurance policy fully covered the pension obligations for former and active Executive Board members, the insurance was deducted as an asset from the pension obligation.

In financial year 2010/11, the remuneration paid to former Executive Board members and their surviving dependants totalled €4,409.0 thousand (previous year €4,303.9 thousand).

Articles of Association at www.tui-group.com/en/ir/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 prorated 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 sum of €20,000. The amount is paid upon the completion of the third financial year following the granting of the remuneration and increases or decreases in line with the percentage increase or decrease in earnings per share in the third year following the year for which the amount was granted. Thereby a change in earnings per share of €0.01 results in an increase or decrease of the base amount of €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 chair 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.

The remuneration of the Supervisory Board is made up as follows:

Remuneration of the Supervisory Board

€ '000	2010/11	2009/10
Fixed remuneration	877.9	977.7
Short-term variable remuneration	-	73.2
Long-term variable remuneration	277.5	400.1
Remuneration for committee memberships	160.6	160.0
Remuneration for TUI AG Supervisory Board mandate	**1,316.0**	**1,611.0**
Remuneration for Supervisory Board mandates in the Group	49.9	53.4
Total	**1,365.9**	**1,664.4**

In addition, travel and other expenses totalling €148.9 thousand (previous year €108.5 thousand) were reimbursed. Total remuneration of the Supervisory Board members thus amounted to €1,514.8 thousand (previous year €1,772.9 thousand).

Individual remuneration of Supervisory Board members for the financial year 2010/11

€ '000	Fixed	Short-term variable	Long-term variable	Committee membership	Individual remuneration Supervisory Board mandates in the Group	Total
Prof. Dr Klaus Mangold (Chairman, since 9 Feb 2011)	91.5	-	42.7	12.9	-	147.1
Dr Dietmar Kuhnt (Chairman, until 9 Feb 2011)	43.0	-	6.5	7.2	0.1	56.8
Petra Gerstenkorn (Deputy Chairwoman)	60.0	-	20.7	-	-	80.7
Anass Houir Alami	40.0	-	16.1	-	-	56.1
Andreas Barczewski (until 9 Feb 2011)	14.3	-	- 2.1	7.2	-	19.4
Dr Peter Barrenstein (until 9 Feb 2011)	14.3	-	1.0	21.5	-	36.8
Jella Susanne Benner-Heinacher (until 9 Feb 2011)	14.3	-	- 2.1	7.2	-	19.4
Arnd Dunse	40.0	-	14.1	20.0	-	74.1
Prof. Dr Edgar Ernst (since 9 Feb 2011)	25.8	-	12.9	38.7	-	77.4
Frank Jakobi	60.0	-	17.6	-	-	77.6
Ingo Kronsfoth	40.0	-	13.8	12.9	11.0	77.7
Christian Kuhn (since 9 Feb 2011)	25.8	-	12.9	-	22.3	61.0
Roberto López Abad	40.0	-	5.0	-	-	45.0
Dr h.c. Abel Matutes Juan (until 9 Feb 2011)	14.3	-	- 2.1	-	-	12.2
Mikhail Noskov (since 9 Feb 2011)	25.8	-	12.9	-	-	38.7
Carmen Riu Güell	60.0	-	41.3	-	-	101.3
Hans-Dieter Rüster	52.9	-	17.1	-	-	70.0
Dr Manfred Schneider (until 9 Feb 2011)	14.3	-	- 2.1	-	-	12.2
Roland Schneider (until 9 Feb 2011)	21.5	-	- 3.2	-	-	18.3
Henry Sieb (until 9 Feb 2011)	14.3	-	- 2.1	7.2	5.5	24.9
Anette Strempel	40.0	-	13.8	-	11.0	64.8
Christian Strenger	25.8	-	12.9	12.9	-	51.6
Ortwin Strubelt	40.0	-	13.8	12.9	-	66.7
Vladimir Yakushev	60.0	-	16.1	-	-	76.1
Total	**877.9**	**-**	**277.5**	**160.6**	**49.9**	**1,365.9**

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

Apart from the work performed by the employees' representatives pursuant to their contracts, the members of the Supervisory Board did not provide any personal services such as consultation or agency services for TUI AG or its subsidiaries in financial year 2010/11 and thus did not receive any remuneration.

TUI SHARE

Share price performance impacted by challenging overall framework

Market environment

In the first two quarters of the financial year under review, the world economy recorded a positive development, driven above all by high growth rates in the emerging economies and supporting the global stock markets. The world economy gained momentum, especially at the beginning of 2011. Its pace was not curbed until the end of the quarter, when negative factors, such as the political unrest in North Africa and the rise in the oil price, took their toll. This effect was reinforced in the third quarter of financial year 2010/11. Global economic growth and global stock market indexes were impacted by considerable losses in purchasing power due to higher energy and food costs, and not least the natural and environmental disaster in Japan. The global upswing was additionally hampered by substantial increases in interest rates in the emerging economies and consolidation efforts in the developed economies. The situation eased temporarily thanks to positive corporate news, before the high sovereign debt in some European countries increasingly shifted into the focus of market participants. In this context, a rescue package adopted in mid-July 2011 to secure the solvency of Greece only temporarily calmed the financial markets. In early August 2011, the situation in the international stock markets again deteriorated notably. Following the first-time downgrading of the credit rating of the United States by a rating agency, fears of a recession in the US rose. Debates about slower economic growth in China and the spread of the European debt crisis had a negative impact on the global stock markets: The key indexes declined substantially.

The MDAX index, where the TUI share has been listed, also fell overall in the period under review. Starting the financial year 2010/11 at 8,763 points, the MDAX closed at 8,341 points on 30 September 2011, down almost 5%.

TUI share data

30 September 2011	
WKN	TUAG00
ISIN	DE000TUAG000
Reuters/Bloomberg	TUIGn.DE/TUI1.GR
Stock category	Registered ordinary shares
Capital stock	€643,452,511.20
Number of shares	251,696,745
Market capitalisation	€975,828,280.00

Development of the TUI share price in financial year 2010/11

In the period under review, the TUI share was strongly impacted by the challenging market environment. Following an opening price of €8.86, the share initially performed well in the first few months of financial year 2010/11 and reached its annual high of €10.86 on 7 January 2011. The share price was boosted by the positive outlook for the tourism and shipping sectors. It also benefited from the successful refinancing of Hapag-Lloyd and the associated interest and loan repayments by Hapag-Lloyd to TUI AG. Another positive factor was the announcement by TUI and the other Hapag-Lloyd shareholders that they would be pursuing a dual approach, looking for investors for the minority shareholding in Hapag-Lloyd while also preparing for an IPO.

However, as of mid-January the TUI share lost ground. The trading environment was subdued due to political events in North Africa, growing uncertainty about economic development, the rise in the oil price and the natural disaster in Japan in March 2011. This had an adverse effect on the share prices of container shipping companies, in particular, and caused deterioration in the prospects for a successful IPO of Hapag-Lloyd. The TUI share was significantly impacted as a result. The price of the TUI share was additionally affected by the profit warning issued by one of our key competitors in Tourism in July 2011.

Towards the end of the financial year, the TUI share declined again, in line with market trends. The intensification of the debt crisis, fears of recession and the downgrading of ratings for several countries provoked significant stock price losses in various indexes and securities. The TUI share could not be insulated from this trend and closed at a price of €3.88 at the balance sheet date.

TUI share price compared with MDAX (financial year 2010/11)

Long-term development of the TUI share

€	2007	2008	SFY 2009	2009/10	2010/11
High	21.95	18.78	8.39	9.05	10.86
Low	15.19	7.32	3.37	4.69	3.68
Year-end share price	19.13	8.05	7.05	8.98	3.88

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 on 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 traded on the London Stock Exchange for listed securities since 3 September 2007 and have been quoted on the FTSE 250 index since June 2011.

TUI Travel PLC share data

30 September 2011	
ISIN	GB00B1Z7RQ77
Reuters/Bloomberg	TT.L/TT/LN
Stock category	Registered ordinary shares
Number of shares	1,118,010,670
Market capitalisation	£1,669,189,930

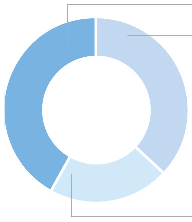
TUI share in the MDAX and Prime Standard

The TUI share has been included in the German share index MDAX. The crucial criteria for admission to the index are trading volume and market capitalisation. The TUI share ranked 21st and 40th on these points in September 2011. TUI has also 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. Furthermore, the TUI share is included in several industry indexes in the German stock market, including DAXsupersector Industrials and DAXsector All Transportation & Logistics.

Among the sustainability indexes, the TUI share has, for the first time, been listed as industry leader in the Travel & Tourism sector of the Dow Jones Sustainability Indexes (DJSI) World and Europe since 19 September 2011. In September 2011, TUI's listing in FTSE4Good was confirmed. TUI is also listed in DAXglobal Sarasin Sustainability Germany, Ethibel Excellence Index and ECPI Ethical Index €uro. oekom Research AG again awarded Prime investment status to TUI in financial year 2010/11.

Trading in TUI shares declined year-on-year in the period under review. The average daily trading volume was 1.26m no-par value shares, down by around one third against financial year 2009/10. The total annual trading volume was around 323m no-par value shares. The number of option contracts on TUI shares traded on the European futures and options exchange EUREX totalled around 3,115 contracts per day, totalling around 0.8 million contracts for financial year 2010/11.

Analysts' recommendations	2010/11
%	
Buy	42
Hold	37
Sell	21



Date: October 2011

For institutional and private investors, analyses and recommendations by financial analysts are a decision-making factor. In the financial year under review, around 20 analysts regularly published studies on TUI AG. In October 2011, 42% of analysts recommended "buying" the TUI AG share, with 37% recommending "hold" and 21% recommending "sell".

Capital stock and number of shares

Employee shares

A total of 110,150 employee shares were issued in financial year 2010/11. At the balance sheet date, the capital stock totalled €643,452,511.21, consisting of 251,696,745 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 to the consolidated financial statements.

Convertible bonds

In March 2011, TUI AG issued a convertible bond with subscription rights with a total value of around €339m, maturing in 2016, with a coupon of 2.75%. In the wake of the issuance of the convertible bond, TUI submitted a tender offer to holders of existing bonds maturing in September and December 2012 and repurchased bonds worth around €550m ahead of the maturity date. The transaction aimed at extending the maturity profile of TUI's financial liabilities.

In October/November 2009, TUI AG had already issued a convertible bond with a total volume of around €218m. The bond, maturing in 2014, has a coupon of 5.50%. In the period under review, 3,807 bonds of 10 shares each were converted from this issue. By contrast, no bonds have been converted into shares from the 2007/2012 and 2011/2016 issues in the completed financial year, so that the bondholders held conversion rights for a total of 92,837,166 TUI shares from convertible bonds at the balance sheet date.

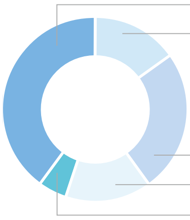
Resolutions of the 2011 Annual General Meeting

Details about the 2011 AGM are also available online at www.tui-group.com/en/ir/agm

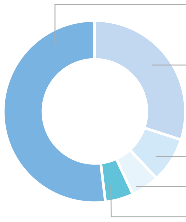
The 52nd ordinary Annual General Meeting was held in Hanover on 9 February 2011. Approx. 2,000 shareholders and shareholder representatives, representing around 72% of the voting capital, participated in the AGM. The acts of the Executive and Supervisory Boards of the Company were ratified by a large majority of votes. The AGM also elected a new Supervisory Board, adopted various resolutions, including resolutions concerning approved capital, and authorised the acquisition and use of own shares.

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

Shareholder structure



Shareholder structure	2010/11
%	
Institutional investors*)	~ 40
Private investors*)	~ 15
S-Group Travel Holding	25
Monteray Enterprises Ltd.	15
Riu Hotels S.A.	5



Geographical shareholder structure	2010/11
%	
EU exclusive Germany	52
Germany	30
USA	8
Switzerland	5
Other countries	5

*) Free float according to the definition by Deutsche Börse

At the end of financial year 2010/11, 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 financial institutions 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 profit

TUI AG's net profit for the year totals €186.0m. A proposal has been submitted to the Annual General Meeting to carry the profit available for distribution of €107.1m forward on new account and suspend a dividend payment for financial year 2010/11.

Development of dividends and earnings of the TUI share

€	2007	2008	SFY 2009	2009/10	**2010/11**
Earnings per share	+ 0.41	- 0.65	+ 1.32	+ 0.30	- 0.01
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 beginning of financial year 2010/11, Standard & Poor's lifted its outlook for TUI's credit rating from "negative" to "stable". Moody's lifted TUI's corporate rating from "Caa1" to "B3" in January 2011 and confirmed the stable outlook. This gave the Company the same rating from both rating agencies. At the end of the period under review, the long-term credit rating for the Company was as follows:

Rating agencies

	Corporate rating	Outlook
Standard & Poor's	B-	stable
Moody's	B3	stable

For details, see the chapter "Financial position" from page 109 and online at www.tui-group.com/en/ir/bonds_ratings/bonds

Bonds

The respective ratings and further details about the five bonds of TUI AG traded in the capital market with an outstanding volume of around €1.3bn are provided in the chapter "Financial position".

Investor Relations

More details about investor relations online at www.tui-group.com/en/ir

Open and continuous dialogue and transparent communication form the basis for confidence in our dealings with shareholders, institutional investors, equity and credit analysts and lenders. Many discussions were held with TUI shareholders and bondholders; they 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 Container Shipping, Investor Relations activities focused on several other issues in the year under review:

- Discussing the option to sell the minority shareholding in Hapag-Lloyd.
- Successful refinancing of Hapag-Lloyd and the resulting repayments received by TUI.
- The successful placement of a convertible bond by TUI AG with a total nominal value of around €339m.

These issues were key topics discussed at numerous one-on-ones; they were comprehensively dealt with at the conference calls held when the interim reports were published as well as at the annual analysts' meeting. TUI also stayed in close touch with its investors and analysts through conferences and road shows. At many of these meetings, management personally answered questions raised by the capital market.

Investor Relations also makes every effort to engage in direct contact with private investors. The IR team sought dialogue with this target group on many occasions, such as events organised by shareholder associations. Another key platform for exchanges with private shareholders was the IR stall at TUI's Annual General Meeting. TUI also uses its website to address its private investors. Apart from the comprehensive information that is made available, all IR conference calls and the analysts' meeting were transmitted live and in full on the website.

TUI has expanded its online services for the Annual General Meeting. In the completed financial year, shareholders were offered the opportunity for the first time to register to receive the documents for the AGM in electronic format. This option contributes to environmental protection and helps to save costs. As usual, shareholders were also able 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. 29% of shareholders ordering their admission tickets via the web.

MANAGEMENT REPORT

**) Combined Management Report of TUI AG and TUI Group

MANAGEMENT REPORT

MANAGEMENT REPORT

FINANCIAL YEAR 2010/11 – AN OVERVIEW

Big rise in Tourism turnover despite crisis in North Africa. Commitment to Container Shipping reduced by around €1bn. Group debt cut to less than €1bn. Structure and maturity of Group debt optimised.

Tourism business impacted by crisis in North Africa

In financial year 2010/11, the TUI Group performed well despite the severe impact of political unrest in North Africa. In the first half of the financial year in particular, all Sectors recorded considerable growth in current trading against the backdrop of the positive economic framework. Although the macroeconomic parameters deteriorated in the course of the year, customer numbers were up year-on-year in almost all source markets in financial year 2010/11. Turnover by the TUI Group grew by 6.9% to €17.5bn.

Business in Tourism was hit hard by the political unrest in North Africa in the period under review. Following the unrest, TUI Travel was impacted by costs for the early repatriation of holidaymakers in Tunisia and Egypt and the temporary cancellation of all travel to these countries. As the season progressed, the slump in demand for destinations in North Africa caused turnover losses and impacts on earnings, in particular for TUI tour operators in France and TUI hotels in Egypt. By contrast, the impact on business in the other source markets was largely limited thanks to flexible capacity management. One-off costs and turnover losses drove down operating earnings by Tourism by a total of €83m in the period under review.

In spite of the adverse effects outlined above, operating earnings (underlying EBITA) by Tourism grew by €10.9m to €656.6m in financial year 2010/11. Reported earnings (EBITA) totalled €476.8m, up €231.2m against previous year's level, which had been impacted by the aftermath of the volcanic eruption in Iceland.

TUI Travel
TUI Travel showed an overall positive development. Thanks to flexible capacity management, the impact of the North Africa crisis was limited in all source markets with the exception of France. Due to short-term expansion of capacity in Spain, Greece and Turkey, TUI Travel achieved a considerable increase in its business volume. In the UK, in particular, the TUI tour operators clearly outperformed their competition. The French tour operators, by contrast, saw their business development severely hit by the political unrest in North Africa in the period under review. Due to the strong relevance of the North African countries as holiday destinations for the French market, TUI tour operators were not able to replace hotels in Tunisia and Morocco with alternative travel offerings in the short term. Despite the adverse effects of €74m related to North America included in operating earnings, TUI Travel closed the financial year with an underlying EBITA of €500.1, up €15.5m on the reference period in the previous year.

TUI Hotels & Resorts
At €145.3m, underlying earnings by TUI Hotels & Resorts were €2.7m down year-on-year. This decline in earnings was mainly attributable to the impact of the political unrest in North Africa, which caused lower occupancy and rates in TUI hotels in Egypt. The earnings situation in TUI Hotels & Resorts declined by €9m overall as a result. Business performance in the other regions benefited partly from the shifts in demand triggered by events in North Africa and showed a positive development.

Cruises

In the period under review, earnings by the Cruises Sector reflected the start-up costs for fleet expansion, as expected. However, following the commissioning of the second cruise ship, the bookings and earnings in TUI Cruises grew considerably faster than planned. Underlying EBITA by the Cruises Sector grew by a total of €3.6m year-on-year to €11.2m.

TUI Group

At €600.1m, underlying earnings by the Group exceeded slightly the prior year's level of €589.2m. Apart from the improved earnings by Tourism, this result reflected the slight deterioration in Central Operations, driven by lower income at the real estate companies.

Container Shipping (financial investment)

The development of the Container Shipping business reflected the rise in energy prices in the period under review. In a market environment characterised by higher transport capacity and intense competition, Hapag-Lloyd was not able to fully pass the oil price-induced rise in bunker costs on to its customers. Underlying EBITA in Container Shipping therefore fell to €212.3m (previous year €477.9m; basis 100%). As a consequence, the at equity earnings from the investment in Hapag-Lloyd, shown in TUI AG's consolidated financial statements, also declined significantly year-on-year to €2m (previous year €150.3m).

Group result

In financial year 2010/11, the Group result increased to €118.2m (previous year €113.6m).

Net debt

Due to the inflow of funds from reducing the commitment to Container Shipping, continuing the monetisation programme and improving the working capital in TUI Travel, the TUI Group's net debt declined by around €1.5bn to around €0.8bn as against the last balance sheet date.

Financial commitment to Container Shipping reduced

In the financial year under review, TUI AG received payments totalling around €1bn from the financial instruments granted to Hapag-Lloyd AG as well as from the sale of Hapag-Lloyd shares.

In the first quarter of the year under review, Hapag-Lloyd made payments regarding deferred interest, the bridge loan and the hybrid III loan. In April 2011, ahead of the due date, Hapag-Lloyd also repaid the vendor loan granted by TUI.

As the hybrid I loan was converted into equity, the share in Container Shipping held by TUI temporarily rose to around 49.8% in the first quarter of 2010/11. At the end of May 2011, TUI then sold 11.3% of its stake in Hapag-Lloyd to the Albert Ballin consortium.

Due to the transactions described above, TUI AG reduced its commitment to Container Shipping to around €1.5bn in the period under review. TUI remains committed to maximising the value of the assets invested in Container Shipping.

Financial exposure of TUI AG in Container Shipping

€ million		30 Sep 2010	31 Mar 2011	30 Sep 2011
Equity stake		1,187	1,537	1,187
Investment share TUI AG	%	43.2	49.8	38.4
TUI short-term loan		227	-	-
TUI vendor loan		180	180	-
Loans		407	180	-
Hybrid capital I		350	-	-
Hybrid capital II		350	350	350
Hybrid capital III		215	-	-
Hybrid capital		915	350	350
Financial exposure		**2,509**	**2,067**	**1,537**

Structure of financial liabilities in the TUI Group optimised

Both TUI AG and TUI Travel took advantage of the positive market environment at the beginning of the financial year under review for the early refinancing of credit facilities. TUI AG also optimised the structure of its financial debt by means of the partial buyback of bonds.

TUI AG

In March 2011, TUI AG issued convertible bonds of around €339m with a five-year term to maturity. The coupon was fixed at 2.75% p. a.

Likewise in March 2011, TUI submitted an public limited tender offer to the holders of TUI AG's convertible bonds maturing in September 2012 and TUI AG's bonds maturing in December 2012. From the tendered bonds, TUI purchased bonds worth a nominal volume of €550m. Additional bonds worth a total of €150m were purchased in the market. The financial debt carried was reduced accordingly. The buyback was financed from liquid funds and, in the case of the official tender offer, largely financed from the proceeds of the convertible bonds issued in March 2011.

See page 137

In November 2011, TUI AG launched a further cash tender offer to the holders of its convertible bonds due in September 2012. More detailed information is provided in the Report on Subsequent Events.

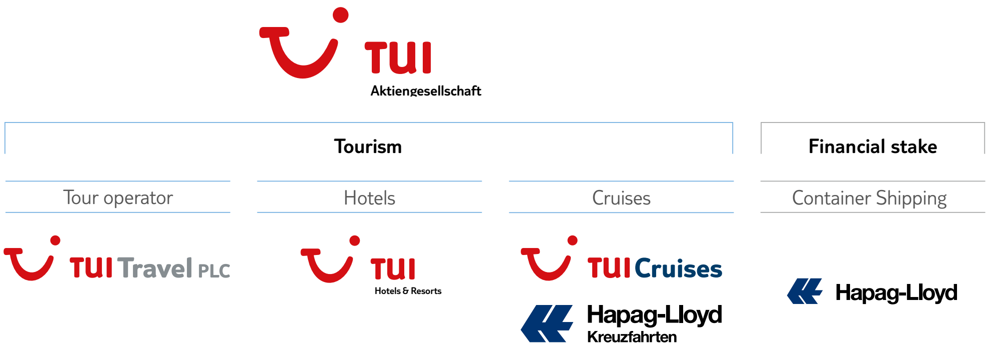
TUI Travel

In May 2011, TUI Travel refinanced credit facilities of around £1.2bn ahead of the due date. The credit volume, most of which will be due in June 2012, has now been pooled in a syndicated facility maturing in June 2015.

MANAGEMENT REPORT

THE TUI GROUP

Group structure



The TUI Group and its key subsidiaries and shareholdings operate in tourism. The Group structure comprises three Sectors: TUI Travel, TUI Hotels & Resorts and Cruises. The indirect 38.4% stake (as per 30 September 2011) 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 766 direct and indirect subsidiaries at the balance sheet date, of which 45 were based in Germany and 721 abroad. A further 17 affiliated companies and 40 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 Co-Determination Act. Amendments to the Articles of Association are effected on the basis of the provisions of sections 179ff. of the German Stock Corporation Act in combination with section 24 of TUI AG's Articles of Association.

Board structure

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

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 operates in around 180 countries in the world, servicing around 30 million customers from 27 source markets with a portfolio of more than 200 products and brands. Its activities are structured into four Businesses: Mainstream, Accommodation & Destinations, Specialist & Activity and Emerging Markets.

TUI Aktiengesellschaft

TUI Travel PLC

Mainstream	Accommodation & Destinations	Specialist & Activity	Emerging Markets
Central Europe	Accommodation Wholesalers/B2B	Adventure	Russia and CIS
Northern Region	Accommodation Online Travel Agents/B2C	North American Specialist	Brazil, India, China
Western Europe	Destination Services	Education	
	Cruise Handling	Sport	
		Marine	
		Specialist Holiday Group	

Mainstream

The Mainstream Business is the largest business unit within TUI Travel. Apart from the vertically integrated tour operators included here, it also comprises a fleet of more than 140 aircraft and around 3,500 travel agencies. The tour operators have 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 break down into Central Europe, Northern Europe and Western Europe.

Accommodation & Destinations

The Accommodation & Destinations Business comprises activities in Europe, North America and Asia and is structured into four divisions. The B2B division (accommodation wholesalers) sells accommodation online to business customers such as travel agencies and tour operators via various internet portals. In the B2C division (accommodation online travel agents), accommodation is supplied online to individual customers via the hotel portals Laterooms and Asiarooms. In addition, regional incoming agencies managed in the destination services division provide incoming services, such as transfers and services for tour operators. The fourth division, cruise handling, provides wide-ranging services for the Cruises Sector.

Specialist & Activity

The Specialist & Activity Business pools more than 100 specialist and adventure tour operators in Europe, North America and Australia. It operates under six divisions: Adventure, North American Specialists, Marine, Education, Sport and Specialist Holiday Group. It includes tour operators offering market-leading travel experiences and adventures, providers of charter yachts, premium suppliers, tour operators for student trips and providers of skiing and other sporting tours.

Emerging Markets

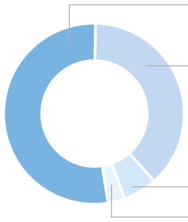
The Emerging Markets Business is a growing portfolio of tourism tour operator trips. TUI Travel is the first international tour operator with a presence in Russia and CIS. The business is also developing the source markets Brazil, India and China.

TUI Hotels & Resorts

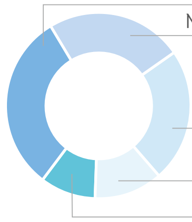
Hanover-based TUI Hotels & Resorts manages the Group's hotel companies. This Sector includes majority participations, joint ventures with local partners, stakes held in companies that enable the shareholders to exert significant influence, and hotels operated under management contracts. TUI Hotels & Resorts is the link between tour operators and hotel partners, thus ensuring the strong positioning of the hotel brands within the Group and among the competition. Apart from strategic planning, pioneering new hotel formats and providing operative support, it also coordinates the marketing and distribution activities and the environmental and social measures undertaken by the hotel companies.

In financial year 2010/11, TUI Hotels & Resorts comprised a total of 248 hotels with around 157,000 beds; 224 of the hotels, i.e. the majority, were four- or five-star establishments. A total of 53% were operated under management contracts, 38% were owned by the respective hotel company, 6% were leased. 3% of the facilities were managed under franchise agreements.

Financing structure TUI Hotels & Resorts	2010/11	2009/10
%		
Management	53	51
Ownership	38	41
Lease	6	5
Franchise	3	3



Owned hotel beds according to regions	2010/11	2009/10
%		
Western Mediterranean	31	31
North Africa/Egypt	24	23
Caribbean	23	23
Eastern Mediterranean	12	13
Other countries	10	10



TUI Hotels & Resorts

Hotel brand	3 stars	4 stars	5 stars	Total hotels	Beds	Main sites
Riu	7	64	32	103	87,478	Spain, Mexico,Tunisia, Caribbean, Cape Verdes
Robinson	-	20	4	24	12,625	Spain, Greece, Turkey, Switzerland, Austria
Iberotel	-	16	11	27	16,151	Egypt, Turkey, Germany
Grupotel	15	17	2	34	13,182	Spain
Grecotel	-	12	10	22	10,623	Greece
Dorfhotel	-	3	-	3	2,211	Germany, Austria
Other hotel companies	2	20	13	35	15,013	Egypt, Austria
Total	**24**	**152**	**72**	**248**	**157,283**	

As at 30 September 2011

Riu

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

Robinson, the leading provider 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 facilities also meet ambitious standards in terms of promoting sustainable development activities and meeting specific environmental standards.

Iberotel

Iberotel hotels offer a comprehensive level of comfort and excellent dining options. Most of these premium hotels are located in Egypt and Turkey. They offer top-quality products, complying with the highest quality, safety and environmental standards.

Grupotel
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
Grecotel is a leading Greek hotel company. 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.

Dorfhotel
Dorfhotels are located in Germany and Austria. They combine the advantages of fully equipped 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

TUI Aktiengesellschaft

Cruises

Hapag-Lloyd Kreuzfahrten | TUI Cruises

Hapag-Lloyd Kreuzfahrten
Hamburg-based Hapag-Lloyd Kreuzfahrten GmbH currently 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 twelfth time in succession and is the world's only ship awarded this category. 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 were owned, the other two chartered. Average fleet age was 16 years.

By 2013, Hapag-Lloyd Kreuzfahrten will be broadening its portfolio by adding two ships to its fleet: the luxury segment will be expanded by a long-term charter for the new MS Europa 2. With 258 cabins, the MS Europa 2 has a passenger capacity of 516. The newbuild will be launched in 2013. The premium segment will be expanded by chartering a ship as of April 2012: The MS Columbus 2 has capacity for 698 passengers in 349 cabins.

TUI Cruises

TUI Cruises is a joint venture between TUI AG and the US shipping company Royal Caribbean Cruises Ltd., formed in 2008, in which each partner holds a 50% stake. The Hamburg-based company offers cruises to the German-speaking premium market. 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 two ships this far, Mein Schiff 1 and Mein Schiff 2. In September 2011, TUI Cruises announced that it would expand its fleet by one newbuild, to be delivered in 2014.

Financial investment in Container Shipping

Following the sale of a majority stake in Container Shipping, completed in the first quarter of 2009, TUI AG held a 38.4% stake in Hapag-Lloyd Holding AG at the balance sheet date. Hapag-Lloyd Holding AG holds all shares in Hapag-Lloyd AG. Via this indirect investment, TUI AG is the largest individual shareholder in Hapag-Lloyd AG. The remaining 61.6% of the shares in the company are held by a consortium, the Hamburg-based shipping consortium „Albert Ballin" Holding GmbH & Co. KG.

Shareholdings Hapag-Lloyd Holding AG

%	
TUI AG (via its 100% shareholding TUI-Hapag-Beteiligungs GmbH)	38.4
Hamburgische Seefahrtsbeteiligung „Albert Ballin" GmbH & Co. KG	61.6
Kühne Holding AG	24.6
HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH	23.6
IDUNA Vereinigte Lebensversicherung aG für Handwerk, Handel und Gewerbe	5.5
HSH Nordbank AG	3.2
Hanse Merkur AG	1.5
Group of investors managed by M. M. Warburg & CO Gruppe KGaA	3.2
Total	**100.0**

As of 30 September 2011

See page 51 and 103

Further information on the financial commitment of TUI AG to Container Shipping is presented in the sections "Financial year – an overview" and "Earnings by the Sectors".

Business activity and strategy

Tourism

Market

The favourable economic framework in calendar year 2011 had a positive overall effect on global demand in the travel market. In the first eight months of 2011, international arrivals grew by 4.5%. Arrivals in Europe were also consistently up, by about 6%, in the first eight months of 2011. Due to the political unrest in Egypt and Tunisia, arrivals in North Africa and the Middle East declined by around 15% and around 9%, respectively (source: UNWTO, November 2011). For 2011 as a whole, the UNWTO expects the worldwide travel market to grow by 4 to 4.5%. The tourism markets, which started to pick up again in 2010, thus continues to recover.

The market for business and holiday hotels in Europe benefited from improvements in the economic environment during the period under review. Hotel occupancy and revenues per available room continued rising in Europe in financial year 2010/2011. By August 2011, hotel occupancy in Europe was up about 4% on the previous year (basis: year-on-year comparison of occupancy from January to August 2011). As demand picked up again, hoteliers in Europe were also able to increase the average room rates by over 3%. These two combined effects brought an increase in revenues per available room of around 7%. All regions in Europe recorded higher occupancy, albeit with some variations. With an increase in occupancy of around 5%, growth of 3% in average room rates and growth in revenues per available room of almost 9%, hotel operators in southern Europe benefited more than average from this development. The favourable pattern in the European hotel industry was attributable to improvements in the economic environment and the non-recurrence of special one-off effects, such as the volcanic eruption in Iceland in the spring of 2010, which virtually brought European aviation to a standstill in the previous year's reference period (source: Global Hotel Review, STR Global, September 2011). In North Africa, the unrest in connection with the political and social changes resulted in lower hotel occupancy, as many holidaymakers chose alternative destinations in Spain, Greece or Turkey.

The European market for cruises remained a growth market. According to a study by the European Cruise Council (ECC: Statistics and Markets, April 2011), the number of European passengers on ocean cruises grew by around 10% year-on-year to 5.5m in 2010. The German ocean cruises market also grew disproportionately in this respect and again achieved record results in terms of passenger and turnover figures for 2010. Passenger volumes grew by 19% year-on-year to over 1.2m as against 2009. This growth was mainly attributable to the commissioning of new, additional ships in the volume market. For the future, the German ocean cruise market also shows strong growth potential: at 1.5%, market penetration is low in relation to the overall population compared with more mature cruise markets such as the UK, where this value is significantly higher at 2.5%.

Competition

Tour operators offering integrated and non-integrated business models competed with hotel companies, airlines and online agencies. Due to the political and social turmoil in some countries in the Middle East and North Africa in the winter and spring of 2011, capacities offered were withdrawn from the regions concerned and shifted to other destinations. In this environment, TUI Travel benefited from its strong market position and the flexible business model.

The competitive environment in the holiday hotel market continued to reflect 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 ocean cruise market comprises national and international providers. However, passengers travelling with German cruise companies account for almost 58% and thus a higher percentage than passengers travelling with international providers (DRV: Der Kreuzfahrtenmarkt Deutschland 2010; March 2011). The key cruise lanes in the German cruise market are the western Mediterranean, followed by Nordland routes and the eastern Mediterranean. In 2010/11, 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.

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 operates under the Mainstream, Accommodation & Destinations, Specialist & Activity as well as Emerging Markets Businesses.

The Mainstream Business 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 different 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.

Selective investments in Group-owned property, plant and equipment as well as financial investments are only effected if the invested capital will produce an appropriate yield and enable the Group to reach corresponding unique selling propositions vis-à-vis its competition, for instance in renting out 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 businesses, 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 owns hotel capacity in existing and potential growth destinations which will be expanded selectively. Preference is given to asset-light management contracts and joint ventures. At the same time, the unique selling propositions of the individual hotel brands are to be further emphasised and offerings for clearly defined target groups will be developed within the existing portfolio. Occupancy of Group-owned hotels will be optimised by means of distribution via tour operators but also the selective establishment and expansion of online sales.

With its fleet, Hapag-Lloyd Kreuzfahrten occupies a leading position in the German-speaking market for luxury, expedition and study tours. This position will be reinforced by the planned commissioning of MS Columbus 2 (2012) and MS Europa 2 (2013).

TUI Cruises is the first national provider to have occupied the premium volume segment in the German-speaking market for cruises. Mein Schiff 1 and Mein Schiff 2, the vessels of TUI Cruises, will stand out even more strongly from its competition in future because of the values they embrace: individuality, diversity and enjoyment.

Strategy

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

- increasing the proportion of differentiated holiday product
- increasing controlled distribution, in particular strengthening online sales
- 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
- implementing the restructuring programmes in France with regard to the merger of the tour operator business and efficiency enhancements in Corsair
- continuing yield-oriented capacity management in TUI Travel's Mainstream Business by adjusting fixed flight and hotel commitments to market requirements
- expanding the market position in the specialist tour operator business through organic growth and selective acquisitions
- further expanding and internationalisation of the tour operator business in growth markets such as Russia, China and India
- focusing on a high-yield, differentiated hotel portfolio in TUI Hotels & Resorts
- expanding the market shares in the German-speaking premium and 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 holding 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. The value-oriented Group management system is an integral part of consistent Group-wide planning and controlling processes.

Key management variables used for regular value analysis are Return On Invested Capital (ROIC) 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). While the cost of equity 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 Segments and Sectors, specific pre-tax costs of capital are determined. For the Tourism Segment, they amounted to 11.50% (previous year 10.50%). For the TUI Travel Sector, the value was 11.50% for 2010/11 (previous year 10.50%). In the period under review, the cost of capital was 11.00% for TUI Hotels & Resorts (previous year 10.80%) and 12.00% for the Cruises Sector (previous year 11.90%). For the Group as a whole, the figure was 10.75% (previous year 10.50%).

ROIC and economic value added

ROIC is calculated as the ratio of underlying earnings before interest, taxes and amortisation of goodwill (underlying EBITA) to the average for invested interest-bearing capital (invested capital) for the Segment or Sector. 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 non-controlling 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		Group	
€m		**2010/11**	2009/10	**2010/11**	2009/10
Underlying EBITA		**656.6**	**640.2**	**600.1**	**589.2**
Ø Invested capital [1]		5,258.5	5,403.3	5,246.0	5,615.6
ROIC	%	**12.49**	**11.85**	**11.44**	**10.49**
Weighted average cost of capital (WACC)	%	11.50	10.50	10.75	10.50
Value added		**51.9**	**72.9**	**36.2**	**- 0.4**

[1] average value based on balance at beginning and year-end

In Tourism, ROIC was up by 0.64 percentage points on the previous year at 12.49%. This was due to improved earnings combined with a lower average of invested interest-bearing capital. The return from Tourism was higher than 11.50%, the specific cost of capital. Mathematically this resulted in positive value added of €51.9m.

For the Group, ROIC amounted to 11.44%, up by 0.95 percentage points year-on-year. With the cost of capital at 10.75%, this meant positive economic value added of €36.2m.

MANAGEMENT REPORT

HUMAN RESOURCES

In financial year 2010/11, the TUI Group's headcount grew by 3.2% to 73,707. The increase was primarily driven by TUI Travel and the Cruises Sector.

Changes in headcount

At the balance sheet date, the TUI Group's worldwide headcount was 73,707, 3.2% up year-on-year. The Tourism Segment employed the largest proportion of personnel at 99.1%, as in the previous year. Central Operations accounted for 0.9% of employees.

Personnel by sector

	30 Sep 2011	30 Sep 2010	Var. %
Tourism	73,079	70,745	+ 3.3
TUI Travel	58,378	56,318	+ 3.7
TUI Hotels & Resorts	14,424	14,202	+ 1.6
Cruises	277	225	+ 23.1
Central Operations	628	653	- 3.8
Corporate Center	202	181	+ 11.6
Other units	426	472	- 9.7
Group	**73,707**	**71,398**	**+ 3.2**

Tourism
At the end of the financial year under review, the headcount in Tourism totalled 73,079, up 3.3% year-on-year. The individual Sectors recorded different trends.

The headcount in TUI Travel grew by around 3.7% to 58,378. This increase was driven by the expansion of the Specialist & Activity Business and new acquisitions in the Accommodation & Destinations Business.

The headcount in TUI Hotels & Resorts rose slightly by 1.6% year-on-year to 14,424. This head-count growth was mainly attributable to placing hotel facilities on full-year operation.

The Cruises Sector reported an increase in headcount of 23.1% to 277 due to the expansion into newbuilds.

Central Operations

Central Operations recorded a year-on-year decline in headcount of 3.8% to 628. Due to the assumption of new functions and intensified activities to promote junior staff, the number of employees working for the Corporate Center increased by 11.6% to 202. The remaining Central Operations entities posted a decline in headcount of 9.7% to 426.

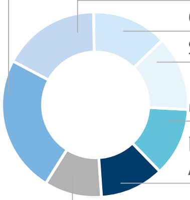
International headcount

Personnel by region

	30 Sep 2011	30 Sep 2010	Var. %
Germany	9,846	9,585	+ 2.7
Great Britain	18,201	18,515	- 1.7
Spain	9,392	9,647	- 2.6
Other EU	12,398	12,133	+ 2.2
Rest of Europe	8,639	8,778	- 1.6
North and South America	8,149	6,850	+ 19.0
Other regions	7,082	5,890	+ 20.2
Total	**73,707**	**71,398**	**+ 3.2**

Personnel by region | **30 Sep 2011**

%



Great Britain	24
EU	17
Germany	13
Spain	13
Other EU	12
North and South America	11
Other regions	10

The number of employees working in Germany increased by 2.7% to 9,846. The Group's headcount in Europe remained flat year-on-year at 58,476 or 79.3% of the Group's overall headcount. Due to the rise in the number of employees working for Group companies in North and South America and the remaining regions, the proportion of staff working outside Europe increased by 19.6% to 15,231, or around 20.7% of the overall headcount. This increase was driven by new acquisitions, in particular in Australia and Asia.

Personnel costs

Personnel costs of TUI Group declined by 2.4% to €2,203.2m year-on-year. This was attributable to the netting of income from changes in the pension plans in the UK.

Personnel costs

€ million	2010/11	2009/10	Var. %
Wages and salaries	1,878.0	1,925.7	- 2.5
Social security contributions	325.2	332.6	- 2.2
Total	**2,203.2**	**2,258.3**	**- 2.4**

MANAGEMENT REPORT

SUSTAINABLE DEVELOPMENT

Commitment at our locations and destinations. Responsibility for the environment, society and employees.

TUI AG sustainability website: www.tui-group.com/en/sustainability

Sustainable economic, ecological and social activity is an indispensable part of our corporate culture. We consider our commitment, in particular to climate protection, conservation of resources and protection of biodiversity, as a contribution to sustainable economic action. This is how we secure the conditions for our Company's sustainable business success and assume responsibility for future generations.

In its Sustainability Report, TUI AG provides detailed information about activities, milestones, targets and indicators in line with the internationally acknowledged Guidelines of the Global Reporting Initiative (GRI). Current projects and initiatives are also published on our website at www.tui-group.com/en/sustainability.

http://sd2010.tuitravelplc.com/tui-sd2010

In July 2011 TUI Travel published its Sustainable Development Report under the title "Towards a more sustainable future". The report provides an overview of the commitment of the tour operators, distribution, airlines and incoming agencies that make up the World of TUI. TUI Travel continued to drive forward the strategic development and definition of environment and sustainability targets and programmes in business operations in nine Group-wide project groups in cooperation with TUI AG. The results of the four core workstreams on climate protection, destination cooperation/supply chain management, customer awareness raising and employee commitment are presented in the report.

In financial year 2010/11, some TUI Group tour operators published sustainability reports, e.g. the adventure and study trip specialist Gebeco and TUI Nederland.

Dow Jones Sustainability Indexes
Member 2011/12

Since 19 September 2011, TUI AG has been listed for the first time as an industry leader in the Dow Jones Sustainability Indexes (DJSI) World and Europe in the Travel & Tourism section. In the annual review of the composition of the index, TUI AG scored best in various categories including climate change strategy, risk and crisis management, and stakeholder dialogue. The DJSI comprises 342 companies of the 2,500 members of the Dow Jones Global Index leading the field in terms of sustainability. Alongside economic criteria, the assessment takes particular account of selected ecological and social criteria.

FTSE4Good ECPI Corporate Responsibility Prime rated by oekom research

TUI AG's position in the sustainability index FTSE4Good was confirmed in September 2011. TUI is also represented in the indexes DAXglobal Sarasin Sustainability Germany, Ethibel Excellence Index and ECPI Ethical Index €uro. oekom Research AG is still awarding TUI Prime investment status.

Strategic partnership and cooperation

In the framework of a multi-stakeholder dialogue and international cooperation, we have been actively promoting environmental protection, nature conservation and sustainable development in our 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. The campaign was launched by the German Ministry for the Environment, Nature Conservation and Nuclear Safety, but has been continued autonomously by its members in the business community since 2011. The participating companies are seeking to integrate the requirements of biodiversity protection more closely into their economic activities. The initiative is supported by the German agency for international cooperation (GIZ).

Business and Biodiversity Campaign
In the period under review, TUI AG continued to support the European Business and Biodiversity Campaign of the Global Nature Fund, established in 2010 as an EU Life+ project. A biodiversity check was carried out in cooperation with the initiative. The findings help us to identify intersectoral measures.

Federal Agency for Nature Conservation
Cooperation with the Federal Agency for Nature Conservation (BfN) in Germany continued successfully, especially in the area of awareness raising and informing holidaymakers about the protection of biodiversity. TUI AG and the BfN were jointly awarded the title "Chosen place in the land of ideas" in August 2011 for their holiday biodiversity project. This makes TUI one of 365 winners given this title every year under a scheme called "Germany – Land of Ideas", run under the aegis of the German President in cooperation with Deutsche Bank.

Futouris

Futouris e. V.
TUI AG co-founded the industry initiative Futouris e.V. The initiative is run under the patronage of the German Travel Industry Association (DRV) and has supported sustainability projects in tourism destinations with specific initiatives in the fields of climate and environmental protection, biodiversity and socio-cultural responsibility since 2009. TUI AG participated in the Futouris industry project "Wa(h)lheimat" for sustainable whale watching in the Canaries. Through Futouris, TUI AG also promoted a project called "Travellers without frontiers" to protect the endangered sea turtle population in Turkey.

econsense
TUI AG continued its activities as a founding member of econsense – Forum for the Sustainable Development of German Business. In 2011, TUI AG took over Chairmanship of the Biodiversity & Ecosystem Services project group.

Europarc
In the financial year under review, TUI AG continued its work as a member of the evaluation committee of the European Charter for Sustainable Tourism in Protected Areas, implementing standards for the sustainable use of European protected areas for tourism. In 2011, we supported the training of new certifiers.

Bonn Convention
In 2010 and 2011, TUI AG supported the Bonn Convention on the Conservation of Migratory Species of Wild Animals (CMS) in implementing awareness-raising campaigns. In cooperation with the Bonn Convention, TUI is supporting the protection of endangered bat populations in the "Year of the Bat 2011-2012".

Framework agreement on the sustainable development of 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 reforestation project was launched in the north of the island near Alcudia. Some 21,000 olive and pine trees had been planted in the TUI Forest in the Parc de Llevant nature reserve by August 2011.

Tour Operators' Initiative for Sustainable Tourism Development
TUI Travel continues to support the Tour Operators' Initiative for Sustainable Tourism Development (TOI) along with other tour operators and with the support of UNEP, UNESCO and UNWTO.

Global Sustainable Tourism Council
The Global Sustainable Tourism Council (GSTC) is a global initiative committed to promoting sustainable tourism and setting internationally acknowledged standards. The work of the GSTC focuses on the Global Sustainability Tourism Criteria (also called GSTC), anchoring the crucial factors which create sustainability in tourism. Since June 2011, TUI has been a member of GSTC, with a seat on the Board of Directors. The mandate is exercised by TUI Travel.

Travel Foundation
TUI Travel continued to support the work of the British Travel Foundation towards sustainable tourism development in 2011. Projects to protect and improve the environmental situation and living conditions of the local population were carried out in cooperation with the Foundation, the incoming agencies and local partners.

The environment

Environmental compatibility of our products, services and processes is part and parcel of our quality standards. Saving natural resources and reducing adverse effects on the environment secure TUI's success.

Group-wide environmental monitoring
In the period under review, the Group-wide processes implemented to monitor environmental performance and determine meaningful indicators and methods were developed further. They are based on internationally acknowledged standards such as the Greenhouse Gas Protocol and the current Guidelines of the Global Reporting Initiative (GRI/G3). Calculation methods have been improved for some indicators, in order to facilitate maximum comparability and transparency. Group-wide monitoring focuses on business operations of environmental significance, using the metrics to improve environmental performance.

Energy consumption
In terms of the use of fossil fuels, most of the Group's energy is consumed by aviation and cruises. Total energy consumption for the TUI Group during the financial year was 99,815 TJ.

In financial year 2010/11, energy consumption by TUI Travel totalled 93,203 TJ, largely driven by the activities of TUI airlines. TUI's air companies achieved an average specific fuel consumption of 3.00 litres of aircraft fuel per 100 passenger kilometres (pkm) (previous year 3.00 l/100 pkm). This specific fuel consumption confirms the high efficiency of TUI airlines and places them among the most efficient European operators by international standards.

In financial year 2010/11, Cruises reported specific fuel consumption of 0.28 litres per passenger nautical mile (l/pnm) (previous year 0.32 l/pnm). The decline was driven by more efficient route planning and higher utilisation of capacity.

Carbon dioxide emissions
For many years, the TUI Group has operated a system enabling it to present its climate-related performance. TUI thus determines its emissions of carbon dioxide (CO_2), which contribute to climate change, as crucial environmental indicators and uses them as a quantifier to establish the TUI Group's environmental performance. Total CO_2 emissions by the Group amounted to 6,563 thousand tonnes (previous year 6,257 thousand tonnes) in financial year 2010/11. This breaks down into 6,260 thousand tonnes for TUI Travel, 224 thousand tonnes for Cruises and 79 thousand tonnes for TUI Hotels & Resorts.

Carbon dioxide emissions in aviation
In financial year 2010/11, aviation accounted for 83.3% of total direct CO_2 emissions by the TUI Group and thus 87.3% of direct CO_2 emissions by TUI Travel. In financial year 2010/11, specific CO_2 emissions by the TUI airlines amounted to 75.9 g/100 pkm (previous year 76.1 g/pkm). To protect the climate, TUI airlines aim to cut their CO_2 emissions 6% by the end of financial year 2013/14 (baseline 2007/08) by continually replacing aircraft. TUIfly was also the first airline in the world to use the new clear core full service tool to wash engines, saving around 220 tonnes of CO_2 per aircraft per year. This method recycles the water used to clean the engines up to 100 times.

Carbon emissions in aviation
Following a resolution by the European Union, emissions from air traffic in Europe will be included in the Emissions Trading Scheme (EU ETS) as of 2012. The TUI Group's airlines have met the new legal requirements, complying with all the processes required. In 2010 the first phase of the reporting obligation for airlines included in the emissions trading system was completed. TUI airlines had to record their tonne kilometres flown and their CO_2 emissions for the entire calendar year 2010. Subsequently, all data and reports from the TUI airlines were audited and certified by auditors PwC and had been submitted in due time to the competent national authorities. The consolidated data for all airlines was then submitted by the national authorities to the European Commission. At the end of September 2011, the European Commission determined the benchmarking factors, which form the basis for calculating the allocation of rights.

Voluntary CO_2 offsetting within the Group

In cooperation with the myclimate foundation, customers flying with TUIfly have the opportunity to voluntarily offset the greenhouse gas emissions caused by their flight. 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. The brochures contain data for customers about the CO_2 emissions for each route. The scheme supports an internationally acknowledged climate protection project to provide efficient cookers for the rural population in the Siaya area (Kenya). Other TUI Group tour operators also offer their customers the opportunity to offset their CO_2 emissions. The British tour operators Thomson Travel and First Choice manage emissions offsetting through the World Care Fund.

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

CO_2 offsetting for business flights

TUI AG retroactively offset all carbon emissions for flights taken by its employees in financial year 2010/11 through the myclimate foundation. A total of 308 tonnes of carbon were offset. TUI Deutschland GmbH also offset all emissions of business flights, a total of 1,441 tonnes.

Carbon emissions by Cruises

In the completed financial year, the Cruises Sector accounted for 3.4% of total direct carbon emissions in the TUI Group. Thanks to more efficient route planning and high load factors, in particular for the newly launched ship Mein Schiff 2, specific CO_2 emissions were cut to 0.84 kg per passenger nautical mile (kg/pnm) (previous year 0.95 kg/pnm).

Carbon emissions by hotels

In financial year 2010/2011, TUI Hotels & Resorts accounted for 1.2% of total direct CO_2 emissions by the Group. Average specific CO_2 emissions totalled 11.0 kg of CO_2 per customer and bednight (previous year 11.7 kg/customer/bednight). This decline was attributable to changes in the hotel portfolio and more efficient use of resources.

All TUI hotel brands are committed to the use of renewable resources. A combined heat and power plant was installed at Robinson Club Fleesensee to generate heat and power and save CO_2 emissions and operating costs. Iberotel Sarigerme introduced the innovative variant refrigerant volume air-conditioning technology, which decentrally releases the desired heating and cooling energy where it is needed. Thanks to this technology, energy consumption was significantly reduced.

Carbon Disclosure Project

TUI AG again participated in the Carbon Disclosure Project (CDP) in 2011. The Group's carbon footprint and the strategic aspects of TUI AG's climate policy were described in the Carbon Disclosure Project and made available to international analysts and investors. In the assessment of its climate reporting, TUI AG again finished in the German Carbon Disclosure Leadership Index, achieving ninth place.

Certified environmental management system

TUI strives to achieve continual improvements in the Group's environmental performance by introducing and steadily developing environmental management systems in the individual Group companies, in particular in hotel operations.

In financial year 2010/2011, five new hotels and clubs belonging to TUI Hotels & Resorts had their environmental management systems successfully certified in accordance with the international environmental standard ISO 14001. A total of 56 hotels in the TUI Hotels & Resorts portfolio have thus been certified according to ISO 14001, confirmed by independent experts (previous year's reference value 51 ISO 14001 certifications).

ISO 14001 certified TUI Hotels & Resorts

	2010/11	2009/10
Robinson Club	17	17
Iberotel	13	12
Grupotel	9	7
Dorfhotel	5	5
Sol Y Mar	5	4
Grecotel	3	3
Jaz Hotels & Resorts	3	3
Riu	1	-
Total	**56**	**51**

In addition, other hotel companies had their environmental management systems certified under other recognised environmental standards such as the Austrian Environmental Label or Travelife.

The existing environmental management systems operated at the headquarters of TUI AG, tour operator TUI Deutschland GmbH and TUI Dienstleistungsgesellschaft mbH in Hanover were again successfully certified under ISO 14001 in financial year 2010/11. In July 2011, Thomson Airways was the first British airline to receive the ISO 14001 certificate for its environmental activities in engineering operations.

The growing river cruise segment in TUI Deutschland developed a sustainability concept for its portfolio. This concept includes offering carbon offsetting to its customers through myclimate and having two ships certified according to Green Globe. A new standard was specifically developed in cooperation with Green Globe for the certification of these ships.

Environmental quality in TUI holiday hotels

EcoResort quality label

The EcoResort quality label, developed by TUI Hotels & Resorts in cooperation with TUI AG's sustainability management, is currently one of the most demanding quality standards for sustainable development in holiday hotels.

www.ecoresort-tui.com

Following an audit carried out by accredited external experts, 49 hotel resorts and clubs belonging to the Group's own hotel brands in TUI Hotels & Resorts were awarded the label in the completed financial year. Since May 2011, TUI Hotels & Resorts have been providing comprehensive information about the responsible handling of nature and the environment by TUI's hotel brands on the redesigned EcoResort website. Apart from clearly defined core criteria, this also reports fully on the many different ecological and socio-cultural sustainability projects that are being implemented by individual EcoResort hotels. The EcoResort website is not only a central information vehicle accessible to the public, but also supplies many internal benchmarks for the Group-owned hotel brands and their environmental and sustainability managers.

Many TUI Hotels & Resorts brands are among the environmental champions in their own locations. In 2011, Robinson Club Cala Serena was awarded the TUI Environmental Holly for its commitment to the environment.

TUI Environment Champion

The most environmentally friendly hotels from TUI Deutschland's product portfolio again received the TUI Environment Champion award in 2011. The ecological commitment and the social initiatives of the contract hotels were assessed with the aid of a checklist and the results of a TUI customer survey. In financial year 2010/11, all Robinson clubs received the TUI Environment Champion.

Green Star Hotel Initiative

TUI and its Egyptian partner Travco Groupare are two of the key participants in the Green Star Hotel Initiative, actively promoting the protection of resources in the Red Sea. The initiative is run in partnership with the German agency for international cooperation GIZ, the Egyptian Ministry for Tourism and the German Ministry for Economic Cooperation and Development.

As part of this project, an environment label was developed for Egyptian hotels in cooperation with hotel facilities in the El Gouna region. It is founded on international standards (Global Sustainable Tourism Criteria). The criteria for a Green Star hotel have been tailored to the extreme geographical and climatic conditions in Egypt. The Green Star hotel system focuses on practical local implementation and applicability, so that even smaller hotels are able to integrate environmental management into their operations. A modular training programme and a manual with digital support functions are available to the hotel operators taking part in the scheme.

The initiative launched in El Gouna has meanwhile been expanded to cover other regions in the Red Sea: Madinat Makadi, Madinat Coraya, Taba Heights and Sharm El Sheikh. In financial year 2010/11, 35 hotels including many TUI Hotels & Resorts and contract hotels were certified under the Green Star label.

International TUI Environment Award
In 2011, TUI AG gave the International Environment Award to the Eco Centre on Kuramanthi, an island in the Rasdhoo atoll in the Maldives. The prize, endowed with €10,000, was awarded for the special commitment of the Eco Centre to protecting the coral reefs. Coral reefs show enormous biodiversity but are also among the earth's most sensitive eco-systems. The President of the Maldives, Mohamed Nasheed, was present at the International Environment Award.

Biodiversity
As a global player, we are aware that our business activities along the value chain have an impact on biodiversity at the local, regional and global levels. In financial year 2010/11, TUI continued to work on implementing the Leadership Declaration of the Biodiversity in Good Company Initiative. This includes an obligation to analyse the impact of commercial operations on biodiversity and the inclusion of biodiversity criteria in our environmental management system.

TUI has defined quality and action targets, which are implemented throughout the Group in the form of programmes. Target achievement is reviewed on a regular basis, and comprehensive internal and external communication is provided, e.g. in the Annual Report, Sustainability Report and on the Group's website. This approach serves to demonstrate the effectiveness of the preservation measures as well as to create awareness and confidence among our customers, employees and partners.

In the completed financial year, we participated across our Group in many different projects and initiatives to protect biodiversity.

Year of Forests
In the 2011 Year of Forests, a children's magazine was designed and distributed in the German-speaking children's clubs and on board the TUIfly airline in cooperation with the Federal Agency for Nature Conservation. Other Group companies launched activities to preserve forests, an important eco-system, and initiated programmes in cooperation with our customers. Bat boxes were installed in the hotel premises of Robinson, Dorfhotel and Iberotel in Germany, Austria and Turkey to offer these endangered animals opportunities for refuge.

Sea turtles
Sea turtles are of particular importance to maritime habitats and constitute an endangered species. Turkey is one of the key nesting areas for sea turtles in the Mediterranean. The coastal zones in the Dalaman region are particularly important, above all for the green turtle and the loggerhead turtle. The nesting period of the sea turtles is during the summer season, the peak travel season for holidaymakers. Due to the intensive development or use of beaches, tourism may put sea turtle populations at risk.

In order to protect the endangered reptile population, TUI AG's environmental management has launched the "Travellers without Frontiers" project in partnership with the sustainability initiative Futouris. At a workshop held in the Iberotel Sarigerme Park in May 2011, the decision was taken to implement additional protection measures for sea turtles in Turkish Dalaman. In future, information boards will be installed on sections of beach to provide information about nesting areas, and special cages will protect the eggs.

TUI AG has also produced a "Manual for the sustainable protection of sea turtles" for hotel operators as well as customer information with behaviour guidelines, to be made available in the hotels in the region.

Employees

Our employees form the basis for the success of our Group – we rely on the commitment of all our staff. In order to develop and retain our employees in the long term, TUI offers a multitude of initial, ongoing and further training schemes, a range of pension and health measures and strategic personnel projects. Only if we manage to be an attractive employer will we be able to secure a leading position in the competitive arena.

Initial and continuous 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 job profiles and two university sandwich courses. As at the 2011 balance sheet date, around 530 young employees were taking part in these training schemes. Around 56.0% of the trainees who finished their course in 2011 were taken on by the Company. At 5.4%, the training ratio rose slightly on the previous year's level. The excellent quality of this training has been confirmed time and again, with freshly qualified youngsters winning prizes from chambers of industry and commerce or even awards as the best trainee in their region. In March 2011, the blog Toni Touri!, used by TUI Leisure Travel to advertise its training schemes for travel agents and tourism managers, received a special award from the Willy Scharnow Foundation.

The CFA (Centre de Formation per Apprentissage) at Robinson Hotel School in the Robinson Club Agadir opened its training programme in 2008 to offer young people in Morocco, an aspiring economy, the prospect of a future. Due to the strong interest expressed, the number of places has steadily increased: in the fourth year of the programme 85 candidates were accepted. This is a one-year course offering them a state-approved qualification in various areas, including reception, housekeeping, kitchen and restaurant, and – introduced for the first time in 2011 – spa & technology.

Development of senior and executive staff

The development of senior and executive staff in the TUI Group has to meet strict quality standards. These standards were recognised in the financial year under review, when certification in the field of personnel development was obtained under the German Further Training Recognition and Certification Ordinance (AZWW). As our Group is an international player with business relationships in over 180 countries, the particular focus lay with intercultural training for different target countries, notably India and China as key future markets. Demand also rose for a modular project management course, designed to address the specific problems confronted in different societies.

Great importance is attached to identifying and developing executives within the TUI Group. To this end, management profiling was introduced as an innovative, meaningful HR diagnostic tool. The participants' personal behavioural patterns and success strategies are identified and integrated in a development plan geared to their particular talents and strengths.

The People Performance Management (PPM) system used by TUI Deutschland is based on a standard competence model and all the modules have now been implemented: talent management, performance and target management as well as 360° feedback. One of the key objectives of the PPM system is to promote talent and prepare those who display it to assume greater responsibility. To this end, a complete talent management programme has been implemented, bringing talented Company members together in learning communities and projects where they can build their knowledge and skills. Learning conferences are held to encourage this joint exercise in learning among executives and promising new talent.

At the international level, the Global High Performance Leadership Programme was run for the first time in the completed financial year. Besides this programme, offered for senior management, Horizons and the Horizons Master Classes are now well established in the Group as a programme for development and succession planning among senior executives. Another key element of leadership development is the Global Responsible Leadership Programme, aiming to promote the long-term development and social commitment of the participants.

Due to its success, the TUI Group's International Management Trainee Programme for university graduates will be further expanded as a crucial element in the sustainable, efficient recruitment and development of junior management staff. The international programme, which includes five placements in different Group operations at home and abroad, takes 18 months to complete and offers participants a comprehensive overview of the tourism business. The international character of the Group is reflected in the make-up of the participants, who are from Russia, the UK, the Netherlands, Germany, France, Poland, Bulgaria, Italy and India. Even at the training stage, they are learning to network across borders.

Social responsibility

Pension schemes

The companies in the TUI Group offer their employees benefits from the company-based pension schemes funded by the employer. Options for the employees include pension schemes and direct insurance contracts, pension provision in the private market under the German "Riester" rules, and deferred compensation models to build up a private pension. These schemes were devised so as to take advantage of fiscal and social security co-sponsorship opportunities.

Part-time early retirement

As part of their company HR and succession planning, Group companies in Germany make substantial use of the opportunities provided under the German Part-Time Early Retirement Act to shift gradually from employment to retirement. TUIfly, for example, offers its employees a part-time early retirement scheme to compensate for the stress induced by changing working hours and shift work. Applying a capital investment model, approx. €11.5m was provided for the 235 employees working under part-time early retirement contracts to hedge their accrued assets against employer insolvency.

Health and diversity

TUI AG operates a modern, innovative health management system, which was in 2011 again among the best in Corporate Health Awards, and hence rated in the Excellence Category. Due to the holistic approach of the health management, which considers environmental context (health and safety, mental health, corporate culture) besides classical company health promotion scheme, TUI AG was additionally awarded the Corporate Health Special Prize Kultur und Gesundheit.

Since 2004, the health management system has been built and expanded with the continual involvement of our staff. It is essentially based on two pillars: behavioural measures, e.g. classical company health promotion schemes, and contextual measures, e.g. health and safety with a direct impact on the minimisation of accidents, ergonomy and health protection. TUI Dienstleistungsgesellschaft, the in-house service provider for health and safety in Germany, was certified under ISO 18001 in October 2010 for its health and safety system.

TUI AG's classical company health promotion scheme covers a broad range of activities. Employees are offered counselling and treatment options with different experts, e.g. a works doctor, a health and safety official, a chiropractor, a physiologist, a psychologist or the competence team. The competence team consists of employees who have undergone psychological training and are available for discussions with other employees as a form of crisis intervention. As the contents of these discussions are always mirrored with the psychologist, the members of the competence team undergo continual further training. In order to expand this scheme, a comprehensive staff survey was carried out with the help of the Technical University of Dortmund to identify further ways of promoting health. The classical offerings are being complemented by innovative programmes for health-conscious living, e.g. WellBeing, Integration and Training.

In the period under review, the Robinson Club in the Maldives launched a pilot project to improve the fitness of its staff. It focuses on the employees' physical and mental health and offers individual training tips, instructions on health-conscious ways to move and keep fit, and a number of courses.

TUI AG has signed the Diversity Charter and promotes social diversity within and outside of the Group. The concept of diversity and its personnel implications are to be conveyed to experts and executives at a workshop. In the period under review, this workshop was designed together with the Technical University of Brunswick. Apart from providing theoretical knowledge at seminars, the concept also allows all employees to experience diversity for themselves. This is achieved by various measures, including a day of switching perspectives. Any member of staff can take up this offer to spend a day in a social institution, preceded by a psychological briefing.

Diversity also stands for diverse ideas and individuality. TUI has created a support framework to facilitate a personal work-life balance. It includes flexible working hours, different part-time models, the option to take unpaid leave to take care of family members who have fallen ill or need care, and various other measures to help reconcile family life with work: discussing the return to work before a child is born; substituting for colleagues while on parental leave; part-time training for recent parents; financial support for childcare; a company crèche; and – introduced in 2011 – summer holiday schemes for primary school children.

TUIfly also offers its cabin crews attractive part-time models easily compatible with the irregular service hours. Employees may choose, for example, between half a month off and a whole month off. They can also opt to work only five days a month, making it easier to balance their work and family life.

Company health insurance fund

With TUI BKK, TUI offers its employees excellent health insurance. At a time when many health insurance funds face financial strains, BKK is focusing its efforts, apart from protecting and promoting health, on stabilising its financial position and building up assets. By the end of the financial year, BKK's reserves were completely filled for the first time; in addition, it held operating cash reserves worth one month's expenditure. This gave it top marks in the credit rating index of the umbrella organisation of German health insurance funds.

TUI BKK provided financial and organisational support for company health promotion projects. As psychological disorders, in particular, have risen over recent years, the rehabilitation programme has had to be expanded. That is why a phased approach to outpatient and residential treatment was developed with the Hanover's Medical University (MHH). It has been closely dovetailed with existing company counselling programmes and therefore offers effective treatment in an early phase of a health disorder without entailing the otherwise customary waiting times.

TUI Europa Forum

The TUI European Forum was established even before the German legislator adopted the Act on European Works Councils in 1996. The members of the TUI European Forum consist of representatives delegated from the business sectors in the countries of the European Economic Area in which TUI engages in business operations. They are newly appointed every four years, as in 2011. The TUI European Forum acts as an information hub for employees in our international business operations, enhancing the transparency of transnational entrepreneurial decisions. With its activities at European level, it helps the Group to cope with economic, social and environmental challenges and has an integrative function. The TUI European Forum meets once a year. This year, a total of 51 representatives from 14 countries have been delegated to the TUI European Forum.

Strategic staff projects

Group-wide encouragement for staff ideas

TUI concluded a Group agreement in 2010 to promote idea management within the Company. Its goal is to actively engage employees in shaping Group-wide workflows and developing the Group. Thanks to Group-wide internal marketing on the intranet and in the employee newsletter, numerous suggestions have been submitted since January 2011 and have already been implemented, resulting, for instance, in improvements in customer satisfaction. Ideas have also related to new products, process improvements, and cost and energy savings.

Employer branding

In the period under review, an inter-Group branding project was initiated in Germany. Its goal is to position TUI as an attractive employer in the long term, in an environment characterised by tighter competition. The vision and brand model of TUI as an employer were sharpened with the help of our employees. Various staff marketing programmes, e.g. through social networks, will be implemented in the forthcoming financial year.

Mixed Leadership

The Mixed Leadership project is an initiative engaging many Group companies with the common aim of creating a modern, open corporate culture where men and women are equally able to pursue their professional and personal interests. Apart from ensuring equal opportunities for the two genders, the purpose is above all to establish Mixed Leadership bodies as part of a progressive leadership culture. Mixed Leadership, therefore, is not only a matter of attitude but has become a regular feature of our HR strategy.

Operational implementation will initially take place in four key areas. The aim of the corporate culture sub-project is to create the vital framework required for modern leadership, from exchanges between management levels to practical work-life balance. The workstream devoted to models of working time will seek to design and implement flexible working arrangements that extend beyond the current range of models on offer at TUI. The talent management workstream focuses on measures to ensure that corporate roles critical to Company success can be filled without interruption in the long term; to this end, it aims to improve Group-wide cooperation. The talent management process is closely linked with the mentoring workstream, above all designed to motivate female junior (management) staff and to support their careers consistently.

At the end of the financial year, women accounted for around 70.0% (previous year 69.2%) of the total Group workforce in Germany. The proportion of women in senior management positions was at 37.0% in Germany. In the context of the Mixed Leadership project a new definition of senior management was established and used in data collection for the first time. Our long-term aim is to significantly increase the proportion of women in management positions.

In March, three TUI Travel employees were singled out by Women 1st in the Most Influential Women Awards.

myTUI Career

The online application portal myTUI Career, introduced in Germany in January 2011, offers applicants the opportunity to submit online applications to TUI. It has significantly increased the efficiency of applicant selection and processing. It thus contributes to shorter response times for suitable applications and increases our chances of winning highly skilled specialists as Group employees.

Corporate citizenship

Living social responsibility wherever we operate is part and parcel of our corporate culture. This commitment is reflected, among other things, in the implementation of, and support for, many non-profit projects.

"Drinking water for Africa"

The "Drinking water for Africa" campaign, jointly initiated by the Global Nature Fund, the football club Hannover 96 and TUI, continued successfully in 2010/11. The donations collected at home matches were used to sponsor the installation of new drinking water processing systems in four Kenyan schools and communities.

In June 2011, the first drinking water wells started operation in Ivory Coast. Thanks to donations from the project, our project partner, the Global Nature Fund (GNF), restored the first three wells in the villages of Bofesso, Gouétimba and Glégouin (in the project region of Man), aided by its local partners in eddr e.V.

German-Russian youth parliament

TUI AG supported the German-Russian youth parliament held in Hanover in July 2011 by the German-Russian Youth Exchange Foundation. The 40 participants from Russia and Germany drew up proposals to improve German-Russian understanding. At a plenary session of the Petersburg Dialogue, which was held in parallel, the participants presented their results to German Chancellor Angela Merkel and Russian President Dimitry Medvedev.

Travelling with respect

As of the financial year 2010/11, TUI Deutschland has offered interested customers the opportunity to take a closer look at their holiday destination. To this end, it has launched a cooperation project with Studienkreis für Tourismus und Entwicklung e.V. Guests travelling to Costa Rica and Greece receive the SympathieMagazin published by this study group, with comprehensive background information on society, politics, the economy and religion in the destination countries.

Support for disadvantaged children and teenagers

Aid for Haiti

Following the devastating earthquake in Haiti in 2010, TUI set up the five-year aid project "Life Nests for Haiti", aiming to contribute to reconstruction. TUI had already made €0.5m available just after the earthquake. The Group-wide project is carried out with our partners, the Salesians of Don Bosco, who support school education and vocational training for deprived children and teenagers all over the world and have been actively engaged in Haiti for 75 years. The aid is co-ordinated from Germany by the Bonn-based Don Bosco Jugend Dritte Welt e.V.

Film about the project: http://www.tui-group.com/de/nachhaltigkeit/gesellschaft/lebensnester

"Life Nests" provide a home, school education, vocational training and employment prospects to Haitian children and teenagers. Life Nests also offer them space to rediscover their cultural identity and learn agricultural skills. The Group-wide project, a partnership with the sustainability campaign group Futouris e.V., is sponsored by TUI AG, TUI Deutschland, TUI Suisse and TUI Österreich.

ECPAT

In the year under review, TUI Group companies maintained their worldwide commitment to protect children from sexual abuse. TUI tour reps were offered training programmes on the protection of children as part of their ongoing training.

Peter Maffay Foundation

TUI AG continued to support the Peter Maffay Foundation with 200 free flights to and from Majorca. The foundation enables children with severe diseases or social problems to spend some time in the finca run in Majorca by the foundation.

TUI sponsorship

In 2011, the sponsorship scheme run by TUI employees in Hanover supported Violetta e.V., a counselling initiative for sexually abused girls and young women in the city. Violetta offers free counselling and its services are also available to people the girls trust.

Activities by the TUI Foundation

The TUI Foundation was established in 2000 to mark the 75th anniversary of Preussag AG, now TUI AG. TUI's social and public commitments in the German state of Lower Saxony are carried out through this charitable body. In the first ten years of its existence, the foundation sponsored 285 projects with a total volume of more than €3.6m.

Further information at: www.tui-stiftung.de

From October 2010 to September 2011, the TUI Foundation sponsored more than 25 selected projects in the three main target areas: science and research, education and training for children and young people, and culture and arts.

In science and research, the TUI Foundation has, for the last six years, been funding the supporting research for "Prävention durch frühe Förderung", a sure-start education project by the Criminological Research Institute of Lower Saxony. In the "Pro Kind" (pro child) pilot project, new forms of sure-start education designed to prevent criminal behaviour are being tested among children in high-risk families and assessed for effectiveness. The first results of the long-term pilot were presented in 2010. The project will be completed in 2012.

Another initiative in science and research was the Rudolf Schoen Award, presented for the twenty-third time in 2011 for the best scientific publication at Hanover's Medical University (MHH). For the second time, the TUI Foundation supported the care network for severely ill children and young people at MHH, which hopes to significantly improve outpatient care for these children in Lower Saxony.

In its work with schools, the TUI Foundation sponsored a total of 15 projects in Lower Saxony. The focus was on providing vocational guidance to non-academic pupils at secondary schools and promoting cultural education. "Join the team – Sportler machen Schule", for example, is a training scheme provided with the help of the football club Hannover 96 to promote integration skills and offer vocational guidance for children at schools in social hotspots. An award for children and youth projects in Hanover – "Gemeinsam in Hannover – Wir sind die Zukunft" – was presented for the second time in 2010, after a prominent jury selected six winning projects.

In culture and arts, the focus was on cultural events in Hanover with strong artistic merit. Here too, activities centred on projects involving children and young people. The "U18" theatre for children and young people benefited from sponsorship at the "Theaterformen" festival. At the Herrenhausen art festival, the TUI Foundation sponsored "Akademie der Spiele", an artists' workshop programme for teenagers. The work of young choreographers was promoted through funding for the International Ballet Competition organised by the Hanover Ballet Society.

Research and development – innovation

As a service provider, the TUI Group does not engage in research and development in the narrow sense. However, TUI operates in an environment where competitiveness depends heavily on innovation in products and services. 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.

TUI Think Tank

So as to be able to anticipate and discuss key questions concerning the future of the tourism sector from a Group-wide perspective, TUI AG established a Think Tank for Leisure & Tourism in 2011. The TUI Think Tank organises debates about the future of tourism and travel, commissions analyses of key issues for the future and provides a network for experts. The Think Tank network brings together internal experts from TUI AG and its subsidiaries with external experts from the tourism sector, other industries, the academic community and the field of market and trend research. The TUI Think Tank aims to identify developments and trends in tourism which will be particularly influential in the long term, and then to develop approaches for the TUI Group's corporate strategy. The agenda of the TUI Think Tank includes creating prosperity, social media, positioning of destinations and new product worlds.

Social media

The steadily growing popularity of social networks is highly relevant for companies such as TUI. TUI sees the social media as an opportunity for open, respectful dialogue with all Company stakeholders. In the period under review, TUI AG drew up recommendations for its employees about using social media responsibly, as employees may – wittingly or not – be acting as Company ambassadors.

In the completed financial year, many Group companies have been basing new activities on the social media to establish greater dialogue with customers or sales partners. TUI Cruises, for example, launched B2B communication with travel shop agencies using social media: brand messages, background information and customer feedback are presented to shipping clerks by a virtual TUI Cruises sales rep.

Innovation and sustainability

The role of sustainability and the responsible use of natural resources have been growing in recent years. Customers increasingly factor in the perceived environmental and social responsibility of companies when taking their purchasing decisions. One of the central tasks in the period under review was therefore to gear product development towards sustainability.

Research project on All Inclusive Tourism

A research project launched in 2010 by the Travel Foundation and the Overseas Development Institute has been looking at how the socio-economic impacts of TUI Travel hotels are recorded and improved, taking the 4-star all-inclusive hotel Village Turkey as an example.

The study, completed in 2011, has shown that 55% of the revenues generated by a package tour are retained in Turkey, above all due to hotel operations, e.g. sourcing national foods and recruiting Turkish staff, but also because of the way customers spend their money, e.g. on shopping or excursions. While the study concluded that the significance to the national economy was strong, it only identified a minor effect on the regional economy. This, however, has been improved thanks to targeted measures by hotels. Within just six months, the regional economy grew by 16%. This growth helps to improve the living conditions of the regional population.

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 of an EU research project. CILECCTA, devised as a four-year project, has been continued. It 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 for simulating software application.

Biofuel in aviation

TUI Travel PLC has continued its membership 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. In the period under review, preparations were underway at the TUI Group's Thomson Airways for the first biofuel flight.

Clean Sky research project

The airlines Corsairfly, Thomson Airways and TUIfly are partners of the Clean Sky research project sponsored by the European Union. Within the CARING (Contribution of Airlines for the Reduction of Industry Nuisances and Gases) project module, the participating airlines are working with environmental researchers and technology manufacturers to develop a visualisation model for flight emissions. This calls for a detailed analysis of flight data, which are then exchanged and discussed.

Aviation Initiative for Renewable Energy

In order to promote climate-friendly fuels in aviation, in 2011 25 companies joined to form the association Aviation Initiative for Renewable Energy in Germany (AIREG). The initiative aims to increase the share of renewable energies in aviation. As one of the founding members, TUIfly assumed chairmanship of the fuel-use working group.

MANAGEMENT REPORT

ECONOMIC FRAMEWORK

Global economic growth curbed by growing uncertainty in the financial markets and high oil price

General economic development

In financial year 2010/11, the world economy slowed down on a global scale. The reasons for this economic downturn were the economic impact of the rise in the oil price, a weak performance of world trade, and production losses caused by the earthquake in Japan. In the summer months of 2011, prospects were additionally dampened by growing uncertainty in the financial markets. The emerging economies remained the driving force for economic growth, although they showed a tendency to overheat. For calendar year 2011, the International Monetary Fund (IMF, World Economic Outlook, September 2011) predicts an increase in global gross domestic product of 4.0%.

Development in the regions

North America

In the first half of calendar year 2011, the economy in the US cooled down substantially. This was mainly due to the loss of purchasing power in private households caused by the rise in the oil price – private consumption almost stagnated. In addition, the natural disaster in Japan caused interruptions in the supply chain and thus production losses, in particular in the automotive industry. The situation in the labour market deteriorated against the backdrop of weak economic activity. Overall, gross domestic product is expected to grow by 1.5% in the US and by 2.1% in Canada in 2011.

Asia

The Asian region showed an uneven development of economic activity. Japan and a number of other eastern Asian emerging economies suffered considerably from the impact of the slump in industrial production in Japan following the earthquake and tsunami. According to IMF forecasts, the gross domestic product in Japan will decline by 0.5% in 2011. In China, by contrast, macroeconomic production continued to rise. Its development was driven by strong domestic demand and persistently high investment volumes. For 2011, the gross domestic product is expected to grow by 9.5%. India, too, recorded persistently strong growth of gross domestic product, boosted by strong momentum in the services sector and a traditionally strong domestic economy. For 2011, it is expected to grow by 7.8%. The other eastern Asian countries recorded a notable slowdown in economic activity in the course of the first half of the calendar year. Apart from the impact of the earthquake in Japan, economic development was curbed by a weakening of demand in western sales markets.

Eurozone

For the Eurozone, the IMF expects the economy to grow by 1.6% in 2011. Economic expansion slowed down year-on-year. This was mainly due to the aggravation of the sovereign debt crisis and the fluctuations in the financial markets, which impaired investor and consumer trust. For Europe, different growth rates have been forecast for 2011: while Germany is expected to show a relatively strong rise (2.7%), growth will be lower in the UK (1.1%) and France (1.7%). Due to the debt crisis, Greece (-5.0%) and Portugal (-2.2%) are expected to report a decline in gross domestic product in absolute terms. Against the background of uncertain economic prospects, the ECB increased its key interest rate to 1.25% in November 2011.

Russia/CIS

For Russia and the CIS countries, the IMF expects the economy to grow by 4.6% in 2011. The main driver of this economic recovery is Russia with anticipated GDP growth of 4.3% in 2011.

Development of tourism

For tourism, the World Tourism Organization (UNWTO, November 2011) expects growth of 4 – 4.5% for 2011, with regional variations. In the first eight months of 2011, international arrivals were up around 4.5% on average on the previous year's level. With the exception of North Africa (-15%) and the Middle East (-9%), all regions showed upward movement and recorded growth. Europe recorded an overall increase in tourist arrivals over expected levels (+6%). This was due to the stable economic situation in Northern and Central Europe and the sound development in Southern Europe, which benefited from a rise in international arrivals associated with the political unrest in North Africa and the Middle East. At +6%, Asia recorded overall dynamic growth, in spite of the disaster in Japan and the somewhat slowdown in growth in some emerging economies.

Assessment of the economic framework

Macroeconomic development in the financial year 2010/11 did not fully match the expectations of the Executive Board. Following a very positive economic framework at the beginning of the financial year 2010/11, the earthquake and reactor disaster in Japan in March 2011 caused unforeseeable uncertainty in the financial markets. In the course of the year, it was reinforced by the debates about sovereign debt in the US and various European countries.

The deteriorating climate in the financial markets also adversely impacted consumer sentiment in the tourism source markets with a time lag. In the UK, in particular, consumer sentiment did not match our expectations due to the austerity package adopted by the government and the weakness of sterling. Moreover, the unrest in North Africa led to unforeseeable shifts in demand in tourism, affecting in particular the French travel markets and hotels in these destinations.

Due to the uncertain situation in the Middle East, the oil price rose higher than anticipated in our budget. In tourism, the direct impact of the rise in oil prices was limited in the period under review thanks to hedges already entered into as well as price surcharges.

A significantly negative impact on business development in container shipping was caused by the rise in energy costs. Hapag-Lloyd recorded a rise in bunker costs, which were not fully passed on to customers in a market environment characterised by higher transport capacities and tighter competition. In addition, earnings by container shipping were impacted by trends in world trade, which fell short of expectations. As a result, the at equity result of the financial investment in Hapag-Lloyd was lower than budgeted.

MANAGEMENT REPORT

GROUP EARNINGS

Increase in turnover and Group earnings. Improvement in Tourism compensates for lower profit contributions by Container Shipping.

Income Statement of the TUI Group

€ million	**2010/11**	**2009/10**	Var. %
Turnover	17,480.3	16,350.1	+ 6.9
Cost of sales	15,655.2	14,680.1	+ 6.6
Gross profit	**1,825.1**	**1,670.0**	**+ 9.3**
Administrative expenses	1,508.8	1,536.0	- 1.8
Other income/other expenses	+ 77.1	+ 53.6	+ 43.8
Impairment of goodwill	-	18.2	n/a
Financial result	- 239.5	- 162.2	- 47.7
Financial income	254.3	319.0	- 20.3
Financial expenses	493.8	481.2	+ 2.6
Share of result of joint ventures and associates	52.9	170.6	- 69.0
Earnings before income taxes	**206.8**	**177.8**	**+ 16.3**
Reconciliation to underlying earnings:			
Earnings before income taxes	206.8	177.8	+ 16.3
plus: Loss (previous gain) from Container Shipping measured at equity	2.1	- 150.3	n/a
less: Gain from measurement of financial instruments to Container Shipping	- 51.2	- 135.0	+ 62.1
plus: Net interest expense and expense from measurement of interest hedges	286.8	304.8	- 5.9
plus: Impairment of goodwill	-	18.2	n/a
Group EBITA	444.5	215.5	+ 106.3
Adjustments			
less: Gains on disposal	-	- 24.0	
plus: Restructuring expense	+ 70.8	+ 124.9	
plus: Expense from purchase price allocation	+ 96.1	+ 69.8	
less: Income (previous expense) from other one-off items	- 11.3	+ 203.0	
Underlying Group EBITA	**600.1**	**589.2**	**+ 1.8**
Earnings before income taxes	**206.8**	**177.8**	**+ 16.3**
Income taxes	88.6	64.2	+ 38.0
Group profit for the year	**118.2**	**113.6**	**+ 4.0**
Group profit for the year attributable to shareholders of TUI AG	23.9	101.8	- 76.5
Group profit for the year attributable to non-controlling interest	94.3	11.8	+ 699.2
Group profit for the year	**118.2**	**113.6**	**+ 4.0**

€	**2010/11**	**2009/10**	Var. %
Basic and diluted earnings per share	- 0.01	0.30	n/a

The TUI Group's income statement is primarily characterised by Tourism activities. In financial year 2010/11, turnover grew by 6.9% year-on-year. Underlying EBITA showed a stable development, despite the impact of the political unrest in North Africa. Due to lower one-off charges, reported EBITA rose considerably year-on-year.

TUI AG's stake in Hapag-Lloyd Holding AG of around 38.4% is measured at equity in TUI's consolidated financial statements. The at equity result by Container Shipping is not included in the TUI Group's operating performance indicator EBITA.

Comments on the consolidated income statement

Turnover and cost of sales

At €17.5bn, Group turnover grew by 6.9% year-on-year. The increase was attributable above all to the higher business volume delivered by TUI Travel. Turnover is presented alongside the cost of sales, which also rose by 6.6% due to the business volume growth. A detailed breakdown of turnover showing how it has developed is presented in the section "Business Development in the Sectors".

Gross profit

Gross profit, i.e. the difference between turnover and the cost of sales, rose by 9.3% to €1.8bn in financial year 2010/11.

Administrative expenses

Administrative expenses comprise expenses not directly attributable to turnover transactions, in particular expenses for general management functions. In financial year 2010/11, they accounted for €1.5bn, down 1.8% year-on-year.

Other income/Other expenses

Other income and Other expenses primarily comprise profits or losses from the sale of fixed assets. At €77.1m, the balance of income and expenses improved by €23.5m year-on-year. In the period under review, Other income primarily related to book profits from the sale of four Turkish hotel facilities as well as aircraft assets and two administrative buildings used by Hapag-Lloyd. Other income also includes the gain on disposal from the sale of 11.33% of the stake in Hapag-Lloyd to the Albert Ballin consortium. In the previous year, Other income mainly consisted of currency gains from capital reduction schemes in non-operative foreign subsidiaries and gains on disposal from the sale of a hotel complex and the divestment of TUI Travel's Canadian tour operator activities to Sunwing.

Impairments of goodwill

In the period under review, no impairments were required. The impairments carried for the prior year consisted of amounts of €9.1m related to TUI Travel and €9.1m related to TUI Hotels & Resorts.

Financial income and expenses/Financial result

The financial result includes the interest result and net income from marketable securities. Financial income of €254.3m and financial expenses of €493.8m arose in financial year 2010/11. The net financial result amounted to €-239.5m. The interest result for the period under review includes expenses of around €32.1m for the early redemption of parts of the 2007/12 convertible bond and the 2005/12 bonds. The interest expenses for the outside capital component of the convertible bond to be recognised until final maturity were already expensed in 2010/11 due to the buyback. The financial income for the prior year included income of €135.0m from the measurement of the loans and hybrid capital granted to Container Shipping; in the period under review, the corresponding income only accounted for €51.2m.

Result from joint ventures and associates

The result from joint ventures and associates comprised 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 €52.9m in financial year 2010/11, down €117.7m year-on-year. The considerable decrease was mainly attributable to the deterioration of the at equity result in Container Shipping, primarily driven by the considerable rise in bunker costs in the course of the year, which was not fully passed on to customers via corresponding freight rates in the current competitive environment. Overall, the profit contribution from the stake in Hapag-Lloyd decreased to €-2.1m, as against €150.3m in the prior-year reference period.

See page 90

Underlying earnings (EBITA)

At €600.1m, underlying earnings by the TUI Group were €10.9m up 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 chapters Earnings by the Sectors and Business development in the Sectors.

Income taxes

Income taxes are taxes on the profits from ordinary business activities. In the period under review, they increased by €24.4m to €88.6m and comprised effective tax liabilities of €124.1m and deferred tax assets of €35.5m. The year-on-year increase in net income tax liabilities resulted from higher effective taxes combined with lower deferred taxes. In the previous financial year, the reversal of tax provisions for tax risks had resulted in a reduction in effective taxes abroad.

Group profit

Group profit increased by €4.6m year-on-year to €118.2m on the previous year.

Non-controlling interests

Non-controlling interests in Group profit for the year totalled €94.3m and related to external shareholders 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 interests and the dividend on the hybrid capital) totalled €23.9m. In relation to the weighted average number of shares of 251,683,128 units, basic earnings per share stood at €-0.01 (previous year €0.30). 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 €-0.01 (previous year €0.30).

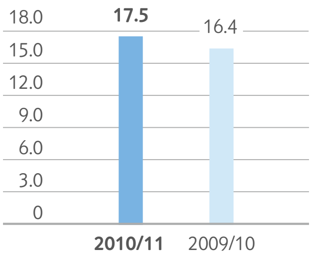
MANAGEMENT REPORT

EARNINGS BY THE SECTORS

Considerable turnover growth in Tourism. North Africa crisis impacts in particular TUI tour operators in source market France and hotels in Egypt.

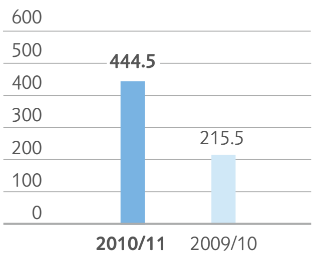
Group turnover

€ billion



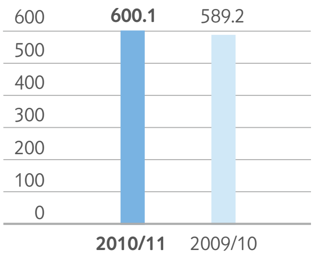
Group EBITA

€ million



Underlying Group EBITA

€ million



The TUI Group comprises the Tourism Segment and Central Operations. Tourism consists of three Sectors: TUI Travel, TUI Hotels & Resorts and Cruises. Central Operations comprises "All other segments", including in particular TUI AG's Corporate Centre functions and the interim holdings along with the Group's real estate companies. Central Operations also includes inter-segment consolidation effects.

In order to assess and explain the operative performance by the Sectors, this section shows earnings adjusted for one-off effects (underlying EBITA). These earnings have been adjusted for gains on disposal from financial investments, restructuring expenses, amortisation of intangible assets from purchase price allocations and other expenses for, and income from, one-off effects.

Assessment of earnings

In financial year 2010/11, the TUI Group showed an overall positive performance, taking account of unscheduled charges resulting from the political unrest in North Africa. In the first half of the financial year, in particular, Tourism recorded considerable growth in current trading, driven by the attractive product portfolio and the good macroeconomic framework. In financial year 2010/11, earnings by the Tourism Segment were not yet materially affected by the deterioration of consumer sentiment in the course of the year since travel products are usually booked well in advance. Overall, customer numbers in TUI Travel's Mainstream Business and reported turnover in Tourism met our expectations.

The early repatriation of customers from Tunisia and Egypt after the onset of the political unrest in these countries resulted in unscheduled one-off costs in the Tourism Segment in the second quarter of 2010/11. As the season progressed, demand for destinations in North Africa slumped, affecting in particular TUI tour operators in France and TUI hotels in Egypt. The impact on business in other source markets was largely limited by means of flexible capacity management. Overall, the one-off costs and margin losses associated with the events drove the TUI Group's operating earnings down by €83m.

In the period under review, the strong rise in the oil price was not yet fully reflected in earnings by the Tourism Segment since our fuel requirements were largely hedged or covered by price surcharges.

TUI Travel showed a positive development in a challenging market environment. Thanks to flexible capacity management, the impact of the North Africa crisis was limited in all source markets with the exception of France. Due to short-term expansion of capacity in Spain, Greece and Turkey, TUI Travel achieved overall growth in its business volume. In the UK, in particular, the TUI tour operators considerably outperformed their competition. TUI UK defied the market trend and expanded its business in a difficult environment, characterised by the persistent weakness of sterling and the deterioration of consumer sentiment. The turnaround and cost savings programmes in TUI Travel's Mainstream Business, defined at the beginning of the financial year, were on track and generated the expected profit contributions.

In TUI Hotels & Resorts, hotels in Tunisia and Egypt were affected by the slump in demand for these destinations. The performance of the remaining markets benefited in some cases from the shifts in demand triggered by events in North Africa and was in line with expectations.

In the period under review, earnings by the Cruises Sector reflected the start-up costs for fleet expansion, as expected. However, following the commissioning of the second cruise ship, the bookings and earnings in TUI Cruises grew considerably faster than planned.

Central Operations developed in line with expectations.

The market environment in Container Shipping fell short of expectations. In a market environment characterised by higher transport capacity and intense competition, Hapag-Lloyd was not able to fully pass the oil price-induced rise in input costs on to its customers. As a consequence, the at equity earnings from the investment in Hapag-Lloyd, shown in TUI AG's consolidated financial statements, were considerably lower than budgeted.

Development of turnover

Development of turnover

€ million	2010/11	2009/10	Var. %
Tourism	17,430.4	16,286.7	+ 7.0
TUI Travel	16,867.0	15,754.8	+ 7.1
TUI Hotels & Resorts	362.6	353.2	+ 2.7
Cruises	200.8	178.7	+ 12.4
Central Operations	49.9	63.4	- 21.3
Group	**17,480.3**	**16,350.1**	**+ 6.9**

In financial year 2010/11, turnover by the TUI Group grew by 6.9% year-on-year. This increase was mainly attributable to growth in business volume recorded by TUI Travel.

Development of earnings

Development of EBITA

€ million	2010/11	2009/10	Underlying EBITA Var. %
Tourism	656.6	640.2	+ 2.6
TUI Travel	500.1	484.6	+ 3.2
TUI Hotels & Resorts	145.3	148.0	- 1.8
Cruises	11.2	7.6	+ 47.4
Central Operations	- 56.5	- 51.0	- 10.8
Underlying Group EBITA	**600.1**	**589.2**	**+ 1.8**

€ million	2010/11	2009/10	EBITA Var. %
Tourism	476.8	245.6	+ 94.1
TUI Travel	321.4	101.6	+ 216.3
TUI Hotels & Resorts	144.2	137.2	+ 5.1
Cruises	11.2	6.8	+ 64.7
Central Operations	- 32.3	- 30.1	- 7.3
Group EBITA	**444.5**	**215.5**	**+ 106.3**

In financial year 2010/11, the TUI Group's earnings adjusted for one-off effects (underlying EBITA) improved by €10.9m year-on-year to €600.1m. They were mainly characterised by underlying earnings by Tourism, which rose by €16.4m to €656.6m, in spite of the strong impact of events in North Africa. Central Operations posted a year-on-year decline in underlying earnings of €5.5m to €-56.5m.

Reported earnings (EBITA) by the TUI Group improved considerably by €229.0m to €444.5m. This was attributable to lower restructuring expenses and above all the one-off expenses of €127m which arose from the closure of European airspace and were included in the prior-year numbers.

Underlying EBITA: Tourism

€ million	2010/11	2009/10	Var. %
EBITA	476.8	245.6	+ 94.1
Gains on disposal	-	- 24.0	
Restructuring	+ 70.8	+ 124.9	
Purchase price allocation	+ 96.1	+ 69.8	
Other one-off items	+ 12.9	+ 223.9	
Underlying EBITA	656.6	640.2	+ 2.6

Despite the impact of the political unrest in North Africa totalling €83m, operating earnings (underlying EBITA) by Tourism improved slightly by €16.4m to €656.6m. Events in North Africa affected in particular TUI tour operators in France, as these North African countries traditionally constitute popular destinations for their customers. TUI hotels in Egypt and Tunisia also recorded considerable year-on-year declines in load factors and margins.

In financial year 2010/11, adjustments for one-off effects required in Tourism totalled €179.8m (previous year €394.6m). They mainly resulted from expenses for the reorganisation of tour operator and airline activities in Germany, the UK and France and from purchase price allocations. On the other hand, income was generated from the reduction in pension obligations in TUI Travel. The prior-year adjustments had included restructuring and integration expenses and in particular one-off expenses of €127m resulting from the closure of Europe's airspace following the volcanic eruption in Iceland. Due to the decrease in one-off costs, reported earnings by Tourism increased substantially by €231.2m to €476.8m in financial year 2010/11.

Underlying EBITA: Central Operations

€ million	2010/11	2009/10	Var. %
EBITA	- 32.3	- 30.1	- 7.3
Gains on disposal	-	-	
Restructuring	-	-	
Purchase price allocation	-	-	
Other one-off items	- 24.2	- 20.9	
Underlying EBITA	- 56.5	- 51.0	- 10.8

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.

In the period under review, underlying earnings by Central Operations were €5.5m down year-on-year at €-56.5m. The decrease was driven by lower proceeds of the real estate companies.

In the financial year under review, Central Operations had to carry adjustments of income worth €24.2m. This amount related to book profits from the sale of the property at Ballindamm and Rosenstraße in Hamburg, which is used by Hapag-Lloyd AG, to Hapag-Lloyd AG.

At €-32.3m, reported earnings by Central Operations declined by €2.2m against the previous year's level, characterised by one-off income from currency gains in connection with capital reduction measures in foreign subsidiaries not engaging in operative business.

Underlying EBITA: Group

€ million	2010/11	2009/10	Var. %
Group EBITA	**444.5**	**215.5**	**+ 106.3**
Gains on disposal	-	- 24.0	
Restructuring	+ 70.8	+ 124.9	
Purchase price allocation	+ 96.1	+ 69.8	
Other one-off items	- 11.3	+ 203.0	
Underlying Group EBITA	**600.1**	**589.2**	**+ 1.8**

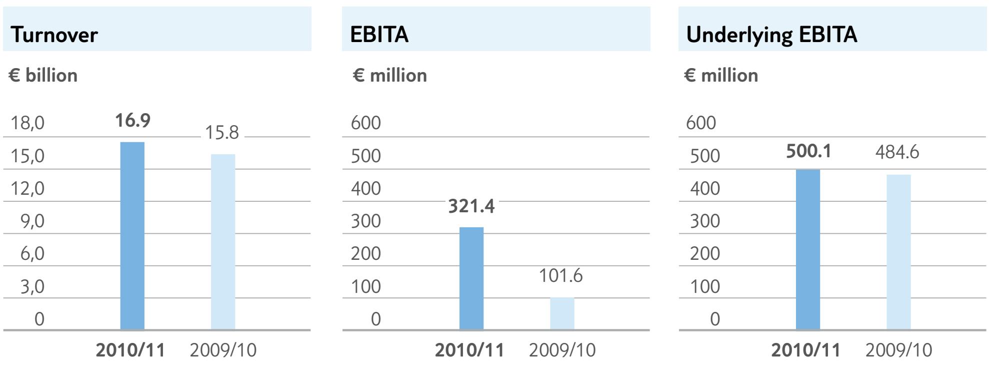
The TUI Group's operating earnings adjusted for one-off effects (underlying Group EBITA) improved by €10.9m to €600.1m in financial year 2010/11.

In financial year 2010/11, adjustments worth around €155.6m (previous year €373.7m) had to be carried. The decline in adjustments was mainly attributable to the one-off costs of €127m caused by the volcanic ash cloud and included in the prior-year numbers as well as the reduction in restructuring expenses.

In financial year 2010/11, reported earnings (Group EBITA) rose significantly by €229.0m to €444.5m, above all due to lower one-off expenses.

Business development in the Sectors

TUI Travel



TUI Travel's business is structured into four Business Lines: Mainstream, Accommodation & Destination, Specialist & Activity and Emerging Markets.

Turnover and earnings

TUI Travel – Key figures

€ million	2010/11	2009/10	Var. %
Turnover	16,867.0	15,754.8	+ 7.1
EBITA	**321.4**	**101.6**	**+ 216.3**
Gains on disposal	-	- 24.0	
Restructuring	+ 70.8	+ 124.9	
Purchase price allocation	+ 96.1	+ 69.8	
Other one-off items	+ 11.8	+ 212.3	
Underlying EBITA	**500.1**	**484.6**	**+ 3.2**
Underlying EBITDA	718.4	711.4	+ 1.0
Investments	380.6	395.9	- 3.9
Headcount (30 Sep)	58,378	56,318	+ 3.7

In financial year 2010/11, turnover by TUI Travel grew by 7.1% year-on-year to €16.9bn. The increase was driven by the higher business volume in the Mainstream Business. The year-on-year growth was attributable to stronger demand in the period under review and the turnover losses which had resulted from the closure of European airspace in financial year 2009/10.

Following the intra-Group sale, the Magic Life Group is carried under the TUI Travel Sector for the entire financial year 2010/11 and the corresponding prior-year period. The reclassification of Magic Life caused a decrease in underlying earnings by TUI Travel of €17.3m for financial year 2010/11 and of €21.4m for the prior year.

In financial year 2010/11, underlying earnings by TUI Travel grew by around €15.5m year on-year to €500.1m, despite the impact of the North Africa crisis of around €74m. In the first half of 2010/11, TUI Travel benefited from a stable economic framework and strong trading in most source markets. As of the second quarter of 2010/11, the performance of the Mainstream Business was impacted by the political unrest in Tunisia and Egypt, the bomb attack in Marrakesh in April 2011 and the persistent conflict in Libya. Source market France was particularly hard hit, as the significant slump in demand for the traditionally popular destinations of Tunisia and Morocco was not offset by alternative offerings in the short term. In the other source markets, by contrast, the impact in the important summer season was largely limited by means of flexible capacity management, offering customers alternative destinations in Spain, Greece and Turkey. Overall, the business volume therefore rose year-on-year in the Mainstream Business. Demand for destinations in North Africa only recovered slowly and remained significantly below the prior year's level throughout financial year 2010/11.

The strong increase in the oil price did not yet fully impact earnings by TUI Travel in the period under review as fuel requirements had already largely been covered by hedges or price surcharges.

Against the background of this challenging market environment, TUI Travel also recorded a clearly positive performance within the competitive environment. Apart from the attractive product portfolio and flexible business model, the implementation of the turnaround and cost savings programmes in the Mainstream Business also contributed to the expected profit contributions.

In financial year 2010/11, earnings by TUI Travel had to be adjusted for the following one-off effects:

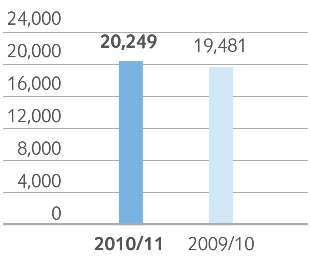
- restructuring costs of €70.8m, in particular for the integration of administrative functions in the UK and the restructuring of tour operator activities in Germany,
- effects of purchase price allocations worth €96.1m, and
- income from one-off items totalling €11.8m in net terms, in particular expenses for the restructuring of tour operator activities in the UK and France and for the restructuring of airline activities in Corsair; on the other hand, income was generated from the reduction in pension obligations in the UK.

Reported earnings by TUI Travel totalled €321.4m in financial year 2010/11, up €219.8m year-on-year. The significant increase in reported earnings was above all attributable to the improvement in the operative performance and in particular lower one-off effects. In the prior year, reported earnings had included above all one-off charges of €123.2m caused by the volcanic eruption in Iceland.

Mainstream

Mainstream total

Customer volumes in '000*)



*) adjustment of previous year's figures

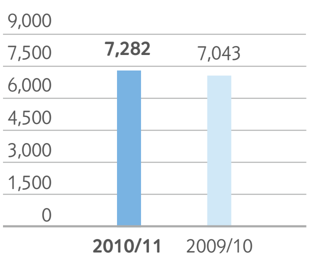
The Mainstream Business is the largest sector within TUI Travel, selling flight, accommodation and other tourism services in the three divisions Central Europe, Northern Region and Western Europe.

In financial year 2010/11, a total of 20,249 thousand customers were serviced in the Mainstream Business. This corresponds to a year-on-year increase of 3.9%.

Central Europe

Central Europe

Customer volumes in '000*)



*) adjustment of previous year's figures

In Central Europe (Germany, Austria, Switzerland, Poland and airline TUIfly), customer volumes rose by 3.4% year-on-year in financial year 2010/11.

In 2010/11, German tour operators showed an overall satisfactory performance. The sound economic framework resulted in a rise in customer numbers and a higher proportion of earlier bookings. On the other hand, TUI Deutschland recorded a decline in average contribution margins due to the shifts in demand from North African countries to alternative destinations.

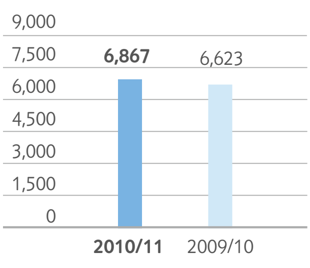
In September 2011, TUI Deutschland started to implement its strategy and growth programme GET 2015. Apart from an expansion in the portfolio of exclusive hotels and also in the online business, efficiency is to be increased by more differentiated marketing and a higher degree of automation.

TUI Suisse continued the sound performance of the previous year. As the Swiss franc rose against the Euro, the proportion of cross-border bookings increased. TUI Austria and TUI Poland also reported higher customer numbers.

Northern Region

Northern Europe

Customer volumes in '000*)



*) adjustment of previous year's figures

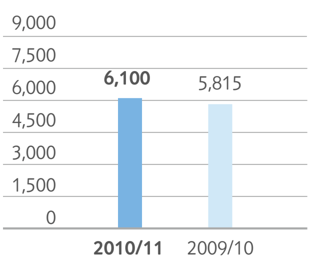
In the Northern Region (UK, Ireland, Canada, Nordic countries, airlines Thomsonfly and TUIfly Nordic and the Hotel division of TUI Travel), customer volumes fell by 3.7% in financial year 2010/11.

In the UK, the market trend was characterised by the persistent weakness of sterling and a substantial downturn in consumer sentiment. In this difficult environment, TUI UK recorded a positive development and achieved volume growth against the market trend with its strong brands and differentiated product portfolio. The Canadian tour operator Sunwing completed its turnaround in the period under review and continues to develop very well. In the winter season 2010/11, which traditionally plays a major role in Canada, Sunwing achieved further capacity improvements by using smaller B737 aircraft. The joint venture thus confirmed the expectations associated with the merger. With the launch of a transatlantic programme, the product portfolio for the summer months is to be further expanded. TUI tour operators in the Nordic countries continued the very good performance of the previous year. The Magic Life Group, transferred to TUI Travel, was allocated retrospectively to the Northern Region hotel business for the entire reporting period and previous year.

Western Europe

Western Europe

Customer volumes in '000



In Western Europe (France, the Netherlands, Belgium and airlines Corsairfly, Arkefly and Jetairfly), customer volumes grew by 4.9% in financial year 2010/11.

The business contracted by the French tour operators was considerably impaired by the political unrest in North Africa in financial year 2010/11. As the North African countries play a major role as holiday destinations for the French market, the TUI tour operators were unable to replace hotels in Tunisia and Morocco with alternative travel offerings in the short term. French holidaymakers increasingly tend to holiday in France instead. The French Corsairfly airline increased its capacity utilisation due to a more attractive flight schedule and higher proportion of direct flights.

Against the background of the persistently difficult market conditions in France, TUI Travel will combine the previously separate tour operator brands Nouvelles Frontières and Marmara into one single entity. The purpose of this move is to achieve considerable cost savings and more effective marketing. TUI tour operators in the Netherlands posted a very positive performance, benefiting from the sound economic framework. TUI Belgium upheld the very good development witnessed the previous year.

Accommodation & Destinations

The Accommodation & Destinations Business comprises TUI Travel's online services and destination services. In the period under review, it recorded an overall stable development. Online services recorded higher volumes, both in B2B and B2C activities; on the other hand, they had to cover the start-up costs for new online offerings. The business volume of the destination services grew year-on-year due to higher customer numbers for the tour operators.

Specialist & Activity

The Specialist & Activity Business comprises tour operators in the divisions Adventure, North American Specialist, Education, Sport, and Marine and Specialist Holidays Group.

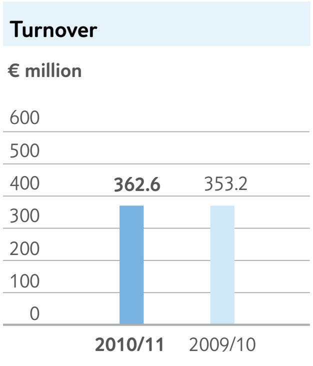
In the 2010/11 period under review, the divisions overall showed a weaker performance year-on-year. While the premium tour operators in North America continued to record strong demand for high-quality travel, the business of the Adventure tour operators fell short of expectations. The downturn in the UK economy and the planned rise in university tuition fees in the UK led to a lower demand in the Education division. Tour operators in the Sport Division also reported a weakening of their performance compared with the previous year, which had benefited from the World Cup in football.

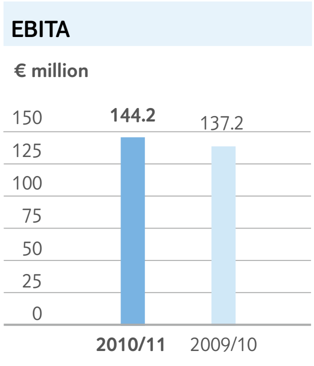
Emerging Markets

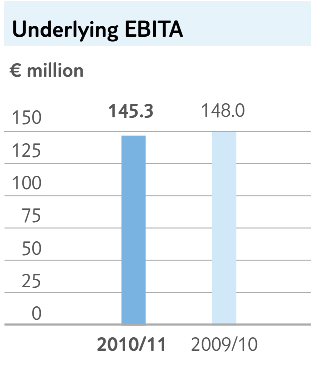
The Emerging Markets Business clusters activities in the growth markets. In the period under review, earnings by the Business Line continued to reflect the costs for the launch of the TUI brand in Russia and the CIS countries and the development of these structures. TUI Russia recorded a decline in customer numbers for tours to Egypt in the period under review. When the travel warning was lifted by the Russian government at the end of March 2011, demand for this destination, an important feature of the Russian market, only recovered slowly.

In May 2011, TUI China was the only European travel operator to receive a licence for organising outbound tours for Chinese holidaymakers.

TUI Hotels & Resorts



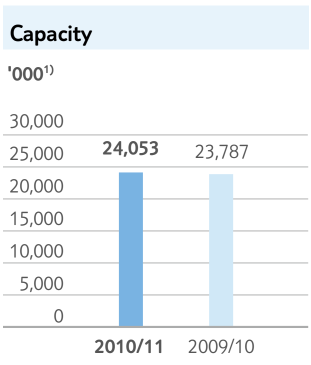


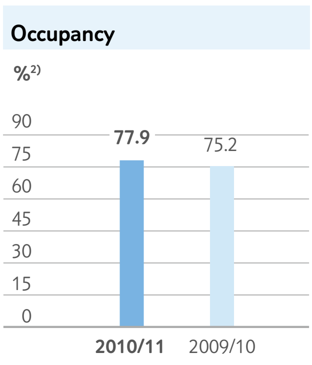


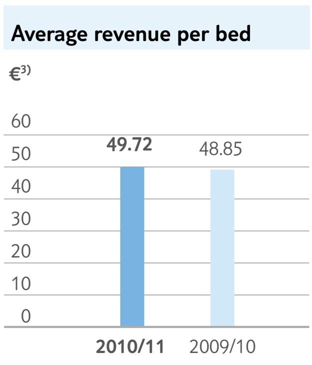
TUI Hotels & Resorts is comprised of the Group's hotel companies. Its portfolio comprises hotel companies in which majority interests are held, joint ventures with local partners, stakes held in companies that enable the shareholders to exert significant influence, and hotels operated under management agreements.

TUI Hotels & Resorts - Key figures

€ million	2010/11	2009/10	Var. %
Total turnover	780.8	771.6	+ 1.2
Turnover	362.6	353.2	+ 2.7
EBITA	**144.2**	**137.2**	**+ 5.1**
Gains on disposal	-	-	
Restructuring	-	-	
Purchase price allocation	-	-	
Other one-off items	+ 1.1	+ 10.8	
Underlying EBITA	**145.3**	**148.0**	**- 1.8**
Underlying EBITDA	234.9	212.6	+ 10.5
Investments	79.9	61.3	+ 30.3
Headcount (30 Sep)	14,424	14,202	+ 1.6







[1] number of beds multiplied by open days
[2] occupied beds divided by capacity
[3] arrangement turnover divided by ocupied beds

Total turnover by TUI Hotels & Resorts grew by 1.2% year-on-year to €780.8m. While capacity was only slightly up by 1.1%, the turnover growth was above all attributable to the 1.8% increase in average revenues per bed and the improvement in occupancy of 2.7 percentage points. In financial year 2010/11, turnover with non-Group third parties climbed by 2.7% to €362.6m. Due to the high turnover with Group tour operators, which has to be consolidated from a Group perspective, this indicator, however, is of limited use for the TUI Hotels & Resorts sector.

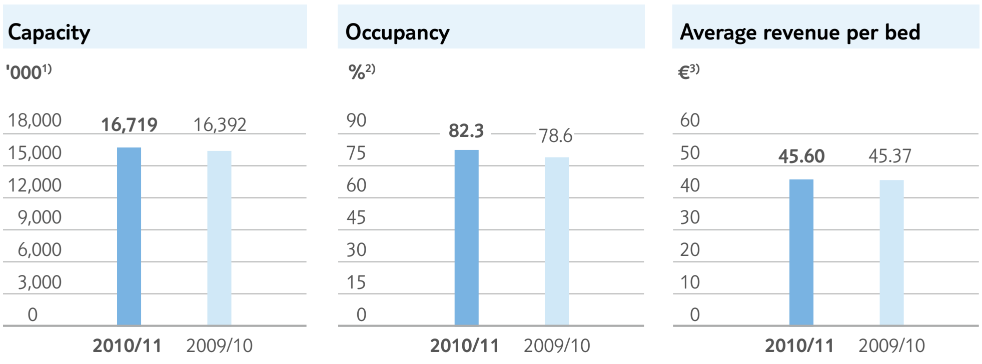
The reclassification of Magic Life to the TUI Travel Sector caused an improvement in underlying earnings by TUI Hotels & Resorts of €17.3m in financial year 2010/11, while earnings for the prior year increased by €21.4m year-on-year.

In the period under review, underlying earnings by TUI Hotels & Resorts decreased by €2.7m year-on-year to €145.3m. Against the backdrop of an overall sound performance for TUI hotels, this decrease in earnings was mainly attributable to the impact of the political unrest in North Africa, which resulted in lower occupancy and rates by TUI hotels in Egypt. In total, earnings by TUI Hotels & Resorts declined by €9m as a result.

In financial year 2010/11, net expenses of €1.1m had to be adjusted in TUI Hotels & Resorts. One-off expenses to be adjusted in the period under review were almost matched by income from hotel facilities, partly impaired in the prior year.

Reported earnings by TUI Hotels & Resorts grew by €7.0m to €144.2m year-on-year in financial year 2010/11.

Riu



1) number of beds multiplied by open days
2) occupied beds divided by capacity
3) arrangement turnover divided by occupied beds

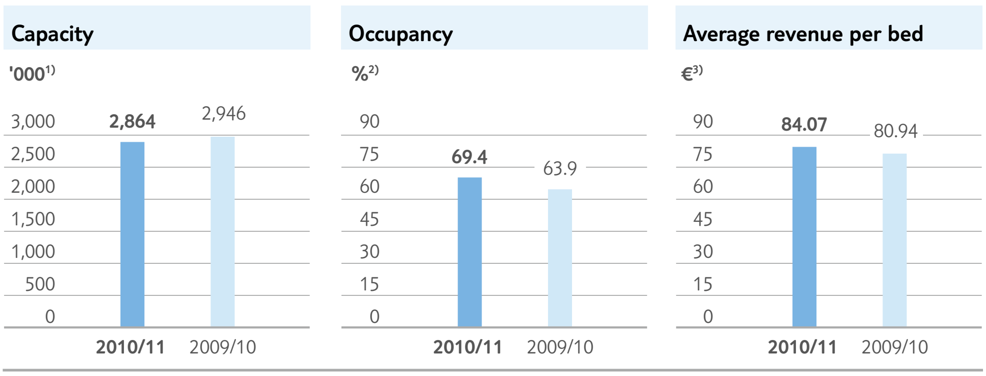
Riu, one of the leading Spanish hotel groups, operated 103 hotels in the period under review. Capacity was increased by 2.0% year-on-year to 16.7m available hotel beds in financial year 2010/11. Average occupancy rates in Riu hotels grew by 3.7 percentage points to 82.3% year-on-year. Average revenues per bed likewise grew by 0.5%.

Average occupancy of Riu hotels in the Canaries increased by 8.8 percentage points to 91.2% year-on-year. Average revenues per bed climbed by 2.2%. This considerable improvement reflects the appeal of the Canaries as a holiday destination in the period under review. Riu hotels in the Canaries also disproportionately benefited from tour operator customers rebooking their holidays, originally planned for Tunisia or Egypt, to the Spanish islands because of the events in these countries.

At 79.0%, Riu hotels in the Balearics achieved an increase in occupancy of 0.8 percentage points year-on-year. Average revenues per bed grew by 1.8% year-on-year. In mainland Spain, average occupancy of Riu hotels remained flat year-on-year at 72.1%. Average revenues per bed were 4.9% up year-on-year. Riu hotels in the Balearics and the Spanish mainland were therefore not able to benefit to the same extent as the Canaries from rebookings by tour operator customers.

For long-haul destinations (Mexico, Jamaica, the Dominican Republic, the Bahamas, Cape Verde Islands, Panama and the USA), Riu hotels achieved an average occupancy of 79.8%. This represents an increase of 3.5 percentage points year-on-year, attributable mainly to stronger demand from the North American source markets for hotels in Mexico and Jamaica. Average revenues per bed declined slightly year-on-year due to shifts in the value of the respective national currencies against the euro.

Robinson



[1] number of beds multiplied by open days
[2] occupied beds divided by capacity
[3] arrangement turnover divided by occupied beds

In financial year 2010/11, 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 was down year-on-year due to the renovation of the Robinson Club Jandia Playa and later seasonal opening of some club facilities in the Alps. The Robinson Clubs in Portugal, Spain, and Turkey and the Robinson Club in the Maldives increased their occupancy by up to 10.0 percentage points year-on-year. Facilities in Switzerland and Egypt, by contrast, recorded lower occupancy. Overall, this resulted in a year-on-year rise in occupancy of 5.5 percentage points. Average revenues per bed were 3.9% up year-on-year.

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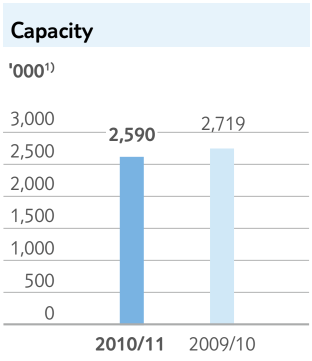
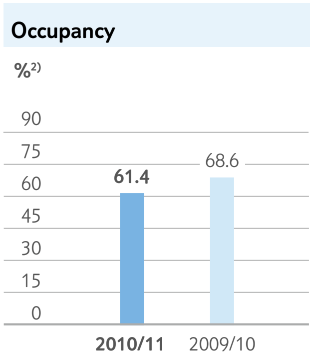
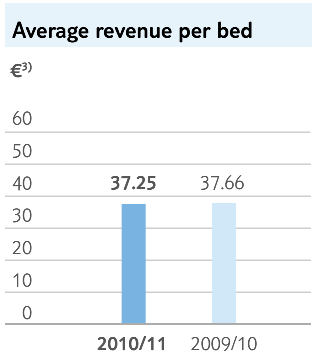
Iberotel



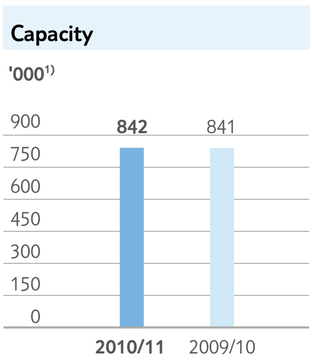


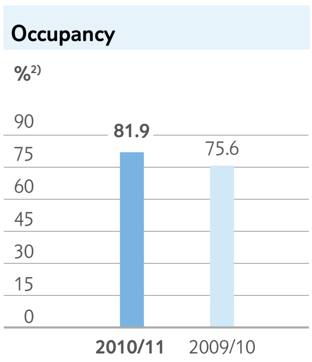


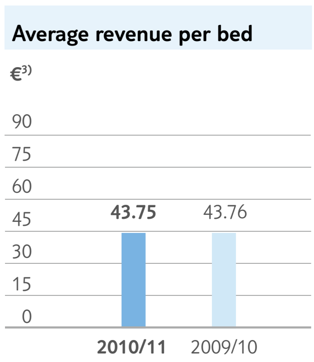
1) number of beds multiplied by open days
2) occupied beds divided by capacity
3) arrangement turnover divided by occupied beds

In financial year 2010/11, Iberotel had 27 hotels with 16,151 hotel beds, located in Egypt, the United Arab Emirates, Turkey, Italy and Germany. Due to the temporary closure of hotels in Egypt in the second quarter of 2010/11 and changes in seasons, capacity declined slightly. At 61.4%, occupancy of Iberotels was 7.2 percentage points down year-on-year. After reopening, hotels in Egypt, in particular, recorded weaker occupancy rates. Hotels in the United Arab Emirates and Turkey achieved occupancy growth of 6.2 percentage points each year-on-year. Due to price adjustments to stabilise demand for Iberotels in Egypt, average revenues per bed decreased by 1.1%.

Grupotel







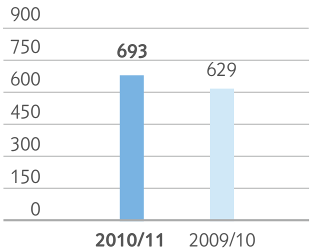
1) number of beds multiplied by open days
2) occupied beds divided by capacity
3) arrangement turnover divided by occupied beds

The Grupotel chain, operating 34 facilities on Majorca, Menorca and Ibiza, had 13,182 beds in the period under review. With stable capacity, occupancy of Grupotel hotels was 81.9%, up 6.3 percentage points year-on-year. Grupotels on Majorca, in particular, benefited from the shift in demand for destinations in the western Mediterranean due to the events in North Africa. Average revenues per bed were flat year-on-year.

Grecotel

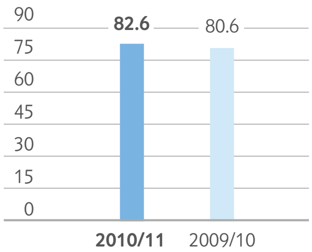
Capacity

'000[1]



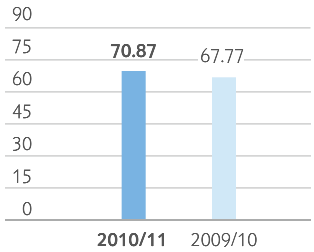
Occupancy

%[2]



Average revenue per bed

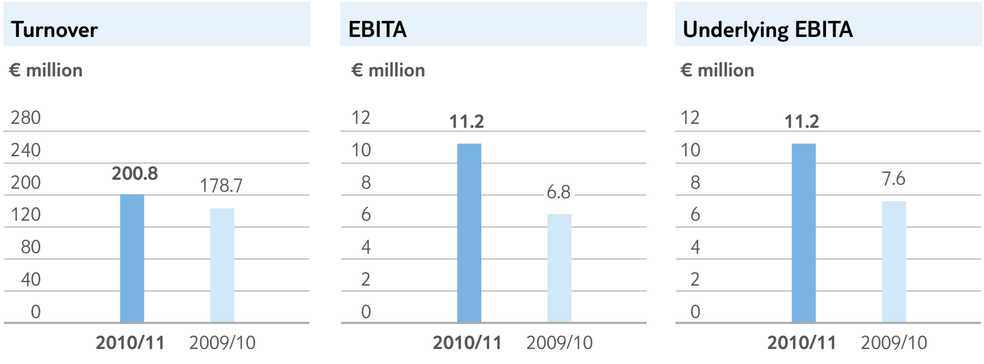
€[3]



[1] number of beds multiplied by open days
[2] occupied beds divided by capacity
[3] arrangement turnover divided by occupied beds

Grecotel, the leading hotel company in Greece, operated 22 holiday complexes with a total of 10,623 beds in the period under review. The year-on-year increase in capacity of 10.2% was mainly due to the fact that Grecotel Daphnila Bay was included for the first time in the key figures in financial year 2010/11. Occupancy rose slightly by 2.0 percentage points to 82.6%. Average revenues per bed increased by 4.6% year-on-year.

Cruises



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

Cruises – Key figures

€ million	2010/11	2009/10	Var. %
Turnover	200.8	178.7	+ 12.4
EBITA	**11.2**	**6.8**	**64.7**
Gains on disposal	-	-	
Restructuring	-	-	
Purchase price allocation	-	-	
Other one-off items	-	+ 0.8	
Underlying EBITA	**11.2**	**7.6**	**47.4**
Underlying EBITDA	19.7	16.0	+ 23.1
Investments	8.5	8.8	- 3.4
Headcount (30 Sep)	277	225	+ 23.1

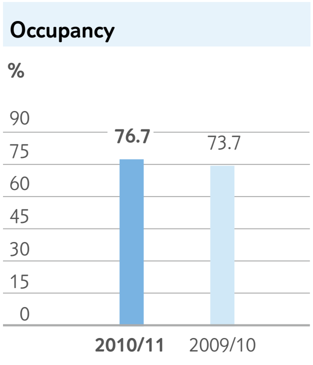
Turnover and earnings

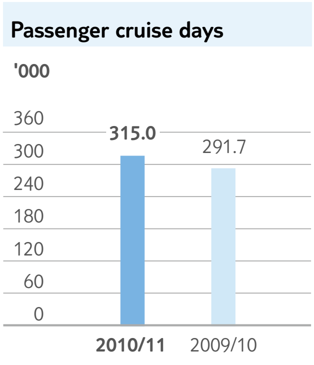
In financial year 2010/11, Hapag-Lloyd Kreuzfahrten increased its turnover by 12.4% to €200.8m. This growth is of limited relevance since a dry-dock period by MS Europa had generated turnover losses in the prior year. In TUI's consolidated financial statements, no turnover is shown for TUI Cruises as the joint venture is measured at equity.

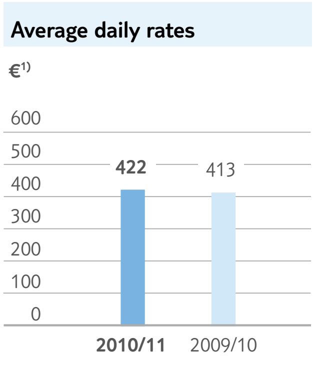
Underlying earnings by the Cruises Sector climbed by €3.6m to €11.2m in financial year 2010/11. While a positive business performance was recorded, earnings by the Cruises Sector were impacted by the start-up costs for fleet expansion in the two companies. In the period under review, Hapag-Lloyd Kreuzfahrten recorded start-up costs for the planned market launch of MS Columbus 2 in 2012 and MS Europa 2 in 2013. In TUI Cruises, the commissioning of Mein Schiff 2 resulted in one-off costs in the period under review, which, however, were more than offset by the very good business development.

In financial year 2010/11, the Cruises Sector did not have to carry any adjustments. Reported earnings rose by €4.4m year-on-year to €11.2m in the period under review.

Hapag-Lloyd Kreuzfahrten



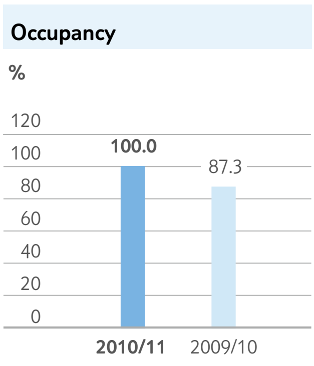


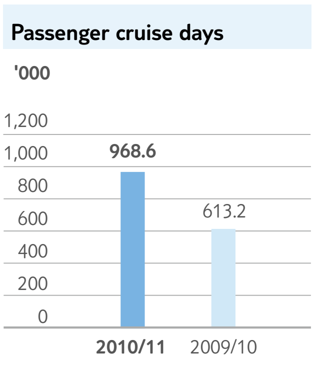


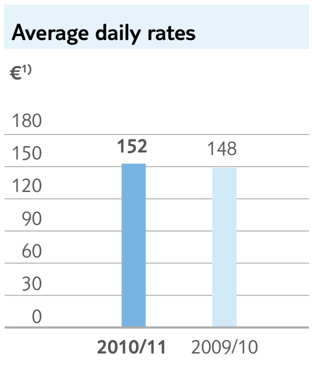
1) per day and passenger

Hapag-Lloyd Kreuzfahrten, whose fleet comprised the four cruise ships MS Europa, MS Columbus, MS Hanseatic and MS Bremen in financial year 2010/11, posted a year-on-year increase in its load factor of 3.0 percentage points to 76.7% in the period under review. The average rate per passenger per day was €422, up 2.2% year-on-year. In the period under review, 314,993 passenger days were realised, up 8.0% year-on-year. These increases in operating indicators reflect improved performance in a positive market environment. Another aspect to take into account is the fact that the prior year's indicators were affected by trip cancellations due to the unscheduled dry-dock period for MS Europa.

TUI Cruises







1) per day and passenger

TUI Cruises performed very well in financial year 2010/11. The TUI Cruises fleet was expanded in May 2011 to include Mein Schiff 2. The ship established itself firmly in the market as soon as it was commissioned.

Overall, the fleet achieved a load factor of 100.0%, up 12.8 percentage points year-on-year. This rate was driven by both ships. Due to the expansion of the fleet, passenger days increased by 58.0% to a total of 968,626. The average rate per passenger per day was €152, up 2.8% year-on-year.

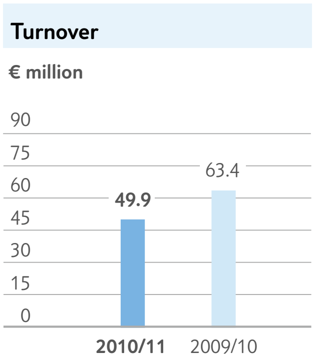
Following the successful positioning of the two ships in the premium volume segment, the newbuild contract for a third TUI Cruises ship was awarded in September 2011. It is to be delivered in 2014.

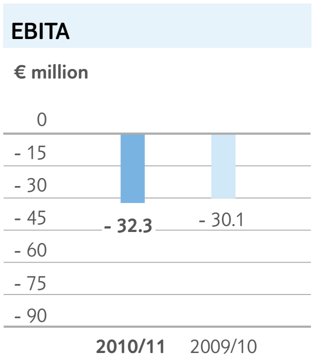
Central Operations

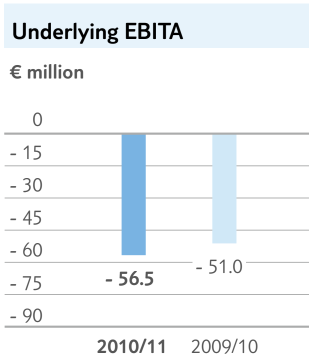
Central Operations comprise the corporate centre functions of TUI AG and the interim holdings as well as the other operative areas, above all the Group's real estate companies.

Central Operations - Key figures

€ million	2010/11	2009/10	Var. %
Turnover	49.9	63.4	- 21.3
EBITA	**- 32.3**	**- 30.1**	**- 7.3**
Gains on disposal	-	-	
Restructuring	-	-	
Purchase price allocation	-	-	
Other one-off items	- 24.2	- 20.9	
Underlying EBITA	**- 56.5**	**- 51.0**	**- 10.8**
Underlying EBITDA	- 49.5	- 35.1	- 41.0
Investments	2.7	4.1	- 34.1
Headcount (30 Sep)	628	653	- 3.8
of which Corporate Center	202	181	+ 11.6





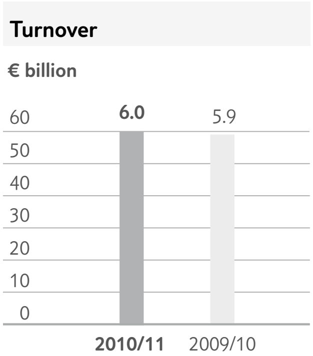


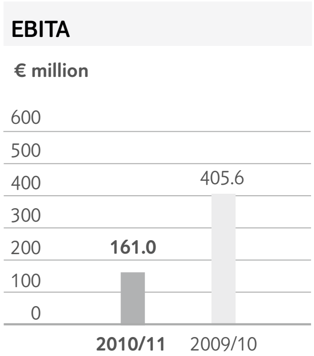
Due to lower proceeds from the real estate companies, underlying earnings by Central Operations declined by €5.5m year-on-year to €-56.5m in financial year 2010/11.

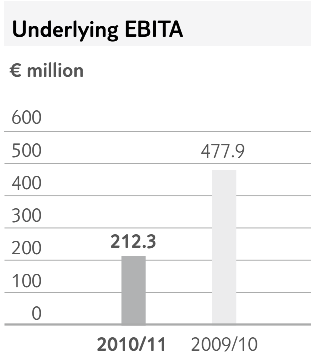
In the period under review, income of €24.2m had to be adjusted by Central Operations. This amount related to book profits from the sale of the property used by Hapag-Lloyd AG at Ballindamm and Rosenstraße in Hamburg to Hapag-Lloyd AG.

At €-32.3m, reported earnings by Central Operations in financial year 2010/11 declined by €2.2m on the previous year, when the amount had been influenced by one-off income from currency gains in connection with capital reduction measures in foreign subsidiaries.

Business operations in Container Shipping







The 38.4% stake (as per 30 September 2011) in Hapag-Lloyd Holding AG is measured at equity in TUI's consolidated financial statements. Since the stake is a financial investment from TUI AG's perspective, at equity earnings are not included in the TUI Group's operative performance indicator EBITA.

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

Turnover and earnings

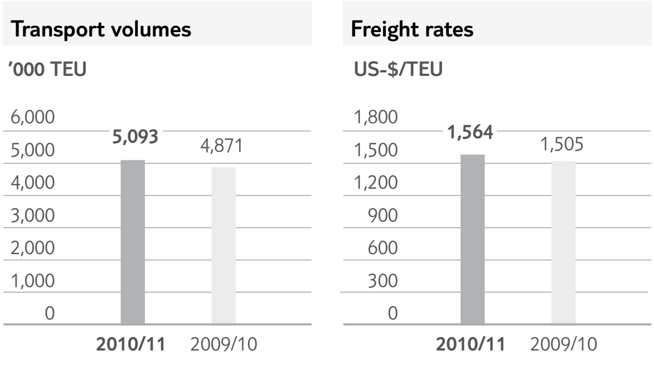
Container Shipping - Key figures

€ million	2010/11	2009/10	Var. %
Turnover	6,038.6	5,863.0	+ 3.0
EBITA	**161.0**	**405.6**	**- 60.3**
Gains on disposal	1.6	- 0.7	
Restructuring	0.1	+ 0.4	
Purchase price allocation	47.6	+ 49.5	
Other one-off items	2.0	+ 23.1	
Underlying EBITA	**212.3**	**477.9**	**- 55.6**

Turnover from Container Shipping operations grew by 3.0% to around €6.0bn in financial year 2010/11. This development mainly resulted from the 4.5% rise in transport volumes and 3.9% increase in average freight rates. An opposite trend was caused by the weakening of the US Dollar against the Euro.

Underlying earnings fell by €265.6m to €212.3m in financial year 2010/11. Adjustments of €51.3m had to be carried for one-off effects, above all for purchase price allocation and expenses for shipping re-routings which were required due to the crisis in Japan in early 2011. Earnings before adjustments for one-off effects totalled €161.0m, up €244.6m year-on-year. Earnings were mainly impacted by the considerable rise in bunker costs and a weaker US dollar against the euro. Moreover, the market environment was characterised by strong competitive pressure so that the increase in fuel costs was only partly passed on to customers via freight rates.

Transport volumes and freight rates



In financial year 2010/11, Hapag-Lloyd shipped a total of 5,093 thousand standard containers (TEU) so that transport volumes rose by 4.5% year-on-year in spite of selective cargo management. Transport volumes grew in all trade lanes. The average freight rate level was 1,564 USD/TEU in financial year 2010/11, up 3.9% year-on-year. Rates increased in almost all trade lanes despite stronger price pressure, the only exception being the Far East trade lane where the average freight rate fell below the prior year's level.

Financial commitment of TUI AG to Container Shipping

As at the end of financial year 2010/11, TUI held a stake of around 38.4% in Hapag-Lloyd, having invested around €1.54bn (equity of €1.19bn and hybrid capital of €0.35bn).

Financial exposure of TUI AG in Container Shipping

€ million		30 Sep 2010	31 Mar 2011	30 Sep 2011
Equity stake		1,187	1,537	1,187
Investment share TUI AG	%	43.3	49.8	38.4
TUI short-term loan		227	-	-
TUI vendor loan		180	180	-
Loans		407	180	-
Hybrid capital I		350	-	-
Hybrid capital II		350	350	350
Hybrid capital III		215	-	-
Hybrid capital		915	350	350
Financial exposure		**2,509**	**2,067**	**1,537**

MANAGEMENT REPORT

NET ASSETS

Balance sheet total reduced by 7.7%. Considerable reduction in Group debt due to reflows of funds from Hapag-Lloyd and asset monetisation

The Group's balance sheet total decreased by 7.7% as against 30 September 2010 to €13.5bn.

Development of the Group's asset structure

€ million	30 Sep 2011	30 Sep 2010	Var. %
Fixed assets	8,491.4	8,723.0	- 2.7
Non-current receivables	616.2	633.7	- 2.8
Non-current assets	9,107.6	9,356.7	- 2.7
Inventories	106.7	89.5	+ 19.2
Current receivables	2,272.1	2,602.6	- 12.7
Cash and cash equivalents	1,981.3	2,274.3	- 12.9
Assets held for sale	24.2	292.4	- 91.7
Current assets	4,384.3	5,258.8	- 16.6
Assets	**13,491.9**	**14,615.5**	**- 7.7**
Equity	2,557.0	2,434.2	+ 5.0
Liabilities	10,934.9	12,181.3	- 10.2
Equity and liabilities	**13,491.9**	**14,615.5**	**- 7.7**

Vertical structural indicators

Non-current assets accounted for 67.5% of total assets, compared with 64.0% in the previous year. The capitalisation ratio (ratio of fixed assets to total assets) rose from 59.7% to 62.9%.

Current assets accounted for 32.5% of total assets, compared with 36.0% in the previous year. The Group's cash and cash equivalents declined by €293.0m year-on-year to €1,981.3m. They thus accounted for 14.7% of total assets, as against 15.6% in the previous year.

Horizontal structural indicators

At the balance sheet date, the ratio of equity to non-current assets was 28.1%, as against 26.0% in the previous year. The ratio of equity to fixed assets was 30.1% (previous year: 27.9%). The ratio of equity plus non-current financial liabilities to fixed assets was 98.3%, compared with 90.2% in the previous year.

Structure of the Group's non-current assets

€ million	30 Sep 2011	30 Sep 2010	Var. %
Goodwill	2,907.2	2,862.6	+ 1.6
Other intangible assets	856.6	907.2	- 5.6
Investment property	59.2	66.2	- 10.6
Property. plant and equipment	2,445.1	2,499.8	- 2.2
Companies measured at equity	1,735.5	1,775.2	- 2.2
Financial assets available for sale	487.8	612.0	- 20.3
Fixed assets	8,491.4	8,723.0	- 2.7
Receivables and assets	452.7	500.1	- 9.5
Deferred tax claims	163.5	133.6	+ 22.4
Non-current receivables	616.2	633.7	- 2.8
Non-current assets	**9,107.6**	**9,356.7**	**- 2.7**

Development of the Group's non-current asset

Goodwill

Goodwill declined by €44.6m to €2,907.2m. In the period under review, no impairments were required in the framework of the impairment tests.

At €2,515.3m or 86.5%, goodwill mostly related to TUI Travel. TUI Hotels & Resorts accounted for €391.9m or 13.5%.

Property, plant and equipment

At €2,445.1m, 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 €168.5m, down 34.5% year-on-year.

Development of property, plant and equipment

€ million	30 Sep 2011	30 Sep 2010	Var. %
Real estate with hotels	908.1	915.4	- 0.8
Other land	202.3	167.0	+ 21.1
Aircraft	241.1	347.2	- 30.6
Ships	430.8	403.9	+ 6.7
Machinery and fixtures	421.1	419.0	+ 0.5
Assets under construction, payments on accounts	241.7	247.3	- 2.3
Total	**2,445.1**	**2,499.8**	**- 2.2**

Companies measured at equity
A total of 57 companies were measured at equity. This figure consisted of 17 associated companies and 40 joint ventures. At €1,735.5m, their value decreased by 2.2% year-on-year as at the balance sheet date.

Financial assets available for sale
Financial assets available for sale decreased by 20.3% to €487.8m. They comprised shares in non-consolidated Group subsidiaries, investments and other securities.

Structure of the Group's current assets

€ million	30 Sep 2011	30 Sep 2010	Var. %
Inventories	106.7	89.5	+ 19.2
Trade accounts receivable and other assets[1]	2,182.1	2,531.5	- 13.8
Current tax assets	90.0	71.1	+ 26.6
Current receivables	2,272.1	2,602.6	- 12.7
Cash and cash equivalents	1,981.3	2,274.3	- 12.9
Assets held for sale	24.2	292.4	- 91.7
Current assets	**4,384.3**	**5,258.8**	**- 16.6**

[1] incl. receivables from derivative financial instruments

Development of the Group's current assets

Inventories
At €106.7m, inventories increased by 19.2% year-on-year. As in the previous year, no material impairments and no material reversals of write-downs on inventories were effected in financial year 2010/11.

Current receivables
Current receivables comprise trade accounts receivable and other receivables, effective income tax assets and claims from derivative financial instruments. At €2,272.1m, current receivables decreased by 12.7% year-on-year.

Cash and cash equivalents
At €1,981.3m, cash and cash equivalents declined by 12.9% year-on-year.

Assets held for sale
Assets held for sale declined by 91.7% to €24.2m. This decrease was driven by the divestments of administrative buildings and a Turkish hotel facility, which have meanwhile been completed. Moreover, the sales negotiations to sell Jet4You were completed so that the assets and liabilities of this disposal group were reclassified from the corresponding items in the statement of financial position.

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.

The financial liabilities from operating rental, lease and charter agreements rose by 13.1% to €3,288.1m. At 41.9%, aircraft accounted for the largest portion, with hotel complexes accounting for 26.1%.

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

Operating rental, lease and charter contracts

€ million	30 Sep 2011	30 Sep 2010	Var. %
Aircraft	1,377.7	1,239.0	+ 11.2
Hotel complexes	859.6	798.7	+ 7.6
Travel agencies	365.1	397.9	- 8.2
Administrative buildings	351.1	277.1	+ 26.7
Yachts and motor boats	269.3	139.5	+ 93.0
Other	65.3	55.1	+ 18.5
Total	**3,288.1**	**2,907.3**	**+ 13.1**
Fair value	**2,829.2**	**2,540.3**	**+ 11.4**

MANAGEMENT REPORT

FINANCIAL POSITION OF THE GROUP

In the period under review, TUI received repayment of large parts of its loan to Hapag-Lloyd and sold a receivables position previously converted into equity in Hapag-Lloyd. In addition, TUI received significant proceeds from the sale of real estate and hotels (sale-and-lease-back). It also received inflows from the issuance of a convertible bond worth a nominal amount of €0.3bn. The total amount received from these measures was around €1.6bn. The liquidity generated in this way was used to repay financial debt of TUI AG which was due, or about to fall due, so as to achieve a significant reduction in gross debt.

Moreover, TUI strengthened its financial stability by extending its maturity profiles and refinancing existing financial instruments ahead of the due dates.

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. A 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 achieving 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 sterling; other currencies of relevance are Swiss francs and Swedish kronor.

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

From pages 125 and 222

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 to the consolidated financial statements.

Capital structure of the Group

€ million	30 Sep 2011	30 Sep 2010 revised	Var. %
Non-current assets	9,107.6	9,356.7	- 2.7
Current assets	4,384.3	5,258.8	- 16.6
Assets	**13,491.9**	**14,615.5**	**- 7.7**
Subscribed capital	643.5	643.1	+ 0.1
Reserves including net profit available for distribution	1,531.7	1,403.0	+ 9.2
Hybrid capital	294.8	294.8	-
Non-controlling interest	77.8	93.3	- 16.6
Equity	2,547.8	2,434.2	+ 4.7
Non-current financial liabilities	1,426.8	1,398.7	+ 2.0
Current provisions	507.8	416.3	+ 22.0
Provisions	1,934.6	1,815.0	+ 6.6
Non-current liabilities	2,324.7	2,827.5	- 17.8
Current financial liabilities	473.6	1,684.4	- 71.9
Financial liabilities	2,798.3	4,511.9	- 38.0
Other non-current financial liabilities	416.7	328.9	+ 26.7
Other current financial liabilities	5,792.3	5,429.6	+ 6.7
Other financial liabilities	6,209.0	5,758.5	+ 7.8
Debt related to assets held for sale	2.2	95.9	- 97.7
Liabilities	**13,491.9**	**14,615.5**	**- 7.7**

Capital structure

The development of the TUI Group's capital structure in financial year 2010/11 was mainly determined by financing measures effected by TUI AG and TUI Travel PLC.

Overall, non-current capital decreased by 3.9% to €6,716.0m. It rose by 2.0 percentage points to 49,8% in relation to the balance sheet total.

The equity ratio was 18.9% (previous year 16.7%). Equity and non-current financial liabilities accounted for 36.1% (previous year 36.0%) of the balance sheet total at the balance sheet date.

The gearing, i.e. the ratio of average net debt to average equity, decreased to 83.7%, as against 137.7% in the previous year.

Equity
Subscribed capital amounted to €643.5m, as in the previous year. In the year under review, the capital reserve, which only comprises transfers from premiums, rose by €42.6m to €956.1m, mainly due to the issuance of a convertible bond an 24 March 2011. The related conversion rights were treated as equity instruments according to IAS 32 and led to a rise of the capital reserve by €41.9m. Besides, the issuance of employee shares and, to a minor extent, the conversion of bonds into shares led to a rise of €0.7m. Revenue reserves increased by €86.1m to €575.6m. Equity included the hybrid bond of €294.8m issued in December 2005. Non-controlling interests accounted for €77.8m of equity.

Provisions
Provisions mainly comprised provisions for pension obligations, current 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 €1,934.6m and were thus €119.6m or 6.6% up year-on-year.

Financial liabilities
The financial liabilities of the Group decreased by a total of €1,713.6m to €2,798.3m. They consisted of bonds totalling €1,639.8m, liabilities to banks of €886.7m, liabilities from finance leases of €154.8m and other financial liabilities of €117.0m. In the completed financial year, two bonds worth a total of €1,060.0m and promissory notes worth €150.0m were redeemed as scheduled. In addition, parts of TUI AG's convertible bonds due in September 2012 were already repurchased ahead of the due date, the aggregate volume being €501.0m; a further €198.9m were repurchased from TUI AG's bonds maturing in December 2012. On the other hand, TUI AG issued five-year convertible bonds worth €339.0m. 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 Notes page 216

More detailed information, in particular on the remaining terms, is provided under Financial liabilities in the Notes to the consolidated financial statements.

Other liabilities
At €6,209.0m, other liabilities increased by €450.5m or 7.8% year-on-year.

Ratings by Standard & Poor's and Moody's

In financial year 2010/11, the rating agencies Standard & Poor's and Moody's improved their credit ratings of TUI AG, above all due to the stronger liquidity and debt indicators following the capital inflow from repayments by Hapag-Lloyd and an improved outlook for the future use of the capital invested in Container Shipping. The negative outlook by Standard & Poor's was removed and the corporate rating was changed to "B- (stable outlook)", with Moody's upgrading their corporate rating to "B3 (stable outlook)".

The senior notes issued in 2005 and the convertible bonds issued in 2007 and 2009 were assigned a "B-" rating by Standard & Poor's and a "Caa1" rating by Moody's as per the balance sheet date. Moreover, the promissory notes issued in September 2010 and the convertible bonds issued in March 2011 were rated "B-" by Standard & Poor's. The hybrid bond issued in December 2005 was partly treated as equity as it was subordinated to other liabilities and did not have a fixed maturity; it was therefore rated "CCC-" by Standard & Poor's and "Caa2" by Moody's.

Key financing measures

The capital structure in financial year 2010/11 was mainly characterised by optimising financial debt and extending the maturity profile.

Issue of a convertible bond
In March 2011, TUI AG issued convertible bonds worth around €339.0m with a five-year maturity. The coupon was fixed at 2.75% p.a.

Refinancing credit facilities
In May 2011, TUI Travel refinanced credit facilities worth around £1.2bn ahead of the due date. The credit volume, most of which is due in June 2012, has now been pooled in a syndicated facility maturing in June 2015.

Adjustment of the Antium structure
In the framework of the convertible bonds of £400.0m issued by TUI Travel PLC in April 2010, TUI AG indirectly concluded a structured transaction with Antium Finance Ltd., a single-purpose company not related to TUI, in order to avoid a potential dilution of its shares in TUI Travel. Apart from the down payment of £20.0m on Antium's assets in financial year 2009/10, which was made up of almost 87.0m TUI Travel shares and convertible bonds of TUI Travel PLC worth a nominal amount of £200.0m, TUI AG made further down payments worth £30.0m in the completed financial year. Moreover, the deadline by which TUI AG is entitled to purchase the assets of Antium was extended from March 2013 to July 2014. Until that date, TUI AG will remain entitled to receive the dividend yields of these TUI Travel shares and the interest coupons of the TUI Travel convertible bonds acquired by Antium. TUI AG's right to issue instructions, which ensures that the voting rights for the TUI Travel shares attributable to Antium are exercised in the interest of TUI AG, has also been extended until July 2014.

Redemption of senior notes and promissory notes
Following early buybacks in financial year 2009/10, TUI AG redeemed the remaining financial liabilities of €440.0m for senior notes maturing in December 2010 and €620.0m for senior notes maturing in May 2011 as scheduled. Moreover, TUI AG repaid the promissory notes of €150.0m due in December 2010 from liquid funds, as scheduled.

Repurchase of bonds
In March 2011, to optimise the structure of its financial liabilities, TUI launched a partial public tender offer to the holders of the convertible bonds due in September 2012 and TUI AG's senior notes due in December 2012. Of the tendered bonds, TUI purchased corresponding convertible bonds with a nominal volume of €373.3m and senior notes with a nominal volume of €177.8m. Apart from this buyback volume with a nominal value of €550.1m, TUI seized market opportunities to purchase further parts of these bonds with a total volume of €149.8m in the completed financial year, acquiring additional convertible bonds with a nominal value of €127.8m and senior notes with a nominal volume of €22.0m by the balance sheet date. The financial liabilities shown were reduced accordingly. The buyback was financed from liquid funds and, in the case of the official tender offer, largely financed from the proceeds of the convertible bond issued in March 2011.

Interest rates and terms

Interest and financing environment
The completed financial year started with a receptive capital market environment. When the debates around the stability of the euro intensified, the general conditions in the capital markets deteriorated significantly. As a result, from the summer of 2011 onwards the capital market was only receptive to a minor extent in some segments. In this connection, the credit margins for new debt rose considerably. Short-term interest rates increased moderately throughout the year due to debates about inflation; however, they are still at a low level by historical standards.

TUI took advantage of the initial positive momentum to issue convertible bonds and refinance credit facilities ahead of their due date. The movement in the capital markets opened up opportunities for TUI to optimise the structure of its debt by means of partial share buybacks.

In the completed financial year, the development of interest rate levels hardly affected interest payments carried under Financial liabilities as most of them were subject to fixed-rate agreements. The interest income from the investment of liquid funds in the money market benefited from a moderate rise in interest rates.

See Notes page 216

The remaining terms of the financial liabilities are outlined under Liabilities (Financial liabilities and liabilities to banks) in the Notes to the consolidated financial statements.

Listed bonds

Capital measures	Issuance	Maturity	Volume initial € million	Volume outstanding € million	Interest rate %
Senior fixed rate notes	December 2005	December 2012	450.0	251.2	5.125
Hybrid bond	December 2005	Perpetual	300.0	300.0	8.625
Convertible bond	June 2007	September 2012	694.0	193.0	2.750
Convertible bond	November 2009	November 2014	218.0	217.5	5.500
Convertible bond	March 2011	March 2016	339.0	339.0	2.750
Convertible bond TUI Travel PLC	October 2009	October 2014	GBP 350.0	GBP 350.0	6.000
Convertible bond TUI Travel PLC	April 2010	April 2017	GBP 400.0	GBP 400.0	4.900

Off-balance sheet financial instruments

See page 108

Operating leases

The development of the operating rental, leasing and charter contracts is presented in the section Net assets in the Management Report.

See page 221

More detailed explanations and information on the structure of the remaining terms of the associated financial liabilities are provided in the section Other liabilities in the Notes to the consolidated financial statements. There were no contingent liabilities related to special-purpose vehicles.

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, the monetisation of assets invested in Container Shipping, 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 totalled around €825.2m.

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 significantly impact the Group's liquidity, such as restrictions on capital movements and restrictions due to credit agreements concluded.

See chapter on Information required under takeover law page 121

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.

Cash flow statement

Summary cash flow statement

€ million	2010/11	2009/10
Net cash inflow from operating activities	+ 1,085.5	+ 818.1
Net cash in-/outflow from investing activities	+ 875.4	- 301.1
Net cash out-/inflow from financing activities	- 2,249.2	+ 283.3
Change in cash and cash equivalents	**- 288.3**	**+ 800.3**

Net cash inflow from operating activities

In the completed financial year, the cash inflow from operating activities totalled €1,085.5m. The year-on-year growth of €267.4m is attributable to higher business volumes in TUI Travel and changes in the terms and conditions for customer down payments in TUI UK.

Net cash outflow from investing activities

In the completed financial year, the total inflow from investing activities was €875.4m. The inflow of cash and cash equivalents rose by €1,176.5m year-on-year. This was attributable in particular to the reduction in the financing instruments granted to Container Shipping and the sale of shares in Container Shipping, as well as payments received for the divestment of real estate and hotel facilities.

Net cash outflow from financing activities

The cash outflow from financing activities was €2,249.2m, while a cash inflow of €283.3m was recorded in the prior year. The year-on-year decrease of €2,532.5m was mainly driven by the reduction in financial debt and a year-on-year decline in borrowing by TUI AG and TUI Travel. In March 2011, TUI AG recorded an inflow of €334.8m from the issue of a new convertible bond (after deduction of borrowing costs). In the period under review, TUI AG redeemed a bond maturing in December 2010 of €440.0m and a further bond due in May 2011 of €620.0m as scheduled. In addition, an outflow of €850.1m was recorded for the buyback of bonds and notes and the repayment of loans.

Change in cash and cash equivalents

€ million	2010/11	2009/10
Cash and cash equivalents at the beginning of period	**+ 2,274.3**	**+ 1,458.3**
Changes due to changes in exchange rates	- 4.7	+ 15.7
Cash changes	- 288.3	+ 800.3
Cash and cash equivalents at the end of period	**+ 1,981.3**	**+ 2,274.3**

See Notes page 234

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

Additions to property, plant and equipment by sector
Investments in other intangible assets and property, plant and equipment totalled €471.7m in the period under review, up 0.3% on the comparable period of the previous year.

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

€ million	2010/11	2009/10	Var. %
Tourism	469.0	466.0	+ 0.6
TUI Travel	380.6	395.9	- 3.9
TUI Hotels & Resorts	79.9	61.3	+ 30.3
Cruises	8.5	8.8	- 3.4
Central Operations	2.7	4.1	- 34.1
All other segments	2.7	4.1	- 34.1
Total	**471.7**	**470.1**	**0.3**

Additions of other intangible assets and property, plant and equipment in Tourism totalled €469.0m, up 0.6% year-on-year.

Investments in TUI Travel related in particular to the development and introduction of new booking and reservations systems, prepayments on ordered aircraft, maintenance measures for aircraft and cruise ships which had to be capitalised, and the acquisition of yachts.

Essential investments in TUI Hotels & Resorts related to the construction of a new hotel in the Cape Verde Islands which was completed in the year under review and the renovation and maintenance of existing hotel complexes.

Investment obligations

Order commitments
Due to agreements concluded in financial year 2010/11 or in previous years, order commitments for investments totalled €2,258.9m at the balance sheet date, €351.8m of which were related to scheduled deliveries in financial year 2011/12.

At the balance sheet date, order commitments for aircraft in TUI Travel comprised 40 aircraft (13 B787s, 25 B737s and 2 A330-300s), to be delivered by the end of financial year 2014/15. Delivery of 13 aircraft has been planned for financial year 2011/12.

See Notes page 221

More detailed information is provided in the section Other financial liabilities in the Notes to the consolidated financial statements.

MANAGEMENT REPORT

ANNUAL FINANCIAL STATEMENTS OF TUI AG

Annual financial statements for TUI AG 2010/11 online at www.tui-group.com/en/ir

Earnings position of TUI AG

The annual financial statements of TUI AG were prepared in accordance with the provisions of the German Commercial Code (HGB), taking account of the complementary provisions of the German Stock Corporation Act (AktG) as well as the commercial-law accounting provisions for annual financial statements set out in the German Accounting Reform Act (BilMoG), and audited by the auditors PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, 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.

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	2010/11	2009/10	Var. %
Turnover	29.1	108.2	- 73.1
Other operating income	243.9	550.6	- 55.7
Cost of materials	28.2	104.4	- 73.0
Personnel costs	36.8	42.1	- 12.6
Depreciation	0.5	10.2	- 95.1
Other operating expenses	227.9	373.5	- 39.0
Net income from investments	370.8	332.0	11.7
Write-downs of investments	47.4	297.8	- 84.1
Net interest	- 115.0	- 140.1	17.9
Profit on ordinary activities	**188.1**	**22.7**	**728.6**
Extraordinary result	-	- 6.1	n/a
Taxes	2.2	3.0	- 26.7
Net profit/loss for the year	**186.0**	**13.6**	**n/a**

The earnings situation of TUI AG, the Group's parent company, is mainly determined by the appropriation of earnings by its Group companies, either directly associated with TUI AG via profit and loss transfer agreements or distributing their profits to TUI AG based on corresponding resolutions.

Turnover and other operating income
In financial year 2010/11, turnover almost completely resulted from renting out leased aircraft to Group-owned airlines. It declined due to transfers of contracts to the TUI Travel Group.

Other operating income mainly comprised gains on exchange, while losses on exchange were carried in Other operating expenses. It also included write-backs to investments and receivables for circumstances where the reasons for impairments had ceased to exist.

Expenses
The cost of materials mainly included expenses for aircraft rental agreements with third parties. In the financial year under review, personnel costs declined by around 12.6% year-on-year, while the headcount rose slightly. The decline in depreciation mainly results from impairments which had to be carried in the prior year. Other operating expenses include above all expenses for exchange losses, with exchange gains carried under Other operating income, the cost of financial and monetary transactions, charges, fees, services and other administrative costs.

Investments
In the period under review and in the prior year, investments mainly included dividend payments from TUI Travel PLC and companies of the TUI Hotels & Resorts Sector.

Write-downs of financial investments
Write-downs of financial investments mainly relate to price-induced write-downs of the convertible bond issued by TUI Travel PLC.

Interest result
The considerable year-on-year improvement in the interest result primarily derives from lower interest expenses due to the redemption of financial debt to banks and bondholders. The interest income from Group companies declined in connection with lower repayments of interest-bearing receivables from these Group companies.

Extraordinary result
In the previous year, this item included the reclassifications from the first-time application of the German Accounting Reform Act (BilMoG), carried through profit or loss.

Taxes
Taxes in the year under review comprise mainly other taxes. Tax expenses do not include deferred taxes.

Net profit for the year
For financial year 2010/11, TUI AG posted a net profit for the year of €186.0m. Following the transfer of an amount of €92.4m to other revenue reserves and taking account of the profit carried forward of €13.6m, net profit available for distribution totalled €107.1m. It is proposed to the general assembly to carry forward the net profit to new account.

Net assets of TUI AG

TUI AG's net assets and balance sheet structure reflect its function as the TUI Group's parent company. The balance sheet total declined by 19.8% to €5.5bn.

Fixed assets
At the balance sheet date, fixed assets almost exclusively consisted of financial investments. The slight decline of financial investments mainly resulted from price-induced write-downs of the convertible bond issued by TUI Travel PLC.

Current assets
The decrease in receivables from Group companies results from the repayment of an interest-bearing shareholder loan of €239m granted to TUI Travel PLC and the repayment of a shareholder loan to TUI-Hapag-Beteiligungs GmbH, where TUI AG had pooled its entire commitment to the Container Shipping group.

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

€ million	30 Sep 2011	30 Sep 2010	Var. %
Intangible assets/property. plant and equipment	18.5	18.7	- 1.1
Investments	3,986.6	4,013.0	- 0.7
Fixed assets	4,005.1	4,031.6	- 0.7
Receivables	671.4	1,794.4	- 62.6
Cash and cash equivalents	825.2	1,037.4	- 20.5
Current assets	1,496.6	2,831.7	- 47.1
Prepaid expenses	6.8	7.6	- 10.5
Assets	**5,508.5**	**6,870.9**	**- 19.8**
Equity	2,234.5	2,047.6	+ 9.1
Special non-taxed items	0.6	33.0	- 98.2
Provisions	440.8	450.3	- 2.1
Liabilities	2,831.3	4,337.5	- 34.7
Deferred income	1.2	2.5	- 52.0
Liabilities	**5,508.5**	**6,870.9**	**- 19.8**

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.

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

€ million	30 Sep 2011	30 Sep 2010	Var. %
Fixed assets	4,005.1	4,031.6	- 0.7
Current assets	1,496.6	2,831.7	- 47.1
Prepaid expenses	6.8	7.6	- 10.5
Assets	**5,508.5**	**6,870.9**	**- 19.8**
Equity	2,234.5	2,047.6	+ 9.1
Special item with an equity portion	0.6	33.0	- 98.2
Provisions	440.8	450.3	- 2.1
Bonds	1,300.6	2,721.7	- 52.2
Financial liabilities	720.5	915.0	- 21.3
Other liabilities	810.3	700.8	+ 15.6
Liabilities	2,831.3	4,337.5	- 34.7
Deferred income	1.2	2.5	- 52.0
Liabilities	**5,508.5**	**6,870.9**	**- 19.8**

TUI AG's capital structure

Equity

TUI AG's equity increased slightly by 9.1% to €2,234.5m. 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 is €643.5m and comprises 251,696,745 shares.

The capital reserve rose due to the issue of employee shares and to a lesser extent conversion of bonds into shares worth €0.5m. Revenue reserves exclusively consisted of other revenue reserves. The Articles of Association do not contain any provisions concerning the formation of reserves. In the financial year under review, an amount of €92.4m was transferred to the revenue reserves from the Group profit for the year. The Group profit for the year is €186.0m. Following the transfer of an amount of €92.4m to other revenue reserves and taking account of the profit carried forward of €13.6m, net profit available for distribution totalled €107.1m and is carried forward to new account. The equity ratio rose to 40.6% (previous year 29.8%).

The special non-taxed item, retained in the previous year when the German Accounting Reform Act was applied for the first time in accordance with section 67 (3) of the Act Introducing the German Commercial Code (EGHGB), declined to €0.6m due to disposals of investments. It comprises tax write-downs from earlier years, effected on the fixed assets in accordance with section 6b of the German Income Tax Act (EStG).

Provisions

Provisions declined by 2.1% to €440.8m. They consisted of pension provisions worth €137.2m (previous year €135.2m) and other provisions worth €303.6m (previous year €315.1m). The decrease in other provisions was mainly due to lower provisions for maintenance measures for aircraft leased on from third parties to the TUI Travel Group following transfers of aircraft leases to the TUI Travel Group.

Liabilities

TUI AG's liabilities totalled €2,831.3m, a decline of €1,506.2m or 34.7%.

In the financial year under review, TUI AG repaid two bonds worth a total of €1,060.0m and promissory notes of €150.0m by the maturity date and engaged in early redemption of an aggregate amount of €501.0m from TUI AG's convertible bonds due in September 2012 as well as €198.8m of TUI AG's promissory notes due in December 2012. In March 2011, TUI AG issued a five-year convertible bond of €339.0m.

After the balance sheet date TUI has repurchased additional convertible bonds due in September 2012 with a nominal volume of €152.1m. Moreover, TUI AG called in the remaining volume of these bonds outstanding of €40.9m due to negligibility and will repay them on 19 December 2011 ahead of the due date at 100% of the nominal value.

TUI AG's net debt position at the end of the financial year under review decreased by 54.0% to €1,195.9m.

See page 121

Capital authorisation resolutions

Information on new or existing resolutions concerning capital authorisation, adopted by the Annual General Meeting, is provided in the next chapter on Information required under takeover law.

MANAGEMENT REPORT

INFORMATION REQUIRED UNDER TAKEOVER LAW
pursuant to sections 289 (4) and 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 proportionate share in the capital stock per share is around €2.56.

The subscribed capital of TUI AG, registered in the commercial registers of the district courts of Berlin-Charlottenburg and Hanover, consisted of 251,696,745 shares at the end of financial year 2010/11 (previous year 251,548,525 shares) and totalled €643,452,511. Each share confers one vote at the Annual General Meeting.

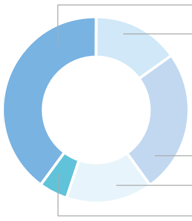
Restrictions on voting rights or the transfer of shares
The Executive Board of TUI AG is not aware of any restrictions on voting rights or the transfer of shares.

Equity interests exceeding 10% of the voting rights
The Executive Board of TUI AG has been notified of the following direct or indirect equity interests reaching or exceeding 10% of the voting rights:

The voting shares in TUI AG attributable to Alexey Mordashov, Russia, exceeded the 25% threshold on 8 September 2011. As per that date, voting shares totalling 25.06% 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 Monteray Enterprises Ltd., Limassol, Cyprus, and Geveran Holdings S.A., Monrovia, Liberia.

Shareholder structure %	**2010/11**
Institutional Investors*)	~ 40
Private Investors*)	~ 15
S-Group Travel Holding	25
Monteray Enterprises Ltd.	15
Riu Hotels S.A.	5



*) Free float according to the definition by Deutsche Börse

At the end of financial year 2010/11, 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 financial institutions, 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 the 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 9 February 2011 authorised TUI AG's Executive Board to acquire own shares of up to 10% of the capital stock existing as at the date of the resolution. The authorisation will expire on 8 August 2012. To date, the option to acquire own shares has not been used.

In addition, a resolution to create conditional capital for the issue of new shares against cash contribution worth €246m by 8 February 2016 was adopted in 2011.

Moreover, conditional capital of €100m was authorised at the AGM on 13 May 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 partly used this authorisation, issuing a convertible bond worth around €218m in November 2009.

Conditional capital of €100m was also 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 up to 6 May 2013. This authorisation was also partly used by TUI AG, which issued a convertible bond worth around €339m in March 2011.

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 €1m of this authorised capital has been used.

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 placement issued in 2010 and the equity-linked financing of TUI AG with shares in TUI Travel PLC as underlying, dating from 2008, include change of control clauses. A change of control occurs in particular if a third partly directly or indirectly acquires control over at least 30% or the majority of the voting shares in TUI AG, depending on the respective agreement.

In the event of a change of control, bondholders must be offered a buy-back of the fixed-interest bond. For the hybrid bond, an interest mark-up has been agreed to take effect should the rating be downgraded. For the convertible bond, a right of termination or reduction of the conversion price has been agreed.

In the case of the private placements, lenders are entitled to terminate their 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 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 €1.8bn. On top of that, there are no agreements in guarantee, leasing, option or other financial contracts that might cause material early redemption obligations that would be of significant relevance for the Group's liquidity.

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

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 held by TUI in the joint hotel companies in Egypt and the United Arab Emirates.

Under the licence agreement concluded with the combination of the tourism business under TUI Travel PLC, the licensee, TUI Travel PLC, is entitled to acquire TUI AG's total tourism brand portfolio in the event of a change of control. A change of control agreement was also concluded for the joint venture TUI Cruises between Royal Caribbean Cruises Ltd and TUI AG for a change of control in TUI AG. The agreement gives the partner the right to demand termination of the joint venture and to purchase the share held by TUI AG at a price which is lower than the selling price of their own share.

Compensation agreements by the Company with Executive Board members or employees in the event 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 service contract.

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. When the service contracts of Mr Baier and Dr Engelen were amended as at 1 January 2010, it was agreed that severance payments are not to 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

The TUI Group operates in the tourism sector with its shareholdings. TUI AG also holds a financial stake in container shipping. The financial commitment to container shipping was reduced by around €1bn to around €1.5bn in the financial year under review. As at 30 September 2011, it comprised the financial stake of 38.4% in Hapag-Lloyd Holding AG and hybrid capital worth €0.35bn granted to Hapag-Lloyd Holding AG.

Depending on the type of business, the tourism operations and financial commitment 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

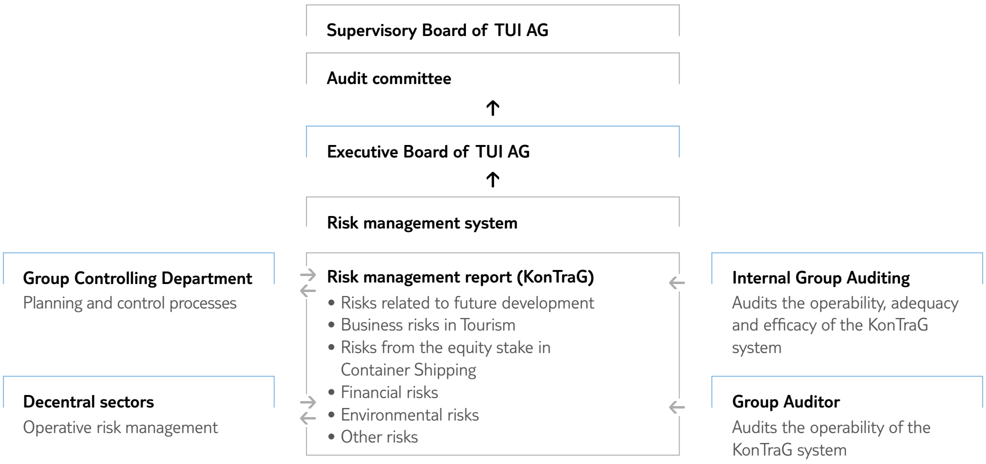
TUI's risk policy is designed to steadily and persistently increase the Group's corporate value, achieve its medium-term financial goals and secure the Company's ongoing existence in the long term. It is thus an integral component of the Group's corporate policy.

TUI Travel, the largest Sector in the Tourism Segment, is particularly well placed to offset developments in individual markets or product groups by virtue of its flexible business model. Committed flight and hotel capacity stayed within limits. The flight capacity of the Group's own airlines is largely oriented to the needs 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 with the aid of graduated leasing agreements.

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

The performance of Container Shipping is influenced by several external factors, including changes in freight rates and oil prices (bunker) as well as the general development of capacity in relation to fluctuating demand for transportation services. In financial year 2010/11, the rise in oil prices caused higher bunker costs, which were not fully passed on to customers in a market environment characterised by higher container shipping capacity and intense competitive pressure. One of the key factors for future prospects is the increase in global capacity in Container Shipping. As in previous years, additional capacity in Container Shipping will also be commissioned in the next few years. This could adversely affect freight rates if they are not matched by a corresponding increase in demand. The prospects for Container Shipping may also be affected by extraordinary events such as natural disasters. Due to the earthquake and the consequent reactor accident in Japan, demand for transportation services dropped in this region in financial year 2010/11.

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

Risk management is supported by the Group-wide auditing departments. It focuses on 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 2011, 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, either during the financial year 2010/11 or 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. These insurance policies are regularly reviewed and adjusted where necessary.

Risks related to future development

Environment and industry risks
Both Tourism – the TUI Group's core business – and Container Shipping are exposed to a number of macroeconomic risks. Since travel expenditure is discretionary and price-sensitive, demand for tourism products hinges in particular on macroeconomic developments in the key source markets. Future economic declines such as high unemployment rates in relevant source markets, unexpected rises in interest rates, direct or indirect tax or the cost of living may therefore lead to reduced disposable income and, as a consequence, to substantial falls in demand for travel and other tourism products. In this regard, it is not just the real developments that people actually experience, but even the expectation of macroeconomic developments and their impact on individual lives that play a role. Changes in economic cycles, in particular, may affect demand for tourism products. Such macroeconomic cycles may be influenced by global political events such as terrorist attacks, wars, social unrest and political instability.

In addition, specific risks to business may arise from increases in commodity prices, in particular oil products, which may be driven directly by a rise in oil prices or indirectly by the exchange rate between the US dollar and the euro or sterling. These risks may, for instance, lead to weaker economic growth in countries of relevance to the TUI Group's activities, and this can indirectly dampen demand for tourism services, adversely affecting the Group's financial and earnings position. Rising oil prices also directly drive up a key cost factor in holiday tours. If the cost increases are factored into prices, this may have an adverse effect on demand for these products. If, by contrast, the costs associated with higher oil prices are not or only partly passed on to customers in the form of price increases, this may also adversely affect the Group's earnings position.

The demand for travel may also be affected by what happens next in the financial markets and the discussions about high sovereign debt in individual countries. Firstly, changes in exchange parities may result in exchange rate-driven changes in the cost situation in Tourism or Container Shipping. Secondly, efforts by countries to consolidate their budgets may impact on the disposable income of private households in these countries. This might cause demand for travel to decline. The continuing euro and sovereign debt crisis in some European countries and the associated uncertainty among consumers may lead to general consumer restraint, even in countries not directly affected by the debt crisis, and thus adversely affect demand for holiday tours.

Business operations may also be affected by market-specific events such as changes in consumer behaviour or cutbacks in consumer spending.

See page 138

A detailed assessment of the macroeconomic prospects for the medium term is presented in the Report on Expected Developments.

Risks from acquisitions and divestments

Acquisitions effected in the past have created goodwill for the TUI Group. Should cash flows fall below expected levels due to a business downturn, impairments (in particular impairment of goodwill) might be required and would thus impact Group earnings.

As before, TUI intends to sell off all assets invested in Container Shipping. There are no indications at present that the values recognised for the hybrid capital granted to Hapag-Lloyd or the financial investment might be at risk.

Risks from information technology

TUI's business operations rely heavily on IT technology. The reservation processes and the related back-office processes require an IT infrastructure that is available at all times. Moreover, the internet is growing in importance as a distribution channel and as the technology used in cooperating with various business partners. Disruptions to the availability of IT systems may impair TUI's business processes and result in turnover losses and cost increases.

TUI aims to reduce the risk of IT system failure. To this end, it has introduced a Group-wide IT governance structure, which is constantly being optimised. In order to enhance the reliability of the IT systems, the Group-wide programme to maintain and secure business operations incorporates IT disaster recovery management.

As the largest provider in tourism, TUI has to permanently develop its existing systems in order to secure and expand its leading market positions in the competitive environment, which is characterised by new technologies.

As part of TUI's IT strategy, system platforms will be further consolidated so as to optimise business processes and enhance the effectiveness of the IT systems used within the Group. TUI is also planning to establish a central expert team in the Group in order to be able to respond even faster to changes in customer behaviour.

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. This may adversely affect demand in individual source markets or demand for certain destinations. Moreover, unscheduled costs may arise for the repatriation of customers from destinations affected by external events.

In the financial year under review, the political unrest in North Africa and the Middle East caused a substantial decline in demand for destinations in Egypt and Tunisia. This affected in particular TUI tour operators in France and TUI hotels in Egypt. The impact on business in the other source markets was largely contained by flexible capacity management.

Market risks increase with tougher competition and the emergence of new market participants operating new business models. Factors that may adversely affect sales by retail 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 preferred 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.
- Due to the Group's presence in all key holiday regions, fluctuations in demand between the destinations can be countered. Lower demand for tours to a specific destination can be offset by expanding the portfolio for other 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 around €1.2bn, i.e. a 38.4% stake, in Hapag-Lloyd Holding AG, TUI's financial commitment at the balance sheet date comprised hybrid capital of €0.35bn granted to Hapag-Lloyd Holding AG.

A persistent deterioration in the operating performance of Container Shipping might lead to a decline in the carrying amount of the investment. In its medium-term planning, TUI expects Hapag-Lloyd to show an overall positive development of business operations.

TUI currently sees no indication whatsoever suggesting that the carrying amounts of the hybrid capital granted to Hapag-Lloyd 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 PLC in 2007, a division of labour was introduced for the central cash management system, previously managed exclusively by TUI AG, central corporate finance 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 these hedges.

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 Notes page 222

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 to 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, the TUI Group has issued seven bonds in the capital market, including a hybrid bond carried as equity. Nominal liabilities under these bonds totalled €2.2bn 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 financial liabilities worth a total of €1.2bn as scheduled and called bonds with a total volume of €0.7bn due in 2012 for early redemption, in order to optimise the structure of its financial liabilities. Following the completion of financial year 2010/11, TUI AG purchased the amount outstanding under a convertible bond issued by TUI AG and maturing in September 2012 of €0.2bn in the framework of a public tender offer, and initiated the process of early redemption for reasons of minimal outstanding principal amount, respectively. Detailed information on this transaction is provided in the Report on Subsequent Events in the Management Report.

See page 137

In March 2011, TUI AG placed five-year convertible bonds worth €0.3bn. In addition to this, TUI AG modified the contractual arrangements to extend the redemption date, from March 2013 to July 2014, of a structured transaction worth €0.2bn, serving to avoid potential dilution effects from a convertible bond issued by TUI Travel PLC in April 2010.

In May 2011, TUI Travel PLC extended the debt maturity profile of its bank credit lines. TUI Travel PLC cancelled bilateral and syndicated bank credit lines totalling £1.2bn, most of which had to be repaid by June 2012, ahead of their due date, signing a new syndicated banking facility of £1.2bn maturing in June 2015. At the balance sheet date, an amount of £0.1bn had been drawn from TUI Travel PLC's banking facilities.

Further information, in particular on the remaining terms, is provided under the heading "Financial liabilities" in the Notes to the consolidated financial statements.

See Notes to the consolidated financial statements page 216

The refinancing schemes of TUI AG and TUI Travel contributed substantially to strengthening the medium-term liquidity reserve of the respective financing categories. Current cash flows provide further financing options. Moreover, the scope for using additional capital market options or the assets still invested in Container Shipping is being examined.

Essential contractual regulations for the financing instruments

TUI AG's financial liabilities taken up via the capital market, the financing transaction based on 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, there is a duty to comply with financial covenants on (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 based on the exchangeable bond for shares in TUI Travel PLC, and 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 expected business developments are continually checked for compliance with contractual provisions.

See page 109 and Notes page 216

More detailed information on financing and financial debt is provided in the section "Financial situation of the Group" and under " Financial liabilities" in the Notes to 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 fully or partly funded pension obligations totalled €1.9bn, while the fair value of external plan assets amounted to €1.4bn. The funded pension obligations 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 pension obligations is provided under the heading "Provisions for pensions and similar obligations" in the Notes to the consolidated financial statements.

See page 208

Other financial commitments

At the balance sheet date, the TUI Group had other financial commitments of €2.4bn (following €2.1bn as at 30 September 2010). These liabilities mainly related to order commitments for investments. Around €0.4bn had a remaining term of up to one year.

At the balance sheet date, financial liabilities from operating lease, rental and charter agreements amounted to €3.3bn (previous year €2.9bn). At €1.4bn, aircraft accounted for the largest proportion of financial liabilities from operating lease, rental and charter agreements, with approximately €0.9bn relating to hotels, €0.4bn to travel agencies, €0.4bn to administrative buildings, €0.3bn to yachts and motor boats, and €0.1bn to other liabilities. Around €0.9bn had a remaining term of up to one year.

See page 216

Detailed information on other financial commitments is provided in the corresponding section in the Notes to 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 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 €498.4m (following €453.7m in the previous year). They mainly related to the granting of guarantees to secure the amounts due to banks of 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 to 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 managed 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 a 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 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 the Risk Report.

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 regularly checks the accuracy of the PCE consolidation system and its authorisations and did not have any ground for objections in the financial year under review. 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. 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 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 to the consolidated financial statements.

See page 170

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, profit and loss 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 the matter at stake, discretionary decision-making, faulty checks, criminal acts and other circumstances, in particular, cannot be ruled out and restrict the efficiency and reliability of the internal control and risk management systems, so that even Group-wide application of the systems cannot guarantee with absolute certainty the accurate, complete and timely recording of facts in Group accounting.

In the period under review, TUI Travel PLC identified two accounting errors for financial year 2009/10. Since a trade payable was erroneously not derecognised in the framework of consolidation, the cost of sales carried was overstated by an amount of €42.6m. At the same time, the cost of sales shown by the French tour operator Nouvelles Frontières was understated by an amount of €50.9m. Both the background to the errors and the correction of the errors in financial year 2010/11 have been outlined in detail in the Notes to the consolidated financial statements in the section on the cost of sales and current trade accounts payable.

See page 184 and 218

As soon as the first indications emerged about the limited efficiency of the control systems used in France, staff consequences were drawn by Nouvelles Frontières and a comprehensive special on-site audit was implemented to assess the adequacy of the financial statements for the previous year. The management and the auditors also immediately informed the Audit Committee of the Supervisory Board and TUI AG's Supervisory Board about the progress of the audit and the audit findings.

The lessons learned from the accounting errors in TUI Travel PLC with regard to the limited effectiveness of the control systems will be taken into account, with the involvement of TUI AG's management, in further measures to expand and improve the contents and organisation of the systems and processes used to secure the adequacy and reliability of 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

On 9 November 2011, TUI AG extended a cash tender offer to the holders of convertible bonds due in September 2012 with an outstanding total nominal volume of around €193m and an original total nominal volume of €694m at an interest rate of 2.75% p.a. The purpose of the tender offer was to use the Company's cash and cash equivalents to repay existing debt ahead of its due date and reduce current interest payments.

In the framework of this tender offer, TUI repurchased existing convertible bonds with a nominal volume of €151.9m at their full value plus accrued interest on 17 November 2011. Subsequently, an amount of €40.9m from these convertible bonds was still outstanding.

TUI AG subsequently called in the bonds worth a total of €653.2m purchased in financial year 2010/11 and in October 2011 with a volume of €0.2bn and the bonds acquired in the framework of this tender offer. Moreover, on account of the immateriality of the amount, TUI AG called in the remaining bonds outstanding, as set out in the terms and conditions of the bonds, and will repay them on 19 December 2011 ahead of the due date at 100% of the nominal value plus accrued interest.

MANAGEMENT REPORT

REPORT ON EXPECTED DEVELOPMENTS

Turnover and earnings by Tourism expected to rise. Higher risks due to weaker global economy and high oil price.

Economic environment

Macroeconomic situation

In its forecast for calendar year 2011, the International Monetary Fund (IMF, World Economic Outlook, September 2011) expects global growth of 4.0%. The expansion of the global economy continues to be driven by the emerging economies, whose momentum seems to some extent decoupled from the development of the advanced economies. Overall, the outlook for the global economy continued to deteriorate in the financial year under review. Due to greater uncertainty in the industrialised countries, the global economy is expected to display weak growth into 2012. As a result, the pace of growth in global gross domestic product is expected to continue slowing for 2012 as a whole.

Development in the regions

For 2012, the IMF expects the economic performance of the individual economic regions to differ considerably. Growth in the United States is expected to amount to 1.8%. Stronger recovery will be prevented by the high level of debt held by private households, the persistently high level of unemployment and low pay rises. Japan is expected to grow by 2.3% in 2012. Despite the stimulus from reconstruction, the momentum will remain weak due to low private consumption and dim prospects for exports. Growth in China (+9.0%) and India (+7.5%) in 2012 will only be slightly down on the level expected for 2011. The curbing effects in India will result primarily from monetary measures to combat inflation. For the Eurozone countries, growth of 1.4% is forecast for 2012. Economic development in this region will continue to be inhibited by fiscal measures caused by the sovereign debt crisis and uncertainty about how the crisis will develop.

Expected development of gross domestic product

Var. %	2011	2012
Word	**4.0**	**4.0**
Eurozone	1.7	1.4
Germany	2.7	1.3
UK	1.1	1.6
France	1.7	1.4
US	1.5	1.8
Russia/CIS	4.6	4.4
Japan	- 0.5	2.3
China	9.5	9.0
India	7.8	7.5
Emerging Eastern Asia Economies	5.3	5.6

Source: International Monetary Fund (IMF), World Economic Outlook, September 2011

Market trend in Tourism

According to current forecasts by the European Travel Commission, visits to European destinations are expected to grow by around 2.9% in 2012 (source: European Travel Commission, European Tourism 2011, Quarterly Report 2011, September 2011).

The UNWTO expects international tourism to continue growing globally in this decade, albeit at a more moderate pace than before. For the next few years, average weighted growth of around 3% per annum has been forecast (source: UNWTO, Tourism towards 2030, October 2011).

For calendar year 2012, the UNWTO (UNWTO, November 2011) expects international arrivals to grow by 3 – 4%.

Forecast for operating earnings

TUI Group

Expected development of Group earnings

€ million	2010/11	2011/12
Turnover	**17,480.3**	↗
Underlying EBITA	600.1	↗
EBITA	**444.5**	↗

Turnover

We expect turnover to rise slightly in financial year 2011/12, as it is assumed that the rise in input costs in Tourism will be passed on to customers, and the proportion of differentiated product in TUI Travel's volume business is also expected to increase.

Underlying EBITA

In financial year 2011/12, underlying EBITA by the TUI Group is expected to rise slightly due to better earnings by TUI Travel and TUI Hotels & Resorts. Risks relate to the development of consumer propensity in the key source markets against the backdrop of weakening economic growth and higher energy costs. The first quarter of financial year 2011/12, in particular, will be impacted by the slow recovery of demand for destinations in North Africa.

EBITA

In analogy to the rise in operating earnings, we also expect reported EBITA to grow in financial year 2011/12.

Group net result for the year

Overall, we expect the Group net result for financial year 2011/12 to be positive.

Development by the Sectors

Expected development of earnings

€ million	Sector turnover 2010/11	2011/12	Underlying sector EBITA 2010/11	2011/12
Tourism	17,430.4	↗	656.6	↗
TUI Travel	16,867.0	↗	500.1	↗
TUI Hotels & Resorts	362.6	↗	145.3	↗
Cruises	200.8	↗	11.2	↘
Central Operations	49.9	→	- 56.5	→
Group	**17,480.3**	↗	**600.1**	↗

TUI Travel
For TUI Travel we expect underlying earnings to grow slightly in 2011/12 against the prior-year reference period. The main earnings drivers in TUI Travel are positive effects of the cost reduction and efficiency enhancement programmes as well as margin improvements resulting from stronger channelling to differentiated product. On the other hand, there are risks resulting from economic parameters in the principal volume markets, which might fall short of expectations and thus dampen demand in the travel market. Should demand fail to meet expectations, price increases necessary to compensate for the rise in input costs might be difficult to implement. For the first quarter of 2011/12, in particular, TUI Travel expects demand for destinations in North Africa to decline year-on-year. This will affect earnings for the first quarter, as these destinations play a relatively strong role in the winter season. In addition, the exchange rate of sterling against the euro also considerably affects earnings by TUI Travel carried in TUI AG's consolidated financial statements.

TUI Hotels & Resorts
Both capacity and bednights in TUI Hotels & Resorts are expected to rise moderately in financial year 2011/12. Overall, we expect a slight increase in hotel occupancy and operating earnings. Risks are related to customer numbers from the major source markets, which might fall below expectations.

Cruises
For the Cruises Sector, we expect operating earnings to decline year-on-year in financial year 2011/12 due to the start-up and financing costs for the fleet expansion in Hapag-Lloyd Kreuzfahrten and TUI Cruises.

Tourism
Based on the earnings estimates for TUI Travel, TUI Hotels & Resorts and Cruises, we expect the Tourism Segment to post a slight year-on-year increase in operating earnings in financial year 2011/12. The Tourism business will be considerably affected by future trends in consumer spending in the large volume markets.

Central Operations
For Central Operations, we expect underlying earnings to be flat year-on-year.

Financial position

Expected development of Group financial position

€ million	2010/11	2011/12
Investment in other intangible assets and property, plant and equipment	471.7	↗
Net debt	816.7	→

Investments
In the light of investment decisions already taken and projects still in the pipeline, the TUI Group expects financial requirements to amount to around €500m for financial year 2011/12, 60% 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 and expansion of the cruise and hotel portfolios.

Net debt
At the balance sheet date, the Group's net debt amounted to €0.8bn. Taking account of expected operating cash flow, the TUI Group's net debt is expected to remain stable in financial year 2011/12.

Expected overall development

For financial year 2011/12, we expect operating earnings by Tourism to rise year-on-year, with Central Operations showing a stable trend. Underlying earnings by the TUI Group will therefore probably also rise slightly against the reference prior-year period.

Overall, we expect the Group net result for the year to be positive in financial year 2011/12.

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 stronger than expected economic recovery, as this would trigger rising demand in the travel market. We intend to improve our competitive position further by continuing the restructuring and cost reduction programme, offering differentiated product and further expanding controlled distribution in TUI Travel, in particular online distribution.

Should the economic framework show the expected positive development, the business volume and operating earnings by the Tourism entities will continue to rise in financial year 2012/13.

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

€ million		2007	2008	SFY 2009	2009/10 revised	2010/11
Turnover						
Tourism		15,759	18,546	13,082	16,287	17,430
Discontinued operation		5,965	6,343	1,119	-	-
Others		78	- 21	49	63	50
Group		**21,802**	**24,867**	**14,250**	**16,350**	**17,480**
Earnings before interest, tax, depreciation and amortisation (EBITDA)						
Tourism		644	557	646	664	875
Discontinued operation		401	390	968	-	-
Others		216	- 24	- 31	- 14	- 25
Group		**1,261**	**923**	**1,582**	**650**	**850**
Earnings (EBITA)						
Tourism		163	87	158	246	477
Discontinued operation		137	106	894	-	-
Others		186	- 53	- 39	- 30	- 32
Group		**486**	**140**	**1,013**	**216**	**445**
Net profit for the year		**176**	**- 182**	**395**	**114**	**118**
Earnings per share	€	+ 0.41	- 0.65	+ 1.32	+ 0.30	- 0.01
Assets						
Non-current assets		11,528	7,345	9,093	9,357	9,108
Current assets		4,721	9,309	4,367	5,259	4,384
Total assets		**16,249**	**16,653**	**13,460**	**14,616**	**13,492**
Equity and liabilities						
Equity		3,038	2,168	2,241	2,434	2,548
Non-current liabilities		6,807	5,796	5,027	4,555	4,168
Current liabilities		6,404	8,690	6,192	7,626	6,776
Total equity and liabilities		**16,249**	**16,653**	**13,460**	**14,616**	**13,492**
Equity ratio	**%**	**18.7**	**13.0**	**16.6**	**16.7**	**18.9**
Cash flow from operating activities		**569**	**946**	**1,135**	**818**	**1,086**
Capital expenditure		**1,116**	**952**	**364**	**516**	**474**
Net debt		**3,917**	**4,083**	**2,330**	**2,287**	**817**
Employees	**31 Dec/30 Sep**	**68,521**	**70,254**	**69,536**	**71,398**	**73,707**

differences may occur due to rounding

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

Income Statement of the TUI Group
for the period from 1 October 2010 to 30 September 2011 and 1 October 2009 to 30 September 2010

€ million	Notes	2010/11	2009/10
Turnover	(1)	17,480.3	16,350.1
Cost of sales	(2)	15,655.2	14,680.1
Gross profit		**1,825.1**	**1,670.0**
Administrative expenses	(2)	1,508.8	1,536.0
Other income/Other expenses	(3)	+ 77.1	+ 53.6
Impairment of goodwill	(4)	-	18.2
Financial income	(5)	254.3	319.0
Financial expenses	(6)	493.8	481.2
Share of result of joint ventures and associates	(7)	+ 52.9	+ 170.6
Earnings before income taxes		**206.8**	**177.8**
Reconciliation to underlying earnings:			
Earnings before income taxes		206.8	177.8
plus: Loss (previous year gain) on Container Shipping measured at equity		2.1	- 150.3
less: Gain on measurement of financial instruments with Container Shipping		- 51.2	- 135.0
plus: Net interest expense and expense from the measurement of interest hedges		286.8	304.8
plus: Impairment of goodwill		-	18.2
Group EBITA		444.5	215.5
Adjustments:	(8)		
less: Gains on disposals		-	- 24.0
plus: Restructuring expense		70.8	124.9
plus: Expense from purchase price allocation		96.1	69.8
less: Income (previous year expense) from other one-off items		- 11.3	203.0
Underlying Group EBITA		**600.1**	**589.2**
Earnings before income taxes		**206.8**	**177.8**
Income taxes	(9)	88.6	64.2
Group profit for the year		**118.2**	**113.6**
Group profit for the year attributable to shareholders of TUI AG	(10)	+ 23.9	+ 101.8
Group profit for the year attributable to non-controlling interest	(11)	+ 94.3	+ 11.8
Group profit for the year		**118.2**	**113.6**

Earnings per share

€	Notes	2010/11	2009/10
Basic and diluted earnings per share	(12)	- 0.01	+ 0.30

Statement of Comprehensive Income of TUI Group for the period from 1 October 2010 to 30 September 2011 and 1 October 2009 to 30 September 2010

€ million	Notes	2010/11	2009/10
Group profit		**118.2**	**113.6**
Foreign exchange differences		- 45.5	78.8
Foreign exchange differences		- 72.0	127.2
Reclassification/adjustments		26.5	- 48.4
Financial instruments available for sale		176.1	4.6
Changes in the fair value of financial instruments available for sale		238.1	4.6
Reclassification/adjustments		- 62.0	-
Cash flow hedges		105.5	95.8
Changes in the fair value of cash flow hedges		111.9	96.8
Reclassification/adjustments		- 6.4	- 1.0
Actuarial losses from pension provisions and related fund assets		- 102.2	- 77.4
Changes in the measurement of companies measured at equity		- 25.7	13.2
Changes in the measurement outside profit or loss		- 13.3	13.2
Reclassification/adjustments		- 12.4	-
Taxes attributable to other comprehensive income	(13)	- 21.9	3.2
Other comprehensive income		**86.3**	**118.2**
Total comprehensive income		**204.5**	**231.8**
attributable to shareholders of TUI AG		+ 133.6	+ 245.6
attributable to non-controlling interest		+ 70.9	- 13.8
Total comprehensive income		**204.5**	**231.8**

Financial Position of the TUI Group as at 30 September 2011

€ million	Notes	30 Sep 2011	30 Sep 2010 revised	1 Oct 2009 revised
Assets				
Goodwill	(14)	2,907.2	2,862.6	2,712.3
Other intangible assets	(15)	856.6	907.2	887.9
Investment property	(16)	59.2	66.2	76.7
Property, plant and equipment	(17)	2,445.1	2,499.8	2,370.9
Investments in joint ventures and associates	(18)	1,735.5	1,775.2	1,184.0
Financial assets available for sale	(19)	487.8	612.0	105.0
Trade receivables and other assets	(20)	409.1	334.8	1,369.0
Derivative financial instruments	(21)	43.6	165.3	111.4
Deferred tax asset	(22)	163.5	133.6	277.9
Non-current assets		**9,107.6**	**9,356.7**	**9,095.1**
Inventories	(23)	106.7	89.5	81.5
Trade receivables and other assets	(20)	1,950.9	2,328.2	2,066.6
Derivative financial instruments	(21)	231.2	203.3	338.1
Current tax asset	(22)	90.0	71.1	21.2
Cash and cash equivalents	(24)	1,981.3	2,274.3	1,452.0
Assets held for sale	(25)	24.2	292.4	405.7
Current assets		**4,384.3**	**5,258.8**	**4,365.1**
		13,491.9	**14,615.5**	**13,460.2**

€ million	Notes	30 Sep 2011	30 Sep 2010 revised	1 Oct 2009 revised
Equity and liabilities				
Subscribed capital	(26)	643.5	643.1	642.8
Capital reserves	(27)	956.1	913.5	871.3
Revenue reserves	(28)	575.6	489.5	356.7
Hybrid capital	(29)	294.8	294.8	294.8
Equity before non-controlling interest		**2,470.0**	**2,340.9**	**2,165.6**
Non-controlling interest	(30)	77.8	93.3	75.2
Equity		**2,547.8**	**2,434.2**	**2,240.8**
Pension provisions and similar obligations	(31)	878.2	878.5	838.6
Other provisions	(32)	548.6	520.2	482.8
Non-current provisions		**1,426.8**	**1,398.7**	**1,321.4**
Financial liabilities	(33)	2,324.7	2,827.5	3,175.1
Derivative financial instruments	(35)	73.7	47.8	78.7
Current tax liabilities	(36)	117.2	114.5	169.5
Deferred tax provisions	(36)	120.7	80.2	181.3
Other liabilities	(37)	105.1	86.4	101.2
Non-current liabilities		**2,741.4**	**3,156.4**	**3,705.8**
Non-current provisions and liabilities		**4,168.2**	**4,555.1**	**5,027.2**
Pension provisions and similar obligations	(31)	35.9	32.8	29.8
Other provisions	(32)	471.9	383.5	287.0
Current provisions		**507.8**	**416.3**	**316.8**
Financial liabilities	(33)	473.6	1,684.4	539.7
Trade payables	(34)	2,973.5	2,847.4	2,640.8
Derivative financial instruments	(35)	157.7	147.4	363.4
Current tax liabilities	(36)	198.3	138.0	89.4
Other liabilities	(37)	2,462.8	2,296.8	2,061.9
Current liabilities		**6,265.9**	**7,114.0**	**5,695.2**
Liabilities related to assets held for sale	(38)	**2.2**	**95.9**	**180.2**
Current provisions and liabilities		**6,775.9**	**7,626.2**	**6,192.2**
		13,491.9	**14,615.5**	**13,460.2**

Statement of Changes in Group Equity

€ million	Subscribed capital (26)	Capital reserves (27)	Other revenue reserves	Foreign exchange differences	Financial instruments available for sale
Balance as at 1 Oct 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 of non-controlling interests	-	-	- 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 Sep 2010	**643.1**	**913.5**	**1,469.2**	**- 658.2**	**5.6**
Dividend payments	-	-	-	-	-
Hybrid capital dividend	-	-	- 25.9	-	-
Share-based payment schemes of TUI Travel PLC	-	-	12.0	-	-
Issue of employee shares	0.4	0.7	-	-	-
Issue of convertible bonds	-	41.9	-	-	-
First-time consolidation	-	-	24.8	-	-
Deconsolidation	-	-	-	-	-
Effects on the acquisition of non-controlling interests	-	-	- 25.9	-	-
Effects on the transfer to non-controlling interests	-	-	- 21.9	- 8.4	-
Other comprehensive income	-	-	- 25.8	- 23.6	176.0
Group profit for the year	-	-	23.9	-	-
Total comprehensive income	-	-	- 1.9	- 23.6	176.0
Balance as at 30 Sep 2011	**643.5**	**956.1**	**1,430.4**	**- 690.2**	**181.6**

Cash flow hegdes	Revaluation reserve	Reserve according to IAS 19	Revenue reserves (28)	Hybrid capital (29)	Equity before non-controlling interest	Non-controlling interest (30)	**Total**
- 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**
-	-	-	-	-	-	- 141.1	- 141.1
-	-	-	- 25.9	-	- 25.9	-	- 25.9
-	-	-	12.0	-	12.0	9.4	21.4
-	-	-	-	-	1.1	-	1.1
-	-	-	-	-	41.9	2.6	44.5
-	-	-	24.8	-	24.8	20.1	44.9
-	-	-	-	-	-	- 0.7	- 0.7
- 0.8	-	- 1.3	- 28.0	-	- 28.0	- 7.1	- 35.1
- 0.1	-	-	- 30.4	-	- 30.4	30.4	-
36.8	-	- 53.7	109.7	-	109.7	- 23.4	86.3
-	-	-	23.9	-	23.9	94.3	118.2
36.8	-	- 53.7	133.6	-	133.6	+ 70.9	204.5
- 21.0	**19.6**	**- 344.8**	**575.6**	**294.8**	**2,470.0**	**77.8**	**2,547.8**

Cash Flow Statement

€ million	Notes	**2010/11**	2009/10	Var.
Group profit		118.2	113.6	4.6
Depreciation, amortisation and impairments (+) / write-backs (-)		412.2	456.5	- 44.3
Other non-cash expenses (+) / income (-)		- 112.7	- 310.8	198.1
Interest expenses (excl. interest relating to pension obligations)		367.7	352.2	15.5
Profit (-) / loss (+) from disposals of non-current assets		- 47.0	6.5	- 53.5
Increase (-) / decrease (+) in inventories		- 16.2	0.9	- 17.1
Increase (-) / decrease (+) in receivables and other assets		80.1	178.2	- 98.1
Increase (+) / decrease (-) in provisions		101.5	- 213.0	314.5
Increase (+) / decrease (-) in liabilities (excl. financial liabilities)		181.7	234.0	- 52.3
Cash inflow from operating activities	(42)	**1,085.5**	**818.1**	**267.4**
Payments received from disposals of property, plant and equipment, investment property and intangible assets		456.6	67.3	389.3
Payments received from disposals of consolidated companies (excl. disposals of cash and cash equivalents due to divestments)		-	-	-
Payments received from the disposals of other non-current assets		951.5	236.8	714.7
Payments made for investments in property, plant and equipment, investment property and intangible assets		- 444.8	- 302.4	- 142.4
Payments made for investments in consolidated companies (excl. cash and cash equivalents received due to acquisitions)		- 50.7	- 67.6	16.9
Payments made for investments in other non-current assets		- 37.2	- 235.2	198.0
Cash inflow / outflow from investing activities	(43)	**875.4**	**- 301.1**	**1,176.5**
Payments received from capital increases		0.6	0.4	0.2
Payments made for interest increase in consolidated companies		- 34.8	- 142.6	107.8
Payments made for capital reductions		-	- 2.2	2.2
Dividend payments		-	-	-
TUI AG		- 25.9	- 25.9	-
subsidiaries to non-controlling interest		- 141.1	- 85.4	- 55.7
Payments received from the issue of bonds and the raising of financial liabilities		524.1	1,245.0	- 720.9
Payments made for redemption of loans and financial liabilities		- 2,304.1	- 454.7	- 1,849.4
Interest paid		- 268.0	- 251.3	- 16.7
Cash outflow/inflow from financing activities	(44)	**- 2,249.2**	**283.3**	**- 2,532.5**
Net change in cash and cash equivalents		**- 288.3**	**800.3**	**- 1,088.6**
Development of cash and cash equivalents	(45)			
Cash and cash equivalents at beginning of period		**2,274.3**	**1,458.3**	**816.0**
Change in cash and cash equivalents due to exchange rate fluctuations		- 4.7	15.7	- 20.4
Change in cash and cash equivalents with cash effects		- 288.3	800.3	- 1,088.6
Cash and cash equivalents at end of period		**1,981.3**	**2,274.3**	**- 293.0**

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).

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 on Corporate Governance.

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

The financial year of the TUI Group and its major subsidiaries included in consolidation 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.

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

The present consolidated financial statements were approved for publication by TUI AG's Executive Board on 5 December 2011.

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, as a listed company, to prepare consolidated financial statements in accordance with the rules of the International Accounting Standards Board (IASB), the International Financial Reporting Standards (IFRSs).

The IFRSs are applied in the form in which the European Commission has transposed them into national legislation in the framework of the endorsement process. 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 2010/11:

- Revision of IFRS 1: First-time Adoption of International Financial Reporting Standards
- Amendments to IFRS 1: Additional Exemptions for First-time Adopters
- Amendments to IFRS 1: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
- Amendments to IFRS 2: Group Cash-Setttled Share-based Payment Transactions
- IAS 32: Classification of Rights Issues
- Improvements to IFRS (2009)
- Improvements to IFRS (2010) concerning clarification of effective dates and transition for IAS 21, IAS 28, IAS 31, IFRS 7, IAS 32 and IAS 39 resulting from amendments to IFRS 3 (rev.), and two other amendments to IFRS 3 itself.
- IFRIC 15: Agreements for the Construction of Real Estate
- IFRIC 17: Distributions of Non-cash Assets to Owners
- IFRIC 18: Transfers of Assets from Customers
- IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments

The revision of IFRS 1 exclusively embraced structural amendments to enhance the clarity of the standard. The other amendments to IFRS 1 relate to additional exemptions from the fundamentally obligatory retrospective application of all standards and interpretations applicable at the closing date as the date of the first-time preparation of IFRS-based financial statements. IFRS 1 was also amended to relieve first-time adopters from providing the comparative prior-period information required by IFRS 7 for comparative periods ending before 31 December 2009.

The amendments to IFRS 2 set out that entities receiving goods or services in a share-based payment arrangement must account for those goods and services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.

The amendment to IAS 32 clarifies that rights, options and warrants offered for a fixed number of own shares in return for a fixed amount of foreign currency have to be accounted for as equity if such rights are issued pro rata to all existing shareholders in the same class.

The provisions of the Annual Improvements Project (2009) comprise minor contents-related changes and, above all, clarifications concerning the recording, presentation and valuation of items in the financial statements.

The following provisions of the Annual Improvements Project (2010) are mandatory for the current financial year:

- Follow-up amendments with regard to the effective dates for IAS 21, IAS 28 and IAS 31 as a result of amendments to IAS 27 in the framework of Business Combinations Phase II
- Clarification concerning transition requirements in IFRS 7, IAS 32 and IAS 39 as a result of amendments to IFRS 3 (rev.)
- Amendments to IFRS 3 in connection with the measurement of non-controlling interests and accounting for unreplaced and voluntarily replaced share-based awards

The application of the above-mentioned amendments to IFRS provisions either does not affect the TUI Group's net assets, financial position and results of operations or has no relevance for the TUI Group.

IFRIC 15 (Agreements for the Construction of Real Estate) provides guidance on how to determine whether revenue from an agreement for the construction of real estate is within the scope of IAS 11 or IAS 18 and thus has to be recognised accordingly in the financial statements of the real estate developer. If the developer is selling completed apartments or houses, the revenue is recognised according to IAS 18 following the agreed transfer of the risks and rewards of ownership. This usually corresponds to completion of the real estate. If, however, the buyer has a material influence on the specification of the product, the revenue is recognised on a percentage-of-completion basis according to IAS 11. This provision is not currently relevant to the TUI Group. Potential effects on future financial statements will be taken into account accordingly.

IFRIC 17 (Distributions of Non-cash Assets to Owners) determines that a dividend payable should be recognised when the dividend is appropriately authorised and should be measured at the fair value of the non-cash assets to be distributed. Any difference between the carrying amount and the fair value of the assets should be recognised in profit or loss.

IFRIC 18 (Transfers of Assets from Customers) deals with the accounting for and recognition of revenue from agreements in which an entity receives from a customer assets or cash in advance that must be used to acquire assets in order for the customer to be able to obtain the service (e.g. connection to the grid for supplies of electricity, gas or water).

IFRIC 19 (Extinguishing Financial Liabilities with Equity Instruments) addresses accounting by the debtor when the terms of a financial liability are renegotiated with the creditor so that a financial liability is extinguished in full or in part by the issue of equity instruments (debt for equity swaps) if 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 initial measurement amount has to be included in the entity's profit or loss for the period.

Application of these new interpretations currently does not affect the TUI Group's net assets, financial position and results of operations, or is not relevant for the TUI Group.

Summary of new standards and interpretations not yet applied/applicable

Standard/ Interpretation		Applicable for financial years from	Endorsement by the EU commission
Standard			
IAS 24 (rev.)	Related Party Disclosures	1 Jan 2011	Yes
various	Improvements to IFRSs (2010)	1 Jan 2011	Yes
IFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 Jul 2011	No
IFRS 7	Financial Instruments – Disclosure: Transfer of financial assets	1 Jul 2011	No
IAS 1	Presentation of Financial Statements: Other comprehensive income	1 Jul 2012	No
IAS 12	Deferred Tax: Recovery of Underlying Assets	1 Jan 2012	No
IFRS 9	Financial Instruments (will replace IAS 39: Financial Instruments: recognition and measurement)	1 Jan 2013	No
IFRS 10	Consolidated Financial Statements	1 Jan 2013	No
IFRS 11	Joint Arrangements	1 Jan 2013	No
IFRS 12	Disclosures of Interests in Other Entities	1 Jan 2013	No
IFRS 13	Fair Value Measurement	1 Jan 2013	No
IAS 19	Employee benefits	1 Jan 2013	No
IAS 27	Separate Financial Statements	1 Jan 2013	No
IAS 28	Investments in Associates and Joint Ventures	1 Jan 2013	No
Interpretation			
IFRIC 14	Prepayments of a Minimum Funding Requirement of Pension Plans	1 Jan 2011	Yes
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1 Jan 2013	No

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

Changes in recognition

Existing income tax liabilities and future income tax charges are now carried as a single line item under liabilities. They are no longer shown separately as income tax provisions and income tax liabilities. IAS 12 itself does not distinguish between income tax provisions and liabilities; however, the current accounting practice gives preference to recognition as a single line item under liabilities. 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 2011**	30 Sep 2010	1 Oct 2009
Current tax provisions – long-term	- 117.2	- 114.5	- 169.5
Deferred tax provisions – long-term	- 120.7	- 80.2	- 181.3
Non-current provisions	**- 237.9**	**- 194.7**	**- 350.8**
Current tax liability – long-term	+ 117.2	+ 114.5	+ 169.5
Deferred tax liability – long-term	+ 120.7	+ 80.2	+ 181.3
Non-current liabilities	**+ 237.9**	**+ 194.7**	**+ 350.8**
Non-current provisions and liabilities	**-**	**-**	**-**
Current tax provision – short-term	- 198.1	- 137.8	- 85.9
Current provisions	**- 198.1**	**- 137.8**	**- 85.9**
Current tax liabilities – short-term	+ 198.3	+ 138.0	+ 89.4
Other liabilities – from income taxes	- 0.2	- 0.2	- 3.5
Current liabilities	**+ 198.1**	**+ 137.8**	**+ 85.9**
Current provisions and liabilities	**-**	**-**	**-**
Total equity and liabilities	**-**	**-**	**-**

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 co-shareholder holding equal interests and voting rights. In the light of overall 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 single-entity financial statements of TUI AG and its subsidiaries, drawn up on the basis of uniform accounting, measurement and consolidation methods and, as a rule, 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 (associates, 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 associates 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 42 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 2010/11, the consolidated financial statements included a total of 45 domestic and 721 foreign subsidiaries, besides TUI AG.

A total of 34 domestic and 72 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 consolidated companies [1)] and the Group companies measured at equity

	Balance 30 Sep 2010	Additions	Disposals	**Balance 30 Sep 2011**
Consolidated subsidiaries	**748**	**58**	**40**	**766**
Domestic companies	45	1	1	45
Foreign companies	703	57	39	721
Associated companies	**18**	**2**	**3**	**17**
Domestic companies	4	2	1	5
Foreign companies	14	-	2	12
Joint ventures	**36**	**4**	**-**	**40**
Domestic companies	7	-	-	7
Foreign companies	29	4	-	33

[1)] excl. TUI AG

Since 1 October 2010, a total of 58 companies have been newly included in consolidation, with three companies added due to an expansion of their business operations and 36 companies due to acquisitions, while 19 companies had been newly established. All additions relate to the Tourism Segment.

Since 30 September 2010, a total of 40 companies have been removed from consolidation, all of which related to the Tourism Segment. Five of the companies were removed from consolidation due to mergers, 31 due to liquidation and three due to divestments. One company was deconsolidated due to a reduction of its business operations.

A total of 17 associated companies and 40 joint ventures were measured at equity. Due to purchase of interests, the group of joint ventures measured at equity rose by a total of four year-on-year. The newly included associated companies were included in at equity measurement due to the formation of new companies or the purchase of interests. The removals consisted of one company divested as well as two companies no longer included in at equity measurement due to a reduction of their business operations.

The major direct and indirect subsidiaries, associates and joint ventures of TUI AG are listed under "Other Notes – Major subsidiaries, associated companies and joint ventures of the TUI Group".

The effects of the changes in the group of consolidated companies in financial year 2010/11 on financial years 2010/11 and 2009/10 are outlined below. While balance sheet values of companies deconsolidated in financial year 2010/11 are shown as per the closing date for the previous period, items of the income statement are also shown for financial year 2010/11 due to prorated effects.

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

€ million	Additions 30 Sep 2011	Disposals 30 Sep 2010
Non-current assets	79.6	1.2
Current assets	38.1	1.2
Non-current provisions	1.0	-
Non-current financial liabilities	2.1	-
Current financial liabilities	1.0	-
Non-current other liabilities	2.6	-
Current other liabilities	41.2	1.0

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

€ million	Additions 2010/11	2010/11	Disposals 2009/10
Turnover with third parties	74.7	1.2	1.6
Turnover with consolidated Group companies	-	-	0.1
Cost of sales and administrative expenses	67.9	1.5	1.7
Financial expenses	0.2	-	-
Earnings before income taxes	**6.6**	**- 0.3**	**-**
Income taxes	1.5	- 0.2	-
Group profit for the year	**5.1**	**- 0.1**	**-**

Acquisitions – divestments

In financial year 2010/11, companies and business lines were acquired at acquisition costs totalling around €76.7m.

Summary presentation of acquisitions

Name and headquarters of the acquired company or business	Business activity	Acquirer	Date of acquisition	Acquired share %	Consideration transferred in € million
Top Class – European Cruise Services S.a.r.l., Monaco	Cruise handling	Trina Group Limited	1 Oct 2010	100%	0.5
Centrum Podróży SA, Warsaw	Travel agent	TUI Poland sp Zoo	8 Dec 2010	100%	1.7
Travel shop business in Austria	Travel agent	TUI Austria Holding GmbH	1 Oct - 31 Dec 10	n. a.	2.6
Lima Tours S.A.C., Peru	Tour operator	Trina Group Limited	21 Jan 2011	100%	6.2
Travel & More GmbH, Germany	Travel agent	TUI Leisure Travel GmbH	1 Mar 2011	100%	0.2
Intrepid Travel Group Limited (23 companies)	Tour operator	TUI Travel SAS Adventure Limited	4 Apr 2011	60%	42.8
TMS Gateway (six companies)	Cruise handling	Intercruises Shoreside & Port Services Inc.	2 Jun 2011	100%	14.8
Great Atlantic Travel and Tour Inc, Virginia	Tour operator	First Choice Holdings Inc	2 Jun 2011	75%	0.2
English Language Centre York Limited, York	Language teaching	TUI Travel SAS Holdings Limited	1 Jul 2011	100%	3.4
27 Travel shops in Germany and one Travel shop in Austria	Travel agent	TUI Leisure Travel GmbH	1 Oct 2010 - 30 Sep 11	n. a.	4.3
Total					**76.7**

The acquisitions of travel agencies in Germany and Austria were carried out in the form of asset deals.

On 4 April 2011, the TUI Group acquired a 60% stake in Intrepid Travel Group Limited, Australia. Following the transfer of parts of TUI's adventure business and the Intrepid activities to the newly formed PEAK Group, the TUI Group now holds 60% of the shares in the PEAK Group following issuance of 40% of the shares to the previous shareholders of the Intrepid Group.

The transfer of parts of TUI's adventure travel business had to be treated as a transaction under common control in accordance with IFRS 3; it was therefore expressly excluded from the scope of IFRS 3 with regard to the parts of TUI's adventure travel business. The disposal of the 40% stake in parts of TUI's adventure travel business was carried as a transaction among investors in accordance with IAS 27.

The equity of the Intrepid Group, provisionally determined as at the acquisition date, is equivalent to €1.5m. In accordance with IFRS 3, the fair values of the acquired assets, liabilities and contingent liabilities, as well as the values of the consideration transferred, have only been determined on a provisional basis because of the short period that has elapsed since the acquisition of the Intrepid Group. The prorated net assets of TUI's transferred adventure travel business, measured at fair value as at the date of the interest swap, were equivalent to €42.8m. The consideration transferred was offset against the prorated provisionally remeasured assets; as a result, goodwill of €42.4m was capitalised in the consolidated statement of financial position.

In the period from April to September, the Intrepid Group generated turnover worth the equivalent of €43.2m and a profit contribution of €2.3m. If the Intrepid Group had already been included in consolidation since 1 October 2010, the turnover would have been €30.2m higher, while the additional effect on Group earnings would have been immaterial.

The consideration transferred for the remaining acquisitions in some cases includes the fair value of contingent consideration, i.e. consideration depending on the future development of business (€7.3m in total), apart from the purchase price already paid.

The difference arising between the consideration transferred and the remeasured acquired net assets of €20.8m (after foreign exchange differences) as at the acquisition date was temporarily carried as goodwill. This goodwill essentially constitutes part of the future synergy, earnings and cost savings potential. The goodwill capitalised in the period under review includes an amount of €3.9m expected to be tax-deductible.

Fair values of considerations transferred

€ million	
Purchase price paid	26.6
Net assets of TUI's adventure travel business	42.8
Deferred or contingent consideration	7.3
Total	**76.7**

In accordance with the amended provisions of IFRS 3, incidental acquisition costs of €13.0m and the remuneration for future services of employees of the acquired companies (up to €9.5m) are carried as administrative expenses in the income statement. In the period under review, this resulted in total expenses of €15.5m.

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

€ million, translated	Fair value at date of first-time consolidation
Intangible assets	21.1
Property, plant and equipment	1.9
Investments	2.8
Fixed assets	**25.8**
Trade receivables	22.3
Other assets (including prepaid expenses)	3.0
Cash and cash equivalents	12.5
Deferred income tax provisions	1.7
Other provisions	1.3
Financial liabilities	2.2
Liabilities and deferred income	43.8
Equity	**14.6**

Based on the information available, it was not possible to finalise measurement of several components of the acquired assets and liabilities by the balance sheet date. The twelve-month period permitted under IFRS 3 for finalising purchase price allocations was used; it allows for provisional allocation of the purchase price to the individual assets and liabilities until the end of that period.

Other acquisitions contributed around €31.5m in total to consolidated turnover in the period under review as from the individual acquisition dates. Their effect on the Group result was €2.8m. If these companies had already been included in the consolidated financial statements since 1 October 2010, turnover would have been €17.9m higher; the additional effect on the Group result would have been immaterial.

The present annual financial statements reflect purchase price allocations for the following companies and groups acquired between 1 October 2009 and 30 September 2010, and finalised within the twelve-month time frame provided under IFRS 3:

- Select World Pty Ltd., Australia
- Sport Executive Travel-Group, UK
- The Hampstead School of English Ltd., UK
- TUI Travel Hotel Management Services Ltd., Turkey
- TURKUAZ Insaat Turizm A.S., Turkey
- Hilario Tours S.A., Dominican Republic
- Wonderholding-Group, Sweden
- Manchester Academy-Group, UK
- Tortola Yacht Services Limited, UK
- 23 travel agencies in Germany
- Other acquisitions (8 companies in total)

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 following table provides an overview of the combined final purchase price allocations:

Final presentation of the statements of financial position as at first-time consolidation for acquisitions of the financial year 2009/10

€ million	Carrying amounts at date of acquisition	Revaluation of assets and liabilities	Carrying amounts at date of first-time consolidation
Other intangible assets	0.1	48.5	48.6
Property, plant and equipment	17.3	1.8	19.1
Fixed assets	**17.4**	**50.3**	**67.7**
Inventories	0.4	-	0.4
Receivables and other assets including deferred tax receivables	4.2	- 0.1	4.1
Cash and cash equivalents	5.8	-	5.8
Deferred tax provisions	0.2	3.3	3.5
Other provisions	3.6	- 0.4	3.2
Financial liabilities	8.1	-	8.1
Liabilities and deferred income	42.5	-	42.5
Equity	**- 26.6**	**47.3**	**20.7**

The goodwill arising in the consolidated statement of financial position from the elimination of the acquisition costs against the acquiree's revalued equity attributable to the acquired share rose by €1.1m as against 30 September 2010, due to changes in the purchase price allocation. Capitalised goodwill essentially represents a portion of the expected synergy and profit potential.

Taking account of the changes in purchase price allocation, the following changes in the consolidated statement of financial position arose as at 30 September 2010:

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

€ million	Adjustment 30 Sep 2010
Goodwill	+ 1.1
Other intangible assets	-0.4
Property, plant and equipment	+ 0.1
Non-current assets	**+ 0.8**
Trade accounts receivable and other receivables	+ 1.1
Other assets (including prepaid expenses)	+ 0.1
Cash and cash equivalents	+ 0.2
Current assets	**+ 1.4**
Other provisions	- 0.3
Non-current provisions and liabilities	**- 0.3**
Other liabilities	+ 2.5
Current liabilities	**+ 2.5**

These final purchase price allocations did not have any major effects on the consolidated statement of financial position as at 30 September 2010 or the consolidated income statement for the prior-year period.

The 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 are translated into the functional currency at the foreign exchange rates applicable 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 applicable 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, the Group's reporting currency, the assets, liabilities and Notes to 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. As a matter of principle, the items of the income statement and hence the profit for the year shown in the income statement are 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 eliminated 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, translation differences for non-monetary items with changes in their fair values taken to equity (e. g. equity instruments classified as held for sale) are carried in revenue reserves.

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 the carrying amount of the shareholding 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 foreign exchange 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, form part of a net investment in this foreign operation. Foreign exchange differences from the translation of these monetary items are carried in other comprehensive income, i. e. recognised directly in equity outside profit and loss.

Exchange rates of currencies of relevance to the TUI Group

	Closing rate		Annual average rate	
1 € equivalent	**30 Sep 2011**	30 Sep 2010	**2010/11**	2009/10
Sterling	0.87	0.86	0.87	0.87
US dollar	1.35	1.36	1.39	1.36
Swiss franc	1.22	1.33	1.26	1.43
Swedish krona	9.26	9.19	9.06	9.83

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 acquisition of the stake is measured at fair value and eliminated against the acquiree's revalued equity attributable to the acquired share. Any excess of acquisition costs over net assets acquired is capitalised as goodwill 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 through profit or loss.

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 events or indications suggesting potential impairments in goodwill.

When additional shares are purchased after obtaining control (follow-up share purchases), the difference between the purchase price and the carrying amount of the stakes acquired is recognised directly in equity. 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 in the consolidated statement of financial position, in relation to the stake not yet resulting in consolidation of the company, and were carried in the revaluation reserve. In the framework of the removal of a company from consolidation, this revaluation reserve is eliminated against other revenue reserves.

The difference between the income from the disposal of the subsidiary and the 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 associates and joint ventures are measured at equity and carried at the cost of acquisition as at the acquisition date. The Group's stake in associates and joint ventures includes the goodwill arising from the respective acquisition transaction.

The Group's share in profits and losses of associates and joint ventures is carried in the income statement as from the date of acquisition (Result from joint ventures and associates), while the Group's share in changes in reserves is shown in its revenue reserves. Accumulated changes arising after the acquisition are 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 original 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 full 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 associates and joint ventures differ from the uniform accounting rules applied in the Group and the differences are sufficiently known and accessible, restatements 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. Intercompany results from intercompany deliveries and services are reversed through profit and loss, taking account of deferred taxes. However, intercompany losses may be understood as suggesting that an impairment test is required for the transferred assets. Intercompany deliveries and services are 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 IASB rules.

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 customer 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 by the customer from airlines, hotel companies or incoming agencies is recognised when the customer takes up the service 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 their 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
Customer base as at acquisition 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 events or indications suggesting potential impairment. The TUI Group's intangible assets with an indefinite 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 to generate 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 has been defined as a cash generating unit. Allocation in the TUI Hotels & Resorts Sector is based on the individual hotel groups.

Impairments are effected where the carrying amount 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 cash flows when deriving 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 costs 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 discounting the expected cash surpluses. This was based on the medium-term plan for the entity under review, prepared at the balance sheet date, following deduction of income tax payments.

For the detailed planning periods from 2011/12 to 2013/14, the weighted average cost of capital after income taxes used as the discounting basis was 8.5% p. a. for TUI Travel and 8.0% p. a. for TUI Hotels & Resorts; taking account of a growth markdown of 1.0% p. a., the corresponding figures were 7.5% p. a. and 7.0% p. a., respectively, for the longer-term period. The fair values determined were tested against analysts' estimates for TUI AG at 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 written back to Other income. In accordance with IAS 36, reversals of impairment losses for goodwill are prohibited.

Property, plant and equipment

Property, plant and equipment are measured at amortised cost. The costs to purchase comprise the considerations spent to purchase an asset and to place it in a working condition. The costs to produce are 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 costs to acquire or produce these assets until the assets are ready for their intended use. The capitalisation rate applied in the event of intercompany financing is 6.75% p. a. for the financial year under review and 6.3% p. a. 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.

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

Useful lives of property, plant and equipment

	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 and 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 10 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, 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 when preparing 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 through the recognition of impairment losses. If there are any events or indications suggesting impairment, the required impairment test is performed to compare the the carrying value of an asset with the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the value of future cash flows attributable to the asset (value in use).

Investment grants received are shown as reductions in the costs to purchase or produce items of property, plant or equipment where these grants are directly attributable to individual 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 use 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 through profit or loss.

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 are immediately recognised in the income statement as at the date of the transaction.

If a sale-and-lease-back transaction results in an operating lease, a gain or loss is recognised immediately as a matter of principle 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 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 the following measurement categories: 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 which have to be classified as held for trading. It also holds an investment measured at fair value and held for sale. The fair value option was not exercised. Moreover, the TUI Group holds financial assets in the "loans and receivables" and "available for sale" categories. However, it did not hold any assets held to maturity in the period under review.

In financial year 2010/11, 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 available for sale when recognised for the first time. Loans and receivables as well as financial assets available for sale are initially recognised at fair value plus transaction costs.

Loans and receivables are non-derivative financial assets with fixed or fixable contractual payments not listed in an active market. They are shown under "Trade accounts receivable" and "Other assets" 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. Where objective information indicates that default of a certain portion of the receivables portfolio is probable, impairments are effected at an amount corresponding to the expected loss. Impairments and reversals of impairments are carried under "Cost of sales", "Administrative expenses" or "Financial expenses", depending on the technical nature of the transaction.

Financial assets available for sale are non-derivative financial assets either individually expressly allocated to this category or not allocable to any other category of financial assets. In the TUI Group, they exclusively consist of stakes in companies, 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 or loss. In the event of subsequent reversal of the impairment, the impairment carried through profit or loss is not reversed for equity instruments but eliminated against equity outside profit and loss. Where a listed market price in an active market is not available for shares held, and other methods to determine an objective market value are not applicable, the shares are measured at amortised cost.

A derecognition of assets is effected as at the date on which the rights for payments from the asset expire or are transferred and therefore as at the date 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. The follow-up measurement is also effected at the fair value applicable at the respective balance sheet date. Where derivative financial instruments are not part of a hedge in connection with hedge accounting, they have to be classified as held for trading in accordance with IAS 39. The method used to carry profits and losses depends on whether the derivative financial instrument has been classified as a hedge and on the type of 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, a record is kept of the assessment, both at the beginning of the hedge relationship and on a continual basis, as to whether the derivatives used for the hedge are highly effective in compensating for the changes in the fair values or cash flows of the underlying transactions.

The changes in the fair values of derivative financial instruments designated to hedge against exposure to changes in the fair value (fair value hedges) are carried in the 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 necessary adjustment to the carrying amount of the underlying transaction has to be effected over its remaining term. The present annual financial statements did not include any fair value hedges of assets and liabilities.

The effective portion of changes in the fair value of derivatives forming cash flow hedges is recognised in equity. The ineffective portion of such changes in the fair value, by contrast, is recognised immediately in the income statement through profit and loss, 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 with an effect on results 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 has to be recognised immediately 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 through profit or loss.

Inventories

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

Cash and cash equivalents
Cash and cash equivalents comprise cash, call deposits, other current highly liquid financial assets with an original term of a maximum of three months and current accounts. Used credits in current accounts are shown as Liabilities to banks under Current financial liabilities.

Non-current assets held for sale
Non-current assets and disposal groups are classified as held for sale if the associated carrying amount will be, or was, recovered principally through sale rather than through continued use.

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 gains on subsequent remeasurement 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 one of the Group's equity components due to the bond terms. Accordingly, the tax-deductible interest payments were not shown under interest expenses but treated in analogy to dividend obligations to TUI AG shareholders. Any borrowing costs incurred were directly deducted from the hybrid capital, taking account of deferred income taxes.

Provisions
Provisions are formed when the Group has a current legal or constructive obligation as a result of a past event and where in addition it is probable that assets will be impacted by the settlement of the obligation and the level of the provision can be reliably determined. Provisions for restructuring measures comprise payments for the early termination of rental agreements and severance payments to employees. No provisions are carried for future operating losses.

Where a large number of similar obligations exists, the probability of a charge over assets is determined on the basis of this group of obligations. A provision is also carried as a liability if the probability of a charge over assets is low in relation to an individual obligation contained in this group.

Provisions are measured at the present value of the expected expenses, taking account of a pre-tax interest rate, reflecting current market assessments of the time value of money and the risks specific to the liability. Risks already taken into account in estimating future cash flows do not affect the discount rate. Increases in provisions due to accrued interest are carried as interest expenses through profit or loss.

The pension provision recognised for defined benefit plans corresponds to the net present value of the defined benefit obligations (DBOs) as at the balance sheet date, less the fair value of the plan assets. Measurement of these assets is limited to the net present value of the value in use in the form of reimbursements from the plan or reductions in future contribution payments. Actuarial gains and losses arising from the regular adjustment of actuarial parameters are eliminated against equity 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 DBOs is calculated by discounting the expected future outflows of cash with the interest rate 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
As a matter of principle, liabilities are 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 based on application of the effective interest method.

When issuing bonds comprising a debt component and a second component in the form of conversion options or warrants, the funds obtained for the respective components are recognised in accordance with their character. At the issuing date, the debt component is carried as a bond at a value that would have been generated for the issue of this debt instrument without corresponding conversion options or warrants on the basis of current market terms. If the conversion options or warrants have to be classified as equity instruments, the difference over the issuing proceeds generated is transferred to the capital reserve with deferred taxes taken into account.

As a matter of principle, the currency differences resulting from the translation of trade accounts payable are reported as a correction of the cost of sales. Currency differences from the translation of liabilities not resulting from 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 reliefs and charges are recognised for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Expected tax savings from the use of tax loss carryforwards assessed as recoverable in the future are capitalised. Although there continues to be no time limit for German tax loss carryforwards, the annual use of such carryforwards was restricted by means of minimum taxation. Foreign tax loss carryforwards frequently had to be used within a given country-specific time limit and were subject to restrictions concerning the use of these tax loss carryforwards for profits on ordinary activities, which were taken into account accordingly in the measurement.

Deferred taxes are directly charged or credited to equity if the tax relates to items directly credited or charged to equity in the same or some other period.

Deferred tax assets are carried to the extent that it is probable that future taxable profits will be available against which the temporary difference or an unused tax loss can be utilised.

Deferred taxes are measured at the tax rates and tax provisions applicable at the balance sheet date or essentially adopted by law and expected to be applicable at the date of realisation of the deferred tax claim or the payment of the deferred tax liability.

Current income taxes

The German companies of the TUI Group have to pay average trade income tax of approx. 15.2% or 15.7% (previous year 15.2% or 15.7%), depending on the applicable trade tax multiples. As in the prior year, the corporation tax rate was 15.0%, 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 42.1%.

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

Share-based payments

All share-based payment schemes in the Group were payment schemes paid in cash or via equity instruments.

For transactions with cash compensation, the resulting liability for the Group was charged to expenses at its fair value as at the date of the performance of the service by the beneficiary. Until payment of the liability, the fair value of the liability was remeasured at every closing date and all changes in the fair value were carried through profit 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 options granted is carried under Personnel costs with a corresponding direct increase in equity. The fair value is determined at the point when the options are granted and spread over the vesting period during which the employees become entitled to the options.

The fair value of the options granted is measured using option valuation models, taking into account the terms and conditions upon which the options were granted. The amount to be carried under personnel costs is adjusted to reflect the actual number of share options that vest, except where forfeiture is due only to market-based performance conditions not meeting the thresholds for vesting.

Transactions to acquire shares in TUI Travel PLC to perform the share option plans were taken directly to the revenue reserve in equity.

Key estimates and judgements

All estimates and judgements are reviewed on an ongoing basis and are founded 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 for 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 twelve 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 likelihood of occurrence, maturity and level of the risk. In order to determine the obligation under defined benefit pension schemes, actuarial calculations are used. They depend heavily on underlying mortality assumptions and the choice of 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 benefits are paid and with maturities corresponding to those of the pension obligations. At the same time, current market expectations are used in determining the expected return on plan assets. Detailed information is outlined in the explanatory notes on recognised pension provisions under Note 31.

Judgement is required in assessing the effectiveness of hedges at hedge inception and during the period over which hedge accounting is adopted. Moreover, the assessment of the probability of the expected 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 income tax liabilities. For certain transactions and calculations the final tax charge cannot be determined during the ordinary course of business. The level of obligations for expected tax audits is based on an estimation of whether, and to what extent, additional income taxes will be due. Judgements are corrected, if necessary, in the period in which the final tax charge is determined.

SEGMENT REPORTING

NOTES

SEGMENT REPORTING

Notes to the segments

The identification of operating segments is based on the internal organisational and reporting structure, also built around the different products and services within the TUI Group. Allocation of individual organisational entities to 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, both operating segments with comparable economic features and operating segments not meeting the quantitative thresholds are aggregated with other operating segments.

Tourism is the Group's core business and consists of three Sectors: TUI Travel, TUI Hotels & Resorts and Cruises. The Sectors constitute the reportable segments according to IFRS 8.

TUI Travel comprises all distribution, tour operator, airline and incoming activities of the TUI Group. Operational management of the Mainstream, Specialist & Activity, Accommodation & Destinations and Emerging Markets Businesses is exercised by the management of TUI Travel PLC. The Sector TUI Hotels & Resorts comprises all hotel companies of the Group outside of the TUI Travel Group.

Due to the divestment of the Magic Life hotel company to TUI Travel PLC, completed in June 2011, and the associated change in the internal organisational and reporting structure, segment reporting was adjusted accordingly. The Magic Life Group has therefore no longer been shown under the Sector TUI Hotels & Resorts but under TUI Travel. The prior-year numbers were also restated accordingly.

The Cruises Sector consists of Hapag-Lloyd Kreuzfahrten and the TUI Cruises activities, a joint venture measured at equity.

The segment entitled All other segments carries 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. The Holdings Sector also carries turnover from, and expenses for, the intra-Group aircraft charter business.

Expenses for, and income from, TUI AG's management tasks were allocated to the individual segments they were associated with.

Notes to 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 comprise assets or 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 amounts of assets measured at equity and the non-current components of other assets.

Investments are additions of property, plant and equipment as well as intangible assets. Depreciation and amortisation 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 through profit or loss was attributed to the holding activities in the prior year and carried accordingly 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 the Group's assets or liabilities has to take account of income tax assets or income tax provisions and liabilities.

Segment reporting discloses, in particular, performance indicators such as EBITA, underlying EBITA, EBITDA and EBITDAR since these indicators are used for value-oriented corporate management.

Key Figures by Segment and Sector

€ million
Statement of results
Turnover
Inter-segment turnover
Segment turnover
Group profit for the year
Income taxes
Earnings before taxes (EBT)
of which share of results of joint ventures and associates
Net interest result and result from the measurement of interest hedges
Impairment of goodwill
Segment results according to IFRS 8
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)
Adjustments
Underlying EBITA
Amortisation of other intangible assets and depreciation of property, plant and equipment
of which impairments
Other depreciation/amortisation and write-backs
of which write-backs
Earnings before interest, taxes, depreciation and amortisation (EBITDA)
Rental expenses
Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)
Assets and liabilities
Segment assets
of which goodwill
Carrying amounts of joint ventures and associates
Interest-bearing Group receivables
Cash and cash equivalents
Other financial assets
Non-allocable taxes
Total assets
Segment liabilities
Third-party financial liabilities
Group financial liabilities
Other financial liability items
Non-allocable taxes
Total liabilities and provisions
Additional disclosures
Non-cash expenses
Non-cash income
Return on sales (on EBITA)
Investments
Investments in goodwill
Investments in other intangible assets and property, plant and equipment
Financing ratio
Employees at year-end

	Tourism		All other Segments		Consolidation		Group	
	2010/11	2009/10	**2010/11**	2009/10	**2010/11**	2009/10	**2010/11**	2009/10
	17,430.4	16,286.7	49.9	63.4	-	-	17,480.3	16,350.1
	16.7	15.5	31.9	105.8	- 48.6	- 121.3	-	-
	17,447.1	**16,302.2**	**81.8**	**169.2**	**- 48.6**	**- 121.3**	**17,480.3**	**16,350.1**
	-	**-**	**-**	**-**	**-**	**-**	**118.2**	**113.6**
	-	-	-	-	-	-	88.6	64.2
	320.8	**66.0**	**- 114.0**	**111.8**	**-**	**-**	**206.8**	**177.8**
	55.0	20.3	- 2.1	150.3	-	-	52.9	170.6
	- 156.0	- 161.4	- 130.8	- 143.4	-	-	- 286.8	- 304.8
	-	18.2	-	-	-	-	-	18.2
	476.8	**245.6**	**16.8**	**255.2**	**-**	**-**	**493.6**	**500.8**
	-	-	- 2.1	150.3	-	-	- 2.1	150.3
	-	-	51.2	135.0	-	-	51.2	135.0
	476.8	**245.6**	**- 32.3**	**- 30.1**	**-**	**-**	**444.5**	**215.5**
	179.8	394.6	- 24.2	- 20.9	-	-	155.6	373.7
	656.6	**640.2**	**- 56.5**	**- 51.0**	**-**	**-**	**600.1**	**589.2**
	406.4	413.3	8.4	14.5	-	-	414.8	427.8
	39.2	30.7	3.7	8.3	-	-	42.9	39.0
	7.8	- 5.1	1.4	- 1.4	-	-	9.2	- 6.5
	7.8	3.9	1.4	-	-	-	9.2	3.9
	875.4	**664.0**	**- 25.3**	**- 14.2**	**-**	**-**	**850.1**	**649.8**
	824.9	797.3	28.8	93.4	- 13.1	- 85.2	840.6	805.5
	1,700.3	**1,461.3**	**3.5**	**79.2**	**- 13.1**	**- 85.2**	**1,690.7**	**1,455.3**
	8,533.8	8,610.9	250.5	513.2	- 8.7	- 6.6	8,775.6	9,117.5
	2,907.2	2,862.6	-	-	-	-	2,907.2	2,862.6
	724.8	714.9	1,010.7	1,060.3	-	-	1,735.5	1,775.2
	86.6	68.2	848.2	1,111.2	- 934.8	- 1,179.4	-	-
	1,152.5	1,232.2	828.8	1,042.1	-	-	1,981.3	2,274.3
	270.4	198.0	2,679.6	3,204.8	- 2,204.0	- 2,158.9	746.0	1,243.9
	-	-	-	-	-	-	253.5	204.6
							13,491.9	**14,615.5**
	6,480.3	6,185.2	321.7	330.1	- 7.5	- 89.9	6,794.5	6,425.4
	1,328.0	1,427.9	1,476.2	3,089.0	- 5.9	- 5.0	2,798.3	4,511.9
	883.9	1,047.2	67.6	59.0	- 951.5	- 1,106.2	-	-
	600.6	581.7	314.5	329.6	-	-	915.1	911.3
							436.2	332.7
							10,944.1	**12,181.3**
	14.4	32.1	2.1	-	-	-	16.5	32.1
	69.5	47.0	-	200.9	-	-	69.5	247.9
%	2.7	1.5	-	-	-	-	2.5	1.3
	471.7	512.1	2.7	4.1	-	-	474.4	516.2
	2.7	46.1	-	-	-	-	2.7	46.1
	469.0	466.0	2.7	4.1	-	-	471.7	470.1
%	86.2	84.3	311.1	353.7	-	-	87.4	86.4
	73,079	70,745	628	653	**-**	-	73,707	71,398

Key Figures Tourism Segment

€ million		TUI Travel 2010/11	TUI Travel 2009/10 revised	TUI Hotels & Resorts 2010/11	TUI Hotels & Resorts 2009/10 revised
Statement of results					
Turnover		16,867.0	15,754.8	362.6	353.2
Inter-segment turnover		26.0	81.6	418.2	418.4
Segment turnover		**16,893.0**	**15,836.4**	**780.8**	**771.6**
Group profit for the year					
Income taxes		-	-	-	-
Earnings before taxes (EBT)		**193.2**	**- 39.5**	**116.5**	**100.3**
of which share of result of joint ventures and associates		24.4	- 6.0	26.0	26.7
Net interest result and result from the measurement of interest hedges		- 128.2	- 132.0	- 27.7	- 27.8
Impairment of goodwill		-	9.1	-	9.1
Segment results according to IFRS 8		**321.4**	**101.6**	**144.2**	**137.2**
Result from Container Shipping measured at equity		-	-	-	-
Effect from the measurement of loans to Container Shipping		-	-	-	-
Earnings before interest, taxes and amortisation of goodwill (EBITA)		**321.4**	**101.6**	**144.2**	**137.2**
Adjustments		178.7	383.0	1.1	10.8
Underlying EBITA		**500.1**	**484.6**	**145.3**	**148.0**
Amortisation of other intangible assets and depreciation of property, plant and equipment		321.0	328.2	76.9	76.7
of which impairments		31.2	22.9	8.0	7.8
Other depreciation/amortisation and write-backs		2.4	- 8.0	5.4	2.9
of which write-backs		2.4	-	5.4	3.9
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**640.0**	**437.8**	**215.7**	**211.0**
Rental expenses		764.6	739.3	52.3	49.7
Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)		**1,404.6**	**1,177.1**	**268.0**	**260.7**
Assets and liabilities					
Segment assets		6,738.1	6,729.8	1,672.6	1,798.3
of which goodwill		2,515.3	2,468.5	391.9	394.1
Carrying amounts of joint ventures and associates		270.8	233.8	320.0	337.9
Interest-bearing Group receivables		0.7	19.0	32.4	10.4
Cash and cash equivalents		1,041.3	1,092.9	107.6	135.2
Other financial assets		180.1	124.8	89.8	72.7
Non-allocable taxes					
Total assets					
Segment liabilities		6,305.6	5,868.7	133.9	327.1
Third-party financial liabilities		1,017.9	1,149.5	310.1	278.4
Group financial liabilities		51.8	266.5	692.9	626.5
Other financial liability items		592.3	573.6	0.9	0.7
Non-allocable taxes					
Total liabilities and provisions					
Additional disclosures					
Non-cash expenses		12.5	25.0	1.9	6.7
Non-cash income		36.9	13.9	28.0	33.1
Return on sales (on EBITA)	%	1.9	0.6	18.5	17.8
Investments		383.3	442.0	79.9	61.3
Investments in goodwill		2.7	46.1	-	-
Investments in other intangible assets and property, plant and equipment		380.6	395.9	79.9	61.3
Financing ration	%	83.7	76.3	96.2	140.0
Employees at year-end		58,378	56,318	14,424	14,202

Cruises 2010/11	Cruises 2009/10	Consolidation 2010/11	Consolidation 2009/10	Tourism 2010/11	Tourism 2009/10	
						Statement of results
200.8	178.7	0.0	0.0	17,430.4	16,286.7	Turnover
-	-	- 427.5	- 484.5	16.7	15.5	Inter-segment turnover
200.8	**178.7**	**- 427.5**	**- 484.5**	**17,447.1**	**16,302.2**	**Segment turnover**
						Group profit for the year
-	-	-	-	-	-	Income taxes
11.1	**5.2**	**0.0**	**-**	**320.8**	**66.0**	**Earnings before taxes (EBT)**
4.6	- 0.4	-	0.0	55.0	20.3	of which share of result of joint ventures and associates
- 0.1	- 1.6	- 0.0	- 0.0	- 156.0	- 161.4	Net interest result and result from the measurement of interest hedges
-	-	-	-	-	18.2	Impairment of goodwill
11.2	**6.8**	**0.0**	**0.0**	**476.8**	**245.6**	**Segment results according to IFRS 8**
-	-	-	-	-	-	Result from Container Shipping measured at equity
-	-	-	-	-	-	Effect from the measurement of loans to Container Shipping
11.2	**6.8**	**0.0**	**0.0**	**476.8**	**245.6**	**Earnings before interest, taxes and amortisation of goodwill (EBITA)**
-	0.8	-	-	179.8	394.6	Adjustments
11.2	**7.6**	**0.0**	**0.0**	**656.6**	**640.2**	**Underlying EBITA**
8.5	8.4	- 0.0	0.0	406.4	413.3	Amortisation of other intangible assets and depreciation of property, plant and equipment
-	-	0.0	0.0	39.2	30.7	of which impairments
-	-	-	0.0	7.8	- 5.1	Other depreciation/amortisation and write-backs
-	-	-	-	7.8	3.9	or which write-backs
19.7	**15.2**	**0.0**	**0.0**	**875.4**	**664.0**	**Earnings before interest, taxes, depreciation and amortisation (EBITDA)**
8.0	8.3	- 0.0	0.0	824.9	797.3	Rental expenses
27.7	**23.5**	**- 0.0**	**0.0**	**1,700.3**	**1,461.3**	**Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)**
						Assets and liabilities
177.5	151.1	- 54.4	- 68.3	8,533.8	8,610.9	Segment assets
-	-	- 0.0	- 0.0	2,907.2	2,862.6	of which goodwill
134.0	143.2	-	-	724.8	714.9	Carrying amounts of joint ventures and associates
53.5	38.8	-	-	86.6	68.2	Interest-bearing Group receivables
3.6	4.1	0.0	- 0.0	1,152.5	1,232.2	Cash and cash equivalents
0.5	0.5	- 0.0	-	270.4	198.0	Other financial assets
						Non-allocable taxes
						Total assets
95.3	57.7	- 54.5	- 68.3	6,480.3	6,185.2	Segment liabilities
-	-	-	0.0	1,328.0	1,427.9	Third-party financial liabilities
139.2	154.2	-	-	883.9	1,047.2	Group financial liabilities
7.4	7.4	0.0	0.0	600.6	581.7	Other financial liability items
						Non-allocable taxes
						Total liabilities and provisions
						Additional disclosures
-	0.4	0.0	0.0	14.4	32.1	Non-cash expenses
4.6	-	-	-	69.5	47.0	Non-cash income
5.6	3.8	- 0.0	-0.0	2.7	1.5	Return on sales (on EBITA)
8.5	8.8	- 0.0	0.0	471.7	512.1	Investments
-	-	-	-	2.7	46.1	Investments in goodwill
8.5	8.8	- 0.0	0.0	469.0	466.0	Investments in other intangible assets and property, plant and equipment
100.0	95.5	-	-	86.2	84.3	Financing ration
277	225	-	-	73,079	70,745	Employees at year-end

Key Figures by Region

€ million	2010/11	Germany 2009/10	2010/11	Great Britain 2009/10	2010/11	Spain 2009/10	2010/11	Other EU 2009/10
Consolidated turnover by customer	**4,790.7**	**4,353.5**	**5,073.6**	**4,780.1**	**261.2**	**254.4**	**5,558.7**	**5,149.5**
Consolidated turnover by domicile of companies	**4,710.4**	**4,529.8**	**5,182.7**	**5,014.8**	**582.5**	**577.5**	**5,330.6**	**5,093.1**
Segment assets	**941.9**	**978.0**	**2,690.8**	**2,597.0**	**1,144.6**	**1,174.8**	**921.1**	**861.0**
Non-allocable taxes	-	-	-	-	-	-	-	-
Segment liabilities	**1,829.2**	**1,683.3**	**2,268.7**	**2,174.5**	**482.9**	**392.1**	**1,688.6**	**1,694.6**
Non-allocable taxes	-	-	-	-	-	-	-	-
Additional disclosures								
Depreciation/amortisation	32.5	72.5	171.7	130.9	57.8	51.9	84.7	102.6
Investments	74.6	67.6	162.1	282.3	82.4	57.7	119.0	74.9
Investments in goodwill	-	-	2.7	46.1	-	-	-	-
Investments in other tangible assets and property, plant and equipment	74.6	67.6	159.4	236.2	82.4	57.7	119.0	74.9
Employees at year-end	9,846	9,585	18,201	18,515	9,392	9,647	12,398	12,133

Rest of Europe 2010/11	Rest of Europe 2009/10	North and South America 2010/11	North and South America 2009/10	Other regions 2010/11	Other regions 2009/10	Consolidation 2010/11	Consolidation 2009/10	Group 2010/11	Group 2009/10	
646.3	**595.0**	**741.8**	**635.9**	**408.0**	**581.7**	**-**	**-**	**17,480.3**	**16,350.1**	**Consolidated turnover by customer**
466.7	**232.1**	**629.2**	**542.0**	**578.2**	**360.8**	**-**	**-**	**17,480.3**	**16,350.1**	**Consolidated turnover by domicile of companies**
34.1	**40.6**	**542.2**	**560.0**	**333.4**	**470.0**	**21.5**	**23.0**	**6,629.6**	**6,704.4**	**Segment assets**
-	-	-	-	-	-	-	-	253.5	204.6	Non-allocable taxes
118.2	**116.1**	**380.9**	**407.7**	**176.9**	**350.1**	**- 150.9**	**- 393.0**	**6,794.5**	**6,425.4**	**Segment liabilities**
-	-	-	-	-	-	-	-	436.2	332.7	Non-allocable taxes
										Additional disclosures
4.7	5.4	32.8	38.8	30.6	25.7	-	-	414.8	427.8	Depreciation/amortisation
5.4	6.4	16.2	17.5	14.7	9.8	-	-	474.4	516.2	Investments
-	-	-	-	-	-	-	-	2.7	46.1	Investments in goodwill
5.4	6.4	16.2	17.5	14.7	9.8	-	-	471.7	470.1	Investments in other tangible assets and property, plant and equipment
8,639	8,778	8,149	6,850	7,082	5,890	-	-	73,707	71,398	Employees at year-end

NOTES

NOTES ON THE CONSOLIDATED INCOME STATEMENT

Earnings by Tourism showed a positive development in an overall challenging market environment. Growth in earnings was recorded due to the sound level of current trading in the first half of the year, in particular, as well as cost savings in the Mainstream Business. These positive effects went along with the impact of the North Africa crisis on earnings, which, however, was largely contained thanks to flexible capacity management.

Due to higher transport capacity and the associated strong competitive pressure, the performance in Container Shipping declined year-on-year. This is reflected in the proportionate loss to be carried under the at equity method. The measurement results from financial instruments granted to Container Shipping by TUI generated a positive profit contribution.

(1) Turnover

Group turnover by business activity

€ million	2010/11	2009/10
Tourism services	17,293.3	16,166.3
Transport services	33.4	39.2
Trading in merchandise	48.2	38.5
Letting and leasing	15.7	23.9
Other turnover	89.7	82.2
Total	**17,480.3**	**16,350.1**

Other turnover included costs of brochures and advertising materials charged to hotels and travel agencies as well as income from sideline operations, primarily the sale of travel insurance.

(2) Cost of sales and administrative expenses

In the current financial year, TUI Travel PLC identified two accounting errors for financial year 2009/10.

One of the errors related to the erroneous non-derecognition of current trade accounts payable in the framework of consolidation, which would have reduced the cost of sales by €42.6m in financial year 2009/10. Due to the second error, earnings by the tour operator business of the French Nouvelles Frontières Group were overstated due to the non-formation and inappropriate settlement of current liabilities for tourism services purchased in the previous year, so that the cost of sales was understated by €50.9m.

Since the two errors almost offset one another in the same line item in the consolidated financial statements, i.e. cost of sales and current trade accounts payable, and they did not cause any changes in the assessment of the net assets, financial position and results of operations, the prior-year numbers were not restated. The correction of the errors was carried through profit and loss in the consolidated financial statements for financial year 2010/11.

The cost of sales and administrative expenses include:

Lease, rental and leasing expenses

€ million	2010/11	2009/10
Lease, rental and leasing expenses	905.6	812.1

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.

The increase in rental and lease expenses mainly results from the rise in expenses for aircraft leases and hotel rental.

Staff costs

€ million	2010/11	2009/10
Wages and salaries	1,878.0	1,925.7
Social security contributions, pension costs and benefits	325.2	332.6
Total	**2,203.2**	**2,258.3**

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 31.

Personnel costs declined, in particular due to the settlement of income from plan changes in pension plans in the UK. The income results from a reduction in the pay increases on the pensionable pay taken into account.

The average annual headcount (excluding apprentices) developed as follows:

Average annual headcount in the financial year (excl. apprentices)

	2010/11	2009/10
Average annual – TUI Group	66,688	65,740

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	2010/11	2009/10
Depreciation and amortisation	371.9	388.8
Impairment of other intangible assets, property, plant and equipment and investment property	42.9	39.0
Total	**414.8**	**427.8**

In the financial year under review, impairments include an amount of €13.5m for the Island Escape cruise ship operated by TUI Travel. Further impairments of property, plant and equipment include €8.0m for a hotel facility, €4.1m for aircraft assets and €3.6m for real estate assets.

Concerning other intangible assets, impairments of €6.4m are carried for the Island Cruise brand and €4.2m for software development costs of TUI Travel.

(3) Other income/other expenses

Other income/other expenses

€ million	2010/11	2009/10
Other income	88.3	58.9
Other expenses	11.2	5.3
Total	**77.1**	**53.6**

In the period under review, other income relates above all to the gain on disposal from the sale of four Turkish hotel facilities, the gain on disposal from the sale of the administrative buildings at Ballindamm and Rosenstrasse in Hamburg, and the gain on disposal from the sale of 11.33% of TUI's stake in Hapag-Lloyd to the Albert Ballin consortium. Other income also includes carrying amounts from the disposal of aircraft assets. In the previous year, this item mainly comprised foreign exchange differences from capital reduction schemes in subsidiaries and the gains on disposal from the sale of a hotel facility and of Canada Mainstream, carried through profit or loss.

(4) Goodwill impairment

The implementation of impairment tests according to IAS 36 did not result in any impairments in financial year 2010/11. The impairments carried in the previous year consisted of amounts of €9.1m each for the Sector TUI Travel and Sector TUI Hotels & Resorts.

Even applying sensitivities to the main parameters of the impairment test (a reduction in the growth rate of 0.5% p.a. or an increase in the interest rate of 0.5% p.a.) did not result in any impairments.

(5) Financial income

Financial income

€ million	2010/11	2009/10
Income from non-consolidated Group companies	4.7	3.2
Income from other investments	0.3	0.6
Income from profit transfer agreements with non-consolidated Group companies	1.6	8.6
Income from investments	**6.6**	**12.4**
Other income from securities and loans	87.2	149.2
Interest and similar income from non-consolidated Group companies	0.1	0.1
Interest on pension scheme assets	85.5	78.2
Other interest and similar income	70.8	73.4
Interest income	**243.6**	**300.9**
Income from the measurement of interest hedges	4.1	-
Income from the measurement of other financial instruments	-	5.7
Total	**254.3**	**319.0**

The change in other income from securities and loans mainly results from the measurement effects of €51.2m (previous year €135.0m) from write-backs on loans and hybrid instruments granted to Hapag-Lloyd AG (previously Albert Ballin Holding GmbH & Co. KG) and granted by Hapag-Lloyd.

(6) Financial expenses

Financial expenses

€ million	2010/11	2009/10
Expenses relating to losses taken over from non-consolidated Group companies	**0.7**	**-**
Impairments of available-for-sale financial instruments and loans	**9.2**	**10.5**
Interest and similar expenses to non-consolidated Group companies	0.1	0.6
Interest expenses from the measurement of pension obligations	115.4	117.7
Other interest and similar expenses	367.7	352.0
Interest expenses	**483.2**	**470.3**
Expenses relating to the measurement of interest hedges	-	0.4
Expenses relating to the measurement of other financial instruments	0.7	-
Total	**493.8**	**481.2**

The interest expenses include expenses for the early repayment of parts of the 2007/12 convertible bond and the 2005/12 bond. Interest expenses to be recognised until final maturity for the debt component of the convertible bond were already carried through profit or loss due to the buy-back in the period under review.

(7) Share of result of joint ventures and associates

Share of result of joint ventures and associates

€ million	2010/11	2009/10
Income from associated companies measured at equity	28.6	158.8
Expenses for associated companies measured at equity	3.2	15.4
Share of result of associates	**+ 25.4**	**+ 143.4**
Income from joint ventures measured at equity	40.9	38.1
Expenses for joint ventures measured at equity	13.4	10.9
Share of result of joint ventures	**+ 27.5**	**+ 27.2**
Total	**+ 52.9**	**+ 170.6**

The share of result of joint ventures and associates comprises the net profit for the year attributable to the associated companies and joint ventures.

The considerable decrease in the share of result of joint ventures and associates was driven by the profit contribution of €-2.1m (previous year €+150.3m) from the stake in the Container Shipping group.

In the completed financial year, the share of result of joint ventures and associates did not comprise any impairments (previous year €4.3m).

Group share in individual items of income statement of associated companies

€ million	2010/11	2009/10
Operating income	3,360.9	2,909.3
Operating expenses	3,295.6	2,703.5
Operating result	**65.3**	**205.8**
Financial result	- 29.5	- 59.4
Profit on ordinary activities	**35.8**	**146.4**
Income taxes	10.4	3.0
Profit/loss for the year	**25.4**	**143.4**
Share of result of associates	**25.4**	**143.4**

Group share in individual items of income statements of joint ventures

€ million	2010/11	2009/10
Operating income	602.4	631.7
Operating expenses	558.7	592.4
Operating result	**43.7**	**39.3**
Financial result	- 8.5	- 0.6
Profit on ordinary activities	**35.2**	**38.7**
Income taxes	7.7	11.5
Profit for the year	**27.5**	**27.2**
Share of result of joint ventures	**27.5**	**27.2**

(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 final consolidation profits under gains on disposal, events according to IAS 37 under restructuring, and all effects from purchase price allocations, incidental acquisition costs and conditional purchase price payments on EBITA under purchase price allocations.

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	2010/11	2009/10 revised
Tourism	**12.9**	**223.9**
TUI Travel	11.8	212.3
TUI Hotels & Resorts	1.1	10.8
Cruises	-	0.8
All other segments	**- 24.2**	**- 20.9**
Total	**- 11.3**	**203.0**

The one-off items carried by TUI Travel for financial year 2010/11 include an amount of €68.7m for adjustments of income from plan changes in pension plans in the UK. An opposite effect was caused by adjustments to expenses for the restructuring of tour operator activities in the UK and TUI Travel PLC as well as the net effect of the item described under Note 2.

TUI Hotels & Resorts carried adjustments for the gain on disposal from the sale of Turkish hotel facilities and impairments on receivables and hotel facilities.

One-off items carried for Other segments in financial year 2010/11 mainly comprised the gain on disposal from the sale of the administrative buildings in Hamburg.

(9) Income taxes

Breakdown of income taxes

€ million	2010/11	2009/10
Current tax expense		
in Germany	8.2	17.8
abroad	115.9	26.3
Deferred tax income (previous year expense)	- 35.5	20.1
Total	**88.6**	**64.2**

The increase in tax expenses is driven by effective taxes abroad. In the previous year, the reversal of tax provisions for tax risks had resulted in a decrease in effective taxes abroad. The tax income in the period under review arose both within TUI AG and TUI Travel PLC. Effective taxes relating to prior periods amount to €1.0m (previous year income of €40.7m) in financial year 2010/11.

In financial year 2010/11, total income taxes of €88.6m (previous year €64.2m) were 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 earnings before tax:

Reconciliation of expected to actual income taxes

€ million	2010/11	2009/10
Earnings before income taxes	+ 206.8	+ 177.8
Expected income tax (current year 31.5%, previous year 31.5%)	**65.1**	**56.0**
Variation from the difference between actual and expected tax rates	- 3.2	- 20.4
Changes in tax rates and tax law	16.0	0.1
Income not taxable	- 113.0	- 146.3
Expenses not deductible	104.9	62.6
Effects from tax loss carryforwards	61.8	94.5
Temporary differences for which no deferred taxes were recognised	- 8.1	7.2
Deferred and current tax relating to other periods (net)	- 34.7	9.0
Other differences	- 0.2	1.5
Income taxes	**88.6**	**64.2**

The decline in the tax effect arising from tax-free income is largely attributable to the positive tax-free at equity result in Container Shipping generated in the previous year. The tax effect of non-tax-deductible expenses increased in particular in the TUI Travel Sector as against the previous year.

Unlike in the previous year, the effects of tax loss carryforwards comprised considerably higher amounts from the use of tax loss carryforwards previously considered as non-realisable. Tax income relating to other periods, above all deferred tax income, mainly arose within TUI Travel PLC.

(10) Group profit for the year attributable to TUI AG shareholders

Group profit for the year attributable to TUI AG shareholders declined from €101.8m in the prior year to €23.9m in the completed financial year 2010/11. The decrease is largely attributable to the considerable reduction in the profit contribution from Container Shipping included under the at equity method.

(11) Group profit for the year attributable to non-controlling interests

Group profit for the year attributable to non-controlling interest

€ million	2010/11	2009/10
Profit attributable to non-controlling interest	94.4	67.2
Loss attributable to non-controlling interest	0.1	55.4
Total	**94.3**	**11.8**

Group profit for the year attributable to non-controlling interests mainly relates to companies of the TUI Travel PLC Group and the RIUSA II Group.

(12) 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 registered shares outstanding during the financial year under review. The average number of shares is derived from the total number of shares at the beginning of the financial year (251,548,525 shares), the prorated effect of the employee shares issued (96,533 new shares for 319 days) and the conversion of bonds into new shares (38,070).

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 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 2012.

Earnings per share

		2010/11	2009/10
Group profit for the year attributable to shareholders of TUI AG	€ million	+ 23.9	+ 101.8
Dividend effect on hybrid capital	€ million	- 25.3	- 25.4
= Adjusted Group profit for the year attributable to shareholders of TUI AG	€ million	- 1.4	76.4
Weighted average number of shares		251,683,128	251,523,322
Basic earnings per share	**€**	**- 0.01**	**+ 0.30**
Adjusted Group profit for the year attributable to shareholders of TUI AG	€ million	- 1.4	76.4
Interests savings from convertible bonds	€ million	+ 90.2	+ 61.9
Diluted and adjusted share in Group profit for the year attributable to shareholders of TUI AG	€ million	88.8	138.3
Weighted average number of shares		251,683,128	251,523,322
Diluting effect from assumed exercise of conversion inputs		+ 71,422,383.0	+ 59,108,329.0
Weighted average number of shares (diluted)		323,105,511	310,631,651
Diluted earnings per share	**€**	**- 0.01**	**0.30**

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. As the convertible bonds did not have a dilution effect in financial year 2010/11, basic and diluted earnings per share are identical.

(13) Other results allocable taxes

Tax effects relating to other comprehensive income

			2010/11			2009/10
€ million	Gross	Tax effect	Net	Gross	Tax effect	Net
Foreign exchange differences	- 45.5	-	- 45.5	78.8	-	78.8
Available for sale financial instruments	176.1	-	176.1	4.6	-	4.6
Cash flow hedges	105.5	- 22.9	82.6	95.8	-17.0	78.8
Actuarial losses from pension provisions and related fund assets	- 102.2	1.0	- 101.2	- 77.4	20.2	- 57.2
Changes in the measurement of companies measured at equity outside profit or loss	- 25.7	-	- 25.7	13.2	-	13.2
Other comprehensive income	**108.2**	**- 21.9**	**86.3**	**115**	**3.2**	**118.2**

In addition, income taxes of €16.6m (previous year €54.5m) arose outside profit and loss in financial year 2010/11. They resulted from the issue of convertible bonds and were directly charged to equity.

NOTES

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(14) Goodwill

Goodwill

€ million	2010/11	2009/10
Historical cost		
Balance as at 1 Oct	**3,269.3**	**3,110.3**
Exchange differences	- 11.2	112.9
Additions	65.9	46.1
Disposals[1]	16.0	-
Reclassifications	13.5	-
Balance as at 30 Sep	**3,321.5**	**3,269.3**
Impairment		
Balance as at 1 Oct	**406.7**	**398.0**
Exchange differences	- 1.3	- 4.8
Impairments for the current year	-	13.5
Disposals[1]	-	-
Reclassifications	8.9	-
Balance as at 30 Sep	**414.3**	**406.7**
Carrying amounts as at 30 Sep	**2,907.2**	**2,862.6**

[1] of which no disposals from changes in the group of consolidated companies

The increase in the carrying amount is largely attributable to acquisitions made by TUI Travel. Details concerning the acquisitions are presented under Principles and methods of consolidation.

The reclassifications mainly relate to the goodwill of Jet4You (TUI Travel), which no longer has to be classified as held for sale due to the discontinuation of the sales negotiations.

In accordance with the rules of IAS 21, goodwill allocated to individual Segments and Sectors was recognised in the functional currency of the subsidiaries and subsequently translated in the framework of the preparation of the consolidated financial statements. In analogy to the treatment of other differences from the translation of annual financial statements of foreign subsidiaries, differences due to exchange rate fluctuations between the exchange rate at the date of acquisition of the subsidiary and the exchange rate at the balance sheet date are taken directly to equity outside profit and loss and disclosed as a separate item.

At €2,515.3m, the largest portion of goodwill shown relates to the TUI Travel Sector. Within TUI Hotels & Resorts, goodwill of €351.7m is carried for the RIUSA II Group.

(15) Other intangible assets

Other intangible assets

€ million	Concessions, industrial property rights and similar rights and values	Self-generated software	Transport and leasing contracts	Customer base	Payments on account	Total
Historical cost						
Balance as at 1 Oct 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**
Exchange differences	- 2.5	- 3.1	- 0.8	0.6	-	-5.8
Additions due to changes in the group of consolidated companies	21.7	-	-	0.2	-	21.9
Additions	41.8	13.5	8.2	1.4	1.2	66.1
Disposals	25.5	10.3	0.1	-	-	35.9[1)]
Reclassifications	- 49.2	47.2	0.2	1.8	-	-
Balance as at 30 Sep 2011	**1,058.0**	**176.8**	**96.0**	**237.0**	**1.2**	**1,569.0**
Amortisation						
Balance as at 1 Oct 2009	**365.6**	**92.6**	**11.6**	**37.3**	**-**	**507.1**
Exchange differences	16.7	4.8	0.7	0.2	-	22.4
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**
Exchange differences	- 1.4	- 1.5	- 0.1	0.8	-	- 2.2
Additions due to changes in the group of consolidated companies	1.0	-	-	-	-	1.0
Amortisation for the current year	95.9	14.5	5.7	17.5	-	133.6
Disposals	27.1	8.4	-	-	-	35.5[1)]
Reclassifications	- 26.2	26.2	-	-	-	-
Balance as at 30 Sep 2011	**496.4**	**121.3**	**23.4**	**71.3**	**-**	**712.4**
Carrying amounts as at 30 Sep 2010	**617.5**	**39.0**	**70.7**	**180.0**	**-**	**907.2**
Carrying amounts as at 30 Sep 2011	**561.6**	**55.5**	**72.6**	**165.7**	**1.2**	**856.6**

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.

In the completed financial year, impairments of €11.7m (previous year €3.4m) were eliminated. As in the previous year, no write-backs to other intangible assets were effected.

(16) Investment property

Investment property

€ million	2010/11	2009/10
Historical cost		
Balance as at 1 Oct	**105.3**	**118.5**
Additions	0.7	3.1
Disposals	4.2	16.6
Reclassifications	0.4	0.3
Balance as at 30 Sep	**102.2**	**105.3**
Depreciation		
Balance as at 1 Oct	**39.1**	**41.8**
Depreciation for the current year	6.2	2.8
Disposals	2.5	5.5
Reclassifications	0.2	-
Balance as at 30 Sep	**43.0**	**39.1**
Carrying amounts as at 30 Sep	**59.2**	**66.2**

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 €59.2m (previous year €66.2m). The fair values totalling €59.6m (previous year €67.0m) were calculated by the Group's own real estate companies, without consulting an external expert, on the basis of comparable market rents. The fair value of property for which purchase contracts had already been concluded was the selling price. Investment property generated total income of €38.6m (previous year €43.7m). The generation of this income was associated with expenses of €34.0m (previous year €28.6m) in financial year 2010/11.

(17) Property, plant and equipment

Property, plant and equipment

€ million	Real estate with hotels	Other real estate, land rights and buildings incl. buildings on third-party properties	Aircraft
Historical cost			
Balance as at 1 Oct 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**
Exchange differences	- 15.9	5.8	-
Additions due to changes in the group of consolidated companies	-	0.4	-
Additions	32.9	14.7	32.3
Disposals	3.5	-	229.5
Reclassifications	- 0.9	23.9	- 48.8
Balance as at 30 Sep 2011	**1,294.8**	**258.8**	**864.9**
Depreciation			
Balance as at 1 Oct 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**
Exchange differences	- 7.4	4.7	0.8
Additions due to changes in the group of consolidated companies	-	0.2	-
Depreciation for the current year	44.5	4.3	63.2
Disposals	2.8	0.5	153.7
Reclassifications	- 14.4	0.8	- 50.2
Balance as at 30 Sep 2011	**386.7**	**56.5**	**623.8**
Carrying amounts as at 30 Sep 2010	**915.4**	**167.0**	**347.2**
Carrying amounts as at 30 Sep 2011	**908.1**	**202.3**	**241.1**

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

Ships	Machinery and fixtures	Other plants, operating and office equipment revised	Assets under construction	Payments on account	**Total**
451.3	**212.5**	**1127.4**	**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[1)]
- 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**
- 2.4	-	- 10.2	0.1	- 1.8	- 24.4
0.1	-	5.5	-	-	6.0
76.4	24.3	103.6	36.9	83.9	405.0
10.0	2.9	47.3	24.1	45.5	362.8[1)]
15.0	- 2.5	- 14.4	- 55.1	-	- 82.8
681.8	**239.0**	**1,251.2**	**44.6**	**197.1**	**4,832.2**
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[1)]
- 0.1	2.9	9.8	-	-	- 22.6
198.8	**138.2**	**876.9**	**-**	**-**	**2,391.4**
- 0.6	-	- 5.4	-	-	- 7.9
-	-	3.9	-	-	4.1
47.2	14.7	101.2	-	-	275.1
2.3	2.8	46.2	-	-	208.3[1)]
7.9	- 2.9	- 8.5	-	-	- 67.3
251.0	**147.2**	**921.9**	**-**	**-**	**2,387.1**
403.9	**81.9**	**337.1**	**86.8**	**160.5**	**2,499.8**
430.8	**91.8**	**329.3**	**44.6**	**197.1**	**2,445.1**

At the balance sheet date, the carrying amount of property, plant and equipment subject to restraints on ownership amounted to €17.4m (previous year €49.3m). In the period under review, property, plant and equipment was not pledged as security (previous year €31.9m).

The Group effected immaterial reversals of depreciation of property, plant and equipment (previous year €0.0m). Impairments total €31.2m (previous year €35.6m) and relate to the Island Escape cruise ship operated by TUI Travel (€13.5m), land with hotels and other buildings (€11.6m) and aircraft assets (€4.1m).

Property, plant and equipment also comprises leased assets in which Group subsidiaries assumed substantially all the risks and rewards of ownership of the assets.

Development of leased assets

	Net carrying amounts	
€ million	**30 Sep 2011**	30 Sep 2010
Other real estate, land rights and buildings incl. buildings on third-party properties	9.8	24.0
Aircraft	30.1	91.7
Ships, yachts and boats	119.0	126.5
Machinery and fixtures	0.7	4.4
Other plants, operating and office equipment	8.9	10.5
Total	**168.5**	**257.1**

The payment obligations resulting from future lease payments are carried as liabilities without taking account of future interest expenses for the carrying amount of the financial liabilities. Total payments due in future under finance leases amount to €191.8m (previous year €368.3m). Group companies accepted guarantees for the residual values of the leased assets totalling €9.9m (previous year €167.3m).

Reconciliation of future lease payments to liabilities from finance leases

		Remaining term		**30 Sep 2011**	30 Sep 2010
€ million	up to 1 year	1 – 5 years	more than 5 years	Total	Total
Total future lease payments	30.2	96.9	64.7	191.8	368.3
Interest portion	5.8	15.0	16.2	37.0	48.1
Liabilities from finance leases	24.4	81.9	48.5	154.8	320.2

(18) Investments in joint ventures and associates

Investments in joint ventures and associates

€ million	Joint ventures	Associates	Total
Historical cost			
Balance as at 1 Oct 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[1)]
Reclassifications	- 3.0	- 2.5	- 5.5
Balance as at 30 Sep 2010	**567.7**	**1,215.1**	**1,782.8**
Exchange differences	- 32.1	- 5.2	- 37.3
Additions	69.6	39.2	108.8
Disposals	46.7	317.6	364.3[1)]
Reclassifications	-	253.1	253.1
Balance as at 30 Sep 2011	**558.5**	**1,184.6**	**1,743.1**
Impairments			
Balance as at 1 Oct 2009	**3.3**	**-**	**3.3**
Impairments for the current year	4.3	-	4.3
Disposals	-	-	-
Balance as at 30 Sep 2010	**7.6**	**-**	**7.6**
Impairments for the current year	-	-	-
Disposals	-	-	-
Balance as at 30 Sep 2011	**7.6**	**-**	**7.6**
Carrying amounts as at 30 Sep 2010	**560.1**	**1,215.1**	**1,775.2**
Carrying amounts as at 30 Sep 2011	**550.9**	**1,184.6**	**1,735.5**

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

For investments in joint ventures and associates, proportionate profits for the year are shown under additions and disposals, while impairments of these investments have to be carried under impairments. Dividends worth €20.5m (previous year €26.4m) are included in disposals.

For joint ventures and associates, 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 2011	30 Sep 2010
Goodwill from investment in joint ventures	80.6	59.0
Non-current assets	733.8	655.6
Current assets	298.3	205.6
Non-current provisions and liabilities	- 356.2	- 149.0
Current provisions and liabilities	- 205.6	- 211.1
Investment in joint ventures	**550.9**	**560.1**

Group share of assets and liabilities of associates

€ million	30 Sep 2011	30 Sep 2010
Goodwill from investment in associates	317.4	358.2
Non-current assets	1,496.6	1,914.3
Current assets	695.1	822.3
Non-current provisions and liabilities	- 789.0	- 1,078.9
Current provisions and liabilities	- 535.5	- 800.8
Investment in associates	**1,184.6**	**1,215.1**

(19) 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 and other methods to determine an objective market value do not produce any reliable results, the shares are measured at cost. In financial year 2010/11, financial assets classified as available for sale under IFRS 7 of €7.5m (previous year €9.1m) were impaired.

(20) Trade receivables and other assets

Trade receivables and other assets

€ million	30 Sep 2011 Remaining term of more than 1 year	30 Sep 2011 Total	30 Sep 2010 Remaining term of more than 1 year	30 Sep 2010 Total
Trade receivables	-	627.6	-	724.9
Advances and loans	315.0	1,213.8	256.3	1,447.8
Other receivables and assets	94.1	518.6	78.5	490.3
Total	**409.1**	**2,360.0**	**334.8**	**2,663.0**

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
Balance as at 30 Sep 2011						
Trade receivables	627.6	352.7	155.9	62.1	16.8	40.1
Advances and loans	194.4	194.4	-	-	-	-
Other receivables and assets	69.9	66.4	2.4	0.7	0.3	0.1
Total	**891.9**	**613.5**	**158.3**	**62.8**	**17.1**	**40.2**
Balance as at 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**

Impairments on assets of the trade receivables and other assets category according to IFRS 7

€ million	2010/11	2009/10
Balance at the beginning of period	**760.7**	**599.4**
Additions	59.6	145.6
Disposals	488.5	93.2
Other changes	- 63.7	108.9
Balance at the end of period	**268.1**	**760.7**

In financial year 2010/11, as in the prior year, no cash inflow was recorded from impaired interest-bearing trade accounts receivable and other receivables. The disposal included in the balance mainly results from the impairment and subsequent disposal of a hybrid loan.

Trade receivables

€ million	30 Sep 2011	30 Sep 2010
From third parties	624.4	718.5
From non-consolidated Group companies	2.3	5.5
From affiliates	0.9	0.9
Total	**627.6**	**724.9**

Advances and loans

€ million	30 Sep 2011 Remaining term of more than 1 year	30 Sep 2011 Total	30 Sep 2010 Remaining term of more than 1 year	30 Sep 2010 Total
Advances to non-consolidated Group companies	17.3	26.6	-	0.1
Loans to non-consolidated Group companies	-	-	1.0	1.0
Advances to affiliates	-	20.0	-	18.8
Loans to affiliates	-	11.7	10.8	412.7
Advances to third parties	45.9	100.4	47.7	109.2
Loans to third parties	33.0	35.7	32.2	40.1
Payments on account	218.8	1,019.4	164.6	865.9
Total	**315.0**	**1,213.8**	**256.3**	**1,447.8**

Prepayments made mainly relate to prepayments for future tourism services, in particular future hotel services payable by tour operators, customary in the industry.

Other receivables and assets

€ million	30 Sep 2011 Remaining term of more than 1 year	30 Sep 2011 Total	30 Sep 2010 Remaining term of more than 1 year	30 Sep 2010 Total
Other receivables from non-consolidated Group companies	-	-	0.7	21.6
Other receivables from affiliates	-	44.3	3.6	27.3
Interest deferral	-	25.6	-	10.7
Other tax refund claims	-	89.9	1.0	100.9
Other assets	94.1	358.8	73.2	329.8
Total	**94.1**	**518.6**	**78.5**	**490.3**

(21) Derivative financial instruments

Derivative financial instruments

€ million	30 Sep 2011 Remaining term of more than 1 year	30 Sep 2011 Total	30 Sep 2010 Remaining term of more than 1 year	30 Sep 2010 Total
Receivables from derivative financial instruments from third parties	43.6	274.8	165.3	368.6

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 Notes under financial instruments.

(22) 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 2011	30 Sep 2010
Deferred tax assets	163.5	133.6
Current tax assets	90.0	71.1
Total	**253.5**	**204.7**

Deferred tax assets include an amount of €115.3m (previous year €72.7m) to be realised in more than twelve months.

Individual items of deferred tax assets and liabilities recognised in the financial position

		30 Sep 2011		30 Sep 2010
€ million	Asset	Liability	Asset	Liability
Finance lease transactions	-	2.1	-	35.7
Recognition and measurement differences for property, plant and equipment and other non-current assets	157.5	235.1	133.4	332.5
Recognition differences for receivables and other assets	13.7	228.0	46.1	50.3
Measurement of financial instruments	29.0	107.1	26.8	98.6
Measurement of pension provisions	123.2	2.6	159.4	0.2
Recognition and measurement differences for other provisions	72.4	41.6	71.5	7.1
Other transactions	124.1	28.7	4.1	35.1
Capitalised tax savings from recoverable tax loss carryforwards	168.1	-	171.6	-
Netting of deferred tax assets and liabilities	- 524.5	- 524.5	- 479.3	- 479.3
Balance sheet amount	**163.5**	**120.7**	**133.6**	**80.2**

No deferred tax liabilities were carried for temporary differences of €80.0m (previous year €78.3m) 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 tax loss carryforwards and time limits for non-capitalised tax loss carryforwards

€ million	30 Sep 2011	30 Sep 2010
Capitalised tax loss carryforwards	**773.6**	**771.6**
Non-capitalised tax loss carryforwards	**3,295.1**	**3,589.3**
of which tax loss carryforwards forfeitable within one year	0.4	10.9
of which tax loss carryforwards forfeitable within 2 to 5 years	59.3	65.9
of which tax loss carryforwards forfeitable within more than 5 years (excluding non-forfeitable tax loss carryforwards)	20.2	13.5
Non-forfeitable tax loss carryforwards	3,215.2	3,499.0
Total unused tax loss carryforwards	**4,068.7**	**4,360.9**

Loss carryforwards for German companies comprise the cumulative amount of trade tax and corporation tax as well as interest carryforwards from the German earnings stripping rule. Potential tax savings totalling €681.3m (previous year €714.8m) were not capitalised since the use of the underlying tax loss carryforwards was not considered probable within the planning period.

In financial year 2010/11, the use of tax loss carryforwards previously assessed as non-realisable, and for which therefore no asset had been carried for the resulting potential tax savings as at 30 September 2010, led to tax savings of €34.5m (previous year €0.8m). In financial year 2010/11, no material tax reductions were realised by means of loss carrybacks, as in the previous year.

Development of capitalised tax savings from realisable tax loss carryforwards

€ million	2010/11	2009/10
Capitalised tax savings at the beginning of the year	**171.6**	**179.3**
Exchange adjustments	5.2	- 6.2
Use of tax loss carryforwards	- 9.3	- 3.6
Capitalisation of tax savings from tax loss carryforwards	+ 8.8	+ 42.8
Write-down of capitalised tax savings from tax loss carryforwards	- 8.2	- 41.1
Reclassification to discontinued operation	-	0.4
Capitalised tax savings at financial year-end	**168.1**	**171.6**

The capitalised deferred tax asset from temporary differences and tax loss carryforwards assessed as recoverable of €126.0m (previous year: €84.6m), which arose in the TUI Travel Sector, is covered by expected future taxable income even for companies that generated losses in the period under review (or prior periods).

(23) Inventories

Inventories

€ million	30 Sep 2011	30 Sep 2010
Raw materials and supplies	74.2	61.0
Work in progress	5.8	7.2
Finished goods and merchandise	26.7	21.3
Total	**106.7**	**89.5**

In financial year 2010/11, as in the prior year, no major impairments of inventories were effected in order to carry them at the lower net realisable value. No major write-backs of inventories were effected in 2010/11, nor in the prior year.

(24) Cash and cash equivalents

Cash and cash equivalents

€ million	30 Sep 2011	30 Sep 2010
Bank deposits	1,912.7	2,269.1
Cash in hand and cheques	68.6	5.2
Total	**1,981.3**	**2,274.3**

At 30 September 2011, cash and cash equivalents of €0.1bn (previous year €0.1bn) were subject to restraints on disposal.

(25) Assets held for sale

Assets held for sale

€ million	30 Sep 2011	30 Sep 2010
Dorfhotel	6.9	-
Property and hotel facilities	-	225.0
Jet4You	-	35.0
Other assets	17.3	32.4
Total	**24.2**	**292.4**

The decline in assets held for sale is driven by the sale of administrative buildings and Turkish hotel complexes, which has meanwhile been completed. Moreover, the sales negotiations to sell Jet4You have been discontinued so that the assets and liabilities of this disposal group have been reclassified to the corresponding balance sheet items.

Other assets primarily comprise aircraft assets held for sale.

In segment reporting, real estate is carried in other segments with other assets carried in the Tourism segment.

(26) 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 have been 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 a total of €0.4m to around €643.5m, due to the issue of 148,220 shares resulting from the issue of employee shares and due to conversions under the 2009/14 convertible bond. It thus consisted of 251,696,745 shares at the end of the financial year.

The Annual General Meeting of 9 February 2011 authorised the Executive Board of TUI AG to purchase own shares of up to 10% of the capital stock. The authorisation will expire on 8 August 2012. The possibility of acquiring own shares has not been used to date.

Conditional capital

On 1 June 2007, using part of the conditional capital of €100.0m authorised in 2006, TUI AG issued an unsecured non-subordinate convertible bond of €694.0m maturing on 1 September 2012. The bonds were issued in denominations with nominal values of €50,000 each. Following an adjustment in November 2009, the conversion price is €27.1147 per no-par value share. 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. By 30 September 2011, no conversions had been effected under the bond. Via early redemption of this convertible bond in financial year 2010/11 and in October and November 2011, TUI AG reduced the outstanding nominal volume by €40.1m and called in the remaining volume early on account of immateriality. It will be redeemed by 19 December 2011.

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 for the issue of bonds of €100.0m each, expiring by 6 May 2013 and 12 May 2014, respectively. The issue of bonds with conversion options and warrants as well as profit-sharing rights and income bonds (with and without fixed terms) under the two above-mentioned authorisations has been limited to a total nominal amount of €1.0bn.

Using the conditional capital of 13 May 2009, on 17 November 2009 TUI AG 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 2011, 5,127 bonds were converted into 51,270 new shares in TUI AG (including 38,070 in the period under review).

Using the conditional capital of 7 May 2008, TUI AG on 24 March 2011 issued unsecured non-subordinate convertible bonds worth €339.0m maturing on 24 March 2016. The bonds were issued in denominations with nominal values of €59.26. The conversion price is €11.8506 per no-par value share. The convertible bonds may thus be converted into a maximum of 28,599,735 shares. The bonds, which carry an interest coupon of 2.75%, were issued at par. The bonds are traded at four German stock exchanges. By 30 September 2011, no bonds had been converted.

Overall, TUI AG held conditional capital of €299.9m as at 30 September 2011, taking account of the conversions effected.

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 Annual General Meeting of 7 May 2008 also resolved to create new authorised capital for the issue of employee shares, which stood at around €9.0m at the balance sheet date. In the completed financial year, 110,150 employee shares were issued. The Executive Board of TUI AG has been authorised to use this capital in one or several transactions for the issue of employee shares against cash contribution by 6 May 2013.

In addition, the Annual General Meeting of 9 February 2011 resolved to create authorised capital for the issue of new shares against cash contribution totalling €246.0m. The authorisation to use this authorised capital will expire on 8 February 2016.

Accordingly, total unused authorised capital was around €319.0m at the balance sheet date (around €319.3m as at 30 September 2010).

(27) 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 24 March 2011, 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 €41.9m.

The capital reserves also rose by a total of €0.7m due to the issue of employee shares and, to a lesser extent, the conversion of bonds into shares.

(28) Revenue reserves

Other revenue reserves comprise transfers from the results of the financial year under review or previous years.

Negative non-controlling interest 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 2010/11, dividends were distributed to non-Group shareholders of subsidiaries, in particular of TUI Travel PLC and RIUSA II.

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 are formed for step acquisitions since the changes in the fair values of the assets and liabilities of an acquired company arising in between the individual acquisition dates are taken through profit and loss based on the stake held, which did not yet result in consolidation of the company concerned.

The addition from first-time consolidation comprises the increase in equity which arose from the acquisition of 60% of the shares in Intrepid Travel Group Limited, Australia. As a consideration, the existing shareholders of the Intrepid Group acquired a 40% stake in parts of TUI's Adventure travel business. Accordingly, the prorated equity of TUI's Adventure travel business was reclassified to non-controlling interest. The reclassifications to non-controlling interests also include the reclassification of the prorated equity of the Magic Life Group as a result of the sale of the Magic Life Group to TUI Travel PLC.

The differences between acquired equity and acquisition costs, which have arisen from the acquisition of non-controlling interests (€-28.0m), are directly eliminated against Other revenue reserves.

Changes in the value of financial assets available for sale are taken to, or 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 2010/11, the reserve in accordance with IAS 19 decreased mainly because of actuarial losses on the fund assets.

Taking account of non-controlling interests and deferred taxes, the reserves stood at €-344.8m (previous year €-289.8m) at the end of financial year 2010/11.

(29) Hybrid capital

In accordance with IAS 32, the subordinated hybrid capital issued by TUI AG in December 2005, worth 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 are deferred as other financial liabilities until the payment date.

(30) Non-controlling interests

Non-controlling interests mainly relate to companies of TUI Travel PLC and TUI Hotels & Resorts, in particular the RIUSA II Group.

(31) 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 2010/11, the pension costs for all defined contribution plans totalled €31.4m (previous year €48.4m).

In the period under review, material contractual changes arose in the defined benefit pension plans in the UK. In April, a plan curtailment was resolved for the British pension plans, resulting in income of €73.5m. Total income of €4.0m (previous year expense of €87.1m) therefore arose for the Group as a whole in defined benefit pension obligations.

Pension costs for defined benefit obligations

€ million	2010/11	2009/10
Current service cost for employee service in the period	39.9	46.3
Curtailment gains	74.2	-
Interest cost	115.4	117.7
Expected return on external plan assets	85.5	78.2
Past service cost due to plan changes	0.4	1.3
Total	**- 4.0**	**87.1**

In addition, an agreement was concluded in May 2011 between several British subsidiaries as employers and the managing pension funds in order to reduce the deficits of British pension schemes in the long term. The biggest British brands Thomson and First Choice were transferred to a Pension Funding Partnership (PFP). Via annual royalty payments from the British tour operators to the PFP, the pension deficit will be reduced over 15 years. At the end of the term of the agreement, any remaining deficit at that time will have to be repaid. The PFP is included in the consolidated financial statements so that the agreement does not have any effects on the statement, of financial position, pension obligations in accordance with IAS 19 and the income statement, other than those resulting from direct payment to the funds. The participation of the funds in the PFP does not meet the criteria for pension assets in accordance with IAS 19 and is therefore not taken into account in the development of the fair value of fund assets described below.

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 pension provisions and similar obligations

€ million	Balance as at 30 Sep 2010	Changes with no effect on profit and loss[1]	Actuarial gains and losses	Utilisation	Release	Addition	**Balance as at 30 Sep 2011**
Pension provisions	874.2	- 6.1	99.5	89.7	74.2	60.2	863.9
Similar obligations	37.1	12.2	- 3.9	0.5	-	5.3	50.2
Total	**911.3**	**6.1**	**95.6**	**90.2**	**74.2**	**65.5**	**914.1**

[1] reclassifications, transfers, exchange differences and changes in group of consolidated companies

The actuarial gains and losses which arose in financial year 2010/11 were taken to, or 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 2011, 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.	**2010/11**	2009/10
Discount rate	4.75	4.25
Projected future salary increases	2.0 – 2.5	1.0 – 2.5
Projected future pension increases	1.0 – 2.17	1.0 – 1.83

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 rate 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

			2010/11			2009/10
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	4.75	4.9 – 5.9	3.0 – 5.0	4.25	5.9 – 6.3	2.8 – 5.0
UK	5.25	6.1 – 6.2	2.5	5.3	6.3 – 6.8	3.7 – 4.2
Rest of Europe	2.5	2.5	1.0 – 2.0	2.8 – 3.2	2.5	1.3 – 2.0
North America	4.55	4.0	3.5	4.75	5.0	3.5

Development of projected benefit obligations

€ million	**2010/11**	2009/10
Net present value of actual pension obligations at beginning of year	**2,349.6**	**2,071.7**
Current pension obligations	39.9	46.3
Curtailments	- 74.2	-
Interest cost	115.4	117.7
Pensions paid	- 113.5	- 112.1
Contributions paid by pension beneficiaries	5.0	7.2
Actuarial losses (+)	22.7	122.1
Exchange differences	- 7.8	102.9
Other	13.8	- 6.2
Net present value of actual pension obligations at year-end	**2,350.9**	**2,349.6**

Pension obligations were almost flat in the financial year under review. There were only minor actuarial gains and losses due to opposite interest rate trends in the UK and the Eurozone.

Development of the fair value of fund assets

€ million	2010/11	2009/10
Fair value of fund assets at beginning of period	**1,437.7**	**1,202.8**
Expected return on external plan assets (-)	- 85.5	- 78.2
Actuarial gains (-) / losses (+) of the current year	72.9	- 46.1
Exchange differences	- 4.4	74.1
Employer's contributions paid in	65.2	110.4
Contributions paid by the beneficiaries of the plan	5.0	7.2
Pensions paid	- 79.0	- 76.6
Other	-	- 4.5
Fair value of fund assets at end of period	**1,437.1**	**1,437.7**
of which dividend-carrying securities	673.1	678.2
of which bonds	561.8	557.4
of which property, plant and equipment	17.8	15.5
of which cash	24.5	25.3
of which Other	159.9	161.3

The fair values of fund assets were also almost flat year-on-year. At expected returns of €85.5m (previous year €78.2m), the funds generated actual returns of €12.6m (previous year €124.3m). The resulting actuarial losses are primarily based on the year-on-year weakening of prices in the international securities markets.

The assumptions used in determining the expected return on external fund assets are based on the actual fund structure and are oriented to the 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 €69.8m to the pension funds.

Reconciliation of projected benefit obligations to pension obligations recognised in the statement of financial position

			30 Sep 2011			30 Sep 2010
€ million	Plans with obligation in excess of assets	Plans with assets in excess of obligation	Total	Plans with obligation in excess of assets	Plans with assets in excess of obligation	Total
Actual projected benefit of fully or partly funded pension obligations	1,852.9	9.6	1,862.5	1,846.1	11.8	1,857.9
Fair value of external plan assets	1,426.3	10.8	1,437.1	1,425.4	12.3	1,437.7
Deficit respectively excess	**426.6**	**- 1.2**	**425.4**	**420.7**	**- 0.5**	**420.2**
Actual net present value of non-funded pension obligations			488.4			491.7
Net projected benefit obligation			**913.8**			**911.9**
Adjustment for past service cost			- 0.9			- 1.1
Net recognised liability			**912.9**			**910.8**
of which capitalised assets			1.2			0.5
Provisions for pensions and similar obligations			**914.1**			**911.3**
of which provisions for pensions for non-funded obligations			487.5			490.6
of which provisions for pensions for funded obligations			426.6			420.7

Since the TUI Group used the option of immediately offsetting the actuarial gains and losses against equity in the year in which they arose, the TUI Group's total pension obligations were fully shown in the statement of financial position, netted against existing fund assets. There was only a difference of €-0.9m due to past service cost that was not yet recognised in the statement of financial position. 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	**2010/11**	2009/10	SFY 2009	2008	2007
Projected benefit obligations at year-end	2,350.9	2,349.6	2,071.7	1,696.2	2,323.5
Fund assets at year-end	1,437.1	1,437.7	1,202.8	980.4	1,471.5
Excess (-) / deficit (+) at year-end	913.8	911.9	868.9	715.8	852.0
Actuarial gains (-) / losses (+) of the current year from the obligations	22.7	122.1	296.2	- 192.8	214.9
of which experience adjustments	26.5	- 3.8	4.0	22.7	24.5
Actuarial gains (-) / losses (+) of the current year from fund assets	72.9	- 46.1	- 93.6	298.9	19.5

At 30 September 2011, the actuarial gains and losses before deferred taxes carried and eliminated against equity outside profit and loss by that date totalled €-746.6m (previous year €-652.0m).

(32) Other provisions

Development of provisions in the financial year 2011

€ million	Balance as at 30 Sep 2010	Changes with no effect on profit and loss[1)]	Usage	Reversal	Addition	**Balance as at 30 Sep 2011**
Personnel costs	108.5	- 14.9	38.8	5.9	40.8	89.7
Typical operating risks	31.9	5.2	4.9	8.0	8.5	32.7
Maintenance provisions	397.0	4.1	163.7	25.8	297.4	509.0
Risks from onerous contracts	61.5	- 0.3	36.9	2.5	43.5	65.3
Guarantee and liability risks	10.4	-	3.7	1.4	6.5	11.8
Provisions for other taxes	46.5	0.7	3.9	0.1	4.5	47.7
Miscellaneous provisions	247.9	5.2	47.9	21.3	80.4	264.3
Other provisions	**903.7**	**-**	**299.8**	**65.0**	**481.6**	**1,020.5**

[1)] reclassifications, transfers, exchange differences and changes in the group of consolidated companies

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 other provisions.

Provisions for personnel costs comprise provisions for social plans and jubilee benefits as well as provisions for share-based payment schemes with cash compensation in accordance with 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 (underlying 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 time frames. 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 of shares	Present value € million
Balance as at 31 Dec 2009	**1,158,946**	**8.2**
Phantom shares granted	216,069	1.5
Phantom shares exercised	393,250	- 3.4
Measurement results	-	2.5
Balance as at 30 Sep 2010	**981,765**	**8.8**
Phantom shares granted	169,924	1.7
Phantom shares exercised	145,424	- 1.0
Measurement results	-	- 6.0
Balance as at 30 Sep 2011	**1,006,265**	**3.5**

The TUI Travel Sector operates three 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) and a Performance Share Plan (PSP).

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)	3,829,912	28 Nov 11
	3,202,607	2 Dec 12
	3,959,768	6 Dec 13
Deferred Annual Bonus Long-term Incentive Scheme (DABLIS)	2,171,283	2 Dec 12
	2,468,921	6 Dec 13
Performance Share Plan (PSP)	1,020,602	28 Nov 11
	5,139,613	28 Nov 11
	1,852,876	2 Dec 12
	712,513	19 Mar 13
	1,988,854	6 Dec 13
Total	**26,346,949**	

On 30 September 2011, 12,700,211 shares (previous year 13,191,246 shares) were held by Employee Benefit Trusts.

Development of the number of share options

	Number
Outstanding at beginning of the financial year	29,575,371
Expired during the financial year	- 6,401,065
Exercised during the financial year	- 5,346,542
Issued during the financial year	8,519,185
Balance as at 30 Sep 2011	**26,346,949**

The fair value of services received in return for share options granted is measured by reference to the fair value of the share options 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

		2010/11
Fair values at measurement date	£	1.50 – 1.90
Share price	£	2.30
Expected volatility	%	56.10
Expected dividends	%	5.60
Risk free interest rate	%	1.00

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 options are granted under a service condition.

In financial year 2010/11, personnel costs of £20.0m (€23.1m) relating to share-based payment schemes were carried through profit and loss.

In financial year 2010/11, the restructuring measures implemented above all in the TUI Travel Sector resulted in total expenses of €70.8m (previous year €124.9m). 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 €92.7m.

Provisions for necessary environmental protection measures included in typical operating risks amounted to €4.7m (previous year €1.6m) at the balance sheet date.

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 €15.1m (previous year €19.4m), recognised as interest expenses. The largest portion relates to additions to provisions for maintenance.

Terms to maturity of income tax provisions and other provisions

€ million	30 Sep 2011 Remaining term of more than 1 year	30 Sep 2011 Total	30 Sep 2010 Remaining term of more than 1 year	30 Sep 2010 Total
Personnel costs	33.4	89.7	62.4	108.5
Typical operating risks	15.6	32.7	13.3	31.9
Maintenance provisions	303.5	509.0	274.4	397.0
Risks from onerous contracts	13.6	65.3	4.6	61.5
Guarantee and liability risks	7.4	11.8	3.5	10.4
Provisions for other taxes	31.4	47.7	33.2	46.5
Miscellaneous provisions	143.7	264.3	128.8	247.9
Other provisions	**548.6**	**1,020.5**	**520.2**	**903.7**

(33) Financial liabilities

Financial liabilities

€ million	30 Sep 2011 Remaining term up to 1 year	30 Sep 2011 Remaining term 1–5 years	30 Sep 2011 Remaining term more than 5 years	30 Sep 2011 Total	30 Sep 2010 Total	30 Sep 2010 Remaining term more than 1 year
Convertible bonds	185.4	802.0	402.3	1,389.7	1,534.4	1,534.4
Other bonds	-	250.1	-	250.1	1,503.9	446.5
Liabilities to banks	156.3	669.1	61.3	886.7	1,001.5	690.9
Liabilities from finance leases	22.1	0.1	132.6	154.8	320.2	152.1
Financial liabilities due to non-consolidated Group companies	17.4	0.2	-	17.6	28.1	0.3
Financial liabilities due to affiliates	11.2	-	-	11.2	7.8	-
Other financial liabilities	81.2	0.5	6.5	88.2	116.0	3.3
Total	**473.6**	**1,722.0**	**602.7**	**2,798.3**	**4,511.9**	**2,827.5**

Fair values and carrying amounts of the bonds issued (30 Sep 2011)

€ million	Issuer	Volume initial	Volume outstanding	Interest rate % p.a.	Stock market value Debt component	Conversion options	Total	Carrying amount
2007/12 convertible bond	TUI AG	694.0	193.0	2.750	187.2	-	187.2	185.4
2009/14 convertible bond	TUI AG	217.7	217.5	5.500	173.4	27.5	200.9	170.5
2011/16 convertible bond	TUI AG	339.0	339.0	2.750	179.8	-	179.8	279.4
2009/14 convertible bond	TUI Travel PLC	GBP 350.0	GBP 350.0	6.000	269.5	-	269.5	352.1
2010/17 convertible bond	TUI Travel PLC	GBP 400.0	GBP 400.0	4.900	276.0	-	276.0	402.3
2005/12 bond	TUI AG	450.0	251.2	5.125	250.7	-	250.7	250.1
2005/-- hybrid capital	TUI AG	300.0	300.0	until Jan 2013 8.625 subsequently 3M EURIBOR plus 7.300	216.0	-	216.0	294.6

In accordance with the rules of 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 comprise a total of five convertible bonds. The convertible bond originally worth €694.0m issued on 1 June 2007 will mature on 1 September 2012. The convertible bond was issued in denominations of €50,000 and has a conversion price of €27.1147 per no-par value share. In the completed financial year, bonds worth a nominal amount of €501.1m were bought back.

On 17 November 2009, TUI AG issued a five-year convertible bond worth €217.7m. This bond carries a fixed-interest coupon of 5.5% per annum. It was issued in denominations of €56.30. The conversion price is €5.63 per no-par value share. The volume outstanding as per 30 September 2011 for this bond totals €217.5m due to conversions of €0.2m.

A third convertible bond was issued on 24 March 2011 by TUI AG with a nominal value of €339.0m. The bond carries a fixed-interest coupon of 2.75% per annum and will mature on 24 March 2016. It was issued in denominations of €59.26. The conversion price is €11.85 per share.

On 1 October 2009, TUI Travel PLC issued a convertible bond with a nominal value of £350m with a fixed-interest coupon of 6.0% per annum and a conversion price of £3.493 per no-par value share. It will mature in October 2014. The bond was issued in denominations of £100,000.

On 22 April 2010, TUI Travel PLC issued another convertible bond. It has a nominal volume of £400.0m and denominations of £100,000. At a fixed-interest coupon of 4.9%, it will mature in April 2017. The conversion price is £3.8234.

The debt component of the convertible bonds was carried at present value upon issuance, taking account of an interest rate in line with market rates, and is increased by the interest portion for the period at every balance sheet date in accordance with the internationally customary effective interest method.

The bonds issued in May 2004 and maturing in May 2011 worth €625.0m were redeemed as at the due date on 16 May 2011.

Two further bonds with an aggregate volume of €1,000.0m were issued in December 2005. The senior floating-rate notes worth €550.0m carried a floating interest rate (3-month EURIBOR +1.55% p.a.) and were redeemed in December 2010, as scheduled. The senior fixed rate notes worth €450.0m carry a fixed nominal interest rate of 5.125% p.a. and are repayable in December 2012. In financial year 2010/11, parts of the bonds with a nominal volume of €198.8m were re-deemed early. The bonds have denominations of at least €50,000.0, with higher integral multiples of thousand.

(34) Trade payables

Trade payables

€ million	30 Sep 2011	30 Sep 2010
To third parties	2,939.9	2,821.9
To non-consolidated Group companies	5.5	1.9
To affiliates	28.1	23.6
Total	**2,973.5**	**2,847.4**

Concerning the accounting errors of the TUI Travel Group identified in the period under review, with regard to current trade payables to third parties as per 30 September 2010 and the correction of these errors in the financial statements for financial year 2010/11, we refer to the Notes to the cost of sales.

(35) Derivative financial instruments

Derivative financial instruments

				30 Sep 2011		30 Sep 2010
			Remaining term		Remaining term	
€ million	up to 1 year	1–5 years	of more than 5 years	Total	of more than 1 year	Total
To third parties	157.7	52.8	20.9	231.4	47.8	195.2

Derivative financial instruments are carried at their fair value. They primarily serve to hedge future business operations and are outlined in detail in the Notes to the financial instruments.

(36) Deferred and current tax liabilities

Deferred and current tax liabilities

€ million	30 Sep 2011	30 Sep 2010 revised
Deferred tax liabilities	120.7	80.2
Current tax liabilities	315.5	252.5
Total	**436.2**	**332.7**

A total of €72.5m of the deferred tax liabilities (previous year €39.4m) will realise in more than twelve month.

In the framework of an ongoing tax audit of the TUI Travel Accommodation & Destinations Business, the Spanish tax authorities notified the Group in 2010 that they disagree with the tax treatment of two transactions of the former First Choice Holidays PLC Group, undertaken in the period from 2000 to 2003, in determining Spanish income taxes. It is currently not be ruled out that Spanish authorities may seek to pursue a judicial process against managers involved in this matter and that penalties may be established, which a Spanish subsidiary will be liable for.

Not least on the basis of independent legal and tax advice taken, TUI Travel PLC and the managers that may be concerned firmly believe that the risk from a potential judicial process is low.

A provision is held to cover the risk of non-recognition of the tax deduction arising from the expenses for the two transactions.

(37) Other liabilities

Other liabilities

€ million	up to 1 year	1–5 years	Remaining term of more than 5 years	30 Sep 2011 Total	Remaining term of more than 1 year	30 Sep 2010 revised Total
Other liabilities due to non-consolidated Group companies	1.1	-	-	1.1	-	22.4
Other liabilities due to affiliates	10.6	-	-	10.6	-	-
Other miscellaneous liabilities	142.8	31.1	26.1	200.0	38.3	258.8
Other liabilities relating to other taxes	39.7	1.0	-	40.7	0.8	30.9
Other liabilities relating to social security	49.1	0.1	-	49.2	0.8	47.2
Other liabilities relating to employees	134.4	1.4	1.5	137.3	3.1	132.7
Other liabilities relating to members of the Boards	4.5	2.8	-	7.3	-	4.1
Advance payments received	2,013.7	-	-	2,013.7	11.2	1,773.1
Other liabilities	**2,395.9**	**36.4**	**27.6**	**2,459.9**	**54.2**	**2,269.2**
Deferred income	66.9	3.3	37.8	108.0	32.2	114.0
Total	**2,462.8**	**39.7**	**65.4**	**2,567.9**	**86.4**	**2,383.2**

(38) Liabilities related to assets held for sale

Liabilities related to assets held for sale

€ million	30 Sep 2011	30 Sep 2010
Disposal group Turcotel	-	60.0
Dorfhotel	2.2	-
Jet4You	-	35.9
Total	**2.2**	**95.9**

(39) Contingent liabilities

Contingent liabilities

€ million	30 Sep 2011	30 Sep 2010
Liabilities under guarantees, bill and cheque guarantees due to non-consolidated Group companies	0.4	6.8
Other liabilities under guarantee, bill and cheque guarantees	497.1	445.7
Other liabilities under warranties	0.9	1.2
Total	**498.4**	**453.7**

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 2011 are, above all, attributable to the granting of guarantees for the benefit of Hapag-Lloyd AG from the payment of collateralised ship financing schemes granted in September 2010. The year-on-year increase as against 30 September 2010 is due to the assumption of liability for the benefit of TUI Cruises GmbH.

(40) Litigation

Neither TUI AG nor any of its subsidiaries have been 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 applies to actions claiming warranty, repayment or any other compensation brought forward in connection with the divestment of subsidiaries and businesses 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. On 6 December 2011 the Federal Supreme Court issued its ruling about the appeal lodged by the plaintiff. TUI AG continues to assume that no claim exists. 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 against CP Ships Ltd. – still forming part of TUI AG – 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 court ruling has not yet been given. Meanwhile, the court has determined the time frame for the documents to be submitted by the parties and fixed the date of the first oral proceedings in September 2013.

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

(41) Other financial commitments

Nominal values of other financial commitments

€ million				30 Sep 2011		30 Sep 2010
			Remaining term		Remaining term	
€ million	up to 1 year	1–5 years	of more than 5 years	Total	of more than 1 year	Total
Order commitments in respect of capital expenditure	351.8	1,792.4	114.7	2,258.9	1,549.3	1,857.7
Other financial commitments	65.6	71.7	14.6	151.9	65.3	199.8
Total	**417.4**	**1,864.1**	**129.3**	**2,410.8**	**1,614.6**	**2,057.5**
Fair value	**398.5**	**1,621.8**	**89.2**	**2,109.5**	**1,425.1**	**1,849.9**

The fair value of other financial commitments was determined by means of discounting future expenses using a customary market interest rate of 4.75% per annum (previous year 4.25% p.a.). If the previous year's interest rate of 4.25% p.a. had been applied, the fair value would have been €28.9m higher.

Order commitments in respect of capital expenditure relating almost exclusively to Tourism rose by €401.2m year-on-year as at 30 September 2011; this was due to ordering five additional B737-800 aircraft and two A330 aircraft, while seven B737-800 aircraft have been delivered since 30 September 2010.

Order commitments also rose due to a planned hotel project of the RIUSA II Group.

Moreover, Hapag-Lloyd Kreuzfahrten ordered a new build, the MS Europa 2, from a French shipyard in the framework of the expansion of its fleet; the ship is to enter service in the spring of 2013.

Financial commitments from operating lease, rental and charter contracts

					30 Sep 2011		30 Sep 2010
				Remaining term		Remaining term	
€ million	up to 1 year	1–5 years	5–10 years	of more than 10 years	Total	of more than 1 year	Total
Aircraft	349.5	807.8	216.3	4.1	1,377.7	909.7	1,239.0
Hotel complexes	324.3	450.8	72.5	12.0	859.6	602.0	798.7
Travel agencies	81.6	193.3	68.5	21.7	365.1	314.2	397.9
Administrative buildings	53.3	137.9	88.7	71.2	351.1	230.5	277.1
Yachts and motor boats	80.4	183.0	5.9	-	269.3	53.7	139.5
Other	27.5	30.4	6.8	0.6	65.3	30.7	55.1
Total	**916.6**	**1,803.2**	**458.7**	**109.6**	**3,288.1**	**2,140.8**	**2,907.3**
Fair value	**875.0**	**1,568.9**	**316.4**	**68.9**	**2,829.2**	**1,805.0**	**2,540.3**

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 4.75% p.a. (previous year 4.25% p.a.). If the previous year's interest rate of 4.25% p.a. had been applied, the fair value would have been €42.6m higher.

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).

As a matter of principle, operating leases for aircraft do not include a purchase option. As a general rule current lease payments do not include maintenance costs. The average lease duration is approximately five years.

The increase as against 30 September 2010 results partly from the additional charter of aircraft by TUI Travel. It is also due to additional financial liabilities from the extension of contract terms for cruise ships already operated by TUI Travel and to charter commitments for a further cruise ship by Hapag-Lloyd Kreuzfahrten. The increase is also driven by the long-term lease-back of an administrative building sold in 2010/11. In addition, it is due to additional obligations for hotel rental by TUI Travel.

Financial instruments

Risk and risk management

Risk management principles

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

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

In the framework of the merger of TUI's Tourism activities with First Choice to form TUI Travel PLC in 2007, responsibilities were divided up differently for central cash management, which was previously managed by TUI AG alone, and central financial risk management. TUI Travel PLC performs these tasks for the Sector TUI Travel, while TUI AG continues to be responsible for these functions for all other business operations of the Group.

The individual financing units, rules, competencies and workflows, as well as limits for transactions and risk positions, have been defined in policies. The trading, settlement and controlling functions have been segregated in functional and organisational 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. 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 own (HR, organisational and systems) resources. The transactions are concluded on an arm's length basis with contracting counterparties operating in the financial sector, whose counterparty risk is regularly monitored. Currency translation risks from the consolidation of Group companies not preparing their accounts in Euros are not hedged.

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

According to IFRS 7, market risks have to be presented using sensitivity analyses showing the 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 analyses of the TUI Group's risk reduction activities outlined below and the amounts determined using sensitivity analyses represent hypothetical and thus uncertain disclosures entailing risks. Due to unforeseeable developments in the global financial 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 operational business of the TUI Group's 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 enters 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 and cover 50% 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 reporting by the subsidiaries.

Currency hedging in the Cruises Sector is also based on the reports submitted by the companies. The hedges cover 80% to 100% of the reported exposure.

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

The largest hedging volume in the operational 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, are mainly affected by changes in the value of the US dollar and the euro.

Currency risks within the meaning of IFRS 7 arise from primary and derivative monetary financial instruments issued in a currency other than the functional currency of a company. Exchange rate-related differences from the translation of financial statements into the Group's currency 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% strengthening or weakening of the respective functional currencies, primarily euro and sterling, against the other currencies would create the following effects on the revaluation reserve and earnings after tax.

Sensitivity analysis – currency risk

€ million		**30 Sep 2011**		30 Sep 2010
Variable: Foreign exchange rate	+ 10%	- 10%	+ 10%	- 10%
Exchange rates of key currencies				
€/US dollar				
Revaluation reserve	- 90.2	+ 90.2	- 116.1	+ 120.1
Earnings after income taxes	- 2.7	+ 2.7	+ 3.4	- 5.6
€/Pound sterling				
Revaluation reserve	+ 97.5	- 97.5	+ 204.3	- 204.3
Earnings after income taxes	+ 108.7	- 108.7	- 75.0	+ 75.0
Sterling/US dollar				
Revaluation reserve	- 102.3	+ 102.3	+ 0.6	- 0.3
Earnings after income taxes	- 45.3	+ 45.3	+ 2.9	- 3.1
€/Swiss franc				
Revaluation reserve	+ 3.2	- 3.2	+ 7.7	- 7.4
Earnings after income taxes	+ 4.0	- 4.0	+ 4.4	- 4.6
€/Swedish krona				
Revaluation reserve	+ 16.7	- 16.7	+ 25.0	- 25.0
Earnings after income taxes	- 3.6	+ 3.6	- 2.5	+ 2.5

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. The Group is also exposed to fair value risks from hybrid loans to Container Shipping.

Sensitivity analysis – interest rate risk

€ million		**30 Sep 2011**		30 Sep 2010
Variable: Interest rate level for floating interest-bearing debt and fixed-interest-bearing loans	+ 100 basis points	- 100 basis points	+ 100 basis points	- 100 basis points
Revaluation reserve	+ 1.5	- 1.1	-	-
Earnings after income taxes	+ 2.8	- 2.2	- 33.5	+ 37.7
Equity – available for sale financial instruments	- 13.6	+ 14.2	- 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. At least 80% of the relevant exposure is hedged.

Sensitivity analysis – fuel price risk

€ million		**30 Sep 2011**		30 Sep 2010
Variable: Fuel prices for aircraft and ships	+ 10%	- 10%	+ 10%	- 10%
Revaluation reserve	+ 80.8	- 84.2	+ 78.1	- 83.8
Earnings after income taxes	+ 3.5	- 3.8	+ 10.7	- 5.9

Apart from the currency, interest rate and fuel price risk, the TUI Group is exposed to other price risks due to one specific item.

In the financial year 2009/10, 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 2011 would change the revaluation reserve by €+7.8m/€-7.8m (previous year €+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 the total of the recognised carrying amounts of the financial assets (including derivative financial instruments with positive market values), on the one hand, and the granting of financial guarantees, on the other. Details concerning the guarantees at the balance sheet date are presented in Note 39. Legally enforceable possibilities of netting financial assets and liabilities are taken into account, whereas existing collateral is not considered. The credit risk is minimised due to the strict requirements placed on 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 operative 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 of 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 receivables and other assets is presented in Note 20.

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 2010/11 nor in 2009/10.

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. As derivative financial instruments are concluded with different debtors, credit risk exposure is reduced. 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 2011)

		Cash in-/outflow until 30 Sep		
€ million	2012	2013	2014 – 2016	as of 2016
Financial liabilities				
Bonds	- 232.3	- 278.7	- 1,351.4	- 483.5
Liabilities to banks	- 138.2	- 590.3	- 202.5	- 62.0
Liabilities from finance leases	- 47.7	- 17.5	- 54.3	- 66.5
Financial liabilities due to non-consolidated Group companies	- 17.4	-	- 0.2	-
Financial liabilities due to affiliates	- 11.2	-	-	-
Other financial liabilities	- 81.2	-	- 0.5	- 6.5
Trade payables	- 2,973.5	-	-	-
Other liabilities	- 1.1	-	-	-
Derivative financial instruments				
Hedging transactions – inflows	+ 6,457.2	+ 942.5	+ 17.5	-
Hedging transactions – outflows	- 6,330.8	- 906.6	- 15.4	-
Other derivative financial instruments – inflows	+ 3,722.7	+ 90.2	-	-
Other derivative financial instruments – outflows	- 3,718.5	- 89.2	-	-

Cash flow of financial instruments (30 Sep 2010)

€ million	2011	2012	Cash in-/outflow until 30 Sep 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	-	-

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 forward interest rates fixed as at the balance sheet date are applied. 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 under review, hedges primarily consisted of cash flow hedges.

Price hedging instruments in the form of forward transactions and options are used to limit currency and fuel risks.

Cash flow hedges

As at 30 September 2011, underlying transactions existed to hedge cash flows in foreign currencies with maturities of up to four years (previous year up to four years). The planned underlying transactions of fuel price hedges had terms of up to three years (previous year up to three years). In order to hedge TUI AG's variable interest payment obligations from the convertible bond issued by TUI Travel PLC, interest hedges with a term of up to three years were concluded in financial year 2010/11.

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 income statement through profit and loss when the hedged item is executed. In the financial year under review, expenses of €20.6m (previous year income of €1.0m) for currency hedges and derivative financial instruments used as price hedges as well as for interest hedges were carried in the cost of sales and administrative expenses. Expenses of €1.3m (previous year income of €10.0m) was carried from the ineffective portion of the cash flow hedges.

Nominal amounts of derivative financial instruments used

€ million			30 Sep 2011		30 Sep 2010
	up to 1 year	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
Interest rate hedges					
Caps	-	207.7	207.7	-	-
Swaps	-	57.7	57.7	-	28.6
Currency hedges					
Forwards	10,582.6	1,317.2	11,899.8	1,276.3	7,348.1
Options	-	-	-	1.7	49.6
Collected forwards	244.4	66.0	310.4	88.0	747.9
Commodity hedges					
Swaps	915.9	218.2	1,134.1	198.1	927.0
Options	-	137.5	137.5	-	42.8
Other financial instruments	-	173.1	173.1	232.6	337.6

The nominal amounts correspond to the total of all purchase or sale amounts or the contract values of the transactions.

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 2011 Receivables	Liabilities	30 Sep 2010 Receivables	Liabilities
Cash flow hedges for				
currency risks	139.4	48.3	98.8	121.5
other market price risks	64.3	110.5	15.2	40.7
interest rate risks	0.4	0.2	-	-
Hedging	**204.1**	**159.0**	**114.0**	**162.2**
Other derivative financial instruments	**70.7**	**72.4**	**254.6**	**33.0**
Total	**274.8**	**231.4**	**368.6**	**195.2**

Financial instruments which are 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.

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, promissory notes 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 depended on its credit rating.

Due to the short remaining terms of cash and cash equivalents, current trade receivables and other assets, current trade payables and other payables, the carrying amounts are taken as realistic estimates of the fair value.

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

Carrying amounts and fair values according to classes and measurement categories as at 30 Sep 2011

€ million	Carrying amount	Category under IAS 39				Values according to IAS 17 (leases)	Carrying amount of financial instruments	Fair value of financial instruments
		At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss			
Assets								
Available for sale financial assets	487.8	-	59.3	428.5	-	-	521.7	521.7
Trade receivables and other assets	2,360.0	730.3	-	-	33.9	-	764.2	764.2
Derivative financial instruments								
Hedging	204.1	-	-	204.1	-	-	204.1	204.1
Other derivative financial instruments	70.7	-	-	-	70.7	-	70.7	70.7
Cash and cash equivalents	1,981.3	1,981.3	-	-	-	-	1,981.3	1,981.3
Assets held for sale	24.2	24.2	-	-	-	-	24.2	24.2
Liabilities								
Financial liabilities	2,798.3	2,643.5	-	-	-	154.8	2,798.3	2,090.9
Trade payables	2,973.5	2,973.5	-	-	-	-	2,973.5	2,973.5
Derivative financial instruments								
Hedging	159.0	-	-	159.0	-	-	159.0	159.0
Other derivative financial instruments	72.4	-	-	-	72.4	-	72.4	72.4
Other liabilities	2,567.9	57.0	-	-	-	-	57.0	57.0

Carrying amounts and fair values according to classes and measurement categories as at 30 Sep 2010

€ million	Carrying amount	Category under IAS 39				Values according to IAS 17 (leases)	Carrying amount of financial instruments	Fair value of financial instruments
		At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss			
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	2,383.2	22.4	-	-	-	-	22.4	22.4

The financial investments classified as financial instruments available for sale include an amount of €59.3m (previous year €51.4m) 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 €21.8m (previous year €2.2m). The disposal gave rise to income of €1.2m (previous year no material income or expenses).

Aggregation according to measurement categories under IAS 39 as at 30 Sep 2011

€ million	At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss	Carrying amount Total	Fair value
Loans and receivables	2,735.8	-	-	-	2,735.8	2,735.8
Financial assets						
available for sale	-	59.3	428.5	-	487.8	487.8
held for trading	-	-	-	104.6	104.6	104.6
Financial liabilities						
at amortised cost	5,674.0	-	-	-	5,674.0	5,121.4
held for trading	-	-	-	72.4	72.4	72.4

Aggregation according to measurement categories under IAS 39 as at 30 Sep 2010

€ million	At amortised cost	At cost	Fair value 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

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 2011

€ million	Total		Fair value hierarchy	
		Level 1	Level 2	Level 3
Assets				
Other assets held for trading	33.9	-	-	33.9
Available for sale financial assets	428.5	16.9	-	411.6
Derivative financial instruments				
Hedging transactions	204.1	-	204.1	-
Other derivative financial instruments	70.7	-	70.7	-
Liabilities				
Derivative financial instruments				
Hedging transactions	159.0	-	159.0	-
Other derivative financial instruments	72.4	-	72.4	-

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 transactions	114.0	-	114.0	-
Other derivative financial instruments	254.6	-	131.3	123.3
Liabilities				
Derivative financial instruments				
Hedging transactions	162.2	-	162.2	-
Other derivative financial instruments	32.8	-	32.8	-

The following table indicates the development of the values of Level 3 financial instruments.

Financial assets measured at fair value in level 3

€ million			**30 Sep 2011**
	Other assets held for trading	Available for sale financial assets	Derivative financial instruments
Balance as at 1 October 2009	**0.4**	**-**	**-**
Additions	-	501.8	105.1
Total comprehensive income	33.8	25.3	18.2
recognised in income statement	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**
Additions	-	-	-
Total comprehensive income	- 0.3	- 115.5	- 123.3
recognised in income statement	-	- 296.1	-
recognised in other comprehensive income	- 0.3	180.6	- 123.3
Balance as at 30 September 2011	**33.9**	**411.6**	**-**

A change in the determined corporate value in National Air Traffic Services (NATS) by +10/-10% results in a €3.4m increase/€-3.4m decrease in the recognition of the asset in the TUI Group, taken though profit and loss.

The sensitivity analysis for the financial assets held for sale (hybrid loans) is included in the sensitivity analysis of the interest rates risk.

Effects on results

The effects of the measurement of the assets available for sale outside profit and loss are listed in the statement of changes in equity.

The net results of the financial instruments by measurement category according to IAS 19 are as follows:

Net results of financial instruments

			2010/11			2009/10
€ million	from interest	other net results	net result	from interest	other net results	net result
Loans and receivables	52.0	- 11.9	40.1	81.9	76.8	158.7
Available for sale financial assets	51.5	37.9	89.4	15.7	18.6	34.3
Financial assets and liabilities held for trading	4.1	44.0	48.1	-	90.3	90.3
Financial liabilities at amortised cost	- 284.4	-	- 284.4	- 295.0	-	- 295.0
Total	**- 176.8**	**70.0**	**- 106.8**	**- 197.4**	**185.7**	**- 11.7**

Besides interest income and interest expenses, net results primarily include results from participations, gains/losses on disposal, effects of fair value measurements and impairments.

Financial instruments measured outside profit and loss did not give rise to any commission expenses in financial year 2010/11 (previous year no expenses).

Capital risk management

One of the key performance indicators in the framework of capital risk management is the 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

	30 Sep 2011	30 Sep 2010
Average financial debt	3,682.3	4,587.7
Average cash and cash equivalent	1,639.9	1,535.3
Average Group net debt	**2,042.5**	**3,052.4**
Average Group equity	2,441.4	2,216.6
Gearing	**83.7%**	**137.7%**

NOTES

NOTES ON THE CASH FLOW STATEMENT

Notes to 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

Based on Group earnings after tax, the cash flow from operating activities is derived on the basis of the indirect method. In the financial year under review, the cash inflow from operating activities amounted to €1,085.5m. The corresponding amount for the prior year was €818.1m. This was due, inter alia, to a change in the terms and conditions for customer down payments in TUI UK. In the period under review, the interest payments received totalled €114.7m, thereof €83.5m from container shipping. Income tax payments resulted in a total outflow of cash of €85.0m in financial year 2011.

(43) Cash inflow/outflow from investing activities

In the financial year under review, the cash inflow from investing activities totalled €875.4m. This was largely driven by the reduction in the financial instruments granted to Container Shipping and the sale of shares in Container Shipping totalling €917.4m. A further payment received of €15.0m relates to a capital reduction scheme by TUI Cruises GmbH.

The payments include a cash outflow for capital expenditure related to property, plant and equipment in the TUI Travel Group of €357.0m and the hotel companies of €58.8m, as well as payments received from the sale of property by Central Operations totalling €174.9m and from the sale of hotel facilities of €108.6m.

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 and investments in financial year 2010/11 (excluding shares in TUI Travel PLC) resulted in net cash payments of around €50.7m (previous year €67.6m). Cash and cash equivalents acquired through these acquisitions totalled around €21.9m (previous year €5.9m). Cash payments for investments in consolidated companies (less cash and cash equivalents received) also include payments for the acquisition of Tourism shareholdings as well as payments relating to prior-year acquisitions in the financial year under review.

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.

(44) Cash inflow/outflow from financing activities

The cash outflow from financing activities totalled €2,249.2m. In March 2011, TUI AG recorded an inflow of €334.8m (after deduction of borrowing costs) from the issue of a new convertible bond. TUI AG redeemed a bond maturing in December 2010 of €440.0m and a further bond maturing in May 2011 of €620.0m as scheduled. A further outflow of funds of €918.9m related to the buy-back of bonds and notes and the repayment of loans. The TUI Travel Group repaid liabilities from finance leases worth €167.0m. The non-current credit lines drawn in the period under review in order to cover the payments due in the tourism season were fully repaid so that they did not have a noteworthy effect on the cash inflow/outflow from financing activities. The hotel companies received an inflow of cash and cash equivalents of €132.4m from new financing schemes; an amount of €148.4m was used for redemption.

The cash outflow from financing activities includes the acquisition of additional shares in TUI Travel PLC by TUI AG (€34.8m). An amount of €268.0m was used for interest payments. Thereof €9.8m correspond to premiums for the cancellation of put bonds. Additional outflows relate to the dividend for TUI AG's hybrid bond (€25.9m) and the dividends for non-controlling interests (€141.1m), in particular TUI Travel PLC and RIUSA II SA.

Dividend payments received, including dividends from companies measured at equity, caused an inflow of cash of €18.5m (previous year €38.6m) in the period 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. Due to exchange rate fluctuations, cash and cash equivalents decreased by €4.7m.

As at 30 September 2011, 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

On 9 November 2011, TUI AG extended a cash tender offer to the holders of convertible bonds due in September 2012 with an outstanding total nominal volume of around €193m and an original total nominal volume of €694m at an interest rate of 2.75% p.a. The purpose of the tender offer was to use the Company's cash and cash equivalents to repay existing debt ahead of its due date and reduce current interest payments.

In the framework of this tender offer, TUI repurchased existing convertible bonds with a nominal volume of €151.9m at their full value plus accrued interest on 17 November 2011. Subsequently, an amount of €40.9m from these convertible bonds was still outstanding.

TUI AG subsequently called in the bonds worth a total of €653.2m purchased in financial year 2010/11 and in October 2011 in a volume of €0.2bn and the bonds acquired in the framework of this tender offer. Moreover, on account of the immateriality of the amount, TUI AG called in the remaining bonds outstanding, as set out in the terms and conditions of the bonds, and will repay them on 19 December 2011 ahead of the due date at 100% of the nominal value plus accrued interest.

Services of the auditors of the consolidated financial statements

Total expenses for the services provided by the auditors of the consolidated financial statements in financial year 2010/11, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, can be broken down as follows:

Services of the auditors of the consolidated financial statements

€ million	2010/11	2009/10
Audit fees for TUI AG and subsidiaries in Germany	1.8	1.6
Other audit fees	0.3	0.4
Audit fees	**2.1**	**2.0**
Review of interim financial statements	0.9	1.0
Services related to capital increases/decreases	-	0.4
Other audit-related services	0.4	0.3
Other certification and measurement services	**1.3**	**1.7**
Consulting fees	0.9	0.4
Tax advisor services	-	-
Other services	**0.9**	**0.4**
Total	**4.3**	**4.1**

Remuneration of Executive and Supervisory Board members

In the financial year under review, total remuneration paid to Executive Board members totalled €8,932.2 thousand (previous year €11,117.8 thousand).

In the framework of the long-term incentive programme, the Executive Board members receive a compensation of €1,047.5 thousand (previous year €1,850.0 thousand) for the financial year under review.

Pension provisions for active Executive Board members totalled €24,105.8 thousand as at the balance sheet date (previous year €22,662.0 thousand).

Total remuneration for Supervisory Board members in the financial year under review amounted to €1,495.8 thousand (previous year €1,772.9 thousand).

Remuneration for former Executive Board members or their surviving dependants totalled €4,409.0 thousand (previous year €4,303.9 thousand) in the financial year under review. Pension obligations for former Executive Board members and their surviving dependants amounted to €45,350.8 thousand (previous year €45,798.6 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

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 published in the electronic Federal Gazette (www.ebanz.de). Apart from pure equity investments, related parties also include companies that supply goods or provide services for TUI Group companies.

Transactions with related parties (excl. key management)

€ million	2010/11	2009/10
Services provided by the Group		
Management and consultancy services	56.3	53.0
Sales of tourism services	59.7	14.8
Total	**116.0**	**67.8**
Services received by the Group		
In the framework of lease, rental and leasing agreements	26.2	31.7
Purchase of hotel services	146.8	180.6
Incoming services	8.1	35.2
Distribution services	-	3.3
Other services	77.6	38.1
Total	**258.7**	**288.9**

Transactions with related parties (excl. key management)

€ million	2010/11	2009/10
Services provided by the Group to		
non-consolidated Group companies	-	0.9
joint ventures	86.3	28.2
associates	3.1	10.9
other shareholdings	-	27.8
natural persons	26.6	-
Total	**116.0**	**67.8**
Services received by the Group from		
non-consolidated Group companies	-	6.9
joint ventures	245.2	213.8
associates	3.6	57.9
other shareholdings	-	-
natural persons	9.9	10.3
Total	**258.7**	**288.9**

Transactions with associated companies in which shareholdings are held and joint ventures are primarily transacted 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 prior year. Receivables and liabilities existing as at the balance sheet date are comprised of 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 joint venture Riu Hotels S.A. held at least 5% but less than 10% of the shares in TUI AG. Luis Riu Güell and Carmen Riu Güell (member of TUI's Supervisory Board) held 51% of the shares in Riu Hotels S.A.

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

€ million	2010/11	2009/10
Short-term benefits	9.0	9.1
Post-employment benefits	1.4	7.9
Other long-term benefits	1.3	1.9
Total	**11.7**	**18.9**

Post-employment benefits are transfers to pension provisions for active Executive Board members. These expenses do not meet the definition of Executive and Supervisory Board remuneration under the German accounting rules.

International Financial Reporting Standards (IFRS) and Interpretations (IFRIC)

The following standards and interpretations have already been transposed into EU legislation but are only mandatory for annual financial statements after 30 September 2011:

Revision of IAS 24: Related Party Disclosures
The revision simplifies the reporting obligations on state-controlled entities. It also provides a revised and extended definition of related parties.

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. Unlike existing provisions, the economic benefit of such prepayments of contributions, which reduce future contributions payments due to the minimum funding requirement, is now capitalised as an asset.

Amendments to IFRS 7: Financial Instruments – Disclosure Requirements in Connection with the Transfer of Financial Assets
The amendments to the standard, issued in October 2010, set 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, or be assumed by, the entity, e.g. default guarantees, are required.

Annual Improvements Project (2010)
The third annual collective standard to carry out minor amendments to the IFRSs was published in May 2010. The provisions were transposed into EU legislation on 18 February 2011. Some amendments and clarifications are effective retrospectively for annual periods beginning after 31 December. This applies 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, disclosures in the notes to significant events and transactions in accordance with IAS 34, and IFRIC 13 concerning the measurement of award credits.

These amendments do not affect the TUI Group's net assets, financial position and results of operation and only have an immaterial effect on its disclosure requirements.

Standards and interpretations published by the IASB but not yet transposed into EU legislation are:

Amendments to IFRS 1: First-time Adoption of IFRS: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters

These two minor amendments were published in December 2010. The first amendment replaced the previously applicable fixed transition date with regard to IAS 39 by a flexible transition date for first-time adopters. Another amendment relates to entities temporarily unable to meet the IFRS provisions because of hyperinflation.

Amendments to IAS 1: Presentation of Financial Statements – Other Income

In June 2011 amendments relating to the presentation of other income were published. Accordingly, other comprehensive income (OCI) has to be classified into two groups, requiring separate subtotals for those elements which may be recycled and those that will not. The option to present items of OCI either before tax or net of tax remains unchanged; however, tax associated with items presented before tax has to be shown separately for each of the two groups of OCI items.

Amendments to IAS 12: Deferred Tax – Recovery of Underlying Assets

The amendments, published in December 2010, offer a practical solution to the question of recovering the carrying amount of an asset through use or sale. Deferred taxes have to be measured on the basis of the tax consequences resulting from the type of intended use of an asset. For companies with investment property measured at fair value, however, it may be difficult to asses the amount of the carrying value that can be recovered through rental income (i.e. through use) and the amount that may be recovered through sale. For the purposes of deferred tax, the presumption has now been introduced that the carrying amount of investment property, measured at fair value according to IAS 40, will usually be fully recovered through sale.

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.

IFRS 10: Consolidated Financial Statements

The standard, newly published in May 2011, replaces the consolidation provisions of IAS 27 and supersedes SIC 12 for the consolidation of special-purpose entities. The new standard does not contain any amendments to accounting rules; however, the concept of control is now expanded to also include the question of consolidating special-purpose entities. There is also a new definition of control. Accordingly, control exists when an entity can exercise power over an investee, is exposed to variable returns and is able to use its power over the investee to affect the amount of these returns.

IFRS 11: Joint Arrangements
IFRS 11 was published in May 2011 and supersedes SIC 13: Jointly Controlled Entities – Non-Monetary Contributions by Venturers as well as the previous IAS 31. The standard sets out the classification of, and accounting for, joint operations and joint ventures. Classification as a joint arrangement is based on subsidiarity, with the definition of control in IFRS 10 having to be checked first. In the case of a joint arrangement, the further classification as a joint operation or a joint venture depends upon the rights and obligations of the parties. Jointly controlled assets are accounted for in line with the rules governing joint operations and hence continue to be recognised in relation to the joint operator's interest in a joint operation. By contrast, under IFRS 11 joint ventures now have to be accounted for using the equity method; the previous proportionate consolidation option has been eliminated.

IFRS 12: Disclosure of Interests in Other Entities
The standard, also published in May 2011, sets out minimum disclosure requirements for subsidiaries, associates, joint arrangements and unconsolidated structured entities. It constitutes a minimum framework which, however, goes beyond previous disclosure requirements. Its objective is, in particular, to ensure disclosure of the nature of, and risks associated with, interests in other entities and the effects of those interests on the financial position, financial performance and cash flows.

IFRS 13: Fair Value Measurement
The standard, published in May 2011, sets out in a single IFRS a framework for measuring fair value, previously governed by several standards. It also introduces comprehensive disclosure requirements for fair value measurements.

Amendments to IAS 19: Employee Benefits
The amendment to IAS 19 was published in June 2011. Actuarial gains and losses have to be recognised in OCI; the corridor approach previously available has thus been eliminated. Plan curtailments will be treated in the same way as past service cost, i.e. they will be fully recognised in the period in which the plan amendment has taken place. The separately calculated parameters of interest expense and expected income from plan assets are replaced by net interest expense, calculated at a uniform interest rate. In addition, the amended standard introduces enhanced disclosure requirements about employee benefits.

Amendments to IAS 27: Consolidated and Separate Financial Statements
Since the amendments were published in May 2011, IAS 27 now only governs accounting for investments in subsidiaries, associates and joint ventures in the investor's separate financial statements. The consolidation provisions previously contained in IAS 27 are now set out in the newly published IFRS 10. Apart from editorial changes, the provisions for separate financial statements were not changed.

Amendment to IAS 28: Investments in Associates and Joint Ventures
The amendments to IAS 28 were published in June 2011 and stipulate that the equity method has to be used in accounting for investments in associates and joint ventures. The provisions relating to accounting for investments in joint ventures had been included in IAS 31 until IFRS 11 was published.

IFRIC 20: Stripping Costs in the Production Phase of a Surface Mine
This standard is not relevant to TUI's consolidated financial statements.

The TUI Group is currently examining the potential impact of all relevant amendments and new provisions on its net assets, financial position and results of operations.

A decision about endorsement by the EU of these amendments and these new standards and interpretations is still pending.

NOTES

TUI GROUP SHAREHOLDINGS

Disclosure of the TUI Group's shareholdings is required under section 313 of the German Commercial Trading Act. Comparative information for the prior-year reference period is therefore not provided.

Consolidated companies	Country	Capital share in %
Tourism – TUI Travel		
AB Caller & Sons Ltd., Crawley	UK	100.0
Absolut Holdings Limited, Malta	Malta	100.0
Absolut Insurance Limited, Guernsey	Guernsey	100.0
Acampora Travel S.r.l., Sorrento	Italy	51.0
Active Safari Pty Ltd, West Leederville	Australia	100.0
Active Travel & Recruitement Pty Ltd, West Leederville	Australia	100.0
A&D Peru Company Limited S.A., Lima	Peru	99.9
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., Windhock	Namibia	100.0
Air Two Thousand (Ireland) Limited, Dublin	Ireland	100.0
Air 2000 Aviation Limited, Crawley	UK	100.0
Air 2000 Limited, Crawley	UK	100.0
Airlink International Ltd., Crawley	UK	100.0
Alcor Yachting SA, Geneva	Switzerland	100.0
Alkor Yat Turizm Isletmacileri A.S., Izmir	Turkey	99.6
Ambassador Tours S.A., Barcelona	Spain	100.0
Amber Nominee GP Limited, Crawley	UK	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 Business Services (Thailand) Co., Ltd, Bangkok	Thailand	100.0
Asiarooms Pte Ltd, Singapore	Singapore	100.0
ATC African Travel Concept Pty. Ltd., Cape Town	South Africa	100.0
ATC Namibian Reflections Pty. Ltd., Cape Town	South Africa	100.0
Audio Tours and Travel Hong Kong Limited, Kowloon	Hongk Kong	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
Bakers Dolphin Group Tours Limited, Crawley	UK	100.0
BAL Trustee Limited, Crawley	UK	100.0
Bass Travel Ltd., Crawley	UK	100.0
B.A.T.H. Investments Limited, Crawley	UK	100.0
BDS Destination Services Company, Cairo	Egypt	67.0
Beds on line SL, Palma de Mallorca	Spain	100.0
Berge und Meer Touristik GmbH, Rengsdorf	Germany	100.0
Blue Scandinavia Holding AB, Stockholm	Sweden	100.0

Consolidated companies	Country	Capital share in %
Blue Travel Partner Services S.A., Santo Domingo	Dominican Republic	99.0
BMIT, LLC, State of Delaware	US	100.0
BOSS Tours Ltd., Mississauga, Ontario	Canada	100.0
Brightspark Travel Inc, State of Delaware	US	100.0
Britannia Airways Limited, Crawley	UK	100.0
Britannia Sweden AB, Stockholm	Sweden	100.0
C & C Yacht Management Limited, Cayman Islands	Grand Cayman Islands	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
CHAMELEON WORLDWIDE TRAVEL LIMITED, Alresford	UK	53.3
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 Transport 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
Contentdot Company Ltd., Crawley	UK	100.0
Continental Boating Holidays Ltd, Dublin	Ireland	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, Inc., Annapolis	US	100.0
Crown Blue Line Limited, Crawley	UK	100.0
Crown Blue Line SA, Castelnaudary	France	100.0
Crown Cruisers Limited, Crawley	UK	100.0
Crown Holidays Limited, Crawley	UK	100.0
Crown Travel Limited, Crawley	UK	100.0
Crystal Holidays, Inc., Breckenridge	US	100.0
Crystal Holidays Ltd., Crawley	UK	100.0
Crystal International Travel Group Ltd., Crawley	UK	100.0
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
Educatours Limited, Mississagua ON	Canada	100.0
Edwin Doran (UK) Limited, Crawley	UK	100.0
EEFC, Inc., State of Delaware	US	100.0
Elena SA, Palma de Mallorca	Spain	100.0

Consolidated companies	Country	Capital share in %
Emerald Star Limited, Dublin	Ireland	100.0
Entreprises Hotelieres et Touristique PALADIEN Lena Mary S.A., Argolis	Greece	100.0
Event Logistics International Limited, Crawley	UK	100.0
Event Logistics (UK) Limited, Crawley	UK	100.0
Events International Limited, Crawley	UK	100.0
Events International (Sports Travel) 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 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
Fantravel.com, Inc., Wilmington	US	100.0
FC Adventures Canada, Inc., Vancouver	Canada	100.0
FC Expeditions Canada, Inc., British Columbia	Canada	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 (Euro) Limited, Crawley	UK	100.0
First Choice Expedition Cruising Limited, Crawley	UK	100.0
First Choice Expeditions, Inc., State of Delaware	US	100.0
First Choice (France) SAS, Paris	France	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, Wilmington	US	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 Limited, Crawley	UK	100.0
First Choice Marine (Malaysia) Snd Bhd, Malaysia	Malaysia	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 Limited, Crawley	UK	100.0
First Choice Retail (Management Services) 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 Limited, Crawley	UK	100.0
First Choice Travel Shops (SW) Limited, Crawley	UK	100.0
First Choice (Turkey) Limited, Crawley	UK	100.0
First Choice, Unijet & Air 2000 Limited, Crawley	UK	100.0
First Choice USA, Crawley	UK	100.0
FlexiGroup Holdings Limited, Crawley	UK	100.0
FlexiGroup Travel Limited, Crawley	UK	100.0

Consolidated companies	Country	Capital share in %
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
Gateway Guest Services USA LLC, Washington	US	100.0
GeBeCo Gesellschaft für internationale Begegnung und Cooperation mbH & Co. KG, Kiel	Germany	50.1
GEI/Moorings, LLC, State of Delaware	US	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
Great Atlantic Travel and Tour, Inc., Virginia Beach	US	75.0
Groupe Marmara SAS, Paris	France	100.0
Groupement Touristique International S.A.S., Lille	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
Hapag-Lloyd Executive GmbH, Hanover	Germany	100.0
Havas Loisirs SASU, Montreuil	France	100.0
Hayes & Jarvis Holdings Limited, St. Helier	Jersey	100.0
Hayes & Jarvis (Travel) Limited, Crawley	UK	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
Holding Nouvelles Frontières SASU, Montreuil	France	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
Hotelbeds Accommadation & Destination Services – Hawaii & Pacific Islands, Inc, State of Delaware	US	100.0
Hotelbeds Brasil Agencia de Turismo e Viagens Ltda., Sao Paulo	Brazil	100.0
Hotelbeds Costa Rica SA, San José	Costa Rica	100.0
Hotelbeds Dominicana SA, Santo Domingo	Dominican Republic	100.0
Hotelbeds Product SLU, Porto de la Cruz, Teneriffe	Spain	100.0
Hotelbeds (Shanghai) Commercial Services Co., Limited, Shanghai	China	100.0
Hotelbeds, S.L.U., Palma de Mallorca	Spain	100.0
Hotelbeds Spain, S.L.U., Palma de Mallorca	Spain	100.0
Hotelbeds Technology SLU, Palma de Mallorca	Spain	100.0
Hotelbeds UK Limited, Crawley	UK	100.0
Hotelbeds USA Inc, Orlando	US	100.0
Hotelopia SL, Palma de Mallorca	Spain	100.0
Hotelreisen Limited, Crawley	UK	100.0
Hotels London Ltd, Crawley	UK	100.0
Hurricane Hole Hotel Ltd, St. Lucia	Windward Islands St. Lucia	100.0
I TO I INTERNATIONAL PROJECTS LTD, Crawley	UK	100.0
I Viaggi del Turchese S.r.l., Fidenza	Italy	100.0
Ideal Breaks Ltd., Crawley	UK	100.0

Consolidated companies	Country	Capital share in %
iExplore, Inc., Chicago	US	100.0
iExplore Limited, Crawley	UK	100.0
Imperial Cruising Company SARL, 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, Inc., State of Delaware	US	100.0
Intercruises Shoreside & Port Services PTY LTD, Stanmore NSW	Australia	100.0
Intercruises Shoreside & Port Services, SLU, Barcelona	Spain	100.0
International Expeditions, Inc., State of Delaware	US	100.0
Interspecialists, SLU, Palma de Mallorca	Spain	100.0
Intrav Holdings, LLC, State of Delaware	US	100.0
INTRAV, Inc., State of Delaware	US	100.0
Intrepid Adventures Limited, Wiltshire	UK	100.0
Intrepid Andes S.A.C., Cusco	Peru	100.0
Intrepid Bundu (Pty) Ltd, Roodeport	South Africa	72.0
Intrepid (Cambodia) CO. LTD, Siem Reap	Cambodia	100.0
Intrepid Guerba Kenya Limited, Nairobi	Kenya	100.0
Intrepid Guerba Limited, Wiltshire	UK	100.0
Intrepid Guerba Tanzania Limited, Arusha	Tanzania	100.0
Intrepid HK Limited, Hong Kong	Hong Kong	100.0
Intrepid HR Services Limited, Wiltshire	UK	100.0
Intrepid Marrakech SARL, Marrakesh	Morocco	100.0
Intrepid Tours and Travel India Private Ltd, New Delhi	India	100.0
Intrepid Travel Australia Pty Ltd, Fitzroy VIC	Australia	100.0
Intrepid Travel Beijing Co. Ltd, Beijing	China	100.0
Intrepid Travel Cairo, Cairo	Egypt	100.0
Intrepid Travel Canada Inc, Vancouver	Canada	100.0
Intrepid Travel Inc, Vancouver	Canada	95.0
Intrepid Travel Incorporated, Venice (CA)	US	100.0
Intrepid Travel New Zealand Limited, Auckland	New Zealand	100.0
Intrepid Travel Pty Ltd, Fitzroy VIC	Australia	100.0
Intrepid Travel SA (Pty) Ltd, Summerveld	South Africa	100.0
Intrepid US, Inc., Wilmington	US	99.2
i-To-i, Inc., Los Angeles	US	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
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
JNB (Bristol) Limited, Crawley	UK	100.0
J.S. Courtney Ltd., Crawley	UK	100.0
JWT Holidays Limited, Crawley	UK	100.0
Kilquade Limited, Dublin	Ireland	100.0
Kras B.V., Ammerzoden	Netherlands	100.0
Label Tour EURL, Montreuil	France	100.0
Late Rooms Limited, Crawley	UK	100.0
Late Rooms Services Australia PTY LTD, Dawes Point	Australia	100.0
Le Boat Netherlands B.V., Rotterdam	Netherlands	100.0
Le Piolet SCI, St Martin de Belleville, Savoie	France	100.0
Leibniz-Service GmbH, Hanover	Germany	100.0
Leisure International Airways Limited, Crawley	UK	100.0
Les Tours Jumpstreet Tours, Inc., Montreal	Canada	100.0

Consolidated companies	Country	Capital share in %
Liberate SLU, Palma de Mallorca	Spain	100.0
Liberty Cruise Line, LLC, State of Delaware	US	100.0
Lima Tours S.A.C., Lima	Peru	100.0
Lincoln Travel Ltd., Crawley	UK	100.0
Lirotel SARL, Turin	Italy	100.0
Lodges & Mountain Hotels SARL, Notre Dame de Bellecombe, Savoie	France	100.0
Lorimer Investments Ltd., Crawley	UK	100.0
l'tur tourismus Aktiengesellschaft, Baden-Baden	Germany	70.0
Lunn Poly (Jersey) Ltd., St. Helier	UK	100.0
Lunn Poly Ltd., Crawley	UK	100.0
L.W. Morland & Co. Ltd., Crawley	UK	100.0
Magic Connoisseurs Ltd., Crawley	UK	100.0
MAGIC LIFE DER CLUB INTERNATIONAL Turizm Hizmetleri A.S., Istanbul	Turkey	100.0
Magic Life For Hotels. LLC, South Nabq	Egypt	100.0
Magic Life Greece S.A., Athens	Greece	100.0
Magic Life Tunisie S.A., Tunis	Tunisia	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 Asia Limited, Hong Kong	Hong Kong	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
Mariner Yacht Services SA, Le Marin	Morocco	100.0
Martin Rooks Limited, Crawley	UK	100.0
Master – Yachting GmbH, Eibelstadt	Germany	100.0
Maxi Yen SL, Palma de Mallorca	Spain	100.0
Medico Flugreisen GmbH, Baden-Baden	Germany	100.0
Meetings & Events International Limited, Crawley	UK	100.0
Meetings & Events Spain S.L.U., Palma de Mallorca	Spain	100.0
Meetings & Events UK Limited, Crawley	UK	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 Grenadines Ltd., St. Vincent and Grenadines	Windward Islands St. Vincent	100.0
Moorings Mexico SA de CV, La Paz	Mexico	100.0
Moorings (Seychelles) Limited, Mahe	Seychelles	100.0
Moorings Yachting SAS, Paris	France	100.0
Moorings Yat Isletmecilgi Turizm Ve Tic Ltd, Mugla	Turkey	100.0
More Sense A/S, Copenhagen	Denmark	66.7
MS Tours ApS, Copenhagen	Denmark	100.0
MyPlanet Holding A/S, Holstebro	Denmark	100.0
MyPlanet International A/S, Holstebro	Denmark	90.0
MyPlanet Sweden AB, Gothenburg	Sweden	100.0
Nacka Worldwide Holding AB, Stockholm	Sweden	100.0
NACL LLC, State of Delaware	US	100.0

Consolidated companies	Country	Capital share in %
Nazar Nordic AB, Malmö	Sweden	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
Nouvelles Frontières Senegal S.R.L., Dakar	Senegal	95.0
Ocean College LLC, Sharm el Sheikh	Egypt	90.0
Ocean Technical 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
Owners Abroad España, S.A., Las Palmas	Spain	100.0
Oy Finnmatkat AB, Helsinki	Finland	100.0
Pacific World (Beijing) Travel Agency Co., Ltd., Beijing	China	100.0
Pacific World Company Limited, HCM City	Vietnam	90.0
Pacific World Destination East Sdn. Bhd., Penang	Malaysia	100.0
Pacific World Limited, Kowloon	Hong Kong	100.0
Pacific World Meetings & Events Singapore Pte. Ltd, Singapore	Singapore	100.0
Pacific World Singapore Pte Limited, Singapore	Singapore	100.0
Pacific World (Thailand) Limited, Bangkok	Thailand	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
Peak Adventure Financing Pty Ltd, Fitzroy Victoria	Australia	100.0
Peak Adventure Travel Group Limited, Fitzroy Victoria	Australia	60.0
Peak Adventure Travel USA Inc, Wilmington	US	100.0
PEAK South America S.A.C., Lima	Peru	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
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
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
Professor Kohts Vei 108 AS, Stabekk	Norway	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

Consolidated companies	Country	Capital share in %
Real Travel Ltd, Crawley	UK	100.0
Real Travel Pty Ltd, Melbourne	Australia	100.0
Redwing Holdings Limited, Crawley	UK	100.0
Redwing Holidays 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
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
Schools Abroad Limited, Crawley	UK	100.0
Segue, Inc., State of Delaware	US	100.0
SERAC Travel GmbH, Bagnes	Switzerland	100.0
Simply Aviation 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 Bound Limited, 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
Smart Choice Manager, LLC, Clearwater, FL	US	100.0
Smart Choice Yachting, LLC, Clearwater, FL	US	100.0
Société des Hotels Clubs Nouvelles Frontières SARL, Montreuil	France	100.0
Société d'Exploitation du Paladien Marrakech SA, Marrakesh	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., Marrakesh	Morocco	100.0
Société Marocaine pour le Developpement des Transports Touris-tiques S.A., Agadir	Morocco	95.0
Société polynesienne promotion hotelière S.A.S, Tamanu	Polynesia	100.0
Something Special Holidays Ltd., Crawley	UK	100.0
Something Special (Transport) Limited, Crawley	UK	100.0
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, Inc., Mississauga	Canada	100.0
Specialist Holidays Ltd., Crawley	UK	100.0
Specialist Holidays (Travel) Limited, Crawley	UK	100.0
SplashLine Event und Vermarktungs GmbH, Vienna	Austria	100.0
Sport Abroad (UK) Limited, Crawley	UK	100.0
Sports Events Travel Limited, Crawley	UK	100.0
Sports Executive Travel Limited, Crawley	UK	100.0

Consolidated companies	Country	Capital share in %
Sportsworld (Beijing) Sports Management Consulting Limited Company, Beijing	China	70.0
Sportsworld Group Limited, Crawley	UK	100.0
Sportsworld Holdings Limited, Crawley	UK	100.0
Sportsworld Pacific PTY Limited, North Sydney	Australia	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
Startour-Stjernereiser AS, Stabekk	Norway	100.0
Step Into Africa Ltd., Crawley	UK	100.0
Student City Travel Limited, 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
Sun Car Rentals Corporation, Santa Rosa CA	US	100.0
Suncars Limited, Crawley	UK	100.0
Sunquest Holidays (UK) Limited, Crawley	UK	100.0
Sunsail Adriatic d.o.o., Split	Croatia	100.0
Sunsail (Antigua) Limited, Antigua	Antigua	100.0
Sunsail (Australia) Pty Ltd, Hamilton Island, Queensland	Australia	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 (Seychelles) Limited, Mahe (Seychelles)	Seychelles	100.0
Sunsail (Thailand) Company Ltd, Phuket	Thailand	30.0
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 Cruises Limited, Crawley	UK	100.0
SUNTOPIA OTEL HIZMETLERI TURIZM ve TICARET ANONIM SIRKETI, Istanbul	Turkey	100.0
Suntrek Tours GmbH, Holzkirchen	Germany	100.0
Suntrek Tours, Inc., Santa Rosa CA	US	100.0
Supernova Expeditions Ltd., Anguilla	Crown Colony of Anguilla	100.0
Symi Investments Limited, Crawley	UK	100.0
Tantur Turizm Seyahat Ltd.Sti., Istanbul	Turkey	100.0
TCS & Starquest Expeditions, Inc., Seattle	US	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., Rijswijk ZH	Netherlands	100.0
Tec4Jets NV, Oostende	Belgium	100.0
THE ENGLISH LANGUAGE CENTRE YORK LIMITED, York	UK	100.0
The Imaginative Traveller Australia Pty Limited, Melbourne	UK	100.0
The Imaginative Traveller Limited, Crawley	UK	100.0
The International Academy Ltd., Crawley	UK	100.0

Consolidated companies	Country	Capital share in %
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 Belize Limited, Belize	Belize	100.0
The Moorings d.o.o., Kroatien	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
The Moorings (St Lucia) LTD, St. Lucia	Windward Islands St. Lucia	100.0
The Moorings (Tonga) Ltd., Tonga	Tonga	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 Limited, Crawley	UK	100.0
Thomson Airways (Services) Limited, Crawley	UK	100.0
Thomson Airways Trustee Limited, Crawley	UK	100.0
Thomson Flights Ltd., Crawley	UK	100.0
Thomson Holidays Ltd., Crawley	UK	100.0
Thomson Holidays Ltd. (Ireland), Dublin	Ireland	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 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
TICS GmbH Touristische Internet und Call Center Services, Baden-Baden	Germany	100.0
TKJ Pty Limited, Perth	Australia	100.0
TMS Anchor Canada Inc, Vancouver	Canada	100.0
TMS Anchor LLC, Washington	US	100.0
TMS Gateway Canada Inc, Vancouver	US	100.0
Tolkien Limited, British Virgin Islands	British Virgin Islands	100.0
Top Class – European Cruise Services S.a.r.l., Monaco	Monaco	100.0
Top Class France Sarl, Paris	France	100.0
Tourinter SA, Lyon	France	100.0
Trailway Tours Inc, Washington	US	100.0
Transfar – Agencia de Viagens e Turismo Lda., Faro	Portugal	99.9
TRAVCOA Corporation, State of Delaware	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

Consolidated companies	Country	Capital share in %
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 Investco Limited, Crawley	UK	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
TTSS Limited, Crawley	UK	100.0
TTSS Transportation Limited, Crawley	UK	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
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 Holdings (Australia) PTY Limited, Queensland	Australia	100.0
TUI interactive GmbH, Hanover	Germany	100.0
TUI (IP) Ltd., Crawley	UK	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 Marine Grenada Limited, St. George's	Grenada	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 Österreich 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	100.0
TUI Service AG, Altendorf	Switzerland	100.0

Consolidated companies	Country	Capital share in %
TUI Students & Schools France S.a.r.l., Paris	France	100.0
TUI (Suisse) AG, Zurich	Switzerland	100.0
TUI (Suisse) Holding AG, Zurich	Switzerland	100.0
TUI Suisse Retail AG, Zurich	Switzerland	100.0
TUI Travel Accommodation & Destinations SL, Palma de Mallorca	Spain	100.0
TUI Travel Amber E&W LLP, Crawley	UK	100.0
TUI Travel Amber Limited, Edinburgh	UK	100.0
TUI Travel Amber Scot LP, Edinburgh	UK	100.0
TUI Travel Amber Scot Old LP, Edinburgh	UK	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 (Ireland), Dublin	Ireland	100.0
TUI Travel Nominee Limited, Crawley	UK	100.0
TUI Travel Overseas Holdings Limited, Crawley	UK	100.0
TUI TRAVEL PLC, Crawley	UK	56.1
TUI TRAVEL SAS ADVENTURE LIMITED, Crawley	UK	100.0
TUI Travel SAS Benelux B.V., Rotterdam	Netherlands	100.0
TUI Travel SAS Holdings Limited, Tring, Hertfordshire	UK	100.0
TUI Travel SAS Services Limited, Crawley	UK	100.0
TUI TRAVEL SAS Transport Limited, Crawley	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
TUI 4 U GmbH, Bremen	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
Ultramar Express Transport S.A., Palma de Mallorca	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
Versun Yachts NSA, Athens	Greece	100.0
Viagens Elena LDA, Albufeira	Portugal	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
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 Expeditions, Inc., Cambridge, MA	US	100.0

Consolidated companies	Country	Capital share in %
World Challenge Expeditions Limited, Crawley	UK	100.0
World Challenge Expeditions Pty Ltd, Victoria	Australia	100.0
World Challenge Holdings Limited, Crawley	UK	100.0
World Challenge NZ Limited, Wellington	New Zealand	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
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
100% Adventure Pty Ltd, Wayville, SA	Australia	100.0
600035 B.C. LTD, Canada	UK	100.0
9187 – 4404 Quebec Inc. (in liquidation), Montreal	Canada	100.0
TUI Hotels & Resorts		
BU RIUSA II EOOD, Sofia	Bulgaria	100.0
Cabotel-Hoteleria e Turismo Lda., Santiago/Cape Verde	Spain	100.0
CLUBHOTEL GESELLSCHAFT MBH., Hermagor	Austria	77.5
Daidalos Hotel- und Touristikunternehmen 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" Assets AG, Vienna	Austria	100.0
Magic Life GmbH & Co KG, Vienna	Austria	100.0
MX RIUSA II S.A. de C.V., Cabo San Lucas	Mexico	100.0
Promociones y Edificaciones Chiclana S.A., Palma de Mallorca	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 II S.A., Palma de Mallorca	Spain	50.0
RIUSA NED B.V., Amsterdam	Netherlands	100.0
ROBINSON AUSTRIA Clubhotel GmbH, Hermagor	Austria	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	Maldives	100.0
Robinson Club (Schweiz) AG, Vulpera	Switzerland	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 S.A., Vila Nova de Cacela	Portugal	67.0
Robinson Otelcilik A.S., Istanbul	Turkey	100.0

Consolidated companies	Country	Capital share in %
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
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, Crawley	UK	100.0
Canadian Pacific (UK) Limited, Crawley	UK	100.0
Cast Agencies Europe Limited, Crawley	UK	100.0
Cast Group Services Limited, Crawley	UK	100.0
Cast Terminal Europe N.V., Antwerp	Belgium	100.0
Contship Holdings Limited, Crawley	UK	100.0
CP Ships (Bermuda) Ltd., Hamilton	Bermuda	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
CP Ships (UK) Limited, Crawley	UK	100.0
CPS Holdings (No. 2) Limited, Crawley	UK	100.0
CPS Number 2 Limited, Barking	UK	100.0
CPS Number 4 Limited, Crawley	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 UK Ltd., Crawley	UK	100.0
R.O.E. Logistics, Inc., Montreal	Canada	100.0
Salzgitter Grundstücks- und Beteiligungsgesellschaft mbH, Salzgitter	Germany	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

Consolidated companies	Country	Capital share in %
Joint ventures and associated companies		
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, Harrow	UK	25.0
alps & cities 4 ever GmbH, Vienna	Austria	50.0
Atlantica Hellas S.A., Rhodes	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
Boomerang Reisen Vermögensverwaltungs GmbH, Trier	Germany	49.0
DER Reisecenter TUI GmbH, Berlin	Germany	50.0
HLX Touristik GmbH, Baden-Baden	Germany	49.0
Holiday Travel (Israel) Limited, Airport City	Israel	50.0
InteRes Gesellschaft für Informationstechnologie mbH, Darmstadt	Germany	25.2
Intrepid Connections PTY LTD, Winnellie	Australia	50.0
Intrepid Retail Group PTY LTD, Brisbane	Australia	50.0
Intrepid Vietnam Travel Company Ltd, Hanoi	Vietnam	49.0
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
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

Consolidated companies	Country	Capital share in %
TUI Hotels & Resorts		
aQi Hotel Schladming GmbH, Bad Erlach	Austria	49.0
ENC for touristic Projects Company S.A.E., Sharm el Sheikh	Egypt	50.0
Etapex, S.A., Agadir	Morocco	35.0
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
Makadi Club for Hotels S.A.E., Hurghada	Egypt	50.0
M.H. Cyprotel Management Ltd., Limassol	Cyprus (Greek part)	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., Corfu	Greece	50.0
Quinta da Ria Empreendimentos do Algarve, S.A., Vila Nova de Cacela	Portugal	33.0
RIU Hotels S.A., Palma de Mallorca	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., Marrakesh	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		
Hapag-Lloyd Holding AG, Hamburg	Germany	38.4

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, 6 December 2011

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 TUI AG, for the financial year from 1 October 2010 to 30 September 2011. 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 section 315a (1) of the German Commercial Code (HGB) 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 section 317 of the German Commercial Code and German generally accepted standards for the audit of financial statements promulgated by the 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 section 315a (1) of the German Commercial Code (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, 6 December 2011

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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TUI AG
Karl-Wiechert-Allee 4
30625 Hanover
Germany
Tel. +49 (0)511 566-00
Fax +49 (0)511 566-1901
www.tui-group.com